

25 July 2022

New World Resources (NWC)**BUY****Share Price: A\$0.04****New targets highlight upside at Antler Project****Target Price: A\$0.14**

The discovery of multiple new exploration targets along strike from the Antler Resource offers exciting potential for a significant expansion of NWC's 100% owned Antler Copper Project in Arizona USA (Fig. 1). Geophysical surveys and initial drill-testing at these targets in 2H 2022 will add to robust news flow over the next 6-9 months; this includes the start of mine permit applications, an updated Resource and an optimised PFS. Located in a favourable jurisdiction (70% of US copper production occurs in Arizona), NWC is well placed to attract growing investor interest as one of the highest-grade emerging copper plays on the ASX. **BUY, NPV₁₀ target price unchanged at A\$0.14/sh.**

New targets along strike from Antler Copper Deposit

- Multiple exploration targets have been delineated through initial soil sampling programs along strike from the high grade 7.7Mt @ 4.6% Cueq (100% recovery) Antler Copper Deposit. Three very-high priority anomalies – south of the Antler Deposit, “Antler Offset”, and “Copper Knob” (Figure 2) – have been identified for geophysical surveying (Induced Polarisation) in Sep. Q'22 followed by initial drill testing in Dec.Q'22.
- None of these targets have been drill tested previously, although a geophysical (CSAMT) survey and some limited drilling in 2021 has identified a possible shoot 300m south of the “South Shoot” at Antler (Figure 3).
- The geochemistry footprint strongly indicates the potential to discover new shoots/lenses, which is very typical for VMS systems which often form in clusters.

Potential for material increase in Project scope

- The recently released Antler Project Scoping Study is based on a 1Mtpa operation (US\$201m capex) producing ~30ktpa Cueq over a 10-year LOM and delivering a pre-tax NPV₇ of US\$525m (A\$750m).
- Regional exploration success could extend the life of the mine and/or warrant increased production rates for a future operation. With 1Mtpa average mill throughput in Years 2-9 generating ~US\$135m/year in free cash flow (July'22 Scoping Study), each additional year of LOM (1Mt) offers significant NPV upside.

High grade copper developer offering value

- NWC's total Resource grade (Antler and Tererro) of 4% Cueq is one of the highest amongst its ASX-listed copper peer group (Figure 4). However, we calculate that NWC is trading at A\$0.05/lb Cueq Resource, significantly below the A\$0.09/lb peer average (Fig. 5).

Key Dates Ahead

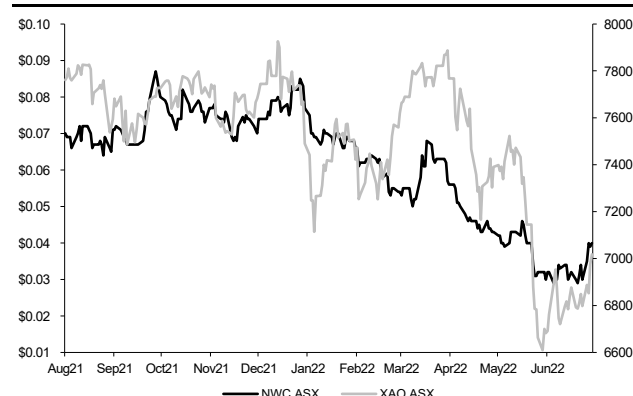
- 2H 2022 – Updated Antler MRE & permit submissions
- 2H 2022 – Regional geophysics and drilling results

Company Data

Shares – ordinary (M)	1596.9
Options/rights (M)	104.5
Diluted for options/rights (M)	1701.4
Market capitalisation (\$M)	63.9
12 month low/high (\$)	0.03/ 0.08
Average monthly turnover (\$M)	4.4
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	27.9	171.8
Costs (\$M)	-5.0	-3.0	-3.0	-24.2	-80.1
EBITDA (\$M)	-5.0	-3.0	-3.0	3.7	91.7
NPAT (\$M)	-4.5	-2.9	-2.7	-1.1	45.8
EPS (¢ps)	-0.3	-0.1	-0.1	0.0	1.3
EPS growth (%)	na	na	na	na	>100%
PER (x)	na	na	na	na	3.1
Op. Cashflow (\$M)	-4.8	-3.0	-3.0	1.7	63.5
OCFPS (¢ps)	-0.3	-0.2	-0.1	0.0	1.8
POCFPS (x)	na	na	na	83	2.2
Enterprise Value (\$M)	58.1	47.5	227.3	236.1	191.3
EV / EBITDA (x)	-ve	-ve	-ve	64.4	2.1
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.

