

Boab Metals Limited

(BML \$0.41) Speculative Buy

EUROZ HARTLEYS

Analyst	Date	Price Target
Mike Millikan	5 th August 2021	\$0.80/sh

Sorby Hills Site Visit

Event

We recently visited Boab Metals' (BML) Sorby Hills Project, located in the Kimberley region, WA.

Impact

- The lead-silver project (75%-owned by BML) is in its final stages of development studies for a large-scale open pit operation; DFS due Q1CY22, and FID Q2CY22.
- Project well located: options for a residential workforce (nearby regional centre), and existing sealed roads (being upgraded by the government work programs) for the proposed concentrate transport route from Project to Port (Wyndham), ~150km haul.
- BML is currently completing its Phase 5 drilling program, designed to test targets for mine life extensions and also assessing potential expansion of the proposed processing scale for the DFS.
- Additional metallurgical testwork for DFS is nearing finalisation, with results to date in-line of expectations.
- As part of DFS activities, BML is investigating a potential project scale increase to 2.0Mtpa (1.5Mtpa PFS), possible +30% increase in metal production levels, at lower cost due to scale of economy benefits.
- Lead prices continue to be strong, prices not seen since mid-2018, currently +US\$1.10/sh; +16% higher than the PFS price inputs bodes well for improved project economics.
- BML remains funded to complete drilling and DFS activities, with cash of ~A\$13m at JunQ end.

Action

We maintain our **Speculative Buy** recommendation. Our valuation at this stage is still based on the 1.5Mtpa scale, but we will update as studies evolve. Latest Valuation \$0.73/sh (P/NAV 0.6x) and Price Target \$0.80/sh (unchanged). Spot NAV \$1.21/sh (upside potential).

Key Catalysts

- Drilling results from Phase 5 program.
- DFS met-testwork results.
- Updated Sorby Hills resource.
- Offtake agreements for concentrate production.
- Sorby Hills DFS (Q1CY22).
- Project financing execution (debt financing package)
- FID and final regulatory approvals (Q2CY22).
- Construction contracts awards.
- Construction.

Boab Metals Ltd	Year End 30 Jun	
Share Price	0.41	A\$/sh
Price Target	0.80	A\$/sh
Valuation	0.73	A\$/sh
		NPV10

Shares on issue	154m, diluted *
Market Capitalisation	62 A\$m
Enterprise Value	49 A\$m
Debt	0 A\$m
Cash	13 A\$m
Largest Shareholder	Villiers QLD 10.6%

Production F/Cast	2022F	2023F	2024F
Lead Prod'n (kt)	0	0	36
Cash Cost (A\$/lb)	0.00	0.00	0.48
Cash Cost (US\$/lb)	0.00	0.00	0.47

Assumptions	2022F	2023F	2024F
Pb Price US\$/lb	0.95	0.90	0.90
AUDUSD	0.83	0.81	0.81

Key Financials	2022F	2023F	2024F
Revenue (A\$m)	0	1	129
EBITDA (A\$m)	-7	-5	52
NPAT (A\$m)	-8	-12	30
Cashflow (A\$m)	-8	-12	31

CFPS (Ac)	-2	-4	4
P/CFPS (x)	-25	-11	11

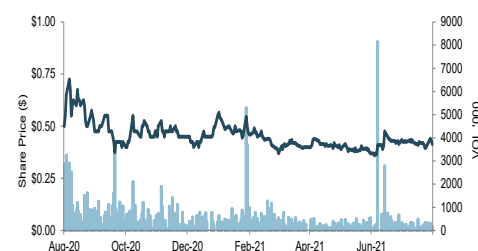
EPS (Ac)	-5	-8	20
EPS growth (%)	3	1	-4
PER (x)	-8	-5	2

EV:EBITDA (x)	na	-41.1	3.4
EV:EBIT (x)	na	-41.1	3.5

DPS (Ac)	0.0	0.0	0.0
Dividend Yield (%)	0%	0%	0%

ND:Net Debt+Equity (%)	91%	77%	62%
Interest Cover (x)	na	na	na

Share Price Chart



Disclaimer

Euroz Hartleys declares that it has acted as underwriter to and/or arranged an equity issue in and/or provided corporate advice to Boab Metals Ltd during the last year. Euroz Hartleys has received a fee for these services.

