# Freehill Mining Limited

**ACN 091 608 025**

# Annual Report - 30 June 2020

**Freehill Mining Limited**
**Corporate directory**
**30 June 2020**

| | |
|---|---|
| Directors | Raymond Charles Mangion<br>Paul Davies<br>Peter Hinner |
| Company secretary | Paul Davies |
| Registered office | Level 24, 570 Bourke St<br>Melbourne, Victoria,<br>Australia, 3000 |
| Principal place of business | Level 24, 570 Bourke St,<br>Melbourne, Victoria,<br>Australia, 3000 |
| Share register | Automic Registry Services<br>Level 12, 50 Holt Street<br>Surry Hills, NSW 2000 |
| Auditor | RSM Australia Partners<br>Level 21, 55 Collins Street<br>Melbourne, Victoria, 3000 |
| Stock exchange listing | Freehill Mining Limited shares are listed on the Australian Securities Exchange (ASX code: FHS) |
| Website | www.freehillmining.com |
| Corporate Governance Statement | Refer to www.freehillmining.com |

**Freehill Mining Limited**
**Directors' report**
**30 June 2020**

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 year ended 30 June 2020.

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

Raymond Charles Mangion
Paul Davies
Samuel Duddy (resigned 6 February 2020)
Peter Hinner
Wayne Johnson (resigned 29 August 2019)

## Impact of COVID 19 pandemic
During the period ended 30 June 2020, the COVID-19 was declared a pandemic by the World Health Organisation (WHO). The pandemic has adversely affected the global economy, including an increase in unemployment, decrease in consumer demand, interruptions in supply chains, and tight liquidity and credit conditions. Since its outbreak, governments worldwide have set up measures to contain the pandemic. Many countries have required entities to limit or suspend business operations, and have also implemented travel restrictions and quarantine measures. Monetary and fiscal stimulus packages have also been introduced in some countries. As the COVID-19 outbreak continues to evolve, the estimated financial impact cannot be reasonably determined at this juncture. The impact which COVID 19 has had on the consolidated entity is set out below.

*Chilean operations*
In response to the pandemic the Chilean government has imposed restrictions. These have resulted in delays to the processing of materials from the drilling program feeding in to the feasibility for the Yerbas Beunas project. Whilst there have been delays this has not impacted on the likelihood that the project will ultimately be feasible.

*Australian operations*
The impact of COVID-19 on the consolidated entity's Australian operations has not been material due to their scale and nature of operations as a holding company.

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

## Review of operations
The loss for the consolidated entity after providing for income tax amounted to $3,321,938 (30 June 2019: $2,508,162).

Refer to the Chairman's Letter that directly precedes this Directors' Report.

## Significant changes in the state of affairs
On 2 September 2019, the company completed the acquisition of an 80 hectare tenement known as Arenas XI 1/20, located directly to the south of and adjoining to the Yerbas Buenas project area.

Refer to note 14 of the financial statements for information on the shares issued in the company during the financial year.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

## Matters subsequent to the end of the financial year
Since 30 June 2020, the company has issued the fully paid ordinary shares :-

- A total of 11,054,540 fully paid ordinary on the conversion of options raising $276,364;
- A total of 12,788,978 fully paid ordinary shares valued at $601,970 in relation to the conversion of debt and accrued interest;
- A total of 1,000,000 fully paid ordinary shares valued at $57,000 to key management personnel as part of their remuneration; and
- A total of 10,000,000 fully paid ordinary shares as part of a placement raising $600,000 before costs.

On 20 August 2020, the company issued 6,000,000 performance shares to the company's CFO and Executive Directors Paul Davies as part of his remuneration package.

On 20 October 2020, the company announced that its wholly owned subsidiary, San Patricio Mineria SpA ('San Patricio'), has completed the acquisition from Minera El Dorado SCM of the 750 hectare El Dorado Project tenements that directly adjoin Freehill's 67Mt Yerbas Buenas magnetite project.

Since 30 June 2020, the company has received a total of $525,000 in relation to debt with conversion option. Interest is payable at 10% per annum and the borrowings expire in November 2021. It can be converted at a 15% discount to 7 day VWAP.

The impact of the COVID 19 pandemic has been outlined in note 3 to the financial statements. The impact has continued to be felt since 30 June 2020 and is being monitored by the board.

No other matter or circumstance has arisen since 30 June 2020 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.

