

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):	87.3		
Net Cash (\$m):	16.6		
Enterprise Value (\$m):	70.7		
52 wk High/Low:	\$0.10	\$0.05	
12m Av Daily Vol (m):	2.85		

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 ₁₂ (100% Basis)	A\$1,096m

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

Substantial Shareholders	
Perilya Ltd	19.9%
Yandal Investments	7.0%

Share Price Graph and Ave Trading Vol. (msh)



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

Friday, 17 August 2018

Myanmar Metals

Great expectations from exploration

Analysts | Matthew Keane | James Wilson

Quick Read

Myanmar Metals (MYL) released an accelerated mine development plan for its Bawdwin Project in Myanmar (51% MYL, 49% local owners) outlining a 15,000m drill program and setting a timeline to complete feasibility studies, offtake and financing and requisite permitting. Drilling will focus on the Shan and Meingtha lodes to upgrade resources from Inferred to Indicated status. The Company also plans to test extensions to the known Bawdwin lodes, starting with electrical geophysics (IP and EM), magnetics and soil sampling. Argonaut believes this initial work will generate multiple highly prospective targets given the lack of modern exploration in the region. We highlight that historic workings and exposed metalliferous gossans span over an 8km strike (versus the current resource strike of 1.2km).

Event & Impact | Positive

Development timeline: MYL has set out a schedule for feasibility studies, permitting, financing and offtake negotiations. Key milestones include; a Scoping Study on the China open pit this quarter, a resource update at the end of Q4 2018, a maiden Ore Reserve and PFS in Q1 2019 and a final feasibility in Q4 2019. Bawdwin is likely to start with an open pit for 10-13 years then move underground. MYL envisages this to occur ~7 years after mining commences. Argonaut believes Bawdwin will ultimately be a 30+ year operation with multiple open pit and underground mines producing >280ktpa Zn Eq metal.

Sinking their teeth into exploration: The planned 15,000m program will mainly target the Shan and Meingtha lodes sitting northwest and southeast of central China lode. This drilling is planned to increase confidence to upgrade Inferred Resources to Indicated status, as well as materially extend the current resource and test the continuity between the lodes. Argonaut has high expectations for regional exploration success from areas along strike, at depth and parallel to the current defined Resource. During our site visit earlier this year, we observed multiple historic workings and gossans stretching over an ~8km strike. Prior to recent programs by MYL, the region was scarcely drilled and has not been tested using modern geophysical methods. Existing lodes were defined via surface outcrop and face sampling in underground exploration drives. We place a high probability on material extensions to existing lodes and the discovery of new mineralised zones.

Recommendation

Argonaut maintains a SPEC BUY recommendation. Our \$0.45/sh NAV, is risk weighted 50% to account for sovereign and development risks to achieve a \$0.22/sh target price. MYL offers compelling risk reward give the world class nature of the Bawdwin deposit and its tangible exploration upside.

Sizing up Bawdwin

MYL has commenced a 15,000m drill program...

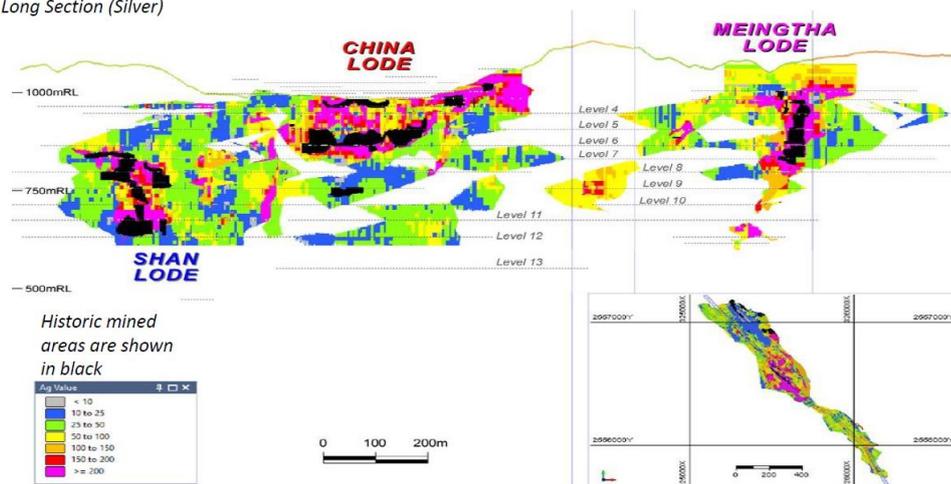
MYL has commenced a 15,000m drill program with the key objectives to:

- Increase the confidence and upgrade the classification of Inferred Mineral Resources to Indicated Mineral Resources
- Materially grow overall project resource estimates
- Test the continuity of mineralisation between lodes by drilling through bounding faults
- Further define high-grade copper-cobalt-nickel mineralisation which has been proven to occur in discrete zones of mineralisation

Bawdwin has a stated resource of 82.0 Mt at 3.8oz/t Ag, 7.2% Zn+Pb and 0.2% Cu. Of this, 24.8Mt is in the Indicated category, almost wholly in the China lode. MYL's key focus is to drill out the northwest and southeast Shan and Meingtha lodes to upgrade their resource category (both mainly inferred status). This will enable all three defined lodes to be incorporated in the upcoming Reserve estimate and PFS.

...targeting a category upgrade to the Shan and Meingtha lodes

Figure 1. Bawdwin deposit showing the China, Shan and Meingtha lode Long Section (Silver)



Source: MYL

Beyond resource category upgrade, Argonaut is anticipating upside from the following zones at Bawdwin:

Connecting the China and Meingtha lodes

Key also, will be connecting the China and Meingtha lodes through the faults zone...

A major fault zone currently disconnects the China and Meingtha lodes. The historic exploration method of underground drives and face sampling would have been restricted in this zone due to ground conditions. There is a high probability of significant untested mineralisation connecting the two lodes or at least encroaching into the fault zone.

Defining copper-cobalt-nickel zones

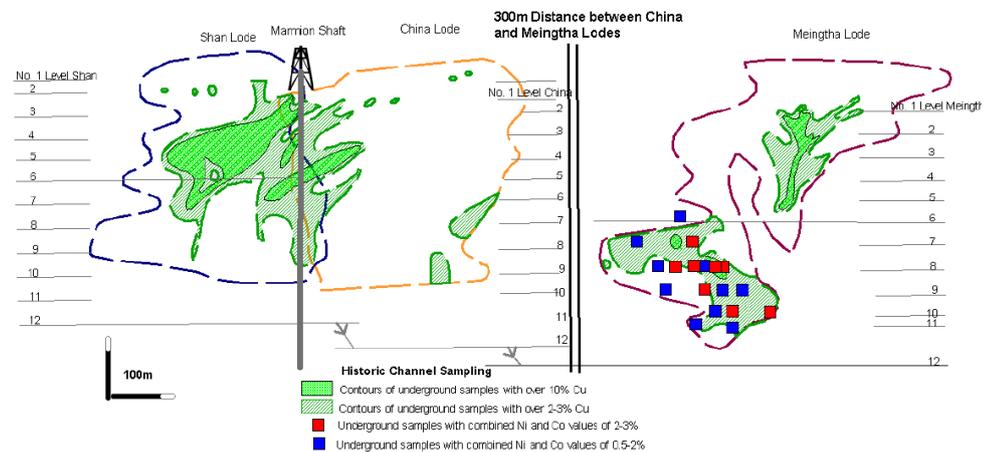
...and better defining copper-cobalt-nickel zones

Historical miners did not target copper mineralisation. Some copper was produced as a consequence of silver-zinc-lead mining, but it was not a focus metal. For this reason, copper-cobalt-nickel mineralisation is not well defined. These metals appear to have been concentrated in a later mineralising event and MYL has identified its occurrence in zones of sparse drilling, particularly in deeper zones of the Shan and Meingtha lodes.

Zones of high grade Cu-Co-Ni have been untested by previous operations

Figure 2. Long section showing unmineralized zone between the China and Shan lodes and zones of elevated copper mineralisation

Longitudinal Projection of the Bawdwin Mine - Looking Northeast
2D Projection of Long Section after Isometric reconstruction of lodes



Source: MYL

Bawdwin is likely to be a deep plumbing system with significant upside at depth

Depth extensions to defined lodes

Bawdwin is largely untested at depth. As with the fault zone mentioned above, deeper exploration is largely limited to historic working which go down 13 levels or ~500m below surface. The notable, unnatural flat bottom to the resource in Figure 1, is a clear indication that depth extensions are expected. Also, Bawdwin is interpreted to be a hydrothermal fault-controlled system. These systems generally have deep, often mantle derived, plumbing which propagates mineralisation over substantial vertical extents.

