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#### Stock Data

Share Price: 0.50p  
 Market Cap.: £29.0m\*  
 Shares in issue: 5,793.4m\*  
 \*Pro forma until 12 Feb 2019

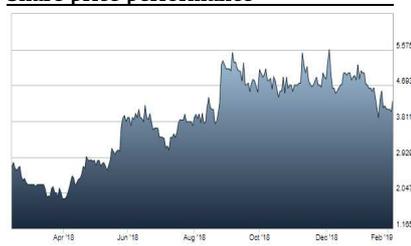
#### Company Profile

Sector: Mining  
 Ticker: WRES.L  
 Exchange: AIM

#### Activities

Tungsten exploration and production in Spain and Portugal and gold exploration in Portugal.

#### Share price performance



Source: LSE

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TPI acts as broker to W Resources plc

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## W Resources plc

W Resources has made significant progress over the last twelve months. In particular, tungsten and tin production commenced at La Parrilla in Q4 last year and first shipments to a European customer were made at the end of November 2018. With several mining process milestones at La Parrilla expected to be completed over the next six months, we are confident that the company is on track to attain its planned run rate of 2,500 tonnes per annum of tungsten concentrate within the next twelve months.

The last two months of 2018 were marked by several operational milestones for W's flagship La Parrilla project in Spain. In particular, early production commenced from the existing concentrator using tailings feed in November 2018 and with the completion of the La Parrilla crusher in December, the company is expecting to ramp-up in production from Q1 2019.

The company currently plans to commence production from its new large scale concentrator in Q2 2019 when it is completed in the current quarter. With this final stage of the La Parrilla mine development, W is scheduled to scale up to a run rate of over 200 tonnes per month in line with the targeted long term run rate of 2,500 tonnes per annum.

Following a successful placing to raise £1.5m in April 2018, W embarked on a reverse circulation drilling programme focused primarily on the company's tungsten assets, Régua and Tarouca, located in northern Portugal. Results at Régua were particularly positive with high grades and wider intersections reported and three of the reported assays significantly greater than the average grade of the orebody.

W has outlined a development plan for Régua ultimately targeting production of 1,300 tpa of tungsten, the commencement of which could be fast tracked in 2019. This would increase W's aggregate long term tungsten production profile to over 3,800 tpa on the basis that La Parrilla scales up to target capacity by the end of 2019.

The Tarouca drilling campaign, completed immediately prior to that of Régua also confirmed high tungsten grades over multiple assays. Consequently, W is confident that Tarouca can provide additional high-grade feed to a mine development at Régua which is located only 20 km away. W's next move is expected to be resource modelling with a view to preparing a trial mine application for Tarouca in 2019.

Following the work at Tarouca, W's drilling programme also targeted the company's gold project at São Martinho in Portugal with the objective of extending the resources outlined after the 2016 drilling programme. In July 2018, W reported several thick gold intersections and high grades from interim assays. Results are currently being evaluated by newly appointed independent expert, SRK Consulting (UK) and are expected to be completed in Q1 2019.

**W Resources made significant progress across its entire portfolio of assets in 2018 culminating in first production and shipment from La Parrilla which was ahead of schedule. The company has entered the current year with cash of US\$7.1m at the end of December 2018 and several important near term milestones in close range. These include a ramp-up in output from La Parrilla in addition to several potentially exciting exploration results from the company's Portuguese tungsten and gold assets. As such, we foresee strong news flow over the coming six months.**

## La Parrilla update

In November 2018, W outlined its three-stage programme to ramp-up production of tungsten and tin concentrate from the low cost, open pit La Parrilla mine over the course of 2019. As indicated by the company's news flow over the final six weeks of 2018, this programme commenced ahead of schedule primarily as a function of strong global tungsten and tin prices and the advanced construction progress achieved at the La Parrilla mine site. The accelerated progress that W has made over recent months is outlined below:

### **Stage 1 – Production start-up**

In November 2018, W commenced concentrate production from existing concentrator using tailings feed (materials left over after the process of separating the valuable fraction from the uneconomic fraction of an ore). Production commenced at 10-15 tonnes per month in mid-November with first shipment of tungsten concentrate made to a European customer on the last day of the month.

