

NWC: Exploration to move the needle

NWC.ASX | NEW WORLD RESOURCES LIMITED | MATERIALS | METALS & MINING

PRICE
0.04/sh

TARGET PRICE
0.10/sh
(FROM 0.11/sh)

RECOMMENDATION
SPECULATIVE BUY
(UNCHANGED)

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Event

NWC has commenced drilling after a 9 month hiatus, with drill rigs moving in early CY24 to test the exciting Discus prospect within its Javelin VMS project, located 70km from its flagship 100% owned Antler Copper project in Arizona.

Why are we excited by the Javelin VMS target? High grade rock chips (+10% Cu and +1g/t Au), coincident IP anomaly, large size 1.2km by 1.0km, historical workings and undrilled.

Other VMS targets to be tested include: North East and South Western extensions of the Antler deposit, Rattlesnake Ridge, Copper Knob, Insulator and the West World Prospects.

NWC has sold a 0.9% NSR over its Antler copper project to Trident royalties Plc for A\$11m.

First Quantum (FM.TSX) Cobre Panama mine suspending commercial production is putting pressure on copper supply, the mine produced ~1.5% of world supply.

Impact

As every resource sector investors knows, exploration is high risk but high reward, and we see the NWC drill targets as having the potential to move needle, especially as the existing Antler copper project underpins the Companies value.

Although royalties are generally not desirable, we view the royalty deal as non-dilutive solution for ongoing funding in tough capital markets.

As a reminder the updated Scoping Study released in May'23 showed annual production of ~32.7kt of Cu eq. over a 13 year mine life at an AISC of US\$1.77/lb Cu eq. for capex of US\$252m for plant size of 1.5Mtpa capacity.

We continue to be more conservative than the Company's numbers. With our model assuming capex of ~US\$260m and C1 US\$1.91/lb of Cu Eq.

Action

We believe that NWC remains an attractive copper investment opportunity, which ticks all the boxes we like to see in resource development: low capex, high margin and now long mine life of 13 years. With exciting exploration campaign now underway.

We remain confident that when copper price / sentiment returns, NWC will be well placed to capitalise as it progresses the Antler Copper project through the study phase. This is highlighted by our US\$5.00/lb scenario resulting in a fully funded NPV12 of A\$0.13/sh.

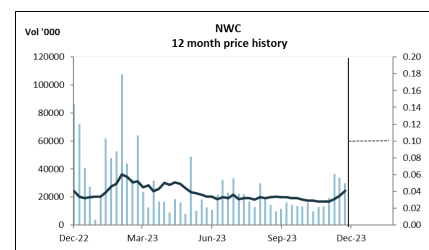
Weakening copper price sentiment resulted in our Price Target decreasing from A\$0.11/sh to A\$0.10/sh.

Catalyst

- Drill results of untested targets ongoing from now. Potential for 2nd rig.
- Further IP and magnetic surveys over newly acquired ground (Javelin + others)
- PFS due early CY24.
- Mine Permit Approvals expected late CY25/early CY26, submission imminent.

Share Price	0.040	A\$/sh	
Price Target	0.10	A\$/sh	
Valuation (NPV12)	0.09	A\$/sh	
Shares on issue	2262	m.dil	
Mkt Cap'n	97.4	A\$m	
Enterprise Value	83.4	A\$m	
Debt	0.0	A\$m	
Cash	14.0	A\$m	
Largest Shareholder	RCF	6.9%	
Prod'n F'cast	2026F	2027F	2028F
Antler Cu (kt)	0	8	15
C1 (US\$/lb Cu eq.)	0.00	2.08	1.90
AISC (US\$/lb Cu eq.)	0.00	2.26	2.06
Assumptions	2026F	2027F	2028F
Copper US\$/lb	3.80	3.80	3.80
US Gold	1800	1800	1800
AUDUSD	0.74	0.74	0.74
Key Financials	2026F	2027F	2028F
Revenue (A\$m)	0	166	327
EBITDA (A\$m)	-13	57	139
NPAT (A\$m)	-19	25	74
Cashflow (A\$m)	-366	49	134
CFPS (Ac)	-15	2	5
Major Shareholders			
Paradice			8.0%
Ponderosa			6.0%
Dir & Man			4.1%

