

12 July 2022

Ms Nikki Ciavatta
Adviser, Listings Compliance (Perth)
ASX Limited
Level 40, Central Park
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By email: Nikki.Ciavatta@asx.com.au
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Dear Nikki

Response to “Firefinch Limited (‘FFX’): Aware Query”

We refer to your letter dated 5 July 2022 (**Letter**). Capitalised terms used in this letter have the meaning given in your Letter unless otherwise defined. Set out below is the response of Firefinch Limited (ABN 11 113 931 105) (**FFX**) to each of the questions in the Letter.

1. *Did FFX consider the Calendar Year Production Target to be information that a reasonable person would expect to have a material effect on the price or value of its securities?*

Yes, subject to the comments regarding materiality in response to question 5.2 below.

2. *If the answer to question 1 is “no”, please advise the basis for that view.*

Not applicable.

3. *At the time FFX reaffirmed its Calendar Year Production Target in May 2022, was FFX aware of any information which suggested it may not meet its Calendar Year Production Target? In answering this question, please comment on the impact (if any) of the ECOWAS sanctions at the time FFX reaffirmed its Calendar Year Production Target.*

No. FFX was not aware of any information that suggested that it may not meet the Calendar Year Production Target on or before 1 May 2022.

The ECOWAS Sanctions were imposed on 9 January 2022. From that date, FFX was aware that the sanctions could cause the delivery of new plant and equipment to be delayed by being held in ports of origin, and transfer ports. FFX therefore put in place various strategies to mitigate the effect of such delays, including the engagement of an additional local contractor that was not linked to an ECOWAS jurisdiction and requiring existing contractors to deploy additional local plant and equipment.

As a result of these mitigation strategies, at the time FFX reaffirmed its Calendar Year Production Target, FFX did not consider that the ECOWAS Sanctions were having a material impact on production. Additionally, FFX had an expectation that the ECOWAS Sanctions would cease in the short term, and any production shortfall would be recovered prior to the end of 2022. The ECOWAS Sanctions were lifted on 3 July 2022.

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3.1. *If the answer to question 3 is “yes” please provide details.*

Not applicable.

4. *As FFX only produced approximately 13,300 ounces of gold at Morila during the June 2022 quarter compared to the June Quarter Production Target of 17,000-20,000 ounces, when did FFX become aware of issues impacting production at Morila for the June 2022 quarter such that FFX was unlikely to meet the June Production Target?*

FFX became aware that the Morila mine was experiencing material operational underperformance relative to budget on 24 June 2022 when the board of FFX received a weekly report on the operation of the Morila Gold Mine which contained production data up to 19 June 2022 (**24 June Report**).

The previous weekly operational report (received on 17 June 2022), which contained production data up to 12 June 2022, indicated that the mine and plant team were confident of production in June. Consistent with usual process for commissioning and ramp-up activities, FFX’s expectations for June monthly production were greater than the monthly production targets for April and May and therefore the June Quarterly Production Target was more heavily reliant on gold production in the month of June.

On Saturday 25 June 2022 a Board meeting was convened for the evening of Sunday 26 June 2022 to consider the contents of the 24 June Report and other information regarding the financial position and operating performance of the company requested from management in Mali and provided over the weekend. Having considered all this information, the Board determined that it was appropriate to request a trading halt prior to the commencement of trading on 27 June 2022 pending the preparation of an appropriate announcement.

5. *If FFX became aware of issues impacting its June Quarter Production Target before the time it requested the Trading Halt, did FFX make any announcement prior to the relevant date, which disclosed that information?*

No.

5.1. *If the answer to question 5 is “yes” please provide details.*

Not applicable.

