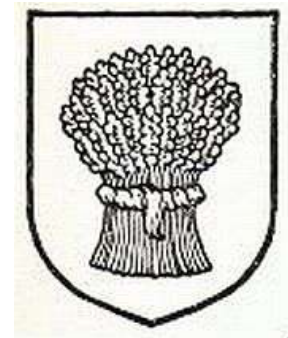


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HALLGARTEN + COMPANY

Portfolio Strategy

Editor: Christopher Ecclestone
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Model Resources Portfolio: Teck's Tangled Web

Performance Review – May 2023

Model Resources Portfolio

Teck's Tangled Web

- + **Gold flirted, on and off, during the month with the \$2,000 per oz mark**
- + **Tin prices retreated 10% from the recent April highs but stabilized around \$25k mark**
- + **M&A activity saw the acceptance of the Newmont bid for Newcrest, BHP getting Oz Minerals and the Teck/Glencore transaction still in limbo**
- + **Lithium carbonate price in Yuan staged a very strong rally**
- + **Fraser Institute Mining Survey for 2022 ranked San Juan province in Argentina as the most attractive region in Latin America for investment with Chile coming in 7th**
- ✗ **Base metals looking weak, with Zinc even flirting with the key \$1 per lb threshold**
- ✗ **Lithium rally did not spill over to benefit the price of beaten down stocks**
- ✗ **Interest rate rises continue as, unsurprisingly, inflation is a genie that is proving difficult to get back into its bottle**

Teck/Glencore – Careful What You Wish For

The acquisition offer for Teck from Glencore has turned into a series of complications for both companies that go beyond the normal in a takeover spat. Teck's grand plans to finally (yet gingerly) unwind the iniquitous discriminated voting structure looked generous compared to the situation before but in the harsh light of day, and with another alternative in the offing, ultimately failed the sniff test with large holders and thus went into limbo. Meanwhile, Glencore's machinations to have its cake and eat it too in coal (both thermal and metcoal) via acquiring Teck, has so far only succeeded in focusing attention on how dependent its recent earnings surge was upon thermal coal.

Then Glencore's annual meeting in late May saw just over 30% of Glencore's investors rejecting the company's climate progress report, demanding more clarity on how the global miner will meet its commitments to cut emissions.

Around 29% of shareholders also backed a shareholder resolution seeking more disclosure on progress in scaling back thermal coal production.

Reuters reported that Glencore said in a statement, dated May 3rd, that it opposed the shareholder motion "because it risked undermining the board's responsibility for its climate strategy, given existing disclosures".

Opposition to its climate progress passing the 20% threshold constitutes material dissent among shareholders.

Both companies have experienced a bumpy ride in May as the three-month comparative price chart

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below indicates.



In our opinion, the Teck proposal to resolve its complicated voting structure was too little too late. The metcoal assets should be simply demerged and the metals division should hit the (smart) acquisition trail to bulk up. As for Glencore, it should demerge its coal, and maybe even its other mining assets, and return to its roots as a trader.

Portfolio Moves

There were two transactions during the month of May. We added **LONG** positions in EQ Resources, Century Lithium and Norseman Silver.

The deal by Tianqi to takeover the Lithium/Cesium player, Essential Metals (ESS.ax), fell thru in April and now Mineral Resources (MIN.ax) has popped up as a major shareholder with 19.55% of the issued shares in Essential.

EQ Resources

We have known this stock, and watched it from the corner of our eye, since the days when it was known as Speciality Metals International. Our prime Tungsten play has long-been Almonty Industries, the

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producer (in Spain, Portugal and soon South Korea).

The company has been working away for a long while now with a goal to be the next Australian tungsten producer from the historic Mt Carbine tungsten mine in far North Queensland. This mine is located 120km by sealed road, north-west of Cairns. The project is on granted Mining Leases with power, water, tailings storage and environmental approvals in place for Tungsten production and quarrying.

While a past producer the deposit is still relatively unexplored and there is believed to be considerable potential for new Tungsten mineralisation in the Mining Leases and surrounding exploration tenements.

