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HALLGARTEN & COMPANY

Portfolio Strategy

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Model Resources Portfolio:

Yellowcake is the New Green

Performance Review – September 2021

Model Resources Portfolio

Yellowcake is the New Green

- + **Uranium is rapidly coming in from the cold as the "new" alternative energy source for when "the wind don't blow and the sun won't shine"**
- + **Zinc held its ground to become the most reliable base metal of 2021**
- + **Met coal continues to move higher, firing up the perspectives for our holding in Colonial Coal**
- + **Tin and Antimony hit new highs in September with Sb passing US$13,000 per tonne**
- + **Oil rallying very nicely justifying our LONG stance on Shell**
- + **Good month for our SHORT positions with Aya Gold & Silver and Galane Gold fading fast**
- ✘ **Economic vibes are not so good with energy shortage fears weighing on recovery prospects**
- ✘ **Shipping disruption continues**
- ✘ **Gold and silver are missing their moment as inflation hedges just as costs of transport, fuel and food start to rocket all around the world**

Coal Confusion – Out of the Mouths of Babes

We are tempted to view Greta Thunberg as some sort of Joan of Arc for our times. Then again, we could go even further back to the Children's Crusade, a massively ill-fated event led by one Peter the Hermit, who, as one can guess by the name was not exactly all that worldly.

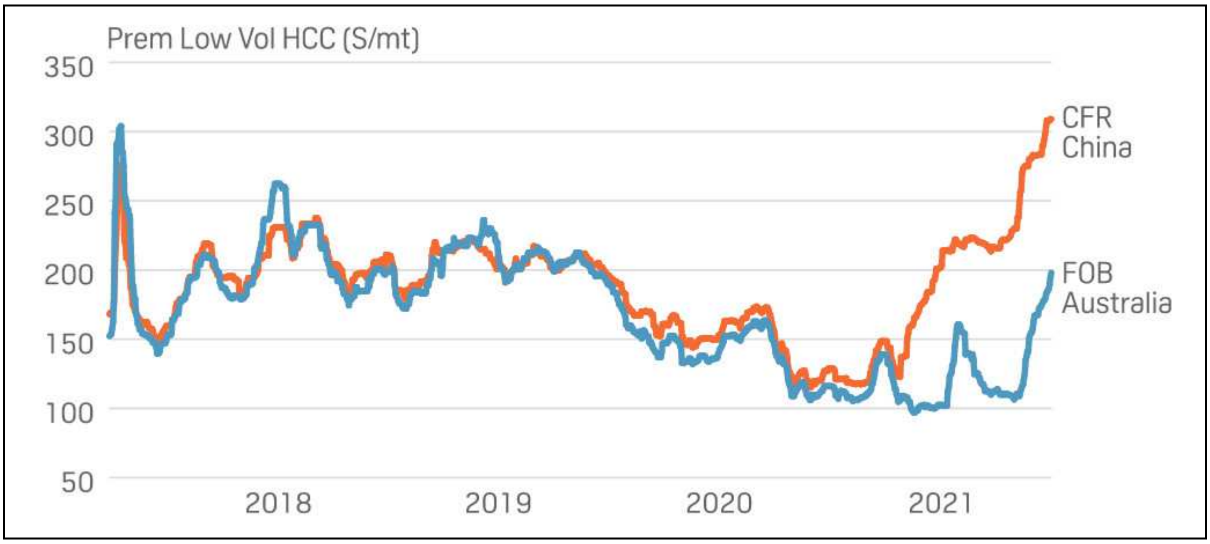
Out of the mouths of babes frequently come less than fully-formed concepts. While Greta's soundbites may rail against the evils of the likes of coal she fails to grasp that the economic ecosystem is based upon the likes of steel, and that this metal is created by a process that involves iron ore and metallurgical coal.

This common fallacy that lumps thermal coal with met coal is held by 99.9% of the population of the Western democracies and created a back wash against met coal that is proving difficult to counter. Nevertheless the trade in met coal goes on and most of the producers thereof "get it" though a proposal for a new met coal mine in the north of England has fallen afoul of the mass ignorance on the subject and allowed the NIMBYs to run amok.

Coking coal is joined at the hip with the steel industry. According to World Steel Association, 70% of steel produced today uses coal, and China is the most important part of the puzzle as it produces half of the total crude steel in the world. With China as the largest consumer of metallurgical coal, in recent years its rising crude steel output has pulled coking coal prices higher.

It was inevitable that, with the Commodities Supercycle being driven by the Chinese and the key underpinning of that Supercycle being steel, that coking coal should have been driven up by that economic phenomenon and then sucked back down as sentiment turned against bulk minerals and, indeed, all minerals after 2011.

