

21 December 2023

The Manager
Market Announcements Office
ASX Limited
Level 40, Central Park
152-158 St George's Terrace
PERTH WA 6000

Dear Sir / Madam

Off-market takeover bid by Zhaojin Capital (Hong Kong) Limited – Second Supplementary Target's Statement

We refer to the off-market takeover offer by Zhaojin Capital (Hong Kong) Limited (**Zhaojin**) under Chapter 6 of the *Corporations Act 2001* (Cth) (**Corporations Act**) for all of the fully paid ordinary shares in Tietto Minerals Limited ACN 143 493 118 (**Tietto**) that Zhaojin does not already own (**Offer**). Tietto lodged a target's statement in connection with the Offer with the Australian Securities Exchange on 27 November 2023, and a supplementary target's statement with the Australian Securities Exchange on 7 December 2023.

We **enclose**, in accordance with section 647(3)(b) of the Corporations Act, a copy of Tietto's second supplementary target's statement that has been prepared in connection with the Offer.

Yours faithfully



Mr Matthew Foy
Company Secretary

Second Supplementary Target's Statement

1 Introduction

This document is a supplementary target's statement under section 644 of the Corporations Act. It is the second supplementary target's statement (**Second Supplementary Target's Statement**) issued by Tietto Minerals Limited ACN 143 493 118 (**Tietto**) in relation to the unsolicited conditional off-market takeover bid by Zhaojin Capital (Hong Kong) Limited (**Zhaojin**) to purchase all of the ordinary fully paid shares in Tietto that it does not already own (**Offer**).

This Second Supplementary Target's Statement supplements, and should be read together with, Tietto's target's statement dated 27 November (**Target's Statement**) and Tietto's first supplementary target's statement dated 7 December 2023 (**Second Supplementary Target's Statement**).

Unless the context requires otherwise, terms defined in the Target's Statement have the same meaning in this Second Supplementary Target's Statement.

It is important that you read the Target's Statement, First Supplementary Target's Statement and this Second Supplementary Target's Statement in their entirety before making any investment decision and any decision relating to the Offer. This Second Supplementary Target's Statement prevails to the extent of any inconsistency with the Target's Statement or First Supplementary Target's Statement.

If you have any queries in relation to this Second Supplementary Target's Statement, please contact Tietto on +61 (8) 6331 6182, between 9.00 am and 5.00 pm (Perth time) Monday to Friday.

2 Response to Zhaojin's First Supplementary Bidder's Statement

2.1 First Supplementary Bidder's Statement

Tietto refers to the first supplementary bidder's statement dated 18 December 2023 (**First Supplementary Bidder's Statement**) from Zhaojin in relation to the Offer. Having carefully considered the contents of Zhaojin's First Supplementary Bidder Statement, Tietto provides the following responses in relation to certain observations made by Zhaojin in that document.

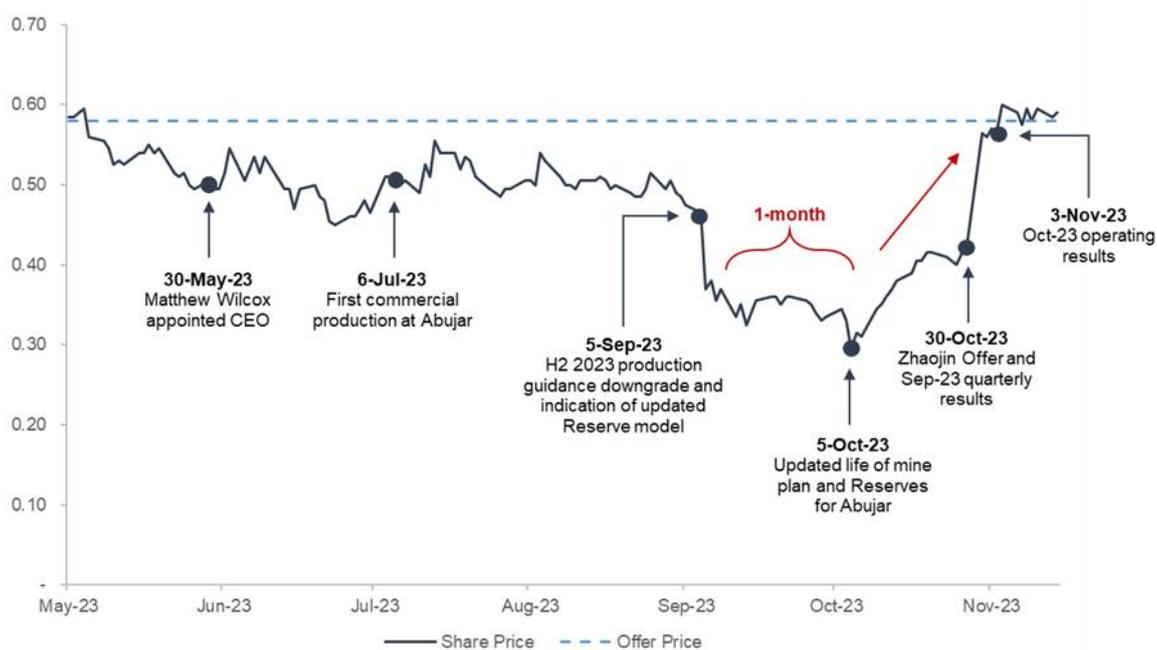
2.2 Zhaojin observation one: Tietto has consistently failed to meet production guidance

