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# Firefinch buoyed by Sprott report titled ‘Morila the Gorilla builds new West African producer’

The roadmap includes restarting the mill and increasing annual production to 70,000-80,000 ounces in 2H21, dewatering and resuming mining of the Morila main pit to bring production to SCPe 177,000 ounces run rate in 2023 and defining a target of a 10-year mine life at 150-200,000 ounces per annum.



Sprott flags Morilla as one of the more capital efficient projects in the gold mining sector.

**Firefinch Ltd (ASX:FFX) (FRA:N9F)** earned itself a BUY rating and price target of A\$0.50 by successfully transitioning from explorer to producer, according to a report from Sprott Equity Research titled 'Morila the Gorilla builds new West African producer'.

In Sprott's initial research report on FFX, it said the company became a gold producer in November 2020 through acquiring Morila Gold Mine in Mali from Barrick Gold for US\$29.7 million, with the mine producing 7.4 million ounces from 2000-2020, averaging 552,000 ounces/year from 2000-2009 during its active mining phase, including a peak of 1.053 million ounces in 2002.

The project includes a 4.5 million tonnes per annum mill-CIL facility with historical 91% gold recovery, 2.35 million ounces between the main pit and satellites and a 685 square kilometre tenement holding in an area that has yet to see as much drilling as other prolific West African shear zones.

### ***Morila restart and production potential***

The report stated: "With a 4.5 million tonnes per annum mill and 1.51 g/t resource base, Morila has potential to substantially increase production from the current 40,000 ounces per annum run rate from tailings reprocessing.

"We expect the intermediate steps to be:

- Restart of satellite mining and the milling circuit in late Q2 (increases run rate to 70,000-80,000 ounces per annum);
- Dewatering, infill drilling and rehabilitation of the Morila main pit in H2; and
- Restart of mine production from the main pit in early 2022, reaching steady state production of SCPe 177,000 ounces per annum from 2023.

"We model Morila based on a mining inventory of 35 million tonnes at 1.50 g/t for 1.69 million ounces which generates a 10-year mine life, ramping up to 124,000 ounces in 2022 and 177,000 ounces at steady state 2023-2029.

"This generates an NPV5%-1850 of US\$405 million (A\$533 million) and a fully-funded NAVPS of A\$0.74/share.

"We initiate with a BUY rating and A\$0.50/share price target based on 0.75x NAV for the gold assets and balance sheet and 0.5x for the Goulamina lithium asset, which has been flagged for spin-out (0.5x SCPe nominal US\$100 million NAV)."

Shares have today been as much as 9.3% higher to 29.5 cents, a new high of more than 2.5 years, while the company's market cap has grown to approximately \$211.2 million.

**Capital efficient ramp up**

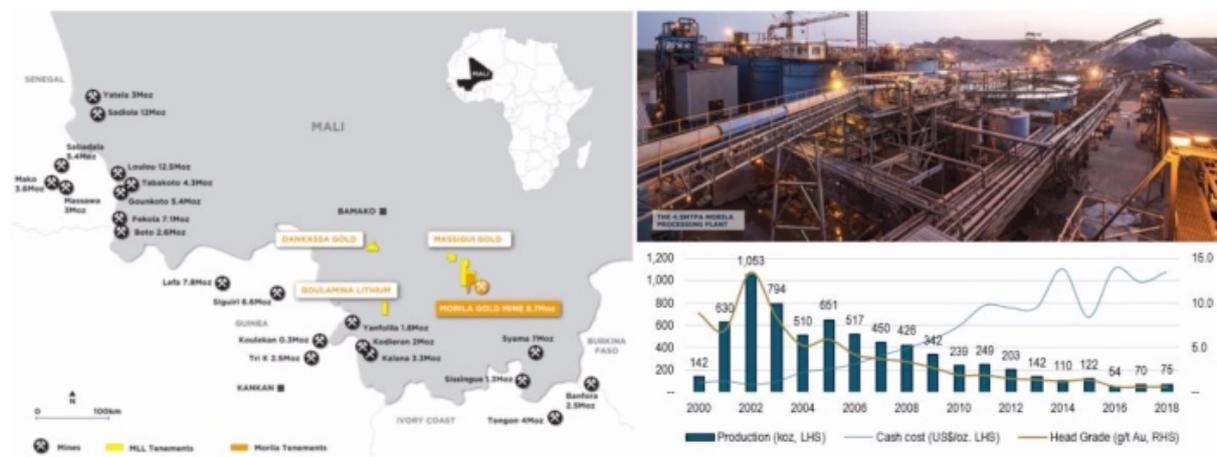
The report stated: “Firefinch is trading within the P/NAV and per ounce multiple ranges of West African gold developers and explorers, but with the advantage of significant infrastructure in place, therefore less capital requirement to define and develop its ounces.