As can be noted from the chart below, HCC prices have risen from the dead three times in the last 15 years. The first was in the run-up to the great crash of 2008, the second wind came a few years after that. Then a long five year slump was only broken by an upsurge in 2016.



Source: S&P Global Platts

The 2016 move was attributed to rising coking coal demand in China, compounded by new restrictions on the coal mining industry there, which reduced domestic supply and put further upward pressure on metallurgical coal prices.

The price then drifted down before staging a strong recovery after the first wave of the pandemic had passed (at least in China). Date from S&P (charted above) shows a curious bifurcation in price between China and Australia. Of course, China has been in a huff towards Australia over the latter's refusal to suspend disbelief on the sources of the pandemic.

Recently Platts noted that there was a sharp 279% YoY increase in the spot transaction volume for the first half of 2021 for premium hard coking coal on an FOB Australia basis. The increase was driven mostly by strong European spot demand, especially over late Q1-early Q2.

Obviously the buyers did not get Greta's memo.

Colonial Coal

We have written various times on Colonial Coal in the past and it has long been a constituent of our Model Resources Portfolio. Their exclusive focus is on two major met coal properties in British Columbia, which is the management team's traditional stamping ground.

The management at Colonial Coal are no strangers to the "build it and they will come" philosophy of mining evolution. The team built up and advanced the core metallurgical coal assets belonging to Western Canadian Coal and Northern Energy & Mining (NEMI) during the go-go years of the Commodity Supercycle. Those assets were acquired for an eye-watering multi-billion dollar price. In the more subdued environment of the current decade the team has sallied forth to repeat the building process. Underlying met coal prices initially looked challenging but now have returned to robust good health and yet the investor universe is still confused between met coal and thermal coal in the age of global warming. There is no replacing met coal in the steel making process.

As noted above, much to the pundits' surprise, coking coal has risen from the dead and yet few, besides Colonial, have focused on creating a new pipeline of projects to meet this opportunity.

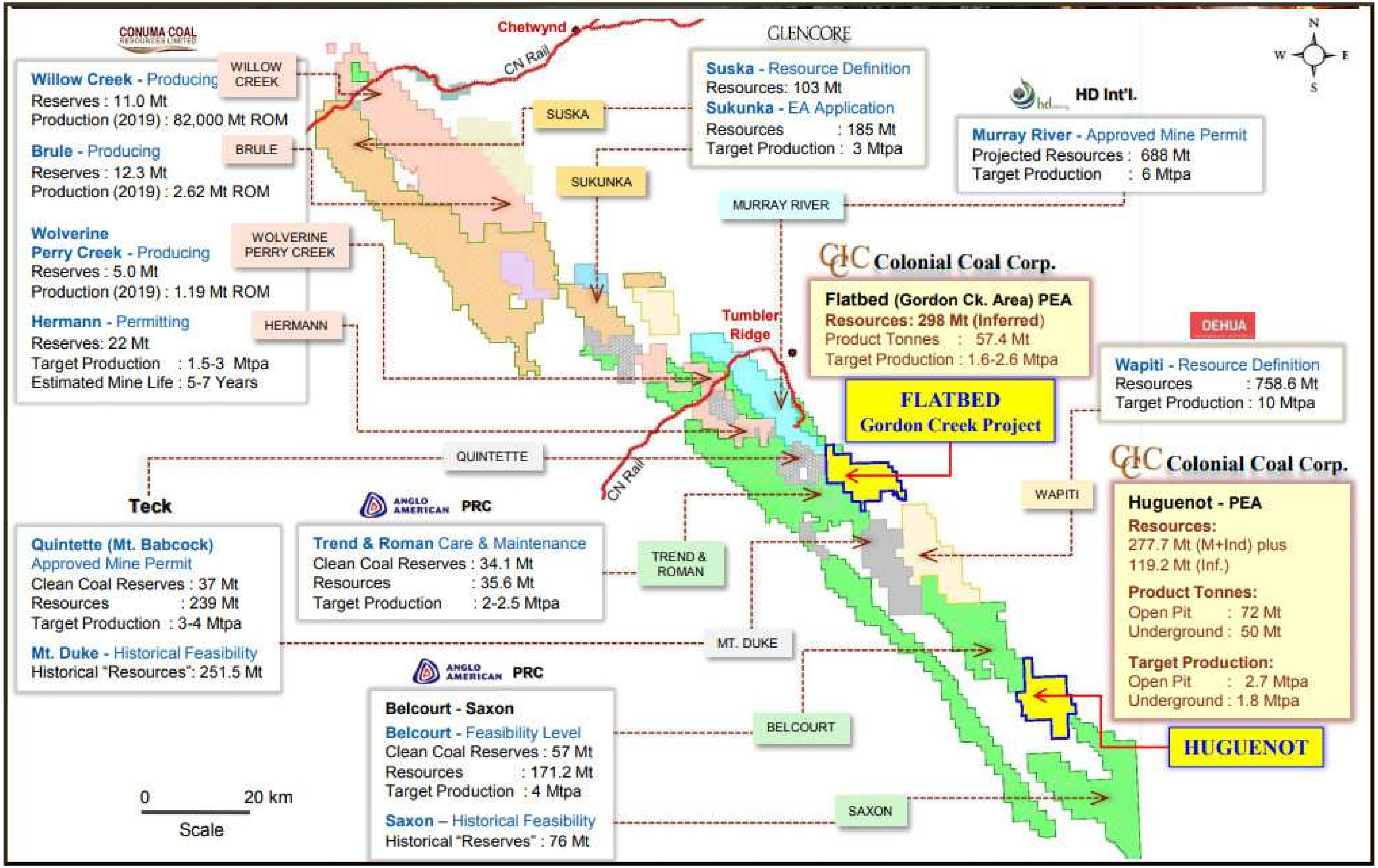
In the way of reminder we would mention that Colonial Coal's portfolio consists of two projects, Flatbed and Huguenot, both in the prime postcode of the Peace River coal district. These are shown on the map on the following page in juxtaposition to their heavyweight neighbours.

