
Interim Financial Report – 30 June 2021

Firefinch Limited (ASX:FFX) (**Company**) attaches its interim financial report for the half-year ended 30 June 2021.

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

For Enquiries:

Mr Nathan Bartrop
Company Secretary
Firefinch Limited
info@firefinchlimited.com
+61 8 6149 6100

For personal use only

For personal use only



Firefinch (ASX: FFX) is a Mali focussed gold miner and lithium developer. Firefinch has an 80% interest in the Morila Gold Mine (**Morila**) and it currently owns 100% of the Goulamina Lithium Project (**Goulamina**).

The Morila Gold Mine is one the world’s great open pit gold mines, having produced over 7.5Moz of gold since 2000 at grades that were among the highest in the world, earning it the moniker “Morila the Gorilla”. Firefinch acquired Morila for just US\$28.9m in late 2020 with the strategic intent to rapidly increase production; initially targeting 70-90kozpa of gold from a combination of satellite pits, stocks and tailings, and thereafter growing production to 150-200kozpa of gold by mining the Morila Superpit. Morila’s current Global Resource is 2.43 million ounces of gold (Measured: 1.73Mt at 0.5g/t gold for 0.03Moz, Indicated: 26.7Mt at 1.49g/t gold for 1.28Moz and Inferred: 22.1Mt at 1.58g/t gold for 1.12Moz). However, Morila’s geological limits have not been tested. Exploration is therefore a major focus at the existing deposits and multiple targets on the 685km² of surrounding tenure.

Goulamina is one of the world’s largest undeveloped deposits. In partnership with Ganfeng, Firefinch will bring the project into production. A 50/50 incorporated joint venture has been established, with Ganfeng contributing US\$194 million in development funding, comprising US\$130 million in equity funding and US\$40-64 million in debt funding. All permits are in place and the Definitive Feasibility Study confirmed Goulamina as a long life, large scale and low-cost open pit project expected to produce 436ktpa of spodumene concentrate at an average cash cost of US\$281/t. An initial mine life of 23 years is underpinned by a high grade, low impurity Ore Reserve of 52Mt at 1.51% Li₂O for 0.79Mt contained Li₂O comprising 8.1 million tonnes of Proven Ore Reserves at 1.55% Li₂O and 44.0 million tonnes of Probable Ore Reserves at 1.50% Li₂O. Goulamina has a Mineral Resource of 109Mt at 1.45% Li₂O for 1.57Mt contained Li₂O comprising 8.4 million tonnes at 1.57% Li₂O in the Measured category, 56.2 million tonnes at 1.48% Li₂O in the Indicated category and 43.9 million tonnes at 1.45% Li₂O in the Inferred category. The Company is in the process of demerging Goulamina into a new ASX listed entity.

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 back local socio-economic initiatives, whilst operating in a manner that safeguards the environment and places our team’s safety and wellbeing as our first priority.

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 8th July 2020 and 20th October 2020 (Goulamina), 8th February 2021 (Morila Resource), 7th September 2020 and 28th April 2021 (Morila Tailings), 24th November 2020 and 3rd May 2021 (N’Tiola, Viper, Domba, Koting, Morila Pit 5), and 5th May 2021, 6th July 2021 and 29th July 2021 (Morila Gold Production, Ore Reserves and Production Targets).



FIREFINCH

For personal use only



Interim Report

FOR THE HALF YEAR ENDED

30 JUNE 2021

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 Nathan Bartrop

Registered Address and Principal Place of Business

Level 3, 31 Ventnor Avenue, West Perth, 6005, WA, Australia

Share Registry

Computershare Investor Services Pty Limited Level 11, 172 St Georges Terrace, Perth WA 6000
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)
Telephone: +61 (0)2 9338 0000
Facsimile: +61 (0)2 9227 0885
Website: www.asx.com.au
ASX Code: [FFX](#)

Contents

- Directors' report 2
- Corporate governance statement 7
- Auditor's independence declaration 8
- Condensed consolidated statement of profit or loss and other comprehensive income 9
- Condensed consolidated statement of financial position 10
- Condensed consolidated statement of changes in equity..... 11
- Condensed consolidated statement of cash flows 12
- Notes to the consolidated financial statements..... 13
- Directors' declaration 25
- Independent auditor's report 26

For personal use only

Directors' Report

The Directors present their report together with the financial statements for Firefinch Limited (ABN: 11 113 931 105) (Firefinch or the Company) and its subsidiaries (the Group) for the half year ended 30 June 2021.

