



HALLGARTEN + COMPANY

Coverage Update

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Almonty Industries

(NASDAQ: ALM | TSX: AII | ASX: AII | FSE: ALI1)

Strategy: LONG

Key Metrics

Price (USD)	\$11.87
12-Month Target Price (CAD)	\$18.50
Upside to Target	56%
12mth high-low (CAD)	\$5.43 to \$21.41
Market Cap (CAD mn)	\$3,419.85
Shares Outstanding (mns)	288.11
Warrants & CDIs (mns)	0.04
Fully diluted (mns)	288.15

Almonty Industries

Los Santos Reborn

- + With Almonty initiating production at Sangdong in South Korea management has pivoted back toward the issue of tailings reprocessing at Los Santos
- + The team from Mission Critical Metals (a Hallgarten-linked company) made a mine trip across Salamanca and Extremadura in recent weeks visiting the former Los Santos mine
- + Almonty is refurbishing and adapting the processing plant at Los Santos with a view to reprocessing some 2,000,000 cubic metres of material running at 0.14% W
- + The grade in the tailings here is as high as, or similar to, the primary grade in the mineralization of some mines currently being promoted
- + The low-budget plant modification at Los Santos should enable better recoveries than previously from rerunning the tailings through the flotation parts of the existing plant
- + Beyond the tailings, there is the potential for an underground push at Los Santos where grades (at 0.40%) are embarrassingly higher than most competing projects
- + The Tungsten price remains near historic highs after a slight pull back while ongoing hostilities around the world continue to underpin the demand scenario for Tungsten
- + The number of prospective projects (well, largely reopening of old mines) in the Western World is not that great as to spoil a price recovery scenario
- + Of the upcoming projects, Almonty has an impressive greenfield project some 120kms to the northwest at Valtreixal, that has the potential to excel the past production at Los Santos
- ✗ The Tungsten price has had a mighty run powered by wars and Chinese dual-use export bans but is vulnerable to variations in those two situations breakeven for Almonty
- ✗ The Chinese as both the largest producer and one of the main users have a vested interest in higher prices but that does not mean that they may not push prices down to achieve other policy or strategic goals

Back on the Road in Spain

We are finding ourselves increasingly on the road visiting mines and recently we made our second mine roadtrip to Spain so far this year. In this case we were in hot pursuit of Antimony and (again) Tin.

A highlight was a visit to the Los Santos site of Almonty Industries. We had last visited this mine in its heyday in late 2015 when it was fully operational. We [wrote up](#) our visit shortly afterwards.

The Los Santos Revival

Almonty originally was synonymous with the Los Santos open-pit mine, which is located approximately 50 kilometres from Salamanca in western Spain. The Los Santos mine was originally opened in 2008, commissioned in July 2010 and was acquired by Almonty in September 2011.

The Los Santos mine came to the end of its (open pit) mine life in 2020. There was perceived to be potential for tailings reprocessing at the site and thus the processing facilities had been kept on Care & Maintenance since closure.

Since that time, Almonty has been undertaking studies into the re-commencement of production from Los Santos via the retreating of tailings, utilizing Almonty's flotation technology developed for the Sangdong Tungsten Mine. Now that the decks have been cleared and Sangdong is producing, management has pivoted to the opportunity presented by the substantial tailings at the site.



