

Firefinch Limited

(FFX \$0.36) Speculative Buy

EUROZ HARTLEYS

Analyst	Date	Price Target
Michael Scantlebury	30 th April 2021	\$0.44/sh ▲ from \$0.42/sh

Morila LOMP imminent & Goulamina news up next

Investment case

Firefinch Limited (FFX) has two large upcoming catalysts which have the potential to add significant value for shareholders. These catalysts include its Life of Mine Plan (LOMP) for the Morila gold project and an update on the Goulamina lithium project both located in Mali. We model FFX producing ~160koz pa once the mine/mill is fully ramped up on Morilla ore post CY22 (~4.5Mtpa, -1.25g/t, -90% recovery) with ~128koz being attributable (80% ownership). With respect to Goulamina the Company has previously announced its intention to demerge its lithium asset in CY21, **however in the quarterly it also outlined plans to announce definitive outcome from the 'funding, partnering opportunities and offtake' process during the JunQ. If a funding solution were to be found for the ~US\$200m in capex for Goulamina we believe this would lead to a significant re-rating.** On our updated numbers we have a Valuation and Price Target of 44cps (~A\$370m) up from 42cps. We maintain our Speculative Buy recommendation. Key risks remain around the project execution and also the tax dispute with the Mali tax department, with negotiations ongoing.

Key points

Firefinch (Ltd) has released its March quarterly report for its Morila gold project and given an update on its Goulamina lithium project.

- The Company produced ~10koz from tailings reprocessing at Morila during the MarQ which was in line with our numbers, guidance was for between 10-10.5koz.
- Guidance for the JunQ has been set at 11-13koz, which will include the commencement of hard rock processing sourced from the satellite pits.
- Net cash in the quarter reduced by ~A\$2m to A\$18.1m (A\$23.9m cash and A\$5.8m in debt), after exploration and processing plant refurbishment works.
- Key upcoming catalysts for FFX include but are not limited to:
 - Update on the Goulamina project - definitive outcome from the 'funding, partnering opportunities and offtake' process during the JunQ**
 - Morila Life of Mine Plan (LOMP) update, including Ore Reserves.**
 - Debt financing to help fund the Morila gold project (post the LOMP).
 - The ramp up of the Morila processing plant on hard rock ore.
- The Company appears to have made solid progress on refurbishing the processing plant to date, all out of operating cashflow, with only minor works required before processing of hard rock recommences in the JunQ.
- We assume a mine plan in line with Company guidance of:
 - Tailings retreatment - April/May
 - Blend of tailings and satellite hard rock ore feed - May/June.
 - Morila pre-strip MarQ CY22 with first ore Jun/SepQ CY22.
- We maintain our view that Firefinch is undervalued, considering it owns a conventional development ready lithium project in Goulamina, along with the large Morila gold project which is capable of producing ~160koz pa all for a current EV of ~A\$260m.

Firefinch Limited	Year End 30 June	
Share Price	0.360	A\$/sh
Price Target	0.44	A\$/sh
Valuation	0.44	A\$/sh

Shares on issue	824m, diluted *	
Market Capitalisation	282	A\$m
Enterprise Value	261	A\$m
Debt	7	A\$m
Cash	27	A\$m
Largest Shareholder	Board and Mgt	2.5%

Production F/Cast	2020A	2021F	2022F
Attrib. Prod'n (kt)	8	79	138
Cash Cost (A\$/oz)	1670	2448	1354
Total Cost (A\$/oz)	2872	1745	1500

Assumptions	2020A	2021F	2022F
Gold Price US\$/oz	1770	1850	1750
AUDUSD	0.69	0.75	0.74

Key Financials	2020A	2021F	2022F
Revenue (A\$m)	21	272	308
EBITDA (A\$m)	-1	110	123
NPAT (A\$m)	1	68	75
Cashflow (A\$m)	-6	79	90

CFPS (Ac)	0	4	6
P/CFPS (x)	na	10	6

EPS (Ac)	0	8	9
EPS growth (%)	-1	5	0
PER (x)	284	4	4

EV:EBITDA (x)	-297.2	2.2	1.4
EV:EBIT (x)	3257.1	2.4	1.5

DPS (Ac)	0.0	0.0	0.0
Dividend Yield (%)	0%	0%	0%

ND:Net Debt+Equity (%)	-8%	-40%	-95%
Interest Cover (x)	na	na	na

Share Price Chart



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Euroz Hartleys declares that it has acted as underwriter to and/or arranged an equity issue in and/or provided corporate advice to Firefinch Ltd during the last year. Euroz Hartleys has received a fee for these services.