David Brennan, CFA
+61 2 9239 9630

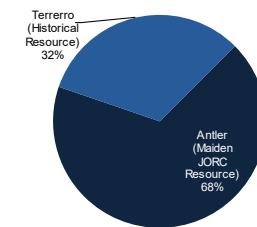
Analysis

New World Resources						
Year End June						
			Share price (A\$) 0.040			
			Issued shares (m) 1,597			
			Market Cap (A\$m) 63.9			
			Options/Rights/Escrowed (m) 104.5			
			Dilution (A\$150m at A\$0.08/sh) 1,806			
			Fully diluted no. of Shares (m) 3,507			
P&L Statement (A\$m)	FY21A	FY22F	FY23F	FY24F	FY25F	FY26F
Revenue	0.0	0.0	0.0	0.0	27.9	171.8
Costs	(2.6)	(5.0)	(3.0)	(3.0)	(24.2)	(80.1)
EBITDA	(2.6)	(5.0)	(3.0)	(3.0)	3.7	91.7
D&A	0.0	0.0	0.0	0.0	(5.0)	(20.0)
Operating profit	(2.6)	(5.0)	(3.0)	(3.0)	(1.3)	71.7
NOI	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	(2.6)	(5.0)	(3.0)	(3.0)	(1.3)	71.7
Interest income	0.0	0.5	0.1	0.3	0.2	0.1
Interest expense	0.0	0.0	0.0	0.0	0.0	(6.4)
Tax expense	(0.2)	0.0	0.0	0.0	0.0	(19.6)
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0
Reported NPAT	(2.8)	(4.5)	(2.9)	(2.7)	(1.1)	45.8
EPS Reported (A\$c)	(0.2)	(0.3)	(0.1)	(0.1)	(0.0)	1.3
DPS - Declared (A\$c)	0.0	0.0	0.0	0.0	0.0	0.0
Avg. shares (m)	1,385	1,685	1,979	2,882	3,507	3,507
YE shares (m)	1,702	1,701	2,257	3,507	3,507	3,507
Commodity prices	FY21A	FY22F	FY23F	FY24F	FY25F	FY26F
Copper (US\$/lb)	3.62	4.38	4.00	3.88	3.63	3.50
Lead (US\$/lb)	0.90	1.05	1.00	1.00	0.95	0.95
Zinc (US\$/lb)	1.21	1.59	1.33	1.23	1.20	1.20
Gold (US\$/oz)	1,849	1,835	1,806	1,725	1,625	1,600
Silver (US\$/oz)	25	24	22	22	22	22
AUD:USD	0.75	0.73	0.72	0.75	0.75	0.75
Production	FY21A	FY22F	FY23F	FY24F	FY25F	FY26F
Ore processed (Antler) (Mt)	0.00	0.00	0.00	0.00	0.10	0.60
Copper (t)	0.00	0.00	0.00	0.00	1,440	9,450
Lead (t)	0.00	0.00	0.00	0.00	343	2,058
Zinc (t)	0.00	0.00	0.00	0.00	3,540	21,239
Silver (Koz)	0.00	0.00	0.00	0.00	49	294
Costs (A\$/lb Cu)	FY21A	FY22F	FY23F	FY24F	FY25F	FY26F
AISC (A\$m)	-	-	-	-	28	91
Cueq production (t)	0	0	0	0	2,901	18,522
Cueq production (Mlb)	-	-	-	-	6.4	40.8
Unit AISC (A\$/lb Cueq)	-	-	-	-	4.31	2.22
Cash Flow (A\$m)	FY21A	FY22F	FY23F	FY24F	FY25F	FY26F
EBITDA	(2.6)	(5.0)	(3.0)	(3.0)	3.7	91.7
Invest. In WC	0.1	0.0	0.0	0.0	(2.0)	(8.6)
Tax expense	0.0	0.2	0.0	0.0	0.0	(19.6)
