

17 July 2021

On Friday's Close

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## Tietto Minerals is the next multi-million ounce gold company to come out of West Africa

There are no new themes at play in the market; just a rotation of the same ones we have become accustomed to already. It seems to be reflecting the groundhog day mornings that we have with the lockdowns.

Iron ore stocks are hitting new highs after a period of profit taking. Rare earth stocks are showing a bit more life. The gold price is continuing to recover from its low in June but so far there hasn't been a flood of money coming back into that sector. The outlook for bullion is still related to expectations on inflation and interest rates, but the market can't seem to consistently hold on to one particular line of thought. That provides volatility and trading opportunities, though no discernible trend.

We continue to look for opportunities for both traders and investors where market valuations are out of alignment with the fundamentals. This week we cast our eye over Tietto Minerals (TIE), which is shaping up to be the next ASX-listed gold producer in West Africa with the Abujar gold project, in Côte d'Ivoire.

### *Listed three years ago and progressing quickly*

Tietto achieved an ASX listing early in 2018, raising \$6m. Its prospectus quoted a 50%-owned (now 88%) Inferred Mineral Resource of 10.4 Mt at 2.1 gpt for 703,000 oz, applying a 0.4 gpt cut-off grade. Abujar was the main project with 646,000 oz. That gold mineralisation occurred as a series of medium to high grade parallel quartz veins within a highly continuous low grade shear structure which has been traced over some 10 km. The total prospective structural strike length was quoted as 70 km with scattered artisanal workings in the oxide zones.

### *A year of positive progress but a falling share price*

Since listing the market capitalisation has grown to \$161m with the share price at 35.5¢. This is about half of what it was a year ago, notwithstanding regular progress with Abujar. Key ASX releases over the period include;

- confirmation that the AG resource extends below 500m vertical depth
- a \$62.5m raising at 62¢, last October
- an increase in the resource from 2.15 Moz to 3.0 Moz
- granting of a Mining Licence and environmental approval
- forecast of 200,000 oz gold production in year one
- appointment of key management personnel for mine development (ex WAF - Sanbrado)

Maybe it is a case of the earlier, more risk preferring shareholders moving out of the stock for the usually less exciting period of financing and development of the gold mine. They need to be replaced on the share register by more patient holders who are happy to sit through the next stage of the project. Recent share price movements

suggest that the share price may be turning upwards again as the downtrend has been broken.

### *The latest update to the resource - 12 July 2021*

The better share price coincides with the announcement last Monday of an upgraded gold resource. Tietto announced that the gold resource has been expanding by about 10% to 87.5 Mt at 1.2 gpt for 3.35 Moz. Looking beyond just the total ounces, there was a significant 49% increase in the Indicated category, to 43.4 Mt at 1.3 gpt for 1.85 Moz. That category now constitutes 55% of the total resource.

The next milestone announcement is expected to be the DFS for a 4 Mtpa project, due by the end of September this year.

### *About the Abujar Project*

Abujar is located 30 km from the regional city of Daloa, serviced by a sealed road and grid power through its tenements.

Tietto now has an 88% interest in the mining licence. The Government has 10%, and private interest hold the remaining 2%.

### *Geology and resources*

The gold resources are found in two main locations. The **AG** resource is better grade at 1.5 gpt, containing 2.45 Moz. The higher grade component of this is 22 Mt at 2.42 gpt for 1.7 Moz, using a 0.8 gpt cut-off. The **APG** resource grade is more modest, at 0.7 gpt for 0.87 Moz. Already we can see that the actual resource to be mined could vary considerably depending upon the economic parameters at the time. Tietto is targeting a starter pit to access the higher grades at AG.

There are only minor amounts of oxide and transitional ore, with 85% of the tonnage being ascribed to the fresh category. Fortunately the previous metallurgical test work has shown excellent recoveries of up to 99% for the primary ore with a coarse grind size of 115  $\mu$ m, P<sub>80</sub>.

