

Boab Metals Limited

13 January 2021

Coverage post name change

BML ASX \$0.49 TARGET PRICE \$0.85

Resources

BUY

75% owned Sorby Hills Lead Silver Project in WA has a completed a Preliminary Feasibility Study and is moving towards financial close in November 2021 and then construction. Production planned to be 47Ktpa lead and 1.4Mozpa silver in concentrate for 10 years.

Michael Harrowell
+61 418 167 933
mrh@rawsonlewis.com



RAWSON LEWIS

Momentum building towards project delivery

Name change and share consolidation complete

Pacifico has been renamed Boab Metals Limited and the shares consolidated 25 to 1, giving the new shares on issue of 152.2m. Our price target has been refined to 85cps vs the previous 25x 3.5cps of 87.5cps.

Boab Metals is strongly positioned to deliver Sorby Hills

1. Funding to DFS complete,
2. positive results from drilling,
3. material addition to reserves likely,
4. NAIF may supply substantial funding, and
5. share consolidation improves liquidity

12 month target 85cps on NPV and earnings multiples

Our price target of 85cps is in the middle of our valuation ranges based on NPV or PER multiples. Key drivers for achieving this target include:

1. Rising commodity prices in post COVID-19 recovery. A change of A\$0.01/lb lead price or A\$1/oz silver price changes the Net Present Value of Boab by 2.5cps.
2. Exploration success from current program increasing annual production and mine life.
3. DFS derisking project with clarity on costs and financing

Lead and silver prices in uptrend as global demand recovers



Company Data

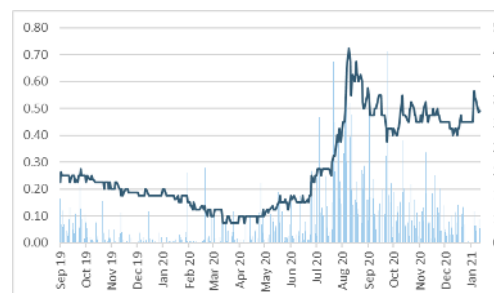
Shares Outstanding (M)	152
Price (\$/sh)	0.490
Market Capitalisation (\$M)	74.5
Free Float (%)	100%
Free Float Market Capitalisation (\$M)	74.6
12 Month Low (\$/sh)	0.05
12 Month High (\$/sh)	0.750
Average Daily Volume ('000)	580

Data Source: ASX, Company, Rawson Lewis est.

Earnings Summary (A\$M)

Year end June	FY21	FY22	FY23	FY24
Sales revenue	0	0	0	193.74
EBITDA	-3	-2	-3	111
PBT	-3	-1	-7	79
Underlying NPAT	-2	-1	-5	55
Reported NPAT	-2	-1	-5	55
Reported EPS (c)	-1.3	-0.4	-2.1	23.51
Underlying EPS (c)	-1.3	-0.4	-2.1	23.5
DPS (c)	0	0	0	0
PER	na	na	na	1.9
Franking (%)	na	na	na	na
Dividend Yield (%)	na	na	na	na
Gross Yield (%)	na	na	na	na

Price Graph to 12/1/21



Source: IRESS, Share price A\$/sh LHS, Turnover millions of shares RHS

Directors & Management

Gary Comb	Chairman
Simon Noon	Managing Director
Richard Monti	Non-Executive Director
Andrew Parker	Non-Executive Director

