

New World Resources Limited (NWC)

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

How low down-dip... can Antler go?

Key Information

Current Price (\$ps)	0.03
12m Target Price (\$ps)	0.15
52 Week Range (\$ps)	0.03 - 0.09
Target Price Upside (%)	387.0%
TSR (%)	
Reporting Currency	AUD
Market Cap (\$m)	48
Sector	Materials
Avg Daily Volume (m)	2.2
ASX 200 Weight (%)	0%

Fundamentals

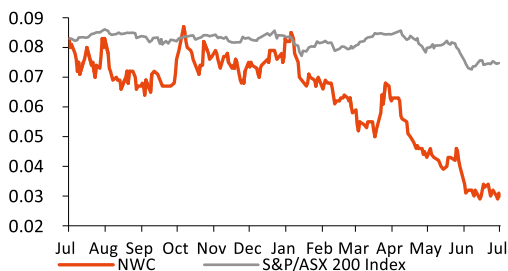
YE 30 Jun (AUD)	FY21A	FY22E	FY23E	FY24E
Sales (\$m)	0	0	0	0
NPAT (\$m)	(3)	(1)	(2)	(2)
EPS (cps)	(17.9)	(4.6)	(7.6)	(6.0)
EPS Growth (%)	(45.6%)	74.4%	(66.3%)	21.0%
DPS (cps) (AUD)	n/a	n/a	n/a	n/a
Franking (%)	0%	0%	0%	0%

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 (%)	(10.8%)	(23.8%)	(40.4%)	(53.9%)
Absolute (%)	(11.8%)	(30.2%)	(52.4%)	(63.9%)
Benchmark (%)	(1.0%)	(6.4%)	(12.0%)	(10.0%)



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%

Kristian Stella | Analyst

+61 3 9268 1097

Kristian.Stella@shawandpartners.com.au

Andrew Hines | Head of Research

+61 3 9268 1178

andrew.hines@shawandpartners.com.au

Michael Clark | Analyst

+61 3 9268 1148

michael.clark@shawandpartners.com.au

Event

New World Resources have continued to intercept high-grade mineralisation at their Antler Copper Project in Arizona, USA. These results, combined with the steady stream of positive drill results released since the last JORC Mineral Resource statement in November 2021, bodes well for the Resource update planned in coming months. Incorporation of an upsized Resource will materially improve the economics of the in-progress Pre-Feasibility Study versus the recently released Scoping Study, which in itself demonstrated Antler as a high margin project with strong economics.

Highlights

- Ongoing drilling since reporting of the Antler maiden 7.7Mt Resource in November 2021 continues to significantly extend the deposit at depth (see Figure 1).
- The mineralisation in the Main Shoot has now been demonstrated to extend continuously >900m down-dip from surface and 80m down-dip from the previous deepest hole. Specifically, hole ANT94AW1 intersected:
 - 18.2m @ 2.0% Cu, 3.4% Zn, 0.9% Pb, 30.8 g/t Ag and 0.20 g/t Au from 987.8m (18.2m @ 3.4% Cu-equivalent*)
- The mineralisation in the South Shoot has now been shown to extend to >700m from surface and >250m down-dip from the previous deepest drilling in the South Shoot. Specifically, results include:
 - 6.8m @ 3.2% Cu, 10.6% Zn, 1.6% Pb, 55.6 g/t Ag and 0.20 g/t Au from 794.0m (6.8m @ 7.2% Cu-equivalent*) in ANT91W2
 - 10.0m @ 4.87 g/t Au from 798.0m and 3.0m @ 3.9% Cu, 8.2% Zn, 1.5% Pb, 65.3 g/t Ag and 0.33 g/t Au from 842.4m (3.0m @ 7.1% Cu-equivalent*) in ANT91W1.
- Both Main and South Shoots remain open at depth, representing further Resource upside.
- Management have guided to a Resource update in the coming months. Via this update, we suspect the Company will achieve its exploration target to expand the Mineral Resource at Antler during CY2022 from 7.7Mt to 10-12Mt.
- Incorporation of an upsized Mineral Resource will have a materially positive impact on the in-progress Pre-Feasibility Study versus the recently released scoping study, which in itself demonstrated Antler as a high margin project with strong economics. Key economic outcomes for the Scoping Study included:
 - 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)
 - C1 cash costs for copper, after co-product credits, of negative US\$0.31/lb over the forecast initial operating life.
- Target completion date for the Pre-Feasibility Study is Q1 CY2023.

