



Winsome Resources Limited (WR1.ASX)

Tier-1 Resource in the making

Event:

- **Drilling results; December quarterly report; Price-target change.**

Investment Highlights:

- **More high-grade mineralisation at Adina.** WR1 recently reported further positive assays from 4,693m drilling from 13 infill holes at Adina. Highlights from the Main Zone included 41m @ 1.93% Li₂O from 70m, 62m @ 1.40% Li₂O from 4m and 27m @ 1.72% Li₂O from 52m. Meanwhile, hits at the Footwall Zone included 26m @ 1.59% Li₂O from 275m, 29m @ 1.21% Li₂O from 287m and 15m @ 1.60% Li₂O from 229m. This reinforces the potential to further increase the MRE to over 100Mt with higher grades and increasing confidence to indicated.
- **Over 28,000m drilled during the quarter**, bringing the total to 47,000m in 2023. Five rigs operating at Adina for step out drilling in all directions. WR1 will also move to test new exploration targets at Adina-Jackpot. Assay results are expected to be returned in the coming weeks from another 13,000m of drilling.
- **MRE upgrade in 1H2024 to offer plenty of upside.** During the quarter, WR1 announced its MRE at Adina of 59Mt @ 1.12% Li₂O. Another 50,000m drill program in 2024 set to grow the resource further as it remains open along strike to the east and west, and upwards to the north. This enables WR1 to test the continuity across the 3.1km strike as the MRE was based on only 1.3km strike from 27,625m of drilling. The Main Zone (49% of MRE) is largely close to surface, which will support the first few years of mining with low strip ratio.
- **Favourable project studies expected in 2H2024.** The MRE has allowed preliminary development studies to progress, WR1 aiming to publish a PEA in 2H24 with environmental studies and metallurgical testwork progressing concurrently. Adina's preliminary metallurgical test results indicate the feasibility of using low energy eco-friendly DMS - without potentially the need for flotation, leading to lower capital and operating costs.
- **Exploration continues to underpin growth.** WR1 completed an airborne survey for Adina-Jackpot to define drill targets. A mineralised pegmatite outcrop was discovered at Tilly with sample yielding 7m @ 1.43% Li₂O.
- **Downgraded spodumene prices.** We downgrade our forecast SC6 long-term price by 17% to US\$1,585/t from US\$1,902/t due to the downturn in lithium markets. We expect the spot price to be in a better position when Adina is ready for FID in the next one to two years.

Earnings and Valuation:

- **Risked valuation (0.5x NPV₁₀ nominal) falls to \$2.16 from \$3.80** mainly due to lower spodumene prices and reduced valuation of WR1's other exploration projects given the sector deflation.
- **Remains undervalued vs peers.** WR1 is currently trading at only \$41/t LCE EV/Resource - under that of peers' \$165/t LCE, implying significant upside if it delivers. WR1 is comfortably funded with \$54M cash to complete the drilling required to expand Adina's resource and initial project studies.

Recommendation:

- **We maintain our Buy and cut our 12-month price-target to \$2.16 from \$3.80**, based on risked valuation. Catalysts include: 1) Adina infill and extensional drilling; 2) MRE upgrade; 3) PEA; and 4) improving lithium markets.

Disclosures

Foster Stockbroking and staff own 131,000 WR1 shares.

Cranport Pty Ltd owns 431,740 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 at \$2.00 in February 2023, and from its participation in the \$34M flow-through placement at \$2.38 in October 2023.

Recommendation	Buy
Previous	Buy
Risk	High
Price Target	\$ 2.16
Previous	\$3.80
Share price (A\$)	\$0.64
ASX code	WR1
52 week low-high	\$0.52-2.39
Valuation - risked (A\$/share)	\$ 2.16
Methodology	NPV10
Capital structure	
Shares on Issue (M)	191
Market cap (A\$M)	121
Net cash (debt) (A\$M)	54
Diluted EV (A\$M)	67
Ave daily volume ('000)	1,639
Substantial shareholders	%
Waratah Capital Advisors	12.4%
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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