

Trickle Research

Every raging river, every great lake, every
deep blue sea starts ... with a trickle



Initiating Research Coverage



Texas Mineral Resources Corp.

(OTC: TMRC)

Report Date: 03/30/20

12- 24 month Price Target: \$1.80

Allocation: *5

Closing Stock Price at Initiation (Closing Px: 02/18/20): \$.84

Closing Stock Price at Allocation Increase (Closing Px: 03/30/20): \$.60

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Disclosure: Portions of this report are excerpted from Texas Mineral's filings, website(s), presentations or other public collateral. We have attempted to identify those excerpts by *italicizing* them in the text.

So.

We realize its not always easy to focus on the big picture through the fog of chaos. Or the fog of COVID as the case may be. Further, it may also be counter-intuitive to focus on smaller so-called “risk on” companies when the equity markets are in free fall. On the other hand, “buy low and sell high” is always sound advice, but in reality that notion is typically retrospective. That is, buying low is hard to do when they look like they are going to zero or at least when everyone else seems to think they are. In order to “buy low”, you must actually *buy them when they are low*, and that takes some conviction.

To edify, we liked Texas Minerals at \$.84 but we like it more today despite the state of things. Part of that is because it’s cheaper, but also because we think the current pandemic is shedding light on a major portion of our thesis and we believe when we emerge from this chaos, that light is going to get brighter...perhaps a lot brighter.

In our initial coverage, we noted that rare earth elements are paramount to the manufacture of many popular products including cell phones, electric cars and a plethora of others. That list includes a number of important defense technologies as well. Surprisingly, despite the critical nature of their use, roughly 90% of the rare earth elements used today come from China. To reiterate, the U.S. government had set a path to address this dilemma *prior* to the COVID pandemic, so whatever conviction they *had* about the issue is likely to be magnified *following* the pandemic.

As a result of the COVID pandemic, we are hearing more and more discussion suggesting that the west is going to have to reconsider its supply chains for many critical products (pharmaceuticals for instance) and rare earth elements certainly fall in that bucket, especially since that ball is already in motion. By the way, they recently added US Army General Paul J. Kern to their board of directors. The recent announcement reflecting his bio is telling with respect to our thinking here.

We submit, political winds can be fickle and could impact this scenario, but we continue to believe that following some resolution to the current pandemic, the drumbeat for “Buy American” is going to get louder especially for products that may be paramount to our survival. We think that will be especially germane in instances like Texas minerals because if the PEA proves relatively accurate, they will provide REE’s at competitive prices to the Chinese. In other words, in the case of Texas Minerals, “Buy American” won’t have to mean “Buy American”, even if it’s for twice the price.

We are raising our allocation of Texas Mineral Resource shares from 4 to *5 based in part on the compression in the stock but also on the notion that recent events support a major tenant of our investment thesis.

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Rating System Overview:

There are no letters in the rating system (Buy, Sell Hold), only numbers. The numbers range from 1 to 10, with 1 representing 1 "investment unit" (for my performance purposes, 1 "investment unit" equals \$250) and 10 representing 10 investment units or \$2,500. Obviously, a rating of 10 would suggest that I favor the stock (at respective/current levels) more than a stock with a rating of 1. As a guideline, here is a suggestion on how to use the allocation system.

Our belief at Trickle is that the best way to participate in the micro-cap/small cap space is by employing a diversified strategy. In simple terms, that means you are generally best off owning a number of issues rather than just two or three. To that point, our goal is to have at least 20 companies under coverage at any point in time, so let's use that as a guideline. Hypothetically, if you think you would like to commit \$25,000 to buying micro-cap stocks, that would assume an investment of \$1000 per stock (using the diversification approach we just mentioned, and the 20-stock coverage list we suggested and leaving some room to add to positions around allocation upgrades. We generally start initial coverage stocks with an allocation of 4. Thus, at \$1000 invested per stock and a typical starting allocation of 4, your "investment unit" would be the same \$250 we used in the example above. Thus, if we initiate a stock at a 4, you might consider putting \$1000 into the position ($\250×4). If we later raise the allocation to 6, you might consider adding two additional units or \$500 to the position. If we then reduce the allocation from 6 to 4 you might consider selling whatever number of shares you purchased with 2 of the original 4 investment units. Again, this is just a suggestion as to how you might be able to use the allocation system to manage your portfolio.

For those attached to more traditional rating systems (Buy, Sell, Hold) we would submit the following guidelines.

A Trickle rating of 1 thru 3 would best correspond to a "Speculative Buy" although we would caution that a rating in that range should not assume that the stock is necessarily riskier than a stock with a higher rating. It may carry a lower rating because the stock is trading closer to a price target we are unwilling to raise at that point. This by the way applies to all of our ratings.

A Trickle rating of 4 thru 6 might best (although not perfectly) correspond to a standard "Buy" rating.

A Trickle rating of 7 thru 10 would best correspond to a "Strong Buy" however, ratings at the higher end of that range would indicate something that we deem as quite extraordinary..... an "Extreme Buy" if you will. You will not see a lot of these.