

# New World Resources Limited (NWC)

Rating: Buy | Risk: High | Price Target: \$0.15

## Compelling economics at Antler – Resource upside still to come

### Key Information

Current Price (\$ps)	0.03
12m Target Price (\$ps)	0.15
52 Week Range (\$ps)	0.03 - 0.09
Target Price Upside (%)	356.6%
TSR (%)	
Reporting Currency	AUD
Market Cap (\$m)	51
Sector	Materials
Avg Daily Volume (m)	2.1
ASX 200 Weight (%)	0%

### Fundamentals

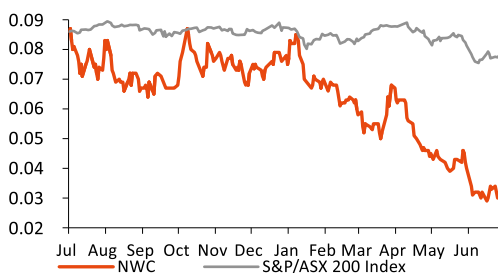
YE 30 Jun (AUD)	FY21A	FY22E	FY23E	FY24E
Sales (\$m)	0	0	0	0
NPAT (\$m)	(3)	(1)	(2)	(2)
EPS (cps)	(17.9)	(4.6)	(7.6)	(6.0)
EPS Growth (%)	(45.6%)	74.4%	(66.3%)	21.0%
DPS (cps) (AUD)	n/a	n/a	n/a	n/a
Franking (%)	0%	0%	0%	0%

### Ratios

YE 30 Jun	FY21A	FY22E	FY23E	FY24E
P/E (x)	(0.5)	(0.7)	(0.4)	(0.5)
EV/EBITDA (x)	n/a	n/a	n/a	n/a
Div Yield (%)	n/a	n/a	n/a	n/a
Payout Ratio (%)	n/a	n/a	n/a	n/a

### Price Performance

YE 30 Jun	1 Mth	2 Mth	3 Mth	1 Yr
Relative (%)	(16.3%)	(23.4%)	(41.4%)	(57.0%)
Absolute (%)	(20.0%)	(28.9%)	(52.2%)	(65.2%)
Benchmark (%)	(3.7%)	(5.5%)	(10.8%)	(8.2%)



Price performance indexed to 100

Source: FactSet

### Major Shareholders

Paradise Investment Management Pty Ltd.	7.8%
Ponderosa Investments Wa Pty Ltd.	5.1%
Perennial Value Management Ltd.	4.9%
HAYNES MICHAEL JOHN ALEXANDER	2.4%
Ransdale Investments Pty Ltd.	2.1%

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### Event

New World Resources have released a Scoping Study for their high-grade Antler Copper Project in Arizona which outlines a high-margin underground-mining development with compelling economics.

### Highlights

- The Scoping Study outlines a 1Mt per annum scenario based on the current mineral resource that produces an average of 15.4kt per annum of copper in concentrate (30.6kt of copper equivalent) over a 10 year mine life.
- Key economic outcomes include:
  - Pre-production capital cost of US\$201m
  - NPV@7 of US\$525m (A\$750m; pre-tax). Assuming commodity prices of US\$8,500/tonne copper; US\$2,800/tonne zinc; US\$2,000/tonne lead; US\$20.00/oz silver and US\$1,800/oz gold.
  - IRR of 42% (pre-tax)
  - Payback 29 months
  - C1 cash costs for copper, after co-product credits, of negative US\$0.31/lb over the forecast initial operating life.
- The outcomes of the study are broadly in line with our estimates, with lower-than-expected grades due to mining dilution being partially offset by lower life of mine capital and site operating costs. The Company note potential improvement of economics by reducing mining dilution as an area of focus for the Pre-Feasibility Study.
- The Scoping Study is based on the existing 7.7Mt Mineral Resource released November 2021. The Resource remains completely open at depth and to the south. Drilling since the November 2021 Resource statement has returned the best intersection to date at the project on a grade-thickness basis of 41.8m @ 2.5% Cu, 2.8% Zn, 0.8% Pb, 37.1 g/t Ag and 0.52 g/t Au, and has confirmed thick, high-grade mineralisation >150m downdip from the deepest hole included in the Company's maiden JORC Resource in November 2021.
- The Company has an exploration target to expand the Mineral Resource at the Antler during CY2022 to 10-12Mt of high-grade mineralisation. We incorporate expansion of the Resource from 7.7Mt to 12Mt in our base case valuation and see potential to for the Resource to expand beyond 12Mt over time.
- The Company has commenced a Pre-Feasibility which has a targeted completion date in Q1 CY2023, with commencement of a Definitive Feasibility thereafter.
- The Scoping Study is a key enabler of the permitting process. Environmental and social impacts of the conceptual operation will now be defined, to supplement the Scoping Study data, so that mine permit applications can be submitted in Q4 CY2022, a critical path item to planned construction commencement in Q3 CY2024.