Shareholders at Jan 2021

Villiers	10.4%
Directors	2.6%

PACIFICO MINERALS LIMITED					PMY-ASX					
Share Price A\$/sh					0.490					
Price Target A\$/sh					0.850					
PROFIT AND LOSS A\$M	FY21F	FY22F	FY23F	FY24F						
Total Revenue	0.0	0.0	0.0	193.7	CASH FLOW YE June					
COGS	0.0	0.0	-1.8	-81.6		FY21F	FY22F	FY23F	FY24F	
Gross Profit	0.0	0.0	-1.8	112.1	Receipts from customers	0.2	0.0	0.0	190.0	
<i>Gross Profit Margin</i>	<i>na</i>	<i>na</i>	<i>na</i>	57.9%	Payments to Suppliers	-3.7	0.2	6.2	-96.7	
SG&A	-3.0	-1.5	-1.5	-1.5	Interest (Paid) / Received	0.0	0.1	-3.7	-7.0	
EBITDA - Reported	-3.0	-1.5	-3.3	110.6	Tax (Paid)	0.0	0.0	0.0	0.0	
D&A	0.0	0.0	0.0	-24.9	Operating cashflow	-13.5	-4.7	2.5	86.3	
EBIT - Reported	-3.0	-1.5	-3.3	85.7	Capital expenditure	0.0	-12.0	-96.9	-28.3	
Total Financial Income	0.0	0.1	-3.7	-7.0	Asset Sales					
PBT	-3.0	-1.4	-7.0	78.7	Acquisitions					
Tax Expense	0.9	0.4	2.1	-23.6	Divestments					
NPAT	-2.1	-1.0	-4.9	55.1	Other Investing					
Minorities	0.0	0.0	0.0	0.0	Investing cashflow	0.0	-12.0	-96.9	-30.9	
Earned for Ordinary	-2.1	-1.0	-4.9	55.1	Free Cash Flow	-13.5	-16.7	-94.5	55.4	
EPS A cps	-1.35	-0.43	-2.10	23.51	Net Equity Raisings	15.4	40.0	0.0	0.0	
Ordinary shares M	152	234	234	234	Proceeds from Pre Sales	0.0	0.0	0.0	0.0	
Dividend A cps	0.0	0.0	0.0	0.0	Shares Repurchased					
EBITDA Margin %	na	na	na	57.1%	Net Borrowing	0.0	0.0	100.0	-20.0	
Return on Equity:	na	na	na	50.0%	Ordinary Dividends paid	0.0	0.0	0.0	0.0	
Return on Invested Capital:	na	na	na	41.4%	Other	-0.8	0.0	0.0	0.0	
PER	na	na	na	2.08	Financing cashflow	14.6	40.0	100.0	-20.0	
Price/Book	6.92	2.56	2.88	1.21	Exchange rate adjustment	0.0	0.0	0.0	0.0	
Book value A\$/sh	0.07	0.19	0.17	0.41	Net change in cash	1.1	23.3	5.5	35.4	
VALUATION (NPV)	FY21F	FY22F	FY23F	FY24F	BALANCE SHEET YE June	FY21F	FY22F	FY23F	FY24F	
Sorby Hills 2020 PFS	129.5	143.1	242.1	258.0	Cash	4.1	27.3	32.9	68.2	
Corporate Overhead	-7.8	-7.6	-7.3	-7.0	Receivables	0.0	0.0	0.0	3.7	
Cash on hand	4.1	27.3	32.9	68.2	Inventories	0.5	0.0	0.0	14.8	
Debt	0.0	0.0	-100.0	-80.0	Total Current Assets	4.6	27.3	32.9	86.8	
Net Working Capital	0.2	-1.5	-11.0	6.3	PP&E	0.0	12.0	109.0	112.4	
Valuation A\$M	126.0	161.4	156.7	245.5	Intangibles					
Valuation A\$/sh	0.828	0.689	0.669	1.048	Expln & Mine Devt	5.3	5.3	5.3	7.9	
Discount Rate	10.5%									
OPERATING DATA (PMY 75%)					FY21F	FY22F	FY23F	FY24F		
Ore Processed Kt	0	0	0	1775	Deferred Tax Asset	1.8	2.3	4.4	4.4	
Lead Grade %	0.0%	0.0%	0.0%	5.4%	Total Non Current Assets	7.1	19.5	118.6	124.6	
Silver Grade g/t	0.0	0.0	0.0	53.4	Total Assets	11.7	46.9	151.5	211.4	
Lead Contained Kt	0	0	0	95	Trade Payables	0.3	1.5	11.0	12.2	
Silver Contained Koz	0	0	0	3045	Prepaid Revenue	0.0	0.0	0.0	0.0	
Lead Recovery	0.0%	0.0%	0.0%	91.1%	Borrowings	0.0	0.0	100.0	80.0	
Silver Recovery	0.0%	0.0%	0.0%	81.3%	Leveraged Leases					
Recovered Lead Kt	0.0	0.0	0.0	86.6	Current Tax Liabilities	0.0	0.0	0.0	23.6	
Recovered Silver Koz	0	0	0	2475	Deferred Tax Liabilities	0.2	0.2	0.2	0.2	
Conc Grade Lead	0.0%	0.0%	0.0%	62.0%	Provisions	0.4	0.4	0.4	0.4	
Conc Grade Silver	0	0	0	551	Total Liabilities	0.9	2.1	111.6	116.4	
Concentrate Prodn Kt (dry)	0.00	0.00	0.00	139.64	Net Assets	10.8	44.8	39.9	95.0	
Sales					Issued Capital	48.4	88.4	88.4	88.4	
Concentrate Sold Kt	0	0	0	137	Reserves	1.6	1.6	1.6	1.6	
Lead Contained Kt	0.0	0.0	0.0	84.8	Retained Profits	-29.0	-30.0	-35.0	20.1	
Silver Contained Koz	0	0	0	2458	Shareholder Equity	20.9	59.9	55.0	110.1	
Lead Payable Mlb	0.0	0.0	0.0	177.0	ASSUMPTIONS	FY21F	FY22F	FY23F	FY24F	
Silver Payable Moz	0.00	0.00	0.00	2.33	Lead Price US\$/lb	0.00	0.93	0.94	0.95	
Lead Revenue A\$M	0.0	0.0	0.0	235.1	Silver Price US\$/oz	0.00	18.23	18.41	18.60	
Silver Revenue A\$M	0.0	0.0	0.0	60.8	AUSUSD	0.00	0.71	0.71	0.71	
Treatment Charges A\$M	0.0	0.0	0.0	-37.6	Cost Inflation	0.0%	1.0%	1.0%	1.0%	
PMY Share of Net Revenue A\$M	0.0	0.0	0.0	193.7	Unit Costs					
					Mining A\$/lb Lead	0.19				
					Processing G&A A\$/lb	0.24				
					Selling Costs A\$/lb	0.37				
					Byproduct A\$/lb	-0.32				
					C1 costs A\$/lb	0.48				
					Sustaining Capex A\$/lb	0.02				
					AISC A\$/lb	0.50				

