

Settlement with Government of Mali and Agreement with Leo Lithium and Ganfeng

Firefinch Limited (ASX:FFX) (“**Firefinch**” or the “**Company**”) advises that it has entered into the following agreements in respect of the global settlement of various claims made by the Government of Mali (the **Government**) against Firefinch and Leo Lithium Ltd (**Leo**):

- (a) a memorandum of understanding between the Government, Leo, GFL International Co., Ltd (**Ganfeng**), Firefinch, Mali Lithium B.V (**MLBV**) and Lithium du Mali SA (**LMSA**) resolving claims made by the Government in relation to the Morila Gold Mine (**Morila**) and the Goulamina Lithium Project (**Goulamina**) (the **MoU**); and
- (b) a deed of covenant and release between Firefinch, Leo and Ganfeng (the **Tripartite Deed**).

The MoU and the Tripartite Deed provide for the settlement of the Government’s claims against Firefinch and Leo as follows:

- (a) Ganfeng on behalf of Leo to make a payment to the Government of US\$60 million in the name of and on behalf of Leo and Firefinch to, among other things, settle all disputes with the Government concerning Morila;
- (b) subject to receiving the Shareholder Approval (defined below), Firefinch will contribute A\$11.5 million to the above settlement payment by reimbursing Leo and will forgive Leo repaying the sum of A\$574,124.05 and will cease to accrue a debt of A\$939,532.54 which Firefinch has recorded as being owed to it by Leo;
- (c) Firefinch has agreed to transfer its interest in Morila SA and all mining titles its subsidiaries hold in Mali for nominal consideration to a Government company (**SOREM SA**), such agreement not being subject to Firefinch obtaining shareholder approval. Firefinch sought to negotiate a shareholder approval condition, however, the Government refused its inclusion;
- (d) the Government undertakes to grant LMSA a 15-year exploitation permit in relation to Goulamina and to provide various approvals and consents required in connection with the development and operation of Goulamina;
- (e) Goulamina is to be migrated to the 2023 Mining Code, with Government participation in LMSA to be increased to 30% and a further 5% interest in LMSA to be held by private Malian nationals; and
- (f) Firefinch and Leo agree to mutually release each other from liability under the demerger deed between Firefinch and Leo dated 29 April 2022 (the **Demerger Deed**) including in relation to the above settlement, with Leo’s release of Firefinch to take effect after the A\$11.5 million contribution payment is made by Firefinch.

Further details of the MoU and the Tripartite Deed are set out below.

Firefinch also notes the announcement by Leo of today’s date in relation to the sale of all of its interest in MLBV to Ganfeng for US\$342.7 million cash (equivalent to A\$0.43 per Leo share). Details of the sale by Leo are discussed further below.

Background

On 3 November 2022, Firefinch announced that the Board had determined that Firefinch could no longer continue to fund Société des Mines de Morila SA (**Morila SA**) to operate Morila. Firefinch has subsequently sought to undertake a sale process in relation to its interest in Morila SA. However, as

previously disclosed, the Government advised that it would not approve any deed of sale relating to Firefinch's interest in Morila SA unless Firefinch resolved issues relating to Morila.

Firefinch is not a party to any agreements between Morila SA and its vendors and suppliers, nor is there any agreement between Firefinch and Morila SA that would require Firefinch to either continue to fund Morila SA, or meet its debts, or other liabilities. Notwithstanding this, Firefinch entered into good faith discussions with the Government seeking to resolve these matters and reach a solution that results in the Government supporting a potential transaction for the Company's sale of its interest in Morila SA.

The Government also raised concerns regarding the transfer of the Torakora exploitation permit underpinning Goulamina (the **Exploitation Permit**) from Timbuktu Ressources SARL (**TRSL**) to LMSA (a subsidiary of MLBV which is jointly owned by Leo and Ganfeng) and established a Negotiation and Renegotiation Commission between the Government, Firefinch, Leo and Ganfeng in relation to issues relating to Morila and the alleged irregularities in the transfer of the Exploitation Permit, among other things (the **Commission**). Leo has denied the alleged invalidity with the Exploitation Permit.

Notwithstanding that each of Firefinch, Leo and Ganfeng have presented information to the Commission that Firefinch and Leo are not connected (other than Firefinch's 17.6% shareholding in Leo), the Government has insisted on conflating its concerns with Morila and Goulamina, proceeded on the mistaken view that Firefinch and Leo were one and the same company and has insisted that its concerns are resolved on a global basis.

The Government has become frustrated with Firefinch and Leo not agreeing to the Government's demands. As the dispute has become increasingly acrimonious, Ganfeng has become involved in attempting to resolve the dispute and has become the primary channel of communication between the Government, Leo and Firefinch.

