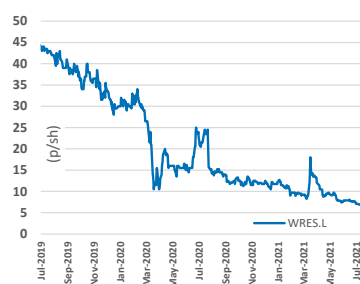


15th July 2021

Mining & Metals

Market data

Ticker	WRES
Price (p/sh)	6.85
12m High (p/sh)	27.4
12m Low (p/sh)	6.7
Shares (m)	115.9
Mkt Cap (£m)	7.9
Market	AIM



Source: IRESS

Description

W Resources is a European mining company with tungsten, tin and gold assets in Spain and Portugal. The main focus is the La Parrilla tungsten and tin mine in Spain which is currently ramping up production. WRES aims to be one of the lowest cost tungsten producers globally.

www.wresources.com

Board & key management

Chairman	Michael Masterman
Exec Director	Pablo Neira
Non-Exec	David Garland
Non-Exec	James Argalas
LP Ops Manager	Juan Garcia Valledor
CFO	Paul Hailes

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W Resources*

Seeing clearly now the rain has gone

WRES reported quarterly production numbers for Q2-2021 from the company's La Parrilla tungsten-tin mine in Spain. The numbers indicate a record quarter for tungsten production with all tungsten related metrics showing a considerable uptick from Q1. This includes the all-important tungsten metallurgical recovery which increased to 47% (a 32% increase over Q1) beating our 40% estimate. As a consequence, La Parrilla produced the highest tonnage of tungsten concentrate to date. The water issue that hampered access to high-grade ore has been resolved with a new dam and pit de-watering, and a permanent solution is being designed.

- ▶ **Q2 production.** Figures and comparison to Q1-2021 (in brackets): ROM tonnes 232kt (↑18% vs 196kt), WO₃ concentrate 106.4t (↑68%, 63.5t), WO₃ contained metal 6,919mtu (↑77%, 3,916mtu), WO₃ recovery 47% (↑47%, 32%), Sn concentrate 23.8t (↓18%, 28.9t), Sn contained metal 12.4dmt (↓24%, 16.3dmt), Sn recovery 27% (↓39%, 44%). WO₃ concentrate shipped 100t (↑69%, 59.2t), Sn concentrate shipped 19.3t (↓4%, 20t).
- ▶ **A much better quarter for tungsten.** Tungsten recovery increased from 32% in Q1 to 47% in Q2 which was a beat on our cautious 40% estimate. As a result of the higher recovery, record plant utilisation and steady ROM tonnes, tungsten metal production increased to 6,919mtu, the highest level since start-up. This was achieved despite a 10-day production shut-down with production restarting on 8th June. Naturally this also translated to the highest tungsten concentrate production to date. The higher tungsten recovery is a solid achievement for WRES and encouragingly the company reports that the highest monthly recovery for both tungsten and tin was recorded in June at 56% and 50% respectively. All the key metrics for tungsten were improved vs Q1-2021 (see figure 1 next page) and the monthly performance in June provides some reassurance that ramp-up to steady state is on track and tungsten metallurgical recovery is continually improving. The quarter was only marred by the low tin recovery compared to Q1 although as discussed, this appears to be back on track.
- ▶ **High water levels resolved.** The previous issue with high water levels (due to unseasonably high rain fall) in the pit which hampered access to the higher-grade ore has been resolved. Construction of a 500,000m³ dam has been completed and the mine pit was successfully dewatered by the end of the quarter. A second dam representing a permanent solution to water issues is at the design stage and expected to be completed in Q4-2021.
- ▶ **Even more reasons to be optimistic.** Key metrics appear to be moving in the right direction; particularly tungsten recovery, head grades and plant utilisation. The plant is running on a 5-day week and recently transitioned to a two 12-hour shift pattern. WRES expects the plant to be running 24/7 by Q4 this year. With the water issue resolved, this should coincide with WRES being able to access high-grade ore again. Revenues should benefit from the continued increase in plant performance and also firm tungsten and tin pricing. The European APT price continues to stage a recovery from Covid lows has recently been trading in the \$287-\$292/mtu range on the back of tightening supplies of both tungsten concentrate and ammonium paratungstate (APT) material and improved demand fundamentals. Tin is trading at \$33,550/t and at all-time highs.
- ▶ **Guidance maintained.** Based on the improved performance over the last quarter, WRES has reaffirmed the inaugural production guidance given in the previous Q1 update. The company expects total concentrate production of between 880t and 1,000t for 2021. Our model assumes 880t at the bottom end of this range.
- ▶ **Discussion.** We have updated our model and our estimate of fair value remains at 23p/sh for now, based on a blend of NAV and forward EBITDA. This indicates that WRES is trading at 0.30x to our risked NAV. Given the solid progress in Q2 we retain our phased increase in tungsten recoveries over the remainder of the year (Q3: 50%, Q4: 65%) and ROM tonnes hitting the T2 run-rate (2Mtpa ROM) by the start of 2022. We continue to see considerable upside for WRES if the current operational trajectory continues in combination with plant stability and increased commodity prices. This should bring increased revenues and lower operating costs and put La Parrilla firmly back on track.

