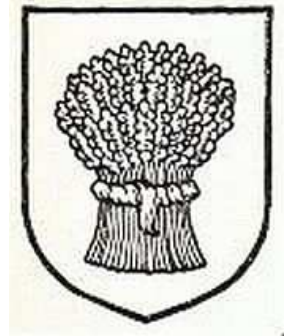


Friday, August 4, 2017



# HALLGARTEN & COMPANY

**Portfolio Strategy**

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## Model Mining Portfolio: Summer Lull

Performance Review – July 2017

# Model Mining Portfolio

Summer Lull

- + **Base metals holding up well**
- + **Tepid improvement in gold and silver**
- + **Financings continue to be done in gold and silver despite the lack of potential meaningful upward moves in the underlying metals**
- ✗ **Interest rates are heading higher, at least in the US**
- ✗ **GDX-J “scandal” still hangs over precious metals stocks in Canada**
- ✗ **Irregular and irrational actions by the Tanzanian government cast a pall over African mining investments**
- ✗ **Oil price up nearly 20% from mid-year lows raising costs for miners**

## Limbo Land

It is hard to tell if the mining resurgence of 2016 is over or merely taking a pause. All metals (except precious metals and uranium) are now positioned much higher than they were, but the market still appears to be acutely short of fresh capital to sustain and drive momentum in the listed stocks. This vulnerability was made patently clear in the GDX-J debacle of early 2017 which still casts a pall over the precious metals miners in Canada. This is not helped by gold and silver being so lacklustre themselves.

The issue now is whether this summer lull will convert to a spring resurgence or a winter of discontent. Something tells us that base and specialty metals will continue their run. This will eventually pay off for them in financing terms.

Thus far we have had gold/silver names hogging the financing dollars despite their metals absence of real excitement while the metals that really need financing dollars are hitherto ignored. What we need now is a new paradigm of excitement around mining of industrial metals without the prop of gold/silver also being at the party.

## Portfolio Changes

There were no changes to the portfolio during the month.

## The Portfolio Move

The Model Mining Portfolio rebounded to \$4.199mn from its previous month-end value of US\$4.096mn. Net cash remained unchanged at \$546,000. Our Teck purchase of late June worked our very well with a

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20% uplift since that time.

