

## Mid-Quarter Shareholder Newsletter

12 May 2020

Dear Shareholder,

So much has happened since I wrote the first shareholder newsletter back in February 2020.

My intention is to provide you with my own personal perspective on what's happening with Myanmar Metals and the wider world, and to provide some context and understanding behind some of the decisions we have announced via the ASX.

Firstly, I want to send all my best wishes to you and I hope that you and your families are safe and healthy. I would also like to express my personal thanks to all the health care workers, doctors, nurses, emergency services workers and scientists around Australia who have worked so hard throughout this unprecedented crisis to help keep our community relatively healthy and safe.

The COVID-19 pandemic continues to cause severe disruptions around the world, and while some Australian state governments have started to ease some restrictions, it's clear that international travel will remain restricted for the foreseeable future.

With that said, I'm pleased to report that your Company is in very good shape and all necessary steps have been taken to protect our people, reduce non-essential expenditure and continue to advance our project. We have a significant cash reserve, no debt and we are currently in discussions in regards to project financing and offtake agreements.

### **Mine Expansion Study**

As many of you are aware, our pre-feasibility study solely focused on Phase 1 of mining operations at Bawdwin, the 'Starter Pit'. The starter pit was designed on higher confidence resource categories and as a result much of Bawdwin's mineral resources, which could underpin a larger mining operation and expanded mine life, were left un-mined in the starter pit. We assumed that underground mining would follow the starter pit, and so the plant was sized with a long-term underground mining operation in mind: 2Mtpa was suitable for that.

As you know, we then commissioned an expansion study, during which a geotechnical investigation showed that the orebody is suitable for underground mining using caving (like Northparkes in Australia). However, the presence of historical workings makes this difficult in practice, meaning that we are probably looking at open pit mining until the mine reaches the bottom of Herbert Hoover's original Bawdwin Mine, some 400 metres below the present valley floor: in other words, a much larger open cut operation than originally considered, with many years of operation beyond the initial starter pit – justifying our application to the Myanmar Government for a renewed concession term of 50 years.

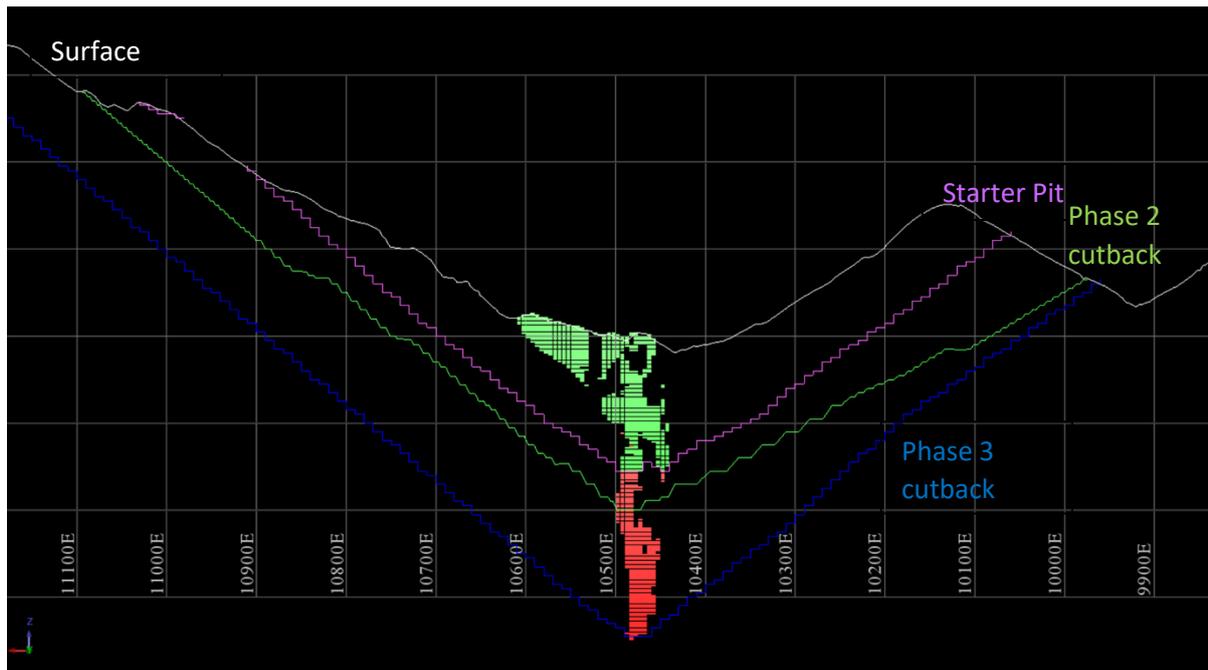


Figure 1: Cross-section looking north showing the proposed open pits and resource blocks to be mined in green (Indicated) and red (Inferred). Source: Cube Consulting Pty Ltd 2019 – Bawdwin Expansion Options Study.

While I should caution that there is an increasing proportion of inferred resource deeper in the deposit, it became clear to us that our planned processing plant throughput rates should be increased to account for a larger mining inventory. And while that study cannot report an Ore Reserve outside of the starter pit, we intend to present an additional management case that depicts the larger Bawdwin open pit.

