

Metals & Mining

Buy

26 August 2010

Upcoming events

Start of Stage 1 construction - 3Q10
Sase drill results - 3Q10
First production - 1Q11
Initial Sase resource 1Q11

Price (A\$)	0.21
Target price (A\$)	0.49

Ticker (ASX/TSX)	TGS
Market Cap (A\$m)	122.3
Cash (US\$m)	27.6
Debt (US\$m)	12.0

Attrib Resource (000t)	505.0
Attrib Reserve (000t)	112.8
EV/Resource (US\$/lb)	0.09
EV/Reserve (US\$/lb)	0.42

52-week price high (A\$)	0.29
52-week price low (A\$)	0.11

3M-avg daily volume (000)	609
3M-avg daily value (A\$000)	159

Shares basic (m)	596.4
Shares fully-diluted (m)	705.1

Top shareholders (%)

Trafigura Beheer	17.2
Fidelity	7.3
Macquarie	3.5
Total	28.0

Share Price Performance (A\$)



Source: Fidesa

Ambrian acts as UK Broker for this company

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Tiger Resources

Ready to Release the Beast

We recently met with management to discuss the outlook for the company after its recent capital raise. We believe the next 6-12 months will be very exciting for the company.

Newsflow since our initiation note of April 2010 has included a significant resource upgrade at the Kipoi project to 841,600t of contained copper, with 535,000t in the measured and indicated category. We feel the company's stated target to prove up over 1Mt of contained copper is easily achievable, and this should really be revised upwards. We calculate the company has A\$10.8m of unallocated cash that can be used to increase value significantly, with further resource drilling planned at Kipoi and the 100%-owned Lupoto licence area over the next 12 months.

Now fully funded, the key price driver is Stage 1 commissioning at Kipoi, where production is expected in 1Q11. Site work has started on the Heavy Media Separation (HMS) plant that should produce 35,000tpa of copper over three-years.

Based on the recent resource upgrade and continued anticipated drilling success, **we believe the Stage 2 SXEW project should be scaled up from 30,000tpa to 50,000tpa of copper cathode** to exploit the resource base efficiently. We think that the value and optionality of the Stage 2 SXEW currently receives little value in Tiger's share price.

We have updated our modelling and valuation for the company to take account of recent newsflow and share issues. We calculate a NPV₁₀ of A\$148.3m for the Stage 1 HMS operation and A\$512.0m for an enlarged 50,000tpa Stage 2 SXEW operation. We also calculate an additional NPV₁₀ of A\$65.2m for a cobalt DSO operation in conjunction with the Stage 1 HMS operation. **We reiterate our BUY recommendation and raise our target price from A\$0.40 to A\$0.49** based on a risked NAV of A\$343.8m.

Table 1: Sensitivity to Copper Price (US\$/lb) and Discount Rate

	1.90	2.00	2.10	2.20	2.30	2.40	2.50
15.0%	0.31	0.32	0.34	0.36	0.37	0.39	0.40
12.5%	0.35	0.37	0.39	0.41	0.43	0.45	0.47
10.0%	0.41	0.44	0.46	0.49	0.51	0.54	0.56
7.5%	0.49	0.53	0.56	0.59	0.62	0.65	0.68
5.0%	0.60	0.64	0.69	0.73	0.77	0.81	0.85

Table 2: Financial Summary

Yr to Jun (A\$m)	FY09	FY10E	FY11E	FY12E	FY13E
Revenue	-	-	116.21	223.80	129.94
EBITDA	(16.92)	(3.32)	88.77	181.03	90.50
Net Income	(17.10)	(4.58)	29.95	72.59	36.71
Cash/(Debt)	12.04	17.69	36.67	163.93	173.42
P/E (x)	N/A	N/A	4.8	2.0	3.9
EV/EBITDA (x)	N/A	N/A	1.2	N/A	N/A

Source: Tiger Resources, Ambrian estimates

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Valuation Summary

We value Tiger based on its 60% ownership interest in the Kipoi project and calculate a risked NAV for each of the production scenarios we have modelled. We assign a 0.95x NPV₁₀ multiple to the Stage 1 HMS operation given that it is fully funded and we consider it a low-risk project. We assign 0.6x NPV₁₀ multiple to the Stage 2 SXEW and a 0.8x NPV₁₀ multiple to the cobalt DSO operations. A summary of the valuations of the production scenarios is shown in the table below.