These are clearly for sale either together or separately. Usually we eschew the type of developers that do not intend to move to production themselves but actually bringing a coal mine of this potential size to production is definitely only a task for the very resourced. Colonial has form in wrapping up a package to deliver to a buyer in a plug-and-play format. The projects can stand alone due to their sheer size. For example, Huguenot, with a total of 397mn tonnes and a proposed production of between 3.5 and 5 million tonnes per annum, is one of the most substantial coal resources in the region. Meanwhile, Flatbed consists of 298 mn tonnes, all in the Inferred Resource category.

The shark fins started to appear in the water of late (obviously also did not get Greta's memo) and the stock took off in September with an exponential rise then retreated and then gained a second wind. From a low in June of just above 50cts the stock nearly touched $1.80 in the last month. The price is on the page after next.

Originally we had thought that the buyers of the assets might be Indians as the equation for delivery form BC to India is viable compared to the distance to Australian sources. Now we are beginning to suspect that Australian buyers may be stalking Colonial. If they were to make a move (and we should not discount the mighty Gina Rinehart after her travails elsewhere) then the Indians would be doubly over a barrel having to negaotite with the Australians or the Australians. Not much choice there.

We reiterate our **LONG** rating and we are lifting our 12-month target price from $1.10 to $2.45 per share.


CONUMA COAL RESOURCES LIMITED
Willow Creek - Producing
Reserves : 11.0 Mt
Production (2019) : 82,000 Mt ROM
Brule - Producing
Reserves : 12.3 Mt
Production (2019) : 2.62 Mt ROM
Wolverine
Perry Creek - Producing
Reserves : 5.0 Mt
Production (2019) : 1.19 Mt ROM
Hermann - Permitting
Reserves: 22 Mt
Target Production : 1.5-3 Mtpa
Estimated Mine Life : 5-7 Years
WILLOW CREEK
BRULE
WOLVERINE PERRY CREEK
HERMANN
Chetwynd
CN Rail
GLENCORE
Suska - Resource Definition
Resources: 103 Mt
Sukunka - EA Application
Resources : 185 Mt
Target Production : 3 Mtpa
SUSKA
SUKUNKA
HD Int'l.
Murray River - Approved Mine Permit
Projected Resources : 688 Mt
Target Production : 6 Mtpa
MURRAY RIVER
Colonial Coal Corp.
Flatbed (Gordon Ck. Area) PEA
Resources: 298 Mt (Inferred)
Product Tonnes : 57.4 Mt
Target Production : 1.6-2.6 Mtpa
FLATBED
Gordon Creek Project
Tumbler Ridge
DEHUA
Wapiti - Resource Definition
Resources : 758.6 Mt
Target Production : 10 Mtpa
WAPITI
Colonial Coal Corp.
Huguenot - PEA
Resources:
277.7 Mt (M+Ind) plus
119.2 Mt (Inf.)
Product Tonnes:
Open Pit : 72 Mt
Underground : 50 Mt
Target Production:
Open Pit : 2.7 Mtpa
Underground : 1.8 Mtpa
HUGUENOT
QUINTETTE
CN Rail
Teck
Quintette (Mt. Babcock)
Approved Mine Permit
Clean Coal Reserves : 37 Mt
Resources : 239 Mt
Target Production : 3-4 Mtpa
Mt. Duke - Historical Feasibility
Historical "Resources": 251.5 Mt
ANGLO AMERICAN PRC
Trend & Roman Care & Maintenance
Clean Coal Reserves : 34.1 Mt
Resources : 35.6 Mt
Target Production : 2-2.5 Mtpa
TREND & ROMAN
MT. DUKE
ANGLO AMERICAN PRC
Belcourt - Saxon
Belcourt - Feasibility Level
Clean Coal Reserves : 57 Mt
Resources : 171.2 Mt
Target Production : 4 Mtpa
Saxon – Historical Feasibility
Historical "Reserves" : 76 Mt
BELCOURT
SAXON
0 20 km
Scale
N
W
E
S