DIRECTORS

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

Dr Alistair Cowden	Chairman
Dr Michael Anderson	Managing Director (<i>commenced 6 April 2021</i>)
Mark Hepburn	Non-Executive Director
Brendan Borg	Non-Executive Director
Brett Fraser	Non-Executive Director
Bradley Gordon	Non-Executive Director (<i>commenced 6 April 2021</i>)

PRINCIPAL ACTIVITIES

During the period the principal continuing activities of the Group consisted of gold production, mineral exploration and project evaluation in Mali, West Africa. The Company produces gold from its 80% owned Morila gold mine in southern Mali, and also explores its tenure surrounding Morila to increase mineral resources and make new discoveries. The Company owns the pre-production Goulamina Lithium Project, also in southern Mali, and during the period executed a binding term sheet with a subsidiary of the world's largest lithium producer by production capacity, Jiangxi Ganfeng Lithium Co. Ltd, to establish a 50:50 incorporated joint venture to develop and operate the project.

FINANCIAL RESULTS

The Group made a loss for the half-year of \$6,280,008 (30 June 2020: \$1,072,595 loss). As at 30 June 2021, the Group had cash and cash equivalents of \$58,495,108 (30 June 2020: \$891,013) and the working capital of \$66,599,622 (30 June 2020: deficit of \$815,516).

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 doré from the satellite pits;
- Re-commencing commercial mining of the Morila pit; and
- 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 and commitments 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.

REVIEW OF OPERATIONS

MORILA

During the reporting period the Company increased the Mineral Resources and Ore Reserves for the Morila Gold Project. Global Mineral Resources increased to 50.5 million tonnes at 1.50g/t gold for 2.43 million ounces of contained gold including a Probable Ore Reserve of 23.8 million tonnes at 1.40g/t gold for 1.07 million ounces of contained gold.

The release of an updated resource and maiden reserve (under Firefinch ownership) enabled a new Life of Mine Plan (LOMP) to be defined outlining the plan for the ramp up of the Morila Mine into full production. The new LOMP demonstrates a production profile of up to 200,000 ounces per annum during the initial 7-

Directors' Report

year reserve life, and current assumptions suggest margins at prevailing gold prices given a projected average AISC of US\$1,124/oz.

It was an exceptionally busy period on site with numerous milestones achieved across mining and processing. The safe and successful commencement of mining at Morila Pit 5 was achieved by our Malian owned and operated contracting partner EGTF, who mobilised a new 100 tonne class fleet and commenced mining and haulage to the crusher run of mine. Not long after this achievement, the processing team successfully re-commissioned the comminution circuit using feed from Morila Pit 5 and stockpiles.

Pleasingly, there were no serious injuries or safety incidents during the half year. There were also no serious health related incidents during the half year. Morila has a best-in-class malaria control program; these controls in the workplace and communities were effective with malaria levels for employees and contractors consistently below the historic levels (<1%). Morila has implemented protocols that align with the World Health Organisation (WHO) guidelines, to prevent COVID-19 infection onsite, and in the surrounding villages. The Company purchased and installed a polymerase chain reaction (PCR) test machine at Morila which is now established as the primary testing tool on site.

Production for the half year of 22,525 ounces of gold was in line with the upper end of guidance (21,000 to 23,500 ounces). The benefits of establishing mining and refurbishing the comminution circuit are clear with significant increases not only in production, but also in recoveries (up from 50% in the first quarter of 2021 to 75% during the second quarter of 2021).

Firefinch is deeply committed to its "locals first" policy and has continued to employ locally and award contracts to Malian operators for the provision of services at Morila. We are very proud to report that, of our 1,100 strong in-country workforce, consisting of 245 direct employees and 855 contractors, less than 0.8% are expatriates, minimising the impact of international travel restrictions on operations. The recruitment of critical roles required to ramp up operations in accordance with the LOMP has largely been completed.

A review of Morila's conformance against the International Finance Corporation (IFC) Environmental and Social Performance Standards has been successfully completed. We are pleased to report that the review did not render any material gaps. In an effort to further strengthen the sustainability of our operations, we have developed an ongoing framework to be managed by a newly recruited Communities Manager. In consultation with the community, Firefinch has agreed, and is delivering on, several local development projects. These include agriculture projects with the women's associations, educational support via the provision of 10 teachers, and an agribusiness that operates in collaboration with the Sikasso Regional Department of Fisheries.

Firefinch commenced refurbishment of the comminution circuit in December 2020 and re-commissioned the comminution circuit in May 2021. The comminution circuit has been running continuously since 15th May 2021 processing open pit feed and mechanically mined tailings without issue.

Upgrade of the diesel power station at Morila has commenced with refurbishment of the first Allen's generator programmed for July 2021. Temporary power has been deployed to ensure sufficient power is available during the period of overhaul (~45 days.). Expressions of interest to supply a hybrid power solution including thermal, battery and solar have been received and are being evaluated. It is anticipated that the hybrid power solution will provide an 30% reduction in operating costs.

