

## SPEC BUY

Current Price	\$0.07
Valuation	\$0.45
Target Price	\$0.22

Ticker: **MYL**  
Sector: **Metals and Mining**

Shares on Issue (m):	1,247.2
Options (m):	255.2
Market Cap (\$m):	86.1
Net Cash (\$m):	18.2
Enterprise Value (\$m):	67.9

52 wk High/Low:	\$0.10	\$0.05
12m Av Daily Vol (m):		2.55

### Bawdwin Total JORC Resource

Tonnes	Silver	Zinc + Lead	Copper
Mt	oz/t	%	%
81.8	3.8	7.2	0.2

### Bawdwin Primary High Grade Resource (inclusive)

Tonnes	Silver	Zinc + Lead	Copper
Mt	oz/t	%	%
44.5	5.8	11.5	0.3

### Bawdwin Discrete Copper Resource (inclusive)

Tonnes	Copper	Zinc + Lead	Silver
Mt	%	%	oz/t
4.2	3	7.8	5.4

Development Stage: Scoping Study

### Key Metrics (Argonaut Assumptions)

Capex Estimate	US\$190m
Steady State EBITDA (100% Basis)	US\$440m
Project NPV <sub>12</sub> (100% Basis)	A\$1,096m

### Board

John Lamb	Executive Chairman and CEO
Jeffrey Moore	Non-Executive Director
Rohan Caren	Executive Director and Secretary

### Share Price Graph and Ave Trading Vol. (msh)



Please refer to important disclosures at the end of the report (from page 5)

Tuesday, 17 July 2018

## Myanmar Metals

### Sizing-up a World Class Mine

Analysts | Matthew Keane | James Wilson

### Quick Read

Myanmar Metals (MYL) recently conducted an \$35m equity raising (at \$0.06/sh) to fund the exercise of the Bawdwin mine option (\$14.9m) and to complete feasibility studies. MYL has hit the ground running releasing an updated resource with a 23% increase in Indicated Resources to 25Mt @ 4.3oz/t Ag, 7.9% Zn+Pb and 0.2% Cu. Argonaut regards Arizona Mining's (TSX:AZ) Taylor deposit as the closest analogy to Bawdwin. AZ was recently acquired by South 32 (ASX:S32) for a total consideration of ~US\$1.4b. We calculate a see-through valuation for MYL of \$0.38/sh based on an EV/Resource multiple (contained Zn equivalent). A comparison of the Bawdwin and Taylor deposits is provided on Page 2.

### Event & Impact | Positive

**Funded for growth and feasibility:** Following a \$35m equity raising, MYL has exercised its option to become the majority owner (51%) and operator of the world class Bawdwin deposit in Myanmar. This equity raising incorporated a 19.9% cornerstone investment by Perilya Ltd, who's parent Zhongjin Lingnan, is China's largest integrated zinc producer. MYL is now funded for an aggressive drill program for both resource expansion and increased resource confidence. The Company aims to complete a Pre-feasibility study by late-2018 / early 2019 and commence work on a Definitive Feasibility Study (expected late 2019).

**Updated Resource:** The recently updated Bawdwin Resource highlighted a 23% increase to the Indicated Resource estimate to 25Mt @ 4.3oz/t Ag, 7.9% Zn+Pb and 0.2% Cu. The Indicated Resource is largely limited to the central China Lode and will be expanded as the northern Shan and southern Meingtha lodes are drilled out. The total Indicated and Inferred Resource currently stands at 82Mt @ 3.8oz/t Ag, 7.2% Zn+Pb and 0.24% Cu.

**Cobalt and Nickel potential:** Much of the copper mineralisation is within discrete domains with a resource of 4.2Mt @ 3.0% Cu, 5.4oz/t Ag and 7.8% Zn+Pb. These copper rich zones are also high in Ni and Co, which we expect to be reportable in subsequent resource updates once sufficient assays are collected. Note these elements inconstantly tested for in historic drilling and face sampling. Drill intercepts up to 1.5% Co and 4.4% Ni have been recorded in 2017/2018 drilling.

