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Myanmar Metals (MYL)

Discovery of high-grade copper lode enhances Bawdwin's value

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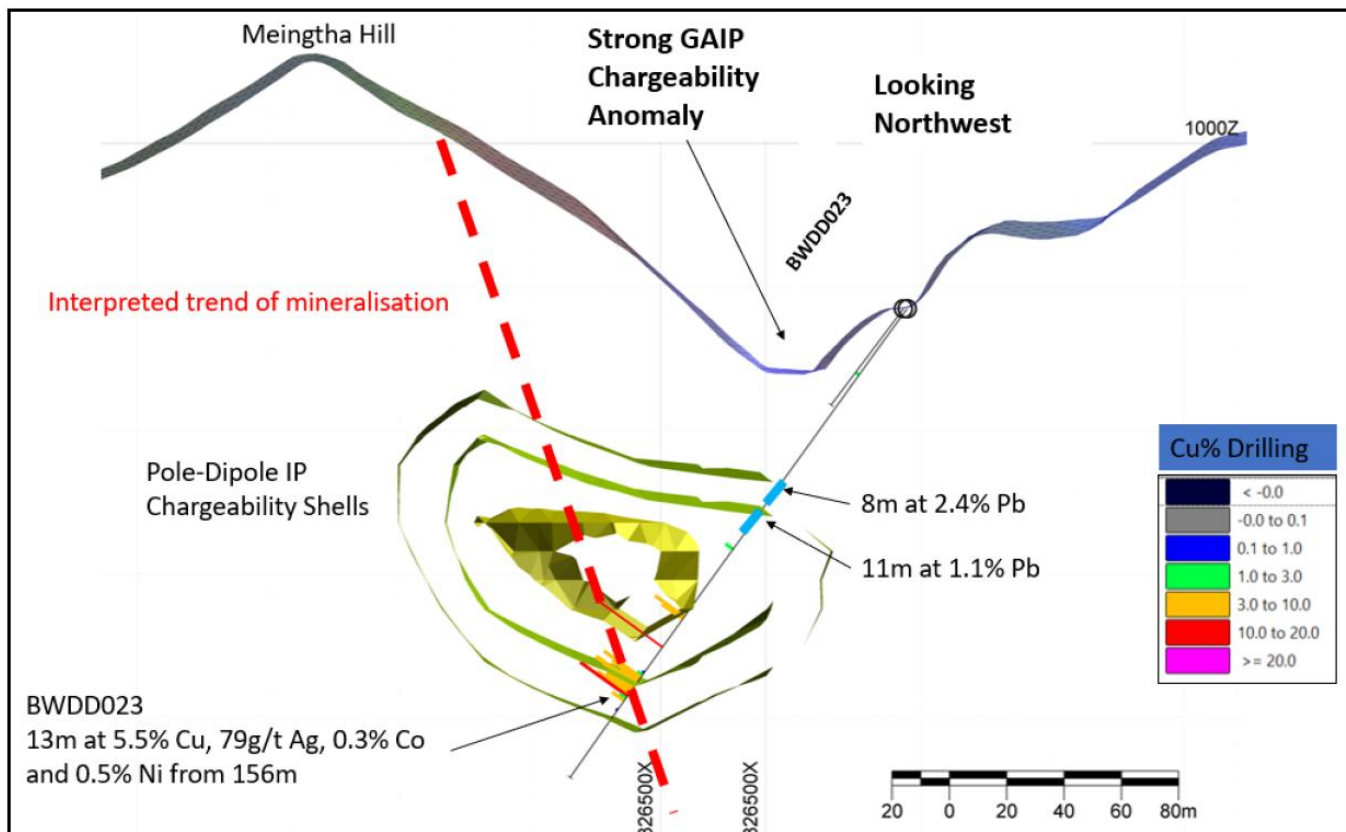
Stock	MYL
Recommendation	SPEC BUY
Current Price	\$0.081
Valuation	\$0.40
Target Price	\$0.20

Event and First Take | New copper discovery - Positive

ER Valley copper discovery

The first drill hole to reach target depth at the ER Valley prospect has hit high grade copper with an intercept of 13m @ 5.5% Cu, 2.5oz/t Ag, 0.3% Co and 0.5% Ni from 156m (Hole BWDD023). The ER Valley is located south of the main resource encompassing the Shan, China and Meingtha lodes which hosts 94Mt @ 6.3% Zn+Pb, 3.4oz/t Ag and 0.2% Cu. Drilling of this prospect followed the first major electromagnetic geophysical survey which highlighted a strong GAIP chargeability anomaly. Hole BWDD023 also included an intercept of 8m @ 2.4% Pb from 111m. The surface gradient IP anomaly is roughly 500m long, highlighting potential for significant scale.

