



13 October 2023

Quarterly Activities Report for the period ended 30 September 2023

Freehill Mining Limited (ASX: FHS 'Freehill' or 'the Company') is pleased to provide this activities report for the quarter ended 30 September 2023 (the 'quarter'). Progress in the quarter and into October 2023 has been pleasing with a strong foundation established to significantly scale up operations at the 100%-owned Yerbas Buenas project in Chile.

Operational Progress

The Company is executing its business plan following the purchase of the first waste material processing plant and associated equipment, as communicated in the June 2023 quarter. The plant and equipment were fully paid for in the prior quarter, has been thoroughly tested and is now fully operational and can produce sufficient volumes of material to fulfil current purchase orders (*see 30 June Quarterly Activities Report which includes images of first stage processing plant in operation*).

As reported during the quarter, the Company confirmed that it had commenced sales of waste material from Yerbas Buenas and established the project as a primary source of this material, being gravels and sands, to a number of customers operating in the region.

Most notably, first purchase orders were received from one of Chile's largest and respected cement companies, **Melón**, to supply material to their cement plants in the region. Freehill's wholly-owned local subsidiary is now supplying material to three Melon plants, Coquimbo, Ovalle and Vallenar.

Freehill secured purchase orders for an initial 3,200 cubic metres (m³) of material from Yerbas Buenas valued at A\$119,000 with initial sales from these purchase orders reflected in the Receipts from Customers in the accompanying Appendix 5B. The majority of purchase orders relate to supply to Melón with volumes anticipated to increase in the current quarter and beyond as Freehill progressively establishes itself as a dependable supplier to Melón and other new customers recently secured.

Freehill is receiving between A\$12.50 and \$A24.15 per cubic metre for material (depending on the level of processing) with the lower-priced material being supplied without screening. Freehill anticipates being able to improve on this pricing.

As reported, the development of a low-cost, small scale magnetite operation at Yerbas Buenas is also a priority and the Company and its contractor are assessing plant and equipment to facilitate this. However, the immediate focus remains on achieving stable cash generation through the waste material processing operation which is scaling up.

Financial & Corporate Summary

On 12 July 2023, the Company announced a pro rata nonrenounceable entitlement offer of one (1) fully paid ordinary new share in the capital of the Company (**Share**) for every five (5) Shares held by eligible shareholders on Monday, 17 July 2023 at an issue price of \$0.003 per Share to raise up to approximately \$1.16 million before costs.

The Company confirmed that it had raised \$704,460 through the Entitlement Offer and Shortfall Offer, and an additional \$336,950 under the Shortfall Offer, taking total funds raised to approximately \$1.041 million. The Company has the right to place the remaining \$114,699 available under the Shortfall Offer within three months of the Entitlement Offer closing date of 8 September 2023.

On 6 September 2023, the Company entered into a deed with Obsidian Global GP, LLC (**Obsidian**) and Claymore Ventures Limited (**Claymore**) in relation to the 270,520 Convertible Securities and 51,600,795 Shares (**Current Collateral Shares**) held by Obsidian. Under the terms of the deed, Obsidian transferred the Convertible Securities and the Current Collateral Shares to Claymore for US\$275,000 (received on 15 September 2023) and assigned its rights under the Convertible Securities Agreement to Claymore. Claymore subsequently converted the Convertible Securities into 90,000,000 Shares at the same price as the Shares offered under the Entitlement Offer, being \$0.03 per Share, and this has removed a considerable financial burden given Freehill has not needed to repay in cash the full amount to redeem the Convertible Securities.

During the quarter, a meeting of shareholders was held to vote on the conversion of loans and other debts into equity in the Company (*see Notice of Meeting lodged 12 July 2023*) with shareholders overwhelmingly approving all resolutions in this regard. This has considerably strengthened the balance sheet with Freehill well-placed at the end of the quarter with cash at bank of \$977,000. In addition, the Company expects to receive more revenue from purchase orders secured in the quarter and additional revenue from new purchase orders secured in October 2023, referenced below.

Receipts from Customers for the quarter was \$51,000, reflecting revenue from some of the initial purchase orders received in the quarter. Net cash used in operating activities was -\$153,000.

Pro-forma financial information

Based on pro forma adjustments to the audited 30 June 2023 Statement of Financial Position, the Company has net working capital of \$622,749. The pro forma 30 June 2023 Statement of Financial Position is set out at Annexure 1, where the pro forma transactions include the issue of Shares under the Entitlement Offer and the Shortfall Offer, the issue of Shares for repayment of debt and accrued interest, the conversion of the Convertible Securities and the issue of Shares to pay creditors.

Events Subsequent to Quarter End

The December 2023 quarter has commenced well for Freehill and coincides with increased business activity in Chile following the September 2023 holiday period.

Early in the current quarter, additional purchase orders have been received from Melón totalling 1,300m³ of material and volumes are delivered based on consumption at Melón's plants.