Euroz Hartleys Limited

All information and advice is confidential and for the private information of the person to whom it is provided and is provided without any responsibility or liability on any account whatsoever on the part of Euroz Hartleys Limited or any member or employee thereof. Refer to full disclaimer at the end of this document.

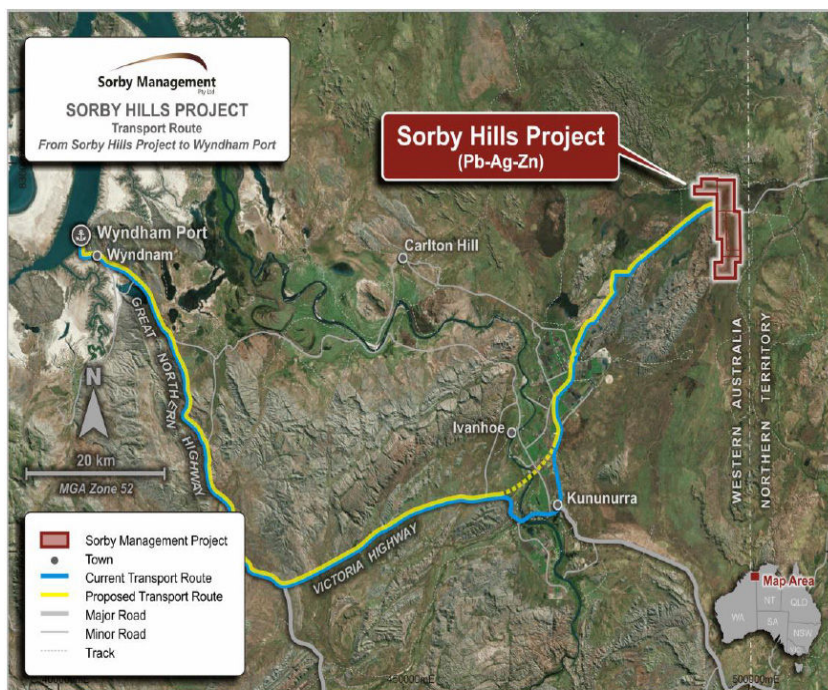
Boab Metals Limited

(BML \$0.41) Speculative Buy

Analysis

- We visited **Boab Metals' (BML) Sorby Hills Project**, located ~50km NE of Kununurra, Kimberley region, WA.
 - The lead-silver project is 75%-owned by BML, with 25% contributing JV partner, Henan Yuguang; China's largest lead smelting company and major silver producer.
 - The base metal project is in its final stages of development studies for a large-scale open pit operation; DFS due Q1CY22, and FID Q2CY22.
 - Project well located, options for a residential workforce (nearby regional centre), and existing sealed roads (now being upgraded by the Federal/State government work programs), fully sealed roads for the proposed concentrate transport from Project to Port (Wyndham), a distance of ~150km.
 - Existing permitting (with granted MLs) also lowers development hurdles.

Fig 1. Project Location



Source: BML

- BML is currently completing its Phase 5 drilling program at Sorby, designed to test targets for mine life extensions and also assessing potential expansion of the proposed processing scale for the DFS.
 - Over 3,000m of drilling completed (thus far) in the latest program;
 - Highly encouraging preliminary results (visuals) highlighting mineralised extensions to the Omega deposit (~100m NW), a new zone of mineralisation (Wildcat Target) ~500m to the west of the Norton deposit and more extensions to the B deposit (south of Omega);
 - While lead-silver continues to be the dominant metals within the Mississippi Valley Type (MVT) system, more zones of zinc mineralisation continues to be encountered and may in time provide an additional revenue stream;

Euroz Hartleys Limited

All information and advice is confidential and for the private information of the person to whom it is provided and is provided without any responsibility or liability on any account whatsoever on the part of Euroz Hartleys Limited or any member or employee thereof. Refer to full disclaimer at the end of this document.

