

Saturday, January 4, 2025



# HALLGARTEN + COMPANY

Portfolio Strategy

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## Model Resources Portfolio: Criticality Under the Microscope

Performance Review – December 2024

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# Model Resources Portfolio

## Criticality Under the Microscope

- + Hopes of a “peace dividend” knocking back the gold & silver price have started to fade
- + The first year of Milei’s libertarian administration was reached with him holding his popularity rating despite the austerity campaign he has implemented
- + The Antimony price continues to reach higher, but the riffraff in the Sb space continues to proliferate
- ✘ Tungsten continues to remain unmoved by Chinese export efforts
- ✘ The Balkanisation of Syria continues apace with nobody pushing back against the blatant neo-Ottoman stratagems of Erdogan
- ✘ Inflation shows no sign of abating as tight job markets allow workers to demand (and receive) higher salaries

### Niobium? Geez, Give us a Break!

It seems we have waited an eternity for the British Geological Society to update its groundbreaking criticality listing that shook the mining space to its foundations early last decade. We had been told pre-pandemic that no updates would be forthcoming due to “budget restraints”. That did not stop the original though, from having a timeless character due to its rather well-thought-out logic.

The first list back in 2011 might have been called iconoclastic but then again there were no icons to smash at that time as criticality was not even a “thing” and the initial report made it so. “Groundbreaking” would be a better word.

We were surprised to have a new listing hit the newswires in late 2024, particularly in light of the previous claims of poverty at the BGS. Our disappointment was epic though when we saw that sloppily the BGS and its authors had placed Niobium at the top of the criticality list.

In the long British tradition of eccentricity, the latest list has included Iron ore, sodium, manganese, zinc, nickel and aluminium in the ranks of the “critical”. No one that we know would count any of those as being in short supply, in future short supply (well, maybe zinc) or dominated by China on the supply side. Indeed, those we know in the Nickel trade would dearly love to have a criticality moment as their favorite metal wallows in a severely unloved state.

The main explanation for their inclusion in this ranking is their importance for the UK economy more than some sort of “big picture” global view of what the Chinese might (or might not) have a stranglehold on. In this respect the UK list is somewhat like the Japanese list in “what is important to our industry” is the primary consideration.

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Below can be seen the latest BGS list:

UK critical minerals list 2024			
Aluminium (Al)	Indium (In)*	Niobium (Nb)*	Tantalum (Ta)*
Antimony (Sb) *	Iridium (Ir)	Phosphorus (P)	Tellurium (Te)*
Bismuth (Bi) *	Iron (Fe)	Platinum (Pt)*	Tin (Sn)*
Borates	Lithium (Li)*	Rare earth elements (REEs)*	Titanium (Ti)
Cobalt (Co) *	Magnesite	Rhenium (Re)	Tungsten (W)*
Gallium (Ga)*	Magnesium (Mg)*	Rhodium (Rh)	Vanadium (V)*
Germanium (Ge)	Manganese (Mn)	Ruthenium (Ru)	Zinc (Zn)
Hafnium (Hf)	Natural graphite (C)*	Silicon (Si)*	
Helium (He)	Nickel (Ni)	Sodium (Na) (compounds)	

\* Appeared on the UK critical minerals list 2021.

Niobium particularly leaps out at us though as this metal occasionally gets a mention, but mainly from the likes of shameless promoters like Niocorp. Other companies in the Scandium space also make claims to being potentially large contributors of Niobium supply. As the BGS report itself notes the main sources of supply are Brazil at around 90% and Canada at around 8%. China does not even get a toehold here. Indeed, Niobium would be top of a Chinese list of criticality, but certainly not a UK one?

To say the BGS list is idiosyncratic is an understatement, but Niobium certainly catches the eye and to a certain extent undermines the logic of the whole document. Criticality lists are ultimately flawed documents in all their manifestations, but one wonders how much outside input they seek in putting them together to iron out the more blatant glitches in the thought process.