Portfolio Changes

There were no movements in the Model Resources Portfolio during September. A stellar month for SHORTS though with Aya taking a serious tumble and the dreadful Galane Gold melting like Macarthur Park in the rain. We have lowered the target for Galane from 15 cts to 6cts.

Aya, Caramba!

We were roundly panned when putting a SHORT call out on the new market darling, Aya Gold & Silver when it was over $11. When challenged by its fans on twitter we posited a price target below $8.

Since then it did a CAD$70mn bought-deal at $10.25 and the staves on the boat have been leaking ever since. Now our $8 target is within spitting distance and the bought-dealers are hurting like hell.

The trigger for our bearish stance was when a stock we recommended at a market cap of $11.4mn in 2012 passed $1bn, largely on the back of enthusiasms for its new/old CEO, Benoit Lasalle. Back in those days though it was known as Maya Gold & Silver, a misnomer it carried for many years. As we have noted elsewhere a $1 billion market cap for a company aiming to produce five million ounces of Ag per annum only adds up to top-line revenues of $125mn at best.

This is not to say the story is bad. During September the company announced further results from its 2021 drill exploration program at the Zgounder Silver Mine in Morocco. Amongst the highlights were (all intersections are in core lengths):

- Extension of on-strike underground mineralization below current operations with ZG-SF-21-39, which intersected 1,299 g/t Ag over 15 meters including:
    - ✓ 13,138 g/t Ag over 0.5m
    - ✓ 5,621 g/t Ag over 0.5m
    - ✓ 5,168 g/t Ag over 0.5m
- Opening Zgounder East Zone at depth with ZG-21-40, which returned 845 g/t Ag over 6.0m including:
    - ✓ 3,825 g/t Ag over 0.5m
    - ✓ 1,358 g/t Ag over 0.5m
- and with ZG-21-41, which returned 448 g/t Ag over 10.5m including:
    - ✓ 16,396 g/t Ag over 0.5m
    - ✓ 3,527 g/t Ag over 3.5m

