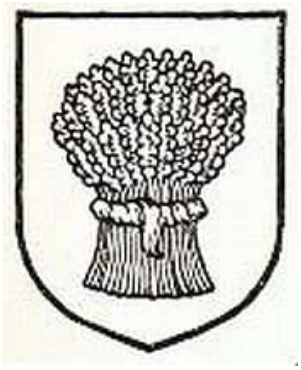
Tuesday, October 22, 2019



HALLGARTEN & COMPANY

Coverage Update

Christopher Ecclestone
cecclestone@hallgartenco.com

U.S. Antimony

(NYSE: UAMY)

Strategy: Neutral/Long

Price (USD)	$0.505
12-Month Target Price (USD)	$0.60
Upside to Target	19%
High-low (12 mth)	$0.415 - $0.80
Market Cap (USD mn)	34.7
Shares Outstanding (millions)	68.6

	2018	2019e	2020e
Consensus EPS		n/a	n/a
Hallgarten EPS		($0.02)	($0.01)
Actual EPS	$0.01		
P/E	39.3	n/a	n/a

U.S. Antimony

Getting Serious At Last?

- + Management is finally facing the reality that it needs to be a miner to guarantee its sources of raw material
- + A potentially strong position in Antimony in North America that is underexploited and poorly managed
- + Bargain basement purchase of processing plant in Mexico lays the groundwork for being fully vertically integrated
- + US government has issued a grant for UAMY to prepare a test batch of military grade Antimony Trisulphide
- + Owns the only Antimony roaster in the US/Canada
- + Owns the only Antimony roaster and processing plant in Mexico
- + Chinese are potentially losing their dominance of the Antimony market
- ✘ Antimony plunged this year from over $8,000 per tonne down to around $5,800 in a dramatic change of fortune
- ✘ Has had tax problems with Mexican government over transfer pricing
- ✘ Lack of a long-term succession policy
- ✘ Financing is likely to be an issue again

Some Things Never Change

The management of US Antimony have been dragged back yet again to the reality that they need to be miners to survive. Try as they might over the years to avoid putting a shovel into the ground, all attempts at otherwise sourcing product have come to grief.

Most recently the flirtation with the (briefly) revived Hillgrove offered them a taste of what a more symbiotic relationship with an Antimony miner might bring but that like all other attempts have gone by the wayside.

This has finally forced the company into focus upon its Mexican mining “assets” and the issues in processing ore before it gets to the roasters.

Providence smiled on the company in the form of a processing plant elsewhere in Mexico that was gifted to the company which now means it can theoretically become fully vertically integrated. This raises the issues as to whether the company’s management can rise to the challenge of “walking and chewing gum at the same time”?

In this note the company shall review the most recent developments, results and how things might pan

out.

Antimony – Critical or Strategic or Both?

Antimony is a strategic metal used to harden lead in ordnance and lead-acid storage batteries.

Antimony Trioxide is a fine, white powder that is used primarily in conjunction with a halogen to form a synergistic flame retardant system for plastics, rubber, fiberglass, textile goods, paints, coatings and paper. Antimony oxide is also used as a color fastener in paint, as a catalyst for production of polyester resins for fibers and film, as a catalyst for production of polyethylene phthalate in plastic bottles, as a phosphorescent agent in fluorescent light bulbs, and as an opacifier for porcelains.

Sodium Antimonate is primarily used as a fining agent (degasser) for glass in cathode ray tubes and as a flame retardant.

Antimony Trisulphide is a major component in primers for all center-fired ordnance.

Activities

UAMY's business units are those in Antimony, and then a second string in the industrial mineral, Zeolite. The zeolite operation produces zeolite near Preston, Idaho. Almost all of the sales of products from the Antimony and zeolite operations are to customers in the United States.

