



20 February 2023

Todd Lewis
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Australian Securities Exchange
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By email: ListingsComplianceMelbourne@asx.com.au
Todd.Lewis@asx.com.au

Dear Mr Lewis

Freehill Mining Limited (FHS or Company): Appendix 5B – Query

We refer to your letter dated 2 February 2023 setting out queries in relation to the Company's September 2022 Appendix 5B and December 2022 Appendix 5B.

Corrected September 2022 Appendix 5B and quarterly activities report

Following receipt of ASX's letter, FHS became aware that the September 2022 Appendix 5B released to ASX on 31 October 2022 (**Incorrect September Appendix 5B**) was incorrect and had been released to ASX in error. On 8 February 2023, FHS released the corrected September 2022 Appendix 5B (**Corrected September Appendix 5B**), and a corrected quarterly activities report for the September 2022 quarter that included the correct cash balance as at 30 September 2022.

Any figures set out in this letter relate to the figures in the Corrected September Appendix 5B, and do not refer to figures in the Incorrect September Appendix 5B (or to the figures set out in ASX's letter of 2 February 2023).

Responses to ASX's letter

FHS provides the following responses to the matters raised in your letter:

1. *Does FHS expect that it will continue to have the level of net operating cash flows as disclosed in the December Appendix 5B?*

No. FHS provides the following information in this regard:

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- a. as set out in FHS' ASX announcement dated 31 January 2023, the disseminated nature of the YB deposit has created uncertainty about FHS' ability to meet its delivery program under the offtake agreement with Compania Minera Del Pacifico S.A. (**CMP**). FHS and CMP are continuing discussions regarding a revised delivery program, however at this point FHS is uncertain of the timetable, and therefore its ability to meet the order under that agreement;
 - b. FHS is considering several options to minimise costs in the context of iron ore production. These include a temporary mine closure and re-evaluation of production facility and reduction of Chilean staff numbers;
 - c. FHS has evaluated several options to optimise revenues in the context of iron ore production. Work done in this regard includes a geophysical survey of the pit to identify higher grade areas and commencing trial processing of iron waste from a nearby copper mine. Work is also being undertaken to review pit design with a view to increasing iron ore output and therefore revenues. FHS notes that given the history of the project there is significant volume of waste material which the Company anticipates may result in revenue from waste materials exceeding revenues from iron ore production;
 - d. as set out in FHS' ASX announcement dated 31 January 2023 and indicated in the CEO update of 30 November 2022, FHS has interest in its waste material from two of Chile's major cement companies, BSA and Melon, and discussions with other parties. Both BSA and Melon have tested FHS' waste material and these tests are ongoing. Most significantly FHS is awaiting tests on its waste rock material (of which FHS has in excess of 200,000 tonnes) for its suitability of use by the Chilean cement industry. Modest sales and deliveries have been made in respect of other waste material to identify and enable processes that would facilitate FHS' engagement in the cement industry supply chain. Once this process has evolved it is possible that this will result in larger orders from these customers;
 - e. FHS is also evaluating additional processing of reject material involving modest capex or contract processing or combination. FHS expects to have an analysis of this position within the next two to three weeks; and
 - f. once FHS can establish sustainable sales revenue it will then be in a position to make a claim for its indirect tax credits from the Chilean tax office, a process that FHS has been advised takes approximately 60 days. At 30 June 2022, the indirect tax credits represented some \$850,000.
2. *Has FHS taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that FHS will be successful in raising further cash?*

Since the end of the December 2022 quarter, FHS has raised a further \$75,000 from investors to support its operations. FHS is also in active discussion with its major



shareholders regarding a fundraising of up to \$350,000, and it is anticipated that these arrangements will be confirmed shortly. These funds will be applied as follows:

- a. provide for staff reduction in Chile;
- b. meet costs of a temporary mine closure;
- c. develop a business plan for waste material;
- d. conduct due diligence on the potential acquisition transaction (noted below); and
- e. meet current working capital needs.

FHS is also in discussions with third parties regarding a potential acquisition and an associated capital raising. These transactions would be subject to FHS obtaining shareholder approval.

The Company has also spoken with its major creditors who are supportive of the Company's proposal.

However, absent further funding and the potential transaction progressing, FHS will be unlikely to continue its operations.

3. *Does FHS believe that the December Cash Balance of \$5,000, will provide it with sufficient working capital given the December Cash Outflow of \$55,000?*

No.