Boab Metals Limited

(BML \$0.41) Speculative Buy

- Current resource estimate: **44.9Mt @ 4.3% PbEq** (3.2% Pb and 0.5% Zn and 37g/t Ag); 49% M+Ind; another update expected after Phase 5 drill results; reserve update with the DFS;
- Drilling is also expected to test a number of conceptual targets at Eight Mile Creek (along strike and to the south of Sorby);
- Assays are pending and expected soon.

Fig 2. Diamond Drilling at the Wildcat Target



Source: Euroz Hartleys

Fig 3. Hydrothermal Vein and Breccia-style Mineralisation (Omega)



Source: Euroz Hartleys; Diamond hole SHDD_070 displaying visible Galena (Pb)

Euroz Hartleys Limited

All information and advice is confidential and for the private information of the person to whom it is provided and is provided without any responsibility or liability on any account whatsoever on the part of Euroz Hartleys Limited or any member or employee thereof. Refer to full disclaimer at the end of this document.

Boab Metals Limited

(BML \$0.41) Speculative Buy

- Additional metallurgical testwork for DFS is nearing finalisation, with results to date in-line of expectations.
 - Updated met-testwork results expected to be released in the current quarter (SepQ);
 - Strong +93-95% recoveries for lead (used ~93%), ~80% recoveries for silver reported in the PFS;
 - Good quality lead-silver concentrates (concentrate grades of +62%, up to 65%) for high payable terms anticipated.
- Sorby Hills PFS (Aug'20) assumed an open pit operation processing 1.5Mtpa over 10-years for 50ktpa lead and 1.5Mozpa silver production at C1 Costs of US\$0.40/lb Pb.
 - A project scale change to 2.0Mtpa provides a potential 33% increase for 65ktpa lead and 2.0Moz silver (100%) or 50ktpa lead and 1.5Moz silver (attr. 75%), assuming grades and recoveries hold.
 - We would expect capex to increase but improved scale of economy benefits lower operating costs. PFS capex for the 1.5Mtpa operation was ~A\$183m and we would assume capex for a 2.0Mtpa operation would increase to total +A\$200-220m, so a ~20% increase in capex for +33% improvement in revenues looks attractive, especially with improving base metal (lead) and precious metal (silver) prices.
 - Our valuation at this stage is still based on the 1.5Mtpa processing scale, but we will update as studies evolve.
- BML is already in discussions with NAIF and EFA (Federal government agencies) to provide debt financing for the project development; with preliminary discussion also underway with a suite of commercial banks for additional debt funding.
- BML remains well funded to complete drilling and DFS activities, with cash of ~A\$13m at JunQ end.
- Speculative Buy.