The company subsequently announced on 5 February 2019 that three further shipments have now been delivered to the company's European customer and cumulative production has now exceeded 50 tonnes of tungsten concentrate. Output is now expected to increase as W switches production to higher grade mined ore from tailings feed.

### **Stage 2 – Completion of the La Parrilla crusher, Jig Plant and Concentrator**

W's early stage plan was to switch from tailings feed to higher grade crushed mine feed following the completion of the La Parrilla crusher. Mechanical completion of the crusher plant was announced on 10 December 2018 and W confirmed that mined ore from La Parrilla was fed successfully into the completed crusher. This was achieved ahead of schedule and mechanical completion of the crusher plant paves the way for full commissioning of mined ore in January 2019. The company has also confirmed that the LNG power station was completed and commissioned in January 2019 and the new operations offices and non-plant infrastructure are now complete. Outlined overleaf is an aerial view of the La Parrilla crusher clearly depicting mined ore being deposited at the head of the crushed as part of the first crushing phase.

Initial delays in the receipt of fabricated steel for the construction of the Jig Plant have been overcome and the new mills have arrived on site for immediate installation. As such, the Jig Plant is expected to be mechanically complete in early March and commissioned through the month.

Most of the equipment for the Concentrator, including the shaking tables is on site and shipments of modular spirals from Australia arrive in early February. German company, allmineral Aufbereitungstechnik GmbH & Co is contractually responsible for the on-budget and on-schedule completion of the Jig Plant and the Concentrator.

### **Crusher specification**

W notes that the crushing circuit at La Parrilla, supplied by equipment provider, Metso Minerals Portugal, Lda, has been engineered to minimise creation of tungsten fines (small diameter particles as opposed to coarse grains) and is designed to process 350 tph (tonnes per hour) of ore. The mechanism is comprised of a jaw crusher and secondary cone crusher both with vibrating grizzlies prior to size reduction and two tertiary cone crushers in closed circuit with a double deck banana screen.

The crushing circuit has been designed for modular expansion to 700 tph requiring no future modifications to the installed infrastructure. The plant is configured to feed X-Ray ore sorting going forwards and W states that the high level of automation in the design and robust wear liner packages will permit strong operational control and minimise future maintenance requirements.

### The La Parrilla crusher in operation



Source: Company

### Stage 3 – Commence large scale production

W has outlined plans to start production from its new large scale concentration plant\* in Q2 2019 following the expected construction completion in Q1 of the current year. With the completion of this phase of La Parrilla's development, the company expects that production can steadily ramp up to over 200 tpm (tonnes per month) by the end of 2019.

\*A concentration plant consists of a set of gravity concentration equipment, predominantly used in the mining industry for the recovery of mineral particles of high density.

## Summary – full ramp-up on schedule

The earlier than expected start-up of open pit mine production from La Parrilla will enable W to generate early stage revenue and cash flow ahead of a ramp-up to annual output of approximately 2,500 tonnes per annum of tungsten concentrate within 12 months.

This crucial period of time will provide the technical management team at La Parrilla to fine tune the mining process and provide design improvements as large scale production accelerates. We believe that key plant design enhancements already implemented have already increased plant feed capacity to 50 tonnes per hour of ore, improving fine tungsten recoveries through segregation and treatment of discrete particle distributions through the gravity circuit.

## W trading at a discount to direct comparator

We note with interest that W is trading at a significant discount to its direct sector comparator; AIM and Dublin listed Ormonde Mining plc. Ormonde's core project is the Barruecopardo tungsten project in Spain in which the company holds a 30% interest.

Barruecopardo is a new mine development based on an open pit mining operation with a 9 year mine life. The project is expected to produce approximately 2,060 tonnes of tungsten metal. This compares closely with La Parrilla which is expected to produce up to 2,500 tonnes of tungsten when at full capacity.

