

Freehill Mining Limited

ABN 27 091 608 025

Interim Report - 31 December 2021

Freehill Mining Limited
Corporate directory
31 December 2021

| | |
|-----------------------------|---|
| Directors | Paul Davies Raymond Charles Mangion Jim Moore |
| Registered office | Level 24, 570 Bourke St Melbourne, Victoria, Australia, 3000 |
| Principal place of business | Level 24, 570 Bourke St Melbourne, Victoria, Australia, 3000 |
| Share register | Automic Registry Services Level 5, 126 Phillips Street Sydney NSW 2000 |
| Auditor | Connect National Audit Pty Ltd Level 8 350 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 2021

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 2021.

Directors

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

Raymond Charles Mangion
Paul Davies
Jim Moore

Principal activities

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

- Progressing the feasibility of magnetite mining at the Yervas Buenas site
- Reviewing multiple technical issues relating to production of magnetite from Yervas Buenas
- Engaging with Environmental consultants to initiate various approval processes.
- Initiating exploration of its newly acquired El Dorado tenements
- Reviewing potential acquisitions predicated on adding shareholder value

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$555,956 (31 December 2020: \$1,294,635).

Significant changes in the state of affairs

During the financial half-year the company issued the following shares:-

- 80,228,204 fully paid ordinary shares on the exercise of options raising \$2,005,705;
- 4,174,622 fully paid ordinary shares settling borrowings accrued interest totalling \$114,739; and
- 1,500,000 fully paid ordinary shares as settlement for services provided to the company valued at \$60,000

Matters subsequent to the end of the financial half-year

On 7 February 2022, the company issued 8,025,239 fully paid ordinary shares valued at 2.1534 cents per share to extinguish debt and accrued interest with a total value of \$172,815.

On 7 February 2022, the company issued a further 11,720,769 fully paid ordinary shares valued at 2.6 cents per share to extinguish a royalty over the consolidated entity's future production in Chile. These shares have a total value of \$304,739.

No other matter or circumstance has arisen since 31 December 2021 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

11 March 2022

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**

As lead auditor for the review of Freehill Mining Limited for the half-year ended 31 December 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 Freehill Mining Limited.



George Georgiou FCA
Managing Partner
Connect National Audit Pty Ltd
ASIC Authorised Audit Company No.: 521888
Melbourne, Victoria
11 March 2022

Freehill Mining Limited

Contents

31 December 2021

| | |
|---|----|
| Statement of profit or loss and other comprehensive income | 5 |
| Statement of financial position | 6 |
| Statement of changes in equity | 7 |
| Statement of cash flows | 8 |
| Notes to the financial statements | 9 |
| Directors' declaration | 13 |
| Independent auditor's review report to the members of Freehill Mining Limited | 14 |

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:

Level 24, 570 Bourke St
Melbourne, Victoria,
Australia, 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 12 March 2022.

Freehill Mining Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2021

| | Note | Consolidated Dec 2021 \$ | Dec 20 \$ |
|--|------|--------------------------------|------------------|
| Revenue | | 26,949 | 18,109 |
| Interest revenue calculated using the effective interest method | | - | 56 |
| Expenses | | | |
| Mine production costs | | (73,906) | (55,937) |
| Corporate and administration expenses | | (430,143) | (1,040,732) |
| Other expenses | | (71,503) | (65,561) |
| Finance costs | | (7,353) | (150,570) |
| Loss before income tax expense | | (555,956) | (1,294,635) |
| Income tax expense | | - | - |
| Loss after income tax expense for the half-year attributable to the owners of Freehill Mining Limited | | (555,956) | (1,294,635) |
| Other comprehensive income | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Foreign currency translation | | (1,958,542) | 557,996 |
| Other comprehensive income for the half-year, net of tax | | (1,958,542) | 557,996 |
| Total comprehensive income for the half-year attributable to the owners of Freehill Mining Limited | | <u>(2,514,498)</u> | <u>(736,639)</u> |
| | | Cents | Cents |
| Basic earnings per share | 10 | (0.033) | (0.085) |
| Diluted earnings per share | 10 | (0.033) | (0.085) |

