

Sunday, January 7, 2024



HALLGARTEN + COMPANY

Portfolio Strategy

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Model Resources Portfolio: Peak Climate Hysteria

Performance Review – December 2023

Model Resources Portfolio

Peak Climate Hysteria

- + **The Woke end of the political spectrum are seeing Peak climate hysteria as their highest achievement and it probably is.... all downhill for them from now on**
- + **Gold ended the year holding above US\$2000, which was a victory of sorts, in our humble opinion**
- + **Teck broke out of its post-takeover funk and announced two deals in LatAm on the first business day of 2024, one with our favoured AbraSilver**
- + **The new Argentine President, the libertarian Javier Milei, announced a dramatic mega decree rolling back much regulation and then a very large Omnibus Law was sent to the Congress with further reforms**
- ✗ **A swirl of announcements related to the Lithium sector in Chile created a bit of a smokescreen around what is essentially a massive State intervention in the space**
- ✗ **The Chinese property sector's travails are snowballing**
- ✗ **Evidenec of a global slowdown in EV sales, adding to the "low" Lithium price spread more doom & gloom in the battery metals complex**

Peak Hysteria?

The woke/left-leaning press have been calling the turning point for all things green at the end of 2023. We would tend to agree but we come at it from a totally different angle.

While they think the scales have fallen from the eyes of the *Great Unwashed* and final recognition has been achieved for the elite's obsession with climate change, we would posit that it has begun to dawn on the *Great Unwashed* that the joke is on them. It is their cars that will be taken away, and not replaced, and it will be through their utility bills (which make up a far greater percentage of their income than those of the 1%) that the great confidence trick will be achieved and funded.

The irony is that many of the "unwashed" are exactly that, due to the rising energy costs in their humble abodes, where the cold still seeps in despite global warming, and they must rustle up the pennies to put them in the gas meter. A very UK phenomenon, we might say also where warming (global or local) is welcome and gas bills are not.

The thought struck us near the end of the year that in countries like the UK, northern Europe, much of central and northern US and Canada the climate apocalypse feels scarcely different from any other years.

Just when a series of record hot and dry years were being touted in Australia as the end of life as we

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know it, the country has suddenly been deluged with rain and massive floods that have got the Murray River flowing again. We had to laugh (though we were alone) at the bushfires of several years ago being signs of Apocalypse Now, when commentators failed to note that way worse fires happened on Black Wednesday in 1939 (ash falling as far away as New Zealand). We wont even go near the fires of 1851...

When Dorothea McKellar wrote of Australia in her famous poem as “a land of droughts and flooding rains” (in 1904) was she foretelling global warming or talking of the phenomena of the millennia downunder?

So, there is nothing new under the sun. *Nihil novi sub sole* (the Romans knew climate change when they saw it). The public are wising up and the Green elites are tiptoeing past their own graveyard at the current moment with their faux-triumphalism. One of our directors had a call with someone in the solar panel space the other day and commented “gosh, she looked depressed”.

The Green elites are desperately trying to escape the tumbrils that are coming to collect them and their dreams. Already in places like the UK, the Labour Party are waking up that the climate “emergency” can be a real albatross for those that embrace it, beak and claw.

Now the tumbrils are rumbling down the by-ways with their drivers crying out “bring out your dead” and it will be those who swallowed the story, hook, line & sinker, who are tossed in the back of the cart for delivery to the Potters Field of Dreams.

After Peak Hysteria, things can go very quiet indeed.

Teck on the Hunt

It was only a month ago that we were despairing that the ever-torpid Teck Resources would find money burning a hole in its pocket after divesting its (highly profitable) albatross, the metcoal division. As we well know, Canadian “majors” with cash in pocket are known to do dumb things. We trembled. However, lo and behold, there is hope for Teck yet as in the first days of the New Year it announced two deals that we cannot fault.