Deposits within the Abujar Project resemble typical shear zone deposits of the West African granite-greenstone terrane. The Abujar deposit is associated with a major regional shear zone and is developed in granodiorite hosts. Free gold is found in quartz vein stockworks and zones of silicification, associated with pyrite and chalcopyrite.

All lodes have similar southeast-dipping orientations, dipping at varying angles of inclination but typically between 50° and 75°. These lodes appear to coincide with strong linear geological structures which are offset by several faults. The lodes range in thickness from 2m up to 15m, with the thicker zones generally occurring where the higher grades occur, which is as expected for this structurally controlled style of mineralisation.

The current pit design goes to a depth of 280m with a waste to ore ratio of 8:1. Current reserves support a six year life but inclusion of resources extends this to 10 years. The ultimate life could be much longer given that mineralisation extends below 500m vertical depth and there is exploration potential along strike.

Interestingly, Tietto has chosen to own and operate six drilling rigs, resulting in savings of up to US\$150/m in drilling costs, or US\$10m p.a. Each rig cost about A\$250,000 to buy.

#### *Project parameters - 4 Mtpa CIL plant*

Tietto is looking at a 4 Mtpa project built around an already purchased, unused Metso mill (saving \$3.5m on PFS estimates). The DFS is planning to improve on the PFS metrics; capex of US\$230m and operating costs of US\$839/oz (AISC). The first year will be particularly strong with forecast production of 200,000 oz. The average for the first six years is expected to be 170,000 oz p.a., enabling capex payback of 2.8 years, using a US\$1,500/oz gold price. At this point there is an expected mine life of 10 years, but it could certainly go well beyond that time frame given the exploration upside.

#### *Also a heap leach possibility*

The lower grade APG resource may be suitable for a heap leach project, being 36.7 Mt at 0.7 gpt for 870,000 oz. This would be in addition to the CIL project. Matt Wilcox, Tietto's CEO, has good heap leach experience from Nordgold days when he built Bissa-Bouly (started with a 4 Mtpa CIL and then an 8 Mtpa heap leach) which has produced gold at over 300,000oz p.a.

#### *Finance discussions ongoing*

Tietto has a strong cash position of \$45m but it will need substantially more for the mine development. To this end it is engaged with a number of lending houses who are obviously waiting for the DFS before making commitments.

In an expression of strong confidence in the future, preliminary earthworks and access road construction has already commenced (ahead of release of the DFS). The first gold pour may be as early as Q3 2022, based on estimates of a 1.4 year construction period.

#### *Favourable tax regime*

When I was arranging institutional site visits to West Africa about 10 years ago, Cote d'Ivoire was not on the radar due to internal politics. Resolution of these internal issues has allowed gold companies to come back and explore, and develop mines in the case of Perseus at Yaourè. The country is well and truly open for business with favourable fiscal terms such as a 25% corporate income tax. Government royalties are 3% and the government has a right to a 10% stake in the projects. Up until last year there was a five year holiday on corporate income tax, but that has been deleted. Maybe Tietto can negotiate some alternative concession.

#### *The Bottom Line*

All the numbers for Abujar and Tietto look good. There is plenty of room for a re-rating of the stock. Recall how long Cardinal Resources was overlooked by the market with its very large low grade gold project in Ghana. Eventually big projects like Abujar end up being the subject of take-over approaches once all the numbers are certain.

### *Los Cerros is now well funded with \$20m raising*

Early in the week LCL reported on a couple of good holes, TS-DH25 and 26, with assays of 330m at 0.99 gpt and 158m at 1.42 gpt. The main point of these holes was to demonstrate (or test the theory) that the centre of the high grade zone extended even further to the north and east. Sub-intercepts of 56m at 1.95 gpt and 66m at 1.89 gpt highlight grades that will be most beneficial in the early years of a mining project.

