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HALLGARTEN + COMPANY

Portfolio Strategy

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Monthly Resources Review:
Peak Precious?

Performance Review – September 2025

Monthly Resources Review

Peak Precious?

- \+ **Gold and silver prices remain strong, creating a feeding frenzy for the good, bad and indifferent in the space**
- \+ **Financing has not been so easy for soooooo long, so "fill yer boots" seems to be the mantra for precious focused stocks of all sizes**
- \+ **Argentina managed to turn around sentiment, bizarrely with Trump as the backstop for Milei's policy travails**
- \+ **Banamex is moving back into Mexican hands after the "dark decades" of Citibank control**
- \+ **Tin has reached the US$38,000 level on the back of a seemingly denial of the resurgence of crisis**
- ✕ **We repeat that the precious metals markets are looking very toppy, particularly gold, and we see a pullback of $1,000 in gold and $10-12 in Silver becoming more likely**
- ✕ **The Milei administration finds itself back in the penalty box in the run-up to the mid-terms as one of its lead candidates is enmeshed in a narco-payment scandal**
- ✕ **The Tungsten price has risen too far too fast and is now exhibiting all the signs that have previously led it to grief**
- ✕ **The equity stakes being taken by Washington in various companies are now starting to look scattergun and display a lack of thorough due diligence**
- ✕ **How some of the fakers being dished out money will actually produce a useful product will be intriguing to see**

Peak Precious?

When one looks around the room of a mining presentation or lunch in London and sees the Great and the Good of decidedly veteran vintages, one boggles when one hears the classic line "this time it's different". That one works on newbies, but for this crowd who have, each and all, seen at least five gold booms and busts in their lifetimes, one wonders if it is not a case of hope springs eternal. It's not even as if the precious metals make a new higher price range after each bust, because many times they touch new (recent) lows.

At a recent lunch (for a silver company) Bunker Hunt was brought up as a previous high-water mark. Well, that was 1980. In fact, silver hit its high in 2011 when it briefly (in some reckonings) hit US$50, which it nearly did at the height of the Hunt frenzy, but in inflation-adjusted terms, the Hunt high water mark was indeed the record price. Though that high water mark drowned many and was followed by 31 years of drought…. Ho, hum.

At the same event a minor skirmish broke out as to whether it was monetary deterioration, crypto (for the us the same side of the same coin) or global wars/tensions. We plump for the latter, but wars come, and wars go. The permabulls of precious metals NEED the monetary argument, which is a perennial bugbear for them.

That many governments run irresponsible monetary policies is nothing new, particularly over the last few decades, but then again Gresham's Law is hundreds of years old now. Whether crypto is the threat or the promise is an intriguing question.

Ironically as crypto is seen as a threat, stablecoin players like Tether are backfilling their empty vessels with gold(ish) assets to underpin their valuations. What comes around goes around. Even more ironic is some of the stablecoin structures buying short-dated US treasuries. That sounds like leaping out of the frying pan into the fire!

But if the decline of *fiat* currencies doesn't work for gold bulls, then there is global tension. The problem with that one is that no matter which "team" one might favour to win the Ukraine/Russia stoush, we cannot see it lasting more than a year from now and maybe has only a few months to run. Does gold hold up if the drums of war fade away on the steppes?

If Ukraine ceases to be a field of fruitful endeavour for gold/silver bugs then will Gaza provide? That conflict could end in a veritable deluge of tears that even Noah would find daunting. The gold bugs could find themselves mere carbonized shadows of their former selves and then one might verily ask, what profiteth the man….?

