

18 May 2023

## New World Resources (NWC)

BUY

Share Price: A\$0.04

The next high-grade copper development

Target Price: A\$0.14

Following on from the recent 50% resource increase, NWC has delivered a robust Enhanced Scoping Study on its flagship Antler Copper Project in Arizona (Fig. 1). Antler is a high grade, low cost and long-life project, with the updated study delivering a significant increase in production and higher pre-tax NPV<sub>7</sub> of US\$835m (prev. US\$525m). Antler is located in a favourable jurisdiction (70% of US copper production is in Arizona) and is progressing when demand for Cu is forecast to grow strongly, and with few high-grade emerging producers on the ASX. Maintain BUY, revised PT (1xP/NPV<sub>10</sub>) of A\$0.14/sh (prev. A\$0.20/sh) after aligning our forecasts with key study outcomes and increased equity dilution.

### Antler is high grade, low cost and capital efficient

- Compared with the 2022 Scoping Study, the updated production profile delivers a 41% increase in metal production over a longer operating period (13yr vs 10yrs). Key outcomes include (Figure 2):
  - 15.4Mt mine inventory (+66% on prior 9.3Mt)
  - 32,700tpa Cueq @ US\$1.77/lb Cueq AISC
  - NPV<sub>7</sub> (pre-tax) of US\$835m (+59%), IRR 40.2%
  - 36-month payback at US\$8,500/t Cu
  - 13yr LOM producing a total of 381,400t Cueq
  - Capex of US\$252m for a 1.5Mtpa flotation plant
- Average diluted head grade of 3.0% Cueq was below our 3.5% forecast and accounts for the lower LOM output of ~381kt Cueq vs our previous estimate of 427kt Cueq (Figure 3). PFS optimisation (mine scheduling, dilution) could improve head grade and lift annual copper output.

### Peer beating Cueq grade at market discount

- Antler's Resource grade at 4.7% Cueq (pre-recovery) screens highly against other ASX-listed Cu Resources (Figure 4). The Antler Project also screens well against project peers in terms of capex intensity, production and AISC (Figures 5-10). Despite this, NWC trades at a 44% discount to the peer average A\$0.09/lb (Fig. 11).

### Several exciting exploration targets in VMS system

- Six geochemistry & shallow IP exploration targets have been identified within 6km of the Antler Resource (Figure 12). Any new discoveries could be incorporated into the mine schedule earlier than additional deep mineralisation at Antler.

### Key Dates Ahead

- Sep. Q'23 – Initial drill testing of near-Antler targets
- Sep. Q'23 – Submission of mine permit applications
- Dec. Q'23 – Antler PFS

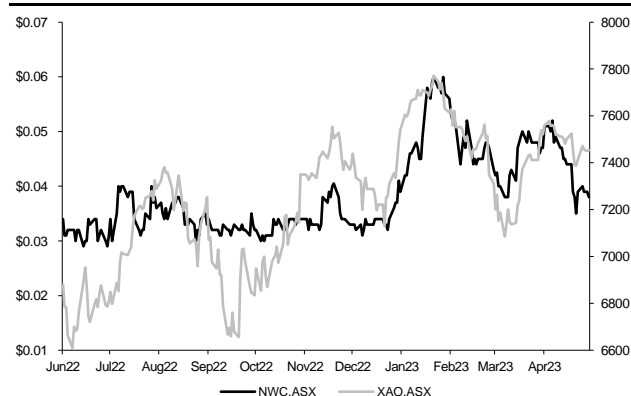
### Company Data

Shares – ordinary (M)	2105.5
Dilution (M)	78
Total (fully diluted) (M)	2184
Market capitalisation (\$M)	76
12 month low/high (\$)	0.03/ 0.06
Average monthly turnover (\$M)	4.1
GICS Industry	Metals & Mining

### Financial Summary (fully diluted/normalised)

Year End June	FY23F	FY24F	FY25F	FY26F	FY27F
Revenue (\$M)	0.0	0.0	0.0	0.0	102.0
Costs (\$M)	-3.0	-3.0	-3.1	-3.1	-53.9
EBITDA (\$M)	-3.0	-3.0	-3.1	-3.1	48.1
NPAT (\$M)	-3.7	-4.1	-5.5	-10.3	17.9
EPS (¢ps)	-0.2	-0.2	-0.2	-0.2	0.4
EPS growth (%)	na	na	na	na	>100%
PER (x)	na	na	na	na	10.1
Op. Cashflow (\$M)	-2.8	-3.0	-3.1	-5.3	34.3
OCFPS (¢ps)	-0.1	-0.1	-0.1	-0.1	0.7
POCFPS (x)	na	na	na	na	5.3
Enterprise Value (\$M)	69.0	68.0	114.2	273.8	259.0
EV / EBITDA (x)	-ve	-ve	-ve	-ve	5.4
Payout ratio (%)	na	na	na	na	na
Dividends (¢ps)	0	0	0	0	0
Yield (%)	na	na	na	na	na
Franking (%)	na	na	na	na	na

### NWC – performance over one year



### Disclosure and Disclaimer

This report must be read with the disclosure and disclaimer on the final page of this document.