Recommendation

We retain our Buy recommendation for New World Resources and price target of \$0.15ps. Our base case valuation incorporates Scoping Study outcomes, Shaw and Partners long term metal price assumptions and expansion of the existing Mineral Resource from 7.7Mt to 12Mt, which is the high end of Management's Resource expansion target for CY2022.

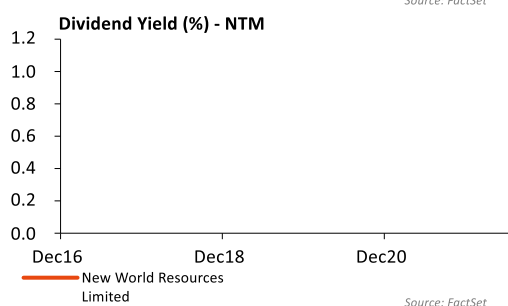
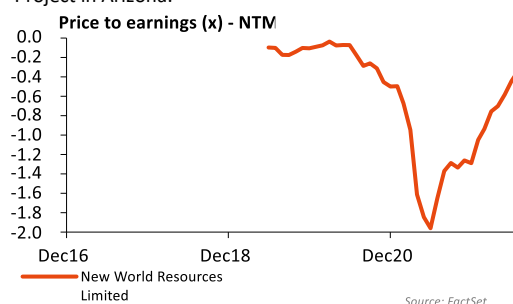
*: See Company ASX release 14 July 2022 for copper equivalent calculation assumptions

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)	48

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.

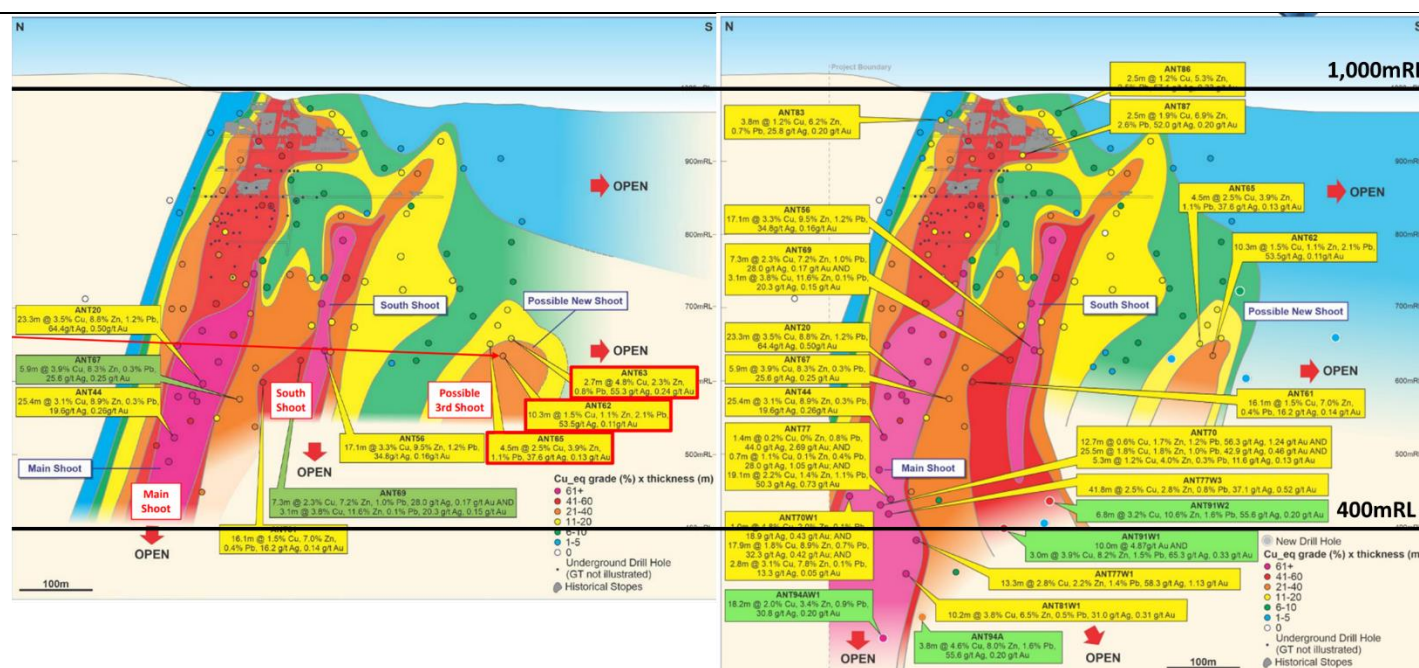


Financial Year End: 30 June

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%)

