

## SPEC BUY

Current Price	\$0.06
Valuation	\$0.51
Target Price	\$0.25

Ticker:	MYL	
Sector:	Metals and Mining	
Shares on Issue (m):	663.8	
Options (m):	183.7	
Market Cap (\$m):	36.5	
Net Cash (\$m):	3.9	
Enterprise Value (\$m):	32.6	
52 wk High/Low:	\$0.10	\$0.03
12m Av Daily Vol (m):	1.97	

### Bawdwin Total JORC Resource

Tonnes	Silver	Zinc + Lead	Copper
Mt	oz/t	%	%
82.0	3.8	7.1	0.2

### Bawdwin Primary High Grade Resource (inclusive)

Tonnes	Silver	Zinc + Lead	Copper
Mt	oz/t	%	%
44.5	5.8	11.4	0.3

### Bawdwin Discrete Copper Resource (inclusive)

Tonnes	Copper	Zinc + Lead	Silver
Mt	%	%	oz/t
4.4	3	7.9	5.4

**Development Stage** Scoping Study

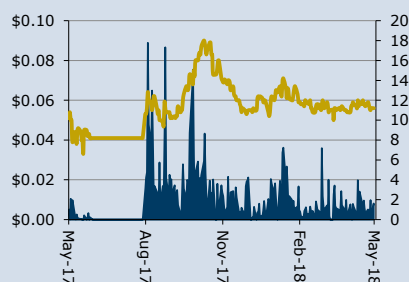
### Key Metrics (Argonaut Assumptions)

Capex Estimate	US\$150m
Steady State EBITDA (100% Basis)	US\$440m
Project NPV <sub>12</sub> (100% Basis)	A\$1,128m

### 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, 22 May 2018

## Myanmar Metals

### Resource upgrade – Option exercised

Analysts | Matthew Keane | James Wilson

#### Quick Read

Myanmar Metals (MYL) and East Asia Power (Mining) Company Limited (EAP) have notified Win Myint Mo Industries Co., Ltd (WMM), the current holder of the Bawdwin Mining Concession, that they will exercise the option for respective 51% and 24.5% interests in WMM. The option fee is US\$20m payable by 18 June 2018. The Company also announced an updated Resource for Bawdwin with 82Mt at 3.8oz/t Ag, 7.1% Pb + Zn and 0.2% Cu. The resource increased by 5.1Mt on the previous estimate, and importantly, now incorporates 20Mt in the Indicated category. With this upgraded resource, MYL is in a position to release a Scoping Study on the project, due by mid-June. We expect strong newflow through 2018, including continued positive drilling results and feasibility work on the Tier 1 polymetallic Bawdwin asset. SPEC BUY with a \$0.25 target price.

#### Event & Impact | Positive

**Option exercise:** MYL and EAP have notified WMM that they will exercise the Bawdwin option. MYL will take a 51% controlling stake in WMM with WMM's parent, National Infrastructure Holdings Company Ltd (NIHC), and EAP each having a 24.5% interest. MYL's payable share of the option is ~US\$13.9m due 18 June. The Company stated that it will finance the option through a share placement of up to A\$35m. We estimate this amount would be sufficient to maintain resource/exploration drilling and fund a Feasibility Study to be completed late-2018.

**Resource upgrade:** The updated resource of 82Mt at 3.8oz/t silver, 7.1% Pb+Zn and 0.2% Cu affirms Bawdwin's status as a Tier 1 polymetallic asset. It incorporates a Maiden Indicated Resource of 20Mt at 4.2oz/t Ag, 7.6% Pb + Zn and 0.2% Cu and a discrete Cu resource of 4.2Mt at 3.0% Cu, 7.9% Pb+Zn and 5.4oz/t Ag (both inclusive).

**Scoping Study due soon:** Importantly, the Indicated Resource should enable the public release of a Scoping Study, which we believe will highlight a long life, high output, high margin, open pit mine. Argonaut models a 2.5Mtpa operation producing 140kt Pb, 68kt Zn, 12koz Ag and 5kt Cu per annum. We derive an average attributable EBITDA for MYL of US\$140mpa and a project NPV<sub>12</sub> of A\$1,128m (100% basis). MYL expects to release its Scoping Study by mid-June.

#### Recommendation

Argonaut's valuation of \$0.51/sh is risk weighted 50% to achieve a valuation of \$0.25/sh. MYL offers compelling risk reward. SPEC BUY recommendation.

## Resource upgrade

MYL has announced an updated Resource for Bawdwin with 82Mt at 3.8oz/t Ag, 7.1% Pb + Zn and 0.2% Cu. This is a 5.1Mt increase on the March 2018 estimate and incorporates a maiden Indicated Resource of 4.2oz/t Ag, 7.6% Pb + Zn and 0.2% Cu. Key elements of the Resource include:

- An assumption that ore above the 750RL is largely open pitable
- 0.5% Pb cut-off above the 750RL and 2.0% Pb cut-off below the 750RL
- An inclusive higher-grade resource of 44.5Mt at 5.8oz/t Ag, 11.4% Pb+Zn and 0.3% Cu (at a 2% Pb cut-off for all levels)
- An inclusive high-grade copper resource of 4.2Mt at 3.1% Cu, 7.9% Pb+Zn and 5.4oz/t Ag (this occurs in discrete zones within the 82Mt resource)