### Recommendation

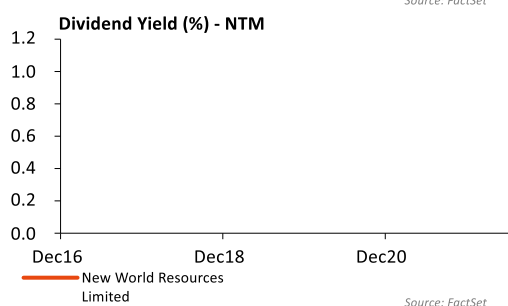
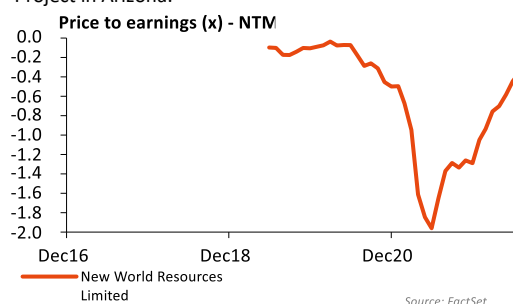
We retain our Buy recommendation. The Scoping Study outcomes are broadly in line with our expectations. We reduce our price target from \$0.20ps to \$0.15ps to reflect the likely higher future dilution than previously anticipated, with consideration of the YTD share price performance and current overall sector sentiment. Our base case valuation incorporates Scoping Study outcomes, Shaw and Partners long term metal price assumptions (see Figure 5) and expansion of the existing Mineral Resource from 7.7Mt to 12Mt, which is the high end of Management's target Resource expansion target for CY2022.

**New World Resources Limited**  
**Materials**  
**Materials**  
**FactSet: NWC-AU / Bloomberg:**

Key Items	Data
Recommendation	BUY
Risk	HIGH
Price (\$ps)	0.03
Target Price (\$ps)	0.15
52 Week Range (\$ps)	0.03 - 0.09
Shares on Issue (m)	1,597
Market Cap (\$m)	51

**Company Description**

New World Resources Limited is an Australian company focused on the exploration and development of mineral resources projects in North America. New World Resources' key focus is progression of their high grade Antler Copper Project in Arizona.