### Production Sharing Agreement (PSA) and Myanmar Investment Commission (MIC) approvals

As stated in our March Quarter report, we remain positively engaged with the Myanmar Government in relation to the PSA and MIC processes, despite the travel restrictions. This positive engagement is greatly enhanced by the strong local presence we have in Myanmar, through our Bawdwin Joint Venture (BJV) partners and through our small in-country management team. We are keeping in touch with our partners and our in-country management team via email, phone and video conferencing, and as a result I am confident we can mitigate the impact of travel restrictions on our project. In fact, we've been so successful using Zoom for our meetings that I plan to save a few dollars on travel once the restrictions are lifted!

I know from the many emails and phone calls I've received from shareholders over the past few months that many of you are concerned about delays in our project development timetable, especially in the approvals processes and the project financing. While we are doing our best to keep you informed about the progress of these processes, we don't control them and we are limited in our ability to affect the timeline or the ultimate outcome. The PSA and MIC approval processes are well advanced and we anticipate a conclusion to both in 2020, however at this time it's too early to be more definitive.

## Market Engagement

One of the initiatives we put in place earlier this year was to subscribe to the Stockhead market news service ([www.stockhead.com.au](http://www.stockhead.com.au)). This service helps us generate news content that we can post on social media sites and this helps maintain our presence in the online investment community. I've done a number of interviews and commentary pieces on Stockhead in recent weeks, which I believe have been informative and newsworthy, and I encourage you to look out for them as an additional source of news and information about Myanmar Metals.

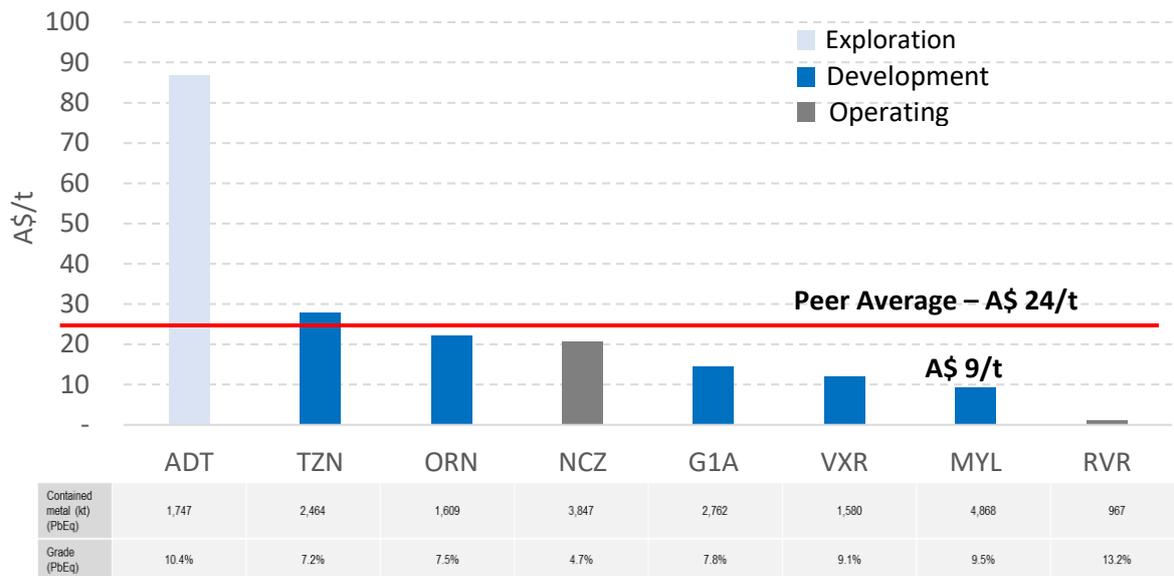
We have also recently seen Fosters Stockbroking initiate research coverage on our Company. This is a strong indication that an increasing number of Australian investors see the value upside in our project and this is further validation and a step forward in terms of engagement with the Australian investment community. I am confident that once we release the DFS on the Bawdwin Project and secure the PSA and MIC approvals, we will see all brokers re-rate their share price valuation significantly upwards.

On the subject of valuation, I am often asked what I think fair value is for a MYL share. I do have a view on this, which I can't share (apologies for the pun), but what I can do is explain how I arrive at my personal valuation and encourage shareholders to do their own calculations. It's all about evaluating what you think the company is worth – in other words, your view on what the market capitalisation should be – and then dividing that number by the total shares on issue (1.77Bn) to work out your target price per share. If you follow the brokers, that's exactly what they do.

One way to value the company is to value its net assets: Take our share of the published PFS net present value for the Bawdwin starter pit, add the company's cash position, an allowance for future mining and exploration success; and then some analysts allow for a risk factor (because we aren't in production yet). So that's a fairly simple calculation, although it does rely on the starter pit to generate the lion's share of the value, whereas we think it's just the start of something much bigger.

