

HALLGARTEN & COMPANY

Initiation of Coverage

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Cloudbreak Discovery

(LSE: CDL)

Strategy: LONG

Key Metrics

Price (GBP)	£0.045
12-Month Target Price (GBP)	£0.085
Upside to Target	89%
High-low (12 mth)	£0.03-£0.06
Market Cap (GBP mn)	£17.53
Shares Outstanding (millions)	389.57
Management stake	23%

Cloudbreak Discovery

A Project Generator/Royalty Hybrid

- + CDL's listing on the London Stock Exchange's Standard List adds a new entity to the small universe of project generators
- + Experienced management with global reach in sourcing and partnering projects
- + Valuation is fundamentally underpinned by the market caps of the three listed companies in the portfolio
- + The rest of the portfolio represents upside from the still unlisted entities and from royalties on those holdings in the portfolio that have potential
- + Portfolio offers exposure from precious metals through industrial minerals to industrial gases
- + Listing of Imperial Helium crystallised value in a currently favoured sub-sector of the industrial gas space
- + A recent GBP1.695mn (net) raise associated with move to the Standard Listing
- ✗ Project generators frequently trade at a discount to NAV
- ✗ Project generator performance to some extent relies on management competence at companies which acquire the projects

A Rare Beast

Project generators have been around for a long time. Indeed it could be said that the old "Mining Finance House" model was in fact just project-generation writ large. In recent times, the Canadian markets have been the main stronghold of the project generator model, with companies such as Globex and Strategic Metals being almost classical examples. In the London market the concept can be traced back over a century to the likes of Selection Trust but in more recent times the offering has been much more restricted with Altus Strategies (TSX-v:All, AIM:ALS) and Metal Tiger (LSE:MTR) being recent proponents of this corporate strategy. It is worth noting that Altus has been a constituent in our Model Resources Portfolio for over a year now.

Royalty companies

Smaller royalty companies have become a distinct flavour over the last three years. For decades the royalty space has operated on a principle of size being all with entities such as Wheaton Precious Metals and Franco Nevada stalking the landscape like the Tyrannosaurs Rex feeding as they pleased. In recent years, the "mammals" nipping at their heels in the form of about 30 listed entities that were more focused and yet freer to buy royalties on assets that the dinosaurs decreed to be too small for their appetites.

Originally the new breed of royalty juniors offered dividends as a USP but now even those have gone by the wayside given the feverish pursuit of these entities by retail investors. Cloudbreak has not yet signaled its dividend payout policy on future royalty income flows.

Seat(s) at the Table

The company's attitude to directorships is that if it has a stake of over 10% in the equity then it demands to have a seat at the board table to ensure that its interests are represented (and moreover not prejudiced). Cloudbreak has been the driving force behind many of its investments in the first instance.

Standard List

We have written of the attractions of the Standard List over the AIM, several times in the last two years. Our enthusiasm has been vindicated with a steady flow of listings to the former while the latter has become somewhat of a wasteland with a static (to declining) constituency.

Cronin Capital

This firm, which has sired Cloudbreak, is a boutique mining finance firm in Vancouver, but with an international crew of veteran financiers and technical staff. Cronin has been in the business of identifying and packaging mining and energy sector projects of merit for over a decade. The management team led by Kyler Hardy, has a track record of advancing private and public companies and its strategy is most akin to that of the team at Altus Strategies with a portfolio of projects with attached royalties but the Helium project is a differentiator.

Putting it All Together

The former Aquis shell, Imperial X, is acquiring (using its shares as currency) Cloudbreak Discovery Corp, Howson Ventures Inc., Cabox Gold Corp and certain economic interests in Anglo African Minerals PLC. These transactions involve the issuance of 245.6mn new shares.

The company has raised GBP2 million through the placing 66.666mn new shares at the listing with net proceeds of GBP1.695mn after listing and fundraising costs.

The Cloudbreak Strategy

In this initiation of coverage we shall look at the company's individual holdings as sort of snapshots of where these holdings stand just prior to the listing. We expect the portfolio holdings to change over time, some will be monetized and set free to go their own way and new holdings will be added. The current IPO gives a war chest to further expand the number of stakes.

Temas Resources

Leading with Titanium

- + Titanium exposure in Quebec, a well-known jurisdiction for this metal (with Rio Tinto a big player)
- + “Green” metal extraction technology IP ownership (ORF Technologies)
- + Potential to cooperate on processing with other majors
- + Holding represents main underpinning of Cloudbreak’s NAV
- + Interesting potential exposure to borates in Serbia, where mining activity and investor interest has been burgeoning of late
- ✗ Titanium is not in short supply with diverse projects all around the world
- ✗ Potentially sizeable CapEx for the Titanium project
- ✗ Financing of mine development remains challenging

In Pursuit of Critical Metals

Temas Resources (CSE: TMAS, OTCQB: TMAF) is primarily focused upon iron ore and two strategically important minerals: Titanium and Vanadium. The two main properties located in the stable, mining-friendly jurisdiction of Quebec. The company is advancing two major projects in the Grenville Geological Province area, which is home to Lac Tio (owned by Rio Tinto), the largest solid ilmenite deposit in the world. The first, the DAB Property, is an option for 100% interest consisting of 128 contiguous mineral claims which cover 6,813.72 hectares (68.14 km²) within the Grenville Geological Province. The second is the La Blache project detailed below, on which Cloudbreak holds an NSR and an area of interest clause.

The company is also earning into 50% on the Piskanja boron project in Serbia and holds a 50% interest in a portfolio of metallurgical patents focused on base metals extraction technologies with a significant focus on Ti & Fe separation.

La Blache Project

The La Blache Property comprises 48 claims and covers ~2,653 hectares of ground approximately 100km north of the community of Baie-Comeau, Quebec. The property is part of the La Blache Anorthosite Complex and hosts the Farrell-Taylor magnetite-ilmenite deposit.

Originally discovered in the 1950’s, various exploration programs have been conducted through the years. The most advanced study results were presented in a 2012 report from SGS. Drilling on the property led to an historic estimate in 2012 at the Farrell-Mason target of 22mn tonnes of TiO₂ equivalent. While this resource is not current it is considered significant and is the basis for building a PEA anticipated to be completed by the end of 2021 including updated metallurgical studies. Between DAB and La Blache they have additional satellite prospects, which require further work. Preliminary

metallurgical work has also been conducted resulting in high recovery of Iron, Titanium and Vanadium from the Farrell-Taylor lens.

Resource

The project has a historic resource dating back to May 2012 prepared by SGS. Estimates assumed an open-pit mining scenario, with mining, processing, and G&A costs of \$US 115/tonne.

