

2 February 2023

New World Resources (NWC)

In prime position as copper prices rise

We believe NWC will re-rate this quarter by announcing upgraded production rates. The Antler Copper Project Resource increased nearly 50% in Nov-22 to 11.4Mt @ 4.1% Cueq. An updated Scoping Study, incorporating a new mine design and schedule, is due for release in Mar. Q'23. A larger project will broaden investor interest. At the same time, the copper price has enjoyed a strong price rebound (+17% in 3mths, Fig.1) with global supply/demand tightening. Antler is located in a favourable jurisdiction in Arizona, USA (Fig. 2), and is progressing at a time of few high-grade copper developers on the ASX (Figs. 3 & 4). BUY, NPV₁₀ TP upgraded to A\$0.20/sh (prev. A\$0.14/sh) on a higher production profile and an improved forecast L/T copper price of US\$3.75/lb (prev. US\$3.50/lb).

Antler Project – scaling up planned output

- Supported by a Maiden Nov.'21 MRE of 7.7Mt @ 3.9% Cueq, NWR's initial Scoping Study in July 2022 defined mining of 9.3Mt at 1Mtpa over an initial 10yrs.
- On the back of a subsequent 48% increase in the Resource, NWC now anticipates a larger production profile and/or a longer mine life. An updated Scoping Study is scheduled for end Mar. Q'23.
- This new (larger and/or longer) mine design will also be incorporated into mine permit application documents (first submissions targeted for mid-2023).
- Funded, with A\$9.1m in cash as at 31 Dec. 2022.

Project NPV₁₀ increased by 42% to A\$764m

- Predicated on a revised (+16%) mining inventory of 14.5Mt (prev. 12.5Mt), our NPV₁₀ increases by 42% to A\$764m (prev. A\$541m). Key drivers:
 - 1.4Mtpa X 10yr (prev. 1Mtpa X 12yr).
 - Average annual production of 41kt Cueq (+42% on prior forecast of 29ktpa Cueq) – Figure 5.
 - Pre-production capex A\$310m (prev. A\$275m).
 - First production early 2026 (unchanged).

Peer-beating Cueq grade at market discount

- We note that NWC calculates Cueq grade after metallurgical recoveries. At 100% recovery, Antler's grade is closer to 4.7% Cueq. This screens very well against other ASX-listed copper projects (Figure 6). NWC trades at A\$0.07/lb of attrib. Cueq Resource, some 36% below the peer average A\$0.11/lb (Figure 7).

Key Dates Ahead

- Mar. Q'23 – Updated Scoping Study
- 1H 2023 – Maiden drilling of regional targets
- Mid-2023 - Submission of mine permit applications
- End-2023 – Antler Project PFS

