

Barrick 'supportive' of Firefinch in tax dispute over Mali's Morila gold mine

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Signs outside the Morila gold mine, which Firefinch bought from Barrick Gold and AngloGold Ashanti in November 2020 and is now the subject of a dispute with Mali's tax department.

Source: Firefinch

Firefinch Ltd. says a previous owner of the Morila gold mine, Barrick Gold Corp., is "supportive" of its assertion that a partial assessment from Mali's tax department claiming that the junior's 80%-owned Société des Mines de Morila SA had understated its income from gold sales in 2017 is incorrect.

The tax department alleges that Morila's revenue from gold sales in 2017 should be US\$146.9 million, but it did not provide the basis for the higher estimate.

Firefinch said that Morila produced 70,000 ounces of gold and sold 67,612 ounces of gold in 2017, for net revenue received of US\$92.7 million, as disclosed by the mine's previous owners, Barrick and AngloGold Ashanti Ltd., to public exchanges. The company sees no reason to revise the amount of gold production or the revenue received.

Meanwhile, Firefinch is seeking to meet with the tax department after submitting its position along with supporting documentation in the coming days.

The company added that Morila SA has significant unused tax credits, recently confirmed by the tax office, that could be applied to tax obligations should any arise.

The previously lithium-focused Mali Lithium Ltd. changed its name to Firefinch in November 2020 after acquiring Morila that month in the hope of adding at least another decade to its mine life.

Firefinch Executive Chairman Alistair Cowden told S&P Global Market Intelligence that he contacted Barrick and "they're supportive."

"You just don't lose \$50 million if you're Barrick and Anglo. It's a joint venture, so each is checking the other's figures," Cowden added.

Though Firefinch's ASX share price fell 13.6% during Jan. 18 trading on the news, Cowden said the company's professional investors would be unfazed by the move by Mali's tax department.

He said they know from investing in other companies involved in Africa that tax issues are not entirely uncommon, and thus "would not have any problems at all."

"My view is that the major issue of the gold sales is clearly just an error, but it will resolve itself and the impact on us would be minimal," Cowden said.

"If we'd looked through the records and seen there was a problem with Barrick's numbers, we'd be worried, but there's absolutely nothing we can see that gives us any basis for concern, at all," Cowden said. "That makes us quite comfortable, so we'll work our way through it."

Cowden had previously told the Africa Down Under conference in Perth, Australia, in November 2020 that Morila "built" Randgold Resources Ltd. and propelled founder Mark Bristow's career to the point where he now leads mining major Barrick.

Barrick bought Randgold in 2018 to form a US\$18.3 billion producer.

Firefinch reported on Jan. 8 that Morila had exceeded its production guidance with 4,228 ounces of gold produced from processing tailings in December 2020, with 7,683 ounces produced since the company acquired ownership of the mine on Nov. 11, 2020.

The junior also reaffirmed a production target of 10,000 ounces to 10,500 ounces of gold for the first quarter of 2021.

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