La Blache - Resource Estimate								
Cut-off @5.1% TiO2 Eq								
Category	Tonnage mns	Fe2O3 %	Fe %	TiO2 %	V %	V2O5 %	TiO2 Eq. %	Contained TiO2 Eq (tns)
Inferred?	101.7	59.7	41.76	18	0.18	0.33	21.75	22,110,000

The price assumptions used were: V₂O₅ @ US\$ 13.50/kg, Fe₂O₃ @ US\$ 0.12/kg, TiO₂ @ US\$ 2.50/kg. Recoveries used: 90% Fe, 95% V 100% TiO₂

TiO₂Eq Calc: $TiO_2 (\%) + (V \text{ (ppm)} * 1.7852 * 0.0001 * 5.4) + (Fe_2O_3 (\%) * 0.033)$

However, as a qualified person has not done sufficient work to reclassify the historical estimate as current mineral resources or mineral reserves thus Temas is not treating the historical estimate as current mineral resources or mineral reserves.

Preliminary metallurgical testing of the oxide mineralization yielded 90% recovery of Iron and 95% recovery of Vanadium into a final high-purity product. A TiO₂ product suitable for further processing to pigment-grade TiO₂ was fully recoverable in testing.

In terms of infrastructure, labor force, supplies and equipment are readily available, as the Côte-Nord area is served by geological and mining service firms in the Sept-Iles-Port Cartier area and in Labrador City, Labrador.

Strategy

At the moment the exposure to the entity consists of:

- + 10,000,000 shares or 15.75% (the current market value of which is ~CAD\$10.2mn)
- + 2% NSR with a 50% buy back in exchange for \$2.5m
- + Non-executive chairmanship held by Kyler Hardy, with Rory Kutluoglu as a non-executive director

Investment Thesis

Cloudbreak is a strong supporter of the initiatives that the Temas management team is pursuing and will continue to support from a technical position in the navigation of the PEA, FS and metallurgical studies and promotion.

Also the company is keen to help with coordination of further deployment of the ORF technologies, which offer potentially cheaper, definitely more environmentally friendly metal extraction for Co, Cu, Ni, Fe, Ti, and Zn. Through partnered ownership, development of new deployments of the technology deployments.

The investment in Temas Resources provides Cloudbreak with exposure to:

- + Multi-billion dollar TiO_2 industry, both with potential for production and through technology ownership
- + Potential European-sourced Borates to reduce environmental impact of supply chains and support agriculture and industry “domestically”
- + Potential royalty flows in a production scenario at La Blache, which has a heightened likelihood with opportunities in acquired technologies



Norseman Silver

Precious Metals in B.C. (and beyond)

- + Excellent initial sampling showing strong Silver results, with some Copper potential
- + Interesting recent expansion into silver potential in a well-regarded provincial jurisdiction in Argentina
- ✗ Very early stage
- ✗ Additional financing will be required to undertake exploration programs to advance projects

Precious Metals & Copper in the Sights

Cloudbreak's prime exposure to the precious metals sector at the moment is via the Toronto Venture Exchange-listed Norseman Silver (TSX-v:NOC). The company's current property portfolio includes the Cariboo, Silver Vista, Silver Switchback and New Moon projects located in central British Columbia, Canada. Access is primarily from the towns of Smithers or Terrace.

Silver Switchback is a Volcanic Red-bed Copper (VRC) target. Notable results from sampling include:

- 626.3g/t Ag, 4.39% Cu in outcrop
- 802g/t Ag, 7.24% Cu
- ~1.4km of 1 ppm Ag in soils trend identified

The option deal on the Silver Switchback property is, to fully exercise the option, Norseman shall: (i) pay to Cloudbreak an aggregate of \$30,000 and 750,000 common shares in the capital of the company in instalments; (ii) pay to 1975647 Alberta Ltd. an aggregate of \$60,000 and 1.85 million common shares in instalments; and (iii) make aggregate exploration expenditures of \$475,000 on the Silver Switchback property over three years.



In addition, pursuant to the option agreement, the company shall grant to Cloudbreak a 1% NSR royalty. Norseman has the right to acquire half of the NSR from Cloudbreak at a price of \$500,000.

At Silver Vista the target metals are Gold, Silver, Lead & Zinc in Mesothermal stratabound mineralization in sandstones. There is only limited outcropping, but indications from limited drilling and soil sampling

suggest a mineralizing system in management's view.

As to the Silver Vista property, in order to fully exercise the option, Norseman shall: (i) pay to Cloudbreak an aggregate of \$50,000 and two million common shares in the capital of the company in instalments; (ii) pay to 1975647 Alberta Ltd. an aggregate of \$45,000 and one million common shares, in instalments; and (iii) make aggregate exploration expenditures of \$275,000 on the Silver Vista property over three years.

The company has granted to Cloudbreak a 1% NSR royalty. Norseman has the right to acquire half of the NSR from Cloudbreak at a price of \$500,000. The Silver Vista property is also subject to an underlying 2.0-per-cent NSR royalty.

There is also the Cariboo property, targeting Silver/Copper/Gold, on which Cloudbreak holds an NSR. At this project the mineralization is comprised of Copper sulphides in fractures and calcite veinlets, with a zoned soil anomaly measuring 1500m x 500m. Historic drilling has been limited and inconclusive, to date, so this project requires more work.

The company's New Moon property, on which Cloudbreak holds a 2% NSR, is a 3,522-hectare claim package located 60kms east of the port of Kitimat. Mineralisation identified to date on the property includes epithermal veins with base and precious metals content. Local skarn mineralisation and massive sulphide float might indicate VMS-style mineralisation.

Further Afield

In early March of 2021, the company entered into a non-binding letter of intent with the Bussandri-McMillan partnership to acquire a 100% interest in the Taquetren Silver project, located in the Rio Negro province of Argentina. We would note that Rio Negro is now a very highly-rated jurisdiction in the Fraser Institute's 2020 Survey.

The project covers approximately 285 kms² and is located within the Somun Cura Massif. The geological setting is calc-alkaline, bimodal Jurassic Taquetren Formation volcanic rocks, within the Gastre fault zone. The Gastre fault system is a transcontinental shear zone, which extends from the Andean Cordillera to the Atlantic coast resulting in a series of half grabens and tectonic basins and associated faulting. Work to date has suggested favourable hydrothermal alteration. The project should be categorized as an early-stage exploration property.

Strategy

At the moment the exposure to the entity consists of:

- + 6,000,000 shares or 14.52% (the current market value of which is ~CAD\$3.6mn)
- + 2% NSR on Cariboo project

- + 1% NSR on Silver Switchback project
- + 1% NSR on Silver Vista project
- + 2% NSR on New Moon project
- + Non-executive chairmanship held by Campbell Smyth, with Kyler Hardy as a non-executive director



Deep Blue Trading

More Precious in B.C.