The first involved an option and joint venture agreement between Teck Perú and Condor Resources (CSE:CN) for its Cobreorco copper-gold pthe province of Andahuaylas in Peru, which occupies 50km² containing occurrences of several porphyry and skarn-related copper and gold.

Teck has an option to acquire a 55% interest in the project by investing \$4mn in exploration and making cash payments totaling \$500,000 over a three-year period.

After Teck achieves the first option, Condor and Teck will establish a holding company to own the Cobreorco concessions. Teck may then increase its stake to 75% by spending an additional \$6mn on exploration expenditures and \$600,000 in cash payments over another three-year period.

On the 2nd of January AbraSilver announced that it had entered into a binding letter agreement with a

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subsidiary of Teck Resources (Teck), with respect to a proposed option and joint venture agreement to explore and develop the La Coipita copper-gold project. We issued an update straight away and it is available [here](#).

The agreement will eventually grant Teck an option to acquire an 80% interest in La Coipita by funding cumulative exploration expenditures over a five-year period, making staged cash payments to, and an equity placement in AbraSilver and making optional cash payments in respect of amounts payable to the underlying project vendors. Following an initial transition period during which AbraSilver will support field operations, Teck will act as operator for the duration of the option.

Teck may exercise the option by making the following payments to or equity placement in AbraSilver:

- Upfront cash payment of US\$500,000 upon entering into the Option Agreement
 - On or before January 31, 2025, a cash payment of US\$1,000,000 or at Teck's election, subscription for US\$1mn of common shares of AbraSilver to be priced at the greater of (a) a 25% premium to the preceding 20-day volume weighted average price on the ABRA Shares on the TSX Venture Exchange, or (b) C\$0.35 per ABRA Share
 - On or before January 31, 2028, a cash payment of US\$1.5mn
- Incurring an aggregate of US\$20mn in exploration expenditures on the project over a five-year period
 - Making up to US\$6.3mn in optional cash payments in respect of amounts payable to the underlying project vendors

Upon exercise of the option, the parties will incorporate a company in Argentina (Newco) to become the titleholder of the project. Teck will hold 80% of Newco's outstanding shares, with AbraSilver holding the remaining 20%. Each party will fund its pro-rata share of future expenditures on the project through equity contributions to Newco or incur dilution in Newco.

The irony of the second transaction is.... that Teck held and explored the asset from 2009- 2016. Oops... Which goes to prove the point that we made in our last Monthly.

Truly a great deal for AbraSilver (now in our Model Resources Portfolio) and a good sign of the direction of travel at Teck.

Antimony – The Prize Fighter of 2023

In late November, Fastmarkets held their Antimony Day in the City of London and it was definitely the Hour(s) of Power for those in this space. While the metal may be regarded as obscure by the uninitiated its annual consumption is half the size of the much better-known Tin market. Interestingly, the most informative presentation was made by Twinkling Star's CEO and it was full of juicy tidbits and some frank plain-talking.

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Amongst a welter of production statistics though was a nugget that would seem to indicate another leg up in Antimony demand and applications over coming years. This was Sodium Antimonate.

The prime use of Sodium Antimonate is as an opacifier for glass in PVs in solar panels. 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.

In the opinion of Argus Metals, demand for antimony for sodium antimonate production rose to over 30,000 tpa during 2021 and 2022 from 10,000-20,000 tpa earlier, driven by developments in the solar photovoltaic (PV) 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.

