



# Offtake pre-payment secured for US\$30m

**BML.ASX | BOAB METALS LIMITED | MATERIALS | OTHER**

PRICE  
**A\$0.15/sh**

TARGET PRICE  
**A\$0.55/sh**  
(FROM A\$0.70/sh)

RECOMMENDATION  
**SPECULATIVE BUY**  
(UNCHANGED)

## Event

**Boab Metals (BML) has executed a binding offtake agreement for its lead-silver concentrate produced from its Sorby Hills Lead-Silver Project** (development) in the Kimberley Region of WA. BML also has an option agreement in place to acquire the remaining 25% project interest from its existing JV partner. We update our numbers for the change in potential ownership, offtake and latest construction timing forecast.

## Impact

### Binding offtake includes US\$30m pre-payment facility

- The offtake agreement with metal trader Trafigura provides BML with a US\$30m pre-payment facility (interest charge 5% + SOFR) 5-year term from first draw-down. In turn, Trafigura receives 75% of the lead-silver concentrate (min 531kt) over ~7 years (as per the FEED production schedule), benchmarked on the LME cash settlement price averaged over the quotational period. At this stage, 25% of the project Pb-Ag concentrates are unencumbered, providing opportunities for further deals and/or exposure to spot concentrate sales.

### Move to 100% project ownership

- The lead-silver project is currently 75%-owned by BML, but BML has reached an agreement with its JV partner, Henan Yuguang (China's largest lead smelting company) to acquire the remaining 25%. Under the terms of the option agreement: BML will pay A\$12.5m on FID, A\$5.5m within 12 months of first concentrate and a further A\$5m within 18 months of first concentrate sales (total acquisition price of A\$23m). The deal will simplify the project ownership for full exposure to the project economics. We adjust our modelling to the 100% interest.

### Sorby Hills FEED study (June'24) highlighted the following outcomes:

- Large-scale open pit operation (2.3Mtpa), ave lead production +64ktpa (with silver credits) over +9 years mine life – peak production 80kt lead. Slightly higher upfront capex A\$264m (+8% on DFS) but improved C1 Costs (net of credits) US\$0.36 (-8%) - slightly better than expected.
- Improved net cash flows A\$778m (+10%) and forecast EBITDA A\$126m pa (+5%) for higher NPV and IRR (on BML financial estimates). BML continues to progress discussions for project financing for a FID in H2CY25.
  - BML remains in discussions with NAIF and EFA (Federal government agencies) to provide debt financing for the project development. Advanced discussion also ongoing with commercial banks for additional debt funding.
- Assuming successful funding outcomes construction to commence in late CY25 for first production potentially in CY27 - we update to the latest timelines.

We update our modelling to better align to the DFS/FEED outputs, adjusted production levels and costs. Our latest valuation (NPV10) is \$0.50/sh (down from \$0.62/sh) which remains risked weighted due to the funding requirement. The project is highly sensitive to lead price/exchange rates, and at current spot prices our BML NAV is 91cps.

## Action

**Speculative Buy retained**, with key risks around project funding. Our latest valuation \$0.50/sh (P/NAV 0.3x), and **Price Target 55cps** (down from 70cps).