BUY

Share Price: A\$0.06

Target Price: A\$0.20

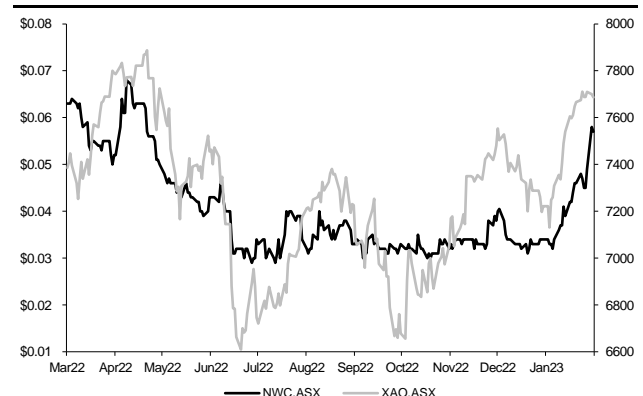
Company Data

Shares – ordinary (M)	2105.3
Options/rights (M)	62.2
Diluted for options/rights (M)	2167.5
Market capitalisation (\$M)	120
12 month low/high (\$)	0.03/ 0.07
Average monthly turnover (\$M)	11.5
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	147.1	438.4
Costs (\$M)	-3.0	-3.0	-3.1	-68.6	-183.2
EBITDA (\$M)	-3.0	-3.0	-3.1	78.5	255.1
NPAT (\$M)	-3.7	-4.1	-8.7	45.6	146.7
EPS (¢ps)	-0.2	-0.2	-0.3	1.1	3.6
EPS growth (%)	na	na	na	>100%	>100%
PER (x)	na	na	na	5.1	1.6
Op. Cashflow (\$M)	-2.8	-3.0	-3.1	48.0	174.8
OCFPS (¢ps)	-0.1	-0.1	-0.1	1.2	4.2
POCFPS (x)	na	na	na	5	1.3
Enterprise Value (\$M)	111.1	110.1	289.5	252.1	92.8
EV / EBITDA (x)	-ve	-ve	-ve	3.2	0.4
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\$)	0.056
	Issued shares (m)	2,105
	Market Cap (A\$m)	117.9
	Options/Rights/Escrowed (m)	62.2
	Dilution (A\$175m at A\$0.09/sh)	1,950
	Fully diluted no. of Shares (m)	4,117

P&L Statement (A\$m)	FY22A	FY23F	FY24F	FY25F	FY26F	FY27F
Revenue	0.0	0.0	0.0	0.0	147.1	438.4
Costs	(2.6)	(3.0)	(3.0)	(3.1)	(68.6)	(183.2)
EBITDA	(2.6)	(3.0)	(3.0)	(3.1)	78.5	255.1
D&A	0.0	0.0	0.0	0.0	(10.0)	(40.0)
Operating profit	(2.6)	(3.0)	(3.0)	(3.1)	68.5	215.1
NOI	(12.3)	(0.81)	(1.2)	(5.8)	0.0	0.0
EBIT	(14.9)	(3.8)	(4.2)	(8.9)	68.5	215.1
Interest income	0.0	0.1	0.1	0.2	0.1	0.8
Interest expense	0.0	0.0	0.0	0.0	(3.5)	(6.4)
Tax expense	0.2	0.0	0.0	0.0	(19.5)	(62.9)
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0
Reported NPAT	(14.7)	(3.7)	(4.1)	(8.7)	45.6	146.7
EPS Reported (A\$c)	(0.9)	(0.2)	(0.2)	(0.3)	1.1	3.6
DPS - Declared (A\$c)	0.0	0.0	0.0	0.0	0.0	0.0
Avg. shares (m)	1,699	2,038	2,417	3,392	4,117	4,117
YE shares (m)	1,960	2,167	2,667	4,117	4,117	4,117

Commodity prices	FY22A	FY23F	FY24F	FY25F	FY26F	FY27F
Copper (US\$/lb)	4.38	3.89	4.10	3.88	3.75	3.75
Lead (US\$/lb)	1.05	0.96	1.00	0.95	0.95	0.95
Zinc (US\$/lb)	1.59	1.41	1.35	1.30	1.30	1.30
Gold (US\$/oz)	1,835	1,778	1,725	1,631	1,600	1,600
Silver (US\$/oz)	24	22	23	22	22	22
AUD:USD	0.73	0.69	0.70	0.73	0.75	0.75

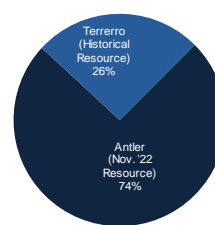
Production	FY22A	FY23F	FY24F	FY25F	FY26F	FY27F
Ore processed (Antler) (Mt)	0.00	0.00	0.00	0.00	0.50	1.40
Copper (t)	0.00	0.00	0.00	0.00	7,438	20,825
Lead (t)	0.00	0.00	0.00	0.00	1,715	4,803
Zinc (t)	0.00	0.00	0.00	0.00	17,505	56,700
Silver (Koz)	0.00	0.00	0.00	0.00	183	512
Cueq production (t)	-	-	-	-	14,797	44,096

Costs (A\$/lb Cu)	FY22A	FY23F	FY24F	FY25F	FY26F	FY27F
AISC (A\$m)	-	-	-	-	73	207
Cueq production (Mlb)	-	-	-	-	33	97
Unit AISC (A\$/lb Cueq)	-	-	-	-	2.23	2.13