Ranking	Material
1	Niobium (Nb)
2	Cobalt (Co)
3	Rare Earth Elements (REE)
4	Germanium (Ge)
5	Magnesium (Mg)
6	Phosphorus (P)
7	Ruthenium (Ru)
8	Tungsten (W)
9	Gallium (Ga)
10	Rhodium (Rh)

### The Lost Year of the Energy Transition

The wringing of despairing hands in the battery metals space is almost deafening. It has become *de*

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*rigueur* for even the permabulls to pay homage to the obvious and admit that 2024 was dreadful, 2023 was bad and that recovery will take time. But what if recovery never comes? At least for most of them. But surely recovery must come? That is what many in the Rare Earth space thought in 2012. Then they waited and waited and waited until 2019 and a glimmer of hope arrived where the past expectations started to meet a revived reality and then that too was clocked on the head and prices headed south again. This was not on the reality of a surge in REE production but on the expectation that even a few of those in the penalty box would escape onto the 'playing field and start producing.

As we have often noted the lithium brine players are at the low end of the cost curve, with the fastest permitting and building path to production (particularly in Argentina) and are eating the lunch of the struggling hard rock players. Our vision is not altogether apocalyptic, as the Australians have a head-start advantage and some Chinese players positioned there (who will buy from their own, as long as prices are not too out of line), and then there are the Nevada plays which will benefit (particularly in the Age of MAGA) from home field advantage. That leaves the Canadians et al to wallow in "shallows and in miseries" to quote the Bard.

We frankly do not see the EV market getting any better in 2025. "It's an affordability issue, stupid!". In fact, it may even get worse with governments having to abandon their 2030 mandates and a buyers' strike by the middle and working classes failing to respond to the many sticks, and scant carrots, to which they are being subjected in economies where they are already being squeezed until the pips squeak by the cost of living crisis, higher interest rates, soaring food and accommodation costs. Need we go on?

That is just the Lithium story. We have never believed that the current woes of the Nickel space were due to the EV malaise but had far more to do with Chinese buckling to the Indonesians on processing in-country (i.e. in Indonesia). Ergo even a turn in the EV mood board may not Raise the Titanic of nickel prices. We shall see.....