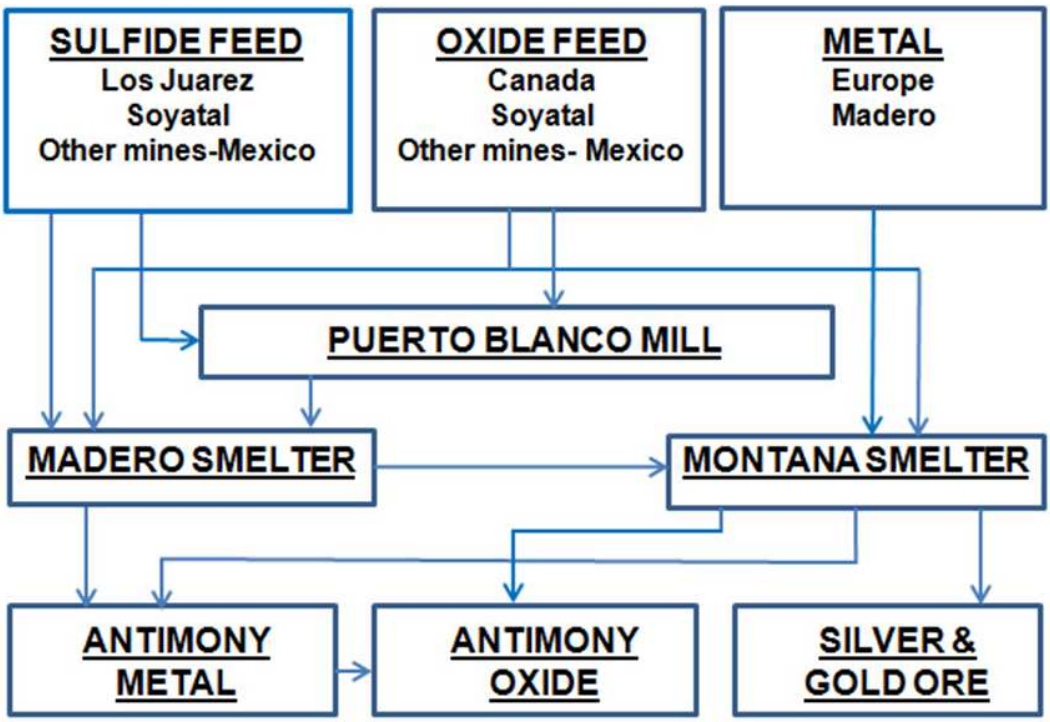
The company's collection of Antimony assets have grown by accretion over the decades but the origin of the company was in an Antimony mine (now closed) and a mill in Montana. At some later date the company decided to diversify its activities to Mexico. The Madero smelter and Puerto Blanco mill in Mexico operation produce crude oxide and crude metal that is shipped to Montana for finishing at the Thompson Falls plant, or the Mexican facilities produce finished Antimony metal that is sold directly to customers in the United States. The precious metals recovery plant is operated in conjunction with the Antimony processing plant at Thompson Falls, Montana.

UAMY operates smelters in Thompson Falls, Montana and at Madero, Coahuila, Mexico, a gravity- and flotation mill in Guanajuato, Mexico, a mine at Los Juarez in Queretaro State and another at Wadley in Mexico, and a zeolite operation at Preston, Idaho. The company primarily buys in Mexican ore to process, though a certain amount also emanates from Teck's Canadian smelter at Trail.

The Mexican operation has three divisions:

- the Madero smelter in Coahuila
- the Puerto Blanco flotation mill and oxide circuit in Guanajuato that is ramping up after many years of underutilisation
- mining properties that include the Los Juarez mine in Queretaro, the Wadley mining concession

in San Luis Potosi, the Soyatal deposits in Queretaro, and the Guadalupe properties in Zacatecas.



USAC GENERALIZED FLOW DIAGRAM
ANTIMONY OPERATIONS

Montana

The roasting operations at Thompson Falls (pictured at right) produces Antimony oxide, sodium antimonate, Antimony metal, and precious metals. The company also sells Antimony metal for use in bearings, storage batteries and ordnance.

Puerto Blanco Mill

The Puerto Blanco mill in Guanajuato State is a flotation plant has a capacity of 140 metric tons per day. This is one of the company's underutilized assets. During 2018 and 2017, less than 10% of the mill's capacity was utilized.

The complex consists of a 30" x 42" jaw crusher, a 4'x 8' double-deck screen, a 36" cone crusher, an 8'x 36" Harding type ball mill, and eight No. 24 Denver sub A type flotation machines, an 8' disc filter, front end loaders, tools and other equipment. The flotation circuit is used for the processing of ore from Los Juarez, Guadalupe, and other properties.

UAMY are in the process of installing a 400 metric ton per day flotation mill that will be dedicated to processing ore from the Los Juarez mine. The crushing equipment currently in place is adequate for both flotation mills. An oxide circuit was added to the plant in 2013 and 2014 to mill oxide ores from Soyatal and other properties. It includes a vertical shaft impactor, three ore bins, eight conveyors, a 4' x 6' high frequency screen, jig, eight standard concentrating tables, five pumps, sand screw and two buildings. The capacity of the oxide circuit is 50 tons per day.