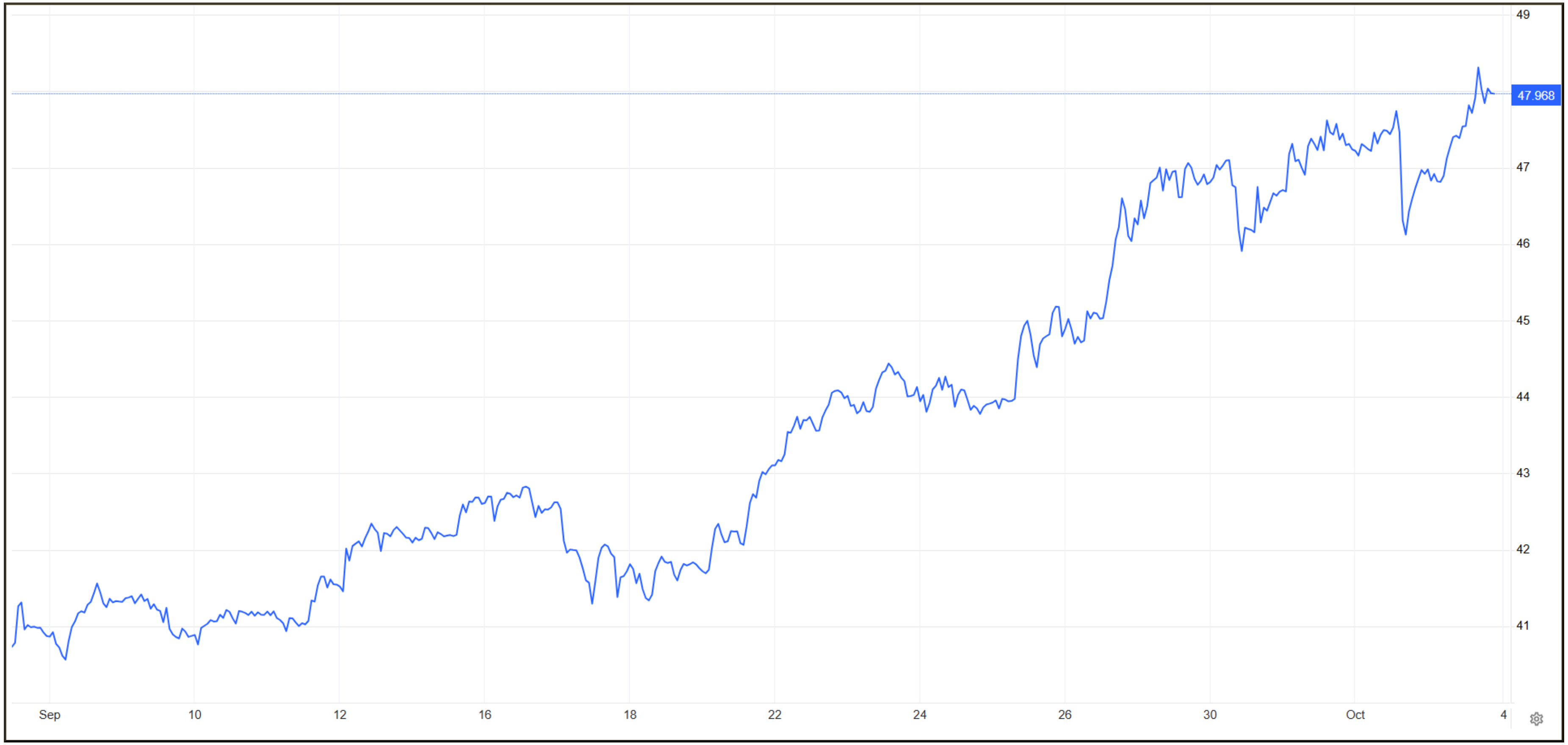
The one-month graph on the following page shows the last month´s progression in silver which has left gold eating dust in its wake. What goes up must come down and both the Hunt Brothers and 2011 surge show that silver when it spikes, then dumps. Fasten your seatbelts for a bumpy ride.

Not unsurprisingly our old favorite the silver/gold ratio has strengthened substantially. However, as the chart on the page after next shows it has not even got back to its best of 2024. A bull rally to take silver to (recent) new territory would probably require a retreat in gold.

That is not unthinkable in our current state of mind.

The whole current mining bull market is seeping out of precious metals, and copper, to lift even the most unworthy, such as the battery metals complex. That prompts us to see much of the current situation as somewhat of a house of cards. What will knock some of the supports out? Peace breaking out? Some change in the health of the White House´s occupant? An unprovoked attack upon Iran?

Bad news is not always good news for precious metals as the initial phases of the 2008 crisis and then later the Pandemic showed. Time will tell….



Source: Tradingeconomics

Source: Bullionbypost

The Teck/Anglo Merger as a Seminal Moment

It was a toss-up as to whether our lead story this month was this earth-shaking deal or whether we should highlight the Peak Gold scenario. The latter maybe can wait an extra month…. Or maybe not. We are getting very queasy on the precious metals, particularly gold. Fortunately, the Anglo-American merger with Teck is mainly being driven by metals and minerals with a potentially more attractive upside than the increasingly over-priced gold & silver markets.

