

New World Resources Limited

Significant emerging US copper asset

August 2021

Recommendation: BUY

- **Advancing the high grade Antler Copper Project in Arizona, USA**
- **Drilling, Resource upgrade and feasibility studies provide near-term catalysts**
- **Demerger of US cobalt projects to unlock battery metal value**

ASX: NWC

Share Price: \$0.07

Target Price: \$0.14

M/Cap.: \$107.9M

Valuation: \$0.14/share

Valuation: \$343M

Shares: 1564.5

Monthly T/over: \$10.8M



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Petra Capital Pty Ltd

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August 2021

New World Resources Ltd (NWC)

BUY
Share Price: A\$0.07

Significant emerging US copper asset

Target Price: A\$0.14

New World Resources' (NWC) 100% owned Antler Copper Project in Arizona USA, is emerging as an exciting, high grade, copper-rich VMS development opportunity. Since acquiring the Project in early 2020, NWC has completed more than 20,000m of drilling, reporting consistent, thick, high grade mineralisation remaining open along more than 500m of strike and beyond 600m deep. Consistent with the VMS model, earlier stage exploration results indicate potential for multiple massive sulphide lenses adjacent to known mineralisation and within the broader tenement package. Located in a favourable jurisdiction (70% of US copper production is in Arizona), NWC is well placed to attract growing investor interest as drilling continues to outline the potential size and scale of Antler at a time of few emerging copper plays on the ASX. We initiate with a BUY & A\$0.14/sh PT using conservative development assumptions. Our spot valuation is A\$0.19/sh.

Drilling success continues to grow Antler

- Antler is an advanced VMS deposit with historical small-scale u/g production grading ~5% Cueq, and a historical (1975) Resource of 4.7Mt @ 3.8% Cueq.
- Located in a prolific VMS district, close to the large United Verde mine (historical production 33Mt ore at 4.8% Cu).
- Drilling to infill and expand the resource is delivering some of the best copper intersections of any ASX-listed copper company within the last two years.
- Mineralisation is being defined in lenses or "shoots", consistent with VMS style deposits; grade and thickness is improving with depth where it remains open.
- Recent drill results from the "Main Shoot" include:
 - 23.3m at 6.7% Cueq from 445m (ANT20)
 - 25.4m at 5.2% Cueq from 559m (ANT44)
- Discovery of adjacent high grade lenses including "South Shoot" with 17.1m @ 5.5% Cueq and a third shoot recently intersecting 10.3m @ 2.3% Cueq.
- Ongoing discovery potential remains high as the prospective VMS horizon/s continue to be targeted.

Target price of A\$0.14/sh (A\$0.19/sh at spot Cu/Zn)

- We value NWC at A\$0.14/sh (fully diluted) assuming Antler is developed as a 1Mtpa operation for A\$150m capex, producing ~29ktpa Cu equivalent at an AISC of A\$1.95/lb Cueq for 7yrs; first production in 2025.
- Each additional year LOM increases the TP by A\$0.02/sh

Key Dates Ahead

- Ongoing – Antler Project exploration results
- Sept. Q'21 – Antler Project Maiden Resource
- Dec. Q'21 – Demerger of cobalt assets
- Early 2022 – Antler Pre-Feasibility Study

Company Data

Shares – ordinary (M)	1564.5
Options/rights(M)	137.1
Diluted for options/rights (M)	1701.6
Market capitalisation (\$M)	107.9
12 month low/high (\$)	0.03/ 0.12
Average monthly turnover (\$M)	10.8
GICS Industry	Metals & Mining

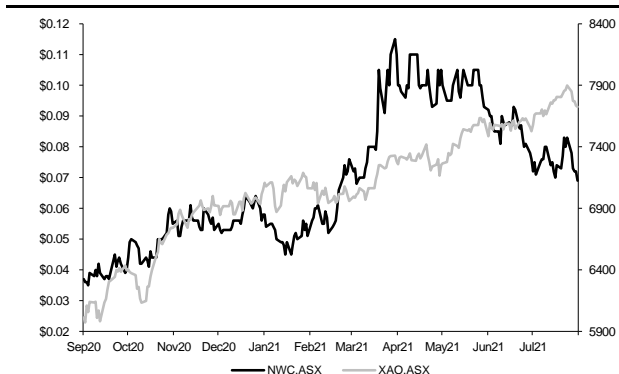
Financial Summary (fully diluted/normalised)