The company are presently installing a cyanide leach circuit and settling pond that will be used to recover precious metals from the Los Juarez mine. Construction of the circuit for the Puerto Blanco mill tailings will begin when the permit is approved by SEMARNAT (Mexican equivalent of the EPA). Tentatively, the plan is to leach in Mexico and handle the second part of the process in Montana which is expected to cut Capex costs significantly, reduce operating costs, and expedite the start of the circuit.

The Madero Smelter

The company owns and operates a smelting facility at Estacion Madero, in the Municipio of Parras de la Fuente in Coahuila State. The property includes 13.48 hectares.

Seventeen small rotating kilns and one large rotating kiln with an associated stack and scrubber were permitted and installed by the end of 2015. Other equipment includes cooling ducting, dust collectors, scrubber, laboratory, warehouse, slag vault, stack, jaw crusher, screen, hammer mill, and a 3.5' x 8' rod mill. The plant has a feed capacity of five to six metric tons of direct shipping ore or concentrates per day, depending on the quality of the feedstock. If the feedstock is in the mid-range of 45% Antimony, the smelter could produce approximately 1.8mn pounds of contained Antimony annually.

Concentrates from the flotation plant, and hand-sorted ore from Mexico sources and other areas, are being processed. During 2017, the company completed the installation of a leach circuit to process concentrates from the Puerto Blanco cyanide leach plant containing precious metals from the Los Juarez mine.

The company is currently installing a second large rotating kiln and expects it to be in production by mid-2019. The Madero production is either sold or shipped to the Montana plant to produce finished Antimony products and precious metals. There is access to the plant by road and rail.

The Plant Purchase

One of the smarter deals that UAMY has done in recent times is its purchase of a processing plant in Mexico. This required relocation but was essentially a bargain for UAMY.

In late August 2018, the company closed an agreement with Great Lakes Chemical Corp and Lanxess, for the acquisition of a subsidiary of the sellers which included an Antimony plant, equipment and land located in Reynosa, Mexico. UAMY disassembled, salvaged and transported the Antimony plant and equipment for use in its existing operations in both Mexico and the United States. The project involved

moving heavy equipment and was completed in the second quarter of 2019.

The beauty of the deal was that UAMY was paid $1.5mn by the sellers (which was recognized as operating income in the quarter ended September 30, 2018) to assist in the salvage and transport costs of the useable equipment. The transaction was accounted for as an asset acquisition as there was no business associated with the acquired assets. The real property acquired with the plant was sold for $700,000 in November 2018, for which the company received $300,000 in 2018 and the remaining balance of $400,000 in the three month period ended March 31, 2019.

Antimony in Mexico

Most of the Mexican antimony deposits are oxide ores or mixed oxide sulfide deposits. The oxides, primarily the mineral senarmontite, are recoverable by gravimetric methods, typically jigs and tables. The sulfide ores, typically the mineral stibnite, are recoverable by flotation. During World War II, the United States had relied on Mexico for antimony. Historically, Mexico was at one point the second largest producer of antimony in the world.

UAMY's Mining

The old adage that "it's not the despair that gets you, but the hope" is the mantra for those who have looked at UAMY in the past as a potential player in the non-Chinese Antimony mining space. It has continually failed to live up to expectations and one of the reasons was its curious relationship with several small Antimony mines in Mexico that it termed suppliers. The mines have always appeared to us to be prospective and yet the reality has been ongoing disappointment due to a dysfunctional relationship with "contractors" that own/work these properties.

The problem arising in the first half of this decade was that the company was making loans to the contractors who ran these mines. The loans were secured against the mines owned by these parties and the contractors were then not delivering as per the agreement, thus not providing the cashflow to service the loans and then defaulting on the loans. Instead of taking up their charge upon the defaulted properties the mine-phobic management of UAMY let the debts pile up and was not accounting for this in a way that made the extent of the liability (and/or underlying security) apparent. This was clearly an undesirable situation. Things worsened when the Antimony price moved even lower in mid-decade.

The response to this was not the obvious one of taking the mines and operating them. Instead the company entered into a bizarre tolling arrangement with the Hillgrove mine in the Australian state of New South Wales. This involved shipping the ore in containers across the Pacific to a Mexican port then up into the highlands to the Madero smelter. The alternative for Hillgrove was sending the product to China. Clearly this arrangement was not destined to last and Hillgrove was shuttered again (as it had been various times since the 1940s) then put up for sale and UAMY was thrown back upon its own resources (excuse the pun).

What happened with the debt owed by the contract miners is not clear….

More recently the focus shifted to the long-mooted Los Juarez mine.