Some Background

Mt Carbine was discovered at the end of the 19th century and was a major Tungsten producer in the 1970s and 80s. Historically, ore sorting was successfully used at Mt Carbine between 1973 and 1986, and there are now major advances in the type and efficiency of ore sorters since they were last used at Mt Carbine. The XRT Sorting technology installed at site has delivered a significant Tungsten ore upgrade ratio (as high as 28:1).

Offtakes Etc.

In April, the company announced the signing of a MOU with its existing joint venture partner, Cronimet, and Masan High-Tech Materials Corporation to establish a working relationship based on reciprocity and mutual benefit, exchanging knowledge and experiences around tungsten exploration, mining, and processing, potentially assessing new project opportunities, and new product applications. All sounds rather “kumbaya”.... But important partners all the same.

The MOU is augmented by an existing long-term offtake agreement Cronimet Group has signed with Masan, which will see approximately 70% of Mt Carbine's production for the next four years allocated to Masan. The proposed strategic partnership between EQR, Cronimet and Masan aims to continue Mt Carbine's growth into a world-class sustainable tungsten operation.

The Plan

The plan of EQ's management is to expand the sorting/retreatment operations targeting a one-million tonnes per annum waste sorting operation (subject to environmental approvals). In addition, the geological team has reinterpreted historical data with benefit of assay results and identified high-grade tungsten envelopes over a 1.2km strike length. This supports the evaluation of underground development of narrow high-grade mine to extract 'King-Vein' style mineralisation.

Progress

The Mt Carbine gravity plant has been upgrading and ramping up production over the past two years, expansion of certain sections has been required to handle the increased volumes of tungsten concentrate expected from the high-grade open pit ore. The gravity plant has operated at BFS specified

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recovery levels while processing historic tailings and the low-grade stockpile material over the past several months with the production team confident it will continue to achieve similar production performance with the open pit ore. The Phase 1 crushing plant will be used initially until the new Sandvik crushing plant is installed.



Above can be seen the dewatered Andy White Open Pit

Initial production will encompass processing relatively low-grade ore currently stockpiled above ground and then the high-grade resources identified in the Andy White Open Pit. The pit is undergoing final preparations before mining recommences in late June. The red blocks in the image above indicate the mining areas in the first month.

The expansion and commencement of open-cut mining activities will position EQR as a significant employer within the local economy, with employee numbers expected to exceed 140.

Funding

The AUD\$25mn budget for reactivation of the Mt Carbine mine has two principal funding components.

The first of these is the \$10 million royalty-based funding package arranged with the Regal Resources Royalties Fund. In XX the company announced its first drawdown of \$5mn in January of 2023 and then at the end of March it announced that it had completed the second \$5mn drawdown.

The other main funding source is the Federal government's Critical Minerals Accelerator Initiative (CMAI) grant of \$6mn which was awarded in late April of 2022.

In December of 2022, it was announced that EQ had drawn down the first \$1.8mn of the award. Then

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the most recent drawdown was \$3.96mn this week, which will contribute towards the further upgrade of the gravity plant and additional drilling.

BFS

The revised BFS was published in May of 2023 with the following key metrics:

Mt Carbine BFS - May 2023	
\$AUD	
Capital	\$26.3mn
Pre-Tax NPV @8%	\$307.1mn
IRR	477%
LoM EBITDA	\$450mn
Cash cost - USD/MTU	US\$104
Payback	< 1 year
Strip Ratio	3.9:1
Concentrate Produced	38,570 tonnes
(50% WO3)	

The capital is clearly an unchallenging number and the pre-tax NPV a vast multiple of the CapEx, which is always what we want to see.

