

SPEC BUY

Current Price	\$0.072
Valuation	\$0.30
Target Price	\$0.18

Ticker:	MYL
Sector:	Metals and Mining
Shares on Issue (m):	1,768.6
Market Cap (\$m):	122.0
Net Cash (\$m):	14.0
Enterprise Value (\$m):	108.0
52 wk High/Low:	\$0.07 \$0.03
12m Av Daily Vol (m):	2.13

Bawdwin Ore Reserve

Tonnes	Silver	Lead	Zinc
Mt	oz/t	%	%
18.4	5.4	6.4	3.4

Bawdwin Total JORC Resource

Tonnes	Silver	Zinc + Lead	Copper
Mt	oz/t	%	%
100.6	3.1	5.9	0.2

Bawdwin Primary High Grade Resource (inclusive)

47.0	5.2	10.2	0.2
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Bawdwin Discrete Copper Resource (inclusive)

Tonnes	Copper	Zinc + Lead	Silver
Mt	%	%	oz/t
4.4	3.0	7.8	5.7

Key Metrics (Argonaut Assumptions)

Capex Estimate	US\$300m
Steady State EBITDA (100% Basis)	US\$148m
Project NPV ₁₂ (100% Basis)	A\$640m
Development Stage	PF5

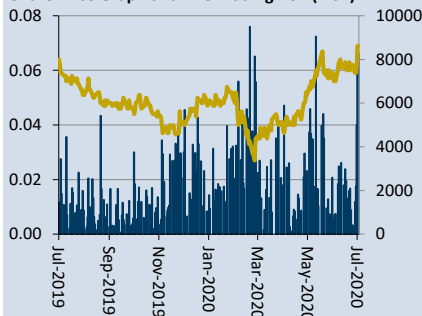
Board

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

Substantial Shareholders

Perilya Ltd	18.1%
Yandal Investments	11.5%

Share Price Graph and Ave Trading Vol. (msh)



Please refer to important disclosures at end of the report (from page 4)

Friday, 24 July 2020

Myanmar Metals (MYL)

Silver leverage

Analyst: Matthew Keane

Quick Read

For 2020 year to date, silver price gains have lagged gold, but more recently the gold / silver ratio is narrowing (currently 1oz gold = 84oz silver). Spot silver is up 25% month to date at US\$23/oz. While there are +150 ASX listed gold stocks, there are very few companies which offer exposure to silver. Myanmar Metals' (MYL) Bawdwin Project (51% MYL) is the 10th largest deposit globally by contained silver with a high-grade resource of 100Mt @ 3.1oz/t Ag, 5.9% Zn+Pb and 0.2% Cu for ~+300Moz contained silver. MYL is in advanced stages of attaining the approvals from the Myanmar Investment Commission (MIC), to enable the Company to develop of the project as a majority owner. We see this approval as a major de-risking milestone for the Company.

Key points

Silver lining: Bawdwin is the 10th largest primary silver resource globally and the second largest held by an ASX listed company, behind South 32. Furthermore, Bawdwin is a high-grade resource at 3.1oz/t silver or ~9oz/t silver equivalent (AgEq.). The deposit is open at depth and regionally along strike, as evidenced by the discovery of multiple new lodes in 2019-2020 exploration programs, including the copper rich ER Valley Lode (see [link](#) to previous research). At spot prices, we estimate silver alone will contribute ~US\$110mpa attributable revenue to MYL, increasing our net asset valuation NAV by ~20% to \$0.36ps (our current model assumes US\$17/oz silver price). Argonaut sees potential to use silver streaming to fund up to US\$100m of the estimated US\$300m pre-production capital.

MIC the key de-risking event: MYL is in the process of finalising a Profit Sharing Agreement (PSA) with the Myanmar Ministry of Natural Resources and Environmental Conservation (MONREC). The PSA is a prerequisite agreement for a foreign investment permit which is submitted to the Myanmar Investment Commission (MIC). This permit enables MYL, as a foreign owned entity, to control a majority stake in the Bawdwin Concession. This process is expected to conclude by September 2020 ahead of the Federal Election, which has been set for the 8th November 2020. We believe the current Government will be highly motivated to finalise approvals before the election as the project will be a significant investment for the country and provide much-needed employment in the Shan state. In a recent Government report detailing initiatives to recover from COVID-19, the fast tracking of foreign investment projects was prioritised. The following is quoted from a section to promote investment: "Approve and disclose large private pipeline investments proposed and committed by reputable international firms (currently experiencing delays) through fast-track procedures".