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## Analysis

### New World Resources

Year End June	Share price (A\$)	0.036
	Issued shares (m)	2,105
	Market Cap (A\$m)	75.8
	Options/Rights/Escrowed (m)	78.0
	Dilution (A\$175m at A\$0.06/sh)	2,833
	Fully diluted no. of Shares (m)	5,017

P&L Statement (A\$m)	FY23F	FY24F	FY25F	FY26F	FY27F	FY28F	Commodity prices	FY23F	FY24F	FY25F	FY26F	FY27F	FY28F
Revenue	0.0	0.0	0.0	0.0	102.0	318.7	Copper (US\$/lb)	3.85	4.10	3.88	3.75	3.75	3.75
Costs	(3.0)	(3.0)	(3.1)	(3.1)	(53.9)	(136.7)	Lead (US\$/lb)	0.96	1.00	0.95	0.95	0.95	0.95
<b>EBITDA</b>	<b>(3.0)</b>	<b>(3.0)</b>	<b>(3.1)</b>	<b>(3.1)</b>	<b>48.1</b>	<b>182.0</b>	Zinc (US\$/lb)	1.42	1.35	1.30	1.30	1.30	1.30
D&A	0.0	0.0	0.0	0.0	(15.0)	(30.0)	Gold (US\$/oz)	1,813	1,831	1,750	1,650	1,600	1,600
<b>Operating profit</b>	<b>(3.0)</b>	<b>(3.0)</b>	<b>(3.1)</b>	<b>(3.1)</b>	<b>33.1</b>	<b>152.0</b>	Silver (US\$/oz)	22	23	22	22	22	22
NOI	(0.81)	(1.2)	(2.6)	(3.2)	0.0	0.0	AUD:USD	0.68	0.70	0.725	0.75	0.75	0.75
<b>EBIT</b>	<b>(3.8)</b>	<b>(4.2)</b>	<b>(5.7)</b>	<b>(6.3)</b>	<b>33.1</b>	<b>152.0</b>	<b>Production</b>	<b>FY23F</b>	<b>FY24F</b>	<b>FY25F</b>	<b>FY26F</b>	<b>FY27F</b>	<b>FY28F</b>
Interest income	0.1	0.1	0.2	0.2	0.2	0.2	Ore processed (Antler) (Mt)	0.00	0.00	0.00	0.00	0.40	1.25
Interest expense	0.0	0.0	0.0	(4.2)	(7.8)	(8.0)	Copper (t)	0.00	0.00	0.00	0.00	4,845	15,141
Tax expense	0.0	0.0	0.0	0.0	(7.7)	(43.3)	Lead (t)	0.00	0.00	0.00	0.00	1,265	3,953
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	Zinc (t)	0.00	0.00	0.00	0.00	11,886	37,143
<b>Reported NPAT</b>	<b>(3.7)</b>	<b>(4.1)</b>	<b>(5.5)</b>	<b>(10.3)</b>	<b>17.9</b>	<b>100.9</b>	Silver (Koz)	0.00	0.00	0.00	0.00	227	711
EPS Reported (A\$c)	(0.2)	(0.2)	(0.2)	(0.2)	0.4	2.0	Gold (Koz)	0.0	0.0	0.0	0.0	1.9	5.8
DPS - Declared (A\$c)	0.0	0.0	0.0	0.0	0.0	0.0	Cueq production (t)	-	-	-	-	10,249	32,029
Avg. shares (m)	2,054	2,558	3,475	4,517	5,017	5,017	<b>Costs (A\$/lb Cu)</b>	<b>FY23F</b>	<b>FY24F</b>	<b>FY25F</b>	<b>FY26F</b>	<b>FY27F</b>	<b>FY28F</b>
YE shares (m)	2,183	2,933	4,017	5,017	5,017	5,017	AISC (A\$m)	-	-	-	-	63	153
							Cueq production (Mlb)	-	-	-	-	23	71
							Unit AISC (A\$/lb Cueq)	-	-	-	-	2.78	2.17
							Unit AISC (US\$/lb Cueq)	-	-	-	-	2.09	1.63

