

WWR / NYSE-Amer

**SPECULATIVE
BUY**

Unchanged

\$20.00

Unchanged

CAPITALIZATION

Shares Outstand. (11/10/21)	35.3 M
Recent Price (11/15/21)	\$3.54

Market Capitalization	\$124.9 M
+ Debt	0.0 M
- Cash	119.0 M
Enterprise Value	\$ 5.9 M

Book Value	\$126.3 M
Working Capital	\$116.8 M
Dividend	Nil

Balance sheet figures as of 6/30/21

MARKET DATA

Bid-Ask Spread, % Price	1.4%
52 Week High/Low	\$11.45 - \$3.05

Shares Outstanding	35.3 M
Inside Ownership	<1%
Institutional Ownership	10%
Estimated Flotation	35.0 M

Average Daily Volume	814 K
Short Interest, % of Float	7.0%
Beta	NA

Source: Bloomberg LP

INVESTMENT RETURNS

	WWR	Sector*
Return on Equity	Neg	18.07%
Return on Assets	Neg	8.49%
Return on Capital	Neg	11.20%

Source: Crystal Equity Research, CSI Markets

FINANCIAL PROFILE

	FY19	FY20
Sales	\$ 0.0 M	\$ 0.0 M
EBITDA	(\$10.3) M	(\$13.8) M
(L)EPS	(\$5.39)	(\$2.68)

Source: Company Reports

HIGHLIGHTS

- **Product Sale.** Westwater announced a letter of intent to sell 125 to 250 metric tons of proprietary *Coated Spherical Purified Graphite (CSPG)* to an undisclosed customer. The LOI includes an option to deliver another 16,000 metric tons of CSPG beginning in 2025.
- **Graphite Facility.** First steps underway to build battery-grade graphite production plant at an industrial site near Westwater's graphite resource in Coosa County, Alabama. Operations manager onsite, bids solicited for construction work, and orders prepared for critical equipment.
- **Cash Resources.** Reported cash was \$119 million at end of September 2021, we believe sufficient to support operations into 2023 and part of Phase I of graphite processing facility construction.
- **Financing.** Management confirms availability of additional \$120 million in total capital raise capacity through two equity sales agreements.
- **Undervaluation.** We believe intrinsic value of WWR is near \$15.53 per share based on comparable value of peers in metals industry, well above its current price. Forward value in 2023 estimated to be \$20.17.

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INDUSTRY: INDUSTRIAL, ENERGY MATERIALS

WWR: NYSE-Amer

RECENT DEVELOPMENTS

Westwater Resources management is moving rapidly forward on its plans to build a natural flake graphite processing plant near Kellyton, Alabama. The Company's footprint is now a 100-acre site at an existing industrial site composed of clear land and two adjacent commercial buildings that can be used for administrative and warehouse functions. The Company expects to begin construction of the processing facility on the cleared land before the end of December 2021. Completion and commissioning of the plant is expected in the first three months of 2023. The timetable makes it possible for Westwater to produce and sell its proprietary battery grade graphite materials beginning in 2023, the first domestically produced battery-grade graphite in decades.

Subsequent to the quarter earnings release, the Company announced a letter of intent to deliver in 2023, between 125 metric tons and 250 metric tons of the Company's proprietary *Coated Spherical Purified Graphite (CSPG)* to an unnamed customer. The agreement includes an option for an additional 16,000 metric tons of CSPG for delivery in 2025. The announcement validated marketability for the Company's products and provides some assurance the Company can begin realizing revenue as soon as its graphite processing facility is completed in early 2023.

The Company reported holding \$119 million in cash on its balance sheet at the end of September 2021. Additionally, Westwater has \$120 million in available capacity to raise capital through the sale of common stock pursuant to existing equity sales agreements. While these resources may not be sufficient to cover both the capital costs of the graphite project as well as regular operating activities, the Company appears to be well fortified to remain on the construction timetable. We expect Westwater management to explore additional capital raising alternatives, including equipment financing, strategic relationships, debt, and the sale of additional common stock.