These holes were good, but the real news of the week was the \$20m placement at 16¢. Some big Canadian investors participated along with Australian investors. This could very well be the catalyst for a re-rating of the stock that we have been looking for, to break away from the aggressive short term traders that have been problematic in trying to get longer term share price traction. News flow should also improve with the funding enabling as additional two drilling rigs to be employed, taking the total to five.

*Disclosure: Interests associated with the author are taking shares in the LCL placement being undertaken.*

### *Eskay Mining - very high grades in VMS style*

Yesterday morning I attended a zoom presentation given by Eskay Mining Corp. (ESK.V), a Canadian company with an amazing exploration project in the Golden Triangle region of British Columbia. Given that it already has a market capitalisation of C\$430m I can't look you in the eye and say that it is cheap, but once you have a look at the properties you may form that view on your own.

To understand Eskay Mining Corp you need to go back 32 years, to 1988, when the first deposits were found at Eskay Creek by Prime Resources, a company in the Murray Pezim stable. Six years later a very high grade gold mine was commissioned. Over the subsequent 14 years it produced 3.3 Moz of gold at an exceptional grade of 45 gpt, along with 160 Moz of silver at 2,224 gpt Ag.

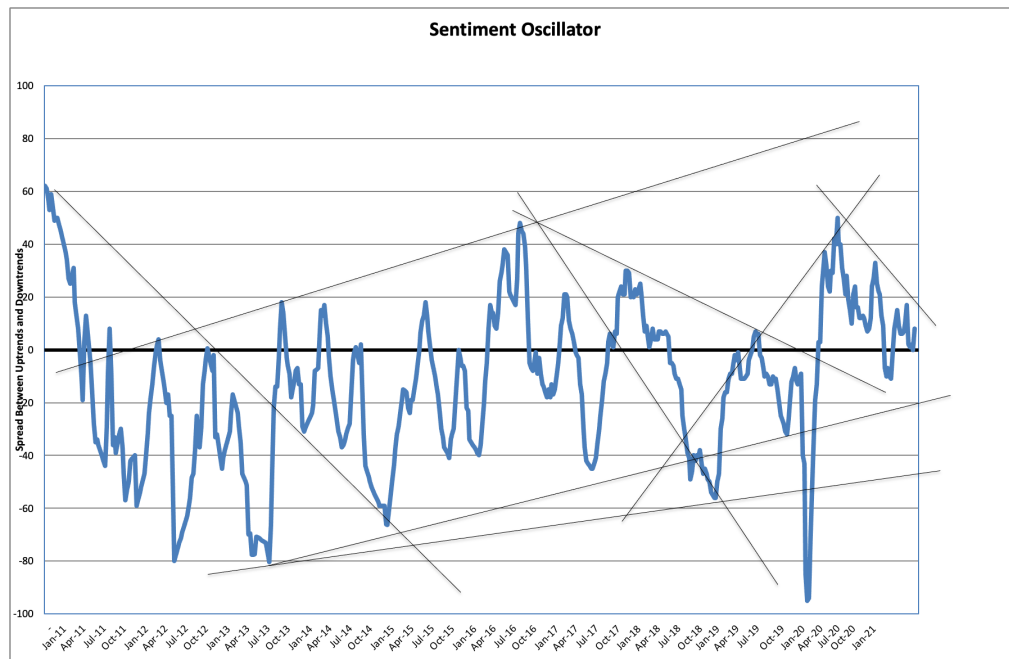
Eskay Creek is a VMS-style of orebody formed when hot spring smokers vent onto the ocean floor, depositing a range of metals into what can be high grade deposits. When you find one VMS orebody you can be certain that there will be a cluster of them. The curious feature about Eskay Creek is that the follow-up discoveries have not been made ... until now.

