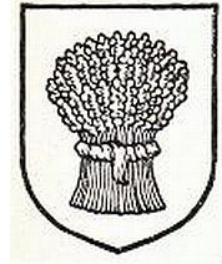


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# HALLGARTEN + COMPANY

Initiation of Coverage

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## Falcon Energy Materials

(TSX-V: FLCN | OTCQB: FLCNF)

Strategy: AVOID

Key Metrics	
Price (CAD)	\$0.68
12-Month Target Price (CAD)	\$0.45
Upside to Target	-34%
12mth high-low	\$0.39 to \$1.08
Market Cap (CAD mn)	\$79.83
<b>Shares Outstanding (mns)</b>	117.4
<b>Fully diluted</b>	132.1

# Falcon Energy Materials

## Redomicile in Haste, Repent at Leisure

- + Graphite is out of the doghouse where it hid since its heyday in 2017
- + A financing in February of 2026 gained surprising (and unfathomable) support and has left the company well-cashed up
- + Financing of US\$65mn has been gained for Moroccan anode plant
- × SRG Graphite, as it then was, decamped several years ago to the UAE to escape the strictures of Ottawa on strategic investments by Chinese entities
- × The government of Guinea revoked the licenses of the Lola Graphite project and the matter is now being battled out in arbitration
- × The stock appears to be sustained mainly by the “walking on water” effect, with some investors, of the company’s much-vaunted chairman
- × The odious La Mancha, again, surfaces here as a 24.1% shareholder
- × With only a set of blueprints for an industrial facility in Morocco to its name the company itself is also defying gravity

### Losing Out on Jurisdictional Roulette

It’s now a few years since the government in Ottawa brought down a mallet on the dreams/illusions of the listed junior critical minerals space in prohibiting the sale of projects to China. We won’t go into the background for this volte face except to say that we suspected that the *Bat Phone* with Washington had started ringing and the order was given to stop the Chinese advance in its tracks.

The irony is that the worst offender on this score was the US in allowing Cabot Corp (NYSE: CBT) to sell its Specialty Fluids division to Sinomines thus delivering a Canadian mining asset and almost total dominance of the Cesium space to the Chinese, with not so much as a by-your-leave to Canada’s considerations.

But the worm had turned and suddenly the US wanted China in the freezer and the party to pay for this strategy was not any US company with mining ambitions (though we note that MP Materials was unashamedly selling most of its REE production to China). It was instead Canadian juniors that paid the price, cutting off potential targets for the Chinese from their long-hoped for predators.

Australia had cooked up a more nuanced stance that the Chinese could not buy up (in theory) onshore critical minerals assets (and even more prosaic mining assets) but could acquire companies with such assets offshore, in Africa, for example, by acquiring such ASX-listed entities that held these overseas

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assets. Canberra presumably saw that a ban on Chinese buying would take the wind out of juniors listed downunder.

In October 2022, Ottawa said investments from foreign state-owned companies in Canadian critical minerals could also be considered injurious to national security. A few days later, it ordered three Chinese companies to exit the three Canadian-listed firms.

Then very public spankings for the thought-crime of entering into Chinese strategic stake giving/selling was meted out to Lithium Chile Inc. – TSX-V: LITH | OTCQB: LTMCF - (with an asset in Argentina, bizarrely), Solaris Copper (with a copper asset in Ecuador) and SRG Graphite (with an asset in Guinea). Solaris initially talked of redomiciling to Ecuador and then chose Switzerland and executed a complicated restructuring on its road to Zug. Lithium Chile hunkered down.

### **Some Background**

We first came across this company early last decade when it was part of a two-headed beast that had nickel and graphite deposits in Africa. While both battery elements, there were no other such combos that we knew off and so it divided in two. One of these parts was Sama Graphite Inc. (later renamed SRG Graphite Inc.) which began trading on the TSX Venture Exchange under the symbol SRG in January 2017.

