Canaccord Genuity Capital Markets

2 December 2021

Estimates Revised

Firefinch Limited

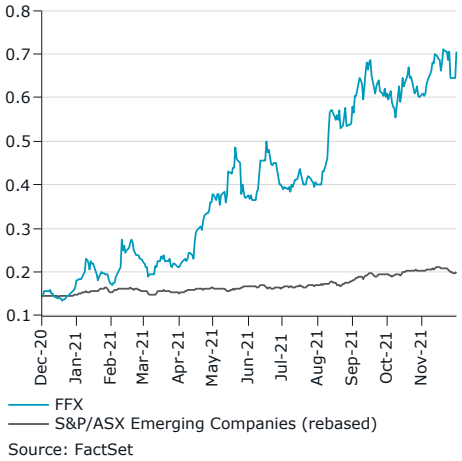
Precious Metals - Producer

Rating	Price Target
SPECULATIVE BUY *unchanged*	**A$1.30** *unchanged*
FFX-ASX	Price **A$0.76**

Market Data

52-Week Range (A$) :	0.09 - 0.57
Avg Daily Vol (000s) :	6
Market Cap (A$M) :	775.3
Shares Out. (M) :	1,026.9
Enterprise Value (A$M) :	702
NAV /Shr (A$) :	1.25
NAV /Shr (5%) (A$) :	1.25
Net Cash (A$M) :	72.9
P/NAV (x) (A$) :	0.58

FYE Dec	2021E	2022E	2023E	2024E
Gold Production (000oz)	46	111	173	205
All in Sustaining Cost (Gold) (US$ / oz)	1,842	1,528	995	926
EBITDA (A$M)	(23.0)↑	26.4↓	176.3↓	240.9↑
Previous	*(23.3)*	*44.6*	*176.4*	*229.3*
Free Cash Flow (A$M)	(43.2)	(38.5)	122.2	167.4



Source: FactSet

Priced as of close of business 1 December 2021

Firefinch Limited (FFX) is an ASX-listed company focused on full restart of the Morila Gold Project and developing the Goulamina Lithium Project, both in Mali, West Africa. The company expects to demerge the Goulamina Lithium Project in early-2022 via an in-specie distribution with FFX retaining a 20% stake in the demerged entity, Leo Lithium.

Canaccord Genuity (Australia) Limited has received a fee as Joint Lead Manager to the Firefinch Ltd Capital Raising announced 28 June 2021.

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From a transformational 2021 to an expected breakout 2022

Morila expected to shine once again: Since acquiring an 80% interest in the Morila gold mine in August 2020, FFX has grown the resource to 2.4Moz @ 1.5g/t Au and recommenced production from satellite pits. As per the May 2021 Life of mine Plan (LOMP), we expect production to increase from 45koz in CY21 to 110koz in CY22e as the large Morila pit is dewatered and brought back online in 2H22. AISC for 2021 is expected to be US$1,842/oz as mining fronts are re-established but falls to US$1,528/oz in 2022 (CGe) as production ramps up. Looking further out, we forecast production to increase further to 170koz, with AISC expected to drop to US$995/oz.

Over the longer term, we estimate Morila is capable of producing ~150kozpa at ~US $1,150/oz AISC, over an initial 10-year mine life from 2022, and highlight that the meaningful exploration potential from near-mine targets and potential for UG production could suggest our modelled production case could be viewed as just a starting point. We further note the relatively low capital costs to achieve targeted production rates (primarily pit dewatering/re-establishment) of ~US$50m.

From a purr to a roar - Leo Lithium de-merger on track for early 2022... FFX and Ganfeng recently received regulatory approvals for the proposed JV where Ganfeng will earn 50% of Goulamina for funding development costs up to US$194m (see Goulamina JV gets regulatory green light). As a recap, a 2019 DFS for the project outlined a 23-year, 430ktpa SC6 project, with capex/cash costs of US$194m/US$280/t SC6, respectively. The planned de-merger of FFX's interests in Goulamina into the separately listed Leo Lithium remains on scheduled for Q1'2022.

