



Firefinch darts onto West African gold scene

Two transformative corporate deals and two in-country coups – it has been quite the 12 months for Firefinch Ltd in Mali and a full throttle introduction for new managing director Michael Anderson.

Anderson was appointed in May with Firefinch on the cusp of a new era. Having taken its Goulamina lithium project towards DFS in early 2020, a falling price environment had left the company adrift in the market. Chairman Alistair Cowden and the board decided to switch focus back to gold.

By September 2020, investors found out just how dramatic the switch had been with the company announcing a \$US70 million capital raising to fund a \$US30 million deal to acquire the Morila gold mine from majors Barrick Gold Corp and AngloGold Ashanti Ltd.

Bestowed as “Morila the Gorilla” by Barrick chief executive Mark Bristow during its days under Randgold Resources’ stewardship, the Morila mine was the landlocked West African nation’s first world-class operation, producing 7.45 moz gold @ 3.82 g/t over nearly two decades of production.

A resource of 2.2 moz gold remains in the main Morila orebody and five satellite pits adding a further 218,000 ounces gold.

In introducing the rebadged company (it dropped the Mali Lithium tag in favour of Firefinch after raising the capital)

ahead of Africa Down Under in October 2020, Cowden drew obvious parallels to recent domestic success stories such as Northern Star Resources Ltd and Evolution Mining Ltd.

“The best buying you can do is from a receiver or a major,” Cowden said at the time. “There are a lot of people in this town [Perth] who have made a lot of money out of buying assets from the majors.”

For Anderson, the style of acquisition may have parallels to Australian stories but the opportunity now in front of Firefinch is akin to several West African

growth stories.

"Even if it is not a West African version of Northern Star in the medium term, it could certainly be another Teranga, Perseus [Mining Ltd] or West African [Resources Ltd]," he told **Paydirt**. "They have grown into multibillion dollar companies because they got to 200,000 ozpa, and in Perseus' case beyond with several mines. Morila on its own can produce the ounces and the free cash flow to be a launching pad for growth. And the team is of the size and quality that picking up additional assets is not a far-fetched idea. So, emulating Perseus and the like is a realistic near-term goal for Firefinch. It is all reachable in two to four years."

Such a clear growth opportunity is what enticed Anderson back into the realm of mining after a decade with private equity group Taurus Funds Management.

"I wasn't sure if I wanted to be an executive again," he said. "But then I received a call from a head-hunter asking if I'd be interested in a role with a West African junior. I was inclined to say no but when they told me it was Firefinch I admitted some interest.

"Then, having spoken to Alistair and [non-executive director] Mark Hepburn – both of who I'd known for many years – it was abundantly clear it was a fantastic opportunity and within nine days I had signed on."

Anderson is conscious that he is joining a team which has already proven capable of pulling off major deals.

"All credit to Alistair and the team for what they have achieved," he said. "The \$US30 million price tag looks like a steal but remember, it was still way bigger than the market cap at the time and it has been nothing short of transformative for the company.

"Mali Lithium really was on the bones of its arse. It was out of money, out of runway and was staring at a lithium market where the tide was going out. Then along comes the opportunity to acquire Morila and the company went with it."

It may be that the hard work is only just beginning, however. Morila began contributing cash flow to Firefinch immediately, with the gold tailings re-treatment operation continuing through the ownership transition. The first Firefinch-imprinted gold bars were produced in November and by the end of the June quarter – with mining having restarted at the satellite pits – the mine had produced 26,753oz for its new owner.

Still, the main prize of the Morila orebody lays in wait. In June, Firefinch announced a successful \$47 million placement to North American, European and Australian institutions to speed up development work in the Morila pit.

"There is a lot of work to do, and the next 18 months will be pivotal for Morila and the company," Anderson said. "The real prize is to get into Morila as quickly as we can and to do that we need to ramp-up the dewatering, drilling and pre-stripping. The satellite deposit mining is helpful but not life-changing, although it does allow us to cut our teeth and get back into mining mode."

Ahead of the capital raising, Anderson undertook his first site visit to Mali, a rarity in these times of COVID lockdowns and border restrictions.

"It was easily one of the most enjoyable site visits of my career," he said of the trip. "When you go there, you real-

nine months may have caused some long-term retail shareholders angst, but Anderson said funding is necessary if Firefinch is to realise the opportunity at Morila.