### **The Lola Project**

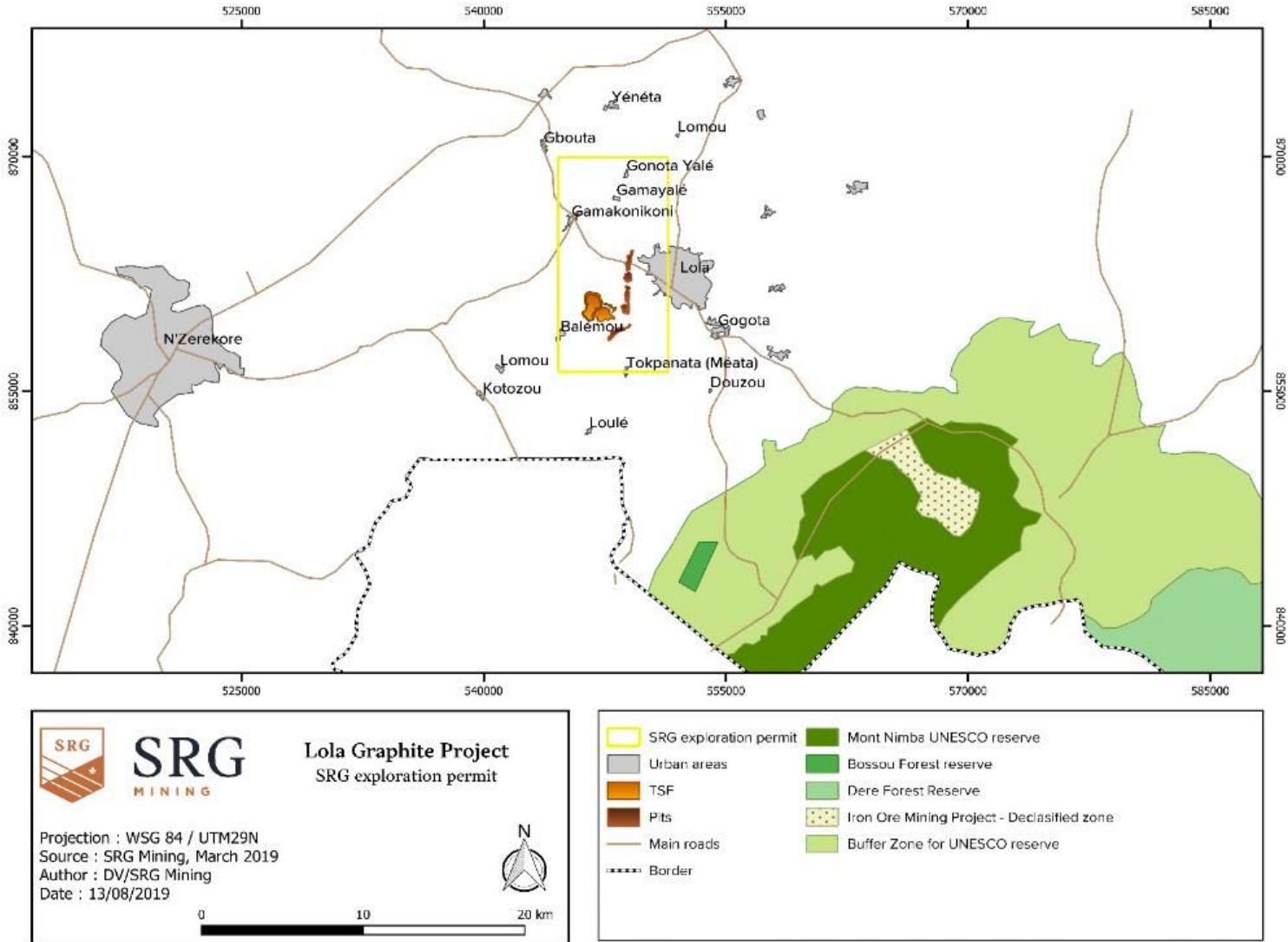
Its chief asset was the Lola Graphite Project, located in the Republic of Guinea. The Lola Graphite occurrence is located 3.5 km west of the town of Lola in south-eastern Guinea, 1,000 km from the capital Conakry. The occurrence is 50 km east of the border with Côte d'Ivoire

The Lola Graphite occurrence was discovered by the Bureau Minier de la France d'Outre-Mer (BUMIFOM) during the construction of the Conakry-Lola Road in 1951. Between 1951 and 1955 BUMIFOM excavated 309 shallow pits and outlined a graphite-rich occurrence four kms long and 100 to 200 m wide. BUMIFOM used 19 of the pits to estimate a historical resource. BUMIFOM abandoned the project and it lay dormant until "re-discovered" by SRG in 2012.

The project, according to the company, holds significant near-surface graphite mineralization. The Lola deposit (as distinct from the total concession) covers 3.22 km<sup>2</sup>. It was estimated to contain an MRE of 46 million tonnes (in the Measured and Indicated categories) grading 4.09% graphitic carbon, for 1.88 million tonnes of graphite material. Over half of the graphite at Lola is considered large flake (+80 mesh), and 26% is "jumbo" flake material (+50 mesh).

### **The Concession & Licenses**

The original Lola Graphite Exploration licenses were granted to SRG in 2013 for a first period of three years, renewable for two additional periods of two years each. The property was initially made up of four exploration licenses (Permis de Recherche 4543) for a total of about 380 km<sup>2</sup>. The location is shown on the map that follows.



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SRG applied for renewal of the permit for two years in 2016 and in 2018.

On August 10, 2018, the Government of Guinea awarded SRG Guinée, the Lola Graphite research permit for a final two-year period, and, as per the legislation, the surface area was reduced from 187 km<sup>2</sup> to 94.38 km<sup>2</sup> upon renewal.

Above permit was cancelled on the 6<sup>th</sup> of November 2019, when a fifteen-year renewable mining permit was issued through presidential order NoD/2019/291/PRG/SGG, for the same surface area of 94.38 km<sup>2</sup>.

### **Free Carry Etc.**

It is useful to look at the general context in which mining companies operate in Guinea. The grant by the Guinean government of a Mining Operation Title immediately gives the state a free-carried interest of up to a maximum of 15% in the capital of the company holding the title.

The state has the right to acquire a supplementary participation, in cash, according to the terms agreed upon with each relevant mining company within the scope of the Mining Agreement. This acquisition option may be scheduled over time but may be exercised only once. The total participation held by the Guinean state may not exceed 35%.

