



Freehill Mining Limited

Financial Report

for the half-year ended 31 December 2016

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Corporate Information

Freehill Mining Limited (ASX:FHS) is based in Melbourne, Australia, and listed on the Australian Stock Exchange (ASX).

Registered office

Level 1, 141 Capel Street
North Melbourne, Victoria, 3051
Australia

Auditors

RSM Australia Partners
Level 21, 55 Collins Street
Melbourne, Victoria, 3000
Australia

Share register

Computershare Investor Services Pty Ltd
Yarra Falls
452 Johnston Street
Abbotsford, Victoria, 3067
Australia

Directors' Report

Your directors are pleased to present their report, together with the financial statements and the independent auditor's review report thereon Freehill Mining Limited for the half-year ended 31 December 2016.

Directors

The following persons were directors of Freehill Mining Limited during the whole of the half-year and up to the date of this report:

Raymond Charles Mangion

Paul Davies

Nicholas Kapes

Stephen Chaplin

Review and results of operations

The company incurred a net loss of \$1,266,035 for the half-year ended 31 December 2016 (Dec 2015: loss of \$284,414).

As at the date of this report, the company is in the final stage of the acquisition of Freehill Investments Pty Ltd and its wholly owned subsidiaries, Yervas Buenas SpA and San Patricio SpA, the owners of mining tenements associated with the Yervas Buenas Project. This follows shareholder approval to proceed with the acquisition and associated transactions.

Significant events after balance date

The Directors report the following activities after balance date:

The Company has successfully completed an IPO fundraising of \$4,023,925.

The Company was re-admitted to the Australian Stock Exchange on January 12th 2017 (Stock Code:FHS)

The Company is in the process of completing the acquisition of Freehill Investments Pty Ltd

The Company has appointed a Chief Operating Officer with extensive experience in magnetite sands deposits.

A drilling program for the magnetite sands is being developed and a drilling contractor selected.

A trial for hard rock magnetite mining has commenced following identification of a hard rock deposit at surface.

Auditor's Independence Declaration

The auditor's independence declaration is included on page 4 of this half-year financial report.

Signed in accordance with a resolution of the directors.

A handwritten signature in blue ink, appearing to read 'Paul Joseph Davies', is written over a light blue rectangular background.

Paul Joseph Davies

Director

Melbourne, 15 March 2017

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Freehill Mining Limited for the half year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.



RSM AUSTRALIA PARTNERS



R B MIANO
Partner

Melbourne, Victoria
Dated: 15 March 2017

Condensed Statement of Comprehensive Income

for the half-year ended 31 December 2016

	Dec-16	Dec-15
Revenue from continuing operations	67	20
Directors Fees	(400,000)	-
Filing Fees	(2,350)	(5,742)
Geologist's Reports	-	(59,801)
Interest Expense	(126,510)	(20,955)
Insurance expenses	(7,040)	(4,854)
Listing Fees	(76,458)	-
Printing & Stationary	(8,730)	(6,140)
Professional fees	(555,503)	(91,527)
Share registry expenses	(30,129)	(40,526)
Technical Consultant	(33,551)	(15,000)
Travel & Accommodation	(6,552)	(30,827)
Web Services	(70)	(2,500)
Other expenses	(19,209)	(6,562)
	<hr/>	<hr/>
Profit/(Loss) from continuing operations before income tax benefit	(1,266,035)	(284,414)
Income tax benefit	-	-
	<hr/>	<hr/>
Profit/(Loss) from continuing operations	(1,266,035)	(284,414)
	<hr/>	<hr/>
Total comprehensive income for the half-year	(1,266,035)	(284,414)
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Basic earnings per share (cents per share)*	(20.62)	(2.55)
Diluted earnings per share (cents per share)*	(20.62)	(2.55)

