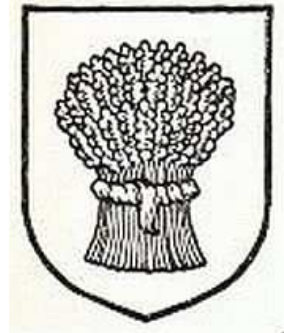


Monday, November 6, 2023



HALLGARTEN + COMPANY

Portfolio Strategy

Editor: Christopher Ecclestone
ceccestone@hallgartenco.com

Model Resources Portfolio: Deal Gloom? Not in Lithium...

Performance Review – October 2023

Model Resources Portfolio

Deal Gloom? Not in Lithium.....

- + Gold has picked up with rising tensions in the Middle East and again flutters around the \$2,000 per oz mark
- + Uranium continues its upward tendency
- + M&A activity in the Lithium space belying the gloom and doom of some of the players in the mineral
- + Interest rates remain at their recent highs, though it appears Central Banks are soft-peddalling now that inflation has been stopped in its tracks (or so they think)
- ✗ Base metals are stagnating and risk weakening on the sluggish performance of China and major Western economies
- ✗ Shenghe's "rescue" of ASX-listed REE developer Vital Metals makes a mockery of Canada's ham-fisted critical metals policy
- ✗ Silver has largely missed out on Gold's recent rally

Lithium – All in a Lather

The wringing of hands in the C-Suites of Lithium juniors can be heard on the other side of the world but yet in the midst of misery there is plenty. Recent weeks have seen the massive blandishments of Albemarle to Lontown rejected in a giant act of hubris (dodged a bullet there, is our consolation to Albemarle, while Alpha Lithium was re-argentinised by Tecpetrol's actions, Azure Minerals fell to the temptations of hard cash offered by SQM and Argentina Lithium (a runt of the pack, if ever there was one) snatched at a fistful of trapped pesos being offered by Stellantis.

And yet the juniors moan about their lowly valuations. But looking at many of them it is a case of "Lithium Executive, Heal Thyself!". Someone rhapsodized to us last week about the pharaonic set-up that one Australian junior was establishing in Catamarca city, to which our sour reply was "and they haven't drilled a metre in the last 12 months".

If the Azure deal proves anything in Lithium, it's that "drilling to add value, adds value"... if there is something to add value to. Lontown have shown that executives (and controlling/major shareholders) know the price of everything and the value of nothing. We might note that a certain ASX-listed Lithium junior (yes, junior) inflated to a multi-billion capitalisation and the CEO saw that it was overpriced, exited his corporate strait-jacket and sold. We cannot fault the logic because we also thought the market's value to be total lunacy. The sweet dilemma for remaining management is that having a high-tide mark chalked on their corporate wall, accepting less than the multiple billions makes it look like they missed the boat (which wasn't sailing anyway) and that their dearly departed CEO was right to grab the money and run.

Monday, November 6, 2023

Meanwhile the flocks of Lithium juniors who haven't done any work look even less serious than the Rare Earth juniors that went the way of all things in 2012. But, then again, it's never too late to get drilling and get real.

Argentina – Knives Out

Even Nicolo Machiavelli would have trouble in keeping up with the events in the days after the first round of the Presidential election held on October 22nd. If there is one truism to sum this up it is that Argentina never ceases to surprise. At the mandated primaries in August the largest share of the vote went to Javier Milei, a libertarian candidate, who had hitherto been a fringe figure in Argentine politics and a frequent target for ridicule for his erratic behaviour, inflammatory speeches and inconsistent ragbag of policies. The other shock was how poorly the ruling Peronist Party faction (otherwise known as Kirchnerism) did on the day. A poor performance had been expected due to the dire economic conditions evolved under the Presidency of Alberto Fernandez over the preceding four years. However, the result seemed to signal that even the indiscriminating “base” were abandoning the party that had ruled (under one faction or another) for all but six years since 1989.