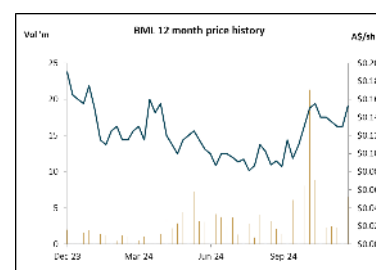
## Analyst

**Mike Millikan**

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Share Price	0.15	A\$/sh	
<b>Price Target</b>	<b>0.55</b>	<b>A\$/sh</b>	
Valuation	0.50	A\$/sh	
Shares on issue	241	m, dil*	
Market Capitalisation	35	A\$m	
Enterprise Value	31	A\$m	
Debt	0.0	A\$m	
Cash	3.8	A\$m	
Largest Shareholder	Villier	7.8%	
<b>Production F'cast</b>	<b>2027F</b>	<b>2028F</b>	<b>2029F</b>
Payable Lead (kt)	0	72	69
C1 Cost (US\$/lb)	0.00	0.40	0.31
ASIC (US\$/lb)	0.00	0.58	0.42
<b>Assumptions</b>	<b>2027F</b>	<b>2028F</b>	<b>2029F</b>
Pb Price US\$/lb	0.93	0.93	0.93
AUDUSD	0.73	0.73	0.73
<b>Key Financials</b>	<b>2027F</b>	<b>2028F</b>	<b>2029F</b>
Revenue (A\$m)	-1	248	259
EBITDA (A\$m)	-5	91	104
NPAT (A\$m)	-11	16	18
Cashflow (A\$m)	-11	61	75
CFPS (Ac)	-5	26	32
P/CFPS (x)	na	1	0
EPS (Ac)	-5	7	8
EPS growth (%)	na	na	15%
PER (x)	-3	2	2
EV:EBITDA (x)	na	na	1.3
EV:EBIT (x)	na	na	2.9
DPS (Ac)	0.0	0.0	0.0
Dividend Yield (%)	0%	0%	0%
ND:Net Debt+Equity	75%	67%	50%
Interest Cover (x)	na	365%	5

## Performance



Source: IRESS

Market Statistics		30 June	
Share Price	\$0.150 A\$/sh	Directors	
Issued Capital		G Comb	Chairman
Fully Paid Ord	233.4 m	S Noon	MD/CEO
Options/Rights	7.6 m	R Monti	NED
<b>Total Dil. FPOrd</b>	<b>241.0 m</b>	A Parker	NED
		J Monzu	Comp Sec
Market Capitalisation (dil)	\$35.0 m	B Darcey	PM
Enterprise Value	\$31.2 m	S Dorling	ExplMan
Cash (est)	\$3.8 m	<b> Holders</b>	
Debt	\$0.0 m	Villiers	7.8%
		Zero Nom	4.1%

Asset Valuation	BaseCase	
	A\$m	A\$/sh
(+) 100% Sorby Hills (risk 70%)	113	0.47
(-) Corporate	(36)	(0.15)
(+/-) Hedging	-	-
(+) Exploration	40	0.17
(+) Unpaid Capital	-	-
(+) Cash (est)	3.8	0.02
(-) Debt (est)	-	-
<b>Total @ 10%</b>	<b>121</b>	<b>0.50</b>
Spot-US\$0.88/lb Pb, 0.623 FX	220	0.91
<b>Price Target</b>	<b>133</b>	<b>0.55</b>

Forecast Production	2027f	2028f	2029f
<b>Sorby Hills 100%</b>			
Pb in Conc. (kt)	-	76.1	71.9
Ag in Conc. (Moz)	-	1.66	2.3
<b>Payable Lead (kt)</b>	-	<b>72.3</b>	<b>69.0</b>
Payable Silver (Moz)	-	1.3	1.9
C1 Cost (US\$/lb)	-	0.40	0.31
<b>ASIC (US\$/lb)</b>	-	<b>0.58</b>	<b>0.42</b>
<b>Assumptions</b>			
Lead Price US\$/lb	0.93	0.93	0.93
Silver Price US\$/oz	25.00	25.00	25.00
FX Rate	0.73	0.73	0.73

Ratio Analysis (A\$m)	2027f	2028f	2029f
Cashflow	-11	61	75
Cashflow Per Share	-5	26	32
Cashflow Ratio	na	1	0
Earnings	-11	16	18
Earnings Per Share	-5	7	8
EPS Growth	na	-245%	15%
P/e Ratio	-3	2	2
Enterprise Value	242	205	139
EV/EBITDA	na	na	1.3
EV/EBIT	na	na	2.9
Net Debt/(Net Debt + Equity)	0.8	0.7	0.5
Interest Cover	na	4	5
EBIT Margin	na	na	18%
Return on Equity	na	na	18%
Return on Assets	na	na	7%
Dividend per Share	0	0	0
Dividend Payout Ratio	0	0	0
Dividend Yield	0	0	0
Dividend Franking	100%	100%	100%

Reserves	Mt	Grade	Metal
<b>Sorby Hills - 100%</b>		<b>%Pb</b>	<b>kt Pb</b>
Proved	10.4	3.5	358
Probable	4.9	3.5	172
<b>Total</b>	<b>15.2</b>	<b>3.5</b>	<b>531</b>
<b>EV per A\$/lb Pb</b>			<b>\$0.03</b>