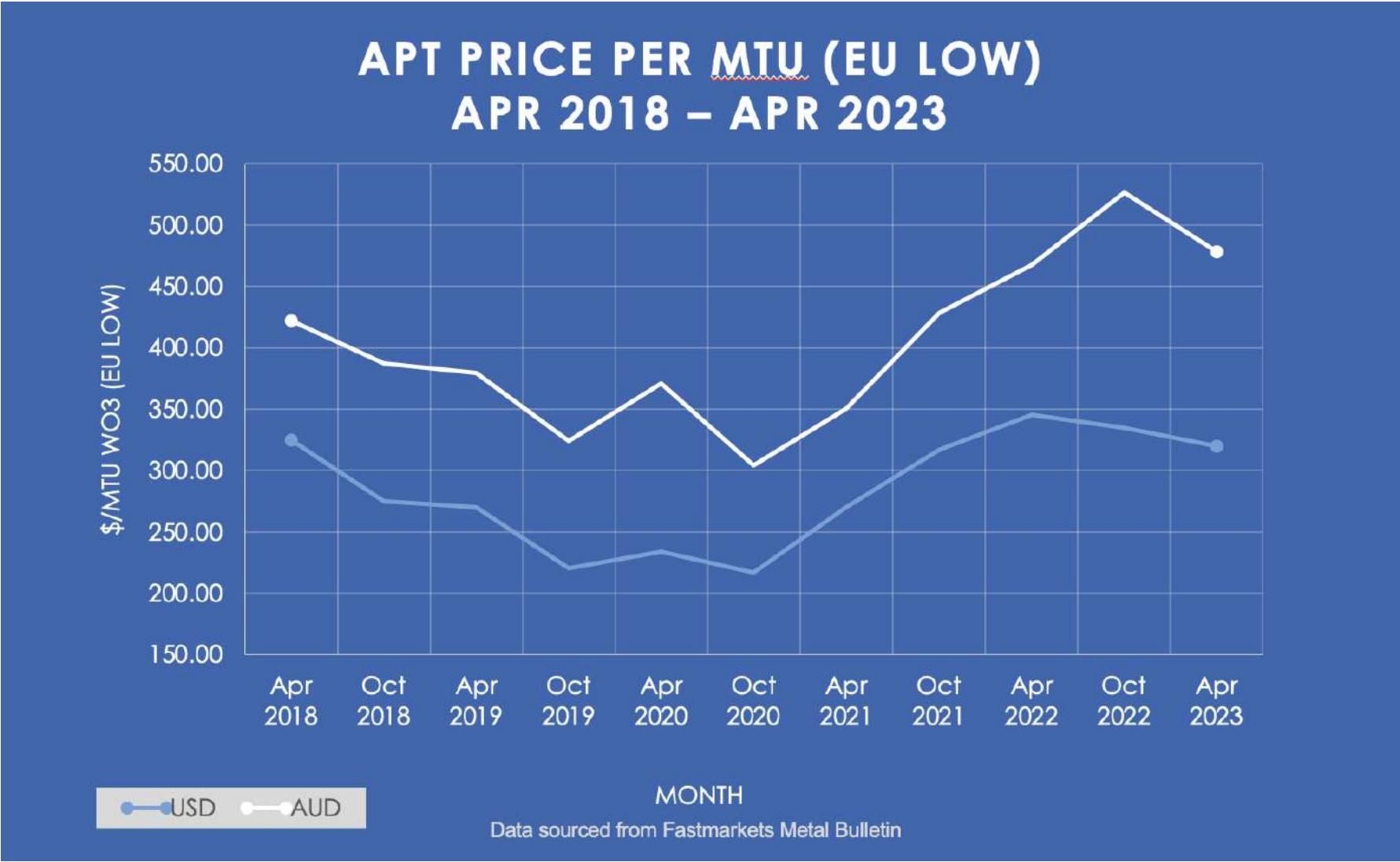
Investment Thesis

We are long term fans of Tungsten's potential. A number of companies have been engaged over the last decade in trying to break China's hold on this metal, and surprisingly they have succeeded. As we have written in the past, China's efforts to grab control of the machine tool industry by first grabbing its key input was thwarted by the coordinated actions of the likes of Almonty, Sandvik and Wolfram Bergbau.

As can be seen from the chart on the following page, the price of APT per MTU (metric tonne unit) has crept up over recent years. Its performance can best be described as stolid, and solid, unlike more mercurial (pardon the pun) metals. We suspect that EQR management has soft-pedalled the project in recent years in the hope of a Tungsten price surge, which has not happened. Our long-held opinion has been that metals that spike inevitably plunge (as Tungsten did in the Supercycle years) and that in fact the gradual rise scenario is the most attractive trend to look for.

We have looked at other Australian prospects in Tungsten in the past (particularly King Island Scheelite), but EQR certainly takes the prize for persistence.

We have added a **LONG** position in EQ Resources to the Model Resources Portfolio with a 12-month target price of AUD 13 cts.



