

Boab Metals Ltd (BML)

Rating: Buy | Risk: High | Price Target: \$0.40

30 April 2025

Degrussa plant a great fit for Sorby Hills

Key Information

Current Price (\$ps)	0.13
12m Target Price (\$ps)	0.40
52 Week Range (\$ps)	0.08 - 0.19
Target Price Upside (%)	220.7%
TSR (%)	220.7%
Reporting Currency	AUD
Market Cap (\$m)	29
Sector	Materials
Avg Daily Volume (m)	0.3
ASX 200 Weight (%)	0%

Fundamentals

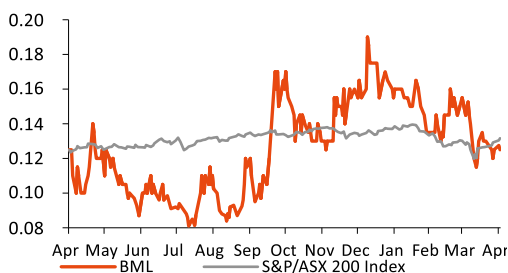
YE 30 Jun (AUD)	FY24A	FY25E	FY26E	FY27E
Sales (\$m)	0	0	0	388
NPAT (\$m)	(3)	(2)	(4)	129
EPS (cps)	(1.6)	(0.4)	(0.4)	14.3
EPS Growth (%)	54.9%	77.9%	(14.1%)	nm
DPS (cps) (AUD)	0.0	0.0	0.0	0.0
Franking (%)	0%	0%	0%	0%

Ratios

YE 30 Jun	FY24A	FY25E	FY26E	FY27E
P/E (x)	(5.3)	(34.7)	(30.4)	0.9
EV/EBITDA (x)	(7.0)	(6.5)	(6.5)	0.1
Div Yield (%)	0.0%	0.0%	0.0%	0.0%
Payout Ratio (%)	0.0%	0.0%	0.0%	0.0%

Price Performance

YE 30 Jun	1 Mth	2 Mth	3 Mth	1 Yr
Relative (%)	(16.7%)	(6.2%)	(16.5%)	(5.3%)
Absolute (%)	(13.8%)	(7.4%)	(21.9%)	0.0%
Benchmark (%)	2.9%	(1.2%)	(5.4%)	5.3%



Price performance indexed to 100

Source: FactSet

Major Shareholders

Villiers Queensland	10.6%
Zero Nominees	8.4%
Board and Management	4.0%
Citicorp Nominees	3.5%
Brent Connolly	2.9%

Andrew Hines | Head of Research

+61 3 9268 1178

andrew.hines@shawandpartners.com.au

Peter Kormendy | Senior Research Analyst

+61 3 9268 1099

Peter.Kormendy@shawandpartners.com.au

Dorab Postmaster | Analyst

+61 8 9263 5211

Dorab.Postmaster@shawandpartners.com.au

Event

Boab Metals has announced that it has completed the acquisition of the Degrussa Processing Plant for A\$10m from Sandfire. This is likely to significantly reduce (~\$30-50m) the capital cost of the Sorby Hills Lead-Silver Project. Boab is now targeting a Final Investment Decision for Sorby Hills in 2H 2025.

