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HALLGARTEN + COMPANY

Portfolio Strategy

Editor: Christopher Ecclestone
ceccestone@hallgartenco.com

Model Resources Portfolio: Defense Minerals In, Energy Metals Out?

Performance Review – April 2024

Model Resources Portfolio

Defense Minerals In, Energy Metals Out?

- + **Gold has paused and consolidated which is better than a “spike & dump” which has been its downfall so often in the past**
- + **Base metals, particularly Zinc, are awakening from their slumbers**
- + **The Tin price remains very strong and Antimony has passed \$14,300, the longest period it has sustained such “high” prices in history**
- + **The price of Tungsten continues its bounceback**
- + **Silver has finally regained upward momentum, playing catch-up with Gold**
- + **Argentina continues on the road to financial healing with Central Bank reserves passing US\$30bn and the fiscal and trade deficits moving into the black**
- ✗ **Interest rates are not heading down in the way that naïve pundits had predicted with wage push inflation in some countries and stagflation in others**
- ✗ **The Vanadium price is a major source of disappointment and its weakness confounds some projects in the Uranium and Titanium spaces where it is a co-product**

Plain Talking on Priorities

Let’s face it folks, if China attacked Taiwan the last thing on people’s minds would be EVs. Thus, in a game of supranational Rock, Paper, Scissors the players with best access to military metals win. As we think we demonstrated in our [China & Criticality note](#) , that we published two weeks ago, China is more over a barrel on the supply of critical metals for defence (or offence) purposes than the West is. With super long supply lines and immense stretches of ocean, most of which under the domination of Western navies, China in a shooting war can go whistle for supply of a swathe of the most critical metals (including copper, iron ore, chrome, manganese, vanadium & nickel).

Looking at a hypothetical list of China’s wants and needs in the metals/minerals space and overlaying on that distance to the sources thereof and then taking into account that China has very few “friends” indeed, it is not a pretty picture. Even those friends it has (the Belt & Road Crowd) are bought and paid for but can just as easily disappear like gorillas into the mist when there is a call to take sides. China has hitherto relied upon the “kindness of strangers”, or rather upon their fondness for greenbacks, to ensure supplies. With only North Korea as a true “friend”, it’s not a good scenario for China.

One might note that we seldom talk about Russia as a threat. Frankly a shooting war with Russia is way less likely than one with trigger-happy Xi. The Ukrainian adventure is wearing Russia down, even if it remains undefeated. The bigger threat for Russia is China than the West. The West covets nothing Russia has, whereas China eyes Siberia as the solution to **ALL** its metals & material needs.

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The West now obsesses over what China has and yet it (collectively) has most of the things that China, where it matters, does not. And of the things that China dominates, its domination is largely just a product of laziness of the West, failure to invest and China, for a long while, having super low wage costs and almost zero environmental controls. China has been for 40-50 years essentially like Western Europe and the US were in the Victorian Age.

When the Gallium/Germanium “scare” broke out in July/August of 2023, the chickens in the henhouse reacted to the fox with much squawking and flapping of truncated wings but more than half a year on Apocalypse Now has become Apocalypse Delayed and the Chinese measure has not proven to be the end of the world as we know it. Indeed, to the contrary, managers of Chinese enterprisers stuck between the rock and a hard place of having productions quotas to reach and yet having their markets chopped off at the knees have resorted to clandestine shipments over the Vietnamese border to help make the twain meet. The West meanwhile discovered that (pre-internet) there used to be Gallium production in the West, and that Germanium production was as easy as working over tailings ponds at Zinc smelters. Much ado about nothing.

The same can be said for Tungsten, a prime munitions metal, that is now resurging in the West while Antimony and Rare Earth production (both with strong military applications) out of Chinese mines is plunging due to long term over-exploitation and high-grading.

So here we find ourselves in 2024, on the cusp of a precipice of our own making, with China at our side with a similar, or way worse, dilemma with regard to metal/mineral supplies.