...with updated Goulamina DFS (due by end 2021) to consider expansion opportunities: FFX is expected to release the outcomes of an updated DFS for Goulamina this month. We expect higher capex/opex in the updated DFS against 2019 estimates, but note that the study is likely to consider a staged expansion of the project from an initial 430ktpa SC6 to ~800ktpa. Based on our research, this would make Goulamina a Global Top 5 spodumene operation. Our base case development scenario remains at 430ktpa SC6 with first production modelled in late 2023. However, should the expanded case be pursued, we highlight significant valuation upside potential versus our current estimates.

What could Goulamina be worth? Ahead of the release of the Updated DFS, we have run some valuation scenarios for Goulamina based on an expanded production case against various SC6 pricing assumptions. On our base case (LT SC6 US$800/t), an expansion to 800ktpa SC6 from Year 3 (assuming additional capex and 25% Reserve increase) lifts our NPV10% to US$1.4bn from US$1.01bn. At US$1,300/t SC6, our expanded case NPV10% increases to US$3.2bn, and at "spot" pricing (~US$2,200/t), our NPV increases to US$6bn. Under the spot price scenario, our NAV (45% attributable to FFX) increases to A$4.15/sh (pre de-merger).

Valuation and recommendation: We have updated our model for the recent SPP. Our target price remains unchanged at $1.30 (risked NPV10%), although we highlight the significant valuation upside potential presented by a potential expansion at Goulamina and current spodumene prices (as above).

FFX has enjoyed an ~300% YTD share price increase in what has been a transformational 2021. However, we see momentum continuing into 2022 as Morila ramps up and Goulamina progresses to FID and development. We continue to see FFX as a genuinely undervalued opportunity complete with numerous potential share price catalysts, and reiterate our SPEC BUY rating.

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The recommendations and opinions expressed in this research report accurately reflect the research analyst's personal, independent and objective views about any and all the companies and securities that are the subject of this report discussed herein.

For important information, please see the Important Disclosures beginning on page 6 of this document.

Figure 1: FFX Financial Summary

FINANCIAL SUMMARY

Firefinch Limited **ASX:FFX**

Analysts : Paul Howard, Reg Spencer
Date: 1/12/2021
Year End: December

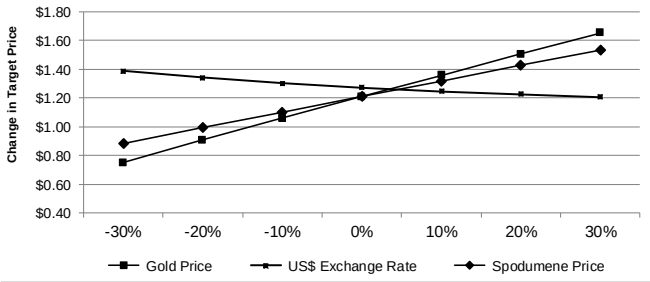
Rating: **SPEC BUY**
Target Price: **A$1.30**

Market Information		
Share Price	A$	0.76
Market Capitalisation	A$m	775.3
12 Month Hi	A$	0.57
12 Month Lo	A$	0.09
Issued Capital	m	1026.9
Options	m	0.0
Fully Diluted	m	1026.9

Valuation		A$m	A$/share
Morila	NPV @ 5%	541	0.52
Goulamina	NPV @ 10%	580	0.56
Exploration & Projects		200	0.19
Corporate		(38)	(0.04)
Forwards		-	-
Cash & Bullion		73	0.07
Assumed Debt		(48)	(0.05)
TOTAL NAV		**1,309**	**1.26**
Target Price			**1.30**
P / NAV			0.58
NAV @ Spot Gold	Spot US$1,787/oz, AUDUSD $0.72		1.21
P / NAV @ spot			0.62x