Firefinch has become aware that the Government was poised to find the permits and licences of Goulamina (including the Exploitation Permit) as invalid or irregular such that LMSA would lose title to Goulamina and be prevented from commencing production unless, by no later than 7 May 2024:

- (a) Firefinch, Leo, Ganfeng, MLBV and LMSA entered into the MoU in the form provided, without the benefit of further negotiation; and
- (b) the sum of US\$60 million was paid to settle the Government's claims in respect of Morila and Goulamina (the **Settlement Amount**).

Firefinch considers:

- (a) the Government would take such action unless the Settlement Amount was paid on or before 7 May 2024; and
- (b) any finding that the permits and licences of Goulamina as invalid or irregular would have a materially adverse impact on Firefinch given Firefinch's 17.6% shareholding in Leo and Leo's interest in LMSA.

In the circumstances, the Firefinch Board unanimously considered that it was in the best interests of Firefinch to:

- (a) enter into the MoU with the Government, Leo, Ganfeng, Firefinch, MLBV and LMSA;
- (b) agree to sell its interest in Morila SA and all of the mining titles in its subsidiaries on the basis set out in the MoU;
- (c) make a contribution of A\$11,500,000 to the Settlement Amount under the MoU (the **Firefinch Contribution**); and

- (d) enter into the Tripartite Deed with Leo and Ganfeng in relation to the payment of the Settlement Amount, the Firefinch Contribution and to provide various releases under the Demerger Deed.

Firefinch additionally notes Leo has disclosed that it has accepted an offer from Ganfeng to acquire its remaining interest in Goulamina by way of the sale of the remaining shares in MLBV held by Leo for total consideration of US\$342.7 million cash (equivalent to A\$0.43 per Leo Lithium Share), structured as follows:

- (a) US\$10.5 million non-refundable deposit to be paid within 10 business days of executing the binding share sale and purchase agreement (**SPA**) with Ganfeng;
- (b) US\$161.0 million payable within 10 business days of satisfaction or waiver of the conditions precedent for the SPA (the **Tranche 1 Consideration**); and
- (c) US\$171.2 million payable by 30 June 2025, with interest to accrue on the unpaid balance at a rate equal to SOFR + 2%, commencing from the date that the **Tranche 1 Consideration** is due, (the **MLBV Sale**).

Leo also confirmed that the previously announced agreement to sell an additional 5% of MLBV to Ganfeng for US\$65 million has completed and that Ganfeng has agreed to pay a trailing product sale amount in connection with the termination of the Co-Operation Agreement and Leo's contractual offtake rights from future expansions of Goulamina.

Please refer to the announcement released today by Leo for further details.

Overview of the MoU

In summary, the key terms of the MoU include the following:

- (a) Firefinch has agreed to:
 - (i) transfer all of the shares it holds in Morila SA to Sorem SA (a State-owned entity) for US\$1; and
 - (ii) transfer either directly or indirectly all mining titles held in Mali by Firefinch (via its Malian subsidiaries) for US\$1;
- (b) MLBV to make a payment to the Government of US\$60 million in the name of and on behalf of Leo and Firefinch to, among other things, settle all disputes with the Government concerning the Morila SA mine;
- (c) the Government undertakes to grant LMSA a 15-year exploitation permit in relation to Goulamina and to renew it in accordance with the conditions of the applicable mining legislation in force on the renewal date;
- (d) Goulamina is to be migrated to the 2023 Mining Code, with Government participation in LMSA to be increased to 30% and a further 5% interest in LMSA to be held by private Malian nationals; and
- (e) the Government agrees to provide various approvals and consents required in connection with the development and operation of Goulamina.

As outlined above, the Government did not permit the terms of the MoU to be subject of negotiation. Accordingly, Firefinch's obligation to transfer its interest in Morila SA under the MoU is not subject to receiving shareholder approval as required by Listing Rule 11.2. As detailed further below, Firefinch intends to seek shareholder approval in relation to the sale of its interest in Morila SA in connection with its obligations under the MoU (the **Shareholder Approval**).

Overview of the Tripartite Deed

In summary, the key terms of the Tripartite Deed include the following:

- (a) Ganfeng on behalf of Leo will pay the Settlement Amount to the State on or before 7 May 2024;
- (b) within 2 business days of receiving the Shareholder Approval, Firefinch will pay the Firefinch Contribution as its contribution to the Settlement Amount to settle the dispute with the Government;
- (c) if the Shareholder Approval is not received, Firefinch will not be required to pay the Firefinch Contribution to Leo;
- (d) subject to receipt of the Firefinch Contribution, Leo agrees to:
 - (i) release Firefinch from all claims under the Demerger Deed including in relation to the settlement of the disputes relating to Morila and Goulamina with the Government; and
 - (ii) not to make or institute any claims against Firefinch in relation to such settlement or the Demerger Deed;
- (e) Firefinch agrees to
 - (i) release Leo from all claims in relation to the settlement of the disputes relating to Morila and Goulamina with the Government under the Demerger Deed;
 - (ii) not to make or institute any claims against Leo in relation to such settlement or the Demerger Deed; and
 - (iii) release Leo from certain amounts payable to Firefinch totalling approximately A\$1.5 million; and
- (f) Leo agrees to keep Firefinch informed as to the progress of the MLBV Sale.