Operating Cash Flow	(2.5)	(4.8)	(3.0)	(3.0)	1.7	63.5
Capex	0.0	(1.9)	0.0	(275.0)	(5.7)	(7.1)
Exploration	(8.8)	(11.0)	(11.6)	(12.1)	(5.0)	(5.3)
Other investments	0.0	0.0	0.0	(15.0)	0.0	0.0
Investing Cash Flow	(8.8)	(12.9)	(11.6)	(302.1)	(10.7)	(12.3)
Net interest	0.0	0.5	0.1	0.3	0.2	(6.3)
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)	33.4	0.0	25.0	125.0	0.0	0.0
Financing Cash Flow	33.4	0.5	25.1	300.3	0.2	(21.3)
Non-operating/Other	(0.1)	0.0	0.0	0.0	0.0	0.0
Inc/(Dec) in Cash	22.1	(17.3)	10.6	(4.8)	(8.8)	30
Resources	Mt (ore)	Cu %	Au g/t	Ag g/t	Pb %	Zn %
Antler (November'21)	7.70	2.20%	0.2	28.8	0.90%	5.30%
= 7.7Mt @ 3.9% Cueq after forecast metallurgical recovery (4.6% Cueq at 100% recovery)						
Terrero (Historical Resource)	5.78	1.02%	1.96	21.4	0.24%	1.46%
Balance Sheet (A\$m)	FY21A	FY22F	FY23F	FY24F	FY25F	FY26F
Cash & Equivalents	23.1	5.8	16.4	11.6	2.8	32.6
Receivables	0.4	0.4	0.4	0.4	2.8	17.2
Inventories	0.0	0.0	0.0	0.0	1.7	10.3
Other Current Assets	0.1	0.1	0.1	0.1	0.1	0.1
PPE and Exploration	26.3	39.2	50.8	352.9	358.6	351.0
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	15.0	15.0	15.0
Total Assets	49.9	45.5	67.6	380.0	380.9	426.1
Payables & Other	0.7	0.9	0.9	0.9	3.0	17.4
Short Term Debt	0.0	0.0	0.0	0.0	0.0	0.0
Long Term Debt	0.0	0.0	0.0	175.0	175.0	160.0
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	0.7	0.9	0.9	175.9	178.0	177.4
Equity	49.2	44.6	66.7	204.1	203.0	248.7
Total Liabilities & Equity	49.9	45.5	67.6	380.0	380.9	426.1
Ratios	FY21A	FY22F	FY23F	FY24F	FY25F	FY26F
P/E (x)	na	na	na	na	na	3.1
ROE (%)	-6%	-10%	-5%	-2%	-1%	20%
Debt/Equity	0.0%	0.0%	0.0%	85.8%	86.2%	64.3%
Valuation	(A\$m)		(A\$/ps)			
Antler Project (9.3Mt mine inventory)	433		0.12			
Antler exploration upside (nominal ~10% of NPV)	50		0.01			
Terrero Project	5		0.00			
Investments	0		0.00			
Corporate costs	(22)		(0.01)			
Enterprise value	465		0.13			
Net cash (debt) (FY23F)	16		0.00			
Equity value	482		0.14			

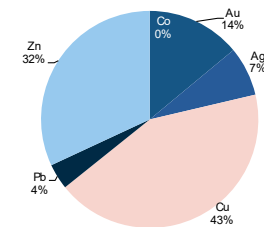
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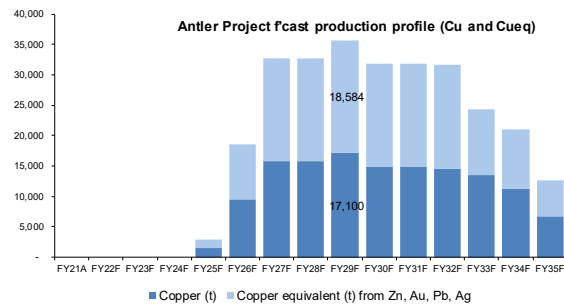
In situ value (US\$5bn) by Project



