



Winsome Resources Limited (WR1.ASX)

Hidden lithium jewel in Quebec

Event:

- We initiate research coverage on Winsome Resources (WR1).

Investment Highlights:

- Winsome Resources (WR1) is a Perth-based lithium exploration and development company** that listed on the ASX in November 2021. It holds over 60kha of exploration tenements across four project areas in the James Bay region of Quebec.
- Large exploration potential.** WR1 has made significant progress, including drilling over 20,000m at its flagship Adina and Cancet projects while further penetrating Canada via strategic investments and agreements. These projects offer potential and diversification beyond the traditional lithium-rich countries.
- We estimate Adina possesses 45Mt Resource @ 1.3% Li₂O** from drilling undertaken so far at Adina Main and Footwall Zones. Both zones remain open east and west, with a 3.1km strike from Adina South West to Adina East, indicating significant opportunity for more mineralization. We believe Adina could potentially host Resources of up to 125Mt, if continuous mineralisation is proven across the 3.1km strike from Adina South West to Adina East. Adina maiden JORC Resource is due end-2023.
- Strategically located at the third frontier of lithium.** WR1 is in the enviable position of having a large presence in Quebec to take advantage of the hydro power, tax benefits, road transport to mining hubs and other well-established infrastructure there. Note that in Quebec, 99.8% of the electricity is generated by hydro-power, providing an ideal environment for sustainable mining.
- One of the few next Canadian producers.** We believe WR1 is one of the most advanced explorers to be the next likely producer in Canada given success of exploration to date.
- Ripe for corporate appeal.** WR1 has many positive factors that makes it attractive to the large miners and EV/battery makers. These include (a) well-experienced management team; (b) close to potential North American offtake customers; (c) no key environmental issues; (d) tier 1 jurisdiction with supportive government policy; and (e) encouraging drilling results. It also has an investment in TSX-listed Power Metals Corp. With \$42M cash as of end June, it should be well funded for its exploration.

Earnings and Valuation:

- We forecast both first production from Adina and earnings for WR1 in FY27e.**
- We value WR1 at A\$3.84/share** on a risked basis. We assume \$400M capex for a 1.5Mtpa operation producing 228ktpa spodumene Li₂O 6% with operating cost of US\$508/t, based on hard rock peer metrics. We forecast a mine life of ~30 years based on a 45Mt mining inventory and a long-term nominal SC6 price of US\$1,633/t. We assume 50:50 equity:debt funding.

Recommendation:

- We initiate coverage on WR1 with a Buy recommendation.** We have set our price target at \$3.84/share.
- Catalysts for share price** include: 1) Adina further infill and extensional drilling; 2) Maiden JORC Resource and scoping study at Adina; and 3) progress at other projects such as drilling at Cancet.

Disclosures

Foster Stockbroking and staff own 11,000 WR1 shares. Cranport Pty Ltd owns 350,000 WR1 shares. Foster Stockbroking received fees from its role as Co-Manager to the \$19M flow-through placement of WR1 shares at \$4.18 and \$26M institutional placement of WR1 shares at \$2.00 in February 2023. Refer details end of report.

| Recommendation | Buy |
|--------------------------------|-------------|
| Previous | n/a |
| Risk | High |
| Price Target | \$ 3.84 |
| Previous | n/a |
| Share price (A\$) | \$1.36 |
| ASX code | WR1 |
| 52 week low-high | \$0.24-2.52 |
| Valuation - risked (A\$/share) | \$ 3.84 |
| Methodology | NPV10 |

Capital structure

| | |
|-------------------------|-------|
| Shares on Issue (M) | 171 |
| Market cap (A\$M) | 232 |
| Net cash (debt) (A\$M) | 42 |
| Diluted EV (A\$M) | 190 |
| Ave daily volume ('000) | 2,449 |

Substantial shareholders

| | |
|--------------------------|-------|
| Waratah Capital Advisors | 13.9% |
|--------------------------|-------|

Board

| | |
|-----------------|------------------------|
| Stephen Biggins | Non-Executive Chairman |
| Chris Evans | Managing Director |
| Dr Qingtao Zeng | Non-Executive Director |
| Justin Boylson | Non-Executive Director |

Share price graph



Analyst: Hazmy Hazin
hazmy.hazin@fostock.com.au

+612 9993 8130