



## Tietto Minerals Ltd (TIE.ASX)

Resource upgrade boosts quality ahead of DFS

### Event:

- JORC Resource upgrade; PT change.

### Investment Highlights:

- Abujar JORC Resource size increases by 10%.** Tietto Minerals (TIE) reported an increase in its Abujar JORC Resource to 3.35Moz gold, up 10% on prior 3.02Moz, adding an additional 280koz. Overall grade remain unchanged at 1.2g/t.
- More importantly Indicated category jumps 49%, markedly lifting quality.** JORC Indicated ounces for Abujar increased by 49%, or 610koz, to 1.85Moz (prior 1.2Moz). Grade of the Indicated category reduced to 1.3g/t from 1.6/t, due to the conversion of lower grade AG and APG previously Inferred resources. The significant rise in Indicated ounces was a successful result given the company's post-PFS drilling program was primarily focused on infill to improve quality.
- Material upgrade in Reserves expected given jump in Indicated.** TIE stated it expects a material upgrade to Abujar's JORC Reserve, which currently sits at 860koz. Given the ~50% lift in Indicated ounces this should be achievable. Indicated gold now comprises 55% of total resource vs 41% previously. We expect an upgrade to Reserves to accompany and underpin the DFS. From the nature of the drilling program, we expect that most of the Indicated ounces added were open-pittable.
- AG still the main game, but maiden Indicated boosts APG deposit.** Total and Indicated JORC Resources increased by 150koz and 410koz respectively at the flagship higher grade AG deposit, and by 170koz and 200koz at APG. The maiden Indicated ounces at APG provide more confidence.
- DFS targeted for completion end 3Q CY21, first gold in 4Q CY22.** The company is targeting completion of the Abujar DFS end 3Q. We expect TIE will then seek to finance the project soon after, with FID to follow beginning 1Q CY22 and a 12-month construction period. We expect first production beginning 1Q CY23. TIE had \$45M cash end June, and we estimate capex to be funded by a mix of debt, equity, and existing cash.

### Earnings and Valuation:

- Minor changes to TIE earnings based on gold price and A\$ revisions.** We downgrade short-term earnings: NPAT of -\$18M in FY22 and \$18M in FY23 (prior -\$17M and \$22M) but increase long-term forecasts. We estimate TIE average annual EBITDA and NPAT of \$162M and \$75M over the first seven years' mine life (prior \$156M and \$71M). Our LT gold price and A\$ are now US\$1,641/oz and US\$0.74 (prior US\$1,612/oz and US\$0.75).
- Valuation rises to \$0.60 (0.77x NPV<sub>10</sub>) up from \$0.56, based on increase in LOM earnings.**

### Recommendation:

- We maintain our Buy and raise our 12-month PT to \$0.60/share (previous \$0.56) based on 0.77x NPV<sub>10</sub>.** Key catalysts include: Reserves upgrade; DFS; Mining Convention finalisation; Heap leach study results; Financing; and FID.

### Disclosures

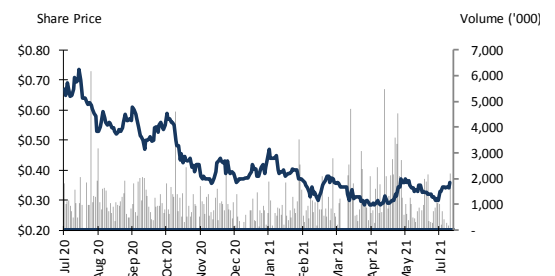
The analyst owns 61,600 TIE shares.  
 Foster Stockbroking and associated entities (excluding Cranport Pty Ltd) own 799,167 TIE shares.  
 Cranport Pty Ltd does not own TIE securities.  
**Foster Stockbroking has provided corporate advice to TIE for which it has received fees.**  
 Refer details end of report.

Recommendation	Buy			
Previous	Buy			
Risk	High			
Price Target	\$0.60			
Previous	\$0.56			
Share price (A\$)	\$ 0.360			
ASX code	TIE			
52 week low-high	0.285-0.765			
Valuation risked (A\$/share)	\$ 0.60			
Methodology	risked DCF			
Capital structure				
Shares on Issue (M)	456			
Options (M)	74			
Performance rights (M)	20			
Market cap (A\$M)	164			
Net cash (debt) (A\$M)	45			
Fully diluted EV (A\$M)	153			
Ave daily volume ('000)	1,105			
Earnings \$M Y/e Jun	FY20a	FY21e	FY22e	FY23e
Sales	0	0	0	113
EBITDA	-12	-17	-18	52
NPAT rep.	-13	-18	-18	18
<b>NPAT adj. attr.</b>	<b>-12</b>	<b>-18</b>	<b>-18</b>	<b>18</b>
<b>EPS \$</b>	<b>-0.04</b>	<b>-0.04</b>	<b>-0.02</b>	<b>0.03</b>
<b>P/E</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>	<b>12.9</b>
<b>EV/EBITDA</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>	<b>2.3</b>

### Substantial shareholders

Hong Kong Ausino Investment	9.9%
5013423 Ontario Corp	8.6%
HSBC Custody Nominees (Australia) Ltd	5.5%
Inner Mongolia Geological & Minerals Exploration P/L	5.2%

### Share price graph



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