A key issue that should be focused on is “deniability”, i.e. which metals are so far away from China or in potentially hostile hands that China can be denied those metals. Thus, instead of obsessing on what China has got, maybe more time should be spent on what it has not, and how (if the bullets start flying) one can deny China access to those things that might expedite its success in any aggressive moves. Denial alone can be somewhat like cutting off one’s nose to spite one’s face. The watchwords should be “Supply & Denial”.

So, what are these metals that investors should be targeting (pardon the pun)? Show us your security clearance and we might tell you....

Portfolio Changes

We added a **LONG** position in Energy Fuels (NYSE: UUUU) as it diversifies contiguously into metals and minerals in the Heavy Minerals Sands space.

We finally surrendered on Phoenix Copper and cut loose our **LONG** that had been nothing but disappointing in recent years. Seeing no turn on the horizon we cannot see a reason to struggle on.

We see that Golconda Gold (ex-Galane Gold), our favorite **SHORT** of all time had popped back up again, so we decided to reinstitute our **SHORT** with a 12-month target price of 15 cts. “Always guaranteed to disappoint” should be the company’s slogan.

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Taking Back Titanium: Energy Fuels (NYSE: UUUU)

Having excoriated the West for intellectual and financial lassitude in the past, we would however note the changing Zeitgeist which presents a greater challenge to the ongoing perception of Chinese dominance.

An example of the changed mood is Energy Fuels, which was already been upsetting the established order of things by processing mineral sands sourced from Chemours (NYSE: CC), removing the radioactive elements then dispatching them to Neo Performance Materials (TSX: NEO) separation facility at Silmet in Estonia for the production of Rare Earth Oxides. We would note that in the first Rare Earth “boom” of 2009-2011, monazite sands were regarded as a no-go area due to their radioactive components.

In mid-April, Energy Fuels commissioned a 5,000 tpa SX plant dedicated to REE separation plant in Utah. It is notable that Energy Fuels is the US’s only licensed refiner of uranium ores into yellowcake, which makes it the only location in the USA to which monazite concentrates (containing from 4%-7% radioactive Thorium) can be shipped, since Energy Fuels is licensed to store Thorium.

To further complicate matters for the Chinese, Energy Fuels upped its game later in April by acquiring, for AUD\$375mn, one of the world’s largest heavy mineral sands producer/developers, Base Resources (ASX: BSE) with operations in Kenya & Madagascar. From these operations it will obtain monazite sands to be processed in the US into individual REEs, along with Titanium (from rutile and ilmenite) and Zirconium and Hafnium (from zircon).

In the regulatory-driven (by the environmentalists) atmosphere of the USA, Energy Fuels stands out as probably the only US company that is licensed to produce Yellowcake, Vanadium, and Rare Earths.

We have thus added a **LONG** position in Energy Fuels to the Model Resources Portfolio with a twelve-month target price of US\$7.50.

Coming Up Piche in Uranium in Argentina

The reawakening of investor interest in Uranium has coincided with the reemergence of Argentina as an investment option with the almost inevitable result that the long-becalmed U-scene in Patagonia has started to see corporate actions action. In our [Uranium/Nuclear Review](#) of the country last year we covered some of the transactions undertaken by Consolidated Uranium (TSXV: CUR | OTCQX: CURUF), but scarcely was the ink dry on our note than Consolidated merged with IsoEnergy (TSXV: ISO; OTCQX: ISENF), and a spinco was mooted to house the exploration and past-producing elements of the merged companies’ prior portfolios. That merger was finalized in December of 2023.

Nothing has happened (publicly) on this yet that we know of. Consolidated, it may be recalled had picked up the past exploration portfolio of U3O8 which had wandered off to Colombia and a name change at just the wrong moment. This had left Blue Sky (TSX-v: BSK), which we had covered in the more distant past, soldiering on as an eternal explorer despite having several PEAs under its belt on its U/V

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assets in Patagonia.

