

Boab Metals Limited

(BML \$0.235) Speculative Buy

Analyst
Mike Millikan

Date
June 2022

Price Target
\$0.75/sh ▼ \$0.80/sh

Investment Case

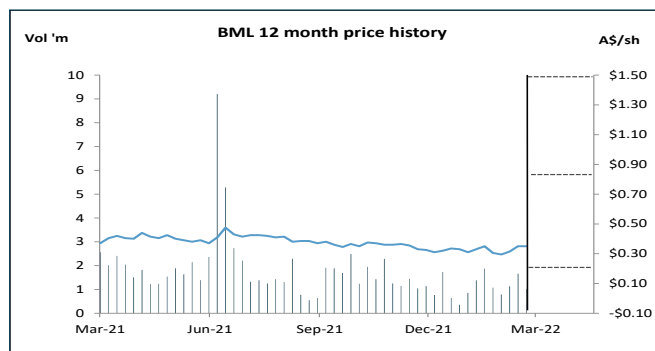
Boab Metals (BML) continues to progress the Sorby Hills Lead-Silver Project (75% BML) towards development. EPC tenders for the plant build received and short-listed, with pricing inputs to underpin some of the capital costs in the Definitive Feasibility Study (DFS) which is now expected to be delivered 2HCY22 (previously mid-CY22). The DFS delay, while disappointing, provides an opportunity for BML to complete mining contract tenders for more accurate pricing points for the study, and also provides an opportunity to integrate of the power connection study for cheaper (20% savings) and cleaner hydro-electric power from the Ord River.

On the permitting front key project approvals received for site establishment works and the mining proposal; with final clearance approvals pending from the environmental regulator. Strong offtake demand reaffirmed for BML's share of the lead-silver concentrates, with agreements expected to be completed 2HFY22, following the release of the DFS. Sorby Hills has a large resource base to convert for higher reserves in the DFS and expected to justify a project scale increase to +2Mtpa over time, lowering costs by improved scale of economy and improved power cost inputs. 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 (though subject to DFS outcomes). Speculative Buy.

Key Catalysts:

- Sorby Hills DFS (2HCY22)
- Offtake agreements for concentrate production (2HCY22)
- Project financing execution (debt financing package)
- Exploration drilling and results
- FID and final regulatory approvals (2HCY22).
- Construction contracts awards
- Construction (CY23/24)

Share Price Performance



Market Statistics

Share Price	\$0.235 A\$/sh
Issued Capital	
Fully Paid Ord	153.5 m
Options (var. prices)	1.7 m
Total Dil. FPOrd	155.2 m
Market Cap (dil)	\$36 m
Enterprise Value	\$30 m
Cash	\$7 m
Debt	-\$ m

Year End 30 June

Directors	
Gary Comb	Chairman
Simon Noon	Managing Dir
Richard Monti	NE Dir
Andrew Parker	NE Dir
Jenny Monzu	Comp Sec
Cameron Nobbs	GM
Simon Dorling	Expl Man
Kevin Reynolds	Proj Met
Shareholders	
Villiers QLD	10.5%

Our Market Sensitivity

Price Target \$0.75/sh
Valuation \$0.72/sh

Bull Scenario \$1.50/sh

Sorby Hills is successfully developed as a strong margin lead producer (with silver credits) based by CY25. Lead and Silver prices above our LT price assumptions. Project scale increased to 2Mtpa for higher attributable production levels.

Base Scenario \$0.75/sh

Sorby Hills delivers a positive DFS in line of expectations by 2HCY22. The project can be successfully funded into production for construction to commence in 1HCY23. We now assume first production in FY25.

Bear Scenario \$0.10/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 Q2CY22. 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 assume first production in FY24.

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Asset Valuation	A\$m	A\$/sh
(+) 75% Sorby Hills Project (risk adj 70%)	86	0.55
(-) Corporate	(20)	(0.13)
(+/-) Hedging	-	-
(+) Exploration	40	0.26
(+) Unpaid Capital	-	-
(+) Cash	7	0.04
(-) Debt	-	-
Total @ 10%	112	0.72
Spot NAV	151	0.97

F/Cast Production (A\$m)	2021F	2022F	2023F	2024F
Sorby Hills 100%				
Pb in Conc. Kt	-	-	-	29.8
Ag in Conc. Moz	-	-	-	1.02
Cash Costs (C1) A\$/lb	-	-	-	0.83
Cash Costs (incl Roy) A\$/lb	-	-	-	0.93
By production credits A\$/lb	-	-	-	(0.43)
Total Costs A\$/lb	-	-	-	0.50
Total Costs US\$/lb	-	-	-	0.37

Assumptions	US\$/lb	1.03	0.95	0.92	0.92
Spot Pb Price	US\$/lb	23.41	22.00	22.00	22.00
Spot Ag Price	US\$/lb	23.41	22.00	22.00	22.00
FX Rate ass'd	A\$/US\$	0.73	0.73	0.74	0.74

Ratio Analysis (A\$m)	2021F	2022F	2023F	2024F
Cashflow	-5	-8	-14	25
Cashflow Per Share	-2	-2	-4	-2
Cashflow Ratio	-15	-14	-5	-12
Earnings	-5	-8	-14	12
Earnings Per Share	-3	-5	-9	8
EPS Growth	1	1	1	-2
P/e Ratio	-7	-5	-3	3

Enterprise Value	16	185	201	187
EV/EBITDA	na	na	-40.1	4.3
EV/EBIT	na	na	-40.1	6.3