**Likely developments and expected results of operations**
Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

**Environmental regulation**
The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

**Information on directors**

| | |
|---|---|
| Name: | Raymond Charles Mangion |
| Title: | Non-Executive Director and Chairman |
| Qualifications: | Associate Diploma of Business (Accounting) and an Associate Diploma in Financial Planning. |
| Experience and expertise: | Ray Mangion has performed the role of Managing Director of Morbak Investments Pty Ltd for the past 18 years, having created the business as a start-up business. He has approximately 30 years' managerial experience. |
| Other current directorships: | Nil |
| Former directorships (last 3 years): | Nil |
| Interests in shares: | 35,407,449 fully paid ordinary shares |
| Interests in options: | 2,727,272 options over ordinary shares |
| Interests in rights: | Nil |

| | |
|---|---|
| Name: | Paul Davies |
| Title: | Director and Chief Financial Officer |
| Qualifications: | Paul holds an Economics Degree from Monash University, has qualified as a Chartered Accountant and is an alumnus of the Stanford Business School. |
| Experience and expertise: | Paul Davies has extensive experience as CFO of both publicly traded and privately held companies. Over the past 10 years he has been involved with many early stage companies involving reporting, strategic planning, systems implementation and fundraising. Prior to this Paul was Director in charge of Corporate and Institutional Banking for Deutsche Bank Australia and a member of the Deutsche Bank Credit Committee. He has been directly involved in over $20 billion worth of transactions involving origination, advising, arranging, structuring, project finance, lead managing, syndication, negotiation, risk management, including servicing many of Australia’s major mining companies. Before Deutsche Bank Paul worked for a number of years with both Bankers Trust Australia and Macquarie Bank.<br><br>With his 20 plus years in the finance sector, Paul brings to the Company considerable experience in both debt and equity markets in addition to significant understanding of the mining sector. |
| Other current directorships: | Nil |
| Former directorships (last 3 years): | Nil |
| Interests in shares: | 4,706,787 fully paid ordinary shares |
| Interests in options: | 10,000,000 options over ordinary shares |
| Interests in rights: | 6,000,000 performance rights |

| | |
|---|---|
| Name: | Peter Hinner |
| Title: | Chief Executive Officer |
| Qualifications: | Bachelor of Science in Chemistry from the Queensland University of Technology with post graduate qualifications in mining, metallurgy and business management |
| Experience and expertise: | Mr Hinner was appointed COO of the Company in February 2017 and has over 35 years experience in the heavy minerals and gold industry both within Australia and internationally.<br><br>Over the past several years he has worked predominantly internationally as a project development consultant on a variety of projects in Africa, Korea, Indonesia, Malaysia and South America. His previous roles have included senior management and operational roles in several of the world’s largest mineral operations as well as mine management roles with BP Minerals Indonesia, Operations Manager for the Tiwest Joint Venture mine in Western Australia, Chief Operating Officer of an industrial minerals company and senior consultant for KPMG.<br><br>He has significant mining, operating and project management experience in most facets of the industry including exploration, dredging, processing, engineering design, construction, commissioning and feasibility studies. |
| Other current directorships: | Nil |
| Former directorships (last 3 years): | Nil |
| Interests in shares: | 14,201,205 fully paid ordinary shares |
| Interests in options: | Nil |
| Interests in rights: | Nil |

| | |
|---|---|
| Name: | Samuel Duddy |
| Title: | Non-Executive Director (resigned 6 February 2020) |
| Qualifications: | First Class Honours Degree Science, Master of Property Science and Master of Business Administration (all from University of Queensland) |
| Experience and expertise: | Mr Duddy is a substantial investor in Freehill and has previously visited the Yerbas Buenas operations as part of his own due diligence process. Mr Duddy is currently a board member and majority shareholder of a Civil Construction firm and brings to the Board a wealth of knowledge and experience in business management, engineering and finance. |
| Other current directorships: | N/A |
| Former directorships (last 3 years): | N/A |
| Interests in shares: | N/A |

| | |
|---|---|
| Name: | Wayne Johnson |
| Title: | Non-Executive Director (resigned 29 August 2019) |
| Experience and expertise: | Wayne Johnson has over 30 years business and financial transaction experience gained in Australia, New Zealand, Asia and America. He has extensive experience in corporate advisory, governance and compliance as as as result of building, managing and directing public and private companies from start-up to established public corporations. |
| Other current directorships: | N/A |
| Former directorships (last 3 years): | N/A |
| Interests in shares: | N/A |
| Interests in options: | N/A |
| Interests in rights: | N/A |

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

## Company secretary

Paul Davies is company secretary. Refer above for details of his qualifications and experience.

## Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2020, and the number of meetings attended by each director were:

| | Full Board | |
|---|---|---|
| | Attended | Held |
| Raymond Charles Mangion | 4 | 4 |
| Paul Davies | 4 | 4 |
| Samuel Duddy | 3 | 3 |
| Peter Hinner | 4 | 4 |
| Wayne Johnson | 1 | 1 |

Held: represents the number of meetings held during the time the director held office.

## Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

***Principles used to determine the nature and amount of remuneration***

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the board') ensures that executive reward satisfies the following key criteria for good reward governance practices:
- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The board is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel. The board have structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:
- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:
- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

*Non-executive directors remuneration*

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Board. The Board may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination, where the shareholders approved a maximum annual aggregate remuneration of $200,000.

*Executive remuneration*

The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:
- base pay and non-monetary benefits
- Long-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Board based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's include profit contribution, customer satisfaction, leadership contribution and product management.

The long-term incentives ('LTI') include long service leave and share-based payments including performance rights issued in accordance with the company's Equity Incentive Plan.

*Use of remuneration consultants*
During the financial year ended 30 June 2020, the consolidated entity did not engage remuneration consultants.

*Voting and comments made at the company's 29 November 2019 Annual General Meeting ('AGM')*
At the 29 November 2019 AGM, 99.48% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2019. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

### *Details of remuneration*

*Amounts of remuneration*
Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

| | Short-term benefits | | | Post-employment benefits | Long-term benefits | Share-based payments | |
|---|---|---|---|---|---|---|---|
| **2020** | Salary and fees $ | Cash bonus $ | Non-monetary $ | Super-annuation $ | Long service leave $ | Equity-settled $ | Total $ |
| Raymond Charles Mangion | 45,000 | - | - | - | - | - | 45,000 |
| Samuel Duddy | 26,250 | - | - | - | - | - | 26,250 |
| Wayne Johnson | 7,500 | - | - | - | - | - | 7,500 |
| *Executive Directors:* | | | | | | | |
| Paul Davies * | 69,000 | - | - | - | - | 112,647 | 181,647 |
| Peter Hinner ** | 218,000 | - | - | - | - | 100,000 | 318,000 |
| | 365,750 | - | - | - | - | 212,647 | 578,397 |

* During the year, Paul Davies received 2,572,457 fully paid ordinary shares valued at $30,000 and 10,000,000 options over shares valued $82,647 as part of his remuneration.

** During the year, Peter Hinner received 7,933,333 fully paid ordinary shares valued at $100,000 as part of his remuneration.

| | Short-term benefits | | | Post-employment benefits | Long-term benefits | Share-based payments | |
|---|---|---|---|---|---|---|---|
| **2019** | Cash salary and fees $ | Cash bonus $ | Non-monetary $ | Super-annuation $ | Long service leave $ | Equity-settled $ | Total $ |
| Raymond Charles Mangion | 7,875 | - | - | - | - | 37,125 | 45,000 |
| Samuel Duddy | 24,375 | - | - | - | - | 20,625 | 45,000 |
| Wayne Johnson | 26,250 | - | - | - | - | - | 26,250 |
| *Executive Directors:* | | | | | | | |
| Paul Davies | 69,000 | - | - | - | - | 30,000 | 99,000 |
| Peter Hinner * | 199,833 | - | - | - | - | 26,000 | 225,833 |
| *Other Key Management Personnel:* | | | | | | | |
| Peter Hinner * | 18,167 | - | - | - | - | 50,000 | 68,167 |
| | 345,500 | - | - | - | - | 163,750 | 509,250 |

* Peter Hinner was appointed as a director on 31 July 2018. Fees earnt before that time has been recognised as key management personnel remuneration. Peter Hinner has met the performance obligation in relation to 250,000 of the performance shares that have been issued in relation to him. An expense has been recognised in relation to those shares.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

| | Fixed remuneration | | At risk - STI | | At risk - LTI | |
|---|---|---|---|---|---|---|
| Name | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| *Non-Executive Directors:* | | | | | | |
| Raymond Charles Mangion | 100% | 100% | - | - | - | - |
| Samuel Duddy | 100% | 100% | - | - | - | - |
| Wayne Johnson | 100% | 100% | - | - | - | - |
| *Executive Directors:* | | | | | | |
| Paul Davies | 38% | 100% | - | - | 62% | - |
| Peter Hinner | 68% | 88% | - | - | 32% | 12% |
| *Other Key Management Personnel:* | | | | | | |
| Peter Hinner | - | 100% | - | - | - | - |

