



MINING

30<sup>th</sup> September 2014

## W RESOURCES

**BUY\***

Interim results; in line with expectations

**0.77p<sup>#</sup>**

Year-end Dec	2013A	2014E	2015E†	2016E†	Key data	
Revenue (£m)	-	1.73	5.03	4.82	Rating (12 month)	BUY*
EBITDA (£m)	(0.24)	0.42	1.83	1.52	Price Target	2.2p
Adj. Pre-tax Profit (£m)	(0.25)	-	(0.03)	(0.40)	Risk	High
Adj. EPS (p)	(0.01)	(0.01)	0.04	0.02	Sentiment	N/A
DPS (p)	-	-	-	-	Ticker	WRES.L
Net Cash/(Debt) (£m)	(0.60)	0.92	(0.19)	(36.60)	Shares in issue	2,338.5m
P/E (x)	(55.77)	(59.92)	17.59	44.67	Market cap	£17.9m
Dividend yield (%)	-	-	-	-	12-mth price range	0.67p-1.175p
EV/EBITDA (x)	(61.30)	37.08	10.39	36.43	Net debt (H114)	£1.9m
					Next event	Full tailings prod H214

SOURCE: Northland Capital Partners Limited estimates

<sup>#</sup>Priced at market close, 29/09/14

\*Northland Capital Partners Limited has been commissioned to provide research coverage to W Resources and therefore this information should be viewed as Marketing Material † assumes a placing to raise £3m at current share price in FY15.

Interim results from W Resources were largely in line with our forecasts. LBT of £119k in H114 compared with £132k in H113. LPS was also lower, 0.006p in H114 (H113: 0.007p). Net debt increased to £1.9m in H114 (H113; net cash of £1.3m). Since we initiated coverage (14/08/14) we have already upgraded our FY14 production forecasts for the La Parrilla Tailings reprocessing plant following improvements to the pre-concentrator allowing it to reach designed capacity of 2,500mtu of concentrate per month in September/October, ahead of our expectations (17/09/14). The Company also announced (08/09/14) that it is looking to bring hard rock production forward using a staged development approach. The Company plans to fast-track production from areas adjacent to the current pit using the existing tailings pond, power, and water and road infrastructure (stage 2) before progressing to large scale production of 230,000mtu of concentrate per annum (stage 3). A study for stage 2 is currently underway and results are expected before the end of the year. These positive developments highlight management's ability to over deliver on its targets and the Company's commitment to rapidly advancing its projects to increase cash flow generation at a low capital cost.

- **Tungsten sales:** First tungsten concentrate shipment was made post period end in August and two subsequent shipments have been made to date during H214.
- **Other planned improvements for Q414:** Reducing energy costs by 50%. Production of a tin concentrate (c. 7% tin) through introduction of electrostatic separator. Improved feed systems with the aim to improve overall recoveries.
- **Valuation:** Minor adjustments made to forecasts. No change to BUY rating or price target of 2.2p per share.

### Company description

W Resources is an emerging tungsten producer with a pipeline of projects that could allow the Company to grow into amid-tier mining company.

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## FORECASTS

La Parrilla Tailings Year to 31st December	2014 0	2015 1	2016 2	2017 3	Total
Tungsten APT price (\$/mtu)	375	370	354	370	-
Tin price (\$/t)	21,000	21,000	21,000	21,000	-
Ore mined (t)	82,500	330,000	330,000	330,000	1,072,500
Tungsten product (mtu)	10,000	28,000	28,000	18,000	84,000
Tin product (t)		26	26	26	-
Revenue (\$m) (75% of APT and tin price)	2.8	8.2	7.8	5.4	24.2
Opex per tonne of product (\$/t)	228	190	190	190	-
Opex (\$m)	2.3	5.3	5.3	3.4	16.3
Development capex (\$m)	-	-	-	-	-
Sustaining capex (\$m)	-	-	-	-	-
Operational profit (\$m)	0.5	2.9	2.5	2.0	7.9
Tax loss (\$m)	2.7	-	-	-	2.7
Taxable profit (\$m)	-	0.2	2.5	2.0	-
Tax payable (\$m)	-	(0.1)	(0.7)	(0.5)	(1.2)
Net Profits (\$m)	0.5	2.8	1.9	1.5	6.7
Discount factor timing	-	1.0	2.0	3.0	-
Discount factor	1.0	0.9	0.8	0.8	-
NPV10 (%)	0.5	2.6	1.5	1.1	5.7
RISK (%)	0.1	0.1	0.1	0.1	-
Valuation (\$m)	0.5	2.3	1.4	1.0	5.3
Valuation (£m)					3.2