**Financial Year End: 30 June**

Investment Summary (AUD)	FY20A	FY21A	FY22E	FY23E	FY24E
EPS (Reported) (cps)	(12.3)	(17.9)	(4.6)	(7.6)	(6.0)
EPS (Underlying) (cps)	(12.3)	(17.9)	(4.6)	(7.6)	(6.0)
EPS (Underlying) Growth (%)	n/a	(45.6%)	74.4%	(66.3%)	21.0%
PE (Underlying) (x)	(0.1)	(0.5)	(0.7)	(0.4)	(0.5)
Franking (%)	0%	0%	0%	0%	0%
Profit and Loss (AUD) (m)	FY20A	FY21A	FY22E	FY23E	FY24E
Sales	0	0	0	0	0
Sales Growth (%)	n/a	(20.2%)	(100.0%)	n/a	n/a
EBITDA	(1)	(3)	(1)	(2)	(3)
EBITDA Margin (%)	nm	nm	nm	nm	nm
Depreciation & Amortisation	0	0	0	0	0
EBIT	(1.2)	(2.6)	(1.2)	(2.4)	(3.0)
EBIT Margin (%)	nm	nm	nm	nm	nm
Net Interest	0	0	0	0	0
Pretax Profit	(1)	(3)	(1)	(2)	(3)
Tax	0	(0)	0	1	1
Tax Rate (%)	0.0%	7.6%	(25.9%)	(25.9%)	(25.9%)
NPAT Underlying	(1)	(3)	(1)	(2)	(2)
Significant Items	0	0	0	0	0
NPAT Reported	(1)	(3)	(1)	(2)	(2)
Cashflow (AUD) (m)	FY20A	FY21A	FY22E	FY23E	FY24E
EBIT	(1)	(3)	(1)	(2)	(3)
Payments to Suppliers	(1)	(2)	(1)	(2)	(3)
Receipts from Customers	0	0	0	0	0
Tax Paid	0	0	0	0	0
Net Interest	0	0	0	0	0
Depreciation & Amortisation	0	0	0	0	0
Operating Cashflow	(1)	(2)	(1)	(2)	(3)
Capex	(3)	(9)	(12)	(15)	(99)
Acquisitions and Investments	0	0	0	0	0
Disposal of Fixed Assets/Investments	0	0	0	0	0
Investing Cashflow	(3)	(9)	(12)	(15)	(99)
Equity Raised / Bought Back	3	31	0	20	130
Change in Debt	0	0	0	0	190
Other	0	1	0	0	0
Financing Cashflow	3	33	0	20	320
Net Change in Cash	(1)	22	(13)	2	218
Balance Sheet (AUD) (m)	FY20A	FY21A	FY22E	FY23E	FY24E
Cash	1	23	10	12	230
Accounts Receivable	0	0	0	0	0
Other Current Assets	0	0	0	1	2
PPE	17	26	38	54	153
Total Assets	19	50	49	67	385
Accounts Payable	0	1	1	1	1
Long Term Debt	0	0	0	0	190
Total Liabilities	0	1	1	1	191
Ratios	FY20A	FY21A	FY22E	FY23E	FY24E
ROE (%)	n/a	(8.3%)	(1.5%)	(3.0%)	(1.6%)

## Valuation re-cap

Scoping Study outcomes for the high-grade Antler Copper project were broadly in line with our prior estimates. Lower than estimated grades due to mining dilution was partially offset by life of mine capital costs and site operating costs that were both lower than our estimates.

Figure 1: Scoping Study versus Shaw and Partner Estimates

Metric	Units	Scoping Study	Prior Shaw Estimates (Feb 2022)
		201	180
Mill throughput	Mt/yr	1	1
Mine Life	yrs	10	10
Head grades	%   g/t	1.62% Cu, 3.89% Zn, 0.64% Pb, 21.2g/t Ag, 0.14g/t Au	2.1% Cu, 5.0% Zn, 0.8% Pb, 0.2g/t Au, 26.9g/t Ag
Pre-production capital	US\$m	201.3	180
Sustaining capital	US\$m	29.9	79
<b>Total Capital</b>	<b>US\$m</b>	<b>231.2</b>	<b>259</b>
Mining cost	US\$/t milled	52.03	55
Processing cost	US\$/t milled	18.91	25
G&A	US\$/t milled	15	10
<b>Total Site Costs</b>	<b>US\$/t milled</b>	<b>85.94</b>	<b>90</b>

Source: New World Resources ASX release 11 July 2022, Shaw and Partners analysis

Our valuation now incorporates the key parameters outlined in the Scoping Study with mine life extension based on a 12Mt Resource. We have revised our financing assumption to reflect likely higher future equity dilution than previously anticipated, with consideration of the YTD share price performance and overall sector sentiment. We assume the equity raise to fund the equity component of the construction is completed at 10 cents per share (previously 20 cents per share), which assumes a significant re-rate of the stock prior to execution of this funding event. Potential catalysts for this re-rate include expansion of the Resource and a Pre-Feasibility Study that incorporates the expanded Resource and an optimised mine plan.

