



HALLGARTEN + COMPANY

Coverage Update

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U.S. Antimony (NYSE: UAMY) Strategy: SHORT

Price (USD)	\$0.249			
12-Month Target Price (USD)	\$0.16			
Upside to Target	-36%			
High-low (12 mth)	\$0.22 - \$0.48			
Market Cap (USD mn)	26.8			
Shares Outstanding (millions)	107.7			
	2021	2022	2023e	2024e
Consensus EPS		n/a	n/a	n/a
Hallgarten EPS			(\$0.05)	(\$0.04)
Actual EPS	(\$0.00)	\$0.00		
P/E	n/a	62.37	n/a	n/a

U.S. Antimony

Directionless, As Usual

- + Antimony is experiencing its longest sustained highest average price in history and currently stands at over US\$12,000 per tonne
- + The metal features on every listing of critical or strategic metals prepared by governments or quasi-official bodies around the world
- + Demand is rising at a steady rate due to increased utilization of Sodium Antimonate in coating of PV panels in solar energy
- + US Antimony was well cashed-up with over US\$12.86mn in its corporate treasury (as at the end of Sept 2023), but it has now been sitting on a large cash position for several years now
- + The company has an agreement with Perpetua Resources to process material (potentially) when the Stibnite project in Idaho starts up
- ✗ Despite high prices US Antimony is not only substantially loss-making on its bottom line, but even makes a gross loss
- ✗ Representations that the company could source Antimony ore and concentrate feedstock have proven to be unfounded
- ✗ Operating costs have soared as volumes have collapsed and GS&A is voracious
- ✗ The company has touted the Wadley mine as its salvation for as long as we have known them yet last year unceremoniously, and without explanation, retreated from its purchase

“Progress” Thus Far

As is well-known we have been watching with dismay the trainwreck that is US Antimony for over a decade now. We cannot assert that the company has been trying to pull out of its dive as there is nothing that it does that looks like a proactive attempt to save itself.

For a long time, the company eschewed mining even when it had little to no product to put through its smelters. It was like the mantra was “we built a smelter and nobody came, but we don’t care”. The attitude to mining was “over our dead body”. Surprisingly though the company was marketed for a long time upon the attractions of Los Juarez and Wadley, even while the company was adamantly saying it would not mine... hmm. Double discourse, you bet.

Then, the inevitable happened when the very aged CEO passed away, and the company passed to his slightly less-aged successors. The main difference since then has been a burgeoning of the GS&A verily as the revenues shrunk, in what is the best sustained pricing environment for Antimony in the HISTORY OF MANKIND, with even more attractive perspectives for the future. So what did the company do in recent times? It abandoned its plans for Wadley definitively and seems intent on curling up in some sort of corporate foetal position and hoping reality will go away if they stay still long enough. Though they had no such luck, as we are still around and drawing attention to the torpor in the C-Suite.

In this update we shall look at this epic story of opportunity blown, the flaunting of US government exhortations on strategic/critical metals (of which Sb is a prime case) and we muse upon why a truckload of money was raised a couple of years ago and has sat untapped since that time.

What It's Got, and What It's Not

In the beginning there was the Montana roaster (and a long-closed associated mine). The US has never been a major Sb producer and has largely relied upon imports of finished metal and feedstocks. We were told many moons ago that Montana was fed by Sb material that Teck's Trail smelter in BC could not handle. Take that under advisement. The Montana smelter is grandfathered by the EPA, supposedly, to continue Sb roasting. The company also owns Bear River Zeolite, of no real importance.

Then the company decided to construct a roaster in Mexico. This is known as the Madero roaster. This was supposedly fed by several satellite Sb deposits owned by private operators (seemingly quite rustic) who were advanced funds by UAMY to produce certain amounts. Some of our coverage of last decade dealt with the issue of non-fulfillment (and non-repayment) by these operators. And more recently we have reported on the (still on-going) grief from Mexican tax authorities.

Another sub-theme to the marketing effort (to investors) were the "attractions" of the low-grade Los Juarez deposit (low grade in both its Sb and Silver components) and then the always looming "Big Opportunity" in the form of the past-producing Wadley Mine (of which more anon).

Financing

According to the 10Q filing, the company was sitting on a cash-pile of over US\$12.86mn as at the end of the September quarter of 2023. The bulk of this money originated from a deal in February of 2021, when the company raised US\$10.7mn in a direct offering and concurrent private placement, with part of proceeds earmarked to "upgrade antimony operations in Mexico and Montana and for exploration at its Los Juarez gold-silver mine in Mexico". Oh, dear... we now know how that has gone.

