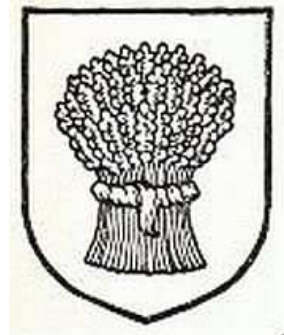


Tuesday, August 6, 2024



# HALLGARTEN + COMPANY

Portfolio Strategy

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## Model Resources Portfolio: Rare Earths = Yawn

Performance Review – July 2024

# Model Resources Portfolio

## Rare Earths = Yawn

- + Gold justifiably had a good month as Israel ramped up the tension in the Middle East
- + International tensions continue to light a fire under military metals but with many coy about how they might profit from this without appearing to be war-profiteers
- + Antimony cannot be had for love nor money as the shortfall in production intensifies
- + Uranium deals continue apace with IPOs, RTOs and M&A
- ✗ The ratio of silver to gold has shown a serious deterioration in recent months
- ✗ Whining exploration juniors that are unable to fund one last spin of the drill bit are becoming increasingly tiresome in claiming “no-one is interested in mining”, but they aren’t miners
- ✗ The Tin price retraced from some overheated highs
- ✗ The MOU/LOI industry is seeing its figleaf wither in the fiery blast of investor cynicism about this form of promotion

### Reading the Last Rites on Rare Earths?

Is it time to call “time” on this corner of the critical metals space? It is said that in a gold rush it is more profitable to sell shovels to the miners, than to actually do the mining. The conundrum is how to make money even selling shovels when so few are doing any digging? We are now arguably seeing the end of the second Rare Earth Boom in 15 years and there is pitifully little to show for it. However, maybe pitifully little is the best one can hope for from a sector that is rather niche, has seen demand rise and fall for some of its applications (e.g. Europium in colour televisions) and where the pricing (except for a delusional brief shining moment in 2010-11) has largely been pretty marginal.

The well-trammeled chart of the different “eras” of the REE space shows that ascendances have come and gone and that maybe what we have been seeing since 2009 has not been a Brave New World of REE but jus the gradual eclipse of China’s dominance and a turn towards a multivalent world.

If we take the urban myth that there were 200 or more REE wannabes in public markets in 2011, and that the far easier to count 20 stragglers left by the middle of last decade, then one can see that Darwinian forces brutally winnowed the herd leaving a mere three producers, Lynas, Northern Minerals (a stop-start operation) and MP Materials (cobbled together from the smoking debris of Molycorp). Not a very auspicious survival rate. Now we have, maybe, over 50 wannabes in the revived REE space and of those maybe four or five are actually needed, and it’s becoming clearer by the day, which names they will be. The rest might as well fold up their tents and be repurposed.

That does not mean that there will be only four or five that try their hand at the game. We can already

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get the whiff of maybe double that number that are Molycorps in the making, destined to follow the flight path of Icarus. We can think of one project that has been around since the first REE Boom (and a rewarmed uranium project, at that) which is currently attracting sizeable government largesse, and the support of the REE space's biggest "new chum", that will make an almighty crash when it comes to grief leaving taxpayers, more than a horde of shareholders, carrying the can. The Australian government is going to be shown to be even worse at picking winners in Rare Earths than the portfolio investors and analysts have been.

The survivors will be the niche players that don't try to be all singing and all dancing. Even their struggles will not be plain sailing as the travails of Vital Metals, with its well-thought-out strategy coming to grief, a victim of Chinese price machinations. Will any of them make a return on capital that matches the amounts poured into them?

If one is inclined towards this thesis then one need only identify 10 that might get near to production, then weed out the five or six that are over-sized, challenged by location, of dubious grade or processability (and **SHORT** them) and then run with the four or five that are left. Et voila, that makes the next 40 REE stories into AVOIDS or SHORTS.

### **Venezuela – the Land that Time Forgot – Remembered**

One royalty company has been permanently cast into our *Outer Darkness* because, when marketing their IPO five years ago, they had the Las Cristinas mine of Crystallex in their portfolio, and when we asked a poignant question about said company they glazed over and could not understand why we were questioning them touting it as one of their "valuable portfolio of exciting royalties". This was immediately a red-flag that they did not know much about the rest of their development portfolio either. A helpful hint to lazy royaltyco executives is that Google can be a useful DD tool, folks.

