
2020 Annual Report, Appendix 4G and Corporate Governance Statement

Firefinch Limited is pleased to release its 2020 Annual Report together with the Appendix 4G and Corporate Governance Statement.

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

Dr Alistair Cowden
Executive Chairman
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ABOUT FIREFINCH

Firefinch is a Mali focussed gold miner and lithium developer. It has an 80% interest in the Morila Gold Mine which has produced 7.5 million ounces of gold since 2000. Firefinch is ramping up production at the 4.5mtpa mill and mine from a current annual production profile of 40,000 ounces of gold per annum from tailing treatment towards a target of 70 to 90,000 ounces of gold per annum through mining of small open pits, stocks and tailings from mid 2021. In 2022, the company plans to further increase production to target 150,000 to 200,000 ounces of gold per annum by re-commencing mining from the main Morila pit to fully exploit the 2.35 million ounces of gold in the Global Resource at Morila. (Measured: 3.15 million tonnes at 0.5g/t gold, Indicated: 22.80 million tonnes at 1.59g/t gold and Inferred: 22.23M million tonnes at 1.58g/t gold). A production target of 150,000 to 200,000 ounces of gold per annum has been set by the Company.

Morila was one of the world's highest grade open pits 12 to 20 years ago but its limits are not well understood. Exploration is a major focus at Morila, its satellite resources and multiple targets on the 685km² of surrounding tenure.

The Goulamina Lithium Project is one of the world's largest undeveloped deposits and has the potential to be one of the lowest cost producers. All permits are in place, a Definitive Feasibility Study is complete and a Global Resource of 109 million tonnes at 1.45% Li₂O with 1.57 million tonnes of contained Li₂O has been declared comprising, 8.4Mt at 1.57% Li₂O in the Measured category, 56.2 Mt at 1.48% Li₂O in the Indicated category and 43.9Mt at 1.45% Li₂O in the Inferred category. Firefinch intends to demerge Goulamina into a new ASX listed Company and is conducting a process to investigate partnering, offtake and financing options for the Project.

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 8 July 2020 and 20 October 2020 (Goulamina), 31 August 2020, 8 January 2021, 8 February 2021 and 9 February 2021 (Morila), 7 September 2020 (Morila Tailings), 24 November 2020 (N'Tiola, Viper, Domba), 8 January 2021 (Gold Production) and 22 January 2021 (N'Tiola).



FIREFINCH

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2020 Annual Report

31 December 2020

Corporate Directory

Directors

Dr Alistair Cowden	Chairman
Dr Michael Anderson	Managing Director
Mr Mark Hepburn	Non-Executive Director
Mr Brendan Borg	Non-Executive Director
Mr Brett Fraser	Non-Executive Director
Mr Bradley Gordon	Non-Executive Director

Company Secretary

Mr Eric Hughes	Chief Financial Officer and Company Secretary
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Registered Address and Principal Place of Business

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Share Registry

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Telephone: 1300 850 505 (investors within Australia)
Telephone: +61 (0)3 9415 4000
Email: web.queries@computershare.com.au
Website: www.investorcentre.com

Auditors

PricewaterhouseCoopers, Brookfield Place, Level 15, 125 St Georges Terrace, Perth WA 6000

Securities Exchange

Australian Securities Exchange, Level 40, Central Park, 152-158 St Georges Terrace, Perth WA 6000
Telephone: 131 ASX (131 279) (within Australia)
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Facsimile: +61 (0)2 9227 0885
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ASX Code: [FFX](#)

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Chairman's Letter

Fellow Shareholders,

It has been a remarkable year seeing your Company transformed.

This time last year, the outlook for companies with lithium assets was challenging. Lithium markets had deteriorated, mines failed and production was cut back. We responded by cutting costs, reducing the Board and asking Board and management to defer and/or reduce salaries and fees.

I flagged in my letter last year that we would focus on taking Goulamina through Definitive Feasibility Study (DFS) and pivot our attention to our gold assets. And that is what we did.

The Company continued with the Goulamina Definitive Feasibility Study (DFS) in a low-key manner, preserving a unique asset, an asset we knew its day would come.

We leveraged our relationship with Barrick, then owners of the Morila gold mine adjacent to our Massigui Gold Project and purchased the Morila mine for US\$29.7 million. To do this we raised A\$74 million from shareholders and new investors.

The asset was transformational. Firefinch is now a gold producer with over 200 employees and 400 contractors in Mali. Incredible progress has been made. Your team has defined a 2.35-million-ounce resource at Morila, has largely refurbished the processing plant and tailings dam, and is nearing completion of a Life of Mine Plan which is targeting sustained 150,000 to 200,000 ounces per annum of gold production.

The world is an unpredictable place and, despite the pandemic, after we completed the Morila acquisition, lithium markets and the new energy economy took off. Goulamina was now very attractive to markets. So, the board had to be nimble and re-set, once again, in order to deliver on its mission of generating maximum value for shareholders.

Following completion of an outstanding DFS which confirmed Goulamina as one of the world's best undeveloped hard rock lithium deposits, a search began for an investment bank with a strong track record in value realisation. Firefinch partnered with Macquarie Capital who will assist in securing a partner, financing, and offtake for Goulamina as well as advise on the demerger of the lithium and gold businesses into two separate, ASX-listed companies.

We believe the restructure (whereby shareholders will receive a pro rata distribution of shares in the new lithium company for nil consideration), in what is now a strong lithium market, is the optimal way to realise true value for shareholders.

The rapid transformation of the Company has allowed it to rebuild Board and Management capability and we are delighted to have attracted talent of such a high calibre.

Brett Fraser joined the Board, bringing his strong governance and African listed company experience as head of the audit committee. Whilst Bradley Gordon, who led an impressive transformation of LSE-listed Acacia Mining as CEO, brings his deep operational and mining experience in Africa, Australia and the Asia Pacific to Firefinch as Non-Executive Director.

We also have appointed Michael Anderson as Managing Director. Mike has benefited from his time at Taurus Funds Management, a \$2.5 billion Private Equity fund focussed on mining finance, where he led investment into numerous West African gold producers. Previously, as Managing Director of Exco Resources, Mike drove the company to a number of major achievements and delivered exceptional value to shareholders. Mike also has a PhD in Geology from Imperial College in London. I very much look forward to working with Mike as he leads the Company into a new era.

Chairman's Letter

I welcome the additions to senior management: Drissa Arama who, as General Manager, expertly guides the operations at Morila; Bill Oliver who was essential to uncovering the Morila opportunity and is Manager of Geology, and Andrew Taplin, our Chief Operating Officer.

I also want to thank Eric Hughes (CFO), Marc Rowley (Project Director), Walter Madel (Group Metallurgist) and Seydou Semega (Country Manager Mali) whose efforts and accommodation of the challenges brought by lack of funds in 2020 were essential to Firefinch's success with Morila and Goulamina.

I step back after a year as Executive Chairman with some pride, we have all the ingredients for success, great people, great assets and a good culture. There is a sense of excitement and momentum around your Company.

The organisation recognises its responsibilities to the Malian community and, on your behalf, I am personally very committed to ensuring Firefinch will make a difference to the lives of those in our host communities.

Finally, I want to thank you, the owners of this business. Many long-term holders strongly supported the acquisition of Morila with further investment. I understand the Company has had a colourful history but that is well behind us but Firefinch is essentially a new company, with new projects, new investors and a clear path to wealth creation; a Firefinch taking flight.

Sincerely



Dr Alistair Cowden

Executive Chairman

Review of Operations

INTRODUCTION

During the reporting period Firefinch Limited (the Company) announced and completed the acquisition of 80% of Société des Mines de Morila SA (Morila SA), owner of the Morila gold mine in Mali. The Morila mine has produced 7.5 million ounces of gold since 2000 and was one of the world's highest grade open pit gold mines. The exploitation license owned by Morila SA is contiguous with the Company's Massigui Gold project.

The Company also completed a Definitive Feasibility Study (DFS) for the Goulamina Lithium project (Goulamina) in Mali, which is one of the largest undeveloped lithium projects globally. Subsequent to the end of the reporting period the Company announced its intention to de-merge Goulamina into a new listed entity.

MORILA

The Company purchased its interest in the Morila Mine from Barrick Gold Corporation and AngloGold Ashanti, who each held and effective 40% interest in Morila SA with the State of Mali owning the remaining 20%. Barrick's ownership of Morila SA came about through its US\$18 billion merger with Randgold Resources (Randgold). In many ways the Morila Mine was the foundation of Randgold Resources as a gold producer as it generated the cashflow that enabled Randgold to pursue an aggressive growth strategy.

Morila has been producing gold continuously for 21 years and mining to December 2020 has delivered 62.18 million tonnes at 3.81 g/t gold for 7.62 million ounces of contained gold to the processing plant. In its early years the mine had the lowest cash costs in the world (US\$150 per ounce) and produced in excess of 1 million ounces of gold in one year (refer ASX Announcement 31 August 2020).

Some 21.3 million tonnes of tailings have been reprocessed giving a total gold production from mining and re-processing of 6.9 million ounces at an overall recovery 91% recovery.

Mining of the main Morila pit ceased in 2010, other than a limited cut back in 2014 when gold prices were US\$700 per ounce. There was open pit mining of three satellite pits in 2019. Extensive mineralisation was drilled outside the Morila pit but not pursued at low gold prices prevalent after mining at Morila ceased in favour of stockpile processing and tailings processing.

Morila has all the infrastructure required of a remote gold mining operation. The processing plant is a conventional Carbon in Leach (CIL) facility and commenced operating in 2000 with a throughput of up to 4.5 million tonnes per annum. Average gold recoveries were 91% when treating hard rock. The plant was upgraded in 2004 when a secondary crusher was added to increase throughput to the SAG mill and again in 2014 when the SAG mill was made redundant with the addition of tertiary crushing and screening. Additional capacity was also installed in the gravity gold, leach and CIL circuits. The plant remains in operation today treating tailings at a rate of 5.5 million tonnes per annum (refer ASX announcement 7 September 2020).

Following the announcement of the proposed acquisition of Morila on 31 August, the Company completed a capital raising of A\$74 million and completed all legal and financial processes necessary for the settlement of the transaction. A shareholder meeting was held on 23 October 2020 to ratify the transaction and the associated capital raising with completion occurring on 10 November 2020.

The mine is currently producing gold from hydraulic mining and re-treatment of tailings. A total of 7,683 ounces of gold were produced between the Company acquiring ownership of the Morila gold mine and 31 December 2020. The Company is on track to achieve its stated production guidance for Q1 2021 of 10,000 to 10,500 ounces of gold with production of 6,853 ounces of gold to 28 February 2021 (refer ASX Announcements 3 December 2020 and 8 January 2021).

The Mineral Resource for the Morila tailings as of 31 December 2020 was 3.15 million tonnes at 0.50g/t gold in the Measured category. The Mineral Resource is the basis for the remaining inventory which will

Review of Operations

support approximately 4 to 5 months of production from 1 April at an initial 420,000 tonnes per month production rate tapering down as open pit mining ramp up (refer ASX Announcements 7 September 2020 and 29 January 2021).

The Company plans to ramp-up production from the Morila gold mine in stages, with the next stage to add feed from open pit mining of the N'Tiola, Viper, Koting, Domba and Pit 5 deposits (or satellite deposits). To this end work since the acquisition has focused on drilling, estimating Mineral Resource estimation, mine design for these deposits. Prior to the commencement of drilling the combined Mineral Resources for the satellite pits was estimated to be 2.5 million tonnes at 1.38g/t gold for 113,000 ounces of contained gold in the Indicated and Inferred categories (refer ASX Announcement 24 November 2020).

Recently published drilling results for N'Tiola, Koting, Morila Pit 5 and Viper and are anticipated to materially increase Mineral Resources. Re-estimation of resources is in progress which will enable mine designs to be verified and completed. Dewatering of all satellite pits is in progress as well as other operational readiness activities. A tender process for the mining contractor for the satellite pits has been completed and the contract is likely to be awarded shortly.

To enable processing of ore from the satellite pits, multiple capital works programmes are being undertaken at the processing plant and the tailings dam. These projects are being funded by cashflow from the operations.

Major projects at the processing plant include:

- Refurbishment of the primary crusher and oxide crusher dump pockets.
- Civil works around the Primary Crusher retaining structures.
- Sandblasting and painting of the mill steel framework and identification of steelwork needing replacement.
- Replacement of corroded steelwork in process plant and plateworks in chutes etc.
- Refurbishment of laboratory buildings complete
- Civil works to install a temporary 10MW generator.
- Vendor inspection of crushers and mill

Projects at the Tailings Storage Facility (TSF) include:

- Establishment of short-term areas within tailings dam footprint to accept tailings.
- Water management modified to accommodate tailings deposition within the TSF.
- Refurbishment of main drains on tailing dam.
- Design of final tailings facility.

The final stage of the Morila ramp-up strategy will comprise the re-commencement of mining at the main Morila pit. The Company recently released a new Mineral Resource for the Morila deposit of 42.6 million tonnes at 1.6g/t gold for 2.2 million contained ounces of gold in the Indicated and Inferred categories informed by the existing database of 12,082 drillholes for over 483,000 metres of Reverse Circulation and diamond core drilling (refer ASX Announcement 8 February 2021). This Resource is currently the focus of mining studies to generate an Ore Reserve and mining schedule. The Company has declared a production target for the Morila operations of 150,000 – 200,000 ounces of gold per annum (refer ASX Announcement 9 February 2021).

The global Mineral Resources for the Morila gold project now stand at 2.35 million ounces of gold, being 48.3 million tonnes at 1.52g/t gold.

Review of Operations

Morila Gold Project Mineral Resources.

Deposit	Measured & Indicated ¹			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 ²	21.2	1.60	1,090	17.5	1.37	770	38.6	1.50	1,860
Morila NE ³				0.21	3.07	21	0.21	3.07	21
Samacline ³				3.74	2.56	308	3.74	2.56	308
Tailings ⁴	3.15	0.50	51				3.15	0.50	51
N’Tiola ⁵	0.75	1.35	33	0.38	1.06	13	1.13	1.25	45
Viper ⁵	0.67	1.31	28	0.29	1.59	15	0.96	1.39	43
Domba ⁵	0.20	1.75	11	0.25	1.61	13	0.46	1.67	25
Total	25.6	1.46	1,214	22.3	1.58	1,136	48.3	1.52	2,350

¹Of the Measured and Indicated Resources, the Tailings Mineral Resource is classified as Measured, all other resources in this column are classified as Indicated.

²The Morila pit resource is quoted using a 0.4g/t gold cut-off grade, further information in the announcement of 8 February 2021.

³The Samacline and Morila NE resources are quoted using a 1.8g/t gold cut-off grade, further information in the announcement of 8 February 2021.

⁴The Tailings resource is entirely in the Measured classification and is quoted using a 0.3g/t gold cut-off grade, further information in the announcement of 7 September 2020.

⁵The N’Tiola, Viper and Domba resources are quoted using a 0.5g/t gold cut-off grade, further information in the announcement of 24 November 2020.

⁶Numbers in the above table may not appear to sum correctly due to rounding.

GOULAMINA

During the reporting period the Company completed and published a DFS for Goulamina. The DFS confirmed that Goulamina is among the world’s highest quality lithium assets and will deliver a long life, large scale, low-cost open pit project.

Goulamina is one of the world’s best hard rock lithium assets for scale and cost of production when compared to current operations and prospective projects and delivers outstanding returns with a pre-tax NPV of A\$1.7 billion (refer ASX Announcement 20 October 2020). A key advantage is the quality of the 6% Li₂O spodumene concentrate (SC6) product, being high in grade and low in impurities. The project was shown to be simple and robust with high grades and low strip ratios enhancing profitability.

Key metrics of the DFS are:

Mineral Resources (M,I&I)	108.5 million tonnes at 1.45% Li ₂ O
Mine Life	23 years minimum
Ore Reserves (Proven and Probable)	52 million tonnes at 1.51 % Li ₂ O
Average Spodumene concentrate production	436,000 tonnes per annum
Concentrate specifications	6% Li ₂ O, <0.6% Fe ₂ O ₃ , low mica
Annual Mine throughput	2.3 million tonnes
Pre-tax NPV (8%) at \$666/tonne concentrate	Approx. A\$1.7 billion (US\$1.2billion)
Pre-tax IRR	55.8%
Capital Cost	US\$194 million
Cash Costs (Life of Mine)	US\$281 per tonne concentrate
All in sustaining cost (AISC) Years 1-5	US\$306 per tonne concentrate

Review of Operations

As part of the DFS Proven and Probable Ore Reserves were derived from Measured and Indicated Mineral Resources contained within the final pit design and scheduled to be processed through the planned processing facility. The Ore Reserve does not include any material classified as Inferred and Inferred Resources are not included in economic analysis.

The Ore Reserve is contained within an open pit containing 169 million tonnes of waste resulting in a waste to ore strip ratio of 3.3:1 with a total of 222 million tonnes of ore plus waste mined over the life of mine. Included in the waste material is 1.8 million tonnes of Inferred Mineral Resource which is not reported to Ore Reserves and is an opportunity to provide additional reserves with further drilling. The Ore Reserve is detailed in the table below and further details are contained in the ASX Announcement of 20 October 2020.

Goulamina Lithium Project Ore Reserves.

Proven			Probable			Total		
Tonnes (millions)	Grade (% Li ₂ O)	Tonnes Li ₂ O ('000)	Tonnes (millions)	Grade (% Li ₂ O)	Tonnes Li ₂ O ('000)	Tonnes (millions)	Grade (% Li ₂ O)	Tonnes Li ₂ O ('000)
8.1	1.55	125	44.0	1.50	660	52.0	1.51	785

¹ All resources are quoted above a 0% Li₂O cut-off due to the proposed method of mining and processing ("whole of ore"), further information in the announcement of 20 October 2020.

² Numbers in the above table may not appear to sum correctly due to rounding.

A Measured, Indicated and Inferred Mineral Resource Estimate for Goulamina of 108.5 million tonnes at 1.45% Li₂O was published during 2020 (refer ASX Announcement 8 July 2020). The resource represents a 48% uplift in Measured and Indicated resources compared to the previous Mineral Resource and is detailed in the table below.

Goulamina Lithium Project Mineral Resources.

Deposit	Measured			Indicated			Inferred			Total		
	Tonnes (millions)	Grade Li ₂ O %	Tonnes Li ₂ O ('000)	Tonnes (millions)	Grade Li ₂ O %	Tonnes Li ₂ O ('000)	Tonnes (millions)	Grade Li ₂ O %	Tonnes Li ₂ O ('000)	Tonnes (millions)	Grade Li ₂ O %	Tonnes Li ₂ O ('000)
Main	4.3	1.47	62	7.2	1.21	87	2.6	1.05	28	14.1	1.26%	177
Sangar I	0.6	1.69	33	19.3	1.61	311	11.9	1.54	183	31.8	1.66%	527
Sangar II				10.1	1.54	156	4.8	1.45	70	14.9	1.52%	226
West I	3.5	1.67	59	9.9	1.43	141	6.6	1.48	97	20.0	1.49%	297
West II				1.9	1.43	30						
Danaya				7.8	1.43	112	14.5	1.30	188	22.3	1.35%	300
Total	8.4	1.57	133	56.2	1.48	832	43.9	1.38	606	108.5	1.45	1,570

¹ All resources are quoted above a 0% Li₂O cut-off due to the proposed method of mining and processing ("whole of ore"), further information in the announcement of 8 July 2020.

² Numbers in the above table may not appear to sum correctly due to rounding.

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During the DFS, the Company commissioned a scoping study to evaluate the potential to further process spodumene concentrate to produce a lithium sulphate product. Lithium sulphate can potentially be sold directly to chemical manufacturers for conversion into lithium hydroxide or carbonate. Whilst there were some promising aspects to the study, it was clear that further work is required before this can be properly evaluated as a viable option. Planning and costing of these works has been progressed since the DFS was published.

The Company has appointed a consultant to engage with both the Goulamina and Mafele village leaders to identify projects to be undertaken in 2021 that will benefit the communities adjacent to the Goulamina project.

On 9 February 2021, the Company announced it intended to progress a demerger of Goulamina into a separate lithium focussed company which is expected to be listed on ASX (LithiumCo) in 2021, subject to shareholder and other required approvals, to realise the true value of Goulamina. On 2 March 2021, the Company announced that Macquarie Capital had been appointed to advise on funding, partnering opportunities, offtake and the demerger process for Goulamina.

CORPORATE

On 6 April 2020 the Company announced that the board of the Company would be reduced from 5 to 3, and the Company's strategy would change to focus on its gold assets. Mr Chris Evans resigned as Managing Director and left the Company on 6 April 2020. Mr Noel O'Brien also resigned at that time and was retained by the Company as a consultant for 3 months. Dr Alistair Cowden assumed the role of Executive Chairman.

The Company changed its name from Mali Lithium Limited to Firefinch Limited on 5 November 2020.

On 11 November 2020 Mr Brett Fraser joined the Firefinch board as Non-Executive Director and Mr Andrew Taplin was appointed as Chief Operating Officer.

Subsequent to the end of the period, Dr Michael Anderson was appointed as Managing Director and Dr Alistair Cowden will resume the role of Non-Executive Chairman. Mr Bradley Gordon was appointed as Non-Executive Director with effect from 6 April 2021.

Directors' Report

The Directors present their report for Firefinch Limited (Firefinch or the Company) and its subsidiaries (the Group) for the year ended 31 December 2020.

DIRECTORS

The following persons were directors of the Company during the financial year and up to the date of this report.

Dr Alistair Cowden	Non-Executive Chairman (<i>appointed 18 February 2019 – position change on 6 April 2020</i>), Executive Chairman (<i>appointed 6 April 2020</i>)
Dr Michael Anderson	Managing Director (<i>commencement 6 April 2021</i>)
Mark Hepburn	Non-Executive Director (<i>appointed 28 February 2019</i>)
Brendan Borg	Non-Executive Director (<i>appointed 14 November 2018</i>)
Brett Fraser	Non-Executive Director (<i>appointed 11 November 2020</i>)
Bradley Gordon	Non-Executive Director (<i>commencement 6 April 2021</i>)

Resignation

Chris Evans resigned as Managing Director effective 6 April 2020.

Noel O'Brien resigned as Non-executive Director effective 6 April 2020.

PRINCIPLE ACTIVITIES

During the year the principle continuing activities of the Group consisted of mineral exploration and evaluation in Mali West Africa. During the year the activities of the Group changed significantly with the acquisition of the Morila gold mine on 10 November 2020. The Morila gold mine is located in Mali, West Africa and is adjacent to existing exploration acreage.