5.2. *If the answer to question 5 is “no” please explain why the information was not released to the market at an earlier time, commenting specifically on when you believe FFX was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps FFX took to ensure that the information was released promptly and without delay.*

FFX did not release an announcement concerning the matters identified above prior to entering into trading halt on 27 June 2022 because FFX was not aware that the measures it had implemented to mitigate equipment availability and contractor productivity were no longer proving successful (such that FFX was unlikely to meet the June Production Target) until the FFX board received and had the opportunity to consider the 24 June Report.

FFX considers that it was only obliged to release this information after becoming aware that the production issues were likely to cause FFX to materially miss the June Production Target. Given the Morila project is in a ramp-up phase, a small deviation from a quarterly production target is considered unlikely to have a material effect on the price or value of FFX securities. FFX only became aware of the potential magnitude of the underperformance following receipt of the 24 June Report and having had the

opportunity to consider this report and other material prepared by management at the Board meeting on 26 June 2022.

At the first opportunity after becoming aware of these issues, FFX requested that its securities be placed into a trading halt pending release of the Operations Update Announcement. It released the Operations Update Announcement on 4 July 2022.

6. *Please provide details regarding the time and date that FFX first became aware of:*

6.1. *The ECOWAS Sanctions;*

As noted above in response to question 3, FFX became aware of the imposition of sanctions by ECOWAS (Economic Community of West African States) on the State of Mali on or around 9 January 2022.

6.2. *The equipment availability issues mentioned in the Operations Update Announcement;*

FFX's mining services contractor responsible for the Morila and Satellite Pit Mining Services had procured new equipment to be delivered to the Morila Gold Mine on or around December 2021, but the delivery of such equipment was delayed due to the imposition of the ECOWAS Sanctions.

FFX was aware since around February 2022 that the contractor had been using older equipment that tended to go offline or require unscheduled maintenance more frequently than would ordinarily be expected of new equipment.

FFX has taken various measures to compensate for underperformance of its contractor and the delayed delivery of the new equipment, including:

- (a) mobilising a new contractor and a separate mining fleet to operate at the Viper satellite pit;
- (b) requiring existing contractors to deploy additional plant and equipment to address any inefficiencies; and
- (c) initiating commercial action in accordance with the mining contract.

These measures had proven generally effective at mitigating the impact of the ECOWAS Sanctions and resulting equipment availability issues on operations at Morila. As noted above in response to question 4, it was only upon receipt of the 24 June Report that FFX first became aware that these measures were becoming less effective and that the June Quarter Production Target may not be achieved.

6.3. *The impact of the ECOWAS Sanctions; and*

FFX was aware in January 2022 that the ECOWAS Sanctions had caused the delivery of new plant and equipment to be delayed due to such items being held in ports of origin, and transfer ports. FFX had put in place various strategies to mitigate the effect of such delays, as set out in the response to question 6.2 above.

As noted above, FFX became only aware that the steps it had taken to mitigate the impact of the equipment availability issues were becoming less effective upon receipt and consideration of the 24 June Report.

6.4. *That FFX was unlikely to meet its June 2022 Production Target.*

On 26 June 2022, once the board having the opportunity to consider the 24 June Report and other information provided by management. Please refer to the response to question 4 for further details.

In answering the above questions, 6.1 to 6.4 (inclusive), please specifically reference any written or unwritten information that FFX was in receipt of which caused it to become aware.

7. If FFX first became aware of any of the matters listed above in paragraphs 6.1-6.4 (inclusive) before the time it requested the Trading Halt:

7.1. Did FFX make any announcement prior to the relevant date, which disclosed any of that information?

Yes, in relation to the ECOWAS Sanctions. No otherwise.

7.2. If the answer to question 7.1 is “yes”, please provide details addressing each item separately.

FFX made an announcement on 12 January 2022, noting that it was monitoring developments in Mali following the imposition of the ECOWAS Sanctions and that “operations at the Morila Gold Mine are continuing as normal with no immediate impact to production, supply or the safety and security of employees and contractors.” This information was released promptly and without delay after FFX became aware of the ECOWAS Sanctions.