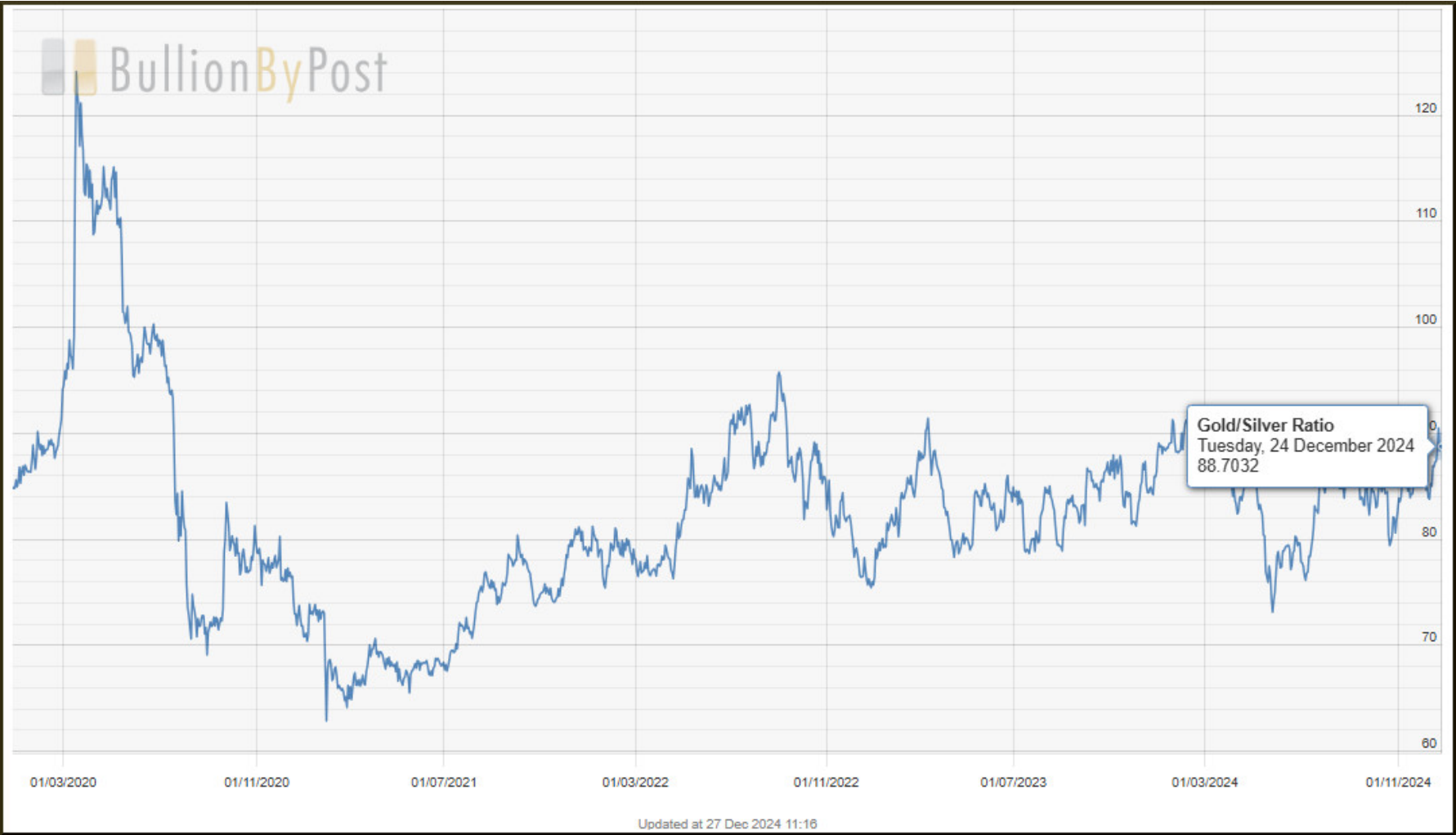
### **Portfolio Changes**

During the month, we purged a lot of names. Out went:

- Scandium International
- Desert Gold and Cabral Gold
- Applied Graphite Technologies and Kingsland Minerals
- Colonial Coal

We feel that the focus in 2025 will be on developers and producers and that explorers will likely continue to suffer from investor neglect.

Having said that we decided to add a Zinc developer to the portfolio in the form of Group Eleven (TSX.V: ZNG | OTC: GRLVF | FRA: 3GE) that is up close and personal with projects of Glencore in Ireland, a country once synonymous with large scale Zinc mining.



Source: Bullionbypost.com

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### Silver/Gold Ratio

This interesting ratio (as shown on the preceding page) has been range bound for nearly three years between 75:1 and 95:1, trading much closer to the average of 85:1, almost religiously over that period.

The rip-roaring days of the pandemic years have been left behind, when silver was first slapped down and then soared as investors grappled with ideas about what life would look like after that odious event.

Instead, the pandemic was replaced by the Ukraine war and more recently ethnic cleansing in the Middle East as the main drivers of tension. With the breakup of Syria being the next game in town, there will be nary a dull moment for precious metals.

### Aya – What Goes Up....

We have taken SO much flak on our **SHORT** on Aya Gold & Silver we feel like we had been leading a bombing run on a German ball-bearing factory. Fortunately, we sleep easy in the knowledge of knowing a horrifically overvalued stock when we see one. Let the chart that follows do the talking...



