



30 April 2024

Quarterly Activities Report for the period ended 31 March 2024

Freehill Mining Limited (ASX: FHS 'Freehill' or 'the Company') is pleased to provide this activities report for the quarter ended 31 March 2024 (the 'quarter'). Much of the focus for the quarter was on purchase and installation of a new state-of-the-art screening & crushing plant to facilitate a material increase in production capacity and the subsequent sale of waste material operations at its 100%-owned Yervas Buenas mine in Chile. This will result in a material increase in customer receipts and sales in the June quarter. The Company continued smaller deliveries to its customer base in the March quarter which generated steady sales. All figures are quoted in Australian dollars unless stated otherwise.

Highlights

- Customer receipts were \$157,000, 68.8% increase from the previous quarter (\$93,000) and the third straight quarterly increase in cash receipts from operations. Encouragingly, production costs of \$106,000, as referenced in the accompanying Appendix 5B, illustrate Yervas Buenas is cash flow positive at an operational level.
- Gross sales of \$207,000 were broadly in line with the prior quarter (\$228,000) due to lower levels of processing activity at the Yervas Buenas project (Y.B) given the primary focus was on the installation of the larger plant recently installed.
- Administrative and corporate costs reduced by ~52% to \$265,000 (prior quarter: \$468,000) reflecting non-recurring legacy costs being removed.
- Multiple Purchase orders secured from a growing cohort of Chile's blue chip cement and construction companies underpin future sales of greater magnitude:
 - ~\$1.7m PO from leading Chilean construction company, Empresa Constructora Belfi SA ('Belfi SA'), to support the expansion of the Coquimbo port facility
 - ~\$282,000 PO from Cementos Melón, one of Chile's largest cement companies, for the supply of material to Melón's Coquimbo cement plant.
- Delivery and installation of a state-of-the-art screening and crushing plant, which has now been commissioned. Significant enhancements have since been made by the on-site team to further improve performance and expand production capacity to meet the forecast increase in demand for waste material products.
- The acquisition of the plant was financed with funds raised through a \$1.2m share placement undertaken at \$0.01 per share, representing a 2.9% premium to the 15-day volume weighted average price of FHS shares to 19 January 2024. As per the Appendix 5B, the Company invested \$800,000 of funds raised on the plant acquisition and commissioning costs.

- **Momentum in waste material operations was accompanied by the recommencement of exploration at the 100%-owned 750 hectare El Dorado project, located adjacent to Y.B.**
- **Completion of an extensive sampling program at El Dorado, where assay results returned elevated average gold grades of 5.24g/t across a strike of 200m with grades recorded of up to 13.5 g/t Au. The results support growing confidence in El Dorado as a highly prospective exploration asset with further updates pending.**
- **Freehill had \$231,000 in cash and short-term trade debtors of \$153,095 at quarter-end. With increasing sales and lower costs, Freehill remains well funded. Also post quarter-end, the Company secured a factoring facility from Baninter Factoring, a highly regarded Chilean financier, which delivers greater financial flexibility particularly as sales revenue is now starting to materially increase. Further details are available in the Appendix 5B.**

Comments

Managing Director Paul Davies said: *“Operations at Y.B. are very encouraging and much of our focus for the quarter has been installing, commissioning and refining material processing operations and putting in place dependable logistics to support the pending scale up in processing, transport and delivery of much larger volumes of material to local blue chip customers. Freehill’s local subsidiary is the primary supplier of material to one of the region’s largest infrastructure projects and this significantly underpins our projected sales growth in the June quarter and beyond. Our local operations team is to be congratulated for their efforts in establishing a viable operation in very short order.”*

Non-Executive Chairman Ben Jarvis added: *“Operations at Y.B. have set the Company up for a step-change in revenue growth with favourable margins in the quarters ahead. It gives us the necessary financial flexibility to continue expanding operations here including the proposed recommencement of magnetite mining which remains a valuable future revenue stream. We look forward to reporting on Y.B.’s improving sales during May. Exploration efforts at the El Dorado project have been ongoing as we look to define larger mineralised areas. The gold grades reported from the first round of exploration by our new geologist provide much encouragement and we are seeking to increase the current 200 metres of strike that has been defined. Being adjacent to Y.B. provides added benefits.”*

Financial overview

Receipts from customers were up 68.8% quarter-on-quarter to \$157,000 (prior quarter: \$93,000) while gross sales for the quarter totalled \$207,000 (prior quarter: \$228,000). Production costs were \$106,000 which illustrate that Y.B. is cash flow positive at an operational level. The Company has additional trade debtors of \$153,095 as at the quarter-end, reflecting the difference in timing between customer receipts and gross sales based on agreed trading terms. The settling of debtor accounts is expected to flow through to increased cash receipts in the June quarter.

Administrative and corporate costs reduced by ~52% to \$265,000 (prior quarter: \$468,000) due to the reduced impact from one-off legacy costs paid in the December quarter, now permanently removed from the cost base.

Cash at quarter-end was \$231,000. With these cash reserves, the pending receipt of quarter-end trade debtors, a strong and growing sales pipeline, and funds expected from the factoring facility secured, Freehill remains well positioned to significantly increase net cash flows from operations in the quarters ahead and therefore fund ongoing operations and corporate costs.