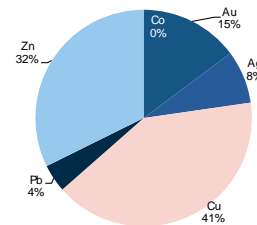
Cash Flow (A\$m)	FY22A	FY23F	FY24F	FY25F	FY26F	FY27F
EBITDA	(2.6)	(3.0)	(3.0)	(3.1)	78.5	255.1
Invest. In WC	1.7	0.0	0.0	0.0	(11.0)	(17.5)
Tax expense	0.0	0.2	0.0	0.0	(19.5)	(62.9)
Operating Cash Flow	(0.9)	(2.8)	(3.0)	(3.1)	48.0	174.8
Capex	0.0	0.0	0.0	(310.7)	(2.1)	(5.0)
Exploration	(7.5)	(10.0)	(10.0)	(5.0)	(5.0)	(5.0)
Other investments	0.0	0.0	(15.0)	0.0	0.0	0.0
Investing Cash Flow	(7.5)	(10.0)	(25.0)	(315.7)	(7.1)	(10.0)
Net interest	0.0	0.1	0.1	0.2	(3.4)	(5.6)
Debt	0.0	0.0	0.0	175.0	0.0	(15.0)
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0
Equity raised / (repaid)	2.0	16.0	30.0	145.0	0.0	0.0
Financing Cash Flow	2.0	16.1	30.1	320.2	(3.4)	(20.6)
Non-operating/Other	(4.0)	(0.8)	(1.2)	(5.8)	0.0	0.0
Inc/(Dec) in Cash	(18.7)	2.5	0.9	(4.4)	37.5	144

Resources	Mt (ore)	Cu %	Au g/t	Ag g/t	Pb %	Zn %
Antler (November'22)	11.40	2.10%	0.4	32.9	0.90%	5.00%
= 11.4Mt @ 4.1% Cueq after forecast metallurgical recovery (4.7% Cueq at 100% recovery)						
Terrero (Historical Resource)	5.78	1.02%	1.96	21.4	0.24%	1.46%

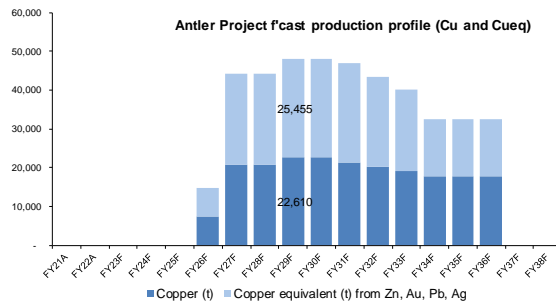
In situ value (US\$5.8bn) by Project



In situ value by metal



Antler Project f'cast production profile (Cu and Cueq)



