
Firefinch and Ganfeng to jointly develop the Goulamina Lithium Project; Ganfeng to provide up to US\$194 million of funding

- **Binding term sheet executed with Ganfeng to establish a 50:50 joint venture to fast-track development of the world-class Goulamina Lithium Project in Mali in exchange for US\$130 million of equity funding into the project**
- **Ganfeng to arrange debt funding of up to US\$64 million to support project development¹**
- **Ganfeng is the world's largest lithium producer by production capacity with the technical expertise and the financial capability to support Goulamina development**
- **Transaction is expected to substantially fund Goulamina's capital cost to production²**
- **Detailed engineering and securing of long lead items to commence on closing of transaction and Final Investment Decision expected within 6 months thereafter**
- **US\$2.5 million deposit paid into an escrow account**
- **Offtake agreement for up to 100% of spodumene concentrate product across the life of mine³**
- **Mali to benefit from becoming the first West African Lithium producer**

Overview

Firefinch Limited (ASX: FFX) (Firefinch) is pleased to announce the execution of a binding term sheet (**Term Sheet**) with a subsidiary of the world's largest lithium producer by production capacity, Jiangxi Ganfeng Lithium Co. Ltd (**Ganfeng**), to establish a 50:50 incorporated joint venture (**JV**) to develop and operate the world-class Goulamina Lithium Project (**Goulamina**) (**Transaction**).

Ganfeng will make cash investments of US\$130 million (**Subscription Amount**). The funds will be invested into Mali Lithium BV (**MLB**), which will hold Firefinch's interest in Goulamina and in return, Ganfeng will earn a 50% JV interest in MLB. These funds, together with up to US\$64 million in debt funding, which is to be arranged by Ganfeng (**Ganfeng Debt**), are expected to fund Goulamina into production.^{1,2}

Ganfeng will invest a total of US\$130 million in three stages comprising:

- a US\$2.5 million deposit (**Deposit**) (which has already been paid), which reflects Ganfeng's commitment to progress the Transaction to completion;

¹ The debt quantum provided is expected to be between US\$40 to US\$64 million depending on whether Ganfeng provides the debt or Ganfeng arranges for the debt, respectively. Refer to Appendix A for further detail.

² Based on the Definitive Feasibility Study capital estimate of US\$194 million (including US\$20 million contingency), as announced to the ASX on 20 October 2020.

³ Subject to FID and receipt of the Final Investment, the initial 50% of the offtake will be made available to Ganfeng. This will increase to 100% on the provision of debt and other conditions. Refer to Appendix A for further detail.

- an initial subscription of US\$39 million (less the Deposit) in exchange for 15% of the shares in MLB, with proceeds used to fund detailed engineering and securing long lead capital items for Goulamina (**Initial Investment**); and
- a final subscription of US\$91 million to be made upon a Final Investment Decision (**FID**) for the Goulamina Project to increase Ganfeng's total shareholding in MLB to 50% (**Final Investment**).

The Goulamina Definitive Feasibility Study (**DFS**) envisages production to average 436,000 tonnes per annum of high quality spodumene concentrate for an initial 23-year mine life (refer ASX Announcement 20 October 2020). This equates to approximately 64,700 tonnes per annum of Lithium carbonate equivalent (**LCE**)⁴. This production profile will make Goulamina one of the world's premier lithium producers. It is expected that FID will be reached within 6 months of the Transaction completing.

To provide further support for Goulamina, Ganfeng has agreed to enter into an offtake agreement for up to 100% of spodumene concentrate product produced at Goulamina across the life of mine. Ganfeng will receive offtake rights to 50% of the offtake on FID and the receipt of the Final Investment. To ensure Goulamina is developed in a timely manner, the remaining 50% of offtake will be assigned to Ganfeng, subject to the provision of Ganfeng Debt and Goulamina reaching commercial production within four years of the Transaction completing⁵. Firefinch will be the operator and manager of Goulamina with assistance from Ganfeng in processing and other disciplines.

The Transaction remains subject to the satisfaction of relevant conditions precedent (refer to Appendix A for further detail).

Firefinch Chairman, Dr Alistair Cowden, commented:

"This is a watershed moment for the Goulamina Lithium Project and an outstanding result for shareholders. It is a testament to the quality of Goulamina to have attracted a partner of Ganfeng's calibre, being one of the world's leading lithium producers responsible for supplying tier 1 battery players and OEMs such as BMW, LG Chem and Tesla.

