

Monday, February 10, 2025



HALLGARTEN + COMPANY

Portfolio Strategy

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Monthly Resources Review: Confusion Reigns

Performance Review – January 2025

Monthly Resources Review

Confusion Reigns

- + **The prices of Gold & Silver price have held their ground in the face of the supposed rebirth of crypto under Trump**
- + **Investors in physical gold have suddenly discovered that “physical” comes with its limitations as they scramble to move gold backwards and forwards across the Atlantic in some sort of “smarter than thou” manoeuvre**
- + **The Antimony price continues to reach higher, but no new production has been sighted**
- + **Standard & Poors have upgraded a swathe of major Argentine names reflecting the country coming in from the cold under the Milei regime**
 - The M23 insurgency has come back to life in the north-east of the DRC with a major incursion into Goma upsetting the outlook for tin players, Alphamin and Rome Resources**
 - Tungsten’s small gains motivated by the enhanced Chinese dual-use export bans show the metal is unlikely to follow Antimony’s trajectory**
 - The bad news flow in the Energy Transition shows no sign of “lightening up”**
 - The realization that Western auto buyers cannot be browbeaten into EV purchases is starting to spread**
 - Some central banks, notably the BoE are breaking ranks and cutting rates, despite inflation showing no sign of abating, as worship at the Golden Calf of residential property prices is an article of faith of their 1% masters**

Our 2025 Metals Outlook - Mostly for the Better

The boosters for various “hot” stories probably thought 2024 was a disappointment. Copper and Nickel, in particular, failed to deliver on their supposed many virtues. Unfortunately, the boosters had hooked them on as the caboose to the Energy Transition Express, which turned out to be merely a milk train that ran over the edge of a cliff, like some sort of bad Western.

On the following page a table can be seen showing the metals on which we make forecasts. We have the estimates made at the start of last year, where the metal ended the year, by how much we undershot or overshot our target and finally where we see these metals at the end of 2025.

The precious metals did exceedingly well, but the grumbles from their fanbases proved to be a buzzkill, as gold and silver bugs are never happy because their ambitious target prices are always so ludicrously outsized. The two metals also started 2025 in a partying mood due to the blizzard of mixed signals from the incipient Trump regime in the US. Supposedly, one bought gold in the US to protect oneself from a

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Trump tariff on gold imports. It's scarcely believable that the propagators of these fears are actually out of their teens. On top of that was layered a "scare" that the Bank of England didn't really have the gold that was needed to send to these US investors. Of course, it's not the BoE that is selling gold to these fools, but rather banks/countries that have their gold stored at the BoE, so its not BoE risk one should worry about but the bulge bracket firms swinging their big appendages in the physical gold space. Most of these happen to also be US investment banks. Our heart bleeds for them.

The grouping that used to be called Base Metals, but then bifurcated into boring (Lead, Zinc) and Energy Transition (Copper & Nickel), had a mixed year. Boring Zinc did very well and go-go copper was quite OK. Boring (dare we say, terminal) Lead was deservedly unloved, while Nickel, which only has quite small percentages of its long-term output going to the vaunted Energy Transition had a truly horrific year due to, surprise, flooding of the markets by Indonesia. It's funny that overproduction will always get you in the end, particularly when one firmly believes, against all evidence, that one's fave metal really has a massive supply deficit.

Hallgarten & Company - Metals Estimates					
	Unit	End 2024 Estimate	End 2024 Actual	Undershoot/ Overshoot	End 2025 Estimate
Lead	lb	\$0.96	\$0.89	-7.8%	\$0.85
	tonne	\$2,116	\$1,950	-7.8%	\$1,873
Zinc	lb	\$1.30	\$1.34	2.7%	\$1.48
	tonne	\$2,865	\$2,942	2.7%	\$3,262
Copper	lb	\$4.22	\$4.03	-4.5%	\$4.35
	tonne	\$9,301	\$8,882	-4.5%	\$9,587
Gold	oz	\$2,160	\$2,609	20.8%	\$2,450
Silver	oz	\$24.50	\$29.60	20.8%	\$31.50
Uranium (spot)	lb	\$107.00	\$71.00	-33.6%	\$115.00
Antimony	tonne	\$14,400	\$40,000	177.8%	\$27,500
Tungsten APT	MTU	\$328	\$330.00	0.6%	\$415
Tin	tonne	\$29,700	\$28,984	-2.4%	\$33,000
Cobalt	lb	\$38.00	\$11.08	-70.8%	\$17.00
Vanadium	lb	\$5.80	\$6.00	3.4%	\$8.50
Nickel	lb	\$9.20	\$7.63	-17.0%	\$8.40
	tonne	\$20,277	\$16,818	-17.1%	\$18,514
Molybdenum	kg	\$15.30	\$42.26	176.2%	\$34.50