Net Debt/(Net Debt + Equity)	-2	0.8	0.7	0.6
Interest Cover	na	na	na	na
EBIT Margin	na	na	-5.7	0.3
Return on Equity	na	na	-0.2	0.1
Return on Assets	na	na	-0.1	0.0

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%

Val/ Sh	Lead \$									
AUD/USD	\$0.72	-20%	-15%	-10%	-5%	0%	5%	10%	15%	20%
15%	\$0.07	\$0.15	\$0.23	\$0.31	\$0.39	\$0.47	\$0.55	\$0.63	\$0.72	
10%	\$0.15	\$0.24	\$0.32	\$0.41	\$0.49	\$0.58	\$0.66	\$0.75	\$0.83	
5%	\$0.25	\$0.33	\$0.42	\$0.51	\$0.60	\$0.69	\$0.78	\$0.87	\$0.96	
0%	\$0.35	\$0.44	\$0.54	\$0.63	\$0.72	\$0.82	\$0.91	\$1.00	\$1.10	
-5%	\$0.46	\$0.56	\$0.66	\$0.76	\$0.86	\$0.95	\$1.05	\$1.15	\$1.25	
-10%	\$0.59	\$0.69	\$0.80	\$0.90	\$1.00	\$1.11	\$1.21	\$1.32	\$1.42	
-15%	\$0.73	\$0.84	\$0.95	\$1.06	\$1.17	\$1.28	\$1.39	\$1.50	\$1.61	

Val/ Sh	Silver \$									
AUD/USD	\$0.72	-20%	-15%	-10%	-5%	0%	5%	10%	15%	20%
15%	\$0.27	\$0.30	\$0.33	\$0.36	\$0.39	\$0.42	\$0.45	\$0.48	\$0.51	
10%	\$0.37	\$0.40	\$0.43	\$0.46	\$0.49	\$0.52	\$0.55	\$0.58	\$0.61	
5%	\$0.47	\$0.51	\$0.54	\$0.57	\$0.60	\$0.63	\$0.67	\$0.70	\$0.73	
0%	\$0.59	\$0.62	\$0.66	\$0.69	\$0.72	\$0.76	\$0.79	\$0.82	\$0.86	
-5%	\$0.71	\$0.75	\$0.79	\$0.82	\$0.86	\$0.89	\$0.93	\$0.96	\$1.00	
-10%	\$0.86	\$0.89	\$0.93	\$0.97	\$1.00	\$1.04	\$1.08	\$1.12	\$1.15	
-15%	\$1.01	\$1.05	\$1.09	\$1.13	\$1.17	\$1.21	\$1.25	\$1.29	\$1.33	

Profit and Loss (A\$m)	2021F	2022F	2023F	2024F
(+) Pb Revenue	-	-	-	78
(+) Ag Revenue	-	-	-	28
(+/-) Hedging Revenue	-	-	-	-
(+) Interest Income	0	0	1	0
(+) Other Revenue	-	-	-	-
Total Revenue	0	0	1	107
Operating Costs	(3)	-	-	(58)
Dep/Amort	-	-	-	(13)
WriteOff (expl'n)	-	-	-	-
O/H + New Bus Dev	(4)	(5)	(5)	(5)
Provisions	-	-	-	-
EBITDA	(7)	(5)	(5)	43
EBIT	(7)	(5)	(5)	30
Interest Expense	-	(6)	(14)	(14)
NPBT	(7)	(10)	(19)	16
Tax	-	-	-	-
Minority Interest	2	3	5	(4)
Net Profit	(5)	(8)	(14)	12
Minority Interest	-	-	-	-
Net profit After Abnormal	(5)	(8)	(14)	12

Cash Flow (A\$m)	2021F	2022F	2023F	2024F
Net Profit	(5)	(8)	(14)	12
(+) WC adj.	-	-	-	-
(+) Dep/Amort	-	-	-	13
(+) Provisions & W/O	-	-	-	-
(-) Tax Expense	-	-	-	-
(-) Deferred Revenue	-	-	-	-
(-) Tax Paid	-	-	-	-
Operating Cashflow	(5)	(8)	(14)	25
(-) Capex + Dev.	(5)	(180)	(50)	(10)
(-) Exploration	(2)	(2)	(2)	(2)
(-) Asset Purchased	-	-	-	-
(+) Asset Sale	-	-	-	-
(+/-) Other	-	-	-	-
Investing Cashflow	(7)	(182)	(52)	(12)
(+) Equity Issues (rts,plc,opts)	20	20	50	-
(+) Loan Drawdown/receivable	-	180	-	-
(+) Loans from(to) other entities	0.3	-	-	-
(-) Loan Repayment	-	-	-	(20)
(-) Dividends	-	-	-	-
Financing Cashflow	20	200	50	(20)
Net Cashflows	8	10	(16)	(7)
(+/-) FX Adj.	-	-	-	-
EoP Cash Balance	21	31	15	9

Balance Sheet (A\$m)	2021F	2022F	2023F	2024F
Assets				
Cash	21	31	15	9
Current Receivables	0	0	0	0
Other Current Assets	0	0	0	0
Non-Current Assets	10	190	240	237
Total Assets	32	222	256	246
Balance Sheet				
Borrowing(s)	-	180	180	160
Current Accounts payable	1	1	1	1
Other Liabilities	0	0	0	0
Total Liabilities	2	182	182	162
Net Assets	30	40	74	85

	Ore Reserve			Mineral Resource		
	ore Mt	Pb grade %	metal kt	ore Mt	Pb grade %	metal kt
Sorby Hills	13.6	3.6%	494	47.3	3.1%	1465
Total contained Pb			494			1,465

RESOURCES COMPENDIUM JUNE 2022

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