Year End June	FY22F	FY23F	FY24F	FY25F	FY26F
Revenue (\$M)	0.0	0.0	0.0	125.9	251.8
Costs (\$M)	-1.5	-2.0	-3.0	-66.5	-119.9
EBITDA (\$M)	-1.5	-2.0	-3.0	59.5	131.9
NPAT (\$M)	-1.0	-1.6	-2.6	50.7	75.6
EPS (¢ps)	-0.1	-0.1	-0.1	2.0	3.0
EPS growth (%)	na	na	na	>100%	49%
PER (x)	na	na	na	3.5	2.3
Op. Cashflow (\$M)	-1.5	-2.0	-3.2	51.9	99.6
OCFPS (¢ps)	-0.1	-0.1	-0.2	2.3	3.9
POCFPS (x)	na	na	na	3.0	1.8
EV (\$M)	86.4	88.9	194.4	161.7	85.6
EV / EBITDA (x)	-ve	-ve	-ve	2.7	0.6
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

Board

Director	Position	Executive
Richard Hill	Chairman	No
Mike Haynes	MD/CEO	Yes
Tony Polglase	Director	No

NWC – performance over one year



Disclosure and Disclaimer

Petra Capital was Co-Manager for this company's placement to raise \$20m by way of a two tranche Placement at \$0.10/sh on 3 May 2021, for which fees were received.

Analysis

New World Resources

Year End June

Share price (A\$)	0.07
Issued shares (m)	1,564
Market Cap (A\$m)	107.9
Options/Rights/Escrowed (m)	137.1
Dilution (A\$80m at A\$0.096/sh)	836
Fully diluted no. of Shares (m)	2,538

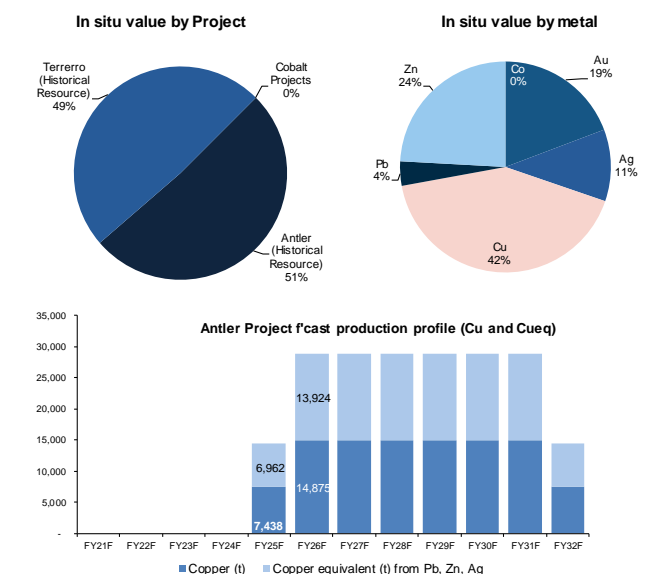
P&L Statement (A\$m)	FY21F	FY22F	FY23F	FY24F	FY25F	FY26F	Commodity prices	FY21F	FY22F	FY23F	FY24F	FY25F	FY26F
Revenue	0.0	0.0	0.0	0.0	125.9	251.8	Copper (US\$/lb)	3.62	4.10	3.88	3.63	3.50	3.50
Costs	(1.0)	(1.5)	(2.0)	(3.0)	(66.5)	(119.9)	Lead (US\$/lb)	0.90	0.91	0.93	0.95	0.95	0.95
EBITDA	(1.0)	(1.5)	(2.0)	(3.0)	59.5	131.9	Zinc (US\$/lb)	1.21	1.23	1.20	1.20	1.20	1.20
D&A	0.0	0.0	0.0	0.0	(9.0)	(18.0)	Gold (US\$/oz)	1,849	1,763	1,750	1,650	1,600	1,600
Operating profit	(1.0)	(1.5)	(2.0)	(3.0)	50.5	113.9	Silver (US\$/oz)	25	22	22	22	22	22
NOI	(2.3)	0.0	0.0	0.0	0.0	0.0	AUD:USD	0.75	0.76	0.76	0.75	0.75	0.75
EBIT	(3.3)	(1.5)	(2.0)	(3.0)	50.5	113.9	Production	FY21F	FY22F	FY23F	FY24F	FY25F	FY26F
Interest income	0.0	0.5	0.4	0.4	0.3	2.0	Ore processed (Antler) (Mt)	0.00	0.00	0.00	0.00	0.50	1.00
Interest expense	0.0	0.0	0.0	0.0	0.0	(8.0)	Copper (t)	0.00	0.00	0.00	0.00	7,438	14,875
Tax expense	0.0	0.0	0.0	0.0	0.0	(32.4)	Lead (t)	0.00	0.00	0.00	0.00	3,285	6,570
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	Zinc (t)	0.00	0.00	0.00	0.00	14,625	29,250
Reported NPAT	(3.2)	(1.0)	(1.6)	(2.6)	50.7	75.6	Silver (Koz)	0.00	0.00	0.00	0.00	370	741
EPS Reported (A\$c)	(0.2)	(0.1)	(0.1)	(0.1)	2.0	3.0	Costs (A\$/lb Cu eq)	FY21F	FY22F	FY23F	FY24F	FY25F	FY26F
DPS - Declared (A\$c)	0.0	0.0	0.0	0.0	0.0	0.0	AISC (A\$m)	-	-	-	-	68.40	121.80
Avg. shares (m)	1,413	1,764	1,882	2,238	2,538	2,538	Cueq production (t)	-	-	-	-	14,400	28,799
YE shares (m)	1,702	1,827	1,938	2,538	2,538	2,538	Cueq production (Mlb)	-	-	-	-	31.75	63.49
							Unit AISC (A\$/lb Cueq)	-	-	-	-	2.15	1.92