Valuation base case 82.8cps on 10.3% WACC, 3yr ave prices and reserve +50%

The valuation of the company remains highly sensitive to the lead and silver prices and the AUDUSD rate assumed, as well as discount rate and exploration success.

Following the approach of our last note, our valuation starting point is the three-year average of A\$ commodity prices, which delivers a valuation of 68cps at a 7% discount rate, which is the rate we estimate based on the Capital Asset Pricing Model. However, our current base case discount rate is 50% higher at 10.3%, generating 48.4cps reflecting the risk of basing earnings on a PFS. We would expect the discount rate to migrate to 7% as the company goes into production.

We believe that over the next twelve months, the project will increase in size (ie life) due to reserve addition, and our base case assumes a 50% increase in reserves, increasing the NPV at the 10.3% discount rate to 82.8cps, and if we run the same case at last (31 Dec 2020) spot prices, we generate a NPV of 84.6cps. Every additional 1mt of reserves adds 5cps to the valuation at the 3 year average assumptions. We believe this mix is supportive of our 85cps price target.

If we were to value the company at 7x the average earnings of the first 5 years, we end up with a 71cps valuation at the 3 year average, or 76cps at spot prices (31 December 2020).

Table 1 Valuation before and after consolidation – A\$M valuation unchanged

	Lead US\$/lb	Silver A\$/oz	AUDUSD	NPV @ 10.3%	NPV @ 7%	5yr Ave EPS	EPS x 7
3yr Ave	0.92	18.03	0.71	0.484	0.679	0.090	0.628
3yr Ave + 50% reserve increase	0.92	18.03	0.71	0.828	1.205	0.102	0.713
Spot + 50% reserve increase	0.89	26.41	0.77	0.846	1.221	0.108	0.757

Source: Rawson Lewis estimates

The current spot prices result in a lower NPV than in our December research, highlighting the sensitivity of the valuation to assumptions. In the last three years, the lead prices ranged between A\$1.10/lb and A\$1.50/lb and Silver between A\$20/oz and A\$41/oz.

Table 2 Sensitivity: Valuation in A\$/sh at various A\$ lead and silver prices

Lead Price A\$/lb	1.20	1.40	1.60	1.80
Silver Price A\$/oz				
25	0.310	0.682	1.055	1.427
35	0.570	0.942	1.314	1.687
45	0.830	1.202	1.574	1.947
Plus 50% Mine Extension				
25	0.626	1.060	1.494	1.928
35	0.910	1.344	1.779	2.213
45	1.195	1.629	2.063	2.497

Source: Rawson Lewis estimates

This Research Report has been prepared and issued by Rawson Lewis Pty Ltd ("Rawson Lewis") (ABN 630 685 371) and remains the property of Rawson Lewis. No material contained in this Research may be reproduced or distributed, except as allowed by the Copyright Act, without the prior written approval of Rawson Lewis.