And the rise of Milei took the wind out of the sails of the official opposition, led by Patricia Bullrich, pushing them into second place.

Now the Presidential elections have been held and the results have again surprised. The candidate for the Peronist(ish) forces managed to rise from the dead shooting from third position to first, the alliance of establishment parties on the centre right wilted (and were eliminated) and the Libertarian candidate had his lead hacked back and ended up in second position.

This now opens the way for a month of further confusion and, as we shall relate, furious conversations between existing coalition partners (of the losers) as horsetrading reaches a frenzy to reallocate what are a fairly sizeable 33% share of the votes gleaned by those candidates which did not make the cut. Though we should note that the two national sports now are spoiling ballots and absenteeism.

In the first days after the results the pundits were calling it for Massa, saying how the Peronists have outsmarted the conventional opposition (*Juntos por el Cambio*) and made the straw man of Milei the unacceptable choice against Massa. Yet only a week ago, Massa was the unacceptable face largely abandoned by those who had made him so unacceptable (Alberto & Cristina Fernandez – no relation). Now we must believe he is the smartest guy in the room. Sorry, this does not wash.

Even Machiavelli would need to do a doubletake on this snatching victory out of the jaws of defeat. Does Massa have any army hidden away to march forward to do battle? Well, might we hark back to Stalin's quip on “How many divisions has the Pope?”. Are we to believe that Massa kept some in reserve last Sunday? Really?

Then the shattered remains of the *Juntos por el Cambio* alliance, that had carried Bullrich along to 2nd place in the first round suddenly picked themselves up and dusted themselves off. Or at least, the PRO

Monday, November 6, 2023

component of JxC (to which both Bullrich and the former president, Mauricio Macri belong) pulled themselves together. Verily two days had passed and the forces of K (though Massa likes to see himself as post-K) had pulled their candidate from the ballotage in the city of Buenos Aires to let Mauricio Macri's cousin, Jorge, sail to victory unopposed. For us, this just means one less battle for the PRO to fight on the 19th of November and they can concentrate on the main game.

Then it became apparent that Milei was not the total *naif* and *ingenue* that he had projected as he began making the right noises towards Bullrich and had already been emitting *sotto voce* siren songs to Mauricio weeks ago. Verily the ink had not dried on our election commentary out on Tuesday but it was confirmed that the PRO and some of its camp followers had thrown in their lot with Milei for the second round. This total *volte face*, from a position where Milei had recently termed Macri a liar and Bullrich a terrorist, left the remnant parts of the coalition (primarily the *Radicales* – UCR, and the CC party of Elisa Carrio, a perennial gadfly) totally wrongfooted. On the day, there was a story that up to 80% of the government roles in the talent/experience-light government of Milei (should he win) would go to PRO functionaries. It seemed a marriage made in Heaven (or at least Purgatory).

Polls were already showing that the anti-K vote would coalesce with Milei.

In an even more bizarre evolution, it was mooted that the *Fundacion Mediterraneo* of Domingo Cavallo (yes, Menem's inspiration for the 1990s Convertibility policy) was going to be the brain's trust of Massa and the Neo-Peronists. Stranger things have happened, but we can imagine Nestor Kirchner rolling in his grave, and Menem laughing in his...

As they say, it ain't over till the fat lady sings, and Argentine politics is nothing less than an Italian opera with all the trimmings.