In situ value by metal

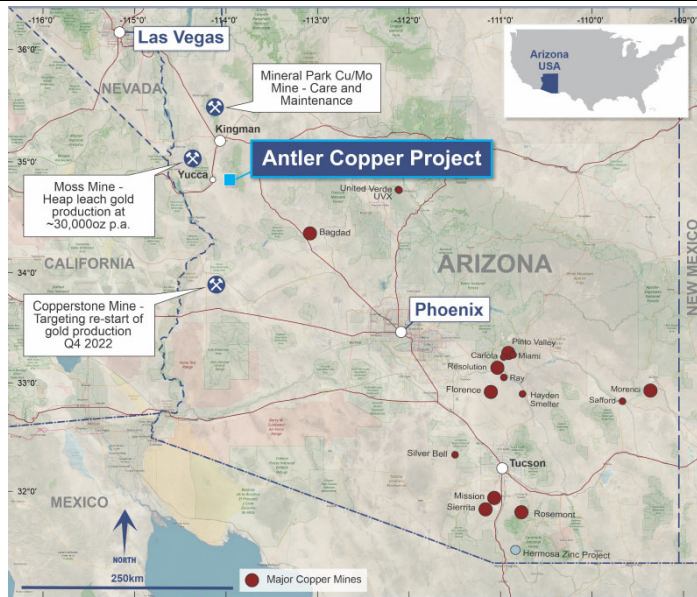


Antler Project fcast production profile (Cu and Cueq)