KRY definitely ranked in the "exciting" category once upon a time, but those that had bought it then had later wished they had let the excitement pass them by. Needless to say, the royalty company never touted KRY's virtues (or even mentioned it) ever again.

The sometime gold developer was once the poster-child for Venezuelan mining though there was more to the country's minerals potential than just one gold mine. Curiously, Venezuela's very heavy crude, at some times, has been one of the world's major sources of Vanadium, beyond that there is nickel

Our thoughts had turned to Venezuela mid-month with the impending elections. Then when Presidential elections were held late in the month, and it was clear massive fraud had been perpetrated. In the past the international community, friends and foes alike of Chavismo, had rolled over and let the destruction of what was once South America's richest country go ahead. This time was different, seemingly. The masses have taken to the streets and even governments (and fellow travellers) of the Left have been backward in coming forward to accept the results. Illegitimacy is nothing new for the regime but this time the oppressed masses are making their presence felt. Time will tell.

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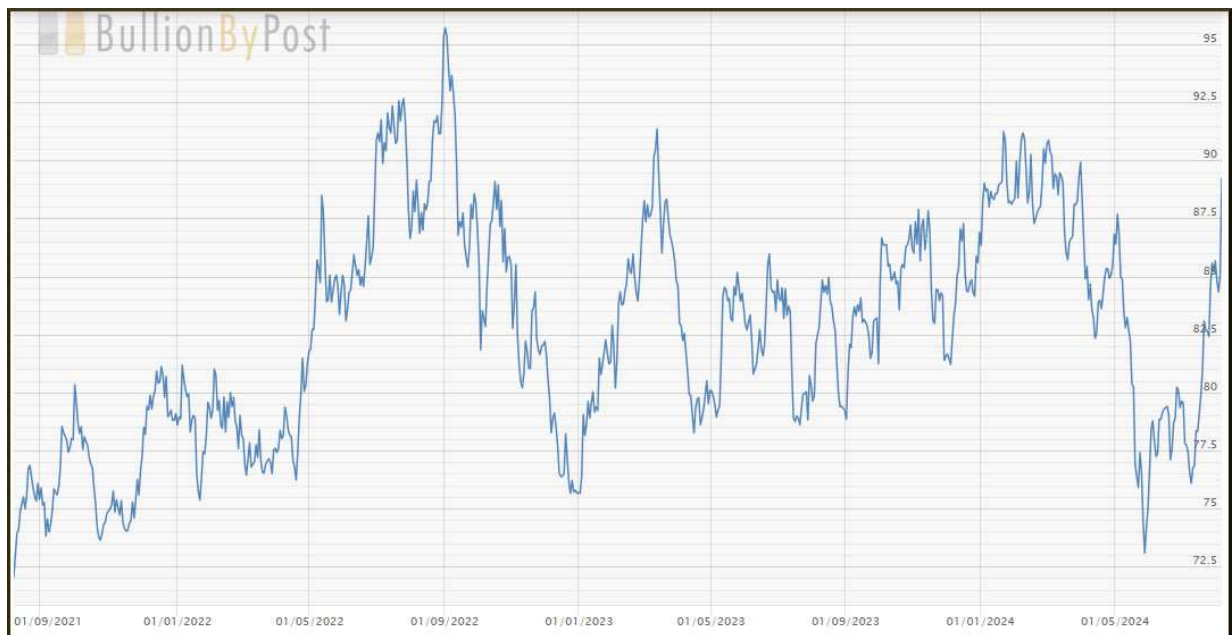
But an opening of the Venezuelan economy to the world would be somewhat earthshaking. The country is resource rich, so there could be a liftoff from the get-go.

However, the country has lost one quarter of its population over the last twenty years. Skillsets in the country have been ravaged as it's largely the educated middle class and the skilled working class who have managed to decamp. The citizens in the diaspora are mixed between those that are comfortable in their new set-up in the US, Europe or Argentina, while others live a more marginalized existence in Colombia, Peru or Ecuador.

There could be a literal and metaphorical gold rush. Mining is an obvious warhorse for a new regime to charge into the future. Maybe those old royalties might just be worth something after all.

