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Enhanced Scoping Study grows production scale

NWC.ASX | NEW WORLD RESOURCES LIMITED | MATERIALS | METALS & MINING
PRICE
0.03/sh
TARGET PRICE
0.11/sh
 (FROM 0.14/sh)

RECOMMENDATION
SPECULATIVE BUY
 (UNCHANGED)

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Event

NWC released an updated Scoping Study on its high grade, 100% owned Antler Copper project in Arizona, which was based on the 48% larger resource released in Nov-22.

- 11.4Mt at 2.1% Cu, 5.0% Zn, 0.9% Pb 32.9g/t and 0.36g/t Au
 - (11.4Mt at 4.1% Cu Eq.)

Impact

The updated Scoping Study showed annual production of ~32.7kt of Cu eq. (prev. 30ktpa) over a 13 year mine life (prev. ~10 years) at an AISC of US\$1.77/lb Cu eq. (prev. US\$1.83/lb) for capex of US\$252m (prev. US\$201m) for increased plant size of 1.5Mtpa capacity (prev. 1.2Mtpa).

The result of the increased scale, improved economic returns on the Company's numbers, with the NPV7 (pre tax) increasing from A\$783m to A\$1.24b. Commodity price assumptions were kept constant at US\$3.86/lb Cu (spot US\$3.57/lb) and US\$1.27/lb Zn (spot US\$1.03/lb).

Some of the key input changes from the previous Scoping Study in Nov-22 included:

- Increased plant size from 1.2Mtpa to 1.5Mtpa,
- Resulted in pre-production capex increasing from US\$201m to US\$252m (Incl. US\$44m contingency).
- Mine life extended to 13 years from 10 years.
- Diluted head grade was lowered from 3.3% Cu Eq. to 3.0% Cu Eq.

We have made relatively small adjustments to our model, which previously attempted to pre-empt the enhanced Scoping Study, we continue to be more conservative than the Company's numbers. With our model assuming capex of ~US\$260m and C1 US\$1.87/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.

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\$0.14/sh to A\$0.11/sh.

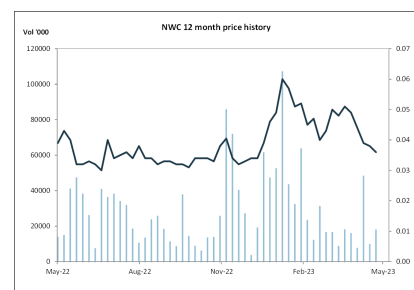
Catalyst

- Drill results of regional untested targets (Antler Offset, Copper Knob, Rattlesnake Ridge, Insulator and West World) ongoing from SepQ CY24
- PFS due DecQ CY23, with the DFS due 2H CY24.
- Mine Permit Approvals expected JunQ CY25 (to be submitted SepQ CY23).

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Share Price	0.034	A\$/sh	
Price Target	0.11	A\$/sh	
Valuation (NPV12)	0.09	A\$/sh	
Shares on issue	2106 m,	dilute.	
Mkt Cap'n	74.5	A\$m	
Enterprise Value	69.0	A\$m	
Debt	0.0	A\$m	
Cash	5.5	A\$m	
Largest Shareholder*	Paradice	8.0%	
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	58	142
NPAT (A\$m)	-19	27	76
Cashflow (A\$m)	-366	51	137
CFPS (Ac)	-17	2	6
Major Shareholders	2026F	2027F	2028F
Paradice			8.0%
Ponderosa			6.0%
Dir & Man			4.1%

Performance



Source: Euroz Hartleys

Market Statistics			
Share Price	0.034	A\$/sh	
Issued Capital		Directors	
FP Ord	2,105.5 m	R. Hill	NE Chair
Unlisted Opts	63.3 m	M. Haynes	MD & CEO
Unlisted Rights	22.7 m	T. Polglase	NE Dir
Total Dil. (itm)	2,191.4 m	N. Woolryc...	NE Dir
		I. Cunningh..	Sec
Mkt Capital'n	\$74.5 m	B. Nichols	CFO
Enterprise Value	\$69.0 m		
Debt	\$0.0 m	Holders	
Cash	\$5.5 m	Paradice	8.0%
Hedging	na	Ponderosa	6.0%
		Dir & Man	4.1%

Asset Valuation	Base Case	
	A\$m	A\$/sh
100% Antler 1.3Mtpa (NPV12)	346	0.08
Hedging	0	0.00
Corporate overheads	-31	-0.01
Regional Exploration	70	0.02
Net Cash/Debt	6	0.00
NPV12	390	0.09
Valuation @ Spot	453	0.10
Spot AUD 0.65, Cu US\$3.59/lb, Zn U...		
Price Target	495	0.11

