



16 November 2022

Company Announcements Office
Australia Securities Exchange

**Cleansing Notice under section 708(12C)(e) of the *Corporations Act 2001* (Cth)
(as inserted by *ASIC Corporations (Sale Offers: Securities Issued On Conversion of Convertible Notes) Instrument 2016/82*)**

1. INTRODUCTION AND TERMS OF INVESTMENT

As announced on 14 November 2022, Freehill Mining Limited (ACN 091 608 025) (**Company** or **Freehill**) has executed formal documentation with Obsidian Global GP, LLC. (**Obsidian**) for the investment by Obsidian of a total of up to AU\$400,000 in the Company in exchange for convertible securities issued by the Company (**Convertible Securities**) convertible into Freehill fully paid ordinary shares (**Shares**). The funds raised will be used for the Company's general corporate and working capital purposes applying at the time.

The key terms of the Convertible Securities as set out in the Convertible Securities Agreement (**Agreement**) are as follows (all figures in AUD unless otherwise stated):

Investment Amount	AU\$400,000.
Securities to be issued	270,520 Convertible Securities issued at US\$1.00 per Convertible Security with a face value of US\$1.15 subject to amendment in accordance with the default provisions of the Agreement (see " Events of Default " section below).
Facility Fee	Freehill to pay Obsidian a facility fee of AU\$12,000 payable in Shares at AU\$0.01 per Share.
Maturity Date	16 November 2023 (being 12 months after issue).
Interest	None.
Conversion Price	The Conversion Price for the Convertible Securities is the lesser of: (a) 90% of the lowest daily VWAP during the 5 Actual Trading Days prior to the Conversion Notice Date; and (b) A\$0.01, being the lowest daily VWAP during the 5 Actual Trading Days immediately prior to the Execution Date, subject to the ' Adjustment ' section below.
Conversion Rights	The Convertible Securities may be converted at any time up until the Maturity Date.
Maximum Number of Shares	The maximum number of new securities to be issued on one or more conversions of the Convertible Securities without shareholder approval is 90,000,000 Shares.



<p>Repayment</p>	<p>Freehill will have the option to repay the Convertible Securities at any time prior to the Maturity Date in whole or in part and must repay any remaining Convertible Securities on issue on the Maturity Date each in cash at a 10% premium to their face value.</p>
<p>Security</p>	<p>Freehill’s obligations under the terms of the Agreement shall be secured by way of the issue of 90,000,000 Shares to Obsidian as collateral (Collateral Shares).</p> <p>Where at any time Freehill is required to issue Shares to Obsidian pursuant to the Agreement, Obsidian may elect to partially or wholly satisfy Freehill’s obligation to issue the relevant Shares to Obsidian by reducing the number of Collateral Shares held by the corresponding number of Shares.</p> <p>The Collateral Shares are freely tradeable, subject to the “Restrictions on Obsidian” see section below:</p> <p>If:</p> <ul style="list-style-type: none"> (a) the Agreement terminates or expires; (b) there is no Amount outstanding under the Agreement; (c) the Collateral Shareholding Number is greater than zero; and (d) no Event of Default has occurred under the Agreement, <p>then on the written election of Freehill, Obsidian must either:</p> <ul style="list-style-type: none"> (a) as soon as practicable after that election, sell the Collateral Shareholding Number of Shares on-market and pay 95% the net sale proceeds to Freehill; (b) transfer the Collateral Shareholding Number of Shares to Freehill’s nominee for AU\$1.00 within 10 days of Freehill making the election; or (c) as soon as practicable return the Collateral Shareholding Number of Shares to Freehill subject to completion of a selective buy-back in accordance with the Corporations Act and Freehill paying Obsidian AU\$1.00 for the Collateral Shareholding Number of Shares subject to the selective buy-back.
<p>Restrictions on Obsidian</p>	<p>For the term of the Agreement, on each day Obsidian will be prohibited from selling Shares equal to the greater of:</p> <ul style="list-style-type: none"> (a) 20% of the daily trading volume in Freehill; and (b) AU\$7,500. <p>If any default provision in the Agreement has been met, the above restrictions will be removed.</p>
<p>Shareholder Approval</p>	<p>The Convertible Securities will be issued out of Freehill’s existing Listing Rule 7.1 capacity and shareholder approval will not be sought</p>