To facilitate completion of the LOMP, the Company estimated its maiden Ore Reserves for the Morila Gold Project. All ore reserves are based on open pit mining and are detailed in the table below. Further details can be found in the ASX Announcement dated 3rd May 2021. The LOMP envisages the mining and processing of some 37.5 million tonnes at 1.33 g/t gold for 1.45 million recovered ounces of gold.

Directors' Report

Ore Reserves at the Morila Gold Project

	Probable			Total		
	Tonnes (millions)	Grade (g/t)	Ounces ('000)	Tonnes (millions)	Grade (g/t)	Ounces ('000)
Morila Pit ¹	19.8	1.47	932	19.80	1.47	932
N'Tiola ²	2.13	0.76	74	2.10	1.08	74
Viper ³	1.30	1.46	43	1.30	1.46	43
Koting ³	0.63	0.98	20	0.63	0.98	20
Total	23.80	1.40	1,070	23.80	1.40	1,070

¹ The Morila Ore Reserve is quoted using a 0.43 g/t gold cut-off grade.

² The N'Tiola Ore Reserve is quoted using a 0.51 g/t gold cut-off grade.

³ The Viper and Koting Ore Reserves are quoted using a 0.49 g/t gold cut-off grade.

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

In addition to declaration of Ore Reserves during the reporting period, the Company updated the Mineral Resources for the N'Tiola, Viper, Koting and Morila Pit 5 deposits based on over 49,000 metres of drilling completed by the Company since November 2020. This brings the global Mineral Resources for the Morila Gold Project to 2.43 million ounces of gold in the Measured, Indicated and Inferred categories, being 50.5 million tonnes at 1.50g/t gold (refer table for Mineral Resource Table for detailed breakdown).

Mineral Resources at the Morila Gold Project

Deposit	Measured & Indicated ⁶			Inferred			Total		
	Tonnes (millions)	Grade (g/t)	Ounces ('000)	Tonnes (millions)	Grade (g/t)	Ounces ('000)	Tonnes (millions)	Grade (g/t)	Ounces ('000)
Morila Pit ¹	21.20	1.60	1,090	17.50	1.37	770	38.60	1.50	1,860
Morila NE ²				0.21	3.07	21	0.21	3.07	21
Samacline ²				3.74	2.56	308	3.74	2.56	308
Tailings ³	1.73	0.50	28				1.73	0.50	28
Morila Pit 5 ⁴	0.72	1.04	24	0.12	1.38	6	0.84	1.10	30
N'Tiola ⁴	2.42	1.05	81	0.01	0.73	1	2.43	1.04	81
Viper ⁴	1.52	1.04	51	0.02	1.41	1	1.55	1.05	52
Domba ⁵	0.20	1.75	11	0.25	1.61	13	0.46	1.67	25
Koting ⁴	0.65	1.04	22	0.28	0.94	8	0.93	1.01	30
Total	28.42	1.43	1,309	22.08	1.58	1,124	50.50	1.50	2,433

¹ The Morila Pit resource is quoted using a 0.4g/t gold cut-off grade.

² The Samacline and Morila NE resources are quoted using a 1.8g/t gold cut-off grade.

³ The Tailings resource is quoted using a 0.3g/t gold cut-off grade.

⁴ The N'Tiola, Viper, Pit 5 and Koting resources are quoted above cut-off grades based on forecast costs (0.35 – 0.48g/t).

⁵ The Domba resource is quoted using a 0.5g/t gold cut-off grade.

⁶ Detailed breakdown of Measured, Indicated and Inferred Mineral Resources are supplied in the ASX Announcement of 3rd May 2021.

⁷ Numbers in the above table may not appear to sum correctly due to rounding.

It should be noted that the Morila Tailings and Morila Pit 5 resources are currently being depleted by mining activities. The Company has decided to deplete resources and reserves for mining on an annual basis as part of its Resources and Reserves Statement, which will be published at the same time as the Company's Annual Report in March each year. Drilling is ongoing at the Morila Gold Project with regular updates being provided as results are received.

Directors' Report

GOULAMINA

During the reporting period, the Company announced it had executed a binding term sheet with a subsidiary of the world's largest lithium producer by production capacity, Jiangxi Ganfeng Lithium Co. Ltd (Ganfeng), to establish a 50:50 incorporated joint venture (JV) to develop and operate the Goulamina Lithium Project.