***Service agreements***
Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

| | |
|---|---|
| Name: | Paul Davies |
| Title: | Executive Director and Chief Financial Officer |
| Agreement commenced: | 1 January 2017 |
| Details: | Remuneration is set at $69,000 per annum inclusive of statutory superannuation plus shares valued $30,000 per annum. |

| | |
|---|---|
| Name: | Raymond Charles Mangion |
| Title: | Chairman |
| Agreement commenced: | 1 January 2017 |
| Details: | Remuneration is set at $45,000 per annum inclusive of statutory superannuation. |

| | |
|---|---|
| Name: | Peter Hinner |
| Title: | Chief Operating Officer |
| Agreement commenced: | 6 February 2017 |
| Details: | Under the agreement Peter Hinner is entitled to $218,000 per annum. He also received shares valued at $100,000 per annum. |

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

***Share-based compensation***

*Issue of shares*
Details of shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2020 are set out below:

| Name | Date | Shares | Issue price | $ |
|---|---|---|---|---|
| Peter Hinner | 13 November 2019 | 4,600,000 | $0.0187 | 50,000 |
| Peter Hinner | 13 November 2019 | 3,333,333 | $0.0150 | 50,000 |
| Paul Davies | 29 November 2019 | 2,572,457 | $0.0117 | 30,000 |

*Options*
The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

| Grant date | Vesting date and exercisable date | Expiry date | Exercise price | Fair value per option at grant date |
|---|---|---|---|---|
| 13 November 2019 | 13 November 2019 | 12 November 2021 | $0.0250 | $0.0083 |

| Name | Number of options granted | Grant date | Vesting date and exercisable date | Expiry date | Exercise price | Fair value per option at grant date |
|---|---|---|---|---|---|---|
| Paul Davies | 10,000,000 | 13 November 2019 | 13 November 2019 | 12 November 2021 | $0.0250 | $0.0083 |

Options granted carry no dividend or voting rights.

The number of options over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2020 are set out below:

| Name | Number of options granted during the year 2020 | Number of options granted during the year 2019 | Number of options vested during the year 2020 | Number of options vested during the year 2019 |
|---|---|---|---|---|
| Paul Davies | 10,000,000 | - | 10,000,000 | - |

### *Additional information*

The earnings of the consolidated entity for the five years to 30 June 2020 are summarised below:

| | 2020<br>$ | 2019<br>$ | 2018<br>$ | 2017<br>$ | 2016<br>$ |
|---|---|---|---|---|---|
| Revenue | 94 | 370 | 61 | 172 | - |
| Loss after income tax | (3,321,938) | (2,508,162) | (2,965,089) | (1,522,205) | (968,925) |

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

| | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|
| Share price at financial year end (cents) | 5.40 | 1.40 | 6.00 | 10.00 |
| Basic earnings per share (cents per share) | (0.29) | (0.43) | (0.84) | (0.51) |
| Diluted earnings per share (cents per share) | (0.29) | (0.43) | (0.84) | (0.51) |

### *Additional disclosures relating to key management personnel*

*Shareholding*

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

| | Balance at the start of the year | Addition or held at time of resignation | As part of remuneration | In lieu of fees | Balance at the end of the year |
|---|---|---|---|---|---|
| *Ordinary shares* | | | | | |
| Raymond Charles Mangion | 7,083,333 | 22,869,571 | - | 5,454,545 | 35,407,449 |
| Paul Davies | 2,134,330 | - | 2,572,457 | - | 4,706,787 |
| Peter Hinner | 1,479,992 | - | 7,933,333 | 4,787,880 | 14,201,205 |
| Samuel Duddy | 131,209,482 | (131,209,482) | - | - | - |
| | 141,907,137 | (108,339,911) | 10,505,790 | 10,242,425 | 54,315,441 |

*Option holding*

The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

| | Balance at the start of the year | Granted as part of remuneration | Exercised | Additions | Balance at the end of the year |
|---|---|---|---|---|---|
| *Options over ordinary shares* | | | | | |
| Paul Davies | - | 10,000,000 | - | - | 10,000,000 |
| Ray Mangion | - | - | - | 2,727,272 | 2,727,272 |
| | - | 10,000,000 | - | 2,727,272 | 12,727,272 |

*Performance rights holding*

The number of performance rights over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

| | Balance at the start of the year | Granted | Vested | Expired/ forfeited/ other | Balance at the end of the year |
|---|---|---|---|---|---|
| *Performance rights over ordinary shares* | | | | | |
| Peter Hinner | 1,000,000 | - | - | - | 1,000,000 |
| | 1,000,000 | - | - | - | 1,000,000 |

*Loans to key management personnel and their related parties*
There were no loans transactions with key management personnel and their related entities made during the year ended 30 June 2020.