Source: Fastmarkets

Tuesday 12th of April 2022

Norseman Silver – Down Patagonia Way

We launched coverage on this one in a desultory manner in May of last year. Our attraction to the story was its Argentine position near to the site of one of our best calls ever, the Aquiline knock-down with the Grosso group over the Navidad asset. The negative at Norseman was the BC assets, which left us cold.

We reacquainted ourselves with the company at the 121 conference in early May in London, and clearly change was in the wind. BC was definitively downgraded in the priorities and Argentina had now become the main focus. Beyond that, the group had managed to place the stake of 9% held by Cloudbreak Discovery (LSE:CDL). The latter company we had launched coverage on in June of 2021, prior to its listing in London.

The Taquetren Silver project

In early March of 2021, Norseman entered into an agreement to acquire a 100% interest in the Taquetren Silver project, located in the SW of Rio Negro Province ~30 km N of the border with Chubut Province. This difference is worth mentioning as Chubut is one of the least auspicious jurisdictions in Argentina, while Rio Negro is one of the best.

The project covers approximately 285 kms² and is located within the Somuncura Massif and is comprised of three *cateos* (prospecting licences) covering key stratigraphic/structural elements associated with the Navidad-Calcatreu mining district.

This district (shown on the following page) first came to prominence early this century with the discovery of the Navidad silver deposit with its M&I resource of 632mn ozs Ag contained in 155.2mn tonnes @ 127 g/t Ag, 0.85% Pb, 0.05% Cu, 150 g/t AgEq). Those with long memories will recall our coverage of the Navidad ownership squabble between the Grosso Group and Aquiline Resources around 15 years ago.

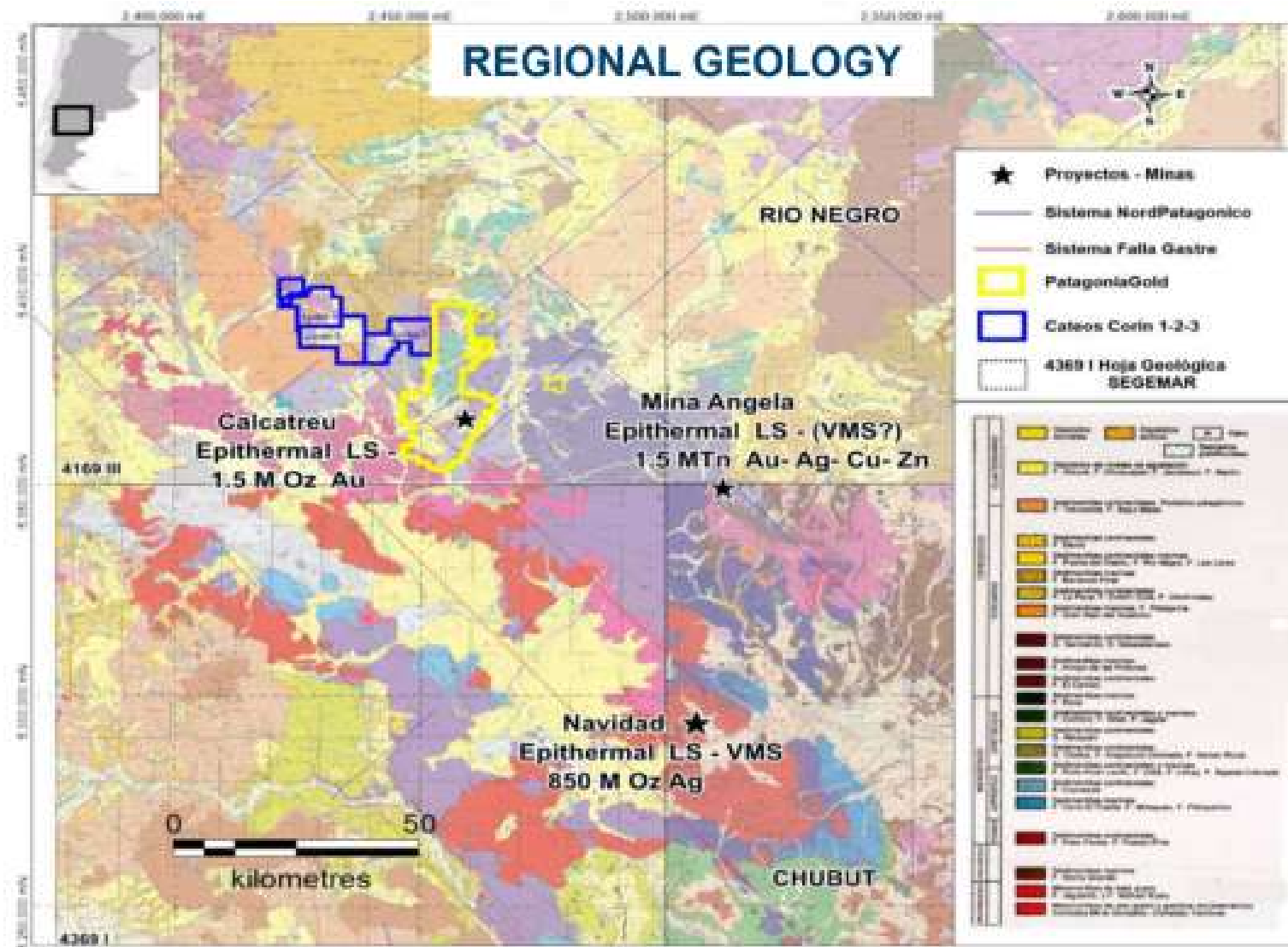
The project area is accessed by high quality and well maintained paved and gravel roads.