Los Juarez

The company currently owns 100% of Antimony de Mexico SA de CV (AM) which owns the San Miguel concession of the Los Juarez property, which is in Queretaro State. It consists of:

- San Miguel I and II were purchased for $1,480,500. As of December 31, 2018, the company has paid for the property, and has incurred significant permitting costs. The property consists of 40 hectares
- San Juan I and II are concessions owned by AM and include 466 hectares
- San Juan III is held by a lease agreement by AM upon which it will pay a 10% royalty, based on the net smelter returns from another of UAMY's Mexican subsidiaries. It consists of 214 hectares

Thus the concessions collectively constitute 720 hectares. The claims are accessed by roads that lead to highways.

San Miguel I, II and part of San Juan III, was originally drilled by Peñoles in 1970, when Antimony metal prices were high. They did not proceed with the property, due to the complex metallurgy of Antimony. Subsequently, the Mexican government did additional work and reported a deposit of mineralized material of 1,000,000 tonnes grading 1.8% Antimony and 8.1 opt Ag.

The management claims to have milled of 400 metric tons of gold/silver/Antimony-bearing ore from Los Juarez at the Puerto Blanco mill. As a result it decided to build the aforementioned cyanide circuit to increase the recoveries of both the silver and gold from the flotation mill tailings.

At the gold, silver, and antimony Puerto Blanco mill for the Los Juarez mine, the fencing of the tailings pond, completion of the water well, and most of the major construction has been completed. Testing will proceed during the completion of the laboratory.

The mining for many years will be by open pit methods. Eventually it will be by underground methods. At the present time, mining has included hauling dump rock and rock from mine faces.

Geology

The mineralized zone is a classic jasperoid-type deposit in the Cretaceous El Doctor Limestone. The mineralization is confined to silicified jasperiod pipes intruded upwards into limestone. The zone strikes north 70 degrees west. The dimension of the deposit is still conjectural. However, the strike length of the jasperoid is more than 3,500 meters.

The mineralization is typically very fine-grained Stibnite with silver and gold. It is primarily sulfide in nature due to its encapsulation in silica.

Initial results of the flotation assays without the cyanide circuit are as follows:

Los Juarez	**Recovered grade**	**% recovery**
Gold	0.019 o/t	52.80%
Silver	1.65 o/t	49.60%
Antimony	0.17%	31.50%

The flotation concentrate contained 2.52 opt gold, 496.4 opt silver, and 52% Antimony. The flotation concentrates will be processed by the caustic leach circuit which is operational. Cyanide testing of the mill tailings indicated, in the company's words "excellent recoveries", and the Antimony recovery has been on the order of 70% at lower depths.

Soyatal

Reportedly, the Soyatal District in Queretaro State was the third largest producer of Antimony in Mexico. A USGS report from 1948 records the production from 1905-1943 at 25,600 tons of Antimony metal content. In 1942, the mines produced ore containing 1,737 tons of metal, and in 1943, they produced ore containing 1,864 tons of metal. This mining was performed primarily all by hand labor, with no compressors or trammers, and the ore was transported by mules, in sacks, to the railroad. Recoveries were less than 40% of the values. Mining continued throughout World War II.

At the time the USGS noted that, in the Soyatal Mines, as in practically all Antimony mines, it is difficult

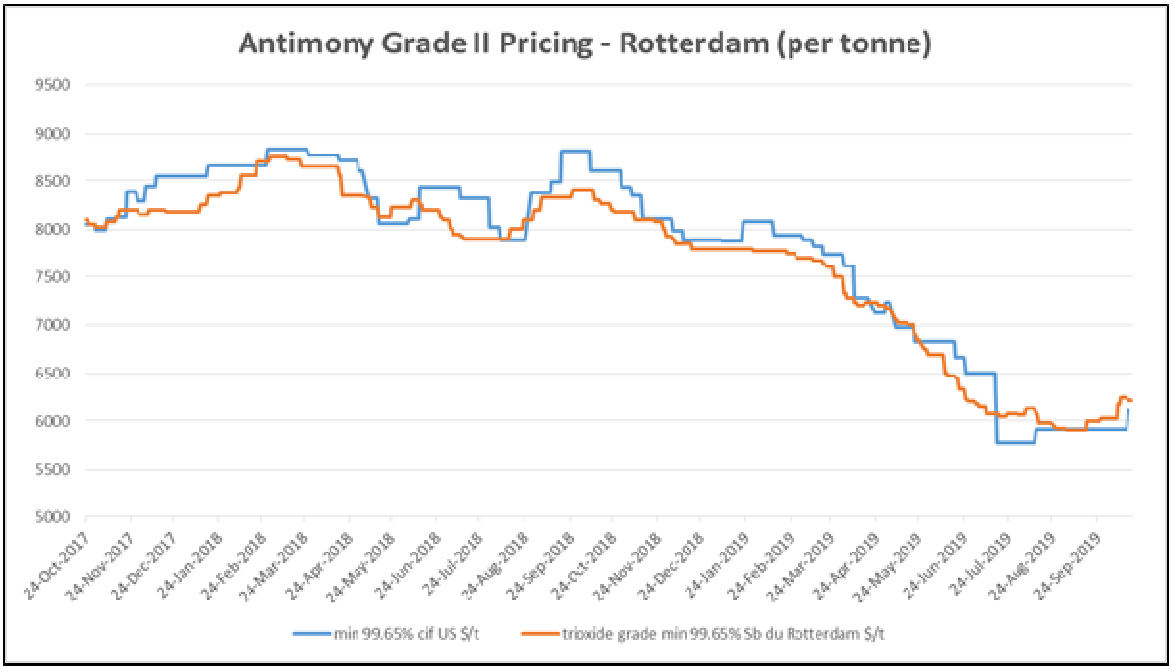
to estimate the reserves, for the following reasons:

- The individual deposits are so extremely irregular in size, shape, and grade that the amount of ore in any one of them is unknown until the ore has been mined.
- As only the relatively high grade shipping ore is recovered, the ore bodies are not systematically sampled and assayed. The total reserves are thus unknown and cannot be estimated accurately, but they probably would suffice to maintain a moderate degree of activity in the district for at least 10 years. The mines may even contain enough ore (mineralized deposit) to equal the total past production."

Minimal ore, primarily through hand mining and sorting methods, has continued at the Soyatal properties since 1943.

Wadley

At the Wadley deposit, the company's most interesting asset (which is leased, not owned) in San Luis Potosi State in Mexico, underground miners have been increased to 90 men. Plans are underway to reopen the Guadalupe deposit in Zacatecas, Mexico. Mexican production is being increased to compensate for the cessation of flow of Australian-sourced concentrate. It has long been evident to us that the Mexican production could easily have replaced the Australian inputs if there had been a concerted plan to do so.



Source: Argus Metals

Antimony – a Wild Ride

After a swoon that lasted several years, and sank the prospects of several Antimony wannabes, the price of Antimony started to uptick in 2016. It got to around $8,500 per tonne and then plunged again to around $5,800 on stories that the metal was about to be put in the penalty box by the EU and some American states. This was linked to supposed toxic properties when used in fire retardants.

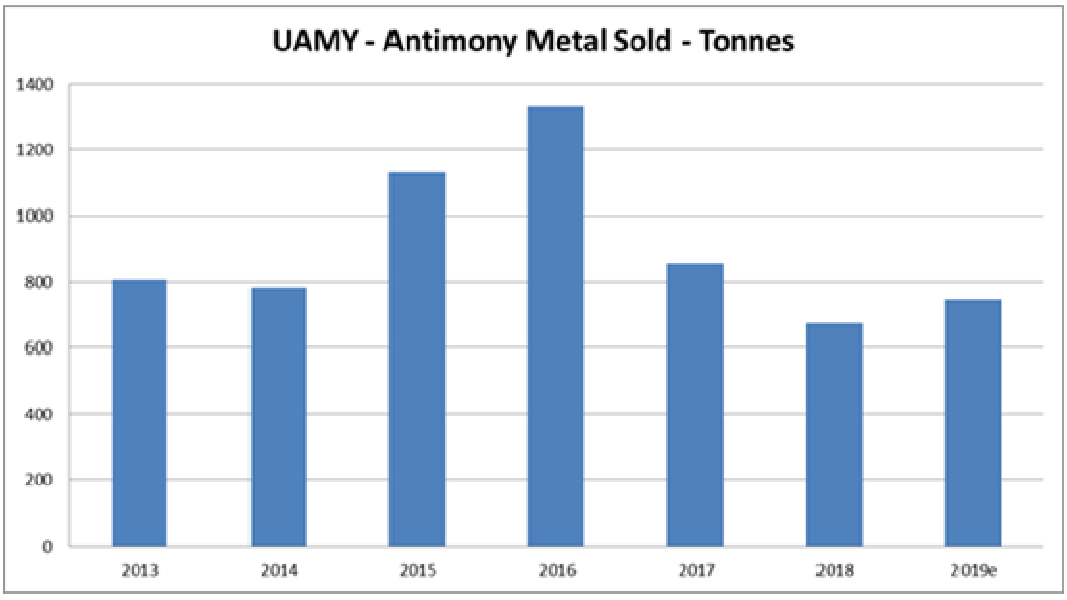
This was further complicated by the ever-looming liquidation of the FANYA stockpile, which amounted to around 19,000 tonnes, which was finally sanctioned by Chinese courts over the summer. The latest talk in the trade is that now the FANYA stocks have been bought by one of China's largest Sb producers.