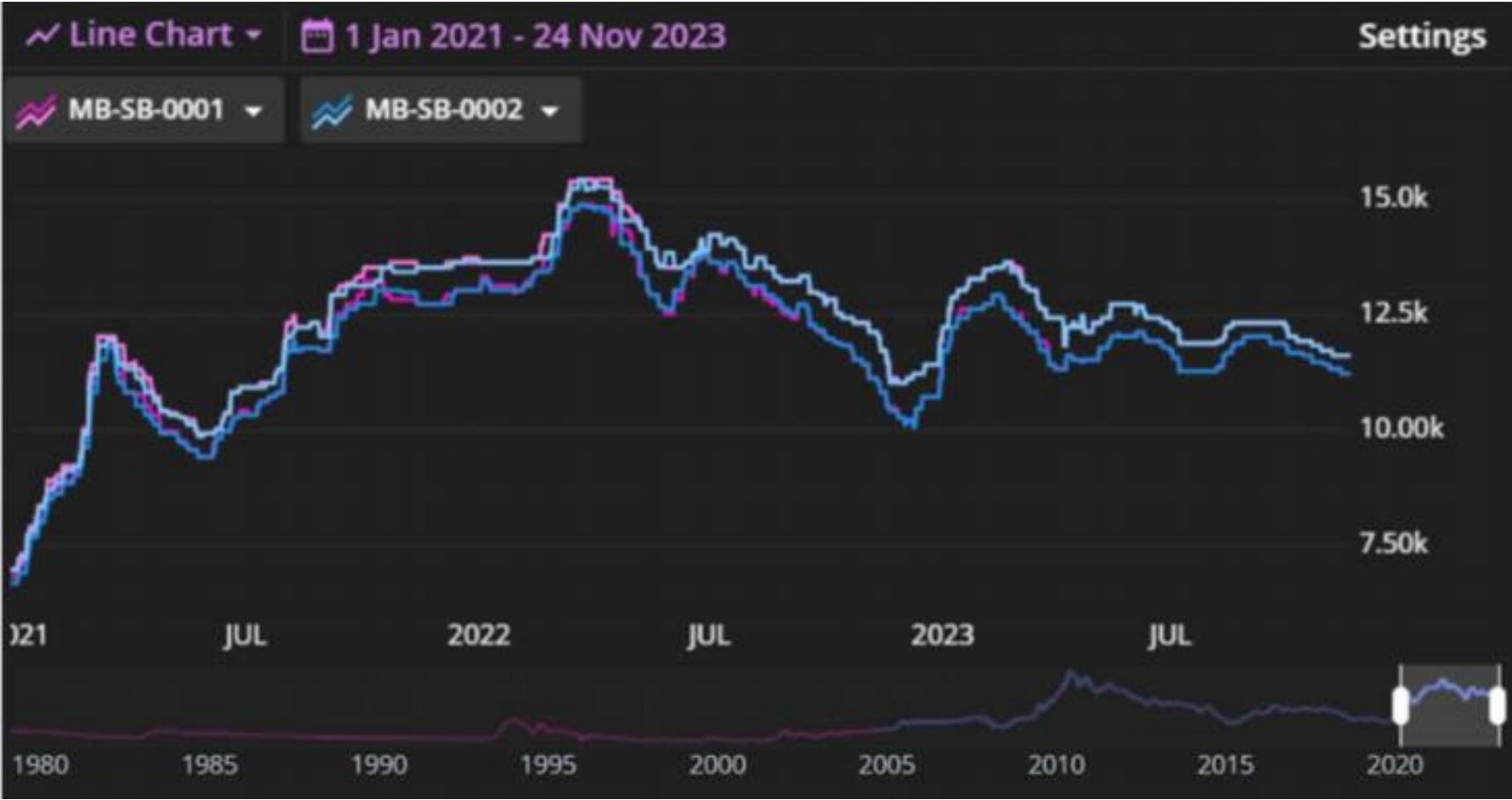
Then at the recent 121 conference in London we met with **Larvotto Resources** which had acquired the Hillsgrove mine with a view to reactivating it.