The company staked an additional 300 km² in 4Q21 to expand the property boundaries. These are contiguous to the original Taquetren claims.

Geology

This boundary of the massif is coincident with the Gastre Fault System, a long-lived mega-structural feature. Target stratigraphy is at the contact area between the Jurassic Taquetren Formation and the overlying sediments.

Past explorers have observed elevated pathfinders of Barium and Silver in soil geochemistry, with a similar signature to Navidad discovery.



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The geological setting is calc-alkaline, bi-modal 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. **Exploration**

Exploration

The project was categorized as an early-stage exploration property, however, most of the newsflow in 2022 emanated from the Argentine asset.

The Argentine team includes personnel with first-hand participation in the discovery of La Navidad. Permits have been obtained to conduct initial geological, prospecting and geochemical sampling with work commenced in May 2021.

Ongoing mapping and sampling in the area of the recent discovery is underway and the exploration team has been expanded to facilitate an accelerated regional exploration program. No evidence of previous exploration on the ground has been identified. The exploration team has been expanded to facilitate an accelerated regional exploration program.

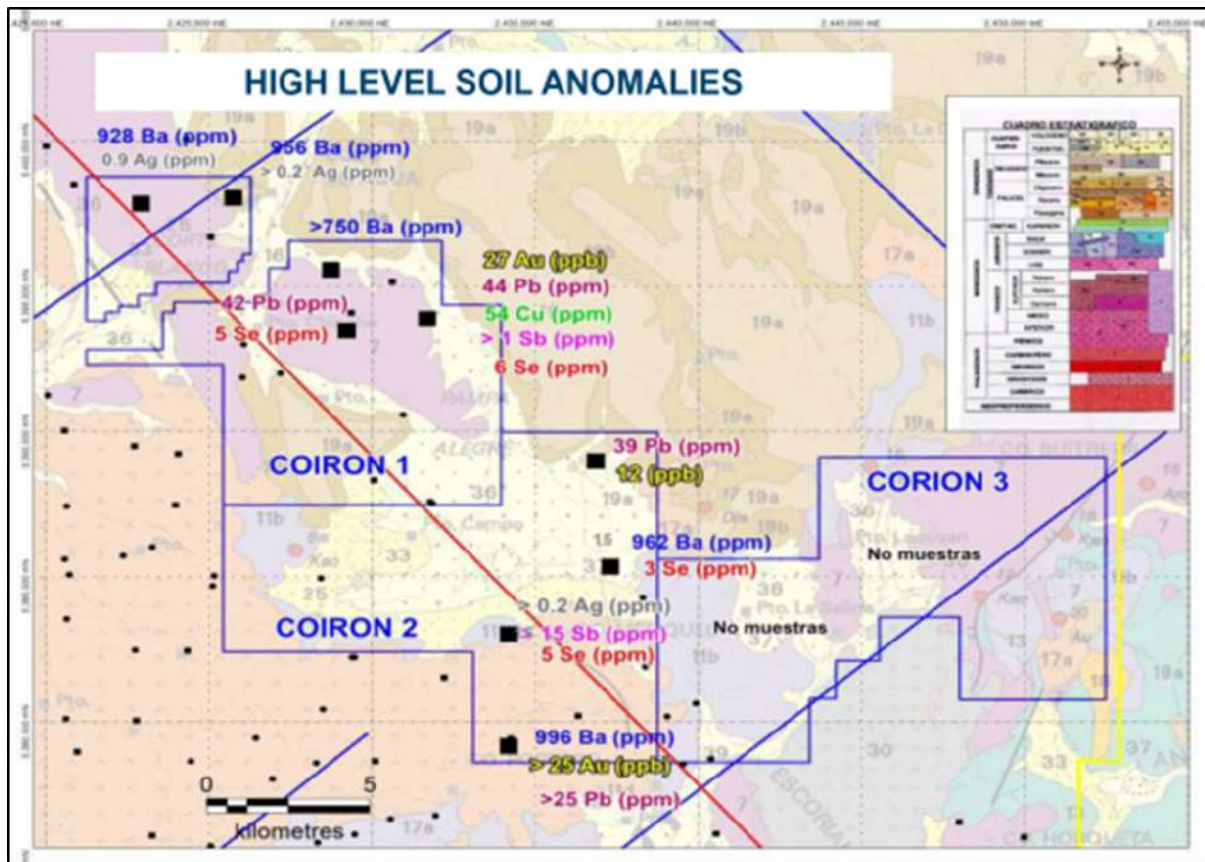
Field observations and the collected samples confirm the existence of a vein system is located on the edge of a circular structure and along the trace of the NW-SE-trending Gastre Fault System, as well as NE-SW-trending Nord-Patagonico Fault System. Regionally, the mineralized LS epithermal system is located on the edge of one of the previously identified circular structures, reinforcing the model of the mineralization linked to a mega caldera.

In early March 2022, the company announced that towards the southern sections of the group of claims (or SSW sections of Coiron 3 claim), its team had encountered a highly mineralized vein with distinct Cu sulfides/oxides (Veta Juan). A calcite-quartz-sulfide vein (10-20 cm wide) and traceable to a strike length of about 300 meters was observed. Seven samples collected along the vein's strike (outcrop and floats) all assayed >1% Cu. Four of the samples contain >100 ppm Ag, two of which having >200 ppm Ag. Gold is also anomalous and ranges in values from 0.06 to 0.49 ppm.