SOURCE: Northland Capital Partners Limited estimates

<b>Income statement</b>						
<b>Year to 31st December (£m)</b>	<b>2011A</b>	<b>2012A</b>	<b>2013A</b>	<b>2014E</b>	<b>2015E</b>	<b>2016E</b>
Revenue	-	-	-	1.7	5.0	4.8
Cost of sales	-	-	-	(1.4)	(3.3)	(3.3)
Gross margin	-	-	-	0.3	1.8	1.5
Administrative expenses	(0.1)	(0.3)	(0.3)	(0.6)	(0.7)	(0.7)
Other income (expense)	-	-	-	-	-	-
EBIT/(LBIT)	(0.1)	(0.3)	(0.3)	(0.3)	1.1	0.8
Finance income (loss), net	-	-	-	-	-	-
Impairment of Associate	(0.1)	(0.1)	-	-	-	-
Negative Goodwill on Acquisition of Subsidiary	0.1	-	-	-	-	-
Gain (loss) on disposals	-	-	-	-	-	-
PBT/(LBT)	(0.1)	(0.4)	(0.3)	(0.3)	1.1	0.8
Adj. PBT/(LBT)	(0.1)	(0.3)	(0.3)	(0.3)	1.1	0.8
Income tax credit/(expense)	-	-	-	-	(0.0)	(0.4)
Forex	-	-	-	-	-	-
Profit/(loss) for the year	(0.1)	(0.4)	(0.3)	(0.3)	1.1	0.4
Adj. profit/(loss) for the year	(0.1)	(0.3)	(0.3)	(0.3)	1.1	0.4
Basic adj. EPS/(LPS) (p)	(0.0)	(0.0)	(0.0)	(0.0)	0.0	0.0
Diluted adj. EPS/(LPS) (p)	(0.0)	(0.0)	(0.0)	(0.0)	0.0	0.0
Taxation Rate %	-	-	-	-	(2.8)	(48.9)
Group Pre-tax Margin (%)	93.1	137.8	100.0	100.0	97.2	51.1
Operating Profit (EBIT) Margin (%)	NEG	NEG	NEG	NEG	21.8	17.1
Dividends per share (p)	-	-	-	-	-	-
Dividend Cover (x)	-	-	-	-	-	-
Number of shares (m) (Ave weighted)	461.8	1,178.0	1,844.4	2,135.3	2,457.6	2,457.6
Number of shares (m) (Ave weighted fully dil.)	461.8	1,178.0	1,844.4	2,135.3	2,457.6	2,457.6
EBITDA (£m)	(0.1)	(0.3)	(0.2)	0.4	1.8	1.5
Enterprise Value (£m)	3.5	8.8	14.7	15.4	19.0	55.4
Depreciation & Amortisation	-	0.0	0.0	0.7	0.7	0.7
Cash Earnings Per Share (p)	(0.0)	(0.0)	(0.0)	0.0	0.1	0.1
Price (p)	0.8	0.8	0.8	0.8	0.8	0.8
Price Earnings Ratio	(38.0)	(30.7)	(55.8)	(59.9)	17.6	44.7
Net yield %	-	-	-	-	-	-
NAV per share (p)	(0.0)	(0.0)	0.0	0.1	0.1	(1.4)
EV/EBITDA	(37.5)	(30.6)	(61.3)	37.1	10.4	36.4