FINANCIAL RESULTS

The Group made a profit for the year of \$1,043,816 (2019: \$3,504,280 loss). The net assets of the Group have increased by \$72,271,130 to \$99,393,236 at 31 December 2020 (2019: \$27,166,106).

As at 31 December 2020, the Group's cash and cash equivalents increased by \$13,469,882 to \$17,263,076 (2019: \$3,793,194) and had working capital of \$17,916,091 (2019: \$2,026,634 working capital).

Going concern

The continued viability of the Group and its ability to continue as a going concern and meet its debts and commitments as they fall due are dependent on the Group being successful in:

- The profitable production of gold dore from the current tailings treatment activities;
- Re-commence profitable mining of gold bearing ore from satellite pits;
- Re-commence mining of the Morila pit;
- Securing funding when and if it is required.

The Directors are satisfied that at the date of signing of the financial report, there are reasonable grounds to believe that the Group will be successful in these endeavours and the Group will be able to continue to meet its debts as and when they fall due. As a result, the Directors consider it appropriate for the financial statements to be prepared on a going concern basis.

Directors' Report

The following table represents the Company performance over the past five years.

	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018	Year ended 30 June 2017	Year ended 30 June 2016
Profit/ (loss) for the period, \$	1,043,816	(3,504,280)	(4,067,681)	(5,667,818)	(3,437,312)
Dividends paid, \$	nil	nil	nil	nil	nil
Net assets, \$	99,393,236	27,166,106	25,740,323	11,435,753	11,307,096
Share price, \$	0.175	0.097	0.164	0.640	0.328

CORPORATE

Dividends

There were no dividends paid or recommended during the year ended 31 December 2020 (2019: No dividends were paid or recommended).

Issue of securities

During the year the Company issued 464,559,119 fully paid shares.

On 9 September 2020, the Company announced it would issue shares to fund ongoing working capital commitments and the purchase of the Morila gold mine. This resulted in the issue of 464,205,095 shares at a price of \$0.16 per share to sophisticated investors and shareholders. In addition, 354,024 options with an exercise price of 15 cents were exercised during the year. The combination of these issues resulted in the Company having 781, 907, 231 fully paid shares and 31,064,913 options with an exercise price of 15 cents 15 cent on issue at 31 December 2020.

During the year the Company granted the total of 4,000,000 performance rights and 4,350,600 share rights to its employees and key management personnel.

EXTERNAL FACTORS AFFECTING GROUP RESULTS

Commodity prices

The Group's operating revenues are sourced from the sale of gold and to a much lesser degree, silver. These commodities are priced by external markets which are subject to fluctuation.

All sales of gold and silver dore since the acquisition of Morila gold mine on 10 November 2020 have been priced using the London AM Gold Fixing price. The pricing of the metal takes place after it is refined. Subject to a variety of factors, gold sales take place every two to three weeks.

Exposure to economic, environmental and social sustainability risks

The Group has potentially material exposure to economic, environmental, social and governance legislation, including, for example those matters related to climate change. Whilst the Group employs personnel to assist with the management of these risks, as a consequence of purchasing the Morila mine in November 2020, it intends to conduct a full review of these risks to ensure the appropriate resources and process is are in place to identify and manage these risks.

Directors' Report

COVID-19

On 11 March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. COVID-19 has had a significant negative and disruptive impact on societies, economies and financial markets worldwide. The Group is continuing to monitor developments relating to the COVID-19 pandemic, including the implementation of new local laws and regulations which may impact ongoing operations and ultimately the Group's future financial results. At this stage, the future financial impact, if any, of the COVID-19 pandemic is not able to be estimated.

Other factors and risks

- Operational factors including uncertain mine grades, mill performance and experience of workforce.
Contained metal [tonnes and grade] estimated annually and published in resource and reserve statements, however actual production in terms of tonnes and grade often varies as ore bodies can be complex or inconsistent.
- Exploration success or otherwise.
The reserves and resource base depletes as a result of mining, resulting in the ability to find or replace reserves resource is presenting a significant business risk.
- Operating costs including supply chain, Labour markets and productivity.
Supply chain issues can materially impact the productivity of an operation especially as a result of the location of the Group's operations. Labour is one of the main cost drivers in the business and as such can materially impact the productivity and profitability of an operation.
- Changes in government and / or legislation.
A rise in nationalism sentiment can present an operational risk to the Group. Fiscal policy changes can materially impact the profitability of the Group.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

On 10 November 2020, the Group completed the acquisition of an 80% interest in the Morila gold mine located in Mali, West Africa.

From the time of acquisition, the mine has mined tailings for re processing through existing infrastructure, producing gold dore for refinement and sale. This has transformed the Group from an exploration and evaluation Group to one with mining operations producing gold. The Morila mine abuts exploration tenements upon which the Group has previously identified gold prospects, some of which were previously sold to and processed through the Morila mine.

The Group raised approximately \$74 million with the issue of 464.2 million shares at \$0.16 each to fund the purchase of the 80% interest in the Morila mine and provide working capital.

During the year, the Group also completed and published a DFS on the Goulamina Lithium project also located in Mali, West Africa.

MATTERS SUBSEQUENT TO BALANCE DATE

A document called a partial assessment from the tax department of Mali (Assessment) was received by Morila SA in January 2021. The market was advised of the receipt of the partial assessment on 18 January 2021. The Assessment advises that the tax department disputes the amounts due in relation to various employment taxes, withholding taxes and VAT paid by, or claimed by Morila SA for the tax year ending 31 December 2017.

Directors' Report

The Group believes the assessment of employment tax, withholding tax, VAT and gold revenue is incorrect and has lodged an objection to the assessment with the tax authorities together with supporting documentation. The objection was prepared by the Group's tax advisers and peer reviewed by a legal firm prior to lodgement with the tax department.

On 8 February 2021, the Company announced an increase in the Indicated and Inferred Mineral Resource at Morila pit, increasing from 1.3 million ounces of contained gold to 2.2 million ounces of contained gold. The grade of the Mineral Resource increasing from 1.2 g/t gold to 1.6g/t gold resulting in a global resource for the entire Morila project increasing to 2.35 million ounces of contained gold. Full details of the Company's announcement can be found on the Company's web page.

On 9 February 2021, the Company announced that to realise the true value of the Goulamina Lithium project (Goulamina), the Company intends to progress a demerger of Goulamina into a separate lithium focussed company which is expected to be listed on ASX (Lithium Co) in 2021, subject to shareholder and other required approvals.

On 2 March 2021, The Company announced the appointment of Macquarie Capital (Australia) Limited to advise on funding, partnering opportunities, offtake and the demerger process for Goulamina.

On 10 March 2021, the Company announced the appointment of Dr Michael Anderson as Managing Director (with effect from 6 April 2021). Dr Cowden was appointed interim Executive Chairman after the resignation of the Company's previous Managing Director until a new Managing Director is appointed. Dr Cowden will return to his original role of Non-Executive Chairman from 6 April 2021.

On 22 March 2021, the Company announced the appointment of Bradley Gordon as Non-Executive Director (with effect from 6 April 2021).

LIKELY DEVELOPMENTS

The Group is focused on increasing production at the Morila mine in a staged manner. Work is currently being undertaken to evaluate a number of previously mined satellite pits to re-commence mining activities. In conjunction with this work, maintenance and repair work is underway to enable ore from these satellite pits to be processed. It is intended that processing ore from these pits will provide the Group with sufficient time to recommence mining operations from the Morila main pit.

As announced on 9 February 2021 the Goulamina Lithium project is to be demerged from the Group. It is anticipated that the demerger will be completed in 2021.

ENVIRONMENTAL REGULATIONS

The Group holds various permits issued by the authorities that regulate its exploration and mining activities in Mali. These permits include requirements, limitations and prohibitions on exploration and mining activities in the interest of environmental protection. The holder of such permits must therefore adhere to the various conditions which regulate environment rehabilitation of areas disturbed during the course of the Group's exploration and exploitation activities.

There have been no known breaches of the Group's permit conditions or any environmental regulations which it is subject to.

INFORMATION ON DIRECTORS

The names, qualifications, experience and special responsibilities of the directors in office during or since the end of the financial year are as follows. Directors were in office for the entire financial year unless otherwise stated.

Directors' Report

Dr Alistair Cowden– Executive Chairman

(Appointed 6 April 2020)

Non-Executive Chairman (18 February 2019 – 6 April 2020)

Dr. Cowden has more than 40 years of experience as a mining executive, director and geologist in the mining industry in Australia, Africa, Asia and Europe.

Dr. Cowden has been part of the discovery, development and operation of numerous mines in Australia, Africa and Europe and has extensive experience across all aspects of the mining industry including mergers, acquisitions and financing that created significant wealth for shareholders.

Dr. Cowden has an Honours degree in Geology from Edinburgh University and a PhD in Geology from the University of London.

Former directorships in the last three years

Copper Mountain Mining Corporation	9 April 2018 - 5 November 2020
Altona Mining Limited	2 January 2011 - 9 April 2018
Echo Resources Limited	1 August 2019 - 15 October 2019

Mr Mark Hepburn– Non-Executive Director

(Appointed 14 November 2018)

Mr Hepburn is a Corporate and Financial Markets Executive with over 28 years' experience in a range of management and board positions for Institutional Stockbroking and Derivatives Trading desks for major Financial Institutions. His career has included roles in Sydney with Deutsche Bank and Macquarie Bank, managing global derivatives distribution sales teams. Mr Hepburn has worked as an Executive Director of a leading Perth stockbroking firm during which time he was involved in numerous fund-raising transactions for ASX listed industrial and resource companies. Mr Hepburn was also Managing Director of his own Corporate Advisory firm which specialised in executing corporate and equity transactions for ASX listed resources companies. His experience also includes working as a corporate executive within mining companies and he has been a member of the Australian Institute of Company Directors since 2008.

Other current directorships:

Castile Resources Limited	29 November 2019 - present
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Former directorships in the last three years:

Sihayo Gold Limited	1 August 2018 - 26 November 2019
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Directors' Report

Mr Brendan Borg - Non-Executive Director

(Appointed 14 November 2018)

Mr Borg is a consultant geologist who has specialised in the "battery materials" sector including lithium, graphite and cobalt mineralisation, participating in numerous successful projects, in an investment and/or operational capacity.

Mr Borg has more than 20 years' experience gained working in management, operational and project development roles in the Exploration and Mining industries, with companies including Rio Tinto Iron Ore, Magnis Resources Limited, IronClad Mining Limited, Lithex Resources Limited and Sibelco Australia Limited. Brendan operates a geological consulting business Borg Geoscience Pty Ltd.

Mr Borg holds a Master of Science in Hydrogeology and Groundwater Management (University of Technology Sydney), a Bachelor of Science in Geology/Environmental Science (Monash University) and is a member of AusIMM and IAH.

Other current directorships:

Celsius Resources Limited 18 April 2017 – present

Former directorships in the last three years: 18 April 2018 - 1 February 2021

Tempus Resources Limited

Mr Brett Fraser – Non-Executive Director

(Appointed 11 November 2020)

Brett is an experienced ASX director, currently holding a position as Director of central-west African iron ore company, Sundance Resources Limited. Brett's deep knowledge (acquired over 30 years' corporate finance experience) is a great asset to the Company, particularly regarding business acquisitions, business strategy and restructuring, and corporate governance. Brett is a Fellow of CPA Australia, a Fellow of Financial Services Institute of Australasia, and a Fellow of the Governance Institute of Australia. He holds a Bachelor of Business (Accounting) and a Graduate Diploma in Finance (SIA).

Other current directorships:

Sundance Resources Limited 10 March 2018 - present

Former directorships in the last three years:

Blina Minerals 26 September - 19 September 2019

Aura Energy Limited 24 August 2005 - 18 November 2019

Holista Colltech Limited 21 February 2020 - 2 July 2020

Empire Resources Limited 17 July 2018 - 2 October 2018

Mr Eric Hughes, BCom – Company Secretary

(Appointed 26 February 2019)

Mr Hughes has more than 20 years' experience in senior finance executive roles with ASX-listed resource companies. He has a proven track record of structuring, evaluating, financing, developing and operating resource projects in Australia, Turkey, South Africa and Finland. Mr Hughes also brings experience in the negotiation and execution of major financial and corporate transactions. Mr Hughes holds a Bachelor of Business – Business Law from Curtin University, is a CPA and a registered tax agent. He has previously held executive director and Non-Executive Director roles in ASX-listed resource companies.

Directors' Report

DIRECTORS' MEETINGS

The number of meetings of the directors and the number of meetings attended by each director during the year ended 31 December 2020.

Directors	Directors' Meetings		Remuneration and Nomination Committee		Finance and Operations Committee		Audit Committee	
	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended
A. Cowden	16	16						
B. Borg	16	16						
B. Fraser ⁽¹⁾	1	1						
M. Hepburn	16	16						
N. O'Brien ⁽²⁾	5	4						
C. Evans ⁽³⁾	5	3						

During the year ended 31 December 2020, the Audit and Risk Committee, and Remuneration and Nomination Committee comprised the full Board of Directors. Subsequently, the Board formalised the functions as separate committees operating under relevant charters and reporting to the board. As the complexity and size of the Company operations expand, other relevant subcommittees of the board will be formed.

(1) B. Fraser was elected as a Non-Executive Director on 11 November 2020.

(2) N. O'Brien resigned as a Non-Executive Director on 6 April 2020.

(3) C. Evans resigned as Managing Director on 6 April 2020.

DIRECTORS' INTERESTS

The following relevant interests in shares and performance rights of the Company were held directly and beneficially by the directors as at the date of this report:

	Fully paid ordinary shares	Listed Options	Unlisted performance rights	Unlisted Options
Non-Executive Directors				
M. Hepburn	1,112,500	75,000	750,000	2,000,000
B. Fraser	-	-	-	-
B. Borg	12,500,000	1,075,000	750,000	-
Executive Directors				
Dr A. Cowden	6,250,000	750,000	2,000,000	-

Directors' Report

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for the Company's Non-Executive Directors, Executive Directors and other Key Management Personnel ('KMP') for the year ended 31 December 2020 in accordance with the Corporations Act 2001 (the 'Act') and its regulations. For the purpose of this report, KMP are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether exclusive or otherwise) of the Parent entity. This information has been audited as required by section 308(3C) of the Act.

KMPs of the Company during the financial year ended 31 December 2020:

	Position	Commenced/ Resigned
Alistair Cowden	Executive Chairman	Appointed 6 April 2020
	Non-Executive Chairman	Appointed 18 February 2019 and ceased on 6 April 2020
Chris Evans	Managing Director	Appointed 24 January 2019/ resigned 6 April 2020
Mark Hepburn	Non-Executive Director	Appointed 14 November 2018
Brendan Borg	Non-Executive Director	Appointed 14 November 2018
Noel O'Brien	Non-Executive Director	Appointed 1 December 2017/ resigned 6 April 2020
Brett Fraser	Non-Executive Director	Appointed 11 November 2020
Eric Hughes	Chief Financial Officer/ Company Secretary	Appointed 26 February 2019
Andrew Taplin	Chief Operating Officer	Appointed 2 November 2020

The Remuneration Report has been set out under the following main headings:

1. Principles used to determine the nature and amount of remuneration.
2. Details of remuneration (including link to performance).
3. Service agreements.
4. Share-based compensation.
5. Additional information.

1. Principles used to determine the nature and amount of remuneration.

The Board is responsible for determining and reviewing compensation arrangements for the Directors and management. The Board assesses the appropriateness of the nature and amount of remuneration of such officers on a periodic basis by reference to relevant employment market conditions. The objective is to ensure the retention and incentivisation of a high-quality board and executive team.

Non-cash rewards and incentives are linked to vesting criteria that reflect the Company's strategy. As the Company expands its executive team, short-term and long-term incentives will be linked to both personal and Company performance milestones that are considered appropriate at the time.

The Board has adopted a Remuneration Committee Charter. Due to the size of the Company and number of Directors during the reporting period, the Board elected not to create a separate Remuneration Committee but has instead decided to undertake the function of the Committee as a full Board under the guidance of the formal charter. Subsequently to the year end, a Remuneration Committee was formed and met separately from the Board, operating under the Committee charters.

The Company has a policy prohibiting executives and Directors from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements under any equity-based remuneration scheme.

Directors' Report

The Board determines appropriate levels of performance rewards as and when they consider rewards are warranted.

No remuneration consultants have been used in the current year or prior periods however reference has been made to published remuneration reports to assess and review appropriate levels of remuneration.

Directors' fee limits

The aggregate amount of fees payable to Non-Executive Directors is subject to approval by shareholders. The maximum aggregate amount of fees that is approved for payment to Non-Executive Directors is \$400,000 per annum, excluding the value of approved share-based payments. This limit was approved by shareholders at the General Meeting in August 2017.

Statutory disclosure key performance indicators of the Group over the last five years.

	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018	Year ended 30 June 2017	Year ended 30 June 2016
Profit/(Loss) for the period, \$	1,043,816	(3,504,280)	(4,067,681)	(5,667,818)	(73,437,312)
Dividends paid, \$	nil	nil	nil	nil	nil
Net assets, \$	99,393,236	27,166,106	25,740,323	11,435,753	11,307,096
Share price, \$	0.175	0.097	0.164	0.640	0.328

The remuneration of the Non-Executive Directors and Executive Chairman for the year ended 31 December 2020 is detailed below.

Table 1 – Annual board and committee fees payable to Directors

Position	\$
Executive Chairman	450,000 ⁽¹⁾
Non- Executive Directors	72,000

⁽¹⁾ Effective from 1 November 2020.

Directors' Report

2. Details of Remuneration

Details of the remuneration of the Directors and KMP of the Group (as defined in AASB 124 Related Party Disclosures) are set out in the following table.

Table 2 – Directors and Executive KMP's remuneration for the year ended 31 December 2020

2020 – Group	Short-term			Post-employment	Short-term	Termination benefits	Total monetary remuneration	Equity-settled share-based payments		Total remuneration	Performance
	Salary & Fees	Cash bonus	Other	Superannuation	Annual leave paid			Performance / share rights ⁽⁵⁾	Options ⁽⁶⁾		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
Directors											
M Hepburn	59,178	-	-	5,622	-	-	64,800	22,059	-	86,859	25%
B Borg	59,178	-	-	5,622	-	-	64,800	22,059	-	86,859	25%
B Fraser ⁽¹⁾	8,219	-	-	624	-	-	8,843	-	-	8,843	-
N O'Brien ⁽²⁾	16,438	-	-	2,851	-	13,111	32,400	-	-	32,400	-
A Cowden ⁽³⁾	270,708	-	-	19,370	-	-	290,078	58,825	-	348,903	17%
C Evans ⁽⁴⁾	127,782	-	-	10,030	32,289	116,667	286,768	-	(305,044)	(18,276)	-
Directors total	541,503	-	-	44,119	32,289	129,778	747,689	102,943	(305,044)	545,588	
Executive KMP											
E Hughes	274,833	8,000	-	21,343	-	-	304,176	115,209	-	419,385	27%
A Taplin ⁽⁷⁾	63,051	-	-	3,616	-	-	66,667	5,658	-	72,325	8%
Executive KMP total	337,884	8,000	-	24,959	-	-	370,843	120,867	-	491,710	
TOTAL REMUNERATION	879,387	8,000	-	69,078	32,289	129,778	1,118,532	223,810	(305,044)	1,037,298	

(1) Mr Fraser was appointed Non-Executive Director on 11 November 2020.

(2) Mr O'Brien resigned on 6 April 2020. Mr O'Brien received a further 3 month remuneration totalling \$13,111 (exc. superannuation) under a fixed term employment contract.

(3) Dr Cowden was appointed as Executive Chairman on 6 April 2020.

(4) Mr Evans resigned as Managing Director on 6 April 2020.

(5) Vesting expense for the year of performance / share rights issues to the directors under the terms of the Company's long-term incentive plans approved by shareholders on 23 October 2020. The fair value of the performance / share rights is calculated at the date of grant date.

(6) Options forfeited upon resignation of the Managing Director.

(7) Mr Taplin was appointed as Chief Operating Officer on 2 November 2020.

Directors' Report

Table 2 (continued) – Directors and Executive KMP's remuneration for the year ended 31 December 2019

2019 – Group	Short-term			Post-employment	Short-term	Termination benefits	Total monetary remuneration	Equity-settled share-based payments		Total remuneration	Performance %
	Salary & Fees	Cash bonus	Other	Superannuation	Annual Leave			Performance / share rights ⁽⁷⁾	Options ⁽⁸⁾		
	\$	\$	\$	\$	\$			\$	\$		
Directors											
M Hepburn ⁽¹⁾	120,794			5,206			126,000			126,000	nil
B Borg ⁽³⁾	54,794			5,206			60,000			60,000	nil
N O'Brien ⁽²⁾	66,438			6,312			72,750			72,750	nil
A Cowden ⁽⁴⁾	77,947			7,405			85,352			85,352	nil
C Evans ⁽⁵⁾	318,750		49,075	19,056			386,881		305,044	691,925	44
Directors total	638,723		49,075	43,185			730,983		305,044	1,036,027	
Executive KMP											
E Hughes ⁽⁶⁾	229,012		20,000	17,573			266,585		42,737	309,322	14
Executive KMP total	229,012		20,000	17,573			266,585		42,737	309,322	
TOTAL REMUNERATION	867,735		69,075	60,758			997,568		347,781	1,345,349	

(1) Greyhawk Pty Ltd of which Mr Hepburn is a Non-Executive Director, provided consulting services to the Group during the year for which Greyhawk Pty Ltd was paid \$165,250. Greyhawk Pty Ltd ceased providing consulting services to the Group during the year. Mr Hepburn is a Non-Executive Director of the company. His agreed remuneration is \$72,000 per annum including superannuation contributions required by law (currently 9.5%).

(2) Mr O'Brien, Non-Executive Director, has agreed remuneration of \$72,000 per annum including superannuation contributions required by law (currently 9.5%).

(3) Mr Borg, Non-Executive Director, has agreed remuneration of \$72,000 per annum including superannuation contributions required by law (currently 9.5%).

(4) Dr Cowden commenced as a Non-Executive Director (Chairman) effective 18 February 2019. His agreed remuneration is \$98,550 per annum including superannuation contributions required by law (currently 9.5%).

(5) Mr Evans commenced as a Managing Director effective 3 February 2019. His agreed remuneration is \$370,531 per annum including superannuation contributions required by law (currently 9.5%). On 17 January 2020 the Company announced that it had amended the variable component of his remuneration package. This resulted in the cancellation of Performance Options and Remuneration Shares, being replaced with a lower number of Performance Rights and a cash retention payment in future years. The cash retention payment of \$49,075 has been accrued and is earned over several years. The accrued amount is described as "Other" in the above table.