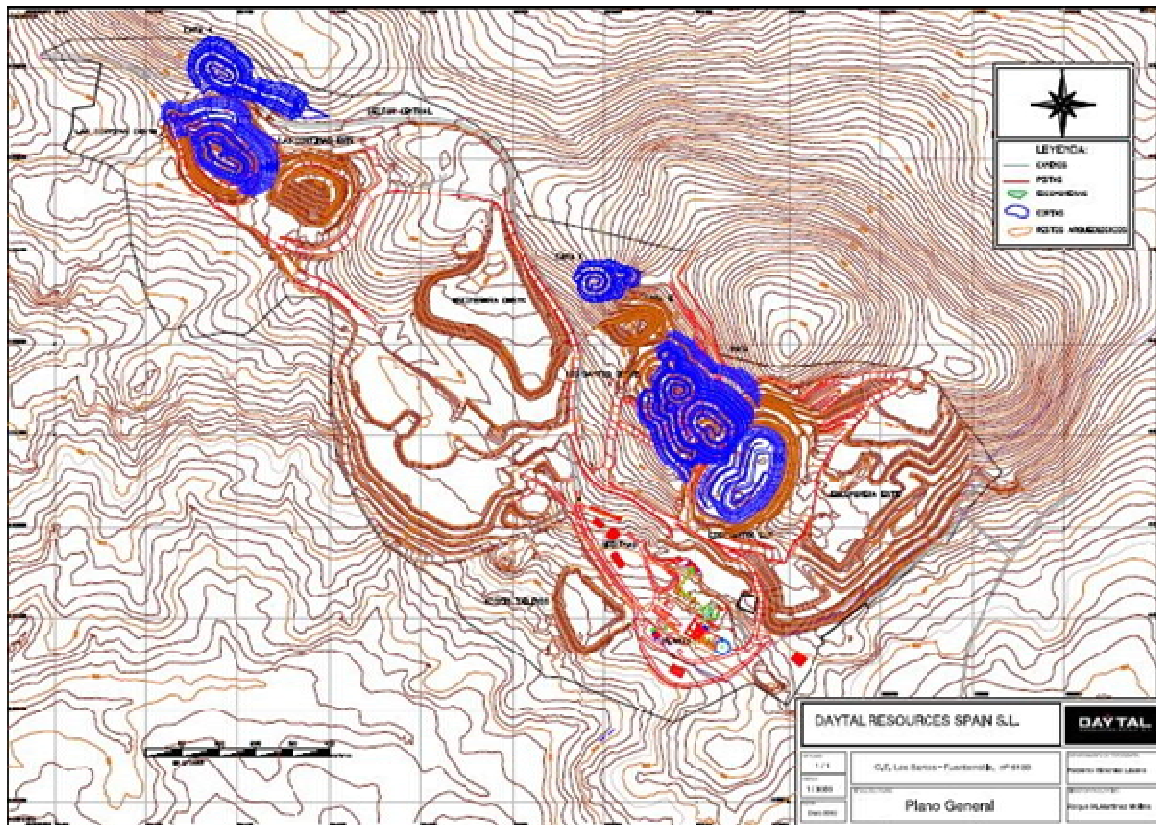
The Potential

The company intends to retreat the tails to capture the more than 800,000 MTUs of WO_3 contained within its sands and *torta*. Torta is a specific method of managing mining waste where filtered tailings (the waste material remaining after processing ore) are deposited in a "cake" or stacked form.

The overall average grade of the tails, as published in the most recent JORC report is 0.14%. To date Almonty has achieved an approximate 50% recovery rate of WO_3 from its tailings retreatment as a result of continuing tests and trials, a substantial improvement from the 35-40% recovery rate attained in the initial stage of tailings retreatment.



Source: Google Maps



The map above shows the minesite in 2015. At that time one of the pits had been fully mined out and refilled. The blue represents the pits in production or planned at that time. The two pits to the right east) that nearly touch were eventually combined into a sort of “super-pit” to exploit the mineralisation in the pit wall between those two pits.

The tailings piles can be seen in this photo we took during this visit:



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Management had originally estimated that the re-opening would be effective from late-2026 depending on the delivery times of some flotation plant items. Under normal conditions these items are readily available. Capital expenditure for this reboot was expected to be ~US\$1.3mn.

In 2023, management stated that it expected that earnings from reopening of the Los Santos Mine would be similar to the earnings at the Panasqueira mine in Portugal. With the massive uplift in the price of APT, the economics of the tailings operation have changed dramatically. It might be expected that Los Santos might be producing as much as 22,000 MTUs of WO₃ per annum for as long as that operation lasts. This would propel Almonty back into the position of being the leading W producer in Europe.

By our calculations the tailings operation might add topline revenues of over US\$60mn per annum. With no mining or grinding or milling costs, the operation should be very high-margin.

The Background to the Los Santos Mine

The Los Santos scheelite deposit was originally investigated by Billiton starting in 1979.

After 1980, Billiton completed an exploration campaign which included 249 trenches and 231 diamond drillholes. In addition, in one of the zones, Los Santos Sur, an 825m underground ramp was developed, along with level development at the 950m elevation, which provided bulk samples as well as underground drilling access. The ramp is still visible but has largely been consumed by the pit construction.