Hillsgrove - MRE							
Category	Tonnes	Au g/t	Sb %	AuEq g/t	Contained Au ozs	Contained Sb tonnes	Contained AuEq ozs
Measured	443,000	3.6	3.8	9.4	51,000	17,000	134,000
Indicated	3,766,000	4.8	1.3	6.5	581,000	49,000	784,000
M&I	4,208,000	4.7	1.56	6.8	632,000	66,000	919,000
Inferred	3,017,000	4.2	0.8	5.1	404,000	24,000	497,000

The travails of the Hillsgrove Au-Sb mine in northern New South Wales since inception in the 1940s have been of almost Job-like sufferings. In its most recent manifestation, it was part of a company called Red River Resources, which came to grief for other reasons. However, we had written of the asset in another context when, mid-last decade, it was owned by a Hong Kong group and was sending container loads of ore to the Madero smelter of **US Antimony** (UAMY) in Mexico for tolling.

We won't expound on US Antimony, as we are cooking a note on the subject at the moment.

We had become annoyed early on with Red River when they spent several years promoting and reporting on their developments at Hillsgrove without even mentioning the A-word. This was a repeat of the annoying practice of **Mandalay Resources** at Costerfield, the world's largest Sb producer outside of China. The theory goes that if you don't mention Antimony then you don't have to explain it to investors, which to us is the height of laziness. This was particularly poignant when, early last decade, Antimony was at historical highs, Mandalay was making more money from Sb at Costerfield than from Au and yet did not mention the reality but scarcely mentioned Antimony at all.



Source: Fastmarkets

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We were surprised to re-encounter the folks from **Stibium** at the conference. We had met them several times over the previous ten years when their interest in the Consolidated Murchison asset in South Africa had been theoretical rather than actual.

ConsMurch, was the largest Antimony mine outside China and was owned for a long while by Village Main Reef (VIL.jse). It produced gold and Antimony and is a deep mine, a relative rarity in Antimony. Large scale mining began here in 1937, so again we have an example of a very long-lived Antimony deposit. When fully operational the mine added around 6,000 tpa to global Sb supply. It was shuttered in 2015 due to heat, depth and declining grades (not to mention the woeful Sb price after 2014). It supposedly had a remaining 11-year LOM.

In recent years the ownership of this asset had been murky indeed with a Chinese (or HK) group supposedly in the driving seat at CM but finding themselves frustrated because the mine was perceived to be irrecoverable. We had had several people touting to us the attractions of working over the two large slimes dams at site, which reputedly had 1% Sb grades (but also 1% As grades).

The people from Stibium appear to have cracked the tailings recovery challenge and expect to be churning our Sb from this source, if not already doing so. Stibium though remains a private company.

Then there is the sad case of **Molten Metals** (in which Hallgarten & Company and its associated entities and personnel represent the largest shareholder group). We had taken our distance from the company late December of 2022 due to the board's lack of commitment to production. Where was the company on the production continuum at that time?



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It had just reopened the adit at Tienesgrund, it had the production facility in Svedlar in central Slovakia, it had bought all the processing circuit (almost brand new, for a quarter of replacement cost) and there was a production date for the Spring 2023 set. It would have been the first production in Europe of Antimony since the early 1980s. In 12 months, nothing has happened. A failed financing at 8cts, cash down to almost zero, no investor interest and Antimony at its highest average price in history. As they say, "you can't cure stupid".

The lesson here is that when the kindergarten run takes precedence over the production run, then investors should..... run.

We later discovered that one of the directors of Molten was at the event, under deep cover. We can see why...

Our view is that Antimony should get back above US\$14K per tonne in 2024 and may even stretch towards \$15K if the planets align.

Tin – A Meaningful Statistic

If one wonders why we remain bullish on Tin then one need look no further than the statistic that the ITA reported this week that SHFE stocks of refined tin have declined from a 2023 peak of 9,700 tonnes on 12th May to 6,300 tonnes on 29th December, although refined tin imports have increased.

The ITA goes on to say that “Even if the tin mining suspension is lifted as soon as local traders suggest, 2024 Q1 may bring some China supply tightness”.

We are frankly looking for Tin to top US\$30,000 per tonne in 2024.

Portfolio Changes

During the month, we added a **LONG** positions in EMX Royalties, that we met in late November and AbraSilver on which we launched coverage in December. We have added a **SHORT** in Aya Gold & Silver.