Boab Metals Limited

(BML \$0.41) Speculative Buy

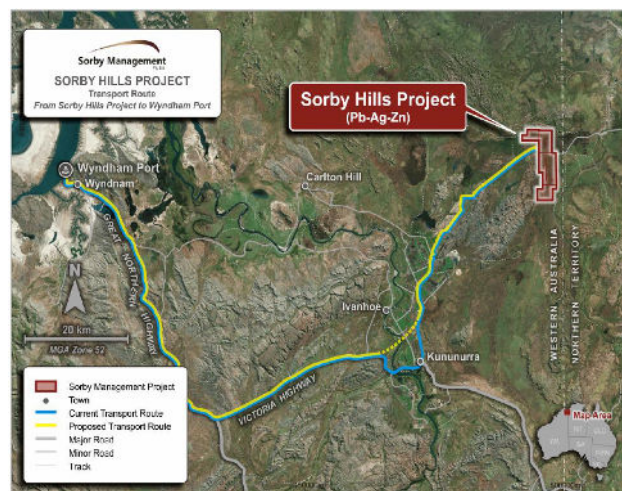
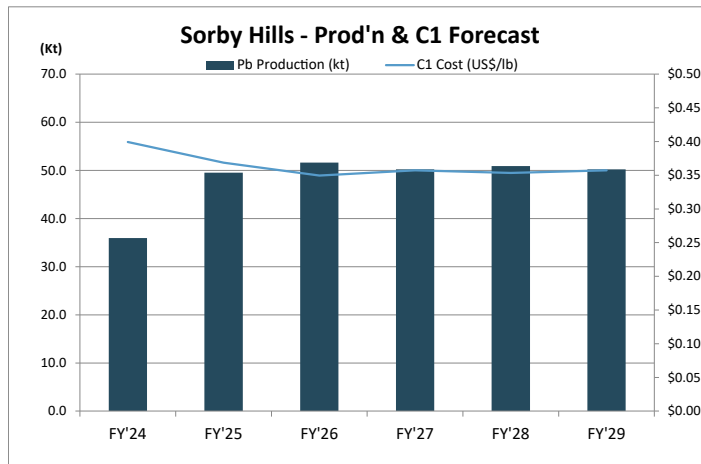


Key Variables

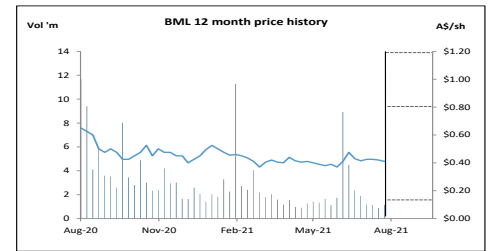
Val/ Sh		Lead \$								
\$0.73		-20%	-15%	-10%	-5%	0%	5%	10%	15%	20%
AUDUSD	15%	\$0.11	\$0.19	\$0.26	\$0.34	\$0.41	\$0.49	\$0.57	\$0.64	\$0.72
	10%	\$0.19	\$0.27	\$0.35	\$0.43	\$0.51	\$0.59	\$0.67	\$0.75	\$0.83
	5%	\$0.28	\$0.36	\$0.45	\$0.53	\$0.61	\$0.70	\$0.78	\$0.86	\$0.94
	0%	\$0.38	\$0.46	\$0.55	\$0.64	\$0.73	\$0.81	\$0.90	\$0.99	\$1.07
	-5%	\$0.48	\$0.58	\$0.67	\$0.76	\$0.85	\$0.94	\$1.04	\$1.13	\$1.22
	-10%	\$0.60	\$0.70	\$0.80	\$0.89	\$0.99	\$1.09	\$1.18	\$1.28	\$1.38
	-15%	\$0.74	\$0.84	\$0.94	\$1.04	\$1.15	\$1.25	\$1.35	\$1.46	\$1.56

Val/ Sh		Silver \$								
\$0.73		-20%	-15%	-10%	-5%	0%	5%	10%	15%	20%
AUDUSD	15%	\$0.30	\$0.33	\$0.36	\$0.39	\$0.41	\$0.44	\$0.47	\$0.50	\$0.53
	10%	\$0.39	\$0.42	\$0.45	\$0.48	\$0.51	\$0.54	\$0.57	\$0.60	\$0.63
	5%	\$0.49	\$0.52	\$0.55	\$0.58	\$0.61	\$0.64	\$0.67	\$0.70	\$0.73
	0%	\$0.60	\$0.63	\$0.66	\$0.69	\$0.73	\$0.76	\$0.79	\$0.82	\$0.85
	-5%	\$0.72	\$0.75	\$0.78	\$0.82	\$0.85	\$0.89	\$0.92	\$0.95	\$0.99
	-10%	\$0.85	\$0.88	\$0.92	\$0.96	\$0.99	\$1.03	\$1.06	\$1.10	\$1.13
	-15%	\$1.00	\$1.03	\$1.07	\$1.11	\$1.15	\$1.18	\$1.22	\$1.26	\$1.30

