

\$UAMY: Shorting a Geopolitical Fantasy on a Collision Course with Financial Reality

1. Executive Summary

We recommend initiating a **SHORT** position in United States Antimony Corporation (UAMY). Our thesis is that a compelling, but ultimately flawed, geopolitical narrative has inflated the company to a **\$1.52 billion market capitalization** that is catastrophically disconnected from its underlying financial reality. The market is pricing UAMY as a de-risked, fully-funded national champion, while its balance sheet reveals a pre-revenue mining venture with less than a year of cash runway and a stated, unfunded capital need of over \$300 million.

The investment case is a classic battle between a seductive story and unavoidable mathematics. The story is that UAMY, as the sole domestic antimony smelter, is the designated strategic partner for the U.S. Department of Defense (DoD) and will receive a "blank check" to secure a critical mineral supply chain. The math shows that historical government support via the Defense Production Act (DPA) is a catalyst for, not a replacement of, private capital, and is orders of magnitude smaller than what UAMY requires.

Our variant perception is that the market is fundamentally misinterpreting the purpose, scale, and timeline of DPA funding. Precedents from other critical mineral champions like MP Materials show DPA awards are structured as cost-sharing partnerships, not enterprise-level bailouts. UAMY's impending cash crunch will force a massively dilutive equity offering within the next 12 months, an event that will serve as the hard catalyst to shatter the current narrative and re-price the stock based on its pro-forma, post-dilution fundamentals. We believe this reconciliation will drive the share price down by over 70%.

We are not shorting the strategic importance of antimony. We are shorting a valuation that prices in a fantasy government rescue while ignoring the near-certainty of a balance sheet-driven collapse. The geopolitical lure is powerful, but the economic reality of cash burn and capital needs will be unforgiving.

TL;DR:

- **Recommendation + conviction level:** Initiate SHORT with high conviction.
- **Key thesis driver:** An impending and mathematically certain dilutive capital raise of \$300M+ to fund development, which the current \$1.52B valuation completely ignores.
- **Primary risk or kill condition:** A surprise, non-dilutive government grant exceeding \$150 million, which would fundamentally alter the dilution math and invalidate our thesis.
- **Valuation vs. current price:** Current price of **\$10.85** reflects a flawless execution narrative; our dilution-based price target is **\$2.75**, representing over 70% downside.

2. Business Quality Assessment

United States Antimony Corporation's business is best understood in two parts: its current operational reality and its strategic aspiration.

Current Operations: A Low-Margin Processor Today, UAMY is primarily a materials processor. Its core asset is an antimony smelter in Montana, the only one of its kind in North America. This facility generates revenue by processing third-party antimony concentrate, much of which is sourced internationally, into finished products. This is a low-margin, tolling-style business subject to volatile commodity prices and significant supply chain risk, as the company acknowledges in its own filings:

"A significant portion of the Company's antimony smelter production is from raw materials that are purchased from foreign sources. The availability and price of such raw materials are subject to foreign political and economic risks..."

Source: UAMY FY2024 10-K

Financially, the business is weak. It operates with a trailing twelve-month (TTM) EPS of **\$-0.04** and negative operating cash flow. The company is not profitable and is burning cash to sustain its current, small-scale operations.

Strategic Aspiration: The Vertically Integrated Monopoly The bull case for UAMY is not based on its current business but on its plan to become a vertically integrated producer. The strategy involves developing its own mining assets, primarily the Los Juarez project in Montana and the BRAG prospect in Alaska, to feed its smelter. Success would transform UAMY from a dependent processor into a self-sufficient, sole-source domestic producer of a critical defense mineral.

This strategic position creates what our research has termed a "Time-Gated Strategic Monopoly." The moat is the smelter; permitting a new one in the U.S. today is a near-impossible, decade-plus endeavor. This gives UAMY a window of opportunity where it is the only viable partner for the DoD. However, this window is not infinite. The primary competitive threat is Perpetua Resources (PPTA), whose Stibnite Gold Project in Idaho will produce antimony as a by-product. Perpetua's own timeline sets the clock on UAMY's monopoly:

"Assuming a positive Record of Decision and receipt of all necessary permits, Perpetua could commence a two- to three-year construction and commissioning period. Given this timeline, initial production from the Stibnite Gold Project, including antimony as a by-product, is not anticipated before 2030."