	for their issue (though Freehill may seek subsequent ratification of their issue in order to 'refresh' its Listing Rule 7.1 capacity).
Exchange Rate	<p>All Convertible Securities shall be held in USD based on prevailing exchange rates as at the date of funding.</p> <p>The face value of the Convertible Securities converted or redeemed will be converted from USD to AUD at the exchange rate at the spot rate of exchange displayed for the day on the Reserve Bank of Australia website or as reported by Bloomberg immediately prior to the date of conversion or redemption as the context requires.</p>
Adjustment	<p>If Freehill issues Shares below the Conversion Price or convertible securities (including options) convertible or exercisable at a price below the Conversion Price (subject to certain exceptions including Shares issued to Obsidian in accordance with the investment securities issued or exercised under an employee incentive scheme of the Company), the Conversion Price will be amended down to the lower price.</p>
Events of Default	<p>The Agreement provides that in the event of default by Freehill, the face value of the Convertible Securities shall be increased by 10% and by an additional 2% on the occurrence of each subsequent event of default. Unremedied or irremediable events of default shall give Obsidian the right to call for payment of monies owing (subject to the face value uplift) and/or terminate the Agreement.</p> <p>The Agreement provides that a default will occur on the occurrence of certain events including:</p> <ul style="list-style-type: none"> (a) Freehill fails to repay the Redemption Amount in respect of the number of Convertible Securities specified in an Early Redemption Notice on or before the day which is 10 Business Days after the date on which Freehill gives the Early Redemption Notice; (b) Freehill fails to pay or repay any amount payable under the Transaction Document when due; (c) any of the materials delivered or statements made by Freehill is inaccurate, false or misleading in any material respect (including by omission) as of the date on which it is made or delivered; (d) any securities are not issued to Obsidian within the time period specified in this Agreement; (e) any of Obsidian's Shares are not quoted on ASX by the third business day immediately following the date of their issue; (f) a security interest over an asset of Freehill or a related entity is enforced; (g) any present or future liabilities, including contingent liabilities, of Freehill or a related entity for an amount or



	<p>amounts totalling more than AU\$250,000 are not satisfied on time, or become prematurely payable;</p> <p>(h) Freehill or a related entity grants any security interest over any of its assets, or a security interest comes into existence over any such assets, without Obsidian's prior written consent; and</p> <p>(i) a Change of Control in Freehill occurs without Obsidian's prior written consent.</p> <p>The Agreement is also subject to other events of default customary for a commercial agreement of this type.</p>
Transferability	<p>With the prior written consent of Freehill (not to be unreasonably withheld), Obsidian may assign the Agreement and/or any of its rights and/or obligations under this Agreement to any person, where such person has entered into a deed of covenant in favour of Freehill agreeing to be bound by the terms of the Agreement to the extent of the assignment. Obsidian may only assign a Convertible Security if the assignee executes a deed of covenant in favour of Freehill agreeing to be bound by the terms of the Agreement to the extent of the assignment.</p>
ASX Quotation	<p>The Company will, on the conversion date, apply for official quotation by ASX of the Shares issued on conversion of Convertible Securities.</p>

2. CLEANSING NOTICE

2.1 Issue of Convertible Securities

The Company provides this notice as a Cleansing Notice for the purposes of section 708A(12C)(e) of the *Corporations Act 2001* (Cth) (**Corporations Act**) (as inserted by *ASIC Corporations (Sale Offers: Securities Issued On Conversion of Convertible Notes) Instrument 2016/82*) in respect of the Convertible Securities issued to Obsidian on the terms set out above. Issuing this Cleansing Notice enables the Shares issued on the conversion of the Convertible Securities to be on-sold to retail investors without further disclosure. Obsidian is an accredited investor as defined in Rule 501(a) of the United States Securities Act of 1933.

This Cleansing Notice is important and should be read in its entirety.

2.2 The rationale for the convertible note raising

The Company's directors (**Directors**) consider that the raising of capital by the issue of the Convertible Securities to Obsidian is in the best interests of the Company as it will secure, on acceptable terms, funding that is likely to be required by the Company for the continued development and growth of its business.