Another way of assessing value is a comparison with your peer group; seeing what the market deems as "fair" in terms of EV per contained metal tonne. EV or Enterprise Value is just the total investment employed in the assets – market capitalisation plus debt (nil for us), less cash on hand (because that isn't employed in the assets – yet). You can see on the chart below that our peer group is at present valued at \$24 per resource tonne in the ground, while MYL is only valued at \$9 – in other words, we're almost 3x undervalued compared to our average peer group.

Figure 2: Enterprise Value to Contained Metal Resources (Pb Equivalent)<sup>1</sup>



Another way is to look at comparable transactions – ask the question “who bought or sold a similar asset recently and how much was paid?” You know that I like to use the Arizona Mining example – because Bawdwin, Cannington and Hermosa plot side by side on our graphs of resource tonnes vs grade, and in my view Bawdwin and Taylor (the main orebody at Hermosa) are similar assets. Certainly, Hermosa is in a different jurisdiction, but at the same time Bawdwin outcrops at surface while Taylor is a deep underground deposit. Anyway, if you look at that transaction, you’ll see that US\$1.6Bn was paid for 16 Mt of contained lead equivalent, which provides a metric of A\$143/ tonne<sup>2</sup> of contained lead equivalent metal. This is value / tonne metric can be multiplied by the contained metal endowment to produce an estimation for transaction value. MYL’s peer group contained metal endowment is featured in the table in Figure 2 (in thousands of tonnes).

Whichever way you prefer, you will almost certainly find that MYL’s current market capitalisation is well below your estimate; and you can draw your own conclusion as to what this implies about the current share price...

Still on market engagement, in late April, Myanmar Metals participated in the first-ever 121 Asia-Pacific (APAC) Online Investment Forum, which enabled us to present our story to a select group of institutional investors from around our region, some of whom were engaging with us for the very first time. I was impressed with the quality of these investor groups and I think we made a very positive

<sup>1</sup> Notes

- Information sourced from latest ASX company filings and market closing prices as at 27 March 2020.
- Peer group defined as: ASX listed companies with a primary zinc – lead project, total mineral reserves and resources over 5Mt, a market cap. above \$10 million but below \$1 billion. Excludes inactive projects and companies whose primary commodity is not zinc or lead.
- Lead equivalent calculations assume the following spot LME metal prices as at 26 March 2020 : Pb US\$1,659/t, Zn US\$1,832/t, Ag US\$14.4/oz, Au US\$ 1,625 /oz and Cu US\$4,776/t.
- Diluted EV is calculated as: the diluted shares on issued multiplied by the share price as at 27 March 2020, plus debt and less cash. Cash and debt figures have been obtained from latest ASX company filings.
- For consistency, all JORC Ore Reserves and Mineral Resources, regardless of category, have been included for each company and are calculated net to the company’s project interest

<sup>2</sup> Notes

- Source: Public information, S&P Market Intelligence
- Lead equivalent calculations assume the following spot LME metal prices as at 26 March 2020 : Pb US\$1,659/t, Zn US\$1,832/t, Ag US\$14.4/oz, Au US\$ 1,625 /oz and Cu US\$4,776/t.
  - Estimated production and cost of Hermosa Taylor Project based on PEA released 16 January 2018. Golden Grove production and cost based on CY16 public information. All USD amount are converted to AUD at 0.70 AUD:USD.
  - For consistency, all JORC Ore Reserves and Mineral Resources, regardless of category, have been included for each company and are calculated net to the company’s project interest

impression. I fully intend to follow up some of these initial conversations with face-to-face meetings, once travel restrictions have been lifted. We are following up with 121 Europe and Middle East later this month using the same format, although the time zones are a bit less forgiving!

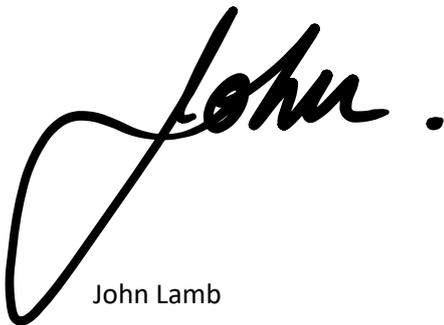
As you can see, despite the travel restrictions we continue to be very active in terms of advancing our project and engaging with the capital markets, and we are continuing to engage with potential financiers and offtake partners.

I'd like to take this opportunity to recognise and praise the outstanding efforts of our senior management team throughout this period. I'd also like to express my sincere thanks to those directors and employees who have agreed to accept short-term reductions in fees and salaries, and those contractors and suppliers who have voluntarily agreed to reduce their fees and charges in order to help Myanmar Metals get through this period of unprecedented uncertainty.

I look forward to getting out and about again soon: I've been locked down with my family at our home in Tasmania and while we're making the best use we can of technology I miss spending time talking with our employees, partners and stakeholders in Myanmar, our team in Perth and of course our many shareholders and supporters around the world.

I wish all of our shareholders, employees, stakeholders and supporters a smooth and safe transition out of lockdown and back to work.

Sincerely



John Lamb

CEO and Chairman, Myanmar Metals Limited

Chair, Bawdwin Joint Venture