

WINSOME RESOURCES LIMITED (ASX: WR1)

Equity Analysis (15 September 2022)



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Introduction

Winsome Resources Limited:

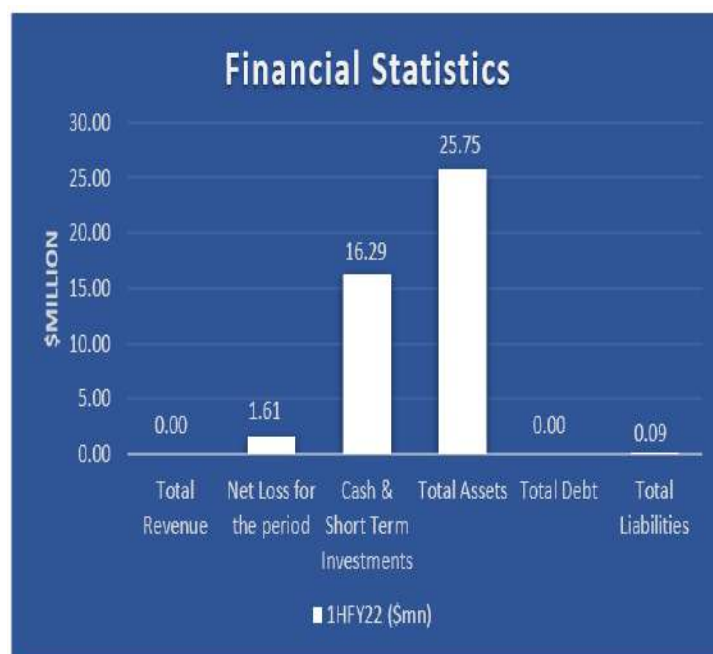
Headquartered in Western Australia, Winsome Resources Limited (ASX: WR1) is an exploration and development company. The company is focused on the exploration and development of spodumene concentrate, suitable for conversion across nickel battery applications. Its projects include Cancet, Adina, and Sirmac-Clappier.

Recommendation	Speculative Buy	
Risk Profile	High	
Current Market Price (\$)	0.345	
52 Week Low-High (\$)	0.175-0.570	
Market Capitalization (\$Mn)	47.30	
Outstanding Shares (Mn)	141.95	
PE (TTM)	-	
EPS (\$) (TTM)	-	
Dividend Yield/Frinking	-	
Ex-Date/Pay-Date	-	
Enterprise Value (EV)/Sales (LTM)/(FY-1)	-	-
EV/EBITDA (LTM)/(FY-1)	-	-
Price/Book Value (LTM)/(FY-1)	1.91	-

Shareholder Pattern (Mn)			
Top 3 Investors	Current	30/06/22	31/03/22
Lithium Royalty Corporation	14.05	14.05	14.05
Courchevel 1850 Pty. Ltd.	7.26	7.26	12.26
Zhenshi Group (HK) Heshi Composite Materials Co, Limited.	6.00	6.00	6.00

Operating Performance

In 1HFY22 (period ended 31 December 2021), the company's net loss stood at \$1.61 million. At the end of 1HFY22, the company had cash and short-term investments of \$16.29 million. The company's total assets was \$25.75 million at the end of the 1HFY22. WR1 doesn't own any debt obligations.



Source: Refinitiv, Chart Prepared by Kapitales Research

Ratio Analysis	2022	
	Industry Median	Dec-21
Gross Margin	8.2%	-
EBITDA Margin	4.6%	-
Operating Margin	4.6%	-
Pretax Margin	5.3%	-
Net Margin	2.9%	-
Asset Turnover	0.31	-
ROE	3.0%	-
Quick Ratio	0.66	-
Current Ratio	1.03	190.50
Cash Cycle (Days)	40.60	-
Assets/Equity	2.61	1.00
Debt/Equity	0.23	0.00
ROIC	-	-

Source: Refinitiv, Analysis by Kapitales Research

Recent Update

On 16 August 2022, Winsome Resources Limited announced the discovery of a new pegmatite dyke as part of the recently concluded three-week field exploration program at its Adina project in Quebec. Large outcropping pegmatite dyke discovered, unconnected to previously identified and sampled dykes. Rock chip samples from the new outcrop and other areas of exploration have been sent for assaying and are expected to be complete in approximately six weeks. New drill targets for the upcoming autumn/winter campaign are expected to be generated soon, and a Heli-portable diamond drill rig has been secured for Canadian autumn Adina drilling.

On 10 August 2022, the company announced that its exploration partner, Technominex, is well advanced with the stripping, sampling, and mapping of the main pegmatite dyke at its flagship Cancet Project in Quebec, Canada. The environmental permits for the stripping work were received in July 2022. Stripping back of vegetation and shallow cover over the main pegmatite dyke at Cancet has been completed, and channel sampling has commenced facilitating the mapping of the main dyke.

Outlook

The company's flagship Cancet project is at the advanced exploration stage, with extensive diamond drilling and metallurgical test work completed. Winsome had signed an exclusive option agreement to explore and subsequently acquire the claims at the highly prospective and well-located Mazerac property over 24 months. The company is focused on activities designed to enhance investment opportunities, manage costs, and establish strategic relationships.