Billiton went as far as to carry out a pre-feasibility study of the prospect. By 1985, however, with a prevailing tungsten price of US\$81 per MTU of APT, the project was not considered viable.

The project passed to the ownership of the ASX-listed company, Heemskirk. Under this new management the mine build began in 2008 and it was commissioned in July 2010.

Geology and Mining

For the geology and mining operation we would refer investors to [our previous note](#).

The Tailings Reserve

Below can be seen the dumps calculations. The stockpiles are now gone and the tailings had a further seven years of production added to them (before the care & maintenance decision in 2020).

Los Santos - Dumps		@ 0.05% WO ₃ cutoff	
Classification	Tonnes '000	WO ₃ %	Tonnes WO ₃
Stockpiles	66	0.25%	164
Tailings	1,932	0.16%	3,105
Total	1,998		3,269

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The size of the tailings pile is now estimated (non-NI43-101 compliant) at 2 million cubic metres grading around 0.14%.

Processing

This is the most relevant factor for investors as the plant was put on care & maintenance awaiting a rise in Tungsten prices to justify the tailings reprocessing. That time has arrived, with a vengeance.

The aerial view on the following page shows the processing plant and the tailings pile. The green structure to the left is the processing plant and the tailings pile can be seen to the top left. The pile has expanded massively since that time.



The plant is located immediately to the south of the Los Santos Sur pit, close to existing mine workings, the main waste dump and other infrastructure. After initial operation with a production rate of up to 300 k tpa during 2010, the plant at its peak was processing 500k tpa. The plant was primarily based on gravimetric separation, aimed at recovering scheelite, so as to provide a concentrate containing greater than 68% WO_3 .

The process plant is primarily based on gravimetric separation, aimed at recovering a high-grade scheelite concentrate.

When we visited in 2015 the main plant was undergoing an expansion to debottleneck operations and boost concentrate grade and recoveries. Those additions doubled throughput from the finishing circuit and removed what the company terms the “last bottleneck” in its process. The expansion raised recoveries from 65% to 69% and boosted the WO_3 content from 63% to 67%. Tungsten output rose from 5 tonnes per day to 5 ¾ tpd (i.e. a 15% increase).

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The image below is our analyst, back in 2015, with the plant management, inside the processing facility looking down at the rod mill. At the right can be seen scheelite concentrate running off one of the shaking tables under an ultra-violet lamp.



The New Set-Up

While structures and infrastructure are extant at site, there will need to be modifications for the tailings. Obviously, the crushing, grinding and milling circuits are not required. The feed process for material must be changed to disconnect the ball and rod mills which are within the main plant from the conveyor flows.

Then as the material is much finer than the ROM material used during the mine's operating period there will need to be adaptations for the substantially smaller sized throughput.

There will be installed a Falcon Gravity Concentrators and a Multi-Gravity Separator. The number of shaking tables will be reduced from 36 to around 25, at current estimations. None of the spirals will be required. There will need to be more thickeners. The systems will be required to throw out sulphur contained within the tailings.

The new set-up is expected to process three shifts per day with $\sim 100\text{m}^3$ per shift. Approximately 60 people in total will be required for staffing the plant.

Reclamation

The two extant pits are currently half-filled with water. The Upper pit is estimated to have less than 40m of water and the Lower pit has between 40-60 metres of water. The water does NOT come from the water table (which is much lower down the hill) but rather from run-off. The depth fluctuates with winter rainfall and the high evaporation rates in the very hot summers in the region.

There are currently two overburden piles (estimated to amount to 8 million cubic metres. and one massive tailings pile at Los Santos. The two overburden piles were essentially one but were divided into two with the pile farthest from the pits being reclaimed and planted with shrubs. It's worth noting that the soil in the area is very poor and the pre-existing soil visibly does not support much more than stunted vegetation.

The second overburden pile is to be used to refill the small Upper Pit.

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The smaller Upper Pit is shown below:



The larger Lower Pit (shown below) is firstly going to be filled with the reworked tailings and then that will be covered by whatever is left of the second overburden pile.



