

Tietto Minerals Ltd

(TIE \$0.36) Speculative Buy

EUROZ HARTLEYS

Analyst	Date	Price Target
Mike Millikan	12 th July 2021	\$0.75/sh

Abujar resource grows to 3.4Moz, DFS on-track Q3

Event

Tietto Minerals (TIE) has updated resources for Abujar (Côte d'Ivoire), -11% growth to ~3.4Moz, with grade unchanged (1.2g/t Au).

Impact

- Indicated resources up 49% (now 1.85Moz @ 1.3g/t Au), bodes well for a higher reserve position (currently 0.86Moz @ 1.7g/t Au), -70% conversion implies ~1.3Moz potential.
- The higher anticipated inventory justifies the increase in project scale from 3.5Mtpa (PFS) to 4.0Mtpa (DFS), providing increased production levels and maintaining long mine-life (+10 years).
- Updated open pit shells encapsulates 1.55Moz @ 1.32g/t Au with improved 5.9:1 (W:O) strip ratio, down from 8.2:1 used in the PFS for the AG pit.
- We have adjusted our modelling (anticipated higher throughput rates, increased mining inventory and slightly improved strip ratio), our valuation increases to 78cps (up from 74cps).

Action

We retain our Speculative Buy recommendation, with an unchanged Price Target 75cps.

Key Catalysts

- Assays from ongoing drilling (+50,000m diamond program underway).
- JunQ report.
- Abujar DFS (due late Q3CY21).
- Early works (FEED and camp construction underway).
- Abujar Mining Convention (expected Q3CY21).
- Execution of debt financing (Q4CY21).
- FID (Q4CY21).
- Construction CY22.
- Targeting first gold production Q4CY22.
- Gold Price.

Tietto Minerals Ltd	Year End 30 June	
Share Price	0.360	A\$/sh
Price Target	0.75	A\$/sh
Valuation	0.78	A\$/sh

Shares on issue	554	m, diluted *
Market Capitalisation	164	A\$m
Enterprise Value	119	A\$m
Debt	0	A\$m
Cash	45	A\$m
Largest Shareholder	Hong Kong Ausino	9.7%

Production F/Cast	2022f	2023f	2024f
Prod'n (koz)-100%	0	152	193
Cash Cost (US\$/oz)	na	653	732
AISC (US\$/oz)	na	782	833

Assumptions	2022f	2023f	2024f
Gold Price US\$/oz	1850	1800	1700
AUDUSD	0.75	0.74	0.74

Key Financials	2022f	2023f	2024f
Revenue (A\$m)	0	370	443
EBITDA (A\$m)	-14	212	225
NPAT (A\$m)	-14	119	119
Cashflow (A\$m)	-14	145	159

CFPS (Ac)	-1	8	15
P/CFPS (x)	-30	5	2

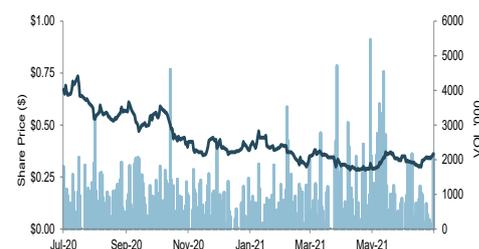
EPS (Ac)	-2	21	21
EPS growth (%)	0	-10	0
PER (x)	-15	2	2