There are several significant differences between the two company's projects. Primarily, Barruecopardo is higher grade at 0.26% WO<sub>3</sub> compared to 0.096% WO<sub>3</sub> for La Parrilla. However, W notes that owing to the simpler metallurgy at La Parrilla recovery rates are expected to be high. In addition, Ormonde has stated that Barruecopardo will be funded by a US\$100m financing package provided by its 70% joint venture partner, Oaktree Capital Management, whereas development costs a La Parrilla are expected to be considerably lower funded by a US\$35m BlackRock facility, modest additional equity raised by W and a €5.3m grant provided by the Extramadura Regional Government.

### Comparison to Ormonde Mining

If we consider Ormonde as a single asset company at this stage and gross up its interest in Barruecopardo, we arrive at a valuation for 100% of the project of £67m. Ormonde possesses gold exploration assets in Spain, similar to W. As such, we have assumed that these additional value parameters cancel each other out given the respective early stage status of each company's other activities.

On a £/tonne basis, we calculate that Ormonde is trading at a valuation of £3.76/tonne of Measured and Indicated resources. This falls to £2.45/tonne with the inclusion of Inferred resources. As the table below depicts, W is trading at considerably lower multiples on the same basis.

In conclusion, we infer from the data that if W was trading at the same multiple as Ormonde, this would imply a market capitalisation of nearly £120m on the lower metric. This suggests a potential share price in excess of 2p.

### Valuation comparison for Ormonde Mining and W Resources (Resources in million tonnes)

Company	Market Cap. £m	Resources		Total	Implied Valuation £m	£/Tonne	
		Measured and Indicated	Inferred			Measured and Indicated	Inferred
Ormonde Mining	20.1	17.8	9.6	27.4	67.0	3.76	2.45
W Resources	29.0	36.0	13.0	49.0	29.0	0.80	0.59

Source: Companies, TP estimates

## La Parrilla – Project background

Acquired in 2013 and 100% owned by W Resources, La Parrilla is one of the largest low-cost, long-life tungsten and tin mines in the western world. The mine is located in the Extremadura region of Spain approximately 310 km southwest of Madrid (see map below).

### Location of La Parrilla in Extremadura, Spain



Source: Company

### Grade and quality upgrade

In May 2017, W announced an upgraded in resource categorisation of its JORC (2012) resource for La Parrilla following a successful infill drilling programme in 2016. As can be seen from the table below, the total combined Measured, Indicated and Inferred resources is 49 million tonnes (Mt) at a grade of 998 parts per million (ppm) tungsten trioxide (WO<sub>2</sub>) and 110 ppm tin.

### Upgraded mineral resources for the La Parrilla deposit

Classification	Tonnage (Mt)	WO <sub>2</sub> (ppm)	Sn (ppm)
Measured	1	1,115	278
Indicated	35	1,004	110
Inferred	13	974	97
<b>Total</b>	<b>49</b>	<b>998</b>	<b>110</b>

Source: Golder Associates

In June 2017, W also announced its maiden ore reserves for La Parrilla prepared in accordance with JORC Code 2012. In total the company announced proven and probable diluted mineral reserves of almost 29.8 million tonnes at 931 ppm (parts per million) of tungsten oxide (WO<sub>3</sub>) and 116 ppm tin (Sn).

#### La Parrilla Proven and Probable mineral reserves (JORC 2012)

	Tonnes '000	Grade WO <sub>3</sub> (ppm)	Metal content WO <sub>3</sub> (t)	Grade Sn (ppm)	Metal content Sn (t)
Proven	1,177	995	1,171	251	295
Probable	28,577	928	26,511	111	3,156
<b>Total</b>	<b>29,754</b>	<b>931</b>	<b>27,683</b>	<b>116</b>	<b>3,451</b>

Source: Golder Associates

#### Mine life and production ramp-up

Based on these reserve estimates, La Parrilla has Life of Mine of at least 11 years. This assumption factors in a progressive expansion of La Parrilla production to 2 mtpa (million tonnes per annum) of ore over 2019 in order to produce at least 2,500 tonnes per annum of tungsten concentrate and up to 500 tpa of tin concentrate.