Highlights

- The Sorby Hills Project is located in the Kimberley Region of Western Australia. Boab released a DFS in January 2023 and updated the financials with the completion of a FEED study in June 2024. The key project metrics include upfront capital expenditure of A\$264M, average C1 cost of US\$ 0.36/lb payable Lead (including silver credits), pre-tax NPV₈ of A\$411M, pre-tax IRR of 37%, and average annual EBITDA of A\$126m. Our post tax NPV₁₀ of the project is A\$250m.
- The DeGrussa process plant, which comprises a conventional crushing, milling, flotation, dewatering and filtration circuit is ideally suited for the requirements of Sorby Hills. Of the upfront capex, A\$136m was related to a new Processing Plant, so the acquisition of the Degrussa Plant for A\$10m will result in substantial savings. The plant will need to be dismantled, relocated to Sorby Hills, rebuilt and modified to suit, and so we think the ultimate capex savings could be in the range of A\$30-50m.
- The acquisition price of A\$10m includes a \$1.5m deposit which will be funded A\$0.5m from cash and A\$1m from the issue of new shares to Sandfire. \$6m in cash will be paid on completion, and a further \$2m in cash within 12months of first sale of concentrate.
- In late 2024 Boab announced a binding offtake agreement with Trafigura for the lead-silver concentrate. The offtake agreement is for 75% of the lead-silver concentrate and will be sold at LME cash settlement price over the quotational period with typical payables for lead and silver. Sorby Hills will produce a very clean lead-silver concentrate that is likely to see strong demand from lead concentrators.
- The offtake also comes with a US\$30m prepayment facility at an interest rate of SOFR +5% which is highly competitive funding. This will now cornerstone the financing process for the project. We believe Boab has a great opportunity to source a significant proportion of its debt funding from the Northern Australian Infrastructure Facility (NAIF).
- Boab has executed an agreement to purchase its JV partner's 25% stake in the project. In our view this significantly simplifies the financing process for the project by removing direct Chinese ownership of the asset. This will make it easier for Australian government entities such as NAIF to provide funding
- Demand for silver in the production of solar panels has driven the silver market into a supply deficit in 2023. Total annual silver demand has grown from a relatively steady 1,000Mozpa over the past decade to over 1,200Moz in 2023 with further growth expected. Demand for solar panels has increased from around 5% of total demand in 2015 to around 14% in 2023. Silver is the most conductive metal and has excellent reflective properties which make it ideal for solar panels.
- Sorby Hills other main commodity is lead, which is perhaps the most mis-understood of the base metals. It is a common misperception that demand for lead is falling as lead-acid batteries are replaced by lithium-ion batteries. Lead consumption has actually increased by an average 3.2% per annum from 2004-2023 and we conservatively forecast further annual growth of 2.2% to 2030. Global lead usage is expected to increase from 11.7Mt in 2020 to 14.6Mt in 2030.

Recommendation

We retain our BUY recommendation and A\$0.40 Price Target.

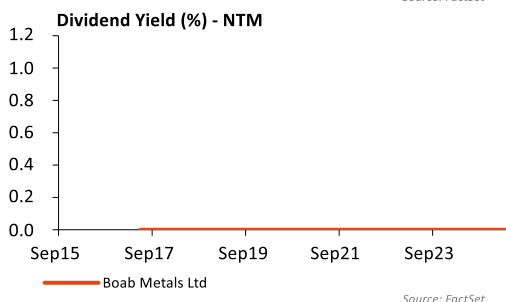
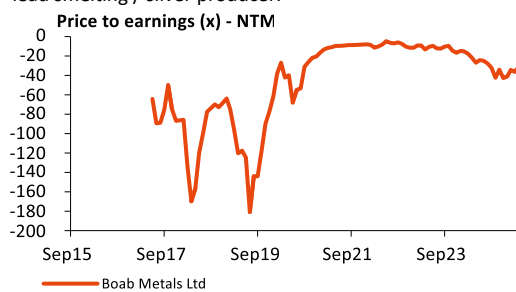
Boab Metals Ltd
Materials
Materials

FactSet: BML-AU / Bloomberg: BML AU

Key Items	Data
Recommendation	BUY
Risk	HIGH
Price (\$ps)	0.13
Target Price (\$ps)	0.40
52 Week Range (\$ps)	0.08 - 0.19
Shares on Issue (m)	233
Market Cap (\$m)	29
Enterprise Value (\$m)	23
TSR (%)	220.7%
Valuation per share (cps) (AUD)	0.40
Valuation (\$m)	360.80

Company Description

Boab Metals is a base metal exploration and development company, primarily focused on its flagship Sorby Hills Project in Kununurra, Western Australia. The flagship Project is the largest undeveloped, near surface lead-silver-zinc deposit in Australia. Sorby Hills is 75%-owned by Boab Metals and 25% owned by Henan-Yuguang - China's largest lead smelting / silver producer.