Figure 2: Sum of parts valuation at Shaw and Partners metal price forecasts and spot

	A\$m		A\$ps			A\$m		A\$ps	
Antler	370		0.24		Antler	370		0.10	
Net debt	10		0.01		Net debt	160		0.05	
Other Assets	10		0.01		Other Assets	10		0.00	
Corporate	(24)		(0.02)		Corporate	(24)		(0.01)	
<b>Total Valuation</b>	<b>366</b>		<b>0.23</b>		<b>Total Valuation</b>	<b>516</b>		<b>0.15</b>	

	Spot Prices - Undiluted		Spot Prices - Diluted	
	A\$m	A\$ps	A\$m	A\$ps
Antler	678	0.43	678	0.19
Net debt	10	0.01	160	0.05
Other Assets	10	0.01	10	0.00
Corporate	(24)	(0.02)	(24)	(0.01)
<b>Total Valuation</b>	<b>674</b>	<b>0.43</b>	<b>824</b>	<b>0.23</b>

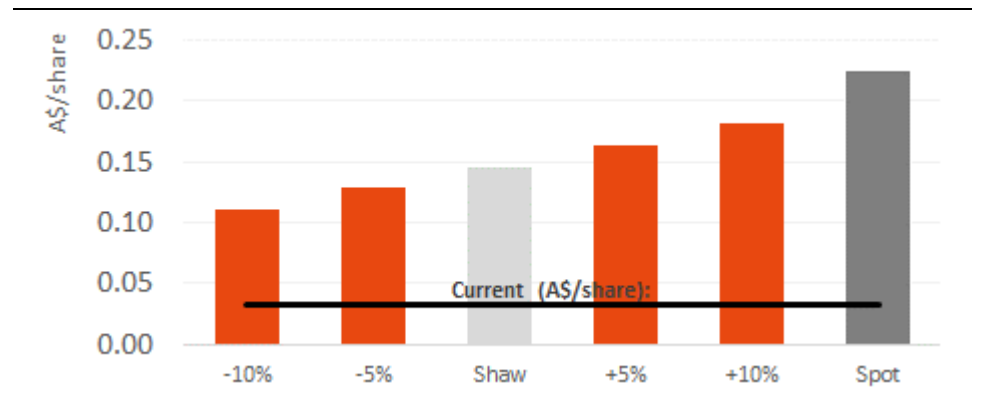
Source: Shaw and Partner Analysis

Figure 3: Revised financing assumptions

Equity Financing - 1			Equity Financing - 2			Debt Financing Assumptions		
Year	-	FY23	Year	-	FY24	Drawdown	Date	FY24
Amount	A\$m	20	Amount	A\$m	130	Tenor	Years	5.0
Price	A\$/share	0.030	Price	A\$/share	0.10	PIK Period	Years	1.0
Shares Issued	#m	667	Shares Issued	#m	1,300	Amortisation Period	Years	5.0
						Size	A\$m	190
						Interest Rate	%	10%