### **The Moroccan Solution – an Anode Plant**

With the Lola project seemingly on track the company realized the fallacy of just being a graphite miner (or dare we say quarrier) and resolved to add value to the enterprise by being a vertically integrated through the addition of a natural graphite spheroidization, purification and coating plant (termed an Anode Plant – conceptualized image below) in Morocco. The stated goal is/was to become a low-cost producer of coated, spheroidized and purified graphite (CSPG) at industrial scale.



With the car park adding some idea of scale the facility at Jorf Lasfar is frankly not all that large. Falcon news releases refers to this as the “Super Building”. We remain unclear as to what is so “super” about this structure.

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The anode plant requires approximately five hectares of land. The Jorf Lasfar site is said to benefit from access to key port and energy infrastructure and free trade agreements with both the United States and the European Union.

The plant in Morocco is “supported” by a strategic partnership with a leading CSPG producer, with extensive experience building and operating both synthetic and natural graphite anode plants in China. This “Technical Partner” seems to be Carbon ONE New Energy Group Co., Ltd. (C-ONE), of which more anon. That company recently built and commissioned in a large-scale anode plant in China.

The goal is to deliver high quality anode material at scale and competitive costs, to the rapidly growing European and North American markets.

### **The Technical Study**

In mid-November of 2025, the company announced the “positive” results from the technical-economic study on the anode plant. The Technical Study, prepared to the standards of the Association for the Advancement of Cost Engineering Class 3 level of accuracy by Dorfner Anzaplan UK Limited.

The key outcomes of this study were:

- Targeted annual production of 26,000 tonnes of CSPG and 19,000 tonnes of fines
- Initial capital costs, including contingency, were estimated at US\$86mn
- Operating costs of US\$3,168 per tonne of CSPG

The Anode Plant design includes:

- A Spheroidization Plant: Using the latest processes to shape graphite flakes into spheres, increasing surface area and energy density, to produce spherical graphite
- A Purification Plant: Using hydrofluoric acid alongside hydrochloric and nitric acids to remove impurities, producing >99.95% spherical purified graphite
- A Coating Plant: Applying an amorphous carbon (pitch tar) coating on SPG to enhance energy density and increase battery safety and longevity, producing coated SPG

### **On Sourcing of Graphite Concentrate**

The news release in November stated that “Falcon has tested several high-quality and attractively priced graphite concentrates that can serve as feedstock for the Anode Plant. There is a relative abundance of graphite feedstock available in the market, sourced from China, other international producers, and Falcon’s own Lola Graphite Project once in production”.

### Spheroidization Plant

The spheroidization plant consists of three process steps: micronization, spheroidization of the micronized graphite to produce coarse primary SG, and secondary spheroidization to produce fine SG. The overall yield of the spheroidization plant is 60% resulting in 28,000 tpa of SG. The process produces spherical particles averaging 18 microns and 8 microns.

SG18, representing 80% of the feed, is collected into a main collector and sent to the purification plant by pneumatic transportation. SG8, representing 20% of the feed, is collected and sent to secondary spheroidization circuit in the purification plant, while the remaining fines by-product particles are sent directly to the bagging station and sold separately.

### Purification Plant

The purification plant increases SG purity from 95% to 99.95%, producing SPG. The purification plant consists of four separate process steps: a thermally supported chemical reaction, pressure filtration, washing, and drying. The SG is washed with a mixture of hydrofluoric acid, hydrochloric acid, nitric acid and steam to remove impurities such as SiO<sub>2</sub>, Al<sub>2</sub>O<sub>3</sub>, MgO, Fe<sub>2</sub>O<sub>3</sub>, and CaO. The key acids are recovered and reused while final washing and drying reduce moisture to below 1%.

### Coating Plant

The coating process is the final step in CSPG production. Graphite particles are coated with a thin carbon film (3-25 nanometres thick), using 10% wt. pitch tar as a carbon precursor, followed by thermal treatment in a coating furnace for SP18 and SP8 products. The cooled CSPG is deagglomerated, demagnetized, sieved and bagged to meet stringent end-user specifications.

### CapEx and OpEx

The estimated capital and operating costs for the project are shown in the table below.

<b>Financial Metrics</b>	
Capital Costs	\$86mn
Operating Costs	US\$3,168 / t
Average Sales Price	US\$8,300 / t
Target Production (All Products)	26k tpa
Construction Time	15 months

The capital and operational costs are based on the actual costs of the plant in China of the technical partner, C-ONE. These were then adjusted for costs associated with logistics and construction in Morocco based on fiscal 2025 cost assumptions.

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Beyond that it was stated that “current consensus” for long-term CSPG pricing was US\$8,300 per tonne for the proposed product mix (SG18 and SG8). The company claimed there would likely be a nine-month detailed engineering and design period followed by a 15-month construction and commissioning period, targeting first production 2H27.

The authors of the plan warned that they could not offer an assurance that costs incurred during the future operation of the anode plant will not be materially different than the cost estimates in their report, which are based on fiscal 2025 cost assumptions.

The capital and operating cost estimates were said to comply with the AACE’s Class 3 level of engineering (recommended Practice 47R-11), with accuracy ranging between -15% to +20%.