“The benefit of Morila’s existing infrastructure is a faster and more capital ramp-up from current 40,000 ounces tailings production to SCPe 177,000 ounces/year in SCPe 2023.

“Morila’s 4.0-4.5 million tonnes per annum plant throughput capacity, historical 90% recovery rate and 1.5 g/t resource base are the non-resource inputs to the production target.

“We estimate plant, dewatering, and pre-strip capex of US\$86 million spent over the next five quarters, offset by SCPe US\$35 million of operating FCF over that period.

“At US\$49 million per 100,000 ounces per annum of production capacity, this ranks as one of the most capital efficient projects in the gold mining sector.”



Location map, processing plant, and Morila’s production history.

**Resource base growth outlook**

Morila’s resource base includes 1.86 million ounces at 1.49 g/t at the Morila main pit, 51,000 ounces at 0.50 g/t from tailings and 113,000 ounces at 1.38 g/t from satellites.

Sprott said: “Currently there are around 140,000 ounces of complaint resources in satellites and we believe recent drilling has defined up to 300,000 ounces of mineable ounces, more than enough to smooth the mining transition to the Morila main pit.

“[The Koting and Viper deposits] are classic orogenic shear zone style deposits hosted in metasediments.

“As these deposits tend to occur in clusters, we believe there is potential for multiple further satellite discoveries to lengthen mine life and provide oxide feed to optimise ore blending.

“This gives the operation a strong baseload to support an 8-10-year operation producing 150- 200,000 per annum.

“Moreover, we see significant upside potential from regional exploration potential, noting a relative lack of exploration on the Banafin shear zone, and exploration at depth, as high grade mineralisation to the NE of the pit has never been definitely drilled off.”

Tailings mining is expected to continue through the end of the third quarter of 2021, with mill start-up and first ore from satellites expected late in the second quarter.

### ***Potential for big discovery***

The report stated that Firefinch’s exploration potential was compelling with a district landholding with one world-class asset and a conspicuous lack of other discoveries.

“We believe exploration at Morila was constrained by the relative lack of outcrop, Randgold’s constrained financial position before Morila’s development, and difficulty coordinating reinvestment in the Randgold-Anglogold Morila JV once in production.

“Though debate exists over categorisation of Morila’s deposit type, there are clearly orogenic components present including metavolcaniclastic and metagreywacke units and evidence of multiple phases of magmatism.

“This suggests potential for other major deposits in the area, not unlike the Faleme belt which hosts the Loulo, Gara, Yalea and Goukoto multi-million ounce deposits that form the Loulo-Goukoto mining complex.

“Of the producers, Firefinch is one of few with transformational organic growth opportunities in the near term and with a 685 square kilometre license area with one proven world-class asset but otherwise a conspicuous lack of large discoveries.”

***Morila a growth platform in the region***

Sprott said: “Compared to a typical developer, the funding quantum for Firefinch is significantly lower relative to production potential due to the mill and infrastructure in place and positive cash flow from tailings currently and satellites in H2.

“Stepping back, we firmly believe that growth is the attribute that is most rewarded for small cap gold producers, particularly in West Africa, and in our view Morila gives Firefinch an initial asset with the size and scale to be a growth platform in the region.

“Moreover, Firefinch has control over a significant exploration land package that, usually for the region, has yielded just one major mine, and we believe this points to the significant regional exploration potential on the license.”

Source: <https://www.proactiveinvestors.com.au/companies/news/946635/firefinch-buoyed-by-sprott-report-titled-morila-the-gorilla-builds-new-west-african-producer-946635.html>