EV:EBITDA (x)	-12.7	1.1	0.5
EV:EBIT (x)	-12.7	1.3	0.6

DPS (Ac)	0.0	0.0	0.0
Dividend Yield (%)	0%	0%	0%

ND:Net Debt+Equity (%)	-28%	13%	-35%
Interest Cover (x)	na	na	na

Share Price Chart



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Analysis

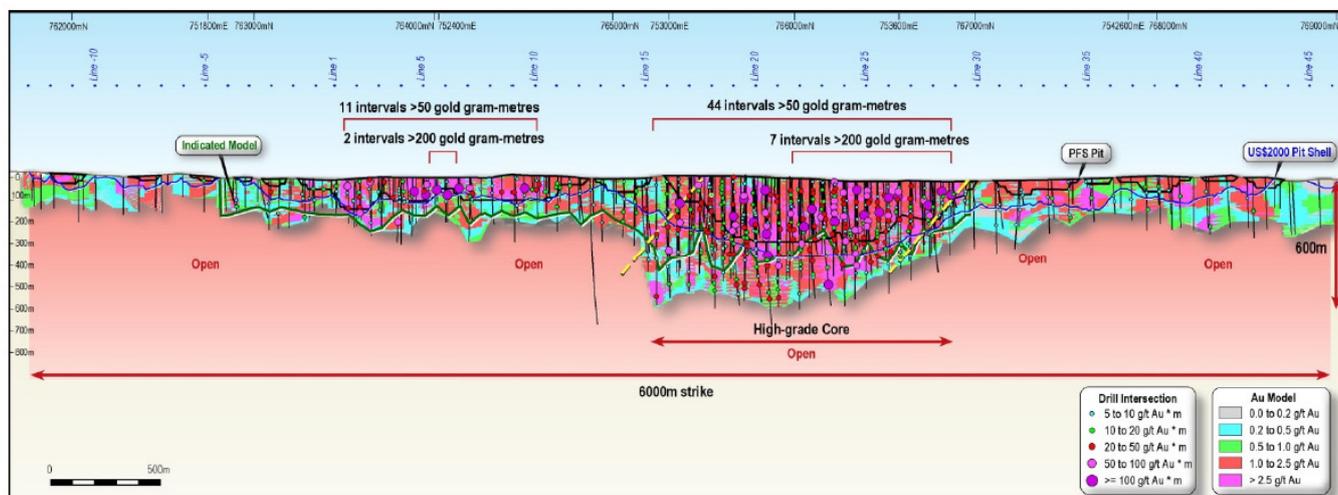
- The updated Abujar resource is now 87.5Mt @ 1.2g/t Au for 3.35Moz gold (up from 81Mt @ 1.2g/t Au for 3.02Moz), consisting:
 - AG resource: 50.3Mt (+1%) @ 1.5g/t Au (unchanged) for 2.45Moz (+7%)
 - APG resource: 36.7Mt (+18%) @ 0.7g/t Au (unchanged) for 0.87Moz (+24%)
 - Indicated resources increased 49% (43Mt @ 1.3g/t Au for 1.85Moz)

Fig 1: Abujar Resource Estimate – July’21

Deposit	Category	Oxide			Transition			Fresh			Total		
		Mt	Grade (g/t)	Gold (Moz)	Mt	Grade (g/t)	Gold (Moz)	Mt	Grade (g/t)	Gold (Moz)	Mt	Grade (g/t)	Gold (Moz)
AG	Indicated	0.5	1.2	0.02	2.1	1.3	0.09	32.4	1.5	1.54	35	1.5	1.65
	Inferred	0.4	1	0.01	1.7	0.9	0.05	13.3	1.7	0.74	15.3	1.6	0.8
	Total	0.9	1.1	0.03	3.8	1.1	0.14	45.6	1.5	2.28	50.3	1.5	2.45
APG	Indicated	0.5	0.7	0.01	1.9	0.7	0.05	6	0.7	0.14	8.4	0.7	0.2
	Inferred	1.2	0.7	0.03	5.2	0.7	0.11	22	0.7	0.52	28.4	0.7	0.67
	Total	1.7	0.8	0.04	7.1	0.7	0.16	28	0.7	0.67	36.7	0.7	0.87
SG	Inferred	0	0.7	0.001	0.1	0.8	0.001	0.4	1.6	0.02	0.5	1.4	0.02
Total		2.6	0.9	0.07	11	0.9	0.3	74	1.2	2.97	87.5	1.2	3.35

Source: Tietto Minerals

Fig 2: Abujar Long Section – AG Deposit



Source: Tietto Minerals

- The PFS LOM plan had targeted throughput of +3.5Mtpa for fresh ores and higher processing levels on oxide/transitional blends.
- In April’21, TIE secured an unused SAG mill with expected fresh milling throughput capacity of +4.0Mtpa which could save ~US\$3.5m on the pre-prod plant capex of ~US\$88.6m (includes ~US\$12m contingency) estimated in the PFS. Softer oxide blends are expected to have higher throughputs of +5Mtpa.