Tietto is in the process of ramping-up operations at the Abujar Gold Mine (**Abujar**) in Côte d'Ivoire, after experiencing extensive artisanal depletion. A non-linear progression to steady-state production is not uncommon for new mines in the gold mining industry.

In Tietto's Target's Statement Tietto stated production to date has been affected by the wet season in Côte d'Ivoire which has negatively impacted mining rates and the ability to select higher grade ore for immediate milling and to stockpile lower grade ore. With the dry season in Côte d'Ivoire now commenced and with additional excavators and mobile mining equipment on site, mining rates at Abujar have significantly improved.

Tietto agrees that operational challenges experienced by the Company during the ramp-up at Abujar, and the resulting failure to meet production guidance, has negatively impacted Tietto's share price over the past 12 months. However, as outlined in the Target's Statement, this is not the only factor that the directors of Tietto (**Directors**) consider has driven recent temporary weakness in the Tietto share price. For example, on 5 September 2023, Tietto announced an upcoming Ore Reserve amendment (alongside a production downgrade), which the Directors believe created short-term market uncertainty, but this was later alleviated by the release of the updated Ore Reserve and life of mine plan (**LOMP**) on 5 October 2023. This is evident by the fact that Tietto's share price was on an upward trajectory at the time of the Offer, increasing 44% between 4 October 2023 and 27 October 2023, being the last trading day before Tietto was first approached by Zhaojin in relation to its Offer (Figure 1).

Figure 1: Historical Tietto share price (A\$)



Source: Factset as at 14 November 2023. This data has been reproduced without permission.

The Directors remain of the view that Zhaojin's Offer was opportunistically timed to take advantage of a period of short term weakness in the Tietto share price caused by temporary operational challenges during the ramp-up of Abujar and the market's initial adverse reaction to announcing the need to update the Ore Reserve. Absent the Offer, the Directors believe that Tietto's share price would have continued to increase above pre-bid levels as operational performance stabilises in line with the updated LOMP.

2.3 Zhaojin observation two: omission of detailed assumptions means Tietto shareholders lack the information necessary to evaluate the reasonableness and reliability of the IER valuation

The Directors commissioned Grant Thornton Corporate Finance Pty Ltd (**Grant Thornton**) to act as Independent Expert and prepare an Independent Expert Report (**IER**) in relation to the Offer. As part of the IER, Grant Thornton prepared an independent valuation of Tietto in accordance with the requirements of ASIC Regulatory Guide 111. Grant Thornton's independent valuation of Tietto was materially (37% to 60%) above Zhaojin's Offer price of A\$0.58 cash per Tietto share.

In preparing its independent valuation of Tietto, Grant Thornton relied on independent technical specialist, SRK Consulting (Australasia) Pty Ltd (**SRK**), which had access to detailed geological and operational information on Abujar. The First Supplementary Bidder's Statement makes repeated references to a number of adjustments to the LOMP that were recommended by SRK. Conducting an independent review of an entity's LOMP is a key part of the services rendered by an independent specialist in the context of preparing an IER. Importantly, Tietto shareholders should note that all of the adjustments recommended by SRK were incorporated by Grant Thornton in its discounted cash flow ("**DCF**") analysis and therefore were factored into its independent valuation of Tietto of between A\$0.793 – A\$0.927 per Tietto share.