(6) Mr Eric Hughes commenced as a Chief Financial Officer and Company Secretary effective 26 February 2019. His agreed remuneration is \$290,531 per annum including superannuation contributions required by law. Mr Hughes received a one-off retention payment of \$20,000 which was an incentive payment to join the Group.

Directors' Report

3. Service Agreements

Remuneration and other terms of employment of the Managing Director, Executive Chairman, Chief Operating Officer and Chief Financial Officer are formalised in employment agreements. Major provisions of the agreements relating to the remuneration of these positions are set out below.

Remuneration of Executive Chairman, Dr Alistair Cowden

Dr Alistair Cowden was appointed on 6 April 2020 as Executive Chairman after holding a position of Non-Executive Chairman from 18 February 2019. The role of Executive Chairman is short-term until the Company appoints a Managing Director. Dr Cowden's contract terms with the Company are outlined below.

Fixed remuneration

Dr Cowden's annual salary is \$450,000 per annum, inclusive of statutory entitlements effective from 1 November 2020.

Variable remuneration

Dr Cowden is eligible to participate in the Group's Long-Term Incentive (LTI) scheme.

Termination of contract

Dr Cowden executive role will terminate when the Company appoints a Managing Director and Dr Cowden will revert to Non-Executive Chairman. The executive role can be terminated by either party without a notice.

Remuneration of Chief Financial Officer and Company Secretary, Mr Eric Hughes

Mr Eric Hughes was appointed on 26 February 2019 as Chief Financial Officer and Company Secretary and his employment contract with the Company outlines the following terms:

Fixed remuneration

Mr Hughes's annual salary is \$300,000 per annum, plus statutory superannuation effective from 1 November 2020.

Variable remuneration

The Company will issue Mr Hughes with 500,000 remuneration shares when the first of the below events occur:

- the anniversary of 2 years of continuous service with the Company; or
- a change of control event; or
- a change of control in major asset

Termination of contract

The Company may terminate Mr Hughes' employment at any time on 6 months' notice, of which at least 3 months must be paid in lieu. Mr Hughes may terminate his employment with the Company at any time on 3 months' notice.

Remuneration of Chief Operating Officer, Mr Andrew Taplin

Mr Andrew Taplin was appointed 2 November 2020 as Chief Operating Officer and his employment contract with Firefinch outlines the terms of his employment.

Mr Taplin is entitled to receive fixed remuneration including a base salary and superannuation, plus a variable remuneration including performance rights determined under the Long-Term Incentive (LTI) plans and at the discretion of the board. A summary of these and other key terms of Mr Taplin's employment contract are described below.

Fixed remuneration

Mr Taplin's annual salary is set at \$400,000 per annum, inclusive of statutory superannuation.

Directors' Report

Variable remuneration

Mr Taplin is eligible to participate in the Group's LTI scheme. The Company will issue Mr Taplin 500,000 shares upon completion of 2 years continuous employment with the Company.

Termination of contract

Mr Taplin and the Company may terminate the contract by giving 3 months' notice.

Mr Chris Evans – Managing Director (resigned 6 April 2020)

On 24 January 2019 the Company appointed Mr Chris Evans as Managing Director and his employment contract with the Company outlines the following terms:

Fixed remuneration

Mr Evans' annual salary was \$350,000 per annum plus statutory superannuation.

Variable remuneration

Mr Evans was eligible to participate in the LTI scheme. 3,000,000 share rights and 4,000,000 performance rights were cancelled upon Mr Evan's resignation.

4. Share Based Compensation

KMP are eligible to participate in Firefinch LTI scheme. The terms and conditions of the performance / share rights included in remuneration of directors and KMP in the current or a future reporting period are set out below. Fair values of performance/share rights at a grant date were determined using a Black Scholes pricing model. Performance / share rights granted carry no dividend or voting rights. When exercisable, the performance / share rights are convertible into one ordinary share per right.

Table 3 - Key terms of share-based compensation held by Directors and KMP as at 31 December 2020

Item	Options ⁽¹⁾	Share rights ⁽²⁾	Performance rights ⁽³⁾	Share rights ⁽⁴⁾	Performance rights ⁽⁵⁾
Grant date	13 December 2018	26 February 2019	23 October 2020	30 July 2020	2 November 2020
Number	2,000,000	500,000	3,500,000	1,500,000	500,000
Exercise price, \$	0.40	nil	nil	nil	nil
Fair value, \$	0.050	0.204	0.185	0.145	0.140
Total fair value, \$	100,000	101,760	647,500	217,500	70,000
Performance period (years)	-	2	3	3	2
Expiry date	20 February 2022	27 February 2021	1 July 2023	1 July 2023	2 November 2022
Vesting conditions	100% vested	2 years continuous employment	See note 6	See note 7	2 years continuous employment

(1) The assessed value of options at a grant date is fully expensed in the year they were granted as 100% of options vested upon their issue. Fair values at a grant date are determined using a Black Scholes pricing model.

(2) The assessed fair value of share rights at a grant date is allocated equally over the performance period (24-month period) from 26 February 2019 to 26 February 2021, over which the individuals and the Company's performance is assessed, and the amount is included in the remuneration tables above.

(3) The assessed fair value of performance rights at a grant date is allocated equally over the performance period (32-month period) from 23 October 2020 to 1 July 2023 over which the individuals and the Company's performance is assessed, and the amount is included in the remuneration tables above. Fair values at a grant date are determined using a Black Scholes pricing model.

(4) The assessed fair value of share rights at a grant date is allocated equally over the performance period (36-month period) from 30 July 2020 to 1 July 2023, over which the individuals and the Company's performance is assessed, and the amount is included in the remuneration tables above.

(5) The assessed fair value of performance rights at a grant date is allocated equally over the performance period (24-month period) from 2 November 2020 to 2 November 2022, over which the individuals and the Company's performance is assessed, and the amount is included in the remuneration tables above.

(6) The Performance rights will vest subject to at least two (2) of the following vesting conditions being satisfied:

Directors' Report

- The Company's share price has traded on the ASX at a \$0.10 premium to the volume-weighted average price ('VWAP') of the Company's shares, 3 trading days after the announcement of the Morila acquisition, being \$0.1971, for 20 consecutive trading days in which sales of shares are recorded;
 - Definition of a JORC Code compliant Inferred Mineral Resource of at least 2,000,000 ounces of gold (or equivalent) on the Morila exploitation permit and the Company's Malian subsidiary's tenements adjoining the Morila exploitation permit at a minimum average grade of 1.0 grams per tonne of gold (or equivalent);
 - The Company maintaining production beyond the date provided for in the Closure Plan (May 2021) or expanding production at the Morila gold mine by commencing open pit production from the Morila exploitation permit; and
 - The Company enters into a sale, joint venture or financing agreement in respect of the Company's Goulamina Lithium project which delivers an implied valuation of at least \$100,000,000 for the Goulamina Lithium project as at the date of execution.
- (7) The share rights will vest subject to at least two (2) of the following vesting conditions being satisfied:
- The Company's share price has traded on the ASX at a \$0.10 premium to the Company's share price 3 trading days after the announcement of the Morila acquisition, for 20 consecutive trading days in which sales of shares are recorded;
 - A JORC resource of at least 2,000,000 ounces of gold is defined at the Morila gold mine;
 - Open pit production is recommenced at the main Morila gold mine; and
 - The Company enters into a sale, joint venture or financing agreement in respect of the Company's Goulamina project, which delivers an implied valuation of at least \$100,000,000 for Goulamina as at the date of execution.

Further information relating to the portion of Directors and KMP's remuneration as an equity compensation are set out in the following table.

Table 4 - Value of share-based compensation

Name	Total fair value of: Performance /share rights, \$	Value recognised, exercised or lapsed in the year ended December 2020				Amount paid per share on exercise
		Grant date	Value recognised \$	Exercised \$	Lapsed \$	
			Performance / share rights	Performance /share rights	Performance / share rights	
Directors						
M Hepburn	138,750	23-Oct-20	22,059	-	-	-
B Borg	138,750	23-Oct-20	22,059	-	-	-
A Cowden	370,000	23-Oct-20	58,825	-	-	-
Executive KMP						
E Hughes	217,500	30-Jul-20	115,209	-	-	-
A Taplin	70,000	2-Nov-20	5,658	-	-	-

The movement in performance /share right holdings for KMP and Directors during the year are set out in the following table:

Table 5 – Movement of performance / share rights granted to Directors and KMPs during the year

Name	Equity instrument	Balance at start of the year	Granted during the year as remuneration	Exercised during the year	Forfeited / lapsed	Balance at end of the year	Vested during the year	Vested and exercisable at the end of the year
Directors								
M Hepburn	Performance right	2,000,000	750,000	-	-	2,750,000	-	-
B Borg	Performance right	-	750,000	-	-	750,000	-	-
A Cowden	Performance right	-	2,000,000	-	-	2,000,000	-	-
C Evans ⁽¹⁾	Performance right / options	7,000,000	-	-	(7,000,000)	-	-	-
Executive KMP								
E Hughes ⁽²⁾	Share right	500,000	1,500,000	-	-	2,000,000	-	-
A Taplin	Performance right	-	500,000	-	-	500,000	-	-

(1) Performance rights and options totalling 7,000,000 were forfeited upon resignation of Chris Evans on 6 April 2020.

Directors' Report

Details of remuneration: share-based compensation benefits

The following table details the percentage of the available grant that vested in the financial year and the percentage forfeited because specified performance criteria was not satisfied. The maximum value of the performance/ share rights yet to vest has been determined as the fair value amount of the performance / share rights at a grant date.

Table 6 – Performance /share rights granted/vested/unvested as at 31 December 2020

Name	Equity instrument	Number of rights granted	Financial year granted	Vested in current financial year	Vested in prior financial year	Financial year in which vested or may vest	Total value yet to recognise before vesting
		No	Yr	%	%	Yr	\$
Directors							
M Hepburn	Options	2,000,000	2018	-	100	2018	-
	Performance rights	750,000	2020	-	-	2021	116,691
B Borg	Performance rights	750,000	2020	-	-	2021	116,691
A Cowden	Performance rights	2,000,000	2020	-	-	2021	311,175
Executive KMP							
E Hughes	Share rights	500,000	2019	-	-	2021	8,352
	Performance rights	1,500,000	2020	-	-	2021	152,962
A Taplin	Performance rights	500,000	2020	-	-	2022	64,342

5. Additional information

Loans to directors and executives

There were no loans outstanding at the reporting date to directors or executives.

Other transactions with KMP and or their related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Greyhawk Pty Ltd of which Mr M Hepburn is a director, was paid nil during the year (2019: \$231,250). There were no other related party transactions for the year ended 31 December 2020 (2019: Nil).

Directors' Report

Table 7 – Shareholdings

The number of shares in the Company held by each Director and KMP and their related parties during the year ended 31 December 2020 is set out below:

2020 – Group Group KMP	Balance at 31 December 2019	Rights entitlement	Received during the year on vesting	Other changes during the year ⁽¹⁾	Balance at date of resignation	Balance at 31 December 2020
Directors						
M Hepburn	750,000	-	-	362,500	-	1,112,500
B Borg	10,750,000	270,000	-	1,480,000	-	12,500,000
B Fraser	-	-	-	-	-	-
N O'Brien ⁽²⁾	137,500	-	-	-	(137,500)	-
A Cowden	2,500,000	1,527,750	-	2,222,250	-	6,250,000
C Evans ⁽³⁾	375,000	-	-	-	(375,000)	-
Executive KMP						
E Hughes	-	625,000	-	1,250,000	-	1,875,000
A Taplin	-	-	-	-	-	-

(1) Other changes during the year represent on-market purchase of shares.

(2) Mr O'Brien resigned as Non-Executive Director on 6 April and is not considered KMP from this date. On date of resignation, Noel held 137,500 shares.

(3) Mr Evans resigned as Managing Director on 6 April 2020 and is not considered KMP from this date. On date of resignation, Chris held 375,000 shares.

The numbers of options, performance rights and share rights outstanding in the Company held by each Director, KMP and their related parties during the year ended 31 December 2020 is set out below:

Table 8 - Options, performance rights and performance shares

2020 – Group Group KMP	Balance at 31 December 2019	Granted as remuneration	Exercised	Forfeited / lapsed	Balance at date of resignation	Balance at 31 December 2020	Vested and Exercisable	Unvested
Directors								
M Hepburn	2,075,000 ⁽¹⁾	750,000	-	-	-	2,825,000	2,075,000	750,000
B Borg	1,075,000 ⁽²⁾	750,000	-	-	-	1,825,000	1,075,000	750,000
B Fraser	-	-	-	-	-	-	-	-
N O'Brien	68,750	-	-	-	68,750 ⁽³⁾	-	68,750	-
A Cowden	750,000	2,000,000	-	-	-	2,750,000	750,000	2,000,000
C Evans	7,062,500	-	-	(7,000,000)	62,500 ⁽³⁾	-	62,500	-
Executive KMP								
E Hughes	500,000	1,500,000	-	-	-	2,000,000	-	2,000,000
A Taplin	-	500,000	-	-	-	500,000	-	500,000

(1) Includes 75,000 options acquired and paid for by cash.

(2) Options were acquired and paid for by cash.

(3) The options balance on resignation represents options acquired and paid for by cash.

End of Remuneration Report

Directors' Report

Indemnification and Insurance of Directors, Officers and Auditors

The Company has executed agreements with the Directors and Officers of the Company indemnifying them against all losses or liabilities incurred by each Director or Officer in their capacity as Directors or Officer of a Group Company to the extent permitted by the Corporation Act 2001. The indemnification specifically excludes wilful acts of negligence.

The Company has paid insurance premiums in respect of Directors' and Officers' Liability Insurance contracts for the current officers of the Company, including officers of the Company's controlled entities. The liabilities insured are damages and legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group. The total amount of insurance premiums paid has not been disclosed for confidentiality reasons.

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

Non-Audit Services

The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Board to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

During the year, PricewaterhouseCoopers, the Company's auditor, provides taxation compliance services, in addition to their statutory audits. Non-audit fees amounted to \$15,300 (2019: \$33,899). Details of remuneration paid to the auditor can be found within the financial statements at note 23.

Corporate Governance Statement

The ASX Corporate Governance Council (CGC) has developed corporate governance principles and recommendations for listed entities. ASX listing rule 4.10.3 requires that listed entities disclose the extent to which they have followed the CGC's recommendations and, where a recommendation has not been followed, the reasons why.

Firefinch's corporate governance statement can be found on the Company's website at the following link: <https://firefinchltd.com/corporate-governance/>

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* for the year ended 31 December 2020 has been received and can be found on page 26 of the annual report.



DR ALISTAIR COWDEN

Executive Chairman

Dated 31 March 2021



Auditor's Independence Declaration

As lead auditor for the audit of Firefinch Limited for the year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit, and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Firefinch Limited and the entities it controlled during the period.

Helen Bathurst

Helen Bathurst
Partner
PricewaterhouseCoopers

Perth
31 March 2021

PricewaterhouseCoopers, ABN 52 780 433 757
Brookfield Place, 125 St Georges Terrace, PERTH WA 6000, GPO Box D198, PERTH WA 6840
T: +61 8 9238 3000, F: +61 8 9238 3999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2020

	Note	2020 \$	2019 \$
Continuing operations			
Revenue	5	20,338,624	-
Cost of sales		(17,408,600)	-
Gross Profit		2,930,024	-
Interest income		5,341	58,804
Other income	5	409,263	-
		414,604	58,804
Corporate and other expenses		(631,968)	(1,298,520)
Depreciation		(221,698)	(292,861)
Director fees		(747,688)	(615,908)
Employee salaries and other employment related costs		(1,649,486)	(1,010,829)
Exploration expenditure written off		-	(6,436)
Finance costs	5	(112,394)	(5,702)
Share-based payments		(37,585)	(347,781)
Foreign exchange gain/ (loss)		1,432,534	(20,163)
Profit/(Loss) before Tax		1,376,343	(3,539,396)
Income tax (expense)/ benefit	6	(332,527)	35,116
Net Profit/(Loss) for the Year		1,043,816	(3,504,280)
Other Comprehensive Profit/(Loss)			
Items that may be reclassified subsequently to profit or loss			
Exchange difference on translation of foreign operations		(554,710)	-
Total Comprehensive Profit/(Loss) for the Period		489,106	(3,504,280)
Profit/(Loss) for the Period Attributable to:			
Owners of Firefinch Limited		114,322	(3,504,280)
Non-controlling interest		929,494	-
		1,043,816	(3,504,280)
Total Comprehensive Profit/(Loss) Attributable to:			
Owners of Firefinch Limited		(329,446)	(3,504,280)
Non-controlling interest		818,552	-
		489,106	(3,504,280)
<i>Earnings per share:</i>			
Basic profit/(loss) per share (cents per share)	7	0.03	(1.27)
Diluted profit/(loss) per share (cents per share)	7	0.03	(1.27)

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2020

	Note	2020 \$	2019 \$
Current Assets			
Cash and cash equivalents	8	17,263,076	3,793,194
Trade and other receivables	9	14,016,341	517,340
Right of use asset	15	29,970	-
Inventories	10	37,272,200	-
Total Current Assets		68,581,587	4,310,534
Non-Current Assets			
Property, plant, and equipment	11	303,027	498,152
Right of use asset		-	109,841
Exploration and evaluation expenditure	12	59,607,354	24,486,347
Other receivables	9	10,690,169	112,490
Total Non-Current Assets		70,600,550	25,206,830
Total Assets		139,182,137	29,517,364
Current Liabilities			
Trade and other payables	13	9,581,390	2,149,186
Lease liability	15	28,551	39,474
Provisions	14	155,577	77,219
Loans		9,664,296	-
Current tax liabilities	6	3,597,808	18,021
Total Current Liabilities		23,027,622	2,283,900
Non-Current Liabilities			
Lease Liability		-	67,358
Provisions	14	16,761,279	-
Total Non-Current Liabilities		16,761,279	67,358
Total Liabilities		39,788,901	2,351,258
Net Assets		99,393,236	27,166,106
Equity			
Issued capital	17	128,689,714	58,028,843
Reserves	18	5,300,261	5,817,386
Accumulated losses	19	(36,565,801)	(36,680,123)
Non-controlling interest	27	1,969,062	-
Total Equity		99,393,236	27,166,106

The consolidated statement of financial position is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

	Note	Issued Capital	Accumulated Losses	Foreign Exchange Translation Reserve	Share-based Payment Reserve	NCI	Total
		\$	\$	\$	\$	\$	\$
Balance at 1 January 2019		53,448,920	(33,178,202)	1,284,862	4,184,743	-	25,740,323
(Loss) for the year		-	(3,504,280)	-	-	-	(3,504,280)
Changes in accounting policy		-	2,359	-	-	-	2,359
Other comprehensive income for the year		-	-	-	-	-	-
Total comprehensive income for the year		-	(3,501,921)	-	-	-	(3,501,921)
Transaction with owners, directly in equity							
Shares issued during the year (net of costs)		4,579,923	-	-	-	-	4,579,923
Share-based payments		-	-	-	347,781	-	347,781
Balance at 31 December 2019		58,028,843	(36,680,123)	1,284,862	4,532,524	-	27,166,106
Balance at 1 January 2020		58,028,843	(36,680,123)	1,284,862	4,532,524	-	27,166,106
NCI on acquisition	27	-	-	-	-	1,039,568	1,039,568
Profit for the year		-	114,322	-	-	929,494	1,043,816
Other comprehensive income for the year		-	-	(554,710)	-	-	(554,710)
Total comprehensive income for the year		-	114,322	(554,710)	-	929,494	489,106
Transaction with owners, directly in equity							
Shares issued during the year (net of costs)	17	70,660,871	-	-	-	-	70,660,871
Share based payments	18	-	-	-	37,585	-	37,585
Balance at 31 December 2020		128,689,714	(36,565,801)	730,152	4,570,109	1,969,062	99,393,236

The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2020

	Note	2020 \$	2019 \$
Cash Flows from Operating Activities			
Proceeds in the course of operations		12,206,628	-
Payments to suppliers and employees		(18,131,289)	(3,338,622)
Income taxes paid		(209,550)	-
Interest received		5,341	23,181
Net Cash from Operating Activities	24	(6,128,870)	(3,315,441)
Cash Flows from Investing Activities			
Royalty income received		-	2,744,546
Payments for exploration and evaluation expenditure		(3,197,670)	(4,676,593)
Payments made for plant and equipment		(17,977)	(53,818)
Proceeds from sale of plant and equipment		105	3,694
Payments for acquisition of operations, net of cash acquired		(45,995,175)	-
Net Cash Used in Investing Activities		(49,210,717)	(1,982,171)
Cash Flows from Financing Activities			
Proceeds from issue of shares		73,075,749	4,263,095
Payments for capital raising		(3,665,053)	(276,642)
Net Cash Provided by Financing Activities		69,410,696	3,986,453
Net Increase/(Decrease) in Cash Held		14,071,109	(1,311,159)
Cash and cash equivalents at the beginning of the period		3,793,194	5,124,012
Change in foreign currency held		(601,227)	(19,659)
Cash and Cash Equivalents at the End of the Period		17,263,076	3,793,194

The consolidated statement of cash flows is to be read in conjunction with the accompanying notes.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

1. BASIS OF PREPARATION

These are the consolidated financial statements and notes of Firefinch Limited (Firefinch or the Company) and controlled entities (collectively the Group). Firefinch is a company limited by shares, domiciled and incorporated in Australia.

The financial statements were authorised for issue on 31 March 2021 by the Directors of the Company.

The nature of the operations and principal activities of the Group are described in the Director's Report.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity. Material accounting policies adopted in the preparation of these financial statements are presented below. They have been consistently applied unless otherwise stated.

Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board (**AAS Board**) and other authoritative pronouncements of the Corporations Act 2001. The consolidated financial statements of the Group also comply with International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**IASB**),

Australian Accounting Standards (**AASBs**) set out accounting policies that the AAS Board has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with AASBs ensures that the financial statements and notes also comply with IFRS as issued by the IASB.

Going concern

The Group made a profit for the year of \$1,043,816 (2019: \$3,504,280 loss). The net assets of the Group have increased by \$72,271,130 to \$99,393,236 at 31 December 2020 (2019: \$27,166,106).

As at 31 December 2020, the Group's cash and cash equivalents increased by \$13,469,882 to \$17,263,076 (2019: \$3,793,194) and had working capital of \$17,916,091 (2019: \$2,026,634 working capital).