**Mining Model Portfolio as at: 1-Aug-17**

Security	Initiated	Currency	Price Avg.	Current	Portfolio Weighting	Increase in Value	Target	
<b>Long Equities</b>								
<b>Various Large/Mid-Cap</b>	Capstone Mining (CS.to)	5/29/2009	CAD	2.32	1.2	1.30%	-48.30%	\$2.00
	Teck Resources (TECK.B)	5/29/2009	CAD	22.46	27.06	8.00%	20.50%	\$30.00
	NevSun (NSU)	3/23/2012	CAD	3.45	3.37	3.80%	-2.30%	\$5.00
	Sherritt International (S.to)	7/11/2013	CAD	1.78	0.86	2.90%	-51.70%	\$2.50
	Palladium ETF (PALL)	10/16/2014	USD	72.08	84.78	4.80%	17.60%	\$85.00
	Metals X (MLX.ax)	29/5/2014	AUD	0.98	0.81	2.50%	-17.20%	\$1.00
<b>Uranium</b>	Uranium Participation Corp (U.to)	10/20/2010	CAD	7.01	3.82	2.20%	-45.50%	\$6.00
	Western Uranium (WUC.cx)	7/5/2016	CAD	2.25	1.14	1.60%	-49.30%	\$4.80
	GoviEx (GXU.cx)	6/29/2015	CAD	0.08	0.17	4.60%	106.90%	\$0.50
<b>Zinc/Lead Plays</b>	Zinc ETF (Zinc.L)	1/15/2010	USD	7.04	7.97	2.30%	13.20%	\$9.00
	Canadian Zinc (CZN.to)	12/9/2011	CAD	0.82	0.17	0.50%	-79.30%	\$0.70
	Ascendant Resources (ASND.v)	10/31/2016	CAD	0.48	0	0.00%	-100.00%	\$1.70
	Nyrstar (NYR:BR)	9/28/2009	Euros	65.1	5.54	3.50%	-91.50%	€ 11.00
	Southern Silver Exploration (SSV.v)	8/25/2016	CAD	0.41	0.485	2.80%	18.30%	\$0.94
<b>Gold Producers</b>	Patagonia Gold (PGD.L)	10/2/2013	GBP	3.6	1.5	1.10%	-58.30%	£4.00
	Komet Resources (KMT.v)	11/25/2016	CAD	0.47	0.37	1.70%	-21.30%	\$1.28
	Para Resources (PBR.v)	2/17/2017	CAD	0.23	0.19	2.20%	-17.40%	\$0.58
	Westgold (WGX.ax)	12/6/2016	AUD	2.01	1.47	2.80%	-26.90%	\$2.40
	Eldorado Gold (EGO)	6/21/2012	USD	9.12	2.64	2.30%	-71.10%	\$5.50
	Teranga Gold (TGZ.to)	6/21/2012	CAD	1.57	3.19	8.70%	103.10%	\$3.80
<b>Copper Producer</b>	Coro Mining (COP.to)	2/23/2015	CAD	0.03	0.12	2.70%	300.00%	\$0.30
	Tiger Resources (TGS.ax)	5/31/2017	AUD	0.049	0.05	2.30%	2.00%	\$0.12
	RNC Minerals (RNX.to)	11/17/2016	CAD	0.33	0.19	1.30%	-42.40%	\$0.60
<b>Royalty Trust</b>	Abitibi Royalty (RZZ.v)	5/31/2017	CAD	9.1	9.28	2.30%	2.00%	\$18.00
<b>Processor</b>	IBC Advanced Alloys (IB.v)	4/29/2016	CAD	0.3	0.37	0.80%	23.30%	\$1.40
<b>Driller</b>	Cabo Drilling (CBE.v)	9/28/2016	CAD	0.025	0.01	0.50%	-60.00%	\$0.08
<b>Tungsten Producer</b>	Almonty Industries (AII.v)	7/31/2015	CAD	0.36	0.22	2.50%	-39.30%	\$1.00
<b>Copper Explorer</b>	Asiamet Resources (ARS.v)	4/28/2016	CAD	0.05	0.04	1.50%	-11.40%	\$0.12
	Western Copper & Gold (WRN.to)	4/25/2017	CAD	1.57	1.52	3.50%	-3.20%	\$2.74
<b>Nickel Explorer</b>	Sama Resources (SME.V)	23/2/2015	CAD	0.16	0.14	2.60%	-12.50%	\$0.30
<b>Lithium</b>	Neometals (NMT.ax)	7/31/2014	AUD	0.04	0.28	3.20%	656.80%	\$0.45
	Galaxy Mining (GXY.ax)	6/28/2016	AUD	1.73	1.85	1.80%	7.00%	\$2.80
<b>Scandium Explorer</b>	Scandium International (SCY.to)	8/23/2016	CAD	0.14	0.31	4.20%	121.40%	\$1.00
<b>Graphite Producer</b>	Elcora Resources (ERA.v)	29/5/2014	CAD	0.2	0.23	2.60%	15.00%	\$0.64
<b>Graphite Developer</b>	Talga Resources (TLG.ax)	8/25/2016	AUD	0.27	0.74	8.40%	179.20%	\$0.90
<b>REE Explorer</b>	Northern Minerals (NTU.ax)	6/9/2011	AUD	0.73	0.1	0.30%	-86.30%	\$0.28
<b>NET CASH</b>					<b>546,407</b>			
<b>Short Equities</b>								
<b>Shorts</b>	Bacanora (BCN.v)	12/4/2015	CAD	1.53	1.49	50.40%	2.60%	\$0.80
	Galane Gold (GG.v)	4/28/2016	CAD	0.06	0.08	49.60%	-33.30%	\$0.03

<b>Current Cash Position</b>	<b>546,407</b>
<b>Current Liability on Shorts Not Covered</b>	<b>141,920</b>
<b>Net Cash</b>	<b>688,327</b>
<b>Current Value of Bonds</b>	<b>0</b>
<b>Current Value of Long Equities</b>	<b>3,510,821</b>
<b>TOTAL VALUE OF PORTFOLIO</b>	<b>4,199,148</b>

## Important disclosures

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