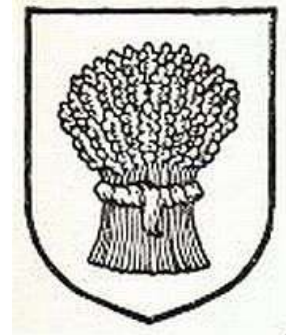


Wednesday, April 3, 2024



HALLGARTEN + COMPANY

Portfolio Strategy

Editor: Christopher Ecclestone
ceccestone@hallgartenco.com

Model Resources Portfolio: Debasing Criticality's Currency

Performance Review – March 2024

Model Resources Portfolio

Debasing Criticality's Currency

- + **Gold added massively to its price during the month as international tensions lit a fire under the price**
- + **Inflation has stabilized and, in many places, has retreated, even if not to levels Central Bankers feel happy with**
- + **Uranium continues to be the only game in town**
- + **The Tin price nearly touched \$29,000 per tonne**
- + **The price of Tungsten has finally up-ticked after a year of flatlining**
- + **Silver has finally regained upward momentum, playing catch-up with Gold**
- ✗ **Carpetbagging governments, of decreasing weight, are devaluing the whole notion of criticality lists by allying with promotorial miners to pump each, and every, metal**
- ✗ **The C-Suites of Canadian listed miners are mistakenly blaming their price woes on naked short-selling rather than their own failings**

Too Much of a Critical Thing

Every man, and his dog, now thinks he has a critical metal.

We had to laugh when we saw a company pumping US Congressmen to get Boron added to the US critical metals list. In late January, Representatives Jay Obernolte (CA-23) and Jimmy Panetta (CA-19), along with eight other Members, petitioned Secretary of the Interior Deb Haaland and USGS Director David Applegate, encouraging them to recognize boron as a critical mineral. The recognition sought was that boron, and its derivatives, are employed “across multiple industries, including energy and defense systems, and the importance of boron in meeting U.S. clean energy goals”.

There is no shortage of Boron and the US produces some 30% of global supply, while Turkey (a NATO member) produces 50%. Even Argentina has a share of global production. What are the criteria for inclusion beyond a desire to feather the nest of some projects? Sure, Boron has many and various uses but there is no supply crisis, the Chinese do not dominate it and pricing is not off the charts.

This comes on the heels of the rather desperate creation of critical minerals lists by Ontario and Quebec. Does this mean that these are critical to the industries of these provinces? Not really. It's just a pretty blatant promote of the prospects of local wannabe producers. As we well know most Canadian explorers are not dedicated to production, so their urging for the creation of these narrowly geographic (wish) lists in so they can throw the switch and direct a gravy train in their direction.

Australia has Scandium on its criticality list and when we questioned an Austrade talking head on why it

Wednesday, April 3, 2024

has a metal which it neither produces (though has projects) but has no end users nor the prospect thereof, the best she could offer was they that were “revising the list”.

Interestingly, the US has been boosting its grants to those signaling production. In particular, the DoD seems to have been (thus far) good at discriminating between those that talk the talk and those that walk the walk. DoE though has not been so felicitous at picking winners.

Back to Canada though, it would seem that provinces are using these designations or additions to Critical rankings as a fig-leaf to justify handing out cash to favoured local sons. Someone asked us during the past month, with a straight face, whether gold could be considered critical. Sigh....

In the interest of fairness though, we would note that the Australians really hit the ball out of the park with a handout (sort of) amounting to AUD\$840mn (US\$550mn) to Arafura.

Nolans Bore. in the Northern Territory. is claimed to be Australia’s first combined rare earths mine and refinery. Though we perversely regard this as a uranium stock (which it always has been) as its REE virtues are limited and the radioactivity at Nolans Bore is such that its glow can be seen from the Moon. The Australian Government was said to be providing a funding package that includes \$495mn from the Critical Minerals Facility, \$200mn through the Northern Australia Infrastructure Facility (NAIF), \$115 million from Export Finance Australia’s Commercial Account, and a further \$30mn in grants. Why 10% shareholder Gina Rinehart can’t fund this herself, instead of taxpayers, while she has money to burn for forays like Lioneport, eludes us, except that dressing up a challenging REE asset in critical mineral garb certainly helps.

This leaves us with a final thought that metals seem to be added to these lists, but never removed. Niobium is a clear example of a metal that should never have been on any Western list as almost all the production is in the West (ironically it should be on China’s list for that reason). We are continuing to hear panic in the halls of power about Lithium and yet day by day the rising tide of projects entering production mean that someday, somehow, Lithium supply and demand will be in balance and at least for the moment most of the new production is outside the Sinosphere, even if Chinese interests own/control some of the prime assets.

