

Newfield Resources Ltd. (von Sphene Capital GmbH): Buy

14.08.2024 | [DGAP](#)

Classification of Sphene Capital GmbH to [Newfield Resources Ltd.](#)

Company Name:	Newfield Resources Ltd.
ISIN:	AU000000NWF9
Reason for the research:	Initiation of Coverage
Recommendation:	Buy
from:	14.08.2024
Target price:	AUD 0.47
Target price on sight of:	36 months
Last rating change:	-
Analyst:	Peter Thilo Hasler, CEFA

A high-grade diamond mine with 8.3 mn carats

We are initiating research coverage of Newfield with a Buy rating and a price target of AUD 0.47 per share (based on the basic number of shares), representing substantial upside from the current share price of AUD 0.14. Our price target is derived from the speculative diamond resources of its Tongo and Tonguma projects ("Tongo diamond mining project"), for which we calculated a probability weighted discounted cash flow (DCF) value. Other assets were not included in our valuation, representing thus a potential upside to our price target. The latest pullback in the company's share price should be considered as an interesting entry point for investors, in our view. We believe Newfield is on the brink of re-entering the production process in the current fiscal year and strongly believe the share price should quickly re-rate towards our price target.

Newfield Resources is an Australian based diamond exploration and mine development company at pre-production stage, operating in the West African republic of Sierra Leone. Covering an area of 134 km², Newfield is the 100% owner of the fully permitted high-grade Tongo diamond mining project, a kimberlite fissure dyke diamond deposit in the Lower Bambara Chiefdom, Kenema District, in the diamond-rich Eastern Province of Sierra Leone, similar in style to numerous South African mines. The licence areas are host to 11 kimberlite dykes, five of which have been declared as a JORC-compliant Indicated and Inferred diamond resource of 8.3 mn carats at a +1.0 mm bottom cut-off (including a reserve of 1.1 mn carats) of diamonds. Assuming an average diamond price of USD 225 per carat, we calculate a net asset value of Tongo of AUD 2.8 bn or AUD 2.93 per share.

While the average world diamond price currently is around USD 114 per carat, Tongo's average sales to date are USD 216 per carat, emphasising the high-quality product at the Tongo mines, in our view. Tongo diamonds are predominantly high-end gems suitable for luxury jewellery (top brands) which has seen growth and demand despite global market uncertainties. Lab-grown diamonds, which are now selling at 90-95% discount, are therefore no threat to Newfield's natural diamonds for retail usage, in our view.

A feasibility standard Front End Engineering Design (FEED) study demonstrates a robust 17-year life of mine with average annual production of 350,000-500,000 carats. According to our estimates, this production could lead to peak revenues and peak EBITDA (2040/41e) of AUD 347.9 mn and AUD 223.0 mn, respectively.

You can download the research here: <http://www.more-ir.de/d/30473.pdf>

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