The best quarter yet for WRES at La Parrilla which comes despite a 10-day shut down. The plant is starting to prove its mettle just in time for WRES to access higher-grade ore and stride towards the T2 run-rate. With the majority of onerous remedial work complete, there now remains little impediment to La Parrilla pushing ahead to full nameplate production.

La Parrilla – quarterly production results (Q2)

Figure 1 - La Parrilla – Q2 2021 production results

Quarterly Production	Q1-21	Q2-21	Q-on-Q variance
			Q1-21 vs Q2-21
ROM tonnes (kt)	196	232	18%
Strip ratio	5.13	2.89	
Jig plant Processed (kt)	164	174	6%
WO ₃ feed grade (ppm)	744	855	15%
WO ₃ recovery (%)	32%	47%	47%
WO ₃ Concentrate (dmt)	63.5	106.4	68%
WO ₃ concentrate grade (%)	62%	65%	6%
Tungsten (mtu)	3,916	6,919	77%
Sn feed grade (ppm)	228	259	14%
Sn Recovery (%)	44%	27%	-39%
Sn concentrate (dmt)	28.9	23.8	-18%
Sn concentrate grade (%)	57%	52%	-8%
Sn contained metal (dmt)	16.3	12.4	-24%
Total concentrate (dmt)	92.4	130.2	41%
Total contained metal (dmt)	55.5	81.6	47%
Shipments	Q1-21	Q2-21	Q4-20 vs Q1-21
Tungsten concentrate (dmt)	59.2	100.0	69%
Tin concentrate (dmt)	20.0	19.3	-4%