There is increasing danger that Criticality/Risk Lists are having their currency debased and soon shall have no more value than Monopoly money.

Portfolio Changes

During the month, we added a **LONG** position in Applied Graphite Technologies to the Model Resources Portfolio with a 12-month target price of CAD 40 cts. This is a graphite developer in Sri Lanka that expects to be in production in the relatively short-term.

Africa Equals Graphite

The kerfuffle over SRG and its sometimes dalliance with a Chinese strategic investor has just served to

Wednesday, April 3, 2024

highlight even more clearly that Africa and graphite are becoming synonymous and make even more apparent how irrelevant the projects in Canada appear to be.

Tanzania was a hot flavour initially being much favoured by ASX players. This fell in a hole due to the generalized graphite malaise combined with a government shakedown of gold players in the country. Then Mozambique became a first mover into production with Syrah's mine. This has been followed by Green Source's Molo in Madagascar.

Blencowe – Battered but Unbowed

Our favoured African graphite play for a while now has been Blencowe Resources (BRES.L) in Uganda which, while AIM-listed, is managed out of Australia. Uganda is all over the radar screens these days as it has come in from the cold on Tin, Rare Earths and now Graphite (though once was one of the world's largest primary Cobalt producers).

Our previous coverage of Blencowe is [here](#).

The company has soldiered on through the scorched earth period for Graphite, as investor focus was obsessively given to Lithium over all else. With Syrah now no longer seen as the all-conquering player it once was, other players have been coming into focus though valuations for those around in 2013 have never been repeated. Blencowe is in an intriguing place with its access routes to the Indian Ocean making it a natural to find China as an end-buyer, however it has nevertheless gleaned a US\$5mn DFC grant for Orom-Cross Definitive Feasibility Study costs. It is interesting to note that the US is stepping up its game in Central Africa. The battle for hearts and minds involves greenbacks, something the US long forgot, but is now reawakening to.

We reiterate our **LONG** call on Blencowe with a twelve-month target price of £0.09.

Alphamin

If there is a company enjoying a perfect storm (of good things) these days, it is Alphamin. The worst it has had to deal with its in 4Q23 was boggy roads from too much rain.

Here it stands at the cusp of adding Mpama South to its existing Mpama North operations, which should take it to 6-7% of world Tin production, a 60% uplift in volumes, right at a moment when the Tin price on the LME is flirting again with the \$29,000 per tonne mark. The current year, 2024, is shaping up to probably be the second-best Tin year on record. This favorable confluence of events is further augmented by the focus widening out on critical metals from the cyclopic attention to Lithium and the declining production and grades (and attendant higher costs) in alluvial deposits in Malaysia and Indonesia.

We decided to run some numbers and update our earnings model, which can be seen on the following page. The company lost nearly a month of sales due to mushy roads in 4Q23, but the concentrate just piled out and is now heading out the door (at higher prices than it would have gleaned then).