***This concludes the remuneration report, which has been audited.***

## Shares under option
Unissued ordinary shares of Freehill Mining Limited under option at the date of this report are as follows:

| Grant date | Expiry date | Exercise price | Number under option |
|---|---|---|---|
| 13 November 2019 | 12 November 2021 | $0.0250 | 176,481,086 |
| 13 November 2019 | 12 November 2021 | $0.1000 | 30,000,000 |
| | | | 206,481,086 |

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

## Shares under performance rights
On 6 February 2017, the company issued 1,250,000 performance rights to Peter Hinner as part of his remuneration package. These performance rights are in bundles of 250,000 contingent upon different performance targets being met. At 30 June 2020, the performance hurdles in relation to the first tranche of 250,000 performance rights had been meet leaving a total of 1,000,000.

No person entitled to exercise the performance rights had or has any right by virtue of the performance right to participate in any share issue of the company or of any other body corporate.

## Shares issued on the exercise of options
There were no ordinary shares of Freehill Mining Limited issued on the exercise of options during the year ended 30 June 2020 and up to the date of this report.

## Indemnity and insurance of officers
The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

## Indemnity and insurance of auditor
The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

## Proceedings on behalf of the company
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

**Non-audit services**
The directors are of the opinion that the services as disclosed in note 19 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

**Officers of the company who are former partners of RSM Australia Partners**
There are no officers of the company who are former partners of RSM Australia Partners.

**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.

**Auditor**
RSM Australia Partners continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Ray Mangion
Chairman

29 October 2020

**Freehill Mining Limited**
**Chairman's letter**
**30 June 2020**

**Dear Shareholders,**

I am pleased to present to you this year's annual report for Freehill Mining Limited in what has been a period of considerable progress.

Despite 2020 being defined by the ongoing global pandemic caused by the COVID-19 virus, the year full of positives for our company and we have made excellent progress and unlocked significant value. We have delivered a fourfold increase in the Mineral Resource Estimate (MRE) of our 100%-owned Yerbas Buenas magnetite project and we have secured a new highly prospective asset that has significantly strengthened our portfolio of quality assets in Chile and given Freehill exposure to copper and gold.

2020 saw the completion of our second drilling program at Yerbas Buenas which took the project's JORC-compliant MRE from 18.4Mt @ 15.1% to 67Mt @ 19.1% - a very meaningful increase in both scale and grade. While we are confident that further drilling could define an even larger resource, the Board took the prudent decision to commence a prefeasibility study (PFS) to establish a purpose-built plant for commercial scale production from the Yerbas Buenas ore. Refinement and execution of the PFS to deliver commercial operations will be an important part of our focus for 2021.

We are confident that we can establish Yerbas Buenas as a low-cost, long-life, dependable mining and processing operation supplying quality magnetite to local and international customers. Interest from potential offtakers is most encouraging and locking in supply agreements is a key deliverable for the Board in fiscal 2021.

Part of our growth strategy has been to use our well-established presence in Chile to assess other assets that broaden our portfolio, complement our current asset base and growth strategy, and give us exposure to other attractive commodities. In March we entered into a Heads of Agreement to acquire the 750 hectare El Dorado tenement package which joins our Yerbas Buenas project and is highly prospective copper and gold.

The project is located in an area that has a rich history of copper mining and preliminary exploration activity undertaken in the current year gives us every indication that El Dorado has excellent prospects. We are now well advanced with exploration there with the acquisition recently completed on favourable terms for Freehill.

It has also been very encouraging to witness the level of investor support for the Company in 2020. In a major vote of confidence for Freehill, we secured the support of experienced and respected investor Gavin Ross and his associated parties who committed $1.45m in the year and a further $600,000 subsequent to the end of the year. As well, we have welcomed some of our option holders converting their options into shares which has further strengthened our financial base. Freehill is well funded and we are pleased to have the ongoing financial support from our loyal shareholder base.

