

SPEC BUY

Current Price	\$0.059
Valuation	\$0.300
Target Price	\$0.180

Ticker:	MYL	
Sector:	Metals and Mining	
Shares on Issue (m):	1,603.4	
Options (m):	48.5	
Market Cap (\$m):	93.0	
Net Cash (\$m):	19.0	
Enterprise Value (\$m):	74.0	
52 wk High/Low:	\$0.09	\$0.05
12m Av Daily Vol (m):	2.25	

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	%	%
100.6	3.1	5.9	0.2

Bawdwin Primary High Grade Resource (inclusive)

47.0	5.2	10.2	0.2
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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

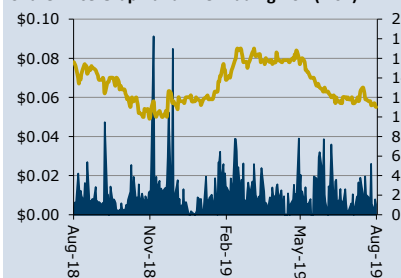
Board

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	19.9%
Yandal Investments	12.5%

Share Price Graph and Ave Trading Vol. (msh)



Please refer to important disclosures at end of the report (from page 3)

Friday, 11 October 2019

Myanmar Metals

Bawdwin reaches 100Mt

Analysts | Matthew Keane | James Wilson

Quick Read

Myanmar Metals' (MYL) Bawdwin Pb/Zn/Ag project has now surpassed 100Mt with the latest resource upgrade. The resource now stands at 100.6Mt at 5.9% Zn+Pb, 3.1oz/t Ag, and 0.2% Cu. Importantly, the confidence level of the deposit has increased with an Indicated component rising by 222% to 43Mt. MYL is conducting a Definitive Feasibility Study (DFS) which is due for completion in Q1 2020. SPEC BUY recommendation.

Event & Impact: | Resource Upgrade - Positive

Resource upgrade: The updated Bawdwin Mineral Resource now stands at 100.6Mt at 5.9% Zn+Pb, 3.1oz/t (97g/t) Ag, and 0.2% Cu. Within this is a higher-grade core of 47.0Mt at 10.2% Zn+Pb, 5.2oz/t (163 g/t) Ag and 0.2% Cu at 2% Pb cut-off. This resource will only continue to grow with extensions to known lodes (particularly China Lode at depth), new mineralised zones proximal to known lodes and newly discovered satellite lodes. We believe MYL will have sufficient drilling to define a maiden Inferred Resources on the ER Valley and Yegon Ridge discoveries and potentially the Chin Lode by early 2020. Both ER Valley and the Chin lodes are copper rich which could justify a copper circuit on the plant. Bawdwin is now the largest primary lead deposit globally and a top 10 primary silver deposit. We regard this a Tier 1 asset, given its grade, scale and open pit potential.

Feasibility Study: MYL is progressing its DFS and has appointed high calibre consultants including Lycopodium, CSA Global and Coffey. We expect this study to be an improvement on the May 2019 Starter Pit PFS with key upside from an optimised mine design (lower strip ratio), revised production scheduling (larger trucks with lower mining cost), improved metal recoveries and the incorporation of newly discovered mineralisation within the original pit shell. We highlight that the original starter pit incorporates less than 25% of the total resource. In a recent announcement, MYL changed the proposed plant location to a site known as Tiger Camp, which has road access along an existing rail route within the existing mine concession. Savings on road infrastructure will likely offset higher cost requirements for the tails facility. Over time, the project will likely expand with an additional three underground mines and several satellite open pits (e.g. ER Valley).

Myanmar security: MYL has highlighted heightened security risks due to border issues between ethnic groups and the Myanmar Government. Argonaut understands this is isolated to one of four ethnic groups located in the Shan state, but nevertheless depicts the risks of operating in an emerging democracy such as Myanmar. While we do not think this will disrupt current operations or the ongoing permitting process, it may generate near-term trepidation from equity investors.

Recommendation

Argonaut maintains a SPEC BUY recommendation with a valuation of \$0.30/sh. We assign a 40% discount to account for country, permitting and financing risk to achieve a \$0.18/sh target price. MYL has ~\$19m cash and ~\$5m due from options exercisable before Dec 2019. As such, it is fully funded through to a Financial Investment Decision (FID).