Ganfeng will make cash investments of US\$130 million (Subscription Amount). The funds will be invested into Mali Lithium BV (MLB), which will hold Firefinch's interest in Goulamina and in return, Ganfeng will earn a 50% JV interest in MLB. These funds, together with up to US\$64 million in debt funding to be arranged by Ganfeng (Ganfeng Debt), are expected to fund Goulamina into production.

Ganfeng will invest its Subscription Amount of US\$130 million in three stages comprising:

- a US\$2.5 million deposit (Deposit), which has already been paid and reflects Ganfeng's commitment to progress the transaction to completion;
- an initial subscription of US\$39 million (less the Deposit) in exchange for 15% of the shares in MLB, with proceeds used to fund detailed engineering and securing long lead capital items for Goulamina (Initial Investment); and
- a final subscription of US\$91 million to be made upon a Final Investment Decision (FID) for the Goulamina Project to increase Ganfeng's total shareholding in MLB to 50% (Final Investment).

The Goulamina Definitive Feasibility Study (DFS) envisages production to average 436,000 tonnes per annum of high quality spodumene concentrate for an initial 23-year mine life (refer ASX Announcement 20 October 2020). This equates to approximately 64,700 tonnes per annum of Lithium carbonate equivalent (LCE). This production profile will make Goulamina one of the world's premier lithium producers. It is expected that FID will be reached within six months of the Transaction completing.

To provide further support for Goulamina, Ganfeng has agreed to enter into an offtake agreement for up to 100% of spodumene concentrate product produced at Goulamina across the life of mine. Ganfeng will receive offtake rights to 50% of the offtake on FID and the receipt of the Final Investment. To ensure Goulamina is developed in a timely manner, the remaining 50% of offtake will be assigned to Ganfeng, subject to the provision of Ganfeng Debt and Goulamina reaching commercial production within four years of the Transaction completing.

The Transaction remains subject to the satisfaction of relevant conditions precedent full details which are set out in ASX announcement dated 16th June 2021.

Since announcement of the Goulamina JV Transaction, Firefinch and Ganfeng have worked collaboratively on engineering scope and design, including the incorporation of suggested changes to the processing flowsheet based on Ganfeng's lithium processing expertise and experience at other similar projects. Firefinch and Ganfeng have appointed Lycopodium to execute an update of the October 2020 DFS (Updated DFS), which will support FID. In light of the prevailing strong lithium market conditions, Firefinch and Ganfeng have agreed to expedite FID, and are now targeting completion of the Updated DFS and FID in the December Quarter, 2021.

By way of ASX announcement dated 9th February 2021, the Company announced its intention to demerge the Goulamina Lithium project into a separate ASX-listed lithium-focused entity to be called Leo Lithium Limited. Timing for the demerger will depend on the completion of the Goulamina JV Transaction and achievement of FID. Firefinch currently intends to seek shareholder approval for the demerger in February 2022, with completion and ASX listing during the March Quarter, 2022 (subject to various ASX and other regulatory approvals and rulings).

On implementation of the demerger, Firefinch shareholders will receive a pro-rata entitlement of shares in Leo Lithium by way of an in-specie distribution (at no cost). It is also currently intended that Leo Lithium will raise additional capital via an entitlement offer to existing shareholders in parallel with its application for listing. The entitlement ratio, the pricing and quantum of the entitlement offer will be determined closer

Directors' Report

to the date of the demerger. It should be noted that only shareholders holding Firefinch shares at the record date for the Demerger will be entitled to receive an in-specie distribution of Leo Lithium shares.

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 ASX announcement of 20 October 2020.

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

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 ASX announcement of 8 July 2020.

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

The Company confirms that it is not aware of any new information or data that materially affects the Mineral Resources 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 8th July 2020 and 20th October 2020 (Goulamina), 8th February 2021 (Morila Resource), 7th September 2020 and 28th April 2021 (Morila Tailings), 24th November 2020 and 3rd May 2021 (N'Tiola, Viper, Domba, Koting, Morila Pit 5), and 5th May 2021, 6th July 2021 and 29th July 2021 (Morila Gold Production, Ore Reserves and Production Targets).

CORPORATE

Dividends

There were no dividends paid or recommended during the period ended 30 June 2021.

Issue of securities

During the half year the Company issued 117,187,206 fully paid ordinary shares through a placement with institutional investors and 8,525,935 ordinary shares through options and share rights being exercised.

Other factors and risks

- Operational factors including uncertain mine grades, mill performance and experience of workforce.
- Operating costs including supply chain, Labour markets and productivity.
- Changes in government and / or legislation.