Table 3: Tiger NAV Valuation Summary

Asset	NPV ₁₀ (A\$m)	Ownership (%)	Risk	NAV (A\$m)	A\$/sh
Kipoi Stage 1 HMS	148.3	60%	0.95x	84.5	0.12
Kipoi Stage 1 Cobalt	65.2	60%	0.8x	31.3	0.05
Kipoi Stage 2 SXEW	512.0	60%	0.6x	184.3	0.26
Net Cash	43.7	100%	1.0x	43.7	0.06
Total	769.1	60%	0.74x	343.8	0.49

Source: Ambrian estimates

Recommendation: BUY – Target Price A\$0.49

We arrive at a NAV target price of A\$0.49 for Tiger based on 705.1m fully-diluted shares outstanding, assuming the exercise of 108.7m outstanding warrants with a strike below our target price. This assigns no value to the Lupoto and Sakania exploration projects, despite an initial resource at Lupoto being expected in the next six months. This represents 139% upside from the current share price, and we reiterate our **BUY** recommendation.

The table below shows the sensitivity of our calculated NAV valuation to changes in the long-term copper price and the discount rate used.

Table 4: Valuation Sensitivity to Long-term Copper Price (US\$/lb) and Discount Rate (%)

	1.90	2.00	2.10	2.20	2.30	2.40	2.50
15.0%	0.31	0.32	0.34	0.36	0.37	0.39	0.40
12.5%	0.35	0.37	0.39	0.41	0.43	0.45	0.47
10.0%	0.41	0.44	0.46	0.49	0.51	0.54	0.56
7.5%	0.49	0.53	0.56	0.59	0.62	0.65	0.69
5.0%	0.60	0.64	0.69	0.73	0.77	0.81	0.85

Source: Ambrian estimates

Recent Newsflow

Equity Raise and Cash Position

Tiger announced an equity raise of A\$21.85m on 2 June 2010, part of which was subject to shareholder approval granted on 15 July 2010. Tiger also announced a Share Purchase Plan for existing shareholders in conjunction with the equity raise; this closed on 24 June 2010, raising additional cash of A\$8.9m. Net proceeds of these equity raises come to approximately A\$33.5m and, combined with the US\$15m subordinated debt facility signed with Trafigura in November 2009, Tiger is now in a strong financial position, with the Stage 1 HMS project at Kipoi fully funded through to first production. In May 2010 Tiger drew down on the Trafigura US\$12m loan note and completed the 100% acquisition of Congo Minerals sprl, therefore taking its interest in the Kipoi project to 60%.

Table 5: Summary of Tiger's Cash Position

	Shares (m)	Cash (A\$m)
Cash and Shares Outstanding (at 31 March 2010)	406.5	2.2
Equity raise	140.6	24.6
Share Purchase Plan	49.3	8.9
Cash Spent	-	(4.6)
New Cash and Shares Outstanding (at 31 July 2010)	596.4	31.1
Trafigura US\$15m subordinated debt facility	-	16.9
Stage 1 Capex (US\$29.5m)	-	(33.2)
Estimate of 1-year G&A expense	-	(4.0)
Unallocated Cash (at 31 July 2010)	596.4	10.8
Trafigura warrants issued with US\$12m loan note	61.1	14.1
Trafigura warrants issued with US\$15m debt facility	34.2	8.6
Equity raise warrants	2.1	0.4
Management incentive warrants below target price	11.3	3.0
Total Unallocated Cash and Fully-diluted Shares	705.1	36.9

