

Ticker: FFX AU

Market cap: A\$497m

RECOMMENDATION (unc): BUY

Net cash: A\$54m

Price: A\$0.55/sh

TARGET (unc): A\$0.80/sh

Project: Morila

Country: Mali

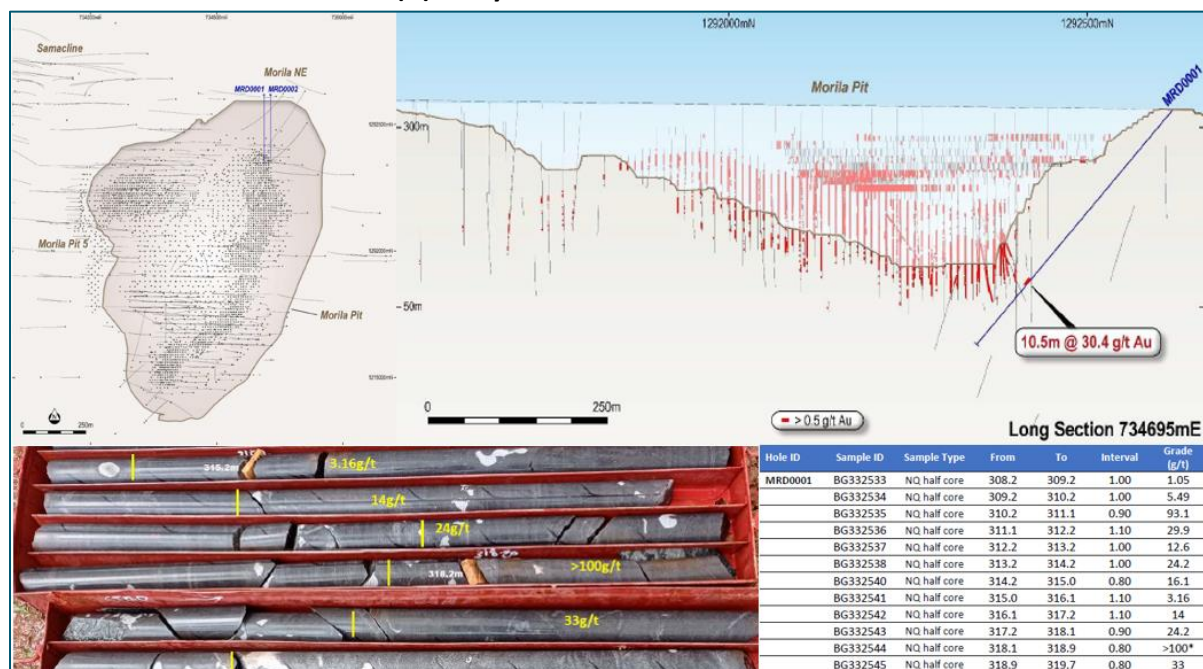
RISK RATING: HIGH

Today's 10.5m @ 30g/t drill result in the NE of the Superpit, outside the current resource, points to potential for a high grade underground at Morila to potentially add to the 1.5g/t open pit material that underpins the current open pit mine plan. While further drilling is needed to establish an MRE and reserve, evidence to date points to continuity of the high grade at Morila. At current gold prices, we believe an underground at >4g/t would be highly profitable and historical production and today's drilling point to potential for grades above this. We estimate that a 6-year UG, starting in 2025 for US\$50m capex, at 500ktpa and 4g/t would lift production to ~210kozpa and lower AISC from ~US\$1050/oz to ~US\$950/oz, adding US\$89m to NPV_{5%-1850}. At 5g/t this would lift production to ~225-230kozpa at US\$900-925/oz and increase NPV_{5%-1850} by US\$185m or A\$0.27/sh. For now we model just open pit production as our base base, leaving UG potential as upside. **We maintain our BUY rating and A\$0.80/sh price target based on 0.9x NAV_{5%-1850}.**

10.5m @ 30.4g/t in NE of Superpit points to high grade continuity

Firefinch announced that the first DD drill result at the NE of the Morila Superpit, MRD0001, intersected 10.5m @ 30.4g/t from 309.2m. The hole was collared from the north. Historical drilling in the area was typically collared from the east or vertical. The lithology and alternation intersected are consistent with historical high grade intersections at Morila with intensely sheared sediments with disseminated arsenopyrite and quartz-albite veins cross cutting and sub parallel to foliation. Assays of a second hole are pending. Current interpretation from oriented core is that the zone is dipping to the NW. Further intersections are needed to determine the true width of the zone but the company believes that the MRD0001 intersected the zone at a high angle close to perpendicular. Further drilling continues to the west of the Superpit as well as at Viper and N'Tiola.