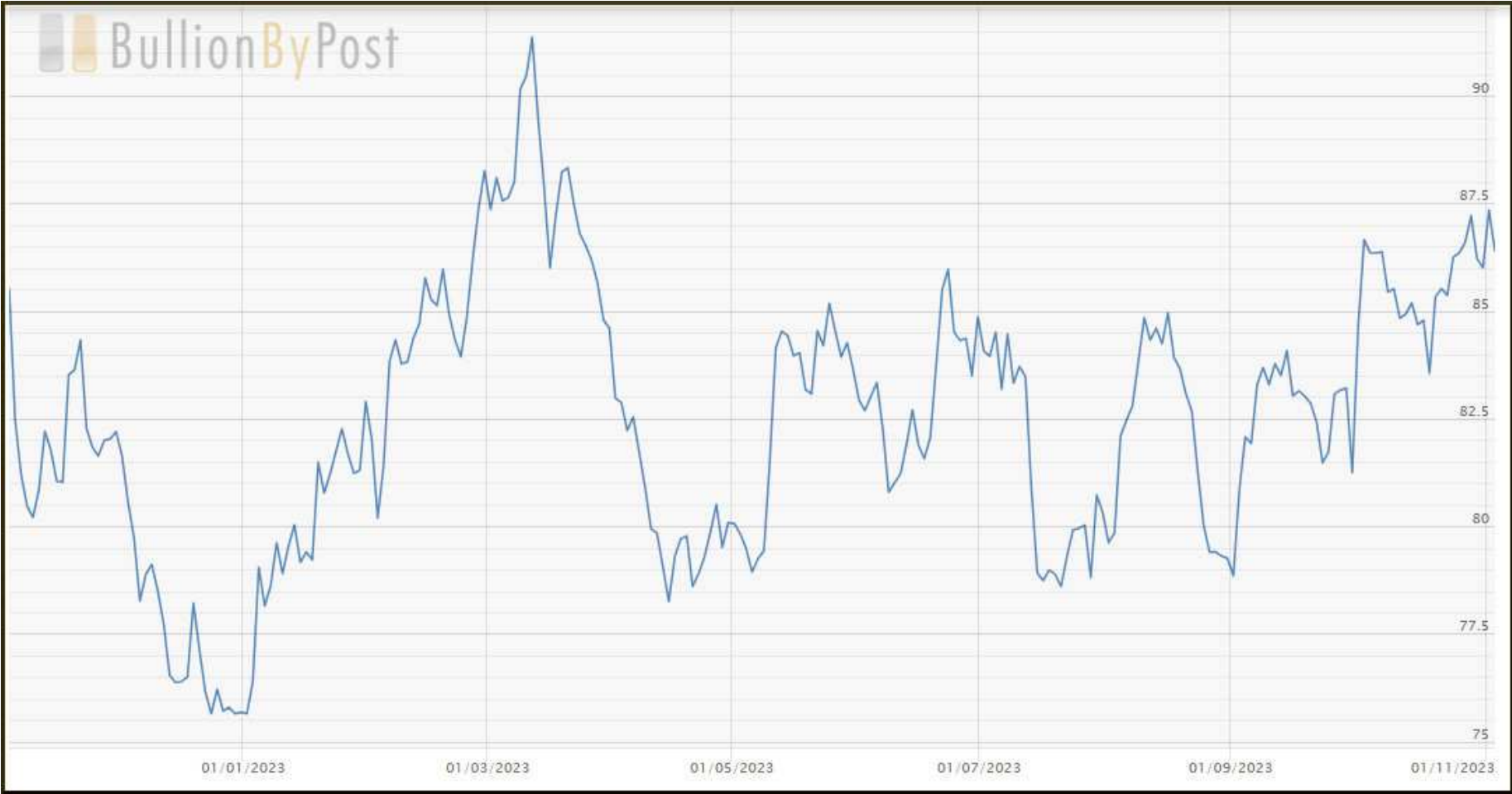
Silver's Ratio to Gold Deteriorates on MidEast

Between March and May of this year silver staged one of its strongest improvements against gold in recent memory. For those of us inclined towards the metal the rationale was primarily rising industrial usage rather than tin-foil-hatism, long the spurious preserve of silver nuts.

As the chart on the following page shows, things then went into a long seesaw pattern after May before taking a definitely deteriorating trend after September which might have continued to seesaw but kept getting worse after the events in Gaza and the Occupied Territories exploded so dramatically.