Source: Ambrian estimates

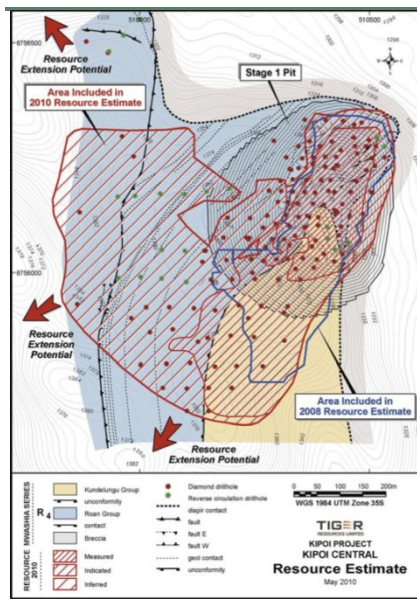
We estimate additional unallocated funds of A\$10.8m that can be used for working capital and further resource drilling at both Kipoi and the 100%-owned Lupoto licence areas. This could potentially create significant value for Tiger shareholders over the next 12 months.

In our valuation work we look at the company on a fully-diluted basis and assume the exercise of 108.7m outstanding warrants with an exercise price below our current target price. On this basis Tiger would have an additional A\$26.1m of cash available.

Resource Upgrade at Kipoi

Tiger announced a resource upgrade of the main Kipoi Central deposit in May 2010. Total resources within the project area now total 841,600t of contained copper, with 535,000t in the measured and indicated category.

Figure 1: Kipoi Central Resource Map



Source: Tiger Resources

Table 6: Kipoi Project Summary of Resources

Kipoi Licence Area (>0.5% Cu)	Tonnes (Mt)	Cu (%)	Cu (kt)	Co (%)	Co (kt)	Ag (g/t)	Ag (koz)
Kipoi Central Measured	9.18	3.78	347	0.14	13	3.68	1,085
Kipoi Central Inferred	14.28	1.31	187	0.07	9	2.29	1,052
Total Meas & Ind	23.46	2.28	535	0.09	22	2.83	2,138
Kipoi Central Inferred	12.02	0.85	102	0.05	6	0.47	182
Kipoi North Inferred	5.3	1.36	71.6	0.03	2.6	8.1	1,372
Kileba South Inferred	9.5	1.4	133	-	-	-	-
Total Inferred	26.82	1.14	306.6	0.03	8.6	1.79	1,554
Total Resources	50.28	1.67	841.6	0.06	30.6	2.28	3,692

Source: Tiger Resources, May 2010, 0.5% copper cut-off

The high-grade mineralisation that forms the basis of the Stage 1 HMS development remains the same and is shown in the table below.

Table 7: High-grade Measured and Indicated Resource at Kipoi Central

Kipoi Central (>5.0% Cu)	Tonnes (Mt)	Cu (%)	Cu (kt)	Co (%)	Co (kt)
Measured	1.93	8.5	164	0.2%	3
Indicated	0.93	7.4	68	0.1%	1
Total	2.86	8.1	232	0.15%	4

Source: Tiger Resources, July 2008, 5.0% copper cut-off

Rejected material from HMS processing along with mineralised ore below the 5% Cu cut-off will be stockpiled during the Stage 1 operation. This is expected to generate some 4.8Mt of material on surface, containing 142,500t of copper at an average grade of 2.97% Cu. This mined material is ready to be used as feed for a Stage 2 SXEW operation. Just over 119,000t of contained copper in concentrate should be produced during the Stage 1 HMS operation.

