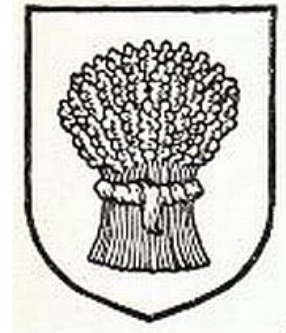


Monday, September 9, 2024



# HALLGARTEN + COMPANY

Portfolio Strategy

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## Model Resources Portfolio: Carpetbaggers, Ahoy!

Performance Review – August 2024

# Model Resources Portfolio

## Carpetbaggers, Ahoy!

- + The Gold price broke thru \$2500 to set a new record and held its ground around those levels
- + The Antimony market (for what it's worth) was electrified by China slapping on export restrictions in what is clearly a military move, more than any sort of commercial decision
- + Uranium has stabilized after retreating from late 2023 highs in a welcome move to potentially "head off at the pass" the cowboys that wanted to re-enter the space
- + The Tin price broke through \$30,000 per tonne got as high as \$XXXX and then retreated in recent days
- + The price of Tungsten has continued its gradual uptrend
- ✗ The declining fortunes of Northvolt and the implications for the construction of a gigafactory in Canada pulls the rug out from under the ambitions of Lithium players in the James Bay region
- ✗ Delusional companies, believing their own propaganda, are certain that the US DoD is going to fling money at them
- ✗ The Antimony space is currently subject to a "home invasion" by all the riffraff in town

### Antimony's Day in the Sun

It is sometimes good to be given some credit after having spent so long as a voice crying in the wilderness. However, we are starting to regret already that the spotlight has turned upon our beloved Antimony as it has brought out the worst of the promotorial crowd and they are already doing their damndest, or trying to.

Which brings us to the topic of carpetbaggers. It's a strange expression, which we use quite often, but many do not know what it means (unless they have seen ten reruns of *Gone with the Wind*). It seems appropriate to us due to some of the denizens of Vancouver and West Perth sharing common moral standards. In the history of the United States, carpetbagger is a largely historical pejorative used by Southerners to describe allegedly opportunistic or disruptive Northerners who came to the Southern states after the American Civil War and were perceived to be exploiting the local populace for their own financial, political, or social gain.

The price rise of Antimony from \$5,500 per tonne to its recent passing of \$20,000 went largely unnoticed, except by the *cognoscenti*. Then the headline news of China "banning" exports of Antimony was akin to kicking the nest of an army of fire ants.

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While our phones went into meltdown, as every man and his dog wanted to know what we knew about where the bodies lie buried, we have decided that they can frankly go whistle. From the people we have spoken to (largely denizens of the Canadian markets) the degree of ignorance is truly shocking: they are largely thinking that Sb is like REEs and that there are vast numbers of deposits just waiting to be given their promotorial magic. We look forward to seeing the smiles wiped their faces.

We particularly enjoyed an international media organization of note referring to the use of Antimony in “armour-piercing” weaponry. Sorry, Antimony is not Tungsten.

As for the ban itself, it has certain parallels to the Gallium and Germanium actions of last year. China dominates the Sb processing space but has seen dramatic shrinkage in its share of mined material. The country cannot afford to lose its Antimony market share (at least for anything more than a few months). If the goal is to build up domestic stockpiles for a possible conflict, then a ban of three to six months should be sufficient to build these up and then start selling again. While the Sb market was already tight a return to selling would blow the froth of the beer of the prices and send the promoters into a tailspin.

Its early days and yet promoters are talking as if the measures taken by the Chinese are set in stone. If Rare Earths taught us anything it is that Chinese will lure promoters into a trap and snap it shut. And if Ga/Ge markets since last August is any guide the Chinese themselves will be the ones to cheat on and subvert their own export *diktats*.

### **Someone’s Loss is Someone’s Gain**

We couldn’t help enjoying the irony of how Argentina, perpetually in the doghouse, without particularly doing anything special, is now managing to steal mining investments from other countries.

Firstly, we had stupid Serbia creating problems for RTZ, which resulted in the major, on the rebound, shelling out near a billion dollars to get its hands on Sentients Rincon lithium project in Argentina.

Then we had First Quantum told to take a hike by Panama and now Taca Taca, the perpétual bridesmaid of the Argentine copper developments, being revived.

And maybe one can see BHPs excursion into Filo (with Lundin) as being poignant after BHP largely retreated from Argentina at the turn of the century (and never had done much beyond some desultory exploration). The message we got was that BHP, so massive in Chile, saw Filo as easier to do than projects in Chile. As we have been saying San Juan is the new Chile.

Over and beyond the specific projects, one could view the massive leap forward in Lithium in Argentina as being at the “expense” of Chile where that country has acquiesced in allowing the traditional cartel to exclude interlopers (even now) and thus has become somewhat frozen in time. If Chile had been more open to others ten years ago, Argentina would have been way behind at this time.

To add to the irony Argentina hasn’t particularly done anything to promote all this activity, it has mainly just not put “*piedras en el camino*” (or stones on the road), while Chile, Serbia and Panama are

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sabotaging themselves with gusto. As they say, you can't cure stupid.

