

Boab Metals Limited

13 January 2021

Coverage post name change

BML ASX \$0.49 TARGET PRICE \$0.85

Resources

BUY

75% owned Sorby Hills Lead Silver Project in WA has a completed a Preliminary Feasibility Study and is moving towards financial close in November 2021 and then construction. Production planned to be 47Ktpa lead and 1.4Mozpa silver in concentrate for 10 years.

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RAWSON LEWIS

Momentum building towards project delivery

Name change and share consolidation complete

Pacifico has been renamed Boab Metals Limited and the shares consolidated 25 to 1, giving the new shares on issue of 152.2m. Our price target has been refined to 85cps vs the previous 25x 3.5cps of 87.5cps.

Boab Metals is strongly positioned to deliver Sorby Hills

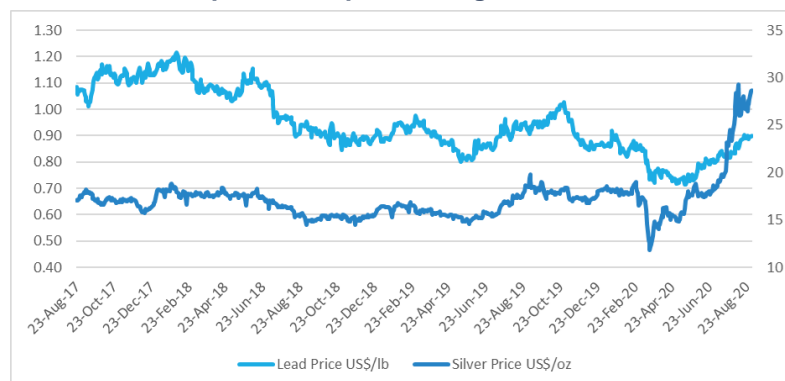
1. Funding to DFS complete,
2. positive results from drilling,
3. material addition to reserves likely,
4. NAIF may supply substantial funding, and
5. share consolidation improves liquidity

12 month target 85cps on NPV and earnings multiples

Our price target of 85cps is in the middle of our valuation ranges based on NPV or PER multiples. Key drivers for achieving this target include:

1. Rising commodity prices in post COVID-19 recovery. A change of A\$0.01/lb lead price or A\$1/oz silver price changes the Net Present Value of Boab by 2.5cps.
2. Exploration success from current program increasing annual production and mine life.
3. DFS derisking project with clarity on costs and financing

Lead and silver prices in uptrend as global demand recovers



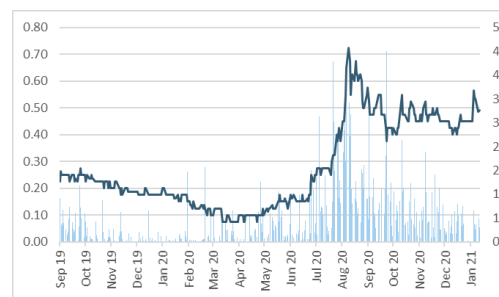
Company Data

Shares Outstanding (M)	152
Price (\$/sh)	0.490
Market Capitalisation (\$M)	74.5
Free Float (%)	100%
Free Float Market Capitalisation (\$M)	74.6
12 Month Low (\$/sh)	0.05
12 Month High (\$/sh)	0.750
Average Daily Volume ('000)	580

Data Source: ASX, Company, Rawson Lewis est.

Earnings Summary (A\$M)				
Year end June	FY21	FY22	FY23	FY24
Sales revenue	0	0	0	193.74
EBITDA	-3	-2	-3	111
PBT	-3	-1	-7	79
Underlying NPAT	-2	-1	-5	55
Reported NPAT	-2	-1	-5	55
Reported EPS (c)	-1.3	-0.4	-2.1	23.51
Underlying EPS (c)	-1.3	-0.4	-2.1	23.5
DPS (c)	0	0	0	0
PER	na	na	na	1.9
Franking (%)	na	na	na	na
Dividend Yield (%)	na	na	na	na
Gross Yield (%)	na	na	na	na

Price Graph to 12/1/21



Source: IRESS, Share price A\$/sh LHS, Turnover millions of shares RHS

Directors & Management

Gary Comb	Chairman
Simon Noon	Managing Director
Richard Monti	Non-Executive Director
Andrew Parker	Non-Executive Director