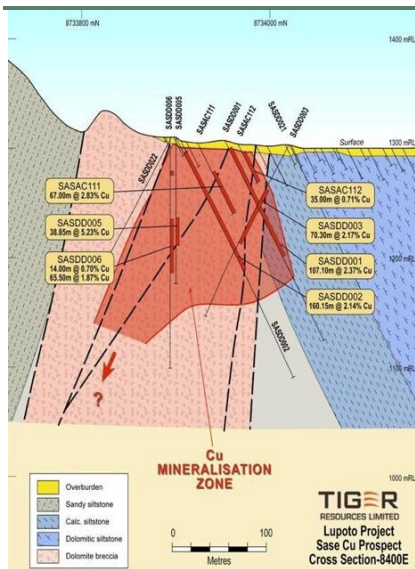
Given the current resource base of 841,600t of contained copper, well over 700,000t of copper would remain after the Stage 1 operation. This could potentially support an envisaged 30,000tpa copper cathode Stage 2 SXEW operation for up to 20 years. We anticipate further resource drilling success across the Kipoi licence area and, thus, believe a Stage 2 SXEW operation of a minimum 50,000tpa of copper cathode capacity would more efficiently exploit the resource base and would suggest the company looks to follow this route. We have adjusted our modelling of the Stage 2 operation to reflect a 50,000tpa capacity plant.

Further Drilling at Lupoto and Kipoi

The Lupoto licence area is located approximately 10km south of the Kipoi project and is 100%-owned by Tiger. Five prospects have been identified within the Lupoto licence by a grassroots exploration programme.

Initial drill results from the principal Sase prospect were announced in February 2009. The company has delineated a mineralised envelope along a west-north-west strike of 600m with a width of 50-200m. The mineralisation is mainly oxide, to a depth of 120m, and is open along strike and at depth. Some of the better drill results include 38.85m @ 5.23% Cu, 73.25m @ 3.33% Cu, 64m @ 3.27% Cu and 60.50m @ 3.49% Cu.

Figure 2: Cross-section Showing Previous Drilling at Sase



Source: Tiger Resources

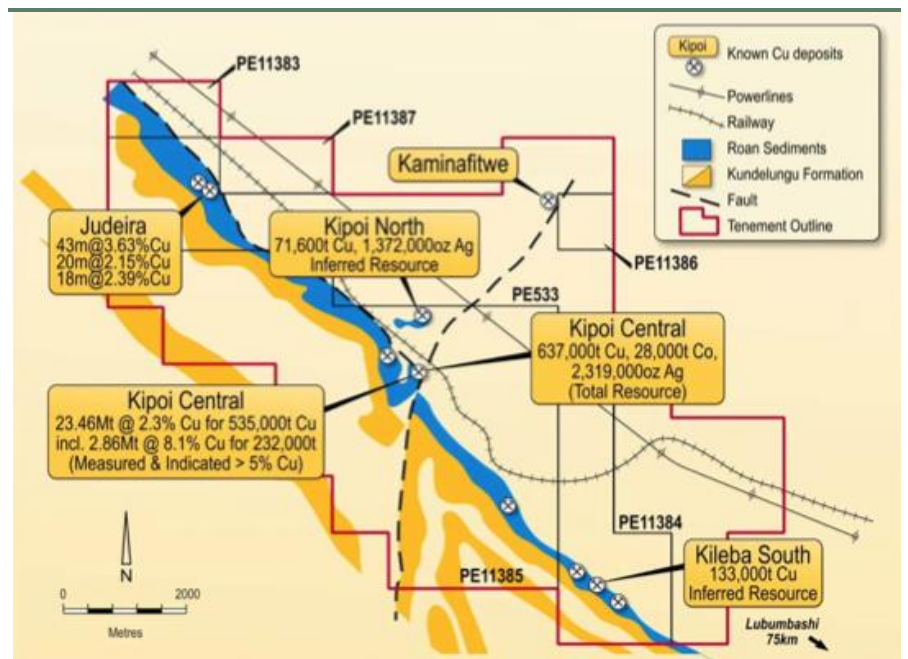
Figure 4: Kaminafitwe Undrilled Copper Clearing ('Grassberg')



Source: Ambrian

Tiger announced a new drilling programme for Sase in August 2010. This will target extending the strike length, width and depth of the Sase prospect as well as infill drilling in order to calculate a JORC-compliant resource. The programme will also test the other high-priority targets across the licence. We understand this 7,500m RC programme should be completed before the wet season in October. This should allow assay results to be collected and analysed and a resource estimate for Sase potentially to be completed by 4Q10 (or early 2011).