### **Botswana Gets with the Program**

Botswana has been seen as somewhat of a guiding light in Africa in relation with mining companies. Indeed, it has even been exploited by foreign miners for its goodness. We had warned that a certain regular feature in our SHORT list was going to stiff the government on the \$6mn in royalties it owed and, surprise, so it did.

The contrast has been strong with South Africa where affirmative action consisted of feathering the nest of ANC stalwarts via the BEE program to create a class of do-nothing kleptomillionaires who got rich on doing no more than lending their name to receive a chunky share of projects in return.

Then we noted recently that Botswana was expected to pass an amendment to its Mines and Minerals Act enabling citizens to buy a stake in mining projects when the government decides not to exercise its rights. Bloomberg News opined that the amendment was likely to pass in parliament and would give citizens the right to buy as much as 24% in projects, according to draft legislation.

The Act currently allows the government to buy as much as 15% in projects and the amendment seeks to encourage, rather than compel, new ventures to invite citizens to purchase a shareholding. Public participation has been a success elsewhere in Africa, notably Asante Gold in Ghana, a constituent of our Model Resources Portfolio

The proposed changes to Botswana's legislation date as far back as 2016, when the government proposed that the 15% equity entitlement be increased and that in cases where the state opted not to exercise its right, citizens be invited to do so.

Other interesting amendments include requiring mining companies to process their minerals within the country "as far as is economically feasible" and to "the satisfaction of the minister." This is not as hard line as Uganda which has banned all export of non-processed material. This is a direct slap in the face to Chinese freebooters.

It's also proposed that minerals-license holders be required to give preference to local citizens and their companies in procurement. And why not? Foreign miners need to move past tokenism in involving and evolving local entrepreneurs.

### **Portfolio Changes**

During the month, we did more (southern hemisphere) Spring cleaning. We got rid of Jervois Global, Sanu Gold and Gunpoint Exploration to lighten our exposure to Energy Transition and gold exploration stories.

### **Mandalay Resources – a Declining Force in Antimony**

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In recent weeks the biggest non-Chinese/Russian Antimony producer published its production statistics for the quarter Ended June 30, 2024:

The grand total was production of a total of 23,626 ounces of gold and 359 tonnes of antimony representing a total of 26,372 gold equivalent ounces produced, compared to 17,693 ounces of gold and 517 tonnes of antimony in the second quarter of 2023, representing a total of 20,850 gold equivalent ounces produced.

This was sourced from:

- production at Björkdal (Sweden) was 12,599 ounces of gold compared to 10,397 ounces of gold in the second quarter of 2023
- production at Costerfield (Victoria, Australia) was 11,027 ounces of gold and 359 tonnes of antimony versus 7,296 ounces gold and 517 tonnes antimony in the second quarter of 2023

Herein lies the rub. Mandalay used to produce around 5,000 tpa of Antimony, so the latest results show how dire is the state of non-Western Antimony supply and this is not likely to get better.

#### **Luca Mining – Out of the Valley of Death**

This company had so many travails in recent years (not to mention names changes) that we lived in hope that someday it would “come good”. And lo and behold it has...

The main metrics of relevance were:

- Production of 13,947 troy oz of gold equivalent comprised of 4,278 ounces of Gold, 188,267 ounces of Silver, 3,125 tonnes of Zinc, 706 tons of copper and 667 tonnes of Lead
- Record net quarterly revenue for Q2 2024 of US\$18.2mn, up 49% from Q2 2023. This took net revenue for the six months ended June 30<sup>th</sup> of 2024 to US\$34.5mn, an increase of 33% over the same 2023 period
- Net Earnings of US\$4.7mn for 2Q24, an increase of 217% over 2Q23. EPS in Q2 increased 130% over the same 2023 period at US\$0.03 per share
- Total Net Earnings for the six months ended June 30, 2024, were US\$10mn, a 303% increase over the same 2023 period with EPS increasing 175% to US\$0.06
- Positive cash flow from operations of US\$739,000 in positive cash flow from operations, with cash flow from operations before working capital changes at US\$3.4mn
- Positive EBITDA and Adjusted EBITDA: US\$6.1mn in positive EBITDA and US\$4.1mn in positive Adjusted EBITDA for Q2

The stock remains a **LONG** in our Model Mining Portfolio with a 12-month target price of 70 cents.

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### **Parting Shot**

The EU's commitment to critical metals has long been heavy on the press releases and light on action. NIMBYism has run rampant and been allowed to run wild as local politics trump the big picture of resource security.

The one party that seems to have pried open the purses is a central European project in the Manganese space. Yes, you heard it, the alloy metal that has no shortage whatsoever and where production is dominated largely by non-Chinese forces, particularly South32. For some bizarre reason achieving a modicum of Manganese production in Europe from a tailings reprocessing project (mind you, not a mine) is seen as progress and indeed a major triumph. We are singularly underwhelmed.

We did recommend this story back at its initial listing because there was a great arbitrage opportunity between the ASX and TSX-v quotations. Nothing more and that eventually disappeared.

We just cannot get our dander up for this project or its spurious rationale and suspect the company will never be money spinner. Who needs it?