Now upon the scene has appeared Piche Resources, with whom we have met numerous times in Buenos Aires over the last twelve months. This comes with auspicious antecedents as its guiding lights are from Peninsula Energy and Areva/Avocet/Lion One. The assets are in Chubut province and the listing on the ASX is imminent.

Golconda Gold – Oops, They Did It Again

You can't keep an old dog down. No sooner had closed our **SHORT** call on Golconda and taken our foot off its neck than it pops back up again and a new generation of fools wander into the morass that is this company. Seeing this there is no other alternative but to reinstate our **SHORT** for the fourth time, if our counting is not mistaken. Same old management... sigh...

The company sold US\$9.36mn worth of gold in FY23 and managed to lose \$2.15mn, a negative net margin of ~25%. Some things never change. Woof.

Our twelve-month target price is 15 cents.

First Nordic – Bulking Up in Sweden

We launched coverage on Gold Line last June with a **LONG** recommendation. It has now merged with close neighbour, Barsele Gold, in a very synergistic transaction which has fired up the stock price of First Nordic (the merged entities' new name).

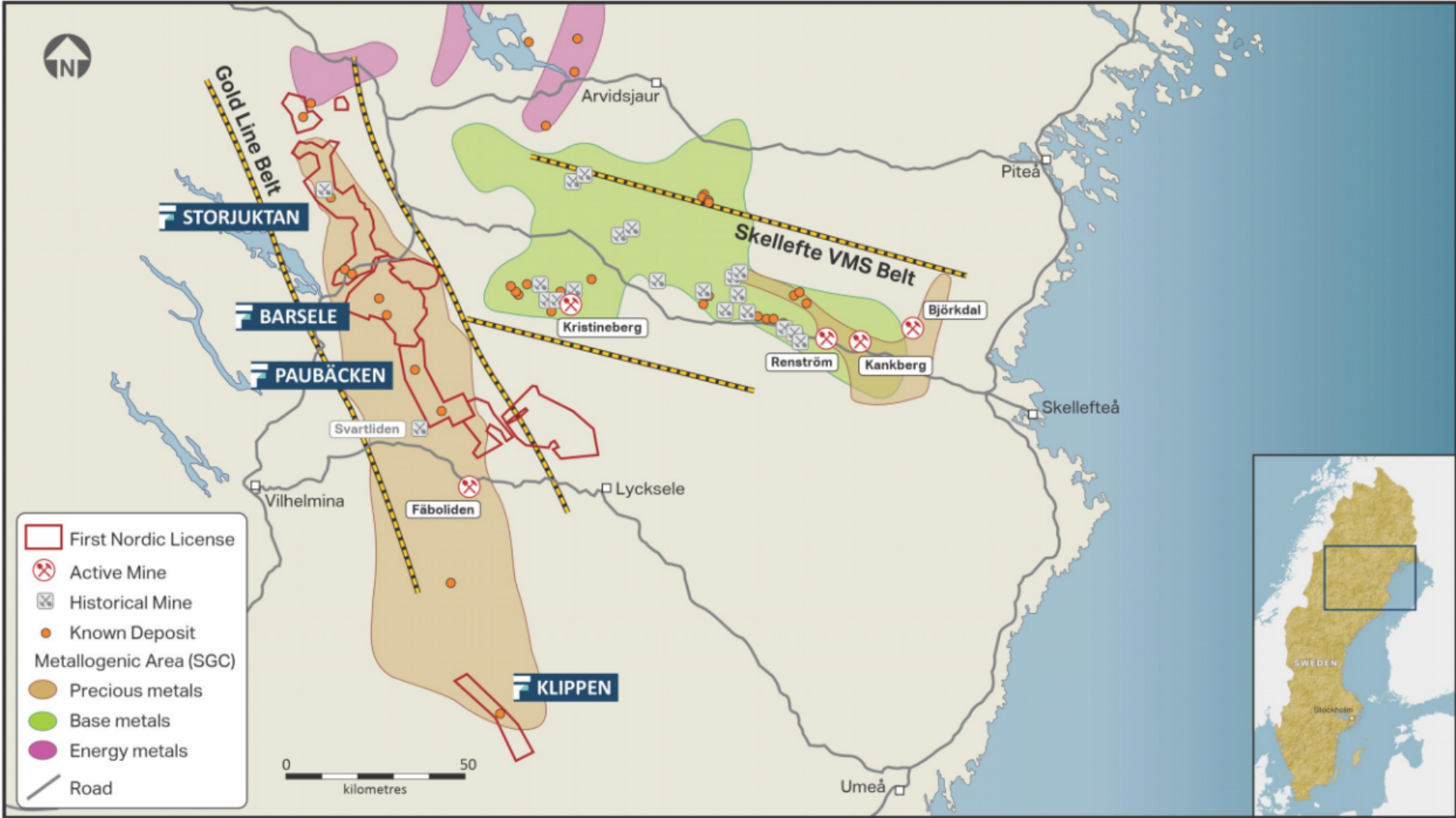
In mid-December of 2023 Barsele Minerals (TSXV: BME, OTC:BRSLF) and Gold Line Resources (TSXV: GLDL, OTC: TLLZF) announced that the two companies had entered into an agreement by which Barsele would acquire Gold Line in exchange for common shares of Barsele.