Profit and Loss (A\$m)	2027f	2028f	2029f
(+) Pb Revenue	-	202	193
(+) Ag Revenue	-	45	65
(+/-) Hedging Revenue	-	-	-
(+) Interest Income	(1)	1	1
(+) Other Revenue	-	-	-
<b>Total Revenue</b>	<b>(1)</b>	<b>248</b>	<b>259</b>
Operating Costs	-	(147)	(144)
Dep/Amort	-	(45)	(56)
WriteOff (expl'n)	-	-	-
O/H + New Bus Dev	(5)	(10)	(10)
Provisions	-	-	-
EBITDA	(5)	91	104
EBIT	(5)	45	48
Interest Expense	(9)	(16)	(14)
NPBT	(15)	30	35
Tax	-	(7)	(8)
Minority Interest	4	(8)	(9)
<b>Net Profit</b>	<b>(11)</b>	<b>16</b>	<b>18</b>
Minority Interest	-	-	-
<b>Net profit After Abnormal</b>	<b>(11)</b>	<b>16</b>	<b>18</b>

Cashflow (A\$m)	2027f	2028f	2029f
<b>Net Profit</b>	(11)	16	18
(+) WC adj.	-	-	-
(+) Dep/Amort	-	45	56
(+) Provisions & W/O	-	-	-
(+) Tax Expense	-	7	8
(-) Deferred Revenue	-	-	-
(-) Tax Paid	-	(7)	(8)
<b>Operating Cashflow</b>	<b>(11)</b>	<b>61</b>	<b>75</b>
(-) Capex + Dev.	(240)	(25)	(9)
(-) Exploration	(2)	-	-
(-) Asset Purchased	-	-	-
(+) Asset Sale	-	-	-
(+/-) Other	-	-	-
<b>Investing Cashflow</b>	<b>(242)</b>	<b>(25)</b>	<b>(9)</b>
(+) Equity Issues (rts,plc,opts)	60	-	-
(+) Loan Drawdown/receivable	200	-	(40)
(+) Loans from(to) other entities	-	-	-
(-) Loan Repayment	-	-	-
(-) Dividends	-	-	-
<b>Financing Cashflow</b>	<b>260</b>	<b>-</b>	<b>(40)</b>
<b>Net Cashflows</b>	<b>7</b>	<b>36</b>	<b>26</b>
(+/-) FX Adj.	-	-	-
<b>EoP Cash Balance</b>	<b>(6)</b>	<b>30</b>	<b>56</b>

Balance Sheet (A\$m)	2027f	2028f	2029f
<b>Assets</b>			
Cash	(6)	30	56
Current Receivables	0	0	0
Other Current Assets	0	0	0
Non-Current Assets	275	255	207
<b>Total Assets</b>	<b>269</b>	<b>285</b>	<b>264</b>
<b>Liabilities</b>			
Borrowing(s)	200	200	160
Current Accounts payable	1	1	1
Other Liabilities	0	0	0
<b>Total Liabilities</b>	<b>201</b>	<b>201</b>	<b>161</b>
<b>Net Assets</b>	<b>68</b>	<b>84</b>	<b>103</b>

Resources	Mt	Grade	Metal
<b>Sorby Hills - 100%</b>			
<b>Lead</b>	<b>47.3</b>	<b>3.1%</b>	<b>1465 kt</b>
Zinc	47.3	0.4%	207 kt
Silver	47.3	35g/t	53 Moz
<b>EV per A\$/lb Pb</b>			<b>\$0.01</b>

## Sorby Hills Project (option for BML 100%)

Sorby Hills is located ~50km NE of Kununurra, Kimberley region, WA.

The lead-silver project is currently 75%-owned by BML, but BML has reached an agreement with its JV partner, Henan Yuguang (China's largest lead smelting company) to acquire the remaining 25% interest. Under the terms of the option agreement, BML will pay A\$12.5m on FID, A\$5.5m within 12 months of first concentrate and A\$5m 18 months after first concentrate (total A\$23m).

Project well located, nearby regional centre, sealed access roads (recently 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) which has been updated, lowers development hurdles.