Alphamin															
FY ended December															
USD mns	FY25e	FY24e	FY23	4Q22	3Q23	2Q23	1Q23	FY22	4Q22	3Q22	2Q22	1Q22	FY21	FY20	FY19
Revenue	577.82	517.89	288.50	49.01	80.78	75.74	82.97	391.05	65.53	67.82	111.47	146.23	352.88	187.45	27.22
Cost of Revenue, Total	261.77	247.05	129.04	21.21	36.78	34.73	36.33	147.28	33.21	32.60	38.86	42.61	136.62	114.53	15.66
Gross Profit	316.06	270.84	159.46	27.80	44.00	41.02	46.64	243.77	32.32	35.22	72.61	103.62	216.26	72.92	11.56
Selling/General/Admin. Expenses	24.40	24.40	22.45	5.56	5.23	6.10	5.56	21.30	6.34	4.71	5.08	5.18	19.75	17.68	15.59
Depreciation/Amortisation	41.00	38.50	32.00	8.00	8.00	8.00	8.00	32.00	8.00	8.00	8.00	8.00	28.23	30.05	
Interest Expense (Income)	5.60	6.20	7.20	2.94	1.76	1.30	1.21	4.81	0.98	1.17	1.25	1.42	8.36	15.62	5.46
Forex loss (Gain)	1.20	1.20	2.33	3.36	0.79	(2.17)	0.35	0.50	0.27	0.17	(0.05)	0.11	0.87	1.52	0.00
Warrants	-	-	-					0.48	-	-	-	0.48	26.92	8.78	(6.85)
Total Operating Expense	333.97	317.35	193.03	41.07	52.56	47.96	51.45	206.37	48.80	46.64	53.14	57.80	220.76	188.17	29.85
Operating Income	243.86	200.54	95.48	7.95	28.22	27.78	31.52	184.68	16.73	21.18	58.34	88.43	132.13	(0.72)	(2.63)
Income Before Tax	243.86	200.54	95.48	7.95	28.22	27.79	31.52	184.68	16.73	21.18	58.34	88.43	132.13	(0.72)	(2.63)
Income Tax	82.91	68.18	37.00	6.75	8.63	10.19	11.43	66.00	5.40	(1.69)	24.03	38.26	44.63	7.14	(7.76)
Deferred Tax			0.50	(1.27)	1.74	(0.17)	0.20	(3.16)	0.76	(1.74)	(1.61)	(0.57)	23.93		
Super Profit Tax	-	-	-												
Income After Tax	160.95	132.36	57.97	2.46	17.85	17.76	18.88	121.84	10.57	24.61	35.92	50.74	63.57	(7.86)	5.13
Minorities	25.75	21.18	10.74	1.04	3.12	3.10	3.49	20.81	2.23	4.18	5.97	8.43	15.36	0.97	0.15
Income pertaining to Shareholders	135.19	111.18	47.23	1.42	14.74	14.67	15.39	101.03	8.35	20.43	29.95	42.31	48.21	(8.83)	4.98
Weighted Average Shares (mns)	1277	1277	1274	1272	1275	1273	1273	1273	1272	1272	1271	1263	1285	1065	866
EPS (USD)	0.106	0.087	0.037	0.001	0.012	0.012	0.012	0.079	0.007	0.016	0.024	0.033	0.038	-0.008	0.006
EPS (CAD)	0.137	0.116	0.050	0.002	0.016	0.015	0.015	0.104	0.009	0.022	0.030	0.042	0.048	-0.011	0.008
Tin production - tonnes	19600	17300	12568	3126	3104	3151	3187	12493	3113	3139	3180	3061	10969	10319	5216
Tin sales - tonnes	19390	18300	11385	2046	3110	3068	3161	12764	3119	3080	3229	3336	11521	10900	1109
Av. Tin Price (Hallgarten estimate)	\$29800	\$28300	\$26009	\$25157	\$26557	\$25587	\$26432	\$30636	\$21436	\$22380	\$35500	\$43813	\$30882	\$16648	
EBITDA (US\$)	290.46	245.24	134.68	74.35	30.00	66.50	98.00	221.49	74.35	30.00	66.50	98.00	198.59	55.23	
USD/CAD rate:	1.29	1.33	1.35	1.35	1.36	1.29	1.25	1.31	1.35	1.36	1.29	1.25	1.27	1.34	

Wednesday, April 3, 2024

Production from Mpama South begins in Q2 (i.e. around now) but the output will not be hitting the road and generating revenues until later in the quarter and rising in Q3.

It's worth noting that average opex per tonne of production from Mpama South will be higher, but there are also economies of scale in the GSA line.

Our average estimated Tin price errs on the side of the conservatism but is already looking too cautious.