"Substantial free cash flow will be generated from mining the main Morila orebody, that is where the growth will come from and most people can see the vision we have laid out," he said. "We had more than 20 new funds come onto the register through the placement."

Like Northern Star and Evolution's acquisitions in Australia, Firefinch is confident it can identify cost savings majors find simply impossible to achieve.

"Our stated life-of-mine AISC is \$US1,124/oz. We believe that is conservative but have to demonstrate it," Anderson said. "It was based on the historical Barrick data and while we still have to prove it, we believe we can reduce it by 10-15%."

"The most you can do on any gold operation is to minimise costs and maximise margins. That's what gold mining comes down to. There is no complexity in the mining or the processing, the only complexity comes with the volumes we are dealing with but that has been done before."

In May, the company updated its life-of-mine production plan, taking in 1.45 moz gold production @ 1.5 g/t over a 10-

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"When you start talking to the drillers and the operations team onsite it is exciting and reinforces all the enthusiasm. We are not talking about a greenfields opportunity to get to 100,000 ozpa. This mine produced more than 1 mozpa in its heyday. It may not get back there but 150-200,000 ozpa is a very real target. If anything, I have doubled-down on my conviction since visiting."

A second large capital raising inside

year mine life. However, with the N'Tiola, Viper and Pit 5 satellite orebodies already showing more gold, the company is confident Morila can grow and expand in the next few years.

"We will be able to update the life-of-mine model as we become informed by the drilling, productions, costs, etc," Anderson said. "We have had success in drilling the satellite deposits so we are confident we can do the same at Morila itself. This operation can run for decades to come, not just the 7-10 year mine life we have in front of us currently."

The mine was renowned for its ultra

high-grade zones and with numerous high-grade extension holes already sitting outside the resource, the exploration team led by Bill Oliver (general manager geology and exploration) is eager to get going with drilling.

"We still have to prove the extensions to the higher-grade zones in the main Morila orebody," Anderson said. "We haven't done that work yet but there is a lot of low-hanging fruit."

"Drilling will be key to defining the early mine schedule."

To increase the rate of drilling, dewatering and pre-stripping, Firefinch intends to replicate its equity market success on debt markets.

"My job when arriving was to try and create options on equity and debt," Anderson said. "In an ideal world we want to be in a position where there are no financial constraints on decisions. If Bill [Oliver] wants a bigger budget for exploration I can say 'here you go' or if Andy [Taplin, chief operating officer] wants to bring forward stripping I can say 'of course'. Once we are processing material from Morila, the economics speak for themselves, but we need to get there first."

Firefinch is targeting a minimum of \$US50 million with term sheets already received totalling up to \$US75 million. PCF Capital is providing advice on the process with the package expected to be finalised this quarter. Anderson said the proceeds would go straight into continued on-site activities.

"The debt facility will be almost like a working capital facility. Its uses will be the same as those stated in the capital raising; drilling, dewatering, stripping and general works," he said.

"The debt won't come from the mainstream banks. It is difficult because we are not building anything; it is not a greenfields project. We are already in production, and we could probably find a way forward with the equity, funds and production base we have but it wouldn't be optimal."

Anderson said the interest in Morila from debt providers matched that of equity investors with the potential to reach 200,000 ozpa gold production outweigh-

ing any perceived sovereign risk factors.

The security situation in Mali is ever evolving. The north of the country has been blighted by Tuareg rebels for more than a decade and in August 2020

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President Ibrahim Boubacar Keita was overthrown in a military coup. In May, the military acted again, ousting interim President Bah N'daw with the head of the junta, Assimi Goita, replacing him with himself.

Despite the political uncertainty, Firefinch has proceeded with both fundraising and operations.

"In the capital raising, jurisdictional risk wasn't really an issue," he said. "We didn't have any negative feedback on the story and while Mali is not for everyone, those more experienced investors who remember Morila's heyday were willing to back Firefinch."

"Perception and reality are two different things, particularly when it comes to mining projects in Africa. It was clear from the moment we landed to when we left that it was business-as-usual for the mining industry and by the time we arrived back in Perth the ministers for finance and mining had been reappointed, which was positive for the company."

Anderson's time with Taurus took him to the region on many occasions and the track record of companies such as Barrick, Randgold, AngloGold and ASX-listed Resolute Mining Ltd point to the robustness of mining in Mali.