- + Early-stage exploration play in British Columbia
- + Close proximity to Norseman Silver assets
- ✗ Only one asset as yet
- ✗ Might be considerable time before a stock exchange listing

Early Stage

This unlisted company is engaged in gold and silver exploration. Its main asset is the Gold Vista property which is located 55kms north-east of Smithers in northern British Columbia. This asset is immediately NNW of the Silver Vista property (previously mentioned in the context of Norseman Silver).

Gold Vista can best be described as in the early stages with limited outcropping and was only identified in 2017. Silver values in the soils are enriched and widespread, with more than 37% of soil samples taken registering Silver grades of more than 1 g/t.

Strategy

At the moment the exposure to the entity consists of:

- + 500,000 shares or 5.2% of issued shares
- + 1.5% NSR on Gold Vista asset, with a 50% buy back in exchange for \$1mn

Buscando Resources

Seek and Ye May Find

- + Copper's surge since late 2020 has dramatically changed the outlook for the relatively few listed companies with projects targeting this metal
- + In close proximity to the former Island Copper Mine (operated by BHP) which was a major producer of Copper, Gold, Moly & Silver (and Rhenium)
- + Listing expected on the Canadian Securities Exchange (CSE) in late Q2 2021
- ✗ Early stage with limited exploration as yet
- ✗ Early stage "conceptual" exploration financing remains challenging

Trending on Vancouver Island

Cloudbreak has two exposures to Vancouver Island, the first being Buscando Resources and the second being Linceo Media, which we discuss anon. Buscando means "seeking" in Spanish.

Buscando is an unlisted mineral exploration company established to acquire and develop mineral exploration properties. In July 2020, the company signed an LOI to enter into an option agreement where it can earn into 100% of the Rupert property for certain cash and share payments. The Rupert property is an early-stage copper exploration property located in British Columbia.

The Rupert property is located in northern Vancouver Island to the east of BHP's past producing Island Copper Mine. That mine, which was Canada's third largest copper mine, was located about 16 kilometres South of Port Hardy. From 1970 to 1995, Copper, Gold, Silver, Molybdenum and a by-product Rhenium were mined, using conventional open pit truck and shovel methods. At mine-closure more than one billion tons of material had been removed, leaving the deepest excavated depression below sea-level on the planet.

The Rupert target has had limited exploration work to date has identified coincident geophysical signatures and muted soil anomalies of Copper and Molybdenum. The property is under significant till cover limited bedrock exposure. The exploration target is Mesozoic intrusions and related mineral breccias resulting in a copper porphyry, similar to the Island Copper Mine's deposit and the Hushumu deposit of North Isle Copper & Gold Inc. (TSX-v: NCX).

Strategy

At the moment the exposure to the entity consists of:

- + 1,000,000 shares or 8.7%
- + 2% NSR

- + Cloudbreak is due to receive a total of CAD\$150,000 from Buscando as well 2,750,000 additional shares upon 12 and 24 month anniversaries of the sale of the Rupert Property
- + Kyler Hardy is CEO and David Robinson and Kyle Hookey are non-executive director

Linceo Media

Linkage to the Construction Materials Space

- + Strong connection between the aluminosilicate production and regional construction activity makes this play a leveraged bet on continued strong construction activity in British Columbia
- + Non-residential construction investment in BC is set to expand by 25% between 2020 and 2021, driven by the timing of several major utility, gas, pipeline, and transportation infrastructure projects with a total value of more than CAD\$60 billion
- + Company has exposure via an NSR to an existing mine and via new contiguous assets to mining potentially fully under its own aegis
- + Reactivation of mining assets, particularly Apple Bay, would not appear to be greatly complicated or costly
- ✗ Construction demand is often a product of low interest rates and indications exist that inflationary fears may prompt rate rises

Background & History

Linceo's primary focus is upon quarries for aluminosilicate in British Columbia. Aluminosilicate material is used in the manufacturing of cement. Each cubic meter of cement produced is comprised of up to 30% aluminosilicate. The silica acts as a sinter imparting strength and the alumina acts as a flux lowering energy cost and speeding up the setting time of concrete.

The back story to this holding is that, in 2017, a company (controlled by Kyler Hardy) called Nebu Resources Inc. entered into a letter of intent for the reverse takeover of Linceo Media Group Inc., a private company engaged in mining and exploration of industrial and other minerals.

Nebu spun out its existing mining properties for shares of a private company on behalf of its existing shareholders. Following the merger, Ridge Resources (a company-owned and controlled by Kyler Hardy) ended up with 15.4% of the company, Lauterbrunnen Developments was to own 14.1% and Rev Royalty Income and Growth Fund will own 12.3%.

Assets

Cloudbreak owns a 1.5% NSR on the Apple Bay Mine property. This asset has historically produced high-grade silica and aluminosilicate for the Canadian cement industry. The mine produced between 32,000 and 125,000 tonnes per annum between 2004 -2016. The Apple Bay mine is located approximately 25 km southwest of Port Hardy on Northern Vancouver Island. It has produced approximately 871,355 tonnes of aluminosilicate for cement production between 2003 and 2015, until it was put on hold in early 2016 pending resolution of a contract dispute between the mining lease and mine permit holders.

In 2019, Linceo acquired a portfolio of further assets with exposure to aluminosilicate.

The principal asset is the Gala Property, located within the Nanaimo Mining District immediately adjacent to the Apple Bay (PEM100) Mine. This property consists of all the industrial mineral rights of the North Isle Copper & Gold Inc. (TSX-v: NCX) mineral claim tenures directly adjacent to the Apple Bay (PEM100) quarry in both a northwest and southeast direction. The tenures cover approximately 18,248 ha and trend for roughly 40km. The property covers all the documented areas of known silica and aluminosilicate occurrences (at least seven which are well known), north of Holberg Inlet, along trend with the Apple Bay Mine.

The same transaction brought on board the Granny Smith and Fuji claims, also located in the Nanaimo Mining District on the west coast of Northern Vancouver Island near the mouth of Quatsino Sound, approximately 42km southwest of Port Hardy. The Granny Smith claims cover approximately 1029 ha and the Fuji property covers 1357 ha.

Both claim groups are underlain by Lower Jurassic Bonanza Group rhyolitic to dacite felsic volcanic flows which are known to host advanced argillic alteration zones characterized by the presence of aluminosilicates (often referred to in the local area as geyselite and/or chalky geyselite). These zones are similar in nature to the geological environment of quarries at Apple Bay (PEM100) north of Holberg Inlet and Monteith Bay north of Kyuquot on Vancouver Island.