Source: W Resources, Shard Capital

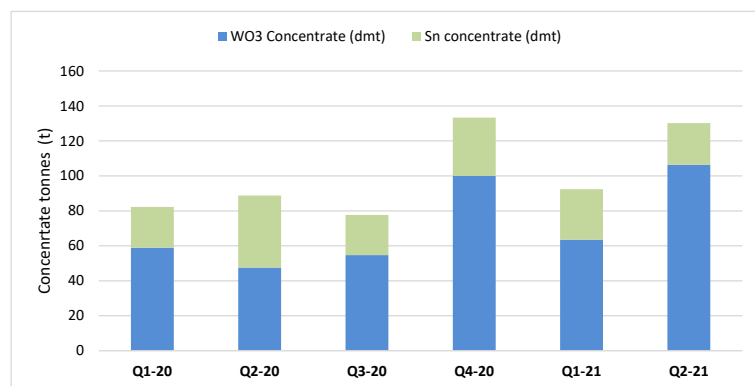
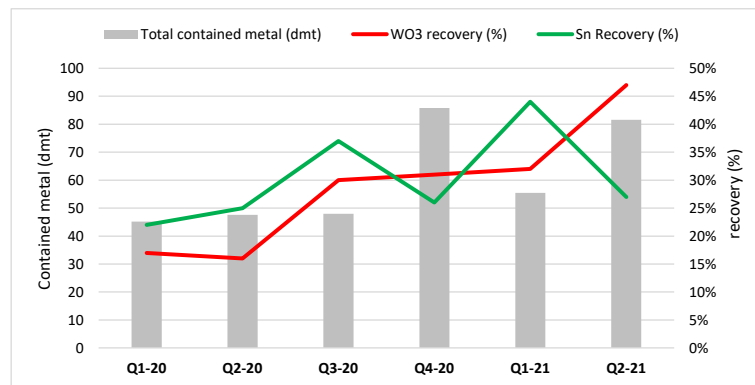
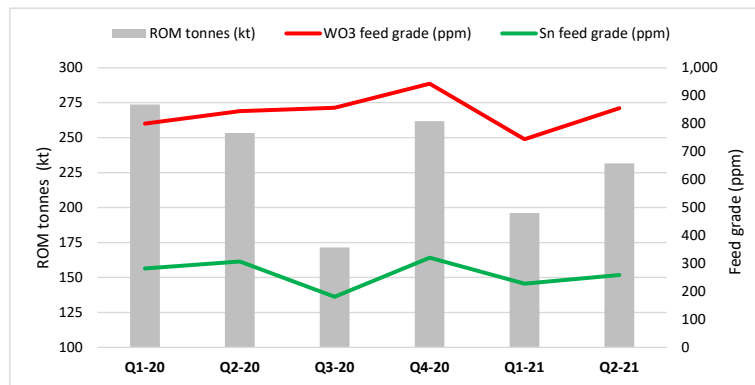
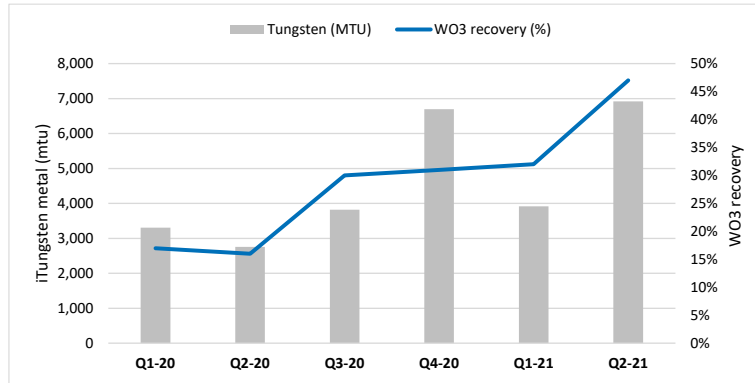
Figure 2 - La Parrilla – historical quarterly production summary

Quarterly Production	Q1-20	Q2-20	Q3-20	Q4-20	Q1-21	Q2-21
ROM tonnes (kt)	274	253	171	262	196	232
Strip ratio	1.07	0.58	1.38	1.19	5.13	2.89
Jig plant Processed (kt)	241	228	148	237	164	174
WO ₃ feed grade (ppm)	800	845	857	943	744	855
WO ₃ recovery (%)	17.0%	16.0%	30.0%	31.0%	32.0%	47.0%
WO ₃ Concentrate (dmt)	58.9	47.6	54.7	100.0	63.5	106.4
WO ₃ concentrate grade (%)	56%	57%	70%	67%	62%	65%
Tungsten (MTU)	3,306	2,756	3,820	6,698	3,916	6,919
Sn feed grade (ppm)	282	307	181	321	228	259
Sn Recovery (%)	22%	25%	37%	26%	44%	27%
Sn concentrate (dmt)	23.3	41.2	22.9	33.4	28.9	23.8
Sn concentrate grade (%)	52%	49%	43%	56%	57%	52%
Sn contained metal (dmt)	12.1	20.0	9.8	18.8	16.3	12.4
Total concentrate (dmt)	82.2	88.8	77.6	133.4	92.4	130.2
Total contained metal (dmt)	45.2	47.6	48.0	85.8	55.5	81.6