### The Silver Ratio – Blasted Back to the Stone Age

Despite the strong uplift in the silver price over the last year, the move has palled in comparison to the gold price with an attendant collapse in the gold/silver ratio.



### Portfolio Changes

During the month, we shed our decade-old **LONG** position in Southern Silver. We also closed out two of our **SHORTS** that had performed stellarly to the downside. They were those perennially unattractive Niocorp and Texas Mineral Resources. It is rather like shooting fish in a barrel with such perpetually poor management at both.

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### Southern Silver (TSX.v: SSV) – Fatigue Gets You in the End

During the last month the company published a release (with numerous typos – including the first word) related to the filing of an updated NI 43-101 report on its Cerro Las Minitas project in Mexico. Excepting Neometals, SSV is one of the longest surviving **LONGs** in the Model Resources Portfolio, as we have covered and watched it since early last decade.

This latest report included the addition of new mineral resources from the North Felsite zone (as first reported in March 2023), the standardization of the metallurgical recoveries and charges across each of the deposits, including the addition of gold revenues into the project cash-flow; improvements in the mine scheduling and optimization both the Operating and Capital costs of the project.

However, one gets tired of hearing the same story and *Waiting for Godot* may be OK for theatre audiences, but silver investors are looking at the metal passing \$30 per oz and still hearing that there will be yet more drilling. This is not music to the ears. The ten-year chart is shown below. Out it goes.



### GoviEx – Niger’s Own Goal?

We followed this company for nigh on a decade and it was a sleepy corner of our Model Resources Portfolio where we resisted all temptations to clear it out for “more dynamic” uranium stories. The

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problem was that there were no more dynamic stories in the post-Fukushima nuclear winter. Eventually we became tired with the gigantism and though it was time that something was built there, particularly as the uranium market had turned since late 2023. So out it went several months ago...

We quite fortuitously dodged a bullet as the government of Niger has similarly (ostensibly) become tired of waiting for Godot (or Govind). So, in late June, the company was informed by the government of the Republic of Niger that it no longer has rights over the perimeter of the mining permit for its Madaouela Project, which reverted back to the public domain. Ouch!



Fortunately, many years before GXU had engineered a merger which gave it a secondary project in Zambia which it has cultivated with varying degrees of enthusiasm over the last decade. Now this comes to the rescue, but it is at nowhere near the level of oven-readiness that the Nigar project was.

Time will tell if value can be rescued from the Niger project in the form of restitution or compensation. When assets like this are seized the suspicion always arises that some baksheesh from Peking has been paid and the project will swiftly pop up in new hands. Or the problem may be more simple in that the government of Niger is tired of dog-in-the-manger Canadian juniors sitting on assets waiting perpetually for Prince Charming to come along and buy them out when the country in question wants to see

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development.

We have an iota of sympathy for GoviEx as it has laboured for most of its existence under the cloud of Fukushima but the last two years have looked considerably better. The government in Niger have lost patience too soon, or maybe it could not discriminate GoviEx from the rest of the Vancouver riffraff that promise development and never deliver.

### **What comes around, goes around**

We were initially confused, and then all became clear, when IsoEnergy (TSX: ISO; OTCQX: ISENF) made its long-awaited disposal of its Argentine uranium assets. But did it dispose of them?

These assets we had [written about last August](#) in the context of the purchase of the past-producing Huemul uranium mine in the province of Mendoza by Consolidated Uranium. This asset was added to the Laguna Salada asset that Consolidated had acquired from the successor to the TSX-v listed U3O8, one of the long-suffering pioneers of Uranium exploration in Argentina, that we had written about a decade ago before uranium went into its post-Fukushima funk.

The Huemul purchase was swiftly followed by IsoEnergy merging with Consolidated to get its hands on the producing North American assets of Consolidated to bulk up its own producing portfolio. The Argentine “exploration” assets thus looked surplus to requirements. Therefore, it was no surprise when IsoEnergy eventually made an announcement during the past month that it had sold the assets to the unlisted Jaguar Uranium. The only surprise was how long the disposal took.

But closer examination reveals that IsoEnergy were not really disposing of the asset but folding it into Jaguar which was jointly owned with Greenshift (TSX-v: GCOM), a hitherto Colombia-focused developer, that happened to be the old U3O8. So, the whole matter reeked of circularity.