Regional exploration is highly prospective with up to 8km of historic workings and gossans

Regional exploration

MYL is also turning its focus to regional exploration. During our site visit earlier this year, we observed multiple workings and gossans stretching over an ~8km strike, versus the defined MYL resource strike of ~1.2km. The region has not been tested using modern sampling or geophysical methods. MYL is planning detailed electrical geophysics, soil sampling and magnetics programs to find further lodes. Lines are currently being cut for geophysical surveys (EM / IP) and soils and magnetics will commence this month. Once complete, MYL should define a number of compelling drill targets.

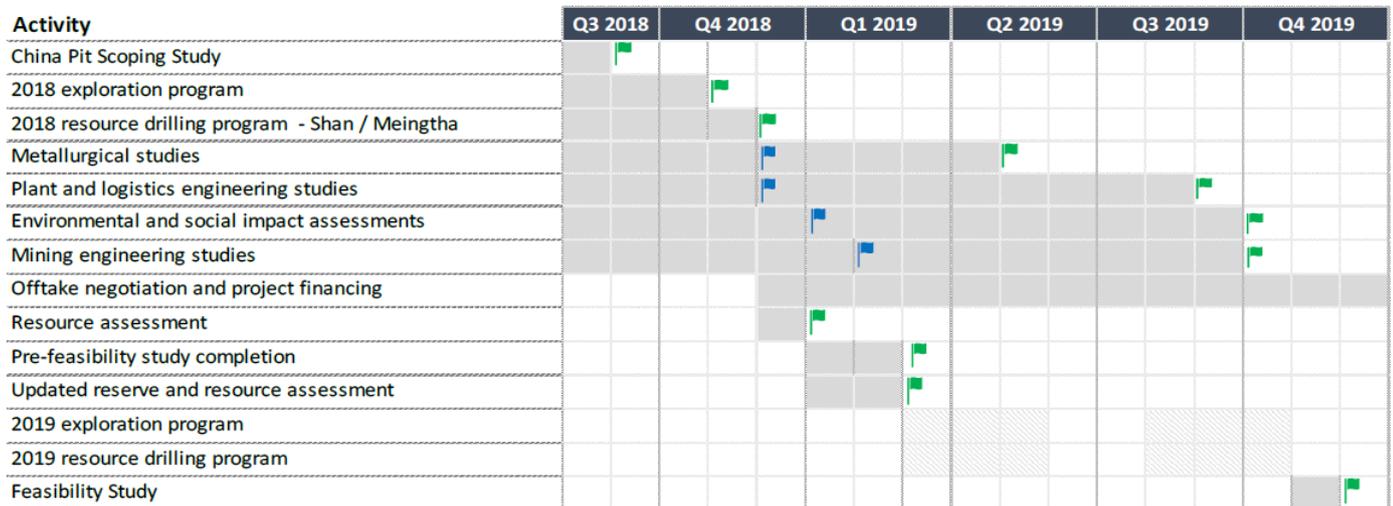
A resource upgrade is due late 2018...

Development timeline

MYL has set out a schedule for feasibility studies, permitting, financing and offtake negotiations. Key milestones include; a Scoping Study on the China Pit this quarter, a resource update at the end of Q4 2018, a maiden Ore Reserve and PFS in Q1 2019 and a final feasibility in Q4 2019. Bawdwin is likely to start with an open pit for 10-13 years then move underground. MYL envisages this to occur ~7 years after mining commences. Argonaut believes Bawdwin will ultimately be a 30+ year operation with multiple open pit and underground mines producing >280ktpa Zn Eq metal. Argonaut model's construction from early 2020 and first production in H1 2021.

...followed by a PFS in Q1 2019

Figure 3. Bawdwin development timeline



Source: MYL

Valuation

Argonaut models an 18 year 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, nor does it factor in future underground mining. We have applied a high proportion of debt financing (67%), based on our forecast 18-month payback on development capital (est. US\$190m) 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 regional exploration upside.

Table 1: 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	-	-
Sub Total	784	0.45
Risk Weighting		50%
Target Price		0.22

Source: Argonaut

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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.

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