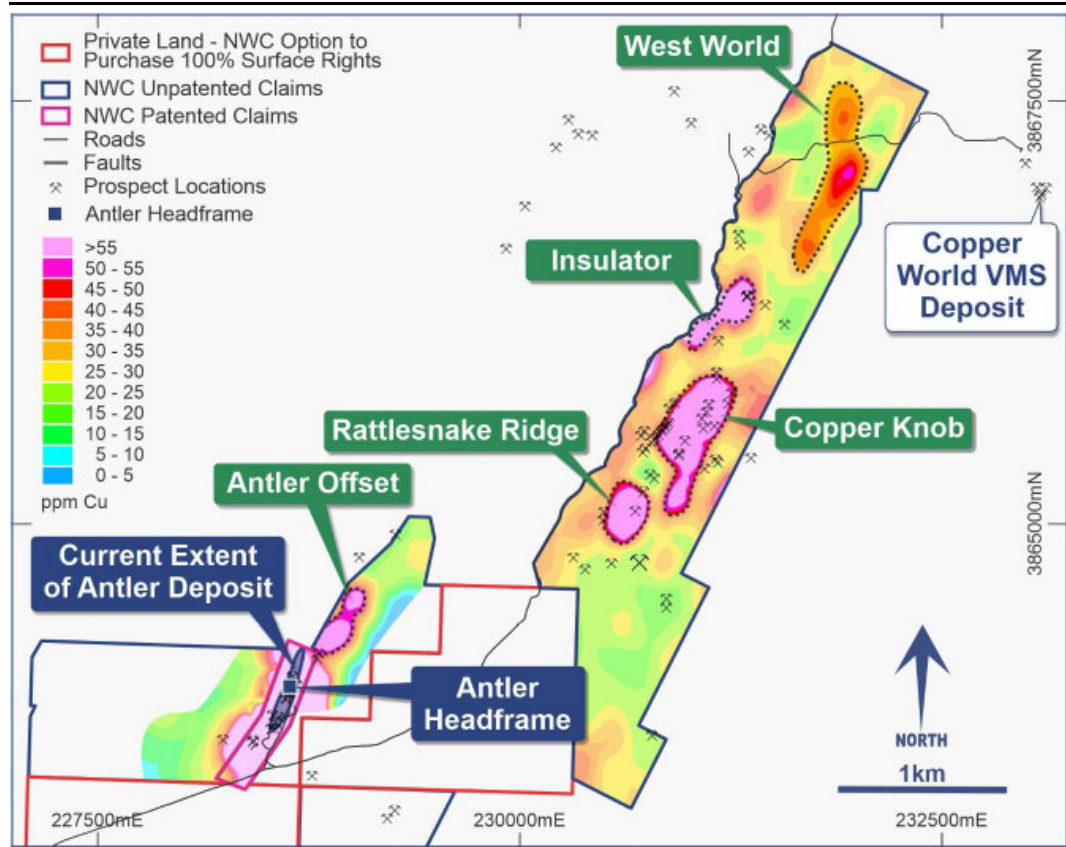
Source: Petra Capital

Figure 1: Location of the Antler Copper Project, Arizona, USA



Source: Company

Figure 2: Copper-in-soil geochemistry at the Antler Project



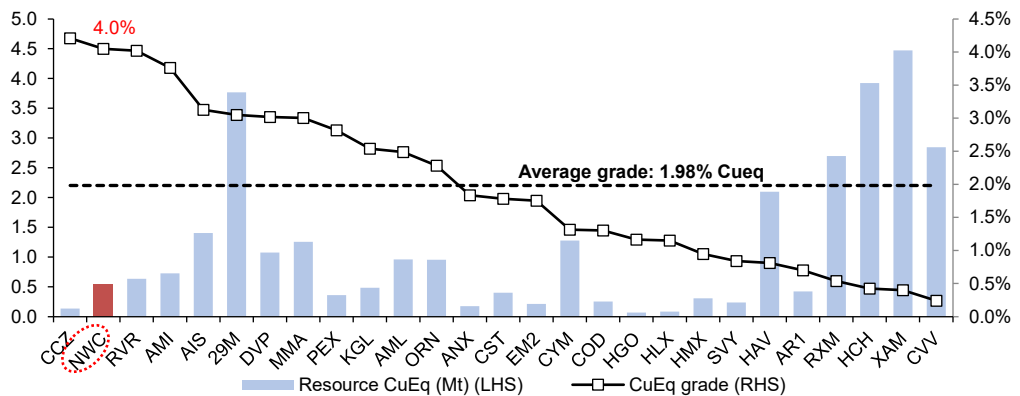
Source: Company

Figure 3: Antler Deposit - long section showing grade x thickness in Cueq



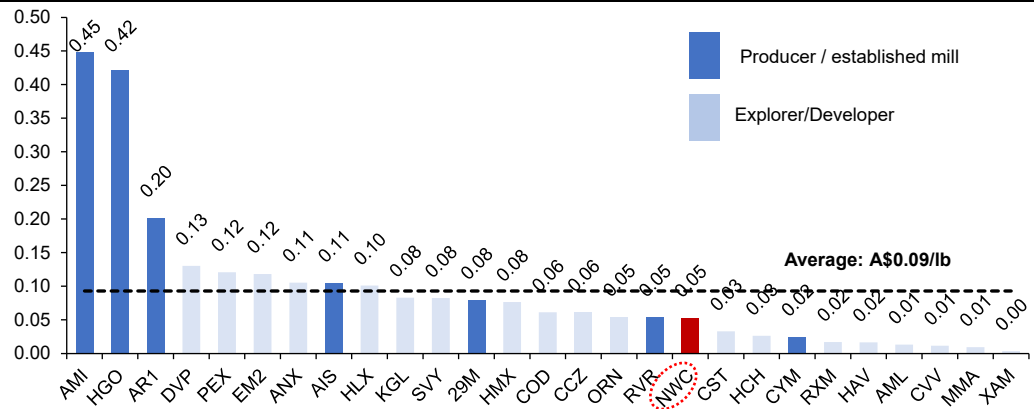
Source: Company

Figure 4: ASX copper explorer/developer/small producer peer group Cueq resource & grade



Source: Companies, compiled by Petra Capital. Note: ranked by Cueq Resource size

Figure 5: Market capitalisation per lb attributable Cueq Resource (A\$/lb Cueq)