La Parrilla is expected to be a low operating cost operation of the order of US\$94 per mtu. With tungsten prices currently well in excess of US\$250 per MTU (A Metric Tonne Unit (MTU) is equal to ten kilograms per metric tonne and is the standard weight measure of the tungsten trade) and tin trading at over US\$20,000 per tonne following a commodity price rally at the beginning of 2019, the opportunity to establish strong early margins has been achieved by the company.

## Financing La Parrilla

#### BlackRock loan facility

The core financing package for La Parrilla was established in February 2018 with a Credit and Guarantee Agreement with lenders including funds managed by BlackRock Financial Management Inc. BlackRock agreed to provide a US\$35.0m secured loan facility to W in order to fund La Parrilla. The first US\$13.125m tranche of the loan was drawn down in mid-February 2018 with the balance of US\$21.875m drawn down at the end of May 2018.

The loan is for a term of five years with a two year non-call period. W has the right to repay the loan for a premium of 5% after two years, a 3% premium after three years and a 0% premium after four years. The loan is subject to an average interest rate of 12.6% over the five year term, being 14% in year one and falling to 13% in year two and 12% thereafter. First year interest is Payable in Kind (PIK) and added to the principal, while 50% of the second year interest is PIK and 50% is payable in cash.

The lenders received a non-refundable upfront fee of 3% of the face value of each of the respective loan disbursements. Lenders also received warrants totalling 5% of W's fully diluted equity as part of the agreement.

### **Grant awarded**

On 28 March 2018, W announced that its 100% owned Spanish subsidiary, Iberian Resources Spain SL (IRS) was awarded a grant of €5,322,970 by the Junta de Extremadura Government for the La Parrilla project. This formal award equates to 32% of the total €16.6m plant and facilities package that qualified for grant contribution. W notes that this award is at the upper end of the range for such awards.

The grant proceeds will be paid to W through IRS upon the fulfilment of all conditions which include the completion of the plant and facilities and also meeting targeted local employment levels. These conditions need to be fulfilled by 14 March 2020 and verified in an audit by the Junta de Extremadura Government. We are confident that W will comfortably fulfil the conditions outlined by the regional government and the receipt of the grant funds will greatly enhance the economics of the La Parrilla project.

### **Equity placings provide working capital**

W has conducted several modest equity placings over the last two years in order to maintain working capital and to provide funds for advancement of the company's other longer term assets in Spain and Portugal.

In April 2018, W raised £1.5m at a price of 0.5p per share through its broker Turner Pope Investments to accelerate its Régua and Tarouca tungsten projects in northern Portugal and to advance exploration activities at the company's Sao Martinho gold project, in east central Portugal.

W also conducted a placing to raise a further £1.5m at 0.49p per share with institutional fund manager, Miton Group, in November 2018 ahead of the start-up at La Parrilla. This move provided valuable working capital for W and also strengthened the institutional participation of W's shareholder register.

## Régua – Upside to La Parrilla

Régua, located in the Viseu region of northeast Portugal, is a high-grade tungsten deposit in which W owns a 100% interest. The project is scalable at low cost and requires limited capital investment. In October 2015, competent persons, Golder Associates confirmed a mineral resource estimate of 5.46mt (million tonnes) at 0.28% WO<sub>3</sub>, based on a cut-off grade of 0.1% WO<sub>3</sub>. The indicated resource is 3.76mt at a grade of 0.304% WO<sub>3</sub>.

### Location of Régua in northern Portugal



Source: Company

### Mineral resources for Régua deposit using a 0.1% WO<sub>3</sub> cut-off grade within mineralised domains

Classification	Tonnage (Mt)	WO <sub>3</sub> (%)
Indicated	3.76	0.304
Inferred	1.70	0.227
<b>Total</b>	<b>5.46</b>	<b>0.28</b>

Source: Golder Associates

### Recent results show great promise

Régua is a comparatively smaller proposition than La Parrilla. However, the prospectivity at Régua was enhanced significantly following the announcement of very positive exploration results in September 2018.