Source: W Resources, Shard Capital

Quarterly production charts

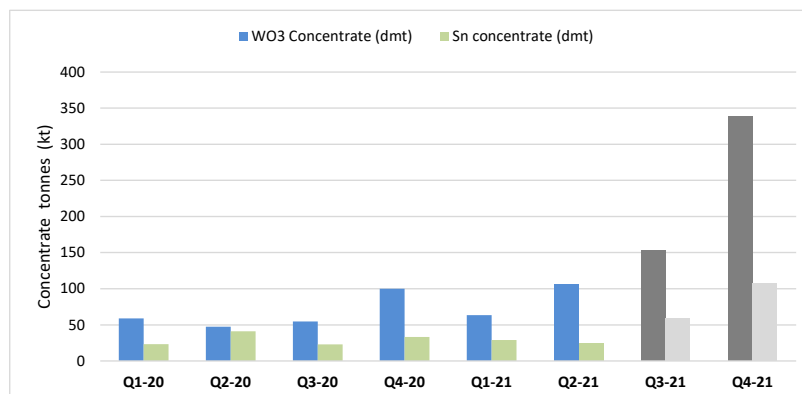
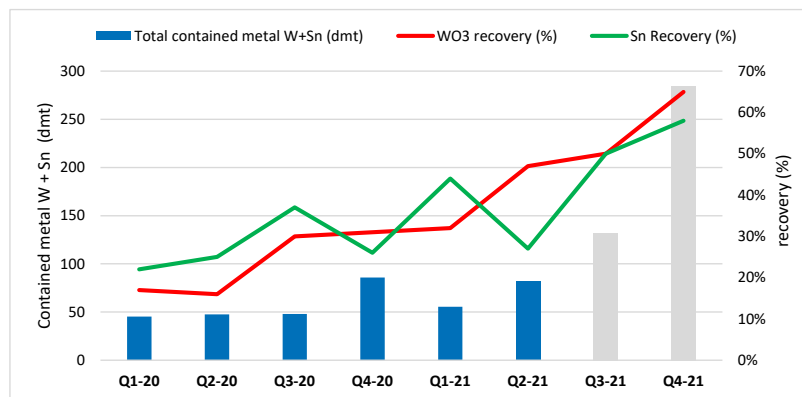
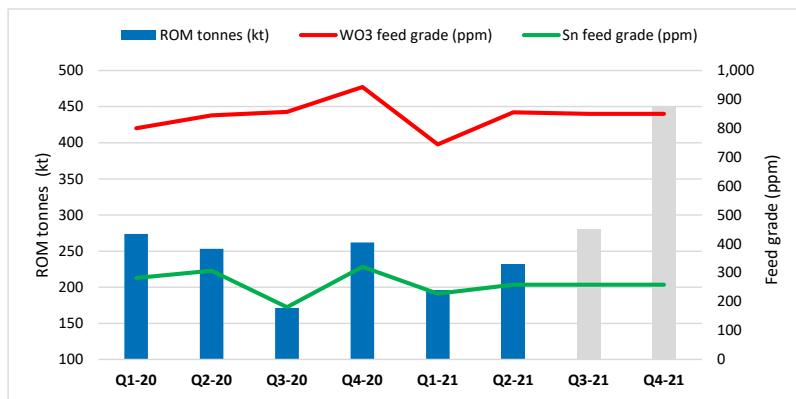
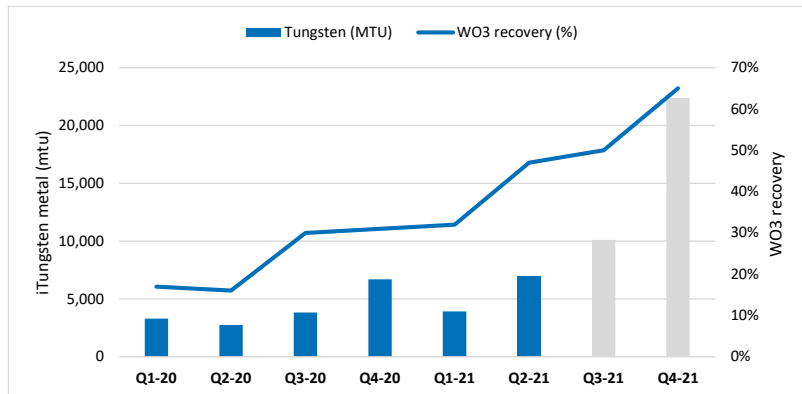
Figure 3 - La Parrilla, quarterly production actuals



Source: Shard Capital, using WRES data

W Resources*

Figure 4 – Our view of quarterly ramp up for the remainder of 2021



Grey (Q3 onwards) indicate Shard Capital forecasts

Source: Shard Capital estimates

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