Deposit long sections November 2021 versus July 2022

Figure 1: Long Section of grade x thickness for copper equivalent results from the Antler Deposit post the November 2021 maiden 7.7Mt Mineral Resource (left) and as per ASX release 14 July 2022 (Right)



Source: Company release 25-Nov-21 and 14-Jul-22, 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

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

Risk Rating

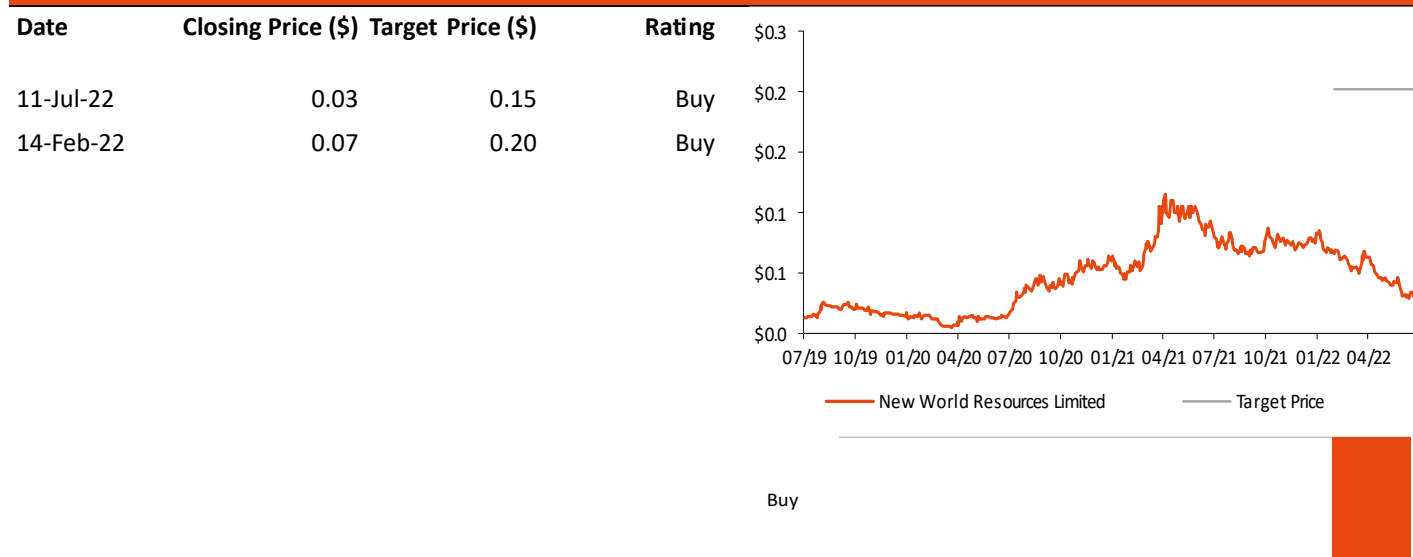
High	Higher risk than the overall market – investors should be aware this stock may be speculative
Medium	Risk broadly in line with the overall market
Low	Lower risk than the overall market

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	109	89%
Hold	12	10%
Sell	1	1%

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



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Sydney Head Office	Melbourne	Brisbane	Adelaide	Canberra	Perth	Noosa
Level 7, Chifley Tower	Level 36	Level 28	Level 23	Level 7	Level 20	Suite 11a Q Place
2 Chifley Square	120 Collins Street	111 Eagle Street	91 King William Street	54 Marcus Clarke Street	108 St Georges Terrace	2 Quamby Place
Sydney NSW 2000	Melbourne VIC 3000	Brisbane QLD 4000	Adelaide SA 5000	Canberra ACT 2600	Perth WA 6000	Noosa Heads QLD 4567
Telephone: +61 2 9238 1238	Telephone: +61 3 9268 1000	Telephone: +61 7 3036 2500	Telephone: +61 8 7109 6000	Telephone: +61 2 6113 5300	Telephone: +61 8 9263 5200	Telephone: +61 7 3036 2570
Toll Free: 1800 636 625	Toll Free: 1800 150 009	Toll Free: 1800 463 972	Toll Free: 1800 636 625	Toll Free: 1800 636 625	Toll Free: 1800 198 003	Toll Free: 1800 271 201