Demand

Regional demand for aluminosilicate and high-grade silica is estimated to be in excess of 500,000 tonnes per annum. The primary consumers are large cement manufacturers and cement board manufacturers. Regional availability of high-grade silica and aluminosilicate products decreased due to the removal of production from the market of the PEM 100 Quarry and the limited production out of Scatter Creek deposits. The regional supply is essentially sourced from Sumas Mountain in Abbotsford, British Columbia.

New sources of material with favourable logistics for bulk materials are required to fill the supply gap which exists in the market.

Strategy

At the moment the exposure to the entity consists of:

- + 13,000 shares or 11.5% of the equity
- + 1.5% NSR on Apple Bay mine

Imperial Helium

Noble Gas Rising

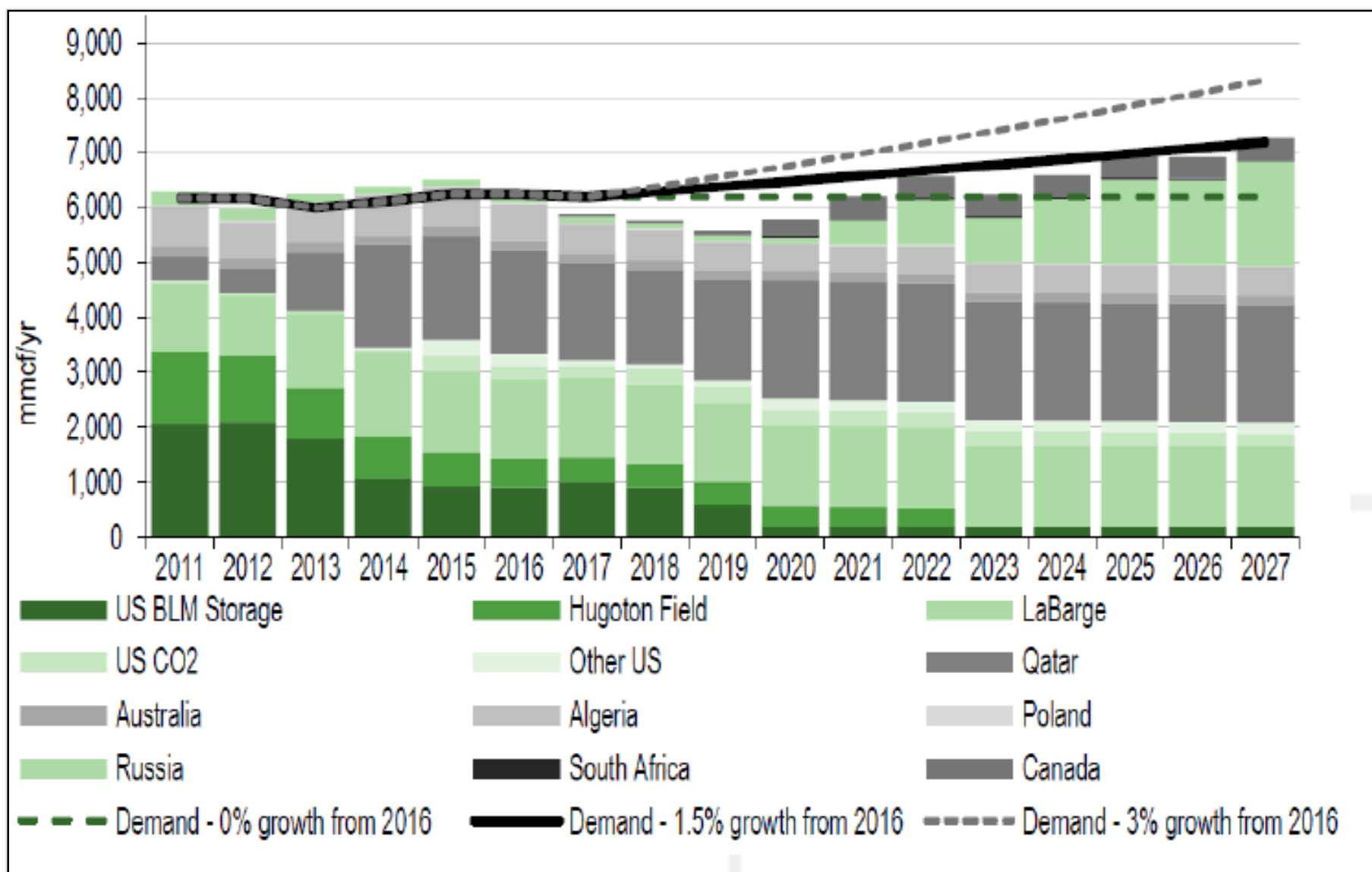
- + Soaring demand for Helium is being driven by its usage as a cooling agent in the burgeoning data centres that drive the internet and most specifically The Cloud, but also cryptomining
- + Imperial Helium recently started trading on the Toronto Venture Exchange under the ticker IHC at a strong premium to the IPO financing at 25 cents
- + The Bureau of Land Management has long controlled the Helium stockpile of the US government and was instrumental in creating the US dominance of the Helium space over the last century
- + Exploitation of natural gas fields to produce Helium means that the myriad restraints that stymie, delay and add to the costs of a mining operation are largely absent
- + Company had \$13.5mn in cash as at the end of May 2021 after raising \$14m in its IPO financing
- ✘ The US government is signaling a lower profile for its Helium “stockpile” and the total elimination of this strategic asset
- ✘ The Helium market has long been in the grip of a cartel of the super-large industrial gas players that have been price setters
- ✘ Me-tooism has seen some unworthy Helium plays getting ahead of the more serious players

Criticality Finally Recognised

Helium has become something of a minor sensation in recent times with the upsurge of interest coming at a time when the US has signaled Helium as one of its critical elements but is still proceeding with the rundown of its stockpiles of the gas. If one subscribes to the (attractive) thesis that the soaring demand from the likes of server farms (for cooling) to support the burgeoning internet, then this will provide an exponential rise in demand that far exceeds releases from the stockpile.

There are relatively few obstacles to getting into production in the Helium space. If one can build a processing/separation plant, then one is potentially off to the races. It doesn't give one access to the Helium pipeline if one isn't in close proximity. Grade matters for the economics, but little else stands in the way. One needs reservoir engineers to opine on the potential size and grade of the gas fields under consideration. The separation itself is not rocket science. The key determinant is going to be access to capital.

Some of the new Helium players are undoubtedly real (e.g. Nasco) and the others are at various points along the spectrum from being merely promotorial to being at a point where they have secured concessions with contingent reserves (like Imperial Helium) and just need to fund processing plants to begin extraction. As to which of the putative players with Helium in the name are dedicated to the gas in question or the mere production of hot air, only time will tell.