Resource Upgrade

The updated Bawdwin Mineral Resource now stands at 100.6Mt at 5.9% Zn+Pb, 3.1oz/t (97g/t) Ag, and 0.2% Cu. This represents a slight decrease in grade (previously 94.2Mt @ 6.3% Zn+Pb, 3.4oz/t Ag and 0.2% Cu), but a 222% increase in the higher confidence Indicated category. Within this resource is a higher-grade core of 47.0Mt at 10.2% Zn+Pb, 5.2oz/t (163 g/t) Ag, and 0.2% Cu at 2% Pb cut-off.

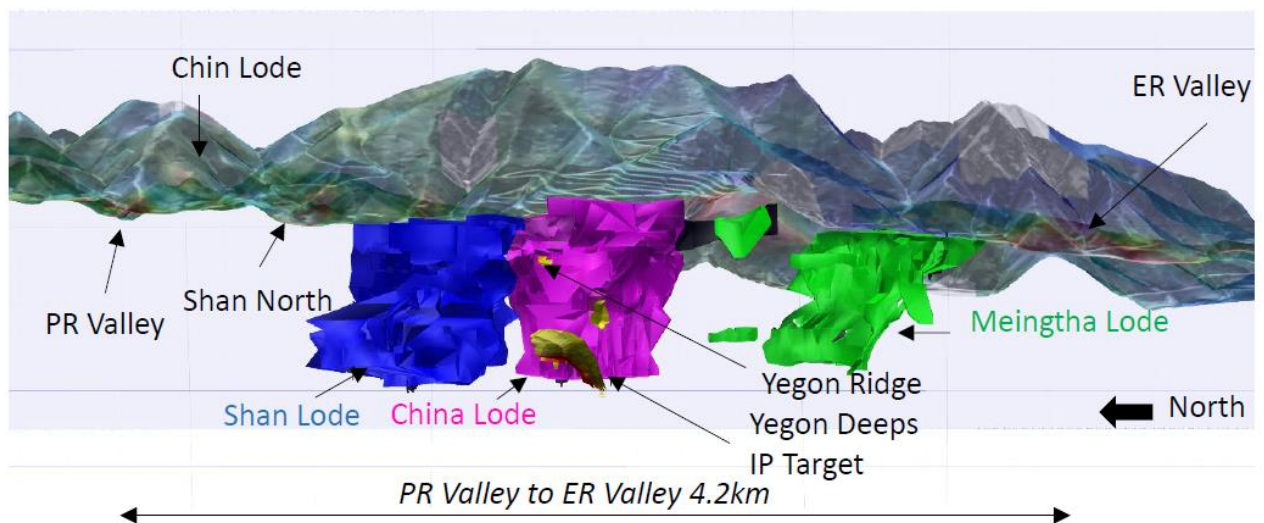
Table 1. Myanmar Resource as of mid-July

Oxidation	Class	Tonnage ('000t)	Pb (%)	Ag (Oz/t)	Zn (%)	Cu (%)
Oxide	Indicated	2,310	1.9	2.6	0.2	0.0
	Inferred	990	2.5	3.2	0.3	0.1
	Total	3,300	2.1	2.8	0.2	0.1
Transition	Indicated	3,214	3.0	2.2	0.8	0.2
	Inferred	4,928	2.5	1.6	1.5	0.1
	Total	8,142	2.7	1.9	1.3	0.1
Deep Transition	Indicated	1,582	3.4	3.2	2.1	0.1
	Inferred	180	1.5	0.7	0.2	0.0
	Total	1,762	3.2	2.9	1.9	0.1
Fresh	Indicated	35,249	4.3	3.3	2.2	0.2
	Inferred	52,121	4.2	3.2	1.9	0.2
	Total	87,370	4.3	3.2	2.0	0.2
Total	Indicated	42,356	4.0	3.2	2.0	0.2
	Inferred	58,219	4.1	3.1	1.8	0.2
	Total	100,575	4.0	3.1	1.9	0.2

Source: MYL

The current resource remains confined to the three known lodes including the China, Meingtha and Shan. We expect future resource updates to incorporate new discoveries including Shan North, Yegon Ridge and ER Valley. Drilling is due to recommence in September/October after the wet season.

Figure 1. Longitudinal section of lodes and targets



Source: MYL

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Important Disclosures

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 1,976,923 MYL shares and 35M MYL Options exercisable at \$0.078 on or before 15 June 2020.

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