

Firefinch Ltd (FFX \$0.15) Speculative Buy

Analyst	Date	Price Target
Michael Scantlebury	3/12/20	\$0.30/sh

Project update

Key Points

FFX has given a project update on its recently acquired Morila gold mine (80%) in Mali.

- The Company produced slightly higher production with 4.13koz produced at a recovery of 51% with AISC estimate of US\$1,000-1,100/oz.
- Production is expected to be 4-4.1koz in December with 10-10.5koz in the MarQ, with cash flow generated to be reinvested into the asset.
- We estimate FFX has ~\$30m in cash post transaction with no debt.
- AC drilling has been completed over the remaining tailings resource and the Company now expects modest extensions, we assume potentially extending production by a 1-2months, previously forecasted to end in May.
- The Company has delayed the Morila Resource update into early CY21, with the basis for the new resource including 3D re-modelling at a lower cut-off grade (0.4g/t vs 1.0g/t). We are expecting a larger but slightly lower grade resource than the existing 1.3Moz at 1.26g/t.
- We expect FFX to announce a new mine plan, capital costs and production schedule in the MarQ. The aim is for the production to continue once the tailings are depleted – this is likely to be from the satellite pits at N'Tiola and Viper.
- FFX aim to dewater Morila, re-establish tailings dam and refurbish the power station. It aims to ramp up to 4.5mtpa from Morila pit late CY'21 or CY'22 with the aim of establishing a +10yr life, we estimate production could be in the order of ~140-150kozpa.

Asset Valuation	A\$m	A\$/sh
Morila (80%) Tailings CF	20	0.03
Morila (80%) Rem rsc @ \$67/oz	63	0.09
CIL 4.5mtpa Plant	45	0.06
Goulamina Lithium	60	0.08
Acquisition cost	-35	-0.05
Cash	2	0.00
Placement	62	0.09
Total	217	0.30

Investment Case

FFX recently completed the acquisition of a 80% interest in the Morila gold mine in Mali, with the prize to re-start the 4.5mtpa plant to treat open pit ore from satellite and ultimately the Morila pit. A current resource base of 1.3moz @ 1.26 g/t Au beneath the current pit is a good start (contained within a US\$1,250/oz pit shell) and our back of the envelope numbers suggest if successful FFX could become a ~ 140-150koz pa producer in due course. Our valuation of \$0.30/sh only assumes cashflow from the tailings and a modest amount for the infrastructure and resource. In the short term, we expect some key mining appointments to be made and a resource update within the next few months. Our Spec Buy and \$0.30/sh Price Target are maintained. We also note that our price target includes a value of 8cps (A\$60m) of the Goulamina Lithium asset, which is relatively cheap vs peers and we believe is easily defensible.

Firefinch Ltd (FFX)					
Share Price	0.15	A\$/sh	Enterprise Value	78	A\$m
Price Target	0.30	A\$/sh	Debt	Nil	A\$m
Valuation	0.30	A\$/sh	Cash (est. post trans.)	30	A\$m
Shares on issue	717	m(dil)	Largest Shareholder		N/A
Market Capitalisation	108	A\$m			

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