

Funding Secures Sorby Hills' Development

Metals & Mining

Boab Metals Limited (ASX: BML) has secured a US\$30 million prepayment facility as part of its binding offtake agreement, providing cornerstone financing for the Sorby Hills Lead-Silver-Zinc Project. The facility, structured with a SOFR + 5% interest rate and five-year term, includes an 18-month interest-only period. This funding reduces reliance on equity markets and improves its financial position. Combined with the offtake agreement, it represents a major step towards achieving FID in H2 2025 and progressing Sorby Hills toward production.

Current Price (A\$)	0.145
Target Price (A\$)	0.47-0.51
Price / NAV (x)	0.30x
Market Cap (A\$m)	33.8
52-week H/L (A\$)	0.200 / 0.078
Free Float (%)	79.7%
Bloomberg	BML AU
Reuters	BML.AX

Trafigura Offtake Agreement Validates Sorby Hills' Quality

Boab Metals Limited (BML) has finalised a binding offtake agreement with Trafigura, one of the world's leading commodities traders, as part of the recently announced US\$30 million prepayment facility package. The agreement secures sales for 75% of Sorby Hills' lead-silver concentrate, covering a minimum of 531,000 tonnes over an initial seven-year term. This deal highlights the premium quality of Sorby Hills' concentrate, with a high-grade composition of 65.8% lead and 664 g/t silver, further validating the project while ensuring a stable and reliable revenue stream during the early stages of production.

Price Performance (in A\$)



Strong Foundations as Sorby Hills Nears Production

Boab's move to acquire 100% ownership of Sorby Hills simplifies operations and enhances access to Australian government funding opportunities. This streamlined structure positions the company well for FID in H2 2025 and first production by mid-2027. The project's low costs, confirmed by C1 cash costs of US\$0.36/lb payable lead, and further exploration upside, including the Keep Target, ensure Sorby Hills is well-positioned to deliver value as it moves toward production and beyond.

Business description

Boab Metals Ltd (BML) is a Perth-based explorer and mine developer. Formerly known as Pacifico Minerals Limited, BML has been listed on ASX since 2004. It is mainly engaged in developing the Sorby Hills project site (75% ownership). Sorby Hills area has one of Australia's largest undeveloped and near surface lead-silver deposits. BML also owns the Manbarrum project site (100%) which is 25Km of Sorby Hills site. The company also has two non-core assets, one in Western Australia and one in Columbia.

Valuation range of A\$0.47– A\$0.51 per share

We update our valuation for Boab Metals (BML) to A\$0.47 per share in the base case and A\$0.51 in the bull case, reflecting the strong fundamentals of the Sorby Hills Project. The FEED study confirmed Sorby Hills as a low-cost producer with a pre-tax NPV8 of A\$411 million and an IRR of 37%. The binding offtake agreement with Trafigura secures concentrate sales and includes a US\$30 million prepayment facility, reducing construction funding risks. With silver prices tracking above study assumptions, project cash flows remain strong, and exploration at nearby targets could further enhance value. With FID targeted for H2 2025 and the first production expected by mid-2027, the valuation reflects Boab's progress while accounting for funding risks. Sorby Hills offers near-term production potential and significant long-term growth opportunities.

Analyst

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Year-end (A\$m)	FY 25e	FY 26e	FY 27e	FY 28e	FY 29e
Revenue	0.0	0.0	307.9	324.8	430.9
NOPAT	0.0	0.0	105.0	83.8	118.3
FCF	0.3	(223.7)	48.6	104	136.6

Disclosure - Readers should note that East Coast Research has been engaged and paid by the company featured in this report for ongoing research coverage.

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BML agreement with Trafigura secures first round of debt funding for Sorby Hills

Boab Metals Limited (ASX: BML) is making significant progress in delivering its flagship Sorby Hills Lead-Silver-Zinc Project, with a series of critical milestones positioning the company as a near-term producer. The recent binding offtake and prepayment facility with Trafigura represents a major step forward, whilst initiatives such as the consolidation of project ownership at Sorby Hill announced in our previous note and the exploration of cost-saving measures further enhance the project's long-term potential.

Trafigura Offtake Agreement validates Sorby Hill's potential

The binding offtake agreement with Trafigura secures sales of 75% of Sorby Hills' lead-silver concentrate, covering a minimum of 531,000 tonnes over an initial seven-year term based on project's production schedule as outlined in the FEED Study. Trafigura's global standing as one of the largest commodities traders, with expertise in lead and silver markets, underscores the strategic importance of this partnership. This agreement ensures a reliable revenue stream for Boab and reinforces the premium quality of Sorby Hills' concentrate, which averages 65.8% lead and 664 g/t silver. The concentrate's high grade and clean composition enhance its marketability, offering Boab a competitive edge in securing attractive commercial terms.