### **Recent & Upcoming**

In the last month we published our note on the new LSE Listing Rules and an Initiation on Gold Royalty. Upcoming notes include an Initiation of Guardian Metal Resources, 5E Advanced Materials and First. We have an update on Argentina's economic progress in the works, as well as a Tungsten Sector Review. We also may issue our Initiation of International Lithium (a likely Rubidium producer, despite its name).

MODEL RESOURCES PORTFOLIO @ END AUGUST							
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	1.67	88%	-10%	£1.50
<b>Uranium</b>	Sprott Physical Uranium	U.UN.to	CAD	18.29	24%	-2%	\$20.00
	enCore Energy	EU.v	CAD	4.83	38%	-11%	\$4.90
	Energy Fuels	UUUU	USD	4.9	-34%	-14%	\$7.50
<b>Zinc/Lead Plays</b>	WisdomTree Zinc ETF	ZINC.L	USD	9.22	16%	6%	\$14.00
	Luca Mining	LUCA.v	CAD	0.59	103%	2%	\$0.70
<b>Nickel Developer</b>	Canada Nickel	CNC.v	CAD	1.02	-16%	-7%	\$2.15
<b>Silver Explorer</b>	AbraSilver	ABRA.v	CAD	2.37	51%	-8%	\$4.20
<b>Silver ETF</b>	IShares Silver ETF	SLV	USD	26.35	18%	0%	\$24.00
<b>Gold Producer</b>	Soma Gold	SOMA.v	CAD	0.44	-35%	-14%	\$0.85
	Asante Gold	ASE.cn	CAD	1.26	-27%	16%	\$2.40
	Orvana Minerals	ORV.to	CAD	0.34	70%	42%	\$0.60
	Talisker Resources	TSK.to	CAD	0.38	23%	-10%	\$1.10
<b>Gold/Antimony Developer</b>	Perpetua Resources	PPTA.to	CAD	11.98	167%	28%	\$7.50
<b>Metallurgical Coal</b>	Colonial Coal	CAD.v	CAD	3.00	76%	-10%	\$2.45
<b>Royalties</b>	EMX Royalties	EMX	USD	1.69	-12%	-9%	\$2.50
<b>Copper Explorers</b>	Panoro Minerals	PML.v	CAD	0.17	42%	55%	\$0.30
	Aldebaran Resources	ALDE.v	CAD	0.97	9%	0%	\$1.32
<b>Tungsten Producers</b>	Almonty Industries	AII.v	CAD	0.81	62%	21%	\$1.10
	EQ Resources	EQR.ax	AUD	0.05	-38%	25%	\$0.08
<b>Graphite Developer</b>	Blencowe Resources	BRES.L	GBP	.051	-2%	13%	£0.09
	Kingsland Minerals	KNG.ax	AUD	0.17	-35%	-15%	\$0.45
	Applied Graphite Technologies	AGT.v	CAD	0.09	73%	-36%	\$0.40

MODEL RESOURCES PORTFOLIO @ END AUGUST							
Security	Ticker	Currency	Price	Change		12-mth Target	
				last 12 mths	last mth		
<b>LONG EQUITIES</b>							
<b>Lithium</b>	Neometals	NMT.ax	AUD	0.08	-84%	0%	\$0.30
	Century Lithium	LCE.v	CAD	0.26	-64%	-7%	\$1.10
<b>Phosphate</b>	MinBos	MNB.ax	AUD	0.063	-41%	-3%	\$0.28
<b>Scandium Developer</b>	Scandium International	SCY.to	CAD	0.17	467%	-15%	\$0.10
<b>Gold Explorer</b>	Cabral Gold	CBR.v	CAD	0.31	138%	-6%	\$0.40
	Alpha Exploration	ALEX.v	CAD	0.94	15%	-9%	\$1.00
	Desert Gold	DAU.v	CAD	0.08	100%	14%	\$0.16
<b>AgroMinerals</b>	Millennial Potash	MLP.v	CAD	0.20	3%	-9%	\$0.32
<b>Rare Earths</b>	Rainbow Rare Earths	RBW.L	GBP	0.1017	-36%	-11%	£0.30
	Neo Performance Materials	NEO.to	CAD	8.30	-10%	4%	\$14.00
<b>Tin</b>	Alphamin	AFM.v	CAD	1.02	12%	2%	\$1.50
	Rome Resources	RMR.L	GBP	0.281	n/a	-6%	n/a
	Elementos	ELT.ax	AUD	0.09	-36%	-10%	\$0.38
<b>Mineral Sands</b>	Sheffield Resources	SFX.ax	AUD	0.31	-35%	-3%	\$0.72
<b>Oil &amp; Gas</b>	Shell	SHEL.L	EURO	26.44	8%	-8%	£24.00
<b>SHORT EQUITIES</b>							
<b>Shorts</b>	Golconda Gold	GG.v	CAD	0.30	150%	-21%	\$0.15
	Blue Lagoon	BLLG.cn	CAD	0.12	-8%	0%	\$0.05
	Aya Gold & Silver	AYA	CAD	14.97	94%	-4%	\$4.50



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