### Recommendation

Our \$0.45/sh valuation incorporates dilution from the recent equity raise (previously \$0.51/sh). We apply a 50% discount to account for jurisdiction and development risk to achieve a \$0.22/sh target price. SPEC BUY recommendation.

**Arizona Mining's Taylor and MYL's Bawdwin are two of the best undeveloped projects globally**

**Taylor has the advantage of a low risk jurisdiction...**

**...but Bawdwin has lower capital intensity and has a history of successful processing**

**On an EV/Resource basis, MYL is 1/7 the value of Arizona Mining based on the S32 acquisition value**

**Bawdwin is a smaller resource, but it remains largely undrilled with no modern exploration**

## Bawdwin and Taylor comparison

Argonaut believes Arizona Mining's (TSX:AZ) Taylor deposit is the closest analogy to Bawdwin. We see these assets as two of the best undeveloped polymetallic deposits globally. AZ is currently subject to an acquisition by South 32 (ASX:S32) for total consideration of ~US\$1.4b. The see-through valuation for MYL is \$0.38/sh on an EV/Resource (contained Zn equivalent). We also highlight the capital intensity for the Taylor deposit is 2.5 times greater than Bawdwin as it will be an underground mine. We acknowledge that Bawdwin is located in a higher sovereign risk jurisdiction, arguably however, it has lower technical risk due to its amenability to open pit mining and a history of successful ore treatment (Taylor will be an underground mine and has no processing history). Below we have provided a comparison of the Bawdwin to Taylor deposits along with S32's existing Cannington mine.

*Table 1. Comparison of the Bawdwin, Taylor and Cannington polymetallic deposits*

Company	Myanmar Metals	Arizona Mining	South 32
Asset	Bawdwin	Hermosa	Cannington
Ownership	51%	100%	100%
Location	Shan, Myanmar	Arizona, USA	Queensland, Australia
EV* (A\$m)	76	1,902	291
Resource Tonnes (Mt)	82	208	90
Zn Eq. Grade (%)**	8.7%	7.3%	9.2%
Plant Throughput Mtpa	2.5	3.3	3.2
Production (est. kt Zn Eq. pa)	222	237	187
First Production	2021	2020	1997
EV Resource (per tonne Zn Eq)	18	126	35
Attrib. EV Prod (per tonne Zn Eq. pa)	579	8,039	1,556
Capex (A\$m)	259	703	NA
Capital Intensity (A\$/t pa Zn Eq. Production)	1,168	2,972	NA
Mining Method	Open Pit	Underground	Underground
Jurisdiction Risk	High	Low	Low
Metallurgical Risk	Low	Mod	Low
Modern Exploration	No	Yes	Yes
Exploration Upside	Yes	Yes	Limited
Mining History	Yes	No	Yes
Mine/Transport Infrastructure	Historic	No	Yes

Source: Argonaut, Company reports

\*AZ based on S32 total acquisition value. Cannington based on asset NTA at Dec 31 2017

\*\* Based on \$1.30/lb Zn, \$1.10/lb Pb, XX/lb Cu \$3.10/oz Ag and \$17/oz Au (before payabilities)

## Resource upgrade

The recently updated Bawdwin Resource highlighted a 23% increase to the Indicated Resource estimate to 25Mt @ 4.3oz/t Ag, 7.9% Zn+Pb and 0.2% Cu. The Indicated Resource is largely limited to the central China Lode and will be expanded as the northern Shan and southern Meingtha lodes are drilled out. The total Indicated and Inferred Resource currently stands at 82Mt @ 3.8Oz/t Ag, 7.2% Zn+Pb and 0.24% Cu. Importantly, much of the copper mineralisation is within discrete domains with a resource of 4.2Mt @ 3.0% Cu, 5.4oz/t Ag and 7.8% Zn+Pb. Beyond the 1.2km strike of defined resources, we see significant upside both at depth and along strike. Historic working and metalliferous gossans have been mapped over an 8km strike.