4. *If the answer to question 3 is "Yes", please provide a detailed basis for this conclusion.*

Not applicable.

5. *If the answer to question 3 is "No", please explain in detail what steps FHS proposes to take to ensure it has sufficient working capital to achieve its objectives.*

See response to question 2.

6. *Does FHS consider that the financial condition of FHS is sufficient to warrant its continued listing on ASX as required under Listing Rule 12.2?*

It is anticipated that with shareholder funding support, and a potential acquisition and associated fundraising, the financial condition of FHS is sufficient to warrant its continued listing on ASX. Accordingly FHS requests that its securities remain in suspension pending an announcement in relation to the potential acquisition and capital raisings.



FHS provides the following comments in relation to the information set out in the December 2022 quarterly reports:

- a. the December Cash Outflow - temporary mine closure will significantly reduce the Company's cash outflow during the current quarter;
 - b. the December Cash Balance - since 31 December 2022 the Company has raised \$75,000 and is in current discussions with investors regarding further fundraising; and
 - c. FHS's quarter's funded as at 31 December 2022 of 0.01 - the Company is in the process of conducting a fundraising to assist with funding for the current quarter, and is undertaking a restructuring of its operations to access the value of historical work done through production of valuable waste materials and establishing a lower cost path forward for production of iron ore.
7. *If the answer to question 6 is "No", please explain what steps FHS has taken, or proposes to take, to warrant its continued listing on ASX under the requirements of Listing Rule 12.2.*

See response to question 2.

8. *Do the directors of FHS consider that FHS is a going concern?*

Subject to the Company completing the transactions set out in the response to question 2, the Company will be a going concern.

9. *If the answer to question 8 is "Yes", please explain the basis for this conclusion.*

FHS anticipates that documentation for the transactions referred to in the response to question 2 will be entered into shortly, and as a result, FHS considers that its financial position will be sufficient to warrant continued listing on ASX under the requirements of Listing Rule 12.2.

10. *If the answer to question 8 is "No", on what basis does FHS consider its securities warrant continued listing on ASX under the requirements of Listing Rule 12.2?*

See response to question 9.

11. *Please confirm that FHS is complying with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition under that rule that has not already been released to the market.*



Yes. FHS is complying with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition under that rule that has not already been released to the market.

In relation to the transactions referred to in question 2, FHS is currently relying on the continuous disclosure carve out under Listing Rule 3.1A in relation to these potential transactions on the basis that this information relates to an incomplete proposal or negotiation, the information is confidential and a reasonable person would not expect the information to be disclosed.

12. Please confirm that FHS's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of FHS with delegated authority from the board to respond to ASX on disclosure matters.

As announced to ASX on 20 February 2023, Paul Davies is currently the Company's sole director, and has authorised and approved these responses.

Yours sincerely

Paul Davies
Director
Freehill Mining Limited



2 February 2023

Reference: ODIN67399

Mr Paul Davies
Company Secretary
Freehill Mining Limited

By email: pdavies@freehillmining.com

Dear Mr Davies

Freehill Mining Limited ('FHS'): Appendix 5B - Query

ASX refers to the following:

- A. FHS's Appendix 5B quarterly report for the period ended 30 September 2022 lodged on the ASX Market Announcements Platform ('MAP') and released on 31 October 2022 (the 'September Appendix 5B') which disclosed the following, among other things:
- i. FHS's net cash used in operating activities for the quarter ended 30 September 2022 was \$309,000;
 - ii. FHS's cash and cash equivalents as at 30 September 2022 was \$910,000;
 - iii. FHS estimated that it had 0.85 quarters of funding available as at 30 September 2022;
 - iv. FHS did not expect that it would continue to have the level of net operating cash flows as at 30 September 2022 as a result of:
 - a. The Company has commenced product sales and generated \$100,000 of sales revenue from pre concentrate Fe since the end of the Quarter and expects this revenue to grow;
 - b. further sales channels are opening in relation to waste product from processing; and
 - v. FHS is negotiating a convertible note from a US fund which is due to be completed in early.
- B. FHS's announcement entitled, "*Announcement of A\$400,000 Convertible Securities Investment by Obsidian*", released on MAP on 14 November 2022 which disclosed that FHS has entered into a \$400,000 convertible note agreement with Obsidian Global GP, LLC ('Convertible Note').
- C. FHS's Appendix 4BC quarterly report for the period ended 31 December 2022 released on MAP on 31 January 2023 (the 'December Appendix 5B') which disclosed the following, among other things:
- i. FHS's net cash used in operating activities for the quarter ended 31 December 2022 was \$55,000 ('December Cash Outflow');
 - ii. FHS had cash and cash equivalents as at 31 December 2022 of \$5,000 ('December Cash Balance');
 - iii. FHS had no unused financing facilities available.
 - iv. FHS estimated that it had 0.01 quarters of funding available as at 31 December 2022;
 - v. FHS does not expect that it will continue to have the level of net operating cash flows shown in the December Appendix 5B as a result of (referred at section 8.8.1)'.. reviewing operations to minimise costs and optimise revenues in the context of modest iron ore production and a growing business in waste material a significant volume of which is already processed or requires minimal processing for sale';