Performance



Source: IRESS

Market Statistics			
Share Price	0.040	A\$/sh	
Issued Capital		Directors	
FP Ord	2,261.7 m	R. Hill	NE Chair
Unlisted Opts	125.8 m	M. Haynes	MD & CEO
Unlisted Rights	47.7 m	T. Polglase	NE Dir
Total Dil. (itm)	2,435.2 m	N. Woolr...	NE Dir
		I. Cunnin...	Sec
Mkt Capital'n	\$97.4 m	B. Nichols	CFO
Enterprise Value	\$83.4 m		
Debt	\$0.0 m	Holders	
Cash	\$14 m		RCF 6.9%
Hedging	na	Ponderosa	6.0%
		Dir & Man	4.1%

Asset Valuation			Base Case	
	A\$m	A\$/sh		
100% Antler 1.3Mtpa (NPV12)	334	0.07		
Hedging	0	0.00		
Corporate overheads	-31	-0.01		
Regional Exploration	70	0.02		
Net Cash/Debt	14	0.00		
NPV12	387	0.09		
Valuation @ Spot	443	0.10		
Spot AUD 0.66, Cu US\$3.78/lb, Z...				
Price Target	476	0.10		

Forecast Production	2026F	2027F	2028F
Antler (100%)			
Throughput (Mtpa)	-	0.7	1.3
Grade (Cu Eq. %)	-	3.1%	3.1%
Cu Prod'n (kt)	-	7.6	15.3
Cu Eq. Prod'n (kt)	-	14.0	28.0
C1 Cu Eq. (US\$/lbs)	-	2.08	1.90
AISC Cu Eq. (US\$/lbs)	-	2.26	2.06
Assumptions			
Copper (US\$/lbs)	3.80	3.80	3.80
Gold (US\$/oz)	1,800	1,800	1,800
FX (US\$:A\$)	0.74	0.74	0.74

Ratio Analysis (A\$m)	2026F	2027F	2028F
CF (A\$m)	(366)	49	134
CF / Sh (Ac/sh)	(15)	2	5
CF Ratio (x)	na	0	0
Earnings (A\$m)	(19)	25	74
EPS (Ac/sh)	(1)	1	3
EPS Growth (%)	na	na	193%
Earnings Ratio (x)	na	0	0
E'prise Val. (A\$m)	279	236	123
EV : EBITDA (attr)(x)	na	4	1
EV : EBIT (attr)(x)	na	6	1
Net Debt / ND+Eq (%)	45%	35%	7%
Net Debt : Equity (%)	81%	54%	8%
Interest Cover (x)	na	2	7
EBIT Margin (%)	na	23%	32%
ROE (%)	-9%	10%	22%
ROA (%)	-4%	6%	16%
Div. (Ac/sh)	-	-	-
Div. payout ratio	0%	0%	0%
Div. Yield	0%	0%	0%
Div. Franking	0%	0%	0%

Profit and Loss (A\$m)	2026F	2027F	2028F
Sales Revenue	-	166	327
Hedging Revenue	-	-	-
Interest Revenue	0	0	0
Other Revenue	-	-	-
TOTAL REVENUE	0	166	327
Operating Costs	-	96	175
Dep/Amort	-	19	34
O/H + New Bus Dev	8	8	8
WriteOff (expl'n)	5	5	5
Provisions	-	-	-
EBITDA	(13)	57	139
EBIT	(13)	38	105
Interest Expense	6	13	10
Net Profit bef Tax	(19)	25	95
Tax	-	-	21
Minority Interest	-	-	-
NET PROFIT	(19)	25	74
Net Adjustment	-	-	-
Net Profit After Adjustment	(19)	25	74

Cashflow (A\$m)	2026F	2027F	2028F
Net Profit	(19)	25	74
+ Working Capital Adj	-	-	-
+ Dep/Amort	-	19	34
+ Provisions	5	5	5
+ Tax Expense	-	-	21
- Tax Paid	-	-	-
Operating Cashflow	(14)	49	134
-Capex + Development	351	-	-
-Exploration	6	6	6
-Assets Purchased	-	-	15
+Asset Sales	-	-	-
Investing Cashflow	(357)	(6)	(21)
+ Equity Issues	190	-	-
+Loan Drawdown	211	-	-
+Other	-	-	-
-Loan Repayment	-	20	70
-Dividends	-	-	-
Financing Cashflow	401	(20)	(70)
Period Sur (Def)	29	23	43
Cash Balance	29	52	95
Net Cash Balance	(182)	(139)	(26)