We have oft bemoaned the tragic (we exaggerate not) state of the top tier miners in Canada. This is essentially the fact that Canada has NO top tier miners, certainly not diversified ones. The loss of Falconbridge, Noranda and, moreover, INCO may be a long while ago, but the pain and effects are still felt.

Teck was left as the Last, and the most feeble, of the Mohicans. As we have also noted the number of great producing and developing projects where you ask the question “Who found this originally?” and the embarrassing reply is Teck Cominco. It’s not just that the company was losing its mojo, it lost it long long ago, to be exact, in 2008, with its disastrously dumb bid for Fording Coal Trust. Since then, it was not just downfall, it drove over a cliff. It took 16 years for the company to extricate itself from that error but the opportunity cost in the meantime meant that this Mohican was a solitary soul in the denuded Valhalla of Canadian major miners.

The merger not only makes Teck a quantum larger and broadens its rather monothematic portfolio. The demise of the odious dual share structure ticks a number of corporate governance boxes that the *ancient regime* could not. It also signals the downfall (or sidelining) of the long-term de-mojoed family incumbency.

But will the merged entity be Canadian and a Canadian national champion? Will the London listing be the definitive sign that yet another asset has been lost to the foreigners? Of course, one can point to the vast swathe of institutions in London or that deal in London, and the AUM that they wield. Then we could look to the puny state of institutional mining investment in Canada. No contest, we are afraid, and no sign that Ottawa even perceives this as a problem.

At least for now, it appears that Anglo-Teck is a potential white knight for the downtrodden non-precious space in Canada. Long may the knight ride and hopefully avid tilting at windmills.

Portfolio Changes

The changes to the Model Resources Portfolio during the month of September were the merger of Elemental Altus and EMX (both portfolio participants) to create Elemental Royalties. We shed the LONG position in I-Shares Physical Silver ETF (SLV) in line with us turning bearish on precious metals. With Millennial Potash (MLP.v) up 1100% in the last 12 months, we decided to cut out that LONG position.

Bizarrely, we are very tempted to add Mitsui Mining & Smelting (Tokyo SE: 5706 - now known as Mitsui Kinzoku) as a **LONG** to the Model Resources Portfolio, but unfortunately we must await a downdraft to do so, as its been a stellar performer over the last year.

Red Flags in the Pink

A glance at the tables at the end of this note shows more than half of the stocks now marked with salmon colour where the market prices exceed the 12-month target prices. This presages, in the next edition of this Monthly, either a massive cull or upward revisions of targets or both.

Less Common Transactions

Maybe we are dating ourselves but are we the only people in the world that remember when, in June of 2008, Great Western Minerals Group (GWG.V) announced a non-binding letter of intent to purchase Birkenhead, U.K-based Less Common Metals Ltd. (or LCM) for about CAD$7.8mn or GBP£4mn.

LCM at the time was said to be "a global manufacturer and supplier of REE alloys, high-purity metals, and ultra-high-purity Indium". Press reports indicated that LCM's revenue for FY08 was expected to be CAD$19.1mn, up from CAD$10.5mn in FY07.

We were reminded of this at the end of the month when, USA Rare Earth (Nasdaq: USAR) acquired the selfsame company in what it described as "a significant acceleration of its mine-to-magnet strategy". This time LCM was described as producing "both light and heavy rare earth permanent magnet metals and alloys at scale" at its 67,000-square-foot facility in Cheshire.

We might remind investors that USAR is one of our **SHORT** positions in the Model Resources Portfolio.

Under the terms of the agreement, USAR will pay $100 million cash and issue 6.74 million common shares to acquire LCM. At the time of announcement, its stock traded at $18.70, but then rose 30%, hitting an all-time high of $23.36. At that price the market capitalization was US$2.61bn. This implies that the only real part of a $2.6bn stock was bought for US$100mn. Well done, LCM. Let's hope the stock component is not escrowed and you can dump it fast.

In not entirely a *non sequitur*, a friendly tip from one of the best-informed people in the REE space brought to our attention a lawsuit between one of the Wizards of Oz hidden behind the curtain and an unhappy partner (aren't they all?): https://law.justia.com/cases/delaware/court-of-chancery/2024/ca-no-2022-0665-sg.html .

5E Advanced (NASDAQ: FEAM) – Earnest but Wrong

There must be something in the water these days as abusive and derisive behaviour by companies towards competitors is becoming something of a blizzard. The cheek of FEAM in critiquing RTZ and Turkey´s EtiBank is quite breathtaking. Methinks they should stick to their own project and its merits or demerits.

