

# BML: Acquires SFR's DeGrussa Processing Plant for Sorby Hills Development

BML.ASX | BOAB METALS LIMITED | MATERIALS | OTHER

PRICE  
A\$0.13/sh

TARGET PRICE  
A\$0.50/sh  
(FROM A\$0.55/sh)

RECOMMENDATION  
SPECULATIVE BUY  
(UNCHANGED)



## Event

Boab Metals (BML) has executed a **binding agreement** with Sandfire Resources (SFR) to acquire the DeGrussa processing plant for a total acquisition price of A\$10m.

The completion of the acquisition remains subject to BML reaching a Final Investment Decision (FID) for its Sorby Hills project in H2CY25.

## Impact

### DeGrussa Plant considered "fit for purpose" for Sorby Hills

- The acquisition price (A\$10m) consists: A\$1.5m deposit (A\$0.5m cash, A\$1m BML scrip at 12cps); A\$6m cash on completion; and A\$2.5m cash on first concentrate. Any shares issued to SFR will have a 12-month escrow period.
- The DeGrussa plant has been kept in good condition (care and maintenance) following the cessation of processing operations in May 2023. The acquisition is expected to substantially reduce the upfront capex for the Sorby Hills development.
- Under the terms of the deal, BML's Board needs to approve the Sorby Hills FID, and then an appropriate plan can be put in place for plant dismantling and removal. Once BML reaches FID, then it will be responsible for all care and maintenance costs prior to moving it up to Sorby Hills (50km from Kununurra WA).
- BML is yet to provide dismantling, relocation, reassembly and installation costs, but this is expected to be significantly less than the estimated cost for a complete new build which was estimated to be A\$136m in the FEED.
- DeGrussa plant includes: a primary crusher (2.25Mtpa), ore bin, ball mill, SAG mill, flotation circuit, concentrate, tailings thickeners and spares; all ideally suited for the Sorby Hills flowsheet and sized for targeted 100ktpa concentrate production rate.

### Offtake and pre-payment facility, with option to increase ownership

- BML has an offtake agreement with Trafigura, which provides BML with a US\$30m pre-payment facility (interest 5% + SOFR) 5-year term from first draw-down. For the facility. At this stage, 25% of the project Pb-Ag concentrates are unencumbered, providing opportunities for further deals and/or exposure to spot concentrate sales.
- The lead-silver project is currently 75%-owned by BML, but BML an agreement with its JV partner, Henan Yuguang 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 price of A\$23m). Simplified ownership for full exposure to project economics.
- Sorby Hills was planned to be a large-scale open pit operation (2.3Mtpa), ave lead production +64ktpa (with silver credits) over +9 years mine life – peak production 80kt lead. Upfront capex was A\$264m (but savings now expected from the second-hand plant purchase) and C1 Costs (net of credits) US\$0.36/lb Pb. BML continues to progress discussions for project financing for a FID in H2CY25.

## Action

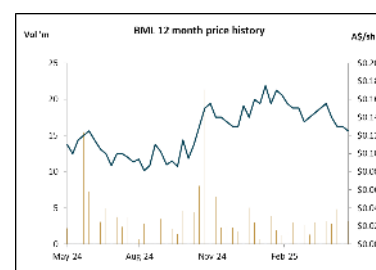
Sensible deal to acquire a "fit for purchase" processing plant at a discounted price. **Speculative Buy retained.** Our latest valuation \$0.39/sh, and **Price Target 50cps** (down from 55cps) both adjusted by project timing, commodity price adjustments and current cash position. Key risks are largely around project funding and execution.

