



## ASX ANNOUNCEMENT

Date 17 August 2021

ASX Code: MYL

### BOARD OF DIRECTORS

Mr John Lamb  
Executive Chairman, CEO

Mr Rowan Caren  
Executive Director

Mr Jeff Moore  
Executive Director

Mr Paul Arndt  
Non-Executive Director

Mr Andrew Teo  
Non-Executive Director

### ISSUED CAPITAL

Shares 1,901 m.

Unlisted Options 53 m.

# MYL ENTERS INTO BINDING AGREEMENTS FOR DIVESTMENT OF BAWDWIN INTEREST

## Highlights

- Binding agreements to divest Bawdwin interests for US\$30 million
- Exit would allow MYL to recoup the majority of its investment and exit Myanmar
- Search is underway for a new project opportunity

Myanmar Metals Limited (“MYL” or “the Company”) has entered into binding agreements to dispose of the Company’s entire interest in the Bawdwin Project (“Project”) to its local Bawdwin Joint Venture (“BJV”) partner Win Myint Mo Industries Co. Ltd. (“WMM”) for a total consideration of US\$30 million, conditional on MYL shareholder approval and any other requisite approvals (“Conditions Precedent”), (the “WMM Transaction”).

Under the WMM Transaction, MYL will receive total consideration of US\$30 million (AUD\$40.9 million<sup>1</sup>). Of the US\$30 million, US\$16.875 million is being paid in reimbursement of acquisition expenditures by the Company and the repayment of loans advanced by MYL and its wholly-owned Myanmar operating subsidiary, Bright Mountain Resources Myanmar Co., Ltd. (“BMR”). Payment is due within 40 business days of the satisfaction or waiver of all Conditions Precedent.

The balance of US\$13.125 million is comprised of US\$51,000 payable as consideration for the sale of all the shares comprising BMR’s 51% interest in the BJV (“BJV Shares”) and US\$13,074,000 in relation to Bawdwin IP which will then be applied to settle outstanding loans made by BMR to BJV. Payment is due to BMR within 40 business days of the satisfaction or waiver of all Conditions Precedent.

Shareholders will have the opportunity to consider and approve the WMM Transaction at a General Meeting, expected to be held in September 2021. Details of the shareholder meeting will be provided in due course.

<sup>1</sup> Based on FX rate AUD: USD 0.734 current on 16 August 2021.

## About Win Myint Mo Industries Co. Ltd

WMM is MYL's partner in the Bawdwin Joint Venture and has worked constructively with MYL for over 4 years in advancing the Bawdwin project to its present status. WMM is a private, Myanmar registered company and is part of the National Infrastructure Holdings Co group which is a leading infrastructure conglomerate in Myanmar. Its core businesses are in highways and bridges, fuel and energy, power, food, logistics, and mining and construction. Some of NIHC's landmark projects include the Mandalay-Lashio-Muse road connecting Myanmar and China, Myanmar's first ever dry ports in Yangon and Mandalay, a gas-fired power plant in Mandalay, and a large vertically integrated food complex in Thilawa.

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### John Lamb, Chairman and CEO, stated:

"We are pleased to present shareholders with a binding agreement to divest MYL's Bawdwin interest. The divestment, if approved by shareholders, provides certainty in realising significant value from the Company's investment in the Bawdwin project despite the unfortunate recent events in Myanmar.

I am pleased to say that this outcome represents a return to MYL of approximately 75% of its total investment in Myanmar, a good result considering the circumstances and when compared to outcomes reported from other companies exiting their Myanmar positions.

The Company held \$11.4 million in cash as the end of June, with no debt. The Board believes that the combination of the company's cash reserves and the proceeds of the divestment, once complete, will place it in an advantageous position to seek a high-quality asset(s) that will deliver value to shareholders.

There are good minerals opportunities for buyers with cash in the bank, and we think there is an excellent chance for shareholders to benefit if the Company completes this WMM deal. We have commenced the search and look forward to providing further updates to shareholders as we progress"

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## Bawdwin Project Background

The Company acquired an option in relation to the Project in 2017 and exercised that option to acquire its interest in the Project in 2018. Since then, the Company has significantly advanced the proposed Bawdwin Mine development through multiple technical studies. As part of these activities, the Company, either directly or via BMR, entered into:

- (a) an option agreement on 22 May 2017, pursuant to which the Company acquired an option in relation to the Project (**Option Agreement**);
- (b) an operating agreement on 13 June 2018, pursuant to which an unincorporated joint venture was established in respect of the Project, whereby the Company acquired an interest in the Project via BMR's participation in the joint venture and the Company agreed to various obligations pursuant to the joint-venture nature of the Project (**Operating Agreement**); and
- (c) a "Deed Regarding the Role of BJV Company Limited and Related Obligations – Bawdwin Joint Venture" on 15 September 2020, pursuant to which BJV Co., Ltd. (**BJV**) was designated as the intended incorporated joint venture vehicle for future phases of the project and the joint venture participants agreed to vary the terms of the Operating Agreement (**Side Deed**).