RECOMMENDATION

We continue to view WWR as undervalued based on a review of valuation metrics for peers in the metals and mining industry. There are several potential catalysts that could bring the shares closer to a comparably implied \$15.52 intrinsic value and ultimately to our target price of \$20.00. 1) While not a central issue for Westwater, we believe the settlement of the Company's dispute with the Republic of Turkey over confiscated uranium mining licenses is more likely than not to be decided in Westwater's favor. 2) Favorable trends in graphite demand as electric vehicle adoption continues to grow around the world as well as additional sales contracts confirming the expansion of the Company's business pipeline. 3) Visible progress on the graphite processing plant should materialize in the coming months, affirming the reality that Westwater could become the first domestic processing of commercial graphite materials in the U.S. in decades. 4) Additional customer orders and letters of intent to sell graphite could be the strongest drivers of higher stock prices.

VALUATION

Price/Sales	Neg
Price/Cash Flow	Neg
Price/EPS	Neg
Price/Book Value	0.99 X
Consensus EPS 2021	na
Forward PE	na

OPERATING PROJECTIONS

	2020A	2021A	2022E	2023E	2024E
Sales	\$ 0.0	\$0.0	\$ 0.0	\$21.1	\$28.1
Operating (Loss)	(\$11.2)	(\$20.1)	(\$20.4)	(\$ 9.8)	(\$ 6.0)
Net Inc (Loss)	(\$23.6)	(\$18.7)	(\$20.4)	(\$ 9.8)	(\$ 6.0)
CFO (U)	(\$15.2)	(\$18.8)	(\$20.8)	(\$13.9)	(\$ 2.7)
EPS (LPS)	(\$2.68)	(\$0.57)	(\$0.40)	(\$0.19)	(\$0.12)

Dollars in millions except per share earnings

Company Reports and Crystal Equity Research Estimates

Per share figures estimated 11/10/21

GRAPHITE MATERIAL SALE

Mid-November 2021, Westwater Resources made a long-awaited announcement of a letter of intent to sell at least 125 metric tons and possibly up to 250 metric tons of its proprietary *Coated Spherical Purified Graphite (CSPG)*. First deliveries are apparently scheduled in 2023, the first year the Company is expected to begin producing battery-grade graphite from its planned natural flake graphite processing facility near Kellyton, Alabama. The letter also provides for an option to sell an additional 16,000 metric tons for delivery beginning in 2025. Westwater's announcement did not name the particular customer, specify the application or the possible sales value of the LOI. Despite the limited disclosure, in our view, the announcement confirms end-user interest in Westwater's proprietary CSPG product and provides an endorsement of the Company's sales strategy.

Recent prices for materials similar to the Company's CSPG were quoted by Roskill, a metal industry research firm, near \$7,000 per metric ton in early 2021. This suggesting the value of Westwaters LOI could be in a range of \$875,000 to \$1.75 million. The subsequent option for 16,000 metric tons in 2025 could be valued at as much as \$112 million. Notably contracted prices could differ widely from average prices quoted by minerals industry analysts. We would expect this order would be delivered over a period of time, given that in phase one of the Company's project, production capacity is expected to be near 7,500 metric tons per year.

Spherical graphite is preferred by lithium-ion battery manufacturers for the battery anode because it delivers enhanced electrochemical performance due to its ultra-high purity greater than 99.9% carbon and optimized rounded particle shape and small size. These characteristics are achieved by purifying the graphite concentrate, milling the flakes to the proper size and then coating with carbon powder. Battery manufacturers consider particle size, capacity loss at different continuous discharge rates as well as measures of the efficiency of charge transfer. Independent performance tests completed in 2020, found Westwater's *Coated Spherical Purified Graphite (CSPG)* performed as well as or better than benchmarks based on commercially available graphite materials.



THIRD QUARTER 2021 REPORT

In the second week of November 2021, Westwater Resources reported financial results for the third quarter ending September 2021, revealing an increase in spending as the Company moves forward with plans to construct a natural flake graphite processing facility in Alabama. In the three-month period the Company used \$3.9 million in cash resources to support operations. Westwater used \$1.8 million for new product development and \$2.2 million for general and administrative activities, including completion of a final economic feasibility study for the battery-grade graphite processing facility and hiring of new personnel to lead the construction project.

