

1st November 2021

Almonty Industries Inc

Sangdong progressing – on time, on budget

Almonty Industries Inc (ASX:All) is a global company specialising in the mining, processing and sale of tungsten concentrate. The company's flagship asset, the Sangdong tungsten-molybdenum project, should underpin a transformational growth opportunity which aims to increase tungsten concentrate production seven-fold out to 2028. Post its successful ASX listing, All is set financially to accelerate progress on its range of growth options. Construction works at Sangdong are progressing well and conditions have been met for project financing and we expect progress to first ore to continue apace. The company has previously confirmed the scope and plan for a 12,500m drilling campaign at the Sangdong molybdenum project aiming to define a JORC-compliant resource. Old metals continue to have life in a new industrial world and demand should remain strong as global growth emerges from the COVID-driven slow-down. Recent global supply-chain issues have highlighted the need for alternative sources of metals supply and we suggest All is well positioned to drive value accretion from its pre-development portfolio.

Business model

All is a mid-cap miner holding a portfolio of production and pre-production assets across Europe and South Korea. The company has an ambitious and transformational tungsten growth strategy set to impact from 2022. An early-stage molybdenum play at Sangdong could add 'growth on growth' and we will likely know by mid-2022. The company continues to seek acquisition opportunities to which it can apply its mining expertise and, in that regard, the operating portfolio could look materially different over the forecast period. The growth options appear unlikely to end with Sangdong and Valtreixal.

Sangdong meeting construction targets

The Sangdong tungsten and molybdenum projects are continuing to make progress, with the company reporting material progress on both the surface and underground operations. Underground development has reached 25% completion, surface support buildings are well under way, with the road and river diversions essentially (and in a practical sense) completed. Importantly, as reported, operations remain '...on schedule and budget for a 4Q'22 commission'. Equally, all conditions underpinning the US\$75.1mn project financing have been met. The recent weakness in the share price likely represents the construction "lull" phase, where there is little operational excitement. It's simply difficult to deliver material outperformance and beat the 'on time and on budget' expectation. However, on a longer-term view, on expected post-COVID global growth and expansion, and highlighting the need for more supply-chain security, All remains in pole position as a new tungsten (and molybdenum) supplier entering into a strengthening economic growth scenario. With all conditions on project financing met, the market should be comfortable that funding risks are minimal and project delivery remains on track. We note, as an aside and completely unrelated to All, that the cryptocurrency sector has embraced tungsten cubes, non-fungible tokens which as four-inch (~10cm) cubes are selling for ~US\$3,000 and attracting increasing attention from crypto traders. Well, we'd suggest sometimes you may need a physical, tactile symbol when most of the investing time is spent operating in a virtual world ("the meta-verse"). A four-inch cube weighs ~16.6kg...and that's a heavy collectible. We smilingly speculate – is All chasing the wrong end-game or is there a new business segment to support the investment case?

We retain our valuation at \$2.09/share

We retain our base asset value at A\$2.09/share set by risk-weighted development (NPV) scenarios underpinned by company guidance, applying where appropriate, discretionary probability weightings to pricing, volume and success factors. We highlight the risk weightings applied to inferred resources and projects not yet defined (Sangdong-Moly) or in construction, noting the significant value upside inherent in unwinding the risk of delivering +evaluation and feasibility results. Our assumptions are subject to potentially significant adjustment through the course of delivery of the company's growth strategy and particularly given the global economic and operating risks inherent in the present COVID environment.

Share Details

ASX code	All
Share price (29 Oct)	\$0.915
Market capitalisation	\$190M
Shares on issue	208M
Cash as at 30 Jun (est)	~C\$2M
Free float	~49%

Share price performance (since listing on ASX)



Upside Case

- Accelerated progress in Sangdong construction and commissioning
- Above-expectation results on the Sangdong molybdenum opportunity
- Above-forecast global demand growth and metals prices as the world emerges from COVID restrictions and supply-chain bottlenecks

Downside Case

- Material delays in the delivery of the Sangdong project and Valtreixal in the long-term
- Margin squeeze on revenue and costs versus guidance and forecasts
- Weaker economic outcomes than forecast on persisting COVID operating impacts

Catalysts

- Delivery of new project benchmarks – time-line and budget
- Commodity price upside – a rising tide lifts all boats

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FINANCIAL SERVICES GUIDE

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- complaint processes

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