Directors' Report

MATTERS SUBSEQUENT TO BALANCE DATE

On 16 August 2021, the Company and a wholly owned subsidiary of Jiangxi Ganfeng Lithium Co. Ltd (Ganfeng) executed a suite of full form legal agreements to progress the 50-50 Firefinch-Ganfeng incorporated joint venture at the Goulamina Lithium Project. On 1 September 2021, Ganfeng received shareholder approval to progress the 50% acquisition of the Goulamina Lithium Project and formation of a joint venture with Firefinch. Ganfeng shareholder approval was one of three key outstanding conditions precedent to the formation of the joint venture.

On 23 August 2021, following the resignation of Eric Hughes from the position of CFO/Company Secretary, the Company appointed Tom Plant as Chief Financial Officer and Nathan Bartrop as Company Secretary.

In August 2021, mining operations commenced at the Viper pit following fast track of pre-mining activities including grade control drilling, site clearing and topsoil removal.

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 half year period.

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 half year ended 30 June 2021 has been received and can be found on page 8 of this report.

This report is made in accordance with a resolution of directors.



MICHAEL ANDERSON

Managing Director

Dated 13 September 2021



Auditor's Independence Declaration

As lead auditor for the review of Firefinch Limited for the half-year ended 30 June 2021, 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 review, and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Helen Bathurst

Helen Bathurst
Partner
PricewaterhouseCoopers

Perth
13 September 2021

For personal use only

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

for the half year ended 30 June 2021

	Note	30-Jun-2021 \$	30-Jun-2020 \$
Continuing operations			
Revenue		50,511,027	-
Cost of sales		(47,809,986)	-
Gross Profit		2,701,041	-
Interest income		2,996	1,696
Other income		96,545	50,000
		2,800,582	51,696
Corporate and other expenses	5	(4,681,840)	(537,581)
Depreciation		(74,496)	(150,536)
Director fees		(398,700)	(196,787)
Employee salaries and other employment related costs		(1,223,438)	(577,876)
Finance costs		(261,425)	(4,333)
Share-based payments		(1,201,085)	279,849
Foreign exchange gain/ (loss)		2,576,273	64,805
Profit/(Loss) before Tax		(2,464,129)	(1,072,595)
Income tax (expense)/ benefit		(3,815,879)	-
Net Profit/(Loss) for the Half-year		(6,280,008)	(1,072,595)
Other Comprehensive Profit/(Loss)			
Items that may be reclassified subsequently to profit or loss			
Exchange difference on translation of foreign operations		(1,969,141)	-
Total Comprehensive Profit/(Loss) for the Half-year		(8,249,149)	(1,072,595)
Profit/(Loss) for the Half-year Attributable to:			
Owners of Firefinch Limited		(8,050,717)	(1,072,595)
Non-controlling interest		1,770,709	-
		(6,280,008)	(1,072,595)
Total Comprehensive Profit/(Loss) Attributable to:			
Owners of Firefinch Limited		(9,626,030)	(1,072,595)
Non-controlling interest		1,376,881	-
		(8,249,149)	(1,072,595)
<i>Earnings per share:</i>			
Basic profit/(loss) per share (cents per share)		(1.03)	(0.34)
Diluted profit/(loss) per share (cents per share)		(1.03)	(0.34)

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

For personal use only

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2021

	Note	30-Jun-2021 \$	31-Dec-2020 \$
Current Assets			
Cash and cash equivalents		58,495,108	17,263,076
Trade and other receivables	7	11,522,043	14,016,341
Right of use asset		145,313	29,970
Inventories	8	46,929,628	37,272,200
Total Current Assets		117,092,092	68,581,587
Non-Current Assets			
Property, plant, and equipment	9	10,421,418	303,027
Right of use asset		467,261	-
Exploration and evaluation expenditure	10	68,682,691	59,607,354
Other receivables	7	8,893,219	10,690,169
Total Non-Current Assets		88,464,589	70,600,550
Total		205,556,681	139,182,137
Current Liabilities			
Trade and other payables	11	28,435,362	9,581,390
Bank overdraft		7,386,226	-
Lease liability		145,313	28,551
Provisions	12	491,929	155,577
Loans		10,227,710	9,664,296
Current tax liabilities		3,845,930	3,597,808
Total Current Liabilities		50,532,470	23,027,622
Non-Current Liabilities			
Lease Liability		469,938	-
Provisions	12	17,551,635	16,761,279
Total Non-Current Liabilities		18,021,573	16,761,279
Total Liabilities		68,554,043	39,788,901
Net Assets		137,002,638	99,393,236
Equity			
Issued capital	13	173,347,180	128,689,714
Reserves	14	4,532,205	5,300,261
Accumulated losses		(44,616,518)	(36,565,801)
Non-controlling interest		3,739,771	1,969,062
Total Equity		137,002,638	99,393,236

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

For personal use only

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the half year ended 30 June 2021