Financial Year End: 30 June

Investment Summary (AUD)	FY23A	FY24A	FY25E	FY26E	FY27E
EPS (Reported) (cps)	(3.6)	(1.6)	(0.4)	(0.4)	14.3
EPS (Underlying) (cps)	(3.6)	(1.6)	(0.4)	(0.4)	14.3
EPS (Underlying) Growth (%)	18.9%	54.9%	77.9%	(14.1%)	nm
PE (Underlying) (x)	(4.3)	(5.3)	(34.7)	(30.4)	0.9
EV / EBIT (x)	(3.9)	(6.9)	(6.5)	(6.5)	0.1
EV / EBITDA (x)	(3.9)	(7.0)	(6.5)	(6.5)	0.1
DPS (cps) (AUD)	0.0	0.0	0.0	0.0	0.0
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Franking (%)	0%	0%	0%	0%	0%
Payout Ratio (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Free Cash Flow Yield (%)	(27.6%)	(20.7%)	(117.2%)	(134.6%)	111.6%
Profit and Loss (AUD) (m)	FY23A	FY24A	FY25E	FY26E	FY27E
Sales	0	0	0	0	388
Other Operating Income	0	0	0	0	0
EBITDA	(6)	(3)	(4)	(4)	209
EBITDA Margin (%)	nm	nm	nm	nm	54.0%
Depreciation & Amortisation	(0)	0	0	0	(20)
EBIT	(5.9)	(3.3)	(3.5)	(3.5)	189.1
EBIT Margin (%)	nm	nm	nm	nm	48.8%
Net Interest	0	0	1	(2)	(5)
Pretax Profit	(6)	(3)	(3)	(5)	184
Minorities	0	0	0	0	0
NPAT Underlying	(6)	(3)	(2)	(4)	129
Significant Items	0	0	0	0	0
NPAT Reported	(6)	(3)	(2)	(4)	129
Cashflow (AUD) (m)	FY23A	FY24A	FY25E	FY26E	FY27E
EBIT	(6)	(3)	(4)	(4)	189
Tax Paid	0	0	0	1	2
Net Interest	0	0	1	(2)	(5)
Change in Working Capital	0	0	0	0	(49)
Depreciation & Amortisation	(0)	0	0	0	(20)
Other	0	(0)	(0)	3	6
Operating Cashflow	(5)	(4)	(3)	(1)	163
Capex	(2)	0	(80)	(150)	(37)
Acquisitions and Investments	0	0	(2)	(2)	(2)
Disposal of Fixed Assets/Investments	0	0	0	0	0
Other	0	0	(12)	0	(10)
Investing Cashflow	(2)	0	(94)	(152)	(49)
Free Cashflow	(7)	(4)	(83)	(151)	126
Equity Raised / Bought Back	5	5	100	0	0
Dividends Paid	0	0	0	0	0
Change in Debt	0	0	30	150	0
Other	(0)	(0)	0	(3)	(6)
Financing Cashflow	5	5	130	147	(6)
Net Change in Cash	(2)	1	34	(6)	108
Balance Sheet (AUD) (m)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash	5	6	39	33	141
Accounts Receivable	1	1	0	0	32
Inventory	0	0	0	0	32
Other Current Assets	0	0	0	0	0
PPE	6	6	100	252	280
Total Assets	12	13	140	285	486
Accounts Payable	1	0	0	0	14
Short Term Debt	0	0	0	0	0
Long Term Debt	0	0	30	180	180
Total Liabilities	1	1	30	179	250
Ratios	FY23A	FY24A	FY25E	FY26E	FY27E
ROE (%)	(56.4%)	(29.5%)	(3.3%)	(3.4%)	75.5%
Gearing (%)	(77.8%)	(85.9%)	(9.2%)	58.0%	14.2%
Net Debt / EBITDA (x)	0.8	1.7	2.6	(41.7)	0.2