Following a successful placing to raise £1.5m of new funds in April 2018, W undertook a Reverse Circulation (RC)\* drilling programme at Régua and subsequently reported high-grade and wide intersections at the site.

The RC assays were significantly higher than expected including 29m @ 0.75% WO<sub>3</sub> from 48m in hole RGR015 on the north-western flank. W also noted that three of the reported assay results were above 1% and almost half of the results were greater than the average grade of the ore body.

W noted that these were very positive results from the north-western part of the Régua orebody which remains open at depth and in all directions. Consequently, the zones to the northwest are indicating significant width and grade and are highly prospective for mine extension drilling.

\*RC drilling uses rods with inner and outer tubes. The drill cuttings are returned to surface inside the rods and the drilling mechanism is a pneumatic reciprocating piston known as a hammer driving a tungsten-steel drill bit. (Source: RC Drilling)

### **Recent progress on mine development**

In February 2018, W secured land access and all approvals for the first stage of the Régua mine development. Land access was secured through the acquisition of the 20.3 hectares of land covering the main area of the Régua mine, for a consideration of €300,000. This parcel of land covers the outcropping resource of the Régua deposit in addition to the trial mine facilities including the portals and the underground projected stopes. (Stoping is the process of extracting ore from an underground mine, leaving behind an open space known as a stope).

Under the Armamar municipality Land Use Plan, the Régua project area is classified as a mining area and the Régua trial mine project has obtained all required approvals from the central Mines Department and Regional Authorities. W notes that the project has clear support from local municipality of Armamar.

### **A development plan for Régua**

W has outlined a development plan for Régua targeting production of 1,300 tpa of tungsten, the commencement of which could be fast tracked in 2019. This would increase the company's aggregate long term tungsten production profile to over 3,800 tpa assuming that La Parrilla scales up to target capacity by the end of 2019.

Régua is expected to be a low cost project as the company will be able to access high grade ore from the surface via two existing adits (horizontal passages leading into a mine for the purposes of access or drainage). Run of Mine (ROM) feed grade for the first two years is estimated in the mine plan to average 0.43%. This is high by global standards and adjudged to be three times that at La Parrilla.

It is planned that the ore will then be trucked to a nearby third party crushing plant at a granite quarry and then processed through to high grade concentrate at a new modular concentrator to be built by W on the site of the crushing and waste disposal facility. This provides the base for an estimated trial mine start-up cost of around €2.5m.

The Régua deposit has a project life of 7-10 years although W believes that there is significant longer term potential to boost tungsten production to 3,700 tpa and extend the mine life through further development work.

# Exploration projects

## Tarouca

The Tarouca tungsten and tin exploration licence is owned 100% by W and is located in the Viseu region of North East Portugal. The licence is a former Scheelite (a calcium tungstate mineral) mine covering 5.7 km<sup>2</sup>.

In 2016, trench sampling at the Tarouca project showed high-grade tungsten results with 15 out of 126 samples exceeding 0.5% WO<sub>3</sub>. This, combined with 15 holes drilled in 2014, confirmed a very promising exploration target in the north eastern area of the licence.

### Location of the Tarouca licence



Source: Company

### RC drilling results in 2018

The company completed an RC drilling campaign at Tarouca in April 2018, immediately prior to the Regua drilling campaign and the results were announced in June 2018. In summary, the 1,515 metre drilling campaign identified very high tungsten grade intersections, including 1 metre at 2.851% WO<sub>3</sub> in Hole TARC011 and 3 metres at 1.165% WO<sub>3</sub> in hole TARCO14. Over 11 separate assays reported over 1% WO<sub>3</sub>.

The RC holes were drilled at an angle to the primary strike and the drilling programme has enabled the team to model the tungsten resource. The company is confident that Tarouca can provide additional high-grade feed to the Régua mine development, which is located only 20 km to the north and W's next move is expected to be resource modelling with a view to prepare a trial mine application in 2019.