Shareholders at Jan 2021

Villiers	10.4%
Directors	2.6%

PACIFICO MINERALS LIMITED

PMY-ASX

Share Price A\$/sh	0.490			
Price Target A\$/sh	0.850			
PROFIT AND LOSS A\$M	FY21F	FY22F	FY23F	FY24F
Total Revenue	0.0	0.0	0.0	193.7
COGS	0.0	0.0	-1.8	-81.6
Gross Profit	0.0	0.0	-1.8	112.1
Gross Profit Margin	na	na	na	57.9%
SG&A	-3.0	-1.5	-1.5	-1.5
EBITDA - Reported	-3.0	-1.5	-3.3	110.6
D&A	0.0	0.0	0.0	-24.9
EBIT - Reported	-3.0	-1.5	-3.3	85.7
Total Financial Income	0.0	0.1	-3.7	-7.0
PBT	-3.0	-1.4	-7.0	78.7
Tax Expense	0.9	0.4	2.1	-23.6
NPAT	-2.1	-1.0	-4.9	55.1
Minorities	0.0	0.0	0.0	0.0
Earned for Ordinary	-2.1	-1.0	-4.9	55.1
EPS A cps	-1.35	-0.43	-2.10	23.51
Ordinary shares M	152	234	234	234
Dividend A cps	0.0	0.0	0.0	0.0
EBITDA Margin %	na	na	na	57.1%
Return on Equity:	na	na	na	50.0%
Return on Invested Capital:	na	na	na	41.4%
PER	na	na	na	2.08
Price/Book	6.92	2.56	2.88	1.21
Book value A\$/sh	0.07	0.19	0.17	0.41
VALUATION (NPV)	FY21F	FY22F	FY23F	FY24F
Sorby Hills 2020 PFS	129.5	143.1	242.1	258.0
Corporate Overhead	-7.8	-7.6	-7.3	-7.0
Cash on hand	4.1	27.3	32.9	68.2
Debt	0.0	0.0	-100.	-80.0
Net Working Capital	0.2	-1.5	-11.0	6.3
Valuation A\$M	126.0	161.4	156.7	245.5
Valuation A\$/sh	0.828	0.689	0.669	1.048
Discount Rate	10.5%			
OPERATING DATA (PMY 75%)	FY21F	FY22F	FY23F	FY24F
Ore Processed Kt	0	0	0	1775
Lead Grade %	0.0%	0.0%	0.0%	5.4%
Silver Grade g/t	0.0	0.0	0.0	53.4
Lead Contained Kt	0	0	0	95
Silver Contained Koz	0	0	0	3045
Lead Recovery	0.0%	0.0%	0.0%	91.1%
Silver Recovery	0.0%	0.0%	0.0%	81.3%
Recovered Lead Kt	0.0	0.0	0.0	86.6
Recovered Silver Koz	0	0	0	2475
Conc Grade Lead	0.0%	0.0%	0.0%	62.0%
Conc Grade Silver	0	0	0	551
Concentrate Prodn Kt (dry)	0.00	0.00	0.00	139.64
Sales				
Concentrate Sold Kt	0	0	0	137
Lead Contained Kt	0.0	0.0	0.0	84.8
Silver Contained Koz	0	0	0	2458
Lead Payable Mlb	0.0	0.0	0.0	177.0
Silver Payable Moz	0.00	0.00	0.00	2.33
Lead Revenue A\$M	0.0	0.0	0.0	235.1
Silver Revenue A\$M	0.0	0.0	0.0	60.8
Treatment Charges A\$M	0.0	0.0	0.0	-37.6
PMY Share of Net Revenue A\$M	0.0	0.0	0.0	193.7