The mineral permitting framework in Myanmar is administered by the Ministry of Natural Resources and Environmental Conservation (**MONREC**) under mining legislation. A separate layer of investment permitting also applies to mineral production projects under investment laws. Investment permitting is administered by the Myanmar Investment Commission (**MIC**).

MONREC implements much of the practical granting and administration of mineral production permits – including the collection of the government share under fiscal regimes - via State-owned enterprises controlled by MONREC. Mining Enterprise No. 1 (**ME1**) is the relevant MONREC-controlled State-owned enterprise for the Project.

The current concession for the Project comprises a Production Sharing Agreement between WMM and ME1.

The Company's interest in the Bawdwin Project is held via BMR. BMR is a participant in a legally binding contractual joint venture arrangement with WMM, and EAP Global Mining Co., Ltd. (**EAP Global**) under the Operating Agreement. BMR (and consequently MYL) and EAP Global are required to fund a Definitive Study (**Study**) and BMR (via MYL) is required to procure binding commitments for financing of the future development of the Project. Definitive financial estimates cannot be determined at this time and BMR and EAP Global therefore cannot complete the Study at this time. The requirement to complete the Study is subject to a timeline which has been extended until December 2021 due to events beyond the reasonable control of BMR and EAP Global.

The Project joint venture has principally been operated through BJV Company Limited (**BJV**) as an operating, services and procurement vehicle. Shares in BJV are held as follows:

	No.	%
BMR	51,000	51
WMM	24,500	24.5
EAP Global	24,500	24.5
<b>Total</b>	<b>100,000</b>	<b>100</b>

For further information on the Project, please refer to the Company's website and announcements on the ASX platform.

The Company has undertaken a detailed review of its assets and operations in Myanmar. The political situation in Myanmar has undermined the confidence of markets which the Company has identified to access the capital required for development of the Project. The Board has formed a view that the procurement of project finance in the near term by the Company would be extremely problematic and realistically unlikely. Furthermore, progress to the next approval stage – granting of a foreign investment permit by the MIC – would require that the Company evidence sources of adequate funding for the project to the Myanmar Government and, upon approval, make immediate cash payments to the Myanmar Government relating to the project approval.

Consequently, the Board considers that the Company can neither progress, nor indefinitely sustain its Myanmar operations without the realistic prospect of further and ongoing funding.

Having undertaken the strategic review, the Board considered the objective of maximising shareholder value in light of the:

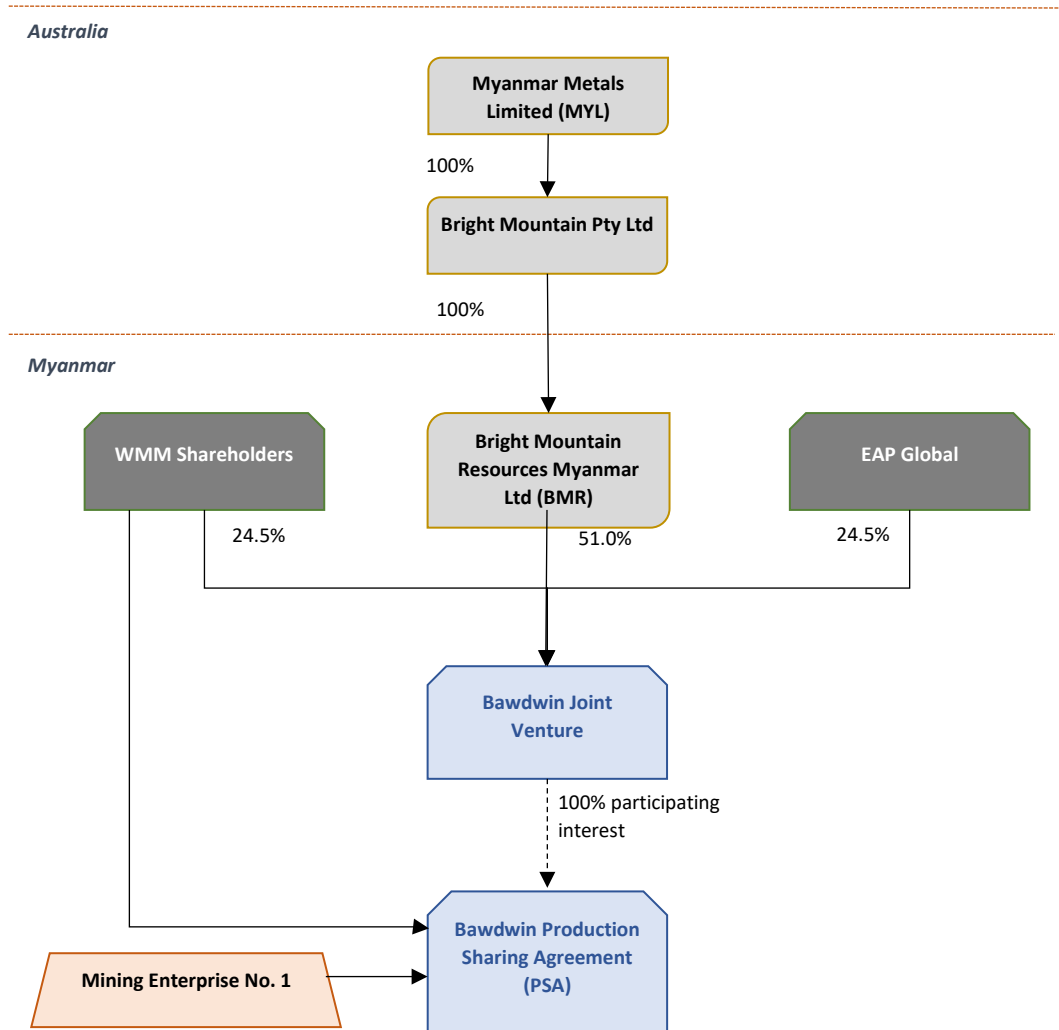
- (a) heightened operating risks in Myanmar;
- (b) low likelihood of being able to raise the project finance required; and
- (c) other stakeholder issues.