Cash Flow (A\$m)	FY21F	FY22F	FY23F	FY24F	FY25F	FY26F	Resources	Mt (ore)	Cu %	Au g/t	Ag g/t	Pb %	Zn %
EBITDA	(1.0)	(1.5)	(2.0)	(3.0)	59.5	131.9	Antler (Historical Resource)	4.70	1.95%	0.0	35.9	0.94%	4.13%
Invest. in WC	0.0	0.0	0.0	(0.2)	(7.6)	0.0	Terrero (Historical Resource)	5.78	1.02%	1.96	21.4	0.24%	1.46%
Tax expense	0.2	0.0	0.0	0.0	0.0	(32.4)	Cobalt Projects						
Operating Cash Flow	(0.8)	(1.5)	(2.0)	(3.2)	51.9	99.6							
Capex	0.0	(0.3)	(0.3)	(151.5)	(7.7)	(5.0)							
Exploration	(9.7)	(10.2)	(10.7)	(11.2)	(11.8)	(12.4)							
Other investments	0.0	0.0	0.0	0.0	0.0	0.0							
Investing Cash Flow	(9.7)	(10.5)	(10.9)	(162.7)	(19.5)	(17.4)							
Net interest	0.0	0.5	0.4	0.4	0.3	(6.0)							
Debt	0.0	0.0	0.0	100.0	0.0	(10.0)							
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0							
Equity raised / (repaid)	34.8	10.0	10.0	60.0	0.0	0.0							
Financing Cash Flow	34.8	10.5	10.4	160.4	0.3	(16.0)							
Non-operating/Other	(2.3)	0.0	0.0	0.0	0.0	0.0							
Inc/(Dec) in Cash	22.1	(1.5)	(2.5)	(5.5)	32.7	66.2							

Balance Sheet (A\$m)	FY21F	FY22F	FY23F	FY24F	FY25F	FY26F
Cash & Equivalents	23.1	21.5	19.0	13.5	46.2	112.4
Receivables	0.2	0.2	0.2	0.0	12.6	12.6
Inventories	0.0	0.0	0.0	0.0	7.6	7.6
Other Current Assets	0.0	0.0	0.0	0.0	0.0	0.0
PPE and Exploration	27.2	37.7	48.6	211.4	221.8	221.2
Deferred tax asset	0.0	0.0	0.0	0.0	0.0	0.0
Other Non Current Assets	0.0	0.0	0.0	0.0	0.0	0.0
Total Assets	50.5	59.5	67.9	224.9	288.2	353.8
Payables & Other	0.6	0.6	0.6	0.2	12.8	12.8
Short Term Debt	0.0	0.0	0.0	0.0	0.0	0.0
Long Term Debt	0.0	0.0	0.0	100.0	100.0	90.0
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	0.6	0.6	0.6	100.2	112.8	102.8
Equity	49.9	58.9	67.3	124.7	175.4	251.0
Total Liabilities & Equity	50.5	59.5	67.9	224.9	288.2	353.8

Major Shareholders - July 2021 (Source: Iress)

Paradise Investment Mngt.	8.0%	Deck Chair Hldg.	3.2%
Perennial Value Mngt.	5.6%	Mahsor Holdings	2.5%
M&G Investment Mngt.	5.3%	Ransdale Invest	2.5%



Valuation	(A\$m)	(A\$/ps)
Antler Project (7Mt mine inventory Petra est.)	322	0.13
Antler exploration upside (n/a - built into Project LOM)	0	0.00
Terrero Project	5	0.00
Cobalt Projects (to demerge)	10	0.00
Investments	0	0.00
Corporate costs	(18)	(0.01)
Enterprise value	320	0.13
Net cash (debt) (FY21)	23	0.01
Equity value	343	0.14

Source: Petra Capital. Fully diluted for 836m new shares at an average price of A\$0.096/sh to raise A\$80m in FY2022-2024.