Specialty metals have a strong overlap with critical/strategic metals so largely enjoyed a positive 2024. That said, Rare Earths, on which we do not forecast prices, managed to be both critical and unloved in the year gone by. Tin had a much better year than the year end print might suggest. The true litmus test is whether it had wild gyrations, and it did not, which is a dramatic (and welcome) change from past behavior.

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The star of the specialty metals firmament was our beloved Antimony, which we are starting to loathe because of the *cucurachas* that it has lured out of their hiding places in Vancouver and West Perth.

This crowd are clearly sniffing something (and it isn't Antimony) when they claim the metal is headed to \$100,000 a tonne (having moved from high on \$5,000 pre-pandemic to \$40,000 currently). We have seen mines with 1% Sb grades being touted, which shows that their promoters know nothing. Grades are 30% in Zimbabwe and no self-respecting artisanal gets out of bed for less than 10%. What do these promoters know that these artisanal miners do not. We guess the key differentiator is that one group is mining the metal and the other has never produced as much as a teaspoon of Antimony in their lives. Guess which is which. We are forecasting a fall in Antimony prices in 2025.

Uranium had a dull year which we expect to be reversed (positively) in 2025.

Meanwhile Tungsten, which has been keeping its head, while all others are losing theirs, looks to us to be one of the firmest stories in 2025, and set to breach the key \$400 per MTU level for the first time in ten years.

Vanadium is one of the dullest stories of recent years but because of that we expect a breakout sometime soon. Our year end target of \$8.50 per lb is still fairly feeble, compared to its heydays, around \$30, but the Molybdenum price has shown since 2023 that the comatose can eventually arise from their deathbeds.

Helium Bubble Bursts

The demise of Royal Helium (TSXV: RHC | OTCQB: RHCCF) may be just a bump on the road towards a great helium-inflated future or may be the concluding bookend to a boom that was only ever a niche phenomenon.

Royal Helium was an exploration, production, and infrastructure company with a primary focus on the development and production of helium. The company controls multiple prospective helium permits and leases across southern Saskatchewan and southeastern Alberta.

On the 20th of January, Royal Helium announced that Royal and its subsidiaries, Royal Helium Exploration Limited and Imperial Helium Corp., had filed a notice of intention to make a proposal under the Bankruptcy and Insolvency Act. The company has been actively pursuing an out-of-court restructuring solution, which included, among other things, initiatives to raise additional capital to meet working capital needs, creditor obligations and fund engineering requirements to appropriately re-commission the Stevieville Helium Facility. Seemingly this was not doable and the shutters came down.

The problem for us with this story was always the isolation of Stevieville from the epicentre of the Helium world which is in the southwest US. Helium is known as the "Great Escape Artist" for its propensity to seek out faults and escape from vessels and pipelines with great dexterity. Thus any isolated Helium facility has to grapple with this issue as well as whatever other site specific issues the owner may face.

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What has truly boggled us was that Helium One (AIM:HE1) with its project/field in the far inland of Tanzania was ever given much credibility by the market. However, it seems reality has caught up to some extent with its once mighty stock price as the chart below shows.



Portfolio Changes

During the month, there were no changes in the Model Resources Portfolio.

Argentine Corporates Come in From the Cold

It's taken a year and a bit, understandably, from Milei's assumption of power before the major Argentine corporations have found themselves back in the good(ish) graces of the international ratings agencies. In recent days YPF was upgraded by two notches to B- from CCC by S&P. The upgrade followed the raising of Argentina's transfer and convertibility (T&C) assessment to B- from CCC by the rating agency. The T&C assessment upgrade comes on the back of a perceived decrease in the risk of the sovereign interfering with domestic entities' ability to access and transfer money abroad. This move occurs interestingly before the dreaded *cepo* (exchange controls and fixed rates) has been disbanded.