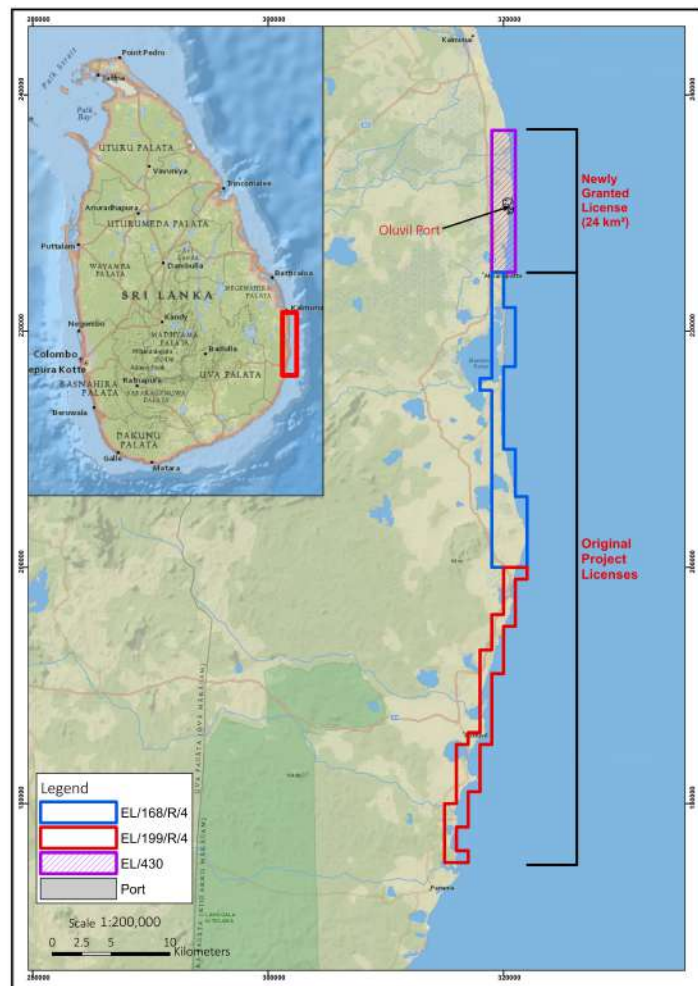
The bottom line for FY23 is disappointing due to the Tin price pullback etc but FY24 should be up 10% on the best year ever FY22 and then powering up to be 35% above historical bests in 2025. We naturally retain our LONG rating on Alphamin, and we are raising our 12-month target price from \$1.35 to \$1.50 per share.

Sheffield & Capital Metals - LB as the Common Denominator

In an interesting move, our preferred minerals sands exposure, Sheffield Resources (ASX:SFX) announced that it was taking a 10% stake in the AIM-listed Capital Metals PLC (AIM: CMET), the owner of the Eastern Minerals Project in Sri Lanka (shown at right).

The deal is that Sheffield shall subscribe for 34,500,000 ordinary shares of Capital Metals for total consideration of £1,250,000. Sheffield will own approximately 10% of the issued capital of Capital Metals, with a 12-month share option to acquire a further 17,250,000 shares for total consideration of £843,750, enabling Sheffield to increase its interest in Capital Metals to approximately 14% of total issued capital.

The project of CMET currently has a JORC Resource of 17.2mn tonnes with an average grade of 17.6% Total Heavy Minerals (THM), making it one of the highest-grade deposits in the global peer group. Less than 10% of the project area has been drilled to date and the current JORC Resource is from surface to a depth of 3m. Exploration work has shown continuation beyond 3m and also returned grades in excess of 26% THM.



Wednesday, April 3, 2024

Sheffield and Capital Metals have also agreed conditional terms to fund project development, providing the company with the opportunity to acquire up to 50% of the Eastern Minerals Project in Sri Lanka.

Should Sheffield proceed with the project acquisition, it is expected that project development and funding shall be staged such that the majority of the investment proceeds are applied following any Final Investment Decision.

The exclusivity in favour of Sheffield “does not apply” to the MOU that Capital signed on the 9th of May 2023 with LB Group (002601:SHENZHEN) with a current market cap of CNY45bn and is the world’s leading manufacturer of high-performance Titanium dioxide pigments and sponge. That deal was to fund the project into production. LB Group will guarantee 100% of the offtake of heavy mineral concentrate and ilmenite for the entire project life at prevailing international prices at the time of sale – other products to be marketed by the JV to third parties. This leaves us rather confused as it seems like CMET either gets squeezed out totally and SFX takes its 50% or maybe it means that SFX can earn the 50% of the JV that LB don’t hold. Curiouser and curiouser, LB Group is actually Lomon Billions, for whom SFX’s CEO used to be a consultant.

Sheffield gets to appoint one director to the board of CMET if it continues to hold at least 10% of the equity.

Management at Sheffield feels a lot more comfortable in the Panda embrace than we do. That said we feel the company is underappreciated and massively undervalued and reiterate our **LONG** rating with a twelve-month target price of AUD\$0.72.

Talisker

This company we first met in November of last year and then conversed again with in recent weeks to get an update. Usually, we steer clear of BC projects as they usually qualify under Mark Tawin’s definition of a mine, but when we saw Talisker’s management was for real we added the stock as a LONG position in our Model Resources Portfolio.

The company’s flagship asset is the high-grade, fully permitted Bralorne Gold Project in British Columbia. The company is in the process of transitioning into underground production at the Mustang Mine.

