

Freehill Mining Limited

ABN 27 091 608 025

Interim Report - 31 December 2018

For personal use only

Freehill Mining Limited
Corporate directory
31 December 2018

Directors

Peter Hinner
Raymond Charles Mangion
Paul Davies
Sam Duddy
Wayne Johnson (appointed 30 November 2018)

Registered office

88 Miller Street
West Melbourne VIC 3003

Principal place of business

88 Miller Street
West Melbourne VIC 3003

Share register

Automic Registry Services
Level 12, Bourke Street
Melbourne, Victoria 3000

Auditor

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

Stock exchange listing

Freehill Mining Limited shares are listed on the Australian Securities Exchange (ASX code: FHS)

Website

www.freehillmining.com

Freehill Mining Limited
Directors' report
31 December 2018

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Freehill Mining Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2018.

Principal activities

During the financial half-year the principal continuing activities of the consolidated entity consisted of:

- operating the Yervas Buenas mine in Chile.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$1,769,179 (31 December 2017: \$1,336,200).

Significant changes in the state of affairs

During the financial half-year, the company has issued 279,854,892 fully paid ordinary shares upon:-

- the receipt of cash and cash equivalents totalling \$1,670,467 (\$250,000 of which was received before 30 June 2018);
- the extinguishment of borrowings totalling \$2,953,706 and interest payable of \$618,189; and
- the extinguishment of trade and other payables totalling \$240,352

There were no other significant changes in the state of affairs of the consolidated entity during the financial half-year.

Matters subsequent to the end of the financial half-year

Since 31 December 2018, the company has issued 132,295,729 fully paid ordinary shares having received \$173,000 cash, converted convertible notes (including accrued interest and fees) valued at \$1,558,412 and settled trade and other payables totalling \$99,500.

No other matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Paul Davies
Director

15 March 2019

The latter part of 2018 can be seen as a watershed period for the company. A refocus on exploration as a key driver for shareholder value has delivered some outstanding results.

After the trial mining program had delivered much valuable technical information to the company and had met its primary objectives, the Company commenced planning for its first drilling program.

Our maiden drilling program commenced in November and subsequently 24 holes and 4,300 metres of reverse circulation drilling was completed by mid-December – on time and on budget.

The majority of holes was centred around the YB1 structure which hosts the trial mining pit and to allow a JORC Mineral Resource estimate to be declared in early 2019. Magnetic targets to the north and south of the pit were also drilled to ground truth those structures as the first step towards developing additional JORC Mineral Resource Estimates in the near future.

Drilling of the YB6 structure identified a progressively thickening trend of mineralisation and an exceptionally high grade hole with over 170 metres of great grade FE that had over 18 metres of almost pure magnetite.

Copper

The first step in identifying the source of significant copper mineralisation in the northern portion of the project area was undertaken when an induced polarisation survey was completed towards the end of the year.

The survey has now identified a large induced polarisation structure and part of a second structure. The northern portion of the project area has a proliferation of surface copper mineralisation and evidence of many old artisan copper and gold diggings and we believe that the identified structure hosts copper sulphide and will be drilled and explored further in 2019.

Stakeholders

I would like to take this opportunity to thank our loyal stakeholders who have supported us in this period and would like to assure them of our commitment and passion for this project.

Regards

Raymond Mangion

Chairman

Freehill Mining Ltd.

RSM Australia Partners

Level 21, 55 Collins Street Melbourne VIC 3000
PO Box 248 Collins Street West VIC 8007

T +61 (0) 3 9286 8000
F +61 (0) 3 9286 8199

www.rsm.com.au

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 2018, 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

RSM AUSTRALIA PARTNERS

P A Ransom

P A RANSOM

Partner

Dated: 15 March 2019
Melbourne, Victoria

Freehill Mining Limited

Contents

31 December 2018

Statement of profit or loss and other comprehensive income	6
Statement of financial position	7
Statement of changes in equity	8
Statement of cash flows	9
Notes to the financial statements	10
Directors' declaration	16
Independent auditor's review report to the members of Freehill Mining Limited	17

General information

The financial statements cover Freehill Mining Limited as a consolidated entity consisting of Freehill Mining Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Freehill Mining Limited's functional and presentation currency.

Freehill Mining Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

88 Miller Street
Melbourne, Victoria 3000

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 15 March 2019.

