

Letter to Shareholders

Dear Shareholders

On 14 December 2022, I wrote to shareholders of Firefinch Limited (“the Company” or “FFX”) with a business update. The letter provided details of the Company’s assets as at December 2022 and outlined plans for a strategic review process that involved inviting suitable bidders to submit proposals to the Company that are designed to deliver compelling value and liquidity to the Company’s shareholders (the “Process”). The letter also included statements relating to half yearly and annual audit and accounts for 2022, share trading, cost savings and the Company’s intentions regarding Morila SA and the Morila Gold Mine.

The letter noted that the Company would provide an update to Company shares in March 2023. The purpose of this letter is to provide a further update regarding these matters.

Strategic process

The Board is pleased to advise that it has received a number of non-binding indicative proposals, which the Board has considered together with the assistance of Treadstone Resource Partners. The Board considers that these proposals are sufficiently robust to warrant continued negotiation and discussion with the bidding parties.

The Board is of the view that there is reasonable potential for a binding agreement to be reached with the successful bidder that is in the best interests of Company shareholders and stakeholders, which is expected to result in the delivery of both value and liquidity. However, there is no guarantee that a definitive transaction will be agreed with the relevant bidder and the Company will update the market in due course.

Process timing

The process is now entering the next phase and the Board will update shareholders in Q2 CY23 regarding the progress towards a binding transaction.

However, the Board notes, that consistent with the ordinary course of standard commercial practice, discussions and negotiations may fail to deliver an agreement that adequately benefits FFX shareholders and stakeholders. If it becomes apparent that there are no reasonable prospects of a successful transaction within a suitable timeframe, then the Company will terminate the Process and look to return a majority of its current cash to FFX shareholders as soon as possible thereafter. Following the return of majority of the current cash to shareholders FFX will then distribute all Leo Lithium Limited (“LLL”) shares currently held to FFX shareholders when they are released from the escrow in June 2024 as per ASX requirements.

Half yearly and annual audit and accounts 2022

The Company is close to completing both its half year accounts for the six months ending 30 June 2022 and full year accounts for the year ending 31 December 2022. These accounts are being reviewed and audited respectively by PwC. The Company plans to release these reports by 31 March 2023.

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Assets

The Company's current material assets as at 20th March 2023 are cash of approximately A\$36.8m and shares in LLL valued at approximately A\$96m based on share price 20th March 2023. 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.

Cost savings

As previously announced, the Company took immediate steps to reduce overheads in order to preserve cash and value for FFX shareholders. While the Board is pleased to report that overhead costs have been drastically reduced, the Company notes it has continued to incur costs associated with the disposal of Morila and the Process, however these have been kept to a minimum.

Societe des Mines de Morila ("Morila SA")

Since the 14 December 2022 letter to shareholders, and following the Company's decision to cease funding Morila SA, a search has been underway to find a new owner for the Morila Gold Mine with the desire that the Morila Gold Project under a new owner reaches its full potential for the benefit of all stakeholders.

As at the time of this letter, the Company is in advanced discussions relating to a potential transaction for a sale of its 80% interest (the total equity interest held by the Company) in Morila SA for a nominal consideration.

Looking ahead

The Board remains mindful of FFX shareholders' desire to realise any retained value in FFX shares they hold. Once again, the Board thanks FFX shareholders and stakeholders for their patience and continued support. This has been an extremely challenging period for all concerned. However, the Board remains of the view that the decisions taken by the Company in November 2022, and the processes it has undertaken since that time, have created the opportunity to maximise value for FFX shareholders.

The Board remains committed to devoting all of its efforts to achieving the best possible outcome for FFX shareholders and stakeholders. During the next quarter, the Board's critical objectives will remain delivering liquidity and value for FFX shareholders, and finding a new owner for Morila that will create a positive future for employees, the community and the people of Mali.

Scott Lowe
Managing Director

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

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This announcement contains certain "forward-looking statements". The words "expect", "anticipate", "estimate", "intend", "believe", "guidance", "should", "could", "may", "will", "predict", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Forward-looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies that are subject to change without notice and involve known and unknown risks and uncertainties and other factors that are beyond the control of the Company, its directors and management. This includes statements about market and industry trends, which are based on interpretations of current market conditions.

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