7.3. If the answer to question 7.1 is “no”, please explain why the information was not released to the market at an earlier time, commenting specifically on when you believe FFX was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps FFX took to ensure that the information was released promptly and without delay. In your answer, please address each point separately.

Unplanned disruptions to plant or equipment operation are ordinary occurrences in the mining industry, particularly in circumstances where the relevant plant is in a commissioning phase. By themselves, the equipment availability issues were not significant enough to be information that a reasonable person would expect to have a material effect on the price or value of FFX’s securities. In any event, at the time of becoming aware of the equipment availability issues, this information was itself insufficiently certain to warrant disclosure, including because:

- (a) FFX expected that the effect of the equipment availability issues could be appropriately mitigated through the various measures referred to in response to question 6.2 above; and
- (b) the effect of the equipment availability issues, including in relation to FFX’s ability to meet its June Quarter Production Target and Calendar Year Production Target was uncertain and could not be accurately forecast until the June 24 Report made it clear that the measures implemented by FFX were no longer successful in mitigating the impact of the equipment availability issues and the delays in receiving the new equipment.

FFX did not release an announcement concerning the matters identified above prior to entering into trading halt on 27 June 2022 because:

- (a) individually, the equipment availability issues and the delayed delivery of new mining equipment were not significant enough to be information that a reasonable person would expect to have a material effect on the price or value of FFX’s securities;
- (b) FFX had taken steps to mitigate the effect of these matters and, until receipt by the FFX board of the 24 June Report, had no reason to believe that these efforts had not been successful; and

- (c) FFX was not aware that the measures it implemented were no longer successful in mitigating the impact of the equipment availability issues and the delays in receiving the new equipment such that FFX was unlikely to meet the June Production Target until the FFX board received and had the opportunity to consider the 24 June Report.

On 26 June 2022 at a meeting of the board of FFX, FFX became aware that:

- (d) the combined impact of the equipment availability issues, the inability to address this issue in a timely fashion because of delayed delivery of new mining equipment and the cost pressures referred to in the Operations Update Announcement would require FFX to take actions to improve its working capital position as described in the Operations Update Announcement, including the implementation of comprehensive plan for cost saving at the Morila Gold Mine and the development of a new mine plan; and
- (e) the actions taken to improve FFX's working capital would mean that FFX's Calendar Year Production Target would not be met.

FFX requested a trading halt pending the release of the Operations Update Announcement before the commencement of trading on 27 June 2022 and promptly released the Operations Update on 4 July 2022 in which it withdrew the Calendar Year Production Target and disclosed that it did not meet the June Quarter Production Target. Please refer to the response to question 5.2 for further details concerning the June 2022 Production Target.

Please ensure all matters listed in paragraphs 7.1-7.3 (inclusive) are addressed in your response to either question.

8. *Please confirm that FFX is complying with the Listing Rules and, in particular, Listing Rule 3.1.*

FFX confirms it is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

9. *Please confirm that FFX's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of FFX with delegated authority from the board to respond to ASX on disclosure matters.*

Yes, FFX's responses to the questions above have been authorised and approved by the board of FFX.

Yours faithfully

Nathan Bartrop
Company Secretary

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5 July 2022

Reference: ODIN54650

Mr Nathan Bartrop
Company Secretary
Firefinch Limited
Level 3, 31 Ventnor Ave
West Perth WA 6005

By email: nbartrop@firefinchltd.com

Dear Mr Bartrop

Firefinch Limited ('FFX'): Aware Query

ASX refers to the following:

- A. FFX's announcement entitled 'Update on Mali situation' released on the ASX Market Announcements Platform ('MAP') on 12 January 2022, disclosing developments in Mali following the imposition of economic sanctions on Mali by the Economic Community of West African States ('ECOWAS') ('ECOWAS Sanctions') and the status of FFX's operations at the Morila Gold Mine, including amongst other disclosures, the following;
- (i) *"At this stage the Company can confirm that operations at the Morila Gold Mine are continuing as normal with no immediate impact to production, supply or the safety and security of employees and contractors. Site-based activities at the Goulamina Lithium Project have also continued unaffected."*
 - (ii) *"Firefinch will continue to monitor and provide updates as and when appropriate."*
- B. FFX's announcement entitled 'Morila Production Update and 2022 Plan' released on MAP on 12 April 2022, disclosing, amongst other things:
- (i) *"Strong production performance of 10,874 ounces was delivered for the first quarter of 2022, which is consistent with guidance of 10,000 to 11,500 ounces of gold";*
 - (ii) *"The Company maintains its guidance for calendar year of approximately 100,000 ounces of gold" ('Calendar Year Production Target');*
 - (iii) *"Forecast production for the remainder of the year is as follows... Q2 17,000 – 20,000 ounces of gold" ('June Quarter Production Target');* and
 - (iv) *"We are confident to maintain our 2022 production guidance for Morila at 100,000 ounces of gold and it is exciting to look forward to annualised production rates in H2 2022 in excess of 140,000 ounces."*
- C. FFX's announcement entitled 'Firefinch Investor Presentation – May 2022' released on MAP on 1 May 2022, in which FFX reaffirmed the Calendar Year Production Target ('May Investor Presentation').
- D. FFX's request for a trading halt in its securities released on MAP on 27 June 2022 pending an announcement by FFX in relation to an update to operational performance and production guidance of the Morila Gold Project ('Trading Halt').
- E. FFX's announcement entitled 'Operational Update' released on MAP on 4 July 2022 which disclosed the following ('Operations Update Announcement');
- (i) Morila June quarter production approximately 13,300 ounces of gold relative to guidance of 17-20,000 ounces of gold ('June Quarter Production Results');

- (ii) Full year production guidance withdrawn ('Withdrawal of Production Guidance'); and
- (iii) *"The underperformance relative to guidance has been largely due to poor equipment availability which has been exacerbated by the delayed delivery of additional mining equipment. This delay is a result of the Economic Community of West African States (ECOWAS) sanctions imposed on the State of Mali restricting the movement of goods. Consequently, production ramp up is behind schedule."* ('ECOWAS Sanction Impact on Production').
- F. The definition of "aware" in Chapter 19 of the Listing Rules, which states that:
- "an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity" and section 4.4 in Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B "When does an entity become aware of information."*
- G. Section 7.8 of Guidance Note 8 which provides:
- "Other financial forecasts (such as forecast sales or forecast operational or capital expenditure) published by entities, and exploration and production targets published by mining or oil and gas entities, can raise similar considerations to earnings guidance. As forward-looking statements, these must be based on reasonable grounds or else they will be deemed to be misleading, with all the significant legal consequences that entails. For this reason, appropriate due diligence needs to be applied to their preparation and the underlying figures and assumptions should be carefully vetted and signed off at a suitably senior level before they are released.*
- If an entity becomes aware that its financial results will differ materially (downwards or upwards) from any financial forecast it has published, or that its exploration or production results for a period will differ materially (downwards or upwards) from any target it has published, it may have a legal obligation to notify the market of that fact. This obligation may arise under Listing Rule 3.1 and section 674 if the difference is of such a magnitude that a reasonable person would expect it to have a material effect on the price or value of the entity's securities. It may also arise under section 1041H, because failing to inform the market that its published forecast or target is no longer accurate could constitute misleading conduct on its part."*
- H. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.
- "3.1A Listing rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:*
- 3.1A.1 One or more of the following applies:*
- It would be a breach of a law to disclose the information;*
 - The information concerns an incomplete proposal or negotiation;*
 - The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
 - The information is generated for the internal management purposes of the entity; or*
 - The information is a trade secret; and*
- 3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and*
- 3.1A.3 A reasonable person would not expect the information to be disclosed."*

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- I. ASX's policy position on the concept of "confidentiality", which is detailed in section 5.8 of Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 – 3.1B. In particular, the Guidance Note states that:

"Whether information has the quality of being confidential is a question of fact, not one of the intention or desire of the listed entity. Accordingly, even though an entity may consider information to be confidential and its disclosure to be a breach of confidence, if it is in fact disclosed by those who know it, then it ceases to be confidential information for the purposes of this rule."