Winsome Resources Limited is investigating additional projects and acquisition opportunities to ensure it continues to build a robust portfolio of lithium assets that will bring value to shareholders. It has acquired and deployed new equipment and facilities to enhance site access and in-house exploration capabilities.

Risks

The company has exposure to the following risks-

- Operational risks (including strategic risk, exploration risk, and environmental risk)
- Health, safety, and well-being risk
- Regulatory compliance risk
- Financial risks (including credit risk, liquidity risk, currency exchange risk, and interest rate risk)

Technical Analysis



Source: Refinitiv, Analysis by Kapiteles Research

Company Name	Ticker	Sector	CMP (\$)	Advisory date	Rating	Target 1 (\$)	Target 2 (\$)	Stop Loss (\$)
Winsome Resources Limited	WR1	Materials	0.345	15 September 2022	Speculative Buy	0.420	0.470	0.270

The material company WR1 settled at AU\$0.345 on 15 September 2022 after a surge of nearly 4.5% from the previous day's closing. It is currently trading between its 52-week price levels.

The stock price is trading above the significant exponential moving averages of 20, 50, and 200 days on a daily time frame, indicating short-term bullishness.

The stock is trading above the central pivot (AU\$0.340) and holding a bullish momentum on a daily time frame chart.

The stock price has broken a descending trend line resistance on a daily time chart and closed above it successfully.

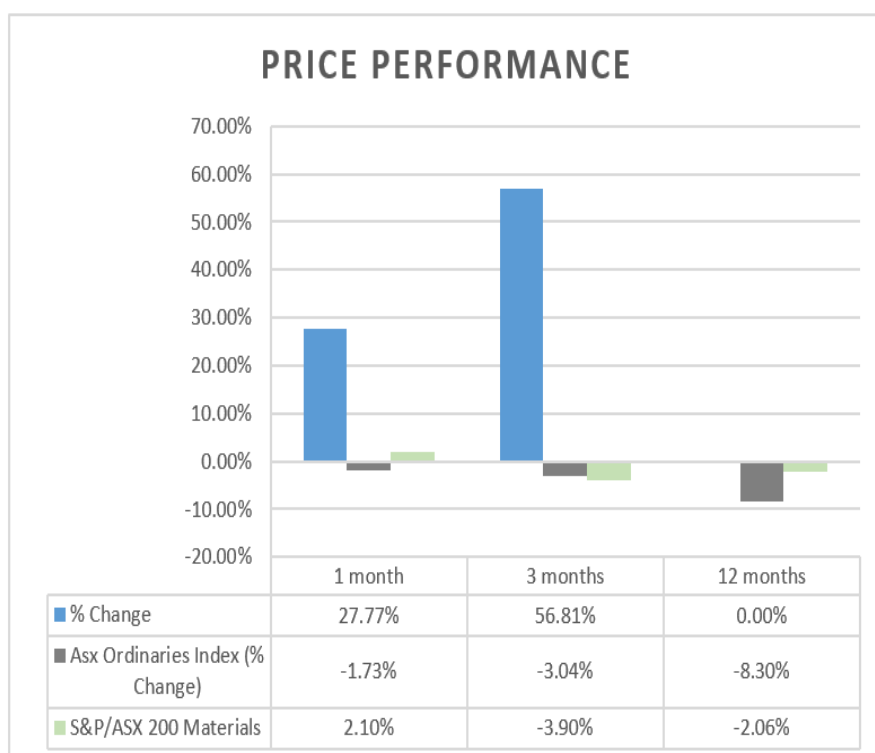
RSI (14-days) is at 68, holding a bullish momentum above the breakout zone in the index.

Based on these facts, buying can be initiated at the current market price (CMP) level for the potential targets of AU\$0.420 (pivot resistance R1) and AU\$0.470 (pivot resistance R2) in the coming days. Investors can book either full or partial profits at target one and wait for the stock to achieve target two (depending on their risk appetite).

Investors are advised to keep a strict stop loss at or below AU\$0.270 (50-day EMA) to protect their investments, in case of an unfavorable movement in the stock due to any uncertain event.

Please Note: It would be in the best interest of investors to trail their stop-loss upward if the stock is moving in our favorable direction.

Price Performance



Investment Summary

The stock is trading at a Price/Book Value multiple of 1.7x against the industry median (Chemicals) of 2.6x on a TTM (Trailing Twelve Months) basis, indicating the undervalued position of the stock. Looking at the shareholder pattern, two of the company's top three shareholders have maintained their stake in the company for the last two quarters. It shows the shareholder's confidence in the stock. The company's stock has outperformed the ASX ordinary index and sector index in one month and three-month timeframe.

Considering all the above factors and the current trading level, we recommend a "Speculative Buy" rating on the stock at the current market price of AU\$0.345 as of 15 September 2022 (after-market hours).

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Disclosure: The information mentioned above has been sourced from the company reports and a third party database, i.e. Refinitiv. Investors are advised to use strict stop-loss to protect their investments in case of any unfavorable/uncertain market events.

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