Assumptions	2020a	2021e	2022e	2023e
AUD:USD	0.69	0.76	0.73	0.73
Gold Price (US$/oz)	1,771	1,781	1,766	1,780
Spodumene Concentrate (US$/t)	498	860	1,525	1,188

Sensitivity



Production Metrics	2020a	2021e	2022e	2023e
Morila				
Prod'n (koz)	11	46	111	173
AISC (US$/oz)	1,314	1,842	1,528	995
Goulamina				
Prod'n (kt)	0	0	0	14
Cash costs (US$/t)	0	0	0	n/a

Reserves & Resources			
Morila Resources	**Mt**	**g/t Au**	**Moz**
Measured	1.73	0.50	0.03
Indicated	26.69	1.49	1.28
Inferred	22.08	1.58	1.12
Morila Total Resource	50.50	1.50	2.43
Morila Reserve	**Mt**	**g/t Au**	**Moz**
Proven	0.00	0.00	0.00
Probable	23.80	1.40	1.07
Morila Total Reserve	23.80	1.40	1.07
Goulamina Resources	**Mt**	**Li2O%**	**Li2O kt**
Measured	8.40	1.6%	133
Indicated	56.20	1.5%	832
Inferred	43.90	1.4%	606
Goulamina Total Resource	108.50	1.4%	1571
Goulamina Reserve	**Mt**	**Li2O%**	**Li2O kt**
Proven	8.10	1.5%	125
Probable	44.00	1.5%	660
Goulamina Total Reserve	52.10	1.5%	785

Company Description

Firefinch Limited (FFX) is an ASX-listed company focused on full restart of the Morila Gold Project and developing the Goulamina Lithium Project, both in Mali, West Africa. The company expects to demerge the Goulamina Lithium Project in early-2022 via an in-specie distribution with FFX retaining a 20% stake in the demerged entity, Leo Lithium.

Profit & Loss (A$m)	2020a	2021e	2022e	2023e
Revenue	20.3	106.3	268.1	422.1
Other income	0.4	0.0	0.0	0.0
Operating Costs	17.4	111.7	230.7	234.9
Other expenses	3.0	17.6	11.0	11.0
EBITDA	**0.3**	**-23.0**	**26.4**	**176.3**
Dep'n	0.2	2.1	5.2	8.1
Net Interest	-0.1	0.2	-3.8	-3.3
Other	1.4	0.0	0.0	0.0
Tax	-0.3	7.5	-5.2	-49.5
NPAT	**1.0**	**-17.4**	**12.2**	**115.4**
Abnormals	-0.6	0.0	0.0	0.0
NPAT (Comprehensive)	0.5	-17.4	12.2	115.4
EBITDA Margin	*2%*	*nm*	*10%*	*42%*
EV/EBITDA	***1844.0x***	***nm***	***28.2x***	***3.5x***
EPS	*$0.00*	*-$0.02*	*$0.01*	*$0.11*
EPS Growth	*nm*	*nm*	*-164%*	*847%*
PER	*8,795.9*	*-41.0*	*63.6*	*6.7*
Dividend Per Share	*$0.02*	*$0.00*	*$0.00*	*$0.00*
Dividend Yield	***3%***	***0%***	***0%***	***0%***