CASH FLOW YE June	FY21F	FY22F	FY23F	FY24F
Receipts from customers	0.2	0.0	0.0	190.0
Payments to Suppliers	-3.7	0.2	6.2	-96.7
Interest (Paid) / Received	0.0	0.1	-3.7	-7.0
Tax (Paid)	0.0	0.0	0.0	0.0
Operating cashflow	-13.5	-4.7	2.5	86.3
Capital expenditure	0.0	-12.0	-96.9	-28.3
Asset Sales				
Acquisitions				
Divestments				
Other Investing				
Investing cashflow	0.0	-12.0	-96.9	-30.9
Free Cash Flow	-13.5	-16.7	-94.5	55.4
Net Equity Raisings	15.4	40.0	0.0	0.0
Proceeds from Pre Sales	0.0	0.0	0.0	0.0
Shares Repurchased				
Net Borrowing	0.0	0.0	100.0	-20.0
Ordinary Dividends paid	0.0	0.0	0.0	0.0
Other	-0.8	0.0	0.0	0.0
Financing cashflow	14.6	40.0	100.0	-20.0
Exchange rate adjustment	0.0	0.0	0.0	0.0
Net change in cash	1.1	23.3	5.5	35.4
BALANCE SHEET YE June	FY21F	FY22F	FY23F	FY24F
Cash	4.1	27.3	32.9	68.2
Receivables	0.0	0.0	0.0	3.7
Inventories	0.5	0.0	0.0	14.8
Total Current Assets	4.6	27.3	32.9	86.8
PP&E	0.0	12.0	109.0	112.4
Intangibles				
Expln & Mine Devt	5.3	5.3	5.3	7.9
Deferred Tax Asset	1.8	2.3	4.4	4.4
Total Non Current Assets	7.1	19.5	118.6	124.6
Total Assets	11.7	46.9	151.5	211.4
Trade Payables	0.3	1.5	11.0	12.2
Prepaid Revenue	0.0	0.0	0.0	0.0
Borrowings	0.0	0.0	100.0	80.0
Leveraged Leases				
Current Tax Liabilities	0.0	0.0	0.0	23.6
Deferred Tax Liabilities	0.2	0.2	0.2	0.2
Provisions	0.4	0.4	0.4	0.4
Total Liabilities	0.9	2.1	111.6	116.4
Net Assets	10.8	44.8	39.9	95.0
Issued Capital	48.4	88.4	88.4	88.4
Reserves	1.6	1.6	1.6	1.6
Retained Profits	-29.0	-30.0	-35.0	20.1
Shareholder Equity	20.9	59.9	55.0	110.1
ASSUMPTIONS	FY21F	FY22F	FY23F	FY24F
Lead Price US\$/lb	0.00	0.93	0.94	0.95
Silver Price US\$/oz	0.00	18.23	18.41	18.60
AUSUSD	0.00	0.71	0.71	0.71
Cost Inflation	0.0%	1.0%	1.0%	1.0%
Unit Costs				
Mining A\$/lb Lead				0.19
Processing G&A A\$/lb				0.24
Selling Costs A\$/lb				0.37
Byproduct A\$/lb				-0.32
C1 costs A\$/lb				0.48
Sustaining Capex A\$/lb				0.02
AISC A\$/lb				0.50

Valuation base case 82.8cps on 10.3% WACC, 3yr ave prices and reserve +50%

The valuation of the company remains highly sensitive to the lead and silver prices and the AUDUSD rate assumed, as well as discount rate and exploration success.

Following the approach of our last note, our valuation starting point is the three-year average of A\$ commodity prices, which delivers a valuation of 68cps at a 7% discount rate, which is the rate we estimate based on the Capital Asset Pricing Model. However, our current base case discount rate is 50% higher at 10.3%, generating 48.4cps reflecting the risk of basing earnings on a PFS. We would expect the discount rate to migrate to 7% as the company goes into production.

We believe that over the next twelve months, the project will increase in size (ie life) due to reserve addition, and our base case assumes a 50% increase in reserves, increasing the NPV at the 10.3% discount rate to 82.8cps, and if we run the same case at last (31 Dec 2020) spot prices, we generate a NPV of 84.6cps. Every additional 1mt of reserves adds 5cps to the valuation at the 3 year average assumptions. We believe this mix is supportive of our 85cps price target.

If we were to value the company at 7x the average earnings of the first 5 years, we end up with a 71cps valuation at the 3 year average, or 76cps at spot prices (31 December 2020).

Table 1 Valuation before and after consolidation – A\$M valuation unchanged

	Lead US\$/lb	Silver A\$/oz	AUDUSD	NPV @ 10.3%	NPV @ 7%	5yr Ave EPS	EPS x 7
3yr Ave	0.92	18.03	0.71	0.484	0.679	0.090	0.628
3yr Ave + 50% reserve increase	0.92	18.03	0.71	0.828	1.205	0.102	0.713
Spot + 50% reserve increase	0.89	26.41	0.77	0.846	1.221	0.108	0.757

Source: Rawson Lewis estimates

The current spot prices result in a lower NPV than in our December research, highlighting the sensitivity of the valuation to assumptions. In the last three years, the lead prices ranged between A\$1.10/lb and A\$1.50/lb and Silver between A\$20/oz and A\$41/oz.

Table 2 Sensitivity: Valuation in A\$/sh at various A\$ lead and silver prices

Lead Price A\$/lb	1.20	1.40	1.60	1.80
Silver Price A\$/oz				
25	0.310	0.682	1.055	1.427
35	0.570	0.942	1.314	1.687
45	0.830	1.202	1.574	1.947
Plus 50% Mine Extension				
25	0.626	1.060	1.494	1.928
35	0.910	1.344	1.779	2.213
45	1.195	1.629	2.063	2.497

Source: Rawson Lewis estimates

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