The Company ended the September quarter with \$119 million in cash resources. During the period Westwater sold 1.1 million shares of common stock to raise \$4.0 million in new capital. This brings total shares issued and sold in the first nine months of 2021, to 15.4 million shares that commanded \$81.9 million in new funding for the Company's graphite project. An equity sales agreement with broker dealer Cantor Fitzgerald was used to sell 9.3 million shares valued at \$47.3 million and a second equity purchase agreement with Lincoln Park Capital yielded \$34.6 million from the sale of 6.1 million shares.

After the quarter close, Westwater sold an additional 637,200 common stock shares pursuant to the Cantor Fitzgerald agreement and received \$2.3 million in proceeds. Additionally, the Company sold shares of common stock in enCore Energy Corporation (ENCUF: OTC) received as payment for uranium assets sold to enCore earlier in the year. The enCore shares netted proceeds of \$3.6 million in cash.

Based on recent cash usage rates, at the time of this report we estimate the Company has approximately \$122 million in its cash kitty. This does not include payments expected in the fourth quarter 2021, for deposits on advance orders for critical equipment to be used in the planned graphite processing facility. During the earnings conference call to discuss third quarter results, management indicated that equipment requiring long lead times is being ordered early to avoid the supply chain issues that are currently delaying some equipment orders. Nor does our calculation include any cash payments for two commercial properties Westwater bought immediately adjacent to a site selected at an industrial park near Kellyton, Alabama for the Company's planned graphite processing plant.



Site Preparation Equipment
Lake Martin Regional Industrial Park, Kellyton, AL

Source: Siri Hedreen, The Outlook

UPDATED FINANCIAL MODEL

Our financial model has been updated to reflect the third quarter 2021 financial results. Some projected operating expenses were adjusted to reflect spending rates in the quarter as well as management's commentary on the next steps in construction of the graphite processing plant. Management continues to guide for production of battery-grade graphite materials in early 2023, expressing confidence during the earnings conference call that the team has taken steps to avoid delays related to supply chain issues that have developed during the coronavirus pandemic. Accordingly, we continue to expect production beginning in 2023.

Our revenue projections for the year 2023 and 2024 are based on production capacity planned for phase one of the Company's graphite production plan. We believe the recently announced letter of intent to deliver *Coated Spherical Purified Graphite (CSPG)* to an unidentified customer serves to validate our assumption that the Company is able to sell all of its production, which is expected to be a mix of *CSPG* and *Purified Micronized Graphite (PMG)*,

We have also adjusted our anticipated 2022 capital raise requirement in our model to \$100 million from \$120 million based on the Company's most recent share issuances and equity security sales. During the earnings conference call management indicated that at the beginning of November 2021, the Company had approximately \$120 million in total capacity available to raise capital through the sale of common stock pursuant to existing equity sales agreements. We expect management to take advantage of these two agreements through out the next year to support the graphite processing plant construction project.

Recent prices for materials similar to the Company's *CSPG* have been near \$7,000 per metric ton and *PMG* near \$3,000 per metric ton. Our financial model reflects more conservative selling prices of \$5,000 and \$2,500 per metric ton, respectively.

VALUATION AND OUTLOOK

During the earnings conference call management reaffirmed previous guidance for completion of the graphite processing plant in the first three months of 2023. Production and sale of the Company's proprietary battery-grade graphite materials will be possible immediately thereafter. In our view, the market has not acknowledged this timeline. Accordingly, we continue to regard WWR as undervalued despite an ever more certain growth story going forward.

Our \$20.00 price target is based on a comparison of Westwater's book value to multiples in the metals industry. The comparable group's price-to-book value multiple of 4.34 implies an intrinsic price of \$15.53 per share for Westwater Resources given current shares outstanding and book value at the end of September 2021. Despite reflecting a moderation in valuation multiples across the metals and mining industries in the last few months, the implied intrinsic value remains well above the current WWR price of \$3.54.