Figure 1: Key Offtake Terms

Seller	Sorby Hills Pty Ltd ("SHPL") (100% subsidiary of Boab)
Buyer	Trafigura Asia Trading Pte. Ltd.
Volume	<p>If Financial Close on the Prepayment Facility is achieved, the offtake will be for 75% of lead-silver concentrate produced at Sorby Hills, (minimum 531,000 tonnes, ~7 years based on the FEED Study production schedule).</p> <p>If Financial Close on the Prepayment Facility is not achieved, the offtake will be for 25% (or greater, at SHPL's discretion) of lead-silver concentrate produced at Sorby Hills (minimum 177,000 tonnes) provided that if Boab exercises its option to terminate the Prepayment Term Sheet or obtains alternative financing for development and construction of the Project, the offtake will be for 50% (or greater, at SHPL's discretion) of lead-silver concentrate produced at Sorby Hills (minimum 354,000 tonnes).</p>
Metal Pricing	For Lead: LME Cash Settlement price averaged over the relevant quotational period. For Silver: the official LBMA Silver price averaged over the relevant quotational period.
Payables	Typical payabilities for Lead and Silver
Treatment Charge	Benchmark linked Lead Treatment Charge reverting to a simple average of the Benchmark and Spot Lead Treatment Charge if Financial Close is not achieved on the Prepayment Facility

Source: Company

Accompanying this agreement is a US\$30 million prepayment facility, a cornerstone component of Boab’s financing strategy for Sorby Hills’ development. This facility, structured with an interest rate of SOFR + 5% and a five-year term, includes an 18-month repayment grace period followed by equal monthly repayments over the subsequent 42 months. This arrangement significantly reduces Boab’s reliance on equity markets, mitigating potential shareholder dilution and providing flexibility to explore additional non-dilutive funding sources to meet the project’s capital requirements.

Figure 2: Key Prepayment Facility Terms

Seller	SHPL
Guarantor	Boab
Buyer	Trafigura Asia Trading Pte. Ltd.
Facility Limit	US\$ 30 million
Term	5 years from first drawdown
Interest Rate	3-month Term SOFR ¹ + 5% p.a.
Grace Period	18 months interest only period (option to capitalise interest)
Repayment	42 monthly instalments following the Grace Period
Security	1 st ranking security over SHPL’s assets and 1 st ranking security over the Company’s shareholding in SHPL
Financial Close	To be achieved within 18 months of execution of the Prepayment Term Sheet, unless mutually extended, and subject to conditions precedent to financial close and drawdown.

1. Secured Overnight Financing Rate

Source: Company

The potential acquisition of the DeGrussa Plant could reduce capex at Sorby Hill

Boab is also pursuing an innovative cost-saving initiative by potentially acquiring Sandfire Resources’ DeGrussa process plant. Situated 900 km northeast of Perth, the plant’s existing infrastructure, comprising a proven crushing, milling, flotation, and filtration circuit, aligns well with Sorby Hills’ processing needs. BML recently visited the plant at Sandfire, and early reviews indicate that incorporating DeGrussa could significantly reduce Sorby Hills’ current pre-production capital expenditure estimate of A\$264 million, while accelerating development timelines. This move would mitigate inflationary pressures and enhance project economics, delivering substantial value to shareholders.

Sorby Hill benefits from 100% ownership

It's worth highlighting again the impact of Boab's agreement to acquire the remaining 25% interest in Sorby Hills from joint venture partner Henan Yuguang Gold & Lead Co. Ltd. Full ownership grants Boab complete operational and financial control, streamlining decision-making and positioning the project more favourably for financing from Australian-focused sources such as the Northern Australia Infrastructure Facility (NAIF).

Figure 3: DeGrussa Process Plant



Source: Company

The acquisition is structured into three tranches tied to project milestones: A\$12.5 million payable at the Final Investment Decision (FID), A\$5.5 million within 12 months of first production, and A\$5.0 million within 18 months of first production. This staggered schedule minimises near-term financial pressures and enhances Boab's funding flexibility. Moreover, removing direct Chinese ownership simplifies the investment case for financiers and strengthens the company's ability to attract further funding.