Freehill Mining Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2018

	Note	Consolidated Dec 18 \$	Dec 17 \$
Revenue	3	261	102,510
Interest revenue calculated using the effective interest method		29	29
Expenses			
Mine production costs		(66,849)	(29,304)
Corporate and administration expenses		(860,078)	(535,914)
Impairment of assets	4	(173,185)	-
Other expenses		(138,965)	(57,823)
Finance costs		(530,392)	(815,698)
Loss before income tax expense		(1,769,179)	(1,336,200)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Freehill Mining Limited		(1,769,179)	(1,336,200)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(316,870)	790,783
Other comprehensive income for the half-year, net of tax		(316,870)	790,783
Total comprehensive income for the half-year attributable to the owners of Freehill Mining Limited		(2,086,049)	(545,417)
		Cents	Cents
Basic earnings per share	14	(0.42)	(0.40)
Diluted earnings per share	14	(0.42)	(0.40)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Freehill Mining Limited
Statement of financial position
As at 31 December 2018

	Note	Consolidated Dec 18 \$	Jun 18 \$
Assets			
Current assets			
Cash and cash equivalents		538,415	165,846
Trade and other receivables	4	102,260	999,015
Other		48,286	1,481
Total current assets		<u>688,961</u>	<u>1,166,342</u>
Non-current assets			
Receivables	5	604,973	-
Property, plant and equipment		1,624	-
Exploration and evaluation	6	13,463,323	12,666,803
Total non-current assets		<u>14,069,920</u>	<u>12,666,803</u>
Total assets		<u>14,758,881</u>	<u>13,833,145</u>
Liabilities			
Current liabilities			
Trade and other payables		1,781,408	2,534,980
Borrowings	7	2,732,320	2,690,072
Other		-	250,000
Total current liabilities		<u>4,513,728</u>	<u>5,475,052</u>
Non-current liabilities			
Borrowings	8	346,904	1,847,500
Provisions	9	70,000	-
Total non-current liabilities		<u>416,904</u>	<u>1,847,500</u>
Total liabilities		<u>4,930,632</u>	<u>7,322,552</u>
Net assets		<u>9,828,249</u>	<u>6,510,593</u>
Equity			
Issued capital	10	18,316,071	12,912,366
Reserves		639,677	956,547
Accumulated losses		<u>(9,127,499)</u>	<u>(7,358,320)</u>
Total equity		<u>9,828,249</u>	<u>6,510,593</u>

The above statement of financial position should be read in conjunction with the accompanying notes

Freehill Mining Limited
Statement of changes in equity
For the half-year ended 31 December 2018

Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2017	10,280,380	(125,353)	(4,393,262)	5,761,765
Loss after income tax expense for the half-year	-	-	(1,336,200)	(1,336,200)
Other comprehensive income for the half-year, net of tax	-	790,783	-	790,783
Total comprehensive income for the half-year	-	790,783	(1,336,200)	(545,417)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	2,079,946	-	-	2,079,946
Issuing of convertible loans, net of transactions costs	-	122,815	-	122,815
Balance at 31 December 2017	<u>12,360,326</u>	<u>788,245</u>	<u>(5,729,462)</u>	<u>7,419,109</u>
Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2018	12,912,366	956,547	(7,358,320)	6,510,593
Loss after income tax expense for the half-year	-	-	(1,769,179)	(1,769,179)
Other comprehensive income for the half-year, net of tax	-	(316,870)	-	(316,870)
Total comprehensive income for the half-year	-	(316,870)	(1,769,179)	(2,086,049)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 10)	5,403,705	-	-	5,403,705
Balance at 31 December 2018	<u>18,316,071</u>	<u>639,677</u>	<u>(9,127,499)</u>	<u>9,828,249</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

Freehill Mining Limited
Statement of cash flows
For the half-year ended 31 December 2018

	Note	Consolidated Dec 18 \$	Dec 17 \$
Cash flows from operating activities			
Interest received		29	29
Other revenue		261	102,510
Interest and other finance costs paid		(144,528)	(278,988)
Payments to suppliers and employees (inclusive of GST)		(660,697)	(420,526)
Net cash used in operating activities		<u>(804,935)</u>	<u>(596,975)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(2,763)	-
Payments for exploration and evaluation		(1,381,614)	(3,105,098)
Pre full scale receipts offset against mine assets		-	417,260
Net cash used in investing activities		<u>(1,384,377)</u>	<u>(2,687,838)</u>
Cash flows from financing activities			
Proceeds from issue of shares	10	1,420,467	336,000
Proceeds from borrowings		1,589,423	3,188,767
Share issue transaction costs		(79,009)	(12,168)
Repayment of borrowings		(369,000)	(50,000)
Proceeds from issue of convertible notes disclosed as equity		-	209,525
Net cash from financing activities		<u>2,561,881</u>	<u>3,672,124</u>
Net increase in cash and cash equivalents		372,569	387,311
Cash and cash equivalents at the beginning of the financial half-year		<u>165,846</u>	<u>40,684</u>
Cash and cash equivalents at the end of the financial half-year		<u><u>538,415</u></u>	<u><u>427,995</u></u>

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2018 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

New or amended Accounting Standards and Interpretations not yet effective

The consolidated entity has not early adopted any new or amended accounting standard that is not yet mandatory.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 9 Financial Instruments

The consolidated entity has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available. The adoption of this standard has not had a material impact on the financial statements.