The Company has previously advised that it had made the decision to seek to exit from Myanmar and the Project and undertook to evaluate international and in-country interest in acquiring the Project. For further information on the above and in relation to the political, security and COVID situation in Myanmar, please refer to the Company's Quarterly Activities Report, dated 21 July 2021.

On 16 June 2021, the Company advised that it had received a non-binding, conditional proposal from Yintai Gold Co. Ltd. (**Yintai**) to acquire all of the ordinary shares on issue in the Company for a cash consideration of A\$0.035 per share, representing a total consideration of A\$66.5 million (the **Yintai Proposal**). It is important to note that at this time there has been no formal offer from Yintai capable of being accepted by MYL shareholders, nor is it certain that a formal offer capable of acceptance will be made. Given the number of conditions imposed by Yintai in relation to provision of an offer - including a site visit, the completion of further legal, technical and financial due diligence to Yintai's satisfaction and final internal investment approvals - there is no guarantee that a formal offer will be made by Yintai. It should be noted that site based due diligence enquiries may present a logistical challenge at this time due to the political situation in Myanmar and restrictions on travel due to the COVID-19 pandemic.

Whilst the Company welcomes Yintai's interest and has assisted in its due diligence and approval processes, the Board considers that the Yintai Proposal may take significant time to complete and is highly uncertain in terms of outcome. If shareholders elect to approve the WMM Offer at the EGM, it is expected that the Yintai Proposal would not proceed. The Company also notes the Yintai Proposal can be terminated by Yintai in their sole discretion at any time. When assessing the Yintai Proposal, the Company also notes that MYL's existing cash reserves form part of the value that would be acquired by Yintai, whereas this cash would be retained under the WMM Transaction and could be applied to the acquisition and development of future asset(s).

## Bawdwin Project Ownership Structure



### WMM Transaction

MYL, together with:

- (a) BMR;
- (b) U Than Myint and U Maung Kyay (together, the **Majority Holders**, being the majority shareholders of WMM);
- (c) WMM;
- (d) BJV; and
- (e) EAP Global and its related company, East Asia Power (Mining) Co., Ltd. (**EAP Mining**);

(together, the **Parties**) has entered into definitive agreements to transfer interests in the Project to WMM and to terminate Project agreements for a total consideration of US\$30,000,000 conditional on Shareholder approval and any other required regulatory approvals. As at the date of this announcement, the Company is not aware of any other regulatory approvals that will be required.

The WMM Transaction comprises the following agreements:

- (a) The “Binding Agreement - Bawdwin Option Agreement and Related Agreements and Making of Associated Payments” between the Parties (other than EAP Global and BJV) (**Binding Agreement - Option Agreement**)

Under the Binding Agreement - Option Agreement, the Company will receive US\$16,875,000 in reimbursement of expenditure made by the Company and BMR and repayment of loans in respect of the Project. This payment will be made as consideration for the termination of the Option Agreement and other agreements related to the Option Agreement and the initial grant and exercise of the Company's option to acquire an interest in the Project. The Company and BMR confirm that upon receipt of the payment of US\$16.875 million neither of them will have any continuing rights or interests pursuant to the Project save for those under the Operating Agreement and the Side Deed (which rights are in turn subject to the Binding Agreement – Operating Agreement, as detailed below).