The continued viability of the Group and its ability to continue as a going concern and meet its debts and commitments as they fall due are dependent on the Group being successful in:

- The profitable production of gold dore from the current tailings treatment activities;
- Re-commence profitable mining of gold bearing ore from satellite pits;
- Re-commence commercial mining of the Morila pit;
- Securing funding when and if it is required.

The Directors are satisfied that at the date of signing of the financial report, there are reasonable grounds to believe that the Group will be successful in these endeavours and the Group will be able to continue to meet its debts as and when they fall due. As a result, the Directors consider it appropriate for the financial statements to be prepared on a going concern basis.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for financial instruments and share based payments, which have been measured at fair value.

Significant accounting estimates and judgments

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

2. PRINCIPLES OF CONSOLIDATION

Subsidiaries

The Group financial statements consolidate those of the Company and all its subsidiaries. The Company controls a subsidiary if it is exposed or has rights to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the activities of the subsidiary.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the period are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Functional and presentation currency

Items included in the financial statements of each entity within the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of Firefinch Limited is Australian dollars.

The financial report is presented in Australian dollars.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss.

Group companies and foreign operations

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the reporting date;
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recorded in a reserve in equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the consolidated statement of profit or loss and other comprehensive income, as part of the gain or loss on sale where applicable.

3. NEW ACCOUNTING STANDARDS

New and revised accounting standards affecting amounts reported and/or disclosures in the financial statements

The Group has consistently applied the accounting policies to all periods presented in the financial statements. The Group has considered the implications of new and amended Accounting Standards applicable for annual reporting periods beginning after 1 January 2020 but determined that their application to the financial statements is either not relevant or not material.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the group. The Group's assessment of the impact of these new standards and interpretations is that they would not have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

4. SEGMENT INFORMATION

Description of segments

The operating segments are based on the reports reviewed by the chief operating decision makers and Board of Directors that are used to make strategic decisions. The Group reports on a business segment basis as its risks and rates of return are different for each of the various business segments in which it operates, and this is the format of the information provided to the executive management team and board of directors.

The Group operated in three segments being Morila, Mali Exploration and Corporate. The segment information is prepared in conformity with the Group's accounting policies. The Group comprises the following main segments:

Morila	Mining, development and exploration activities at the Morila gold mine
Mali Exploration	Lithium and gold exploration and evaluation activities in Mali
Corporate	Investing activities and corporate management

Revenue is derived from an external customer arising from the sale of gold doré reported under the Morila segment.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the executive management team and board of directors of the parent entity.

Segment information provided to the executive management team and board of directors.

2020	Morila	Mali Exploration	Corporate	Total Consolidated
	\$	\$	\$	\$
Revenue and other income				
Revenue	20,338,624	-	-	20,338,624
Other income	292,347	-	122,257	414,604
Total segment	20,630,971	-	122,257	20,753,228
Results				
Operating profit / (loss) b/tax	4,857,020	(36,229)	(3,444,448)	1,376,343
Income tax	(332,527)	-	-	(332,527)
Net profit	4,524,493	(36,229)	(3,444,448)	1,043,816
Included within segment results:				
Depreciation and amortisation	-	(88,241)	(133,457)	(221,698)
Share-based payments	-	-	(37,585)	(37,585)
Foreign exchange gain / (loss)	1,378,570	54,256	(292)	1,432,534
Segment assets				
Current assets	41,988,686	457,270	26,135,631	68,581,587
Non-current assets	42,883,330	27,435,292	281,928	70,600,550
Total segment assets	84,872,016	27,892,562	26,417,559	139,182,137
Segment liabilities				
Current liabilities	21,660,670	348,685	1,018,267	23,027,622
Non-current liabilities	16,761,279	-	-	16,761,279
Total liabilities	38,421,949	348,685	1,018,267	39,788,901

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

2019	Morila \$	Mali Exploration \$	Corporate \$	Total Consolidated \$
Revenue and other income				
Revenue	-	-	-	-
Other income	-	-	58,804	58,804
Total segment	-	-	58,804	58,804
Results				
Operating profit / (loss) b/tax	-	(44,550)	(3,494,846)	(3,539,396)
Income tax	-	35,116	-	35,116
Net profit	-	(9,434)	(3,494,846)	(3,504,280)
Included within segment results:				
Impairment and write-offs	-	(6,436)	-	(6,436)
Depreciation and amortisation	-	(78,856)	(214,005)	(292,861)
Share-based payments	-	-	(347,781)	(347,781)
Foreign exchange gain / (loss)	-	-	(20,163)	(20,163)
Segment assets				
Current assets	-	462,090	3,848,444	4,310,534
Non-current assets	-	19,738,478	5,468,352	25,206,830
Total segment assets	-	20,200,568	9,316,796	29,517,364
Segment liabilities				
Current liabilities	-	1,395,276	888,624	2,283,900
Non-current liabilities	-	-	67,358	67,358
Total liabilities	-	1,395,276	955,982	2,351,258

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

5. REVENUE AND OTHER INCOME/ OTHER EXPENSES

	Consolidated	
	2020 \$	2019 \$
Revenue		
Revenue recognised from gold doré sales contract	20,338,624	-
	20,338,624	-
Other income		
Cash stimulus received from the government	117,500	-
Other sales	291,763	-
	409,263	
Finance costs		
Unwinding of rehabilitation provision	(112,394)	-

RECOGNITION & MEASUREMENT

Revenue recognition

Revenue is measured as the amount of consideration that the Group expects to be entitled to in exchange for transferring goods to its customers. The Group recognises revenue when (or as) the performance obligations, as determined by contracts with the customers, have been satisfied. The following criteria are also applicable to specific revenue transactions.

Gold doré sales

The Group recognises revenue from gold doré sales as its obligations are satisfied in accordance with an agreed contract between the Group and its customers. Revenue is recognised when the gold doré has been collected from the mine site by the customer. It is at this point that control over the gold doré has been passed to the customer and the Group has fulfilled its obligations under the contract. Revenue from the sales is recognised based on a market price on the date of sale.

Interest income

Interest income is recognised in the income statement as it accrues, using the effective interest method.

Government grants

Grants from the government are recognized at the fair value where it is a reasonable assurance that the grant will be received and the Group will comply with the conditions attached to the grant.

Other sales

The revenue from other sales that do not arise from the ordinary activities of the group are recognised at the point of a sale, when a buyer takes immediate ownership of the purchased goods.

JUDGEMENTS AND ESTIMATES

(i) Revenue from contracts with customers

Revenue from contracts with customers is recognised when a customer obtains control of the promised asset and the Group satisfies its performance obligations under the contract. The Revenue is allocated to each performance obligation. The Group considers the terms of the contract in determining the transaction price. The transaction value is based on the amount the entity expects to be entitled to upon an initial assay prepared on collection of the goods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

6. INCOME TAX

	Consolidated	
	2020	2019
	\$	\$
Reconciliation of income tax expense to prima facie tax payable		
The prima facie tax payable/ (benefit) on profit/ (loss) from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Accounting profit/ (loss) before tax	1,376,343	(3,539,396)
Prima facie tax on operating loss at 30.0% (2019: 30.0%)	412,903	1,061,819
Add / (less) tax effect of:		
Permanent expenses/(benefits)	(23,975)	(519,633)
Movement in temporary tax expenses/(benefits) - Australia	(94,190)	(95,718)
Movement in temporary tax expenses/(benefits) - foreign operations	10,683	10,579
Tax losses not recognised	27,106	1,666,591
Over/(under) provision tax liability	-	35,712
Income tax expenses/(benefits)	332,527	(35,712)
Current tax liabilities		
Provision for income tax – Mali ⁽¹⁾	3,597,808	18,021
Deferred tax assets/liabilities unrecognised		
Accruals and provisions	5,271,081	430,966
Prepayments	(1,269,473)	-
Property, plant and equipment	58,453	(192,913)
Section 40-880 costs	415,683	71,830
Net deferred tax asset not brought into account	(4,475,745)	(309,883)
Net deferred tax assets	-	-

Tax losses and deductible temporary differences

(1) The corporate income tax rate in Mali is 30%

Total carried forward tax losses of \$17,955,149 at 31 December 2020 (31 December 2019: \$15,182,708) are available for offset against future assessable income. The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the consolidated tax group can utilise the benefits thereof.

Tax consolidation

Firefinch has formed a tax consolidation group and has in place a tax sharing agreement.

RECOGNITION & MEASUREMENT

The income tax expense or benefit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on a basis of the tax laws enacted or substantively enacted at the end of the year in the countries where the Company's subsidiaries and associated operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate, on the basis of amounts expected to be paid to the tax authorities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

SIGNIFICANT JUDGEMENTS AND ESTIMATES

Judgement is required in determining whether deferred tax assets are recognised in the statement of financial position. Deferred tax assets, including those arising from un-utilised tax losses, require management to assess the likelihood that the Group will generate taxable earnings in future years allowing to utilise the recognised deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be impacted. Additionally, future changes in tax laws in jurisdictions in which the Group operates could limit the ability of the Group to obtain tax deductions in future years.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date in the countries where the Group's subsidiaries operate and generate taxable income.

Deferred income tax is provided for on all temporary differences at balance date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. No deferred income tax will be recognised from the initial recognition of goodwill or of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss. No deferred income tax will be recognised in respect of temporary differences associated with investments in subsidiaries if the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the near future.

Tax Assessment of Morila SA

The Group purchased an 80% interest in Morila, the owner of the Morila Gold Mine in Mali on 10 November 2020. A document called a partial assessment from the tax department of Mali (Direction Générale des Impôts) ("**Assessment**") was received by Morila SA in January 2021. The market was advised of the receipt of the partial assessment on 18 January 2021.

The Assessment advises that the tax department disputes the amounts due in relation to various employment taxes, withholding taxes and VAT paid by, or claimed by Morila SA for the tax year ending 31 December 2017.

The Assessment notes that the tax department believes that Morila SA has materially understated its income from gold sales made in 2017. In 2017, the mine produced approximately 70,000 ounces of gold and sold 67,612 ounces of gold for net revenue received of US\$92.65 million. The mine has reviewed its records and has no reason to revise the amount of gold produced or the revenue received.

The tax department has advised that, based on advice from the government department responsible for customs and exports, it believes the revenue from gold sales for 2017 should be US\$146.9 million. The basis for this higher estimate was not provided. The Group's internal records and receipts of sales from Rand Refinery in South Africa confirm its production and revenue as disclosed in its 2017 tax return. The Group is confident that the source of information utilised by the tax department to establish Morila SA gold sales is incorrect.

The Group believes the assessment of employment tax, withholding tax, VAT and gold revenue is incorrect and has lodged an objection to the assessment with the tax authorities together with supporting documentation. The objection was prepared by the Group's tax advisers and peer reviewed by a legal firm prior to lodgement with the tax department.

On the above basis, no amounts have been recorded for any potential liability in relation to these matters, as the Group believes it is probable that the taxation authority will accept the Group's tax treatment in the past. An estimate of the potential liability has not been disclosed as the Group cannot reasonably predict the outcome.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

7. EARNINGS PER SHARE

	Consolidated	
	2020	2019
	\$	\$
(a) Reconciliation of earnings to profit or loss		
Profit /(loss) used in the calculation of basic and diluted EPS	114,322	(3,504,280)
	No. of shares	No. of shares
(b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	404,324,952	275,042,504
Weighted average number of dilutive equity instruments outstanding	N/A	N/A
(c) Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	404,324,952	275,042,504
(d) Earnings per share	\$	\$
Basic EPS (cents per share)	0.03	(1.27)
Diluted EPS (cents per share)	0.03	(1.27)

As at 31 December 2020 the Group has 31,064,913 unissued shares under options (2019: 31,418,937) and 8,850,600 under performance/share rights on issue (2019: 7,500,000).

RECOGNITION & MEASUREMENT

Basic earnings per share

Basic earnings per share is calculated by dividing the net result attributable to owners of the parent, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for any bonus element.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of ordinary shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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8. CASH AND CASH EQUIVALENTS

	Consolidated	
	2020	2019
	\$	\$
Cash at bank and in hand ⁽¹⁾	24,443,784	3,793,194
Bank overdraft ⁽²⁾	(7,213,198)	-
Short-term deposits ⁽³⁾	32,490	-
	17,263,076	3,793,194

(1) Cash at bank earns interest at floating rates based on daily bank deposit.

(2) Bank overdraft used by Societe des Mines de Morila SA at the bank in Mali. The maximum overdraft is XOF 6 million (AUD equiv. 7.3 million).

(3) Security deposit required as per the office rent agreement.

RECOGNITION & MEASUREMENT

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions with an original maturity not exceeding three months, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. If greater than three months, principal amounts can be redeemed in full, with interest payable at the same cash rate from inception as per the agreement with each bank.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

9. TRADE AND OTHER RECEIVABLES

	Consolidated	
	2020	2019
	\$	\$
Current		
Trade debtors ^{(1) (2)}	9,695,692	-
Sundry debtors ⁽¹⁾	510,679	-
Prepayments ⁽³⁾	3,442,156	35,053
GST receivable	363,998	101,747
Other receivable	3,816	380,540
	14,016,341	517,340
Non-current		
VAT paid ⁽⁴⁾	10,581,706	-
Security deposits	108,463	112,490
	10,690,169	112,490

(1) Trade and sundry debtors are non-interest bearing and generally are on 30-day terms.

(2) The Group has analysed the probability of default events and concluded that no credit losses will likely occur.

(3) Prepayments relate to insurances and drilling services prepaid throughout the Group.

(4) VAT receivable represents the fair value of the VAT refund receivable from the Tax Department of Mali that was recognised through the acquisition of Morila SA operations.

RECOGNITION & MEASUREMENT

Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost less expected credit losses. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Due to the short-term nature of the current receivables, their carrying amount is assumed to approximate their fair value. The carrying amount of the long-term receivable deposits is assumed to approximate fair value as the security deposits have a market-based interest rate.

The group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

Trade receivables and contract assets are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Loan and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the year-end which are classified as non-current assets. Loans and receivables are included in receivables in the statement of financial position. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

10. INVENTORIES

	Consolidated	
	2020	2019
	\$	\$
Current		
Gold doré on hand	497,691	-
Gold in circuit at cost	432,761	-
Consumable supplies ⁽¹⁾	12,987,721	-
Ore – tailings at cost ⁽²⁾	23,354,027	-
	37,272,200	-

(1) Consumable supplies include reagents, fuel and general stores items.

(2) The value of the tailings was recognized on the acquisition of Morila operations. In accordance with the Mineral Resource Statement by Billandbry Consulting of 6 Sep'20 Morila Measured Tailings of contained gold were 76,000 oz. The recovery rate of 50%, the gold price of US\$1,800 p/oz and all-in costs of USD900 were applied to measure the value of the tailings. The measured resource (contained gold) value was adjusted for the production movement from 10 November till 31 December 2020.

RECOGNITION & MEASUREMENT

Gold doré, gold in circuit and tailings are physically measured or estimated and stated at the lower of cost and net realisable value. Cost comprises direct material, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs in getting such inventories to their existing location and condition, based on weighted average costs incurred during the year in which such inventories were produced. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and costs of selling the final product. Inventories of consumable supplies and spare parts expected to be used in production are valued at weighted average cost.

SIGNIFICANT JUDGEMENTS AND ESTIMATES

Net realisable value tests are performed at least quarterly and represent the estimated future sales price of the product based on prevailing spot metals prices at the reporting date, less estimated costs to complete production and bring the product to sale. Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile, the number of contained gold ounces based on assay data, and the estimated recovery percentage based on the expected processing method. Stockpile tonnages are verified by periodic surveys.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

11. PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	2020	2019
	\$	\$
Plant and equipment – at cost	828,892	810,216
Accumulated depreciation	(525,865)	(312,064)
	303,027	498,152
Reconciliation of plant and equipment		
Carrying amount at the beginning of the period	498,152	650,283
Additions	17,977	64,533
Depreciation	(222,309)	(212,946)
Disposals	-	(3,718)
Foreign currency translation movement	9,207	-
Carrying amount at the end of the year	303,027	498,152

RECOGNITION & MEASUREMENT

Property, plant and equipment

Buildings and all other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred. Property, plant and equipment directly engaged in mining operations are depreciated over the shorter of expected economic life or over the remaining life of the mine on a units-of-production basis. Assets which are depreciated on a basis other than units-of-production method are typically depreciated on a straight-line basis over their estimated useful lives as follows:

Item	Estimated useful life (years)
Plant and equipment	3-10
Machinery and vehicles	5
Buildings	20
Leasehold improvements	3

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each year. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognized in the statement of comprehensive income.

Impairment of assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they may be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount exceeds its recoverable amount. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

Value in use is the present value of the future cash flows expected to be derived from the asset or cash generating unit. In estimating value in use, a pre-tax discount rate is used which reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less costs of disposal is the amount the cash generating unit can be sold to a knowledgeable and willing market participant in an arm's length transaction, less the disposal costs. In estimating fair value less costs of disposal, discounted cash flow methodology is utilised, and a post-tax discount rate is used.

For the purposes of assessing impairment, assets are grouped at the levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generated units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

12. EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	2020	2019
	\$	\$
Exploration and evaluation expenditure at cost:		
Exploration – Morila project ⁽¹⁾	32,421,277	-
Exploration – Other projects ⁽²⁾	27,186,077	24,486,347
	59,607,354	24,486,347
Reconciliation of exploration and evaluation expenditure		
Carrying amount at beginning of the year	24,486,347	19,034,425
Exploration expenditure during the year	2,847,845	5,458,358
Exploration asset on acquisition of Morila ⁽¹⁾	34,181,710	-
Expenditure written off	-	(6,436)
Foreign currency translation	(1,908,548)	-
	59,607,354	24,486,347

(1) The exploration and evaluation asset was recognized on the acquisition of the Morila operations.

(2) The total capitalized expenditure comprises the exploration and evaluation costs of \$21,510,990 relating to the Goulamina Lithium project and the total of \$5,675,086 relating to the gold tenements in Mali in the areas of Dankassa, Massigui, Finkola and Morila. The ultimate recoupment of this expenditure is dependent upon successful development and commercial exploitation, or alternatively, sale of the respective areas of interest. There is no information up to the date of this report which would result in an impairment trigger due to potential loss of tenements.

RECOGNITION & MEASUREMENT

Exploration and evaluation expenditures in relation to each separate area of interest with current tenure are carried forward to the extent that:

- (i) such expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
- (ii) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest is continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

In the event that an area of interest is abandoned or, if facts and circumstances suggest that the carrying amount of an exploration and evaluation asset is impaired then the accumulated costs carried forward are written off in the year in which the assessment is made.

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified as 'mine development asset'.

JUDGEMENTS AND ESTIMATES

Management determines when an area of interest should be abandoned. When a decision is made that an area of interest is not commercially viable, all costs that have been capitalised in respect of that area of interest are written off. In determining this, assumptions, including the maintenance of title, ongoing expenditure and prospectivity are made.

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale. Factors which could impact the future recoverability include the level of proved, probable and inferred mineral resources, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

13. TRADE AND OTHER PAYABLES

	Consolidated	
	2020	2019
	\$	\$
Current		
Trade payables and accruals ⁽¹⁾	7,636,729	2,149,186
Royalties payables	585,489	-
Other liabilities ⁽²⁾	1,359,172	-
	9,581,390	2,149,186

(1) Trade and other creditors are non-interest bearing and are normally settled on 30-day terms.

(2) Other liabilities include withholding taxes, payroll related taxes and contributions payable to the government agencies.

RECOGNITION & MEASUREMENT

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year that are outstanding. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

14. PROVISIONS

	Consolidated	
	2020	2019
	\$	\$
Current		
Employee entitlements	155,577	77,219
	155,577	77,219
Reconciliation of current provision		
Carrying amount at the beginning of the year	77,219	-
Increase / decrease of employee benefits	78,358	77,219
Carrying amount at the end of the year	155,577	77,219

	Consolidated	
	2020	2019
	\$	\$
Non-current		
Employee entitlements	1,161,395	-
Rehabilitation and decommissioning ⁽¹⁾	15,599,884	-
	16,761,279	-
Reconciliation of non-current provision – employee entitlements		
Carrying amount at the beginning of the year	-	-
Acquired through business combination of Morila	1,118,573	-
Increase in provision	105,103	-
Foreign currency translation movement	(62,281)	-
Carrying amount at the end of the year	1,161,395	-
Reconciliation of non-current provision- rehabilitation and decommissioning		
Carrying amount at the beginning of the period	-	-
Acquired through business combination of Morila	16,803,993	-
Decrease in provision	(268,464)	-
Foreign currency translation movement	(935,645)	-
Carrying amount at the end of the year	15,599,884	-

(1) The provision for rehabilitation and decommissioning relates to the Morila gold mine. The timing of settlement of those obligations will be reviewed and updated based on the additional development and mining activities at the mine.

RECOGNITION & MEASUREMENT

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses. Provisions are measured as the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the year. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as an interest expense.

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for the year ended 31 December 2020

Employee benefits

(a) Short-term obligations

Liabilities for employee benefits that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Group as the benefits are taken by the employees.

(b) Other long-term employee benefit obligations

The Group's obligation in respect of long-term employee benefits other than defined benefit plans, such as long service leave, is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs. Expected future benefit payments are discounted using market yields at the end of the year on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

(c) Retirement benefit obligations

Contributions are made by the Group to superannuation funds as stipulated by statutory requirements and are charged as expenses when incurred.

(d) Termination benefits

When applicable, the Group recognises a liability and expense for termination benefits at the earlier of: (a) the date when the Group can no longer withdraw the offer for termination benefits; and (b) when the Group recognises costs for restructuring pursuant to AASB 137 Provisions, Contingent Liabilities and Contingent Assets and the costs include termination benefits. In either case, unless the number of employees affected is known, the obligation for termination benefits is measured on the basis of the number of employees expected to be affected. Termination benefits that are expected to be settled wholly before 12 months after the annual reporting period in which the benefits are recognised are measured at the (undiscounted) amounts expected to be paid. All other termination benefits are accounted for on the same basis as other long-term employee benefits.

Rehabilitation provision

A provision for restoration and rehabilitation is recognised when there is a present obligation as a result of development activities undertaken and it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the costs of abandoning sites, removing facilities and restoring the affected areas. The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the balance date. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at each balance date. The initial estimate of the restoration and rehabilitation provision is capitalised into the cost of the related asset and amortised on the same basis as the related asset, unless the present obligation arises from the production of inventory in the year, in which case the amount is included in the cost of production for the year. Changes in the estimate of the provision for restoration and rehabilitation are treated in the same manner, except that the unwinding of the effect.