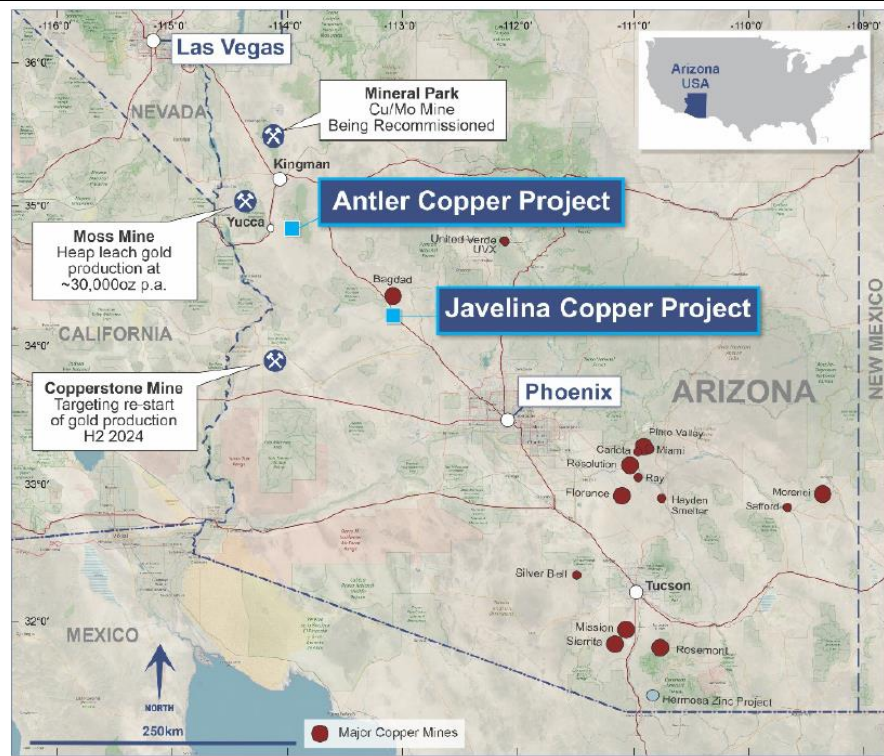
Cash Flow (A\$m)	FY23F	FY24F	FY25F	FY26F	FY27F	FY28F	Resources	Mt (ore)	Cu %	Au g/t	Ag g/t	Pb %	Zn %
EBITDA	(3.0)	(3.0)	(3.1)	(3.1)	48.1	182.0	Antler (November'22)	11.4	2.10%	0.4	32.9	0.90%	5.00%
Invest. in WC	0.0	0.0	0.0	(2.2)	(6.1)	(20.0)	= 11.4Mt @ 4.1% Cueq after forecast metallurgical recovery (4.7% Cueq at 100%)						
Tax expense	0.2	0.0	0.0	0.0	(7.7)	(43.3)	Terrero (Historical Resource)	5.8	1.02%	1.96	21.4	0.24%	1.46%
<b>Operating Cash Flow</b>	<b>(2.8)</b>	<b>(3.0)</b>	<b>(3.1)</b>	<b>(5.3)</b>	<b>34.3</b>	<b>118.7</b>							
Capex	0.0	0.0	(100.7)	(222.1)	(7.0)	(7.0)							
Exploration	(10.0)	(10.0)	(5.0)	(5.0)	(5.0)	(5.0)							
Other investments	0.0	(15.0)	0.0	0.0	0.0	0.0							
<b>Investing Cash Flow</b>	<b>(10.0)</b>	<b>(25.0)</b>	<b>(105.7)</b>	<b>(227.1)</b>	<b>(12.0)</b>	<b>(12.0)</b>							
Net interest	0.1	0.1	0.2	(4.0)	(7.6)	(7.8)							
Debt	0.0	0.0	50.0	160.0	(15.0)	(40.0)							
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0							
Equity raised / (repaid)	16.0	30.0	65.0	80.0	0.0	0.0							
<b>Financing Cash Flow</b>	<b>16.1</b>	<b>30.1</b>	<b>115.2</b>	<b>236.0</b>	<b>(22.6)</b>	<b>(47.8)</b>							
Non-operating/Other	(0.8)	(1.2)	(2.6)	(3.2)	0.0	0.0							
<b>Inc/(Dec) in Cash</b>	<b>2.5</b>	<b>0.9</b>	<b>3.8</b>	<b>0.4</b>	<b>(0)</b>	<b>59</b>							