### **Why Morocco?**

The company offers glowing recommendations for the decision to locate where it has including that the Moroccan government offers attractive incentives including: direct subsidies on a percentage of capital expenditures, tax-free zones with a five-year tax exemption and 0% VAT, and special economic zones that eliminate export duties. Additionally, the fast-track permitting process facilitates quick project initiation. With a commitment to generating 63% of its energy from renewable sources by 2030, Morocco is making significant investments in the electric vehicle supply chain, aiming for a car production target of one million vehicles in 2024.

This combination of supportive policies and growth potential makes Morocco an “ideal location” to build its planned anode plant. Inherent in this assumption though is that the EU will allow Morocco to undercut, potentially, what is already a rather hairy situation for auto makers focused upon EVs within the EU, let alone in neighbouring states.

The company claimed that construction of the pilot plant at Jorf Lasfar, near Casablanca, Morocco remained on track for completion in 4Q25 with availability of first CSPG samples for customer testing expected as early Q4 2025.

### **Lola - Resource Estimate**

An initial resource estimate for the Lola Graphite Deposit was completed in September 2016 by SRG and was updated as additional data were collected from diamond drilling and further independent validation was performed.

There was a subsequent mineral update in February 2018 with the Mineral Resource Estimate based on 172 boreholes for a total of 4,936 m and ten trenches adding up to 1,326 m, for a total of 3,932 samples. The resource includes the weathered portion of the deposit, the underlying graphite rich paragneiss bedrock remaining essentially untouched. The Mineral Resource roughly accounts for 18% of the 3.22 km<sup>2</sup> surface area of the entire deposit.

Then there was a MRE prepared for the feasibility study effective June 18, 2019. This was performed by

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Dr. Marc-Antoine Audet, P. Geo., Ph.D. Geology with a base case at a cut-off grade of 1.65%.

Base Case Mineral Resources					
Cut-off-Grade	Classification	Volume	Tonnes	Cg	In-situ Cg
Cg %		(M m <sup>3</sup> )	(Mt)	(%)	(t)
1.65%	Saprolite				
	Measured	4.22	6.84	4.39	300,300
	Indicated	14.30	23.24	4.04	937,857
	<i>Sub-total Ind &amp; Meas.</i>	<i>18.52</i>	<i>30.08</i>	<i>4.12</i>	<i>1,238,157</i>
	Inferred Saprolite	0.75	1.20	3.81	45,578
	Hard Rock				
	Indicated	8.33	15.96	4.03	643,430
	<i>Sub-total Ind &amp; Meas.</i>	<i>8.33</i>	<i>15.96</i>	<i>4.03</i>	<i>643,430</i>
	Inferred Hard Rock	1.51	3.05	3.73	113,785
	<b>Total Ind &amp; Meas.</b>	<b>26.85</b>	<b>46.03</b>	<b>4.09</b>	<b>1,881,587</b>
	<b>Total Inferred</b>	<b>2.26</b>	<b>4.25</b>	<b>3.75</b>	<b>159,364</b>

### The Mood Swings of Ottawa

In 2022, the company fell foul of the Canadian government's ban on it taking on a Chinese strategic investor and SRG was forced to cancel a tie-up with Chinese anode materials manufacturer C-ONE. The transaction would have seen CAD\$16.9mn (US\$12.7mn) invested into the company, as well as a partnership formed to build an anode facility in Morocco, where Falcon planned to process the graphite mined from the Lola site at the CSPG production facility in Morocco.

Then the company announced plans in 2023 to redomicile outside of Canada, shifting itself to the United Arab Emirates in a move that "would make it easier to secure foreign investments". On the 5<sup>th</sup> of March of 2024, SRG announced that it had terminated the transaction with C-One, although it was to all intents and purposes DOA.

Then it rebranded itself as Falcon Energy Materials, continuing to trade in the Canadian market under a new ticker symbol (FLCN) while maintaining its new headquarters in Abu Dhabi. It was noted that the UAE has double taxation and bilateral investment treaties with Guinea. However, as things have played out this did not provide much protection.

### Guinea Goes Ornerly

Fast forward to more recent times and, in May of 2025, Guinea unilaterally revoked the exploitation license of the project. The company subsequently approached the Ministry of Mines in an effort to resolve the situation amicably. In the absence of any response, Falcon notified Guinea of a dispute under the UAE-

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Guinea BIT, which triggered a six-month period to seek an amicable resolution to the dispute. Falcon agreed to continue negotiating beyond the six months in an attempt to resolve the dispute amicably. However, it became clear that Guinea would not offer any compensation to Falcon for its losses.

Then, in mid-March of 2026, Falcon announced that it had formally commenced international arbitration proceedings over the illegal expropriation and other breaches of the bilateral investment treaty between the Governments of the United Arab Emirates and Guinea.

They claimed compensation for the “damages sustained by the company resulting from the actions of the Government of Guinea” which they estimated at US\$100mn.

The ICSID Convention has been ratified by 158 States, including Guinea. An award issued by an ICSID tribunal is enforceable in any one of those 158 member States as if it were a judgment of one of their own courts. According to Falcon, states have historically often complied voluntarily with the payment terms of such awards.