Goulamina now stands to be the world's next lithium mine of scale. Ganfeng are contributing funding and lithium expertise to transform Goulamina into one of the world's largest global producers. The offtake deal effectively integrates and elevates Goulamina into the global lithium supply chain at an optimal time for battery metals demand.

We are delighted to welcome Ganfeng as a partner to Goulamina as we jointly work towards fast tracking the development of the project, leveraging Firefinch's in-country operational expertise.

Importantly, the transaction will deliver several benefits for Mali, providing a clear pathway for the country to host the first spodumene concentrate operation in West Africa, thereby opening Mali for further investment focussed on the battery metals and renewables space. Moreover, the transaction supports the creation of local employment opportunities, the establishment of local infrastructure and the fast tracking of community engagement plans to assist the needs of local communities."

⁴ Based on 6% Li₂O in spodumene concentrate and converted to LCE assuming a conversion factor of 2.473 from Li₂O to LCE.

⁵ If there are events outside of Ganfeng's control which delay commercial production beyond four years, then Ganfeng will still be eligible to receive 100% of the offtake.

Xiaoshen Wang, Vice Chairman of Ganfeng, commented:

“Firefinch and Ganfeng share the same enthusiasm and vision to develop Goulamina as a world-class, high-grade lithium operation in a sustainable manner and I am confident our organisations will work together to supply high quality lithium products to meet the continuously growing global demand for clean energy metals.”

Transaction Highlights

- The Transaction structure is expected to substantially fund Goulamina into production,⁶ with both Firefinch and Ganfeng aligned on fast tracking development.
- Firefinch is partnering with a world-leading lithium producer, which has a proven track record of supporting and investing in upstream and downstream lithium projects globally.
- Ganfeng will provide its expertise in lithium processing to optimise the processing flow sheet.
- Ganfeng’s funding will be used to complete engineering, secure long lead items and construct the project.
- A life of mine offtake has been secured, with strong protection mechanisms for Firefinch, including a floor price and termination rights, further de-risking operations across the more than initial 23 year mine life of Goulamina.
- The Transaction is expected to set an attractive look-through value for Goulamina to help support the proposed demerger of Goulamina into its own ASX-listed vehicle.

Summary of Key Transaction Terms

Firefinch and Ganfeng have executed a Binding Term Sheet for the JV, which details key terms of the agreement between the parties and commits the parties to work towards negotiating and finalising full form agreements. The key terms of the Term Sheet have been set out below and outlined further in Appendix A.

Subscription & Shareholder Agreement

The Goulamina Project is currently held by Firefinch’s wholly owned subsidiary, Timbuktu Resources SARL (**TR**), with the intention that the Goulamina exploitation licence is to be transferred to Lithium du Mali S.A. (**LMSA**). The Government of Mali will have a 10% free-carried interest in LMSA (**Free Carry Interest**), with an option for up to an additional 10% interest to be acquired at fair value (**Loan Carry Interest**).

A newly formed company, MLB, will be established to hold Firefinch and Ganfeng’s interests in LMSA, with both shareholders having equal board representation.

Ganfeng will invest cash into MLB via two staged payments. Firstly, through the Initial Investment (US\$39 million which includes the Deposit), in exchange for a 15% equity interest in MLB which is expected to be received in the December quarter 2021. Secondly, through the Final Investment (US\$91 million), which will increase Ganfeng’s equity interest in MLB to 50%. The Final Investment will be provided following a positive FID and the provision of the Ganfeng Debt. Firefinch and Ganfeng have agreed to vote in favour of the FID if the post-tax real internal rate of return for Goulamina is

⁶ Based on the DFS capital estimate of US\$194 million (including US\$20 million contingency), as announced to the ASX on 20 October 2020. The debt quantum provided is expected to be between US\$40 to US\$64 million depending on whether Ganfeng provides the debt or Ganfeng arranges for the debt, respectively. Refer to Appendix A for further detail.

greater than 15%, providing significant contingency given the October DFS outline a post-tax IRR of 46.7%.

Ganfeng has also provided a US\$2.5 million Deposit on execution of the Term Sheet to reflect its commitment to progressing the Transaction. The Deposit will form part of the Initial Investment.

Ganfeng will be required to arrange US\$64 million in debt from a bank at a commercial interest rate, or otherwise must provide US\$40 million in debt itself at an interest rate of no more than the Secured Overnight Financing Rate (**SOFR**) plus 6%.

