



Mining

It's all systems go for Firefinch's Leo Lithium spin-off with Ganfeng

Firefinch has progressed plans to spin off its world-class Goulamina lithium project with the signing of full form legal agreements with Chinese producer Ganfeng.

This paves the way for Ganfeng – a leading supplier of lithium to top tier battery producers such as BMW, LG Chem and Tesla – to invest US\$130m in three tranches for its 50% share of the project with the last US\$91m to be made upon a final investment decision (FID).

Upon reaching FID, **Firefinch (ASX:FFX)** will vend its 50% stake in Goulamina into a new ASX company to be called Leo Lithium. The demerger is expected to be completed during the March quarter of 2022.

This could potentially be a large windfall for its investors as the company intends to carry out an in-specie distribution of shares to shareholders at no cost.

“Another significant milestone has been achieved in progressing Goulamina toward construction and production. Formal documentation has been completed, and satisfaction of the remaining conditions precedent to completing the US\$194 million Ganfeng deal is well underway,” managing director Dr Michael Anderson said.

“In consultation with our partner Ganfeng, we have also agreed to bring forward FID to the end of this year.

“Off the back of a positive FID, we will be in a very strong position to demerge Goulamina into a dynamic new ASX-listed lithium player, Leo Lithium, and list in early 2022.

“All Firefinch shareholders will receive a pro-rata entitlement to Leo Lithium shares, together with the opportunity to increase their interest, should they wish, under a planned entitlement offer.”

He added that on completion of the entitlement offer and listing, Leo Lithium is expected to have a fully funded interest in a global scale lithium development with pre-production engineering underway and imminent start of construction.

The company plans to retain exposure to Goulamina through a stake of up to 20% in Leo Lithium.

Ganfeng investment and Goulamina project

Firefinch and Ganfeng originally signed the binding agreement on their Goulamina joint venture in June this year.

Since then, the two companies have worked together on engineering scope and design, including the incorporation of suggested changes to the processing flowsheet based on Ganfeng’s lithium processing expertise and experience at other similar projects.

They have now appointed Lycopodium to update the October 2020 definitive feasibility study that will support the FID, which is being expedited in light of the prevailing strong lithium market.

Both completion of the updated DFS and FID are expected in the December quarter of 2021.

Early completion of the FID will mean that Ganfeng’s final US\$91m cash investment and arranging of US\$64m in debt funding will occur earlier than initially anticipated.

The Goulamina project in Mali is currently envisaged as producing an average of 436,000 tonnes per annum (about 64,700t of lithium carbonate equivalent) of high quality spodumene concentrate over an initial 23-year mine life.

According to the previous DFS, this will deliver a highly attractive pre-tax net present value and internal rate of return – both measures of a project’s profitability – of about US\$1.7bn and 55.8% respectively.

Source: <https://stockhead.com.au/resources/its-all-systems-go-for-firefinchs-leo-lithium-spin-off-with-ganfeng/>