With a forward view on WWR and considering the increase in book value that should occur when the Company completes construction of its proposed graphite processing plant, the implied forward value is near \$20.17 per share in early 2023. (Based on \$126.3 million in current book value, \$120 million in new capitalized assets, 53 million in total shares outstanding and a book value multiple of 4.34 times.) Alternatively, our price target of \$20.00, which implies multiple of 4.30 times projected book value after the production facility is reflected among assets.

ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST

Table I: Historic and Projected Annual Financial Performance

Dollars in Thousands	2020A Year	2021E Year	2022E Year	2023E Year	2024E Year
Total revenue	-	-	-	21,056	28,074
Gross profit	-	-	-	12,633	18,248
Operating expenses:					
General and administrative	5,678	12,208	12,500	13,200	14,500
Product development and other	5,378	7,966	7,000	5,500	5,000
Depreciation and amortization	(55)	3	160	3,000	4,000
Mineral property expenses	34	723	750	750	750
Accretion of asset retirement obligations	201	-	-	-	-
Total operating expenses	11,236	20,900	20,410	22,450	24,250
Operating income (loss)	(11,236)	(20,900)	(20,410)	(9,817)	(6,002)
Other income and expenses					
Gain (loss) on sale of assets	(2,665)	1,411			
Other	(11)	551			
Total other income (expense)	(2,676)	1,962	-	-	-
Income (loss) before income taxes	(13,912)	(18,938)	(20,410)	(9,817)	(6,002)
Discontinued operations, net of taxes	(9,662)	-	-	-	-
Net income (loss)	(23,574)	(18,938)	(20,410)	(9,817)	(6,002)
Net EPS (LPS), comprehensive	\$ (1.58)	\$ (0.58)	\$ (0.40)	\$ (0.19)	\$ (0.12)
Wtd shares outstanding, diluted in 000s	8,799	33,007	51,022	51,022	51,022

Source: Company Reports and Crystal Equity Research Estimates

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ANALYST

Debra Fiakas, CFA is a seasoned, credentialed investment professional with a diversified and successful track record as a research analyst and as an investment banker. Her decade-plus career includes solid experience in all aspects of the equity capital markets with particular emphasis on emerging growth companies operating in the technology sectors. Ms. Fiakas is also the principal member of Crystal Equity Research, LLC.

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RATING SYSTEM

Buy	Price appreciation expected 10% or more over a 12-month period.
Hold	Price appreciation/depreciation expected between 10% and -10% over 12 months.
Sell	Price depreciation expected 10% or more over a 12-month period.

CRYSTAL RESEARCH UNIVERSE

Buys	70%
Holds	20%
Sells	10%
Total	100%

HISTORICAL RECOMMENDATIONS AND TARGET PRICE: Westwater Resources / WWR

<u>Report</u>	<u>Date</u>	<u>Price</u>	<u>Rating</u>	<u>Target Price</u>
Previous reports by request				
Update	11/19/19	\$2.79	Buy	\$30.00
Update	2/25/20	\$1.96	Buy	\$30.00
Update	4/14/20	\$1.00	Buy	\$30.00
Update	5/20/20	\$1.78	Buy	\$30.00
Update	8/17/20	\$2.05	Buy	\$30.00
Update	9/15/20	\$1.81	Buy	\$30.00
Update	11/19/20	\$5.09	Buy	\$20.00
Update	2/23/21	\$6.97	Buy	\$20.00
Update	5/19/21	\$3.99	Buy	\$20.00
Update	8/18/21	\$3.52	Buy	\$20.00
Update	10/19/21	\$3.44	Buy	\$20.00
Update	11/18/21	\$3.54	Buy	\$20.00

DISCLOSURES

<u>Name</u>	<u>Symbol: Exchange</u>	<u>Disclosures</u>
Westwater Resources, Inc.	WWR: NYSE/Amer	D

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- B A controlling member of Crystal Equity Research, LLC has a beneficial interest in the common stock of the company.
- C A person or persons preparing this report or an immediate family member of the preparer has a beneficial interest in the common stock of the company.
- D Crystal Equity Research, LLC received compensation for research coverage from the company or one of its agents. The fees are paid in advance in cash.
- E The company has a convertible issue outstanding.
- F The securities covered in this report can be optioned.
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