The company returned to our radar screens after a long do-nothing period at their plant which should in theory be in production. We had issued a **NEUTRAL** rating in our Initiation of coverage in October of

2024.

The public eye, such as it is, had looked to FEAM as it published its latest technical report which was specifically focused on Phase 1 of the project. This included an MRE upgrade that converted 41% of the resource into 5.4mn tons of boric acid (H_3BO_3) reserves, which supposedly will yield a 39.5-year life of mine. The grade was 8.03% (B_2O_3).

The Phase 1 plant targets delivery of 130,000 tons per year of boric acid production, approximately ~11% of current global boric acid demand today. The Phase 1 has forecast pre-tax net present value NPV(7) of US$724.8mn and 19.2% unlevered IRR. If our memory serves us right though debt has long been the downfall of this project and NPV(7) smacks of wishful thinking.

Mining permits in place with the colemanite reserve mined using an in-situ leaching ("ISL") method, thereby minimizing the surface land disturbance required for the Project facilities

The expected initial project capital cost (inclusive of a gas COGEN facility) is US$367mn for Phase 1 plus US$55mn contingency (15%) and US$13mn of owner's cost.

By-product mix includes calcium chloride and gypsum with expected all-in sustaining cash (including logistics) of US$554.80 per ton of boric acid.

Curing the Hangover from the Tequila Effect

Who remembers the *Tequilazo*? Back in the mist of time, well, the 1990s, emerging markets were our daily bread and our vehicle for doing this was Buenos Aires Trust Company the world of emerging markets were roiled by The Tequila Effect, also called "Tequila Shock" or the "Tequila Crisis," refers to financial problems caused by the Mexican economy.

The 1994 Mexican currency crisis was a sudden devaluation of the Mexican peso, which caused other currencies in Latin America (such as in the Southern Cone and Brazil) to decline as well. The effect of the crisis was informally known as the "Tequila Effect" or the "Tequila Shock."

The peso was saved by a US$50-billion bailout, organized by U.S. President Bill Clinton and managed by the International Monetary Fund (IMF).

One of the more disgraceful side effects of the Tequila Crisis was the “sale” of Banco Nacional de Mexico (Banamex) to Citibank, passing the country’s largest banks to US control. In the years immediately before the Tequila we had been the Argentine outpost of London’s Banamex office, producing coverage of Argentine equities for Banamex London’s institutional clientele (before we switched to Interacciones Global, another Mexican broking firm).

Fernando Chico Pardo, a Mexican billionaire, agreed to acquire a 25% stake in Banamex, a banking company, from Citi, a financial services holding company, for US$2.3bn.

Fernando Chico Pardo started his first company in Mexico City at age 27, a stockbroking firm called Acciones y Asesoría Bursátil, that would later became part of Grupo Financiero Inbursa, a banking and financial group controlled by the billionaire Carlos Slim (who made his money with TelMex, after car parks).

After he left Inbursa in 2003, Chico Pardo became a controlling shareholder in Grupo Aeroportuario del Sureste (Asur), which operates nine airports in Mexico and one in San Juan, Puerto Rico.

Control of Banamex was the pound of flesh that Mexico had to give for the bail-out. Citibank’s management of the asset has been mediocre and finally there is a light at the end of the tunnel. The Unholy Trinity of the US Treasury, the IMF and the World Bank railroaded a swathe of Latin American governments into disgorging assets (banks, telcos, utilities etc) to foreigners in the 1990s and afforded the “buyers” (who usually paid peanuts) with “licenses to rob”. At least now the *rigor mortis*-like grip on the heights of Mexican banking is being loosened.

Consolidating for a Quantum Leap

In the first half of the month Elemental Altus Royalties Corp (TSX-V: ELE, OTCQX: ELEMF) announced that it was implementing a consolidation of its common shares on the basis of one post-consolidation common share for every ten pre-consolidation shares. This move is being completed in order to align Elemental Altus’ share price with the minimum requirements for a US listing.

The agglomeration of royalty companies is the only sane and efficient outcome. With it being so difficult to find new royalties and a clear pecking order in who gets what or who is shown what, most of the mid- and lower-tier companies in the space are being offered little, and doing even less. One company took exception when we said that their staff of ten were "just cashing cheques", but that was the sad truth. Too high executive compensation and no dividends makes a mockery of the original concept of why the royalty companies were supposed to be attractive.

