

Tietto takes off



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Craig Scheef has more than 30 years' experience working with and analysing public companies, including 25 years directly managing portfolios for clients. Craig has also consulted to some of Australia's largest investment funds as a technical analyst.

He is backing gold to continue to be a standout commodity with West African explorer Tietto Minerals (ASX: TIE) his best gold pick.

SINCE listing on the ASX in early 2018, Tietto Minerals has made impressive progress at its Abujar gold project in Côte d'Ivoire, West Africa.

In just over two years, the company has grown its gold inventory to more than 2 million ounces with an update on track for the second half of CY2020 that is expected to push it closer to 3 million ounces.

There is a lack of quality gold exploration projects worldwide, and especially on the ASX. The fundamentals of Tietto – rapid resource growth, a shallow high-grade resource, low-cost drilling, cash in the bank and strong, continuous news flow

– make a compelling case, especially at a time when gold prices are high and showing no signs of abating in current market uncertainty.

These factors and Tietto's ability to further build on them have made the company my number one pick in gold stocks. At current prices, one can calculate a Net Present Value (NPV) of more than \$1 billion for the Abujar project, but the project economics could improve even further as the resource continues to grow. Tietto has only drilled about 10 per cent of a 70km-long gold corridor, so there's plenty of scope for that to happen.

At drilling rates of about US\$35 per metre, Tietto is achieving discovery costs among the lowest in the industry and has more than \$17 million in the bank. Those incredibly low drill rates are important as they mean more drilling for less shareholder funds than their peers. That bank balance should see the company well-funded for at least a couple more years of exploration without having to further dilute its shareholding. I'd be disappointed to see Tietto raise any more cash with the share price under 50c.

Recovery rates look as though they should be very high, meaning the company has already defined a resource that could produce 200,000oz a year over 10 years. This is ticking one of the boxes that larger mining companies use when evaluating merger and acquisition opportunities. A lot of the majors are cashed up and it's hard to believe they wouldn't be looking at Tietto.

There is risk in developing a project in West Africa, but Côte d'Ivoire is relatively safe in most areas and other companies such as Endeavour Mining and Perseus Mining have delivered successful gold projects there.

After the resource update later this year, Tietto plans to start on a Pre-Feasibility Study (PFS) for Abujar targeting the shallow, contiguous zones of mineralisation which should enable low strip, open pit

mining. Perhaps PFS results will be the catalyst for the share price. Tietto is yet to attract any real institutional backing, but one wouldn't think that should be too far away if they keep hitting the metrics expected. It is backed by renowned Melbourne gold investor Chesley Taylor and Germany-based fund manager Wilhelm Schröder.

On gold itself, sentiment reached excessively positive levels into early 2020 and needed a pullback. Levels now are much more conducive for higher levels in the future. USD gold has very strong support around \$1440/oz and then at \$1380/oz and I would expect this level to hold. The USD has been extremely strong with the panic in the market (flight to safety, rush to draw down USD credit lines). With gold's strong negative correlation to the USD this has put downward pressure on gold. After this current consolidation is complete, we expect gold to continue its upward trend.

While the full effect of the global outbreak of Coronavirus is yet to be seen, what we do know is that Trump now has an almost open cheque book to pump liquidity and stimulus into markets and the economy. Once the crisis passes, the USD should fall and the massive stimulus and liquidity should be positive for gold. Tietto's low valuation, strong cash balance, proven resources and excellent growth prospects should enable it to perform well in these challenging times.

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