Although the structure is quite narrow, this is a very encouraging occurrence and an indication of a currently perceived Calcatreu-type of mineralization in the area. This certainly comes in as one distinct target area.

Along the western portion of the claims, and still following the margins of a circular structure, Norseman's team has also encountered the same geology/stratigraphic sequence similar to the Navidad setting i.e., carbonate rocks on top of a volcanic breccia rock unit. These rocks serve as the favorable host rocks of the Ag and poly-metallic mineralization at Navidad. No evidence of previous exploration on the ground has been identified.

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In late April of 2022, the company announced it had undertaken check assays on material from Taquetren. The material re-assayed came from earlier sampling that were above detection limit and these confirmed significant silver and bonanza grade copper.

Rock chip samples from the **Veta Juan**, which were collected along a strike length of about 300 meters were re-assayed, showing an average of 7.73% Cu (2.46% to 9.63%) for the seven samples. The same set of samples was re-analyzed for silver. Two samples picked up an average of 205 ppm Ag (202 and 207 ppm Ag), and another two samples contained >120 ppm Ag.

Prior to the latest transaction, the top 20 shareholders held 80% of the company, with 20% of the company held by management.

The price chart of late (on following page) has not been a pretty one (few have been) but this can be attributed to nothing much happening ahead of the pivot to Argentina.

We have added a **LONG** position to the Model Resources Portfolio with a 12-month target price of CAD\$0.15.

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Golconda – Oops, They Did It Again

Back in October of last year, Galane Gold, the company we love to kick when its down (and frankly it's been down for nearly a decade) decided to repackage its old wine in new bottles with a name change to Golconda Gold to reflect its departure from Botswana. It also resolved to consolidate its outstanding common shares on the basis of one new common share for every five existing common shares.