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Firefinch Limited

(FFX \$0.36) Speculative Buy

	Firefinch	AVZ Minerals	Liontown	Piedmont Lithium	CXO Lithium	
ASX Code	FFX	AVZ	LTR	PLL	CXO	
Price	\$/sh	0.36	0.18	0.4	0.98	0.285
Mkt Cap	\$m	282	506	708	1512	336
Cash	\$m	27	8	16	71	44
Debt	\$m	7	0	0	0	0
Enterprise Value	\$m	261	498	691	1441	292
Project	Goulamina	Manono	Kathleen Valley	Piedmont	Finniss	
Location	Mali	DRC	WA	North Carolina, USA	NT	
% Ownership	80% (Gov free 20%)	60% (up to 75%)	100%	100%	100%	
Status	DFS complete	DFS complete	DFS underway	Integrated DFS underway	Revised DFS underway	
Total Resource	109Mt at 1.45% Li2O	400Mt at 1.65% Li2O	156Mt at 1.4% Li2O	28Mt at 1.11% Li2O	15Mt at 1.32% Li2O	
Reserve	52Mt at 1.51% Li2O	93Mt at 1.58% Li2O	71Mt at 1.4% Li2O	NA	6Mt at 1.3% Li2O	
Mining method	Open pits	Open pits	Mostly U/G	Open pits	Open pits	
Capex	US\$194m	US\$546m	US\$234	US\$168m	US\$52m	
Strip Ratio	3.3x	0.5x	8.4X + UG	10.4x	13x	
Throughput	2.3Mtpa	4.5Mtpa	2.0Mtpa	1.15Mtpa	1.0Mtpa	
Recoveries	77%	60%	76%	85%	72%	
Spod Conc.	436Ktpa	700Ktpa	350Ktpa	160Ktpa	160Ktpa	
Product Spec.	6% Li2O	6% Li2O	6% Li2O	6% Li2O	5.5-6% Li2O	
Distance to port	-1000Km	-2,500-3200Km	-800Km	NA	-88Km	
Mine life	23Yrs	20Yrs	40Yrs	25Yrs	3.5Yrs	
AISC (ex credits)	US\$313/t	US\$371/t	US\$423/t	US\$310/t	US\$350/t	

Source: Euroz Hartleys

Mineral Resources at the Morila Gold Project

Deposit	Measured & Indicated			Inferred			Total		
	Tonnes (millions)	Grade (g/t)	Ounces ('000)	Tonnes (millions)	Grade (g/t)	Ounces ('000)	Tonnes (millions)	Grade (g/t)	Ounces ('000)
Morila Pit ¹	21.2	1.60	1,090	17.5	1.37	770	38.6	1.50	1,860
Morila NE ²				0.21	3.07	21	0.21	3.07	21
Samacline ²				3.74	2.56	308	3.74	2.56	308
Tailings ³	1.73	0.50	28				1.73	0.50	28
N'Tiola ⁴	0.75	1.35	33	0.38	1.06	13	1.13	1.25	45
Viper ⁴	0.67	1.31	28	0.29	1.59	15	0.96	1.39	43
Domba ⁴	0.20	1.75	11	0.25	1.61	13	0.46	1.67	25
Total	24.53	1.51	1,191	22.32	1.58	1,136	46.85	1.55	2,330

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Firefinch Limited

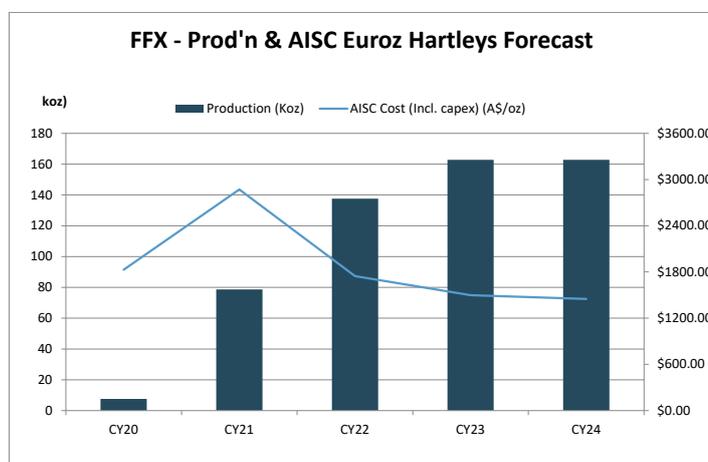
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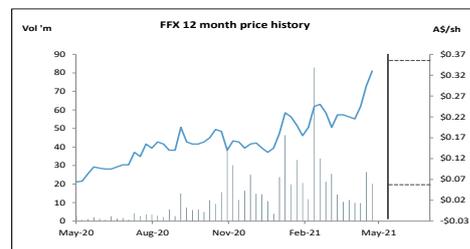
Key Variables

