

SPEC BUY

Current Price	\$0.06
Valuation	\$0.40
Target Price	\$0.20

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

Shares on Issue (m):	1,261.2
Options (m):	232.1
Market Cap (\$m):	73.1
Net Cash (\$m):	10.0
Enterprise Value (\$m):	63.1

52 wk High/Low:	\$0.09	\$0.05
12m Av Daily Vol (m):	2.40	

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\$424m
Project NPV ₁₂ (100% Basis)	A\$967m

Board

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

Substantial Shareholders

Perilya Ltd	19.8%
Yandal Investments	12.5%

Share Price Graph and Ave Trading Vol. (msh)



Please refer to important disclosures at end of the report (from page 6)

Tuesday, 18 December 2018

Myanmar Metals

Already a giant, but still growing

Analysts | Matthew Keane | James Wilson

Quick Read

Myanmar Metals (MYL) has discovered a new high-grade polymetallic lode at the Bawdwin deposit. Drilling aimed at following up an electromagnetic geophysical anomaly has intercepted 16m @ 8.5% Zn+Pb, 4.7oz/t Ag and 0.9% Cu beneath the Yegon Ridge on the opposite side of the Bawdwin Valley. Importantly, the discovery hole has just hit the edge of the chargeable target, with stronger anomalies to the north and south. In addition, further drilling in the Meingtha gap has returned more high-grade hits showing potential to link the fault offset China and Meingtha lodes. MYL is not only discovering more mineralisation with ongoing drilling, but it is reclassifying areas of previously modelled waste into ore within the China starter pit. This will significantly reduce the already low strip ratio of 2.8:1. SPEC BUY recommendation and \$0.20 target price maintained.

Event / Impact | Further drill success / Positive

Yegon Ridge Lode discovery: MYL has discovered a new high-grade lode at Bawdwin. Drill hole BWDD018 intercepted 16m @ 8.5% Zn+Pb, 4.7oz/t Ag and 0.9% Cu. This discovery is named the Yegon Ridge Lode and sits on the opposite side of the valley to the main China Lode. Chargeable geophysical data highlighted that the strongest anomalies sit 200m north and 100m south of the discovery hole. Hole BWDD19 is currently underway to test the northern anomaly.

Meingtha gap taking shape: Drilling continues to hit high grade mineralisation in the Meingtha gap area. This zone is currently modelled as waste as historic drilling and underground workings had difficulty penetrating the faulted and altered geology. Most recent drill results include:

Hole BWDD010: 21m @ 11.3% Zn+Pb, 3.9oz/t Ag from 124m and 9m @ 31.1% Zn+Pb, 11oz/t Ag from 146

Hole BWDD048: 31m @ 4.2% Pb and 1.8oz/t Ag from 62m and 5m @ 2.5% Zn+Pb, 3.3% Cu, 0.3% Ci and 0.4% Ni from 164m and 6m @ 7.0% Zn+Pb, 2.5oz/t Ag from 183m

We expect the Meingtha gap to significantly extend the strike of the China starter pit.

More to come: A track is currently under construction to provide drill access to the ER Valley. This area returned a significant chargeable anomaly and has a coincident soil geochemical anomaly with historic artisanal silver workings. In addition, the Shan Lode with historic copper workings is yet to be tested by modern drilling. We highlight that the greater Bawdwin Project is virtually undrilled and had no modern geophysical surveys prior to MYL taking control of the project. Therefore, the likelihood of further exploration success is highly probable. The current resource of 82Mt @ 7.2% Zn+Pb, 3.8oz/t Ag and 0.2% Cu will almost certainly exceed 100kt when updated in Q1 2019.