**Figure 1: Project Location (Kimberley WA)**



Source: BML

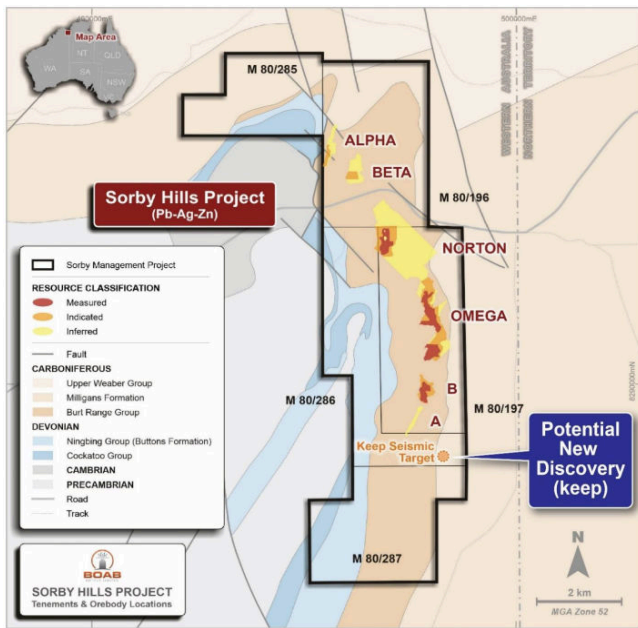
## Project Development Summary

Key highlights include:

- Open Pit Operation: **18.3Mt @ 3.4% Pb and 39g/t Ag** production target-underpinned 83% reserves
- Project Scale: **2.25Mtpa** (up from 1.5Mtpa PFS)
- Production: **64ktpa lead and 2.0Mozpa silver** (potential to be higher over time)
- C1 costs of **US\$0.36/lb Pb** (down from US\$0.39/lb Pb DFS)
- Life of mine (LOM): **8.5 years** (previously 10 years) - base case yet to include resource model updates for Norton and Beta, which will add mine life and sustain production levels

- Pre-production capex: **A\$264m** (FEED update) – 75% of capex tendered for high-confidence.
- Working with potential financiers including NAIF and EFA for FID and decision to mine mid-CY25.
- Solid margins at current spot lead prices for pay-back of <3 years. BML's NPV8 (pre-tax) A\$411m for IRR (pre-tax) 37% EBITDA (ave) A\$160mpa (100% basis) – using ~US\$1.06/lb lead (forward curves); highly sensitive to lead price and FX.

Figure 2: Sorby Hills Tenure and Deposits



Source: BML

Figure 3: FEED Outcomes

Item	Unit	DFS	FEED	Variance	"Spot Case"
Macroeconomics	Pb = US\$2,253/t, Ag = US\$27.4/oz; A\$:US = \$0.68, Pb TC = US\$125/t conc., Ag RC = US\$1.25/oz paid				See Page 12
Mining Inventory	18.3 Mt at 3.4% Lead and 39g/t Silver				
Recovered Lead	kt	571	<b>575</b>	1%	575
Recovered Silver	Moz	18.6	<b>18.6</b>	(0%)	18.6
Upfront Capital Cost	A\$M	245	<b>264</b>	8%	264
CI Cost (incl. credits)	US\$/lb Pb	0.39	<b>0.36</b>	(8%)	0.25
Net Cash Flow	A\$M	705	<b>778</b>	10%	1,067
LOM Average EBITDA	A\$M	119	<b>126</b>	5%	160
Pre-Tax NPV <sub>8</sub>	A\$M	370	<b>411</b>	11%	596
Pre-Tax IRR	%	35%	<b>37%</b>	3%	47%

Source: BML

Figure 4: FEED CAPEX

Capital Costs	FEED Study			DFS	Variance
	Pre-Production	Sustaining	Total		
Unit Cost	A\$M	A\$M	A\$M	A\$M	A\$M
EPC Contract	134.9	-	134.9	130.5	4.3
Site Est./Bulk Earthworks	31.9	4.9	36.9	54.5	(17.6)
Water Management	8.1	11.7	19.8	24.8	(5.0)
Accommodation Village	11.5	-	11.5	4.1	7.4
Other Infrastructure	8.5	0.6	9.1	10.1	(1.0)
Owners Costs	32.0	-	32.0	31.0	0.9
Contingency	22.7	-	22.7	20.9	1.8
Pre-Production Opex	15.0	-	15.0	14.6	0.4
Closure Costs	-	9.3	9.3	9.3	-
<b>Total Capital Expenditure</b>	<b>264.5</b>	<b>26.5</b>	<b>290.9</b>	<b>299.8</b>	<b>(8.8)</b>

