



Myanmar Metals Ltd (MYL.ASX)

Silver linings playbook

Event:

- June quarter report; Silver sensitivity; PT change.

Investment Highlights:

- Still expecting completion of permitting in 2020.** MYL released its June quarter report. A key message was that permitting – to be ultimately finalised by issue of a Foreign Investment Permit by the Myanmar Investment Commission (MIC) - is expected to complete in CY20, despite the disruption caused by COVID-19.
- Engaging with Government.** MYL is engaging with government officials via conferencing, and still has some staff in Myanmar as well as partners WMM and EAF. Should it be necessary for senior MYL management to be present at receipt of the permit, there are avenues from both Australia and Myanmar to apply for business travel. MYL is also similarly engaging with offtakers and financiers.
- Key documents being submitted.** The company has submitted its Environmental Scoping Study, with no objections to date cited, and is working to finalise other key documents, most notably the Production Sharing Agreement (PSA), a key prerequisite for the MIC permit.
- Cash burn of \$4M, but likely to drop in current quarter.** MYL ended June with \$11M. Burn was \$4M comprising mostly exploration and technical studies related to the DFS. The company expects similar burn in the current quarter, but given on-ground exploration has ceased, we expect it to slightly reduce.
- Most recent exploration highlighted strike extension.** MYL's last drill hole was in ER Valley which extended the strike and tantalisingly suggested it may link with Meingtha 150m away.
- Silver price highlights leverage: a US\$2/oz move adds 1.2cps to MYL valuation.** Silver price has rallied, the gold/silver price ratio adjusting following gold's strength, which spotlights MYL's silver leverage. The PFS estimated 31% of Bawdwin revenues from silver, on our commodity forecasts we estimate 34%. We rank Bawdwin 12th globally among deposits in contained silver ounces.
- Examining marketing and transport route to non-China offtakers.** MYL recently announced it is examining feasibility of shipping concentrate through Yangon which allows it access to non-China offtakers (e.g. North Asia, Australia) which would provide it more flexibility in offtake and financing negotiations.

Earnings and Valuation:

- We have made no changes to earnings.**
- Risked share valuation increases to \$0.14 from \$0.10.** Given the share price move since our prior report, our risked (0.7x) NPV of MYL has increased to \$0.14 from \$0.10 due to assuming a less dilutive priced equity raising, while our unrisks NPV increases to \$0.21 from \$0.14. Our LT silver price is US\$18.44/oz vs spot of US\$24.68/oz (the latter which would imply \$0.17 risked valuation).

Recommendation:

- Maintain Buy, 12-month PT lifted to \$0.14 (prior \$0.10).** We maintain our Buy, and lift our PT in-line with the risked NPV valuation.
- Catalysts for the share price include:** 1) PSA and Foreign Investment Permit; 2) DFS; 3) Offtake and financing; 4) FID; 5) Start of construction; and 6) Mining.

Disclosures

The analyst owns 428,000 MYL shares. Foster Stockbroking and associated entities (excluding Cranport Pty Ltd) own 428,000 MYL shares. Cranport Pty Ltd does not own MYL shares. Refer details end of report.

Recommendation		Buy			
Previous		Buy			
Risk		High			
Price Target		\$ 0.14			
Previous		\$0.10			
Share price (A\$)		\$ 0.08			
ASX code		MYL			
52 week low-high		0.023-0.081			
Valuation (A\$/share)		\$ 0.14			
Methodology		risked NPV			
Capital structure					
Shares on Issue (M)		1,769			
Options (M)		62			
Market cap (A\$M)		141			
Net cash (debt) (A\$M)		15			
EV (A\$M)		126			
Ave daily volume ('000)		2,463			
Earnings Y/e Jun A\$M		FY19a	FY20e	FY21e	FY22e
Sales		0	0	0	0
EBITDA adj		-16	-17	-17	-18
NPAT reported		-16	-16	-16	-23
NPAT adj		-16	-16	-16	-23
EPS adj. \$*		-0.01	-0.01	-0.01	-0.01
PE x		nm	nm	nm	nm
EV/EBITDA x		nm	nm	nm	4.6

*Adj =underlying

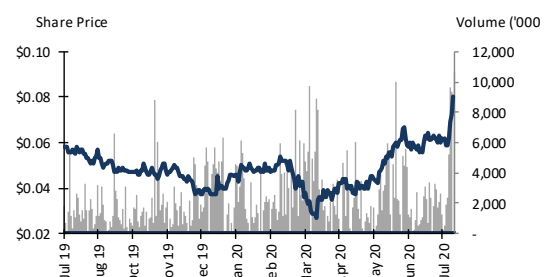
Substantial shareholders

Perilya Limited	18%
Yandal Investments Pty Ltd	11%

Board

John Lamb	Non-Executive Chairman and CEO
Rowan Caren	Executive Director
Jeffrey Moore	Non-Executive Director
Paul Arndt	Non-Executive Director
Andrew Teo	Non-Executive Director