Balance Sheet (A\$m)	2026F	2027F	2028F
Assets			
Cash	29	52	95
Current Receivables	0	0	0
Other Current Assets	0	0	0
Non-Current Assets	407	394	366
Total Assets	437	447	462
Liabilities			
Borrowings	211	191	121
Current Accounts Payable	1	1	1
Other Liabilities	1	1	1
Total Liabilities	212	192	122
Net Assets	224	255	340

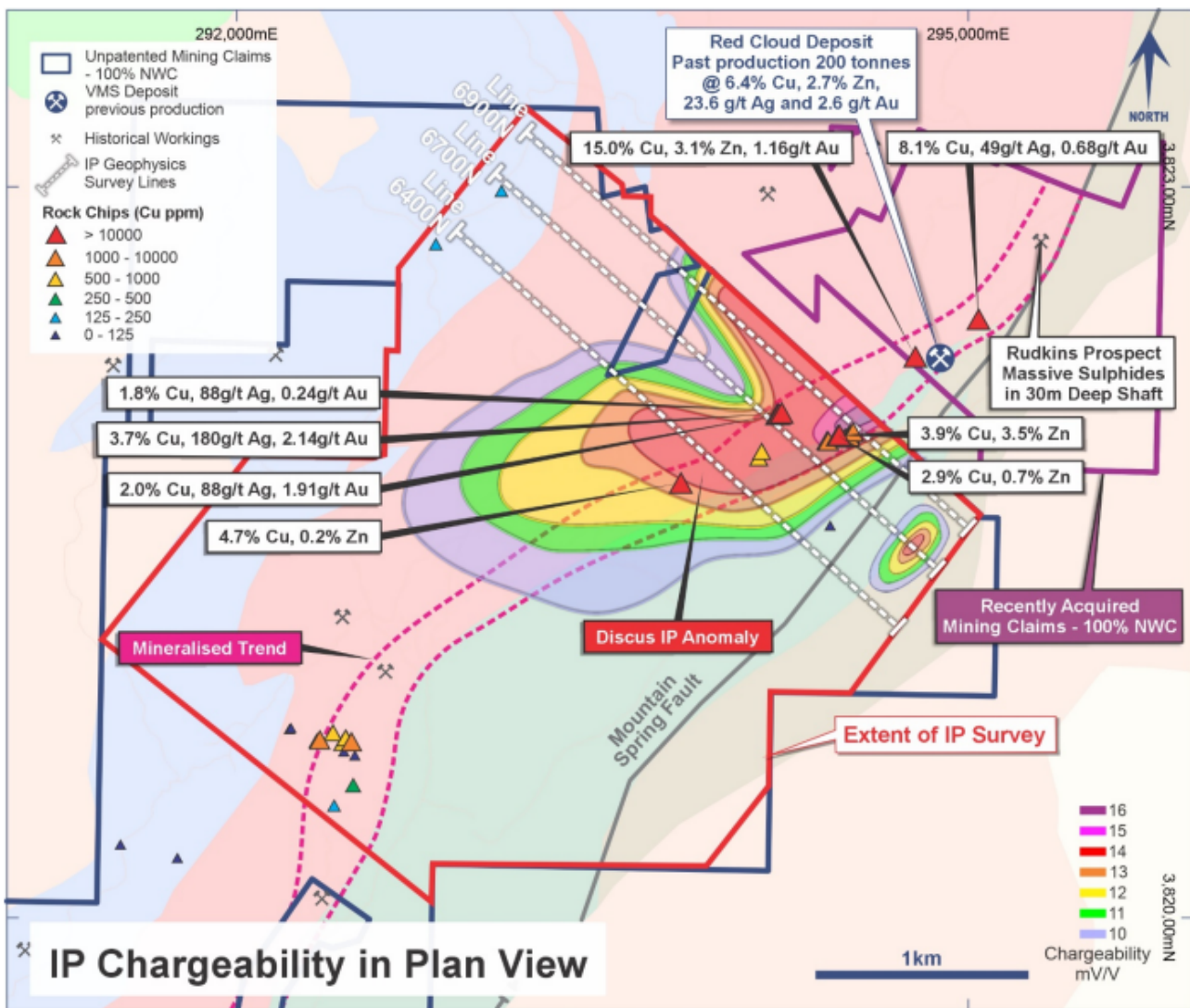
Antler (100%) - Copper Eq.	Mt	Grade	Kt Cu
Indicated	9.3	4.3%	
Inferred	2.5	3.3%	
Total	11.4	4.1% Cu...	467
EV per Cu lb		A\$/lb Cu	0.08

Analysis

Below shows the Discus IP anomaly, with selected rock chip results. The Company also recently acquired mineral rights to the adjacent project which contains the Rudkins and Red Cloud VMS prospects, which include historical workings. As a reminder VMS deposits typically occur in clusters, as VMS deposit originate from black smokers which occur on ancient seafloors.