Tether is clearly in the background of the Elemental stock rollback. It looks likely to be the driver of more accumulation, with a move on Gold Royalty (NYSE: GROY) not being unthinkable, despite GROY appearing overpriced.

It was only in August of 2024 that we published our Initiation with a **LONG** rating and a target of $2.50. The stock price has now exceeded that target by a large margin and frankly looks expensive. It is, quite amazingly, losing money. We do not have any perception of Tether's ability as stock pickers but if gold does have a reverse, then moving upon this one and taking it out closer to $2.50 might be a canny transaction.

Parting Shot

Maybe we could have categorized this section as the Martyrdom of Saint Javier. The Argentine President and arch-libertarian, Javier Milei, has been suffering multiple torments like a Latin-version of Job in recent times. He, though, is not a candidate for canonization, just as Donald Trump is not a serious contender for the Nobel Peace Prize. The woes of Milei began with overweening hubris that morphed into a sort of bad-tempered meanness. Many had hoped his grouping's trouncing in the recent provincial elections in Buenos Aires had helped him see the light. There were admittedly a few brief glimmers of response to the voter backlash, but self-doubt and self-examination are not in the president's playbook.

The root of the problem is that Milei repeatedly puts his faith in people that do not measure up (or are frankly unqualified or inexperienced). His sister is the primer mover and shaker in the Casa Rosada but there was no clipping of her wings in the wake of the ballot box debacle. Some of the *Menemistas* in the inner circle also did not come out well from the Spagnuolo crisis, but few heads rolled, and the old trope of Russian dirty tricks was trotted out.

Things in Argentina can fade from the front pages fast and Milei caught took some actions to stem the run-down in reserves by offering a "one-time-only" chance to agricultural producers in key crops, either harvested or imminently to be harvested, with an exemption from the wretched retentions regime which is an eternal bugbear of farmers. This prompted a massive fire sale of stockpiled grains which precipitated a deluge of US dollars into Central Bank reserves. This was indeed a magic bullet, but also one which, when fired cannot be reloaded.

Then a tailwind arrived from Washington in the form of an amorphous backstop to the Argentine currency or Central Bank provided by the Trump/Bessent. This gave a further boost to the bond/shares/peso rally. Strangely, Argentina is being seen as the canary in the coal mine for the libertarian policies that are NOT being implemented in the US. The Trump Administration would not be in a shutdown if it had done even a fraction of the things that Milei say he would do and then did. Milei is perversely being rewarded for being holier than thou and getting his own house in order. One has to love the sheer perversity of this situation.

However, holier than thou stance leads to one of the problems of the moment. Milei dug his heels in on two vetoes he had signed, the university funding bill and the funds for the pediatric Hospital Garrahan. This veto had been rejected massively by the Congress with most of his (non-libertarian) allies on the Right also abandoning Milei's quixotic pursuit of these windmills. Instead of smoking the peace pipe with these potential fellow travellers, he dug in his heels. Particularly on the Garrahan issue, Milei looks like the Grinch that deplatformed Christmas. Not a good look.

So, he had his vetoes thrown out again.

Then in the last two weeks …… one of the prime libertarian (LLA) candidates for the upcoming midterms was alleged to have received sizeable payments from detained businessman Federico Andrés 'Fred' Machado. Unfortunately, Espert is the LLA's top candidate on the lists for seats representing Buenos Aires Province in the upcoming October 26 mid-term elections.

Espert released a video statement in which he sought to give "frank and fully sincere explanations" for his actions, admitting that he received a US$200,000 payment in 2020. He said it did not come from Machado personally but was an advance from a Guatemalan mining company for private economic consultancy work that he was contracted for after his unsuccessful run in 2019 for Argentina's

Presidency. He admitted to having been “naïve” but categorically denied being a “criminal”.

Milei decided to “die in a ditch” once again for an unworthy member of his circle.

This latest blow-up negated all the feel-good from the peso’s upward reversal and the Trump backstop. Sigh……

Recent & Upcoming

In the last month we published an Initiation on E3 Lithium, a Review of Mining in the Argentine province of San Juan, an Update on Guardian Metal Resources, a Beryllium Sector Review and the most recent Growth Minerals Review.

In the pipeline one might expect an Initiation on Talisker Resources, an Initiation on Tungsten explorer, Happy Creek Minerals, a new Growth Minerals Review, an Initiation on Silver Viper, a review of the Argentine mid-term elections, an update on the dreadful Golconda Gold and a review of Cesium, its uses and sources.