We are confident that 2021 is shaping up to be another positive year for Freehill and we have a number of near-term catalysts, being the multi-faceted exploration programs El Dorado and the delivery of the Yerbas Buenas PFS, that will both surely deliver further value.

I would like to take this opportunity to thank you, our shareholders for your support, our committed executives and exploration consultants, and the Board for their very solid guidance. 2021 is indeed full of promise.

**Ray Mangion**
**Non-Executive Chairman**

**RSM Australia Partners**

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**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of the financial report of Freehilll Mining Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

**RSM AUSTRALIA PARTNERS**

**R J MORILLO MALDONALDO**
Partner

Melbourne, VIC
29 October 2020

## 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 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 29 October 2020. The directors have the power to amend and reissue the financial statements.

**Freehill Mining Limited**
**Statement of profit or loss and other comprehensive income**
**For the year ended 30 June 2020**

| | Note | Consolidated 2020 $ | 2019 $ |
|---|---|---|---|
| **Revenue** | | | |
| Interest revenue calculated using the effective interest method | | 25 | 111 |
| Other revenue | | 69 | 259 |
| | | | |
| **Expenses** | | | |
| Corporate and administration expenses | | (840,170) | (996,055) |
| Consulting expenses | | (745,204) | (291,091) |
| Employee benefits expense | | (724,996) | (359,290) |
| Depreciation and amortisation expense | | (429) | (2,747) |
| Foreign exchange losses | | (477,185) | (102,321) |
| Other expenses | | (114,974) | (38,683) |
| Finance costs | | (419,074) | (718,345) |
| | | | |
| **Loss before income tax expense** | | (3,321,938) | (2,508,162) |
| | | | |
| Income tax expense | 5 | - | - |
| | | | |
| **Loss after income tax expense for the year attributable to the owners of Freehill Mining Limited** | | (3,321,938) | (2,508,162) |
| | | | |
| **Other comprehensive income / (loss)** | | | |
| | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | |
| Foreign currency translation | | (2,601,376) | 129,300 |
| | | | |
| Other comprehensive income / (loss) for the year, net of tax | | (2,601,376) | 129,300 |
| | | | |
| **Total comprehensive loss for the year attributable to the owners of Freehill Mining Limited** | | (5,923,314) | (2,378,862) |
| | | **Cents** | **Cents** |
| Basic earnings per share | 27 | (0.29) | (0.43) |
| Diluted earnings per share | 27 | (0.29) | (0.43) |

*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 30 June 2020**

| | Note | Consolidated 2020 $ | 2019 $ |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 6 | 917,111 | 62,480 |
| Trade and other receivables | 7 | 97,244 | 962,736 |
| Other | | 2,487 | 41,326 |
| Total current assets | | 1,016,842 | 1,066,542 |
| **Non-current assets** | | | |
| Receivables | 8 | 586,032 | 464,804 |
| Property, plant and equipment | | 9,887 | 13,282 |
| Exploration and evaluation asset | 9 | 13,335,980 | 14,025,904 |
| Total non-current assets | | 13,931,899 | 14,503,990 |
| **Total assets** | | 14,948,741 | 15,570,532 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 10 | 475,027 | 2,168,786 |
| Borrowings | 11 | 72,303 | 2,068,899 |
| Employee benefits | 12 | 10,216 | - |
| Total current liabilities | | 557,546 | 4,237,685 |
| **Non-current liabilities** | | | |
| Borrowings | 13 | 432,839 | - |
| Provisions | | 70,000 | 70,000 |
| Total non-current liabilities | | 502,839 | 70,000 |
| **Total liabilities** | | 1,060,385 | 4,307,685 |
| **Net assets** | | 13,888,356 | 11,262,847 |
| **Equity** | | | |
| Issued capital | 14 | 27,096,965 | 20,106,620 |
| Reserves | 15 | (20,189) | 1,022,709 |
| Accumulated losses | | (13,188,420) | (9,866,482) |
| **Total equity** | | 13,888,356 | 11,262,847 |