Recommendation

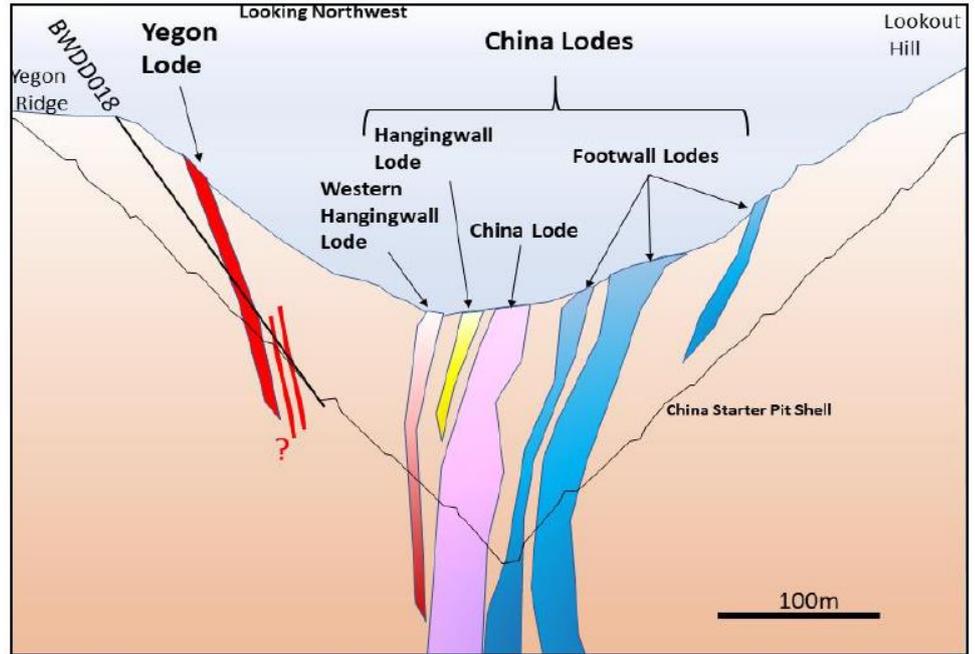
Argonaut derives a valuation of \$0.40/sh for MYL, which we risk weight 50% to account for country and development risks to achieve a \$0.20/sh target price. SPEC BUY.

Yegon Ridge Discovery

Yegon Ridge is the 4th Lode to be Discovered at Bawdwin...

The Yegon Ridge discovery increased the number of polymetallic lodes at Bawdwin from three to four. Importantly, the discovery hole (BWDD018: 16m @ 8.5% Zn+Pb, 4.7oz/t Ag and 0.9% Cu) appears to have just clipped the edge of mineralisation. Further drilling will test the higher chargeable anomalies to the north and south of the discovery hole.

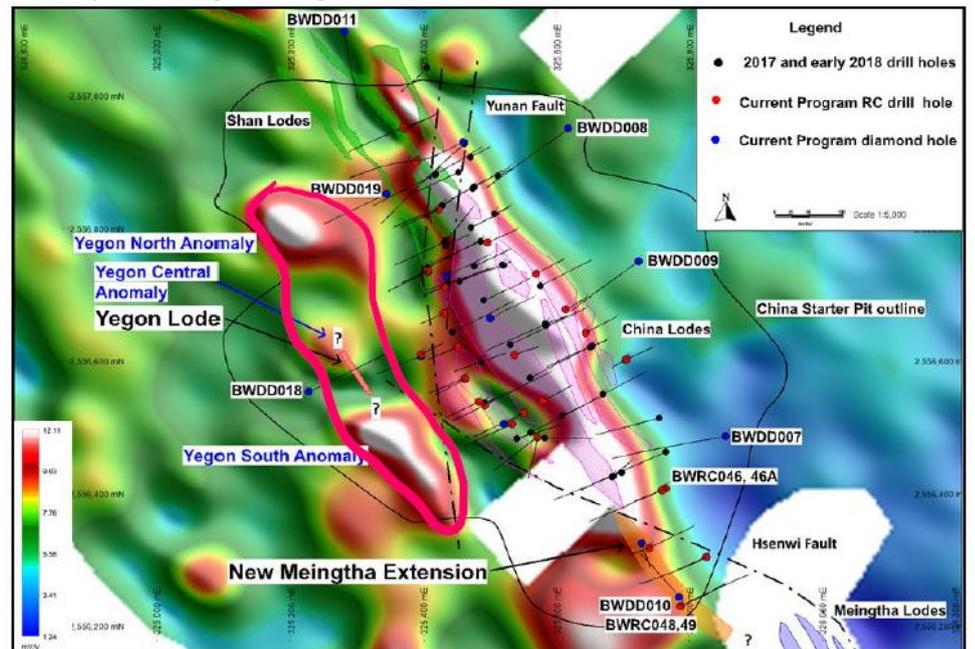
Figure 1. Cross section showing new Yegon Ridge Lode relative to the China Lode



...and sits on the hangingwall side of the China Lode, partly within the starter pit shell

Source: MYL

Figure 2. Plan view chargeability image of Yegon Ridge showing the location of the discovery hole to higher chargeable anomalies north and south



The highest chargeable anomalies of the Yegon Ridge are yet to be drilled

Source: MYL

Meingtha gap taking shape

Drilling continues to return high-grade mineralisation in the Meingtha gap...