Additionally, S&P upgraded the ratings for seven Argentine infrastructure and corporate entities to B- from CCC, and three others to CCC+ from CCC. S&P commented that Argentina's "economic conditions

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remain fragile and the Argentinian companies' ability to meet foreign-currency debt payments will continue to depend on their access to foreign currency".

The price chart of the YPF ADR has shown itself to be in rude health over the last two years:



Challenger Gold – Doubly Cursed

When you see a couple of shifty looking dudes standing around in the shadows on a street corner you give them a wide berth. When you know the dudes have “history” but not with each other, and then you see them in a combo, you get ever more uneasy. That is how we felt when seeing some of the latest news out of Challenger Gold (ASX: CEL), a name not formerly on our radar. It appears as one of those companies you wish you’d never stumbled across.

The company claims to be developing two “complementary” gold/copper projects in South America with a 2.8mn ounce resource estimate recently announced for the Hualilan Gold Project in San Juan, Argentina. In the 100% owned portion of its El Guayabo project in Ecuador the company has announced a maiden 4.5 million ounce resource estimate and yet, seemingly, no-one cares.

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How these two disparate mines are complementary eludes us, but maybe that is what you can tell the guys in Williamsburg and not having an atlas (or anything else to hand) they believe it.

The company strategy is for the 100%-owned Hualilan Gold Project to provide a high-grade low capex operation in the near term while it prepares for much larger bulk gold operations at both Hualilan and El Guaybo in Ecuador. Famous last words.

In revisiting Texas Mineral Resources (TMRC) when it first became enmeshed in the US Rare Earth LLC imbroglio (which merited it a long-term **SHORT** status with us) we went the extra mile and used a family tree software to create a picture for our purposes of who was a Gutnick and who was a No-Gutnick. The name is enough to send a shiver through long-time investors in Australian resource stocks as Joe Gutnick was not exactly a paragon. To remind investors we might note that he sued Barrons for impugning his name and Barrons won. Over the last 15 years, many of scions of this family have beaten a well-worn path from Melbourne to Brooklyn. Greener pastures or greener investors? It certainly helps when the targeted investor group aren't allowed to watch television or search the internet for back history.

Our genealogical research turned up the exact nature of the relationship between the USA Rare Earth crowd and the No-Gutnicks and it wasn't pretty. Needless to say the **SHORT** call on TMRC was like shooting fish in a barrel. A gift that keeps giving.

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To then see them turn up at Challenger was a red flag of proportions that could be flown on Tiananmen Square.

Things only got worse when one of our other least favorite people recently turned up at Challenger. We did not know that he had anything to do with the No-Gutnicks and may not do. However, we have unfond memories of him sending his Lurch-like lawyer on a surprise visit to our Buenos Aires office in the late 1990s to try and browbeat us on the issue of our musings on the privatization of Banco Hipotecario Nacional (which still remains under the purview of a relative thereof). If there was a trigger to dislike them even more, this was it. Like the elephant, we have a long memory.

To make matters worse “Lurch” also was appointed to Challenger’s board, when we thought he must have long ago shuffled off the mortal coil. The pair also happened to both be on the board of Austral Gold (ASX: AGD). No No-Gutnicks there though.

We feel it would be too daring to put a **SHORT** on a five-cent stock particularly when it might be like throwing oneself in front of the Mitzvah Tank for the cause. Thus, an **AVOID** rating it shall be.

Luca Mining (TSX-V: LUCA | OTCQX: LUCMF | FSE: Z68) - A Zinc Mine by any Other Name

We have had this company in its many different guises since well before the Pandemic. We have not though mentioned it much and instead just left it as a sleeper in the Model Resources Portfolio. Our Initiation of Coverage is [here](#).

As we have alluded to before, Zinc was the stealth performer in 2024 putting in a better performance than Copper and yet largely passing unnoticed. It is seemingly deemed not part of the “Energy Transition” so therefore not worthy of merit or observation. This just goes to show how ludicrous the camp followers of that “transition” really are.

When we first met Luca in the Dark Ages of Zinc it was then called Soho, later it became XXX then Telson Mining and most recently as Luca Mining. Through that whole period, it has been Mexico-focused and in its latest manifestations it has Zinc (and other metals) that it picked up via the purchase out of the wreckage of Nyrstar of the Campo Morado mine and the Tahuehueto precious metals asset.