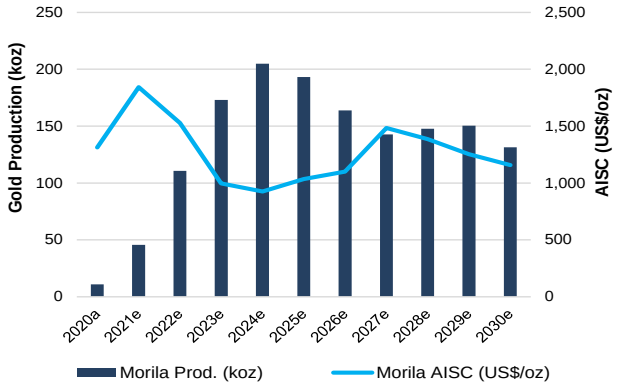
Cash Flow (A$m)	2020a	2021e	2022e	2023e
Cash Receipts	12.2	113.5	268.1	422.1
Cash paid to suppliers & employees	-18.1	-136.8	-241.7	-245.9
Tax Paid	-0.2	2.1	-5.2	-49.5
Other	0.0	1.6	0.0	0.0
Interest Received	0.0	0.0	0.4	0.6
Operating Cash Flow	**-6.1**	**-19.6**	**21.5**	**127.4**
Exploration and Evaluation	-3.2	-8.4	-4.1	-4.1
Capex	-0.0	-14.7	-55.9	-1.1
Other	-46.0	-0.4	0.0	0.0
Investing Cash Flow	**-49.2**	**-23.5**	**-60.0**	**-5.2**
Debt Drawdown (repayment)	0.0	0.0	63.5	-30.0
Share capital	73.1	98.7	0.0	0.0
Dividends	0.0	0.0	0.0	0.0
Financing Expenses/Other	-3.7	0.0	-3.0	-2.8
Financing Cash Flow	**69.4**	**98.7**	**60.5**	**-32.8**
Opening Cash	3.8	17.3	72.9	94.9
Increase / (Decrease) in cash	14.1	55.5	22.0	89.4
FX Impact	-0.6	0.1	0.0	0.0
Closing Cash	**17.3**	**72.9**	**94.9**	**184.3**
Op. Cashflow/Share	*-$0.01*	*-$0.02*	*$0.02*	*$0.12*
P/CF	*-96.3*	*-39.5*	*36.1*	*6.1*
FCF	***-55***	***-43***	***-39***	***122***
EV/FCF	***-10.4x***	***nm***	***-19.3x***	***5.1x***
FCF Yield	***-7%***	***-6%***	***-5%***	***16%***

Balance Sheet (A$m)	2020a	2021e	2022e	2023e
Cash + S/Term Deposits	17.3	72.9	94.9	184.3
Other current assets	51.3	11.7	29.5	46.4
Current Assets	**68.6**	**84.6**	**124.4**	**230.7**
Property, Plant & Equip.	0.3	2.8	13.0	11.6
Exploration & Develop.	59.6	66.0	69.0	72.0
Other Non-current Assets	10.7	39.9	92.3	93.3
Payables	9.6	4.3	10.7	16.9
Short Term Debt	9.7	0.0	12.7	6.7
Long Term Debt	0.0	0.0	50.8	26.8
Other Liabilities	20.5	12.8	32.2	50.8
Net Assets	**99.4**	**176.3**	**192.2**	**306.4**
Shareholders Funds	128.7	227.4	227.4	227.4
Reserves	5.3	5.3	5.3	5.3
Retained Earnings	-36.6	-54.0	-41.8	73.6
Total Equity	99.4	180.7	192.8	308.3
Debt/Equity	*0%*	*0%*	*26%*	*9%*
Net Debt/EBITDA	*1.2x*	*3.7x*	*-1.5x*	*-1.2x*
Net Interest Cover	*nm*	*nm*	*nm*	*nm*
ROE	*0%*	*-10%*	*6%*	*37%*
ROIC	*0%*	*-14%*	*6%*	*48%*
Book Value/share	*$0.10*	*$0.17*	*$0.19*	*$0.30*

Source: Company Reports, Canaccord Genuity estimates

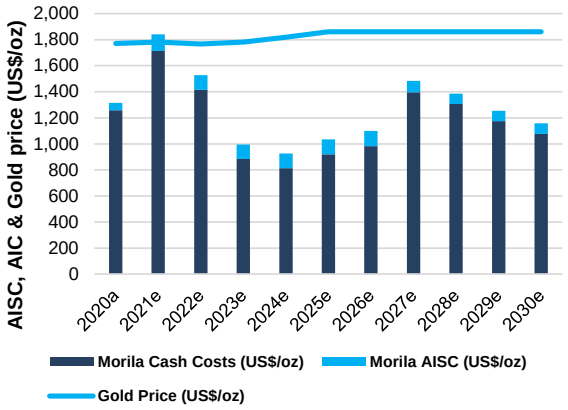
Morila in charts

Figure 2: CGe Morila gold production and AISC (100%) – production expected to ramp up in 2022e/2023e