Note	Issued Capital	Accumulated Losses	Foreign Exchange Translation Reserve	Share-based Payment Reserve	NCI	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 January 2020	58,028,843	(36,680,123)	1,284,862	4,532,524	-	27,166,106
Loss for the half-year	-	(1,072,595)	-	-	-	(1,072,595)
Other comprehensive income for the half-year	-	-	-	-	-	-
Total comprehensive loss for the half-year	-	(1,072,595)	-	-	-	(1,072,595)
Transaction with owners, directly in equity						
Transactions costs on share issue	935	-	-	-	-	935
Share-based payments	-	-	-	(279,849)	-	(279,849)
Balance at 30 June 2020	58,029,778	(37,752,718)	1,284,862	4,252,575	-	25,814,597
Balance at 1 January 2021	128,689,714	(36,565,801)	730,152	4,570,109	1,969,062	99,393,236
Loss for the half-year	-	(8,050,717)	-	-	1,770,709	(6,280,008)
Other comprehensive loss for the half-year	-	-	(1,969,141)	-	-	(1,969,141)
Total comprehensive loss for the half-year	-	(8,050,717)	(1,969,141)	-	1,770,709	(8,249,149)
Transaction with owners, directly in equity						
Shares issued during half-year (net of costs)	13 44,657,466	-	-	-	-	44,657,466
Share based payments	14 -	-	-	1,201,085	-	1,201,085
Balance at 30 June 2021	173,347,180	(44,616,518)	(1,238,989)	5,771,194	3,739,771	137,002,638

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the half year ended 30 June 2021

	Note	30-Jun-2021 \$	30-Jun-2020 \$
Cash Flows from Operating Activities			
Proceeds in the course of operations		54,694,590	-
Payments to suppliers and employees		(45,623,694)	(959,202)
Taxes paid		(3,567,756)	-
Federal Government COVID rebate		-	50,000
Interest received		2,996	1,696
Net Cash from Operating Activities		5,505,6136	(907,506)
Cash Flows from Investing Activities			
Payments for exploration and evaluation expenditure		(6,073,439)	(2,032,647)
Payments made for plant and equipment		(9,969,747)	(27,242)
Net Cash Used in Investing Activities		(16,043,186)	(2,059,889)
Cash Flows from Financing Activities			
Proceeds from issue of shares		47,353,522	-
Payments for capital raising		(2,696,056)	-
Net Cash Provided by Financing Activities		44,657,466	-
Net Increase/(Decrease) in Cash Held		34,120,416	(2,967,395)
Cash and cash equivalents at the beginning of the half-year		17,263,076	3,793,194
Change in foreign currency held		(274,610)	65,214
Cash and Cash Equivalents at the End of the Half-year	6	51,108,882	891,013

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

For personal use only

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 30 June 2021

1. BASIS OF PREPARATION

This general purpose interim financial report for the half-year ended 30 June 2021 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The interim report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. It is recommended that the interim financial report be read in conjunction with the financial report for the year ended 31 December 2020 and considered together with any public announcements made by Firefinch Limited during the half-year ended 30 June 2021 in accordance with the continuous disclosure obligations of the ASX Listing Rules.

The financial statements were authorised for issue on 13 September 2021 by the Directors of the Company.

The nature of the operations and principal activities of the Group are described in the Directors' 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.

Going concern

The Group made a loss for the half-year of \$6,280,008 (30 June 2020: \$1,072,595 loss). As at 30 June 2021, the Group had cash and cash equivalents of \$58,495,108 (2019: \$891,013) and a working capital surplus of \$66,559,622 (30 June 2020: deficit of 815,516).

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 doré from the satellite pits;
- Re-commencing commercial mining of the Morila pit; and
- 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 and commitments 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.

Key judgements and estimates

The preparation of 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.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, were disclosed throughout the notes of the annual report and because no significant change has occurred since then, these are not repeated in the interim report.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 30 June 2021

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 2021 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 30 June 2021 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 30 June 2021

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's reportable segments are therefore as follows:

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

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.

30-Jun-2021	Morila \$	Mali Exploration \$	Corporate \$	Total Consolidated \$
Revenue				
Total revenue and other income	50,607,572	-	2,996	50,610,568
Results				
Net profit/(loss)	(2,613,594)	-	(3,666,414)	(6,280,008)

30-Jun-2020				
Revenue				
Total revenue and other income	-	-	51,696	51,696
Results				
Net profit/(loss)	-	-	(1,072,595)	(1,072,595)

30-Jun-2021	Morila \$	Mali Exploration \$	Corporate \$	Total Consolidated \$
Total Assets				
Total segment assets	107,670,074	29,529,445	60,970,936	198,170,455
Total Liabilities				
Total segment liabilities	588,434,107	734,198	1,999,512	61,167,817