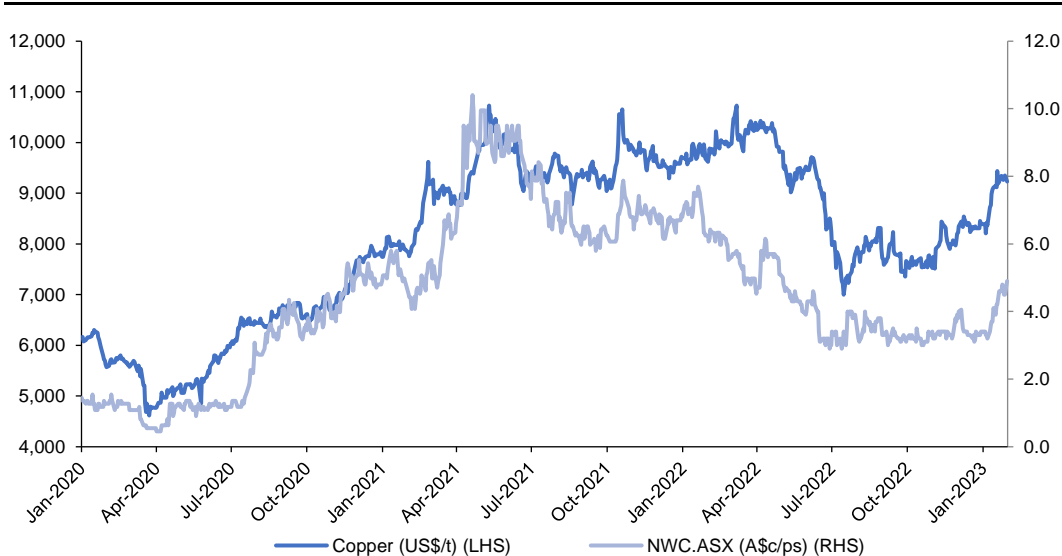
Balance Sheet (A\$m)	FY22A	FY23F	FY24F	FY25F	FY26F	FY27F
Cash & Equivalents	4.4	6.8	7.8	3.4	40.8	185.0
Receivables	0.3	0.3	0.3	0.3	14.7	43.8
Inventories	0.0	0.0	0.0	0.0	8.8	26.3
Other Current Assets	0.3	0.3	0.3	0.3	0.3	0.3
PPE and Exploration	33.8	43.8	68.8	385	382	352
Deferred tax asset	0.0	0.0	0.0	0.0	0.0	0.0
Other Non Current Assets	0.0	0.0	15.0	15.0	15.0	15.0
Total Assets	38.8	51.3	92.2	403	461	622
Payables & Other	2.5	2.7	2.7	2.7	14.9	44.0
Short Term Debt	0.0	0.0	0.0	0.0	0.0	0.0
Long Term Debt	0.0	0.0	0.0	175	175	160
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	2.5	2.7	2.7	178	190	204
Equity	36.3	48.6	89.5	226	271	418
Total Liabilities & Equity	38.8	51.3	92.2	403	461	622

Valuation	(A\$m)	(A\$/ps)
Antler Project (12.5Mt mine inventory)	764	0.19
Antler exploration upside (nominal)	50	0.01
Terrero Project (nominal)	5	0.00
Investments	0	0.00
Corporate costs	(20)	(0.00)
Enterprise value	799	0.19
Net cash (debt) (FY23F)	7	0.00
Equity value	806	0.20

Ratios	FY22A	FY23F	FY24F	FY25F	FY26F	FY27F
P/E (x)	na	na	na	na	5.1	1.6
ROE (%)	-41%	-9%	-6%	-6%	18%	43%
Debt/Equity	0.0%	0.0%	0.0%	77.5%	64.5%	38.3%