Balance Sheet (A\$m)	FY23F	FY24F	FY25F	FY26F	FY27F	FY28F	In situ value (US\$5.8bn) by Project	In situ value by metal
Cash & Equivalents	6.8	7.8	11.6	12.0	11.8	70.7		
Receivables	0.3	0.3	0.3	0.0	10.2	20.0		
Inventories	0.0	0.0	0.0	0.0	6.1	20.0		
Other Current Assets	0.3	0.3	0.3	0.3	0.3	0.3		
PPE and Exploration	43.8	68.8	175	402	399	381		
Deferred tax asset	0.0	0.0	0.0	0.0	0.0	0.0		
Other Non Current Assets	0.0	15.0	15.0	15.0	15.0	0.0		
<b>Total Assets</b>	<b>51.3</b>	<b>92.2</b>	<b>202</b>	<b>429</b>	<b>442</b>	<b>492</b>		
Payables & Other	2.7	2.7	2.7	0.2	10.4	20.0		
Short Term Debt	0.0	0.0	0.0	0.0	0.0	0.0		
Long Term Debt	0.0	0.0	50	210	195	155		
Other Liabilities	0.0	0.0	0.0	0.0	0.0	0.0		
Non-controlling interest	0.0	0.0	0.0	0.0	0.0	0.0		
Total Liabilities incl NCI	2.7	2.7	53	210	205	175		
Equity	48.6	89.5	149	219	237	317		
<b>Total Liabilities &amp; Equity</b>	<b>51.3</b>	<b>92.2</b>	<b>202</b>	<b>429</b>	<b>442</b>	<b>492</b>		

Ratios	FY23F	FY24F	FY25F	FY26F	FY27F	FY28F	Valuation (A\$m)	(A\$/ps)	
P/E (x)	na	na	na	na	10.1	1.8	Antler Project (15.4Mt mine inventory)	647	0.13
ROE (%)	-9%	-6%	-5%	-6%	8%	36%	Antler exploration upside (nominal)	50	0.01
Debt/Equity	0.0%	0.0%	33.6%	96.0%	82.4%	49.0%	Terrero Project (nominal)	5	0.00
							Investments	0	0.00
							Corporate costs	(27)	(0.01)
							Enterprise value	675	0.13
							Net cash (debt) (FY23F)	7	0.00
							Equity value	682	0.14