SIGNIFICANT JUDGEMENTS AND ESTIMATES

Rehabilitation provision

The value of the current restoration and rehabilitation provision is based on a number of assumptions, including the nature of restoration activities required, the valuation at the present value of future obligations that necessitate estimation of the cost of the work required, the timing of future cash flows and the appropriate risk-free discount rate. In addition, provisions are based on the assumption that no significant changes will occur in relevant legislation covering restoration of mineral properties. A change in any, or a combination, of these assumptions used to determine current provisions could have a material impact to the carrying value of the provision.

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15. LEASES

	Consolidated	
	2020	2019
	\$	\$
Right-of-use assets		
Right of use assets -buildings	239,635	239,635
Accumulated depreciation	(209,665)	(129,794)
Net carrying amount at the end of the year	29,970	109,841

	2020	2019
	\$	\$
Lease liabilities		
Current	28,551	39,474
Non-current	-	67,358
	28,551	106,832

Reconciliation of lease liability		
Carrying amount at the beginning of the year	106,832	-
Additions	-	187,773
Interest expense	9,923	5,702
Payments	(88,204)	(86,643)
Carrying amount at the end of the year	28,551	106,832

RECOGNITION & MEASUREMENT

Leases (AASB 16)

The group leases offices. Rental contracts are typically made for fixed periods of 1 month to 3 years and may have extension options as described below. Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease contract are initially measured on a present value basis. Leases measurement includes the net present value of the following lease components:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the group under residual value guarantees;
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

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Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of offices, equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

None of the leases entered into by the group provide residual value guarantees.

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16. FINANCIAL RISK MANAGEMENT

Set out below is an overview of financial instruments held by the Group as at 31 December 2020 and 31 December 2019.

	Floating interest rate \$	Fixed interest rate \$	Non- interest bearing \$	2020 Total \$	Floating interest Rate \$	Fixed interest Rate \$	Non- interest bearing \$	2019 Total \$
	2020				2019			
Financial Assets								
Cash and cash equivalents	17,263,076	-	-	17,263,076	3,793,194	-	-	3,793,194
Trade and other receivables	-	-	14,016,341	14,016,341	-	-	517,340	517,340
Non-current receivables	-	-	108,463	108,463	-	-	112,490	112,490
Total Financial Assets	17,263,076	-	14,124,804	31,387,880	3,793,194	-	629,830	4,423,024
Financial Liabilities								
Trade and other payables	-	-	9,581,390	9,581,390	-	-	2,149,186	2,149,186
Current loans ⁽¹⁾	9,664,296	-	-	9,664,296	-	-	-	-
Total Financial Liabilities	9,664,296	-	9,581,390	19,245,686	-	-	2,149,186	2,149,186
Net Financial (Liabilities)/ Assets	7,598,780	-	4,543,414	12,142,194	3,793,194	-	(1,519,356)	2,273,838

(1) Loan recognised on the acquisition of Morila SA.

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk, liquidity risk and equity price risk. The Group therefore has an overall risk management program that focuses on the unpredictability of financial and precious metal commodity markets and seeks to minimise potential adverse effects on the financial performance of the Group.

The Group uses different methods to measure different types of risk to which it is exposed including sensitivity analysis in the case of interest rate, foreign exchange and other price risks and aging analysis for credit risk. Risk management is carried out by the board of directors with assistance from suitably qualified external and internal advisors as required. The Board provides written principles for overall risk management and further policies will evolve commensurate with the evolution and growth of the Group.

Market Risk

(a) Foreign currency exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar (USD) and West African CFA franc (CFA). Foreign exchange risk arises from commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations. In addition, the parent entity has intercompany receivables from its subsidiaries denominated in US Dollars which are eliminated on consolidation. The gains or losses on re-measurement of these intercompany receivables from US Dollars to Australian Dollars are not eliminated on consolidation as those loans are not considered to be part of the net investment in the subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

The Group's exposure to foreign currency risk at the end of the year, expressed in Australian dollars, was as follows.

	USD	CFA	EUR	USD	CFA	EUR
	2020			2019		
Financial Assets						
Cash and cash equivalents	-	(6,624,692)	-	-	-	-
Intercompany loans	37,278,819	-	-	-	-	-
Trade and other receivables	-	-	-	-	-	-
Total Financial Assets	37,278,819	(6,624,692)	-	-	-	-
Financial Liabilities						
Trade and other payables	(11,874,091)	-	(2,974)	-	-	-
Loan	-	(9,664,296)	-	-	-	-
Total Financial Liabilities	(11,874,091)	(9,664,296)	(2,974)	-	-	-

Sensitivity

The following table summarises the sensitivity of financial instruments held at balance date to movement in the exchange rate of AUD to USD with all other variables held constant and AUD to CFA with all other variables held constant, including the impact of the foreign exchange movement on the inter-company loan of \$37m million (2019: nil). The sensitivity is based on management's estimate of reasonably possible changes over a financial year.

The following table illustrates sensitivities to the Group's exposures to changes in interest rates. The table indicates the impact on how profit and equity values reported at balance sheet date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

	Change in USD rate	Impact on profit or loss before tax and equity, \$
2020	+10%	(3,388,984)
	-10%	4,142,091
2019	+10%	-
	-10%	-
	Change in CFA rate	Impact on profit or loss before tax and equity, \$
2020	+10%	2,493,607
	-10%	(572,033)
2019	+10%	-
	-10%	-

The Group's exposure to other foreign currency movements is not material.

(b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. The Group's exposure to market risk for changes to interest rate risk relates primarily to its earnings on cash and term deposits. Based on the financial assets held at reporting date, with all other variables assumed to be held constant, the table below sets out the notional effect on consolidated profit or loss after tax for the year and on equity at reporting date under varying hypothetical changes in prevailing interest rates.

Based on the financial assets held at reporting date, with all other variables assumed to be held constant, the table below sets out the notional effect on consolidated profit or loss after tax for the year and on equity at reporting date under varying hypothetical changes in prevailing interest rates.

	2020	2019
	\$	\$
100 basis points increase in interest rate	87,127	37,932
100 basis points decrease in interest rate	(232,360)	(37,932)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

(c) Price risk

The Group is exposed to commodity price risk for its future gold production at the Morila gold mine. Following the acquisition of Morila SA and as at the end of the financial year the Group did not have forward commodity price derivatives in place. Therefore, the sensitivity analysis of the fair value of instruments to the forward gold price were not performed. The Group is yet to implement a policy to manage its exposure to the gold price movements.

Credit Risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted under a financial instrument resulting in a financial loss to the Group and arises from deposits with banks and financial institutions, favourable derivative financial instruments as well as credit exposures to customers including outstanding receivables and committed transactions. The Group measures credit risk on a fair value basis. The Group does not have any significant credit risk exposure to a single counterparty or any Group of counterparties having similar characteristics.

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Group's maximum exposure to credit risk without taking account of the fair value of any collateral or other security obtained.

	2020	2019
	\$	\$
Financial Assets		
Cash and cash equivalents	17,263,076	3,793,194
Trade and other receivables	14,016,341	517,340
Non-current receivables	108,463	112,490
Total Financial Assets	31,387,880	4,423,024

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings as follows:

	2020	2020
	\$	\$
Financial assets		
Westpac Bank A+ rated	23,863,337	3,353,058
Banks in Mali BB rated ⁽¹⁾	(6,653,348)	440,136
Unrated	14,299,479	629,830
	31,509,468	4,423,024

(1) The balance as at 2020 financial year end includes a bank overdraft.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, that as far as possible, it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profile of financial assets and liabilities. As at the reporting date the Group had sufficient cash reserves to meet its requirements. The financial liabilities of the Group at reporting date were trade & other payables incurred in the normal course of the business. These were non-interest bearing and were due within the normal 30-60 days terms of creditor payments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

Maturities of financial liabilities

The following table analyses the Group's financial liabilities based on their contractual maturities.

2020	1-3 months \$	3-12 months \$	12+ months \$	Total \$
Financial liabilities due for payment:				
Trade and other payables	9,130,127	451,263	-	9,581,390
Loan		9,664,296		9,664,296
Lease liabilities	-	28,551	-	28,551
	9,130,127	10,144,110	-	19,274,237
Financial assets:				
Cash and cash equivalents	17,263,076	-	-	17,263,076
Trade and other receivables	10,775,854	3,240,487	-	14,016,341
	28,038,930	3,240,487	-	31,279,417
Net inflow/(outflow) of financial instruments	18,908,803	(6,903,623)	-	12,005,180

2019	1-3 months \$	3-12 months \$	12+ months \$	Total \$
Financial liabilities due for payment:				
Trade and other payables	2,149,186	-	-	2,149,186
Lease liabilities	39,474	-	67,358	106,832
	2,188,660	-	67,358	2,256,018
Financial assets:				
Cash and cash equivalents	3,793,194	-	-	3,793,194
Trade and other receivables	364,261	-	-	364,261
	4,157,455	-	-	4,157,455
Net inflow/(outflow) of financial instruments	1,968,795	-	(67,358)	1,901,437

Fair value estimation

The fair value of financial assets and financial liabilities held by the Group must be estimated for recognition and measurement or for disclosure purposes. All financial assets and financial liabilities of the Group at the balance date are recorded at amounts approximating their fair value.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

Financial instruments whose carrying values is equivalent to fair value due to their nature include:

- Cash and cash equivalents;
- Trade and other receivables; and
- Trade and other payables

At the end of the financial year the Group did not have financial instruments other than those with carrying amounts which are reasonable approximation of fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

17. ISSUED CAPITAL

(a) Issued and paid-up share capital

	Consolidated	
	2020 \$	2019 \$
781,907,231 (2019: 317,348,112) ordinary shares fully paid	128,689,714	58,028,843

Movement in ordinary shares

	2020	2019	2020	2019
	No	No	\$	\$
Balance at the beginning of the year	317,348,112	259,148,940	58,028,843	53,448,920
<i>Shares issued during the period:</i>				
Share allotment - placements ⁽¹⁾	402,736,345	58,199,172	64,437,820	5,138,439
Share allotment – SPP ⁽²⁾	61,468,750	-	9,835,000	-
Exercise of options ⁽³⁾	354,024	-	53,104	-
Transaction costs relating to share issues	-	-	(3,665,053)	(558,516)
Balance at the end of the year	781,907,231	317,348,112	128,689,714	58,028,843

(1) Shares were issued at \$0.16 through a placement in two tranches in September and October 2020.

(2) Share were issued at \$0.16 pursuant to Share Purchase Plan (SPP) announced in September 2020.

(3) Listed options expiring on 17/10/2021 were exercised at \$0.15.

(b) Movements in performance / share rights

	2020	2019
	No.	No.
At beginning of the year	7,500,000	-
Forfeited during the year	(7,000,000)	-
Issued during the year ⁽¹⁾⁽²⁾	8,350,600	7,500,000
Balance at the end of the year	8,850,600	7,500,000

(1) 4,850,600 share rights were issued to employees under the Awards Plan. Share rights expiry on 1/07/2023 and have nil exercise price.

(2) 3,500,000 performance rights were issued to directors as per the shareholders' approval at the annual general meeting on 23/10/2020. Share rights expire on 01/07/2023 and have nil exercise price.

(c) Movements in options

	2020	2019
	No.	No.
At beginning of the year	31,418,937	9,500,000
Listed options issued during the year	-	29,418,937
Expired options	-	(7,500,000)
Listed options exercised	(354,024)	-
Balance at the end of the year	31,064,913	31,418,937

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

RECOGNITION & MEASUREMENT

Ordinary shares are classified as equity and incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. If the Company reacquires its own equity instruments for the purpose of reducing its issued capital, for example as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of tax) is recognised directly in equity.

(d) Capital Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated losses. Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures and general administrative outgoings. Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate funding as required.

The working capital position of the Group was as follows:

	Consolidated	
	2020 \$	2019 \$
Cash and cash equivalents	17,263,076	3,793,194
Trade and other receivables	14,016,341	517,340
Trade and other payables	(9,581,390)	(2,149,186)
Current tax asset/liabilities	(3,597,808)	(18,021)
Lease liability	(28,551)	(39,474)
Current provisions	(155,577)	(77,219)
Working capital position	17,916,091	2,026,634

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

18. RESERVES

	Consolidated	
	2020	2019
	\$	\$
Foreign currency translation reserve	730,152	1,284,862
Share-based payment reserve	4,570,109	4,532,524
	5,300,261	5,817,386

Movement in share-based payment reserve

	Consolidated	
	2020	2019
	\$	\$
Balance at beginning of the year	4,532,524	4,184,743
Vesting expense of performance/share rights issued during the year	291,959	347,781
Vesting expense of prior years' performance/ share rights	50,670	-
Forfeited performance /share rights during the year ⁽¹⁾	(305,044)	-
Balance at the end of the year	4,570,109	4,532,524

(1) Reversal value of unvested performance/share rights forfeited upon resignation of Chris Evans.

RECOGNITION & MEASUREMENT

Share-based payments

The share-based payments reserve is used to record the fair value of options, performance rights and share rights issued to employees and consultants but not exercised. The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they were granted. The fair value of equity instruments granted is determined using Black-Scholes method or Monte Carlo simulation model and recognised over the vesting period. Refer to note 25 for further details.

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity along with the Company's movement in its associate's foreign currency translation reserve.

Non-controlling interest's reserve

The non-controlling interest's reserve records the difference between the fair value of the amount by which the non-controlling interests were adjusted to record their initial relative interest and the consideration paid.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

19. RETAINED EARNINGS / (ACCUMULATED LOSSES)

Movements in accumulated losses were as follows.

	Consolidated	
	2020 \$	2019 \$
Balance at beginning of the year	(36,680,123)	(33,178,202)
Net loss for the year attributable to owners of the parent	114,322	(3,501,921)
Balance at the end of the year	(36,565,801)	(36,680,123)

20. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries:

Name of Subsidiary	Place of Incorporation	Consolidated Entity Interest, %	
		2020	2019
Birimian Gold (Mali) Pty Limited	Australia	100	100
Birimian Gold Mali SARL	Mali	100	100
Birimian Gold Liberia Inc	Liberia	100	100
Sudquest SARL	Mali	100	100
Timbuktu Resources SARL	Mali	100	100
Goulamina Holding Co Pty Ltd	Australia	100	100
Lithium du Mali	Mali	100	100
Firefinch Services Pty Ltd	Australia	100	-
Morila Limited ⁽¹⁾	Jersey	100	-
Societe des Mines de Morila SA ⁽¹⁾	Mali	80	-

(1) Acquisition of Morila Limited (Jersey) that owns 80% of Societe des Mines de Morila SA completed on 10 November 2020. The Government of Mali holds the other 20% in Societe des Mines de Morila SA through the Department of Mines and Energy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

21. PARENT ENTITY DISCLOSURES

	Parent	
	2020	2019
	\$	\$
Assets		
Current assets	26,135,631	3,869,913
Non-current assets	74,275,872	26,117,110
Total assets	100,411,503	29,987,023
Liabilities		
Current liabilities	1,018,267	888,624
Non-current liabilities	-	67,357
Total liabilities	1,018,267	955,981
Equity		
Issued capital	128,689,714	58,029,778
Reserve	5,854,972	5,817,386
Accumulated losses	(35,151,450)	(34,816,122)
Total equity	99,393,236	29,031,042
(Loss) for the year	(335,328)	(3,494,846)
Other comprehensive income	-	-
Total comprehensive (loss) / income	(335,328)	(3,494,846)

Contingent liabilities of the parent entity:

There are no guarantees entered into by Firefinch Limited for the debts of its subsidiaries as at 31 December 2020 (2019: nil)

RECOGNITION & MEASUREMENT

The financial information for the parent entity, Firefinch Limited has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Firefinch Limited. Dividends from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments. No dividends were received in 2020 (2019: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

22. RELATED PARTY DISCLOSURES

(a) Identity of related parties

The consolidated entity has a related party relationship with its subsidiaries (see note 20) and with its key management personnel (refer below).

(b) Transaction with other related parties

The consolidated entity had no transactions with any other related party during the year ended 31 December 2020.

(c) Key management personnel compensation

The key management personnel compensation included in 'Employee benefits expenses' and 'Share based payments' is as follows.

	Consolidated	
	2020	2019
	\$	\$
Short-term employee benefits	919,676	867,735
Post-employment benefits	69,078	60,758
Termination benefits	129,778	-
Share-based payments	(81,234)	347,781
Other	-	69,075
Total compensation	1,037,298	1,345,349

Details of remuneration disclosures are provided in the remuneration report on pages 16 to 24.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

23. REMUNERATION OF AUDITORS

	Consolidated	
	2020	2019
	\$	\$
Amounts paid or payable to PwC Australia for:		
Audit services	146,464	80,409
Tax advisory services	15,300	33,899
	161,764	114,308
Amounts paid or payable to auditors in Mali:		
Audit services by Sec Diarra SARL to Morila SA	79,314	-
Audit services by Sylla et Associes SARL to Birimian Gold Mali SARL, Timbuktu SARL and Sudquest SARL	14,626	-
	93,940	-
	255,704	114,308

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

24. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	Consolidated	
	2020 \$	2019 \$
Reconciliation of cash flow from operations to (loss)/profit after income tax		
Profit/(Loss) after income tax	1,043,816	(3,504,280)
Non-cash flows in (loss)/profit from ordinary activities:		
Depreciation and amortisation	221,698	292,861
Non-cash cost of production	8,600,329	-
Exploration expenditure written-off	-	6,436
Net share-based payments expensed	37,585	347,781
Foreign exchange loss	358,532	19,659
Other	(88,030)	(47,851)
Fair value increase in royalty receivable/payable	-	(58,804)
Sale of minor plant and equipment	-	(4,927)
Changes in assets and liabilities:		
(Increase)/decrease in inventory	(2,793,396)	-
(Increase)/decrease in trade and other receivables	(5,321,900)	-
(Increase)/decrease in prepayments	(68,360)	(35,052)
(Increase)/decrease in other assets	83,899	78,730
(Decrease)/increase in trade and other payables	(10,621,619)	(484,202)
Increase/(decrease) in provisions	(1,161,211)	109,920
Increase/(decrease) in tax liability	3,579,787	(35,712)
Cash flow from operations	(6,128,870)	(3,315,441)

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for the year ended 31 December 2020

25. SHARE BASED PAYMENTS

(a) Performance/share rights

Share rights were issued to employees of the Company under the terms of the Awards Plan (Plan) approved by the shareholders on 29 May 2020. Share rights were issued to directors of the Company as per the shareholder's approval at the general meeting held on 23 October 2020. These share rights and performance rights were issued at nil consideration and each share right/performance right will convert to an ordinary share upon satisfaction of vesting criteria.

The following table illustrates the number and movements in share rights and performance rights during the year.

Grant date	Equity instrument	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited / lapsed	Balance at end of the year	Vested and exercisable at the end of the year
			\$	Number	Number	Number	Number	Number	Number
26/02/2019	Share rights ⁽¹⁾	26/02/2021	nil	500,000	-	-	-	500,000	-
27/05/2019	Share rights ⁽²⁾	17/03/2022	0.40	1,000,000	-	-	(1,000,000)	-	-
27/05/2019	Share rights ⁽²⁾	17/03/2022	0.55	1,000,000	-	-	(1,000,000)	-	-
27/05/2019	Share rights ⁽²⁾	17/03/2022	1.00	1,000,000	-	-	(1,000,000)	-	-
27/05/2019	Perform. rights ⁽²⁾	17/03/2021	nil	1,000,000	-	-	(1,000,000)	-	-
27/05/2019	Perform. rights ⁽²⁾	17/09/2021	nil	1,000,000	-	-	(1,000,000)	-	-
27/05/2019	Perform. rights ⁽²⁾	17/03/2022	nil	2,000,000	-	-	(2,000,000)	-	-
30/07/2020	Share rights ⁽³⁾	01/07/2023	nil	-	3,880,600	-	-	3,880,600	-
16/09/2020	Share rights ⁽³⁾	01/07/2023	nil	-	470,000	-	-	470,000	-
23/10/2020	Perform. rights ⁽⁴⁾	01/07/2023	nil	-	3,500,000	-	-	3,500,000	-
02/11/2020	Perform. rights ⁽⁵⁾	01/07/2023	nil	-	500,000	-	-	500,000	-
				7,500,000	8,350,600		(7,000,000)	8,850,600	-

- (1) Share rights issued to KMP with nil exercise price and vesting condition being 2 years of a consecutive service with the Company.
- (2) Performance/ share rights were forfeited on the resignation of Chris Evans as a managing director of the Company in April 2020.
- (3) Share rights issued to employees under the Awards Plan with vesting upon meeting any of the two performance hurdles being: Company's share price has traded on ASX at a \$0.10 premium to the price on the 3 days of trading after the announcement of the Morila acquisition for 20 consecutive trading days; a JORC resources of at least 2,000,000 ounces of gold is defined at the Morila gold mine; open pit production is recommenced at the main pit; and the Company enters into a sale, joint venture or financing agreement in respect of the Goulamina project.
- (4) Performance rights were issued to the Directors of the Company as per the shareholders' approval given on 23 October 2020 with any two of the four vesting conditions: Company's share price has traded on ASX at a \$0.10 premium or above the VWAP of the 3 days after the announcement of the Morila acquisition for 20 consecutive trading days; a JORC resources of at least 2,000,000 ounces of gold is defined at the Morila gold mine; maintaining production beyond the closure plan of 2021 the Morila mine; and the Company enters into a sale, joint venture or financing agreement in respect of the Goulamina project.
- (5) Performance rights were issued on commencement of employment of the Chief Operating Officer with vesting condition being completion of 2 years of continuous employment with the Company.
- (6) The weighted average exercise price of all performance rights and share rights granted in 2020 was nil.

Grant date	Equity instrument	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited / lapsed	Balance at end of the year	Vested and exercisable at the end of the year
			\$	Number	Number	Number	Number	Number	Number
2019									
26/02/2019	Share rights	26/02/2021	nil	-	500,000	-	-	500,000	-
27/05/2019	Share rights	17/03/2022	0.40	-	1,000,000	-	-	1,000,000	-
27/05/2019	Share rights	17/03/2022	0.55	-	1,000,000	-	-	1,000,000	-
27/05/2019	Share rights	17/03/2022	1.00	-	1,000,000	-	-	1,000,000	-
27/05/2019	Perform. rights	17/03/2021	nil	-	1,000,000	-	-	1,000,000	-
27/05/2019	Perform. rights	17/09/2021	nil	-	1,000,000	-	-	1,000,000	-
27/05/2019	Perform. rights	17/03/2022	nil	-	2,000,000	-	-	2,000,000	-
					7,500,000			7,500,000	-

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The fair value of the equity-settled performance rights and share rights granted was estimated as at the grant date using a Monte Carlo model taking into account the terms and conditions upon which the performance rights and share rights were granted.