In particular, the Company intends to use the proceeds from the issue of the Convertible Securities for general corporate and working capital expenses.

This Cleansing Notice sets out the following:

- (a) in relation to the issue of the Convertible Securities to Obsidian:
 - i. the effect of the issue on the Company;



- ii. a summary of the rights and liabilities attaching to the Convertible Securities; and
 - iii. a summary of the rights and liabilities attaching to the Shares that will be issued on conversion of the Convertible Securities; and
- (b) any information that:
- i. has been excluded from continuous disclosure notice in accordance with the ASX Listing Rules;
 - ii. is information that investors and their professional advisors would reasonably require for the purpose of making an informed assessment of:
 - A. the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; and
 - B. the rights and liabilities attaching to the Shares; and
 - iii. any other information relating to the Company's status as a disclosing entity and where documents may be obtained.

3. THE EFFECT OF THE ISSUE ON THE CAPITAL STRUCTURE OF THE COMPANY

3.1 Effect of the issue on the Company

The principal effects of the issue of the Convertible Securities on the Company will be to:

- (a) increase the Company's cash reserves by AU\$400,000 upon the issue of the Convertible Securities (before any expenses associated with the issue of the Convertible Securities);
- (b) increase the number of Shares on issue in the Company by up to 90,000,000 Shares on conversion of the Convertible Securities and 1,200,000 Shares issued in satisfaction of the Facility Fee (noting that any remaining Collateral Shares are to be either bought back by the Company for a nominal amount or sold by Obsidian on market with 95% of the sales proceeds payable to the Company upon conversion/redemption of all of the Convertible Securities); and
- (c) give rise to the Company having liability for the amount of the face value of the Convertible Securities being AU\$460,000 converted to US\$.

3.2 Pro forma balance sheet of the Company taking into account issue of the Notes

- (a) Set out below is a pro forma consolidated Statement of Financial Position as at 30 June 2022 for the Company based on the consolidated Statement of Financial Position as at 30 June 2022 for the Company.
- (b) The pro forma financial information is presented in an abbreviated form in so far as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements. The pro



forma financial information is not audited. The classification of the allocations between debt and equity for the Convertible Securities may change in the future.

	Actual		Pro Forma
	30-Jun-22	Convertible	31-Oct-22
	\$	Notes Issued	\$
Assets			
Current assets			
Cash and cash equivalents	580,651	400,000	980,651
Trade and other receivables	64,309		64,309
Other	474		474
Total current assets	<u>645,434</u>	<u>400,000</u>	<u>1,045,434</u>
Non-current assets			
Trade and other receivables	857,901		857,901
Property, plant and equipment	148,980		148,980
Exploration and evaluation asset	21,201,563		21,201,563
Total non-current assets	<u>22,208,444</u>		<u>22,208,444</u>
Total assets	<u>22,853,878</u>	<u>400,000</u>	<u>23,253,878</u>
Liabilities			
Current liabilities			
Trade and other payables	81,693		81,693
Borrowings		460,000	460,000
Employee benefits	13,365		13,365
Total current liabilities	<u>95,058</u>	<u>460,000</u>	<u>555,058</u>
Non-current liabilities			
Provisions	70,000		70,000
Total non-current liabilities	<u>70,000</u>		<u>70,000</u>
Total liabilities	<u>165,058</u>	<u>460,000</u>	<u>625,058</u>
Net assets	<u>22,688,820</u>	<u>-60,000</u>	<u>22,628,820</u>
Equity			
Issued capital	39,713,329		39,713,329
Reserves	-465,676		-465,676
Accumulated losses	-16,558,833	-60,000	-16,618,833
Total equity	<u>22,688,820</u>	<u>-60,000</u>	<u>22,628,820</u>

NOTES TO PRO FORMA BALANCE SHEET

AU\$400,000 Convertible Securities based on the US\$270,520 combined face value of



the Convertible Securities converted to AU\$400,000 at the exchange rate of AU\$1:US\$0.6763.