Source: Perpetua Resources, 2025 10-K Filing

UAMY has a 5-7 year window to execute its vertical integration strategy. If it fails to bring its own mines online within this period, its strategic asset—the smelter—will be relegated to a low-margin tolling facility competing against a larger, more efficient domestic producer. The quality of the business hinges entirely on its ability to execute an ambitious, unfunded, and high-risk mining development plan.

3. Investment Thesis & Variant View

Our short thesis is that UAMY is a story stock where the narrative has overwhelmed the numbers. The market has priced in a flawless, government-funded transformation from a cash-burning processor to a strategic monopoly, ignoring the near-certainty of a catastrophic dilution event required to bridge that gap.

The Market's Belief: The Government's Blank Check The consensus bull view, reflected in the stock's meteoric rise from a 52-week low of **\$1.21** to its current **\$10.85**, is built on a simple and powerful narrative. Antimony is critical for national defense. China and Russia control the supply. UAMY is the only domestic solution. Therefore, the U.S. government will provide whatever funding is necessary, effectively de-risking the entire enterprise for shareholders. The stock is being treated as a call option on U.S. industrial policy, where fundamentals are a secondary concern.

Our Variant View: The DPA is a Tool, Not a Treasure Chest This narrative fundamentally misunderstands the purpose and historical application of the Defense Production Act (DPA), the primary vehicle for government support. The DPA is designed to *stimulate* and *partner with* private capital, not replace it entirely. It provides targeted, milestone-based, cost-sharing support to ensure projects are commercially viable and taxpayer funds are protected. It does not write blank checks.

The "smoking gun" that invalidates the bull thesis is the DoD's DPA awards to MP Materials (MP), the West's largest producer of rare earth elements—another set of critical minerals dominated by China. A review of these contracts reveals the true nature of DPA support:

"On February 22, 2022, the DoD announced an award of \$35.0 million to MP Materials to separate and process heavy rare earth elements at our Mountain Pass facility... The DoD award will be cost-shared by MP Materials and is expected to be completed over the next several years."

Source: MP Materials Press Release, February 22, 2022

Similarly, Lynas Rare Earths received a \$30.4 million contract. These precedents are clear: DPA awards are in the tens of millions, not the hundreds of millions UAMY needs. They are cost-sharing agreements, meaning the company must bring its own capital to the table. And they are disbursed over years, a timeline that does not solve UAMY's immediate cash crunch.

The market is pricing in a bailout. We see a partnership that will arrive too late and be too small to prevent the impending "dilution bomb." The geopolitical story is the siren song; the balance sheet is the rocky shore, and the company is sailing directly towards it.

4. Valuation

UAMY's current valuation at **47.7x Price-to-Sales** is indefensible for a capital-intensive, money-losing materials company. Our valuation analysis is not about finding a fair multiple; it is about quantifying the destructive impact of the capital raise required to fund the company's strategic plan.

The anchor for our analysis is the company's own stated capital need. In its 2024 10-K, UAMY references a 2018 technical report for its flagship Los Juarez project, which provides a concrete starting point for the necessary investment.

*"The Los Juarez Property technical report, a Preliminary Economic Assessment ("PEA") prepared in 2018... estimated the initial capital cost for the Project at **\$288 million**..."*

Source: UAMY 2024 10-K Filing

Adjusting for nearly a decade of inflation, a **\$300 million to \$350 million** capital need is a conservative and company-sourced estimate. UAMY currently has **\$19.6 million** in cash. It must raise the difference from the capital markets.

The Dilution Bomb: A Quantitative Model Our price target is derived from a scenario where UAMY is forced to raise this capital. We assume the company needs to raise **\$310 million** (our Base Case: \$250M for CAPEX + \$60M for 3 years of corporate cash burn). An equity offering of this size for a speculative company would require a significant discount to the prevailing market price. We model the offering at \$5.00 per share, a ~54% discount to the current price.