Figure 3: Kipoi Project Area



Source: Tiger Resources

After drilling at Lupoto the rigs will move back to Kipoi, where they are able to operate during the wet season. Further drilling in the Kipoi area is expected to target: Judeira, a 2km long prospect where initial holes returned results including 43m @ 3.63% Cu and 20m @ 2.15% Cu; Kileba, where only 400m of a 1.6km mapped geological structure has been drilled to date; and Kaminafitwe, an undrilled 600m long distinct copper clearing.

Modelling and Valuation Update

Kipoi Stage 1 – HMS

We have modelled the Stage 1 HMS operation with first production commencing in 1Q11 and ramping up to full production in 2Q11. We have incorporated some recent minor optimisations of the Stage 1 pit shell, so that a total of 2.78Mt of feed ore is processed over the life of the operation vs. 2.68Mt previously. In addition to the HMS feed mined, a total of 2.53Mt of lower-grade ore, averaging 2.0% copper, will be mined and stockpiled during Stage 1. Initial pre-stripping has also been reduced with the recent optimisation, resulting in 720,000m³ of pre-strip vs. 1,350,000m³ previously; this stripping is deferred until later in the mine life. We now understand that this pre-stripping is included in the capex estimate, whereas previously we had double counted in expensing it within the mining cost.

We assume a total of 119,300t of contained copper is produced over the life of the HMS operation. The remaining contained copper within the rejected HMS residue is stockpiled along with the mined lower-grade ore to be used as feed for the Stage 2 SXEW operation.

Table 8: Stage 1 HMS Assumed Mine Production Plan

HMS Mine Plan (Yr to Jun)	FY11E	FY12E	FY13E	FY14E
HMS Feed (000t)	378.8	900.0	900.0	600.3
HMS Feed Grade (Cu %)	6.6%	6.6%	7.3%	7.5%
Mined Stockpile Ore (000t)	350.0	800.0	800.0	578.0
Mined Stockpile Ore Grade (Cu %)	1.7%	1.7%	2.2%	2.5%
Waste Mined (000t)	3,199.9	3,400.0	4,250.0	4,169.1
HMS Weight Recovery (%)	16%	16%	16%	16%
HMS Copper Recovery (%)	61%	61%	61%	61%
Concentrate Product (000t)	60.6	144.0	144.9	96.0
Concentrate Grade (Cu %)	25.3%	25.3%	27.8%	28.7%
Concentrate Contained Copper (000t)	15.3	36.4	40.0	27.6
Stockpiled Ore and HMS Residue (000t)	488.2	1,236.0	1,556.0	1,082.2
Stockpiled Ore and HMS Residue Grade (Cu %)	2.1%	2.2%	2.8%	3.0%

Source: Ambrian estimates

Table 9: Stage 1 HMS Modelling Assumptions

Assumption	Stage 1 HMS Operation
Capex (excluding pre-strip) (US\$m)	25.8
Mining Cost (US\$/t)	2.10
HMS Processing Cost (US\$/t)	5.00
G&A Cost (US\$/t)	1.00
Concentrate Contained Copper Payability (% LME Price)	60%
DRC Royalty	2.0%
Gecamines Royalty	2.5%
Payment to Gecamines on production and anniversary (US\$m)	2 x 2.00

Source: Ambrian estimates

We have only modelled 60% of the contained metal value

Anecdotal evidence from the DRC copperbelt suggests local prices for inferior copper concentrate products to that which will be produced at Kipoi have moved upwards from 42-45% contained metal value at the time of our initiation note to 48-50% currently. We maintain our 60% contained metal value revenue assumption and are increasingly confident this could be a minimum value.

Our NPV₁₀ of the Stage 1 HMS operation is A\$148.3m

We value the Stage 1 HMS operation on a post-tax DCF basis using a 10% discount rate and calculate a NPV₁₀ of A\$148.3m. A financial summary of the operation is shown below.