Source: Petra Capital

**Figure 1: Location map – Antler Copper Project in Arizona, USA**



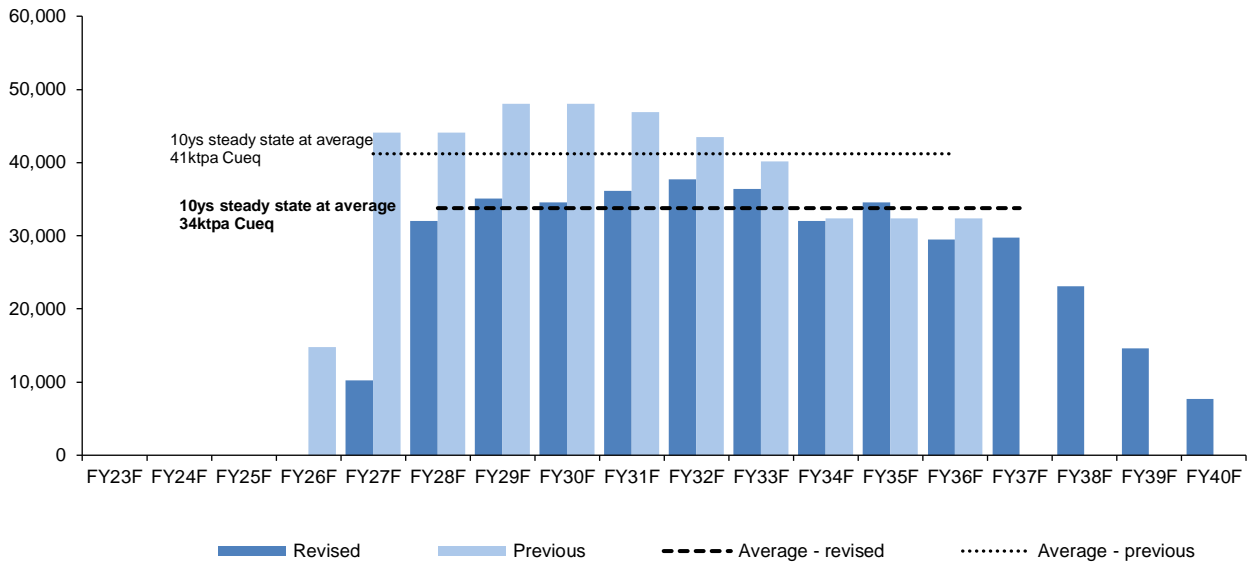
Source: Company Reports

**Figure 2: Key outcomes of 2023 Scoping Study compared to the 2022 Scoping Study**

Parameter	2022 Scoping Study	2023 Scoping Study	Variation
Production Profile	9.3Mt @ 1.0Mtpa Over 10 years	15.4Mt @ 1.3Mtpa Over 13 years	+30% per annum +30% initial operating period
Average Diluted Head Grade	3.3% Cu-equivalent	3.0% Cu-equivalent	-10%
Total Production	271,240 t Cu-equivalent	381,400 t Cu-equivalent	+41%
Steady-state Annual Production (Average)	30,600 t Cu-equiv over 8 years Incl. 15,350 t Cu/year	32,700 t Cu-equiv over 10 years Incl. 16,400 t Cu/year	+7%
Revenue	US\$2.0bn A\$2.85bn	US\$3.0bn A\$4.3bn	+50% +50%
Free Cash Flow (pre-tax)	US\$952m A\$1.36bn	US\$1.5bn A\$2.15bn	+58% +58%
Annual Free Cash Flow (Average; pre-tax)	US\$135m Over 8 years	US\$153m Over 10 years	+13% +25%
Pre-Production CAPEX	US\$201m (incl. US\$36.5m contingency)	US\$252m (incl. US\$44.2m contingency)	+25%
C1 Costs	US\$106.76/ore tonne Negative US\$0.31/lb Cu (net of by-products)	US\$91.95/tonne ore Negative US\$0.50/lb Cu (net of by-products)	-14% -61%
AISC Costs	US\$112.19/ore tonne US\$1.83/lb Cu-Eq	US\$96.49/ore tonne US\$1.77/lb Cu-Eq	-14% -3.3%
NPV, (pre-tax)	US\$525m A\$783.6m	US\$835m A\$1,244.8m	+59% +59%
IRR (pre-tax)	42.0%	40.2%	-4.3%