IsoEnergy will be receiving in consideration, upon closing of the transaction:

- USD\$10mn of Class A common shares of Jaguar Uranium (i.e 2,000,000 Jaguar shares) at a deemed price of USD\$5.00 per share
- A 2% net smelter returns (NSR) royalty payable on all production from the Laguna Salada Project. Jaguar will have the right to buy back 1% of the royalty for a period of seven years at a price of USD\$2.5mn
- A 1% NSR royalty payable on all production from a portion of the Huemul Project
- An option to acquire a 1% NSR royalty payable on all production from the remainder of the Huemul project

As Argentina and uranium both seemed to come in from the cold in 2023/4, thus Jaguar Uranium seems to appeal to the *Doppel-Zeitgeist* and we would not be surprised to see Jaguar make its way to the market soon via an IPO or RTO or merely by dividending out the 22% held by Iso and the 42% held by

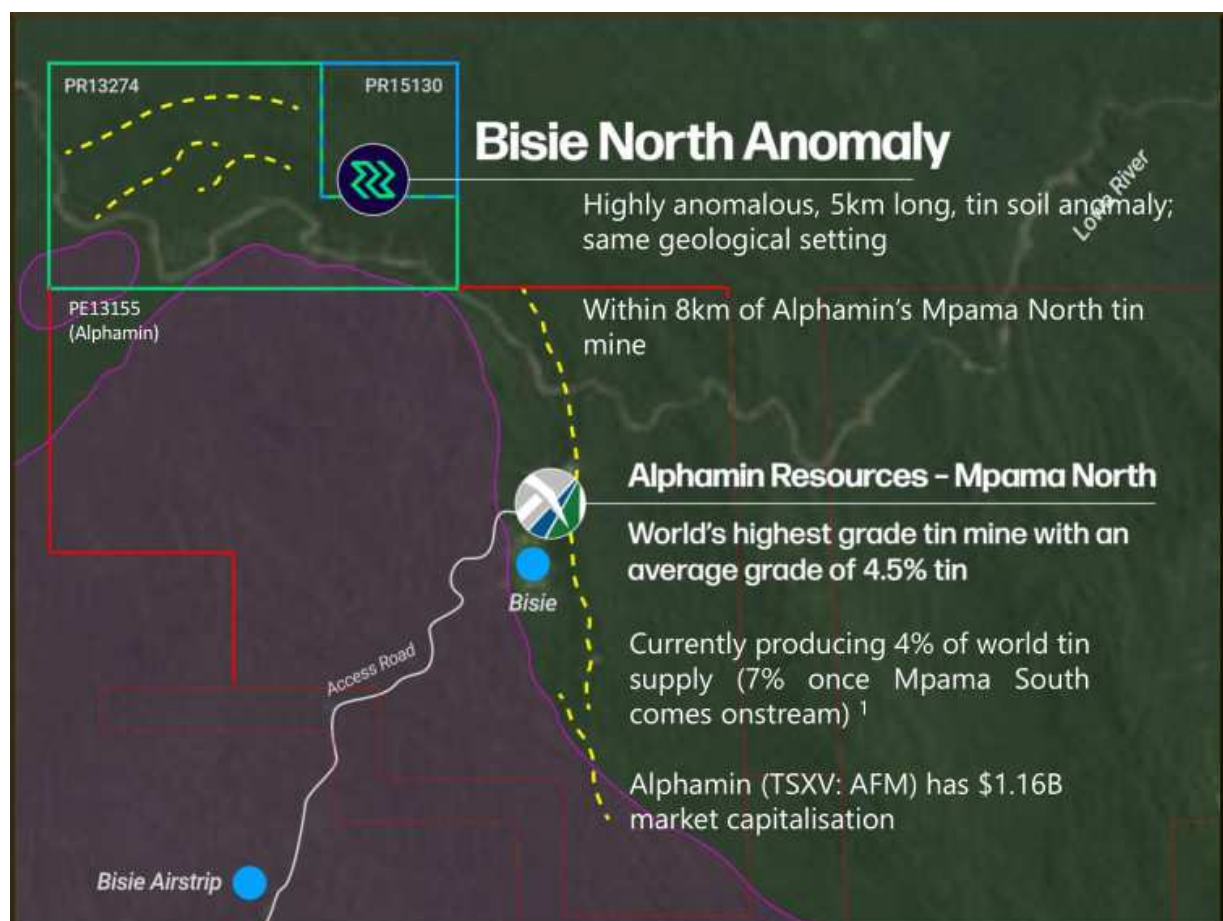
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Greenshift to their respective shareholders as a means of getting an instant float for the nascent listing.