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The conveyor, shown below, at the lower pit was used in 2020 to transport some tailings to the lower pit:



The Underground Resource

It should be stressed that the current revival at Los Santos is not the exploitation of the underground potential but, as the company likes to play its cards close to its chest, we would not be surprised at all to see this upside come to be exploited sooner rather than later.

In October 2011, Almonty embarked on this drilling program here, the aim of which was to convert inferred resources into measured and indicated reserves, extend the minelife and to further delineate the nature of the resource at the Los Santos mine.

In late October of 2013 the company published an updated resource and reserve estimates as of the end of June of 2013. The goal was to prove up the potential high-grade underground resource from the bottom of main Los Santos pit. There was said to be underground potential from 985 to 880 m delineated at 0.4% cut-off grade.

The principal operating costs, now well over ten years old, that were used in connection with this reserve calculation were \$13/t ore for processing and administration, and \$30.42/t ore for underground mining. Of the total 1,880,000 tonnes of mining reserves, some 113,000 tonnes of ore comes from underground workings.

Discussion of a future underground push awaits more information and confirmation from management.

Pricing

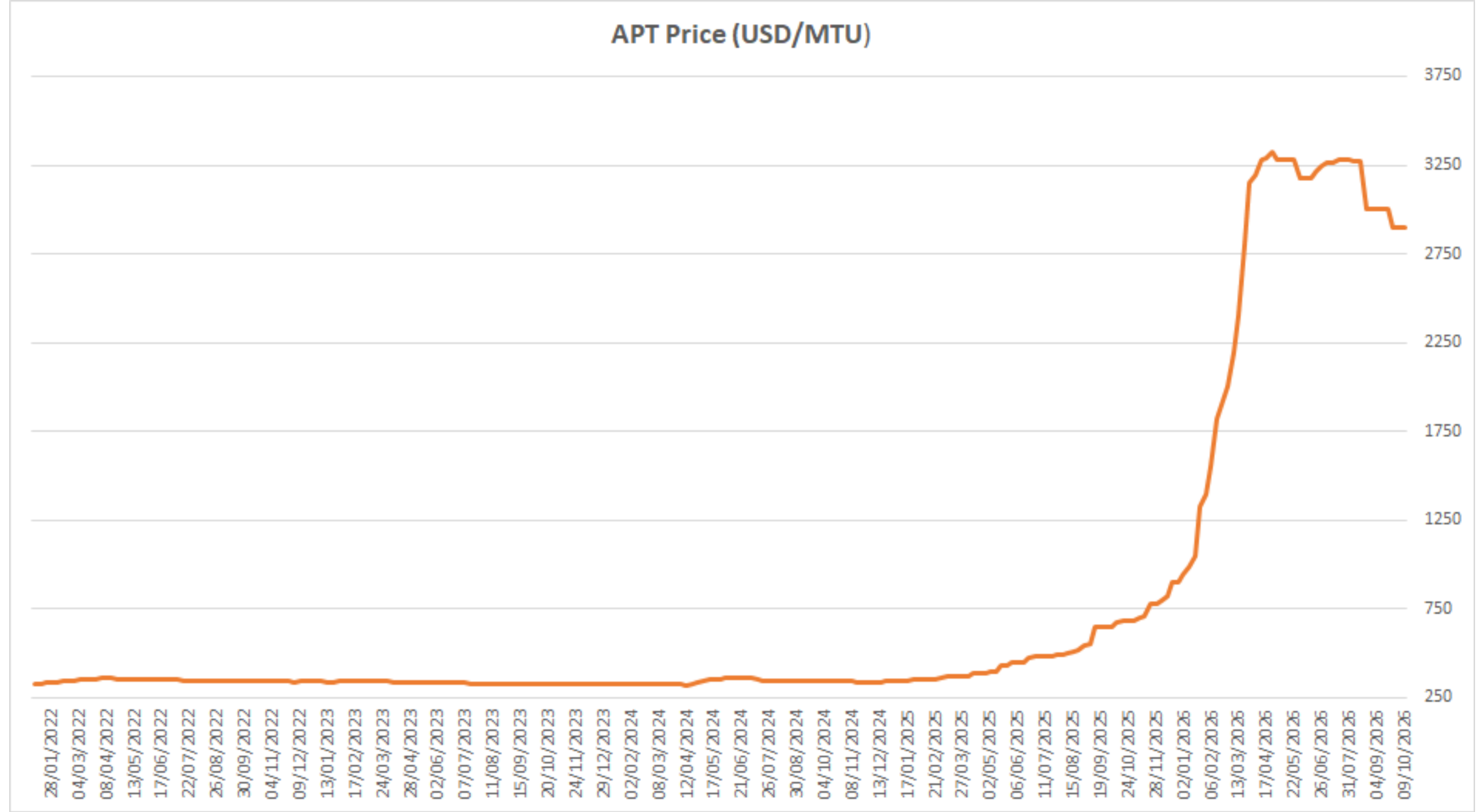
Before recent times Tungsten was not a very profitable (or at all profitable) endeavour as the average annual price of Tungsten since 1950 fluctuated between a nadir of US\$10 per metric ton unit in 1963 and a peak of US\$175 in 1977. After that point it sagged back to trade in a \$50-75 band for several decades before its revival in the new century.