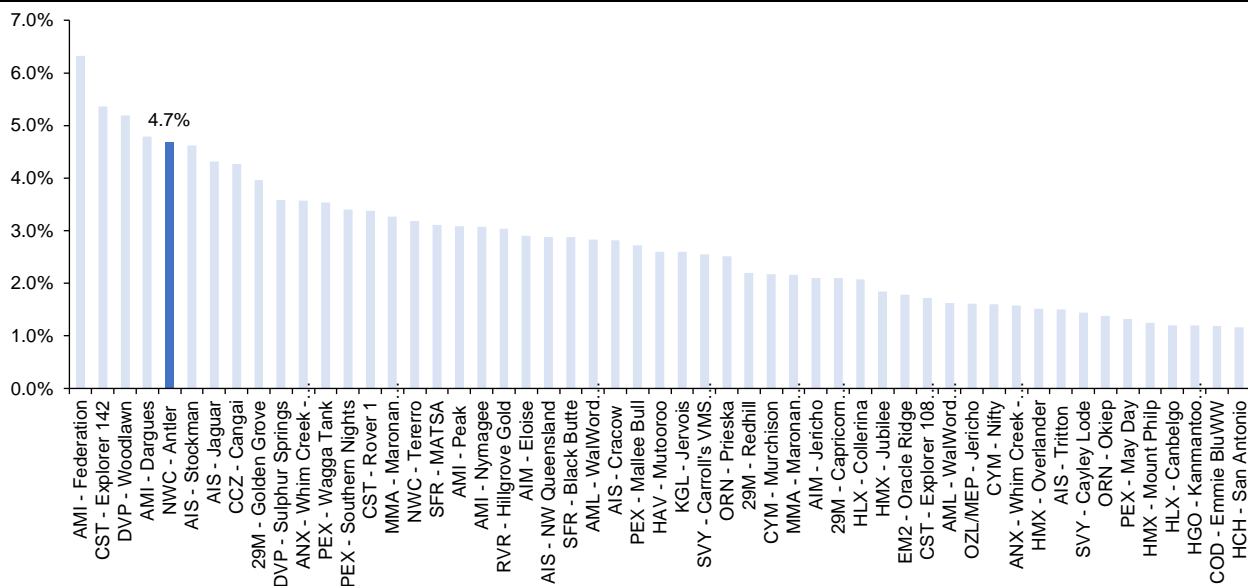
Source: Company

**Figure 3: Revised forecast production profile for Antler Project (Cueq tonnes)**



Source: Petra Capital forecasts

**Figure 4: Project / mines Cueq grades (note: for Resources with Cueq grades >1%)**

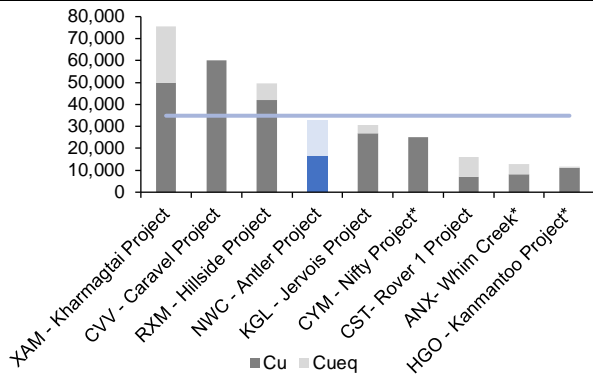


Source: Companies, compiled by Petra Capital. Note: Cueq grades calculated pre metallurgical recovery.

NWC's Anther Project screens well against peer copper development projects.

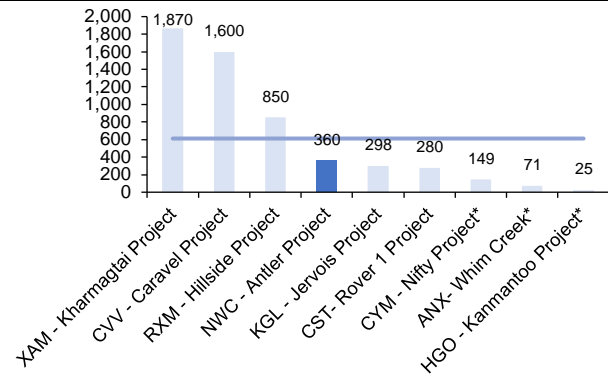
- Average Cueq production of 32,700t is the largest excluding the bulk tonnage, low-grade projects at XAM, CVV, RXM (Figure 5).
- As a result, pre-production capex of US\$252m (A\$360m) results in a below-peer average capex intensity of A\$11,009 per tonne of annual Cueq production (Figs. 6 & 7).
- We note that Antler's AISC at US\$1.77/lb Cueq are the lowest of the peer group (Figure 8).
- Along with KGL, NWC offers the lowest fully funded EV/production of the greenfield projects (Figs 9 & 10).

**Figure 5: Cueq annual production (t)**



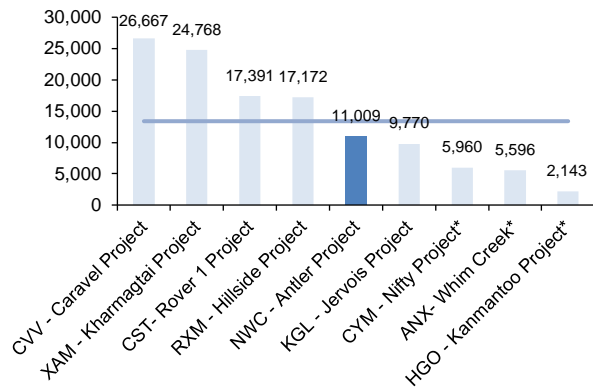
Source: Companies, Petra Capital. Note: RXM Phase 1 only. Note: \* indicates brownfield projects

**Figure 6: Capex (A\$m)**



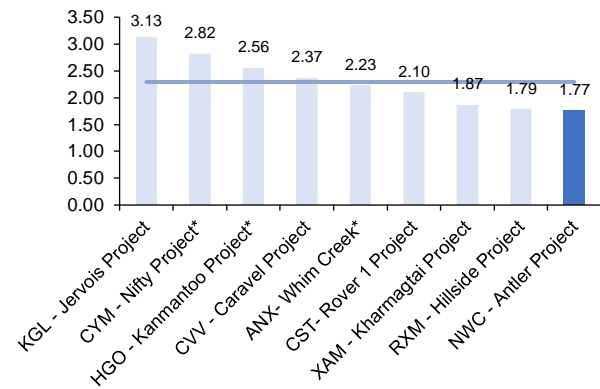
Source: Companies, Petra Capital. Note: US\$ capex at USD0.70. Note: \* indicates brownfield projects