Request for information

Having regard to the above, ASX asks FFX to respond separately to each of the following questions and requests for information:

1. Did FFX consider the Calendar Year Production Target to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
2. If the answer to question 1 is "no", please advise the basis for that view.
3. At the time FFX reaffirmed its Calendar Year Production Target in May 2022, was FFX aware of any information which suggested it may not meet its Calendar Year Production Target? In answering this question, please comment on the impact (if any) of the ECOWAS sanctions at the time FFX reaffirmed its Calendar Year Production Target.
 - 3.1 If the answer to question 3 is "yes" please provide details.
4. As FFX only produced approximately 13,300 ounces of gold at Morila during the June 2022 quarter compared to the June Quarter Production Target of 17,000-20,000 ounces, when did FFX become aware of issues impacting production at Morila for the June 2022 quarter such that FFX was unlikely to meet the June Production Target?
5. If FFX became aware of issues impacting its June Quarter Production Target before the time it requested the Trading Halt, did FFX make any announcement prior to the relevant date, which disclosed that information?
 - 5.1 If the answer to question 5 is "yes" please provide details.
 - 5.2 If the answer to question 5 is "no" please explain why the information was not released to the market at an earlier time, commenting specifically on when you believe FFX was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps FFX took to ensure that the information was released promptly and without delay.
6. Please provide details regarding the time and date that FFX first became aware of:
 - 6.1 The ECOWAS Sanctions;
 - 6.2 The equipment availability issues mentioned in the Operations Update Announcement;
 - 6.3 The impact of the ECOWAS Sanctions; and
 - 6.4 That FFX was unlikely to meet its June 2022 Production Target.

In answering the above questions, 6.1 to 6.4 (inclusive), please specifically reference any written or unwritten information that FFX was in receipt of which caused it to become aware.
7. If FFX first became aware of any of the matters listed above in paragraphs 6.1-6.4 (inclusive) before the time it requested the Trading Halt:
 - 7.1 Did FFX make any announcement prior to the relevant date, which disclosed any of that information?
 - 7.2 If the answer to question 7.1 is "yes", please provide details addressing each item separately.

7.3 If the answer to question 7.1 is “no”, please explain why the information was not released to the market at an earlier time, commenting specifically on when you believe FFX was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps FFX took to ensure that the information was released promptly and without delay. In your answer, please address each point separately.

Please ensure all matters listed in paragraphs 7.1-7.3 (inclusive) are addressed in your response to either question.

8. Please confirm that FFX is complying with the Listing Rules and, in particular, Listing Rule 3.1.
9. Please confirm that FFX’s responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of FFX with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **12:00 PM AWST Tuesday, 12 July 2022**. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, FFX’s obligation is to disclose the information ‘immediately’. This may require the information to be disclosed before the deadline set out in the previous paragraph and may require FFX to request a trading halt immediately.

Your response should be sent to me by e-mail at **ListingsCompliancePerth@asx.com.au**. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in FFX’s securities under Listing Rule 17.1. If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Suspension

If you are unable to respond to this letter by the time specified above, ASX will likely suspend trading in FFX’s securities under Listing Rule 17.3.

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Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to FFX's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 – 3.1B. It should be noted that FFX's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Release of correspondence between ASX and entity

We reserve the right to release a copy of this letter, your reply and any other related correspondence between us to the market under listing rule 18.7A.

Questions

If you have any questions in relation to the above, please do not hesitate to contact me.

Yours sincerely

Nikki Ciavatta
Adviser, Listings Compliance (Perth)