These events pushed the Ukraine-Russia war off the front pages (including even the virtual front pages of the internet) but that war had never been able to excite the gold bugs or anyone else to position themselves in a safe haven despite having massively greater strategic importance than a Middle Eastern sideshow.

We cannot envision the events in Gaza underpinning gold for very much longer and silver should return to a better ratio in early 2024.



Source: BullionbyPost

Monday, November 6, 2023

Sheffield's Riddle of the Sands

On the 23rd of October the nascent mineral sands major, Sheffield Resources, announced that it had finally reached production. Uncork the champagne!

The release outlined that ore processing at the Thunderbird project had commenced ahead of schedule and accordingly management and control of processing plant transferred to the Kimberley Mineral Sands team by the EPC contractor GR Engineering Services.

The first delivery of mineral sands products to customers remains on target for Q1 2024. Meanwhile, process plant fine-tuning and ramp-up is underway. The particularly poignant triumph is that forecast total project expenditure remained within the original \$484m FID budget and financing envelope. If anything it shows up all those in the mining industry who just wring their hands at over-runs and say "what can you do?". Maybe cost control and close oversight of contractors for starters?

The mystery goes on as to why investors have suddenly jumped into the stock and the stock price has taken off (as expected). Verily, the company indicated in multiple press releases as it crept (sped, indeed) towards production that this goal was imminent and yet investors were largely "deer in the headlights" and now its happened and they are scrambling.



Monday, November 6, 2023

Lithium Power International -Taken Out for a Song

The all-cash deal from Chilean state-owned copper giant, Codelco, to buy Lithium Power International for AUD\$385mn (US\$245mn) or 57 Australian cents per share, sent the Australian company's stock surging 32%. However, our 12-month target price had been 80cts.

LPI owns the Blanco project in the Maricunga salt flat, near Codelco's own properties.

Reuters reported: "The acquisition of LPI will make the Blanco Project viable through synergies with Codelco's assets and permits in the Maricunga (salt flat)," Maximo Pacheco, Codelco's chairman, said in a press release.

LPI shareholder approval is needed for the deal to proceed. A vote is expected next January.

In April, Chile's president announced a plan to take state control of the lithium industry and told government-run Codelco to take charge despite it not really knowing much about the subject.

Currently only SQM and Albemarle extract Lithium in Chile and both operate out of the Salar de Atacama.

Multiple companies hold lithium rights in the Maricunga salar, with projects at varying degrees of development. Another one bites the dust.

Portfolio Changes

During the month, we dropped our **LONG** in MetalsTech as it deemphasized its Slovakian gold project and pivoted to Lithium at James Bay in Canada, a region in which we have zero interest. We added **LONG** positions in Alpha Exploration, a gold explorer in Eritrea and in Millennial Potash, an agrominerals developer in Gabon.

Essential Metals disappeared from our **LONG** lists due to it being taken over by Develop Global (ASX:DVP). Lithium Power International (ASX:LPI) was also dropped as a **LONG** due to its aforementioned takeover by Codelco.

Race to the Bottom

Meanwhile, in our **SHORTs**, it is a race to the bottom. Always excelling at underperforming is Golconda (ex-Galane) Gold, even a name change could not put lipstick on this pig and at half our target price, it will be exiting the **SHORT** category during November.

But not to be forgotten are two other big dogs in the pound these days. CleanTech Lithium and Texas Mineral Resources are both closing in on our target prices.

Parting Shot

The sloppiness in the intellectual process behind Canada's ban on selling critical mineral assets to the

Monday, November 6, 2023

Chinese has been highlighted in the last week. To remind those who did not know Canada banned several TSX-listed entities from selling major stakes to the Chinese in the worthy cause of keeping those assets out of Chinese hands. However, as it turned out those assets were not even in Canada, but some as far away as the high Andes. Not being retrospective, it allowed the Chinese to hang onto such strategic assets as the Beaverbrook (Antimony) mine in Newfoundland and the Tanco mine (Cesium and Tantalum) in Manitoba. However, it stopped Lithium Chile in its tracks (despite its largest asset being in Argentina).