## Analyst

**Mike Millikan**  
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Share Price	0.13	A\$/sh	
Price Target	0.50	A\$/sh	
Valuation	0.39	A\$/sh	
Shares on issue	241	m, dil	
Market Capitalisation	30	A\$m	
Enterprise Value	28	A\$m	
Debt	0.0	A\$m	
Cash	2.7	A\$m	
Largest Shareholder	Villiers	7.6%	
Production F'cast	2027F	2028F	2029F
Payable Lead (kt)	0	72	69
C1 Cost (US\$/lb)	0.00	0.35	0.26
ASIC (US\$/lb)	0.00	0.52	0.37
Assumptions	2027F	2028F	2029F
Pb Price US\$/lb	0.90	0.90	0.90
AUDUSD	0.68	0.68	0.68
Key Financials	2027F	2028F	2029F
Revenue (A\$m)	-1	261	273
EBITDA (A\$m)	-5	103	118
NPAT (A\$m)	-11	23	26
Cashflow (A\$m)	-11	68	82
CFPS (Ac)	-5	29	35
P/CFPS (x)	na	0	0
EPS (Ac)	-5	10	11
EPS growth (%)	na	-3	14%
PER (x)	-3	1	1
EV:EBITDA (x)	na	na	1.0
EV:EBIT (x)	na	na	2.0
DPS (Ac)	0.0	0.0	0.0
Dividend Yield (%)	0%	0%	0%
ND:Net Debt+Equity	75%	64%	44%
Interest Cover (x)	na	401%	5

## Performance



Source: IRESS

### 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).

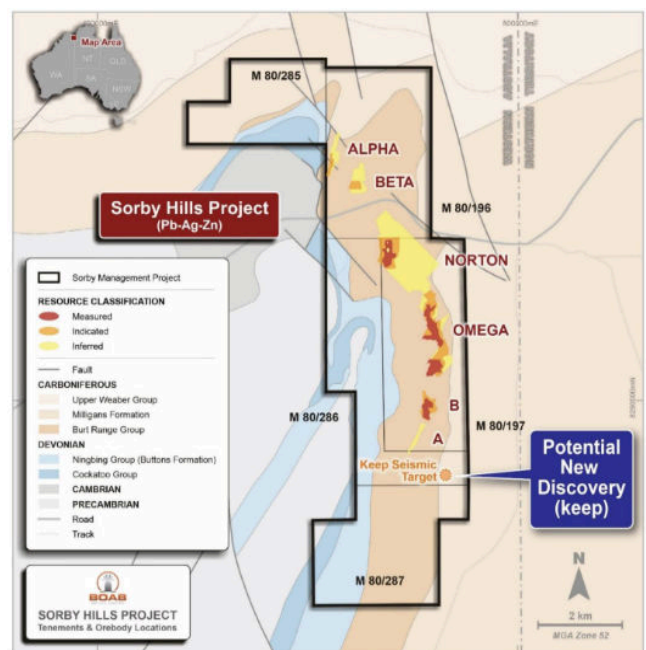
Project well located, nearby regional centre, sealed access roads (recently upgraded by the Federal/State government work programs), fully sealed roads for the proposed concentrate transport from Project to Port (Wyndham), a distance of ~150km. Existing permitting (with granted MLs) which has been updated, lowers development hurdles.

Figure 1: Sorby Hills Project Location



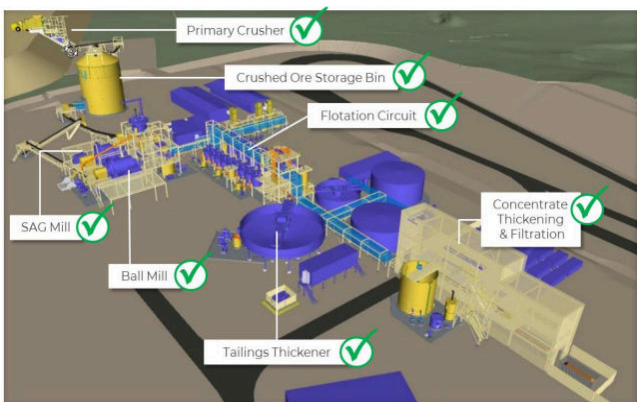
Source: Boab Metals

Figure 2: Sorby Hills Tenure and Deposits



Source: Boab Metals

Figure 3: Sorby Hills Processing Design



Source: Boab Metals

Figure 4: DeGrussa Plant



Source: Boab Metals

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## Company disclosures

The companies and securities mentioned in this report, include:

Boab Metals Limited (BML.ASX) | Price A\$0.13 | Target price A\$0.50 | Recommendation Speculative Buy;

*Price, target price and rating as at 01 May 2025 (\* not covered)*

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