Euroz Forecast	FY'2021	FY'2022	FY'2023	FY'2024
Silver (US\$/oz)	\$25	\$23	\$22	\$22
Lead (US\$/lb)	\$0.90	\$0.95	\$0.90	\$0.90
AUDUSD	\$0.75	\$0.75	\$0.74	\$0.74



Our Share Price Sensitivity



Our Market Sensitivity

Price Target \$0.80/sh
Valuation \$0.73/sh

Bull Scenario \$1.20/sh

Sorby Hills is successfully developed as a strong margin lead producer (with silver credits) based by late CY23 (FY24). Lead and Silver prices above our LT price assumptions. Project scale increased to 2Mtpa for higher attributable production levels.

Base Scenario \$0.80/sh

Sorby Hills delivers a positive DFS in line of expectations by Q1CY22. The project can be successfully funded into production for construction to commence in CY22. We now assume first production in FY24 (2HCY23)

Bear Scenario \$0.15/sh

Sorby Hills project stalls due to falling lead and silver prices. Financing becomes problematic.

Company Summary

Boab Metals Ltd (formerly Pacifico Minerals) has a 75% interest in the Sorby Hills Lead-Silver Project located in the Kimberley region of WA. An optimised PFS (Aug'20) highlighted annual production (1.5Mtpa) of 50kt of Pb and 1.5Moz of Ag for 10 yrs. A DFS is underway and due for release in Q1CY22. The DFS will investigate a potential increase in processing scale, which should enhance the project economics by lowering operating costs (scale of economy benefits) for higher production margins and cash flows. We now assume first production in FY24, which has slightly adjusted our valuation and price target.

Disclaimer

The projections and information above is based on the set assumptions outlined. Due care and attention has been used in the preparation of this information. However actual results may vary from forecasts and any variation may be materially positive or negative. Forecasts by their very nature, are subject to uncertainty and contingencies, many of which are outside the control of Euroz Hartleys.

Euroz Hartleys Limited

All information and advice is confidential and for the private information of the person to whom it is provided and is provided without any responsibility or liability on any account whatsoever on the part of Euroz Hartleys Limited or any member or employee thereof. Refer to full disclaimer at the end of this document.

Boab Metals Limited

(BML \$0.41) Speculative Buy

EUROZ HARTLEYS

Market Statistics Year End 30 June

Share Price	\$0.410	A\$/sh	Directors
Issued Capital			Gary Comb Chairman
Fully Paid Ord	152.2	m	Simon Noon Managing Dir
Options (var. prices)	2.0	m	Richard Monti NE Dir
Total Dil. FPOrd	154.2	m	Andrew Parker NE Dir
			Jenny Monzu Comp Sec
Market Cap (dil)	\$62	m	David English COO
Enterprise Value	\$49	m	Simon Dorling Expl Man
Cash	\$13	m	Shareholders
Debt	\$-	m	Villiers QLD 10.6%

Asset Valuation A\$m A\$/sh

(+) 75% Sorby Hills Project (risk adj 70%)	78	0.51
(-) Corporate	(19)	(0.12)
(+/-) Hedging	-	-
(+) Exploration	40	0.26
(+) Unpaid Capital	-	-
(+) Cash	13	0.08
(-) Debt	-	-
Total @ 10%	112	0.73
Spot NAV	186	1.21

F/Cast Production (A\$m) 2021F 2022F 2023F 2024F

Sorby Hills 100%		2021F	2022F	2023F	2024F
Pb in Conc.	Kt	-	-	-	36.0
Ag in Conc.	Moz	-	-	-	1.24
Cash Costs (C1)	A\$/lb	-	-	-	0.85
Cash Costs (incl Roy)	A\$/lb	-	-	-	0.95
By production credits	A\$/lb	-	-	-	(0.38)
Total Costs	A\$/lb	-	-	-	0.56
Total Costs	US\$/lb	-	-	-	0.35