Eskay Mining has licences covering 56,000 ha that have had literally dozens of anomalies identified by recent sampling and SkyTEM geophysics surveys used to identify strata layers, showing seafloor unconformities. Twenty holes were drilled in 2020, with the final assays being released to the market in February 2021. The best interval was 35.5m at 9.50 gpt gold and 70 gpt silver, including 9.25m at 32.17 gpt gold and 93 gpt silver, from the Jeff and TV prospects. Other holes showed a range of grades and widths, with 18 of the 20 showing grade.

The mineralisation encountered to date is predominantly of stratabound stockwork to massive sulphide replacement style, hosted by mudstone and peperite sills (intrusive rocks). The same host rocks hosting the Eskay Creek Deposit approximately 13 km to the north.

Eskay commenced a 30,000m drilling program in late June 2021, on its 100%-owned ground. Keep an eye out for further drill results and confirmation of the high grade nature of the project. Click on the presentation

*Disclosure: Interests associated with the author own shares in Eskay Mining*



## Sentiment

**Oscillator:** Sentiment bounced over the week with there being 39% (35%) of the charts in uptrend and 31% (35%) in downtrend on Friday's close.

## Detailed Chart Comments

*NB. Only the bold comments have been updated. Comments in grey type are from previous weeks and will be less relevant. Please note that this list is a cross section of the market. It IS NOT a list of recommendations.*

Indices	Code	Trend Comment	
All Ordinaries	XAO	near highs	
Metals and Mining	XMM	back to highs	
Energy	XEJ	breached downtrend	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
Alpha HPA	A4N	on support line	HPA
Adriatic Resources	ADT	testing support line	zinc, polymetallic
Alkane Resources	ALK	rising	gold, zirconia
Alicanto Minerals	AQI	rising	base metals, silver, gold
Altech Chemical	ATC	down	HPA, anodes
Alto Metals	AME	testing resistance line	gold exploration
American Rare Earths (was BPL)	ARR	down	rare earths

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Antilles Gold	AAU		testing downtrend	gold
Arafura Resources	ARU		down to new low	rare earths
Ardea Resources	ARL		on support line	nickel
Aurelia Metals	AMI		risen to resistance line	gold + base metals
Australian Potash	APC		testing downtrend	potash
Auteco Minerals	AUT		breached downtrend	gold exploration
Azure Minerals	AZS		testing downtrend	nickel exploration
BHP	BHP		new high	diversified, iron ore
Base Resources	BSE		sideways	mineral sands
Beach Energy	BPT		down, near lows	oil and gas
Bellevue Gold	BGL		breached downtrend	gold exploration
Blue Star Helium	BNL		down	gas, helium
BMG Resources	BMG		breached downtrend	gold exploration
Boab Metals	BML		risen to meet resistance line	silver/lead
Breaker Resources	BRB		down	gold exploration
Buru Energy	BRU		softer	oil
Calidus Resources	CAI		rising again	gold
Capricorn Metals	CMM		rising	gold
Caravel Minerals	CVV		new high	copper
Celsius Resources	CLA		rallying	uptrend
Chalice Mining	CHN		new high	nickel, copper, PGMs, gold exploration
Chase Mining	CML		down	nickel/copper/PGE
Chesser Resources	CHZ		strong rally	gold exploration
Cobalt Blue	COB		downtrend	cobalt
Cyprium Metals	CYM		down	copper
Danakali	DNK		drifting	potash
De Grey	DEG		steeply higher	gold
E2 Metals	E2M		testing downtrend	gold exploration
Ecograp (was Kibaran)	EGR		breached downtrend	graphite
Element 25	E25		down	manganese
Emerald Resources	EMR		down	gold
Euro Manganese	EMN		breaching downtrend	manganese
Evolution Mining	EVN		down	gold
Firefinch	FFX		strongly higher	gold
First Graphene	FGR		breached short term downtrend	graphene
Fortescue Metals	FMG		new high	iron ore
Galaxy Resources	GXY		breaching pullback trend, upside	lithium
Galena Mining	G1A		breached support line	lead
Galilee Energy	GLL		down	oil and gas, CBM
Genesis Minerals	GMD		testing downtrend	gold
Gold Road	GOR		rising	gold
Hastings Technology Metals	HAS		down	rare earths
Hazer Group	HZR		down	hydrogen
Highfield Resources	HFR		breaching support line	potash

