

Firefinch (FFX) – Not formally covered

7-9 year operation at Morila in Mali produces ~160koz p.a. gold

Firefinch has released its new life of mine plan for Morila, showing an average 160koz of gold produced annual to 2030 for a total 1.45Moz of gold recovered. Costs are forecast at US\$1,124/oz (circa A\$1,500/oz AISC). Mine life runs to 2028 (with production already underway from tailings retreatment at the site), extending to 2030 if a cutback of the Morila pit is undertaken.

Initial Reaction

We have met with management on a few occasions now to discuss Morila. The project is beginning to look interesting, noting that there has not been significant exploration activity at the mine for many years and management are focused on testing the extent of Morila and looking for new satellite pits to grow the project.

FFX's valuation metrics (see the bottom of this email) sit near the bottom of our peer table, but we note development risk and a funding requirement likely remain for the company – in other words while there appears to be capacity for FFX to narrow the gap to its peers on the metrics highlighted below, there are still risks associated with it achieving this.

Key Points

- FFX reported A\$23.9m cash on hand at 31 March, and a market cap today of ~A\$300M
- LOMP plan shows 2021/22 net cash flow of circa negative \$25-\$30m... suggesting additional funding will be required to fully execute the plan (estimated at \$30-40m)
- Given FFX is already generating revenue, it is likely this gap could be bridged by debt
- LOM plan to 2030 depends on stage 2 Morila pit cutback
- Summary production profiles and key figures (taken from FFX announcement) presented below, along with FFX's relative position in our gold table for ASX gold producers

Key Mine Plan Metrics

Key metrics (2021 to 2030)		Unit	
LOMP Period		Years	10
Planned production		Million tonnes	37.4
Annual production rate		Million tonnes	4.0
Average gold production (2022-2030)		Ounces	157,900
Maximum annual gold production (2024)		Ounces	211,400
Financial metrics (2021 to 2028)			
Revenue		US\$ millions	US\$2,030
Mining costs		US\$/t mined	US\$2.83
Processing costs		US\$/t ore	US\$15.45
General & Administration costs		US\$/t ore	US\$3.50
C1 cash cost (LoM)		US\$ / oz	US\$962
AISC cash cost (LoM)		US\$ / oz	US\$1,124
Net pre-tax free cashflow		US\$ millions	US\$604
Assumptions			
Assumed gold price		US\$/oz	US\$1,750
USD to CFA exchange rate			545
AUD to USD exchange rate			0.75
Royalties (Government of Mali)			6%
Corporate Tax in Mali			30%

