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Myanmar Metals (MYL)

Government gives approval to Exercise Bawdwin Option

Analysts | Matthew Keane | James Wilson

Recommendation	SPEC BUY
Current Price	\$0.06
Valuation	\$0.50
Target Price	\$0.25

Event | Government Approves Option Exercise - Positive

Myanmar Metals (MYL) has received advice from Myanmar Government authorities allowing the Company to proceed with its planned exercise of the Bawdwin Option. This is a significant de-risking event as MYL is now in a position to finalise agreements with local partners Win Myint Mo Industries Co. Ltd (WMM) and East Asia Power (Mining) Company Ltd (EAP). Bawdwin is a Tier 1 polymetallic asset with a primary resource of 41.4Mt at 5.7oz/t silver, 11% zinc & lead and 0.33% copper.

Next steps | Strong Upcoming News Flow

MYL will have strong news flow through to the end of 2018. Key events include:

- Announcement that MYL will proceed with its option on the Bawdwin asset (investment in WMM). Due by mid-May
- An updated Resource, converting a large portion of Inferred Resources to the Indicated category. Expected circa June
- A Scoping Study on the Bawdwin open pit mining scenario. Expected circa June
- We predict a capital raising in June to fund the option exercise (following shareholder approval)
- H2 2018 ongoing drilling and metallurgical test work
- The release of a maiden Reserve and Feasibility Study are anticipated late 2018

Option exercise and ownership Structure

National Infrastructure Holdings Company Ltd (NIHC) under its 100% subsidiary WMM is the current holder of the Bawdwin Mining Concession. MYL has an option to purchase a controlling interest in WMM of initially 85% with a 5% buy-back option for US\$20m. EAP has agreed to buy into the option reducing MYL's portion of the option payment to US\$13.9m. Pro-forma MYL, NIHC and EAP will own 51%, 24.5% and 24.5% of WMM respectively. Both NIHC and EAP are substantial diversified Myanmar companies which provide significant synergies to the Bawdwin Project.

Recommendation

Argonaut maintains a SPEC BUY recommendation and a \$0.25/sh target price. We regard MYL as one of the best risk-reward propositions from an ASX junior resource stock. The Company will have a controlling interest in the World Class Bawdwin deposit with potential to produce ~12Mozpa silver, >200ktpa zinc and lead and >5ktpa copper for at least 15-20 years.

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

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