Rationale for Firefinch entering into the MoU and the Tripartite Deed

The Firefinch Board considered that entry into the MoU and the Tripartite Deed is in the best interests of Firefinch for the following reasons:

- (a) Firefinch considered that Government's threat to credible and it expected the Government would take the action referred to above unless all parties enter into the MoU and the Settlement Amount was paid on or before 7 May 2024;
- (b) an adverse determination concerning Leo's title to, and interest in, Goulamina would have a materially adverse impact on Firefinch:
 - (i) because of the material adverse impact that would have on the value of Firefinch's 17.6% ownership in Leo;
 - (ii) by preventing completion of the MLBV Sale to Ganfeng such that Firefinch would not receive the indirect benefit of the consideration payable to Leo in respect of the MLBV Sale;
 - (iii) exposing Firefinch to risks and costs associated with international arbitration procedures that may be commenced in the event the Government determined that the permits and licences of Goulamina were invalid or irregular; and
 - (iv) potentially exposing Firefinch to risks of a claim from Leo under the Demerger Deed, which could result in lengthy and costly litigation;
- (c) entry into the MoU and the Tripartite Deed is the best available avenue to protect the value of its interest in Leo for the benefit of Firefinch;
- (d) Firefinch has used its best endeavours to dispose of Morila SA to third parties, however the Government has made it clear that such a disposal will not be permitted until the Morila

dispute is resolved and this involves Firefinch's interest in Morila SA being transferred to a state-owned entity;

- (e) absent a disposal of Firefinch's interest in Morila SA, any potential winding up of Firefinch and distribution of remaining assets to Firefinch shareholders would be significantly complex; and
- (f) settlement of the ongoing disputes with the Government is expected to resolve difficulties in valuing its interest in Leo which may facilitate completion of Firefinch's audited accounts.

ASX Listing Rules

ASX Listing Rule 11.2 provides that a listed entity must not enter into an agreement to dispose of its main undertaking unless that agreement is conditional on obtaining shareholder approval. ASX has advised Firefinch that it considers Morila to be its main undertaking, notwithstanding that it has not operated Morila since November 2022 and has no value in Firefinch's financial accounts.

As set out above, the Government did not permit amendments to be made to the form of the MoU. For this reason, the obligation on Firefinch under the MoU to sell its interest in Morila SA is not conditional on receipt of shareholder approval and does not comply with Listing Rule 11.2. Notwithstanding this, the Firefinch Board has resolved to seek the Shareholder Approval as soon as possible. Firefinch's obligation to make the Firefinch Contribution under the Tripartite Deed (and, consequently, the conditional releases from Leo) are subject to the Shareholder Approval being obtained.

This approach is certainly not preferred by Firefinch, however in light of the credible threats from the Government if the MoU was not executed in its current form and the Settlement Amount paid by 7 May 2024 and the material adverse impacts of such an adverse determination on Firefinch, the Board unanimously determined that entry into the MoU was in the best interests of Firefinch, notwithstanding that it would breach ASX Listing Rule 11.2.

Given that its interest in Morila SA is accounted for at nominal value in Firefinch's accounts and the majority of Firefinch's value lies in its shareholding in Leo, Firefinch has recently approached the ASX to re-consider the application of ASX Listing Rule 11.2 to the circumstances. The ASX confirmed that it continued to consider that Listing Rule 11.2 applied to this situation.

The sale of Morila SA, all other mining titles held in Mali and the forgiveness of various debts by Firefinch will have negligible impact on the financial position of Firefinch.

Next Steps

The Firefinch Board expects to convene a general meeting to seek the Shareholder Approval as soon as possible. Subject to Shareholder Approval being obtained, Firefinch expects to make the Firefinch Contribution to, among other things, obtain the benefit of the releases under the Tripartite Deed.

Following execution of the MoU, Firefinch is in the process of negotiating a sale agreement with Sorem SA in respect of the sale of Firefinch's interest in Morila SA and its other mining titles.

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

Shareholder questions or enquiries can be emailed to: info@firefinchltd.com

The Company will endeavour to respond as soon as practicable.