The Campo Morado mine, is an underground operation located in Guerrero State. It produces copper-zinc-lead concentrates with precious metals credits. It is currently undergoing an optimization program which is already generating significant improvements in recoveries and grades, efficiencies, and cashflows.

The Tahuehueto Gold/Silver mine is a new underground operation in Durango State. which hosts numerous producing and historic mines along its trend. Luca is commissioning its mill and is expected to achieve commercial production during 1Q25.

As a result of the deal with Nyrstar, Luca has been in a sort of orbit around Trafigura, which had picked up the bulk of Nyrstar’s fallen Zinc/Lead empire, which itself dated back to the fallen OZ Minerals and

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before that Zinifex and even further back to some of the assets of EZ Industries of Collins House fame (for those who appreciate their mining history). The relationship with Trafigura has been rather benevolent and tolerant, in contrast to predations that Glencore has shown towards its Zinc partners, a group that is unfazed at selling their own grandmother's glass eye if they could make a turn on it.

Luca has come back to the forefront of our attention for a couple of reasons. The most recent of which has been its recent announcement of a debt restructuring. Underlying all that has been a strong turn to the upside in its underlying business since last year.

The latest news came in the first days of January of 2025 when it announced that it, along with an arm's-length third-party corporation, Jaluca Limited, had reached an agreement with Urion Holdings (Malta) Limited a wholly owned subsidiary of Trafigura Mexico S.A. de C.V.) to repurchase 100% of Luca's US\$5.8mn convertible debenture held by Urion.

In this transaction, Luca and Jaluca are purchasing 43% and 57% of the debenture, respectively, for a total purchase price of US\$7.2mn (or at an as if converted basis of CAD\$0.4338 per share, a discount of over 25% to Luca's closing share price at that time of \$0.58). Luca will immediately cancel its portion of the Debenture, reducing fully diluted shares outstanding by 10,285,714 shares or 4.4%. As part of the transaction, Jaluca has agreed to convert its purchased share of the Debenture at the Debenture's exercise price of \$0.35. The result of the purchase and cancellation of US\$2.5 million of the Debenture by Luca and the purchase and conversion of US\$3.3 million of the Debenture by Jaluca is the removal of US\$5.8 million in debt from Luca's balance sheet. After completion of the transaction, Luca will have 221,365,671 shares outstanding.

In addition, the company has continued to make principal repayments on its term loan with Trafigura Mexico S.A. de C.V. Total debt outstanding has been reduced to approximately US\$11.1 million since October 2024, representing a nearly 39% reduction.

The purchase of the debenture was facilitated by the exercise of 8.7 million Luca warrants in December 2024 for proceeds of CAD\$4.4mn. Luca's cash balance was ~US\$6.75mn, net after the purchase of the debenture and term debt repayment.

After this deal, Luca has 221,365,671 million shares outstanding, 47,789,457 warrants outstanding, US\$11.1 million debt and approximately US\$6.75 million cash. Luca stated that it shall continue to use proceeds from the ongoing warrant exercises to pay down its debt with an objective to be debt free before the end of 2025.

The share price move (as shown on the following page) displays the advantages of being in a virtuous circle, rather than a vicious spiral, with Luca potentially being debt free in short order, as the company starts generating free cash flow from both of its mines.

Our rating on the company remains a **LONG** and we are lifting our 12-month target price to CAD\$1.40.