Assumptions

Spot Pb Price	US\$/lb	0.90	0.95	0.90	0.90
Spot Ag Price	US\$/lb	20.35	18.40	17.60	17.60
FX Rate ass'd	A\$/US\$	0.63	0.64	0.63	0.63

Ratio Analysis (A\$m) 2021F 2022F 2023F 2024F

Cashflow	-2	-8	-12	27
Cashflow Per Share	-0	-2	-4	3
Cashflow Ratio	na	-25	-11	13
Earnings	-5	-8	-12	27
Earnings Per Share	-1	-5	-8	17
EPS Growth	na	3	1	-3
P/e Ratio	-28	-8	-5	2

Enterprise Value	51	141	206	182
EV/EBITDA	na	na	-41.1	3.8
EV/EBIT	na	na	-41.1	3.9

Net Debt/(Net Debt + Equity)	-3	0.9	0.8	0.6
Interest Cover	na	na	na	na
EBIT Margin	na	na	-7.8	0.4
Return on Equity	na	na	-0.3	0.4
Return on Assets	na	na	-0.1	0.1

Dividend per Share	0	0	0	0
Dividend Payout Ratio	0	0	0	0
Dividend Yield	0	0	0	0
Dividend Franking	100%	100%	100%	100%

Profit and Loss (A\$m) 2021F 2022F 2023F 2024F

(+) Pb Revenue	-	-	-	92
(+) Ag Revenue	-	-	-	32
(+/-) Hedging Revenue	-	-	-	-
(+) Interest Income	0	0	1	0
(+) Other Revenue	0	-	-	-
Total Revenue	0	0	1	124
Operating Costs	(3)	(3)	-	(71)
Dep/Amort	(0)	-	-	(1)
WriteOff (expl'n)	(0)	-	-	-
O/H + New Bus Dev	(3)	(4)	(5)	(5)
Provisions	-	-	-	-
EBITDA	(6)	(7)	(5)	48
EBIT	(6)	(7)	(5)	47
Interest Expense	-	(4)	(12)	(12)
NPBT	(5)	(11)	(16)	35
Tax	-	-	-	-
Minority Interest	1	3	4	(9)
Net Profit	(5)	(8)	(12)	27
Minority Interest	-	-	-	-
Net profit After Abnormal	(5)	(8)	(12)	27

Cash Flow (A\$m) 2021F 2022F 2023F 2024F

Net Profit	(2)	(8)	(12)	27
(+) WC adj.	-	-	-	-
(+) Dep/Amort	0	-	-	1
(+) Provisions & W/O	0	-	-	-
(+) Tax Expense	-	-	-	-
(-) Deferred Revenue	-	-	-	-
(-) Tax Paid	-	-	-	-
Operating Cashflow	(2)	(8)	(12)	27
(-) Capex + Dev.	-	(80)	(102)	(2)
(-) Exploration	(3)	(2)	(2)	(2)
(-) Asset Purchased	-	-	-	-
(+) Asset Sale	-	-	-	-
(+/-) Other	(0)	-	-	-
Investing Cashflow	(3)	(82)	(104)	(4)
(+) Equity Issues (rts,plc,opts)	14	-	50	-
(+) Loan Drawdown/receivable	-	100	60	-
(+) Loans from(to) other entities	-	-	-	-
(-) Loan Repayment	-	-	-	(30)
(-) Dividends	-	-	-	-
Financing Cashflow	14	100	110	(30)
Net Cashflows	10	10	(6)	(7)
(+/-) FX Adj.	-	-	-	-
EoP Cash Balance	13	23	17	10

Balance Sheet (A\$m) 2021F 2022F 2023F 2024F

Assets				
Cash	13	23	17	10
Current Receivables	0	0	0	0
Other Current Assets	0	0	0	0
Non-Current Assets	5	85	187	189
Total Assets	18	108	204	199
Balance Sheet				
Borrowing(s)	-	100	160	130
Current Accounts payable	0	0	0	0
Other Liabilities	0	0	0	0
Total Liabilities	1	101	161	131
Net Assets	18	8	44	68

Reserves and Resources

	Ore Reserve			Mineral Resource		
	ore	Pb grade	metal	ore	Pb grade	metal
	Mt	%	kt	Mt	%	kt
Sorby Hills	13.6	3.6%	494	44.9	3.2%	1438
Total contained Pb			494			1,438

Euroz Hartleys Limited

All information and advice is confidential and for the private information of the person to whom it is provided and is provided without any responsibility or liability on any account whatsoever on the part of Euroz Hartleys Limited or any member or employee thereof. Refer to full disclaimer at the end of this document.