Helping to move this all along is something of a “cheap & cheerful” mindset with definitely resonates with us. In mid-March the company announced its 100%-owned subsidiary, Bralorne Gold Mines Ltd, had signed a definitive Ore Purchase Agreement with New Gold (TSX:NGD). As part of the agreement New Gold will purchase up to 350,000 tonnes of material mined at Bralorne and process it at NGD’s mill at its New Afton mine. The deal can be extended by mutual agreement of the parties.

Besides this main focus, its projects also include the Ladner Gold Project, an advanced stage project with significant exploration potential from an historical high-grade producing gold mine and the Spences

Wednesday, April 3, 2024

Bridge Project where Talisker holds ~85% of the emerging Spences Bridge Gold Belt, and several other early-stage greenfields projects.

All focus now is on the reboot of the Mustang Mine and in mid-February the company had completed the Mustang Mine decline to the 3700 level. The 4 by 4 metre development over a distance of 400 metres will allow for simultaneous access to planned stopes on the 3700, 3800 and 3900 levels. Additional development was completed to prepare for the extension of the decline to access lower stopes from the 3600 and 3500 levels and for a new decline close to the portal to access new material to the east of Mustang.

This represented rather swift progress as it was only early December that the portal was completed and the decline commenced.



We shall expand more on the progress here as production kicks in.

As noted, we have a **LONG** rating on Talisker with a 12-month target price of CAD\$1.10.

Parting Shot

There is little in the world of stock exchanges at this current time that is as blatant an institutionalized pump as a list called the TSX 30. At first, we mistakenly thought it was an Index and, as we had not heard

Wednesday, April 3, 2024

of it before, we resolved to investigate. So accordingly, we gave it some scrutiny and found that it was nothing more than a “List of Successful Promotes”, not an index at all. That explains why we could not find a chart of this “index” or a current reading or anything historical.

Some digging revealed that the TSX30 is a “program” recognizing the “30 top-performing companies” on Toronto Stock Exchange (TSX). Eligible listed issuers are ranked based on their dividend-adjusted share price performance over a three-year period. Is it a computer program or a marketing program? Obviously, it is the latter.

All indices are biased towards the outperformers because laggards are dropped at some point or another (or taken over in the case of winners and some losers). But this “Index” is on steroids.

It is interesting that the number of household names on the list is rather paltry. Beyond Aya Gold & Silver, we only had name recognition of Teck Resources, General Atomic, Allkem (an Australian stock now merged with Livent), Capstone (that spent most of last decade in the doghouse) and Bombardier. If one was to corner an average Canadian in the supermarket and asked what these stocks were and what they “sold/produced”, the “man in the street” would probably score even lower than us. This is far from being the Dow 30.

The thing that initially brought us to the TSX30 was the presence of Aya, a massively overvalued stock that we have on our **SHORT** list. This company has been carried higher by the wave of being in this “index”, amongst other “attractions”. But as we all know so well, those who live by the index can also die by it when they fall from favour, are expelled or downweighted.

So, for us, the TSX30 is not only a bad idea, but also frankly disreputable. Now that the TMX has stuck its head over the parapet we are going to be watching this list and in five years from now will be revisiting to see how many of these names have crashed and burnt.

Recent & Upcoming

In the last month we published our Boron Sector Review. Upcoming notes include our Initiation of First Phosphate and a SHORT note on Aya Gold & Silver. We also may issue our Initiation of International Lithium (a likely Rubidium producer, despite its name).

We shall also hopefully be producing more on the Tin space.