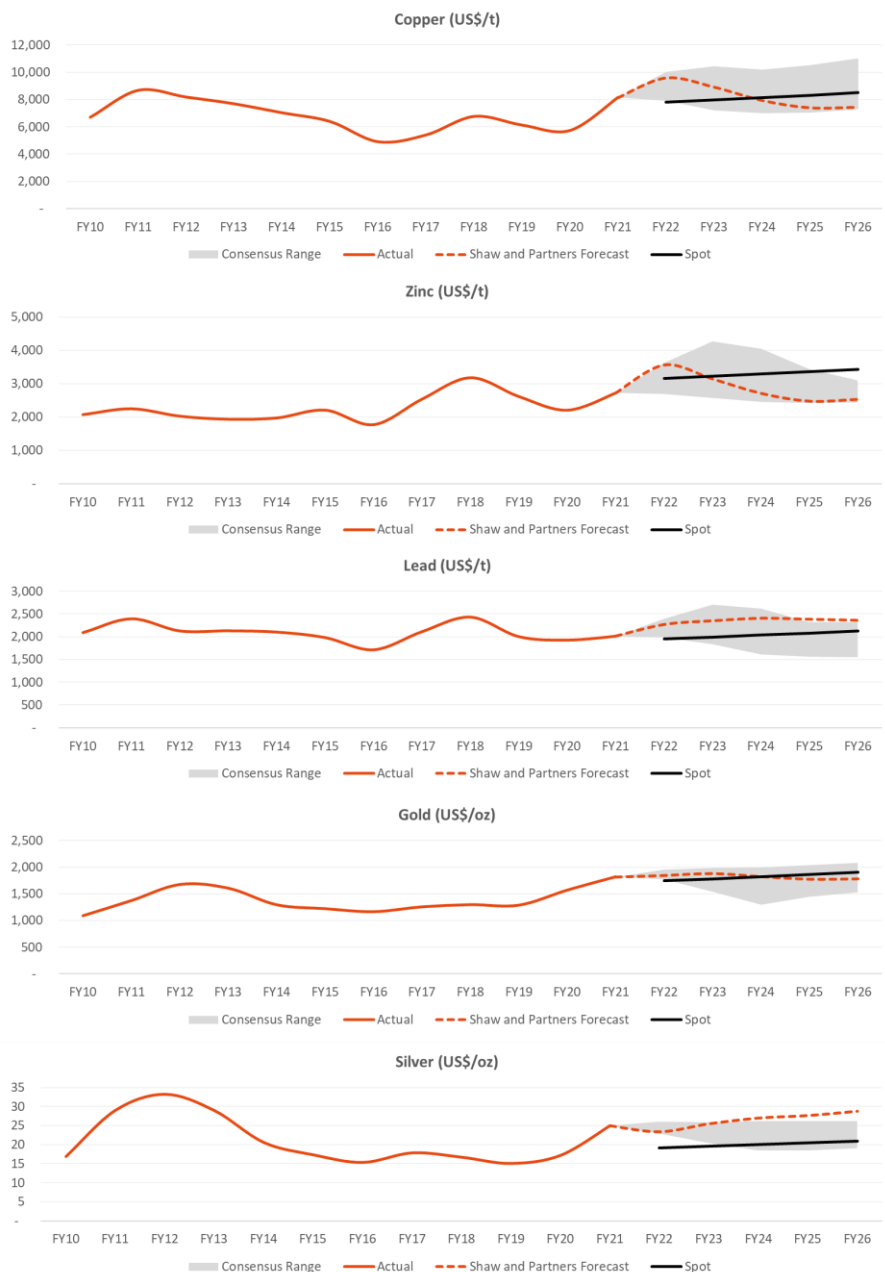
Source: Shaw and Partners assumptions

Figure 4: Valuation sensitivity to metal price assumptions



Source: Shaw and Partners assumptions

Figure 5: Metal price assumptions applied to Shaw and Partners valuation



Source: Shaw and Partners analysis

### Key risks

- New World Resources is a pre-development company that is relatively early stages of Resource definition and therefore carries risk that the size and grade of the Resource may change as it progresses in definition.
- The Antler Copper Project is not yet producing and there is a risk that New World Resources is unable to bring the operation in to production. The project may cost more than expected to build and may not operate as expected.
- We have forecast future capital and operating costs to inform a discounted cash flow valuation for the project. Our cash flow forecasts would be too high if our operating cost assumptions are too low or our capital cost assumptions are too low.
- New World Resources will require significant additional financing to develop the Antler Copper Project. There is a risk that debt or capital markets may not be willing to fund the project, or risk that future financing will be more dilutive than our estimates.
- The development of the Antler Copper Project is subject to approval of permits, licences and land usage/access which may delay or prevent the project development if not forthcoming.
- Smaller companies carry more significant 'key personnel' risk than larger organisations. If senior management depart the company, then it could delay projects or exacerbate operational risks.
- Base metal prices are trading above cost curve support and there are risks that if demand for copper, zinc and/or lead does not meet expectations then the prices of these metals could revert to historical averages.