Figure 1: Cross section through the ER Valley showing the discovery hole BWDD023



Source: MYL

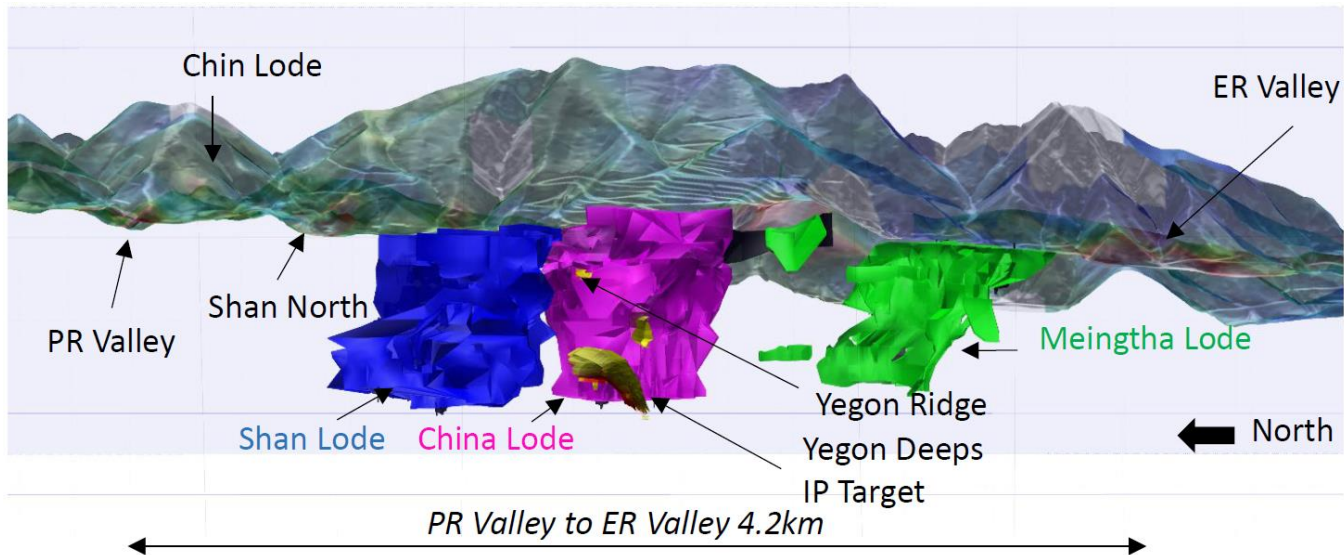
Copper potential

It appears that Bawdwin may be flanked to the north and south by high grade copper with similar mineralisation also recorded at the Chin Lode to the north. The Chin Lode had a historic (non-JORC) resource of ~10Mt at ~5.5% Cu (mainly mined out). Lead rich mineralisation is interpreted to occur in the shallow contact of sandstone and porphyritic rhyolite units while copper is more commonly within deeper rhyolite geology. Given the interpreted location of Yegon Deeps mineralisation within rhyolite, it is possible that this lode will also be copper rich. Copper was not the focus of previous miners at Bawdwin and was generally avoided in historic workings. MYL has defined a Cu-Co-Ni resource of 4.4Mt @ 3.1% Cu, 7.8% Zn+Pb and 5.7oz/t Ag within the greater 94Mt Bawdwin resource. Mining and processing of copper rich mineralisation outside the Shan, China and Meingtha lodes is unlikely to be included in the upcoming PFS (due late-April to early-May), but offers significant value upside to the project. We also highlight the value potential from coincident cobalt and nickel within the copper mineralisation, as seen in hole BWDD023 (0.3% Co and 0.5% Ni).

Bawdwin yielding new discoveries as expected

MYL is the first company to launch a modern exploration program on the greater Bawdwin deposit. Historically, very few drill holes probed beyond the known lodes striking ~1.2km and earlier exploration mainly consisted of underground face sampling of exploration drives. Given the number of gossans and artisanal workings mapped over an 8km strike length, the discovery of new lodes is hardly a surprise. In addition to the ER valley discovery, MYL also discovered the Yegon Ridge lode(s) to the west of the China Lode (announced December 2018) with an initial intercept of 16M @ 8.5% Zn+Pb, 4.7oz/t Ag and 0.9% Cu. Exploration is ongoing at the Yegon prospect, including downhole EM to define drill targets for the Yegon Deeps anomaly. Other untested targets within the Bawdwin project include; Chinese adits south of the ER Valley, an anomaly on the southwest edge of MYL's lease, a small geophysical target at the PR Valley and a geophysical extension of the defined Shan Lode at Shan North.

Figure 2: Longitudinal section through the Bawdwin Project



Source: MYL

Recommendation and View

This is potentially one of the most significant announcements by MYL to date. We previously highlighted the copper potential of the project, which is now emerging as an additional value driver. Argonaut expects ongoing regional exploration success from this world class project which we predict will host multiple open pit and underground polymetallic mines. Our \$0.40 valuation is discounted by 50% to account for permitting, financing and country risks to achieve a \$0.20 target price, but still offers substantial upside to the current share price. SPEC BUY recommendation maintained.

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Important Disclosure

Argonaut acted as Lead Manager to the Placement that raised \$35M in June 2018 and received fees commensurate with this service. Argonaut acted as exclusive Financial Adviser to MYL in relation to the Perilya financing and continues to act as Financial Adviser to MYL and will receive fees commensurate with this service. Argonaut holds or controls 1M MYL shares and 35M MYL Options exercisable at \$0.078 on or before 15 June 2020.

The reporting analyst(s) owns shares in MYL

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