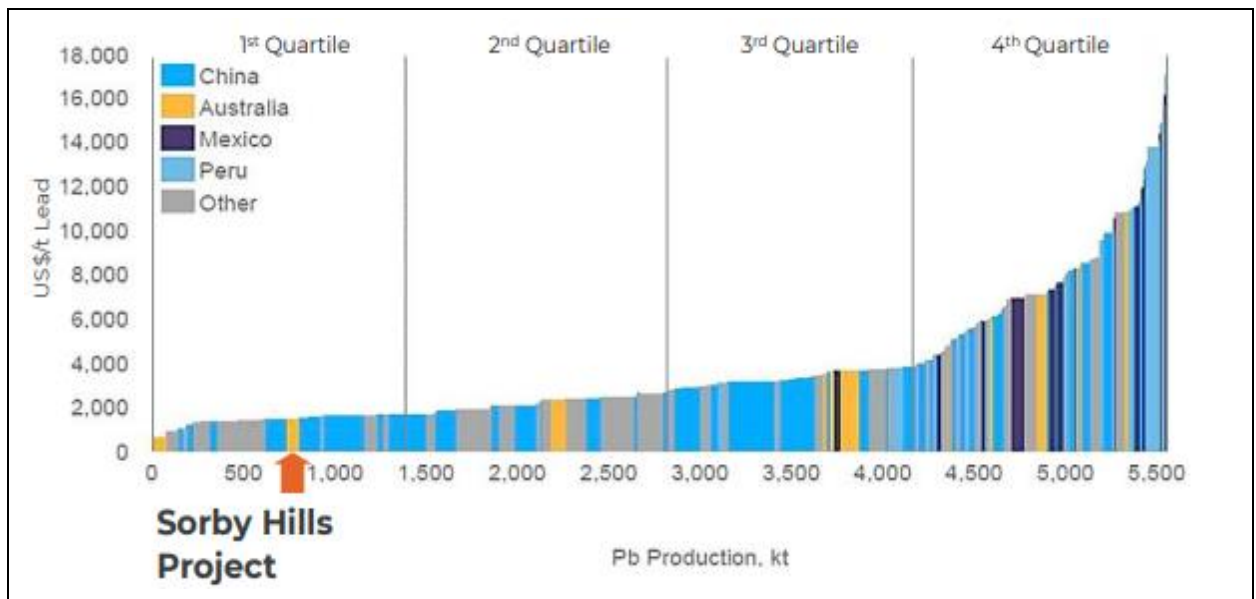
The feasibility of Sorby Hills was showcased in the FEED Study, which was completed in June 2024. It confirmed Sorby Hills as a high-margin, first-quartile cost producer with a pre-tax NPV8 of A\$411 million and an IRR of 37%. The study also highlights competitive C1 cash costs of US\$0.36/lb of payable lead, underpinned by strong silver credits.

Current spot silver and lead prices, trading at A\$49.80/oz and A\$3,230/t, respectively, provide significant upside potential, further reinforcing Sorby Hills' robust financial profile.

Sorby Hills Project is a low-cost Lead producer

The Sorby Hills Project has been independently confirmed as a first-quartile cost producer on the global lead cost curve, demonstrating its strong cost competitiveness. Within its FEED Study, it projects C1 cash costs of just US\$0.36/lb payable lead, supported by silver credits. The project benefits from shallow, high-grade ore and efficient open-pit mining methods. This low-cost base ensures strong margins and rapid payback, positioning Sorby Hills as one of the most cost-effective lead projects globally and reinforcing its appeal to investors.

Figure 4: Sorby Hills 2027 Lead Cost Curve



Source: Company

Future outlook with funding and further progress

Boab Metals is focused on securing the additional debt funding required to meet the A\$264 million pre-production capital costs for Sorby Hills. The company is leveraging the momentum provided by the US\$30 million prepayment facility with Trafigura, which has already demonstrated market confidence in the project, while also engaging with potential lenders to secure complementary non-dilutive funding solutions. Discussions with Australian government-backed schemes, including the Northern Australia Infrastructure Facility (NAIF), are also underway, given the project's potential to deliver significant regional economic benefits.

With a Final Investment Decision (FID) targeted for H2 2025, Boab is progressing on multiple fronts, including infill drilling and near-pit exploration to upgrade resources and extend the mine life. These initiatives are designed to position Sorby Hills as a scalable, high-margin operation, delivering sustainable long-term value for shareholders and establishing Boab as a leading producer in East Kimberley.

Growth Opportunities in the Kimberley

Sorby Hills’ development is complemented by exciting growth opportunities in the broader East Kimberley region. The nearby Manbarrum Project, located just 25 km east of Sorby Hills, represents a compelling prospect for exploring zinc and silver. The 175

Figure 5: Growth opportunities in the East Kimberley Region



Source: Company

km² tenement package includes two granted mining leases, with prior conceptual studies highlighting the potential for open-pit mining operations.

The Keep Zinc-Lead Target offers near-mine expansion potential within Sorby Hills' mining leases. Recent drilling has delivered promising results, including intercepts of 9.55 m @ 5.10% PbEq (2.59% Pb and 2.26% Zn), suggesting scope to extend the life of Sorby Hills and enhance resource inventories.

Meanwhile, the Eight Mile Creek Project, with 30 km of prospective geology similar to Sorby Hills, provides a longer-term exploration opportunity. Boab plans to pursue further bold exploration initiatives across these assets, leveraging success at the Keep Target, solidifying its vision of establishing a multi-asset presence in the region.