Share price graph



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Myanmar Metals (MYL)

Full Year Ended 30 June

Profit and Loss A\$M	2019a	2020e	2021e	2022e
Revenue	0	0	0	0
Operating Costs adj.	16	17	17	18
EBITDA adj.	-16	-17	-17	-18
D&A	0	0	0	0
EBIT adj.	-16	-17	-17	-18
Net Interest exp / (income)	0	0	0	5
PBT adj.	-16	-16	-16	-23
Tax exp / (benefit) adj.	0	0	0	0
NPAT adj.	-16	-16	-16	-23
Non-recurring items	0	0	0	0
NPAT reported	-16	-16	-16	-23

EPS diluted (\$) adj. -0.01 -0.01 -0.01 -0.01

Cashflow A\$M	2019a	2020e	2021e	2022e
EBITDA adj.	-16	-17	-17	-18
Change in WC	0	0	0	0
Tax paid	0	0	0	0
Other	2	0	2	2
Net interest	0	0	0	-5
Share based payments	1	0	0	0
Operating Cashflow	-14	-16	-14	-21

Purchase of PP&E	0	0	0	0
Acquisitions	0	0	0	0
Capitalised expenses	0	0	-15	-178
Investments	0	0	0	0
Investing Cashflow	0	0	-15	-178

Equity issue	21	5	124	0
Debt proceeds	0	0	124	0
Debt repayments	0	0	0	0
Other	-1	0	0	0
Financing Cashflow	20	5	248	0

Net Cashflow 6 -11 219 -198

Balance Sheet A\$M	2019a	2020e	2021e	2022e
Cash	23	11	230	32
Receivables	3	0	0	0
PPE	0	0	0	0
Capitalised exploration	20	20	34	212
Intangibles	0	0	0	0
Other	0	4	4	4
Total Assets	46	35	269	248

Accounts payable	2	1	1	1
Provisions	0	1	1	1
Debt	0	0	124	124
Other	0	0	3	5
Total Liabilities	3	3	129	131

Reserves and capital	91	96	219	219
Retained earnings	-47	-64	-80	-103
Total Equity	43	32	139	116

Shares	2019a	2020e	2021e	2022e
Wtd ave shares (M)	1,290	1,530	1,769	1,769
Wtd ave share diluted (M)	1,290	1,530	1,831	1,831

Company Valuation

DCF, WACC 10% nominal

Segment	Unrisked		Risked	
	A\$M	A\$/sh	A\$M	A\$/sh
Bawdwin 51% PFS	266	\$0.08	159	\$0.06
Cu potential	86	\$0.02	26	\$0.01
Resources ex-PFS	161	\$0.05	81	\$0.03
Potential tax holiday	115	\$0.03	57	\$0.02
Corporate	-38	-\$0.01	-23	-\$0.01
Net cash (debt)	11	\$0.00	11	\$0.00
Cash from in money options	5	\$0.00	3	\$0.00
Cash from future equity	121	\$0.03	73	\$0.03
Total	726	\$0.21	387	\$0.14
Shares now M	1,769		1,769	
Options-in-money at valuation M	62		37	
Shares future issue M	1,681		1,008	
Full diluted shares M	3,511		2,814	

Commodity Assumptions

	2019a	2020e	2021e	2022e
Prices				
Zinc US\$/lb	1.21	1.11	1.04	1.05
Lead US\$/lb	0.91	0.90	0.89	0.89
Copper US\$/lb	2.79	2.79	2.78	2.82
Silver US\$/oz	15.02	16.95	17.54	18.08
A\$/U\$	0.73	0.67	0.69	0.70