A detailed summary of the LOMP mining and processing physicals and costs, including the recommendations provided by SRK, are provided in Table 2.8 on page 45 of SRK's independent specialist report (**ISR**) (it should be noted that this also includes a detailed breakdown of LOMP operating costs, including average all-in site costs, which Zhaojin's First Supplementary Bidder's Statement notes to be a key assumption that is unclear from the IER). Further, SRK provides detail on recommendations regarding cash flow and production assumptions in Table 2.9 of Section 2.4.3 and Table 3.5 in Section 3.6.2 of the ISR, a copy of which accompanies the Target's Statement that was publicly released on 27 November 2023.

Given the depth of information disclosed about SRK's assumptions and recommendations, Tietto fundamentally disagrees with Zhaojin's suggestion that Tietto shareholders lack the necessary information to evaluate the reasonableness and reliability of the IER valuation.

2.4 Zhaojin observation three: the Independent Expert's valuation is particularly sensitive to gold price forecast

Tietto agrees with Zhaojin's observation in its First Supplementary Bidder's Statement that the Independent Expert's valuation is highly sensitive to gold price movements. Tietto notes that forecasting future gold prices is highly speculative and uncertain in nature.

While Zhaojin observes that a 10% reduction in the assumed future gold price would result in a lower Independent Expert's valuation range (although Tietto notes that, if a 10% reduction to the forecast future gold price was applied, the Independent Expert's valuation range would still be above Zhaojin's Offer price of A\$0.58 cash per Tietto share), it is misleading to only focus on the value impact of downwards movements in the gold price. As such, Tietto shareholders should note that if a 10%

improvement in the future gold price is assumed, then this would increase the Independent Expert's valuation range to A\$0.929 – 1.077 per Tietto share.

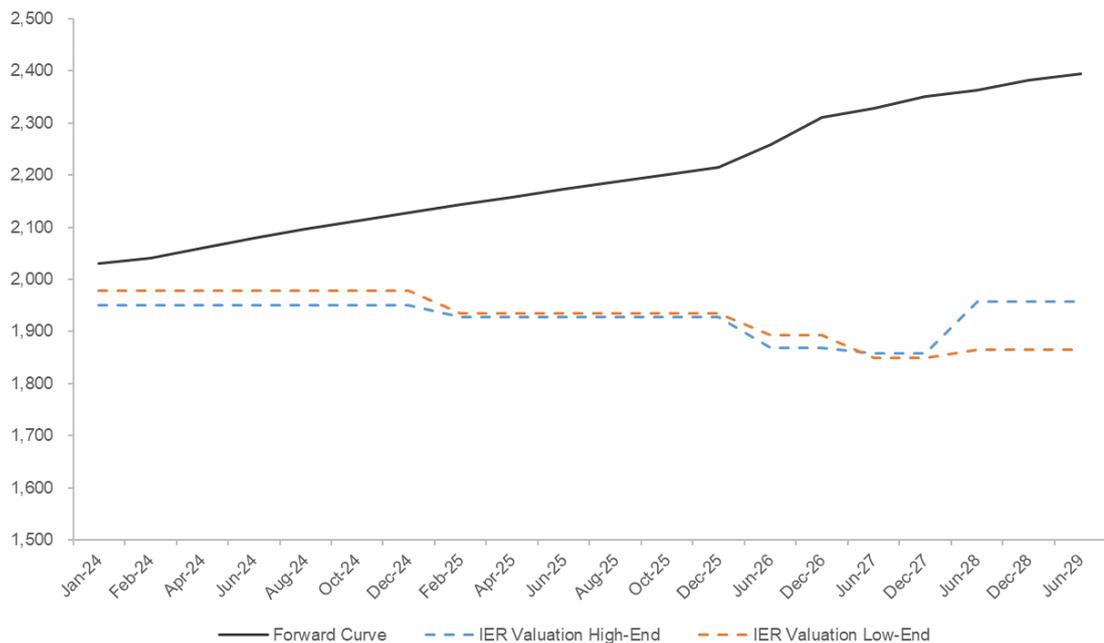
Further, the current spot gold price of US\$2,041 per ounce (as at 19 December 2023) is materially higher than the gold prices assumed in the IER and those sourced by Zhaojin from Bloomberg as set out in the First Supplementary Bidder's Statement.

As such, Tietto has requested that the Independent Expert confirm its valuation range at the current spot gold price, which the Independent Expert has indicated to be A\$0.890 – 1.008 per Tietto share (12 – 9% above the valuation range of A\$0.793 – 0.927 per Tietto share in the IER and far higher (53% – 74%) than Zhaojin's Offer price of A\$0.58 cash per Tietto share).