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- vi. having raised subsequent to the end of the quarter (referred at section 8.8.2), '\$75,000 via convertible debt and is in active discussion with multiple investors and anticipates raising additional capital'.

D. Listing Rule 12.2 which states:

12.2 An entity's financial condition (including operating results) must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.

Request for information

In light of FHS's disclosures in the September Appendix 5B and December Appendix 5B, ASX asks FHS to answer separately each of the following questions and provide the following confirmations in a format suitable for release to the market under Listing Rule 18.7A:

1. Does FHS expect that it will continue to have the level of net operating cash flows as disclosed in the December Appendix 5B? In answering this question, please provide more specific details regarding the following disclosures, and any other matter relevant to this question:
 - 1.1 the timing and delivery of magnetite concentrate sales as part of the 24,000 tonne offtake agreement with Compania Minera Del Pacifico S.A. ("CMP");
 - 1.2 reviewing operations to minimise costs and optimise revenues in the context of iron ore production; and
 - 1.3 the development and delivery of waste material into the Chilean cement industry as additional revenue.
2. Has FHS taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that FHS will be successful in raising further cash? In answering this question, please provide more specific details regarding the expected impact of the fully drawn Convertible Note in funding FHS's operations, in light of the December Cash Outflow and December Cash Balance.
3. Does FHS believe that the December Cash Balance of \$5,000, will provide it with sufficient working capital given the December Cash Outflow of \$55,000?
4. If the answer to question 3 is "Yes", please provide a detailed basis for this conclusion.
5. If the answer to question 3 is "No", please explain in detail what steps FHS proposes to take to ensure it has sufficient working capital to achieve its objectives.
6. Does FHS consider that the financial condition of FHS is sufficient to warrant its continued listing on ASX as required under Listing Rule 12.2? In answering this question, please explain the basis for this conclusion, commenting specifically on the following:
 - 6.1 the December Cash Outflow;
 - 6.2 the December Cash Balance; and
 - 6.3 FHS's quarter's funded as at 31 December 2022 of 0.01.
7. If the answer to question 6 is "No", please explain what steps FHS has taken, or proposes to take, to warrant its continued listing on ASX under the requirements of Listing Rule 12.2.
8. Do the directors of FHS consider that FHS is a going concern?
9. If the answer to question 8 is "Yes", please explain the basis for this conclusion.

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10. If the answer to question 8 is “No”, on what basis does FHS consider its securities warrant continued listing on ASX under the requirements of Listing Rule 12.2?
 11. Please confirm that FHS is complying with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition under that rule that has not already been released to the market.
 12. Please confirm that FHS’s responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of FHS with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **5:00 PM AEDT Monday, 6 February 2023**. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, FHS’s obligation is to disclose the information ‘immediately’. This may require the information to be disclosed before the deadline set out in the previous paragraph.

Your response should be sent to me by e-mail at ListingsComplianceMelbourne@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on MAP.

Suspension

If you are unable to respond to this letter by the time specified above or if ASX does not consider your responses to be satisfactory, the suspension of trading in FHS’s securities will likely continue under Listing Rule 17.2 or 17.3.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to FHS’s obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 – 3.1B. It should be noted that FHS’s obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Release of correspondence between ASX and entity

We reserve the right to release a copy of this letter, your reply and any other related correspondence between us to the market under Listing Rule 18.7A.

Questions

If you have any questions in relation to the above, please do not hesitate to contact me.

Yours sincerely
Todd Lewis

Todd Lewis
Senior Adviser, Listings Compliance