The following table lists the inputs to the model used for the performance rights and share rights issued during the year ended 31 December 2020.

Grant date	Exercise Price	Expiry date	Expected life of performance/ share rights (years)	Price of underlying shares at grant date \$	Volatility %	Dividends expected on shares %	Risk-free interest rate %	Estimated vesting date
2020								
30/07/2020	nil	01/07/2023	2.92	0.145	80	nil	0.28	31/12/2021
16/09/2020	nil	01/07/2023	2.79	0.155	80	nil	0.24	31/12/2021
23/10/2020	nil	01/07/2023	2.69	0.185	80	nil	0.14	31/12/2021
02/11/2020	nil	01/07/2023	2.66	0.140	80	nil	0.11	02/11/2022

(b) Options

No options were issued during the year ending 31 December 2020. The following table illustrates the number and movements in options during the year.

Grant date	Equity instrument	Expiry date	Exercise price \$	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited / lapsed Number	Balance at end of the year Number	Vested and exercisable at the end of the year Number
2020									
15/12/2018	Unlisted options	20/02/2022	0.40	2,000,000	-	-	-	2,000,000	2,000,000
				2,000,000	-	-	-	2,000,000	2,000,000
2019									
15/12/2018	Unlisted options	20/02/2022	0.40	2,000,000	-	-	-	2,000,000	2,000,000
				2,000,000	-	-	-	2,000,000	2,000,000

RECOGNITION & MEASUREMENT

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions'). The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation using a Black Scholes option pricing model and Monte Carlo methodology as appropriate.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of options or performance rights that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

26. COMMITMENTS

(a) Operating lease commitments

The Group was committed to lease payments in respect of its premises in Mali. The lease agreements were executed for 12 months and may be terminated by giving 3 months or less written notice thereafter. Minimum commitments are estimated as follows.

	2020 \$	2019 \$
Within one year	-	29,261
After one year but not more than five years	-	-
Total minimum lease payments	-	29,261

(b) Exploration commitments

With respect to the Group's exploration tenements in Mali, the Group submits budgeted exploration expenditure as part of the licence application and renewal requirements. In assessing subsequent renewal applications, the mining authorities review actual expenditure against budgets previously submitted. These amounts do not become legal obligations of the Group and actual expenditure does vary depending on the outcome of the actual activities.

	2020 \$	2019 \$
Within one year	3,489,131	1,514,251
After one year but not more than five years	-	-
	3,489,131	1,514,251

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

27. BUSINESS COMBINATIONS - ACQUISITION OF MORILA

Transaction details

On 10 November 2020 Firefinch Limited completed the acquisition of an 80% interest in the Morila gold mine in Mali. Morila is an operating gold mine and has 4.5 million tonnes per annum processing plant and all infrastructure required for a remote mine site. Following the satisfaction of conditions precedent to completion of the transaction, Barrick Gold Corporation and AngloGold Ashanti Limited (Vendors) advised that the final acquisition price was US\$29.7 million (approximately A\$41.44 million). Firefinch acquired 100% interest in Morila Limited, incorporated in Jersey, which in turn owns an 80% interest in Morila SA, the owner of the Morila gold mine. The Government of Mali owns the remaining 20% of Morila SA.

Details of purchase consideration and net assets acquired

The Sales Agreement provides a formula for the aggregate consideration for the purchase of the Morila group and the assignment of the loans.

	USD	AUD Equiv
Total cash consideration paid	29,701,765	41,440,441

Fair value of identifiable net assets and liabilities

At 31 December 2020, the acquisition accounting balances recognised are provisional due to ongoing work finalising valuations which may impact acquisition accounting entries.

	USD	AUD Equiv
Assets		
Bank overdraft	(3,315,072)	(4,554,734)
Trade receivables	1,093,129	1,501,902
VAT paid	10,744,704	14,762,657
Other receivables	1,845,579	2,535,728
Inventory ⁽¹⁾	32,171,946	44,202,556
Exploration and evaluation expenditure recognised on acquisition	24,877,865	34,180,873
Total assets	67,418,152	92,628,982
Liabilities		
Trade and other payables ⁽²⁾	16,465,981	21,992,275
Provisions ⁽³⁾	13,044,581	17,922,567
Loans ⁽⁴⁾	34,122,007	47,512,950
Total liabilities	63,632,570	87,427,792
Net assets of Morila	3,785,582	5,201,190
80% of net assets acquired	3,028,466	4,161,622
20% non-controlling interest on acquisition	757,116	1,039,568
	3,785,582	5,201,190

(1) Inventory includes tailings. Management has considered the fair value of the tailings to be recognized as part of the net assets of the Morila acquisition. Based on the Mineral Resource Statement (ASX Announcement on 6 September 2020): Morila Measured Tailings of contained gold are 76,000 ounces. The applied recovery rate of 50%, gold price of US\$1,800 per ounce and all-in costs of US\$900 per ounce. The value of gold in tailings inventory was adjusted for the movement from September to November 2020.

(2) Trade and other payables include income tax liability of US\$2,866,525.

(3) Provisions include a rehabilitation provision of US\$7,956,960 and employee retirement provision of US\$814,131.

(4) Loans include US\$26,673,299 loans payable to Firefinch Limited and US\$7,448,708 interest bearing loan (LIBOR+2%) owing to the minority interest.

(5) Plant and equipment were fully written down on date of acquisition. Since the plant needs future rebuilt works its written down value was considered at the best estimate of its fair value at the time of acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

Purchase consideration - cash outflows

	2020 \$	2019 \$
Outflow of cash to acquire subsidiary, net of cash acquired		
Cash consideration paid	(41,440,441)	-
Less: Balances acquired	-	-
Bank overdraft	(4,554,734)	-
	(45,995,174)	-
Net outflow of cash on acquisition – investing activities	(45,995,175)	-

Revenue and profit contribution

The acquired business contributed revenue of \$20,338,624 and a net profit of \$4,524,493 to the Group for the period from 11 November 2020 to 31 December 2020. If the acquisition had taken place at the beginning of the year, revenue and profit for the period would have been \$109,395,798 and \$34,799,819 respectively.

Non-controlling interest

On acquisition of Morila a non-controlling interest of 20% was accounted for as an equity transaction resulting in the following:

	USD	AUD Equiv
Equity attributable to:		
Owners of Firefinch – 80%	3,028,466	4,161,622
Non-controlling interest – 20%	757,116	1,039,568
Total equity of Morila	3,785,582	5,201,190

	2020 \$	2019 \$
Movement in non-controlling interest during the period		
Balance on acquisition	1,039,568	-
Allocated profit for the period from acquisition to end of Dec'20	950,651	-
Foreign currency movements	(21,157)	-
Balance at the end of the year	1,969,062	-

Acquisition- related costs

Acquisition-related costs of \$644,729 are included in corporate and other expenses in the statement of profit or loss and in operating cash flows in the statement of cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

RECOGNITION & MEASUREMENT

The acquisition method of accounting is used to account for business combinations by the Group.

The initial accounting for a business combination involves identifying and determining the fair values to be assigned to the acquiree's identifiable assets, liabilities and contingent liabilities and the cost of the combination. If the initial accounting for a business combination can be determined only provisionally by the end of the period the Group will account for the combination using those provisional values. Any adjustments to those provisional values as a result, of completing the initial accounting will be recognised within twelve months of the acquisition date.

Non-controlling interest

The Group recognises non-controlling interests in an acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. For the non-controlling interests in Morila SA, the Group elected to recognise the non-controlling interests at its proportionate share of the acquired net identifiable assets.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

28. CONTINGENCIES

Tax Assessment

The Group purchased an 80% interest in Morila SA, the owner of the Morila gold mine in Mali on 11 November 2020. A Tax Assessment was received by Morila SA in January 2020. The market was advised of the receipt of the partial assessment on 18 January 2021.

The Assessment advises that the tax department disputes the amounts due in relation to various employment taxes, withholding taxes and VAT paid by, or claimed by Morila SA for the tax year ending 31 December 2017.

The Assessment also advises that the tax department believes that Morila SA has materially understated its income from gold sales made in 2017. In 2017, the mine produced approximately 70,000 ounces of gold and sold 67,612 ounces of gold for net revenue received of US\$92.65 million. The mine has reviewed its records and has no reason to revise the amount of gold produced or the revenue received. Firefinch notes that this gold production was disclosed to public exchanges by the previous owners of Morila SA: Barrick Gold and AngloGold Ashanti.

The Tax Department has advised that, based on advice from the government department responsible for customs and exports, it believes the revenue from gold sales for 2017 should be US\$146.9 million. The basis for this higher estimate was not provided. The Company's internal records and receipts of sales from Rand Refinery in South Africa confirm its production and revenue as disclosed in its 2017 tax return. The Company is confident that the source of information utilised by the tax department to establish Morila SA gold sales is incorrect.

The Company believes the assessment of employment tax, withholding tax, VAT and gold revenue is incorrect and has lodged an objection to the Assessment with the tax authorities together with supporting documentation. The objection was prepared by the Company's tax advisers and peer reviewed by a legal firm prior to lodgement with the tax department.

On the above basis, no amounts have been recorded for any potential liability in relation to these matters, as the Group believes it is probable that the taxation authority will accept the Group's tax treatment in the past. An estimate of the potential liability has not been disclosed as the Group cannot reasonably predict the outcome.

Founders Fee

Through its wholly-owned Australian subsidiary, Birimian Gold (Mali) Pty Ltd, the Group holds 100 per cent equity in three subsidiary companies incorporated in Mali, viz. Birimian Gold Mali SARL (BGM), Timbuktu Ressources SARL and Sudquest SARL. The Group holds seven exploration permits, two of which are lithium-focused and five cover gold prospects, in three discrete projects: the Goulamina Project and the Massigui and Dankassa Gold Projects.

Pursuant to each Establishment Convention entered into by a Birimian Mali subsidiary, as a holder of an exploration permit, and the State of Mali under the provisions of Mali's 2012 Mining Code, it has been agreed that a "Founder's Fee" (the Fee) is payable to the State of Mali represented by the Direction Nationale de la Géologie et des Mines (Department of Geology and Mines) (DNGM). Although agreed to by the holder of an exploration permit, the Fee is payable by the exploitation company that must be formed in Mali to take a transfer of the exploitation (mining) permit once granted to the holder of the exploration permit. The establishment of an exploitation company to hold the exploitation permit is a requirement of article 65 of the 2012 Mining Code.

The Fee is defined as a fixed amount payable in USD to the State of Mali in each relevant applicable Establishment Convention and is payable in the event of the grant of an exploitation permit in respect of all or part of the area of the exploitation permit. The calculation of this Fee is by reference to the area of the exploration permit. The Fee is intended to compensate the State of Mali for previous geological work it has undertaken over the area subject to the exploration permit.

Under the Establishment Conventions with respect to the Finkola and N'tiola permits, BGM agreed to Fees of US\$300,800 and US\$192,512 which is contingent on the application and granting of exploitation (mining) permits. It is not clear whether, as a result of the Group's historical transactions with Morila, there will be any liability to pay a Fee to the DNGM as a consequence of the Areas of Interest being included within an enlarged exploitation permit held by Morila. Certainly, Morila has no direct liability to the State of Mali as a consequence of the Establishment Conventions which BGM entered into. There is a possibility that the State of Mali may, in the circumstances, request a payment of the Fee from BGM, notwithstanding there is a doubt over the legal basis for doing so. This uncertainty stems from the legal requirements for the payment of Fees being contained in the Establishment Conventions that are binding on BGM and not Morila and the fact that both the Establishment Code and the 2012 Mining Code are silent on the manner in which the liability, if any, for the Fee is to be dealt with where there is a transaction similar to those described in the option agreements entered into between the Group and Morila.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

On 27 October 2016, Timbuktu Resources SARL announced it was undertaking a scoping study on the Torakoro permit, which has been subsequently followed by a pre-feasibility study (*BGS 31 January 2017*), which gives rise to a contingent liability totalling US\$300,800.

Goulamina Vendor Fee

In addition to the amounts outlined above, as a result of the Group acquiring the Goulamina Lithium Project in March 2016 by making payments totalling US\$40,000, the vendor is entitled to receive a final payment of US\$200,000 should the project reach commercial production.

29. EVENTS OCCURRING AFTER THE END OF YEAR DATE

A Tax Assessment was received by Morila SA in January 2020. The market was advised of the receipt of the partial assessment on 18 January 2021. The Assessment advises that the tax department disputes the amounts due in relation to various employment taxes, withholding taxes and VAT paid by, or claimed by Morila SA for the tax year ending 31 December 2017. Further details are included in Note 6 and note 28.

On 8 February 2021, the Company announced an increase in the Indicated and Inferred Mineral Resource at Morila pit, increasing from 1.3 million ounces of contained gold to 2.2 million ounces of contained gold. The grade of the Mineral Resource increasing from 1.2 g/t gold to 1.6g/t gold resulting in a global resource for the entire Morila project increasing to 2.35 million ounces of contained gold. Full details of the Company's announcement can be found on the Company's web page.

On 9 February 2021, the Company announced that to realise the true value of the Goulamina Lithium project (Goulamina), the Company intends to progress a demerger of Goulamina into a separate lithium focussed company which is expected to be listed on ASX (Lithium Co) in 2021, subject to shareholder and other required approvals.

On 2 March 2021, The Company announced the appointment of Macquarie Capital (Australia) Limited to advise on funding, partnering opportunities, offtake and the demerger process for Goulamina.

On 10 March 2021, the Company announced the appointment of Dr Michael Anderson as Managing Director (with effect from 6 April 2021). Dr Cowden was appointed interim Executive Chairman after the resignation of the Company's previous Managing Director until a new Managing Director is appointed. Dr Cowden will return to his original role of Non-Executive Chairman from 6 April 2021.

On 22 March 2021, the Company announced the appointment of Bradley Gordon as Non-Executive Director (with effect from 6 April 2021).

Directors' Declaration

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 27 to 68 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable, and

Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Executive Chairman and Chief Financial Officer required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



DR ALISTAIR COWDEN

Executive Chairman

Dated 31 March 2021

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Independent auditor's report

To the members of Firefinch Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Firefinch Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 31 December 2020
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality	Audit scope
<ul style="list-style-type: none"> For the purpose of our audit we used overall Group materiality of \$1,277,000, which represents approximately 1% of the Group's total assets. We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. We chose Group total assets, because in our view, it is the benchmark against which the performance of the Group is most commonly measured against, as it transitions from exploration and development to production. We utilised a 1% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds. 	<ul style="list-style-type: none"> Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. The accounting processes are structured around a group finance function at the Group's head office in Perth which receives information from a finance function in Mali. We have performed our audit procedures primarily at the Group's Perth office.

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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

Key audit matter

How our audit addressed the key audit matter

Acquisition of Morila Limited

(Refer to note 27)

On 10 November 2020, Firefinch Limited completed the acquisition of an 80% interest in Morila Limited for purchase consideration of US\$29.7 million.

The acquisition was a key audit matter because it was a significant transaction for the year given the financial and operating impact on the Group. In addition, the Group made complex judgements when accounting for the acquisition including identifying all assets and liabilities of the newly acquired subsidiaries and estimating the fair value of each item for initial recognition by the Group, particularly the ore in tailings inventory, capitalised exploration and evaluation expenditure and rehabilitation provision.

The accounting for the acquisitions is provisional at the time of authorisation of the financial report.

Our procedures included, but were not limited to:

- obtaining the board approved purchase contract to understand the nature of the acquisition and the consideration payable,
- considering how the Group estimated the fair value of the assets and liabilities in the acquisition. In particular, we focused on significant judgements made by the Group in assessing the identification of assets acquired, and liabilities assumed and the appropriateness of the methodologies and assumptions utilised by management in relation to the following:
 - *Ore in tailings inventory*; assessing the forecast gold price, future processing costs, ore grades and ore volumes, expected timing of processing as well as the overall methodology adopted to value inventory,
 - *Capitalised exploration and evaluation expenditure*; inspecting the interim life of mine plan approved by the directors, historical resource information and considering whether Group retained right of tenure for the tenements acquired, and
 - *Rehabilitation provision*; agreeing rehabilitation cost estimates to underlying closure estimates and assessing key assumptions applied to determine the rehabilitation liability for the Morila mine site at acquisition.

We also evaluated the adequacy of the disclosures made in note 27 to the financial statements in light of the requirements of Australian Accounting Standards.

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<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p><i>Impairment assessment for capitalised exploration and evaluation assets</i> <i>(Refer to note 12)</i></p> <p>As at 31 December 2020, the Group had capitalised exploration and evaluation assets of \$59,607,354. Judgement was required by the Group to assess whether there were indicators of impairment of these assets due to the need to make estimates about future events and circumstances, such as whether the mineral resources may be economically viable to mine in the future.</p> <p>This was a key audit matter because of the size of the balance and the risk of impairment should the Group relinquish certain exploration or mining licences as it continues to assess future viability.</p>	<p>We evaluated the Group’s assessment that there had been no indicators of impairment for its capitalised exploration and evaluation assets, by performing the following procedures, amongst others:</p> <ul style="list-style-type: none"> • inquired with management and the directors to develop an understanding of the current status and future intentions of the Group’s projects in Mali, • tested whether the Group retained right of tenure for its exploration and mining licence areas by obtaining licence status records maintained by the relevant government authority in Mali, • considered the consistency of information provided by the Group’s metallurgic test work, resource drilling results in relation to its licences to date, ASX releases and management’s internal assessment of the likely prospectively of material licence areas, • tested a sample of current year expenditure on licence areas to source documents, and • obtained plans for future expenditure and compared these to contractual minimum licence expenditure requirements.
<p><i>Rehabilitation and decommissioning provisions</i> <i>(Refer to note 14)</i></p> <p>As at 31 December 2020, the Group had recognised rehabilitation and decommissioning provisions of \$15,599,884 as a result of its obligations to restore and rehabilitate the environment which has been disturbed by Morila’s mining operations. Rehabilitation and decommissioning activities are governed by a combination of legislative requirements and Group policies.</p> <p>This was a key audit matter given the determination of these provisions required judgement by the Group in the assessment of the nature and extent of the work to be performed, the future cost of performing the work, the timing of when the rehabilitation will take place and economic assumptions such as the discount rate for future cash outflows associated with the rehabilitation and decommissioning provisions.</p>	<p>We performed the following procedures over the Group’s rehabilitation and decommissioning provisions, amongst others:</p> <ul style="list-style-type: none"> • assessed key assumptions utilised in the rehabilitation and decommissioning model by evaluating the competency, capabilities and objectivity of experts retained by the Group and testing a sample of these cost estimate inputs to external sources, • assessed the Group’s judgements in relation to the manner in which the rehabilitation and decommissioning is likely to occur, and • considered the appropriateness of the discount rates and inflation rates utilised in calculating the provision by comparing them to current market consensus.

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p><i>Availability of funding for further exploration and development activities</i> <i>(Refer to note 1)</i></p> <p>The Group is currently treating and processing ore from tailings as it works towards recommencing mining of the Morila pit. As a result, the Group does not currently generate a commercial level of revenue and therefore continues to rely on funding from its shareholders or other sources to continue as a going concern. These funds will be required to recommence mining of the Morila pit and other costs incurred by the operations of the Group.</p> <p>In determining the appropriateness of their going concern basis of preparation of the financial report, the Group has made a number of judgements, including the capital expenditure required to recommence mining at the Morila pit and associated satellite pits, expected cash inflows from the processing of tailings and the continued success of raising funding as and when it is needed.</p> <p>Assessing the appropriateness of the Group's basis of preparation for the financial report was a key audit matter due to its importance to the financial report and the level of judgement involved in forecasting future cash flows.</p>	<p>We considered the appropriateness of the going concern assumption used in preparing the financial report by performing the following procedures, amongst others:</p> <ul style="list-style-type: none"> • evaluated the Group's assessment of its ability to continue as a going concern, including whether the period covered is at least 12 months from the date of the financial report and that relevant information of which we are aware from the audit was included, • inquired of management and the directors whether they were aware of any events or conditions, including beyond the period of the assessment that may cast significant doubt on the Group's ability to continue as a going concern, • agreed the cash receipts from the capital placements undertaken during the year to the relevant bank statements, • compared the key underlying data and assumptions in the Group's cash flow forecast to internal reporting and historical cash outflows, • developed an understanding of the key forecast expenditure items, including the amounts that are contractually committed and required to be paid to maintain the good standing of the Group's tenements as well other material future capital expenditures, and • evaluated the adequacy of the disclosures made in the financial report, including the basis for the directors' conclusion that the Group is a going concern in light of the requirements of the Australian Accounting Standards.



Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.



Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 16 to 24 of the directors' report for the year ended 31 December 2020.

In our opinion, the remuneration report of Firefinch Limited for the year ended 31 December 2020 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Price Waterhouse Coopers

PricewaterhouseCoopers

Helen Bathurst

Helen Bathurst
Partner

Perth
31 March 2021

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Additional Information for Listed Public Companies

1 Capital as at 26 March 2021.

a. Ordinary share capital

782,257,637 ordinary fully paid shares held by 3,865 shareholders.

b. Unlisted Options over Unissued Shares

Number of Options	Exercise Price \$	Expiry Date
2,000,000	0.40	20 February 2022
2,000,000		

c. Listed Options over Unissued Shares

Number of Options	Exercise Price \$	Expiry Date
28,714,507	0.15	17 October 2021
28,714,507		

d. Voting Rights

The voting rights attached to each class of equity security are as follows:

- **Ordinary shares:** Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.
- **Unlisted Options:** Options do not entitle the holders to vote in respect of that equity instrument, nor participate in dividends, when declared, until such time as the options are exercised or performance shares convert and subsequently registered as ordinary shares.

Listed Options: Options do not entitle the holders to vote in respect of that equity instrument, nor participate in dividends, when declared, until such time as the options are exercised or performance shares convert and subsequently registered as ordinary shares.

e. Substantial Shareholders as at 26 March 2021.

As at 26 March 2021, the register of a substantial shareholder disclosed the following information.