### UAMY – Let the Numbers Speak for Themselves

We offer here the updated financials since our note of last January:

<b>US Antimony</b>											
USD (mns)											
	<b>FY24e</b>	<b>3Q24</b>	<b>2Q24</b>	<b>1Q24</b>	<b>FY23</b>	<b>4Q23</b>	<b>3Q23</b>	<b>2Q23</b>	<b>1Q23</b>	<b>FY22</b>	<b>FY21</b>
Total Revenue	7.85	2.42	2.813	2.831	8.693		2.313	2.503	2.21	11.044	7.747
Cost of Revenue	9.35	1.995	1.905	2.008	12.037		3.374	2.207	2.746	9.048	6.908
Gross Profit	-1.50	0.425	0.908	0.823	-3.344	0	-1.061	0.296	-0.536	1.996	0.839
Total Corporate Expenses	2.65	1.27	1.122	0.891	3.724		0.763	0.805	0.476	1.647	1.498
Operating Income	-4.15	-0.845	-0.214	-0.068	-7.068		-1.824	-0.509	-1.012	0.349	-0.659
Interest Expense (income)	-0.55	-0.157	-0.151	-0.15	-0.618		-0.176	-0.167	-0.122	-0.05	-0.043
Other Expense Income	0.20	-0.004	-0.006	-0.004	-0.102		-0.002	-0.006	-0.08	-0.046	-0.556
Income before tax	-3.80	-0.683	-0.055	-0.086	-6.348		-1.646	-0.336	-0.810	0.444	-0.06
Tax	0	0	0	0	0	0	0	0	0	-0.016	0.00
Net income	-3.80	-0.683	-0.055	-0.086	-6.348		-1.646	-0.336	-0.810	0.428	-0.06
Loss (income) from "Discontinued Operations"		0.044	-0.258	0.408							
Av. Weighted Shares mns	108.306	108.438	108.438	107.908	107.551	107.7	107.647	107.647	107.26	106.287	102.835
Basic EPS	-0.035	-0.01	-0.001	-0.001	-0.059	0.000	-0.02	-0.003	-0.008	0.00	0.00
Sb Metal Sold - lbs	1,348,554	269,001	347,380	522,173	1,269,131	314,638	288,485	322,964	343,044	1,394,036	911,079
Sb Metal Sold - Tonnes	612	122	158	237	576	143	131	147	156	633	413
Sales price per lb	\$4.85	\$4.98	\$5.22	\$4.27	\$4.65	\$4.38	\$4.78	\$4.92	\$4.70	\$5.47	

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We have been catching heavy flak from the groupies of US Antimony in recent months. Occasionally they leave off pumping for a few minutes and turn their fire upon us. Sorry folks, we have been right about UAMY so many times in the last 14 years that we are not going to start being wrong just because the corporate promotorial juices are flowing.

We were directed by the groupies to watch (and didn't) a puff promotion on a major US cable television venue and were told afterwards that we had missed the "world's expert on Antimony" speaking on the subject. This same expert had been shutting down Antimony operations earlier in 2024 to focus on Zeolite. This latter mineral we have never understood but for some strange reason we associate it with kitty-litter. In any case, we are certainly not going to take time out of our day to hear an Antimony "expert" reversing course from such an epic strategic *faux pax* as this company committed in early 2024.

Over and beyond all the hullabaloo of the promoters, the boosters failed to notice that Perpetua is now flirting with Sunshine Mining, with its operations in Idaho, which of course has the Sunshine Method named after its mode for processing complex Antimony mineralogies. The boosters don't do "complex" so probably did not know what this announcement meant. Ask not for whom the bell tolls, it tolls for thee.

But zero in on the discontinued operations. Those who read our **SHORT** note last January will note that the company was making a gross loss. By subsequently declaring Mexico to be "discontinued operations" the gross loss was spirited away and became a line way down the earnings statement as shown here:

<b>US Antimony</b>		
USD (mns)		
	<b>3Q23</b>	<b>3Q23</b>
	(latest)	(original)
Total Revenue	2.063	2.313
Cost of Revenue	1.805	3.374
Gross Profit	0.258	-1.061
Total Corporate Expenses	0.622	0.763
Operating Income	-0.364	-1.824
Interest Expense (income)	-0.176	-0.176
Other Expense Income	-0.002	-0.004
Income before tax	-0.184	-1.644
Tax	0.00	0.00
Net income	-0.184	-1.644
Loss from "Discontinued Operations"	1.459	

However, riddle me this... if the discontinued operations are no longer discontinued then the (negative) numbers from 2023 & 2024 will all have to be put back into the P&L. What a delectable dilemma for the UAMY C-Suite...