3.3 Potential effect on capital structure

- (a) As at the date of this Cleansing Notice the Company's capital structure is as follows:
- 1,926,848,891 Shares
 - 1,984,725 unlisted options
 - 9,000,000 performance rights
- (b) The capital structure of the Company will be affected by both the conversion of the Convertible Securities by Obsidian and the issue of Shares on that conversion.
- (c) Subject to limits on the conversion under the Agreement, the Convertible Securities can be:
- (i) converted at any time after their issue and prior to the Maturity Date at the request of Obsidian;
 - (ii) redeemed prior to the Maturity Date at the request of Freehill;
 - (iii) redeemed prior to the Maturity Date at the request of Obsidian in the event Freehill raises funds from any source (other than from Obsidian); or
 - (iv) automatically redeemed on the Maturity Date.
- (d) If Obsidian converts all of the Convertible Securities into Shares, then based on a conversion price of AU\$0.01 per new Share (being the Fixed Conversion Price under the Agreement) then the following number of new shares would be issued based on the following assumed exchange rates.

Exchange rate at time of conversion into Shares	AU\$0.01 Share price
AU\$1 = US\$0.5072 (25% decrease in exchange rate at conversion)	53,333,333 Shares
AU\$1 = US\$0.6763 (exchange rate at conversion)	40,000,000 Shares
AU\$1 = US\$0.8454 (25% increase in exchange rate at conversion)	32,000,000 Shares

The actual effect on the share capital of Freehill will depend on what percentage of the Convertible Securities are actually converted, the price at which the conversion occurs, the US\$:AU\$ exchange rate at the date of issue of the Convertible Securities and the date of conversion, the 5 trading day volume weighted average price of the Shares at the date of conversion.

The effect on the issued share capital of Freehill upon the conversion of all of the Convertible Securities is set out in the table below based on the exchange rate of AU\$1.00:US\$0.6763. This does not account for any default interest payable under the Agreement being converted into Shares.



Shares	Number
Shares issued on the date of this Cleansing Notice	1,835,648,891
Facility Fee Shares issued	1,200,000
Shares issued upon conversion of the Convertible Securities (based on AU\$1 = US\$0.6763 exchange rate)	40,000,000
Total Shares on issue following conversion of all Convertible Securities	1,876,848,891

4. RIGHTS AND LIABILITIES ATTACHING TO THE CONVERTIBLE SECURITIES

A summary of the key terms of the Convertible Securities is set out in Section 1 above.

5. RIGHTS AND LIABILITIES ATTACHING TO SHARES ISSUED ON CONVERSION OF THE CONVERTIBLE SECURITIES

The Shares to be issued to Obsidian on the conversion of the Convertible Securities will rank equally in all respects with all of the Company's existing Shares. The rights attaching to Shares, including the new Shares to be issued on the conversion of the Convertible Securities, are set out in the Company's constitution (**Constitution**) and, in certain circumstances, regulated by the Corporations Act, the ASX Listing Rules and the general law. A copy of the Constitution can be inspected, free of charge, at the Company's registered office during normal business hours.

The following is a general description of the more significant rights and liabilities attaching to the Shares and is not an exhaustive summary.

Voting Rights

Subject to any special rights or restrictions (at present there are none), at any meeting each member present in person or by proxy has one vote on a show of hands, and on a poll has one vote for each Share held.

Dividend Rights

Subject to any special rights (at present there are none), any dividends that may be declared by the Company are payable on all Shares in proportion to the amount paid up.

Variation of Rights

The rights attaching to the Shares may only be varied by shareholders passing a special resolution at a general meeting.

Transfer of Shares

Subject to the Company's Constitution, the Corporations Act or any other applicable laws of Australia and the Listing Rules, the Shares are freely transferable. The Board may refuse to register a transfer of Shares only in limited circumstances.

General Meetings

Each shareholder is entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be furnished to shareholders under the Company's Constitution, the Corporations Act and the



Listing Rules.

Rights on Winding Up

If the Company is wound up, the liquidator may, with the sanction of a special resolution:

- divide among the shareholders the whole or any part of the Company's property; and
- decide how the division is to be carried out between the shareholders.