**Figure 7: Capex intensity (A\$/t annual production)**



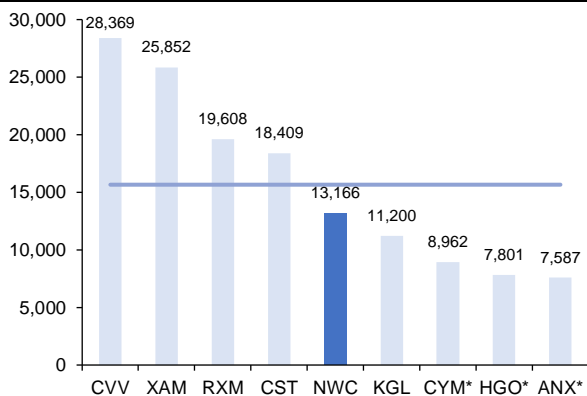
Source: Companies, Petra Capital. Note: \* indicates brownfield projects

**Figure 8: AISC (US\$/lb Cu)**



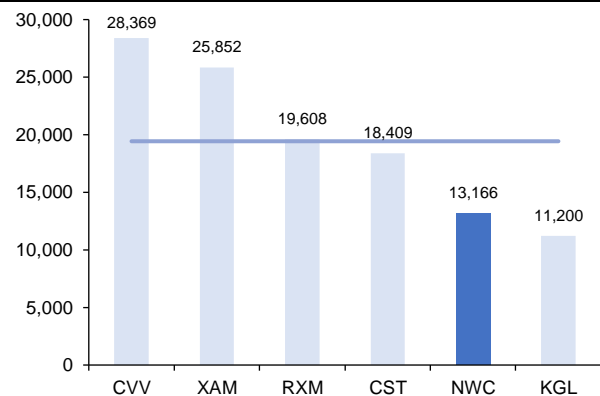
Source: Companies, Petra Capital. Note: \* indicates brownfield projects

**Figure 9: Fully funded EV/annual prod. (A\$/t Cueq) - brownfield and greenfield projects**



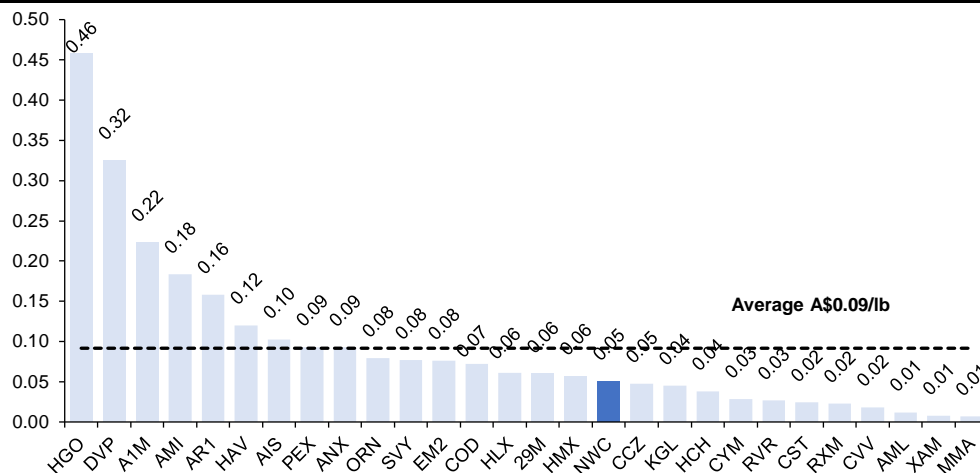
Source: Companies, Petra Capital. Note: \* indicates brownfield projects. Fully funded EV calculated as EV plus A\$ capex.