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## Parting Shot

The anniversary of the ascension of Javier Milei to power seemed to generate more column inches in the US than in Argentina. For some strange reason die-hard fans of the incoming US president seem to think that he is an economic creature and is looking southwards for guidance on how to unbundle the morass that is the US government these days. One might say a morass within the “swamp”.

However, past history has shown that if Trump has an economic bone in his body, then it is a phalange in his little finger and nothing more. The first Trump Administration was scarcely a paragon of rolling back the morass or even draining the metaphorical swamp. He just succeeded in making waves in the swamp.

If anything, the one in the incoming Administration who has an eye on Argentina is Elon Musk. We cannot claim to have ever been fans, but he does have an ability to walk and chew gum at the same time that is both impressive and frightening. While he has his main focus on playing God in the German elections, he still keeps Milei and his activities in the corner of his eye. However, most critics or even fans of Musk wonder how long it will be before he clashes with his “master”, because he is not one to be mastered by anyone.

Instead of asking the imponderable of what would Trump/Musk do to wind back US government, one might ask what would Milei do if in their seat(s)?

The first thing Milei did was suspend all government funded infrastructure projects. These are, of course, in Latin America the mother of all corruptions (to steal an expression from Carlos Menem referring to Yacyreta) and stopping them dead in their tracks immediately left the Kirchnerites and their remaining flunkies bereft of cashflow, patronage and leverage. This would not be so easy in the US. Milei basically flaunted the contractual obligations (no matter how bogus) in freezing these works. In the US, one would have massive lawsuits from contractors due to the government defaulting on projects. Though there are ways and means (literally) to kill, or put in permafreeze, unwanted infrastructure works.

The second thing Milei did was dismiss all uncontracted or non-permanent “workers” in the Administration. This would be very doable in the US. But as incoming US administrations are the worst offenders at positioning “their people” it would be a case of do as I do, rather than do as I say.

Then there is the latitude that exists to turn back to the original framers of the constitution as to the division of duties and activities between the states and the Federal government. Few know that the original Argentine constitution was mainly a copy of the US constitution. Both have morphed over the years but there exists massive scope to wind back the “mission creep” of the Federal government in the US since the 1930s (New Deal) and then the 1960s (Great Society). Out would go housing, infrastructure, health, education and transport from the Federal remit. That would be a nettle that Milei would grasp. Would Elon? We shall see...

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## **Recent & Upcoming**

In the last month we published an update on AbraSilver. In the pipeline is an examination of Energy Fuels' new HMS and REE silos, an update on First Phosphate and our Tungsten review.

