

DESK NOTE

12.02.2025

Westwater Resources Inc. (WWR US) – Buy

now or miss out: this underappreciated graphite stock is set to move post-financing!

Conclusive Summary: We recommend buying WWR stock at \$0.90 with a target price of \$3.50. With inevitable global graphite shortages, a strong U.S. push for domestic production, and Westwater's debt financing nearing final approval, it presents a compelling medium- to long-term investment.

WWR received final approval from its lead lender - a global financial institution - and is **working with Cantor Fitzgerald to finalize syndication and close \$150 debt financing for Phase 1** of the Kellyton Graphite Processing Plant. Given this progress, we expect the **deal to be finalized in the coming months and serve as a catalyst for unlocking the value** of the company.

Despite having domestic graphite deposits, the **U.S. currently lacks any active natural graphite production**, relying entirely on imports from China, Mozambique, Brazil, and Canada. The **global graphite market faces an increasing supply-demand imbalance** through 2040. This is **exacerbated by China's recent restrictions** on graphite production and exports, prompting the **U.S. government to classify graphite as a critical mineral** due to its role in battery technology and energy storage. **Westwater** is positioned to capitalize on this trend as the **first U.S. vertically integrated producer of natural graphite anode material**.

Competitive Position: WWR is one of only two companies developing graphite mining projects in the U.S. Its Kellyton Plant is strategically located within one-day delivery of approximately 15 planned or existing battery manufacturing plants – potential major customers. The company has secured binding off-take agreements with Fiat Chrysler and SK On, covering 100% of its planned initial capacity through 2031, with potential for significant expansion. It also successfully commissioned the qualification line at the Kellyton plant in Feb. 2025 - a crucial step before full-scale commercial production.

Valuation: Our 12-month target price of \$3.50 is based on an NPV analysis of two projects – Kellyton Plant (Phase I) with a pre-tax NPV (9%) of \$338M and Coosa Deposit with a pre-tax NPV (9%) of \$186M. We have not included Phase II of the Kellyton Plant, which has a company-projected pre-tax NPV (8%) of \$1.3B, in our valuation. WWR stock is trading at a significant enterprise value discount relative to the NPV of its projects, and **we recommend buying it around \$0.90 per share**.

Ticker: WWR US

Previous day close price: \$0.89

Price range (52w): \$ 0.405 - \$1.16

Target price (12m): \$3.5 (+289% upside)

Recommendation: **Buy@0.90**

Description: Westwater Resources, Inc. (NYSE: WWR) is a U.S.-based pre-revenue stage company focused on developing battery-grade natural graphite production. The company has transitioned from its historical focus on uranium, having divested its uranium assets in New Mexico and Texas. Headquartered in Centennial, Colorado, it is advancing the Kellyton Graphite Processing Plant in Alabama and the Coosa Graphite Deposit Project which is the largest source of domestic U.S. natural flake graphite in the contiguous United States. **Phase I production capacity** is set at **12,500 MT** per year (required additional investment \$150M), with an expected expansion to **50,000 MT** per year in **Phase II** (\$453M).

Graphite market: Graphite occurs naturally or can be produced synthetically. Purified natural graphite offers better electrical conductivity and has lower production cost and environmental impact. Graphite anode is a critical component in lithium-ion batteries. In 2023, global graphite mine production reached about 1.72 mln ton (+23% y/y). China is the dominant producer (77%). Current and planned graphite supply is insufficient to meet future needs. The global graphite market faces increasing deficits projected to exceed 600,000 tons per year by 2034 and widening through 2040. The market price for graphite is not readily available.

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