	Number of ordinary shares held	Percentage of capital held
CS Third Nominees Pty Limited <HSBC Cust Nom AU Ltd 13 A/C>	39,347,180	5.03

f. Distribution of Shareholders as at 26 March 2021. Ordinary Shares

Category (size of holding)	Total Holders	Number Ordinary	% Held of Issued Ordinary Capital
1 – 1,000	140	26,754	0.00
1,001 – 5,000	494	1,693,418	0.22
5,001 – 10,000	583	4,658,548	0.60
10,001 – 100,000	1,764	71,066,364	9.08
100,001 – and over	884	704,812,553	90.10
	3,865	782,257,637	100.00

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Additional Information for Listed Public Companies

g. Distribution of Shareholders as at 26 March 2021. Listed Options Shares

Category (size of holding)	Total Holders	Number of Listed options	% held of listed Options
1 – 1,000	74	33,557	0.12
1,001 – 5,000	96	251,465	0.88
5,001 – 10,000	47	350,971	1.22
10,001 – 100,000	134	5,066,700	17.65
100,001 – and over	50	23,011,814	80.14
	401	28,714,507	100.00

h. Unmarketable Parcels of Ordinary Shares as at 26 March 2021

As at 26 March 2021 there were 236 shareholders of ordinary Shares who held less than a marketable parcel of shares holding 210,518 shares.

i. On-Market Buy-Back

There is no current on-market buy-back.

j. Restricted Securities

The Company has no restricted securities

The Company has no restricted securities

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Additional Information for Listed Public Companies

k. 20 Largest Shareholders — Ordinary Shares as at as at 26 March 2021

Rank	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1.	CS Third Nominees Pty Limited <HSBC Cust Nom Au Ltd 13 A/C>	39,347,180	5.03
2.	Citicorp Nominees Pty Limited	31,765,168	4.06
3.	Zero Nominees Pty Ltd	30,900,000	3.95
4.	BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	27,673,250	3.54
5.	Michael Pacha	21,875,008	2.80
6.	Capital Di Limited	19,600,000	2.51
7.	BNP Paribas Nominees Pty Ltd <IB Au Noms Retailclient DRP>	16,551,575	2.12
8.	UBS Nominees Pty Ltd	14,979,356	1.91
9.	BNP Paribas Nominees Pty Ltd Six Sis Ltd <DRP A/C>	12,315,299	1.57
10.	JP Morgan Nominees Australia Pty Limited	11,828,627	1.51
11.	Mr Phillip Richard Perry	10,965,000	1.40
12.	Dog Meat Pty Ltd <DM A/C>	10,000,000	1.28
12	Worldpower Pty Ltd	10,000,000	1.28
14	Mr Ming Yiu Ko	8,250,000	1.05
15	Borg Geoscience Pty Ltd	7,395,000	0.95
16	HSBC Custody Nominees <Australia> Limited	7,125,281	0.91
17	CS Fourth Nominees Pty Limited <HSBC Cust Nom Au Ltd 11 A/C>	6,846,723	0.88
18	Desgail Pty Ltd <Ian Ash Super Fund A/C>	5,000,000	0.64
19	Mr Brendan James Borg + Mrs Erin Belinda Borg <Borg Family Super Fund A/C>	4,937,500	0.63
20	Day Livin Pty Ltd	4,874,475	0.62
Total		302,229,442	38.64

Additional Information for Listed Public Companies

I. 20 Largest Shareholders — Listed Options as at as at 26 March 2021

Rank	Name	Number of Listed Option Held	% held of issued Listed Options
1.	Capital Limited	5,625,000	19.59
2.	New Point Australia Holdings Pty Ltd <DYZY Family A/C>	1,250,000	4.35
3.	Mr John Barry Dick	820,000	2.86
4.	Mr Phillip Richard Perry	726,500	2.53
5.	Blue Pebble Capital Pty Ltd <Blue Pebble Family A/C>	625,000	2.18
5	Mr Alistair Cowden + Mrs Rosemary Cowden <The Inverkip A/C>	625,000	2.18
5	Rookharp Capital Pty Limited	625,000	2.18
8	Mr Michael Thomas Albert Dunn	610,761	2.13
9	Mr Geoffrey Eric Shield + Mrs Susan Elizabeth Shield <Shield Family A/C>	606,500	2.11
10	Mr Marck Owen Hansen	600,000	2.09
11	Borg Geoscience Pty Ltd	562,500	1.96
12	Mr Alexander James Mlaco	515,000	1.79
13	Mr Brendan James Borg + Mrs Erin Belinda Borg <Borg Family Super Fund A/C>	512,500	1.78
14	Hardrock Capital Pty Ltd	500,000	1.74
15	Mem Pty Ltd <Mem Family A/C>	466,500	1.62
16	Mem Pty Ltd <Mem Staff Super Fund A/C>	452,500	1.58
17	349 Sales Pty Ltd	450,000	1.57
17	Mr Anthony Lam	450,000	1.57
19	AAA Gold Pty Ltd	410,890	1.43
20	Mr Karl David McGrouther	401,335	1.40
	Total	16,834,986	58.63

2. The Company Secretary is Eric Hughes

3. **Principal registered office**

As disclosed in the Corporate Directory of this Annual Report

4. **Registers of securities**

As disclosed in the Corporate Directory of this Annual Report.

5. **Stock exchange listing**

Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Securities Exchange Limited, As disclosed in the Corporate Directory of this Annual Report.

6. **Use of funds**

The Company has used its funds in accordance with its business objectives.

Appendix 4G

Key to Disclosures Corporate Governance Council Principles and Recommendations

Name of entity

FIREFINCH LIMITED

ABN/ARBN

11 113 931 105

Financial year ended:

31 DECEMBER 2020

Our corporate governance statement¹ for the period above can be found at:²

- These pages of our annual report:
- This URL on our website: <http://www.firefinchltd.com/CorporateGovernance.html>

The Corporate Governance Statement is accurate and up to date as at 25 March 2021 and has been approved by the board.

The annexure includes a key to where our corporate governance disclosures can be located.³

Date: 31 March 2021

Name of authorised officer authorising lodgement: Eric Hughes

¹ "Corporate governance statement" is defined in Listing Rule 19.12 to mean the statement referred to in Listing Rule 4.10.3 which discloses the extent to which an entity has followed the recommendations set by the ASX Corporate Governance Council during a particular reporting period.

Listing Rule 4.10.3 requires an entity that is included in the official list as an ASX Listing to include in its annual report either a corporate governance statement that meets the requirements of that rule or the URL of the page on its website where such a statement is located. The corporate governance statement must disclose the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period. If the entity has not followed a recommendation for any part of the reporting period, its corporate governance statement must separately identify that recommendation and the period during which it was not followed and state its reasons for not following the recommendation and what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

Under Listing Rule 4.7.4, if an entity chooses to include its corporate governance statement on its website rather than in its annual report, it must lodge a copy of the corporate governance statement with ASX at the same time as it lodges its annual report with ASX. The corporate governance statement must be current as at the effective date specified in that statement for the purposes of Listing Rule 4.10.3.

Under Listing Rule 4.7.3, an entity must also lodge with ASX a completed Appendix 4G at the same time as it lodges its annual report with ASX. The Appendix 4G serves a dual purpose. It acts as a key designed to assist readers to locate the governance disclosures made by a listed entity under Listing Rule 4.10.3 and under the ASX Corporate Governance Council's recommendations. It also acts as a verification tool for listed entities to confirm that they have met the disclosure requirements of Listing Rule 4.10.3.

The Appendix 4G is not a substitute for, and is not to be confused with, the entity's corporate governance statement. They serve different purposes and an entity must produce each of them separately.

² Tick whichever option is correct and then complete the page number(s) of the annual report, or the URL of the web page, where your corporate governance statement can be found. You can, if you wish, delete the option which is not applicable.

³ Throughout this form, where you are given two or more options to select, you can, if you wish, delete any option which is not applicable and just retain the option that is applicable. If you select an option that includes "OR" at the end of the selection and you delete the other options, you can also, if you wish, delete the "OR" at the end of the selection.

See notes 4 and 5 below for further instructions on how to complete this form.

ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

Corporate Governance Council recommendation		Where a box below is ticked, ⁴ we have followed the recommendation in full for the whole of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are: ⁵
PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT			
1.1	A listed entity should have and disclose a board charter setting out: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	<input checked="" type="checkbox"/> and we have disclosed a copy of our board charter at: at https://firefinchld.com/corporate-governance/	<input type="checkbox"/> set out in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.2	A listed entity should: (a) undertake appropriate checks before appointing a director or senior executive or putting someone forward for election as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	<input checked="" type="checkbox"/>	<input type="checkbox"/> set out in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	<input checked="" type="checkbox"/>	<input type="checkbox"/> set out in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	<input checked="" type="checkbox"/>	<input type="checkbox"/> set out in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable

⁴ Tick the box in this column only if you have followed the relevant recommendation **in full** for the **whole** of the period above. Where the recommendation has a disclosure obligation attached, you must insert the location where that disclosure has been made, where indicated by the line with “*insert location*” underneath. If the disclosure in question has been made in your corporate governance statement, you need only insert “our corporate governance statement”. If the disclosure has been made in your annual report, you should insert the page number(s) of your annual report (eg “pages 10-12 of our annual report”). If the disclosure has been made on your website, you should insert the URL of the web page where the disclosure has been made or can be accessed (eg “www.entityname.com.au/corporate-governance/charters/”).

⁵ If you have followed all of the Council’s recommendations **in full** for the **whole** of the period above, you can, if you wish, delete this column from the form and re-format it.

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation	Where a box below is ticked, ⁴ we have followed the recommendation in full for the whole of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are: ⁵
<p>1.5 A listed entity should:</p> <p>(a) have and disclose a diversity policy;</p> <p>(b) through its board or a committee of the board set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; and</p> <p>(c) disclose in relation to each reporting period:</p> <p>(1) the measurable objectives set for that period to achieve gender diversity;</p> <p>(2) the entity's progress towards achieving those objectives; and</p> <p>(3) either:</p> <p>(A) the respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined "senior executive" for these purposes); or</p> <p>(B) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p> <p>If the entity was in the S&P / ASX 300 Index at the commencement of the reporting period, the measurable objective for achieving gender diversity in the composition of its board should be to have not less than 30% of its directors of each gender within a specified period.</p>	<p><input type="checkbox"/></p> <p>and we have disclosed a copy of our diversity policy at:</p> <p>.....</p> <p>[insert location]</p> <p>and we have disclosed the information referred to in paragraph (c) at:</p> <p>.....</p> <p>[insert location]</p> <p>and if we were included in the S&P / ASX 300 Index at the commencement of the reporting period our measurable objective for achieving gender diversity in the composition of its board of not less than 30% of its directors of each gender within a specified period.</p>	<p><input checked="" type="checkbox"/> set out in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
<p>1.6 A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.</p>	<p><input checked="" type="checkbox"/></p> <p>and we have disclosed the evaluation process referred to in paragraph (a) at https://firefinchltd.com/corporate-governance/ (Process for Performance Evaluations) and whether a performance evaluation was undertaken for the reporting period in accordance with that process at: https://firefinchltd.com/corporate-governance/ (</p>	<p><input type="checkbox"/> set out in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

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Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		Where a box below is ticked, ⁴ we have followed the recommendation <u>in full</u> for the <u>whole</u> of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are: ⁵
1.7	<p>A listed entity should:</p> <p>(a) have and disclose a process for evaluating the performance of its senior executives at least once every reporting period; and</p> <p>(b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.</p>	<p><input checked="" type="checkbox"/></p> <p>and we have disclosed the evaluation process referred to in paragraph (a) at: https://firefinchltd.com/corporate-governance/ (Process for Performance Evaluations)</p> <p>and whether a performance evaluation was undertaken for the reporting period in accordance with that process at: https://firefinchltd.com/corporate-governance/ (Process for Performance Evaluations)</p>	<p><input type="checkbox"/> set out in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

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Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation	Where a box below is ticked, ⁴ we have followed the recommendation in full for the whole of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are: ⁵	
PRINCIPLE 2 - STRUCTURE THE BOARD TO BE EFFECTIVE AND ADD VALUE			
2.1	<p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p><input type="checkbox"/></p> <p><i>[If the entity complies with paragraph (a):]</i></p> <p>and we have disclosed a copy of the charter of the committee at: https://firefinchltd.com/wp-content/uploads/2021/02/RemunerationAndNominationsCommitteeCharter26Feb21.pdf</p> <p>and the information referred to in paragraphs (4) and (5) at:</p> <p><i>[insert location]</i></p> <p><i>[If the entity complies with paragraph (b):]</i></p> <p>and we have disclosed the fact that we do not have a nomination committee and the processes we employ to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively at: https://firefinchltd.com/wp-content/uploads/2021/01/Firefinch-Corporate-Governance-Statement-for-12-months-ended-31-Dec-2019-final.pdf</p>	<p><input type="checkbox"/> set out in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
2.2	<p>A listed entity should have and disclose a board skills matrix setting out the mix of skills that the board currently has or is looking to achieve in its membership.</p>	<p><input type="checkbox"/></p> <p>and we have disclosed our board skills matrix at:</p> <p><i>[insert location]</i></p>	<p><input checked="" type="checkbox"/> set out in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

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Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		Where a box below is ticked, ⁴ we have followed the recommendation <u>in full</u> for the <u>whole</u> of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are: ⁵
2.3	A listed entity should disclose: <ul style="list-style-type: none"> (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, affiliation or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director. 	<input type="checkbox"/> and we have disclosed the names of the directors considered by the board to be independent directors at: <i>[insert location]</i> and, where applicable, the information referred to in paragraph (b) at: <i>[insert location]</i> and the length of service of each director at: <i>[insert location]</i>	<input checked="" type="checkbox"/> set out in our Corporate Governance Statement
2.4	A majority of the board of a listed entity should be independent directors.	<input checked="" type="checkbox"/>	<input type="checkbox"/> set out in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	<input checked="" type="checkbox"/>	<input type="checkbox"/> set out in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
2.6	A listed entity should have a program for inducting new directors and for periodically reviewing whether there is a need for existing directors to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively.	<input checked="" type="checkbox"/>	<input type="checkbox"/> set out in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
PRINCIPLE 3 – INSTIL A CULTURE OF ACTING LAWFULLY, ETHICALLY AND RESPONSIBLY			
3.1	A listed entity should articulate and disclose its values.	<input type="checkbox"/> and we have disclosed our values at:	<input checked="" type="checkbox"/> set out in our Corporate Governance Statement
3.2	A listed entity should: <ul style="list-style-type: none"> (a) have and disclose a code of conduct for its directors, senior executives and employees; and (b) ensure that the board or a committee of the board is informed of any material breaches of that code. 	<input checked="" type="checkbox"/> and we have disclosed our code of conduct at: https://firefinchltd.com/wp-content/uploads/2021/01/Code-of-Conduct-Firefinch.pdf	<input type="checkbox"/> set out in our Corporate Governance Statement

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		Where a box below is ticked, ⁴ we have followed the recommendation <u>in full</u> for the <u>whole</u> of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are: ⁵
3.3	A listed entity should: (a) have and disclose a whistleblower policy; and (b) ensure that the board or a committee of the board is informed of any material incidents reported under that policy.	<input checked="" type="checkbox"/> and we have disclosed our whistleblower policy at: https://firefinchltd.com/wp-content/uploads/2021/01/Whistleblower-Policy-Firefinch.pdf	<input type="checkbox"/> set out in our Corporate Governance Statement
3.4	A listed entity should: (a) have and disclose an anti-bribery and corruption policy; and (b) ensure that the board or committee of the board is informed of any material breaches of that policy.	<input type="checkbox"/> and we have disclosed our anti-bribery and corruption policy at: https://firefinchltd.com/wp-content/uploads/2021/01/Anti-Bribery-And-Corruption-Policy-Firefinch.pdf	<input type="checkbox"/> set out in our Corporate Governance Statement

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Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation	Where a box below is ticked, ⁴ we have followed the recommendation in full for the whole of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are: ⁵	
PRINCIPLE 4 – SAFEGUARD THE INTEGRITY OF CORPORATE REPORTS			
4.1	<p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the board,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	<p><input checked="" type="checkbox"/></p> <p><i>[If the entity complies with paragraph (a):]</i></p> <p>and we have disclosed a copy of the charter of the committee at: https://firefinchltd.com/wp-content/uploads/2021/03/AuditAndRiskCommitteeCharterFirefinch04Mar21.pdf</p> <p>and the information referred to in paragraphs (4) and (5) at: <i>[insert location]</i></p> <p><i>[If the entity complies with paragraph (b):]</i></p> <p>and we have disclosed the fact that we do not have an audit committee and the processes we employ that independently verify and safeguard the integrity of our corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner at: https://firefinchltd.com/corporate-governance/</p>	<p><input type="checkbox"/> set out in our Corporate Governance Statement</p>
4.2	<p>The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	<p><input checked="" type="checkbox"/></p>	<p><input type="checkbox"/> set out in our Corporate Governance Statement</p>
4.3	<p>A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.</p>	<p><input checked="" type="checkbox"/></p>	<p><input type="checkbox"/> set out in our Corporate Governance Statement</p>

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		Where a box below is ticked, ⁴ we have followed the recommendation in full for the whole of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are: ⁵
PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE			
5.1	A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under listing rule 3.1.	<input checked="" type="checkbox"/> and we have disclosed our continuous disclosure compliance policy at: https://firefinchld.com/wp-content/uploads/2021/01/Continuous-Disclosure-Policy-Firefinch.pdf	<input type="checkbox"/> set out in our Corporate Governance Statement
5.2	A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.	<input checked="" type="checkbox"/>	<input type="checkbox"/> set out in our Corporate Governance Statement
5.3	A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.	<input checked="" type="checkbox"/>	<input type="checkbox"/> set out in our Corporate Governance Statement
PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	<input type="checkbox"/> and we have disclosed information about us and our governance on our website at: https://firefinchld.com/corporate-governance/	<input type="checkbox"/> set out in our Corporate Governance Statement
6.2	A listed entity should have an investor relations program that facilitates effective two-way communication with investors.	<input checked="" type="checkbox"/>	<input type="checkbox"/> set out in our Corporate Governance Statement
6.3	A listed entity should disclose how it facilitates and encourages participation at meetings of security holders.	<input checked="" type="checkbox"/> and we have disclosed how we facilitate and encourage participation at meetings of security holders at: https://firefinchld.com/wp-content/uploads/2021/01/Shareholder-Communication-and-Investor-Relations-Policy-Firefinch.pdf	<input type="checkbox"/> set out in our Corporate Governance Statement
6.4	A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.	<input checked="" type="checkbox"/>	<input type="checkbox"/> set out in our Corporate Governance Statement
6.5	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	<input checked="" type="checkbox"/>	<input type="checkbox"/> set out in our Corporate Governance Statement

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation	Where a box below is ticked, ⁴ we have followed the recommendation in full for the whole of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are: ⁵	
PRINCIPLE 7 – RECOGNISE AND MANAGE RISK			
7.1	<p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	<p><input type="checkbox"/></p> <p><i>[If the entity complies with paragraph (a):]</i></p> <p>and we have disclosed a copy of the charter of the committee at: https://firefinchltd.com/wp-content/uploads/2021/03/AuditAndRiskCommitteeCharterFirefinch04Mar21.pdf</p> <p>and the information referred to in paragraphs (4) and (5) at:</p> <p>.....</p> <p><i>[insert location]</i></p> <p><i>[If the entity complies with paragraph (b):]</i></p> <p>and we have disclosed the fact that we do not have a risk committee or committees that satisfy (a) and the processes we employ for overseeing our risk management framework at: https://firefinchltd.com/wp-content/uploads/2021/01/Firefinch-Corporate-Governance-Statement-for-12-months-ended-31-Dec-2019-final.pdf</p>	<p><input checked="" type="checkbox"/> set out in our Corporate Governance Statement</p>
7.2	<p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and that the entity is operating with due regard to the risk appetite set by the board; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p><input type="checkbox"/></p> <p>and we have disclosed whether a review of the entity's risk management framework was undertaken during the reporting period at:</p> <p>.....</p> <p><i>[insert location]</i></p>	<p><input checked="" type="checkbox"/> set out in our Corporate Governance Statement</p>

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		Where a box below is ticked, ⁴ we have followed the recommendation in full for the whole of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are: ⁵
7.3	<p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its governance, risk management and internal control processes.</p>	<p><input type="checkbox"/></p> <p><i>[If the entity complies with paragraph (a):]</i></p> <p>and we have disclosed how our internal audit function is structured and what role it performs at:</p> <p>.....</p> <p><i>[insert location]</i></p> <p><i>[If the entity complies with paragraph (b):]</i></p> <p>and we have disclosed the fact that we do not have an internal audit function and the processes we employ for evaluating and continually improving the effectiveness of our risk management and internal control processes at:</p> <p>.....</p> <p><i>[insert location]</i></p>	<p><input checked="" type="checkbox"/> set out in our Corporate Governance Statement</p>
7.4	<p>A listed entity should disclose whether it has any material exposure to environmental or social risks and, if it does, how it manages or intends to manage those risks.</p>	<p><input type="checkbox"/></p> <p>and we have disclosed whether we have any material exposure to environmental and social risks at:</p> <p>.....</p> <p><i>[insert location]</i></p> <p>and, if we do, how we manage or intend to manage those risks at:</p> <p>.....</p> <p><i>[insert location]</i></p>	<p><input checked="" type="checkbox"/> set out in our Corporate Governance Statement</p>

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Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation	Where a box below is ticked, ⁴ we have followed the recommendation in full for the whole of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are: ⁵	
PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY			
8.1	<p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p><input type="checkbox"/></p> <p><i>[If the entity complies with paragraph (a):]</i></p> <p>and we have disclosed a copy of the charter of the committee at:</p> <p>https://firefinchltd.com/wp-content/uploads/2021/02/RemunerationAndNominationsCommitteeCharter26Feb21.pdf</p> <p>and the information referred to in paragraphs (4) and (5) at:</p> <p>.....</p> <p><i>[insert location]</i></p> <p><i>[If the entity complies with paragraph (b):]</i></p> <p>and we have disclosed the fact that we do not have a remuneration committee and the processes we employ for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive:</p> <p>.....</p> <p><i>[insert location]</i></p>	<p><input checked="" type="checkbox"/> set out in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
8.2	<p>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p>	<p><input type="checkbox"/></p> <p>and we have disclosed separately our remuneration policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives at:</p> <p>.....</p> <p><i>[insert location]</i></p>	<p><input checked="" type="checkbox"/> set out in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
8.3	<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p><input checked="" type="checkbox"/></p> <p>and we have disclosed our policy on this issue or a summary of it at:</p> <p>https://firefinchltd.com/wp-content/uploads/2021/01/Securities-Trading-Policy-Firefinch.pdf</p>	<p><input type="checkbox"/> set out in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we do not have an equity-based remuneration scheme and this recommendation is therefore not applicable OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		Where a box below is ticked, ⁴ we have followed the recommendation in full for the whole of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are: ⁵
ADDITIONAL RECOMMENDATIONS THAT APPLY ONLY IN CERTAIN CASES			
9.1	A listed entity with a director who does not speak the language in which board or security holder meetings are held or key corporate documents are written should disclose the processes it has in place to ensure the director understands and can contribute to the discussions at those meetings and understands and can discharge their obligations in relation to those documents.	<input type="checkbox"/> and we have disclosed information about the processes in place at: [insert location]	<input type="checkbox"/> set out in our Corporate Governance Statement OR <input checked="" type="checkbox"/> we do not have a director in this position and this recommendation is therefore not applicable OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
9.2	A listed entity established outside Australia should ensure that meetings of security holders are held at a reasonable place and time.	<input type="checkbox"/>	<input type="checkbox"/> set out in our Corporate Governance Statement OR <input checked="" type="checkbox"/> we are established in Australia and this recommendation is therefore not applicable OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
9.3	A listed entity established outside Australia, and an externally managed listed entity that has an AGM, should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	<input type="checkbox"/>	<input type="checkbox"/> set out in our Corporate Governance Statement OR <input checked="" type="checkbox"/> we are established in Australia and not an externally managed listed entity and this recommendation is therefore not applicable <input type="checkbox"/> we are an externally managed entity that does not hold an AGM and this recommendation is therefore not applicable
ADDITIONAL DISCLOSURES APPLICABLE TO EXTERNALLY MANAGED LISTED ENTITIES			
-	<i>Alternative to Recommendation 1.1 for externally managed listed entities:</i> The responsible entity of an externally managed listed entity should disclose: (a) the arrangements between the responsible entity and the listed entity for managing the affairs of the listed entity; and (b) the role and responsibility of the board of the responsible entity for overseeing those arrangements.	<input type="checkbox"/> and we have disclosed the information referred to in paragraphs (a) and (b) at: [insert location]	<input type="checkbox"/> set out in our Corporate Governance Statement

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		Where a box below is ticked, ⁴ we have followed the recommendation <u>in full</u> for the <u>whole</u> of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are: ⁵
-	<p><i>Alternative to Recommendations 8.1, 8.2 and 8.3 for externally managed listed entities:</i></p> <p>An externally managed listed entity should clearly disclose the terms governing the remuneration of the manager.</p>	<p><input type="checkbox"/></p> <p>and we have disclosed the terms governing our remuneration as manager of the entity at:</p> <p>.....</p> <p>[insert location]</p>	<p><input type="checkbox"/> set out in our Corporate Governance Statement</p>

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Corporate governance statement

Firefinch Limited ABN 11 113 931 105 (**Company**) has established a corporate governance framework, the key features of which are set out in this statement. In establishing its corporate governance framework, the Company has referred to the recommendations set out in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 4th edition (**Principles & Recommendations**). The Company has followed each recommendation in the Principles and Recommendations (**recommendation**) where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" reporting regime, where, after due consideration, the Company's corporate governance practices do not follow a recommendation, the Board has explained its reasons for not following the recommendation and disclosed what, if any, alternative practices the Company has adopted instead of those in the recommendation.