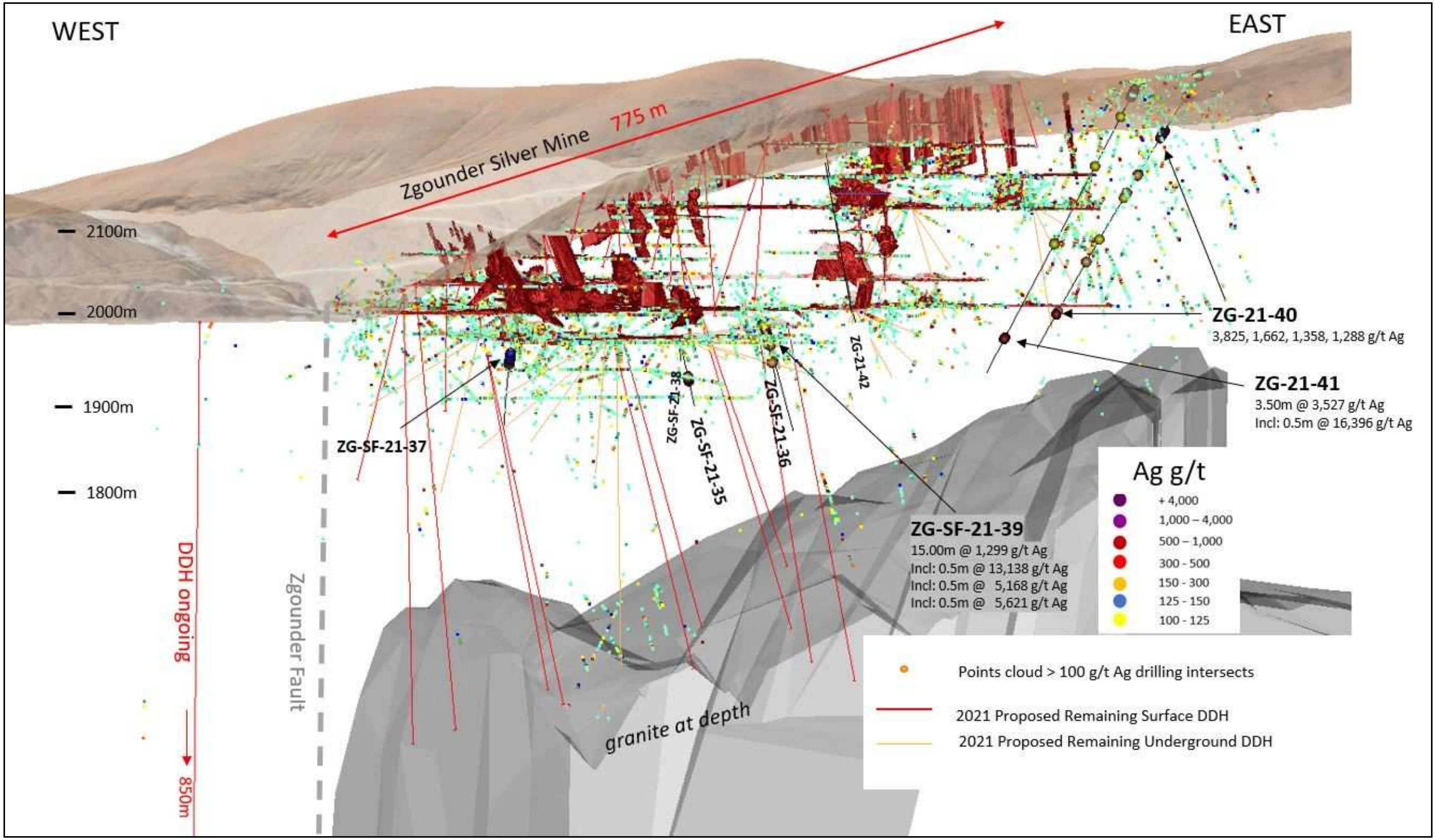
The surprising thing about the enthusiasm for the stock within Canada (with its obsession with resource size) is that Zgounder only has a resource of 44.4mn ounces Ag:

Zgounder Resource

Classification	Cut-Off (Ag g/t)	Tonnes (k)	Ag (g/t)	Ag (k oz)
Measured	70 & 125	3,586	302	34,862
Indicated	50, 70 & 125	1,307	227	9,548
M&I	50, 70 & 125	4,893	282	44,410
Inferred	125	59	209	395

Scarcely the stuff of which billion dollar valuations are made.

Our thoughts go out to the previous management who husbanded this portfolio of projects (there is more to this than Zgounder) for so long and got so little appreciation. It is very easy to laud new management for cleverness and "getting things done" when Silver in $27 and a different matter to slog through the best part of a decade when few cared about the metal and Morocco was seen as "too hard".


WEST
EAST
Zgounder Silver Mine
775 m
2100m
2000m
1900m
1800m
DDH ongoing
850m
Zgounder Fault
granite at depth
ZG-SF-21-37
ZG-SF-21-38
ZG-SF-21-35
ZG-SF-21-36
ZG-21-42
ZG-21-40
3,825, 1,662, 1,358, 1,288 g/t Ag
ZG-21-41
3.50m @ 3,527 g/t Ag
Incl: 0.5m @ 16,396 g/t Ag
ZG-SF-21-39
15.00m @ 1,299 g/t Ag
Incl: 0.5m @ 13,138 g/t Ag
Incl: 0.5m @ 5,168 g/t Ag
Incl: 0.5m @ 5,621 g/t Ag
Ag g/t
+ 4,000
1,000 – 4,000
500 – 1,000
300 - 500
150 - 300
125 - 150
100 - 125
Points cloud > 100 g/t Ag drilling intersects
2021 Proposed Remaining Surface DDH
2021 Proposed Remaining Underground DDH

The problem at Aya is that its fans know the price of everything and the value of nothing (a common ailment on Bay Street).

We reiterate our **SHORT** rating on Aya and our 12-month target price at CAD$8 (or less).

GreenRoc – Son of Alba

We encountered Alba, a rather low-key mélange of Greendlandish/Irish/UK assets in mining and O&G, several years ago at a trade fair. The Greenland assets were uncontroversial – graphite and mineral sands - but the jurisdiction was rather challenging and the country had long been promising and never delivering. The lack of delivery in Greenland may be now a thing of the past, with recent changes that make working there easier (except if one is Greenland Minerals).

Our main reason to pay any attention to its projects in the country was because of the amount of noise that has attended Greenland Minerals and the PGM assets of Platina (now embedded in Major Precious Metals). We never liked GGG and have had nothing but reinforcement of our negative view over the years. And Platina's asset, like all it owns, is better looked after others than by Platina and thus has found a happier home.