"Mali is not unique in West Africa in having security risk but it has a track record; none of those operations have been affected by security issues," Anderson said.

He himself has no qualms about going to the troubled nation.

"We chose to carry on with the site visit four days after the latest bout of instability," he says. "Not to be flippant or com-



Plant refurbishment started in late 2020, ahead of the restart to mining earlier this year



At its height, Morila was producing 1 mozpa. Firefinch has a minimum target of 150-200,000 ozpa



Anderson with members of the Morila exploration team. Firefinch is eager to chase extensions at depth and along strike of the main Morila orebody

placent but it does help that I grew up in Belfast and lived in Johannesburg, I think it gives you a more pragmatic view."

Pragmatism will get you only so far and Anderson is quick to acknowledge the crucial role Seydou Semega (country manager) and Drissa Arama (general manager Morila) play in Firefinch's approach in-country.

"We have inherited a team that has the pedigree to be the core of the company," he said. "Drissa Arama and Seydou Semega are the two key people in country. Seydou is driving corporate governance and government relations in Bamako. And Drissa is a figurehead at site. It is great to see the respect he commands from the workforce and local community. And we need to replicate that at Goulamina. He came down with us during our visits and it was great to see the rapport and respect he gained straight away."

Government relations are crucial in West Africa where governments are partners as well as regulators. Anderson said Firefinch had already made a good impression with leaders in Bamako.

"From the Malian Government's perspective, 10 months ago Morila was closing and Goulamina was going nowhere," he said. "Now, Morila is ramping-up, we are employing people and generating revenues and royalties and have a clear pathway to a 10-year mine life. We are asking the Government for their support and endorsement. Government owns 20% of Morila so they will be motivated to see the project succeed."

ian lithium developers such as Pilbara Minerals Ltd.

Having almost set the project aside amid the excitement of the Morila deal, Firefinch brought Goulamina back into the spotlight in March with the intention of finding a development partner.

In June, a quarantined Anderson announced major Chinese lithium company Ganfeng Lithium Co. Ltd would become a 50/50 JV partner in Goulamina in exchange for providing \$US130 million equity funding and arranging \$US64 million in debt funding for the project.

"I inherited the strategy and have been 100% comfortable with it because I genuinely believe they belong in separate listed vehicles," Anderson explained.

Under the agreement with Ganfeng – the world's largest lithium producer by production capacity – Firefinch will demerge Goulamina into a separate lithium company to be listed on the ASX with shareholders to receive a pro rata allocation of shares in the new company.

Anderson said attracting Ganfeng demonstrated the quality of Goulamina.

"We mandated Macquarie in March and complete the deal in mid-June with a major, \$25 billion market cap, company. It might not be record speed for a deal but it will be pretty close," he said.

"It will be just as transformative as Morila and gives us a great path forward. The size, grade and quality of the concentrate product – we will produce 460,000 tpa spodumene concentrate – means in some respects if we get Gou-



The highly experienced onsite team is a key asset as Firefinch looks to ramp up its capabilities

All the board members have done enough of them to know how long deals take so we have half an eye on opportunities and once we are into Morila and have production we will be ready to act.

Iamina right it will prove as lucrative as Morila. And, we will still own 50% of Goulamina – through the new vehicle – so we haven't given away the upside."

The two transactions reveal the innate corporate abilities within the Firefinch team. Although the company has its plate full with Morila and Goulamina, Anderson admitted other options were already being considered.

"All the board members have done enough of them to know how long deals take so we have half an eye on opportunities and once we are into Morila and have production we will be ready to act," he said. "We need to establish a sound

production profile track record at Morila first though. Timing is everything, we would want to get value in the stock before we act on the corporate front. Even at 100,000 ozpa we will have demonstrated the pathway and should have converted to some real value. It would be far more prudent to enact a M&A strategy then."

With production currently around 45,000 ozpa, that moment would appear some way off but given the rate of transformation in the last nine months, no one should discount Firefinch's ability to grow again from 2022.

"People are starting to realise that is

the path we are on and believe the team has the capability of delivering," Anderson said. "All of a sudden Firefinch, this company with a 40c share price and \$350 million market cap, has demonstrable potential to be capped in the billions. There is a lot of hard work to get there but it is not unprecedented. We just need to deliver on a very straightforward and achievable strategy."

– Dominic Piper

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As Mali's largest ever gold mine, Morila is iconic in the eyes of government, community and international investors