Figure 1: (A) Plan view, (B) cross section, (C) drill core of MRD0001 from 315-320.4m down hole and (D) assay results from 308.2-319.7m DH



Source: Firefinch

Why we like Firefinch

1. 160-200kozpa production profile to 2030 for lower capex than similar-sized projects
2. High-grade drilling potential could take production >200kozpa
3. Exploration upside on 685km regional tenements
4. 20-year operating history at Morila with team, systems and infrastructure in place

Catalysts

- 2022: SCPe 120kozpa run rate
- Mid-2022: Re-commencement of mining from the Morila Main Pit
- 2023: SCPe 160kozpa run rate

Research

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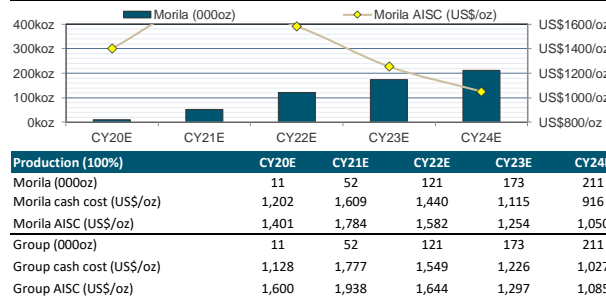
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Ticker: FFX AU		Price / mkt cap: A\$0.55/sh, A\$497m		Market P/NAV: 0.61x		Assets: Morila	
Analyst: J Chan / B Gaspar		Rec / PT: BUY / A\$0.80		1xNAV ₂₀₂₀ FD: A\$0.90/sh		Country: Mali	
Group-level SOTP valuation				Resource / Reserve			
		3Q21	3Q21E	Mt	000oz	EV/oz	
		A\$m	O/ship	NAVx	A\$/sh		
Morila NPV 3Q21E		676	80%	0.90x	0.65		
Central SG&A & fin costs 3Q21E		(101)	-	0.90x	(0.10)		
Ounces outside mine plan (\$25/oz)		21	100%	0.90x	0.02		
Cash and restr. cash 2Q21		54	-	0.90x	0.05		
Cash from options		3	-	0.90x	0.00		
Debt 2Q21		(10)	-	0.90x	(0.01)		
Exploration		25	-	0.90x	0.02		
Goulamina		176	-	0.90x	0.17		
1xNAV5% A\$1850/oz fully diluted, pre-funded		845			0.81		
Assumed equity component of project		-		0.90x	-		
1xNAV5% A\$1850/oz fully funded		845			0.81		
1x fully funded NAVPS sensitivity to gold price and discount / NAV multiple							
1xNAV asset (US\$m)		\$1500oz	\$1700oz	\$1850oz	\$2000oz	\$2200oz	
8% discount		313	471	588	703	858	
7% discount		329	494	615	736	896	
6% discount		347	518	645	770	937	
5% discount		366	544	676	807	981	
4% discount		386	572	709	846	1,028	
Valuation (A\$/sh)		\$1500oz	\$1700oz	\$1850oz	\$2000oz	\$2200oz	
0.50xNAV		0.36	0.45	0.52	0.59	0.69	
0.75xNAV		0.45	0.60	0.70	0.81	0.95	
0.90xNAV		0.51	0.68	0.81	0.93	1.10	
1.20xNAV		0.62	0.85	1.02	1.19	1.41	
Valuation over time		1Q21E	1Q22E	1Q23E	1Q24E	1Q25E	
Mines NPV (A\$m)		623.4	689.6	775.4	716.6	596.3	
Cntrl G&A & fin costs (A\$m)		(88.1)	(108.6)	(67.8)	(14.6)	1.0	
Net cash at 1Q (A\$m)		33.6	(25.7)	19.3	144.5	222.6	
1xNAV (US\$m)		569	555	727	847	820	
P/NAV (x):		0.67x	0.69x	0.53x	0.45x	0.47x	
1xNAV share px FD (A\$/sh)		0.82	0.80	1.05	1.22	1.18	
ROI to equity holder (% pa)		49%	21%	24%	22%	17%	
1.2xNAV share px FD (A\$/sh)		0.98	0.96	1.26	1.46	1.42	
ROI to equity holder (% pa)		79%	32%	32%	28%	21%	
Morila 1xNAV sensitivity to grade and strip ratio							
Morila NPV5% (US\$m)		SR: 6.0x	6.5x	7.0x	8.0x	9.0x	
Grade: 1.30g/t		413	390	368	324	280	
Grade: 1.40g/t		499	477	455	411	367	
Grade: 1.45g/t		543	521	499	454	410	
Grade: 1.50g/t		586	564	542	498	453	
Grade: 1.60g/t		673	651	629	585	540	
Morila 1xNAV sensitivity to gold price and mining cost per tonne							
Morila NPV5% (US\$m)		\$1500oz	\$1700oz	\$1850oz	\$2000oz	\$2200oz	
Mining: US\$2.50/t		270	401	499	595	724	
Mining: US\$2.75/t		270	401	499	595	724	
Mining: US\$3.00/t		270	401	499	595	724	
Mining: US\$3.25/t		270	401	499	595	724	
Mining: US\$3.50/t		270	401	499	595	724	

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Source: SCP estimates

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BUY:	45
HOLD:	0
SELL:	0
UNDER REVIEW:	0
TENDER:	0
NOT RATED:	0
TOTAL	45

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