### **Stay-at-Home Pays Off**

Ironically though, the stay-at-home, Lithium Chile, is in the process of selling its Arizaro project in Argentina to China Union Holdings Ltd. for a total consideration of US\$175mn. Seemingly rules have changed and Lithium Chile has received some sort of papal dispensation from Ottawa to sell what was so precious and strategic less than a handful of years ago.

We see two ironies here. The first would be if Falcon does not get what it wants and then appeals to Ottawa to intervene on its behalf with Guinea. The second would be if Guinea flips the asset to a Chinese buyer as we have seen in other jurisdictions in Africa and in places like Bolivia when “nationalisations” have taken place.

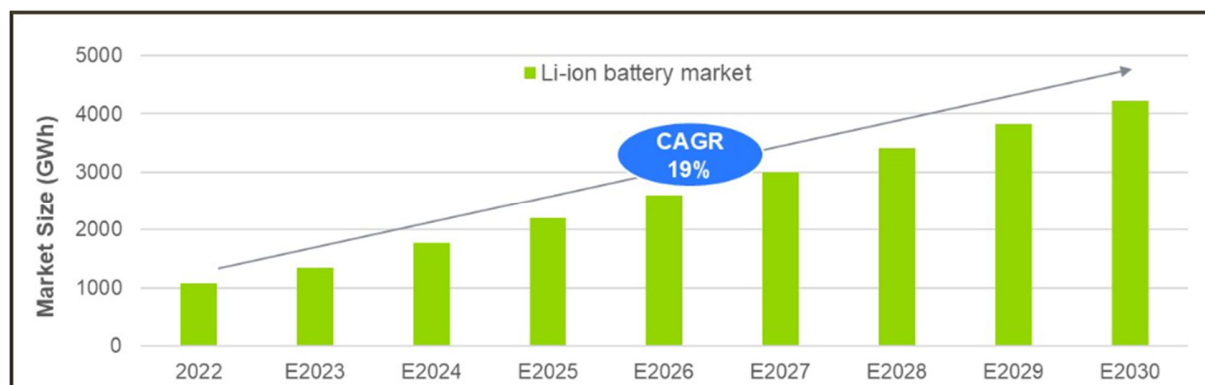
### **On Graphite**

It’s a long while since this element made pulses quicken. At one point it had so many participants that it almost constituted a sector of its own separated from the battery materials space. But like the latter space it has been subject to wild sentiment fluctuations, and it went into retreat (and indeed obscurity). Our mind is cast back to the heady days in mid-last decade when we were feted at graphite conferences all over the place.

The chart on the following page dates from 2023 and is included in Northern Minerals’ (NGC:TSX-V | NGPHF:OTCQB | FRA:ONG | XSTU:ONG) latest presentation.

Northern Graphite, that we used to cover, is interestingly the only producer in North America and yet uses a 2023 chart on the space’s growth prospects. We suspect that this “straight line to the stars” type of bar chart does not get much traction these days if updated for the total lack of interest in the US in the energy transition (likewise in much of the Global South) and the backtracking most everywhere else on mandates to retire ICE vehicles.

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Source: Macquarie Research via Northern Minerals

What is the growth rate these days? Certainly, well less than a CAGR of 19%. Northern Graphite also cites a Macquarie study from 2023 showing an 8% for natural graphite. We suspect that it would be lucky to be 5% these days which makes the element go from go-go to go-slow.

Northern Graphite has been steadily building a network of mining properties and processing plants (including France and Saudi Arabia), whereas state action by Guinea has thrown the vertical integration strategy of Falcon in the trash can.

This begs the question as to why the proposed Morocco plant of Falcon should be anything worth holding one's breath for?

### Shareholders & Financing

The latest financing was in February of 2026 consisting of a non-brokered private placement of 41,666,666 units at a price of CAD\$0.60 per unit for gross proceeds of CAD\$25mn.

Each unit is comprised of one ordinary share and one share purchase warrant. Each warrant grants the holder the right to purchase one additional share at a price of CAD\$0.75 per warrant share for a period of 36 months from the date of closing.

As noted, the largest shareholder is La Mancha Investments S.à.r.l.. That company's La Mancha Resource Fund exercised its anti-dilution rights. Other new investors included Argentem Creek Partners from the US and several high-profile investors from the Middle East and Europe. After the private placement La Mancha Investments S.à.r.l., has a 24.1% interest in the fully diluted shares outstanding.

The proceeds from the placement will be used to advance the development of the Company's strategic projects in Morocco, as well as for general working capital requirements. All securities issued were subject to a statutory four-month hold period until June 21, 2026.

### Financing Morocco

On the 9<sup>th</sup> of April 2026, the company announced that it had entered into a non-binding term sheet with

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a “tier-one strategic and financial partner” for a financing directed toward the construction of the anode material facility. The mystery partner agreed to provide Falcon with US\$65mn in non-dilutive financing as well as US\$5mn in support in a future equity issuance. Whether this is the Chinese or not was not revealed.

This was subject to the satisfaction of an offtake agreement, completion of definitive documentation, and receipt of all required regulatory and stock exchange approvals. The completion of the deal remains subject to the negotiation and execution of definitive agreements and the completion of due diligence.