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- Higher processing rates, towards +4Mtpa (+14% on PFS levels) has the potential to sustain ave +190kozpa over the first 5 years, assuming a similar but slightly lower PFS grade profile.
- We have now assumed slightly higher than the PFS/Expanded Case throughput levels, added some additional capex, diluted grades to update our estimated production profile (recovered ozs ~1.5Moz over <10 mine life year). Mine plans will be optimised in the DFS.
- The latest pit shell for the AG pit captures a strip ratio of 6.7:1 (W:O) vs the PFS strip ratio of 8.2:1 (W:O). The strip ratio for APG is 3.0:1 (W:O) for an overall ~6:1 (W:O) profile.
- The project has excellent metallurgical recoveries with a coarse grind (180µm) providing 96% recoveries (used in the PFS) and finer grind (106µm) could provide 98% recoveries. Low cost hydro-grid power another attractive saving.
- We use a sum of parts valuation based largely on an open pit operation, with a small underground after CY28 at Abujar, 88% attributable to TIE, which has been risk adjusted due to the uncertainty around the final financial parameters and ultimately the funding mix for the project development.
- We assume potential for first production from late CY22 (TIE target is Q4CY22), which remains subject to the reserve update, DFS, permitting and ultimately project financing.
- Our valuation increases to \$0.78/sh (up from \$0.74/sh).

Fig 3: TIE NAV

ASSET VALUATION	A\$m	A\$/sh
(+) 88% Abujar (risk adj 80%)	376	0.68
(-) Corporate	(36)	(0.06)
(+/-) Hedging	-	-
(+) Exploration	30	0.05
(+) Unpaid Capital	18	0.03
(+) Cash	45	0.08
(-) Debt	-	-
Total @ 10%	434	0.78
Spot Gold - US\$1,733/oz AUD:USD 0.7628	472	0.85

Source: Euroz Hartleys

- Our price target is \$0.75/sh (unchanged). Note our TIE valuation at spot commodity prices is also \$0.85/sh.
- Exploration upside cannot be understated with the current Abujar resources expected to grow, and little value is currently being attributed to the upside potential of the +70km prospective strike (Abujar Shear Zone), some of which will be tested by drilling program in CY21.
- Another de-risking milestone will be the ratification of the Abujar Mining Convention, providing the framework for the social licence to operate and the key fiscal terms (tax and custom regime for the LOM); expected this quarter (Q3CY21).
- TIE remains well funded to complete development studies with cash of A\$45m at JunQ end.

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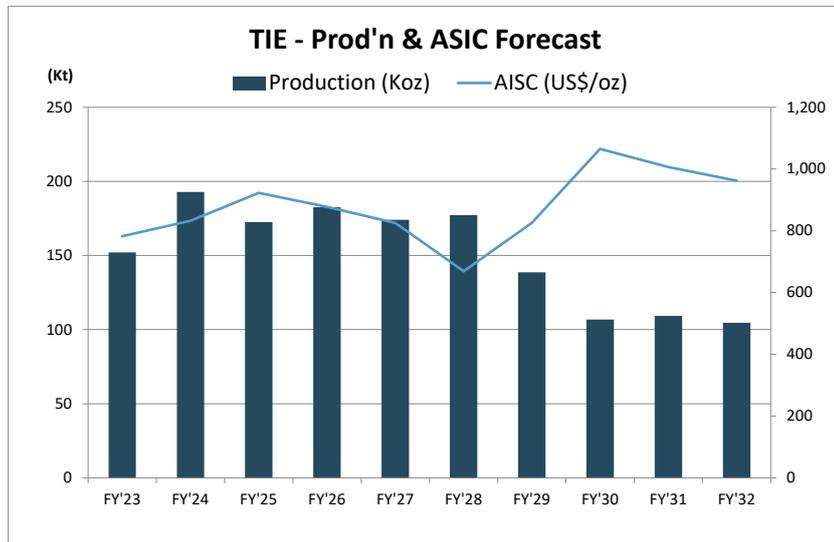
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- Risks include: commodity price movements (gold), feasible development studies, ore body risk (tonnes, grade and contained gold), and project financing. Later date construction, execution and production ramp-up are also risks to consider.