- (b) The “Binding Agreement - Bawdwin Operating Agreement and Side Deed” between the Parties (other than EAP Mining) (**Binding Agreement - Operating Agreement**).

Under the Binding Agreement - Operating Agreement:

- (a) BMR will receive a total of US\$13,125,000 comprised of:
- (i) US\$51,000 from WMM as consideration for the sale to it of all the BJV Shares held by BMR; and
  - (ii) US\$13,074,000 from BJV in relation to outstanding loans made by BMR to the Project (as provided to and utilised by BJV on behalf of the Project),

which the Company and BMR will then seek to repatriate to Australia. This process may take an extended period of time to complete due to the operating environment in Myanmar;

- (b) BMR will transfer all of the BJV Shares it holds to WMM;
- (c) the Company, BMR and EAP Global will confirm the transfer of all rights and interests held by any of them in the intellectual property related to the Project (**Project Intellectual Property**) to BJV and BJV will in turn transfer all rights and interests held by it in the Project Intellectual Property to WMM;
- (d) the Operating Agreement and the Side Deed will be terminated; and
- (e) the Company and BMR confirm that on termination of the Operating Agreement and Side Deed neither of them will have any continuing rights or interests in the Project save for those under the Option Agreement (which rights are in turn subject to the Binding Agreement – Option Agreement, as detailed above).

The Company will have no interest in or obligations relating to the Project following completion of the WMM Transaction.

Following Completion, the Company intends to identify and acquire a suitable new main undertaking. Any subsequent acquisition will attract the application of ASX Listing Rule 11.1.3 and as a result will require the Company to re-comply with Chapters 1 and 2 of the Listing Rules.

The Company is having discussions with ASX regarding reinstatement to quotation and anticipates being reinstated to trading during the week commencing 23 August 2021.

A pro forma balance sheet is provided as Annexure A.

Authorised for release to the ASX by

A handwritten signature in black ink that reads 'J Lamb'.

John Lamb  
Executive Chairman and CEO

**About Myanmar Metals Limited**

Myanmar Metals Limited (ASX: MYL) is an explorer and mine developer listed on the Australian Securities Exchange. The Company holds a majority 51% participating interest in the Bawdwin Project in joint venture with its two local project partners, Win Myint Mo Industries Co. Ltd. (WMM) and EAP Global Co. Ltd. (EAP).

## Annexure A

### Pro Forma Balance Sheet (unaudited)

<b>Consolidated Balance Sheet</b>	<b>31 Dec 2020</b>	<b>Transactional impact</b>	<b>Post transaction</b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	15,958,813	40,871,935	56,830,748
Trade and other receivables	221,291		221,291
<b>Total Current Assets</b>	<b>16,180,104</b>	<b>40,871,935</b>	<b>57,052,039</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	4,936,779	(8,767,549)	(3,830,770)
Plant and equipment	99,529		99,529
Investments	-		-
Right of use Asset	238,759		238,759
Exploration and evaluation assets	19,822,124	(19,579,997)	242,127
<b>Total Non-current Assets</b>	<b>25,097,191</b>	<b>(28,347,546)</b>	<b>(3,250,355)</b>
<b>TOTAL ASSETS</b>	<b>41,277,295</b>	<b>12,524,389</b>	<b>53,801,684</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	(1,076,625)		(1,076,625)
Lease liability	(80,060)		(80,060)
Provisions	(206,156)		(206,156)
<b>Total Current Liabilities</b>	<b>(1,362,841)</b>	<b>-</b>	<b>(1,362,841)</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	-		-
Lease liability	(151,764)		(151,764)
<b>Total Non-Current Liabilities</b>	<b>(151,764)</b>	<b>-</b>	<b>(151,764)</b>
<b>TOTAL LIABILITIES</b>	<b>(1,514,605)</b>	<b>-</b>	<b>(1,514,605)</b>
<b>NET ASSETS</b>	<b>39,762,690</b>	<b>12,524,389</b>	<b>52,287,079</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share Capital	(102,320,558)	99,703	(102,220,855)
Other Equity - Convertible Note	(777,194)		(777,194)
Reserves	(2,208,804)	3,871,503	1,662,699
Retained Losses - Current PL	4,567,492	(16,495,595)	(11,928,103)
Retained Losses	60,976,374		60,976,374
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>(39,762,690)</b>	<b>(12,524,389)</b>	<b>(52,287,079)</b>