**SOURCE: Northland Capital Partners Limited estimates**



<b>Cash flow</b>						
<b>Year to 31st December (£m)</b>	<b>2011A</b>	<b>2012A</b>	<b>2013A</b>	<b>2014E</b>	<b>2015E</b>	<b>2016E</b>
PBT/(LBT)	(0.1)	(0.4)	(0.3)	(0.3)	1.1	0.8
Depreciation	-	0.0	0.0	0.7	0.7	0.7
Tax paid	-	-	-	-	(0.0)	(0.4)
Impairment of associate	0.1	0.1	-	-	-	-
Exchange difference	(0.0)	-	(0.1)	-	-	-
Negative goodwill on acquisition of subsidiary	(0.1)	-	-	-	-	-
Performance related share award	-	0.1	-	-	-	-
Acquisitions of intangible fixed assets	-	(0.9)	(1.4)	(1.0)	(5.8)	(38.3)
Acquisitions of tangible fixed assets	-	-	(1.4)	(0.7)	-	-
Payable on acquisitions of subsidiary	(0.1)	-	-	-	-	-
Increase in trade and other receivables	(0.0)	(0.1)	(0.4)	0.3	0.2	(0.2)
Increase in trade and other payables	0.1	0.1	0.1	(0.8)	0.1	0.1
(Increase)/decrease in inventory	-	-	-	-	-	-
<b>Net cash used in operating activities</b>	<b>(0.1)</b>	<b>(1.2)</b>	<b>(3.5)</b>	<b>(1.8)</b>	<b>(3.7)</b>	<b>(37.3)</b>
Cash acquired on acquisition of subsidiary	0.0	0.2	-	-	-	-
Investment in associates and subsidiary	-	(0.0)	-	-	-	-
<b>Net cash used in investing activities</b>	<b>0.0</b>	<b>0.2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Proceeds from issue of shares (net)	0.3	1.5	4.3	2.0	3.0	-
Issue of debt	-	-	-	-	-	37.0
<b>Net cash from financing activities</b>	<b>0.3</b>	<b>1.5</b>	<b>4.3</b>	<b>2.0</b>	<b>3.0</b>	<b>37.0</b>
<b>Net increase/(decrease) in cash held</b>	<b>0.2</b>	<b>0.5</b>	<b>0.8</b>	<b>0.2</b>	<b>(0.7)</b>	<b>(0.3)</b>
<b>Cash and cash equivalents</b>	<b>0.2</b>	<b>0.7</b>	<b>1.4</b>	<b>1.7</b>	<b>0.7</b>	<b>1.4</b>

SOURCE: Northland Capital Partners Limited estimates

<b>Balance sheet</b>						
<b>Year to 31st December (£m)</b>	<b>2011A</b>	<b>2012A</b>	<b>2013A</b>	<b>2014E</b>	<b>2015E</b>	<b>2016E</b>
Issued capital	0.8	1.6	2.1	4.1	7.1	7.1
Share premium	11.2	12.3	16.1	16.7	16.7	16.7
Retained earnings	(11.4)	(11.8)	(12.1)	(12.4)	(11.3)	(10.9)
Reserves	0.4	0.9	0.8	0.5	0.5	0.5
Non-current liabilities	-	-	0.4	-	-	37.0
Current liabilities	0.2	0.5	1.6	0.8	0.9	1.0
Other	-	-	-	0.7	0.9	1.8
<b>Capital employed</b>	<b>1.2</b>	<b>3.4</b>	<b>8.9</b>	<b>10.5</b>	<b>14.8</b>	<b>53.3</b>
Investment in associate	0.1	-	-	-	-	-
Intangible fixed assets	0.8	2.5	5.4	5.7	10.8	48.4
Tangible fixed assets	0.0	0.0	1.4	2.1	2.1	2.1
Trade and other receivables	0.0	0.2	0.6	0.9	1.1	0.9
Inventory	-	-	-	-	-	-
Tax	-	-	-	-	0.0	0.4
Cash and cash equivalents	0.2	0.7	1.4	1.7	0.7	1.4
<b>Capital employed</b>	<b>1.2</b>	<b>3.4</b>	<b>8.9</b>	<b>10.5</b>	<b>14.8</b>	<b>53.3</b>
Net assets per share net of goodwill & intangibles (p)	(0.0)	(0.0)	0.0	0.1	0.1	(1.4)
Net assets per share inc. goodwill & intangibles (p)	(2.2)	(0.8)	(0.5)	(0.4)	(0.2)	(0.1)
Net cash (debt) (£m)	0.0	0.2	(0.6)	0.9	(0.2)	(36.6)
Free cash flow per share (p)	0.0	0.1	0.1	0.1	0.0	0.1
Gearing (%)	7.4	10.9	(9.9)	10.8	(1.5)	(282.5)
Shares in issue (m)	461.8	1,178.0	1,844.4	2,135.3	2,457.6	2,457.6
Post tax RoCE (%)	-	-	-	0.2	0.3	0.1
RoE (%)	(0.1)	(0.2)	(0.0)	(0.0)	0.1	0.0
Shareholders' funds (£m)	0.6	2.0	6.1	8.5	12.5	13.0
Shareholders' funds net of intangibles (£m)	(0.2)	(0.5)	0.6	2.7	1.7	(35.5)

**SOURCE: Northland Capital Partners Limited estimates**



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W Resources	WRES.L	4, 5

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