

Letter to Shareholders

Dear Shareholders

On 16 November 2022 the Chairman wrote to shareholders regarding the critical decision Firefinch Limited (“the Company” or “FFX”) made to cease funding the Morila Gold Mine and the implications of that decision.

In that letter the Chairman undertook to update shareholders before the end of the year on the Company’s future strategy. The purpose of this letter is to fulfil that obligation and provide details of another important decision the Board has made that aims to preserve value for shareholders.

Assets

The Company’s current material assets as at 14 December 2022 are cash of approximately \$38m and shares in Leo Lithium (ASX:LLL) valued at approximately A\$ 103m. The Company has no corporate debt. The LLL shares are currently under escrow and cannot be dealt with in any way, including being distributed to FFX shareholders, until June 2024.

Strategic process

The Board has decided to commence a strategic review process that will invite suitable bidders to submit proposals to the Company that deliver compelling value and liquidity to FFX shareholders (“Process”). The Company has engaged Treadstone Resource Partners to assist with the Process.

If the Process does not result in a transaction that delivers attractive value and liquidity to FFX shareholders, the Company intends to return a majority of its current cash to shareholders as soon as possible post termination of the Process. Following the return of majority of the current cash to shareholders FFX will then distribute all LLL shares currently held to FFX shareholders when they are released from the escrow in June 2024 as per ASX requirements.

Timing

The Process will commence immediately, and the Board will provide an update to shareholders before the end of March 2023.

Half yearly and annual audit and accounts 2022

Now that a decision has been made regarding Morila and a pathway set to determine the best outcome for shareholders of FFX, work is underway with the Company’s auditor PwC to prepare and publish the reviewed half year accounts for the six months ending 30 June 2022 and the audited full year accounts for the year ending 31 December 2022.

This work has commenced with the half yearly report expected to be published by February 2023 and the full year report published by end March 2023.

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Share trading

FFX has been in suspension since 29 June 2022 initially at the request of the Company to provide an update on operations and performance at the Morila Gold Mine and thereafter to allow the Company to finalise a funding plan for Morila, which was ultimately unsuccessful. Separately to the requests of the Company for voluntary suspension ASX Listing Rule 17.5 provides that a company's securities will be suspended for failure to comply with periodic reporting obligations. As noted above, the Company is working with its auditor to prepare and publish the audit reviewed half year accounts for the six months ending 30 June 2022 which are currently outstanding after which, it will release its full year audited accounts. Once the Company is up to date with its periodic reporting obligations, it will then engage with ASX as a priority regarding the suspension of the Company's securities and the on-going requirements for quotation on ASX, including taking into consideration FFX no longer funding the Morila Gold Mine. The Board remains mindful of shareholders' desire to realise any retained value in FFX shares they hold.

Cost savings

As previously announced the Company has taken immediate steps to reduce overheads in order to preserve cash and value for FFX shareholders. These include but are not limited to the following;

- Agreement by the Managing Director to a 20% salary reduction¹
- Reduction in Directors' fees²
- Termination of technical and mine staff in the Perth office
- Planning to sublease the Perth office

Other corporate priorities

As previously reported, the Company is continuing to liaise with Morila SA and local authorities regarding the possible mitigation of the impact of the decision to cease funding the Morila Gold Mine, on the mine workers and the local community. This said, there is present and real risk that Morila SA may be forced into insolvency now that FFX has ceased its funding. This decision rests with the CEO of Morila SA. FFX's desire remains that a new owner for the Morila Gold Mine will be found in the immediate term, and one who is suitably funded to service Morila SA's immediate cash needs, maintain operations, and see the project reach its full potential for the benefit of all stakeholders.

Again, I'd like to express the Board's gratitude for the patience of shareholders. Now that we have a clear path forward, we will continue to devote all our efforts to achieving the best possible outcome for shareholders.

Scott Lowe
Managing Director

This announcement has been approved for release to the ASX by the Board.

¹ The Managing Director Scott Lowe has agreed to reduce the monthly salary by 20% effective 1 December 2022, with no change to termination provisions which remain based on original salary. No termination decision will be made prior to 31 March 2023.

² The Board of Directors have agreed to reduce the fees payable to Directors as follows: (i) all committee fees cease being paid from 1 December 2022; and (ii) from 1 January 2023:

- (a) Chairmans Fee reduces from \$160,000 to \$80,000,
- (b) Non-Executive Directors Fees reduced from \$95,000 to \$60,000