Curiously, the deal came just as we had published our note about Chubut province's possible reentry into the mining good books, and we had failed to mention that there was yet another uranium asset, La Rosada, in Chubut and lo and behold, it is now held by Jaguar Uranium.

### When in Rome...

We have had the Canadian-listed Rome Resources Ltd as a **LONG** in the Model Resources Portfolio since last year when we first met them at an event in London. They were engaged in exploring the northern extension of the Bisie deposit which is the producing asset of Alphamin, which has long been our favoured Tin play. Then, shortly after we met them they announced they would RTO into Pathfinder Minerals PLC (AIM: PFP) listed on London's AIM. In late July, they confirmed that the renamed Rome Resources Plc (AIM: RMR) had completed the acquisition of Rome Resources Ltd and the admission of its enlarged share capital to trading on AIM effective from the 26<sup>th</sup> of July 2024.



The move to London, a market that understands and appreciates Tin, made a lot of sense and should be a path for Alphamin to follow to get the appreciation it deserves, particularly as a dividend payer.



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After a year of corporate machinations, it is now time for Rome to start delivering. We do not venture a target price on RMR at this point.

### **Parting Shot**

We are getting very tired with the LOI/MOU fandango. It has long been a game of mutual backscratching with both sides trying to glean value from a suitably vague “commitment” that more reminds us of the dictum of Szmuel Gelbfisz (later known as Samuel Goldwyn) that a verbal contract isn’t worth the paper its written on. We sometimes ask ourselves the question what percentage of Canadian juniors signing offtakes ever end up delivering as much as a shoebox of minerals to the counterparty. We suspect the percentage is close to zero.

The Letter of Intent can best be summed up as an intent to get the stock price up, probably for a financing. The Memorandum of Understanding consists of an accord that whatever is mentioned in the document is understood to be “not worth the paper it is written on” and certainly not executable in a court of law.

Should these types of announcements be banned? We are tempted to say that repeat offenders (i.e. companies with years of such announcements and nary a teacup of production, let alone sales) should be named and shamed, But, in reality, one must come back to the concept of *caveat emptor*. We can spot a fake LOI/MOU before we have even spotted the whites of their eyes. Indeed, the company that made the announcement that prompted us to write this Parting Shot is one we have known for 15 years and have made more of these announcements than we have had hot dinners.

Investors in the mining space need to learn that if it looks like a duck, walks like a duck and quacks like a duck, but has been talking of production for 15 years and never delivered, then it’s actually a dog.

### **Recent & Upcoming**

In the last month we published our update on Cobre, our Initiation of First Nordic and our review of mining matters in Chubut province in Argentina.

Upcoming notes include our Initiation of First Phosphate and an Initiation on Guardian Metals, on 5E Advanced Materials and on African Gold. We also should have an Initiation on Aurum Resources.

In regard to thematic pieces, we are working up a scorecard on Javier Milei’s first six months as President in Argentina and we shall be looking at the London Stock Exchange’s attempt to strangle itself to death with new “and improved” listing rules.