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Hillgrove Resources	HGO		on support line	copper
Iluka Resources	ILU		new high	mineral sands
Image Resources	IMA		sideways	mineral sands
Independence Group	IGO		at highs	gold
ioneer (was Global Geoscience)	INR		testing downtrend	lithium
Ionic Rare Earths (Oro Verde)	IXR		recovering long term uptrend	rare earths
Jervois Mining	JVR		rising again	nickel/cobalt
Jindalee Resources	JRL		correcting lower	lithium
Kairos Minerals	KAI		on support line	gold exploration
Kingston Resources	KSN		sideways	gold
Kingwest Resources	KWR		down	gold
Latitude Consolidated	LCD		breached uptrend	gold
Legend Mining	LEG		turned down at resistance line	nickel exploration
Lepidico	LPD		testing downtrend	lithium
Lithium Australia	LIT		rallying	lithium
Los Cerros	LCL		on support line	gold exploration
Lotus Resources	LOT		surge to new high	uranium
Lucapa Diamond	LOM		new low	diamonds
Lynas Corp.	LYC		breached downtrend	rare earths
Magnetic Resources	MAU		uptrend	gold exploration
Mako Gold	MKG		down again	gold exploration
Manhattan Corp	MHC		down	gold exploration
Marmota	MEU		sideways	gold exploration
Marvel Gold	MVL		rising again	gold exploration
Matador Mining	MZZ		sideways through uptrend	gold exploration
MetalTech	MTC		testing uptrend	gold
Meteoric Resources	MEI		down	gold exploration
MetalsX	MLX		correcting lower	tin, nickel
Metro Mining	MMI		down again	bauxite
Mincor Resources	MCR		breached downtrend	gold/nickel
Musgrave Minerals	MGV		testing support	gold exploration
Neometals	NMT		rising	lithium
Northern Minerals	NTU		breaching downtrend	REE
Northern Star Res.	NST		down	gold
Oceana Gold	OGC		surge higher	gold
Oklo Resources	OKU		down	gold expl.
OreCorp	ORR		heavy correction after placement	gold development
Orocobre	ORE		steeply higher	lithium
Oz Minerals	OZL		breached uptrend	copper
Pacific American			down	coking coal
Pantoro	PNR		breached support line	gold
Panoramic Res	PAN		breaching uptrend	nickel
Peak Minerals	PUA		new low	copper exploration
Peak Resources	PEK		drifting	rare earths