AUDUSD	Val/sh	Gold \$								
		-20%	-15%	-10%	-5%	0%	5%	10%	15%	20%
15%	\$0.224	\$0.259	\$0.294	\$0.329	\$0.364	\$0.399	\$0.434	\$0.469	\$0.504	
10%	\$0.240	\$0.276	\$0.313	\$0.349	\$0.386	\$0.422	\$0.459	\$0.495	\$0.532	
5%	\$0.257	\$0.295	\$0.334	\$0.372	\$0.410	\$0.448	\$0.487	\$0.525	\$0.563	
0%	\$0.276	\$0.316	\$0.356	\$0.396	\$0.437	\$0.477	\$0.517	\$0.557	\$0.597	
-5%	\$0.297	\$0.339	\$0.381	\$0.424	\$0.466	\$0.508	\$0.551	\$0.593	\$0.635	
-10%	\$0.320	\$0.365	\$0.409	\$0.454	\$0.499	\$0.543	\$0.588	\$0.632	\$0.677	
-15%	\$0.346	\$0.393	\$0.440	\$0.488	\$0.535	\$0.582	\$0.630	\$0.677	\$0.724	

Euroz Forecast	2020A	FY'2021	FY'2022	FY'2023
Gold (US\$/lb)	\$1,770.35	\$1,875	\$1,850	\$1,750
AUDUSD	\$0.69	\$0.76	\$0.75	\$0.74



Our Share Price Sensitivity



Our Market Sensitivity

Price Target \$0.44/sh
Valuation \$0.44/sh

Bull Scenario \$0.70/sh

FFX finds additional ore at a higher grade than the Morila pit allowing production to exceed our forecast long term production average of -160kozpa. The gold price tracks above our LT price assumption. The Company is able to sell the Goulima for +A\$150m in cash to fast track development at Morila whilst strengthening the balance sheet.

Base Scenario \$0.44/sh

The Company is able to restart open pit mining in-line with our estimates and ramp up production to -160kozpa (100% basis) post CY22. FFX successfully executes to become a mid cap gold producer.

Bear Scenario \$0.05/sh

Gold price falls. Refurbishment and mining costs exceed our estimates and further equity dilution is required. The Company is unable to monetise the Goulima lithium project.

Company Summary

Firefinch Limited (FFX) owns an 80% interest in the Morila gold mine in Mali, with the Company planning to transition the 4.5mtpa plant from its current tailings ore feed to treat open pit ore from satellite and ultimately the Morila pit. The Company continues to progress its Morila gold project, recently announcing a larger than expected resource upgrade to 1.86Moz at 1.50g/t. On our numbers we believe FFX has the potential to become a -160koz pa producer once the mine/mill is full ramped up. We also note that Company has a quality lithium asset in Goulamina also located in Mali, which it intends to demerge in CY21.

Disclaimer

The projections and information above is based on the set assumptions outlined. Due care and attention has been used in the preparation of this information. However actual results may vary from forecasts and any variation may be materially positive or negative. Forecasts by their very nature, are subject to uncertainty and contingencies, many of which are outside the control of Euroz Hartleys.

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Market Statistics		Year End 30 June	
Share Price	0.360 A\$/sh	Directors	
Issued Capital		A.Cowden	Exec. Chair
Fully Paid Ord	782.9 m	M.Hepburn	NE Dir
Options (var. prices)	40.9 m	B.Borg	NE Dir
Total Dil.	823.8 m	B.Fraser	NE Dir
		E.Lee	CFO & Sec
Market Capitalisation	\$282 m	Shareholders	
Enterprise Value	\$261 m	Board and Mgt	2.5%
Cash	\$27 m		
Debt	\$7 m		

Asset Valuation	A\$m	A\$/sh
(+) Morila (risk adj 80%)	175	0.20
(-) Corporate	(27)	(0.03)
(+/-) Hedging	-	-
(+) Exploration	30	0.03
(+) Unpaid Capital (new equity)	20	0.02
(+) Goulamina Lithium	155	0.18
(+) Cash	27	0.03
(-) Debt (overdraft facility)	(7)	(0.01)
Total	373	0.44