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 2021

| | Note | Consolidated Dec 2021 \$ | Consolidated Jun 2021 \$ |
|--------------------------------------|------|--------------------------------|--------------------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | 1,772,247 | 1,535,609 |
| Trade and other receivables | | 84,671 | 104,795 |
| Other | | 20,568 | - |
| Total current assets | | <u>1,877,486</u> | <u>1,640,404</u> |
| Non-current assets | | | |
| Receivables | | 649,088 | 603,252 |
| Property, plant and equipment | | 5,538 | 7,404 |
| Exploration and evaluation | 3 | <u>18,846,732</u> | <u>19,687,399</u> |
| Total non-current assets | | <u>19,501,358</u> | <u>20,298,055</u> |
| Total assets | | <u>21,378,844</u> | <u>21,938,459</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | | 657,704 | 595,522 |
| Borrowings | | - | 64,000 |
| Employee benefits | | 11,283 | 12,161 |
| Total current liabilities | | <u>668,987</u> | <u>671,683</u> |
| Non-current liabilities | | | |
| Provisions | | <u>70,000</u> | <u>70,000</u> |
| Total non-current liabilities | | <u>70,000</u> | <u>70,000</u> |
| Total liabilities | | <u>738,987</u> | <u>741,683</u> |
| Net assets | | <u>20,639,857</u> | <u>21,196,776</u> |
| Equity | | | |
| Issued capital | 4 | 38,260,029 | 36,263,862 |
| Reserves | 5 | (2,121,884) | (124,754) |
| Accumulated losses | | <u>(15,498,288)</u> | <u>(14,942,332)</u> |
| Total equity | | <u>20,639,857</u> | <u>21,196,776</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 2021

| Consolidated | Issued capital \$ | Reserves \$ | Accumulated losses \$ | Total equity \$ |
|--|------------------------------------|------------------------------|--|----------------------------------|
| Balance at 1 July 2020 | 27,096,965 | (20,819) | (13,188,420) | 13,887,726 |
| Loss after income tax expense for the half-year | - | - | (1,294,635) | (1,294,635) |
| Other comprehensive income for the half-year, net of tax | - | 557,996 | - | 557,996 |
| Total comprehensive income for the half-year | - | 557,996 | (1,294,635) | (736,639) |
| Transfer relating to performance shares | 66,500 | (66,500) | - | - |
| <i>Transactions with owners in their capacity as owners:</i> | | | | |
| Contributions of equity, net of transaction costs | 8,649,879 | - | - | 8,649,879 |
| Share based payments | - | 52,078 | - | 52,078 |
| Balance at 31 December 2020 | <u>35,813,344</u> | <u>522,755</u> | <u>(14,483,055)</u> | <u>21,853,044</u> |
| Consolidated | Issued capital \$ | Reserves \$ | Accumulated losses \$ | Total equity \$ |
| Balance at 1 July 2021 | 36,263,862 | (124,754) | (14,942,332) | 21,196,776 |
| Loss after income tax expense for the half-year | - | - | (555,956) | (555,956) |
| Other comprehensive income for the half-year, net of tax | - | (1,958,542) | - | (1,958,542) |
| Total comprehensive income for the half-year | - | (1,958,542) | (555,956) | (2,514,498) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | |
| Contributions of equity, net of transaction costs (note 4) | 1,996,167 | - | - | 1,996,167 |
| Share-based payments | - | (38,588) | - | (38,588) |
| Balance at 31 December 2021 | <u>38,260,029</u> | <u>(2,121,884)</u> | <u>(15,498,288)</u> | <u>20,639,857</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 2021