Tietto also notes that the Independent Expert has used Consensus Economics for its gold price forecast, which the Directors consider to be conservative compared to the gold price forecast adopted in other recent independent expert reports for transactions in the gold mining sector. For example, in the independent expert's reports published by Grant Samuel & Associates Pty Ltd (**Grant Samuel**) for the recent transaction between: (a) Newcrest Mining Limited and Newmont Corporation and; (b) BHP Group Limited and Oz Minerals Limited, Grant Samuel used long term real gold prices of: (a) US\$1,900/oz and; (b) US\$1,925/oz as part of its valuation. Tietto notes that these long term gold prices are significantly higher than the long term real gold prices of US\$1,653/oz and US\$1,735/oz used by the Independent Expert in the IER.

Finally, the forward curve, which represents the price at which producers can hedge future gold production, is currently in contango and well in excess of the prices used by the Independent Expert in the IER (Figure 2). As such, Tietto does have the option to hedge production in the medium term at gold prices well in excess of the current spot gold price.

Figure 2: Gold forward curve & IER gold price assumptions – nominal (US\$/oz)



Source: IER, Bloomberg as at 19 December 2023.

2.5 Zhaojin observation four: first valuation cross-check does not support the IER valuation when different listed peers, comparable transactions and valuation multiples are used

Tietto has an operating mine at Abujar with a LOMP that has been verified by independent technical specialists.

In such instances, a DCF is the most reliable valuation methodology and is typically applied to operating mines across the gold mining industry, with multiples analysis representing a “cross-check” based on the most comparable market data available. The Directors note that Zhaojin’s only comments in the First Supplementary Bidder’s Statement regarding the DCF as the primary and most accurate valuation methodology were to say that: (a) not enough information was provided to Tietto shareholders (an assertion with which the Directors disagree, as outlined in **section 2.3** of this Second Supplementary Target’s Statement); and (b) that if a different gold price was used the independent valuation could be lower. The Directors do not believe that these comments constitute compelling reasons to discount or question the outcome of the IER.

The multiples are based on a select and subjective peer set which the Independent Expert considered to be the most comparable listed peers available, however it was disclosed in the IER that “no listed peer was directly comparable to Tietto”. The multiples of the peer set do not take into account specific factors relevant to Tietto, including the underlying quality of Abujar. The Independent Expert disclosed that “although we consider these to be the most comparable listed companies to Tietto, there are a number of differences. Notably, these factors include size and stage of production, noting that many West African gold production companies operate multiple mines that have been producing for a number of years with a higher level of resources and grades.”, as also outlined by Zhaojin in the First Supplementary Bidder’s Statement. In relation to the gold production multiples, the Independent

Expert also stated in the IER “that companies are at different stages of production and experiencing different operational challenges.” Zhaojin’s First Supplementary Bidder’s Statement simply repeats the qualifications made by the Independent Expert as to the reliability of the multiples in what the Directors consider to be an attempt to cast doubt on the valuation range for Tietto. This ignores the fact that the IER valuation range relies fundamentally on the DCF analysis performed by the Independent Expert, which concludes that the Offer materially undervalues Tietto and is neither fair nor reasonable to Tietto shareholders not associated with Zhaojin.

Zhaojin, in the First Supplementary Bidder Statement, also states “Orezone and West African Resources (which the Independent Expert considers to be the most comparable companies)”, whilst appearing to disregard the Independent Expert’s analysis on page 7 of the IER which outlines potential reasons behind the discrepancies of these multiples compared with the implied multiples of Tietto. Additionally, Zhaojin’s First Supplementary Bidder Statement has made no reference or consideration to the Independent Expert’s analysis on page 7 of the IER outlining the production multiples over time showcasing that there have been significant decreases in the multiples of these comparable companies since the beginning of the year. Specifically, the Independent Expert states in the IER that “Orezone and West African Resources have their flagship assets located in Burkina Faso, which is considered a higher risk jurisdiction than Côte d’Ivoire and the events that occurred in the country in the last twelve months are likely to have depressed the trading prices and the Gold Production Multiples.”