On the recent call for the IPO of GreenRoc we jested that Alba had always appeared to be somewhat of a ragbag of assets which evinced a wave of chuckles from those on the call. However the logic of spinning out the assets in Greenland into a standalone vehicle made imminent sense. The assets consist of the Amitsoq graphite project (surprisingly a past producer) and the massive Black Thule mineral sands project (plus two smaller projects). These are shown on the map below:

Graphite fell out of favour with us for several years with the "Syrah Factor" weighing heavily on the sub-space. It is a mineral with a plethora of projects scattered all along the continuum from near production to moose pasture.

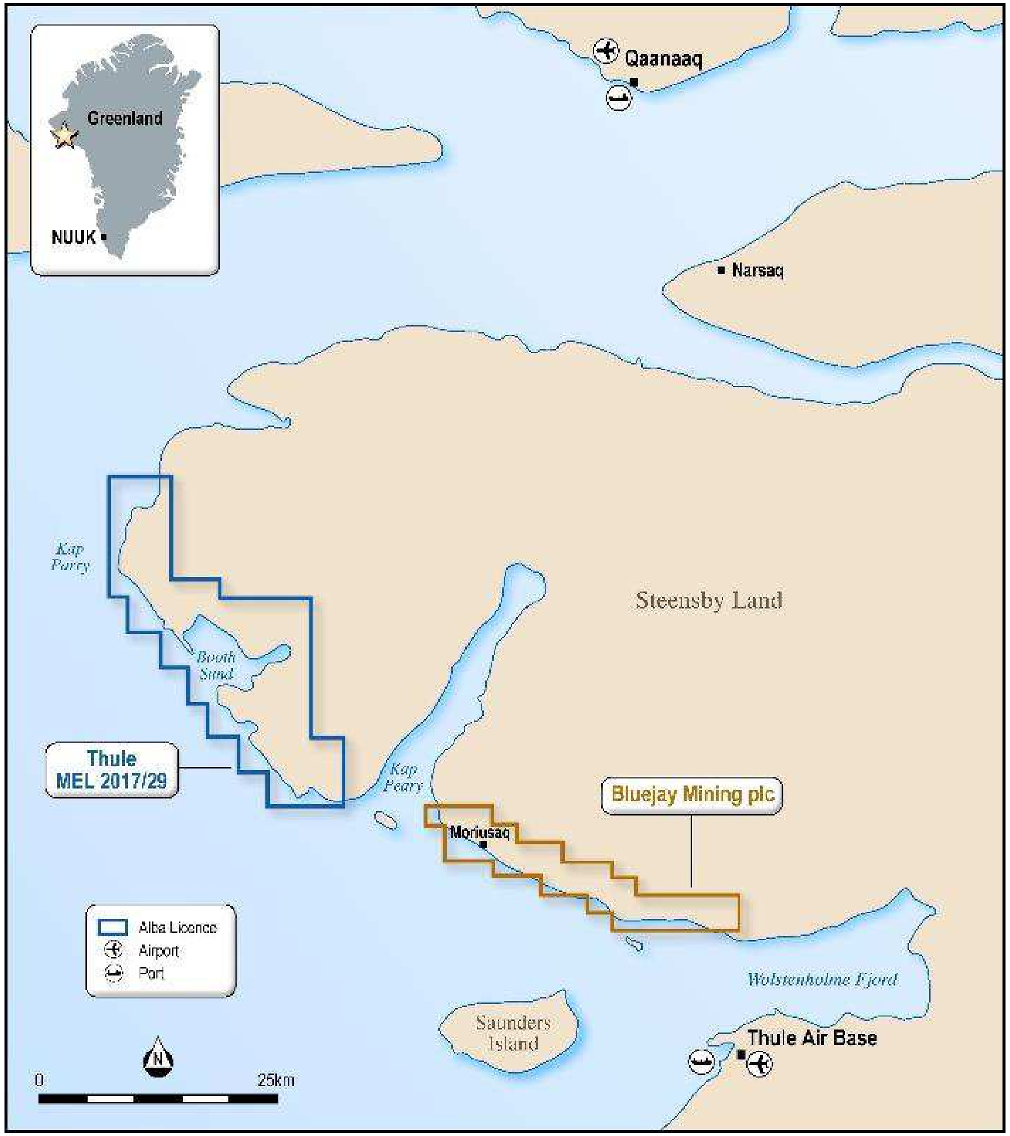
The project of Alba/GreenRoc at Amitsoq however does tick some key boxes in terms of grade (at the top end) and accessibility (surprisingly, but not, when compared to some of the more outlandish African and Canadian graphite wannabes). With a grade of 28.7% Cg it stacks up very well against the other global offerings in the graphite space.

