
OPERATIONAL UPDATE

- **Morila June quarter production approximately 13,300 ounces of gold relative to guidance of 17-20,000 ounces of gold. Full year production guidance withdrawn**
 - **Production underperformance primarily due to poor equipment availability, in part due to ECOWAS sanctions. Equipment now arriving at site which will alleviate operational pressures**
 - **Changes have been made to the mine plan resulting in an immediate improvement in productivity at the Morila Super Pit**
 - **Cost saving initiatives implemented, and financial controls enhanced**
 - **Upgrade to Morila Resource and Reserve estimate anticipated during the September quarter**
 - **Updated resource and reserve estimate will feed into a new mine plan, production and cost outlook and forward capital requirements**
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Firefinch Limited (**ASX: FFX**) (**Firefinch** or **the Company**) provides the following update for its Morila Gold Mine (**Morila**).

Operational Performance

Production for the June quarter is estimated to be approximately 13,300 ounces of gold. This compares to previous guidance of 17-20,000 ounces of gold.

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.

Cost Pressures

In common with many others in the global gold sector, Firefinch has experienced significant cost pressures in the last quarter. This has included material increases in diesel prices, the cost of explosives and other consumables.

The weakness in the A\$/US\$ exchange rate has also impacted on A\$ denominated funding provided to Morila by Firefinch.

At the request of the Government of Mali, Firefinch, in tandem with other local miners, has suspended the offset of royalties and certain taxes against its Value Added Tax (**VAT**) credit claims to assist the Government with meeting the challenges of the ECOWAS sanctions.

Following the events outlined above, Firefinch advises that the 2022 calendar year production guidance announced on 12 April 2022 in relation to Morila, is withdrawn. Updated production guidance will be provided when available.

Immediate Actions

Combined, these factors have led to a reduction in Firefinch's working capital position, prompting the following actions to increase gold production and improve cashflow:

- Mining (largely pre-stripping) at the N'Tiola Satellite pit will cease after extraction of available ore on the pit floor;
- The N'Tiola mining fleet is being relocated to the Viper pit and mining equipment from Viper has been relocated to the Morila Super Pit resulting in a single mining contractor and larger fleet at each site;
- A new mine plan is being designed to target 8,000 - 9,000 ounces of gold production per month in the short term and to move the operation to positive operating cashflow;
- Capital projects, including tailings repatriation, tailings dam construction and exploration drilling have been put on hold in the short term;
- A comprehensive plan for immediate cost saving at Morila is being implemented;
- A new regime of financial and operational controls has been instigated at Morila to ensure strict cost and commitment control;
- The company has resumed offsetting its royalty and certain tax payments against its VAT credit;
- Experienced operational and financial managers have recently been appointed to key roles at Morila to bolster the existing team and drive the planned ramp up in production; and
- The Board has been reduced in size with two recent appointments resigning and Dr Michael Anderson leaving by mutual agreement. Mr Andrew Taplin has been appointed Acting Chief Executive Officers and Dr Alistair Cowden has been appointed Executive Chairman.

Forward Plan

A review of operations, mine plan and schedule and capital and operational expenditures is well underway. An updated production guidance will be provided when the review is completed.

New mining equipment is now arriving at site and the Company has been advised that more equipment is now enroute. A material improvement in mining productivity is expected to follow and material movements have already improved since the mining fleet at the Morila Super Pit was expanded.

In the September quarter, the Company expects to release the following updates:

- Recent drilling results;
- Updated near term production plan;
- A likely material upgrade to the Morila Resource Estimate incorporating almost 40,000 metres of drilling over the last 9 months;
- An update to Ore Reserve Estimates based on the new Resource Estimate;
- A new Life of Mine Plan, production schedules and mining strategy including bringing forward underground mining in the mine plan; and
- Capital investment profile required to continue to expand production to a long term sustainable and profitable operation.

Financial Position

At 30 June 2022, Firefinch had approximately A\$35.8 million in cash and US\$3.6 million in shipped gold bullion with funds receivable mid-July. In addition, Morila has two overdraft facilities with West African banks with undrawn limits of approximately US\$4.4 million. Morila also has approximately US\$25 million in VAT credits available to offset future royalty and certain tax payments as they are incurred. This is in addition to its 20% shareholding in Leo Lithium which has a current market value of approximately A\$124.6 million¹, 88% of this shareholding is subject to a two-year mandatory escrow.

The Company is in discussion with a number of parties on potential financing measures to address the Company's current working capital position.

Further updates will be provided in due course.

Firefinch Executive Chairman, Dr Alistair Cowden, said:

"A confluence of events, including cost inflation, ECOWAS sanctions and contractor performance has resulted in underperformance at Morila. The Board has acted decisively to address this with management changes, cost cutting, a pivot in the mining strategy and the acceleration of a new mine plan to inform the way ahead. I also want to make it clear that the orebody has not underperformed, rather production has not ramped up as fast and as cost effectively as planned. Morila is a world-class gold deposit with extensive operational infrastructure and which has produced over 7.5 million ounces of gold and has a current resource of 2.5 million ounces². This asset, together with our stake in Leo Lithium, provides a solid underpinning to the Company."

This announcement has been approved for release by the Board of Firefinch Ltd.

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¹ Based on the closing price of Leo Lithium Limited shares on 1 July 2022

² Refer Appendix 1 and ASX Announcement 31st March 2022

Appendix 1: Mineral Resources for the Morila Gold Project

Deposit	Indicated			Inferred			Total		
	Tonnes (millions)	Grade (g/t)	Ounces ('000)	Tonnes (millions)	Grade (g/t)	Ounces ('000)	Tonnes (millions)	Grade (g/t)	Ounces ('000)
Morila Pit ¹	21.2	1.60	1,090	17.5	1.37	770	38.6	1.50	1,860
Morila NE ²				0.21	3.07	21	0.21	3.07	21
Samacline ²				3.74	2.56	308	3.74	2.56	308
Morila Pit 5 ^{3,4}	0.40	0.92	12	0.14	1.14	5	0.54	0.98	17
N'Tiola ^{3,4}	2.55	1.03	84	0.35	1.04	12	2.90	1.04	96
Viper ³	2.47	1.16	92	0.75	1.10	27	3.23	1.15	119
Domba ⁵	0.20	1.75	11	0.25	1.61	13	0.46	1.67	25
Koting ⁴	0.65	1.04	22	0.28	0.94	8	0.93	1.01	30
Total	27.45	1.49	1,313	23.17	1.56	1,160	50.62	1.52	2,474

¹ The Morila Pit resource is quoted using a 0.4g/t gold cut-off grade, refer ASX Announcement 8th February 2022.

² The Samacline and Morila NE resources are quoted using a 1.8g/t gold cut-off grade, refer ASX Announcement 8th February 2022.

³ The N'Tiola, Viper, Pit 5 and Koting resources are quoted above cut-off grades based on current costs (0.35 – 0.5g/t), refer ASX Announcements 3rd May 2021 and 25th March 2022.

⁴ The Viper and Pit 5 resources have been depleted for mining as at 31 December 2021.

⁵ The Domba resource is quoted using a 0.5g/t gold cut-off grade, refer ASX Announcement 24th November 2020.

NB Numbers in the above table may not appear to sum correctly due to rounding.

The Company confirms that it is not aware of any new information or data that materially affects the Mineral Resources. The Company also confirms that all material assumptions and parameters underpinning the Mineral Resource estimates continue to apply and have not materially changed.