*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 year ended 30 June 2020**

| Consolidated | Issued capital $ | Reserves $ | Accumulated losses $ | Total equity $ |
|---|---|---|---|---|
| Balance at 1 July 2018 | 12,912,366 | 956,547 | (7,358,320) | 6,510,593 |
| Loss after income tax expense for the year | - | - | (2,508,162) | (2,508,162) |
| Other comprehensive income for the year, net of tax | - | 129,300 | - | 129,300 |
| Total comprehensive income / (loss) for the year | - | 129,300 | (2,508,162) | (2,378,862) |
| *Transactions with owners in their capacity as owners:* | | | | |
| Contributions of equity, net of transaction costs (note 14) | 7,105,116 | - | - | 7,105,116 |
| Share-based payments (note 28) | - | 26,000 | - | 26,000 |
| Transfers upon conversion of notes | 89,138 | (89,138) | - | - |
| Balance at 30 June 2019 | 20,106,620 | 1,022,709 | (9,866,482) | 11,262,847 |

| Consolidated | Issued capital $ | Reserves $ | Accumulated losses $ | Total equity $ |
|---|---|---|---|---|
| Balance at 1 July 2019 | 20,106,620 | 1,022,709 | (9,866,482) | 11,262,847 |
| Loss after income tax expense for the year | - | - | (3,321,938) | (3,321,938) |
| Other comprehensive loss for the year, net of tax | - | (2,601,376) | - | (2,601,376) |
| Total comprehensive loss for the year | - | (2,601,376) | (3,321,938) | (5,923,314) |
| Share based payments | - | 1,575,352 | - | 1,575,352 |
| *Transactions with owners in their capacity as owners:* | | | | |
| Contributions of equity, net of transaction costs (note 14) | 6,973,471 | - | - | 6,973,471 |
| Transfers upon conversion of notes | 16,874 | (16,874) | - | - |
| Balance at 30 June 2020 | 27,096,965 | (20,189) | (13,188,420) | 13,888,356 |

*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 year ended 30 June 2020**

| | Note | Consolidated 2020 $ | Consolidated 2019 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Payments to suppliers and employees (inclusive of GST) | | (2,342,250) | (823,694) |
| Interest received | | 25 | 111 |
| Other revenue | | 69 | 259 |
| Interest and other finance costs paid | | (310,504) | (319,061) |
| Net cash used in operating activities | 26 | (2,652,660) | (1,142,385) |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | | - | (16,029) |
| Payments for exploration and evaluation | | (1,473,249) | (1,215,139) |
| Amounts advanced to related party | 22 | - | (912,091) |
| Net cash used in investing activities | | (1,473,249) | (2,143,259) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares | | 4,049,998 | 1,593,467 |
| Proceeds from borrowings | | 2,182,924 | 1,275,841 |
| Proceeds from convertible notes | | - | 1,200,000 |
| Share issue transaction costs | | (605,446) | (182,238) |
| Repayment of borrowings | | (646,936) | (704,792) |
| Net cash from financing activities | | 4,980,540 | 3,182,278 |
| Net increase/(decrease) in cash and cash equivalents | | 854,631 | (103,366) |
| Cash and cash equivalents at the beginning of the financial year | | 62,480 | 165,846 |
| Cash and cash equivalents at the end of the financial year | 6 | 917,111 | 62,480 |

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

## Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 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.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted for the year ended 30 June 2020.

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

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

*AASB 16 Leases*

The consolidated entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity does not hold any material leases and has applied the practical expedient and not implemented lease accounting.

### 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 $3,321,938 and had operating cash outflows of $2,652,660.

These events and conditions indicate a material uncertainty which may cast significant doubt as to whether the consolidated entity will continue as a going concern and therefore whether it will realise assets and discharge liabilities in the normal course of business and at the amounts shown in the financial report.

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:

- Since 30 June 2020 the company has issued a total of 11,054,540 fully paid ordinary on the conversion of options raising $276,364;
- Since 30 June 2020 the company has issued a total of 12,788,978 fully paid ordinary shares valued at $601,970 in relation to the conversion of debt and accrued interest;
- Since 30 June 2020 the company has issued a total of 10,000,000 fully paid ordinary shares as part of a placement raising $600,000 before costs; and
- Since 30 June 2020, the company has received a total of $525,000 in relation to debt with conversion option. Interest is payable at 10% per annum and the borrowings expire in November 2021. It can be converted at a 15% discount to 7 day VWAP.
- The consolidated entity is planning to raise further funds for working capital requirements, as required. The directors are confident, particularly given recent successful equity raisings, the consolidated entity will be able to access equity capital markets.

**Note 1. Significant accounting policies (continued)**

Accordingly, the directors believe consolidated entity will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary should the consolidated entity not continue as a going concern.

**Comparatives**
During the current period certain items have been reclassified to ensure accurate disclosure. Comparative information has been reclassified and repositioned to be consistent with current year disclosures.