Source: BML

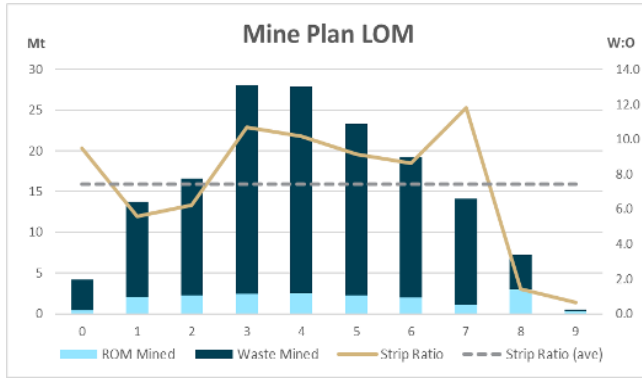
Figure 5: FEED OPEX

Operating Costs	FEED Study		DFS	Variance	
Unit	A\$M	A\$/t	US\$/lb paid Pb	US\$/lb paid Pb	%
Logistics	117	6.40	0.07	0.07	(4%)
Mining	547	29.96	0.31	0.34	(8%)
Processing	388	21.27	0.22	0.22	(1%)
G&A	88	4.80	0.05	0.05	(1%)
Lead Treatment	160	8.76	0.09	0.09	-
CI Costs (ex. Credits)	<b>1,300</b>	<b>71.19</b>	<b>0.74</b>	<b>0.77</b>	<b>(5%)</b>
Net Silver Credits	(661)	(36.21)	(0.37)	(0.38)	(1%)
CI Costs	<b>639</b>	<b>34.98</b>	<b>0.36</b>	<b>0.39</b>	<b>(8%)</b>
Royalties	95	5.20	0.05	0.05	-
Sustaining Capital	26	1.45	0.01	0.03	(52%)
AISC	<b>760</b>	<b>41.63</b>	<b>0.43</b>	<b>0.48</b>	<b>(10%)</b>