Table 10: Stage 1 HMS Financial Summary

Financial Summary (Yr to Jun)	FY11E	FY12E	FY13E	FY14E
Copper Price (US\$/lb)	3.20	2.73	2.13	2.16
US\$/A\$ Exchange Rate	0.90	0.89	0.87	0.83
Contained Copper Produced (000t)	15.3	36.4	40.0	27.6
Revenue (A\$m)	71.51	147.71	129.94	93.43
Mining Cost (A\$m)	(9.21)	(12.04)	(14.19)	(13.45)
Processing Cost (A\$m)	(2.10)	(5.06)	(5.20)	(3.59)
G&A Cost (A\$m)	(4.39)	(5.73)	(6.90)	(6.40)
Royalty Cost (A\$m)	(3.22)	(6.65)	(5.85)	(4.20)
Total Production Costs (A\$m)	(18.92)	(29.47)	(32.43)	(27.64)
Copper Production Cost (US\$/lb)	0.50	0.33	0.32	0.37
EBITDA (A\$m)	52.59	118.24	97.50	65.79
Capex (A\$m)	29.16	-	-	-
Payment to Gecamines (US\$m)	2.00	2.00	-	-

Source: Ambrian estimates

Kipoi Stage 2 – SXEW

The Stage 2 development plan for the Kipoi project involves the construction of a SXEW plant. Based on the recent resource upgrade and anticipated future drilling results, we believe this plant should have a minimum capacity of 50,000tpa of copper cathode vs. our previous modelling assumption of 30,000tpa. One scenario being considered is that the material stockpiled during the HMS operation will be stored on 3 x 500,000t heap leach pads that will be built during Stage 1 for an estimated cost of US\$1m instead of a concrete storage area. This stockpiled ore, in addition to the 900,000t capacity tailings pond for the finer material produced during the HMS process, will be used as initial feed from for the SXEW plant.

As well as reducing initial mining and material rehandling costs to zero during the first year of operation, the heap leach pads also enable the capex spend during Stage 2 to be phased. Initially, only electro-winning (EW) capacity will need to be built in conjunction with the heap leach solvent extraction (SX) and additional front-end crushing and tank leaching capacity will only need to be constructed later (as Stage 2 mining commences).

We model an operation commencing in 1Q14 that will initially heap leach 1.5Mt of stockpiled ore with a grade of 2.6% Cu, producing approximately 31,000tpa of copper cathode over the first year. We then assume additional crushing and tanking leaching capacity and a fourth heap leach pad is installed capable of treating 2.7Mtpa of material. We assume that 4.3Mt of ore stockpiled during the Stage 1 operation as well, as an additional 36.9Mt of mined ore at an average grade of 2.0% Cu, is processed over the 17-year life of the plant. This gives a total of 758,400t of copper cathode produced over the life of the project. A summary of our modelling assumptions is shown below.

Table 11: Stage 2 SXEW Modelling Assumptions

Assumption	Stage 2 SXEW Operation
Stockpiled Plant Feed (Mt)	4.3
Stockpiled Feed Grade (Cu %)	2.6%
Mined Plant Feed (Mt)	36.9
Mined Feed Grade (Cu %)	2.0%
Waste Mined (Mt)	132.1
Plant Throughput (Mtpa)	2.7
Copper Recovery (%)	90%
Capex (US\$m)	270.0
Mining Cost (US\$/t)	2.10
Acid Cost (US\$/t)	150.00
Acid Intensity (kg/t)	6.0
SXEW Processing Cost (US\$/t)	18.00
DRC Royalty	2.0%
Gecamines Royalty	2.5%
Project Vendor Royalty (>350,000t Cu Produced) (US\$/t)	55.00

Source: Ambrian estimates

Our NPV₁₀ of the Stage 2 SXEW operation is A\$512.0m

We value the Stage 2 SXEW operation on a post-tax DCF basis using a 10% discount rate and calculate a NPV₁₀ of A\$512.0m. A financial summary of the operation is shown below.