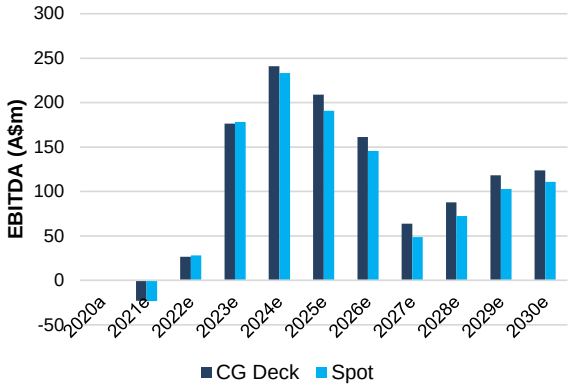
Source: Canaccord Genuity estimates

Figure 3: CGe Morila AISC to fall as production ramps up



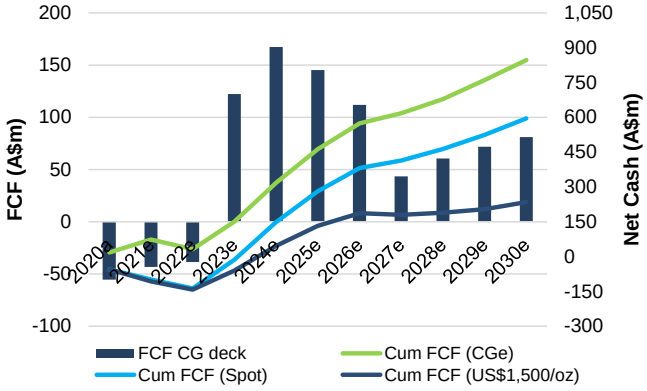
Source: Canaccord Genuity estimates

Figure 4: CGe EBITDA at CG gold deck and spot (excl planned Goulamina demerger) – strong earnings potential



Source: Canaccord Genuity estimates

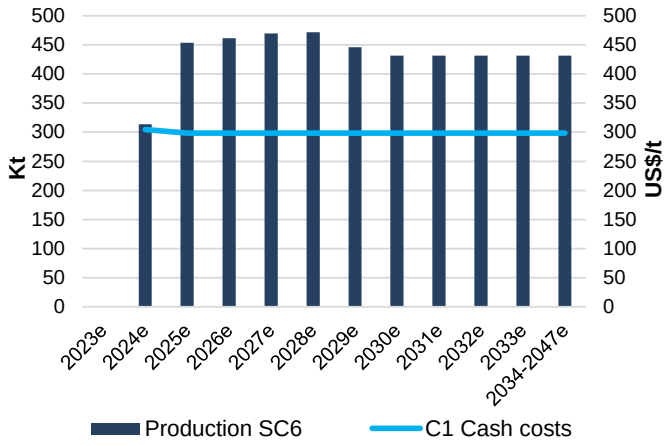
Figure 5: LOM cumulative FCF in AUD equiv. at CGe price deck, spot gold, and US$1,500/oz