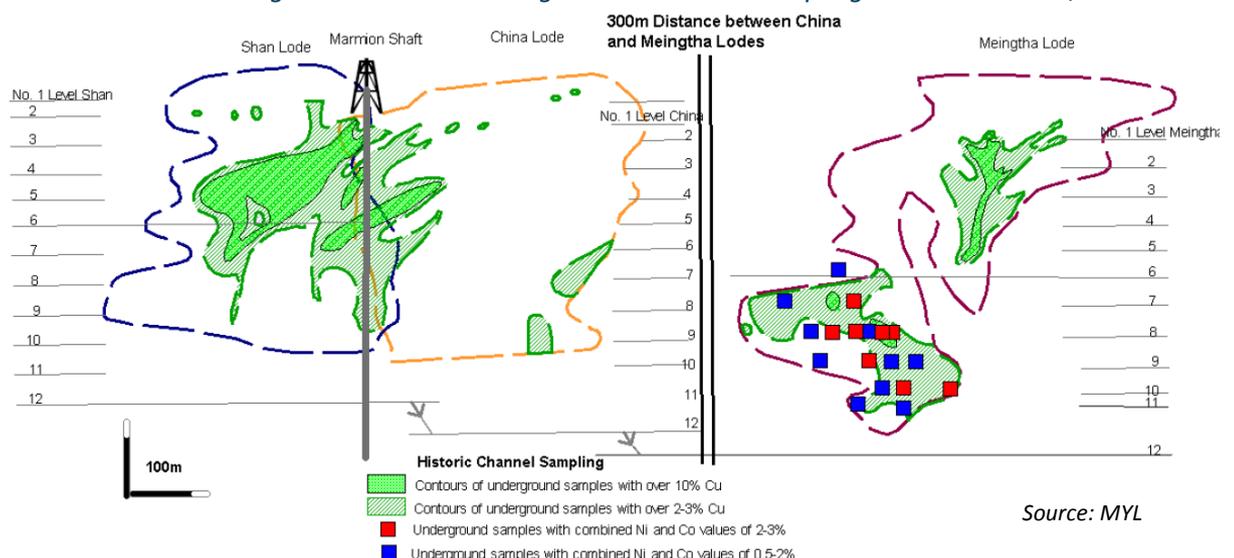
## Cobalt and nickel upside

The copper rich zones are also high in Ni and Co, which we expect to be reportable in subsequent resource updates once sufficient assays are collected (note these elements were not tested for historically). However, historic operations did produce a nickel product. Significant intervals rich in Cu, Co and Ni mineralisation from 2017/2018 drilling include:

- Hole BWDD004: 27m @ 0.16% Co, 0.84% Cu and 1.74% Pb
- Hole BWDD005: 15m @ 0.15% Co, 2.78% Cu and 86g/t Ag and 21m @ 0.14% Co, 1% Cu, 95g/t Ag and 4.8% Pb
- Hole CHDD001: 22m @ 0.16% Co, 122g/t Ag and 5.95% Pb
- Also in Hole CHDD001: 5.5m @ 0.9% Co, 3.25% Cu, 116g/t Ag, and 1.03% Ni, including 1m @ 1.47% Co, 13.4% Cu, 452g/t Ag and 4.4% Ni

Analysis of historic underground sampling showed that copper-cobalt-nickel zones mainly occur in areas with little drilling, particularly in the Shan Lode and deeper parts of the Meingtha lode. MYL will be drilling these lodes in the December H 2018.

*Figure: 1 Section showing historic channel sampling with elevated Cu, Co and Ni*



## Valuation

Argonaut models an open pit operation processing 2.5Mtpa ore with a diluted mining inventory of 44Mt at 160g/t Ag, 10% Pb+Zn and 0.3% Cu. Our base case does not assign any payability to nickel or cobalt.