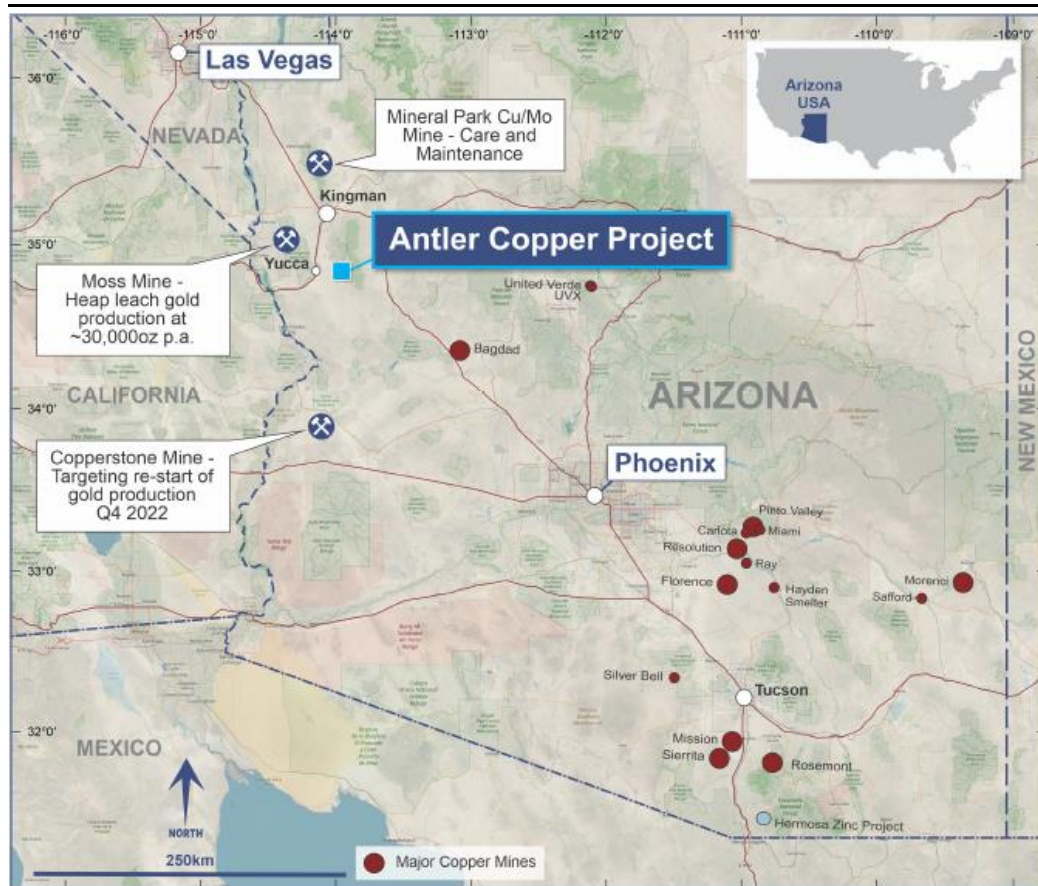
Source: Petra Capital

Figure 1: Copper price (US\$/t) versus NWC share price (Jan 2020-present)