Source: Company Announcement

Gold Production Profile

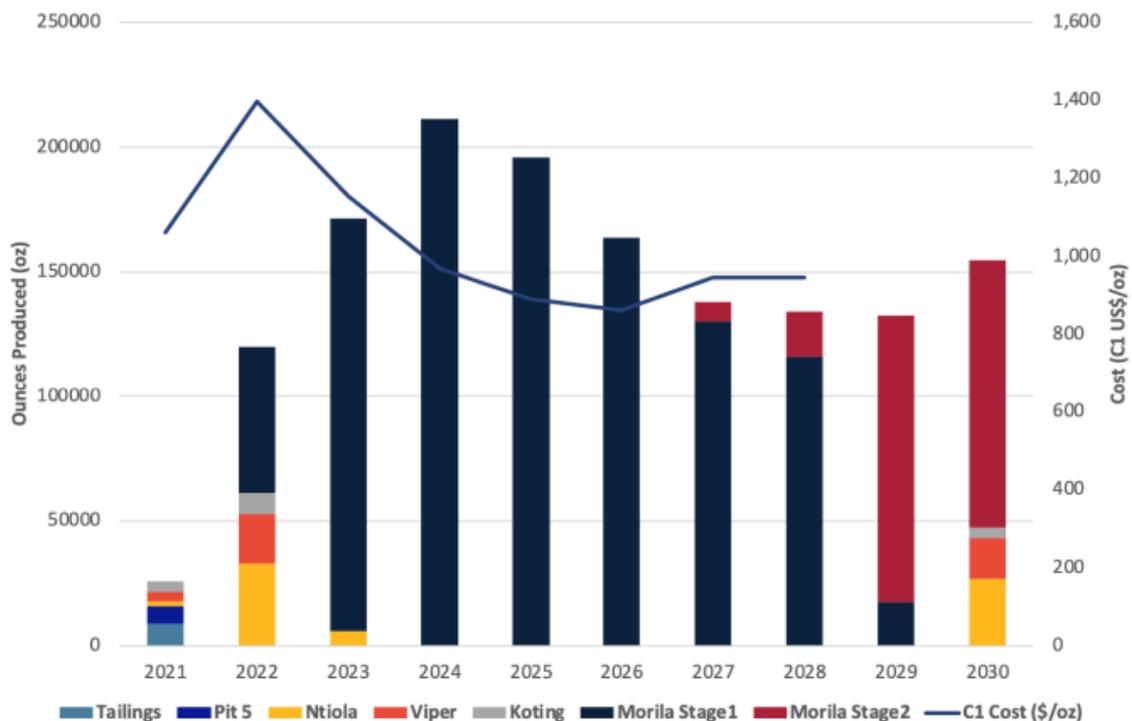
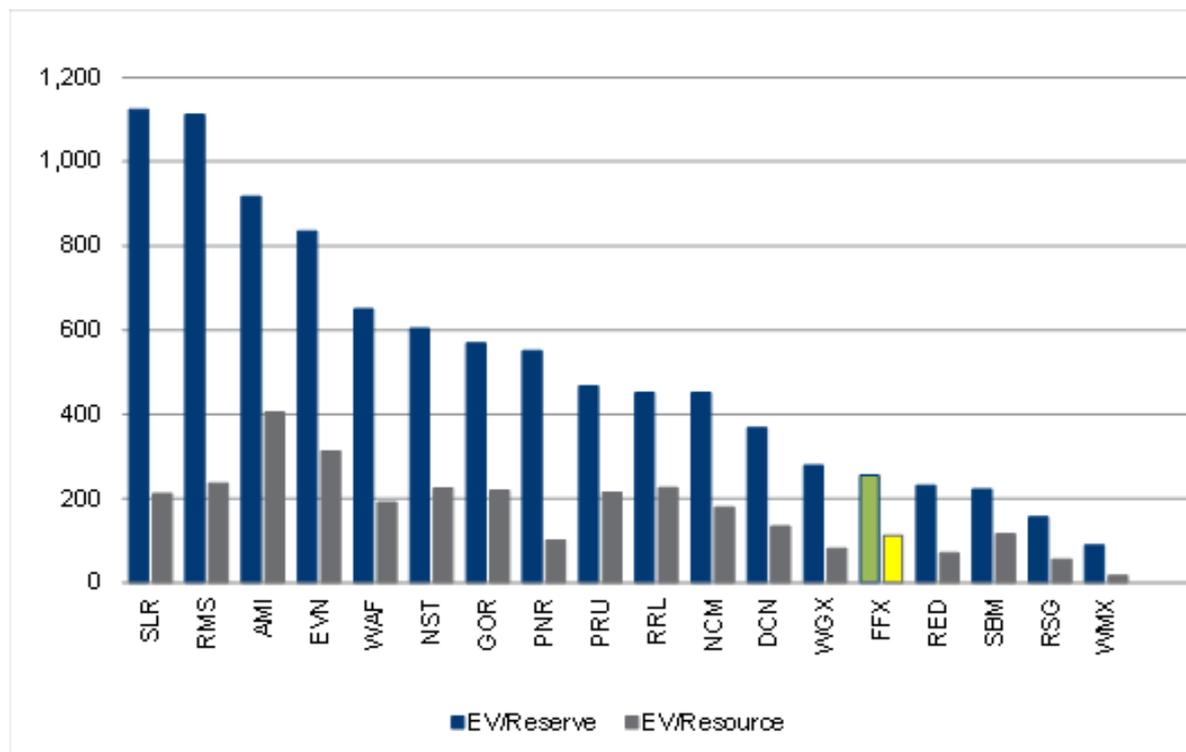
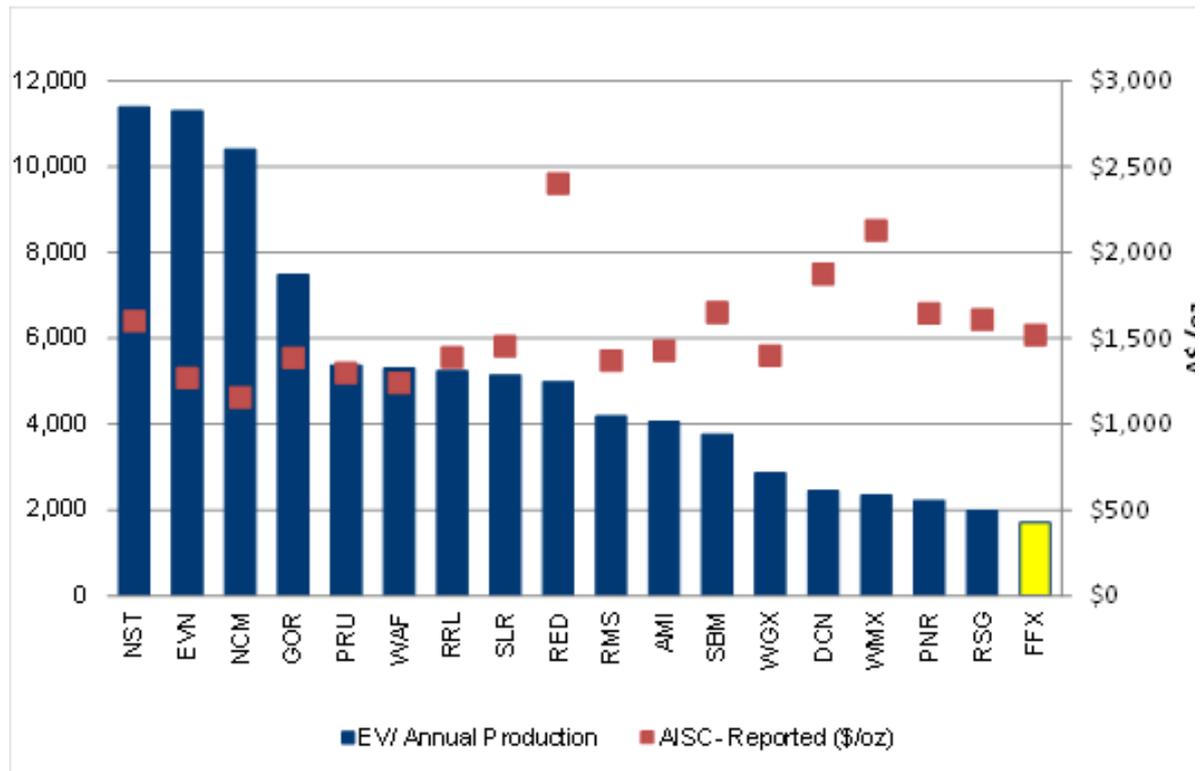


Figure 2. Ounces of gold produced per annum by source and annual C1 production costs.

Source: Company Announcement

FFX (highlighted) compared to peer table of ASX listed producers (assuming steady state 160koz annual gold production)



Source: Morgans, ASX, Company Announcements

Disclosures

Analyst(s) own shares in the following stock(s) mentioned in this report: N/A

Corporate disclosure: N/A