## CAA/Portalegre

CAA/Portalegre covers 289.75 km<sup>2</sup> and is located in the North Alentejo region of East Portugal. The licence includes the São Martinho gold deposit in addition to the Mosteiros gold project and the Assumar gold prospect.

### Gold resources at São Martinho

In June 2016, Golder Associates completed a JORC resource on São Martinho which confirmed a resource estimate of 3.04Mt at 1.04g/t gold. This equates to 111,987oz in contained gold. W's geological evaluation of the project indicates the potential to increase the size of the indicated resource and delineate additional high-grade zones.

A drilling programme was completed in the second half of 2016, the results of which were announced in January 2017 and are outlined in the appendix at the end of this report. This project is 100% owned by W and we believe that it represents significant potential for a farm-in partner or potential sale of the project.

### Mineral resources for the São Martinho deposit using a 0.5 g/t Au cut-off grade within mineralised domain

Classification	Tonnage (Mt)	Au (g/t)	AU content (oz)
Indicated	0.48	1.03	17,363
Inferred	2.56	1.05	94,624
<b>Total</b>	<b>3.04</b>	<b>1.04</b>	<b>111,987</b>

Source: Golder Associates

### Drilling programme in 2018

In May 2018, W commenced a five week RC drilling campaign at São Martinho after operations at Tarouca had been completed. The programme included 15 holes with approximately 2,000 metres of total drilling. The primary objective is to extend the resources outlined above integrating the data from the 2016 diamond drilling results with the expansion expected with the present RC campaign. This included the seven RC holes in the São Martinho West deposit and eight holes in São Martinho East deposit which requires further detail drilling.

In July 2018, W reported initial assays from RC drilling programme. Highlights from the first seven holes out of the 15 included a 25m intersection at 0.85 g/t Au from 11m including 3.35 g/t Au over 3m. W has completed the scheduled 2,000 metres of drilling and the results are currently being evaluated.

### Change of Competent Persons

We note that in November 2018, W switched from Golder Associates to SRK Consulting (UK) to complete the upgraded São Martinho gold deposit resource estimate. This work has been underway since the end of 2018 and is expected to be completed in Q1 2019.

## Monforte-Tinoca

W was granted the Monforte-Tinoca Portuguese exploration licence (100%), containing the Tinoca and Azeiteiros copper mines in July 2016. The licence which covers 496.19 km<sup>2</sup> is located close to the CAA/Portalegre copper-gold project and is believed to be highly prospective for copper, gold, tin as well as tungsten.

Monforte-Tinoca was originally a successful small copper mine operation and this area and its surrounding structures provides a significant and potentially high-grade copper prospect to W's existing portfolio.

An RC drilling programme of approximately 1,500m was completed after the São Martinho and Tarouca campaigns and we await further announcements regarding the results of this programme.

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## Appendix 1 – Drilling results at São Martinho (Jan 2017)

W announced positive results at its São Martinho Gold project in Portugal on 17 January 2017. Hole SMD-009 results confirmed a very thick gold intersection of 56.4m at 2.34g/t from a very shallow depth of 2.6m. The company believes that the thickness of the intersection is a positive indication of the potential for an increase in the size of the ore deposit and the potential to mine ore at low cost given the shallow nature of the zone.

New results from holes SMD-005 to SMD-009 and an upgrade from further sampling of hole SMD-004 have also yielded positive results. The highlights include:

- SMD-009 was the highlight with a wide zone of 56.4m at 2.34g/t from 2.6m with an additional deeper zone of 3.55m at 1.69g/t Au from 194.95m identified
- Infill sampling of hole SMD-004 significantly improved the results with thicker intersections including a zone of 2.4m grading 4.2g/t Au from 32.9m.
- Hole SMD-007 reported two gold bearing zones with a shallow zone at 18-20m and a deeper zone at 104m

In addition to these first assay results, visual gold has been picked up in additional holes, SMD-010 and SMD-011. The management has stated that these results provide a solid base to drive extension drilling with the potential for materially larger resource and further results from this programme will be released as the assay results come through.

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