It is the mineral sands that really chime with us. The wholly-owned Thule Black Sands (TBS) project is a heavy mineral sands (ilmenite) project located on the Steensby Land peninsular in north-west Greenland. The property is on-trend with the neighbouring Dundas project (Bluejay Mining PLC) with a Mineral Resource estimate 117mn tonnes at 6.1% ilmenite.

The Geological Survey of Denmark and Greenland, GEUS, has estimated that 10 billion tonnes of ilmenite exist in the original rock within the entire Thule region, with a further 7 billion tonnes of ilmenite present in the form of placer ilmenite.

The heavy mineral sands at TBS are found at or near surface on active beaches and raised terraces. The 2018 field program consisted of an extensive round of drilling, bulk sampling and environmental surveying over a strike length of around 10 km, which led to Alba declaring a maiden Mineral Resource Estimate of 19mn tonnes@ 43.6% Total Heavy Minerals (THM), with an in-situ ilmenite grade of 8.9%, making TBS one of the highest-graded ilmenite projects in the world.

The Mineral Resource estimate equates to 1.7 million tonnes of contained ilmenite, which would mean a mine life of more than 12 years for a 1.5 million tonne per annum operation. The company claims that the existing Resource Estimate can be significantly increased by further, deeper drilling using a sonic drill rig, as the current Resource is constrained by the depth of the permafrost in the area.


Qaanaaq
Greenland
NUUK
Narsaq
Kap Parry
Steensby Land
Booth Sund
Thule MEL 2017/29
Kap Peary
Bluejay Mining plc
Moriusaq
Alba Licence
Airport
Port
Wolstenholme Fjord
Saunders Island
Thule Air Base
N
0
25km

GreenRoc's 2021 drilling objective is to move Inferred Resources to Indicated & define more Inferred Resources. This is turn will provide base for a Scoping Study, EIA/SIA and application for Mining Licence giving a roadmap for TBS development and exploitation.

While strictly not a demerger (a concept with which we are having a love affair lately) this is definitely a spin-out that makes sense bunching all of Alba's Greenland assets into one listed venture. The graphite looks like heavy lifting at the moment, with much more accessible assets elsewhere. However, the mineral sands are a far more tempting prospect. The problem the company has in London is that the whole Alba suite of assets has been seen for ages already. One cruel wagged described GreenRoc as "mutton dressed up as lamb".

The stock eventually debuted on the London market in the last week of September after an IPO which raised gross proceeds of £5.12m, through the issue of 51,200,000 new ordinary shares of £0.001 each at a placing price of 10 pence per share, equating to a market capitalisation of £11.1 million. New management may be able to make magic where Alba's crew failed. The mineral sands are, as we have said, worth watching. We give no rating for the time being.

Parting Shot

The pushback against the Green Agenda is now on.

Nascent energy crises in the UK, China and the EU in recent weeks are promising a "winter of Discontent" that will put the feet to the fire of the Greenwashing crowd. It's clear that wind and solar are only swing producers of electricity and despite all their high-mindedness most governments are still highly dependent upon the burning of natgas to fuel their power generation (though the Germans, gotta love em, are burning coal like there is no tomorrow).

Ironically though, the energy crisis might help the EV revolution in some places (with a reputed surge in interest in the otherwise wary UK auto buyers). The next shoe to drop from rising electricity will be how electricity for EVs is charged for. Most vehicles are being charged overnight at residential plugins. Is this going to be charged to vehicle users at the same rate as their domestic usage? There will inevitably be questions asked as to why additions to electricity generating capacity should be paid for by residential electricity users (grannies, students, those without cars in general) when all the excess demand is coming from EV owners charging up. Why shouldn't ALL incremental generating needs be charged solely to EV owners?

Beyond that, in many countries where fuel taxes are directed towards road maintenance it might finally be noted that pure EVs are actually contributing zero towards road maintenance costs. This will have to change. Early adopter EV owners have totally opted out of making any contribution to roads. In other economies where fuel taxes go into general revenues there will be a big hit to government budgets from declining fuel taxes over time. Squeezing the remnant ICE drivers till the pips squeak will not work when it is eventually noted that the EV adopters in the first instance are well-padded one percenters and their camp followers. EV's for the rich and aging ICE's for the poor. Doesn't have a great ring to it.