### **Sama Resources – Exiting Stage Left**

On the 20<sup>th</sup> of March, Sama Resources Inc. confirmed that it had sold all of its remaining common shares in Falcon Energy. Sama was previously a significant shareholder of Falcon. As a result of the closing of Falcon's non-brokered private placement announced on Feb. 20, 2026, Sama's shareholding in Falcon was diluted from approximately 11.8% to approximately 8.9% of the then issued and outstanding common shares of Falcon, as Sama did not participate in that financing.

The transaction was completed through a negotiated cross-transaction on the TSX Venture Exchange with Sama selling 15,180,377 common shares of Falcon at a price of 65 cents per share, for aggregate proceeds of \$9,867,245. This represented the entirety of Sama's holding of approximately 8.9% of the issued and outstanding shares on an undiluted basis. The transaction was claimed to be for portfolio management purposes.

It was not clear who had picked up the shares and whether it was one acquirer, or a number of acquirers.

### **La Mancha – Laying Down with Dogs**

To say that the La Mancha group is one of our least favorite players in the mining space is almost an understatement. Their presence on any share register is a flashing warning signal of the dimensions of the Hollywood sign in Los Angeles. We have covered their “conduct unbecoming” in the past in our [Monthly of January of 2024](#). That was in the context of an outbreak of what we called SEDS (Sudden Executive Demise Syndrome).

As noted above, the company's largest shareholder in the wake of the private placing is La Mancha Investments S.à.r.l. will have a 24.1% interest of the fully diluted shares outstanding.

We first heard of La Mancha a long, long time ago when it was part of the Areva group (with a 63% holding) and a novel creature as it had its head office in Paris, not exactly on the beaten path of global mining (except for the heavyweights Areva, Eramet and Imerys).

Then in July of 2012, it was announced that Weather II Investments had offered to purchase all outstanding common shares of La Mancha by way of a recommended take-over bid at a price of CAD\$3.50 per share in cash. Weather II was described as part of the business grouping “managed” (interesting wording) by Naguib Sawiris. It was said that the wider Sawiris Family of Egypt had substantial indirect interests in the telecoms, construction and fertilizers, cement, real estate and hotel development

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industries.

At the time, La Mancha Resources Inc. was described as an international gold producer based in Canada with operations, development projects and exploration activities in Africa, Australia and Argentina. In 2011, La Mancha's revenues and EBITDA amounted CAD\$184.7mn and CAD\$83.8mn million respectively. Interestingly its Argentine asset at the time, Hualilan (in San Juan), is now controlled by Challenger Exploration (ASSX:CEL), with whom we have dialogued of late.

La Mancha's majority shareholder, Compagnie Française de Mines et Métaux, a wholly-owned subsidiary of AREVA irrevocably agreed to tender 90 million shares, or approximately 63% of the fully diluted outstanding shares, gleaning some CAD\$315mn for AREVA.

### **La Mancha & SEDS**

In the aforementioned Monthly review, we noted that the events at several corporates, in late 2023 and early 2024, had given us food for thought and we frankly did not like what we had seen.

It has been said that a mark of success is to keep your head when all around you are losing theirs. Decapitation seems to be added to the many extant perils that lie in wait for mining company executives these days. The dangers used to be external, like prices, global economics, political risk factors and the many pitfalls (pardon the pun) of the mining process. The internal political factors are now making the C-Suite a minefield (pardon that pun, also) at even second-tier and third-tier companies.

Superlative or at least good performance doesn't seem to be good enough anymore, for the stilettos are sharpened to dispatch the unwary or those whose hubris has maybe gotten the better of them.

However, we had become increasingly suspicious of the "official versions" that were doing the rounds and instead started from the premise that the official versions (as in Latin American politics) are usually the farthest thing from the truth.

Elemental Altus was created in 2023 through the merger of two companies that were already in our Model Resources Portfolio. One was a royalty company and the other was something of a project generator with some royalties on the books that had been generated by the project that were parceled out to explorers/developers to advance. The merger seemed a good idea, but our queasiness predated the merger and actually went back to the appearance of La Mancha, a somewhat shadowy stakebuilder in companies in Africa and Middle East.

Our unhappiness began with the departure of one of the founders of Altus at the time of the merger. Then in early 2024, another of the founders also exited stage left, and in came... more of the La Mancha crew. Frankly, we did not see an offer for control of this company being tabled in the markets and yet control has changed hands. We were not happy, and we closed out the **LONG** position in the Model Resources Portfolio.

Then there is the intriguing case of Endeavour Mining and SEDS (Sudden Executive Demise Syndrome)

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which afflicted its much-rewarded CEO. In late 2023 and the markets were convulsed by the news that the CEO of Endeavour had come to (corporate) grief. Far be it for us to know what happens in largish mining entity's finance departments, but the idea that large payments happen on a whim and with no checks & balances intrigued both us and many observers. It was rather (in)famous that compensation was extremely generous at the company, so why extra breadcrumbs were required left more than a few scratching heads.... And in such an amateurish manner. To add insult to injury, as scepticism grew over the original rationale for tossing the CEO, the company decided to gild the lily with sexual misconduct.

Playing below the belt when discrediting former officers now seems to be *de rigueur*.

Endeavour was not in our universe, though one of the predecessors of Teranga had been, so it was only in the subsequent press coverage of the CEO's demise that we saw our old friends, La Mancha mentioned in dispatches.