Offtake Agreement

On FID and receipt of the Final Investment, Ganfeng will receive rights to 50% of Goulamina's life of mine spodumene concentrate. Ganfeng will receive rights to the remaining 50% of Goulamina's life of mine spodumene concentrate on the provision of the Ganfeng Debt and Goulamina reaching commercial production within four years from completion of the Transaction. If events outside of Ganfeng's control delay commercial production beyond four years, then Ganfeng will still be eligible to receive 100% of the offtake.

Offtake pricing will be determined via a formula, which is linked to the prevailing price of downstream lithium products, ensuring Goulamina project owners capture a downstream value-add margin. In addition, several offtake protection mechanisms have been added for Firefinch's benefit, including a floor price during the term of the Ganfeng Debt, an agreement from Ganfeng to take Goulamina spodumene concentrate ahead of any other third-party concentrates, a letter of credit in place for the value of a shipment, and the right to terminate and sell Goulamina product to third parties in the event of non-performance.

Conditions Precedent

The Term Sheet provides that the completion of the Transaction and establishment of the JV will be subject to various conditions precedent, including:

- Chinese regulatory approvals;
- approval of the Transaction by the shareholders of Firefinch, if such approval is required;
- approval of the Transaction by the shareholders of Ganfeng; and
- applicable Malian government approvals and consents, including any relevant transfer of mining licenses.

Once these conditions have been satisfied, completion will occur as soon as practicable. Refer to Appendix A for further details.

Proposed Demerger

As announced on 9 February 2021, Firefinch intends to demerge its interest in Goulamina into a separate lithium-focussed entity to be listed on the ASX (**LithiumCo**) (**Proposed Demerger**). This will not occur until the Transaction has been completed and Ganfeng has made its Initial Investment. At that time, Firefinch will assign to the new publicly listed demerged company Firefinch's rights to manage Goulamina. Ganfeng has undertaken to support the Proposed Demerger. Firefinch shareholders are expected to receive a pro rata allocation of shares in LithiumCo with further details to be provided in due course.

Advisers

Firefinch is advised by Macquarie Capital as financial adviser and Gilbert + Tobin as legal adviser in relation to the Transaction.

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About Ganfeng

Ganfeng is a Chinese lithium chemicals and metals producer listed on the Hong Kong Stock Exchange (HKG: 1772) and Shenzhen Stock Exchange (SHE: 002460) with a market capitalisation of approximately US\$26 billion. Ganfeng is the world's largest lithium producer by production capacity globally.

Ganfeng's operations are vertically integrated, encompassing all critical stages of the value chain, including upstream lithium extraction, midstream lithium compounds and metals processing, as well as downstream lithium battery production and recycling. Ganfeng supplies products to major battery producers and OEMs such as BMW, LG Chem and Tesla.

About Firefinch

Firefinch is a Mali focused gold miner and lithium developer. Firefinch has an 80% interest in the Morila Gold Mine (**Morila**) and it currently owns 100% of the Goulamina Lithium Project.

The Goulamina Lithium Project is one of the world's largest undeveloped deposits. All permits are in place and a DFS was completed in October 2020. The DFS confirmed Goulamina as a long life, large scale and low-cost open pit project expected to produce 436ktpa of spodumene concentrate at an average cash cost of US\$281/t. An initial mine life of 23 years is underpinned by a high grade, low impurity Ore Reserve of 52Mt at 1.51% Li₂O for 0.79Mt contained Li₂O comprising 8.1 million tonnes of Proven Ore Reserves at 1.55% Li₂O and 44.0 million tonnes of Probable Ore Reserves at 1.50% Li₂O. Goulamina has a Mineral Resource of 109Mt at 1.45% Li₂O for 1.57Mt contained Li₂O comprising 8.4 million tonnes at 1.57% Li₂O in the Measured category, 56.2 million tonnes at 1.48% Li₂O in the Indicated category and 43.9 million tonnes at 1.45% Li₂O in the Inferred category.

The Morila gold mine has produced 7.5Moz of gold since 2000, being one of the world's highest grade open pits some 12 to 20 years ago. Firefinch acquired the mine in November 2020 with the view to increase production at the 4.5Mtpa mill from a current annual production profile of 40koz pa of gold from tailing treatment, towards a target of 70 to 90koz pa of gold through mining of small open pits, stocks and tailings from mid-2021. In 2022, the Firefinch plans to increase production to target 150 to 200koz pa of gold by re-commencing mining from the main Morila pit.