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Peel Mining	PEX		testing support	copper
Peninsula Energy	PEN		new high	uranium
Poseidon Nickel	POS		breached downtrend	nickel
Perseus Mining	PRU		rising	gold
Pilbara Minerals	PLS		new high	lithium
Polarex	PXX		down	polymetallic exploration
Queensland Pacific Metals	QPM		new high	nickel/cobalt/HPA
Red River Resources	RVR		sideways	zinc
Regis Resources	RRL		new low on large financing	gold
Renegen	RLT		down	gas, helium
RIO	RIO		correcting lower	diversified, iron ore
Rumble Resources	RTR		off its highs	gold exploration
Salt Lake Potash	SO4		down	potash
St Barbara	SBM		testing downtrend	gold
Sandfire Resources	SFR		coming back towards support line	copper
Santos	STO		testing uptrend	oil/gas
Saturn Metals	STN		breached downtrend	gold exploration
Sheffield Resources	SFX		breached uptrend	mineral sands
St George Mining	SGQ		risen to resistance line	nickel
Silex Systems	SLX		secondary downtrend	uranium enrichment technology
Silver Mines	SVL		surge higher	silver
Sipa Resources	SRI		testing downtrend	general exploration - Ni,Cu, Co, Au
South Harz Potash	SHP		testing uptrend	potash
Stanmore Coal	SMR		breached steepest downtrend	coal
Strandline Resources	STA		pullback	mineral sands
Sunstone Metals	STM		rallying	
Talga Resources	TLG		testing downtrend	graphite
Technology Metals	TMT		sideways	vanadium
Tesoro Resources	TSO		breaching downtrend	gold exploration
Theta Gold Mines	TGM		down	gold
Thor Mining	THR		rising	gold exploration
Tietto Minerals	TIE		testing downtrend	gold
Titan Minerals	TTM		sideways	gold
Venturex	VXR		heavy slump	zinc
Vimy Resources	VMY		weaker	uranium
West African Resources	WAF		struggling at resistance line	gold
Westgold Resources	WGX		turned down at resistance line	gold
West Wits Mining	WWI		off its highs	gold
Western Areas	WSA		breached uptrend	nickel
Whitehaven Coal	WHC		surge higher, then a slump	coal
Wiluna Mining	WMX		testing downtrend	gold
Yandal Resources	YRL		slump	gold exploration
Zenith Minerals	ZNC		surge to new high	gold exploration
Zinc Mines of Ireland	ZMI		rising	zinc

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Totals	39%	54	Uptrend	
	31%	43	Downtrend	
		139	Total	

### Guides to Chart Interpretations

- Charts usually go pass from one trend (up or down) into the other via a period of indecision and uncertainty during which the trend can either recover or change. This period is signified by the orange colour. The orange represent both the greatest risk and greatest reward possibilities.
- Once a chart is in confirmed up or downtrends it is not uncommon for 10-20% of that trend to have already transpired.
- There are trends within trends. The focus of this chart review is the immediate trend that affects the sentiment i.e. it can be a downtrend within a long-term uptrend.
- Not every chart warrants a new comment every week. The new comments are in bold type. Grey type comments may be dated.
- Individual charts provide a single view. It is valuable to look at charts of other companies in similar commodities, and the overall sentiment is also very valuable. Not many stocks can swim against the tide.
- We periodically add or delete charts, some times for obscure reasons. If a chart consistent gives poor signals or is very erratic, we may delete it. Sometimes we add a chart because we want to see what all the fuss is about. We do have a preference for charting stocks that we cover in our research as well.
- Errors and omissions may occur from time to time, especially in fast moving markets.

Amber Lights in Tables: Just a reminder if when the amber light is used in the table – it is when the charts are ambiguous or when there is a change of trend taking place. If a chart is breaching a downtrend it can either be a positive sign or a trap. Only once it has done more work can it be confirmed as a new uptrend. Maybe it is a new uptrend (or conversely a new downtrend); the risk takers can decide to jump on board early (or sell). They will maximise their profits (or minimise their losses if indeed it is the start of the new uptrend (downtrend). More risk-averse investors should wait a little longer, being prepared to give up some of the gains in return for greater certainty.

### Weightings of Sectors Represented in the Company Charts

Sector	No. of Companies	Weighting	
Gold	30	21.6%	
Gold Exploration	24	17.3%	
Nickel	13	9.4%	
Copper	9	6.5%	
Oil/Gas	6	4.3%	
Lithium	8	5.8%	
Zinc/Lead	6	4.3%	
Rare Earths	7	5.0%	
Mineral Sands	5	3.6%	
Iron Ore/Manganese	5	3.6%	
Potash/Phosphate	5	3.6%	
Coal	4	2.9%	
Uranium	4	2.9%	
Graphite	2	1.4%	
Bauxite	1	0.7%	
Silver	2	1.4%	
Cobalt	1	0.7%	

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Tin	1	0.7%	
Diamonds	1	0.7%	
Other	5		
Total	139		

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