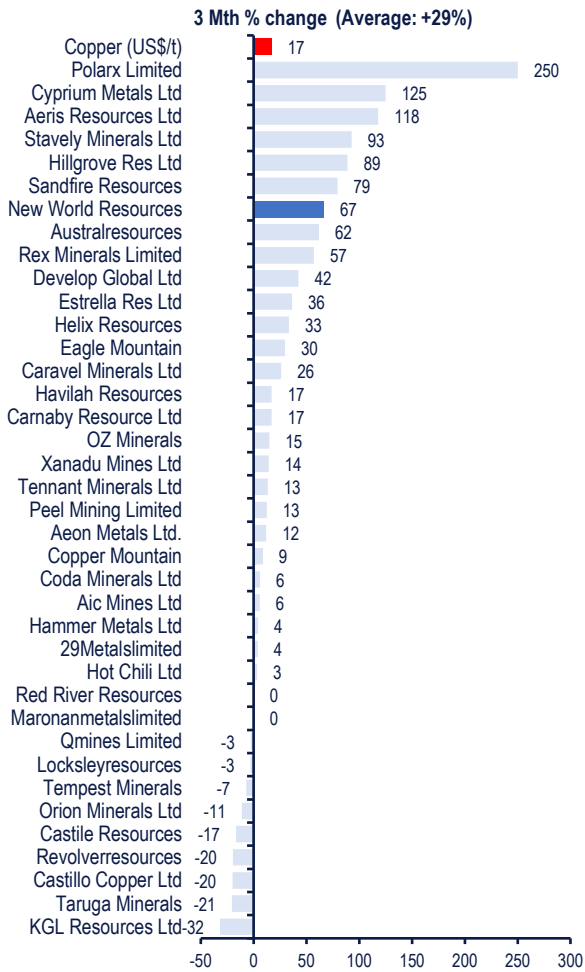
Source: Iress, Petra Capital

Figure 2: Location map – Antler Copper Project in Arizona, US



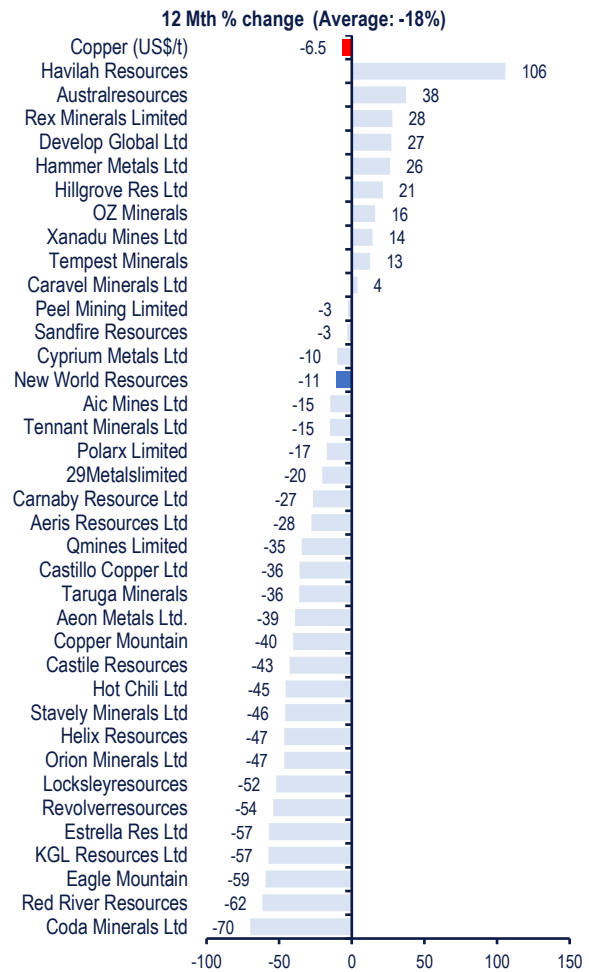
Source: Company

Figure 3: ASX copper stocks - 3-month performance



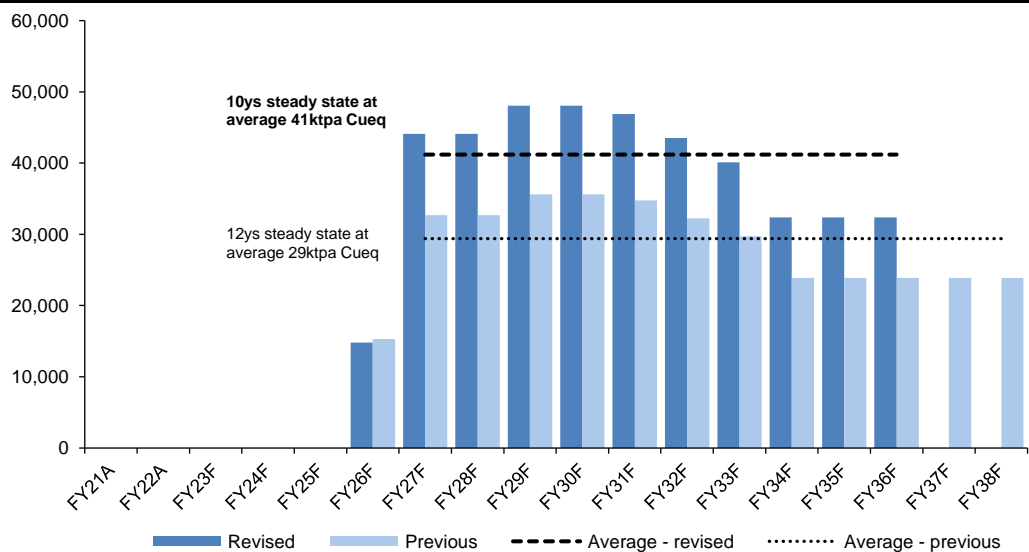
Source: Iress, compiled by Petra Capital

