



## Winsome Resources Limited (WR1.ASX)

*Adina shines bright like a diamond!*

### Event:

- MRE upgrade; Asset acquisition; Price-target change.

### Investment Highlights:

- **The largest Indicated hard rock spodumene resource in North America.** WR1 recently announced a 33% MRE upgrade at Adina that saw higher tonnage, improved confidence and better grade: 77.9Mt @ 1.15% Li<sub>2</sub>O at a same 0.6% cut-off grade (2.21Mt LCE) with 61.4Mt @ 1.14% Li<sub>2</sub>O Indicated (79% MRE). This is a significant improvement from the previous all-inferred 59Mt @ 1.12% Li<sub>2</sub>O.
- **High-grade, near-surface Main Zone benefits the project economics.** Adina Main (MZ) (48% of MRE) is near surface allowing mining by open pit method. MZ resource now increased to 37Mt @ 1.23% Li<sub>2</sub>O, which has better grade than Footwall Zone (FZ)'s 41Mt @ 1.08% Li<sub>2</sub>O. This is a key advantage to WR1 as the high-grade MZ will support the first few years of mining with low strip ratio.
- **Next Resource upgrade in 1Q2025.** The MRE now is based on 57,756m of drilling, which is only 58% of the drilling target of ~100,000m for 2024, offering further upside. The MRE does not include the recent Adina SW discovery of 61.5m at 1.62% Li<sub>2</sub>O, highlighting significant potential. WR1 will continue to test the continuity across the 3.1km strike at Adina and areas beyond that. This reinforces the potential to further increase the MRE to over 100Mt.
- **Diamond plant acquisition to accelerate path to production.** Last month, WR1 entered into an option agreement to acquire Renard diamond mine and 2.2Mtpa plant, ~60km south of Adina. Most of the permits are already in place. This can help to accelerate the development timeline by at least a year, eliminating the need for a major construction and derisking the approval process.
- **The plant has favourable features for spodumene concentrate production.** This will expedite the repurposing process to treat lithium ores and cut down the cost. The plant is in good condition with well-established infrastructure in place.
- **Potential to cut capex** to less than \$500M vs greenfield project that may need ~\$700M-\$1B capex, minimising any financing risks. WR1 plans to spend ~\$50M for the plant refurbishment but still subject to the scoping studies in 2H2024. The plant's total sunk capex is close to \$1b.

### Earnings and Valuation:

- **Risked valuation (0.5x NPV<sub>10</sub> nominal) increases to \$2.48** from \$2.16. We increase the operation from 1.5Mtpa to 2.2Mtpa producing higher ~300ktpa Li<sub>2</sub>O 6%. We now forecast a mine life of 21 years from 2027 based on a 45Mt @ 1.15% Li<sub>2</sub>O inventory. We maintain our assumption of \$400M capex.
- **Remains undervalued vs peers.** WR1 is currently trading at \$88/t LCE EV/Resource - under that of peers' around \$170/t LCE, implying ample upside as WR1 transitions into an emerging developer. WR1 had \$45M cash end-March. It is on track for production by 2027.

### Recommendation:

- **We maintain our Buy and raise our 12-month price-target to \$2.48** from \$2.16, based on risked valuation. Catalysts include: 1) Adina infill and extensional drilling; 2) PEA in 3Q2024; 3) MRE upgrade in 1Q2025; 4) potential strategic partnerships and 5) improving lithium markets.

### Disclosures

Foster Stockbroking, staff, and Cranport own <1% of WR1's shares on issue.

Foster Stockbroking received fees from its participation in the \$34M flow-through placement at \$2.38 in October 2023.

Recommendation	Buy
Previous	Buy
Risk	High
Price Target	\$ 2.48
Previous	\$2.16
Share price (A\$)	\$1.25
ASX code	WR1
52 week low-high	\$0.52-2.24
Valuation - risked (A\$/share)	\$ 2.48
Methodology	NPV10

### Capital structure

Shares on Issue (M)	191
Market cap (A\$M)	238
Estimated current net cash (debt) (A\$M)	30
Diluted EV (A\$M)	208
Ave daily volume ('000)	1,531

### Substantial shareholders

Waratah Capital Advisors	12.4%
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### 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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