*Table 2: Argonaut's key model assumptions*

Measure	Metric	Argonaut Estimate
First Production	Yr	2021
Mine Life	Yrs	17
Inventory	Mt	43.8
Throughput	Mtpa	2.5
Silver Grade	g/t	160
Lead + Zinc Grade	%	10%
Copper Grade	%	0.3%
Metal Recoveries	%	70-90%
Metal Payabilities	%	85-95%
Silver Production	Moz pa	11.6
Lead Production	ktp pa	140
Zinc Production	ktp pa	68
Copper production	ktp pa	5.3
Pre-Production Capex	US\$m	190
Sustaining Capex	US\$m pa	10
All-in Sustaining Cost	US\$/lb Pb	0.88
Average Attributable EBITDA	US\$m	140
EBITDA Margin	%	72%
Post-tax NPV <sub>12</sub> (100% Basis)	A\$m	1,096
Post-tax IRR	%	100%

Source: Argonaut

We have applied a high proportion of debt financing (67%), based on our forecast 18-month payback on development capital and high free cash generation from the commencement of processing. Equity capital is applied at an average of \$0.08/sh. Argonaut assigns a net smelter return of A\$5/t to unmined resources (\$191m) and \$100m to exploration upside.

*Table 3: Argonaut's valuation summary*

NAV Valuation		
Sum of Parts	AUD M	AUD / Share
Bawdwin Share	558.8	0.32
Unmined Resources	191.3	0.11
Exploration Upside	100.0	0.06
Corporate NPV	(84.0)	(0.05)
Cash	18.2	0.01
Debt	-	-
<b>Sub Total</b>	<b>784</b>	<b>0.45</b>
Risk Weighting		50%
Target Price		0.22

Source: Argonaut

**RESEARCH:**

**Ian Christie** | Director, Industrial Research  
+61 8 9224 6872 ichtie@argonaut.com

**Matthew Keane** | Director, Metals & Mining Research  
+61 8 9224 6869 mkeane@argonaut.com

**Michael Eidne** | Director, Research  
+61 8 9224 6812 meidne@argonaut.com

**James Wilson** | Analyst, Metals & Mining Research  
+61 8 9224 6835 jwilson@argonaut.com

**Helen Lau** | Analyst, Metals & Mining Research  
+852 3557 4804 hlau@argonaut.com

**INSTITUTIONAL SALES - PERTH:**

**Chris Wippl** | Executive Director, Head of Sales & Research  
+61 8 9224 6875 cwippl@argonaut.com

**Damian Rooney** | Director Institutional Sales  
+61 8 9224 6862 drooney@argonaut.com

**John Santul** | Consultant, Sales & Research  
+61 8 9224 6859 jsantul@argonaut.com

**Ben Willoughby** | Institutional Dealer  
+61 8 9224 6876 bwilloughby@argonaut.com

**Josh Welch** | Institutional Dealer  
+61 8 9224 6868 jwelch@argonaut.com

**George Ogilvie** | Institutional Dealer  
+61 8 9224 6871 gogilvie@argonaut.com

**INSTITUTIONAL SALES – HONG KONG:**

**Damian Rooney** | Director Institutional Sales  
+61 8 9224 6862 drooney@argonaut.com

**CORPORATE AND PRIVATE CLIENT SALES:**

**Glen Colgan** | Managing Director, Desk Manager  
+61 8 9224 6874 gcolgan@argonaut.com

**Kevin Johnson** | Executive Director, Corporate Stockbroking  
+61 8 9224 6880 kjohnson@argonaut.com

**James McGlew** | Executive Director, Corporate Stockbroking  
+61 8 9224 6866 jmcglew@argonaut.com

**Ian Dorrington** | Director, Corporate Stockbroking  
+61 8 9224 6865 idorrington@argonaut.com

**Geoff Barnesby-Johnson** | Senior Dealer, Corporate Stockbroking  
+61 8 9224 6854 bj@argonaut.com

**Rob Healy** | Dealer, Private Clients  
+61 8 9224 6873, rhealy@argonaut.com

**Cameron Prunster** | Dealer, Private Clients  
+61 8 9224 6853 cprunster@argonaut.com

**James Massey** | Dealer, Private Clients  
+61 8 9224 6849 jmassey@argonaut.com

**Chris Hill** | Dealer, Private Clients  
+61 8 9224 6830, chill@argonaut.com

**Important Disclosures**

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. Argonaut acts 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.

**Important Disclosure**

Argonaut acts as Financial Adviser to MYL and will receive fees commensurate for this service.