The Company is also pleased to confirm that it has received a maiden purchase order from **Unicon**, a leading South American company with over 50 years' experience in the production of ready-mix concrete. It operates 10 cement plants in Chile and has extensive operations in Peru, where it is headquartered. Unicon has confirmed that Freehill's wholly owned local subsidiary has obtained supplier status with the first 1,000m³ of material already delivered to Unicon's La Serena plant. Order volumes and product diversification are expected to increase steadily as Freehill establishes reliability of supply. The Company confirms that deliveries are ongoing beyond what has already been delivered.

Freehill has also secured supplier status with Weber Saint-Gobain (**Weber**), a world leader in the production of industrialized mortars, adhesives, sealants and grouts with extensive operations in Chile. While volumes are yet to be determined, Weber has expressed an interest in securing large volumes of Yervas Buenas' material for its operations across Chile. Freehill and its contractors are working to establish an adequate transport solution so acceptable margins can be achieved.

As anticipated, sales volumes and revenue reported to date are still relatively modest, given much of the focus for the September 2023 quarter has been to secure quality customers that can underpin a considerable scale up of operations at Yerbos Buenas. Securing purchase orders from Melón and Unicon, and supplier status with Weber delivers this, with the value of these relationships to Freehill being considerable.

The primary focus for the December 2023 quarter is to grow the revenue base with the volume of material supply forecast to pick up this month as new materials are introduced, and coinciding with the seasonal increase in business activity as referenced above.

Freehill is well-positioned to increase production with modest capex of less than A\$70,000 required to support some of the new supply agreements reported. The Company confirms it has stockpiles of circa 11,500m³ of material on-hand ready to fulfil current and pending purchase orders.

Approved for release by the Board of the Company.

For further information, please contact:

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Annexure 1 – Pro forma Statement of Financial Position as at 30 June 2023

Set out below is a pro forma Statement of Financial Position for the Company after taking into account the effect of the issue of Shares under the Entitlement Offer and the Shortfall Offer, the issue of Shares for repayment of debt and accrued interest, the conversion of the Convertible Securities and the issue of Shares to pay creditors.

This statement is based on the full year audited accounts of the Company as at 30 June 2023, which were lodged with the ASX on 28 September 2023.

The pro forma Consolidated Statement of Financial Position illustrates the effect of the following pro forma transactions, based upon the following assumptions and qualifications:

1. there being no material changes to the Company's Statement of Financial Position since 30 June 2023, other than in relation to:
 - a. the Entitlement Offer and Shortfall Offer, the issue of:
 - i. 234,819,990 Shares at \$0.003 per Share on 15 September 2023; and
 - ii. 112,316,630 Shares at \$0.003 per Share on 27 September 2023,less the costs of the Entitlement Offer of \$103,435;
 - b. the repayment of loans and accrued interest, the issue of 421,559,569 Shares at \$0.003 per Share on 15 September 2023;
 - c. the conversion of the Convertible Securities, the issue of 90,000,000 Shares at \$0.003 per Share and cash payment of \$2,150 to Claymore on 27 September 2023; and
 - d. the payment of creditors, the issue of 59,256,032 Shares at \$0.003 per Share; and
2. the activities of the Company since 30 June 2023 not being recognised in the pro forma Statement of Financial Position, other than as set out above.

	Jun-23 Audited	Entitlement Offer	Conversion of Borrowings	Conversion of Convertible Securities	Shares Issued to Creditors	Proforma Total
Assets						
Current assets						
Cash and cash equivalents	46,880	983,927	30,000	(2,150)	-	1,058,657
Trade and other receivables	58,448	-	-	-	-	58,448
Other	45,952	(45,952)	-	-	-	0
Total current assets	151,280	937,975	30,000	(2,150)	-	1,117,105
Non-current assets						
Trade and other receivables	1,319,825	-	-	-	-	1,319,825
Property, plant and equipment	437,222	-	-	-	-	437,222
Mining	10,505,042	-	-	-	-	10,505,042
Total non-current assets	12,262,089	-	-	-	-	12,262,089
Total assets	12,413,369	937,975	30,000.00	(2,150.00)	-	13,379,194
Liabilities						
Current liabilities						
Trade and other payables	665,983	-	-	-	(177,768)	488,215
Borrowings	308,440	-	-	(308,440)	-	0
Derivative financial instruments	75,777	-	-	(75,777)	-	0
Employee benefits	6,141	-	-	-	-	6,141
Total current liabilities	1,056,341	-	-	(384,217)	177,768	494,356
Non-current liabilities						
Borrowings	1,209,168	-	(1,209,168)	-	-	0
Provisions	70,000	-	-	-	-	70,000
Total non-current liabilities	1,279,168	-	(1,209,168)	-	-	70,000
Total liabilities	2,335,509	-	(1,209,168)	(384,217)	(177,768)	564,356
Net assets	10,077,860	937,975	1,239,168	382,067	177,768	12,814,838
Equity						
Issued capital	40,097,764	937,975	1,239,168	382,067	177,768	42,834,742
Reserves	1,246,575	-	-	-	-	1,246,575
Accumulated losses	(31,266,479)	-	-	-	-	(31,266,479)
Total equity	10,077,860	937,975	1,239,168	382,067	177,768	12,814,838
	-	-	-	-	-	-
Net working capital per updated proforma	622,749					