The Meingtha gap area sits between the China and Meingtha lodes. It is currently modelled as waste as historic drilling and underground workings had difficulty penetrating the faulted and altered rocks. Recent drilling is proving the theory of continuity of high-grade mineralisation through the zone. We believe there is also potential for a later mineralising event in this zone which is believed to be the source of Cu-Ni-Co rich zones noted within the Bawdwin deposit (evidenced in hole BWDD048 below). Recent drill intercepts included:

- Hole BWDD010: 21m @ 11.3% Zn+Pb, 3.9oz/t Ag from 124m and 9m @ 31.1% Zn+Pb, 11oz/t Ag from 146
- Hole BWDD048: 31m @ 4.2% Pb and 1.8oz/t Ag from 62m and 5m @ 2.5% Zn+Pb, **3.3% Cu, 0.3% Ci and 0.4% Ni** from 164m and 6m @ 7.0% Zn+Pb, 2.5oz/t Ag from 183m

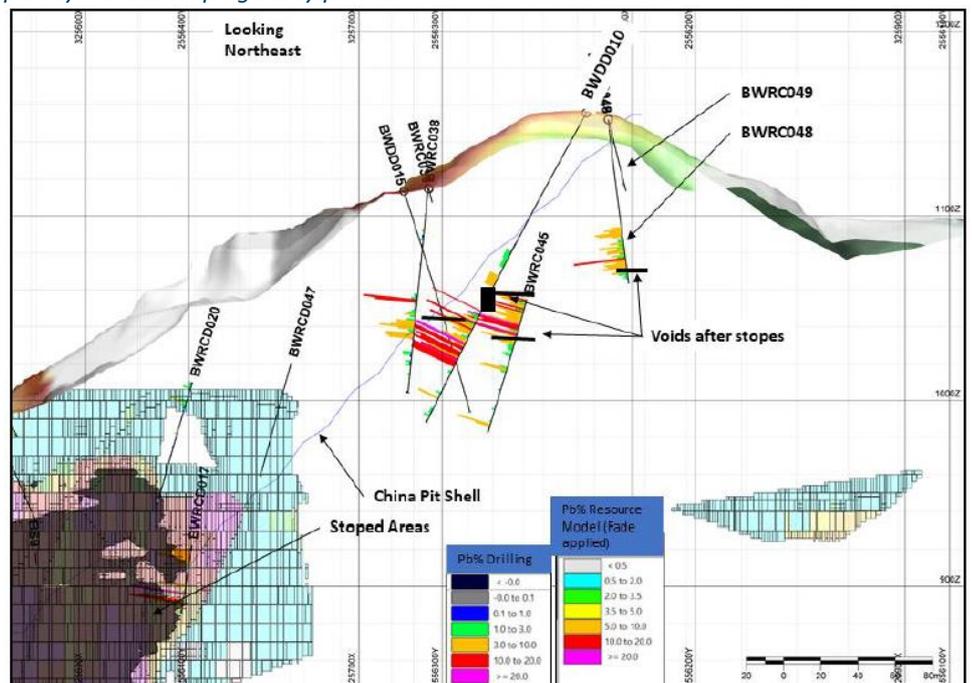
...showing the likely connection of the China and Meingtha lodes

Hole BWDD010 also contained two exceptional sub-intercepts of 0.5m @ **137oz/t Ag**, 16.7% Zn+Pb, 4.6% Cu from 121m and 0.5m @ **67% Zn+Pb** and 38oz/t Ag from 151m

Recent high-grade drill results sit on the edge of the China starter pit which was the subject of the September 2018 Scoping Study. We expect a significant extension to the initial pit shell in the upcoming Prefeasibility Study (PFS), due for release in Q1 2018. We also expect the 82Mt resource to grow beyond 100Mt (at a similar or better grade) when updated early next year.