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)	51	137
CF / Sh (Ac/sh)	(17)	2	6
CF Ratio (x)	na	0	0
Earnings (A\$m)	(19)	27	76
EPS (Ac/sh)	(1)	1	3
EPS Growth (%)	na	na	185%
Earnings Ratio (x)	na	0	0
E'prise Val. (A\$m)	256	212	96
EV : EBITDA (attr)(x)	na	4	1
EV : EBIT (attr)(x)	na	5	1
Net Debt / ND+Eq (%)	45%	35%	6%
Net Debt : Equity (%)	81%	54%	6%
Interest Cover (x)	na	2	7
EBIT Margin (%)	na	24%	33%
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	-	94	172
Dep/Amort	-	19	34
O/H + New Bus Dev	8	8	8
WriteOff (expl'n)	5	5	5
Provisions	-	-	-
EBITDA	(13)	58	142
EBIT	(13)	39	108
Interest Expense	6	13	10
Net Profit bef Tax	(19)	27	98
Tax	-	-	22
Minority Interest	-	-	-
NET PROFIT	(19)	27	76
Net Adjustment	-	-	-
Net Profit After Adjustment	(19)	27	76

Cashflow (A\$m)	2026F	2027F	2028F
Net Profit	(19)	27	76
+ Working Capital Adj	-	-	-
+ Dep/Amort	-	19	34
+ Provisions	5	5	5
+ Tax Expense	-	-	22
- Tax Paid	-	-	-
Operating Cashflow	(14)	51	137
-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	25	46
Cash Balance	29	54	99
Net Cash Balance	(182)	(137)	(22)

Balance Sheet (A\$m)	2026F	2027F	2028F
Assets			
Cash	29	54	99
Current Receivables	0	0	0
Other Current Assets	0	0	0
Non-Current Assets	407	394	366
Total Assets	437	448	466
Liabilities			
Borrowings	211	191	121
Current Accounts Payable	1	1	1
Other Liabilities	1	1	1
Total Liabilities	212	192	122
Net Assets	224	256	344

Antler (100%) - Copper Eq.	Mt	Grade	Kt Cu
Indicated	9.3	4.3%	
Inferred	2.5	3.3%	
Total	11.4	4.1% CuEq.	467
EV per Cu eq. lb		A\$/lb Cu	0.07

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 1: Euroz Hartleys Base Valuation

Base Valuation	A\$m	A\$/sh
100% Antler 1.3Mtpa (NPV12)	346	0.08
Hedging	0	0.00
Corporate overheads	-31	-0.01
Regional Exploration	70	0.02
Net Cash/Debt	6	0.00
Unpaid Capital	3	0.00
NPV12	390	0.09

Source: Euroz Hartleys Research

Figure 2: Key assumptions in our Base Valuation

Assumption	NWC SS (July-22)	NWC SS (May-23)	OLD Euroz Hartleys Assumptions	NEW Euroz Hartleys Assumptions	Spot prices
Copper	US\$8,500/t	US\$8,500/t	US\$8,375/t	US\$8,375/t	US\$7,910/t
Zinc	US\$2,800/t	US\$2,800/t	US\$2,600/t	US\$2,600/t	US\$2,225/t
Lead	US\$2,000/t	US\$2,000/t	US\$2,050/t	US\$2,050/t	US\$2,040/t
Silver	US\$20/oz	US\$20/oz	US\$22/oz	US\$22/oz	US\$23/oz
Gold	US\$1,800/oz	US\$1,800/oz	US\$1,800/oz	US\$1,800/oz	US\$1,950/oz
AUD/USD	0.70	0.70	0.74	0.74	0.65
Capex	US\$201m	US\$252m	US\$230m	US\$260m	
Mining rate	1.0Mtpa	1.3Mtpa	1.2Mtpa	1.3Mtpa	
Cu kt	15.4kt pa	16.4kt pa	15kt pa	16kt pa	
Mine life	10 Years	13 Years	12 Years	13 Years	
C1 cost Cu eq.	US\$1.83/lb	US\$1.68/lb	US\$1.87/lb	US\$1.87/lb	
CF Pre-Tax av.	A\$193m pa	A\$218m pa	A\$140m pa	A\$156m pa	
Discount rate	7%	7%	12%	12%	

Source: Euroz Hartleys Research

Price Target - A\$0.11/sh

Our Price Target of A\$0.11/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 3:

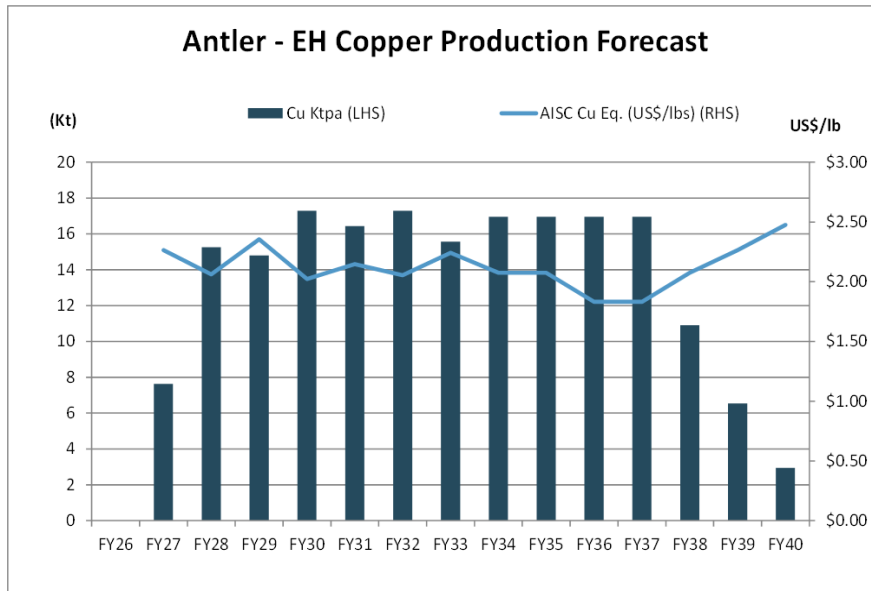
Price Target Scenarios	Weighting	A\$m	A\$/sh
Base Case NPV12	25%	394	0.09
NPV12 Spot Prices	25%	453	0.10
NPV6 @ Spot Prices	30%	538	0.12
NPV12 @ US\$5.00/lb Cu	20%	610	0.13
Weighted Price Target		495	0.11

Source: Euroz Hartleys Research

Production and Cash generation profile

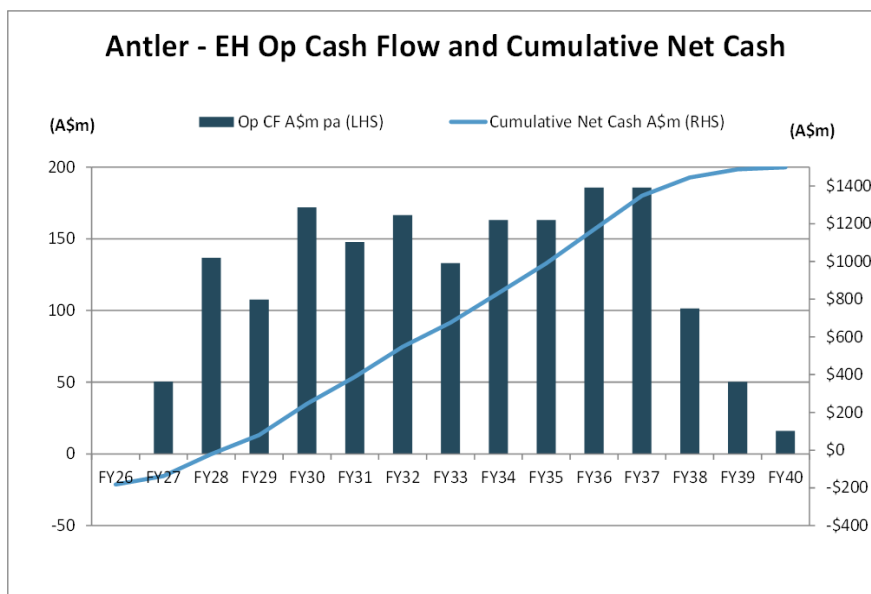
Below chart is our production forecast of AISC per lb of Cu. Our LOM average AISC is US\$2.07/lb which is conservative compared to the NWC's C1 US\$1.77/lb on an equivalent basis, which the largest differentiating factor being our lower assumed Zn of US\$2,600/t compared to US\$2,800/t.

Figure 4: Euroz Hartleys Research Production Forecast



Source: Euroz Hartleys Research

Figure 5: 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:

Drill results of regional untested targets (Antler Offset, Copper Knob, Rattlesnake Ridge, Insulator and West World) ongoing from SepQ CY24

- PFS due DecQ CY23, with the DFS due 2H CY24.
- Mine Permit Approvals expected JunQ CY25 (to be submitted SepQ CY23).

Figure 6: Project timeline for the Antler Copper project

Work Program	2021	2022				2023				2024			
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Exploration Drilling - Resource Expansion													
JORC Resource/Reserve Statement													
Scoping Study (based on Nov 2021 JORC Resource)													
Updated Scoping Study (based on 2022 JORC Resource)													
Pre-Feasibility Study													
Mine Permit Application and Permit Approvals													
Definitive Feasibility Study													
Resource-to-Reserve Drilling													
Metallurgical Testwork													
Pre-Construction Development (Decline)													

Source: NWC

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Price, target price and rating as at 29 May 2023 (not covered)*

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