The date March 30th of 2021 was somewhat of a red-letter day, as it was when the company announced the "successful" completion of a La Mancha Holding S.à.r.l. investment with Endeavour issuing a total of 8,910,592 ordinary shares to La Mancha for aggregate net proceeds of US\$200 million at a price of approximately US\$22.45 per share. The investment was part & parcel of the acquisition of Teranga Gold in November 2020. The payment was made by La Mancha under its pre-existing anti-dilution right. Upon completion of the investment, La Mancha's future anti-dilution rights were extinguished. Following completion of the investment, Endeavour then had 252,519,830 shares outstanding, with La Mancha holding an interest of approximately 19%.

Fast forward to mid-2025 and it was announced on the 11<sup>th</sup> of June of 2025 that La Mancha Resource Capital LLP, the portfolio manager of La Mancha Resource Fund SCSp, had sold the Fund's entire stake in Elemental Altus Royalties Corp., representing approximately 32% of Elemental's outstanding shares, to Tether Investments S.A. de C.V.. Good riddance. This prompted an upward rerating of Elemental in our estimation. This was then followed by Elemental merging with another Model Resources Portfolio constituent, EMX Royalty.

### **Board & Management**

**Benoit La Salle**, director and chairman, is a Fellow Chartered Accountant (FCPA, FCA), a member of the Canadian Institute of Chartered Accountants and holds a Commerce Degree and a Masters of Business Administration from IMEDE in Lausanne, Switzerland. In 1980, he founded Grou, La Salle & Associates, Chartered Accountants. In 1995, he founded SEMAFO Inc., a mining company with gold production and exploration activities in West Africa and held the position of President and CEO of the organization until August 2012. He now acts as President and Chief Executive Officer of Windiga Energy Inc. In the last quarter of 2012, he was appointed Chairman of Canadian Council of Africa (CCAfrica), Sama Resources Inc. and Algold Resources Ltd. He is the former Chairman of the Board of Plan International (Canada).

**Vincent Benoit**, director, with 30 years of corporate finance, business development and M&A experience in the mining, telecom, and energy sectors. He joined the La Mancha Capital Advisory as Head of Strategy

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& Business Development. Between 2013 and 2015, he led La Mancha's portfolio restructuring and contributed to the enhancement of its mines performance in Australia and Africa. He, apparently, identified and executed the combinations with Evolution and Endeavour, which positioned La Mancha as a leading private investor in the gold mining sector. From 2016 to 2019, he was CFO and EVP Corporate Development at Endeavour where he "reshaped the strategy", improved the mine portfolio quality, and enhanced the balance sheet to fund organic growth. In early 2020, he re-joined La Mancha to oversee investments and fund raising. Previously, he was at Orange (2006-2012) where he served as EVP M&A. He led the development of the group's footprint in Africa and Europe and formed strategic partnerships with key European telecoms players. Prior to this, he held various finance positions including with Orano (ex-Areva), Bull Information Systems and PwC. He holds a MSc from Kedge Business School and is a Chartered Accountant.

**Emma Le Ster**, director, described as an "observer for La Mancha". Hmmm. Participated in strategic review and funding options review of the ~\$600m Horizonte nickel project including serving on the Board as an "observer for La Mancha". Developed tailored financing solutions at Société Générale for resource juniors and majors, funds and streamers on projects in emerging and mature economies, across the commodity spectrum. Strong credentials in gold and battery minerals. Lived and worked on 3 continents. She has a Master of Science in Finance with specialization in mining and strategy.

**Dr. Marc Fillion**, director, is a geological engineer by training. He has exercised his technical skills in Canada and abroad while at the employ of SOQUEM, SNC-Lavalin and CHIM International for over 40 years. He was also the Chairman of SOQUEM from 1999 to 2006. He served as President and Chief Operating Officer of SGF Mineral Inc. from 1998 to 2004 and also as Senior Vice President, Investments for Mines, Minerals and Materials for SGF from 2004 to 2006. Recent assignments involved his expertise in bringing a graphite deposit into production in Asia and the development of an eco-friendly extractive metallurgical technology for nickel deposits. He has been a board member on numerous boards of small and large mines & metals companies and offers in-depth experience in the development and management of capital intensive world-class industrial projects in joint venture with international business partners.

**Yves Grou**, director, is presumably a long-time business partner of the Chairman.

**Abdoul Aziz Nassa**, director, is Business Development Director at Coris Invest Group SA (CIG). He is also General Manager, General Mining Logistics, a subsidiary of CIG. General Mining Logistics specialized in providing logistic services to West African mining companies.

**Dr. Alhamdou Diagne**, director, an officer of the French Legion of Honor, is a veterinary doctor, specialist in reproductive pathology and animal production in hot countries and tropical pathology. Dr. Diagne is a graduate of the Veterinary Academy of Ukraine (gynecological-obstetrics department), the ENVA of Maisons-Alfort in France (reproductive pathology and animal production and tropical veterinary medicine), the IEMVT (Institute of Veterinary Medicine of Tropical Countries for Tropical Pathology and Animal Production of Hot Countries), of the CES of Epidemiology (Institut Pasteur France), the London School of English and the Paris Center for Diplomatic and Strategic Studies in International Relations and

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expert in international investments). He acts as President of D.A.-Consulting in Paris in the search for financing, business development, international investments and follow-up of consulting files. He is also an advisor to several Heads of State and governments. He is also a member of the Africa, Asia and Latin America committees of the Medef International of French employers. He is said to “collaborate” in the opening of banks in Africa as well as in the mobilization of financing funds and investors for the energy mining infrastructure sectors.

