

SPEC BUY

Current Price	\$0.064
Valuation	\$0.30
Target Price	\$0.18

Ticker:	MYL	
Sector:	Metals and Mining	
Shares on Issue (m):	1,600.4	
Options (m):	48.5	
Market Cap (\$m):	102.4	
Net Cash (\$m):	25.0	
Enterprise Value (\$m):	77.4	
52 wk High/Low:	\$0.09	\$0.05
12m Av Daily Vol (m):	2.58	

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	%	%
94.2	3.4	6.2	0.2

Bawdwin Primary High Grade Resource (inclusive)

45.0	5.7	10.6	0.3
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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\$622m
Development Stage	PFS

Board

John Lamb	Executive Chairman and CEO
Jeffrey Moore	Non-Executive Director
Rowan Caren	Executive Director and Secretary
Bruce Goulds	Non-Executive Director
Paul Arndt	Non-Executive Director

Substantial Shareholders

Perilya Ltd	19.99%
Yandal Investments	12.54%

Share Price Graph and Ave Trading Vol. (msh)



Please refer to important disclosures at end of the report (from page 2)

Monday, 3 June 2019

Myanmar Metals

Funded through to FID

Analysts: Matthew Keane | James Wilson

Quick Read

Myanmar Metals (MYL) has completed a \$20.8m equity placement (at 6.5¢/sh), which should see the Company funded through to a Financial Investment Decision (FID) on its 51% owned Bawdwin polymetallic project in Myanmar. Key uses for this funding will include; completion of a Definitive Feasibility Study (DFS), expanding Reserves and increasing Resource confidence levels as well as finalising permitting and approvals. The next 12-months see a significant de-risking of the project with increased confidence on mine design and metallurgy, along with the application of key permits to enable mining of the deposit under a majority foreign owned entity. Speculative Buy maintained.

Event & Impact: Starter Pit PFS - Positive

Successful placement: MYL has raised \$20.8m at 6.5¢/sh to fund ongoing development of the Bawdwin Project. Major shareholders Perilya Ltd and Yandal Investments Pty Ltd (Mark Creasy) contributed a combined \$7.4m towards the raising and a number of Australian and international institutional investors also participated. Additionally, MYL has \$5.5m of in-the-money options with a strike price of 3.0¢/sh, exercisable 31 Dec 2019.

Significant de-risking over the next 12-months: The use of funds from this raise will be ongoing DFS work, geotechnical, exploration and resource drilling, early stage engineering and development works, project permitting and general working capital. By H1 2020, we expect MYL will have delivered a positive DFS, achieved requisite permits to enable development under the current JV structure and outlined a strategy to finance the project. As such, we regard the next 12-months as a period of significant de-risking and value accretion for the Company. We believe the biggest value lever will be the approval by the Myanmar Investment Commission (MIC) to enable a majority owned foreign entity (MYL, 51%) to develop the project. Whilst we have confidence this will be attained, general permitting delays represent the greatest risk in our view.

Conservatism and upside: We see significant upside on the recent starter pit PFS. Four key areas of conservatism include; 1) high strip ratios due to a lack of geotechnical data resulting in low angle pit walls, 2) very low recoveries of lower grade (halo) ore due to a lack of metallurgical testing of this material, 3) recently discovered mineralisation both within and adjacent to the China pit is not included the current resource, and 4) no recovery of Cu, Ni and Co which are present, but not drilled/tested to a sufficient confidence level. Additionally, the starter pit only incorporates 26% of the current 94.2Mt resource. The remaining Shan, Meingtha and deeper China lodes will likely be exploited by an additional three underground mines. Further open pit and underground mines could also eventuate from recent discoveries at the nearby Yegon and ER Valley lodes.

Recommendation

Our valuation of \$0.30/sh remains unchanged as we had previously factored in this equity dilution. We assign a 40% discount to account for country, permitting and financing risk to achieve a \$0.18/sh target price. SPEC BUY recommendation maintained.

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Important disclosure

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 and continues to act as Financial Adviser to MYL and will receive fees commensurate with this service. Argonaut acted as Lead Manager and Sole Bookrunner to the Placement that raised \$20.8 in May 2019 and received 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.

The analyst(s) owns shares in MYL

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