6. RIGHTS ATTACHING TO COLLATERAL SHARES

The Collateral Shares are Shares to be issued to Obsidian as security for the Convertible Securities. If:

- (a) the Agreement terminates or expires;
- (b) there is no Amount Outstanding;
- (c) Obsidian still holds Collateral Shares; and
- (d) no Event of Default has occurred,

then the Company may elect to buy back the Collateral Shares held by Obsidian for AU\$1.00, or Obsidian may sell the Collateral Shares on-market and pay 95% the net proceeds of sale of the Collateral Shares to Freehill or Obsidian may transfer the Collateral Shares to the Company's nominee for AU\$1.00.

The rights attaching to the Collateral Shares are otherwise the same as the rights attaching to other Shares on issue in the Company.

7. THE COMPANY IS A "DISCLOSING ENTITY"

The Company is a "disclosing entity" under the Corporations Act and, accordingly, is subject to regular reporting and disclosure obligations under both the Corporations Act and the ASX Listing Rules.

These obligations require the Company to notify ASX of information about specific events and matters as they arise. In particular, the Company has an obligation under ASX Listing Rule 3.1 and section 674 of the Corporations Act (subject to certain limited exceptions) to notify the ASX immediately once it is or becomes aware of information concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Shares.

The Company is also required to prepare and lodge with ASIC yearly and half-yearly financial statements accompanied by a Directors' statement and report, and an audit report or review. Copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an ASIC office.

8. COPIES OF DOCUMENTS

The Company will provide a copy of each of the following documents, free of charge, to any



person on request:

A list of the continuous disclosure documents given by the Company to ASX after the lodgement of the 2022 Financial Report and before the lodgement of this Cleansing Notice with ASX is set out in the table below.

Date	Announcement
29/09/2022	Freehill Mining Limited Corporate Governance Statement
29/09/2022	Freehill Mining Limited Appendix 4G
28/10/2022	Magnetite Concentrate Production Update
31/10/2022	Quarterly Activities Report
31/10/2022	Quarterly Appendix 5B Cash Flow Report
01/11/2022	Notice of Annual General Meeting
01/11/2022	Annual General Meeting/Proxy Form
01/11/2022	Annual General Meeting Virtual User Guide
14/11/2022	A\$400,000 Convertible Securities Investment by Obsidian
14/11/2022	Proposed issue of securities - FHS
16/11/2022	Application for quotation of securities - FHS
16/11/2022	Cleansing Statement

9. INFORMATION EXCLUDED FROM THE CONTINUOUS DISCLOSURE NOTICE

As at the date of this Cleansing Notice, the Company advises that it has fully complied with its disclosure obligations under the ASX Listing Rules and the Corporations Act, and, in particular, there is no information which the Company has excluded from any of its continuous disclosure notices given in accordance with the ASX Listing Rules and the Corporations Act as at the date of this Cleansing Notice which it would be reasonable for investors and their professional advisors to require for the purpose of making an informed assessment of:

- (a) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; and
- (b) the rights and liabilities attaching to the Notes and Shares.

This announcement is authorised for release to the market by the Board of Directors of Freehill Mining Limited.

--ENDS--

For more information please contact:

Mr Paul Davies
CEO
pdavies@freehillmining.com



About Freehill Mining Limited

Freehill Mining Limited (ASX: FHS) is an Australian mining and exploration company headquartered in Melbourne with a focus on iron ore (magnetite), copper, and gold resources in Chile. Listed on the Australian Securities Exchange in January 2017, the company has a growth strategy focused on creating value for all stakeholders.

The founding team was involved in a number of smaller Chilean mining and processing projects which gave them the necessary land acquisition skills and understanding of government processes necessary to then set out to acquire strategically located and important assets in the Region IV area.

An additional 830 hectares of high-value exploration area has been acquired since 2019 taking the original area from 398 hectares at listing to a total project area of 1228 hectares.

Shortly after listing Freehill began trial mining of surficial hardrock magnetite material in the eastern portion of the Yervas Buenas project area over what has subsequently become the YB1 JORC resource. Iron ore magnetite concentrates produced from the hard rock source were supplied under contract to a large pellet feed plant owned by Chile's largest iron ore group Compania Minera Del Pacifico S.A. Following the acquisition of an 80-hectare block to the south and a drilling program shortly after, a JORC resource for the YB6 magnetite structure was declared.

The company is continuing to expand its iron ore resources and also commence exploration for copper, gold, and magnetite at its newly acquired El Dorado property.