Its new strategy was to focus on “progressing both Galaxy Gold and the Summit Mine and Banner Mill”. The latter two being in New Mexico.

We have long had a **SHORT** on Galane and it, of course, carried over to Golconda as nothing has really changed. As a result of the consolidation, the 356,366,541 common shares issued and outstanding prior to the consolidation were reduced to approximately 71,273,308 common shares.

A somewhat ebullient press release on the 1st of May announced that the company:

- produced 9,102 tonnes of concentrate at an average grade of 34.0 g/t containing 9,961 ounces of gold compared to 8,349 tonnes at 31.0 g/t containing 8,319 ounces of gold in the year ended December 31, 2021

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- generated revenue of \$13.2mn from the sale of 9,770 contained ounces (7,367 payable ounces) of gold at an operating cash cost of \$1,353 per payable ounce compared to \$9.2mn revenue for the year ended December 31, 2021 at an operating cash cost of \$1,677 per payable ounce

Alas, though we had to go away and scour SEDAR to find the actual results (Golconda/Galane think top-line revenues are results, whereas we tend to think the bottom line is the results). Oops, they managed to lose \$1.11mn in FY22 versus a profit of £3.22mn in FY21. Sigh...

Some things never change... We reiterate our **SHORT** with a 12-month target price of 25cts, and damn... isn't the price already 17.5 cts. Galane/Golconda is the gift that keeps giving to Shorters.

Parting Shot

A subject of some amazement to denizens of other than the ASX is the concept of Mineral Resource Targets. These have been on the rise in recent years, and we have to say they fascinate us. They are like a promoters' wish-list. Can one imagine what the ability to issue mineral resource targets would be like if weaponized in the hands of Vancouver promoters?

However, loosey-goosey as they sound, they are actually constrained by some rules. A useful document on this is provided by the ASX. Firstly, in any statement referring to potential quantity and grade of the target, these must be expressed as ranges and must include:

- a detailed explanation of the basis for the statement, including specific description of the level of exploration activity already completed
- a clarification statement stating that the potential quantity and grade is conceptual in nature

When publishing, in a release, an Exploration Target the statement should lay out the proposed exploration activities designed to test the validity of the exploration target and the timeframe within which those activities are expected to be completed must be specified.

All disclosures of an Exploration Target must clarify whether the target is based on actual exploration results or proposed exploration.

The *coup de grâce* for promoters though is the following conditions:

"It is implicit in the definition of the term that subsequent exploration of an Exploration Target must be directed towards the estimation of a Mineral Resource. an entity may not report a Mineral Resource which has no prospects of eventual economic extraction. This means that an entity cannot include within a reported Exploration Target, for example, mineralisation where it is apparent that the tonnage and/or grade is so low or so deep, or otherwise not extractable, that the mineralisation has no prospects of being economically mined within a reasonable time frame". Oh dear, that leaves most of BC's Golden Triangle out of contention and most of the universe of Rare Earth wannabes.

We had to chuckle at the term "has no prospects of eventual economic extraction" because that would

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also encompass many of the extant MREs these days, rather than just fanciful Exploration Targets.

Recent & Upcoming

In the last month we published our initiation of coverage on Century Lithium and Stakeholder Gold.

In coming weeks, there are scheduled Initiations on African Gold and Gold Line. There is also, potentially, an update on the Teck deal and a sector review on Boron wannabes.