## MODEL RESOURCES PORTFOLIO @ END DECEMBER

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	2.14	100%	0%	£2.40
<b>Base Metal Developers</b>	Denarius Metals	DNRSF	USD	0.4216	3%	-16%	\$1.15
<b>Uranium</b>	Sprott Physical Uranium	U.UN.to	CAD	17.29	-19%	-5%	\$20.00
	enCore Energy	EU.v	CAD	4.85	-3%	-7%	\$4.90
	Energy Fuels	UUUU	USD	5.13	-26%	-29%	\$7.50
<b>Zinc/Lead Plays</b>	WisdomTree Zinc ETF	ZINC.L	USD	9.89	13%	-3%	\$14.00
	Group Eleven Resources	ZNG.v	CAD	0.18	-3%	0%	\$0.35
	Luca Mining	LUCA.v	CAD	0.54	74%	-2%	\$0.70
<b>Nickel Developer</b>	Canada Nickel	CNC.v	CAD	0.92	-33%	-5%	\$2.15
<b>Silver Developer</b>	AbraSilver	ABRA.v	CAD	2.34	588%	-14%	\$4.20
<b>Silver ETF</b>	IShares Silver ETF	SLV	USD	26.33	21%	-6%	\$32.00
<b>Gold Producer</b>	Soma Gold	SOMA.v	CAD	0.54	-11%	-5%	\$0.85
	Aura Minerals	ORA.to	CAD	17.7	89%	6%	\$19.00
	Asante Gold	ASE.cn	CAD	1.05	-26%	-10%	\$2.40
	Orvana Minerals	ORV.to	CAD	0.22	47%	-12%	\$0.60
	Talisker Resources	TSK.to	CAD	0.32	-3%	-26%	\$1.10
<b>Gold Developer</b>	West Wits Mining	WWI.ax	AUD	0.01	n/a	-50%	\$0.024
<b>Gold/Antimony Developer</b>	Perpetua Resources	PPTA.to	CAD	15.36	267%	15%	\$13.00
<b>Royalties</b>	EMX Royalties	EMX	USD	1.73	7%	-1%	\$2.50
<b>Copper Explorers</b>	Panoro Minerals	PML.v	CAD	0.32	146%	-16%	\$0.30
	Aldebaran Resources	ALDE.v	CAD	1.9	113%	-14%	\$2.50

## MODEL RESOURCES PORTFOLIO @ END DECEMBER

Security	Ticker	Currency	Price	Change		12-mth Target	
				last 12 mths	last mth		
<b>LONG EQUITIES</b>							
<b>Tungsten Producers</b>	Almonty Industries	AII.to	CAD	0.91	69%	1%	\$1.10
	EQ Resources	EQR.ax	AUD	0.04	-33%	-33%	\$0.08
<b>Graphite Developer</b>	Blencowe Resources	BRES.L	GBP	0.0363	-27%	-5%	£0.09
<b>Lithium</b>	Neometals	NMT.ax	AUD	0.080	-62%	-11%	\$0.30
	E3 Lithium	ETL.v	CAD	0.93	-58%	-17%	\$1.35
	Century Lithium	LCE.v	CAD	0.25	-49%	-19%	\$1.10
<b>Phosphate</b>	MinBos	MNB.ax	AUD	0.059	-37%	-2%	\$0.28
<b>Gold Explorer</b>	Alpha Exploration	ALEX.v	CAD	0.69	28%	-25%	\$1.00
<b>AgroMinerals</b>	Millennial Potash	MLP.v	CAD	0.32	33%	0%	\$0.32
<b>Rare Earths</b>	Rainbow Rare Earths	RBW.L	GBP	0.121	-7%	3%	£0.30
	Neo Performance Materials	NEO.to	CAD	7.99	5%	0%	\$14.00
<b>Tin</b>	Alphamin	AFM.v	CAD	1.07	19%	-7%	\$1.50
	Rome Resources	RMR.L	GBP	0.345	44%	-4%	n/a
	Elementos	ELT.ax	AUD	0.07	-36%	0%	\$0.38
<b>Mineral Sands</b>	Sheffield Resources	SFX.ax	AUD	0.16	-73%	-6%	\$0.72
<b>Oil &amp; Gas</b>	Shell	SHEL.L	EURO	24.76	-4%	-2%	£28.00
<b>SHORT EQUITIES</b>							
<b>Shorts</b>	Golconda Gold	GG.v	CAD	0.31	94%	3%	\$0.15
	Patriot Battery Metals	PMET.to	CAD	3.50	-65%	32%	\$1.60
	Blue Lagoon	BLLG.cn	CAD	0.12	-25%	0%	\$0.05
	Aya Gold & Silver	AYA	CAD	10.74	11%	-40%	\$4.50

## Important disclosures

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