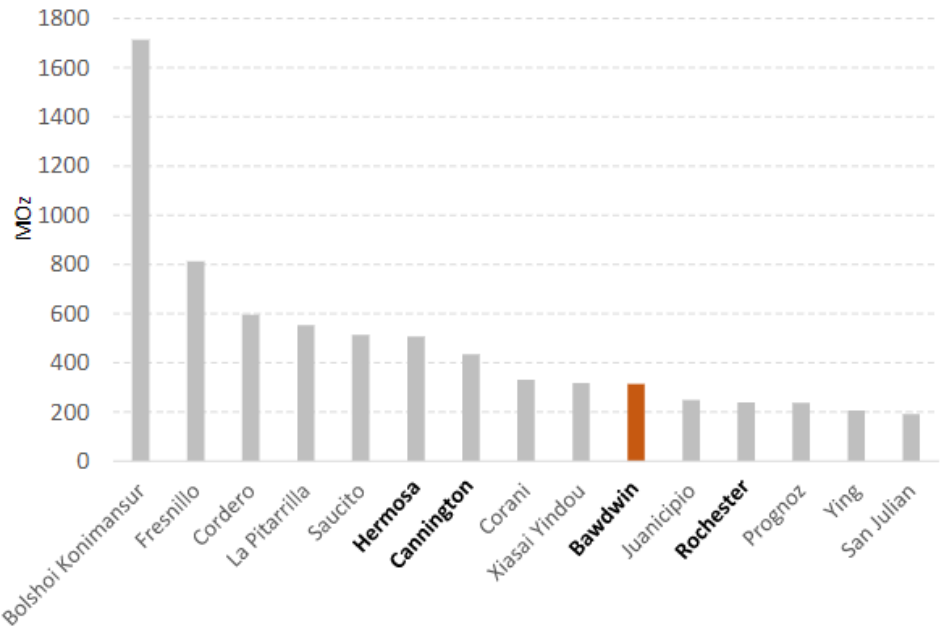
Recommendation

Argonaut maintains a SPEC BUY recommendation with a \$0.30ps valuation. We apply a 40% discount to our valuation to account for country, permitting and development risks to derive a \$0.18ps target price.

Silver leverage

Bawdwin is the 10th largest primary silver resource globally and the second largest held by an ASX listed company, behind South 32.

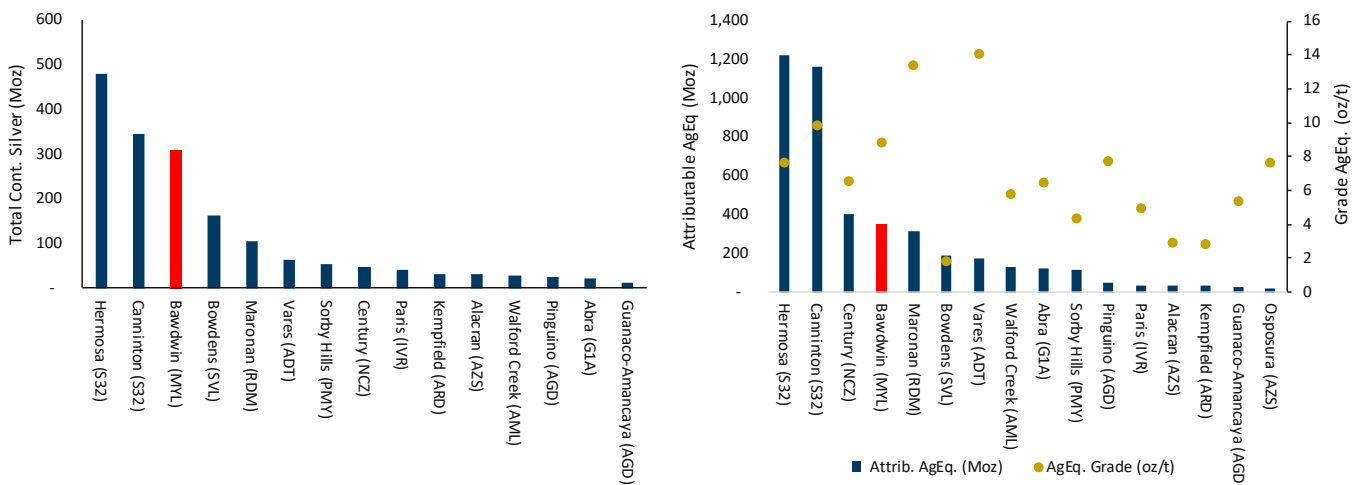
Figure 1. Global Top 15 Primary Silver Projects by Contained Silver Metal



Source: MYL

Furthermore, Bawdwin is a high-grade resource at 3.1oz/t silver or ~9oz/t silver equivalent (AgEq.).

Figure 2. Largest silver Resources controlled by ASX listed companies (left). Largest attributable resources by contained silver equivalent ounces with AgEq. grade (right)



Source: Bloomberg, Factset, Company Reports

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Important Disclosures

Argonaut continues to act as Financial Adviser to MYL and will receive fees commensurate with this service. Argonaut holds or controls 1,976,923 MYL shares.

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