At the time it also said funds would be used to retire debt and for corporate governance costs.

The direct offering to institutional investors comprised 15,300,000 shares at 70 cents apiece, and the private placement consisted of unregistered warrants to purchase up to another 7,650,000 shares, exercisable at 85 cents, six months from issuance for a period of five years. Roth Capital Partners LLC served as the sole placement agent.

Wadley – The Last-Chance Saloon

The storied Wadley Sb mine has long dangled from the lips of UAMY management and IR. The San Jose

antimony deposits were discovered in 1898. The Cookson interests of England soon acquired control of them and maintained full- or part-control continuously until at least the 1940s.

Historically, the Wadley Mine produced 57,500 tons of contained Antimony metal from 170,000 tons of ore from 1898 until 1943. This computes to a recovered grade of 33.83%.

The San Jose Antimony mines are 11 kilometers east of Wadley, San Luis Potosi, which is 660 kilometers south of Laredo, Tex., on the Laredo-Mexico City line of the National Railroad of Mexico. The mines are on the west flank of the Sierra de Catorce, at an altitude of 2,500 meters.

In a report from the 1940s, the USGS stated the San Jose mines had produced more Antimony than any other district in Mexico and made the heady claim that they have been surpassed in production by only one or two other districts in the world.

UAMY and Wadley

The Wadley deposit has often been touted as the company's most interesting asset (though it was leased, not owned). Mid-last-decade it was, supposedly, being ramped up to compensate for the cessation of flow of Australian-sourced concentrate (from the Hillgrove mine). 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.

The Failed Purchase

In August of 2022, the company (flush with cash from its financing) executed a preliminary Purchase Option Agreement with SB Wadley SA de CV whereby the company would lease, with an option to acquire, mining claims at Wadley. Frankly, they had claimed to already be leasing the mine (see above) years before.

The latest agreement was that UAMY agreed to pay Wadley eight monthly installments of \$10,000 plus VAT for the right to mine and conduct geological and resource studies as due diligence and exploration on the Wadley property. At the end of such eight-month period, should the company choose to exercise its option to acquire following due diligence and assessment of geological and resource studies, UAMY would pay Wadley's owners \$2,230,000 plus seven annual payments of \$1,160,000.

What has us boggled is why they were doing due diligence on a mine that they claimed to have leased for years before? Hmmm.

The due diligence period under the agreement was extended to October 15th, 2023, however on October 12th, the company advised that it did not intend to acquire the Wadley property and had terminated the agreement.

During 4Q23, the company expected to incur a loss on disposal of assets of approximately \$130,000 due to the termination of this deal.

US Antimony											
USD (inns)											
	FY24e	FY23e	3Q23	2Q23	1Q23	FY22	4Q22	3Q22	2Q22	1Q22	FY21
Total Revenue	7.85	9.20	2.813	2.508	2.210	11.044	1.414	2.468	3.587	3.580	7.747
Cost of Revenue, Total	9.35	11.90	3.874	2.207	2.746	9.043	1.710	2.038	2.865	2.440	6.908
Gross Profit	-1.500	-2.700	-1.061	0.296	-0.536	1.996	-0.296	0.430	0.722	1.140	0.839
Total Operating Expense	2.65	2.70	0.75	0.81	0.48	1.55	0.568	0.37	0.86	0.85	
Operating Income	-4.15	-5.40	-1.82	-0.51	-1.01	0.35	-0.86	0.06	0.37	0.73	7.75
Interest Expense (income)	-0.55	-0.64	-0.13	-0.17	-0.12	-0.05	0.004	-0.02	-0.03	-0.01	
Other Expense (income)	0.20	-0.12	0.00	-0.01	-0.03	-0.05	-0.084	0.00	0.04	0.00	
Income Before Tax	-3.80	-4.64	-1.64	-0.34	-0.31	0.44	-0.78	0.08	0.36	0.79	7.75
Tax	0.00	0.00	0.00	0.00	0.00	0.02	0.016	0.00	0.00	0.00	0.00
Net Income	-3.80	-4.64	-1.64	-0.34	-0.31	0.43	-0.79	0.08	0.36	0.79	-0.05
Preferred Dividends	0.00	0.00	0.00	0.00	0.00	0.05	0.01	0.01	0.01	0.01	0.05
Basic Weighted Average Shares	108.20	107.65	107.64	107.65	107.26	106.29	106.30	106.29	106.24	106.24	102.84
Basic EPS	-0.04	-0.04	-0.02	0.00	-0.01	0.00	-0.01	0.00	0.00	0.01	0.00
Antimony Metal sold - lbs	1,050,000	1,308,573	382,565	322,964	343,044	1,394,086	420,636	176,872	363,128	433,350	911,079
Antimony Metal sold - tonnes	476	594	151	147	156	633	191	80	165	197	413
Sales Price achieved per tonne	\$15,009	\$15,009	\$10,883	\$10,844	\$10,859	\$12,056	\$5,858	\$15,009	\$15,009	\$14,391	\$11,659

