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Firefinch higher on revealing plan to demerge lithium project to fully focus on gold

The proposed demerger will result in the creation of two separate entities focusing on their respective areas of gold and lithium with the restructure aimed at unlocking the deep value in Goulamina.



Following the demerger, Firefinch will be solely focused on gold, primarily in Mali.

Firefinch Ltd (ASX:FFX) plans to demerge the Goulamina Lithium Project in Mali into a separate lithium focused company to be listed on the ASX later this year, subject to shareholder and other required approvals.

The demerger proposal includes Firefinch shareholders being rewarded with free shares in the new entity proportional to their existing holding in the company.

Firefinch believes restructuring will unlock the deep value in Goulamina following a robust definitive feasibility study (DFS) which confirmed it as one of the world's best undeveloped hard rock lithium deposits.

This will enable the company to fully focus on gold production and exploration.

The news was cheered by investors with Firefinch shares up as much as 33% today to A\$0.28, a new high of more than two years.

“Best way to realise material value”

Firefinch executive chairman Alistair Cowden said: “The Goulamina Lithium Project and the Morila Gold Mine are both high-quality assets.

“Given the remarkable opportunity of two world-class projects, Firefinch’s board believes that demerging the Goulamina Lithium Project into a separate entity is the best way to realise material value for shareholders.”

Overview and rationale

Under Firefinch ownership, Goulamina has been positioned as a world-class project, ready to commence development with granted permits in place.

Results of the DFS in October 2020 placed Goulamina among the world’s highest quality and largest undeveloped lithium deposits.

The DFS confirmed Goulamina as a long-life, large-scale, low-cost open pit project, delivering strong returns including:

- Average production of 436,000 tonnes of spodumene concentrate per annum;
- Average cash costs over life of mine of US\$281 per tonne of spodumene concentrate;
- Ore reserve of 52 million tonnes at 1.51% lithium oxide for 0.79 million tonnes contained lithium oxide;
- Mineral resource of 109 million tonnes at 1.45% lithium oxide for 1.57 million tonnes contained lithium oxide;
- Initial mine life of 23 years;
- Capital costs of US\$194 million; and
- Pre-tax NPV of \$1.7 billion.

After a strategic review, the board considers Goulamina is materially undervalued in the Firefinch share price and requires a distinct, separate focus to release the true value of the project.

Realise value for shareholders

Firefinch believes the creation of a new lithium focused company in a strong lithium market is the optimal way to realise the value for shareholders.

Since completion of the DFS, there have been unsolicited expressions of interest in Goulamina relating to partnership and offtake opportunities.

A number of these parties are in a dataroom and in preliminary discussions with the company with these to be progressed in parallel with the proposed demerger.

Cowden said: “Firefinch now offers a unique investment proposition with this restructure, shareholders will own shares in each of a high growth gold and lithium company.

Benefits of demerger

The demerger would permit each entity to appropriately focus on its project, whilst progressing organic and other value accretive growth opportunities in their respective sectors.

Other benefits:

- Allow Firefinch to focus all its resources on its three-stage production ramp-up strategy at the Morila Gold Project, following a very strong increase in the scale of the operation;
- Provide Firefinch shareholders with a unique investment proposition, diversification across
- investment assets, mitigation of commodity risk, and greater investment choice;
- Allow Firefinch shareholders to better share in the uplift expected from the lithium and EV thematic by attracting investors seeking this exposure; and
- Provide a timely, clean separation of project assets, providing a more direct path to value recognition.

Cowden said: “Firefinch will become solely focused on gold on the completion of the demerger.”

New lithium focused company

An investment bank will be appointed to advise Firefinch and the new company on funding, partnership opportunities, offtake and the demerger process.

A dedicated senior executive and board will be recruited to provide a clear focus on delivering shareholder value through the demerged company securing the financial and industry support to deliver one of the world’s largest hard rock lithium projects.

This company will leverage on Firefinch’s expertise in operations in its first years as well as both companies being able to share certain costs and overheads.

Source: [Proactive Investors](#)