Figure 1: DeGrussa Processing Plant is a good fit for Sorby Hills

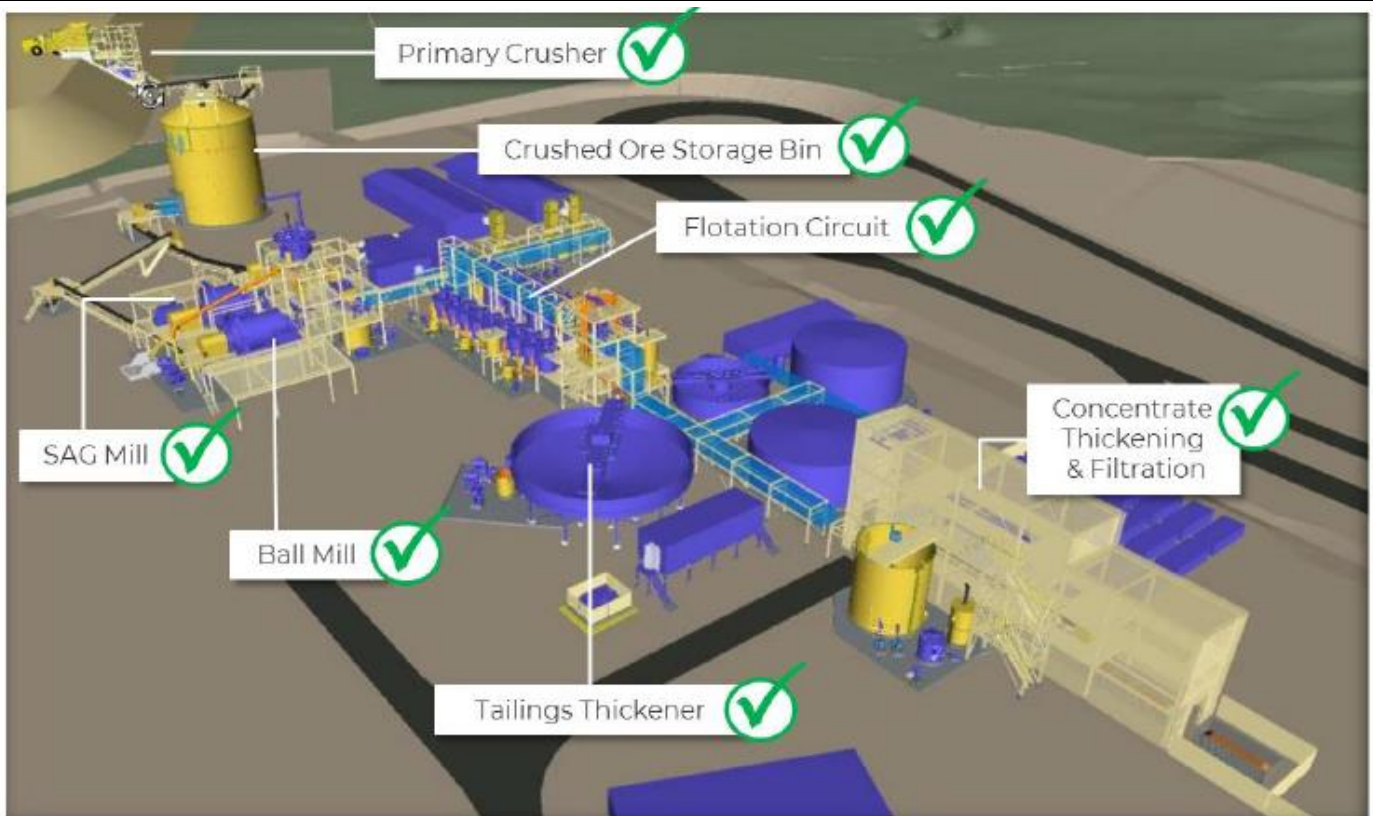


Figure 1: 3D Model of the Sorby Hills Processing Plant showing key components of the design that have been secured via the acquisition of the DeGrussa Processing Plant.



Figure 2: Image of the DeGrussa Processing Plant

Source: BML ASX release 30 Apr 2025

Key risks

- The prices of silver and lead are volatile and difficult to forecast. The actual prices may differ substantially from our forecasts.
- The Sorby Hills project is not yet producing and there is a risk that Boab is unable to bring the operation in to production. The project may cost more than expected to build and may not operate as expected.
- Boab requires around \$280m of new capital to finance the Sorby Hills Project. There is a risk that capital markets are not willing to fund the project.
- Forecasting future operating costs has considerable uncertainty. Our forecasts may prove to be too optimistic. If Boab's costs are higher than we expect then our cash flow forecasts will be too high.
- Smaller companies carry more significant 'key personnel' risk than larger organisations. If senior management depart the company, then it could delay projects or exacerbate operational risks.