MODEL RESOURCES PORTFOLIO @ END JULY							
Security	Ticker	Currency	Price	Change		12-mth Target	
				last 12 mths	last mth		
<b>LONG EQUITIES</b>							
<b>Diversified Large/Mid-Cap</b>	Hochschild	HOC.L	GBP	1.85	143%	3%	£1.50
<b>Uranium</b>	Sprott Physical Uranium	U.UN.to	CAD	18.70	44%	1%	\$20.00
	enCore Energy	EU.v	CAD	5.40	67%	1%	\$4.90
	Energy Fuels	UUUU	USD	5.69	-9%	-6%	\$7.50
<b>Zinc/Lead Plays</b>	WisdomTree Zinc ETF	ZINC.L	USD	8.73	4%	-9%	\$14.00
	Luca Mining	LUCA.v	CAD	0.58	23%	2%	\$0.70
<b>Nickel Developer</b>	Canada Nickel	CNC.v	CAD	1.1	-13%	-11%	\$2.15
<b>Silver Explorer</b>	AbraSilver	ABRA.v	CAD	2.58	84%	19%	\$0.84
<b>Silver ETF</b>	IShares Silver ETF	SLV	USD	26.39	16%	-1%	\$24.00
<b>Gold Producer</b>	Soma Gold	SOMA.v	CAD	0.51	-11%	-2%	\$0.85
	Asante Gold	ASE.cn	CAD	1.09	-27%	-6%	\$2.40
	Orvana Minerals	ORV.to	CAD	0.24	33%	20%	\$0.60
	Talisker Resources	TSK.to	CAD	0.42	-2%	-16%	\$1.10
<b>Gold/Antimony Developer</b>	Perpetua Resources	PPTA.to	CAD	9.35	87%	32%	\$7.50
<b>Metallurgical Coal</b>	Colonial Coal	CAD.v	CAD	3.33	96%	36%	\$2.45
<b>Royalties</b>	EMX Royalties	EMX	USD	1.85	-2%	3%	\$2.50
<b>Copper Explorers</b>	Panoro Minerals	PML.v	CAD	0.11	-15%	-21%	\$0.30
	Aldebaran Resources	ALDE.v	CAD	0.97	14%	-1%	\$1.32
<b>Tungsten Producers</b>	Almonty Industries	AII.v	CAD	0.67	14%	12%	\$1.10
	EQ Resources	EQR.ax	AUD	0.04	-50%	-20%	\$0.08
<b>Graphite Developer</b>	Blencowe Resources	BRES.L	GBP	0.045	0%	-24%	£0.09
	Kingsland Minerals	KNG.ax	AUD	0.20	-31%	0%	\$0.45
	Applied Graphite Technologies	AGT.v	CAD	0.14	n/a	0%	\$0.40

MODEL RESOURCES PORTFOLIO @ END JULY							
Security	Ticker	Currency	Price	Change		12-mth Target	
				last 12 mths	last mth		
<b>LONG EQUITIES</b>							
<b>Cobalt</b>	Jervois Global	JRV.ax	AUD	0.02	-67%	0%	\$0.15
<b>Lithium</b>	Neometals	NMT.ax	AUD	0.08	-85%	-11%	\$0.30
	Century Lithium	LCE.v	CAD	0.28	-67%	-13%	\$1.10
<b>Phosphate</b>	MinBos	MNB.ax	AUD	0.065	-48%	14%	\$0.28
<b>Scandium Developer</b>	Scandium International	SCY.to	CAD	0.20	400%	0%	\$0.10
<b>Gold Explorer</b>	Cabral Gold	CBR.v	CAD	0.33	65%	32%	\$0.40
	Gunpoint Exploration	GUN.v	CAD	0.65	0%	-4%	\$0.75
	Sanu Gold	SANU.cn	CAD	0.04	-50%	-50%	\$0.18
	Alpha Exploration	ALEX.v	CAD	1.03	21%	-2%	\$1.00
	Desert Gold	DAU.v	CAD	0.07	17%	17%	\$0.16
<b>AgroMinerals</b>	Millennial Potash	MLP.v	CAD	0.22	-42%	0%	\$0.32
<b>Rare Earths</b>	Rainbow Rare Earths	RBW.L	GBP	0.1137	-11%	10%	£0.30
	Neo Performance Materials	NEO.to	CAD	7.95	-7%	-4%	\$14.00
<b>Tin</b>	Alphamin	AFM.v	CAD	1.00	-2%	-6%	\$1.50
	Rome Resources	RMR.L	GBP	0.11	n/a	n/a	n/a
	Elementos	ELT.ax	AUD	0.10	-33%	-23%	\$0.38
<b>Mineral Sands</b>	Sheffield Resources	SFX.ax	AUD	0.32	-36%	-9%	\$0.72
<b>Oil &amp; Gas</b>	Shell	SHEL.L	EURO	28.7	21%	1%	£24.00
<b>SHORT EQUITIES</b>							
<b>Shorts</b>	Golconda Gold	GG.v	CAD	0.38	171%	46%	\$0.15
	Blue Lagoon	BLLG.cn	CAD	0.12	-27%	0%	\$0.05
	Aya Gold & Silver	AYA	CAD	15.58	81%	15%	\$4.50

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