Table 12: Stage 2 SXEW Financial Summary

Financial Summary (Yr to Jun)	FY13E	FY14E	FY15E	FY16E	FY17E
Copper Price (US\$/lb)	2.13	2.16	2.20	2.20	2.20
US\$/A\$ Exchange Rate	0.87	0.83	0.80	0.80	0.80
Year-end Ore Stockpile (000t)	3,280.2	3,612.4	2,562.4	2,262.4	2,262.4
Ore Stockpile Grade (Cu %)	2.5%	2.6%	2.4%	2.2%	2.0%
Ore Mined (000t)	-	-	700.0	1,975.0	2,700.0
Mined Ore Grade (Cu %)	-	-	2.0%	2.0%	2.0%
Ore Processed (000t)	-	750.0	1,750.0	2,275.0	2,700.0
Processed Ore Grade (Cu %)	-	2.6%	2.6%	2.3%	2.1%
Copper Cathode Produced (000t)	-	15.5	36.0	47.9	51.2
Revenue (A\$m)	-	93.96	218.53	290.36	310.27
Mining Cost (A\$m)	-	-	(7.35)	(20.74)	(28.70)
Acid Cost (A\$m)	-	(0.84)	(1.97)	(2.56)	(3.04)
Processing Cost (A\$m)	-	(16.88)	(39.38)	(51.19)	(60.75)
Royalty Cost (A\$m)	-	(4.23)	(9.83)	(13.07)	(13.96)
Total Production Costs (A\$m)	-	(21.95)	(58.53)	(87.55)	(106.45)
Copper Production Cost (US\$/lb)	-	0.53	0.59	0.66	0.75
EBITDA (A\$m)	-	72.01	160.00	202.81	203.81
Capex (A\$m)	58.82	117.65	150.00	-	-

Source: Ambrian estimates

Kipoi Cobalt Production

Tiger has identified a measured and indicated resource of 7,400t of contained cobalt in the COZ unit within the Stage 1 pit area. This unit sits above the high-grade copper zone and is mined as part of the mining cost in the Stage 1 operation. We understand a higher-grade cobalt zone of approximately 500,000t of ore at 1% Co and 3% Cu has been delineated within the unit that may be able to be sold as direct-ship-ore (DSO) to nearby cobalt producers in Lubumbashi during Stage 1 of the operation. We have modelled this additional revenue stream starting in 1Q11 with 90,000t of material sold each quarter and incurring an estimated US\$8.00/t transport and handling cost to Lubumbashi.

Table 13: Cobalt Modelling Assumptions

Assumption	Stage 1 Cobalt Operation
Direct-Ship-Ore Sold (000tpa)	500
Cobalt Grade (%)	1.0%
Copper Grade (%)	3.0%
Contained Cobalt Payability (% LME Price)	35%
Contained Copper Payability (% LME Price)	40%
Transport and Handling Cost (US\$/t)	8.00

Source: Ambrian estimates

Our NPV₁₀ of the additional cobalt revenue stream is A\$65.2m

We value this cobalt DSO operation on a post-tax DCF basis using a 10% discount rate and calculate a NPV₁₀ of A\$65.2m. A financial summary of the operation is shown below.

Table 14: Cobalt Financial Summary

Financial Summary (Yr to Jun)	FY11E	FY12E
Cobalt Price (US\$/lb)	18.00	18.00
US\$/A\$ Exchange Rate	0.90	0.89
DSO Material Sold (000t)	180.0	320.0
Contained Cobalt (000t)	1.80	3.20
Contained Copper (000t)	5.40	9.60
Revenue (A\$m)	44.70	76.09
Transport Cost (A\$m)	(1.60)	(2.87)
Royalty Cost (A\$m)	(2.01)	(3.42)
Total Production Costs (A\$m)	(3.61)	(6.30)
Cobalt Production Cost (US\$/lb)	0.82	0.79
EBITDA (A\$m)	41.08	69.79

Source: Ambrian estimates

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