Source: BLM/USGS

Main Asset

The company's principal development asset is the 24,635 hectare the Steveville gasfield, in Southern Alberta, Canada. The field is a historic discovery with overlooked Helium content.

The Steveville structure appears to be a large dome feature with four-way closure. The first well to penetrate the structure was drilled in the winter of 1940 near Steveville resulting in a blow-out which reportedly flowed at greater than 50mn cf/d for several months until the well was brought under control. The structure subsequently tested 6 mn cf/d of non-burnable gas (87% nitrogen 0.63% helium) from the Beaverhill Lake Group. At the time, the project was not of commercial interest in the structure because the gas results indicated high concentrations of nitrogen with Helium and minimal hydrocarbons. Four subsequent wells confirmed the structure.

There are multiple re-enterable wellbores. The recovery factor is estimated at ~85% and Helium at ~0.63%, and the technical team anticipate a uniform reservoir.

Then in March of 2021 Imperial Helium agreed a lease option agreement with Heritage Royalty Resource Corporation for a property acquisition that tripled the size of Imperial Helium's landholdings within the core area near the hamlet of Princess in southern Alberta.

The Lease Agreement, along with the company's existing land holdings, now gives Imperial Helium the rights to a structure covering more than a township (36 sq miles) with known Helium concentration.

The property subject to the Lease Agreement is located on land over the historic Steveville discovery, and is referred to as the Steveville project.

The company is acquiring seismic data to better define the structure and intends to drill its first well into the apex of the structure adjacent to the discovery well, late second quarter of 2021, with completion and testing to follow. Upon evaluation and integration of the first well into the reservoir model, a second well location will be confirmed. The second well is anticipated to be drilled on the flank of the structure.

Management estimates that Steveville has around 1.1 bn cf of recoverable Helium.

Strategy

Management's strategy is to use its proprietary database to source and analyze target wells with contingent concentrations of Helium. It intends to focus on wells with existing infrastructure to reduce capital requirements for production testing and resource definition. Targets will be those wells from which production cash flow can realistically be expected within 24 months from acquisition.

Investment Thesis

While it appears that Imperial Helium is one of the company's lesser holdings, it is one with a significant role, having been a prime driver of the enterprise from the get-go. At the moment the exposure to the

entity consists of:

- + 710,767 shares or 0.83% of the equity
- + 315,000 preferred shares that vest upon milestones anticipated in the coming 12 months
- + Co-Executive Chairmanship held by Kyler Hardy, with Kyle Hookey as the VP of Corporate Finance

Summary

The company made a stellar debut on the Toronto Venture Exchange in late May 2021.

Helium is hot (somewhat of an oxymoron). The US decision to sell down its stockpile (though still not written in stone) has provided the greatest sea-change in this space since the World War II. The rising use of helium as a cooling agent in server farms (ergo linked to the rising Cloud) combined with its critical role in semiconductor manufacturing, medical and defense purposes make it a gas to be not only coveted but defended against potential shortages or Chinese domination. At least the latter is currently not a threat... yet.



Anglo African Minerals PLC

Bauxite Focus in West Africa

- + Guinea has become the rising star in bauxite production over the last decade
- + The company's projects hold in excess of 1.4 billion metric tons of high-grade commercial bauxite
- + Company and its assets have been hotly sought in recent years by predators but without deals reaching a conclusion
- ✗ Bauxite is perceived as a mineral for big players as mines and volumes are of epic scale
- ✗ Guinea is a jurisdiction that has had a fluctuating political reputation over recent decades
- ✗ China is Guinea's biggest customer so players are at the mercy of Chinese machinations
- ✗ Capex in Guinea can be very high for bulk commodities due to limited extant infrastructure
- ✗ Financing of mine development remains difficult

Into West Africa

Anglo African Minerals plc (AAM) is an Irish-registered company (founded in 2008) with headquarters in Cashel, Co Tipperary. The company initially made gold, copper and diamond license investments in Guinea and Sierra Leone, but is now focused on the exploration and development of bauxite assets located in the Republic of Guinea. In 2019, the country was the world's 3rd largest producer of bauxite. Guinea's bauxite reserve is 7.4 billion metric tons, which is 26.4 percent of global reserves.

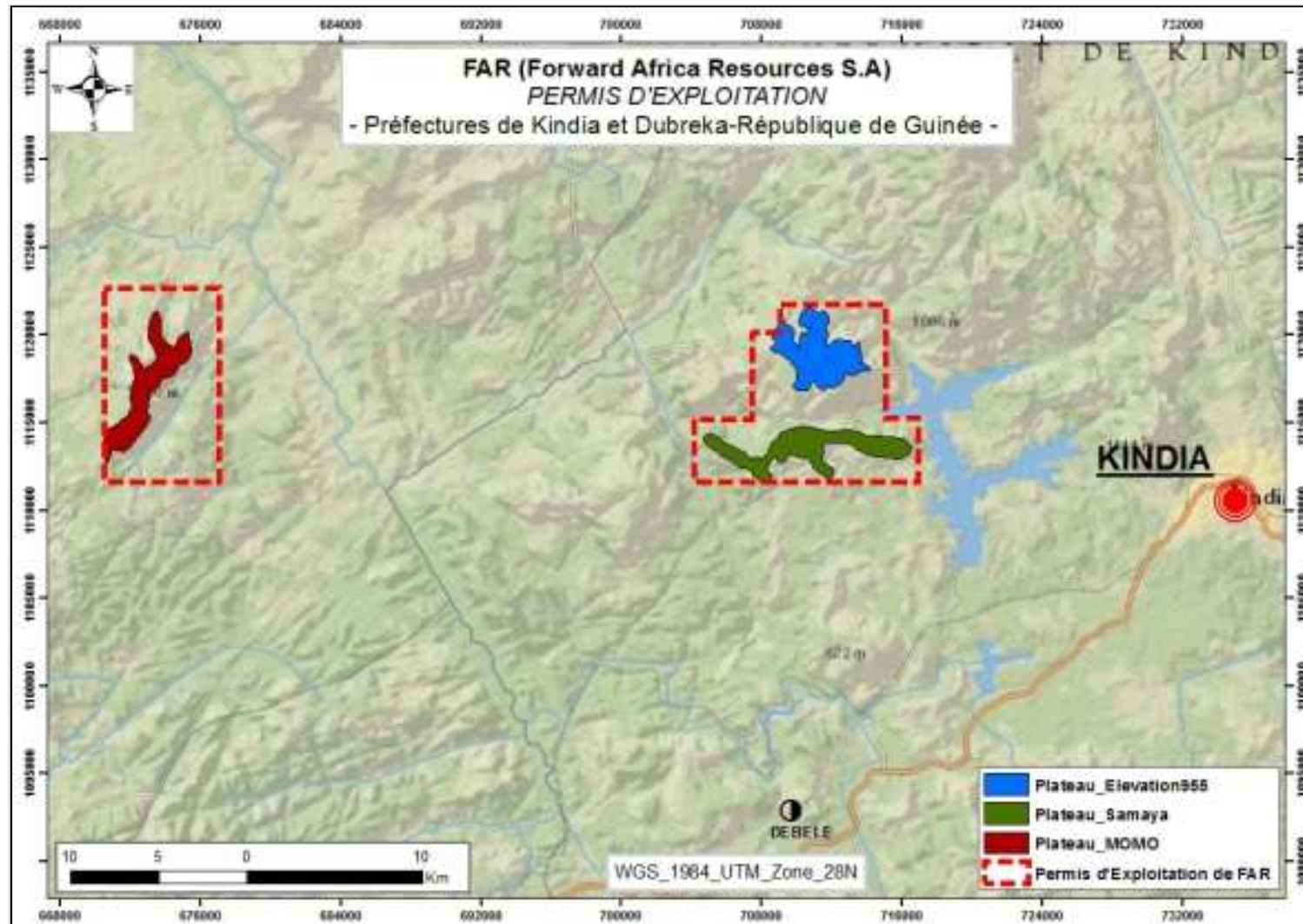
The management's objective is to become a bauxite producer in the near term.