Valuation of A\$0.47-\$0.51 per share

This valuation updates our previous note from October 2024, where we valued Boab Metals (BML) at A\$0.44 per share in a base case scenario and A\$0.49 in a bull case. The revised model reflects the project's de-risking following the binding offtake agreement with Trafigura, which provides both stable debt funding and secured offtake for Sorby Hills' lead and silver production.

Below is a summary of our updated DCF valuation. We have arrived at an updated target price of A\$0.49 with a Price/NAV of 0.30x. This increase in target price is due to the milestone being reached and the slight de-risking of the project. Although risks remain outlined above, we are happy with BML's progress as it takes one step closer to production. We maintain that production at Sorby Hills will commence in FY27.

BML offers great exposure to lead-silver as it nears production, and its current share price offers an attractive entry point for the company.

Figure 4: DCF-based valuation for BML (post equity dilution)

BML Valuation (A\$ m)	Base Case	Bull Case
Present value of FCF	204.7	231.1
PV of Terminal FCF	202.0	203.5
Net debt (cash)	(5.7)	(5.7)
Firm value (A\$ m)	412.4	440.3
Diluted Shares (m)	869.6	869.6
Implied price (A\$ cents)	47	51
Current price (A\$ cents)	14.5	14.5
Upside (%)	227.1%	249.2%
Mid-point Target Price (A\$ cents)	49	
Price / NAV (X)	0.30x	

Source: East Coast Research

Re-rating of BML

BML's stock is currently trading below our mid-point target valuation, reflecting both the funding and execution risks inherent in a project of this scale. We believe several key milestones could catalyse a re-rating of the stock, increasing market confidence in the Sorby Hills Project and its ability to generate significant shareholder value:

- **Trafigura Offtake Agreement:** The binding offtake agreement and US\$30 million prepayment facility with Trafigura have reduced product saleability and funding risks. This is a key step towards meeting the overall financing requirements.
- **Debt Funding:** Securing additional debt funding will be critical to meeting the A\$264 million pre-production capital requirement. A favourable arrangement will provide greater funding certainty and support a positive Final Investment Decision.

- **Final Investment Decision (FID):** Achieving FID, targeted for H2 2025, will confirm Sorby Hills is fully funded and ready for construction, addressing one of the most significant hurdles to development.
- **First Production:** Delivering the first production on schedule in mid-2027 will validate management's ability to execute the project and likely enhance investor confidence.
- **Commodity Price Upside:** Increases in lead and silver will improve cash flow and enhance project economics, especially with silver prices already trading above study assumptions.
- **Exploration Potential:** Additional drilling success at targets like the Keep or Eight Mile Creek could result in resource upgrades or mine life extensions, significantly boosting long-term project value.

Risks

We see the following key risks to our investment thesis for BML:

- **Commodity Price Risk:** Boab's valuation is heavily dependent on lead and silver prices, which are influenced by macroeconomic factors and market dynamics. A prolonged fall in either commodity's price would directly impact project cash flows and weaken the overall investment case.
- **Funding Risk:** Securing the required A\$264 million pre-production capital remains a challenge. While the US\$30 million prepayment facility with Trafigura is a positive step, raising the remainder of the funding, particularly to minimise shareholder dilution and avoid unfavourable terms, remains critical to progressing the project.
- **Project Delays:** Delays reaching the Final Investment Decision (FID) in H2 2025 or commencing production by mid-2027 could undermine cash flow forecasts and investor confidence. These delays could stem from challenges in securing funding, regulatory hurdles, or operational setbacks.
- **Geological Risk:** Revisions to Sorby Hills' resource estimates pose a risk to the mine's valuation. Any downgrades, such as the reclassification of Indicated Resources to Inferred Resources or limited success in expanding reserves, could shorten the mine life and reduce overall project value.
- **Cost Overruns:** Inflationary pressures or supply chain issues could increase the estimated A\$264 million pre-production capital costs. Any significant cost overruns may require Boab to secure additional funding, creating further financial strain.
- **Execution Risk:** If Boab acquires the DeGrussa process plant, integrating this facility into the Sorby Hills project carries inherent challenges. Any technical or logistical issues could lead to delays, increased costs, or underperformance.

While these risks are notable, they are manageable. Successfully achieving key milestones such as securing funding, delivering FID, and staying on schedule will be critical to addressing these challenges and unlocking Sorby Hills' value for shareholders.

Appendix V: Analyst's Qualifications

- Aaron Rogers, the lead analyst on this report, is an equity research analyst at Shares in Value (East Coast Research)
- Aaron has a bachelor's degree from the University of Liverpool and a master's in economics from the University of York. He has passed Level 1 and Level 2 of the CFA Program.
- Aaron has several years of experience working across the buy-side and sell-side as an investment analyst looking at the UK, European and Australian stock markets.

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