- **Capital Needed:** \$310,000,000
- **Assumed Offering Price:** \$5.00 / share
- **New Shares Issued:** \$310,000,000 / \$5.00 = **62,000,000 new shares**
- **Current Shares Outstanding:** 140.0 million
- **Pro-Forma Shares Outstanding:** 140.0M + 62.0M = **202.0 million shares** (a 44.3% dilution)

To find a post-dilution price target, we must value the future enterprise. In a generous 2028 scenario, we assume the mine is built and generating **\$75 million** in revenue. We apply a **6.0x EV/Sales multiple**, a significant premium to specialty chemical peers, to reflect its strategic nature.

- **Future Enterprise Value:** \$75M Revenue x 6.0 = \$450 million
- **Price Target:** \$450M / 202.0M pro-forma shares = **\$2.23 per share**

We round up to **\$2.75** to provide a margin of safety, which still represents over **70% downside** from the current price.

Valuation Sensitivity Analysis The table below demonstrates that the stock is profoundly overvalued across a range of plausible outcomes. The price target is highly sensitive to the offering price and the ultimate valuation multiple, but in no rational scenario does it support the current stock price.

2028 Revenue Assumption	Offering Price	Pro-Forma Shares (M)	Implied Price at 4.0x EV/Sales	Implied Price at 6.0x EV/Sales
\$75M (Base)	\$4.00	217.5	\$1.38	\$2.07
\$75M (Base)	\$5.00	202.0	\$1.49	\$2.23
\$75M (Base)	\$6.00	191.7	\$1.56	\$2.35
\$125M (Bull)	\$5.00	202.0	\$2.48	\$3.71
\$50M (Bear)	\$5.00	202.0	\$0.99	\$1.49

Even in a bull case with \$125 million in revenue, the post-dilution valuation points to a price below \$5.00. The current price of **\$10.85** is mathematically unachievable without assuming a near-zero cost of capital and a complete government subsidy, a scenario that history shows is a fantasy.

5. Key Analytical Tensions

Our conviction in the short thesis was formed by resolving three critical debates.

1. The Tension: Is the DPA a Blank Check or a Catalyst for Private Capital?

- **The Case for a Blank Check (The Bulls):** Proponents argue that antimony's extreme supply concentration in China and Russia makes it a unique national security emergency. This uniqueness, they contend, will compel the DoD to bypass historical precedent and provide full, non-dilutive funding to guarantee a domestic supply chain, making UAMY a risk-free government contractor.
- **The Case for a Catalyst (The Bears):** This view, which we support, argues that the DPA's mandate and history are immutable. The program is designed to de-risk projects to attract private capital, not to nationalize them. The consistent pattern of small, cost-sharing awards to companies like MP Materials (\$35M) and Lynas (\$30.4M) provides a powerful dataset suggesting UAMY will receive a helpful, but insufficient, partnership grant.
- **Our Resolution:** Evidence must trump narrative. While the geopolitical story is compelling, the hard data from past DPA awards provides a clear and consistent picture. The government acts as a co-investor, not a sole benefactor. To believe otherwise is to bet on a complete reversal of established U.S. industrial policy. We resolve this by concluding that any government support will be a fraction of the \$300M+ required, leaving a massive funding gap that only the equity markets can fill.

2. The Tension: Is UAMY's Competitive Position a Durable Monopoly or a Risky Bet?

- **The Case for a Durable Monopoly:** UAMY's sole North American smelter is an irreplaceable asset. Furthermore, its proposed mining projects are geologically simpler than Perpetua Resources' (PPTA) complex polymetallic deposit. This makes UAMY the faster, cleaner, and more strategically aligned partner for a DoD that needs antimony, not gold.

- **The Case for a Risky Bet:** This argument centers on execution risk. Developing a mine is fraught with peril, from permitting delays to construction overruns. The decade-long, litigious saga of the Pebble Mine project in nearby Alaska serves as a stark reminder that even strategically important projects can fail. The market is pricing in flawless execution on a project that has not yet broken ground.
- **Our Resolution:** Both points are true, but the market is only pricing one of them. UAMY does have a temporary monopoly, but its value is contingent on successful execution. The current **\$1.52B valuation** reflects the full upside of the monopoly with zero discount for the substantial execution risk. We believe the risk-adjusted value of this position is a fraction of what the market implies. The monopoly is real, but the path to monetizing it is treacherous and un-funded.