Figure 4: ASX copper stocks – 1 year performance



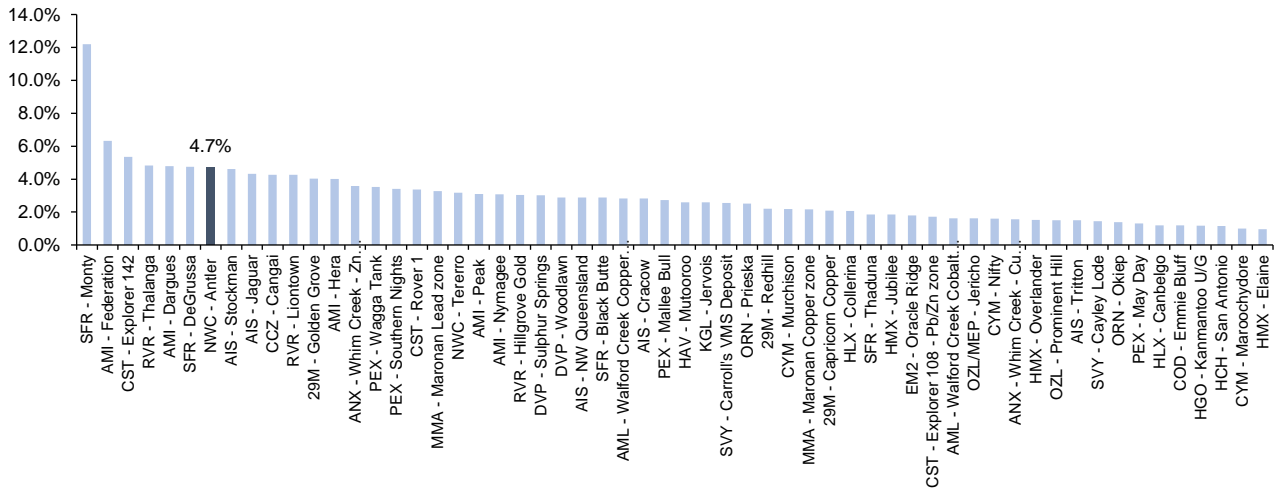
Source: Iress, compiled by Petra Capital

Figure 5: Revised versus previous Antler Copper Project production profile (Cueq tonnes)



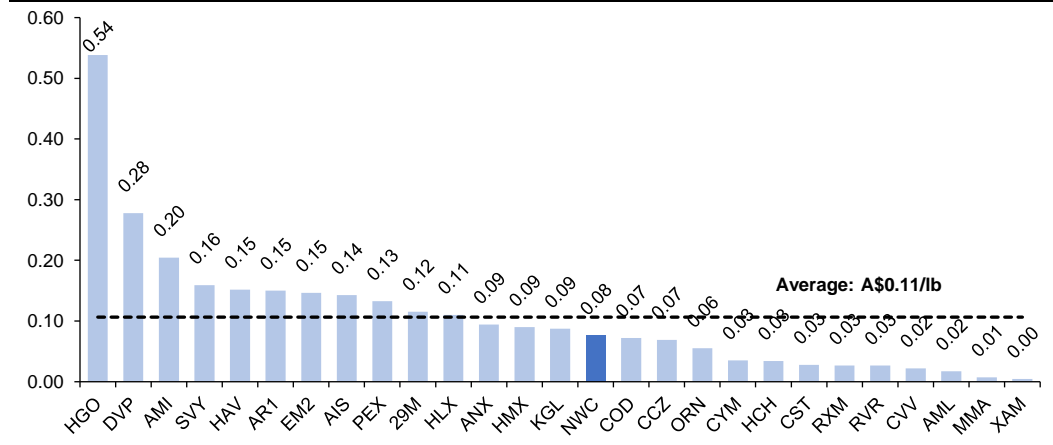
Source: Petra Capital forecasts

Figure 6: Project / mines Cueq grades (note: for Resources with Cueq grades >1%)



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

Figure 7: M'Cap per lb of attributable Cueq Resource (A\$/lb Cueq)



Source: Companies, Iress, Petra Capital.

Figure 8: Summary of changes: TP change due to 16% increase in LOM Cueq prod + higher forecast Cu price

		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	147.1	142.2	3%
EBITDA	A\$m	-3.0	-3.0	0%	-3.1	-3.1	na	78.5	74.3	6%
EBIT	A\$m	-4.2	-3.8	na	-8.9	-5.9	na	68.5	64.3	7%
NPAT	A\$m	-4.1	-3.6	na	-8.7	-5.8	na	45.6	42.7	7%
EPS	A\$/sh	-0.2	-0.1	na	-0.3	-0.2	na	1.1	1.1	5%
DPS	A\$/sh	0.0	0.0	na	0.0	0.0	na	0.0	0.0	na
NPV/sh	A\$/sh	806	583	38%						
Price target	A\$/sh	0.20	0.14	36%						
Cueq output	(t)	-	-	na	-	-	na	14,797	15,322	-3%
Cu price	US\$/lb	4.10	3.75	9%	3.88	3.63	7%	3.75	3.50	7%
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	1.67	1.60	5%

Source: Petra Capital forecasts.



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