Source: Canaccord Genuity estimates

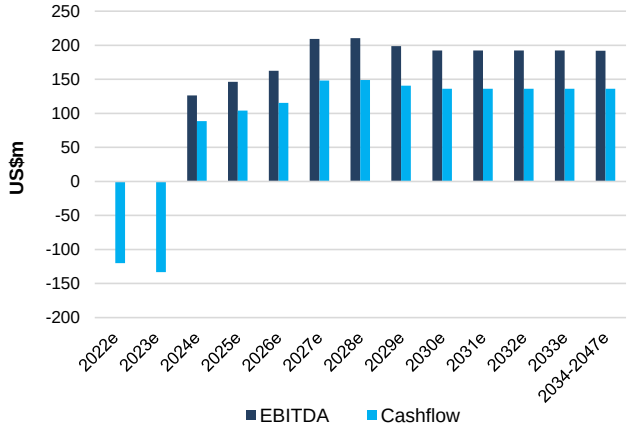
Goulamina in charts

Figure 6: CGe base case SC6 production & cash costs (100% basis) – 2023-2047



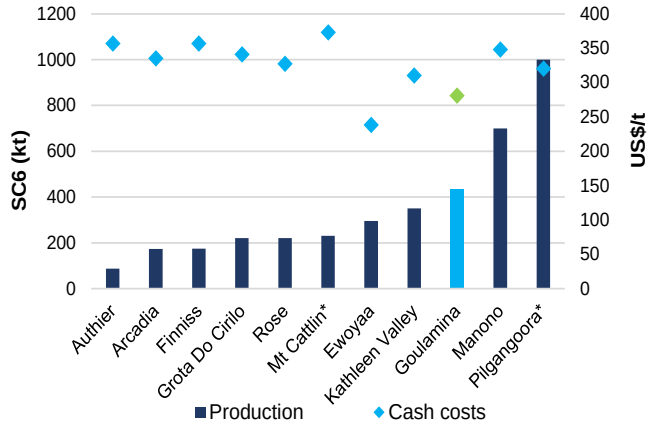
Source: Canaccord Genuity estimates

Figure 7: CGe base case modelled project level EBITDA & post tax cash flows (100% basis) – 2023-2047



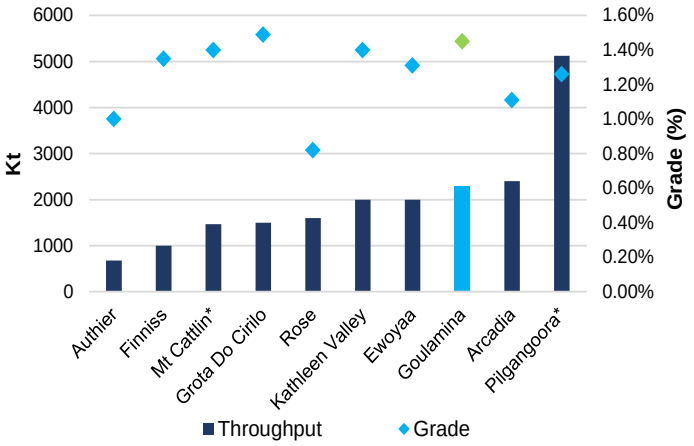
Source: Canaccord Genuity estimates

Figure 8: SC6 production vs C1 cash costs comps (Goulamina CGe base case)



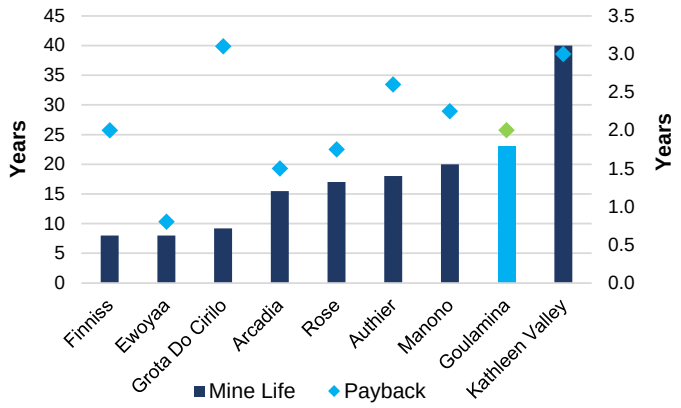
Source: Company Reports, Canaccord Genuity estimates *CG covered company

Figure 9: Annual throughput vs Head grade (CGe base case for Goulamina)