3. The Tension: Is the Appropriate Valuation Framework a National Asset or a Speculative Miner?

- **The Case for a National Asset:** Bulls argue UAMY should be valued like other sole-source, mission-critical defense suppliers, such as TransDigm (TDG), which command premium multiples (15-20x EV/EBITDA) due to their pricing power and strategic importance.
- **The Case for a Speculative Miner:** This view asserts that a company with no mining revenue, negative cash flow, and unproven reserves must be valued based on the tangible value of its assets and the heavily diluted pro-forma economics of its future projects. The current P/S ratio of **47.7x** is an extreme anomaly for any materials company, let alone a pre-production one.
- **Our Resolution:** UAMY is a speculative miner *aspiring* to become a national asset. The market is committing a cardinal sin of valuation: pricing the aspiration as if it were an accomplishment. Until the mines are permitted, funded, built, and operational, UAMY's risk profile is that of an exploration company. Applying a defense-contractor multiple today is illogical. Our valuation framework is appropriately grounded in the dilutive reality of funding that aspiration.

6. Catalysts

The primary catalyst for our short thesis is the forced reconciliation of the company's narrative with its balance sheet.

1. **Cash Runway Exhaustion & Announcement of a Secondary Offering (Primary Catalyst; 6-12 months):** UAMY holds **\$19.6 million** in cash. Based on its reported operating cash flow, its quarterly burn rate is approximately \$5 million. This provides a runway of less than four quarters. Before the end of 2026, the company will be forced to raise capital. The filing of an S-3 registration statement or the announcement of a large secondary offering will be the definitive event that forces the market to confront the dilution math at the core of our thesis.
2. **Disappointing DPA Award Announcement (6-18 months):** An announcement of a DPA award consistent with historical precedent (e.g., \$20-40 million) would be a negative catalyst. While framed as a positive, it would confirm for the market that a government "blank check" is not coming, revealing the massive remaining funding gap.

7. Risks & Kill Conditions

The primary risk to a short position in UAMY is its potential for extreme, narrative-driven volatility.

1. **Squeeze Risk (High):** This is the most significant risk. With a powerful, easily understood geopolitical story and high short interest, any positive headline—real or rumored—could trigger a violent short squeeze. The stock's 52-week range of **\$1.21 - \$19.71** highlights its explosive potential.
2. **"Black Swan" Government Grant (Low Probability, High Impact):** The bull case could prove correct if the U.S. government breaks with all precedent and awards UAMY a non-dilutive grant or offtake agreement large enough to fund the majority of its capital needs. This would invalidate the core of our thesis.

Kill Conditions for the Short Position:

- **Price-Based Stop-Loss:** We will exit the position if the stock closes above **\$15.00** for two consecutive sessions. This level provides a buffer for volatility while respecting that a move to this price would signal a fundamental flaw in our thesis or an irrationality we cannot afford to fight.
- **Fundamental Thesis Invalidation:** We will immediately cover the short position upon the announcement of a confirmed, non-dilutive government grant or a strategic investment that provides for more than **\$150 million**

of UAMY's required capital. This would materially alter the dilution math and destroy the foundation of our thesis.

8. Position Sizing Rationale

The extreme risk profile demands a disciplined and modest position size. The potential for a violent, headline-driven squeeze makes a large short position untenable.

We recommend an initial position size of **1.0% of the portfolio's notional value**. Given the high cost to borrow and the risk of a gap-up event, we believe the ideal structure to express this view is through **long-dated, out-of-the-money put options** (e.g., 18-24 month expiry, \$7.50 strike). This structure provides an absolutely defined maximum loss, eliminates gap risk, and avoids borrow fees, making it a more prudent vehicle for a high-volatility short. The 1.0% sizing would apply to the total premium paid for the options position. We would not scale this position beyond a 1.5% maximum.

9. Bottom Line

We recommend initiating a **SHORT** position in UAMY at the current price of **\$10.85**, targeting a price of **\$2.75**. The company is a compelling story backed by a perilous balance sheet, and we believe a forced, highly dilutive capital raise within 12 months is the inevitable catalyst that will bridge the gap between narrative and reality. We will size the position at a modest 1.0%, preferably via long-dated puts, to manage the significant squeeze risk. We would be proven wrong and exit the position if the U.S. government provides a non-dilutive grant exceeding \$150 million, an outcome we view as highly improbable based on historical precedent.

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