Firefinch is a responsible miner. We support positive social and economic change through contributing to the communities in which we operate. We seek to buy local, employ local and safeguard the environment and our people's health, safety, and wellbeing.

The Company confirms that it is not aware of any new information or data that materially affects the Mineral Resources at Goulamina and Morila and the production estimates for Goulamina. The Company also confirms that all material assumptions and parameters underpinning the Mineral Resource estimates and production estimates continue to apply and have not materially changed. Please refer to ASX Announcements of 8th July 2020 and 20th October 2020 (Goulamina), 8th February 2021 (Morila Resource), 7th September 2020 and 28th April 2021 (Morila Tailings), 24th November 2020 and 3rd May 2021 (N'Tiola, Viper, Domba, Koting, Morila Pit 5), and 9th February 2021, 28th April 2021 and 5th May 2021 (Morila Gold Production, Ore Reserves and Production Targets).

Appendix A

Summary of Term Sheet

The key terms of the Term Sheet are as follows:

- (a) **(Deposit):** Ganfeng has paid the Deposit into an escrow account. This amount forms part of the Initial Investment. The Deposit is refundable in the event Completion does not occur, other than for the sole reason that Ganfeng shareholder approval has not been obtained, in which case, the Deposit shall be released to Firefinch.
- (b) **(Conditions Precedent):** The Transaction will not occur until the following conditions are satisfied:
- (i) Chinese regulatory approvals are obtained, to the extent required;
 - (ii) approval of the shareholders of Firefinch is obtained, if such approval is required;
 - (iii) approval of the shareholders of Ganfeng is obtained; and
 - (iv) applicable Malian government (**Government**) approvals and consents are obtained (to the extent reasonably required) and the exploitation licence held by TR remains validly granted and in full force and effect,
- (Conditions).** The Conditions are to be satisfied or waived by 31 December 2021 or 35 days after the last Transaction Document is signed (whichever is earlier) or the Transaction will be terminated.
- (c) **(Transaction Documents):** The parties agree to negotiate in good faith and acting in a timely manner to agree and execute the Transaction Documents (the key terms of which are set out in the Term Sheet), being the:
- (i) Subscription Agreement;
 - (ii) Shareholders' Agreement;
 - (iii) Offtake Agreement;
 - (iv) Ganfeng Direct Debt Facility Agreement (if required);
 - (v) Management Agreement; and
 - (vi) Administrative Services Agreement,
- (Transaction Documents).**
- (d) **(Ganfeng Direct Debt):** Ganfeng must:
- (i) use reasonable endeavours to secure for LMSA a third-party bank or other financial institution loan on commercial terms for at least US\$64 million (at a commercial interest rate agreed by Firefinch and Ganfeng (the **Shareholders**)) and this loan is to be applied towards funding Goulamina (**Ganfeng Arranged Debt**); or

- (ii) if the Ganfeng Arranged Debt is deemed uncommercial, if the interest is 2.5% higher than the Ganfeng Direct Debt), Firefinch may require Ganfeng to provide the Ganfeng Direct Debt. Ganfeng must provide a loan of up to US\$40 million at an interest rate (while there is no event of default continuing) of no more than SOFR plus 6% and the loan is to be applied towards funding Goulamina (**Ganfeng Direct Debt**).
- (e) (**Government Interest**): After the transfer of the mining licence from TR to LMSA, the Government is entitled to have the Free Carry Interest issued to it. The Government is entitled to elect to acquire the Loan Carry Interest which is to be funded by the Shareholders on a secured basis.
- (f) (**Subscription Agreement**): The parties will enter into the Subscription Agreement to part fund the development of Goulamina. Ganfeng will subscribe the Subscription Amount in two instalments. Ganfeng shall subscribe for the Initial Investment and MLB shall issue on a fully diluted basis 15% of the shares in MLB (**Completion**). Within ten business days of LMSA making the FID, Ganfeng shall subscribe the Final Investment and MLB shall issue a further 35% of its shares (giving Ganfeng 50% of the issued capital in MLB on a fully diluted basis (**Subscription Interest**)).
- (g) (**Shareholders' Agreement**): Subject to the incorporation of MLB, Firefinch and Ganfeng (**Shareholders**) will enter into the Shareholders' Agreement to govern their rights in relation to the management of MLB and the incorporated joint venture represented by MLB. Each Shareholder will have one vote for each share it holds. Each of Firefinch and Ganfeng shall have an equal number of directors and the board structure must ensure proportional representation from each Shareholder.
- (h) (**Offtake Agreement**):
- (i) LMSA (as the producer) and Ganfeng or an Affiliate (as the purchaser) will enter into the Offtake Agreement to commit LMSA to sell the lithium spodumene (**Product**) and Ganfeng to purchase the Product. Upon the FID and subject to Ganfeng having subscribed the Subscription Amount, the Parties shall procure that LMSA enters into the Offtake Agreement with Ganfeng for 50% of the Product. In the event that:
- (A) Ganfeng procures the Ganfeng Arranged Debt or provides the Ganfeng Direct Debt; and
- (B) commercial production from Goulamina commences within four years of Completion (**Production Milestone**),