MODEL RESOURCES PORTFOLIO @ END MARCH							
Security	Ticker	Currency	Price	Change		12-mth Target	
				last 12 mths	last mth		
LONG EQUITIES							
Diversified Large/Mid-Cap	Hochschild	HOC.L	GBP	1.274	51%	38%	£1.50
	Sherritt International	S.to	CAD	0.28	-50%	0%	\$0.95
Uranium	Sprott Physical Uranium	U.UN.to	CAD	20.63	31%	0%	\$20.00
	enCore Energy	EU.v	CAD	5.94	112%	9%	\$4.90
Zinc/Lead Plays	WisdomTree Zinc ETF	ZINC.L	USD	8.22	-14%	3%	\$14.00
	Luca Mining	LUCA.v	CAD	0.37	-5%	61%	\$0.70
Nickel Developer	Canada Nickel	CNC.v	CAD	1.4	-9%	-3%	\$2.15
Silver Explorer	Southern Silver Exploration	SSV.v	CAD	0.17	-19%	21%	\$0.40
	AbraSilver	ABRA.v	CAD	0.36	-14%	29%	\$0.84
Silver ETF	IShares Silver ETF	SLV	USD	22.75	3%	8%	\$24.00
Gold Producer	Soma Gold	SOMA.v	CAD	0.59	18%	31%	\$0.85
	Asante Gold	ASE.cn	CAD	1.3	-22%	-2%	\$2.40
	Orvana Minerals	ORV.to	CAD	0.16	-24%	23%	\$0.60
	Talisker Resources	TSK.to	CAD	0.39	-44%	26%	\$1.10
Gold/Antimony Developer	Perpetua Resources	PPTA.to	CAD	5.62	-7%	39%	\$7.50
Metallurgical Coal	Colonial Coal	CAD.v	CAD	2.44	48%	10%	\$2.45
Royalties	EMX Royalties	EMX	USD	1.72	-20%	8%	\$2.50
Copper Explorers	Panoro Minerals	PML.v	CAD	0.12	-8%	9%	\$0.30
	Phoenix Copper	PXC.L	GBP	0.1124	-46%	-6%	£0.54
	Aldebaran Resources	ALDE.v	CAD	0.85	-9%	23%	\$1.32
Tungsten Producers	Almonty Industries	AII.v	CAD	0.61	-3%	-2%	\$1.10
	EQ Resources	EQR.ax	AUD	0.05	-23%	0%	\$0.08
Graphite Developer	Blencowe Resources	BRES.L	GBP	0.0407	1%	-7%	£0.09
	Applied Graphite Technologies	AGT.v	CAD	0.15	n/a	n/a	\$0.40

MODEL RESOURCES PORTFOLIO @ END MARCH							
Security	Ticker	Currency	Price	Change		12-mth Target	
				last 12 mths	last mth		
LONG EQUITIES							
Cobalt	Jervois Global	JRV.ax	AUD	0.03	-57%	0%	\$0.15
Vanadium Developer	Vanadium Resources	VR8.ax	AUD	0.04	-50%	0%	\$0.15
Lithium	Neometals	NMT.ax	AUD	0.13	-78%	-13%	\$0.30
	Century Lithium	LCE.v	CAD	0.78	-20%	22%	\$1.10
	Pursuit Minerals	PUR.ax	AUD	0.004	-75%	-60%	\$0.03
Scandium Developer	Scandium International	SCY.to	CAD	0.03	-40%	50%	\$0.10
Gold Explorer	Cabral Gold	CBR.v	CAD	0.17	42%	0%	\$0.40
	Gunpoint Exploration	GUN.v	CAD	0.55	-19%	12%	\$0.75
	Sanu Gold	SANU.cn	CAD	0.09	-49%	125%	\$0.18
	Alpha Exploration	ALEX.v	CAD	0.87	13%	24%	\$1.00
	Desert Gold	DAU.v	CAD	0.07	17%	17%	\$0.16
AgroMinerals	Millennial Potash	MLP.v	CAD	0.22	-49%	0%	\$0.32
Rare Earths	Rainbow Rare Earths	RBW.L	GBP	0.098	14%	-15%	£0.30
	Neo Performance Materials	NEO.to	CAD	6.30	-32%	-12%	\$14.00
Tin Miners	Alphamin	AFM.v	CAD	0.92	6%	7%	\$1.50
	Rome Resources	RMR.v	CAD	0.19	-36%	0%	\$0.60
	Elementos	ELT.ax	AUD	0.15	-19%	15%	\$0.38
Mineral Sands	Sheffield Resources	SFX.ax	AUD	0.55	6%	6%	\$0.72
Oil & Gas	Shell	SHEL.L	EURO	26.25	13%	6%	£24.00
SHORT EQUITIES							
Shorts	NioCorp	NB.to	CAD	3.68	-57%	8%	\$4.00
	Texas Mineral Resources	TMRC	USD	0.37	-70%	-14%	\$0.30
	Aya Gold & Silver	AYA	CAD	11.66	15%	15%	\$4.50

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 with it do have exposure to Sheffield Resources and Shell.

Hallgarten & Company or persons associated do not own securities of any other securities described herein and may not make purchases or sales within one month, before or after, the publication of this report.

Hallgarten & Company acts as, or has acted as in the last twelve months, a strategic consultant to Century Lithium, Abra Silver & 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.

© 2024 Hallgarten & Company Limited. All rights reserved.

Reprints of Hallgarten reports are prohibited without permission.

Web access at:

Research: www.hallgartenco.com