Prices appear to have bottomed and are rising on the back of low inventories, low production and revived restocking in the West.

The average Rotterdam price for antimony metal during Q3 2019 was $6,022.91 per metric ton or $2.731 per pound.

Production

Understandably the departure from the scene of Hillgrove has blown a hole in UAMY's production numbers. The chart that follows shows that peaked in the first quarter of 2016 and one year later was some 40% lower than the peak. In 2018, it was nearly half the peak.



This should improve in 2H19 as mining starts to send a flow of ore through UAMY's expanded facilities (not that they needed expanding as there was so much spare capacity already). In theory the company

could ramp to a multiple of current production if it had more sources of feed, but excepting Bolivian and Honduran artisanal output (which largely is whisked off to China) there is not much in the Western hemisphere for UAMY to conjure with.

The company recently provided these YoY production and pricing metrics. Production is clearly uptrending after the loss of the Australian throughput and the recommencement of Mexican mining operations but the metal's recent price swoon has more than negated the positive effect, at least for 2H19 :

	Q3 2018	Q3 2019	Change
Antimony pounds	335,613	381,683	13.70%
Average price per lb US$	$4.07	$3.25	-20.10%
BRZ zeolite tons	3,556	3,563	0.10%
Average price per ton US$	$184	$185	0.69%
Gold ounces	24	12.53	-47.80%
Silver ounces	5,415	3,445	-36%

It's worth noting that while Sb production is up YoY quite handsomely, in fact, it is lower than the run-rate in the first half of FY19 signaling that production is off, maybe for price reasons.

Earnings Review

In the period up until Hillgrove appeared on the scene UAMY was in something of an earnings swoon. As costs at its roasters have not necessarily fluctuated that much, the company could only attribute this malaise to the dependency upon the inconsistent supplies of Antimony ore from the Mexican mine operators. On the following page can be seen the historic earnings and our earnings estimates for 2019.

Earnings Outlook

The company has been battered in recent years by the Hillgrove whiplash. That is now receding in the past but the FY18 and first half of FY19 can be seen as reflecting the hangover from the loss of this business. The loss in the first half of FY19 was very large considering that prices of Sb had only tanked later in the half.

As mentioned earlier the higher sales volumes are being more than negatively counterbalanced by the much lower prices reigning in 2H19. This should result in a loss for the full year that will be the largest since FY14. Volumes of Sb sold should continue to rise in FY20 and with prices turning higher, in a moderate way, this should enhance top-line revenues and reduce bottom line losses. The gross margin could look better than it has looked in a long while but the GS&A still weighs heavy and we would expect a bottom line loss again in FY20, but much reduced from the levels of FY19.

US Antimony

USD (mns)

	FY20e	FY19e	1H19	FY18	FY17	FY16	FY15	FY14	FY13
Total Revenue	10.452	9.150	4.728	9.034	10.229	11.890	13.109	10.770	11.020
Cost of Revenue, Total	9.100	8.895	4.970	9.032	9.954	11.353	12.35	11.11	11.06
Gross Profit	1.352	0.255	-0.242	0.002	0.275	0.537	0.759	-0.34	-0.04
Selling/General/Admin. Expenses	1.600	1.560	0.816	1.53	1.23	1.17	1.32	1.25	1.30
Interest Expense(Income)	0.100	0.070	0.046	-	-	0.16	-	-	-
Other Expense (Income)	0.130	0.110	0.086	0.12	-	-	-	-0.04	-
Hillgrove Deferred						-0.12	0.15	-	-
Gain on Assets	-	-		-2.20	-	-	-	-	-
Total Operating Expense	10.93	10.64	5.918	8.48	11.19	12.56	13.82	12.32	12.36
Operating Income	-0.48	-1.49	-1.190	0.55	-0.96	-0.67	-0.71	-1.55	-1.34
Other, Net	0.00	0.00	0.00	-0.01	-0.17	-0.03	-0.02	-0.05	-0.07
Income Before Tax	-0.48	-1.49	-1.193	0.54	-1.13	-0.70	-0.73	-1.60	-1.41
Tax	0.00	0.00	0.00	0.33	-1.13	0.30	0.00	0.00	0.23
Net Income	-0.48	-1.49	-1.193	0.87	-1.13	-1.00	-0.84	-1.60	-1.64
Preferred Dividends	0.05	0.05	0.02	0.05	0.05	0.05	0.05	0.05	
Basic Weighted Average Shares	76.00	76.00	68.61	67.98	67.41	66.78	66.70	64.61	62.28
Basic EPS	-0.01	-0.02	-0.02	0.01	-0.02	-0.01	-0.01	-0.02	-0.03
Antimony Metal sold - lbs	**1,782,000**	**1,644,000**	**861,277**	**1,486,120**	**1,891,439**	**2,936,880**	**2,487,321**	**1,727,804**	**1,780,134**
Mexico	990,000	860,000	451,858	792,259	564,780	1,513,923	1,105,350		
Montana	792,000	784,000	409,419	693,861	1,326,659	1,422,957	1,381,971		
Antimony Metal sold - tonnes	**809**	**746**	**391**	**674**	**858**	**1,333**	**1,129**	**784**	**808**
Sales Price achieved per tonne	$8,150	$7,734	$8,221	$9,058	$8,838	$6,568	$8,750	$10,822	