Gold Line shareholders received 0.7382 of a Barsele Share for each Gold Line share. Gold Line options and warrants outstanding at the effective time of the transaction were made exercisable, in accordance with their terms and based on the Exchange Ratio, for similar securities to purchase Barsele Shares.

On the 26th of February of 2024 the companies confirmed to the market that the merger had been completed.

The merger brings synergies for the assets brought into the merger by Gold Line. The map on the following page shows how the transaction has consolidated the central part of the trend in the hands of First Nordic (though Dragon Mining from Hong Kong do have a carve out – Svartliden - that is also advancing).

Barsele was frankly much more advanced than Gold Line on the road to production, mainly because its project is a JV with Agnico Eagle, with a planned open pit and u/g operation. While Agnico has hitherto had the whiphand at the project, we would not be surprised to see some sort of rejig in the holdings that puts Barsele on a faster track to production.



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Clearly, the transaction is attractive, and some market recognition is becoming apparent in the price move, so we have transferred our **LONG** stance on Gold Line to the new entity and hopefully shall be formulating a new twelve-month target price shortly.



Rome Resources – Getting its Sails Trimmed

Despite the Tin price (and sentiment) having soared since this deal was announced the terms of the transaction (an RTO into AIM-listed Pathfinder Minerals Plc) have been amended to the detriment of Rome’s shareholders.

The consideration previously payable to the Rome Shareholders, as announced on November 29, 2023, was to be £15,940,891 or CAD\$27,418,332 (using a 1.72 GBP/CAD exchange rate). This would have resulted in the issue of 3,188,178,220 new ordinary shares of £0.001 each (based on an implied share price of 0.5p) in the capital of Pathfinder, which would have constituted 68.98% of the enlarged share capital of Pathfinder.

Now the purchase price payable to Rome shareholders will be £11,757,897 or CAD\$20,223,583 (using a 1.72 GBP/CAD exchange rate) representing a fairly brutal chopping in the value of Rome. Pathfinder will now settle the RTO through the issuance of 2,351,579,421 shares, which curiously will still constitute

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68.98% of the enlarged share capital of Pathfinder. For every Rome share held Rome shareholders will receive 19.54 shares in Pathfinder.

The previously announced Long Stop Date of 15 April 2024 has been extended to 21 June 2024. We reiterate our **LONG** stance on Rome but have removed our target price pending seeing how this starts to trade in the new guise.