Core drivers and catalyst

- In January 2023, Boab released the results of a Sorby Hills Definitive Feasibility Study (DFS). The DFS outlined a A\$245m project processing 2.25Mtpa of ore and producing 103ktpa of a lead/silver concentrate over a 10 year mine life. The annual production of contained metals is expected to be ~67ktpa of lead and 2.2Mozpa of silver. The DFS was updated in a FEED study in June 2024 with capex increasing from A\$245m to A\$264m.
- The DFS resulted in an estimated pre-tax NPV of A\$370M (at an 8% discount rate), an IRR of 35%, and an average annualised EBITDA of A\$119m.
- Boab is now progressing the offtake agreements and debt financing and we expect a Final Investment Decision in the next 12 months. There will be a 12-18-month construction period and first production in FY27.
- The Sorby Hills Measured and Indicated Resources is 23.6Mt at 4.6% Pb Eq (3.5% Pb, 39g/t Ag) and 0.4% Zn containing 0.8Mt Pb, 0.1kt Zn and 30Moz Ag. The resource is likely to increase as further drilling and regional exploration is completed
- We model a further A\$280m of capital requirements to fund pre-production capex, working capital and ongoing exploration. We expect BML to split the funding roughly A\$100m with equity and A\$180m in debt and prepayments.

Rating Classification

Buy	Expected to outperform the overall market
Hold	Expected to perform in line with the overall market
Sell	Expected to underperform the overall market
Not Rated	Shaw has issued a factual note on the company but does not have a recommendation

Risk Rating

High	Higher risk than the overall market – investors should be aware this stock may be speculative
Medium	Risk broadly in line with the overall market
Low	Lower risk than the overall market

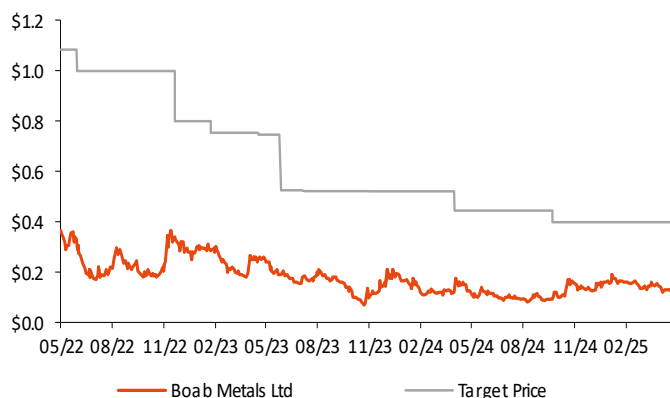
RISK STATEMENT: Where a company is designated as ‘High’ risk, this means that the analyst has determined that the risk profile for this company is significantly higher than for the market as a whole, and so may not suit all investors. Clients should make an assessment as to whether this stock and its potential price volatility is compatible with their financial objectives. Clients should discuss this stock with their Shaw adviser before making any investment decision.

Distribution of Investment Ratings

Rating	Count	Recommendation Universe
Buy	77	90%
Hold	9	10%
Sell	0	0%

History of Investment Rating and Target Price - Boab Metals Ltd

Date	Closing Price (\$)	Target Price (\$)	Rating
30-Apr-25	0.13	0.40	Buy
23-Sep-24	0.09	0.40	Buy
2-Apr-24	0.14	0.44	Buy
31-Oct-23	0.12	0.52	Buy
6-Jul-23	0.18	0.52	Buy
29-May-23	0.19	0.52	Buy
19-Apr-23	0.25	0.75	Buy
24-Jan-23	0.29	0.75	Buy
20-Nov-22	0.33	0.80	Buy
31-May-22	0.30	1.00	Buy
2-May-22	0.37	1.08	Buy



Disclaimer

Shaw and Partners Limited ABN 24 003 221 583 ("Shaw") is a Participant of ASX Limited, Cboe Australia Pty Limited and holder of Australian Financial Services Licence number 236048.