Now in the latest manifestation that shows the get-arounds that Ottawa is up against a subsidiary of the Chinese Rare Earth major, Shenghe Resources, has entered into a subscription agreement with Vital Metals (ASX:VML). This surprise move came on October 23rd.

To refresh memories, Vital was the white knight that was bringing back to life the long-thwarted Nechalacho REE project of Avalon-fame. The idea was that the material would be campaign-mined depending on the weather/seasons and then upgraded at the Saskatchewan Research Facility in Saskatoon before being shipped to an offtaker, REEtec in Norway, for conversion into a marketable REE product. Vital suspended those efforts at the end of 2022 and ended up in contention with the offtaker. This prompted a rather dire press release at the end of September and various management figures falling on their swords in mid-October. It had looked like curtains at Vital.

The share subscription will be conducted in two phases with the first consisting of Shenghe acquiring 9.99% of Vital Metals at AUD\$0.01 per share via a share placement which will raise a total of approximately AUD\$5.9mn (US\$3.8mn). Then, in a potential second phase of the placing, the Chinese company can subscribe to a further 492 million shares at AUD\$0.015 a share, which if exercised would raise about AUD\$8.9mn. This would take 18.2% of the issued capital of Vital Metals.

Shenghe can exercise the option to subscribe for the second phase of additional shares at any time within 12 months after the delivery of the first phase of subscription.

Verily coming on the tail end of the SRC's major reboot/upgrade (in part justified by the original Vital plans) does this signal that Shenghe will be whisking the Nechalacho product off to China for processing leaving the SRC like a shag on a rock? Double slap in the face to Canada's REE ambitions.

The funding announcement included the requisite mom-and-apple-pie clause stating "Vital to explore the development of an integrated North American supply chain for future rare earth production at Nechalacho, Canada". However, is there an offtake deal underlying all this that we are not seeing?

For those who wish to sleep easy at night and believe that 18.2% is just that, we might note that Shenghe used to take 100% of Mountain Pass's production back to the mothership. There is no reason that the same won't happen at Nechalacho.

Monday, November 6, 2023

Recent & Upcoming

In the last month, we published our thinkpiece on the first round of the Argentine presidential elections.

In the month to come we shall be initiating Edison Lithium, Imperial Mining, the second round of the Argentine elections and possibly Abra Silver, African Gold and Noram Lithium.

MODEL RESOURCES PORTFOLIO @ END OCTOBER							
Security	Ticker	Currency	Price	Change		12-mth Target	
LONG EQUITIES							
				last 12 mths	last mth		
Diversified Large/Mid-Cap	Hochschild	HOC.L	GBP	0.918	64%	10%	£1.00
	Sherritt International	S.to	CAD	0.42	-9%	0%	\$0.95
Uranium	Sprott Physical Uranium	U.UN.to	CAD	18.14	3%	6%	\$20.00
	enCore Energy	EU.v	CAD	4.32	26%	-3%	\$4.90
Zinc/Lead Plays	WisdomTree Zinc ETF	ZINC.L	USD	8.20	-10%	-6%	\$14.00
	Luca Mining	LUCA.v	CAD	0.23	109%	-15%	\$0.70
Silver Explorer	Southern Silver Exploration	SSV.v	CAD	0.16	0%	-6%	\$0.40
	Norseman Silver	NOC.v	CAD	0.10	-9%	150%	\$0.12
Silver ETF	IShares Silver ETF	SLV	USD	20.98	19%	3%	\$24.00
Gold Producer	Soma Gold	SOMA.v	CAD	0.69	138%	11%	\$0.85
	Asante Gold	ASE.cn	CAD	1.32	633%	-3%	\$2.40
	Orvana Minerals	ORV.to	CAD	0.15	-17%	0%	\$0.60
Gold/Antimony Developer	Perpetua Resources	PPTA.to	CAD	4.97	55%	12%	\$7.50
Metallurgical Coal	Colonial Coal	CAD.v	CAD	1.48	-10%	-8%	\$2.45
Royalties	Elemental Altus Royalties	ELE.v	CAD	1.15	-10%	-2%	\$1.52
Copper Explorers	Panoro Minerals	PML.v	CAD	0.1	-23%	-23%	\$0.30
	Phoenix Copper	PXC.L	GBP	0.24	-11%	39%	£0.54
	Aldebaran Resources	ALDE.v	CAD	0.78	-12%	-8%	\$1.32
Tungsten Producer	Almonty Industries	AII.v	CAD	0.52	-25%	4%	\$0.95
	EQ Resources	EQR.ax	AUD	0.07	-83%	0%	\$0.13
Graphite Developer	Blencowe Resources	BRES.L	GBP	0.054	18%	10%	£0.09
Cobalt	Jervois Global	JRV.ax	AUD	0.03	-94%	-25%	\$0.35

