10 September 2026

Shareholder Update

Firefinch Limited (**Firefinch** or the **Company**) provides the following brief update to shareholders regarding the outstanding steps and timing associated with the proposed final distribution of funds and the required shareholder meeting.

ATO Engagement

Firefinch has received confirmation that the Australian Taxation Office (ATO) does not object to the company distributing its remaining cash reserves as a return of capital. The ATO has indicated that it will issue a Class Ruling confirming this treatment once the distribution has been made.

Background to distribution

Leo Lithium Limited (Leo) issued dividends of approximately $47 million to Firefinch in October and November 2025, which were declared as conduit foreign income. When a company receives a dividend that is declared as conduit foreign income it is subject to tax on that dividend if the company does not pass that amount on to its shareholders as a conduit foreign income dividend.

Through ongoing discussions, Firefinch has demonstrated to the ATO that it is not able to pay a dividend to its shareholders, and instead must make its final distribution as a return of capital.

Implications for Firefinch

The conduit foreign income dividends received from Leo will be treated as assessable income in Firefinch's 31 December 2025 income tax return. Firefinch projects that it will record an income tax liability of approximately $10.4 million after lodging its 31 December 2025 income tax return that will be paid immediately by the Company.

Implications for Shareholders

The shareholder distribution will be declared as a return of capital. The ATO has confirmed that the Commissioner of Taxation will not apply section 45B of the *Income Tax Assessment Act 1997* to deem that the return of capital is treated as an unfranked dividend for taxation purposes.

To the extent that the cost base of each shareholders' Firefinch shares exceed the return of capital, shareholders are not expected to be subject to tax on receipt of the return of capital. Further detail on the taxation treatment of the return of capital will be included in the Notice of Meeting.

Alternate treatment

During correspondence with the ATO, it was initially suggested that the amounts Firefinch received as conduit foreign income dividends from Leo were required to be distributed to Firefinch shareholders as conduit foreign income dividends. If accepted, this treatment would have resulted in all Australian resident shareholders being subject to tax on the final distribution at their marginal tax rate.

The Board is of the view the position ultimately agreed with ATO is both correct under the tax law and reflects the most beneficial outcome for Firefinch shareholders. While the time taken to reach this outcome has been protracted, the Board believes it has achieved the most optimal outcome for Firefinch shareholders.

Summary

Firefinch will record an income tax liability on the conduit foreign income it received as dividends from Leo Lithium limited of approximately $10.4m

An amount will be withheld by the Company to fund its orderly liquidation.

The remaining cash will be distributed to all shareholders as a return of capital.

Next Steps

Firefinch has engaged its legal counsel and tax advisor to prepare a Notice of Meeting to approve the issue of a return of capital. Firefinch expects to release the Notice of Meeting in the coming days.

Yours Sincerely,

B Fraser.

Brett Fraser
Chairman