ANALYST CERTIFICATION: The Research Analyst who prepared this report hereby certifies that the views expressed in this document accurately reflect the analyst's personal views about the Company and its financial products. Neither Shaw nor its Research Analysts received any direct financial or non-financial benefits from the company for the production of this document. However, Shaw Research Analysts may receive assistance from the company in preparing their research which can include attending site visits and/or meetings hosted by the company. In some instances the costs of such site visits or meetings may be met in part or in whole by the company if Shaw considers it is reasonable given the specific circumstances relating to the site visit or meeting. As at the date of this report, the Research Analyst does not hold, either directly or through a controlled entity, securities in the Company that is the subject of this report, or where they do hold securities those interests are not material. Shaw restricts Research Analysts from trading in securities outside of the ASX/S&P100 for which they write research. Other Shaw employees may hold interests in the company, but none of those interests are material.

DISCLAIMER: This report is published by Shaw to its clients by way of general, as opposed to personal, advice. This means it has been prepared for multiple distribution without consideration of your investment objectives, financial situation and needs ("Personal Circumstances"). Accordingly, the advice given is not a recommendation that a particular course of action is suitable for you and the advice is therefore not to be acted on as investment advice. You must assess whether or not the advice is appropriate for your Personal Circumstances before making any investment decisions. You can either make this assessment yourself, or if you require a personal recommendation, you can seek the assistance of your Shaw client adviser. This report is provided to you on the condition that it not be copied, either in whole or in part, distributed to or disclosed to any other person. If you are not the intended recipient, you should destroy the report and advise Shaw that you have done so. This report is published by Shaw in good faith based on the facts known to it at the time of its preparation and does not purport to contain all relevant information with respect to the financial products to which it relates. The research report is current as at the date of publication until it is replaced, updated or withdrawn. Although the report is based on information obtained from sources believed to be reliable, Shaw does not make any representation or warranty that it is accurate, complete or up to date and Shaw accepts no obligation to correct or update the information or opinions in it. If you rely on this report, you do so at your own risk. Any projections are indicative estimates only and may not be realised in the future. Such projections are contingent on matters outside the control of Shaw (including but not limited to market volatility, economic conditions and company-specific fundamentals) and therefore may not be realised in the future. Past performance is not a reliable indicator of future performance. Except to the extent that liability under any law cannot be excluded, Shaw disclaims liability for all loss or damage arising as a result of any opinion, advice, recommendation, representation or information expressly or impliedly published in or in relation to this report notwithstanding any error or omission including negligence.

Depending on the timing and size of your investment, your portfolio composition may differ to the model. Performance figures are derived from the inception date of the model and its investment transactions from that date, therefore the performance for your portfolio may be different. If you have any questions in connection with differences between your portfolio and the model, you should speak with your adviser.

For U.S. persons only: This research report is a product of Shaw and Partners Limited under Marco Polo Securities 15a-6 chaperone service, which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

Research reports are intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a-6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor. In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Shaw and Partners Limited has entered into a chaperoning agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo"). Transactions in securities discussed in this research report should be affected through Marco Polo or another U.S. registered broker dealer.

DISCLOSURE: Shaw will charge commission in relation to client transactions in financial products and Shaw client advisers will receive a share of that commission. Shaw, its authorised representatives, its associates and their respective officers and employees may have earned previously or may in the future earn fees and commission from dealing in the Company's financial products.

Sydney Head Office	Melbourne	Brisbane	Adelaide	Canberra	Perth	Noosa
Level 7, Chifley Tower	Level 36	Level 28	Level 25	Level 9	Level 47	Suite 11a Q Place
2 Chifley Square	120 Collins Street	111 Eagle Street	91 King William Street	5 Constitution Avenue	108 St Georges Terrace	2 Quamby Place
Sydney NSW 2000	Melbourne VIC 3000	Brisbane QLD 4000	Adelaide SA 5000	Canberra ACT 2601	Perth WA 6000	Noosa Heads QLD 4567
Telephone: +61 2 9238 1238	Telephone: +61 3 9268 1000	Telephone: +61 7 3036 2500	Telephone: +61 8 7109 6000	Telephone: +61 2 6113 5300	Telephone: +61 8 9263 5200	Telephone: +61 7 3036 2570
Toll Free: 1800 636 625	Toll Free: 1800 150 009	Toll Free: 1800 463 972	Toll Free: 1800 636 625	Toll Free: 1800 636 625	Toll Free: 1800 198 003	Toll Free: 1800 271 201