MODEL RESOURCES PORTFOLIO @ END SEPTEMBER

	Security	Ticker	Currency	Price	Change last 12 mths	Change last mth	12-mth Target
LONG EQUITIES							
Diversified Large/Mid-Cap	Hochschild	HOC.L	GBP	3.63	94%	28%	£2.80
Base Metal Developers	Denarius Metals	DNRSF	USD	0.40	-38%	8%	$1.15
Uranium	Sprott Physical Uranium	U.UN.to	CAD	20.18	2%	10%	$20.00
	enCore Energy	EU.v	CAD	4.49	-19%	37%	$4.90
	Energy Fuels	UUUU	USD	15.35	177%	33%	$7.50
Zinc/Lead Plays	WisdomTree Zinc ETF	ZINC.L	USD	9.78	-3%	4%	$14.00
	Group Eleven Resources	ZNG.v	CAD	0.38	105%	15%	$0.35
	Luca Mining	LUCA.v	CAD	1.61	243%	3%	$1.40
Nickel Developer	Canada Nickel	CNC.v	CAD	1.02	-10%	26%	$2.15
Silver Developer	AbraSilver	ABRA.v	CAD	7.53	193%	20%	$4.20
Gold Producer	Soma Gold	SOMA.v	CAD	1.25	136%	-2%	$1.10
	Aura Minerals	ORA.to	CAD	45.97	187%	15%	$48.00
	Asante Gold	ASE.v	CAD	2.35	63%	41%	$2.40
	Orvana Minerals	ORV.to	CAD	0.62	55%	13%	$0.60
	Talisker Resources	TSK.to	CAD	1.42	255%	92%	$1.10
Gold Developer	West Wits Mining	WWI.ax	AUD	0.05	233%	67%	$0.024
	Thesis Gold	TAU.v	CAD	1.84	100%	30%	$1.32
Royalties	Elemental Royalties	ELE.v	CAD	25.04	116%	23%	$25.00
Copper Explorers	Panoro Minerals	PML.v	CAD	0.56	93%	17%	$0.85
	Aldebaran Resources	ALDE.v	CAD	2.56	131%	3%	$2.50

MODEL RESOURCES PORTFOLIO @ END SEPTEMBER

	Security	Ticker	Currency	Price	Change last 12 mths	Change last mth	12-mth Target
LONG EQUITIES							
Copper/Nickel Developer	NexMetals	NEXM.v	CAD	7.62	-51%	2%	$3.82
Tungsten Producers	Almonty Industries	AII.to	CAD	8.40	950%	38%	$8.10
	Guardian Metal Resources	GMET.L	GBP	1.13	296%	40%	£0.88
Graphite Developer	Blencowe Resources	BRES.L	GBP	0.06	20%	20%	£0.09
Lithium	E3 Lithium	ETL.v	CAD	1.50	25%	1%	$2.55
	Century Lithium	LCE.v	CAD	0.26	-7%	-4%	$1.10
Palladium	abrdn Palladium Physical ETF	PALL	USD	114.17	21%	13%	$140.00
Gold Explorer	Alpha Exploration	ALEX.v	CAD	0.61	-31%	-3%	$1.00
AgroMinerals	MinBos	MNB.ax	AUD	0.10	72%	25%	$0.09
Rare Earths	Rainbow Rare Earths	RBW.L	GBP	0.19	91%	19%	£0.30
	Neo Performance Materials	NEO.to	CAD	19.85	134%	13%	$14.00
Tin	Eloro Resources	ELO.to	CAD	1.62	82%	41%	n/a
	Rome Resources	RMR.L	GBP	0.31	22%	3%	n/a
	Elementos	ELT.ax	AUD	0.16	78%	7%	$0.25
Mineral Sands	Sheffield Resources	SFX.ax	AUD	0.14	-55%	-7%	$0.72
Oil & Gas	Shell	SHEL.L	EURO	26.68	10%	-2%	£28.00
SHORT EQUITIES							
Shorts	Golconda Gold	GG.v	CAD	1.80	592%	23%	$0.15
	Euro Manganese	EMN.v	CAD	0.16	-36%	0%	$0.12
	Patriot Battery Metals	PMET.to	CAD	3.99	-12%	1%	$1.60
	USA Rare Earth	USAR	USD	17.19	59%	15%	$3.00
	Aya Gold & Silver	AYA	CAD	16.10	-12%	18%	$7.20

Important disclosures

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