Into Bauxite

In late 2010, AAM acquired a 62% investment in a bauxite exploration company Tougue Bauxite and Alumina Corporation S.A., (Toubal) in Guinea. Henceforth, AAM resolved to focus solely on developing bauxite projects in Guinea and either disposed of, or wrote off, its other investments.

In January of 2013 AAM acquired the Forward Africa Resources (FAR) bauxite project located in the Kindia and Dubreka regions. One year later in mid-January 2014, AAM acquired the Société Minière D'Alumine S.A. (Somalu) and Mineral Technology Exploraton Production Guinée S.A. (Mintep) mines.

During 2014 and 2015, AAM acquired further shares in Toubal, increasing its total shareholding to 92%. The aim with the Somalu and the Toubal projects, is to produce 450mn tonnes and 865mn tonnes of export-quality bauxite, respectively.



FAR was granted two exploitation licenses in April 2017 - one for each of Momo and Samaya/Elevation plateaux - to export bauxite at a rate of 3 to 5 million tonnes per annum.

Collectively the company's assets in Guinea hold in excess of 1.4 billion metric tons of high-grade commercial bauxite.

Deal Merry Go Round

In October of 2016, AAM announced a €200 million joint venture with a Chinese group to develop the FAR project in Guinea. The Chinese consortium consisted of China New Era Group and China Geo-Engineering Corporation and the new subsidiary company was expected to seek a listing on the Hong Kong Stock Exchange. This deal did not eventually come to pass due to delays in state approvals and governmental delays in country.

Then in February of 2020 an Australian company, TerraCom Ltd, executed a binding term sheet to acquire Guinea-focused bauxite explorer Anglo-African Minerals PLC, subject to due diligence and regulatory approvals. TerraCom agreed to pay a US\$500,000 refundable deposit to be granted an exclusivity period until the 31st of August 2020. Their goal was to develop the FAR project, aiming to produce 70 million tonnes of export-quality bauxite.

The company expected an initial production rate of three million tonnes per annum between 13 and 16 months from the start of development work, increasing to five million tpa over following 12 months.

TerraCom partnered, for this deal, with The Private Office of Sheikh Ahmed Bin Dalmook Al Maktoum, a member of the ruling family in Dubai, United Arab Emirates, which has invested in mining, energy and other projects in Africa and the Middle East.

Bauxite/Aluminium Dynamics

These minerals are not often on the radar of public company investors as non-major listed players are rare as hen's teeth. Indeed most of the bauxite production is in the hands of large integrated Aluminium producers, with notable exceptions like South 32 (ASX: S32). We, for example, have never written on this mineral or the production of the metal.

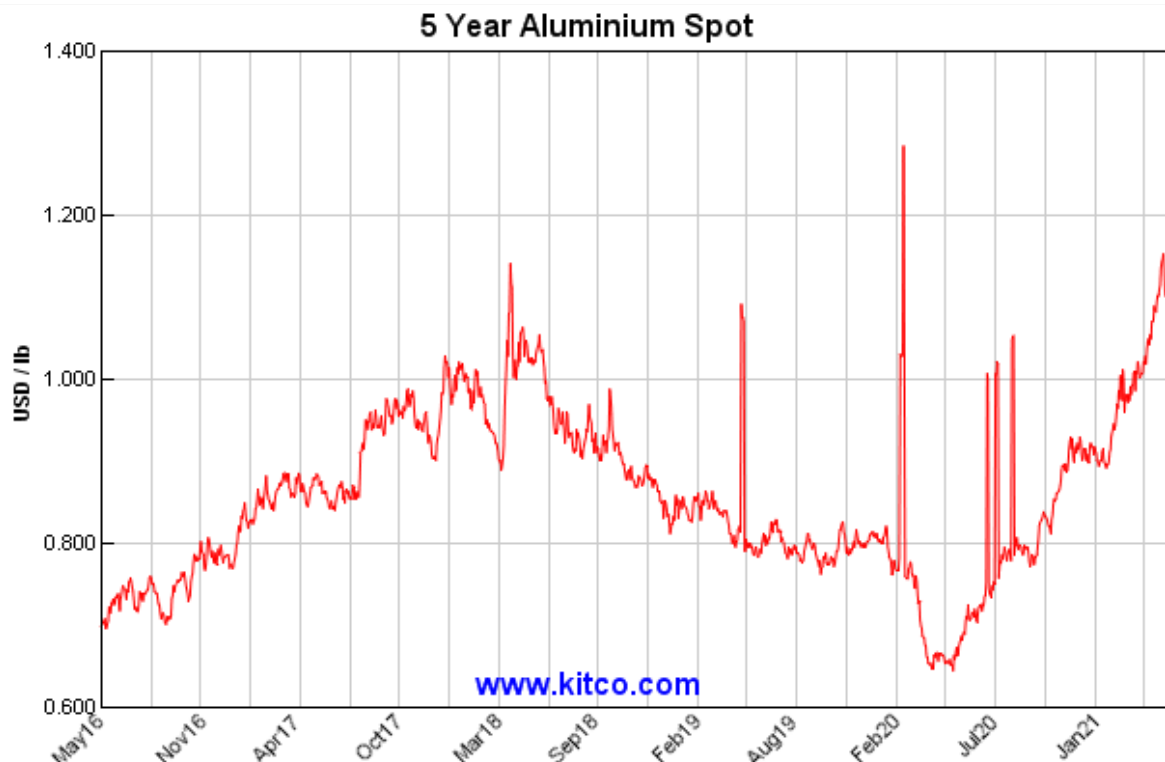
Aluminium is the most abundant metallic element, and the third most abundant of all elements in the Earth's crust, making up 8% of the crust by weight. In fact, only silicon and oxygen are more plentiful. Actually, many common minerals, including feldspars, contain Aluminium but extracting the aluminium from most minerals is very energy-intensive and therefore prohibitively expensive. This means that economically viable deposits of Aluminium are limited.