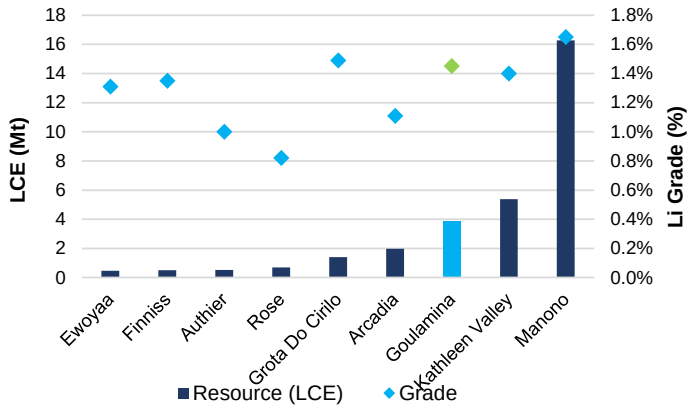
Source: Company Reports, Canaccord Genuity estimates *CG covered company

Figure 10: Mine life vs Payback



Source: Company Reports, Canaccord Genuity estimates

Figure 11: Resource (LCE) vs Grade



Source: Company Reports, Canaccord Genuity estimates

Appendix: Important Disclosures

Analyst Certification

Each authoring analyst of Canaccord Genuity whose name appears on the front page of this research hereby certifies that (i) the recommendations and opinions expressed in this research accurately reflect the authoring analyst's personal, independent and objective views about any and all of the designated investments or relevant issuers discussed herein that are within such authoring analyst's coverage universe and (ii) no part of the authoring analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the authoring analyst in the research, and (iii) to the best of the authoring analyst's knowledge, she/he is not in receipt of material non-public information about the issuer.

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Sector Coverage

Individuals identified as "Sector Coverage" cover a subject company's industry in the identified jurisdiction, but are not authoring analysts of the report.

Investment Recommendation

Date and time of first dissemination: December 01, 2021, 14:29 ET

Date and time of production: December 01, 2021, 08:54 ET

Target Price / Valuation Methodology:

Firefinch Limited - FFX

Our valuation/target price is based on a 1x forward curve NPV5% for our modelled production case for Morila, and risked (90%) NPV10% (45% attributable to FFX) for our Goulamina development scenario.

Risks to achieving Target Price / Valuation:

Firefinch Limited - FFX

Orebody risks

The majority of the resources and reserves across the Morila Project are contained within the Morila Pit, which is currently full of water. While dewatering is required, there is no certainty as to the geotechnical stability of the pit walls. Pit wall failures may have occurred beneath the waterline presenting orebody risk through dilution.

Geopolitical risks

FFX's assets are located in Mali, which is considered an emerging market. As such, FFX carries a higher degree of economic, political, social, legal and legislative risk.

Exploration risks

Exploration is subject to a number of risks and can require a high rate of capital expenditure. Risks can also be associated with conversion of inferred resources and lack of accuracy in the interpretation of geochemical, geophysical, drilling and other data. No assurances can be given that exploration will delineate further mineral Resources nor that the company will be able to convert the current mineral resource into minable Reserves.

Operating risks

If and when in full production, the company will be subject to risks such as plant/equipment breakdowns, metallurgical (meeting design recoveries within a complex flowsheet), materials handling and other technical issues. An increase in operating costs could reduce the profitability and free cash generation from the operating assets considerably and negatively impact valuation. Further, the actual characteristics of an ore deposit may differ significantly from initial interpretations, which can also materially impact forecast production from original expectations.

Commodity price and currency fluctuations

As with any mining company, FFX is directly exposed to commodity price and currency fluctuations. Commodity price fluctuations are driven by many macroeconomic forces including inflationary pressures, interest rates and supply and demand factors. These factors could reduce the profitability, costing and prospective outlook for the business.

Distribution of Ratings:

Global Stock Ratings (as of 12/01/21)

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	650	68.93%	44.77%
Hold	137	14.53%	26.28%
Sell	9	0.95%	33.33%
Speculative Buy	142	15.06%	61.27%
	943*	100.0%	

*Total includes stocks that are Under Review

Canaccord Genuity Ratings System

BUY: The stock is expected to generate risk-adjusted returns of over 10% during the next 12 months.