The following governance-related documents can be found on the Company's website at www.firefinchltd.com

Charters

Board
Company Constitution
Audit and Risk Committee
Nomination Committee
Remuneration Committee
Sustainability Committee

Policies and Procedures

Anti-bribery and Corruption Policy
Code of Conduct
Community Relations Policy
Continuous Disclosure Policy
Continuous Disclosure Compliance Procedures
Diversity Policy
Environmental Policy
Human Rights Policy
Induction Program
Occupational Health and Safety Policy
Policy and Procedure for the Selection and (Re)Appointment of Directors
Privacy Policy
Process for Performance Evaluations
Risk Management Policy
Securities Trading Policy
Shareholder Communication and Investor Relations Policy
Whistleblower Policy

The Company reports below on whether it has followed each of the recommendations during the twelve-month period ended 31 December 2020 (Reporting Period). The information in this statement is current at 30 March 2021. This statement was approved by a resolution of the Board on 25 March 2021.

Principle 1 – Lay solid foundations for management and oversight

Recommendation 1.1

The Company has established the respective roles and responsibilities of its Board and management, and those matters expressly reserved to the Board and those delegated to management and has documented this in its Board Charter, which is disclosed on the Company's website.

Recommendation 1.2

The Company undertakes appropriate checks before appointing a person or putting forward to shareholders a candidate for election as a director and provides shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

During the Reporting Period, relevant information was provided to shareholders in connection with the re-election of Dr Alistair Cowden in accordance with article 6.1 (f) of the Constitution, at the Annual General Meeting. Formal checks are undertaken on all directors before their initial appointment.

The Company's Policy and Procedure for the Selection and (Re)Appointment of Directors, which is disclosed on the Company's website, addresses both the checks that the Company will undertake before appointing a person, or putting a person forward for election, and the information to be provided to shareholders in connection with a decision on whether to elect or re-elect a director.

Recommendation 1.3

The Company has a written agreement with each of its current directors and senior executives setting out the terms of their appointment.

Recommendation 1.4

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board as outlined in the Company's Board Charter.

Recommendation 1.5

The Company has adopted a Diversity Policy, which is disclosed on the Company's website. However, the Diversity Policy does not include requirements for the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the Company's progress in achieving them. Nor has the Board set measurable objectives for achieving gender diversity. Given the Company's stage of development, the number of employees and the nature of the labour market in Mali, the Board considers that it is not practical to set measurable objectives for achieving gender diversity.

The respective proportions of men and women on the Board, in senior executive positions and across the whole organisation as at 31 December 2020 are set out in the following table. "Senior executive" for these purposes means a person who makes, or participates in the making of, decisions that affect the whole or a substantial part of the business or has the capacity to affect significantly the company's financial standing. As at 31 December 2020, this included each of the Directors and the Company Secretary & Chief Financial Officer and Chief Operating Officer:

	Proportion of women
Whole organisation (includes Board members and consultants)	11 out of 248 (4.2%)
Senior executive positions	0 out of 3 (0%)
Board	0 out of 5 (0%)

Recommendation 1.6

The Company's process for evaluating the performance of the Board (including the Managing Director) and individual directors is disclosed on the Company's website.

An evaluation of the Board and individual directors was not undertaken by an external party during the Reporting Period due to the change in board composition during the year period. However, evaluations will be undertaken during the 2021 calendar year.

Recommendation 1.7

The Company's process for evaluating the performance of its senior executives is disclosed on the Company's website.

An evaluation of senior executives was undertaken during the Reporting Period in accordance with the Company's process.

Principle 2 – Structure the board to add value

Recommendation 2.1

The Board has not established a separate Nomination Committee. Given the size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate Nomination Committee. Accordingly, the Board performs the role of a Nomination Committee.

Although the Board has not established a Nomination Committee, it has adopted a Nomination Committee Charter which describes the role, composition and responsibilities of the Board in its capacity as the Nomination Committee. The Nomination Committee Charter is disclosed on the Company's website. When matters within the responsibility of the Nomination Committee are considered by the Board, they are marked as separate agenda items at meetings of the Board. The Board deals with any conflicts of interest that may occur by ensuring that the director with a conflicting interest is not party to the relevant discussions.

Recommendation 2.2

The skills and diversity which the Board has in its membership are:

- sound finance, business management and legal experience;
- international, including African, resource industry experience;
- industry-government relations;
- metallurgy qualifications;
- lithium product, processing and marketing expertise;
- listed company experience; and
- leadership, governance and strategy.

Recommendation 2.3

The Board considers the independence of directors having regard to the relationships listed in Box 2.3 of the Principles & Recommendations.

The members of the Board changed during the Reporting Period. Set out below is a table showing the persons who were directors during the Reporting Period and their independence status:

Length of service	Name of Director	Independent/Not independent
18/2/2019 - present	Dr Alistair Cowden	Not Independent as a result of temporarily taking on the role of Executive Chairman of Board whilst the Company recruits a Managing Director after the existing Managing Director resigned. A Managing Director will commence on 6 April 2021

		with the Company.)
14/11/2018 - present	Brendan Borg	Independent
14/11/2018 - present	Mark Hepburn	Not independent – Previously fulfilled role of Chief Executive Officer on an interim basis (stepped down as Chief Executive Officer on 28 February 2019)
11/11/2020 - present	Brett Fraser	Independent Director
3/2/2019 – 31 March 2020	Christopher Evans	Whilst in the role was Managing Director and therefore Not Independent
01/12/2017 –31 March 2020	Noel O'Brien	Whilst in the role was Independent

Recommendation 2.4

At the date of this report the current Board does have a majority of independent directors. The independent directors comprise Brendan Borg and Brett Fraser. The Corporate Governance Principles consider anyone participating in an Executive role or having in the last three years participated in an executive role as not being Independent. Whilst the Board acknowledges this, it is of the opinion that Dr Cowden is independent as his executive role has been temporary whilst the Company recruited a suitably qualified Managing Director to replace Mr Evans (Managing Director) who resigned in 2020. The Board notes a Managing Director has been appointed and will commence duties with the company from 6 April 2021 at which time Dr Cowden will cease providing Executive support. The Board considers that the current composition is appropriate for the Company's current activities and includes an appropriate mix of skills and experience relevant to the Company's operations.

Recommendation 2.5

The Corporate Governance Principles indicate any person fulfilling an Executive role cannot be independent. Whilst the Board acknowledges this, it is of the opinion that Dr Cowden is independent as his executive role has been temporary whilst the Company recruited a suitably qualified Managing Director to replace Mr Evans (Managing Director) who resigned in 2020. The Board notes a Managing Director has been appointed and will commence duties with the company from 6 April 2021 at which time Dr Cowden will cease providing Executive support. Dr Cowden was appointed to the Board on 18 February 2019, commenced providing support to the Executive on 1 April 2020 after the resignation of the Company's Managing Director until 6 April 2021 when a new Managing Director commences with the Company.

Recommendation 2.6

The Company has a documented induction program, which is disclosed on the Company's website. The goal of the program is to assist new directors to participate fully and actively in Board decision-making at the earliest opportunity, and to assist senior executives to participate fully and actively in management decision-making at the earliest opportunity.

The full Board, in its capacity as the Nomination Committee, regularly reviews whether the directors as a group have the skills, knowledge and familiarity with the Company and its operating environment required to fulfil their role on the Board effectively using a Board skills matrix. Where any gaps are identified, the Board will consider what training or development should be undertaken to fill those gaps. In particular, the Board will ensure that any director who does not have specialist accounting skills or knowledge has a sufficient understanding of accounting matters to fulfil his or her responsibilities in relation to the Company's financial statements. Directors receive ongoing education on developments in accounting standards.

Principle 3 – Instil a culture of acting lawfully, ethically and responsibly

Recommendation 3.1

The Company has established a Code of Conduct for its directors, senior executives and employees, which is disclosed on the Company's website. Within the code of conduct it articulates its values the Company values.

Recommendation 3.2

The Company has established a Code of Conduct for its directors, senior executives and employees, which is disclosed on the Company's website. This policy provides a mechanism for the Board to be informed of any material breaches of this policy.

Recommendation 3.3 and 3.4

The Company has also adopted a Whistleblower Policy, which is disclosed on the Company's website, to encourage the persons to whom the policy applies to raise any concerns or report instances of any potential breach of law, any violations (or suspected violations) of the Company's Code of Conduct or any other legal or ethical concern without the fear of intimidation or reprisal. This policy together with the anti-bribery and corruption policy provides a mechanism for the Board to be informed of any material breaches of these policies.

Additional policies adopted by the Company to ensure that the Company acts ethically and responsibly are:

- Anti-bribery and Corruption Policy.
- Community Relations Policy.
- Environmental Policy.
- Human Rights Policy.
- Occupational Health & Safety Policy.

The Board has also adopted a Sustainability Committee Charter which describes the role, composition and responsibilities of the Board in its capacity as the Sustainability Committee. Each of the policies listed above and the Sustainability Committee Charter are disclosed on the Company's website.

Principle 4 – Safeguard integrity in corporate reporting

Recommendation 4.1

The Board has recently established a separate Audit Committee and has adopted an Audit and Risk Committee Charter which describes the role, composition and responsibilities of the Committee in its capacity as the Audit and Risk Committee. The Audit and Risk Committee Charter is disclosed on the Company's website. The Board deals with any conflicts of interest that may occur by ensuring that the director with a conflicting interest is not party to the relevant discussions. Details of each of the director's qualifications are set out in the Directors' Report commencing on page 13. Each of the members of the Board consider themselves to be financially literate and have an understanding of the industry in which the Company's operates.

The Company has also established a Procedure for the Selection, Appointment and Rotation of its External Auditor, which is disclosed on the Company's website. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Board.

Recommendation 4.2

Before the Board approved the Company financial statements for the full-year ended 31 December 2020, it received from the Chief Executive Officer and the Chief Financial Officer a declaration that, in their opinion, the financial records of the Company for the relevant financial period have been properly maintained and that the financial statements for the relevant financial period comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and the consolidated entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively (Declaration).

The Board did not receive a Declaration for each of the quarters ending 30 March 2019, 30 June 2019, 30 September 2019 and 31 December 2019 because in the Board's view its quarterly reports are not financial statements to which the Declaration can be appropriately given.

Recommendation 4.3

The Appendix 5B Quarterly Cash Flow documents (period corporate report) were reviewed by the Company's Auditors as an element of the 31 December 2020 Audit. Each Quarterly Activities Report together with the Appendix 5B is reviewed and approved by the Board prior to its release. In addition, under section 250RA of the Corporations Act, the Company's auditor is required to attend the Company's annual general meeting at which the audit report is considered and must arrange to be represented at that meeting by a person who is a suitably qualified member of the audit team that conducted the audit and is in a position to answer questions about the audit. Each year, the Company writes to the Company's auditor to inform them of the date of the Company's annual general meeting. In accordance with section 250S of the Corporations Act, at the Company's annual general meeting where the Company's auditor or their representative is at the meeting, the Chairman allows a reasonable opportunity for the members as a whole at the meeting to ask the auditor (or its representative) questions relevant to the conduct of the audit; the preparation and content of the auditor's report; the accounting policies adopted by the Company in relation to the preparation of the financial statements; and the independence of the auditor in relation to the conduct of the audit. The Chairman also allows a reasonable opportunity for the auditor (or their representative) to answer written questions submitted to the auditor under section 250PA of the Corporations Act.

Mr Chris Wickenhauser, a representative of the Company's auditor, PricewaterhouseCoopers attended the Company's annual general meeting held on 17 July 2020.

Principle 5 – Make timely and balanced disclosure

Recommendation 5.1

The Company has established written policies and procedures for complying with its continuous disclosure obligations under the ASX Listing Rules. The Company's Policy on Continuous Disclosure and Continuous Disclosure Compliance Procedures are disclosed on the Company's website.

Recommendation 5.2

The Company has established a process whereby all material market announcements are approved by the Board prior to release and confirmation is provided to the Board of the release of that announcement

Recommendation 5.3

The Company has established a process whereby presentations and materials provided to new and substantive investor or analysts are released on the ASX Market Announcements Platform ahead of its presentation.

Principle 6 – Respect the rights of security holders

Recommendation 6.1

The Company provides information about itself and its governance to investors via its website at www.Malilithium.com.

Recommendation 6.2

The Company has designed and implemented an investor relations program to facilitate effective two-way communication with investors. The program is set out in the Company's Shareholder Communication and Investor Relations Policy.

Recommendation 6.3

The Company has in place a Shareholder Communication and Investor Relations Policy which outlines the policies and processes that it has in place to facilitate and encourage participation at meetings of shareholders.

Recommendation 6.4

The Company acknowledges the principle of "one security one vote". On substantive matters, whilst not required by its Constitution to do so, The Company will seek to conduct a poll on substantive matters.

Recommendation 6.5

Shareholders are given the option to receive communications from, and send communications to, the Company and its share registry electronically. The Company engages its share registry to manage the majority of communications with shareholders. Shareholders are encouraged to receive correspondence from the Company electronically, thereby facilitating a more effective, efficient and environmentally friendly communication mechanism with shareholders. Shareholders not already receiving information electronically can elect to do so through the share registry, Computershare Investor Services Pty Ltd, at www.computershare.com.au

Principle 7 – Recognise and manage risk

Recommendation 7.1

The Board has established a separate Committee that considers Risk and meets in conjunction with the Audit Committee which commenced meeting separately from the Board in 2021. The Committee has adopted a Risk Committee Charter which describes the role, composition and responsibilities of the Committee in its capacity as the Audit and Risk Committee. The Audit and Risk Committee Charter is disclosed on the Company's website

Recommendation 7.2

The Committee reviews the Company's risk management framework annually to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks the Company faces and to ensure that the Company is operating within the risk appetite set by the Board. The Committee reports to and makes recommendation on risk to the Board during the Reporting Period.

Recommendation 7.3

The Company does not have an internal audit function. To evaluate and continually improve the effectiveness of the Company's risk management and internal control processes, the Board will rely on ongoing reporting and discussion of the management of material business risks as outlined in the Company's Risk Management Policy, a copy of which is disclosed on the Company's website.

Recommendation 7.4

The Company has identified material exposure to the following economic, environmental and social sustainability risks:

Risk	Management of risk
<p>Commodity price volatility</p> <p>If the Company's existing projects are developed to production, its revenue will be derived from the sale of lithium and gold. Accordingly, fluctuations in lithium and gold prices will significantly affect the Company's future operations and profitability. Declines in the prices for lithium and gold could cause the continued development of, and eventually the commercial production, from the Company's projects to be rendered uneconomic.</p>	<p>Factors such as inflation, exchange rates, supply and demand and political and economic events can all impact commodity prices and are out of the Company's control. However, the Company will manage its exposure to commodity price volatility by monitoring market conditions and making decisions based on industry experience.</p>
<p>Additional requirements for capital</p> <p>The Company's ongoing activities and growth through development will require substantial expenditures. There can be no guarantee that the Company will be able to continue to use debt and/or equity to fund its activities. The Company's failure to raise capital if and when needed could delay or suspend the Company's business strategy and have a material adverse effect on its activities.</p>	<p>The Company manages this risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows.</p>
<p>Country risk</p> <p>The Company's operations in Mali are exposed to various levels of political, economic and other risks and uncertainties with operating in a foreign jurisdiction. These risks include, but are not limited to, currency exchange rates, high rates of inflation, labour unrest, social unrest, civil disobedience, renegotiation or nullification of existing concessions, licences, permits and contracts, changes in taxation policies, restrictions on foreign exchange, changing political conditions, war and civil conflict, lack of law enforcement, currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, Mali.</p>	<p>Factors such as the political and economic risks outlined opposite are out of the Company's control. However, the Company manages this risk by engaging with and maintaining open dialogue with all relevant Malian government agencies and other relevant stakeholders.</p>
<p>Malian mining law and regulations</p> <p>Mining in Mali is subject to regulation under the Mining Code of Mali and Mining Regulations. These include obligations in relation to participation of the Malian government, beneficiation, the environment and site rehabilitation, community development, relationships with landowners, compliance with the Malian tax regime and funding for research, training and promotion of mining activities. There is a risk that government approvals may not be granted or may be significantly delayed. New legislation, changes to existing legislation or new government policy may impact the Company's</p>	<p>The Company manages this risk by engaging suitably qualified advisers to assist the Company and its subsidiaries operate in accordance with all relevant laws and regulations. The Company also engages with and maintains open dialogue with all relevant Malian government agencies and other relevant stakeholders.</p>

projects.	
<p>Corporate responsibility risk</p> <p>The Company's operations and activities interact with a range of community stakeholders who have an interest in the impacts of the Company's activities and require the Company to maintain a social licence to discover, develop and operate mining projects. This encompasses compliance with environmental laws and regulations, occupational health and safety laws and regulations, anti-bribery and corruption laws. It also encompasses establishment and maintenance of community relations in Mali. These give rise to a range of risks including land access, reputational risk and the risk of losing its social licence to operate.</p>	<p>The Company engages qualified consultants and advisers to maintain its social licence to operate in Mali, The Company strives to conduct its operations and activities to the required standard and in compliance with all applicable laws and regulations. The Company has adopted a Community Relations Policy and engages with stakeholders.</p>

In addition, the above risks form part of the Company's overall risk management strategy. The Board has adopted a Risk Management Policy. Under the Risk Management Policy, the Board oversees the processes by which risks are managed. This includes defining the Company's risk appetite, monitoring of risk performance and those risks that may have a material impact to the business. Management is responsible for the implementation of the risk management and internal control system to manage the Company's risk and to report to the Board whether those risks are being effectively managed.

The Company's system to manage its material business risks includes the preparation of a risk register by management to identify the Company's material business risks, analyse those risks, evaluate those risks (including assigning a risk owner to each risk) and treat those risks. Risks and their management are to be monitored and reviewed at least annually by senior management. The Chief Executive Officer is required to report to the Board on all matters associated with risk management as required; report to the Board as to the effectiveness of the Company's management of its material business risks at least annually and review and update the Company's risk register and present the register to the Board on at least an annual basis. The Company's Risk Management Policy is disclosed on the Company's website.

Principle 8 – Remunerate fairly and responsibly

Recommendation 8.1

The Board has established a separate Remuneration Committee which commenced meeting separately from the Board in 2021.

The Committee has adopted a Remuneration Committee Charter which describes the role, composition and responsibilities of the Committee in its capacity as the Remuneration Committee. The Remuneration Committee Charter is disclosed on the Company's website. When matters within the responsibility of the Remuneration Committee are considered by the Committee and recommendations are made to the Board. The Board deals with any conflicts of interest that may occur by ensuring that the director with a conflicting interest is not party to the relevant discussions.

Recommendation 8.2

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms of part of the Directors' Report and commences at page 16 of the Company's Annual Report for the twelve-month period ended 31 December 2020.

The Company's "clawback policy" regarding the lapsing or clawback of performance-based remuneration under the Company's Incentive Option Plan or Incentive Performance Rights Plan is set out in those plans. In certain circumstances including fraudulent or dishonest behaviour, gross negligence, serious or wilful

misconduct or ineligibility to hold office under Part 2D.6 of the Corporations Act, the Board may, by written notice to the participant, deem any unvested, or vested but unexercised, performance rights or options (as the case may be) to have lapsed or require the participant to do all such things necessary to cancel any shares issued on exercise of the performance rights or options (as the case may be).

Recommendation 8.3

The Company's Securities Trading Policy includes a statement on the Board's policy that participants in the Company's equity-based remuneration schemes are prohibited from entering into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme.

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