The CEO is **Matthieu Bos**, who does not seem to be on the board, despite an extensive stint at Ivanhoe Mines. Hmmm.

### Risks

The risks for the graphite players in general, and Falcon Energy in particular, are:

- ✗ Graphite is closely linked to the battery complex and EVs are deeply out of favour at the global level (excepting the EU)
- ✗ The presence of La Mancha as a shareholder augurs against the best interests of public shareholders
- ✗ A tough financing market for junior explorer/developers

Graphite is quite common and there have been very few mines in the West in recent times due to its basic unprofitability over many decades. This may be changing in the current (though somewhat jaded) fervour for the Energy Transition. There are a plethora of projects out there and in any case, Falcon has been ejected from the mining sector.

The presence of La Mancha speaks for itself, and *caveat emptor* are the watchwords.

Financing remains difficult and dilutive when it takes place. The only way to harvest the most attractive price on a financing is to be in production and the only way to do that is to finance mine-builds/reactivations. Is Falcon a mining story without a mine? Seemingly so, unless it ventures back into the waters. Hair of the dog is the cure for its Guinea hangover.

### Investment Theses

We are somewhat boggled as to how a company that has just lost its project, in a state-sponsored act of appropriation, should still have a market capitalisation of CAD\$120mn, with scarcely more than a blueprint for a factory in Morocco to its name.

We can only attribute this to the “Benoît-effect”. We



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are told by Wikipedia that the name comes from the Latin for “blessed”.

We are yet to see someone walk on water (besides Peter Sellers in *Being There*), but it seems to be the opinion of many market denizens in Canada that this feat is achieved by said promoter. We are not persuaded and continue to maintain a **SHORT** rating on Aya Gold & Silver.

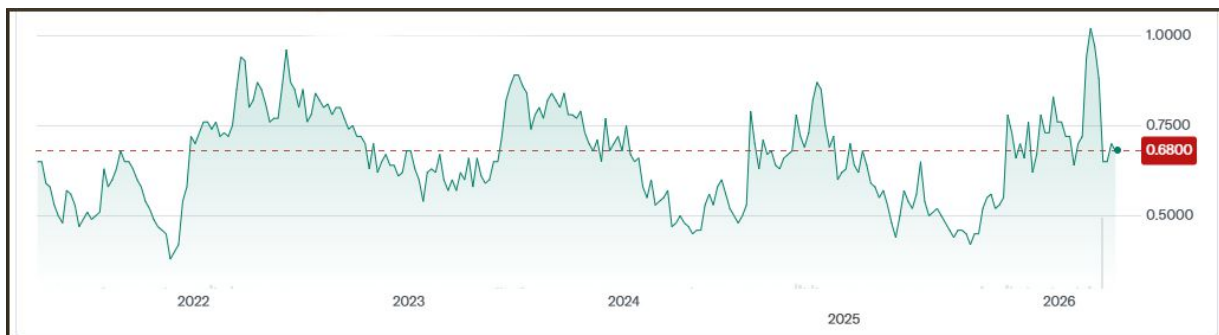
With La Mancha on board and Sama Resources (of which Benoît is Chairman) exiting, the moderating forces have been replaced by those that we shall tactfully describe as “not to our liking”.

The company was plodding along through the dark period for graphite, when it was dealt a low blow by the Canadian government, and we can sympathise with that. However, actions taken since would seem to leave us with no-one else to blame than the company itself. The trajectory of Lithium Chile could not be more different.

The lesson in this story is “Redomicle in haste, repent at leisure”.

### Rating & Target

The so-called “Benoît-effect” may include feats of gravity over water, but it seemingly has done little for this stock but staving off the day of reckoning from the disastrous loss of its mining project in Guinea.



As the chart above shows it has essentially gone nowhere since mid-2022.

If the sole asset of the company of the company is a blueprint to construct an anode graphite plant in Morocco, and has a US\$65mn loan to do that, then it appears the company has an enterprise value of around CAD\$200mn and a replicable asset worth US\$65mn. What X Factor justifies the difference? It is not clear to us what this might be.

In the first flush of considering this Initiation, the temptation was to rate the company with a **NEUTRAL**. However, when digging deeper beyond the fallacy of the move to Dubai, then the grievous disaster of the expropriation by the Guinean government, we stumbled on the presence of La Mancha and gravity-defying Chairman. Taking these into account the stock has way too many cons, and way too few pros, to justify a CAD\$120mn market cap for a mere blueprint for a spherical graphite plan in Morocco and a chance of a favorable arbitration outcome. Such a market cap must be made of sterner stuff. This is

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particularly poignant when the most real company in the space, Northern Graphite has a market cap of a mere CAD\$27mn at this time.

Thus, we are initiating Falcon Energy Materials with an **AVOID** rating and a 12-month target price of **CAD\$0.45**.



## Important disclosures

I, Christopher Ecclestone, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

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