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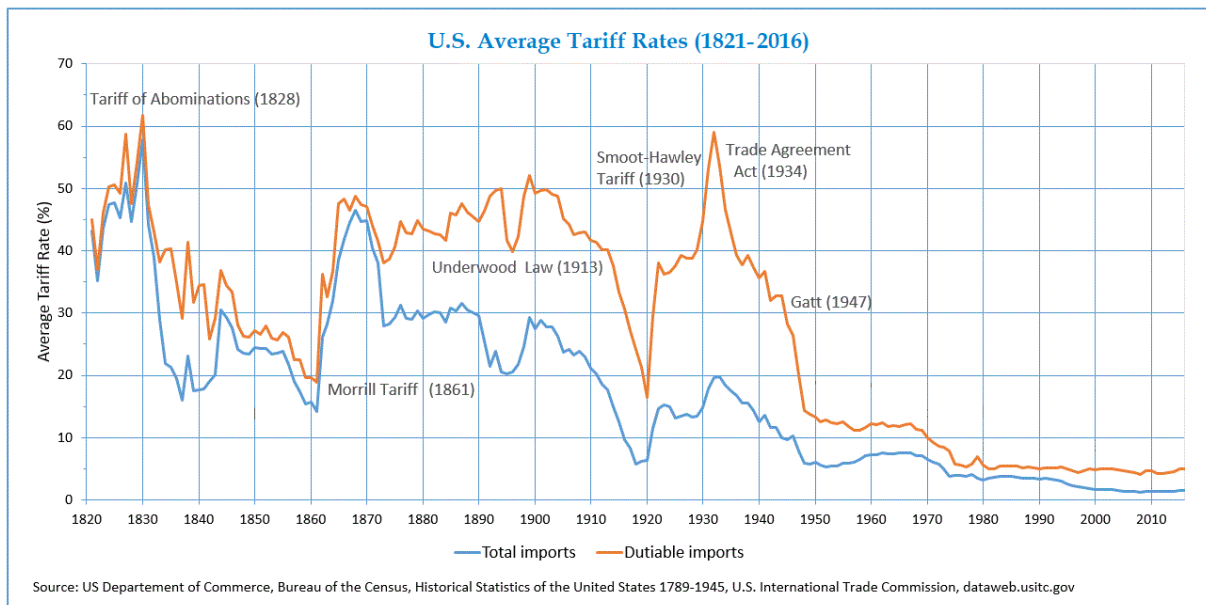


Parting Shot

If one asked the general public what caused the Great Depression (if they even had a clue) most would claim the Crash of Wall Street in October 1929. Stock markets have crashed before and since without creating a global economic slump. The reasons for the 1930s being so bad were many, and various.

If the Crash triggered the Depression, then one might say that the US political class adding the icing to this miserable cake, making things a great deal worse by passing what is formally called the Tariff Act of 1930, but more commonly known as the Smoot–Hawley Tariff. This was a law that implemented protectionist trade policies in the United States. Sponsored by Senator Reed Smoot and Representative Willis C. Hawley, it was signed by President Herbert Hoover on June 17, 1930. The act raised US tariffs on over 20,000 imported goods.

The US in those days (and seemingly again now) thought it could act in splendid isolation. However, the Act prompted retaliatory tariffs by many other countries. The Act and tariffs imposed by America's trading partners in retaliation were major factors of the reduction of American exports and imports by over 60% during the Great Depression.



US imports decreased 66% from \$4.4 billion (1929) to \$1.5 billion (1933), and exports decreased 61% from \$5.4 billion to \$2.1 billion. GNP fell from \$103.1 billion in 1929 to \$75.8 billion in 1931 and bottomed out at \$55.6 billion in 1933.

There seems to be some sort of mistaken belief that tariff retaliation is symmetric, when it never is. Thus, if the US imposed a tariff of 25% on Brazilian coffee, Brazil will not put a tariff on US coffee because there is none. It will instead put a tariff on some other type of product e.g. motherboards.

Interestingly the fallen Canadian Finance minister, Chrystia Freeland proposed that Canada specifically target Tesla's for punitive tariffs. We cannot say we don't find this wicked idea immensely appealing. That would certainly light the fuse on the oft-prognosticated explosion in relations between Elon and His Master's Voice, though who is Master is still open to discussion).

One actually wonders if the new (and former) President actually knows what Smoot-Hawley is/was. Interesting question for a press briefing, if only the journalists knew what Smoot-Hawley was to ask the question!



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Recent & Upcoming

In the last month we published our examination of Energy Fuels' new HMS and REE silos, the Tungsten Sector review, our Potash Review and an update on First Phosphate. In the short-term pipeline are an Initiation of Almonty Industries, an Initiation on Summa Silver and an Update on the Argentine Nuclear/Uranium sector.