Copyright & Distribution

The material contained in this communication (and all attachments) is prepared for the exclusive use of clients of Euroz Hartleys Limited (ACN 104 195 057) only.

Euroz Hartleys Limited is the holder of an Australian Financial Services Licence (AFSL 230052) and is a participant of the Australian Securities Exchange Group.

The information contained herein is confidential. If you are not the intended recipient no confidentiality is lost by your receipt of it. Please delete and destroy all copies, and contact Euroz Hartleys Limited on (+618) 9488 1400. You should not use, copy, disclose or distribute this information without the express written authority of Euroz Hartleys Limited.

Disclaimer & Disclosure

Euroz Hartleys Limited, and their associates declare that they deal in securities as part of their securities business and consequently may have an interest in the securities recommended herein (if any). This may include providing equity capital market services to the issuing company, hold a position in the securities, trading as principal or agent and as such may effect transactions not consistent with the recommendation (if any) in this report.

Euroz Hartleys Limited declares that they may have separately or jointly acted as an underwriter, arranger, co-arranger or adviser in equity capital raisings, and will have received a fee for its services, from or any company mentioned within this report during the last 12 months.

You should not act on any recommendation issued by Euroz Hartleys Limited without first consulting your investment adviser in order to ascertain whether the recommendation (if any) is appropriate, having regard to your objectives, financial situation and needs. Nothing in this report shall be construed as a solicitation to buy or sell a security, or to engage in or refrain from engaging in any transaction.

Euroz Hartleys Limited believes that the information and advice contained herein is correct at the time of compilation, however we make no representation or warranty that it is accurate, complete, reliable or up to date, nor do we accept any obligation to correct or update the opinions in it. The opinions expressed are subject to change without notice. No member of Euroz Hartleys Limited accepts any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this material.

We cannot guarantee that the integrity of this communication has been maintained, is free from errors, virus interception or interference.

The author of this publication, Euroz Hartleys Limited, its directors and their associates from time to time may hold shares in the security/securities mentioned in this Research document and therefore may benefit from any increase in the price of those securities. Euroz Hartleys Limited, and its Advisers may earn brokerage, fees, commissions, other benefits or advantages as a result of transactions arising from any advice mentioned in publications to clients.

Analyst Certification

We hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities, and we are not in possession of, nor does this Research contain any inside information.

No part of our compensation was, is or will be directly or indirectly, related to the specific recommendations or views expressed by the authoring analyst in this research, nor has any attempt been made to influence this Research.

Contact Details

Euroz Hartleys Limited +61 8 9488 1400

Research Analysts

Jon Bishop - Head of Research	+61 8 9488 1481
Mike Millikan - Resources Analyst	+61 8 9268 2805
Kyle De Souza - Resources Analyst	+61 8 9488 1427
Michael Scantlebury - Resources Analyst	+61 8 9268 2837
Steven Clark - Resources Analyst	+61 8 9488 1430
Trent Barnett - Senior Analyst	+61 8 9268 3052
Gavin Allen - Senior Analyst	+61 8 9488 1413
Harry Stevenson - Industrials Analyst	+61 8 9488 1429
Seth Lizee - Associate Research Analyst	+61 8 9488 1414

Euroz Hartleys Limited

All information and advice is confidential and for the private information of the person to whom it is provided and is provided without any responsibility or liability on any account whatsoever on the part of Euroz Hartleys Limited or any member or employee thereof. Refer to full disclaimer at the end of this document.