**Information Disclosure**

Each research analyst of this material certifies that the views expressed in this research material accurately reflect the analyst's personal views about the subject securities and listed corporations. None of the listed corporations reviewed or any third party has provided or agreed to provide any compensation or other benefits in connection with this material to any of the analyst(s).

**For U.S. persons only**

This research report is a product of Argonaut Securities Pty Limited, which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Argonaut Securities Pty Limited only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Argonaut Securities Pty Limited has entered into an agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo"). Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

**Hong Kong Distribution Disclosure**

This material is being distributed in Hong Kong by Argonaut Securities (Asia) Limited which is licensed (AXO 052) and regulated by the Hong Kong Securities and Futures Commission. Further information on any of the securities mentioned in this material may be obtained on request, and for this purpose, persons in the Hong Kong office should be contacted at Argonaut Securities (Asia) Limited of Unit 701, 7/F, Henley Building, 5 Queen's Road Central, Hong Kong, telephone (852) 3557 48000.

**General Disclosure and Disclaimer**

This research has been prepared by Argonaut Securities Pty Limited (ABN 72 108 330 650) ("ASPL") or by Argonaut Securities (Asia) Limited ("ASAL") for the use of the clients of ASPL, ASAL and other related bodies corporate (the "Argonaut Group") and must not be copied, either in whole or in part, or distributed to any other person. If you are not the intended recipient you must not use or disclose the information in this report in any way. ASPL is a holder of an Australian Financial Services License No. 274099 and is a Market Participant of the Australian Stock Exchange Limited. ASAL has a licence (AXO 052) to Deal and Advise in Securities and Advise on Corporate Finance in Hong Kong with its activities regulated by the Securities and Futures Ordinance ("SFO") administered by the Securities and Futures Commission ("SFC") of Hong Kong.

Nothing in this report should be construed as personal financial product advice for the purposes of Section 766B of the Corporations Act 2001 (Cth). This report does not consider any of your objectives, financial situation or needs. The report may contain general financial product advice and you should therefore consider the appropriateness of the advice having regard to your situation. We recommend you obtain financial, legal and taxation advice before making any financial investment decision.

This research is based on information obtained from sources believed to be reliable and ASPL and ASAL have made every effort to ensure the information in this report is accurate, but we do not make any representation or warranty that it is accurate, reliable, complete or up to date. The Argonaut Group accepts no obligation to correct or update the information or the opinions in it. Opinions expressed are subject to change without notice and accurately reflect the analyst(s)' personal views at the time of writing. No member of the Argonaut Group or its respective employees, agents or consultants accepts any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this research and/or further communication in relation to this research.

Nothing in this research shall be construed as a solicitation to buy or sell any financial product, or to engage in or refrain from engaging in any transaction. The Argonaut Group and/or its associates, including ASPL, ASAL, officers or employees may have interests in the financial products or a relationship with the issuer of the financial products referred to in this report by acting in various roles including as investment banker, underwriter or dealer, holder of principal positions, broker, director or adviser. Further, they may buy or sell those securities as principal or agent, and as such may effect transactions which are not consistent with the recommendations (if any) in this research. The Argonaut Group and/or its associates, including ASPL and ASAL, may receive fees, brokerage or commissions for acting in those capacities and the reader should assume that this is the case.

There are risks involved in securities trading. The price of securities can and does fluctuate, and an individual security may even become valueless. International investors are reminded of the additional risks inherent in international investments, such as currency fluctuations and international stock market or economic conditions, which may adversely affect the value of the investment.

The analyst(s) principally responsible for the preparation of this research may receive compensation based on ASPL's and / or ASAL's overall revenues.

**Copyright**

© 2018. All rights reserved. No part of this document may be reproduced or distributed in any manner without the written permission of Argonaut Securities Pty Limited and / or Argonaut Securities (Asia) Limited. Argonaut Securities Pty Limited and Argonaut Securities (Asia) Limited specifically prohibits the re-distribution of this document, via the internet or otherwise, and accepts no liability whatsoever for the actions of third parties in this respect.