**Figure 10: Fully funded EV/annual prod. (A\$/t Cueq) - greenfield projects only**



Source: Companies, Petra Capital

**Figure 11: M'Cap per lb of attributable Cueq Resource (A\$/lb Cueq)**

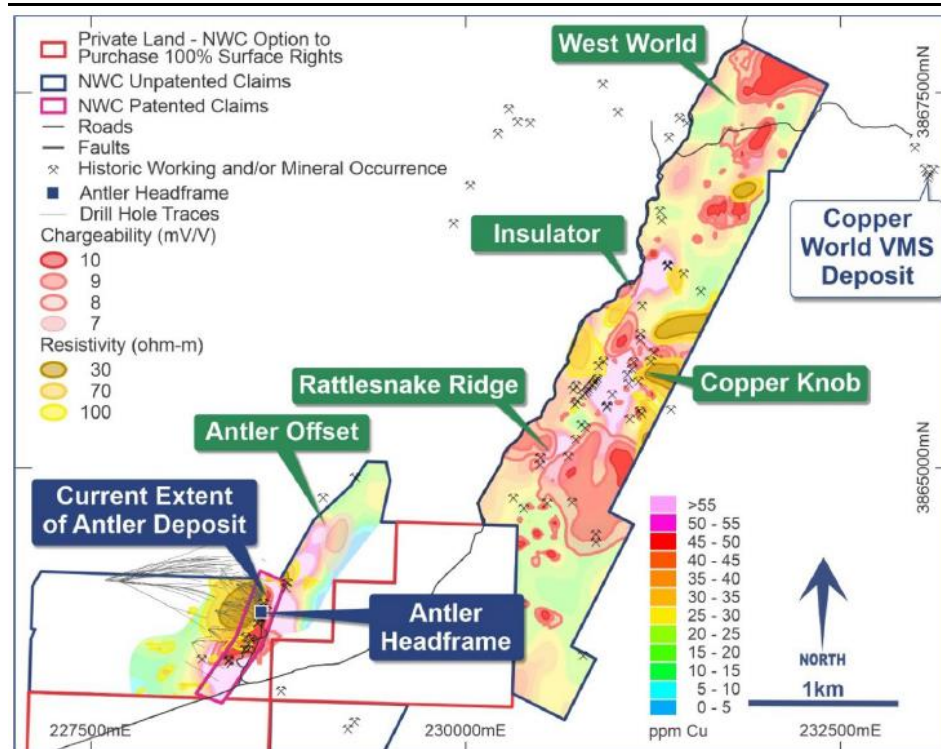


Source: Companies, Iress, compiled by Petra Capital.

**Highly prospective exploration targets in underexplored VMS system**

During 2H 2022, NWC delineated multiple strong chargeability and conductivity anomalies coincident with, or adjacent to, strong soil geochemistry anomalies over >6km of strike immediately to the NE of the Antler Deposit (Figure 12). These are all located within the geological sequence that hosts the Antler Deposit with multiple historical workings that have had no modern exploration. Given VMS deposits are known to occur in clusters along favourable horizons, we believe these targets are highly prospective for new VMS mineralisation; drilling is due to commence in Sep. Q'23. Subject to permitting, we believe new, near surface deposits could be introduced into the production plan at Antler, further improving production, costs and mine life.

**Figure 12 Plan view showing chargeability and conductivity anomalies defined by IP surveying, superimposed on an image of copper in soil geochemistry anomalies at Antler**



Source: Company

**Figure 13: Summary of changes: target price change due to revised Cueq production profile, a slight delay to first production and lower assumed share price for future equity raisings**

		FY24F			FY25F			FY26F		
		New	Old	% var	New	Old	% var	New	Old	% var
Revenue	A\$m	0.0	0.0	na	0.0	0.0	na	0.0	147.1	-100%
EBITDA	A\$m	-3.0	-3.0	0%	-3.1	-3.1	na	-3.1	78.5	-104%
EBIT	A\$m	-4.2	-4.2	na	-5.7	-8.9	na	-6.3	68.5	-109%
NPAT	A\$m	-4.1	-4.1	na	-5.5	-8.7	na	-10.3	45.6	-123%
EPS	A\$/sh	-0.2	-0.2	na	-0.2	-0.3	na	-0.3	1.1	-125%
DPS	A\$/sh	0.0	0.0	na	0.0	0.0	na	0.0	0.0	na
<b>Equity value</b>	<b>A\$m</b>	<b>682</b>	<b>806</b>	<b>-15%</b>						
<b>Price target</b>	<b>A\$/sh</b>	<b>0.14</b>	<b>0.20</b>	<b>-30%</b>						
Copper output	(t)	0.0	0.0	na	0	0	na	0	7,438	-100%
Zinc output	(t)	0.0	0.0	na	0	0	na	0	17,505	-100%
Cueq output	(t)	-	-	na	-	-	na	-	14,797	na
Cu price	US\$/lb	4.10	4.10	0%	3.88	3.88	0%	3.75	3.75	0%
Zinc price	US\$/lb	1.35	1.35	0%	1.30	1.30	0%	1.30	1.30	0%
AISC (Cueq)	US\$/lb	na	na	na	na	na	na	na	1.67	na

Source: Petra Capital forecasts.



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