The most economic ore for the extraction of Aluminium is bauxite, the source of over 99% of the world's metallic Aluminium. The word bauxite comes from "les Baux de Provence" a village located in South of France where bauxite was discovered in 1821 by Professor Pierre Berthier.

Bauxite/Aluminium Metrics

- World market for metallurgical bauxite (2010) 220.3 million metric tons
- Strong Aluminium consumption growth projected at 6.9% per annum from 2011 to 2030 (i.e. an increase of approximately 50% by 2030)
- Market is forecast to require 15mn metric tons of new bauxite supply year-on-year, the equivalent of Guinea's current annual exports
- Major shift from integrated production to independent suppliers
- Tradeable bauxite consumption of 106mn metric tons in 2010, and was projected to reach 153mn metric tons by end of 2020

The positive outlook for the bauxite market is driven by growing Aluminium consumption in the developing countries (e.g., China, India, Latin America). The dependence upon majors for new production meant that majors tended to focus on their own vertically-integrated production, while the major new consumer (e.g. China) was not endowed with sufficient bauxite for its own growth requirements. As a result bauxite production capacity moved into deficit around 2015.



With the largest reserves are in Guinea (estimated 7.4 billion metric tons) and Australia (estimated 5.7 billion metric tons) in second place, these two nations became the swing producers serving China's voracious needs.

Guinea hosts the highest "premium" quality ore, but had little in the way of infrastructure for moving DSO material, with roads, rail and ports all being formative to say the least. The current bauxite price FOB Conakry between USD\$35.00 per metric ton and USD\$50.00 per metric ton.

Strategy

Management's strategy is to advance the FAR mine project into near-term production. The company is also looking to secure a financially viable infrastructure solution for the larger Somalu and Toubal projects. AAM aspires to become a leading player in the export of bauxite from its assets in Guinea.

Team

James Lumley became the company's CEO in 2012. He began his career at Barclays Bank in the City of London, specialising in corporate lending and went on to provide consultancy services for a number of multi-national companies in raising finance and strategic planning. He has subsequently worked with a number of resource companies in raising both private and public funding, which has either lead to a stock exchange listing or takeover.

Previously he was appointed as Managing Director of RAM Resources an ASX-listed company, Director of Greenland Resources Limited and CEO of NAMA Resources based in Iceland.

Michel Pothier, Operations Director, a French national based in Conakry is a founder shareholder of the company. He has extensive experience working on mining projects in Africa and capitalizing on experience in driving projects forward in natural resources, energy, ICT, telecoms and insurance. He is a specialist consultant to governments and international operators on natural resource and energy projects.

Hans Verschuur, the Technical Director, joined the company in 2014. He is a professional mining engineer with >35 years of extensive international experience in senior management positions in the large-scale bauxite mining operations including at companies such as Billiton, Pechiney, Alcan, and Rio Tinto Alcan. These roles have included project management, project evaluation, long-term strategic mine development, appraisal and due diligence of mining operations, feasibility studies, technical audits, review of potential bauxite deposits, negotiating supply contracts.

Investment Thesis

At the moment the exposure to the entity consists of:

- + 11,000,000 shares or 2.5% of the issued capital

Tuesday, June 8, 2021

- + Cloudbreak also holds 33,729,978 warrants
- + US\$1,344,735 Convertible Debenture@ 10% (conversion average US\$0.01)

Other Assets

1162832 B.C. Ltd

This is a private company that is expected to be coming public in the next six months. Cloudbreak is entitled to 500,000 shares in the entity. This stock is compensation for assigning the option for the Southern Spectrum property to 1162832 B.C. Ltd.

South Timmins

This is a target in a greenfields portion of the Abitibi Greenstone belt, the largest, most prolific greenstone belt in the world (190mn ozs plus). The exploration rationale has been to pursue favourable targets that are off the main breaks, since conventional wisdom has always insisted that the main breaks were the only place to explore. This has been disproved by a number of projects coming out with intercepts proving the old model wrong. Osisko's Windfall deposit being a case in point.

This project is only 40km south of the main Timmins camp (70mn ozs) and 40km west of the Young-Davidson project (3.1mn ozs). In this case, Cloudbreak's team has identified Ironstone and Felsic-Mafic volcanic contacts (favourable host lithologies) and structural complexity that may correlate to fertile structures that are off-break in nature.

Historic work has been at the most cursory but did sample >200ppb Au along one of the contacts between the mafic and felsic volcanic rocks on the property. The company is currently conducting an airborne high-resolution magnetic gradiometer survey with Precision GeoSurveys and are keen for the ground crews to follow up anomalies and known areas of interest.

The Issue

Cloudbreak has hitherto been listed on the Aquis junior exchange under the name Imperial X PLC. Under the transformation process to IPO it will upgrade its listing the Standard List of the London Stock Exchange, changing its name to Cloudbreak Discovery PLC and issuing 312.279 mn shares at 3 pence each. Post the placing of GBP2mn at 3 pence each, the company will have 389.565mn shares outstanding.

Team

Kyler Hardy, CEO, Director has over 16 years of experience in the global resource sectors. He has worked with venture capital, private equity funds and has introduced strategic partners to advance projects. He has founded, managed and successfully sold several resource sector businesses. He is currently the CEO of Cronin Group, Chairman of Temas Resources, Co-Executive Chairman of Imperial

Helium, a Director of Hexa Resources, director of Norseman Silver, and CEO of Buscando Resources.

Dave Robinson, CFO, has over 10 years of accounting and capital markets experience. He has provided audit, tax and consulting services to private and public companies for several years at MNP LLP, before moving to the Telus Pension Fund as a senior analyst, where he gained significant exposure to equity portfolio management and commercial lending. He is currently the group CFO and a partner in the Cronin Group.

Rory Kutluoglu, VP Exploration, is a professional geologist with over 15 years of mineral exploration experience with executive management roles in North American and European companies. He has designed and executed multiple exploration programs and managed comprehensive environmental baseline and feasibility studies.

Henrik Mikkelsen, VP Corporate Development, has over 25 years of experience as an Investment Banker and Portfolio Manager. Over the last 10 years he has focused on natural resources and technology in the resource sector as an investor and advisor for private and listed companies. He is currently the CEO of Iridis AG, an investment advisory firm based in Zug, Switzerland.