Why are we excited by the Javelin VMS target? High grade rock chips (+10% Cu and +1g/t Au), coincident IP anomaly, large size 1.2km by 1.0km, historical workings and undrilled.

Figure 1: Plan view of selected assay results over the Discus IP anomaly.



Source: NWC

Analysis

Our fully funded NPV12 Valuation is A\$0.09/sh we used the following key assumptions in our Base Valuation which vary from the updated NWC May-23 SS, many of which are conservative and provide potential future upside to our base case.

- Capex US\$260m vs NWC SS of US\$252m
- Mining rate is the same at 1.3Mtpa.
- Production is slightly lower at 16ktpa of Cu vs NWC SS at 16.4kt pa
- Capex funding to be 60% geared, with equity of 40%, raising ~A\$190m in FY26 (which we dilute for), Discount rate of 12% vs NWC SS 7%.
- Euroz Hartleys commodity price assumptions result in our model showing Pre-Tax Cashflow of A\$156m Vs NWC SS of A\$218m.
 - Copper price assumed to be US\$8,375/t (US\$3.80/lb) over LOM 1.2% lower vs NWC SS of US\$8,500/t (US\$3.85/lb).
 - Zinc price assumed to be US\$2,600/t (US\$1.18/lb) over LOM 7% lower vs NWC SS of US\$2,800/t (US\$1.27/lb).
- Exploration value of A\$70m, which takes into account further mine life extensions and a nominal value on the regional exploration potential.
- A 25% Corporate tax rate assumption (Federal and State taxes).

Figure 2: Euroz Hartleys Base Valuation

Base Valuation	A\$m	A\$/sh
100% Antler 1.3Mtpa (NPV12)	334	0.07
Hedging	0	0.00
Corporate overheads	-31	-0.01
Regional Exploration	70	0.02
Net Cash/Debt	14	0.00
Unpaid Capital	7	0.00
NPV12	387	0.09

Source: Euroz Hartleys Research

Figure 3: Key assumptions in our Base Valuation

Assumption	NWC SS (May-23)	Euroz Hartleys Assumptions	Spot prices
Copper	US\$8,500/t	US\$8,375/t	US\$8,332/t
Zinc	US\$2,800/t	US\$2,600/t	US\$2,478/t
Lead	US\$2,000/t	US\$2,050/t	US\$2,112/t
Silver	US\$20/oz	US\$22/oz	US\$25.6/oz
Gold	US\$1,800/oz	US\$1,800/oz	US\$2,040/oz
AUD/USD	0.70	0.74	0.66
Capex	US\$252m	US\$260m	
Mining rate	1.3Mtpa	1.3Mtpa	
Cu kt	16.4kt pa	16kt pa	
Mine life	13 Years	13 Years	
C1 cost Cu eq.	US\$1.68/lb	US\$1.91/lb	
CF Pre-Tax av.	A\$218m pa	A\$156m pa	
Discount rate	7%	12%	

Source: Euroz Hartleys Research

Price Target - A\$0.10/sh

Our Price Target of A\$0.10/sh is a blend of the following Speculative scenarios:

- Our base case assumption using the assumptions laid out in the valuation section on the previous page.
- NPV12 at spot commodity and fx prices.
- NPV6 at spot commodity and fx prices, which could give an indication of what a larger miner may pay in a bull commodity cycle.
- NPV12 at US\$5.00/lb of Cu (other commodities and FX are at Euroz Hartleys assumptions) to show what the Company is worth in a copper bull market.

All scenarios are fully diluted / funded for capex.