AASB 15 Revenue from Contracts with Customers

The consolidated entity's does not derive any revenue from contracts with customers and therefore its adoption has not had any impact on the consolidated entity' reported financial performance or position.

Going concern

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

Freehill Mining Limited
Notes to the financial statements
31 December 2018

Note 1. Significant accounting policies (continued)

As disclosed in the financial statements, the consolidated entity incurred a loss of \$1,769,179 and had net operating cash outflows of \$804,935 for the half year ended 31 December 2018. As at that date, the consolidated entity had a net working capital deficiency of \$3,824,767 (current liabilities exceeded current assets). These events and conditions indicate a material uncertainty which may cast significant doubt as to whether the consolidated entity will continue as a going concern.

The directors have reviewed the cashflow forecasts and believe that there are reasonable grounds to believe that the consolidated entity will be able to continue as a going concern due to the following factors:

- Since 31 December 2018, the company raised equity funding of \$173,000 in order to provide additional working capital;
- Since 31 December 2018, the company has converted to equity convertible notes valued at \$1,376,298; and
- Funding is expected to be raised from future capital raising. The company has a proven track record of raising funding through debt and equity when needed to raise working capital.

Accordingly, the Directors believe that the consolidated entity 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 recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessarily incurred should the company not continue as a going concern.

Note 2. Operating segments

Identification of reportable operating segments

The consolidated entity is organised into one operating segment: Chilean Mining. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

Note 3. Revenue

	Consolidated	
	Dec 18	Dec 17
	\$	\$
Other revenue	261	102,510

Note 4. Current assets - trade and other receivables

	Consolidated	
	Dec 18	Jun 18
	\$	\$
Trade receivables	-	189,280
Other receivables	215,612	148,180
Less: Allowance for expected credit losses	(173,185)	-
	<u>42,427</u>	<u>148,180</u>
Indirect taxes receivable	59,833	661,555
	<u>102,260</u>	<u>999,015</u>

Freehill Mining Limited
Notes to the financial statements
31 December 2018

Note 5. Non-current assets - receivables

	Consolidated	
	Dec 18	Jun 18
	\$	\$
Indirect taxes receivable	604,973	-

Note 6. Non-current assets - exploration and evaluation

	Consolidated	
	Dec 18	Jun 18
	\$	\$
Exploration and evaluation - at cost	13,463,323	12,666,803

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

	Exploration	Total
Consolidated	\$	\$
Balance at 1 July 2018	12,666,803	12,666,803
Additions	808,443	808,443
Exchange differences	(255,912)	(255,912)
Other adjustments	173,989	173,989
Provision for rehabilitation	70,000	70,000
Balance at 31 December 2018	13,463,323	13,463,323

Note 7. Current liabilities - borrowings

	Consolidated	
	Dec 18	Jun 18
	\$	\$
Convertible notes payable	2,046,518	1,965,150
Short term loans	685,802	724,922
	2,732,320	2,690,072

Convertible notes includes notes with a value of \$1,235,476 with a conversion price of \$.048, an interest rate of 12.5% and which expire in December 2019. The company is currently in negotiations to extend these notes for a further 12 months.

Convertible notes include US\$443,250 (equivalents to AU\$680,928) with a variable conversion price, an interest rate of \$12.5% and which expire in June 2019.

Convertible notes also includes notes with a value of \$130,114 with a variable conversion price an interest rate of 20% per annum, which expire in August 2019.

The short term loans are repayable at 12 months from the date of issue and interest has been accrued at 15% per annum.

Freehill Mining Limited
Notes to the financial statements
31 December 2018

Note 8. Non-current liabilities - borrowings

	Consolidated	
	Dec 18	Jun 18
	\$	\$
Convertible notes payable	<u>346,904</u>	<u>1,847,500</u>

Convertible notes include \$31,500 of notes which have a conversion price of \$.048, an interest rate of 12.5% and expire in June 2020.

Convertible notes also includes notes with a value of \$315,404 with a variable conversion price an interest rate of 20% per annum, which expire in August 2020.

Note 9. Non-current liabilities - provisions

	Consolidated	
	Dec 18	Jun 18
	\$	\$
Rehabilitation	<u>70,000</u>	<u>-</u>

Rehabilitation

The provision represents the present value of estimated costs of the remediation work that will be required to comply with environmental and legal obligations.