Operational summary

Waste material sales

Quarterly operations were highlighted by strong execution of Freehill's stated strategy to establish its 100%-owned Yerbas Buenas mine as a premium supplier of waste material products to the Chilean cement and construction industry.

The Company is well positioned to benefit from market dynamics in Chile following the recent introduction of new regulations which prohibit the sourcing of waste material from natural sources such as riverbeds. Sales highlights during the period included:

- Purchase order valued at ~\$282,000 from Cementos Melón ('Melón'), one of Chile's largest cement companies, for the supply of material to Melón's Coquimbo cement plant;
- Purchase order of ~\$1.7m from leading Chilean construction company, Empresa Constructora Belfi SA ('Belfi SA') to support the expansion of the Coquimbo port facility

The sales agreement with Melón stipulated the phased delivery of waste material from Y.B over a two-month period, which commenced in mid-March 2024 (*refer ASX Announcement 13 February 2024*). As at quarter-end, negotiations with Melón for a longer-term supply contract, comprising larger delivery volumes over a multi-month time frame, were ongoing.

The purchase order from Belfi SA marked the largest sales agreement to-date for waste material products sourced from Y.B. (*refer ASX Announcement 27 February 2024*).

The Coquimbo port facility is located near to Freehill's Y.B. project, and small material deliveries from this purchase order commenced in March. Larger volumes of deliveries will commence this June quarter.

This order took the gross sales value of purchase orders secured in February 2024 to ~A\$2m, reflecting the strong momentum of waste material operations at the Yerbas Buenas project. The bulk of waste material sales in connection with the above contracts are expected to be delivered from the June quarter onwards.

New Yerbas Buenas Plant Commissioned and Now Fully Operational

In February 2024, Freehill took delivery of a state-of-the-art screening and crushing plant – a strategic acquisition to significantly increase the Company's supply capacity and give it the sorting, crushing and processing equipment to supply multiple forms of waste material critical for cement manufacturing and construction purposes.

Combined with the existing on-site plant at Y.B., the equipment upgrade will increase Freehill's supply capacity materially. The anticipated increase in waste material sales follows an extensive period of product and logistics testing in the second half of calendar 2023 with some of the largest industrial companies in Chile.

As a result of that work carried out, Freehill has established its credentials as a reliable supplier of waste material that meets the regulatory standards applied to the construction industry in Chile.

Exploration at El Dorado

During the quarter, Freehill announced results from an extensive sampling program at its 100%- owned 750 hectare El Dorado project, located adjacent to the group's flagship Yerbas Buenas (Y.B) sand/aggregate and magnetite mining operations (*refer ASX Announcement 30 January 2024*).

A total of 38 samples across 49 locations were collected in late 2023, focused on the El-Dorado Central area, including Target A Central, Target A North, and Target B. The sampling program yielded several strong results across the target area, highlighted by Target A Central which recorded an average Au grade of 5.24g/t with a mode of 7.94g/t, with the mineralised vein extending for over 200m. Best results include:

- **0.9m sampling width @ 13.52g/t Au**
- **1m sampling width @ 9.3g/t Au**
- **1.1m sampling width @ 7.94g/t Au**
- **0.6m sampling width @ 7.94g/t Au**
- **0.9m sampling width @ 6.18g/t Au**
- **0.8m sampling width @ 4.99g/t Au**

The results underpin growing confidence from our new geologist that El Dorado represents a highly prospective exploration asset. As at quarter-end the Company had commenced the next phase of exploration, which will include additional sampling work to define priority target areas for a follow-up drill program.

Corporate Overview

In January 2024, Freehill successfully raised \$1.2m before costs via a share placement which received strong support from new and existing investors.

The placement was undertaken at \$0.01 per share, representing a 2.9% premium to the 15-day volume weighted average price of FHS shares to 19 January 2024. Investors also received one option for every two shares subscribed exercisable at \$0.025 cents expiring 22 February 2026.

The funds raised in the placement were predominantly used to acquire and commission the state-of-the-art screening and crushing plant and equipment at Y.B., which is now facilitating a major scale-up of operations for Freehill to capitalise on larger customer orders. In total, this represented an \$800,000 investment. The plant also gives Freehill the processing infrastructure to recommence magnetite mining at Yerbas Buenas following the implementation of a new mine plan.

Events subsequent to quarter-end

Shortly after quarter-end, Freehill confirmed that the crushing and screening plant is now fully commissioned and operational, marking a particularly rapid turnaround from delivery to commencement of operations (*refer ASX Announcement 3 April 2024*). Refinements have since been made to the plant that have enhanced operating capacity and overall performance.

As referenced above, the Company has secured a factoring facility from Baninter Factoring, a highly respected local Chilean financier, which delivers greater financial flexibility particularly as sales revenue is now starting to materially increase. Further details are available in the Appendix 5B.

Related party payments

In accordance with Listing Rule 4.7C, payments made to related parties and their associates is included in item 6.1 of the Appendix 4C includes Directors' fees and salaries (including superannuation).

Approved for release by the Board of the Company.

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