Executive Summary

A growing, high-grade base metal development opportunity

New World Resources (ASX:NWC) is a US-focused exploration and development company with four base metal projects located in the mid-west. The group's flagship asset and primary focus is the Antler Copper Project (NWC 100%) located in Arizona. NWC's second base metal project - the Terrero Cu-Au-Zn Project - is located in New Mexico. NWC also has two cobalt projects – Colson (Idaho) and Goodsprings (Nevada) - which are targeted to be spun off in a separate listing on the ASX in late 2021.

Antler Copper Project, Arizona - expanded Resource expected soon

Antler is a high-grade, copper-zinc, Volcanic Massive Sulphide (VMS) deposit in Arizona with historical, small-scale, near surface, underground production down to 150m (70,000t ore @ 5% Cueq). The mine, which has remained dormant since 1970, has a historical (non-JORC) Resource of 4.7Mt @ 3.8% Cueq.

Since acquiring the asset in early 2020 with a view to re-starting a small-scale underground copper operation, NWC has completed more than 20,000m of drilling and carried out a number of geophysics surveys. This work has revealed Antler to be a much larger system than anticipated, with drilling indicating the main lens increases in thickness and grade with depth. Further, a number of parallel lenses have recently been discovered, whilst geophysics has revealed additional high priority targets along the mineralised horizon.

Drilling has defined thick, high-grade mineralisation below and along strike of historical underground workings, including in the "Main Shoot" which extend beyond the 600 vertical metres currently drilled. While mineralisation outcrops over at least 750m, high-resolution magnetic data indicates mineralisation could extend over 1km in strike. Thus, there is considerable potential to increase the resource base at the Antler Deposit.

Assuming a mineralised envelope of 750m (strike) x 7.5m (width) x 600m (deep), we calculate a potential expanded Resource of ~9Mt, which underpins our projected mining inventory of 7Mt to support a 1Mtpa operation producing ~29ktpa Cueq over 7 years.

NWC remains focused on defining a significant deposit at Antler, with an updated resource due in Sep. Q'21 and a Pre-Feasibility Study (PFS) in early CY2022. The Project benefits from its location in Arizona (70% of all US copper production), is close to key rail and road infrastructure and in a sparsely populated region on private land - we expect this should help expedite mine permitting.

Terrero VMS Project, New Mexico - gold-rich base metal opportunity

NWC is progressing applications (including baseline environmental studies) for a maiden drill program at its highly prospective Terrero Cu-Au-Zn VMS project in New Mexico. The Jones Hill deposit (NWC option to acquire 100%) has a historical Resource of 5.8Mt @ 2.9% Cueq, although mineralisation remains open at depth as indicated by the deepest drill holes returning 31m at 1.7% Cu, 1% Zn, 12g/t Ag & 1g/t Au and 26m at 1.8% Cu, 2.7% Zn, 15g/t Ag & 2.5g/t Au. A total of 59 holes for 27,000m has previously been completed, although there has been no significant work undertaken since 1993.

Target price of A\$0.14/sh underpinned by NPV₁₀ valuation for Antler

Underpinned by a NPV₁₀ valuation for the Antler Project of A\$322m, we calculate NWC's equity value at A\$343m (equivalent to A\$0.14 per fully diluted share). This assumes a 1Mtpa operation is developed for A\$150m with first production in 2025. We expected 65/35 debt/equity funding split, with equity assumed to be raised at 10c/sh in FY24.

A peer comparison supports our view that NWC - with one of the highest Cueq grades amongst its peer group - offers value, trading at A\$0.16/lb of Cueq Resource, below the broader copper peer group average of A\$0.19/lb. We believe the group's Resource unit value will re-rate on further positive exploration announcements and as the Antler Copper Project development plan is progressed.

Risks include (i) exploration success in establishing an economic Resource, (ii) capital requirements and timeframe to progress the Project to production, (iii) operating costs and production profile, (iv) commodity price and FX volatility, (v) regulatory, environmental, and other approvals.



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