Source: BML

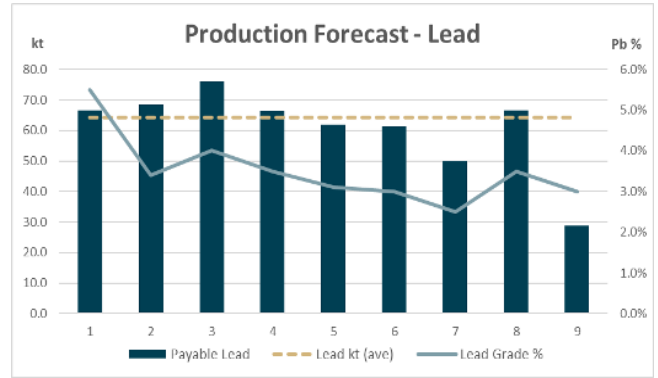


Figure 6: Sorby Hills Mine Plan



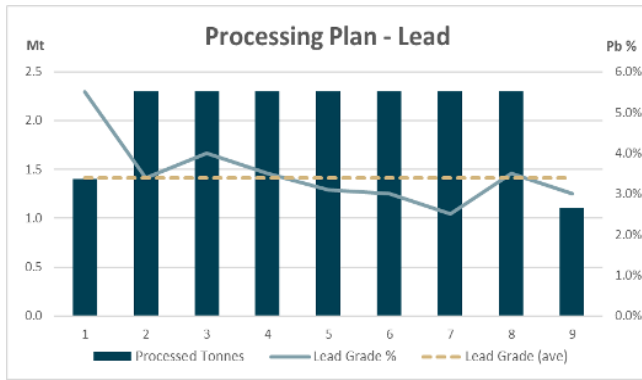
Source: BML

Figure 7: Sorby Hills Production - Lead



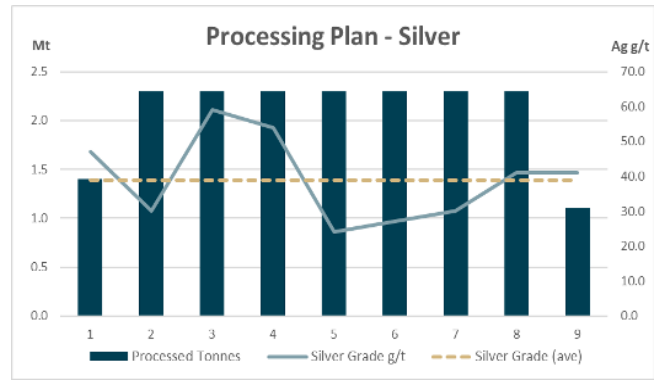
Source: BML

Figure 8: Sorby Hills Processing - Lead



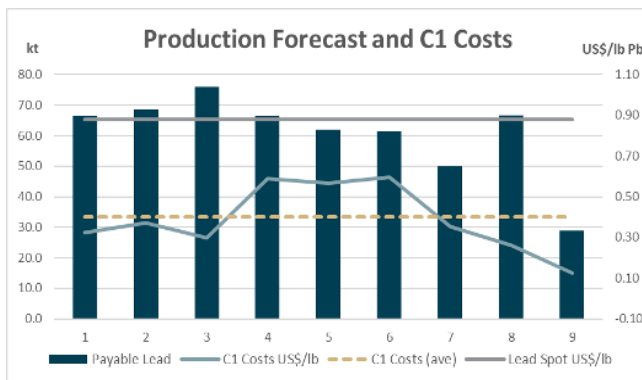
Source: BML

Figure 9: Sorby Hills Processing - Silver



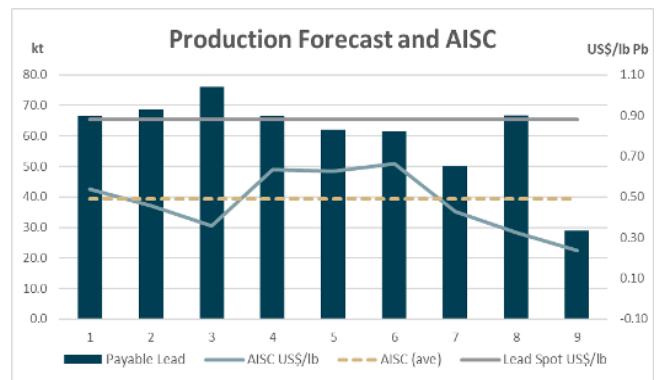
Source: BML

Figure 10: Sorby Hills Costs - C1



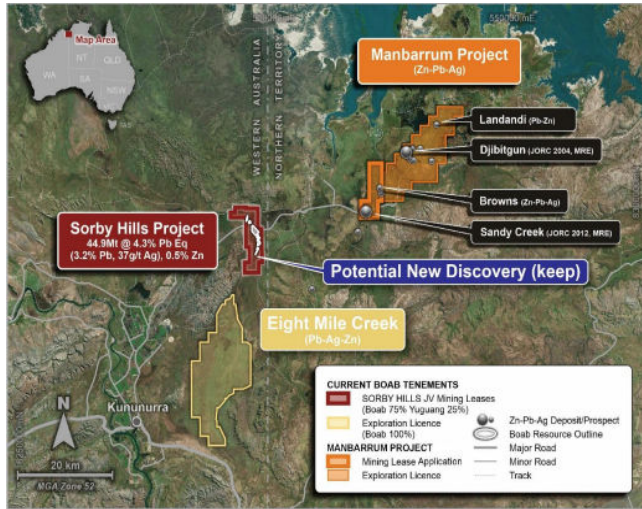
Source: BML

Figure 11: Sorby Hills Costs - AISC



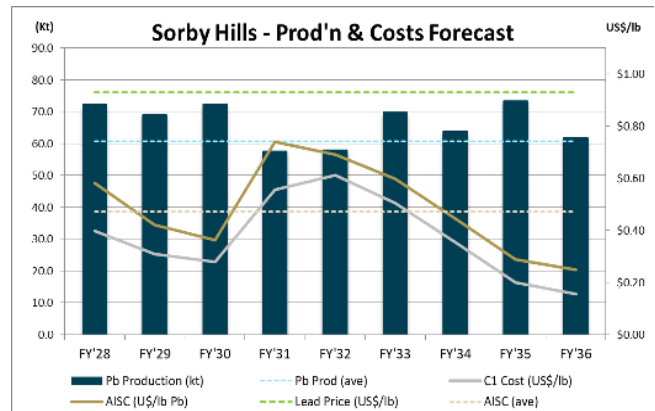
Source: BML

Figure 12: Project Location



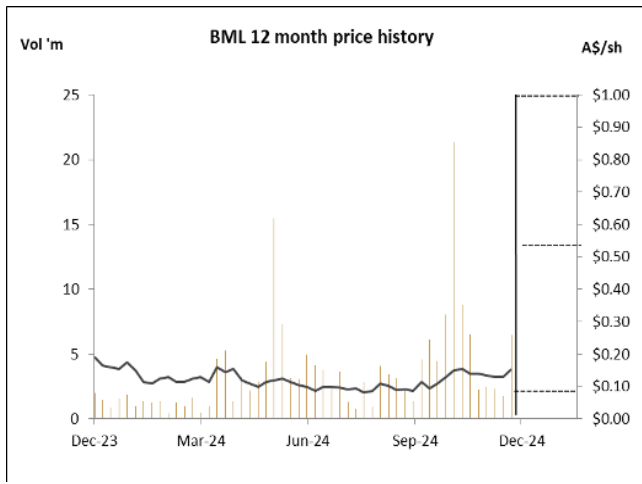
Source: BML

Figure 13: Production Forecasts



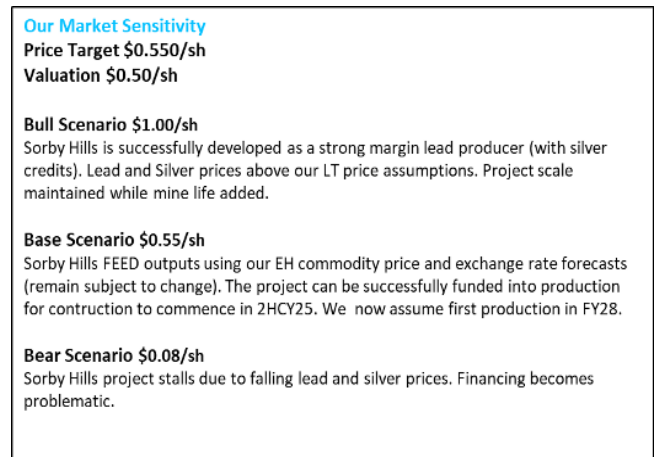
Source: Euroz Hartleys

Figure 14: Price History with Bull, Base and Bear Scenarios



Source: Euroz Hartleys, IRESS

Figure 15: Bull, Base and Bear Scenarios



Source: Euroz Hartleys

Figure 16: Lead Sensitivities

Val/sh	Lead \$									
	-20%	-15%	-10%	-5%	0%	5%	10%	15%	20%	