31-Dec-2020				
Total Assets				
Total segment assets	84,872,016	27,892,562	26,417,559	139,182,137
Total Liabilities				
Total segment liabilities	38,421,949	348,685	1,018,267	39,788,901

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 30 June 2021

5. CORPORATE AND OTHER EXPENSES

	Consolidated	
	30-Jun-2021	30-Jun-2020
	\$	\$
Consultancy services	121,288	169,486
Insurances	938,088	42,132
Travel	172,479	109,935
Indirect taxes and duties	1,948,849	-
Administrative expenses	1,501,136	216,028
	4,681,840	537,581

6. CASH AND CASH EQUIVALENTS

	Consolidated	
	30-Jun-2021	31-Dec-2020
	\$	\$
Cash at bank and in hand ⁽¹⁾	58,308,622	24,443,784
Bank overdraft ⁽²⁾	(7,386,226)	(7,213,198)
Short-term deposits ⁽³⁾	186,486	32,490
	51,108,882	17,263,076

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

(2) Bank overdraft used by Société des Mines de Morila SA (Morila SA) at a domestic Malian bank.

(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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 30 June 2021

7. TRADE AND OTHER RECEIVABLES

	Consolidated	
	30-Jun-2021	31-Dec-2020
	\$	\$
Current		
Trade debtors ⁽¹⁾	5,519,667	9,695,692
Sundry debtors	595,596	510,679
Prepayments	5,137,974	3,442,156
GST receivable	245,789	363,998
Other receivables	23,017	3,816
	11,522,043	14,016,341
Non-current		
VAT paid ⁽²⁾	8,776,866	10,581,706
Security deposits	116,353	108,463
	8,893,219	10,690,169

(1) Trade and sundry debtors are non-interest bearing and generally are on 14-day terms.

(2) VAT receivable represents the fair value of the VAT refund receivable from the Tax Department of Mali.

RECOGNITION & MEASUREMENT

Trade and other receivables

Trade receivables are realisable 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 30 June 2021

8. INVENTORIES

	Consolidated	
	30-Jun-2021	31-Dec-2020
	\$	\$
Current		
Gold doré on hand	2,213,521	497,691
Gold in circuit at cost	1,725,423	432,761
Consumable supplies ⁽¹⁾	29,143,204	12,987,721
Ore – tailings at cost ⁽²⁾	13,847,480	23,354,027
	46,929,628	37,272,200

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

(2) The value of the tailings was recognised on the acquisition of Morila operations and \$9,846,633 was expensed during the half year period.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 30 June 2021

9. PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	30-Jun-2021	31-Dec-2020
	\$	\$
Plant and equipment – at cost	11,115,945	828,892
Accumulated depreciation	(694,527)	(525,865)
	10,421,418	303,027
Reconciliation of property, plant and equipment		
Carrying amount at the beginning of the period	303,027	498,152
Leasehold improvements		
<i>Additions</i>	115,591	-
<i>Depreciation expense</i>	(35,818)	-
Furniture and fittings		
<i>Additions</i>	91,959	-
<i>Depreciation expense</i>	(4,110)	-
Equipment		
<i>Additions</i>	148,826	17,977
<i>Depreciation</i>	(34,568)	(222,309)
<i>Disposals</i>	(5,422)	-
Assets under construction	9,969,747	-
Foreign currency translation movement	(127,814)	9,207
Carrying amount at the end of the period	10,421,418	303,027

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 recognised in the statement of comprehensive income.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 30 June 2021

10. EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	30-Jun-2021	31-Dec-2020
	\$	\$
Exploration and evaluation expenditure at cost:		
Exploration – Morila project	40,644,301	32,421,277
Exploration – other projects	28,038,390	27,186,077
	68,682,691	59,607,354
Reconciliation of exploration and evaluation expenditure		
Carrying amount at beginning of the period	59,607,354	24,486,347
Exploration expenditure during the period	10,027,265	2,847,845
Exploration asset on acquisition of Morila	-	34,181,710
Foreign currency translation	(951,928)	(1,908,548)
Carrying amount at the end of the half-year	68,682,691	59,607,354

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'.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 30 June 2021

11. TRADE AND OTHER PAYABLES

	Consolidated	
	30-Jun-2021	31-Dec-2020
	\$	\$
Current		
Trade payables and accruals	26,731,186	7,636,729
Royalties payable	655,925	585,489
Other liabilities ⁽¹⁾	1,048,251	1,359,172
	28,435,362	9,581,390

(1) Other liabilities include withholding taxes, payroll related taxes and contributions payable to 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.