The “Earnings” Picture

The current fiscal year has not only been disastrous for UAMY, but severely embarrassing. With a fantastic pricing and demand scenario the company has shown the true extent of its incompetence with net losses at both the gross margin and net margin levels. The price is now being paid for not having acquired some primary production of its own. The best it can rely upon is the “comfort of strangers” in allowing UAMY to have some of the scrapings in terms of Sb ore. The final insult might be dealt if someone else picked up Wadley and started sending the output elsewhere.

In the midst of all this woe the C-suite is doing well enough. All the cash in the bank is clearly of concern so they are spending it on GS&A in a disproportionate way that would never have happened under the thrifty former CEO.

Our expectation is for a full year loss of around 5 cents per share with the loss declining to 4cts per share in 2024, only due to the falling volumes that the company processes and sells. This is scant comfort.

The Rise and Rise of Sodium Antimonate

UAMY are severely felling down on their patriotic duty to supply the US with refined Antimony products. The rising new usage category is Sodium Antimonate. The prime use of this chemical combination is as an opacifier for glass in the solar photovoltaic (PV) industry. On the technical side, Sodium antimonate, NaSbO_3 , has the ilmenite structure, with hexagonal close-packed oxide ions with each ion, Na^+ and Sb_5^+ occupying a third of the octahedral sites.

At the recent **Fastmarkets** Antimony Day held in the City of London, a very illuminating presentation was made by Jun Liu, the CEO of Twinkling Star, the Chinese company that is the world’s largest Antimony producer. Below are the projections from his presentation.

		2022	2023E	2024E	2025E
Global new PV installed capacity	GW	240	350	460	580
double-sided penetration		40%	45%	50%	55%
one-sided	10k mt	960.98	1293.27	1545.21	1753.47
double-sided	10k mt	846.23	1374.59	2007.34	2784.10
PV total demand	10k mt	1807.21	2667.86	3552.55	4537.57
Sodium antimonate in PV	10k mt	5.06	6.67	8.88	11.34
demand for antimony	10k mt	2.93	3.87	5.15	6.58
YOY		29%	32%	33%	28%

Source: Twinkling Star

In contrast, Argus Metals opined that demand for Antimony for Sodium antimonate was even stronger, with production having risen to over 30,000 tpa during 2021 and 2022 from 10,000-20,000 tpa earlier,

driven by developments in the solar photovoltaic industry. Their source being “market participants”.

They went on to posit that demand was likely to continue rising in coming years, with total antimony consumption from the PV industry expected to reach 47,000 tonnes in 2025 following construction of more solar PV projects in new energy industries.

Risks

The principal risks from an investment in UAMY are:

- ✘ A return to low Antimony prices
- ✘ Feedstock shortage
- ✘ Environmental problems for their Mexican operations
- ✘ Further tax problems for their Mexican operations
- ✘ Environmental problems for their US roaster
- ✘ On-going short-sightedness in management

Antimony has been notably one of the most buoyant metals since the Pandemic Years. The FANYA threat is behind the space and the regulator threat against fire retardants is now a sleeper issue (but could come back to life). In the long-term prices seem destined to be sustained (or even trend up) as Chinese production continues to decline and past prices have stymied anything beyond small-scale artisanal 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 being taken 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 negative gross margins, and an even greater negative net margin, being able to return to the black is well-nigh impossible. The company pulled off a substantial financing and has sat on the proceeds for years now.

How can management spin a professional story to institutional investors when it has so badly blown the opportunity offered by a sustained higher Sb price, resilient demand, inclusion in all the critical metals lists and declining Chinese mine output? The best the company can expect is money from the type of HNWs that have traditionally fallen for the company's folksy IR style. Even their patience is finite.

