

COMPANY

6 March 2023

EVENT

Industry Report: [Tungsten Industry - A critical renaissance](#)

KEY POINTS

- **Australia is poised to emerge as a new critical minerals supplier with two significant tungsten mines ramping up in 2023.** Together Group 6 Metals (G6M) and EQ Resources (EQR) should see Australia go from virtually zero, to supply 15-20% of the ex-China tungsten market in the years ahead.
- **This provides the opportunity to invest** in a strategically supported critical mineral that exhibits low volatility, double digit demand growth and constrained supply.
- **Australia's re-emergence should then be followed by South Korea**, as Almonty (All) ramps up the major Sandong Mine.
- Link to Full Report: [Tungsten Industry - A critical renaissance](#)

TUNGSTEN SECTOR CONTINUES TO FACE DEFICITS

- **Significant deficits:** We forecast tungsten market deficits for the coming 3 years driven by growing demand (including defence 20%+ growth), and restricted supply (China, 80% market share, has seen declining and depleting production while the western world struggles to finance new mines).
- **New mines... few and far between:** The current set of new mines remains only a fraction of the total supply and unlikely to dampen world tungsten prices.

INVESTMENT VIEW

- **[Group 6 Metals \(G6M\)](#) (BUY, target price \$0.32, market cap \$130m)** – The Dolphin Mine is the highest grade mine outside China. We expect development to be complete by mid-year pathing the way for significant cashflows from FY24 (refer: [Tonnes at the right time](#)).
- **[EQ Resources \(EQR\)](#) (BUY, target price \$0.12, market cap \$95m)** - Already processing ore at Mt Carbine ahead of open pit operations. Recent world class drill results indicate this modestly sized enterprise can grow significantly (Refer: [Small start, significant potential](#)).
- **Almonty (All) (not rated, market cap \$181m)** – we profile Almonty throughout this report as the most significant western world tungsten producer with operating mines in Europe, and the industry's largest mine development in South Korea. As the most successful western operator of size in recent history, Almonty is also a prominent and consistent proponent of the tungsten industry as a whole.

RISKS

Risks to our positive tungsten thesis include (and not limited to) –

- **Manufacturing downturn:** With automotive and transport accounting for near 30% of demand, plus mining and construction another ~25%, tungsten prices are vulnerable to a general economic slowdown.
- **China excess supply risk,** despite export restrictions, Chinese and European index prices correlate almost exactly. Chinese oversupply or a rebound in marginal European production, may have downward price pressures (but looks unlikely given Chinese mine depletions).
- **Do not forget... critical minerals risk.** Trade restrictions from the world's dominant supplier could cause a physical scarcity and a spike in prices, threatening manufacturing and defence sectors. We sense widespread initiatives to mitigate this risk through supporting the producers we name above.

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Disclosure of Economic Interests

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Disclosure of Corporate Involvement

PAC Partners acted as Joint Lead Manager to both the November 2022 A\$20m Institutional Placement and the October 2021 A\$31m Placement & SPP by Group 6 Metals Ltd (G6M). The Joint Lead Manager received management and distribution fees and was issued with broker options (3,186,276) for nil consideration with an exercise price of \$0.28 and exercisable at any time over a three (3) year period from the date of issue (23-Jan-2023). PAC Partners and its associates own securities in G6M. PAC Partners does and seeks to do business with the companies covered in the research. PAC may receive commissions from dealing in securities mentioned in this report. As a result, investors should be aware that PAC Partners may have a conflict of interest that could affect the objectivity of this report.

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