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Under-The-Radar Plays In Metals & Mining

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Mining cart in silver, gold, copper mine TTSTUDIO SHUTTERSTOCK

*Although Bitcoin has been outperforming traditional alternative investments lately, the newsletter advisory community has not given up on "hard assets." Several leading resource sector experts and contributors to **MoneyShow.com** highlight some under-the-radar ideas for those seeking exposure to gold, silver, copper, uranium and rare earth metals.*

Peter Krauth, Resource Maven's Silver Stock Investor

We have seen a tsunami of new interest in silver, especially from a younger crowd, and they've been relentlessly buying what they can. Bullion dealers continue to show "Out of Stock" for most of the widely bought silver coins, or warn of longer than normal delays if they are in fact available.

While that's great for the silver market as a whole, it has caused the physical price of silver to explode. If you haven't bought any physical silver recently, then you may not have noticed. But silver bars and coins have seen their premiums go through the roof.

The most sold silver coins now carry premiums up to 50% above the spot price, which is more than triple normal levels. And deliveries are now 2-3 weeks, whereas previously they were typically a day or two.

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So what's a buyer of physical silver to do? I have a suggestion that's not perfect, but it can be a workaround that will get you closer to your goal. You can purchase the **Sprott Physical Silver Trust** (PLSV).

The trust is a claim on silver through the ownership of trust units, which are convenient exchange-traded shares. PSLV does offer advantages over some of its competitors. The silver it owns is fully allocated, meaning it cannot be loaned out or claimed by another entity.

Unitholders have the option to redeem their units for physical silver bullion, however the minimum requirements are high. And storage of the metals is at the Royal Canadian Mint, which is a Federal Crown Corporation of the Government of Canada.

I do want to point out that this is not the same as owning physical silver coins or bars. What's interesting is that PSLV's price closely reflects the price of spot silver. It can trade at a premium, or even at a discount to spot silver some times.

Of course the ideal is to buy when it trades at a discount. But that may not be practical for everyone. In any case, you can decide the amount you'd invest in physical silver, buy an equal amount of PSLV, then sell and convert that to physical silver once premiums are closer to normal.

Nick Hodge, Resource Stock Digest

For the uninitiated, rare earths are a group of metals that are critical components of everything from batteries and wind turbines to smartphones and high-tech war machines.

As such, they're highly critical to the defense and clean-energy ambitions of governments across the globe. But the production and refinement of this critical group of elements are more or less monopolized by China.

If you're having déjà vu, you're not alone. This same tale spawned a rare-earth stock run back in 2009 that led to thousands-of-percent wins for the best-positioned stocks. The narrative hasn't changed any in the past decade.

- The supply of rare earth elements is still controlled by China.
- Rare earth elements are as critical as ever.
- There are still only a small handful of quality ways to play it.

What's different this time is the electric car narrative has caught on in a real way. There is an army of armchair retail traders hell-bent on chasing the entire electric vehicle supply chain.

This, combined with a renewed government focus on rare earths, makes it time to revisit the space once again. Especially because China is once again toying with the idea of limiting rare earth exports.

Like uranium, there aren't many quality rare earth companies. It's a very small sector. New names have come on lately and done quite well — almost too well to justify buying them right now.

There may be an opportunity to buy some of them on pullbacks, but for now I'm going to take a little bit of a different direction.

Neo Performance Materials (Toronto: NEO)(OTC: NOPMF) is a speculative play in this sector. The firm's Rare Metals division produces, reclaims, refines, and markets high-value niche metals and compounds that include gallium, indium, rhenium, tantalum, niobium, and hafnium.

Its magnetic material division, called Magnaquench, is a global leader in bonded neodymium-iron-boron (NdFeB) magnetic powders that are used to provide high-performance magnetics for automotive, factory automation, high-efficiency motors, residential appliances, and many other industries.

Neo is a profitable, dividend-paying company. It had an adjusted net income of US$400,000 in Q3 2020 on revenues of US$77.9 million. It currently yields 2.66%, which is better than a bond will get you.

Fourth quarter earnings are expected at the end of March, and the company says it expects results to "exceed analyst consensus estimates of $85-million in revenues and $7.4-million of EBITDA (amounts in U.S. dollars)."

Extrapolated out to a year, we can assume Neo will do US$300 million in revenue. It trades with a market cap of US$445 — or less than 1.5X expected one-year revenues.

That has some catching up to do relative to other rare earth / electric vehicle plays. The shares are consolidating below C$15.60, which is where you should start building a position.

Gavin Graham, **Internet Wealth Builders**

First Quantum QMCO -6.7% **Minerals** (Toronto: FM) (OTC: FQVLF) is one of the largest copper producers in the world. In addition to its 90% ownership of Cobre Panama, it owns the 80% of the Kansanshi and 100% of the Sentinel copper mines in Zambia and the Ravensthorpe nickel mine in Australia. It also owns smaller mines in Finland, Spain, and Mauritania.

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First Quantum has been on a tear; the stock is up 189% in the last year from its pandemic lows, but only 30% over the last three years, despite bringing Cobre Panama on stream, which effectively increased its production by 50%.

The company has entered a period when it will generate substantial free cash flow, and management has indicated they will use this to reduce debt and increase dividends to shareholders now that Cobre Panama is in operation.

For the fourth quarter ended Dec. 31, First Quantum reported revenue up 11% to $1.6 billion and comparative EBITDA of $725 million. That was up $214 million (41%) on a 13% increase in the realized copper price. Comparative EBITDA for fiscal 2020 was $2.15 billion, up 34%.