Conclusion

“All cashed up and clueless” should be the new corporate motto, replacing the old motto of “Lots of ideas and no cash”. We are starting to pine for the days of John Lawrence, he loved Antimony as much

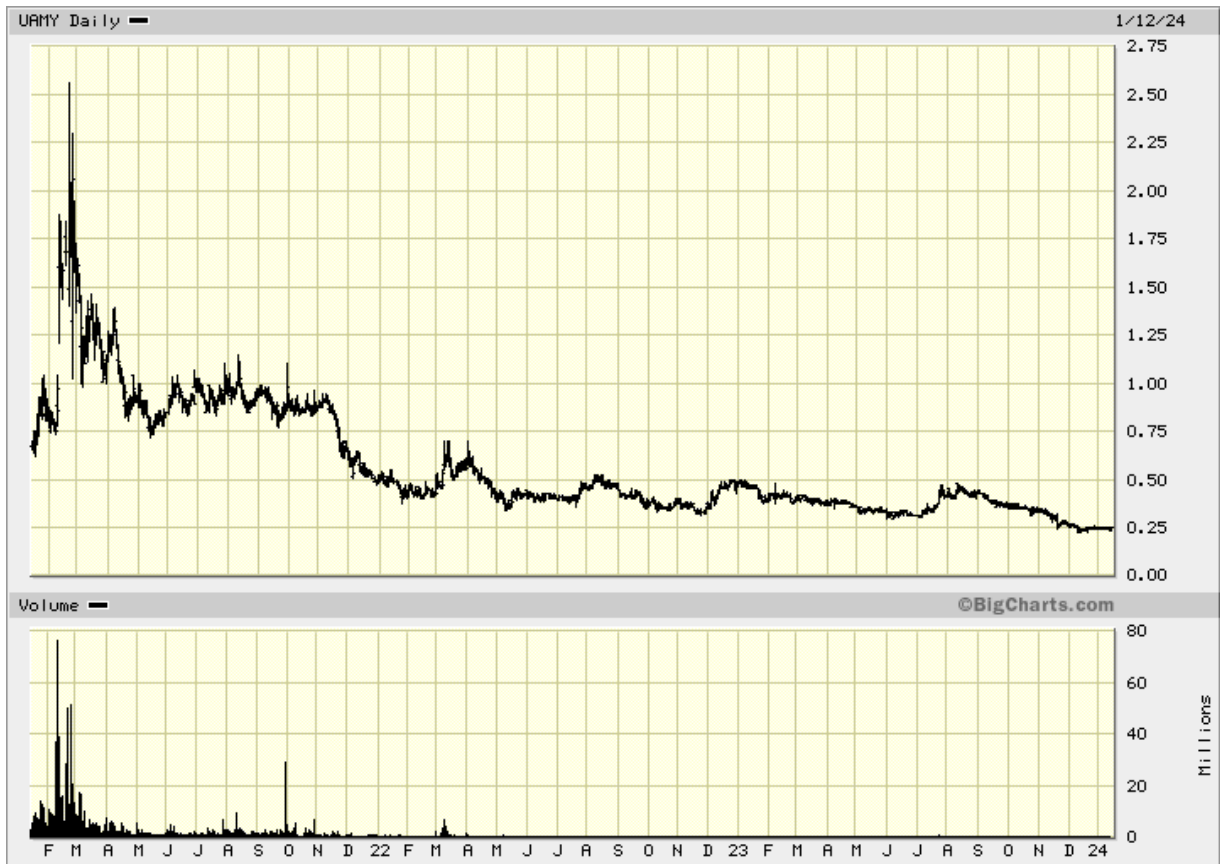
as we did but was hamstrung by an inability to align the corporate psyche with its need to be vertically integrated. Indeed, with his passing we have seen the implementation of the long-established succession plan which has the successors take the reins at an age than was greater than his age when the plan was set in place.

The C-Suite of the company is now embracing the cash-pile (of over \$12mn) from the financing of several years ago with all the passion of Golum and “his” Ring. They cannot bear to part with the money to achieve a reliable source of inputs and meanwhile are losing money, hand over fist, in such a fashion that the Ring will be gone before they know it (cash plunged by \$7mn between the end of FY22 and the last reported balance) and they will be reduced to scraping around for pennies in the dirt.

At the heart of UAMY’s dilemma has been the company’s long-term 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, and a resurgent Sb price, is there finally scope for non-Chinese Sb miners/refiners to get any traction again. But that has meant the Chinese are now hunter-gatherers for any material outside China that is not committed.

To say that UAMY has dropped the ball is an understatement. We once lived in hope of management/generational change, but the company is headed for the corporate equivalent of the Assisted Living Facility.

We see no hope in sight and thus, short of management throwing themselves off a pile of Zimmer frames, we must allocate a **SHORT** rating to U.S. Antimony with a 12-month target price of USD\$0.16.



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