Kyle Hookey, non-executive director, has over eight years' experience in international capital markets, consulting across the financial sectors for corporate transactions and with broad investment portfolio mandates. He specialises in providing M&A consultancy, transaction financing and in corporate restructuring and has advised across both private and public companies, primarily in Canada, Australia and the United Kingdom. He is a Partner of Cronin Capital Corp. He is a non-executive director of TSX-v listed Allied Copper Corp. and CEO of Calidus Resources Corp.

Emma Priestley, non-executive director, is a Chartered Mining Engineer and Chartered Surveyor with over 20 years executive, consultancy and analytical experience in mining and financial services. She is currently the CEO of Goldstone Resources and was previously Executive Director of Lonrho Plc. She has previously worked at IMC Mackay & Schnellmann, CSFB, VSA Resources and Ambrian Partners.

Melissa Sturgess, non-executive director, has over 20 years' experience as a director of UK and ASX listed companies, in the acquisition finance and restructuring of natural resource companies with African focused projects. She undertook significant capital raises for Aquarius Platinum Limited and Sylvania Resources and is the founder and CEO of Ananda Developments a UK listed company in the cannabis sector.

Andrew Male, non-executive director, has over 15 years of executive and consultancy experience in North America and UK, with public and private companies in the natural resource sectors. He has acquired projects, managed exploration and development programs and exited via sale to Private Equity. He presently advises several European Family Offices on resources and technology opportunities.

He is a director of a number of public and private companies including Clarity Gold Corp., World High Life Plc, and Global UAV Technologies

Valuation

The challenge in valuing Cloudbreak is in the mix of listed and unlisted investments and the somewhat amorphous value of royalty interests. The latter are held on mostly early-stage exploration projects. Harder to value is the intangible the track record of management's 10-year history in executing corporate transactions and technical objectives.

The table below shows the seven current corporate holdings. The company has used the book value of the royalties in its valuation of these assets.

PRO-FORMA VALUATION	Price	Holding shares	Mark to Market Value	Further Equity Rec.	Cash Receivables	Royalty Value
Temas Resources (CSE: TMAS)	\$0.54	10,000,000	\$5,400,000			\$360,000
Norseman Silver (TSX-v:NOC)	\$0.385	6,000,000	\$2,310,000	2,130,000	\$115,000	\$1,440,000
Deep Blue Trading				500,000	\$45,000	\$360,000
Linceo Media		13,000				\$858,000
Buscando Resources	\$0.10	1,000,000	\$100,000	2,750,000	\$150,000	\$360,000
Imperial Helium (TSX-v:IHC)	\$0.365	710,767	\$259,430			
Anglo African Minerals PLC		11,000,000				
1162832 B.C. Ltd		500,000				
			<u>\$8,069,430</u>		<u>\$310,000</u>	<u>\$3,378,000</u>
Cash on hand					£1,900,000	
Total valuation (\$CAD)					<u>\$15,006,430</u>	

Buscando has just closed a 10cts Go Public financing round, giving a potential theoretical value to this holding.

Risks

There are several potential risks that should be taken into consideration:

- ✘ Global economic conditions could deteriorate due to a rising interest rates or slowing growth or both
- ✘ Royalty companies have been market favorites in recent years, without a significant pullback as yet
- ✘ Several exposures to precious metals in British Columbia, a province where many early-stage development to production has been patchy in recent years
- ✘ Exposure to hyper-excited Helium space leaves players vulnerable to setbacks there
- ✘ Financing difficulties for large projects, particularly the Titanium project
- ✘ Generally a down turn in a natural resource sector and more specifically the metals and exploration sectors

Opinions differ on the direction of global growth (and thus the broader markets) in the wake of the pandemic (not that the pandemic is behind us by any means). There is undoubtedly a “bounce” in progress. Whether this turns out to be a dead-cat bounce remains to be seen. There is also talk of a new Commodity Supercycle, which, if it is true, may be mere coincidence with the passing of the worst of pandemic, or may be related to long-term underinvestment in development of new projects and resources.

From a phase a few years ago where smaller royalty companies were valued on their performing royalties with undeveloped projects being regarded as icing on the cake, we have moved to a phase where optimistic valuations are being placed upon royalties on undeveloped projects and even on projects still without resource definition. In the case of Cloudbreak, its market capitalization is underpinned by its marked-to-market equities holdings and its receivables. The royalties represent the blue sky potential.

The company’s exposures in British Columbia constitute most of its precious metals’ upside.

The Helium space is becoming crowded. Several of the large players have the least prospective assets/plans and there is a risk that disappointment/disenchantment with them could impact the more serious plays such as Imperial Helium.

A recovering market for base and industrial metals has still not been matched by sizable financings that actually bring projects to construction and development. The Titanium project of Teras, for example, is a challenging one in terms of capex required.

Conclusion

Project generators play a vital role in the mining ecosystem. In those long gaps, when the junior explorers cannot raise funds to secure and work up properties towards development, project generators move in, lubricate the marketplace with their own capital. They stake or buy up properties, do some initial work and warehouse them for eventual placement into listed vehicles (usually explorers) when the market again favours an exploration orientation and is looking to feed the pipeline of projects

moving towards resource status or development.

The company's mantra is: "A good project generator never has to pay a property maintenance fee" implying that assets are never left around idle when they can be farmed out.

Cloudbreak has added some extra nuances to the "plain vanilla" generator model, by being the driving force behind several of the vehicles that have graduated from its project portfolio. Imperial Helium and Linceo are good examples of the management team at Cloudbreak also being the driving forces at the companies that take on its assets. In this respect it might be called a mining incubator. Over and beyond all this there is the royalty aspect as well.

A key element of the Cloudbreak strategy is to retain a seat at the table when the company has a significant amount of skin in the game (e.g. a sizable equity stake). This may be a non-executive directorship but frequently it is something better like holding the chairmanship. This ensures that unwelcome dilution or value destruction does not happen at the companies in which Cloudbreak has an equity holding or some other economic interest (e.g. NSR or debt).

Undoubtedly Cloudbreak is breaking the mold in the project generator/royaltyco/incubator sub-sector. What we have endeavoured to achieve with this initiation of coverage is to provide a snapshot of the company's state and project portfolio on the eve of its listing. With more funds now in the corporate treasury and a likely deal flow from monetization of stakes, Cloudbreak should see further acceleration of its deal-doing as it builds its portfolio. Expect a moving feast, with value accretion being the goal. The first big win has been the Imperial Helium listing.

We are initiating Cloudbreak Discovery with a **LONG** rating and a twelve-month target price of GBP 8.5 pence.

Important disclosures

I, Christopher Ecclestone, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

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