Source: Companies, Iress, compiled by Petra Capital



25 July 2022

Petra Capital
Level 17, 14 Martin Place, Sydney NSW 2000

ABN 95 110 952 782
ACN 110 952 782
AFSL 317 944

Director:	George Marias	+61 (0)2 9239 9601	gmarias@petracapital.com.au
Research (Resources):	Brett McKay	+61 (0)2 9239 9605	bmckay@petracapital.com.au
Research (Resources):	Hugh Stackpool	+61 (0)2 9239 9625	hstackpool@petracapital.com.au
Research (Resources):	David Brennan	+61 (0)2 9239 9630	dbrennan@petracapital.com.au
Research (Resources):	Andrew Harrington	+61 (0)2 9239 9614	aharrington@petracapital.com.au
Research (Resources):	Kieran Barratt	+61 (0)2 9239 9610	kbarratt@petracapital.com.au
Research (Resources):	Colin McLelland	+61 (0)2 9239 9639	cmcllland@petracapital.com.au
Research (Industrials):	Killian Murphy	+61 (0)2 9239 9607	kmurphy@petracapital.com.au
Research (Industrials):	James Lennon	+61 (0)2 9239 9618	jlennon@petracapital.com.au
Research (Industrials):	Sam Haddad	+61 (0)2 9239 9633	shaddad@petracapital.com.au
Research (Industrials):	Ken Wagner	+61 (0)2 9239 9642	kwagner@petracapital.com.au
Research (Industrials):	Daniel Ireland	+61 (0)2 9239 9647	direland@petracapital.com.au
Research (Industrials):	Mark Yarwood	+61 (0)2 9239 9646	myarwood@petracapital.com.au
Research (Healthcare):	Tanushree Jain	+61 (0)2 9239 9649	tjain@petracapital.com.au
Sales:	Frank Barila	+61 (0)2 9239 9603	fbarila@petracapital.com.au
Sales:	Vincent Pisani	+61 (0)2 9239 9617	vpisani@petracapital.com.au
Sales:	Peter Veldhuizen	+61 (0)2 9239 9609	pveldhuizen@petracapital.com.au
Sales:	Neil Watson	+61 (0)2 9239 9602	nwatson@petracapital.com.au
Sales:	Leigh Gardner	+61 (0)2 9239 9620	lgardner@petracapital.com.au
Sales:	Vince Barila	+61 (0)2 9239 9627	vbarila@petracapital.com.au
Sales:	Colin Redmond	+61 (0)2 9239 9613	credmond@petracapital.com.au
Sales:	Richard Macphillamy	+61 (0)2 9239 9604	rmacphillamy@petracapital.com.au
Sales:	Paul Doherty	+61 (0)407 194 549	pdoherty@petracapital.com.au
Sales:	Tyrone Lara	+61 (0)2 9239 9608	tlara@petracapital.com.au
Sales:	Vince Musumeci	+61 (0)2 9239 9606	vmusumeci@petracapital.com.au
Sales:	Andrew Richards	+61 (0)2 9239 9638	arichards@petracapital.com.au
Sales:	Rob Dobson	+61 (0)2 9239 9628	rdobson@petracapital.com.au
Sales:	Denise Wong	+61 (0)2 9239 9650	dwong@petracapital.com.au
Corporate (ECM):	Verity Barritt	+61 (0)2 9239 9622	vbarritt@petracapital.com.au
Corporate (ECM):	Craig Brown	+61 (0)2 9239 9629	cbrown@petracapital.com.au
Administration:	Belinda Teichmann	+61 (0)2 9239 9636	bteichmann@petracapital.com.au
Administration:	Joanne Condopoulos	+61 (0)2 9239 9635	jcondopoulos@petracapital.com.au
Administration:	Victoria Smith	+61 (0)2 9239 9616	vsmith@petracapital.com.au
Administration:	Katya Beidar	+61 (0)2 9239 9645	kbeidar@petracapital.com.au
Administration:	Larissa Falvo	+61 (0)2 9239 9611	lfalvo@petracapital.com.au
Administration:	Emma Pagalday	+61 (0)2 9239 9621	epagalday@petracapital.com.au
Legal & Compliance:	Danielle Smith	+61 (0)2 9239 9612	dsmith@petracapital.com.au
Financials:	Tony Christelis	+61 (0)2 9239 9615	tchristelis@petracapital.com.au

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