*Calculated based on Issued shares at Balance Date of 6,141,201 ordinary shares

Condensed Statement of Financial Position

as at 31 December 2016

	Note	Dec-16 \$	Jun-16 \$
Current assets			
Cash and cash equivalents		3,960	38,829
Trade and other receivables		57,369	16,720
Other current assets		-	-
Total current assets		61,329	55,548
Non-Current Assets			
Loan to Freehill Investments Pty. Ltd.		1,358,985	310,000
Total non-current assets		1,358,985	310,000
Total assets		1,420,314	365,548
Current liabilities			
Trade and other payables		1,182,498	210,994
Financial Liabilities	2	422,297	-
Total current liabilities		1,604,795	210,994
Non Current Liabilities			
Financial Liabilities	2	1,213,857	558,283
Total non-current liabilities		1,213,857	558,283
Total liabilities		2,818,652	769,277
Net assets		(1,398,338)	(403,729)
Equity			
Contributed equity		16,821,001	16,821,001
Reserves		492,633	320,681
Accumulated losses		(18,711,972)	(17,545,411)
Total equity		(1,398,338)	(403,729)

The above statement is to be read in conjunction with the accompanying notes.

Condensed Statement of Changes in Equity

for half-year ended 31 December 2016

	Contributed equity \$	Equity component of convertible debt \$	Accumulated losses \$	Total \$
Balance at 01 July 2015	16,821,001	143,394	(17,037,522)	(73,127)
Transactions with equity holders in their capacity as equity holders				
Issue of share capital	-	-	-	-
Issue of Converting Loan	-	117,120	-	117,120
Share based payments	-	-	-	-
	16,821,001	260,514	(17,037,522)	43,993
Total recognised gains and losses for the period				
Loss for the period	-	-	(284,414)	(284,414)
Balance at 31 December 2015	16,821,001	260,514	(17,321,936)	(240,421)
Balance at 01 July 2016	16,821,001	320,681	(17,545,410)	(403,728)
Transactions with equity holders in their capacity as equity holders				
Issue of share capital	-	-	-	-
Issue of Converting Loan	-	171,952	99,474	271,426
Share based payments	-	-	-	-
	16,821,001	492,633	(17,445,936)	(132,302)
Total recognised gains and losses for the period				
Loss for the period	-	-	(1,266,035)	(1,266,035)
Balance at 31 December 2016	16,821,001	492,633	(18,711,971)	(1,398,338)

The above statement is to be read in conjunction with the accompanying notes.

Condensed Statement of Cashflows

for the half-year ended 31 December 2016

	Dec-16	Dec-15
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(63,822)	(234,503)
Interest received	67	20
Net cash flows (used in) / provided by operating activities	(63,755)	(234,483)
Cash flows from investing activities		
Loan to Freehill Investments Pty Ltd	(1,048,985)	-
Net cash flows (used in)/provided by investing activities	(1,048,985)	-
Cash flows from financing activities		
Proceeds from issues of ordinary shares	-	-
Proceed / (Repayments) of borrowings	1,077,871	260,493
Net cash flows (used in)/provided by financing activities	1,077,871	260,493
Net increase/(decrease) in cash held	(34,869)	26,010
Add opening cash brought forward	38,829	25,651
Closing cash carried forward	3,960	51,661

The above statement is to be read in conjunction with the accompanying notes.

Notes to the Financial Statements

for the half-year ended 31 December 2016

Note 1 Significant Accounting Policies

a. Basis of preparation of the half-year report

This general purpose financial report for the interim half-year reporting period ended 31 December 2016 has been prepared in accordance with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Act 2001.

This interim financial report does not include all the notes of the type normally included in the annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by Freehill Mining Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim accounting period.

b. Going concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the company incurred a loss of \$1,266,035 (December 2015: Loss of \$284,414) and had net cash outflows from operating activities of \$63,755 (December 2015: \$234,483) for the half-year ended 31 December 2016. As at that date the company had net current liabilities of \$1,543,466 (June 2016: \$155,396) and net liabilities of \$1,398,338 (June 2016: \$403,729).