The surprise collateral beneficiary to the reality check on the Green Revolution is the rehabilitation of nuclear energy. Card-carrying fans of uranium have long posited this but some on the Green/Left spectrum are mouthing the long-forbidden words that nuclear may be the way forward. Ironically Left-wing governments, particularly in Europe, were prime promoters of nuclear energy. It was the conflation of nuclear energy and nuclear weapons in the addled minds of a newer generation which led to its being put in the penalty box for so long. The French Left were fans and it has long stood France in good stead while we can recall the infamous Tony Benn, then the UK's Energy Minister, touring Australia in the 1970s rhapsodizing of its attractions. In recent times the politician with the biggest downer on nuclear energy was *Mutti* Merkel in Germany, from the Right of the spectrum, with her kneejerk (or just plain jerky) reaction to the Fukushima disaster. Germans (and everyone downwind of them) have being paying the price for that ever since.

Some might argue that the new uranium surge is merely in the dreams of the Sprott organization, but as many fans of the mineral have long posited that a catalyst would come along though we didn't know when and what it would be. Curious to think that it's the inadequacies of wind and solar (combined with an over-enthusiastic run-down in gas- and coal-powered capacity) that has led us to a resurgence in nuclear's fortunes.

So, lo and behold, Yellowcake is the Green.

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	Teck Resources	Teck.B	CAD	31.53	66%	9%	$30.00
	Hochschild	HOC.L	GBP	1.324	-40%	-12%	£3.40
Uranium	Sprott Physical Uranium	U.UN.to	CAD	14.20	252%	18%	$15.00
	GoviEx	GXU.v	CAD	0.35	169%	25%	$0.45
Zinc/Lead Plays	WisdomTree Zinc ETF	ZINC.L	USD	9.36	26%	4%	$9.00
	Altaley Mining	ATLY.v	CAD	0.40	43%	-35%	$0.90
Silver Explorer	Southern Silver Exploration	SSV.v	CAD	1.28	91%	7%	$1.80
Silver ETF	IShares Silver ETF	SLV	USD	20.52	-7%	-8%	$26.00
Gold Producer	Soma Gold	SOMA.v	CAD	0.36	-28%	20%	$1.20
Metallurgical Coal	Colonial Coal	CAD.v	CAD	1.48	95%	72%	$2.45
Project Generator	Altus Strategies	ALS.L	GBP	0.72	-99%	-11%	£1.00
Copper Explorers	Panoro Minerals	PML.v	CAD	0.14	17%	0%	$0.30
	Phoenix Copper	PXC.L	GBP	0.64	-99%	-5%	£0.90
	C3 Metals	CCCM.v	CAD	0.23	n/a	35%	$0.44
Tungsten Producer	Almonty Industries	AII.v	CAD	0.92	23%	-1%	$1.25
Vanadium Developer	Vanadium Resources	VRB.ax	AUD	0.06	100%	0%	$0.08

MODEL RESOURCES PORTFOLIO @ END SEPTEMBER

	Security	Ticker	Currency	Price	Change last 12 mths	Change last mth	12-mth Target
LONG EQUITIES							
Lithium	Neometals	NMT.ax	AUD	0.86	353%	21%	$1.00
	Lithium Power Intl	LPI.ax	AUD	0.32	78%	14%	$0.30
Scandium Developer	Scandium International	SCY.to	CAD	0.16	33%	-16%	$0.25
Gold Explorer	Cabral Gold	CBR.v	CAD	0.38	-54%	-21%	$0.60
	BTU Metals	BTU.v	CAD	0.07	-68%	-22%	$0.12
	Gunpoint Exploration	GUN.v	CAD	0.59	-26%	4%	$0.75
	Bold Ventures	BOL.v	CAD	0.10	100%	-9%	$0.18
	MetalsTech	MTC.ax	AUD	0.66	313%	164%	$0.68
Fertilizers	Verde Agritech	NPK.to	CAD	1.28	91%	7%	$2.00
Cesium et al.	Essential Metals	EXX.ax	AUD	0.16	45%	-11%	$0.30
Rare Earths	Rainbow Rare Earths	RBW.L	GBP	0.15	317%	39%	£0.30
	Neo Performance Materials	NEO.to	CAD	17.58	63%	-7%	$24.00
Tin Miner	Alphamin	AFM.v	CAD	0.80	264%	1%	$0.80
	Metals X	MLX.ax	AUD	0.36	414%	13%	$0.45
Oil & Gas	Shell A	RDSA.L	GBP	16.3364	80%	14%	£14.90
Royalties	Elemental Royalties	ELE.v	CAD	1.34	n/a	-4%	$2.30
SHORT EQUITIES							
Shorts	NioCorp	NIO.to	CAD	1.00	28%	-19%	$0.40
	Aya Gold & Silver	AYA.to	CAD	7.76	185%	-23%	$8.00
	Galane Gold	GG.v	CAD	0.10	-57%	-38%	$0.06
	Texas Mineral Resources	TMRC	USD	1.44	-6%	4%	$0.30

Important disclosures

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