Beyond that earnings are anyone's guess as we cannot divine what production from the mines in Mexico will be like. That is more of an art than a science. What we can be sure of is that the Chinese (and those with the roaster in Oman) are going to be putting up a ferocious competition for ore that will leave UAMY to its own resources (literally).

Antimony Going Critical?

China has a very strong position in Antimony and long has had. Indeed this is the metal it has been dominant in for the longest. However, like so many other resources this was squandered through overproduction, predatory pricing and high-grading. China now finds its domestic share of global production plunging and to prop up its dominance it has become a leading importer of artisanal and "conflict" ore from all around the world. It then processes this imported ore/concentrate and manages to hold a still dominant position in processed end-product Antimony Trioxide and other products.

Is the metal strategic? Thus far it does not have the type of applications that other high-tech metals possess but it is still a key component in the things it is used for and its long term application as an alloy with Lead in ammunition has not gone away.

In an interesting twist, that reflects the Pentagon's take-up of the cudgels of protecting US strategic interests, UAMY recently announced that it had received a significant award for the development and delivery of military-grade Antimony Trisulphide. This grade of Antimony Trisulphide sells for significantly higher margins than Antimony Trioxide or metal. The stated goal is to make the US gradually less dependent upon Chinese-sourced product.

This is an interesting manifestation of the changing tenor of the times under the Trump Administration, whereas predecessor administrations have long ignored vulnerability to Chinese dominance in the interests of Davos-driven thinking on globalization. Following World War II, the United States built a 40,000 ton strategic stockpile of metal but that was all sold by 2003.

A few weeks ago the company announced that the Defense Logistics Agency (DLA) of the Department of Defense (DOD) had awarded the company a grant of $510,528 to establish a North American source Antimony Trisulphide meeting the military specifications.

At the plant in Montana, UAMY will process six 500kg batches of antimony mined in Mexico. It will be ground, sized, packaged, and quality controlled by Perkins Rouge and Paint (PRP) in Connecticut. PRP is a main supplier of Trisulphide to the DOD. A report and the samples will be submitted to the contracting officer for DLA Strategic Materials. The operating period will be for one year starting on September 16, 2019. USAC will be a part of the integrated product team (IPT) including PRP, DLA Strategic Materials and US ARMY (RDECOM-ARDEC Pyrotechnics Technology Division).

The award to UAMY is being issued to establish a firm fixed price contract for the DLA Strategic Materials, National Defense Stockpile. Antimony Trisulphide is a major component in primers for all center-fired ordnance. The product has historically been supplied by China. Military spec Antimony

Trisulphide is priced on a multiple of the 70.5% Sb content plus the sulphur (the total weight of the antimony Trisulphide rather than the antimony content) and the price of the contained antimony is typically two to three times the price of the antimony itself. Additional markets for antimony Trisulphide include friction brakes.

Risks

The principal risks from an investment in UAMY are:

- Prolonged low antimony prices
- A sudden management vacuum
- Environmental problems for their Mexican operations
- Environmental problems for their US roaster
- Cash-flow or financing problems

Antimony has been in one of its swoons over the last year. The FANYA threat is behind us and the regulator threat against fire retardants is now a sleeper issue (but could come back to life). In the short term prices seem destined to rebound as Chinese production continues to decline and low prices have stymied anything beyond small-scale production outside China.

Environmental issues have not reared their head in Mexico before and seem unlikely to in the near future as UAMY's operation are a mere pinprick compared to the big roaster/smelters of the likes of Peñoles and Group Mexico.

