



Tietto Minerals Ltd (TIE.ASX)

Debt package mandate builds momentum

Event:

- Debt package for Abujar gold project.

Investment Highlights:

- US\$130M-US\$140M debt package mandated.** TIE yesterday announced it had mandated Taurus Mining Finance (Taurus) to deliver a project facility of up to US\$140M debt for the funding of Abujar.
- No mandatory hedging.** The most salient feature of the mandate is TIE's request for no mandatory hedging, signalling its intent to be fully leveraged to the gold price. Other features it is seeking are no penalty for early repayment, a five-year tenor, and freedom to undertake exploration during construction. Repayment would commence June 2023, approximately six to nine months after TIE's targeted first production.
- Debt package in-line with our forecasts.** Our earnings forecasts and valuation model for TIE assumes that the company will require A\$310M to fund Abujar, including working capital, corporate, exploration, and other costs. We had assumed this would be funded 60:40 by debt: equity, or A\$186M: A\$126M - respectively, meaning our debt assumption in US\$ terms (US\$140M) is in-line with the Taurus mandate announced.
- Debt package builds momentum for FID by end CY21.** TIE has previously targeted FID for Abujar by end CY21, and we believe yesterday's debt mandate maintains the momentum to achieve this milestone, as well as facilitate progress on the potential equity funding side of the equation.
- Other catalysts – Mining Convention, Resource upgrade.** Meanwhile the Mining Convention and a Resource upgrade - focussed on improving Measured category - are also expected by end CY21e. Recent drill results from its infill program have progressed the latter. All these dovetail with TIE's ambition for first production in 4QCY22e.

Earnings and Valuation:

- No changes to earning or valuation.** We have made no changes to earnings or valuation of TIE, given the Taurus debt mandate is in line with our assumptions. Our risked valuation is \$0.87/share (0.6x NPV₁₀), while our unrisked 1.0x NPV₁₀ is \$1.49/share.

Recommendation:

- No change - we maintain our Buy and 12-month PT of \$0.87 based on our risked valuation.** Key catalysts include: Resource upgrade; Mining Convention; Heap leach and underground studies; Financing; and FID.

Disclosures

The analyst owns 61,600 TIE shares.
Foster Stockbroking and associated entities (excluding Cranport Pty Ltd) own 499,167 TIE shares.
Cranport Pty Ltd does not own TIE securities.
Refer details end of report.

Recommendation	Buy
Previous	Buy
Risk	High
Price Target	\$ 0.87
Previous	\$0.87
Share price (A\$)	\$ 0.46
ASX code	TIE
52 week low-high	\$0.285-0.59
Valuation - risked (A\$/share)	\$ 0.87
Methodology	risked NPV

Capital structure

Shares on Issue (M)	464
Options (M)	68
Performance rights (M)	22.6
Market cap (A\$M)	213
Net cash (debt) (A\$M)	33
Diluted EV (A\$M)	222
Ave daily volume ('000)	1,080

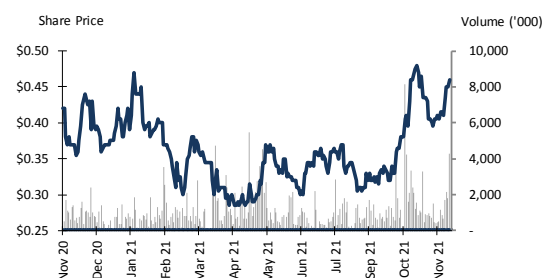
Earnings Y/e Jun A\$M	FY21a	FY22e	FY23e	FY24e
Sales	0	0	300	512
EBITDA adj	-19	-19	192	315
NPAT reported	-20	-19	127	173
NPAT adj	-20	-19	127	173
EPS adj. \$*	0.0	0.0	0.2	0.2
PE x	nm	nm	2.7	2.0
EV/EBITDA x	nm	nm	1.6	1.0

* Adj =underlying

Substantial shareholders

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

Share price graph



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