Parting Shot

How times have changed in the Lithium *salares* place in terms of transaction price tags. The deals go on, but the prices would appear to have corrected downwards dramatically. The latest transaction by Lithium Energy (ASX: LEL) left many dismayed.

The company announced at the turn of the month that its Chinese “partner” CNGR would purchase Lithium Energy’s 90% interest in the Solaroz lithium brine project in Argentina for US\$63mn (~AUD\$97mn) in cash. The price in AUD (excluding costs and taxes) is equivalent to AUD\$0.865 per share (a 79% premium to Lithium Energy’s 3-month VWAP and a 52% premium to Lithium Energy’s one-month VWAP) The company claimed that it reflected substantial value creation at Solaroz since Lithium Energy’s IPO in May 2021 at \$0.20 per share. That it does...

This undoubtedly is very, very true, but the boosters in the Lithium space are still clinging onto dreams and hopes created during the glory days of 2022 and early 2023. With deals in the multiple hundreds of millions of dollars (and in Australia in the billions of dollars) anything with as few zeroes as Lithium Energy’s sale comes as a slap in the face with a dead fish to Lithium boosters.

Frankly, Azure Minerals looks like it was the high tide of Lithium and market participants will have to accustom themselves to “less zeroes”.

A trend that is noticeable in *salar* deposits (if not in hard rock spodumene) is scalability. Wisdom said that buyers of one *salar* of part thereof would need to buy more to bulk up, instead we are seeing stated plans of 20,000 tpa of LCE being upped to double or triple that without having to acquire a square metre more of territory. This was not supposed to happen. Closeology starts to break down if the owner of the other half of your *salar* has no imperative to buy you out.

Then we combine that with the lassitude in sales of EVs, particularly in China. That has prompted cries of “they will dump them in the West”. But increasingly we are seeing the EU, UK and US pushing back against such dumping. China will have little in the way of defence to this charge. See you in the WTO!

This new reality in the battery metals space is causing retrenchment all around in those plays that dragged their feet in getting into the development stage or who don’t have a partner of even the most minimal relevance. Let Lake Resources be a lesson to everyone. From a market cap of \$3.5bn it has shrivelled to a mere \$100mn and all of that without any major setbacks. What it did though was play fast and loose with several of the best and biggest offtakers out there, constantly bed-hopping to “get a better deal” and just ended up as a pariah.

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What many juniors have failed to notice is that anyone of relevance on the other side of the dance floor already has a partner. Some of the more savvy though are grasping the grim reality of their wallflower status and seizing the first good offer that crosses their transom. In this they may not be mistaken.

Recent & Upcoming

In the last month we published our note on Criticality & China. Upcoming notes include our Initiation of First Phosphate and Western Metallica. We also may issue our Initiation of International Lithium (a likely Rubidium producer, despite its name).

We plan to be producing more on the Tin space.