*Table 1. Updated Bawdwin Mineral Resource*

Oxidation State	Category	Tonnage (kt)	Pb (%)	Zn (%)	Cu (%)	Ag (g/t)
Oxide	Indicated	1,019	4.1	2.3	0.24	143
	Inferred	560	6.1	2.9	0.32	191
	Total	1,579	4.8	2.5	0.26	160
Transitional	Indicated	10,306	5.3	2.7	0.23	135
	Inferred	10,506	4.3	1.9	0.15	122
	Total	20,813	4.8	2.3	0.19	129
Fresh	Indicated	8,860	4.8	2.6	0.24	123
	Inferred	50,643	4.7	2.3	0.25	113
	Total	59,503	4.7	2.4	0.25	114
Total	Indicated	20,185	5	2.6	0.23	130
	Inferred	61,710	4.7	2.3	0.24	115
Total		<b>81,895</b>	<b>4.7</b>	<b>2.4</b>	<b>0.24</b>	<b>119</b>

Source: MYL, edited by Argonaut

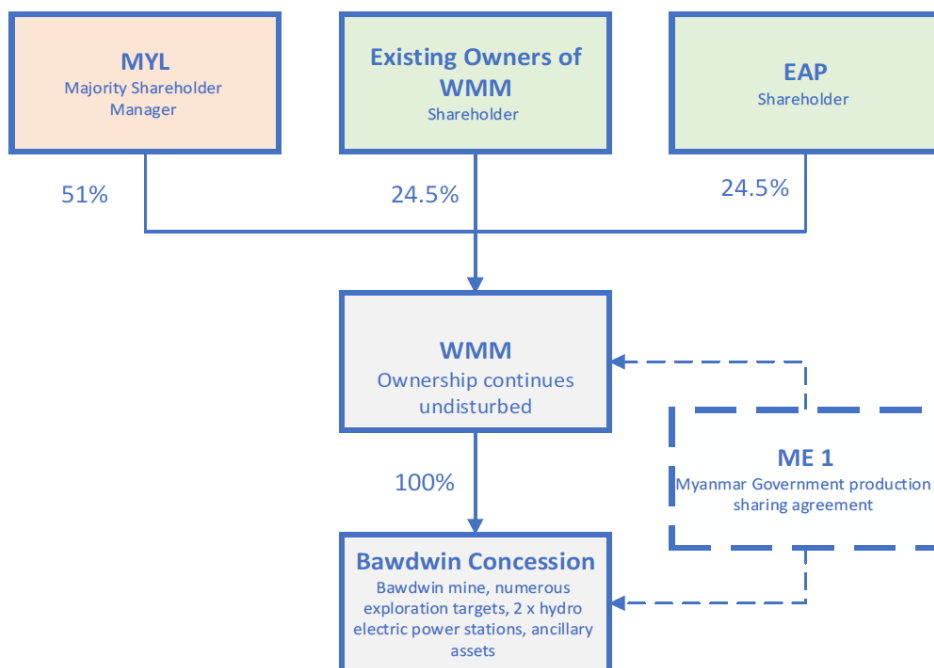
## Option Exercise

MYL had an initial option to purchase a controlling 85% interest in WMM for US\$20m with a 5% buy-back option. WMM is a 100% owned subsidiary NIHC, the holder the Bawdwin Mining Concession. MYL subsequently bought EAP into the option agreement resulting in a pro-forma ownership structure of 51% MYL, 24.5% NIHC and 24.5% EAP. MYL and EAP have now given notification to exercise this option. MYL's share of the option payment will be US\$13.9m, which the Company has stated will be financed via a share placement of up to A\$35m. The placement will be subject to shareholder approval at a General Meeting to be held on 5 June 2018.

By investing in WMM rather than the asset, there is no requirement to change the ownership of the Bawdwin Mining Concession. NIHC will be free carried for 15% through to a decision to mine. MYL's choice of local partners is very strategic. Both NIHC and EAP are large conglomerate companies with good relationships with the Myanmar Government and offer strategic synergies through other

business units. EAP is a diverse organisation engaged in manufacturing and cross border trade with China. It also owns several mines in Myanmar and operates the Longh Keng high grade zinc mine and Lashio zinc refinery on behalf of Cornerstone Resources Myanmar Ltd. NIHC has investments in infrastructure projects, power generation, logistics and fuel distribution. We believe these partners mitigate risks associated with asset nationalisation or Government interference as both are significant tax payers and large employers within Myanmar.

Figure 1: Bawdwin Ownership structure



Source: MYL

## 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 which appear to be enriched within Cu zones. We assume the production of three concentrates, being lead/silver, zinc and copper. Key assumptions are listed below in Table 2 (over).

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	150
Sustaining Capex	US\$m	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	1,128
Post-tax IRR	%	127%

Source: Argonaut

We derive a A\$1,128m post-tax NPV<sub>12</sub> for Bawdwin (100% basis) and a compelling 127% IRR (at a WMM level). 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, incorporating funding to exercise the option, funding for feasibility studies and development capex, is applied at an average of \$0.08/sh (weight averaged for near-term and future equity raising). We estimate total diluted shares on issue of 1.5b.

Argonaut assigns an NSR of A\$5/t to unmined resources (\$191m) and \$100m to exploration upside. Our valuation of \$786m (\$0.51/sh) is discounted by 50%, to account for sovereign, financing and development risks to achieve a target price of \$0.25/sh.

Table 3: Argonaut's valuation summary

NAV Valuation		
Sum of Parts	AUD M	AUD / Share
Bawdwin Share	575.2	0.37
Unmined Resources	191.3	0.12
Exploration Upside	100.0	0.06
Corporate NPV	(84.0)	(0.05)
Cash	3.9	0.00
Debt	-	-
<b>Sub Total</b>	<b>786</b>	<b>0.51</b>
Risk Weighting		50%
Target Price		0.25

Source: Argonaut

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

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