MODEL RESOURCES PORTFOLIO @ END JANUARY

Security	Ticker	Currency	Price	Change		12-mth Target	
				last 12 mths	last mth		
LONG EQUITIES							
Diversified Large/Mid-Cap	Hochschild	HOC.L	GBP	1.76	65%	-18%	£2.40
Base Metal Developers	Denarius Metals	DNRSF	USD	0.4164	2%	-17%	\$1.15
Uranium	Sprott Physical Uranium	U.UN.to	CAD	16.16	-24%	-11%	\$20.00
	enCore Energy	EU.v	CAD	4.78	-5%	-8%	\$4.90
	Energy Fuels	UUUU	USD	5.31	-23%	-27%	\$7.50
Zinc/Lead Plays	WisdomTree Zinc ETF	ZINC.L	USD	8.97	3%	-12%	\$14.00
	Group Eleven Resources	ZNG.v	CAD	0.18	-3%	0%	\$0.35
	Luca Mining	LUCA.v	CAD	0.88	184%	60%	\$1.40
Nickel Developer	Canada Nickel	CNC.v	CAD	0.84	-39%	-13%	\$2.15
Silver Developer	AbraSilver	ABRA.v	CAD	2.93	762%	8%	\$4.20
Silver ETF	IShares Silver ETF	SLV	USD	28.51	31%	2%	\$32.00
Gold Producer	Soma Gold	SOMA.v	CAD	0.51	-16%	-11%	\$0.85
	Aura Minerals	ORA.to	CAD	18.99	103%	14%	\$19.00
	Asante Gold	ASE.cn	CAD	1.07	-25%	-9%	\$2.40
	Orvana Minerals	ORV.to	CAD	0.30	100%	20%	\$0.60
	Talisker Resources	TSK.to	CAD	0.35	6%	-19%	\$1.10
Gold Developer	West Wits Mining	WWI.ax	AUD	0.02	n/a	0%	\$0.024
Gold/Antimony Developer	Perpetua Resources	PPTA.to	CAD	17.1	308%	28%	\$13.00
Royalties	EMX Royalties	EMX	USD	1.76	9%	1%	\$2.50
Copper Explorers	Panoro Minerals	PML.v	CAD	0.43	231%	13%	\$0.30
	Aldebaran Resources	ALDE.v	CAD	1.79	101%	-19%	\$2.50

MODEL RESOURCES PORTFOLIO @ END JANUARY							
Security	Ticker	Currency	Price	Change		12-mth Target	
				last 12 mths	last mth		
LONG EQUITIES							
Tungsten Producers	Almonty Industries	AII.to	CAD	1.17	117%	30%	\$3.10
	EQ Resources	EQR.ax	AUD	0.03	-50%	-50%	\$0.08
Graphite Developer	Blencowe Resources	BRES.L	GBP	0.04	-20%	5%	£0.09
Lithium	Neometals	NMT.ax	AUD	0.080	-62%	-11%	\$0.30
	E3 Lithium	ETL.v	CAD	0.28	-87%	-75%	\$1.35
	Century Lithium	LCE.v	CAD	0.08	-84%	-74%	\$1.10
Phosphate	MinBos	MNB.ax	AUD	0.05	-46%	-17%	\$0.28
Gold Explorer	Alpha Exploration	ALEX.v	CAD	0.69	28%	-25%	\$1.00
AgroMinerals	Millennial Potash	MLP.v	CAD	0.43	79%	34%	\$0.60
Rare Earths	Rainbow Rare Earths	RBW.L	GBP	0.1205	-7%	3%	£0.30
	Neo Performance Materials	NEO.to	CAD	8.42	10%	6%	\$14.00
Tin	Alphamin	AFM.v	CAD	0.91	1%	-21%	\$1.20
	Rome Resources	RMR.L	GBP	0.255	6%	-29%	n/a
	Elementos	ELT.ax	AUD	0.07	-36%	0%	\$0.25
Mineral Sands	Sheffield Resources	SFX.ax	AUD	0.14	-77%	-18%	\$0.72
Oil & Gas	Shell	SHEL.L	EURO	26.75	4%	6%	£28.00
SHORT EQUITIES							
Shorts	Golconda Gold	GG.v	CAD	0.29	81%	-3%	\$0.15
	Patriot Battery Metals	PMET.to	CAD	3.01	-70%	13%	\$1.60
	Blue Lagoon	BLLG.cn	CAD	0.12	-25%	0%	\$0.05
	Aya Gold & Silver	AYA	CAD	11.68	20%	-34%	\$4.50

Important disclosures

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