\$0.50										
15%	-\$0.20	-\$0.11	-\$0.02	\$0.06	\$0.15	\$0.23	\$0.32	\$0.40	\$0.49	
10%	-\$0.10	-\$0.01	\$0.08	\$0.17	\$0.26	\$0.34	\$0.43	\$0.52	\$0.61	
5%	\$0.00	\$0.09	\$0.19	\$0.28	\$0.37	\$0.47	\$0.56	\$0.65	\$0.75	
0%	\$0.11	\$0.21	\$0.31	\$0.41	\$0.50	\$0.60	\$0.70	\$0.80	\$0.90	
-5%	\$0.23	\$0.34	\$0.44	\$0.54	\$0.65	\$0.75	\$0.86	\$0.96	\$1.06	
-10%	\$0.37	\$0.48	\$0.59	\$0.70	\$0.81	\$0.92	\$1.03	\$1.14	\$1.25	
-15%	\$0.52	\$0.64	\$0.76	\$0.87	\$0.99	\$1.10	\$1.22	\$1.33	\$1.45	

Source: Euroz Hartleys

## Personal disclosures

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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 there been any adverse or undue influence on the Analyst in the preparation of this report.

## Company disclosures

The companies and securities mentioned in this report, include:

Boab Metals Limited (BML.ASX) | Price A\$0.15 | Target price A\$0.55 | Recommendation Speculative Buy;

*Price, target price and rating as at 20 December 2024 (\* not covered)*

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