Fig 4: TIE - Abujar Production 100% and AISC Forecasts



Source: Euroz Hartleys, * subject to change

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Key Variables

Val/ Sh		Gold \$								
		-20%	-15%	-10%	-5%	0%	5%	10%	15%	20%
AUDUSD	\$0.78									
	15%	\$0.37	\$0.44	\$0.51	\$0.58	\$0.65	\$0.71	\$0.78	\$0.85	\$0.92
	10%	\$0.40	\$0.47	\$0.55	\$0.62	\$0.69	\$0.76	\$0.83	\$0.90	\$0.97
	5%	\$0.43	\$0.51	\$0.58	\$0.66	\$0.73	\$0.81	\$0.88	\$0.96	\$1.03
	0%	\$0.47	\$0.55	\$0.63	\$0.70	\$0.78	\$0.86	\$0.94	\$1.02	\$1.10
	-5%	\$0.51	\$0.59	\$0.67	\$0.76	\$0.84	\$0.92	\$1.00	\$1.08	\$1.17
	-10%	\$0.55	\$0.64	\$0.73	\$0.81	\$0.90	\$0.99	\$1.07	\$1.16	\$1.25
-15%	\$0.60	\$0.69	\$0.78	\$0.88	\$0.97	\$1.06	\$1.15	\$1.24	\$1.34	

Euroz Forecast	FY'2021	FY'2022	FY'2023	FY'2024
Gold (US\$/lb)	\$1,839	\$1,850	\$1,800	\$1,700
AUDUSD	\$0.75	\$0.75	\$0.74	\$0.74

Our Share Price Sensitivity



Our Market Sensitivity

Price Target \$0.75/sh

Valuation \$0.78/sh

Bull Scenario \$1.00/sh

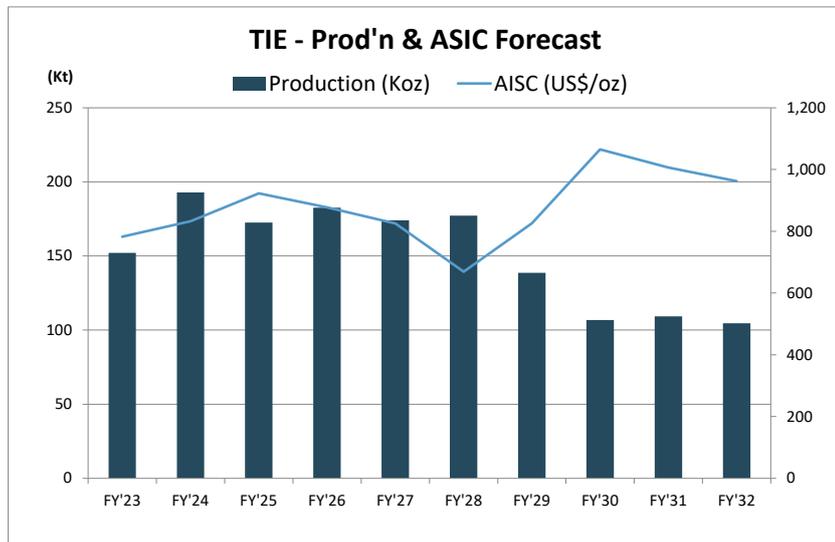
Exploration success yields a larger reserves which translate to increased mine life and higher sustainable production levels. US\$ gold prices improve and maintain around current spot price.

Base Scenario \$0.75/sh

Abujar can be developed as a standalone operation producing around our targeted production levels and cost assumptions. US\$ gold prices remain around current levels and our long-term prices remain achievable.

Bear Scenario \$0.15/sh

Gold price falls over 10% and/or sovereign risk concerns heighten and/or on-going drilling and studies fails to yield an economic project development.