| | Consolidated | |
|---|-------------------------|-------------------------|
| | Dec 2021 | Dec 20 |
| | \$ | \$ |
| Cash flows from operating activities | | |
| Interest received | - | 56 |
| Other revenue | 26,949 | 18,108 |
| Interest and other finance costs paid | (6,619) | (146,396) |
| Payments to suppliers and employees (inclusive of GST) | <u>(537,250)</u> | <u>(683,867)</u> |
| Net cash used in operating activities | <u>(516,920)</u> | <u>(812,099)</u> |
| Cash flows from investing activities | | |
| Payments for exploration and evaluation | <u>(1,094,858)</u> | <u>(976,649)</u> |
| Net cash used in investing activities | <u>(1,094,858)</u> | <u>(976,649)</u> |
| Cash flows from financing activities | | |
| Proceeds from issue of shares | 2,005,705 | 2,566,482 |
| Proceeds from borrowings | 50,000 | 830,400 |
| Share issue transaction costs | (184,272) | (164,603) |
| Repayment of borrowings | <u>-</u> | <u>(168,643)</u> |
| Net cash from financing activities | <u>1,871,433</u> | <u>3,063,636</u> |
| Net increase in cash and cash equivalents | 259,655 | 1,274,888 |
| Cash and cash equivalents at the beginning of the financial half-year | 1,535,609 | 917,111 |
| Effects of exchange rate changes on cash and cash equivalents | <u>(23,017)</u> | <u>-</u> |
| Cash and cash equivalents at the end of the financial half-year | <u><u>1,772,247</u></u> | <u><u>2,191,999</u></u> |

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

Freehill Mining Limited
Notes to the financial statements
31 December 2021

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2021 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 2021 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.

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

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

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.

As disclosed in the financial statements, the consolidated entity incurred a loss of \$555,956 and had operating cash outflows of \$516,920.

The directors have reviewed the cash flow forecast for the next 12 months from the date of signing this financial report, and assessed that there are reasonable grounds to believe the consolidated entity will be able to continue as a going concern due to the following factors:

- On 24 February the company announced that it had commenced mining and processing activities at Yerbas Buenas. It is expected the consolidated entity's Chilean operations will provide positive net cash flows from this stage; and
- The company has a proven track record of being able to raise funding via both debt and equity as needed.

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 consolidated entity 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 Exploration. 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. Non-current assets - exploration and evaluation

| | Consolidated | |
|--------------------------------------|---------------------|-------------------|
| | Dec 2021 | Jun 2021 |
| | \$ | \$ |
| Exploration and evaluation - at cost | <u>18,846,732</u> | <u>19,687,399</u> |

Freehill Mining Limited
Notes to the financial statements
31 December 2021

Note 3. Non-current assets - exploration and evaluation (continued)

Reconciliations

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

| | Exploration |
|-----------------------------|--------------------------|
| Consolidated | \$ |
| Balance at 1 July 2021 | 19,687,399 |
| Additions | 1,225,966 |
| Exchange differences | <u>(2,066,633)</u> |
| Balance at 31 December 2021 | <u><u>18,846,732</u></u> |

Note 4. Equity - issued capital

| | Dec 2021 | Consolidated | | Jun 2021 |
|------------------------------|----------------------|----------------------|-------------------|-------------------|
| | Shares | Jun 2021 | Dec 2021 | Jun 2021 |
| | | Shares | \$ | \$ |
| Ordinary shares - fully paid | <u>1,739,103,343</u> | <u>1,653,199,517</u> | <u>38,260,029</u> | <u>36,263,862</u> |

Movements in ordinary share capital

| Details | Date | Shares | Issue price | \$ |
|--|------------------|----------------------|--------------------|-------------------|
| Balance | 1 July 2021 | 1,653,199,517 | | 36,263,862 |
| Conversion of debt | 9 July 2021 | 2,145,245 | \$0.030 | 64,465 |
| Conversion of options | 30 July 2021 | 150,000 | \$0.025 | 3,750 |
| Conversion of debt | 6 September 2021 | 1,006,937 | \$0.024 | 25,013 |
| Conversion of debt | 6 September 2021 | 1,023,440 | \$0.024 | 25,259 |
| Share issued to settle trade payables | 5 October 2021 | 1,500,000 | \$0.040 | 60,000 |
| Conversion of debt | 21 October 2021 | 10,090,273 | \$0.025 | 252,256 |
| Conversion of options | 26 October 2021 | 4,668,688 | \$0.025 | 116,717 |
| Conversion of options | 4 November 2021 | 11,041,254 | \$0.025 | 276,031 |
| Conversion of debt | 9 November 2021 | 2,863,112 | \$0.025 | 71,577 |
| Shares issued for acquisition of El Dorado tenements | 12 November 2021 | 34,379,365 | \$0.025 | 859,484 |
| Conversion of options | 23 November 2021 | 17,035,512 | \$0.025 | 425,887 |
| Less cost of capital raising | | - | \$0.000 | (184,272) |
| Balance | 31 December 2021 | <u>1,739,103,343</u> | | <u>38,260,029</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.