Figure 3. Recent drilling in the Meingtha gap showing potential to extend the China starter pit beyond the Scoping Study pit shell

Mineralisation within the Meingtha gap will likely extend the extents of the China starter pit



Source: MYL

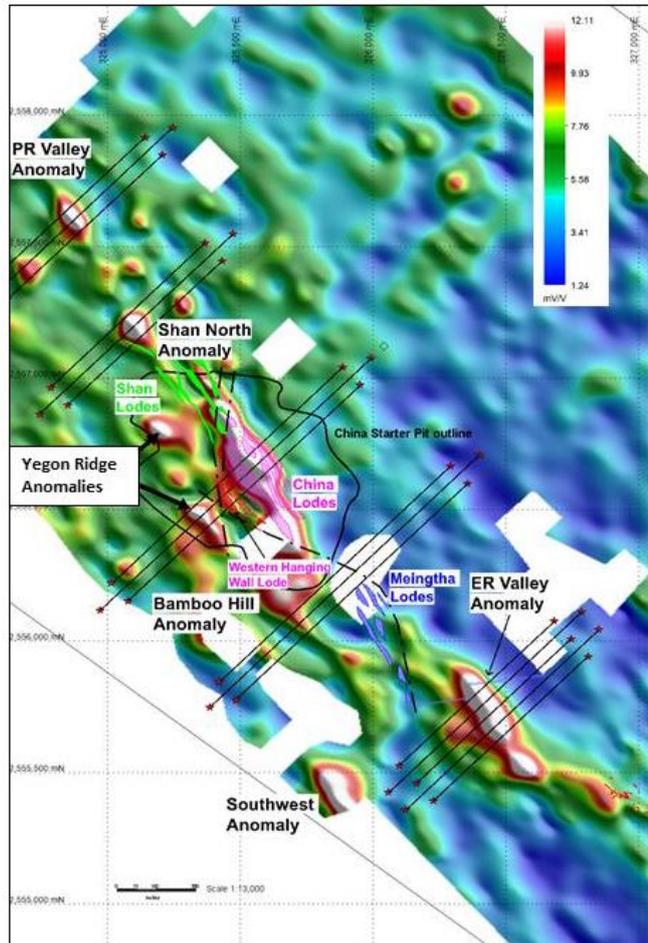
More to come

MYL is yet to test a number of additional chargeable and soil anomalies...

A track is currently under construction to provide access to the ER Valley early for drilling in the new year. This area returned significant chargeable and soil geochemical anomalies and has coincident historic artisanal workings. The ER Valley is located southeast of the Meingtha Lode and could be a fault offset or a parallel zone. The intensity and dimensions of the ER Valley anomaly are similar to the China Lode's chargeability anomaly, indicating it could have significant scale. In addition, the Shan Lode with historic copper workings is yet to be tested by modern drilling. In 2019, MYL will also conduct deep penetrating pole-dipole IP (PDIP) surveys to test the Bamboo Hill, Yegon South, Shan North and PR Valley Gradient Array Induced Polarisation (GAIP) anomalies.

...including the ER Valley and Chin Lodes

Figure 4. GAIP survey map showing the ER Valley and Shan anomalies



We expect 2019 exploration to highlight further discoveries at Bawdwin

Source: MYL

Valuation

Argonaut does not value the Bawdwin asset based on this Scoping Study alone, recognising that the China Pit represents just a fraction of the exploitable resource. Our asset model incorporates a 25-year mine life and assumes processing expansions with an average throughput rate of 2.0Mtpa. We do not model any underground mining scenarios and do not account for potential nickel or cobalt extraction. We apply 70:30 debt to equity funding and assume equity capital is raised at an average \$0.08/sh post-PFS resulting in maximum shares on issue of 1,761m. We apply a 50% discount to our \$0.40/sh NAV valuation to account for development, financing and sovereign risk to achieve a \$0.20/sh target price.

Table 1: Argonaut's valuation Summary

NAV Valuation		
Sum of Parts	AUD M	AUD / Share
Bawdwin Share	492.9	0.28
Unmined Resources	186.0	0.11
Exploration Upside	100.0	0.06
Corporate NPV	(89.1)	(0.05)
Cash	10.0	0.01
Debt	-	-
Sub Total	700	0.40
Risk Weighting		50%
Target Price		0.20

Source: Argonaut

RESEARCH:

Ian Christie | Head of Research
+61 8 9224 6872 ichtie@argonaut.com

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

Michael Eidne | Director, Research
+61 8 9224 6831 meidne@argonaut.com

INSTITUTIONAL SALES - PERTH:

Chris Wippl | Executive Director, Head of Sales
+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

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 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. 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.

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.