HOLD: The stock is expected to generate risk-adjusted returns of 0-10% during the next 12 months.

SELL: The stock is expected to generate negative risk-adjusted returns during the next 12 months.

NOT RATED: Canaccord Genuity does not provide research coverage of the relevant issuer.

"Risk-adjusted return" refers to the expected return in relation to the amount of risk associated with the designated investment or the relevant issuer.

Risk Qualifier

SPECULATIVE: Stocks bear significantly higher risk that typically cannot be valued by normal fundamental criteria. Investments in the stock may result in material loss.

12-Month Recommendation History (as of date same as the **Global Stock Ratings** table)

A list of all the recommendations on any issuer under coverage that was disseminated during the preceding 12-month period may be obtained at the following website (provided as a hyperlink if this report is being read electronically) http://disclosures-mar.canaccordgenuity.com/EN/Pages/default.aspx

Required Company-Specific Disclosures (as of date of this publication)

Firefinch Limited currently is, or in the past 12 months was, a client of Canaccord Genuity or its affiliated companies. During this period, Canaccord Genuity or its affiliated companies provided investment banking services to Firefinch Limited.

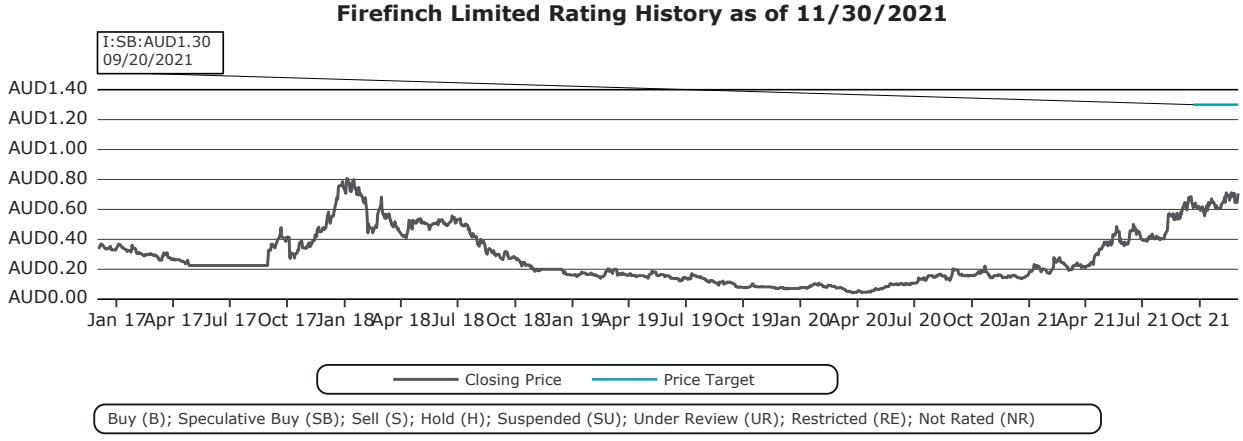
In the past 12 months, Canaccord Genuity or its affiliated companies have received compensation for Investment Banking services from Firefinch Limited .

In the past 12 months, Canaccord Genuity or any of its affiliated companies have been lead manager, co-lead manager or co-manager of a public offering of securities of Firefinch Limited or any publicly disclosed offer of securities of Firefinch Limited or in any related derivatives.

Canaccord Genuity or one or more of its affiliated companies intend to seek or expect to receive compensation for Investment Banking services from Firefinch Limited in the next three months.

Canaccord Genuity (Australia) Limited has received a fee as Joint Lead Manager to the Firefinch Ltd Capital Raising announced 28 June 2021.

Firefinch Limited Rating History as of 11/30/2021



Required Company-Specific Disclosures (as of date of this publication)

Past performance

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