2.6 Zhaojin observation five: an investment in Tietto remains subject to a number of risks and no competing proposal for Tietto has emerged

It is true that an investment in Tietto remains subject to a number of risks associated with mining and, more specifically, the Abujar project. A number of these risks were pointed out in the Target’s Statement and the Independent Expert was aware of them when undertaking its independent valuation of Tietto. It is also true that no competing proposal has emerged at the time of this response and there is no guarantee that one will emerge.

However, the absence of a competing proposal and the fact that investments in entities operating in the mining industry carry risk does not mean Tietto shareholders should accept an Offer that the Independent Expert has concluded materially undervalues Tietto’s shares and is neither fair nor reasonable to Tietto shareholders not associated with Zhaojin.

3 Directors’ recommendation

The Directors continue to unanimously recommend that Tietto shareholders reject Zhaojin’s Offer as, among other reasons:

- the Offer materially undervalues the Company (noting that the gold price range assumed in the IER is substantially below the current spot gold price);
- in the view of the Directors, the Offer was opportunistically timed; and

- two of Tietto's major shareholders, holding in aggregate 18.72%¹ of Tietto, have confirmed to Tietto that they do not intend to accept Zhaojin's Offer at the Offer price of A\$0.58 cash per Tietto share in respect of the Tietto shares they own or control.

Full and detailed reasons for the Directors' unanimous recommendation are set out in the Target's Statement and the First Supplementary Target's Statement, and the Directors encourage you to read those documents in full.

To reject the Offer as recommended by the Directors, Tietto shareholders should simply **DO NOTHING** and **TAKE NO ACTION** in relation to all documents sent to them by Zhaojin.

4 Other ASX announcements

Since lodging the First Supplementary Target's Statement on 7 December 2023, Tietto has made the following ASX announcements:

Date	Announcement
11 December 2023	Notification regarding unquoted securities – TIE
11 December 2023	Notification regarding unquoted securities – TIE
14 December 2023	Application for quotation of securities - TIE
18 December 2023	Supplementary Bidder's Statement

5 Consents

Grant Thornton Corporate Finance Pty Ltd, the Independent Expert, has given and has not, before the date of this Second Supplementary Target's Statement, withdrawn, its consent to:

- be named in this Second Supplementary Target's Statement in the form and context in which it is named; and
- the inclusion of other statements in this Second Supplementary Target's Statement that are based on or referable to statements made in the Independent Expert's Report, or that are based on or referable to other statements made by the Independent Expert in the form and context in which they are included.

As permitted by ASIC Corporations (Takeover Bids) Instrument 2023/683 (**ASIC Instrument 2023/683**), this Second Supplementary Target's Statement contains statements that are made, or based on statements made, in documents lodged with ASIC or ASX (in compliance with the ASX Listing Rules). Pursuant to ASIC Instrument 2023/683, the consent of persons such statements are attributed to is not

¹ This figure takes into account the slight dilution of existing Tietto shareholders' interests in Tietto as a result of the conversion of a number of Tietto unlisted securities into fully paid ordinary Tietto shares as announced to the ASX on 14 December 2023.

required for the inclusion of those statements in this Second Supplementary Target's Statement.

Any Shareholder who would like to receive a copy of any of the documents (or parts of the documents) that contain the statements which have been included pursuant to ASIC Instrument 2023/683 may obtain a copy (free of charge) during the Offer Period by contacting Matthew Foy, Tietto's Company Secretary, between 9.00 am and 5.00 pm (Perth time) Monday to Friday on +61 (8) 6331 6182. The copy will be provided within two Business Days of the request.

In addition, as permitted by ASIC Corporations (Consents to Statements) Instrument 2016/72 (**ASIC Instrument 2016/72**), this Second Supplementary Target's Statement may include or be accompanied by certain statements:

- fairly representing a statement by an official person; or
- from a public official document or published book, journal or comparable publication.

Pursuant to ASIC Instrument 2016/72, the consent of persons to whom such statements are attributed is not required for inclusion of those statements in this Second Supplementary Target's Statement.

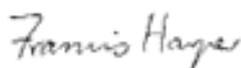
6 Authorisation

A copy of this Second Supplementary Target's Statement was lodged with ASIC on 21 December 2023 and provided to ASX on that date. Neither ASIC, ASX nor any of their respective officers take any responsibility for the content of this Second Supplementary Target's Statement.

This Second Supplementary Target's Statement has been approved by a resolution passed by your Directors. Each of your Directors voted in favour of that resolution.

Date: **21 December 2023**

Signed for and on behalf of
Tietto Minerals Limited by



Mr Francis Harper
Non-Executive Chairman