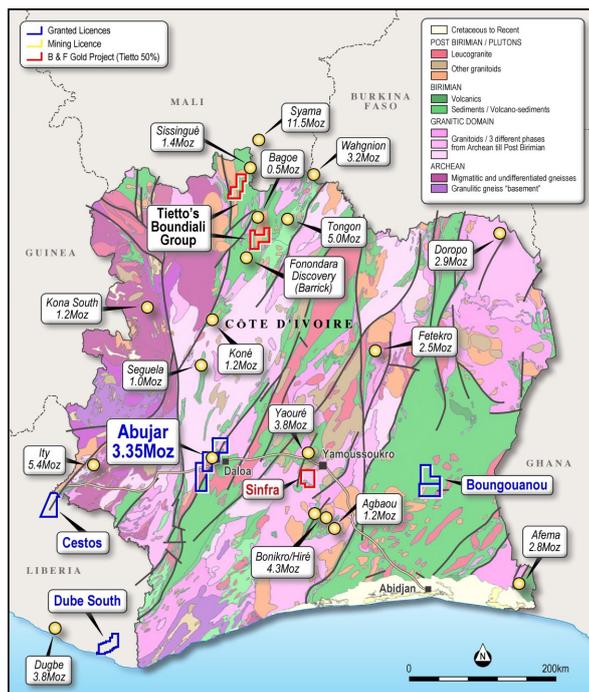


Company Summary

Tietto Minerals Ltd (TIE) is a gold exploration company focused primarily on West African exploration ground in Cote d'Ivoire. TIE's flagship asset is the Abujar Gold Project in central Cote d'Ivoire. Current resources are 87.5Mt @ 1.2g/t for ~3.4Moz. A DFS for Abujar is due Q3CY21, with the Company working with the government on the terms and condition for the Abujar Project Mining Convention, also due Q3CY21. TIE remains well funded to progress development studies. On the current timelines, TIE is targeting first gold production in Q4CY22.

Disclaimer

The projections and information above is based on the set assumptions outlined. Due care and attention has been used in the preparation of this information. However actual results may vary from forecasts and any variation may be materially positive or negative. Forecasts by their very nature, are subject to uncertainty and contingencies, many of which are outside the control of Euroz Hartleys.



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Market Statistics Year End 30 June

Share Price	0.360	A\$/sh	Directors	
Issued Capital			Francis Harper	NE Chair
Fully Paid Ord	456.2	m	Dr Caigen Wang	MD
Options (var. prices)	98.2	m	Mark Strizek	Exec Dir
Total Dil. FPOrd	554.4	m	Dr Paul Kitto	NE Dir
			Hanjing Xu	NE Dir
Market Capitalisation (dil) \$164 m			Shareholders	
Enterprise Value	\$119	m	Hong Kong Ausino	9.7%
Cash	\$45	m	Inner Mongolia Geo & Min	5.1%
Debt	\$-	m	Board & Management	7.3%

Asset Valuation	A\$m	A\$/sh
(+) 88% Abujar (risk adj 80%)	376	0.68
(-) Corporate	(36)	(0.06)
(+/-) Hedging	-	-
(+) Exploration	30	0.05
(+) Unpaid Capital	18	0.03
(+) Cash	45	0.08
(-) Debt	-	-
Total @ 10%	434	0.78
Spot Gold - US\$1,733/oz AUD:USD 0.7628	472	0.85

F/Cast Production (A\$m)	2021F	2022F	2023F	2024F	
Abujar					
Gold Prod-100%	Koz	-	152	193	
Gold Prod-attrib.	Koz	-	134	170	
Cash Costs (C1)	US\$/oz	na	na	653	
AISC	US\$/oz	-	na	782	
833					
Assumptions					
Spot Gold Price	US\$/oz	1,839	1,850	1,800	1,700
FX Rate ass'd	A\$/US\$	0.75	0.75	0.74	0.74

