

## Boab Metals Limited: ASX: BML Well Funded to Advance Sorby Hills

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Reading Time: 5 Mins

By Team Ace Investors

Stock Code	ASX: BML
Shares O/S	173.70 million
Closing Price	AUD 0.295
Market Cap	53.84 million
52 High/Low	0.47/0.165
One Year Stock Performance	-16.90%
Avg volume (TTM)	0.35 million
EPS (TTM)	-0.044
P/E	-
Annual Dividend Yield	-
Franking	-
Last Dividend Ex-Date	-
Last Dividend Pay Date	-
DPS (AUD)	-
ROE %	-

### COMPANY OVERVIEW

Boab Metals Limited ("**BML**" or the "**Company**") is a Western Australian-based exploration and development company with interests in Australia and South America. In Australia, the Company is currently focused on developing the Sorby Hills Lead-Silver-Zinc Joint Venture Project in WA. Boab owns a 75% interest in the Joint Venture, with the remaining 25% (contributing) interest held by Henan Yuguang Gold & Lead Co. Ltd. Sorby Hills has located 50km from the regional center of Kununurra in East Kimberley and has existing sealed roads to transport concentrate from the site to the facilities at Wyndham Port, a distance of 150km. Established infrastructure and existing permitting allow for fast-track production.

**On 19th January 2023**, the Company provided the results of the Definitive Feasibility Study ("DFS") on the Company's flagship Sorby Hills Lead-Silver-Zinc project, located in the Kimberley Region of Western Australia. The delivery of the Sorby Hills Definitive Feasibility Study is the culmination of an enormous body of work completed to a high level of confidence and represents a strong result that supports progress towards a Decision to Mine. Highlights of the Study include:

- An updated Mineral Resource Estimate by CSA Global achieved a 78% increase in Measured Resources, further enhancing the geological confidence of the Sorby Hills deposit.
- A 12% increase in Ore Reserves to 15.2Mt, including a 53% increase in Proved Ore Reserves, highlights the Project's economic feasibility.
- Completion of a comprehensive metallurgical program confirming high metal recoveries and providing robust input for the Process Plant design.

Cash Flow		
Lead Revenue	A\$M	1,790
Silver Revenue	A\$M	692
<b>Gross Revenue</b>	<b>A\$M</b>	<b>2,481</b>
Lead Treatment Charge	A\$M	(159)
Silver Refining Charge	A\$M	(32)
Royalties	A\$M	(94)
<b>Net Revenue</b>	<b>A\$M</b>	<b>2,196</b>
<b>Net Operating Cash Flow</b>	<b>A\$M</b>	<b>1,005</b>
Pre-Production Capital	A\$M	(245)
Sustaining Capital & Closure	A\$M	(55)
<b>Net Project Cash Flow</b>	<b>A\$M</b>	<b>705</b>
Value Metrics		
<b>Pre-Tax NPV</b>	<b>A\$M</b>	<b>370</b>
<b>Pre-Tax IRR</b>	<b>%</b>	<b>35%</b>
<b>Average Annual EBITDA</b>	<b>A\$M</b>	<b>119</b>

*Source – Company's Report*

- **The Sorby Hills Project Cash Flows** – The Sorby Hills Project generates A\$705M of pre-tax free cash flow over the Life of the Mine with pre-production capital expenditure of A\$245M, a maximum negative cash balance of A\$272M and an average annualised EBITDA of A\$119M per annum during operations. The Project generates a pre-tax NPV8 of A\$370M and an IRR of 35% (both measured from the start of construction), and a payback period of 2.5 years (measured from the start of operations).

## TECHNICAL CHART



**Note – the stock chart is exhibiting a strong upward movement. Based on 200 day moving average, MACD Bullish Signal Line Cross, and 180 Bullish Setup Indicators, the stock represents a buy case.**

## INVESTMENT RATIONALE

- Significant Pre-Production Upside Potential**– During the Phase VI drilling program a total of +3,020m were drilled across 28 RC holes, including some that were pre-collared by mud rotary drilling and completed with RC drilling. The primary objective of the Phase VI drilling program was to facilitate an increase in the portion of the Beta and the Norton Deposits classified as Ore Reserves. Boab will look to incorporate the remaining Phase V and Phase VI drilling results at Beta and Norton into the Sorby Hills Resource, further optimisation of the mining schedule and recoveries, and the opportunity to refine costs and identify cost savings throughout the contracting and detailed design process.
- \$5.5 Million to Kick-Start Development of Sorby Hills** – The Company has successfully raised \$5.5 million (before Costs) to kick-start development of the Company's flagship Sorby Hills Lead-Silver-Zinc Project. Boab's ongoing strategy has been to advance project execution workstreams in parallel with the completion of the Definitive Feasibility Study. In particular, the opportunistic acquisition of the Accommodation Camp demonstrates the benefit of our parallel approach and represents a significant saving to the Project relative to a new camp. The modest Placement is consistent with our strategy and, together with finalising payment for the camp, will allow the Company to bring forward key elements of the Project development timeline.

- **Project Financing Need Sorted** – The Company's Project will be funded via a combination of debt (borrowed against 100% of the Project assets and cashflows) and equity contributed by the Sorby Hills Joint Venture partners in proportion to their interest in the Joint Venture. The Company has had ongoing engagement with Australia Government lending agencies, the Northern Australia Infrastructure Facility ("NAIF") and Export Finance Australia ("EFA"), as well as a range of local and international commercial banks. Selected financiers, including NAIF, undertook a site visit of the Sorby Hills project site and Wyndham Port in October 2021. Following the release of the DFS, the Company will step up its engagement with Financiers, including the completion of typical project finance due diligence workstreams, including an Independent Technical Review (of which a review of the Resource and Metallurgy has been completed), with a view to securing binding terms sheet by May 2023.
- **Sorby Hills JV Partnership with Yuguang Gold and Lead Co., Ltd**—Boab and 25% Joint Venture partner Henan Yuguang Gold and Lead Co Ltd (China's largest Lead smelting company and Silver producer) ("Yuguang") will work with potential financiers, including Northern Australia Infrastructure Facility ("NAIF"), Export Finance Australia ("EFA") and other domestic and international financial institutions, toward a Final Investment Decision and a Decision to Mine in mid-2023.
- **Negotiations With Offtakers Have Reached an Advanced Stage** – Interest in the Sorby Hills concentrate has been strong, and Boab has received offtake offers that, in total, far exceed the planned production capacity. Negotiations with a selected range of international traders and domestic and international smelters have now advanced to the point where detailed offtake terms sheets, including associated debt financing facilities, are being considered and finalised.

#### **ACE's RECOMMENDATION:**

The Company's DFS Study has been undertaken against a dynamic economic backdrop and has largely withstood the impact of global inflationary pressure. The Company indicated that approximately 75% of the pre-production capital expenditure and direct mining costs are underpinned by current tendered pricing, thus minimising the risk of substantial cost increases between study completion and execution of final contracts.

With the DFS released, the Company will now look to conclude negotiations with Offtakers who are well advanced, finalise Independent Technical due diligence on the Project, and secure debt finance. We look forward to working closely with our Joint Venture partner Yuguang towards a Decision to Mine in mid-2023 and bringing Sorby Hills into production for the benefit of shareholders and the local Kununurra and East Kimberley communities.

Sorby Hills is on track to become a significant mineral export project that will deliver material economic benefits to the Kimberley Region of Western Australia. The positive results also revealed opportunities that could materially increase the mining inventory at Sorby Hills through additional drilling. We recommend the stock as a **SPECULATIVE BUY** at the closing price of \$0.295.

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