Figure 4:

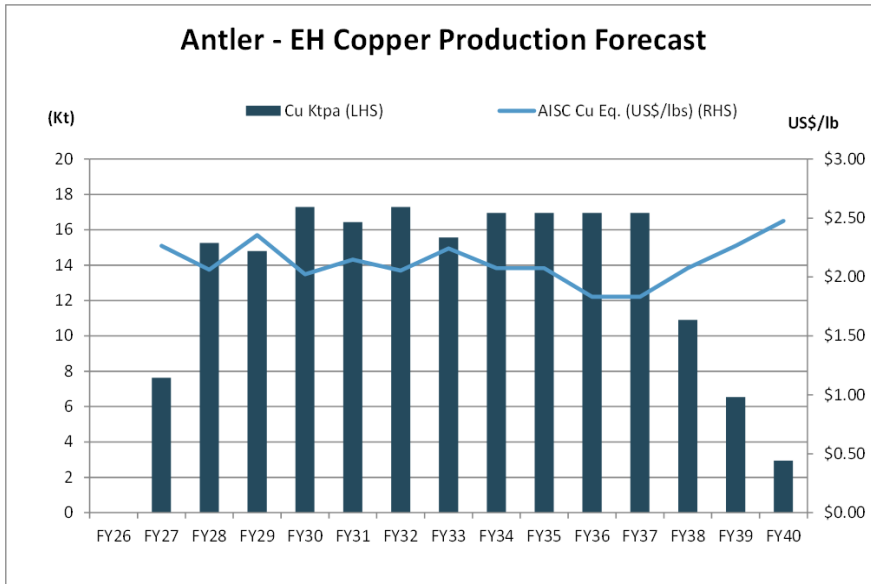
Price Target Scenarios	Weighting	A\$m	A\$/sh
Base Case NPV12	25%	387	0.09
NPV12 Spot Prices	25%	433	0.10
NPV6 @ Spot Prices	30%	530	0.12
NPV12 @ US\$5.00/lb Cu	20%	600	0.13
Weighted Price Target			0.10

Source: Euroz Hartleys Research

Production and Cash generation profile

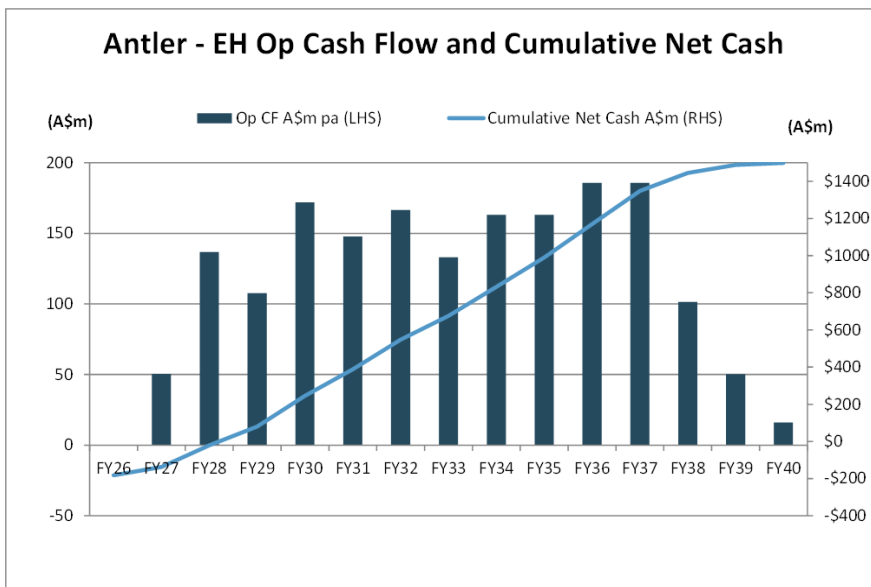
Below chart is our production forecast of AISC per lb of Cu. Our LOM average AISC is US\$2.07/lb which is conservative compared to the NWC's C1 US\$1.91/lb on an equivalent basis, which the largest differentiating factor being our lower assumed Zn of US\$2,600/t compared to US\$2,800/t.

Figure 5: Euroz Hartleys Research Production Forecast



Source: Euroz Hartleys Research

Figure 6: Euroz Hartleys Research Operating Cashflow and Cumulative Net cash



Source: Euroz Hartleys Research

Project Timeline

NWC has outlined a project development timeline below. Major catalysts include:

- PFS due in early CY24.
- Mine Permit Approvals expected late CY25/early CY26, submission imminent.

Figure 7: Project timeline for the Antler Copper project

Work Program	2023				2024				2025			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Exploration Drilling - Resource Expansion												
Updated Scoping Study												
Pre-Feasibility Study												
Federal Mine Permit Approval												
State Mine Permit Approvals												
Definitive Feasibility Study												
Pre-Construction Development (Decline)												

Source: NWC

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New World Resources Limited (NWC.ASX) | Price 0.04 | Target price 0.10 | Recommendation Speculative Buy;

Price, target price and rating as at 01 December 2023 (not covered)*

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