MODEL RESOURCES PORTFOLIO @ END MAY							
Security	Ticker	Currency	Price	Change		12-mth Target	
				last 12 mths	last mth		
LONG EQUITIES							
Diversified Large/Mid-Cap	Hochschild	HOC.L	GBP	0.7774	-34%	9%	£1.00
	Sherritt International	S.to	CAD	0.50	-31%	-12%	\$0.95
Uranium	Sprott Physical Uranium	U.UN.to	CAD	13.07	-23%	-20%	\$20.00
	GoviEx	GXU.v	CAD	0.14	-62%	-18%	\$0.45
Zinc/Lead Plays	WisdomTree Zinc ETF	ZINC.L	USD	7.39	-41%	-14%	\$14.00
	Luca Mining	LUCA.v	CAD	0.38	15%	-7%	\$0.70
Silver Explorer	Southern Silver Exploration	SSV.v	CAD	0.18	-25%	-14%	\$0.40
	Norseman Silver	NOC.v	CAD	0.06	-63%	-40%	\$0.02
Silver ETF	IShares Silver ETF	SLV	USD	21.95	4%	-5%	\$24.00
Gold Producer	Soma Gold	SOMA.v	CAD	0.55	77%	-10%	\$0.85
	Asante Gold	ASE.cn	CAD	2.02	552%	-1%	\$2.40
	Orvana Minerals	ORV.to	CAD	0.18	-42%	-10%	\$0.60
Gold/Antimony Developer	Perpetua Resources	PPTA.to	CAD	6.48	45%	0%	\$7.50
Metallurgical Coal	Colonial Coal	CAD.v	CAD	1.58	-4%	-10%	\$2.45
Royalties	Elemental Altus Royalties	ELE.v	CAD	1.24	-16%	-10%	\$1.52
Copper Explorers	Panoro Minerals	PML.v	CAD	0.13	-24%	0%	\$0.30
	Phoenix Copper	PXC.L	GBP	0.2611	-48%	4%	£0.54
	Aldebaran Resources	ALDE.v	CAD	0.82	26%	11%	\$1.32
	C3 Metals	CCCM.v	CAD	0.04	-64%	-11%	\$0.10
Tungsten	Almonty Industries	AII.v	CAD	0.77	-9%	15%	\$0.95
	EQ Resources	EQR.ax	AUD	0.07	21%	-13%	\$0.13
Graphite Developer	Blencowe Resources	BRES.L	GBP	0.0499	14%	-11%	£0.09
Cobalt	Jervois Global	JRV.ax	AUD	0.09	-90%	0%	\$0.35

MODEL RESOURCES PORTFOLIO @ END MAY

Security	Ticker	Currency	Price	Change		12-mth Target	
				last 12 mths	last mth		
LONG EQUITIES							
Vanadium Developer	Vanadium Resources	VR8.ax	AUD	0.08	-43%	0%	\$0.22
Lithium	Neometals	NMT.ax	AUD	0.63	-60%	2%	\$1.50
	Lithium Power Intl	LPI.ax	AUD	0.32	-59%	7%	\$0.80
	Century Lithium	LCE.v	CAD	0.94	-27%	-10%	\$2.38
Cesium/Lithium	Essential Metals	EXX.ax	AUD	0.46	-30%	7%	\$0.55
Scandium Developer	Scandium International	SCY.to	CAD	0.05	-50%	-17%	\$0.11
Gold Explorer	Cabral Gold	CBR.v	CAD	0.11	-73%	-21%	\$0.20
	Gunpoint Exploration	GUN.v	CAD	0.56	-8%	-8%	\$0.75
	Desert Gold	DAU.v	CAD	0.06	-40%	0%	\$0.18
	MetalsTech	MTC.ax	AUD	0.30	20%	-14%	\$0.45
Rare Earths	Rainbow Rare Earths	RBW.L	GBP	0.0814	-40%	4%	£0.17
	Neo Performance Materials	NEO.to	CAD	8.23	-36%	-8%	\$14.60
Tin Miners	Alphamin	AFM.v	CAD	0.83	-40%	-11%	\$1.35
	Metals X	MLX.ax	AUD	0.28	-62%	0%	\$0.38
Mineral Sands	Sheffield Resources	SFX.ax	AUD	0.47	-18%	-2%	\$0.72
Helium	Desert Mountain Energy	DME.v	CAD	1.26	-61%	-16%	\$2.40
Oil & Gas	Shell	SHEL.L	EURO	22.68	4%	-8%	£24.00
SHORT EQUITIES							
Shorts	NioCorp	NB.to	CAD	7.20	-28%	-16%	\$4.00
	Golconda Gold (ex-Galane Gold)	GG.v	CAD	0.175	-73%	-42%	\$0.13
	Cleantech Lithium	CTL.L	GBP	0.49	72%	-5%	£0.25
	Texas Mineral Resources	TMRC	USD	0.97	-53%	-21%	\$0.30

Important disclosures

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