Action against the Montana roaster is never something one should rule out. The danger is that if the roaster ever had to be mothballed it might be very hard to get it started again. This means it needs to maintain its input sources at all costs.

With the operation being so hand-to-mouth, and with almost zero gross-margin, let alone net margin, being able to keep in the black is extremely difficult. A substantial financing should not be entirely ruled out but management cannot spin a professional story to institutional investors so the best the company can expect would be money from the type of HNWs that like the company's folksy IR style.

The market cap is such that it could pull off a strongly discounted financing to rebuild its cash balance but what can it say to investors to persuade them that the turn has come? While there has been some change in operations, little has changed in management or profitability.

Conclusion

At the heart of UAMY's dilemma are two factors. The first and long-range one has been the company's wariness of being involved in mining since its Montana mine closed decades ago. This has left the company with shrinking sources of supply as China gutted the global Antimony mining industry with predatory pricing since the early 1980s. If the company was hoping for a reversal of this trend then it did not happen. Only now with China's plunging domestic production is there finally scope for non-Chinese

Sb miners to get any traction again.

Then the second issue is actuarial. The company is a one-man band (and long has been such) and that man is now in his 80s. The company has done little, or nothing, to arrange a succession policy and what the strategy might be after his point of departure remains a mystery. The company's board also represents a similar age profile (with one exception) and the "bench is thin" when it comes to mining or even mineral processing experience. This does not augur well.

These factors have long kept the company in the penalty box. The first factor meant the company did not have reliable long term feedstock for its roasters and was constantly on the hunt for ore while the second factor scared off institutions and serious investors.

Now the company has seemingly embraced mining though without giving investors much insight into its own internal hurdle rates or strategy. The lack of resources at its mining assets does not faze us but the lack of an enunciated strategy to exploit and grow these operations does. The addition of a processing plant was a canny transaction indeed. UAMY was paid to take it away. One cannot get much better than that. But besides being able to "take candy from babies" what other skillsets does it have in processing of Sb ores?

While the Antimony price has been in somewhat of a regulator-induced swoon in recent months, the main application in fire retardants has not gone away and in the wake of Grenfell Tower the regulators act against fire retardants at their own peril. So the marketplace is dry of product and the price is showing signs of upward creep with the next stop being $6,500. Short of regulator action it should be closer to $8,000 in the latter half of next year.

The question now is whether UAMY can exploit its recent operational changes and a firming price to the benefit of the shareholder base.

We are tempted to make a **Long** call on this stock due to our outlook for rising Antimony prices and to "reward" management for seeing the light on mining and finally vertically integrating the disparate elements they have accumulated. However, we also have an urge to institute a **Neutral** call because the company has not resolved its succession issue and its board needs some brutal ethnic cleansing of the "old boy network" that is currently in situ.

While our new a twelve-month target price of USD$0.60 offers a 19% upside from the current price it also produces a valuation which is fair for the potential of the franchise (under different management) but overvalued in terms of earnings potential with the current management therefore we equivocate and shall award this company a **Neutral/Long** rating at this time.


UAMY Daily
10/21/19
1.05
1.00
0.95
0.90
0.85
0.80
0.75
0.70
0.65
0.60
0.55
0.50
0.45
0.40
0.35
0.30
0.25
0.20
Volume
©BigCharts.com
1.0
0.8
0.6
0.4
0.2
0.0
Millions
N D 17 F M A M J J A S O N D 18 F M A M J J A S O N D 19 F M A M J J A S O

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.

Hallgarten's Equity Research rating system consists of LONG, SHORT and NEUTRAL recommendations. LONG suggests capital appreciation to our target price during the next twelve months, while SHORT suggests capital depreciation to our target price during the next twelve months. NEUTRAL denotes a stock that is not likely to provide outstanding performance in either direction during the next twelve months, or it is a stock that we do not wish to place a rating on at the present time. Information contained herein is based on sources that we believe to be reliable, but we do not guarantee their accuracy. Prices and opinions concerning the composition of market sectors included in this report reflect the judgments of this date and are subject to change without notice. This report is for information purposes only and is not intended as an offer to sell or as a solicitation to buy securities.

Hallgarten & Company or persons associated do not own securities of the securities described herein and may not make purchases or sales within one month, before or after, the publication of this report. Hallgarten policy does not permit any analyst to own shares in any company that he/she covers. Additional information is available upon request.

The web access at:

Research: www.hallgartenco.com

60 Madison Ave, 6th Floor, New York, NY, 10010