Freehill Mining Limited
Notes to the financial statements
31 December 2021

Note 5. Equity - reserves

| | Consolidated | |
|------------------------------|---------------------|------------------|
| | Dec 2021 | Jun 2021 |
| | \$ | \$ |
| Foreign currency reserve | (3,697,236) | (1,738,694) |
| Share-based payments reserve | 1,575,352 | 1,613,940 |
| | <u>(2,121,884)</u> | <u>(124,754)</u> |

Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Movements in reserves

Movements in each class of reserve during the current financial half-year are set out below:

| Consolidated | Share-based payments \$ | Foreign currency \$ | Total \$ |
|------------------------------|-------------------------------|---------------------------|--------------------|
| Balance at 1 July 2021 | 1,613,940 | (1,738,694) | (124,754) |
| Foreign currency translation | - | (1,958,542) | (1,958,542) |
| Share based payments | (38,588) | - | (38,588) |
| | <u>1,575,352</u> | <u>(3,697,236)</u> | <u>(2,121,884)</u> |
| Balance at 31 December 2021 | <u>1,575,352</u> | <u>(3,697,236)</u> | <u>(2,121,884)</u> |

Note 6. Equity - dividends

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

Note 7. Contingent liabilities

The consolidated entity had no contingent liabilities at the end of the current or previous financial period.

Note 8. Related party transactions

Parent entity

Freehill Mining Limited is the parent entity.

Transactions with related parties

There were no transactions with related parties other directors fees during the current and previous financial half-year.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Freehill Mining Limited
Notes to the financial statements
31 December 2021

Note 9. Events after the reporting period

On 7 February 2022, the company issued 8,025,239 fully paid ordinary shares valued at 2.1534 cents per share to extinguish debt and accrued interest with a total value of \$172,815.

On 7 February 2022, the company issued a further 11,720,769 fully paid ordinary shares valued at 2.6 cents per share to extinguish a royalty over the consolidated entity's future production in Chile. These shares have a total value of \$304,739.

No other matter or circumstance has arisen since 31 December 2021 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 10. Earnings per share

| | Consolidated | |
|---|----------------------|----------------------|
| | Dec 2021 | Dec 20 |
| | \$ | \$ |
| Loss after income tax attributable to the owners of Freehill Mining Limited | <u>(555,956)</u> | <u>(1,294,635)</u> |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | <u>1,679,825,909</u> | <u>1,522,352,255</u> |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>1,679,825,909</u> | <u>1,522,352,255</u> |
| | Cents | Cents |
| Basic earnings per share | (0.033) | (0.085) |
| Diluted earnings per share | (0.033) | (0.085) |

Freehill Mining Limited
Directors' declaration
31 December 2021

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 2021 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

11 March 2022

Independent Auditor's Review Report
To the members of Freehill Mining Limited
Report on the Half-year Financial Report

Conclusion

We have reviewed the accompanying Half-year Financial Report of Freehill Mining Ltd. 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 Ltd 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 2021 and of its performance for the Half-year ended on that date; and
- Complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

The Half-year Financial Report comprises:

- Condensed statement of financial position as at 31 December 2021;
- Condensed statement of profit or loss and other comprehensive income, Condensed statement of changes in equity and Condensed statement of cash flows for the Half-year ended on that date;
- Notes 1 to 10 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Consolidated entity 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 *Corporations Act 2001*
- 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 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. 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 2021 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As auditor of Freehill Mining Ltd, 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.

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



George Georgiou FCA
Managing Partner
Connect National Audit Pty Ltd
ASIC Authorised Audit Company No.: 521888
Melbourne, Victoria
Date: 11 March 2022