MODEL RESOURCES PORTFOLIO @ END OCTOBER							
Security	Ticker	Currency	Price	Change		12-mth Target	
				last 12 mths	last mth		
LONG EQUITIES							
Vanadium Developer	Vanadium Resources	VR8.ax	AUD	0.05	-29%	-17%	\$0.22
Lithium	Neometals	NMT.ax	AUD	0.23	-79%	-38%	\$1.50
	Century Lithium	LCE.v	CAD	0.74	-30%	21%	\$2.38
Scandium Developer	Scandium International	SCY.to	CAD	0.03	-63%	-25%	\$0.15
Gold Explorer	Cabral Gold	CBR.v	CAD	0.12	-40%	0%	\$0.60
	Gunpoint Exploration	GUN.v	CAD	0.47	-8%	-15%	\$0.75
	Sanu Gold	CSE:SANU	CAD	0.07	-86%	40%	\$0.18
	Alpha Exploration	ALEX.v	CAD	0.68	31%	6%	\$0.32
	Desert Gold	DAU.v	CAD	0.04	-33%	0%	\$0.32
AgroMinerals	Millennial Potash	MLP.v	CAD	0.22	n/a	-4%	\$0.32
Rare Earths	Rainbow Rare Earths	RBW.L	GBP	0.13	25%	-21%	£0.30
	Neo Performance Materials	NEO.to	CAD	6.85	-36%	-15%	\$24.00
Tin Miners	Alphamin	AFM.v	CAD	0.91	49%	5%	\$1.35
	Metals X	MLX.ax	AUD	0.28	12%	-7%	\$0.38
Mineral Sands	Sheffield Resources	SFX.ax	AUD	0.56	10%	19%	\$0.72
Oil & Gas	Shell	SHEL.L	EURO	26.47	8%	1%	£24.00
SHORT EQUITIES							
Shorts	NioCorp	NB.to	CAD	6.16	-43%	26%	\$4.00
	Golconda Gold (ex-Galane Gold)	GG.v	CAD	0.12	-70%	0%	\$0.25
	Cleantech Lithium	CTL.L	GBP	0.3342	-31%	-31%	£0.25
	Texas Mineral Resources	TMRC	USD	0.36	-81%	-29%	\$0.30

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.

Hallgarten & Company acts as, or has acted as in the last twelve months, a strategic consultant to Perpetua Resources Century Lithium & Alphamin Resources and as such is or has been compensated for those services, but does not hold any stock in those companies, nor has the right to hold any stock in the future.

© 2023 Hallgarten & Company Limited. All rights reserved.

Reprints of Hallgarten reports are prohibited without permission.

Web access at:

Research: www.hallgartenco.com