This report is subject to the disclosures and restrictions set out below. Consistent with the AFSL under which Rawson Lewis operates, this report has been prepared for "Sophisticated Investors" as defined in the Corporations Act. This report is not to be provided to retail investors.

Analyst Certification:

The research analyst identified on the cover of this report individually certifies that in respect of each security or issuer that the research analyst covers that: this report accurately reflects his personal views about any and all of the subject issuer(s) or securities; and no part of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or views expressed by the research analyst(s) in this report.

General Disclosure

Rawson Lewis and its associates (as defined in Chapter 1 of the Corporations Act 2001), officers, directors, employees and agents, from time to time, may own or have positions in securities of the company(ies) covered in this report and may trade in the securities mentioned either as principal or agent or may be materially interested in such securities.

Rawson Lewis does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. Rawson Lewis is receiving compensation for financial and advisory services from the company. Rawson Lewis has a separate mandate and is receiving compensation to provide research services on the Company. This research report has been prepared independently of the financial and advisory services provided to the Company.

Contact with the company has been made during the preparation of this report for assistance with the verification of facts.

Disclaimer & Warning

This report may contain general advice or recommendations which, while believed to be accurate at the time of publication, are not appropriate for all persons or accounts. This report does not purport to contain all the information that a prospective investor may require. Before making an investment or trading decision, the recipient must consider market developments subsequent to the date of this document, and whether the advice is appropriate in light of his or her financial circumstances or seek further advice on its appropriateness or should form his/her own independent view given the person's investment objectives, financial situation and particular needs regarding any securities or Financial Products mentioned herein. Information in this document has been obtained from sources believed to be true but neither Rawson Lewis nor its associates make any recommendation or warranty concerning the Financial Products or the accuracy, or reliability or completeness of the information or the performance of the companies referred to in this document. Past performance is not indicative of future performance. This document is not an offer, invitation, solicitation or recommendation with respect to the subscription for, purchase or sale of any Financial Product, and neither this document or anything in it shall form the basis of any contract or commitment. Although every attempt has been made to verify the accuracy of the information contained in the document, liability for any errors or omissions (except any statutory liability which cannot be excluded) is specifically excluded by Rawson Lewis, its associates, officers, directors, employees and agents. The securities of such company (ies) may not be eligible for sale in all jurisdictions or to all categories of investors.

Analysts' Compensation: The research analysts responsible for the preparation of this report receive compensation based upon various factors, including the quality and accuracy of the analyst(s) research, client evaluation feedback, independent survey rankings and overall firm revenues, which include revenues from, among other business units and corporate finance.

Other International Investors: International investors outside the US, UK, UAE or Canada are encouraged to contact their local regulatory authorities to determine whether any restrictions apply to their ability to purchase this investment and should seek their own advice

Recipient Representations/Warranties: By accepting this report, the recipient represents and warrants that he or she is entitled to receive such report in accordance with the restrictions set out in this document and agrees to be bound by the limitations contained herein. Any failure to comply with these limitations may constitute a violation of law.

Meanings of Rawson Lewis Stock Ratings

Buy – Describes stocks that we expect to provide a total return (price appreciation plus gross yield) of 10% or more within a 12-month period.

Hold – Describes stocks that we expect to provide a total return (price appreciation plus gross yield) of 0% to 10% within a 12-month period.

Underperform – Describes stocks that we expect to provide a total return (price appreciation plus gross yield) of less than 0% within a 12-month period.

NR – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Rawson Lewis Pty Ltd policies.

CS – Coverage Suspended. Rawson Lewis Pty Ltd has suspended coverage of this company.

Rawson Lewis Pty Ltd
ACN 630 685 371
AFSL 464545 (CAR)

SYDNEY
Level 40, 2 Park Street
Sydney NSW 2000

MELBOURNE
Level 14, 440 Collins St
Melbourne VIC 3000

P: +61 2 9263 2805
www.rawsonlewis.com