In its guidance for 2021-23, First Quantum has forecast copper production increasing from 285,000 tonnes to 305,000 tonnes and gold production of between 280-300,000 oz. per year. Capital expenditure will be $950 million in both 2021 and 2022 and $1.05 billion in 2023 on a new expansion for Kansanshi.

First Quantum is one of the largest global producers of copper. It has increased its output by 50% by bringing Cobre Panama on stream, and has another major project in Taca Taca in Argentina, which could be as large as Cobre Panama or Kansanshi and Sentinel.

If copper merely remains at present levels, which given its importance in the green electrification of automobiles and power seems reasonable, then its increased production will enable First Quantum to generate substantial growth in revenue and earnings. Buy now for operational growth and the possibility of higher copper prices for the foreseeable future.

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Omar Ayales, Gold Charts R Us

Uranium has been one of the top performing assets recently. Demand spiked just after we picked up some positions in **NexGen Energy** (NXE) and **Uranium Royalty Corp.** (Vancouver: URC).

And although uranium has been one of the best trades this year, it'll likely remain in a bull markets for the years to come. The vastness of uranium as a solution for our society's energy demand seems like the best alternative to fossil fuels due to its low cost and safety.

We picked up some NXE at the low near $3.25 just before it started taking off. Notice the leading indicator below the chart breaking out, with room to rise further. NXE is telling us a renewed upmove could be starting. A break above $4.25 confirms strength. Keep your positions.

Uranium Royalty is another of my favorites. We did great trading in this stock earlier this year achieving triple digit returns in just a couple of months. Uranium Royalty is once again showing signs of strength. We picked up some at the recent lows.

Our technical indicators suggest the stock is breaking out and showing upside potential. Watch for a clear break above $3.25 to confirm strength. We have small positions in both Uranium Royalty and NexGen Energy and we'll be looking to add on any weakness.

Adrian Day, Global Analyst

In the gold space, everything is on sale and it's a little like being a kid in a candy store. With everything down, we can afford to be highly selective. We see positive developments all round for **Altius Resources** (Toronto: ALS);

the company announced fourth-quarter revenues of almost $22 million, up 33% from the previous quarter.

Receipts were boosted by a doubling of thermal coal revenue, due to the acquisition of an additional royalty in July; a large dividend from Labrador Iron Ore, which had withheld distributions for most of 2020; and stronger commodity prices overall.

Copper revenues account for about 35% of the total, followed by potash at 21%. Many of the assets as very long term, over 1,000 years in the case of potash, with some of the iron ore and copper assets over 50 years mine life.

The most important recent development was the IPO of **Altius Renewable Royalties** (Toronto: ARR). Altius initiated and developed the business and recently brought in Apollo Capital as a partner to co-invest in new assets. This unit was taken public far sooner than many thought it would, which is evidence of its rapid growth.

Altius Resources currently owns about 60% of Altius Renewable Royalties — valued at approximately $60 million in the market — as well as royalties on different assets.

There was more positive news recently with the completion of the acquisition out of receivership of the Kami iron ore project by **Champion Iron** (OTC: CHPRF). This is a high-grade and high-quality project, stymied by the collapse in iron ore prices several years ago. Altius now has shares in Champion (current value over C$20 million) plus production-based payments.

In the last four years, Altius has successfully sold 61 properties for royalties and shares, and it continues to assemble new projects for which it is seeking partners. As of year-end, it had cash and public equities valued at $136 million (just $30 million in cash), with debt of $141 million. Altius, having spent the lean years assembling properties is now in the harvesting phase. A higher dividend in the years ahead is a possibility. Atlius is a buy.

Glenn Rogers, Internet Wealth Builder

Battery production relies on lithium-ion technology and currently the main suppliers of the minerals needed to meet this demand are in China, which controls more than 70% of the world's supply of rare earth materials.

A few years ago, we saw a run up in the share price of companies associated with this business but that soon fizzled since the only major demand was from **Tesla** TSLA -6.9% (TSLA).

That has now changed with dozens of automotive manufacturers getting into the act. The demand is bound to increase and overshoot supply, at least in the medium to long term.

It's not just auto manufacturers who will be requiring huge amounts of lithium and other related materials like nickel. Solar systems will require backup batteries and even large industrial and civic installations will increasingly require large amounts of storage.

Lack of storage is one of the weaknesses of the renewable energy complex and there's a huge amount of money being invested to try and rectify this problem. We recognized this trend and in 2016 when we recommended the **Global X Lithium and Battery Technology ETF** (LIT).

Back then it was trading at US$24.56. It recently closed Friday at US$60.91 for a gain of 148%. This ETF tracks a market cap weighted index of 20 to 40 companies involved in the global mining and exploration of lithium or in lithium battery production.

It's a good way to get overall exposure and gives you a nice global spread as well with companies based in China (30% of the fund), United States (22%) and Hong Kong, Korea, Japan, Australia, etc.

We also recommended the **Van Eck Vectors Rare Earth Strategic Metals ETF** (REMX) REMX -2.8% back in 2010 but sold in 2014 before the sector started to heat up. This ETF has a very narrow number of holdings with only 21 stocks.

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A large number of them are focused on China, which adds some risk and volatility, but the fund has performed extremely well recently, up 107% this past year. I think you could add to both of these funds as a long-term bet on the electrification of our transportation and grid system.

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