Ratio Analysis (A\$m)	2021F	2022F	2023F	2024F
Cashflow	-10	-14	145	159
Cashflow Per Share	-1	-1	8	15
Cashflow Ratio	-66	-30	5	2
Earnings	-16	-14	119	119
Earnings Per Share	-3	-2	21	21
EPS Growth	0	-0	-10	0
P/e Ratio	-12	-15	2	2
Enterprise Value	152	171	237	113
EV/EBITDA	-10	-13	1.1	0.5
EV/EBIT	-9	-13	1.3	0.6
Net Debt/(Net Debt + Equity)	-31	-0	0	-0
Interest Cover	na	na	na	na
EBIT Margin	-122	na	1	0
Return on Equity	-0	-0	0	0
Return on Assets	-0	-0	0	0
Dividend per Share	0	0	0	0
Dividend Payout Ratio	0	0	0	0
Dividend Yield	0	0	0	0
Dividend Franking	1	1	1	1

Profit and Loss (A\$m)	2020A	2021F	2022F	2023F	2024F
(+) Gold revenue	-	-	-	370	443
(+/-) Hedging Revenue	-	-	-	-	-
(+) Interest Income	0	0	0	0	-
(+) Other Revenue	0	-	-	-	-
Total Revenue	0	0	-	370	443
(-) Operating Costs	(9)	(13)	(10)	(153)	(213)
(-) Dep/Amort	(0)	(0)	-	(26)	(40)
(-) Writeoff (expl'n)	(0)	-	-	-	-
(-) O/H + News Bus Dev.	(3)	(3)	(4)	(5)	(5)
(-) Provisions	-	-	-	-	-
EBITDA	(12)	(16)	(14)	212	225
EBIT	(13)	(16)	(14)	186	185
(-) Interest Expense	(0)	-	-	(16)	(15)
NPBT	(13)	(16)	(14)	170	170
(-) Tax	-	-	-	(51)	(51)
(-) Minority Interest	-	-	-	-	-
Net Profit	(13)	(16)	(14)	119	119
(+/-) Net abnormal	-	-	-	-	-
Net profit After Abnormal	(13)	(16)	(14)	119	119

Cash Flow (A\$m)	2020A	2021F	2022F	2023F	2024F
Net Profit	(13)	(16)	(14)	119	119
(+) WC adj.	9	6	-	-	-
(+) Dep/Amort	0	0	-	26	40
(+) Provisions & W/O	0	-	-	-	-
(+) Tax Expense	-	-	-	51	51
(-) Deferred Revenue	-	-	-	-	-
(-) Tax Paid	-	-	-	(51)	(51)
Operating Cashflow	(3)	(10)	(14)	145	159
(-) Capex + Dev.	(1)	(1)	(100)	(205)	(4)
(-) Exploration	(6)	(8)	(6)	(6)	(6)
(-) Asset Purchased	-	(1)	-	-	-
(+) Asset Sale	-	-	-	-	-
(+/-) Other	0	1	-	-	-
Investing Cashflow	(7)	(9)	(106)	(211)	(10)
(+) Equity Issues (rts,plc,opts)	16	55	100	-	-
(+) Loan Drawdown/receivable	-	-	-	200	-
(+) Loans from(to) other entities (0)	-	-	-	-	-
(-) Loan Repayment	-	-	-	-	(50)
(-) Dividends	-	-	-	-	-
Financing Cashflow	16	55	100	200	(50)
Net Cashflows	7	36	(20)	134	99
(+/-) FX Adj.	-	-	-	-	-
EoP Cash Balance	11	48	28	162	261

Balance Sheet (A\$m)	2020A	2021F	2022F	2023F	2024F
Assets					
Cash	11	48	28	162	261
Current Receivables	0	0	0	0	0
Other Current Assets	-	-	-	-	-
Non-Current Assets	1	2	102	280	245
Total Assets	13	50	130	443	506
Balance Sheet					
Borrowing(s)	-	-	-	200	175
Current Accounts payable	1	1	1	1	1
Other Liabilities	0	0	0	0	0
Total Liabilities	1	1	1	201	176
Net Assets	12	49	130	243	331

Reserves and Resources

	Reserves			Resources		
	ore	grade	metal	ore	grade	metal
Abujar	Mt	g/t	Moz	Mt	g/t	Moz
AG	15.7	1.7	0.86	50.3	1.5	2.45
APG				36.7	0.7	0.87
SG				0.5	1.4	0.02
Mining Inventory	22.9	1.5	1.12			
Total contained Gold			0.86	87.5	1.2	3.35
EV/oz			139			36

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