The trade in concentrates diminished and the market relied more and more upon the APT quotation as a price guide since APT is the product traded in the largest quantity. Prices are mainly based on the quotations published twice a week by Fastmarkets, although other trade journals also publish quotations or indicative prices.

Tungsten is one of those metals where the wild ride in pricing since 2008 made it particularly difficult to plan a company's long-term trajectory. The chart below shows the price trends for APT during its “boom” period post-2009, which petered out in 2015.



The Tungsten price was blissfully boring in 2023 as all around it wilted in the backwash from China's abandonment of the Zero Covid policy. The lack of a “spike & dump” meant that few were attracted into the space and those that were already in the space, pursued their projects *sotto voce*, or withered on the vine.



Source: Fastmarkets/Almonty Industries

Increased Tungsten usage by military and industrial users has led to increased competition for Tungsten concentrates in the global market between Chinese and non-Chinese processors and consequently resulted in an improving price and demand structure for Tungsten and its products.

As per the chart on the preceding page, in November of 2025, the price per MTU of Ammonium Paratungstate (APT) finally broke through, definitively, the levels achieved early last decade. At that time wild gyrations pushed APT prices to levels which fired up the promoters, however it was those brusque movements which ultimately ended most of the players in the Tungsten space.

The chart also shows Tungsten making new highs in the current year before flattening out in mid-2026. The main motor was machinations in Peking that created an environment in which Chinese exports have been severely curtailed, with no prospect as yet of a change in that policy. We are also of the persuasion that internal Chinese production of Tungsten may be stressed (read over-exploited for decades) as evidenced by the Chinese developing a Tungsten mine in Kazakhstan.

Our latest projections are shown on the table at the right. As the preceding price chart indicated, APT prices rocketed by a factor of 1000% in a mere 18 months, when previously advancing \$100 might have taken a decade. The price of APT breached \$600 per MTU in the last months of the year then powered up a further 30% to end the year at \$862.

The slight pullback in recent weeks might be put in the perspective that the down-move (over \$300 per MTU) has been around the same magnitude as the entire price per MTU where APT wallowed for a decade. How times and perceptions change...

Tungsten APT Pricing

Year end	MTU (US\$)
2023	\$312
2024	\$330
2025	\$862
2026e	\$2,250
2027e	\$1,870

One should be wary of the spike & dump phenomenon in the specialty metals space, historically, with a salutary lesson being the brutal drop in Antimony Trioxide prices from around \$60,000 per tonne in 2025 to around \$20,000 per tonne in current months without any noticeable change in China's dual-use export ban or any increase in Western production.

S&P Global recently estimated that Tungsten mines outside China will deliver about 22,000 tonnes of contained WO_3 in 2026, leaving a gap of roughly 21,000 tonnes against demand in those markets.

Tungsten though has a palpable altered demand dynamic from the military-industrial complex. We can attribute this firstly to negligent (and negligible) strategic reserve policies by Western militaries (and moreover defense contractors left wrong-footed by their Just-in-Time obsessions). Then there has been a mighty wastage of ammunition and other *materiel* in the two extant major conflicts of our times.

