



Tietto Minerals Ltd (TIE.ASX)

Keep on growing

Event:

- Initiation of Tietto Minerals Ltd (TIE).

Investment Highlights:

- West African explorer/developer with >2Moz Resource.** TIE is an ASX listed gold explorer/developer with projects in the highly prospective gold greenstone belts of Cote d'Ivoire and Liberia. Its flagship project is Abujar in the former, which currently hosts JORC Resources of 2.15Moz from 45.4Mt of ore at 1.5 g/t. TIE's equity interest the tenement hosting the Resource is 90%.
- High grade zone includes 1.4Moz Resource at 2.2g/t.** The Abujar Resource comprises the AG deposit (1.81Moz at 1.6g/t) and the lower grade APG (0.35Moz at 1.0g/t), with Indicated 1.8g/t for 0.86Moz. A high-grade zone at AG of 1.38Moz at 2.2g/t was defined, including Indicated 2.5g/t at 0.76Moz. At this stage AG could potentially be open pit as Resource mineralisation begins near surface, with APG likely to be a satellite pit to AG.
- Resource still open along strike and depth – upgrade to come.** TIE is currently in the middle of a drilling campaign on Abujar which should result in a Resource upgrade sometime during the current quarter. The Resource is still open at depth and along strike, with deepest holes currently showing no end to mineralisation at 500m depth, and combined strike of 11km, both still open. We estimate the Resource could approach 3Moz in the near term. We also expect a further resource upgrade sometime in 2021.
- Metallurgy highlights simple flowsheet, high recovery.** Range of tests to date on AG composite ores have yielded recoveries of 94% to 99% with gravity and CIL, with optimum grind size between 105 and 180 microns yielding 96% to 99%. Likely flowsheet at this stage may comprise single stage crushing and SAG mill, with gravity and CIL for gold recovery. Tests also suggest low power and reagent consumption.
- Permitting underway.** The company has commenced baseline studies for submission for ESIA. It is also targeting a PFS in 1QCY21 which should allow it to expedite progress on its mining licence approval.

Earnings and Valuation:

- We value TIE at \$0.87/share.** We estimate the Abujar project could be worth \$975M (100%) based on DCF from mining of a 3Moz Resource. We have used this as a basis for valuing TIE. Our valuation of the company also includes accounting for potential future equity dilution as part of funding and risking the valuation by 0.6x to account for the stage of development.
- Valuation supported by peer comparisons.** We have compared TIE with other pure play West African companies and ASX listed explorers/developers. Using comparable and average multiples yields a valuation range from \$0.65 to \$1.16, consistent with that derived from our DCF-based approach.

Recommendation:

- We initiate on TIE with a Buy recommendation, with a 12-month price target of \$0.87/share based on our risked valuation.
- Key catalysts for the stock include: Further Resource upgrades; PFS; Further metallurgical test results; Further drill results; ESIA and permitting approvals.

Disclosures

The analyst owns 61,600 TIE shares.
Foster Stockbroking and associated entities (excluding Cranport Pty Ltd) own 61,600 TIE securities.
Cranport Pty Ltd owns 1,000,000 TIE shares.
Refer details end of report.

Recommendation	Buy
Previous	n/a
Risk	High
Price Target	\$0.87
Previous	n/a
Share price (A\$)	\$ 0.615
ASX code	TIE
52 week low-high	0.115-0.61
Valuation risked (A\$/share)	\$ 0.87
Methodology	risked DCF

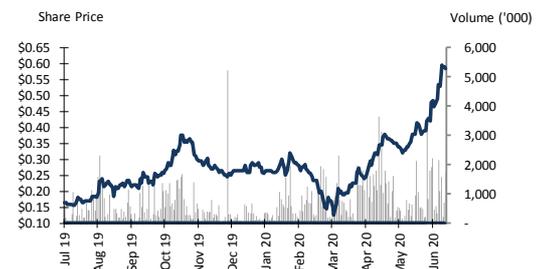
Capital structure

Shares on Issue (M)	357
Options (M)	81
Performance rights (M)	8
Market cap (A\$M)	219
Net cash (debt) (A\$M)	14
Fully diluted EV (A\$M)	260
Ave daily volume ('000)	678

Substantial shareholders

Hong Kong Ausino Investment	13.1%
Inner Mongolia Geological & Minerals Exploration P/L	8.6%
Lanzhou Oceania Investment Co Ltd	8.6%
Hong Kong Gondwana Resources Holdings Ltd	7.8%
Mr Qixian Wu	7.3%

Share price graph



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