



Winsome Resources Limited (WR1.ASX)

Globally significant maiden resource on the horizon

Event:

- September quarterly report; Price-target changes.

Investment Highlights:

- Drilling has recommenced on site** in September with five rigs being mobilised to Adina for step out drilling to the north, west and east. They will be placed on tracks to significantly enhance their manoeuvrability on site and improve drilling meterage rates going forward. Almost 30,000m drilling completed so far, aiming to hit +50,000m in arriving to its maiden resource estimate by 1Q24. Assay results from ongoing drilling are expected to be returned in the coming weeks.
- High-grade shallow nature of mineralisation at Adina.** During the quarter, WR1 reported positive assays from drilling testing up-dip extensions of Adina. Highlights: 23m @ 1.80% Li₂O from 150m, 28m @ 1.28% Li₂O from 3m and 26m @ 1.55% Li₂O from 125m. This affirmed the mineralisation's continuity north of Adina Main, strengthening our estimate of a 45Mt Resource @ 1.3% Li₂O and a potential of up to 125Mt if mineralisation continues across the 3.1km strike.
- Exploration continues to underpin growth.** This month, WR1 exercised its option to acquire Jackpot, increasing the Adina area by over 50% to 43km², opening up further exploration targets while providing flexibility in layout and infrastructure. WR1 also completed an airborne survey for Adina-Jackpot to define anomalies and inform drill targets. For Tilly, a mineralized pegmatite outcrop was found with samples showing up to 4.68% Li₂O. Exploration field mapping and sampling results from Adina and Cancet will integrate with geophysical data for target identification and drill testing to expand pipeline.
- Strategic investment and partnership.** WR1 has a 19.59% stake in Canadian listed explorer, **Power Metals (PWM)** and 100% of offtake rights for all lithium, cesium and tantalum produced by PWM at Case Lake in Ontario. Last month, PWM discovered new pegmatites north of Case Lake. Field observations and assay results of samples collected confirm presence of 10-15m wide spodumene bearing pegmatites with up to 1.12% Li₂O. PWM is progressing well with its 2023 field exploration program and is prioritising to generate drill ready targets. It is fully budgeted for 15,000m drill program, expected to start later in the fall.
- Well-funded for further growth.** WR1 recently raised \$34M at \$2.38/share through Flow Through Shares (FTS) and did a secondary sale via a block trade at \$1.22/share to institutional investors, demonstrating strong investor confidence. WR1 utilised FTS to raise capital at premium prices, minimising dilution and maintaining a strong capital structure. The funds will support resource drilling at Adina and regional exploration at other projects. WR1 now has ~\$70M in cash, well-funded to deliver its maiden resource estimate in 1Q24.

Earnings and Valuation:

- No material changes to forecast NPAT.**
- Risked valuation (0.4x NPV₁₀) falls to \$3.80 from \$3.84** mainly due to dilution from the recent fundraising.

Recommendation:

- We maintain our Buy and reduce our 12-month price-target to \$3.80 from \$3.84**, based on risked valuation. Catalysts include: 1) Adina infill and extensional drilling; 2) Maiden Resource and PEA at Adina; and 3) progress at other projects.

Disclosures

Foster Stockbroking and staff own 11,000 WR1 shares.

Cranport Pty Ltd owns 772,203 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 placement of WR1 shares at \$2.00 in February 2023, and from its participation in the \$34M flow-through placement of WR1 shares at \$2.38 in October 2023.

Recommendation

Previous Buy

Risk High

Price Target \$ 3.80

Previous \$3.84

Share price (A\$) \$1.16

ASX code WR1

52 week low-high \$0.36-2.52

Valuation - risked (A\$/share) \$ 3.80

Methodology NPV10

Capital structure

Shares on Issue (M) 185

Market cap (A\$M) 215

Net cash (debt) (A\$M) 70

Diluted EV (A\$M) 145

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



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