We see added production and a less fevered market leading to US\$2250 per MTU by December 2026 and likewise added production volumes in 2027 resulting in a year end of \$1870 per MTU.

Share Buybacks

In late September the company confirmed that, since launching its previously announced share repurchase program, Almonty bought back for cancellation 2,914,739 common shares for a total of approximately US\$48mn.

Risks

The risks for the Tungsten space in general. These are:

- × A reduction in global geopolitical instability
- × A downturn in the Tungsten price
- × Weakened global industrial demand (particularly in tools) that would soften price & volumes
- × China manipulating the market in some way to again create distortions in price and trade patterns

Most of these risks are different sides of the same price prism, with the exception of the market's perception/disinterest in Tungsten.

Irrespective of a reduction of global tensions (e.g. resolution of the Ukraine or Iran wars) there has been a massive rundown (i.e. usage) of Tungsten reserves or Western (and other) militaries since 2020 that needs to be replaced. This is paralleled by an almost unprecedented military buildup/buildout that the world has not seen since the 1970s/1980s. That demand is not going away yet.

Weak Tungsten prices would seem to be a thing of the past, mainly because China is not the producer that it was. After long term squandering of reserves to maintain a predatory pricing regime, China finds itself (as in Antimony and Rare Earths) with far less "firepower" to dominate markets because it would need to employ strategic stockpiles, rather than ramp-up mine production (from already depleted mines) to even hope to wave a big stick anymore in these marketplaces that it once called its own.

That is not to say that the highly crafted Chinese misinformation/disinformation apparatus is shut down. It is the perception of control of a market, rather than actual control, that can, for a limited time, continue to allow China to "call the shots". However, when the emperor is revealed to have no clothes then all is on show for the world markets to see. And at least in Tungsten, China clearly has less to show for itself than in the past.

Investment Theses

Almonty (and its management) have been forged in the crucible of hard times in the Tungsten space. To put it simply, 90% of the current pretenders to be seen as Tungsten producers were not even around three years ago when \$300 per MTU was the norm and had been since early last decade.

Almonty could have lit all the fires under its boilers when the price surged but preferred to focus on getting Sangdong into a steady state of production. Until now, it has kept the Los Santos tailings (and underground) in reserve and downplayed Valtreixal. The latter is a piece of heavy artillery (pardon the pun) to bring up to the Front, in sequence, when Los Santos has been exploited to its limits.

Historically, Tungsten is one of those metals where the fluctuating price made it hard to plan a company's trajectory for more than a couple of years and Almonty knows that lesson all too well. The mantra now though is Production, Production, Production and Almonty's lead over its "competitors" is likely to widen significantly over the coming 12 months.

In light of the attractive, and most probably lasting, confluence of events in the Tungsten space, Almonty finds itself in the right metal, at the right time and with the right assets. This is indeed a rare occurrence.

Rating & Target

The share price of Almonty in 2025 had more similarities to a NASA launch at Cape Canaveral than anything else. The chocks were away and the trajectory was almost perfectly vertical, much to the chagrin of other participants in the Tungsten space that had to make do with fumes from Almonty's exhaust.

Almonty must be the most stellar constituent in our Model Resources Portfolio after many years of quiescence and proves the point that patience pays off for us and the company's hard-core of shareholders, that have persisted through thick and thin.

Like MP Materials in the Rare Earths space, leadership brings a special position. Also, like MP Materials, a virtuous circle can evolve of a higher price/market capitalisation making the company more investable for US institutions (particularly after Almonty redomiciled to the US) thus leading to an even high price. This in turn made it easier for the US DoD to anoint the company as its Tungsten champion, in a thin field. Indeed, one unkind wag referred to the scene as "*Almonty & the Seven Dwarves*".

The Damoclean sword hanging over the Tungsten subspace is the APT price. Newton's law of gravity can also apply to metals prices (as Antimony has shown) and Tungsten may be in the latter phases of its moonshot trajectory. When (and if) a correction takes place Almonty will be underpinned by its status as the industry leader and with Sangdong having begun production and Los Santos reentering the equation. Most other players will be purely sustained (if sustained they are) by the power of prayer.

We hereby reiterate our **LONG** rating with an adjusted 12-month target price of **US\$18.50**.



Important disclosures

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