the Parties shall procure that LMSA varies the Offtake Agreement by increasing to 100% the volume of the Product that is to be the subject of the Offtake Agreement. The offtake arrangements are for the life of mine at Goulamina. The annual volume of Product is known as the Volume.

- (ii) If the capacity of Goulamina is above the expected capacity, then Ganfeng shall have a one-off option to purchase all of the additional volume on the same terms as the Offtake Agreement.
- (iii) If the capacity of Goulamina is expanded as a result of an expansion project, then Ganfeng shall have a one-off option to purchase such proportionate share of the increased production.
- (iv) If Ganfeng decreases its Subscription Interest, the Volume under the Offtake Agreement will reduce in proportion to the percentage decline in the Subscription

Interest, unless prior to the dilution, Ganfeng obtained LMSA's consent (which LMSA may withhold in its absolute discretion) in order to continue to hold its offtake right.

- (v) The Product will be shipped in bulk and is to be sold by LMSA to Ganfeng on CIF Port of Discharge China basis.
 - (vi) The price will be calculated according to a formula which reflects a market price.
 - (vii) Ganfeng is to be committed to acquire the contracted Volume from time to time which meets specifications and in the event of its failure to acquire that Volume at any time during the term of the Ganfeng Direct Debt or Ganfeng Arranged Debt, LMSA is permitted to sell the volume not taken by Ganfeng to a third party and to invoice Ganfeng for the difference in value. Similarly, LMSA is committed to supply the contracted Volume and in the event of its failure to supply, Ganfeng is permitted to purchase the volume not supplied and invoice LMSA for the difference in value.
 - (viii) To the extent LMSA is producing Product and Ganfeng's obligation to acquire has not been discharged, then Ganfeng is to meet its group requirements for spodumene by acquiring the Product before satisfying requirements from any other supplier in which it has an ownership interest of less than 50%.
 - (ix) In the event Ganfeng is in breach of its obligations under the Offtake Agreement for four shipments within a rolling 12-month period, LMSA will have a right to terminate the Offtake Agreement.
- (i) **(Management Agreement):** Upon Ganfeng subscribing the Initial Amount, the Management Agreement between Firefinch and LMSA shall commence. Firefinch shall be responsible for the management of the day-to-day activities of LMSA. LMSA may reduce the scope of services to the extent it develops its own corporate capacity. The term of the Management Agreement is four years. Firefinch is entitled to charge for its direct, reasonable and verifiable costs and a management fee. Firefinch may assign its rights under the Management Agreement to LithiumCo in the event of the Proposed Demerger.
- (j) **(Services Agreement):** Upon Ganfeng subscribing for the Initial Amount, the Services Agreement between Firefinch and MLB shall commence operation with Firefinch being responsible for the management of the day-to-day activities of MLB. Firefinch will receive a fee for its services. The term of the Service Agreement is four years.
- (k) **(Facility Agreement):** The Ganfeng Direct Debt Facility is a senior secured financing facility. Ganfeng is the lender, LMSA is the borrower and MLB will act as guarantor. The facility limit is US\$40 million. The availability period is a period of 18 months commencing from the date which is four months after the FID. The maturity date is five years from the first drawing of the Ganfeng Direct Debt Facility. Ganfeng will not be obliged to provide any drawing under the Facility until it has received in a form and substance satisfactory to Ganfeng that in all respects each of the conditions precedent which are customary for a corporate and/or project financing of this nature and size are satisfied.