### Core drivers and catalyst

- Copper is a critical future facing metal. Significant new supply required to meet forecast future demand. Current market dynamic to benefit companies, such as Eagle Mountain, that can move quickly to deliver new supply into current market dynamic.
- Antler Project is well positioned to progress towards development given its project location/jurisdiction, high grade and shallow depth of mineralisation.
- Potential remains for extensions to the current Resource, with encouraging drill results outside the current Resource area. The Resource remains open and within a strong geophysical target area.
- JORC Resource update Q3 CY 2022.
- Mining permitting and approvals process expected to commence from Q4 CY22.
- Pre-Feasibility Study expected to commence from Q3 CY22.

## Rating Classification

<b>Buy</b>	Expected to outperform the overall market
<b>Hold</b>	Expected to perform in line with the overall market
<b>Sell</b>	Expected to underperform the overall market
<b>Not Rated</b>	Shaw has issued a factual note on the company but does not have a recommendation

## Risk Rating

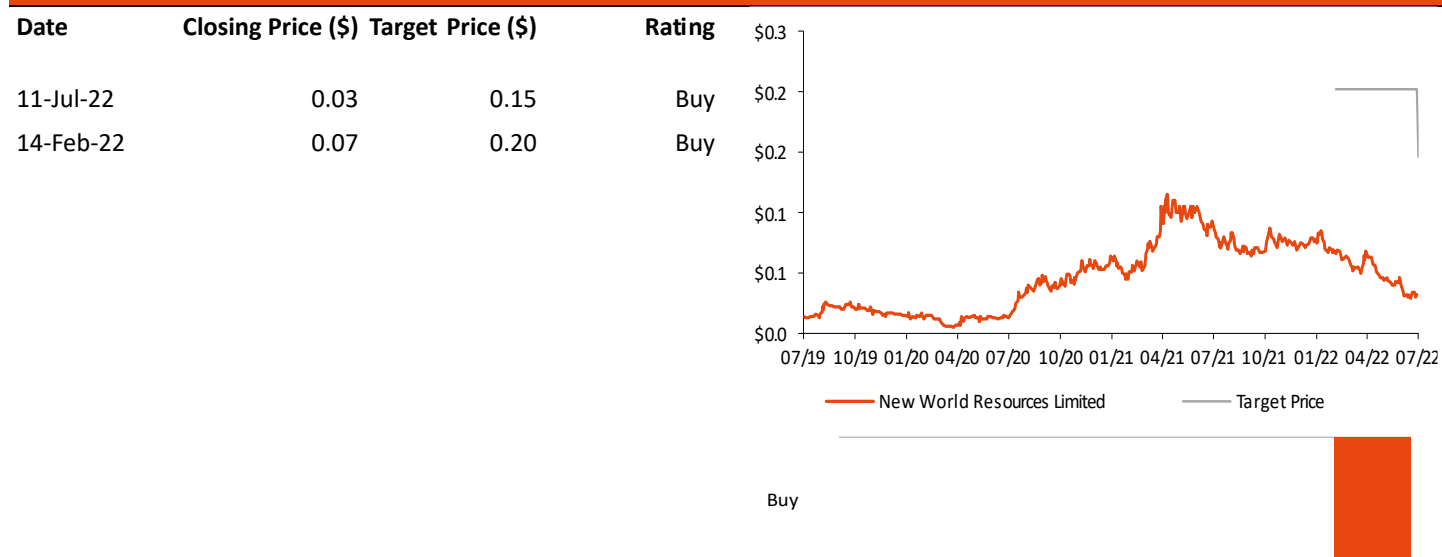
<b>High</b>	Higher risk than the overall market – investors should be aware this stock may be speculative
<b>Medium</b>	Risk broadly in line with the overall market
<b>Low</b>	Lower risk than the overall market

**RISK STATEMENT:** Where a company is designated as ‘High’ risk, this means that the analyst has determined that the risk profile for this company is significantly higher than for the market as a whole, and so may not suit all investors. Clients should make an assessment as to whether this stock and its potential price volatility is compatible with their financial objectives. Clients should discuss this stock with their Shaw adviser before making any investment decision.

### Distribution of Investment Ratings

Rating	Count	Recommendation Universe
Buy	108	89%
Hold	12	10%
Sell	1	1%

### History of Investment Rating and Target Price - New World Resources Limited



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