Movements in provisions

Movements in each class of provision during the current financial half-year, other than employee benefits, are set out below:

	Rehabilitation
Consolidated - Dec 18	\$
Carrying amount at the start of the half-year	-
New provision recognised	<u>70,000</u>
Carrying amount at the end of the half-year	<u>70,000</u>

Note 10. Equity - issued capital

	Consolidated			
	Dec 18	Jun 18	Dec 18	Jun 18
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>645,056,583</u>	<u>365,201,691</u>	<u>18,316,071</u>	<u>12,912,366</u>

Freehill Mining Limited
Notes to the financial statements
31 December 2018

Note 10. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2018	365,201,691		12,912,366
Shares issued to settle borrowings	6 July 2018	31,729,019	\$0.048	1,522,993
Shares issued in relation to funds received before 30 June 2018	6 July 2018	5,208,333	\$0.048	250,000
Shares issued to CEO	6 July 2018	827,814	\$0.060	50,000
Shares issued to settle borrowings	13 July 2018	353,847	\$0.048	16,985
Shares issued to settle borrowings	8 October 2018	3,087,509	\$0.018	55,575
Shares issued to settle borrowings	29 November 2018	16,694,007	\$0.015	250,410
Shares issued to trade and other payables	29 November 2018	2,347,945	\$0.015	35,219
Rights issue	6 December 2018	53,031,164	\$0.015	795,467
Shares issued to settle borrowings	14 December 2018	5,353,654	\$0.015	80,305
Shares issued to settle trade and other payable	14 December 2018	15,238,836	\$0.015	228,582
Shares issued to directors	14 December 2018	1,504,330	\$0.019	30,000
Rights issue	24 December 2018	28,333,331	\$0.015	425,000
Shares issued to settle borrowings	24 December 2018	37,425,076	\$0.015	561,376
Shares issued to directors	31 December 2018	1,375,000	\$0.015	20,625
Rights issue	31 December 2018	64,011,693	\$0.015	200,000
Shares issued to settle borrowings	31 December 2018	13,333,334	\$0.015	960,175
Less cost of capital raising		-	\$0.000	(79,007)
Balance	31 December 2018	<u>645,056,583</u>		<u>18,316,071</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Note 11. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Note 12. Related party transactions

Parent entity

Freehill Mining Limited is the parent entity.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	Dec 18	Dec 17
	\$	\$
Payment for other expenses:		
Interest paid, settled via issue of shares and accrued to directors and related entities	75,038	13,125

Freehill Mining Limited
Notes to the financial statements
31 December 2018

Note 12. Related party transactions (continued)

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	Dec 18	Jun 18
	\$	\$
Current payables:		
Unpaid fees payable to directors	226,182	248,313

Loans to/from related parties

The following balances are outstanding at the reporting date in relation to loans with related parties:

	Consolidated	
	Dec 18	Jun 18
	\$	\$
Current borrowings:		
Loans from directors and related entities	465,000	195,000

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 13. Events after the reporting period

Since 31 December 2018, the company has issued 132,295,729 fully paid ordinary shares having received \$173,000 cash, converted convertible notes (including accrued interest and fees) valued at \$1,558,412 and settled trade and other payables totalling \$99,500.

No other matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 14. Earnings per share

	Consolidated	
	Dec 18	Dec 17
	\$	\$
Loss after income tax attributable to the owners of Freehill Mining Limited	<u>(1,769,179)</u>	<u>(1,336,200)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>418,533,943</u>	<u>332,222,285</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>418,533,943</u>	<u>332,222,285</u>
	Cents	Cents
Basic earnings per share	(0.42)	(0.40)
Diluted earnings per share	(0.42)	(0.40)

Freehill Mining Limited
Directors' declaration
31 December 2018

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Paul Davies
Director

15 March 2019

RSM Australia Partners

Level 21, 55 Collins Street Melbourne VIC 3000
PO Box 248 Collins Street West VIC 8007

T +61 (0) 3 9286 8000

F +61 (0) 3 9286 8199

www.rsm.com.au

**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 consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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 consolidated entity's financial position as at 31 December 2018 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 consolidated entity's financial position as at 31 December 2018 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*.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the half-year financial report, which indicates that the consolidated entity incurred losses of \$1,769,179 and had net cash outflows from operating activities of \$804,935 for the half-year ended 31 December 2018. As of that date, the consolidated entity had a net working capital deficiency of \$3,824,767. These conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the consolidated entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

RSM

RSM AUSTRALIA PARTNERS

Philip A Ransom

P A RANSOM

Partner

Dated: 15 March 2019
Melbourne, Victoria