F/Cast Production (A\$m)	2020A	2021F	2022F	2023F
Morila (100%)				
Throughput	0.9	3.9	4.0	4.5
Head grade	0.45	0.78	1.19	1.25
Recovery	52%	78%	90%	90%
Gold Production	8	79	138	163
Cash Costs (C1)	1,670	2,448	1,354	1,309
AISC (incl capex)	1,828	2,872	1,745	1,500
AISC (incl capex)	1,263	2,183	1,300	1,110
Assumptions				
Spot Gold Price	1,770	1,875	1,850	1,750
FX Rate ass'd	0.69	0.76	0.75	0.74

Ratio Analysis (A\$m)	2020A	2021F	2022F	2023F
Cashflow	-6	16	79	90
Cashflow Per Share	-0	-0	4	6
Cashflow Ratio	na	na	10	6
Earnings	1	11	68	75
Earnings Per Share	0	1	8	9
EPS Growth	-1	10	5	0
P/e Ratio	284	27	4	4
Enterprise Value	289	291	243	166
EV/EBITDA	-297	11	2	1
EV/EBIT	3,257	14	2	2
Net Debt/(Net Debt + Equity)	-0	-0	-0	-1
Interest Cover	na	na	na	na
EBIT Margin	0	0	0	0
Return on Equity	0	0	0	0
Return on Assets	0	0	0	0
Dividend per Share	0	0	0	0
Dividend Payout Ratio	0	0	0	0
Dividend Yield	0	0	0	0
Dividend Franking	na	na	na	na

Profit and Loss (A\$m)	2020A	2021F	2022F	2023F
(+) Gold revenue	20	157	272	308
(+/-) Hedging Revenue	-	-	-	-
(+) Interest Income	0	-	-	-
(+) Other Revenue	0	-	-	-
Total Revenue	21	157	272	308
(-) Operating Costs	(19)	(131)	(162)	(185)
(-) Dep/Armort	(0)	(5)	(11)	(15)
(-) Writeoff (expl'n)	-	-	-	-
(-) O/H + News Bus Dev.	(1)	-	-	-
(-) Provisions	1	-	-	-
EBITDA	(1)	26	110	123
EBIT	0	21	99	108
(-) Interest Expense	-	(2)	(2)	(0)
NPBT	1	18	97	107
(-) Tax	(0)	(7)	(29)	(32)
(-) Minority Interest	-	-	-	-
Net Profit	1	11	68	75
(+/-) Net abnormal	(1)	-	-	-
Net profit After Abnormal	0	11	68	75

Cash Flow (A\$m)	2020A	2021F	2022F	2023F
Net Profit	1	11	68	75
(+) WC adj.	(6)	-	-	-
(+) Dep/Amort	0	5	11	15
(+) Provisions & W/O	(1)	-	-	-
(+) Tax Expense	0	7	29	32
(-) Deferred Revenue	-	-	-	-
(-) Tax Paid	(0)	(7)	(29)	(32)
Operating Cashflow	(6)	16	79	90
(-) Capex + Dev.	-	(40)	(24)	(8)
(-) Exploration	(3)	(8)	(8)	(8)
(-) Asset Purchased	(46)	-	-	-
(+) Asset Sale	0	-	-	-
(+/-) Other	-	-	-	-
Investing Cashflow	(49)	(48)	(32)	(16)
(+) Equity Issues (rts,plc,opts)	69	20	-	-
(+) Loan Drawdown/receivable	-	30	-	-
(+) Loans from(to) other entities	-	-	-	-
(-) Loan Repayment	-	-	(20)	(10)
(-) Dividends	-	-	-	-
Financing Cashflow	69	50	(20)	(10)
Net Cashflows	14	18	27	64
(+/-) FX Adj.	(1)	-	-	-
EoP Cash Balance	17	35	62	126

Balance Sheet (A\$m)	2020A	2021F	2022F	2023F
Assets				
Cash	17	35	62	126
Current Receivables	14	14	14	14
Other Current Assets	37	37	37	37
Non-Current Assets	71	105	119	112
Total Assets	139	192	233	290
Balance Sheet				
Borrowing(s)	10	30	10	-
Current Accounts payable	10	10	10	10
Other Liabilities	21	21	21	21
Total Liabilities	40	60	50	30
Net Assets	99	132	182	260

	Reserves			Resources		
	ore mt	grade g/t	metal Koz	ore mt	grade g/t	metal Koz
Morila				42.6	1.6	2,190
Tailings				3.2	0.5	51
Satellites				2.6	1.38	113
Total contained Gold						
EV/oz				0	1.52	2,350
				0		111

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