MODEL RESOURCES PORTFOLIO @ END APRIL							
Security	Ticker	Currency	Price	Change		12-mth Target	
				last 12 mths	last mth		
LONG EQUITIES							
Diversified Large/Mid-Cap	Hochschild	HOC.L	GBP	1.56	84%	22%	£1.50
	Sherritt International	S.to	CAD	0.32	-43%	14%	\$0.95
Uranium	Sprott Physical Uranium	U.UN.to	CAD	21.28	35%	3%	\$20.00
	enCore Energy	EU.v	CAD	6.30	125%	6%	\$4.90
	Energy Fuels	UUUU	USD	5.18	-13%	-19%	\$7.50
Zinc/Lead Plays	WisdomTree Zinc ETF	ZINC.L	USD	9.40	-2%	14%	\$14.00
	Luca Mining	LUCA.v	CAD	0.44	13%	19%	\$0.70
Nickel Developer	Canada Nickel	CNC.v	CAD	1.45	-6%	4%	\$2.15
Silver Explorer	Southern Silver Exploration	SSV.v	CAD	0.19	-10%	12%	\$0.40
	AbraSilver	ABRA.v	CAD	0.45	7%	25%	\$0.84
Silver ETF	IShares Silver ETF	SLV	USD	24.05	9%	6%	\$24.00
Gold Producer	Soma Gold	SOMA.v	CAD	0.54	8%	-8%	\$0.85
	Asante Gold	ASE.cn	CAD	1.19	-29%	-8%	\$2.40
	Orvana Minerals	ORV.to	CAD	0.19	-10%	19%	\$0.60
	Talisker Resources	TSK.to	CAD	0.56	-20%	44%	\$1.10
Gold/Antimony Developer	Perpetua Resources	PPTA.to	CAD	7.53	25%	34%	\$7.50
Metallurgical Coal	Colonial Coal	CAD.v	CAD	2.64	60%	8%	\$2.45
Royalties	EMX Royalties	EMX	USD	1.85	-14%	8%	\$2.50
Copper Explorers	Panoro Minerals	PML.v	CAD	0.12	-8%	0%	\$0.30
	Aldebaran Resources	ALDE.v	CAD	0.85	-9%	0%	\$1.32
Tungsten Producers	Almonty Industries	AII.v	CAD	0.63	0%	3%	\$1.10
	EQ Resources	EQR.ax	AUD	0.05	-23%	0%	\$0.08
Graphite Developer	Blencowe Resources	BRES.L	GBP	0.052	28%	27%	£0.09
	Applied Graphite Technologies	AGT.v	CAD	0.14	n/a	n/a	\$0.40

MODEL RESOURCES PORTFOLIO @ END APRIL

Security	Ticker	Currency	Price	Change		12-mth Target	
				last 12 mths	last mth		
LONG EQUITIES							
Cobalt	Jervois Global	JRV.ax	AUD	0.02	-71%	-33%	\$0.15
Vanadium Developer	Vanadium Resources	VR8.ax	AUD	0.05	-38%	25%	\$0.15
Lithium	Neometals	NMT.ax	AUD	0.11	-82%	-15%	\$0.30
	Century Lithium	LCE.v	CAD	0.41	-58%	-47%	\$1.10
	Pursuit Minerals	PUR.ax	AUD	0.01	-38%	150%	\$0.03
Scandium Developer	Scandium International	SCY.to	CAD	0.03	-40%	0%	\$0.10
Gold Explorer	Cabral Gold	CBR.v	CAD	0.19	58%	12%	\$0.40
	Gunpoint Exploration	GUN.v	CAD	0.70	3%	27%	\$0.75
	Sanu Gold	SANU.cn	CAD	0.09	-49%	0%	\$0.18
	Alpha Exploration	ALEX.v	CAD	0.84	9%	-3%	\$1.00
	Desert Gold	DAU.v	CAD	0.07	17%	0%	\$0.16
AgroMinerals	Millennial Potash	MLP.v	CAD	0.26	-40%	18%	\$0.32
Rare Earths	Rainbow Rare Earths	RBW.L	GBP	0.12	42%	25%	£0.30
	Neo Performance Materials	NEO.to	CAD	5.71	-38%	-9%	\$14.00
Tin	Alphamin	AFM.v	CAD	1.25	44%	36%	\$1.50
	Rome Resources	RMR.v	CAD	0.19	-36%	0%	n/a
	Elementos	ELT.ax	AUD	0.17	-8%	13%	\$0.38
Mineral Sands	Sheffield Resources	SFX.ax	AUD	0.52	0%	-5%	\$0.72
Oil & Gas	Shell	SHEL.L	EURO	28.445	22%	8%	£24.00
SHORT EQUITIES							
Shorts	NioCorp	NB.to	CAD	2.81	-67%	-24%	\$4.00
	Texas Mineral Resources	TMRC	USD	0.35	-72%	-5%	\$0.30
	Golconda Gold	GG.v	CAD	0.28	4%	6%	\$0.15
	Aya Gold & Silver	AYA	CAD	13.24	31%	14%	\$4.50

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