Production contained metals (kt)*

Zinc (kt)	0	0	0	0
Lead (kt)	0	0	0	0
Silver (koz)	0	0	0	0

Costs (US\$/lb)*

C1 payable Zn	na	na	na	na
AISC payable Zn	na	na	na	na

Capital structure current

Ordinary shares	1,769
Options	62
Fully diluted	1,830

JORC Resources and Reserves

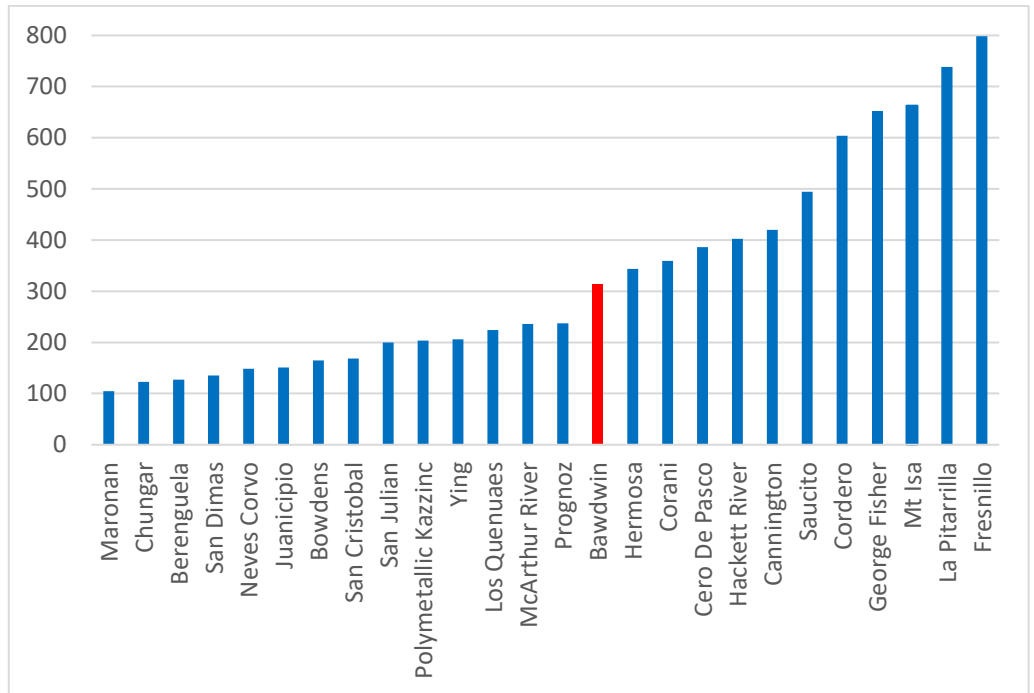
Bawdwin (100%)	Ore Mt	Pb	Zn	Cu	Ag g/t
Reserves	18.4	6.4%	3.4%	0.2%	169
Indicated	42.4	4.0%	2.0%	0.2%	100
Inferred	58.2	4.1%	1.8%	0.2%	96
Resources	100.6	4.0%	1.9%	0.2%	97

Source: Company; Foster Stockbroking estimates



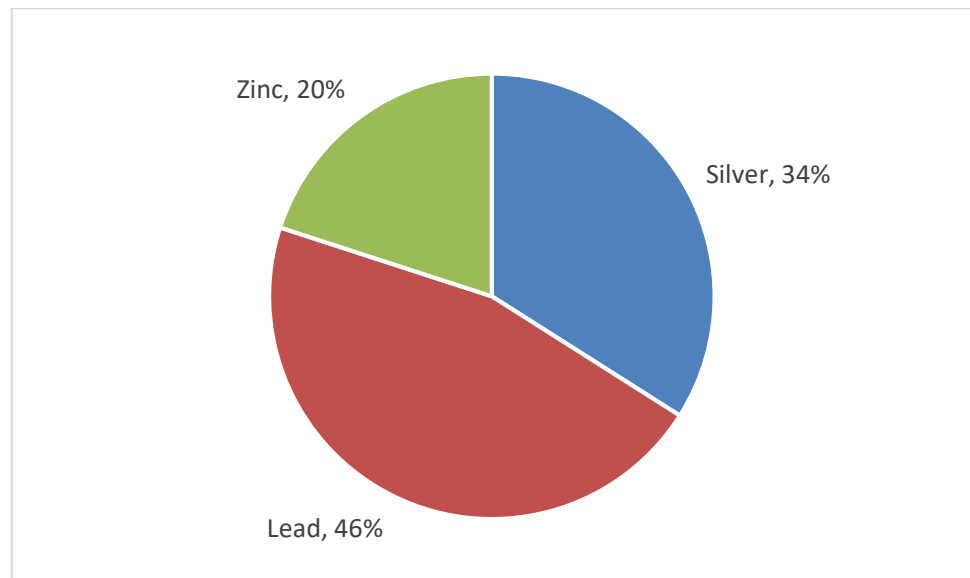
SILVER LININGS PLAYBOOK – THE CHARTS

Figure 1: Global Deposits Ranked by Contained Silver (Moz)



Source: Companies; Foster Stockbroking estimates.

Figure 2: Bawdwin Revenue by Commodity



Source: Foster Stockbroking estimates.



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Specific disclosure: Foster Stockbroking staff, including the analyst, undertook a site visit to Myanmar in February 2020 for which international flights, accommodation, and other related expenses were paid for by MYL.

Review disclosure: The report was authored by the analyst named on the front page of the report and was reviewed and checked by Matthew Chen, Research Analyst.

Disclosure review. All the disclosures in the report have been reviewed and checked by Keith Quinn, Compliance.