Ayayayaya (AYS.to) – Bouncing Back into the Shorting Zone

One of our best SHORTs in recent years (during 2021) was Aya Gold & Silver (after dropping its “M”). Much as we like Benoit, he is not worth \$600mn. So, the suckers have leapt into the fray once again and pushed it back up to where we shorted it last time.

The CAD\$1.2bn market cap is a joke on someone or other, but we don't intend to be the fools.... The TTM P/E ratio (not something mining investors understand or look at) is “only” 329.

Therefore, we have reinitiated a SHORT on Aya, with our target price this time around being \$4.50. Last time it was \$8.

The three-year chart is shown on the following page.



Parting Shot

The junior gold explorers are almost all moaners, to a man (or woman). When gold is up they are not being recognized for their worth, when gold is down they are suffering the slings and arrows of outrageous fortune despite them being “better than the rest” of the pack.

The year gone by was one of especially loud lamentations but looking at the chart the constituents of the GDX Junior index don’t have too much to lament. They ended up pretty flat, and indeed ahead, if it wasn’t for the ridiculous Canadian tax-loss “season” which none of them are prepared to fight against.

The index was actually looking quite good before the selling wave spurred by that self-defeating tax



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policy did its usual damage. If one was to believe the lamentations of Canadian mining stock investors one would not have thought they had any mining gains to offset and thus no need to sell. Wethinks they bemoaneth too much.

In any case, the move back above \$2000 by the gold price was deemed “disappointing”, because it did not represent a quantum move for those who so desperately need ever higher prices. Does a better gold price trigger construction decisions? No, because most of the wannabes (or pretend wannabes) have, ostensibly, AISC costs of below \$1500. So surely all those projects should be moving off the drawing board, but no. The universal mantra is now complaints about how the market will not fund projects. Hmmmm...

We have still not managed to get our head around those companies that claim that their project (with, say, a \$500mn capex) will be funded 50/50 debt/equity when their market cap is \$100mn... How does that work? They are waiting for their market cap to go up by a factor of 500%? Or they will do a raise of an \$250mn on a \$100mn market cap? This has never been seen in the history of mankind. All they are doing is saying *sotto voce* that they are sellers. Does gold going to \$2200, a new high, make market caps rise by a factor of 3 or 5 times? Scarcely likely. It seems that there are too many projects chasing finite money for a stable (but good) gold price. Ever was it thus....

Recent & Upcoming

In the last month we published an initiation on AbraSilver and updates on Edison Lithium, Auxico Resources and a further update on Abra’s deal with Teck Resources.

Technically the last two notes above came out on the first business day of January 2024. We have notes in the works on First Phosphate, Cobre and US Antimony that are likely to come out in January.