These factors indicate a material uncertainty which may cast significant doubt over the ability of the company to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The Directors believe that there are reasonable grounds to believe that the company will be able to continue as a going concern after consideration of the following factors:

- Subsequent to Balance Date the Company successfully completed an IPO fundraising of \$4,023,925.
- All convertible debt holders at balance date have converted their debt holdings into shares in the Company. The Company no longer has any long term debt and any short term debt relates to current obligations.
- The Company's shares have been relisted on the Australian Stock Exchange under the code FHS.
- The Company is in the final stages of completing the acquisition of Freehill Investments Pty Ltd and its wholly owned Chilean subsidiaries, Yervas Buenas SpA and San Patricio SpA who own the tenements associated with the Yervas Buenas Project in the Coquimbo region of Chile. This acquisition is subject to the completion of regulatory processes in Chile.
- The Company is encouraged by the identification of a hard rock magnetite deposit at surface and is in a trial program of blasting, mining and crushing this material using a contracted mobile crushing facility. The Company anticipates early sales from this program.

Accordingly, the Directors believe that the company will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the company does not continue as a going concern.

Notes to the financial statements

for the half-year ended 31 December 2016

Note 2 Borrowings

	December-16 \$	June-16 \$
Current		
Short Term Loans	422,297	-
Non-Current		
Convertible Notes	1,213,857	558,283

Convertible Notes attract interest at 10% per annum payable in shares at conversion or in cash at the end of their 3 year term. The Notes are unsecured.

Note 3 Net tangible assets per security

	December-16 \$	June-16 \$
Net tangible assets backing per ordinary share	(22.77)	(6.43)

Note 4 Segment Reporting

The financial information reviewed by the Chairman and Chief Financial Officer is only prepared on a consolidated basis and no discrete financial information is available. Hence there are no business segments and no segment information is presented.

Note 5 Contingent Liabilities

There have been no changes in contingent liabilities or contingent assets since the end of the previous financial reporting period, 30 June 2016.

Note 6 Subsequent Events

The Company has completed its IPO fundraising and gained re-admittance to the Australian Stock Exchange.

The Company raised \$4,023,925 in its IPO.

All convertible debt on balance sheet at Balance Date was converted to shares on re-admittance to the Australian Stock exchange.

The Company is completing its acquisition of Freehill Investments Pty Ltd and its wholly owned subsidiaries Yerbas Buenas SpA and San Patricio SpA owners of the tenements associated with the Yerbas Buenas Project.

The Company has appointed a Chief Operating Officer to undertake the proposed drilling of its magnetite sands deposit to establish a JORC compliant reserve and a pathway forward for the development of the sands deposit.

The Company is in the process of a trial for the exploitation of a hard rock magnetite deposit identified at surface.

Directors' Declaration

The directors of Freehill Mining Limited declare that:

1. The financial statements, comprising the condensed statement of comprehensive income, condensed statement of financial position, condensed statement of cash flows, condensed statement of changes in equity, and accompanying notes, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the company's financial position as at 31 December 2016 and of its performance for the half year ended on that date.
2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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:

On behalf of the directors



Paul Joseph Davies

Director

Melbourne, 15 March 2017

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INDEPENDENT AUDITOR'S REVIEW REPORT**TO THE MEMBERS OF****FREEHILL MINING LIMITED****Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Freehill Mining Limited which comprises the condensed statement of financial position as at 31 December 2016, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company.

Directors' Responsibility 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 is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, 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 company's financial position as at 31 December 2016 and 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*. As the auditor of Freehill Mining Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Freehill Mining Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Conclusion

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

- (a) giving a true and fair view of the company's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 1(b) in the financial report, which indicates that the company incurred losses of \$1,266,035 and had net cash outflows from operating activities of \$63,755 for the half-year ended 31 December 2016. As of that date, the company had net current liabilities and net liabilities of \$1,543,466 and \$1,398,338 respectively. These conditions, along with other matters as set forth in Note 1(b), indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.



RSM AUSTRALIA PARTNERS



R B MIANO
Partner

Melbourne, Victoria
Dated: 15 March 2017