12. PROVISIONS

	Consolidated	
	30-Jun-2021	31-Dec-2020
	\$	\$
Current		
Employee entitlements	491,929	155,577
	491,929	155,577
Non-current		
Employee entitlements	1,514,213	1,161,395
Rehabilitation and decommissioning provision	16,037,422	15,599,884
	17,551,635	16,761,279

(1) The provision for rehabilitation and decommissioning relates to the Morila gold 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.

For personal use only

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 30 June 2021

13. ISSUED CAPITAL

(a) Issued and paid-up share capital

	Consolidated	
	30-Jun-2021 \$	31-Dec-2020 \$
907,620,372 (30-Dec-2020: 781,907,231) ordinary shares fully paid	173,347,180	128,689,714

Movement in ordinary shares

	30-Jun-2021	30-Dec-2020	30-Jun-2021	30-Dec-2020
	No	No	\$	\$
Balance at the beginning of the period	781,907,231	317,348,112	128,689,714	58,028,843
<i>Shares issued during the period:</i>				
Share placements ⁽¹⁾	117,187,206	402,736,345	46,874,882	64,437,820
Share allotment – SPP	-	61,468,750	-	9,835,000
Exercise of options ⁽²⁾	3,190,935	354,024	478,640	53,104
Conversion of share rights	5,335,000	-	-	-
Transaction costs relating to share issues	-	-	(2,696,056)	(3,665,053)
Balance at the end of the year	907,620,372	781,907,231	173,347,180	128,689,714

(1) Shares were issued at \$0.40 to institutional investors on 30 June 2021.

(2) Listed options expiring on 17 October 2021 were exercised at \$0.15.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 30 June 2021

14. RESERVES

	Consolidated	
	30-Jun-2021	31-Dec-2020
	\$	\$
Foreign currency translation reserve	(1,238,989)	730,152
Share-based payment reserve	5,771,194	4,570,109
	4,532,205	5,300,261

Movement in share-based payment reserve

	Consolidated	
	30-Jun-2021	31-Dec-2020
	\$	\$
Balance at beginning of the period	4,570,109	4,532,524
Vesting expense of performance/share rights issued during the period	314,187	291,959
Vesting expense of prior years' performance/ share rights	886,898	50,670
Forfeited performance /share rights during the period	-	(305,044)
Balance at the end of the year	5,771,194	4,570,109

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.

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.

For personal use only

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 30 June 2021

15. COMMITMENTS

The Group is committed to minimum statutory exploration work requirements in relation to its West African tenements/licences. There has been no significant change to the expenditure commitments disclosed in the 31 December 2020 financial statements.

16. BUSINESS COMBINATION

On 10 November 2020 Firefinch Limited acquired an 80% interest in the Morila gold mine in Mali. Details of this business combination were disclosed in note 27 of the Group's annual financial statements for the year ended 31 December 2020. Work is ongoing and these provisional balances will be finalised in the 31 December 2021 financial statements.

17. CONTINGENCIES

A Tax Assessment that was received by Morila SA in January 2021 advised that the Malian 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. 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. The Tax Department of Mali has acknowledged receipt of the provided supporting documents.

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.

18. EVENTS OCCURRING AFTER THE END OF YEAR DATE

On 16 August 2021, the Company and a wholly owned subsidiary of Jiangxi Ganfeng Lithium Co. Ltd (Ganfeng) executed a suite of full form legal agreements to progress the 50-50 Firefinch-Ganfeng incorporated joint venture at the Goulamina Lithium Project. On 1 September 2021, Ganfeng received shareholder approval to progress the 50% acquisition of the Goulamina Lithium Project and formation of a joint venture with Firefinch. Ganfeng shareholder approval was one of three key outstanding conditions precedent to the formation of the joint venture.

On 23 August 2021, following the resignation of Eric Hughes from the position of Chief Financial Officer/Company Secretary, the Company appointed Tom Plant as Chief Financial Officer and Nathan Bartrop as Company Secretary.

In August 2021, mining operations commenced at the Viper pit following fast track of pre-mining activities including grade control drilling, site clearing and topsoil removal.

Directors' Declaration

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 9 to 24 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 30 June 2021 and of its performance for the half 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

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:



MICHAEL ANDERSON

Managing Director
13 September 2021



Independent auditor's review report to the members of Firefinch Limited

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Firefinch Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the condensed consolidated statement of financial position as at 30 June 2021, the condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and condensed consolidated statement of profit or loss and other comprehensive income for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Firefinch Limited does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the half-year ended on that date, and
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

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 the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the directors for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

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.

For personal use only



Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Price Waterhouse Coopers

PricewaterhouseCoopers

Helen Bathurst

Helen Bathurst
Partner

Perth
13 September 2021

For personal use only