MODEL RESOURCES PORTFOLIO @ END DECEMBER							
Security	Ticker	Currency	Price	Change		12-mth Target	
				last 12 mths	last mth		
LONG EQUITIES							
Diversified Large/Mid-Cap	Hochschild	HOC.L	GBP	1.068	52%	-2%	£1.00
	Sherritt International	S.to	CAD	0.30	-42%	-17%	\$0.95
Uranium	Sprott Physical Uranium	U.UN.to	CAD	21.3	35%	9%	\$20.00
	enCore Energy	EU.v	CAD	5.02	54%	-12%	\$4.90
Zinc/Lead Plays	WisdomTree Zinc ETF	ZINC.L	USD	8.73	-9%	6%	\$14.00
	Luca Mining	LUCA.v	CAD	0.31	-37%	0%	\$0.70
Silver Explorer	Southern Silver Exploration	SSV.v	CAD	0.16	-20%	-16%	\$0.40
	AbraSilver	ABRA.v	CAD	0.34	0%	-6%	\$0.84
	Norseman Silver	NOC.v	CAD	0.13	8%	0%	\$0.12
Silver ETF	IShares Silver ETF	SLV	USD	21.78	-1%	-7%	\$24.00
Gold Producer	Soma Gold	SOMA.v	CAD	0.61	85%	-8%	\$0.85
	Asante Gold	ASE.cn	CAD	1.42	-14%	-16%	\$2.40
	Orvana Minerals	ORV.to	CAD	0.15	-29%	-6%	\$0.60
	Talisker Resources	TSK.to	CAD	0.33	-53%	-10%	\$1.10
Gold/Antimony Developer	Perpetua Resources	PPTA.to	CAD	4.19	6%	-4%	\$7.50
Metallurgical Coal	Colonial Coal	CAD.v	CAD	1.90	48%	-1%	\$2.45
Royalties	Elemental Altus Royalties	ELE.v	CAD	1.10	-16%	-5%	\$1.52
	EMX Royalties	EMX	USD	1.62	-16%	-4%	\$2.50
Copper Explorers	Panoro Minerals	PML.v	CAD	0.13	-7%	18%	\$0.30
	Phoenix Copper	PXC.L	GBP	0.21	-27%	-33%	£0.54
	Aldebaran Resources	ALDE.v	CAD	0.89	16%	0%	\$1.32
Tungsten Producers	Almonty Industries	AII.v	CAD	0.54	-21%	2%	\$0.95
	EQ Resources	EQR.ax	AUD	0.06	28%	0%	\$0.13
Graphite Developer	Blencowe Resources	BRES.L	GBP	0.0497	20%	-9%	£0.09

MODEL RESOURCES PORTFOLIO @ END DECEMBER							
	Security	Ticker	Currency	Price	Change		12-mth Target
					last 12 mths	last mth	
LONG EQUITIES							
Cobalt	Jervois Global	JRV.ax	AUD	0.04	-86%	0%	\$0.35
Vanadium Developer	Vanadium Resources	VR8.ax	AUD	0.05	-17%	0%	\$0.22
Lithium	Neometals	NMT.ax	AUD	0.21	-74%	11%	\$1.50
	Century Lithium	LCE.v	CAD	0.49	-47%	-11%	\$2.38
	Pursuit Minerals	PUR.ax	CAD	0.01	-38%	11%	\$0.03
Scandium Developer	Scandium International	SCY.to	CAD	0.02	-71%	-33%	\$0.15
Gold Explorer	Cabral Gold	CBR.v	CAD	0.20	43%	0%	\$0.60
	Gunpoint Exploration	GUN.v	CAD	0.50	0%	4%	\$0.75
	Sanu Gold	SANU.cn	CAD	0.09	-82%	50%	\$0.18
	Alpha Exploration	ALEX.v	CAD	0.54	-22%	-17%	\$0.32
	Desert Gold	DAU.v	CAD	0.04	-33%	-33%	\$0.32
AgroMinerals	Millennial Potash	MLP.v	CAD	0.24	-34%	33%	\$0.32
Rare Earths	Rainbow Rare Earths	RBW.L	GBP	0.1298	30%	-11%	£0.30
	Neo Performance Materials	NEO.to	CAD	7.63	-21%	1%	\$24.00
Tin Miners	Alphamin	AFM.v	CAD	0.90	3%	7%	\$1.35
	Rome Resources	RMR.v	CAD	0.24	33%	-8%	\$0.60
	Elementos	ELT.ax	AUD	0.11	-63%	12%	\$0.38
Mineral Sands	Sheffield Resources	SFX.ax	AUD	0.60	5%	-5%	\$0.72
Oil & Gas	Shell	SHEL.L	EURO	25.68	10%	0%	£24.00
SHORT EQUITIES							
Shorts	NioCorp	NB.to	CAD	4.22	-68%	-4%	\$4.00
	Texas Mineral Resources	TMRC	USD	0.43	-67%	34%	\$0.30
	Aya Gold & Silver	AYA	CAD	9.71	1%	-5%	\$4.50

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