**Basis of preparation**
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

*Historical cost convention*
The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

*Critical accounting estimates*
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

**Parent entity information**
In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 23.

**Principles of consolidation**
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Freehill Mining Limited ('company' or 'parent entity') as at 30 June 2020 and the results of all subsidiaries for the year then ended. Freehill Mining Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

**Note 1. Significant accounting policies (continued)**

**Operating segments**
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

**Foreign currency translation**
The financial statements are presented in Australian dollars, which is Freehill Mining Limited's functional and presentation currency.

*Foreign currency transactions*
Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

*Foreign operations*
The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

**Revenue recognition**
The consolidated entity recognises revenue as follows:

*Interest*
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

*Other revenue*
Other revenue is recognised when the performance obligations are met and the right to receive payment is established.

**Income tax**
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

**Note 1. Significant accounting policies (continued)**

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

**Current and non-current classification**
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

**Cash and cash equivalents**
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**Trade and other receivables**
Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

**Investments and other financial assets**
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

*Financial assets at amortised cost*
A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

*Impairment of financial assets*
The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

**Note 1. Significant accounting policies (continued)**

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income (as at 30 June 2019 and 30 June 2018, the Group held no financial assets measured at fair value through other comprehensive income). In all other cases, the loss allowance is recognised in profit or loss.

**Exploration and evaluation assets**
Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

Pre-production mine sales are off-set against the carrying value of the exploration assets.

**Trade and other payables**
These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

**Borrowings**
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

**Finance costs**
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

**Provisions**
Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

**Employee benefits**

*Short-term employee benefits*
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

**Note 1. Significant accounting policies (continued)**

*Other long-term employee benefits*
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

*Share-based payments*
Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:
- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

**Issued capital**
Ordinary shares are classified as equity.

## Note 1. Significant accounting policies (continued)

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### Earnings per share

*Basic earnings per share*
Basic earnings per share is calculated by dividing the profit attributable to the owners of Freehill Mining Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

*Diluted earnings per share*
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

### Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

### New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2020. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

## Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

*Recovery of deferred tax assets*
Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets are not being recognised at 30 June 2020, because their realisation is not yet considered probable.

## Note 2. Critical accounting judgements, estimates and assumptions (continued)

*Exploration and evaluation costs*
Exploration and evaluation costs have been capitalised on the basis that the consolidated entity will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

## Note 3. Impact of COVID 19 pandemic

During the period ended 30 June 2020, the COVID-19 was declared a pandemic by the World Health Organisation (WHO). The pandemic has adversely affected the global economy, including an increase in unemployment, decrease in consumer demand, interruptions in supply chains, and tight liquidity and credit conditions. Since its outbreak, governments worldwide have set up measures to contain the pandemic. Many countries have required entities to limit or suspend business operations, and have also implemented travel restrictions and quarantine measures. Monetary and fiscal stimulus packages have also been introduced in some countries. As the COVID-19 outbreak continues to evolve, the estimated financial impact cannot be reasonably determined at this juncture. The impact which COVID 19 has had on the consolidated entity is set out below.

*Chilean operations*
In response to the pandemic the Chilean government has imposed restrictions. These have resulted in delays to the processing of materials from the drilling program feeding into the feasibility for the Yerbas Beunas project. Whilst there have been delays this has not impacted on the likelihood that the project will ultimately be feasible.

*Australian operations*
The impact of COVID-19 on the consolidated entity's Australian operations has not been material due to their scale and nature of operations as a holding company.

## Note 4. Operating segments

*Identification of reportable operating segments*
The consolidated entity is organised into one operating segment: Chilean Mining. 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 5. Income tax expense

| | **Consolidated** | |
|---|---|---|
| | **2020** | **2019** |
| | **$** | **$** |
| *Numerical reconciliation of income tax expense and tax at the statutory rate* | | |
| Loss before income tax expense | (3,321,938) | (2,508,162) |
| Tax at the statutory tax rate of 27.5% | (913,533) | (689,745) |
| Non-deductible expenses | 298,825 | 150,586 |
| Temporary differences and losses not bought to account | 614,708 | 539,159 |
| Income tax expense | - | - |

## Note 5. Income tax expense (continued)

| | Consolidated 2020 $ | 2019 $ |
|---|---|---|
| *Australian tax losses not recognised* | | |
| Unused tax losses for which no deferred tax asset has been recognised | 7,381,699 | 5,862,673 |
| Potential tax benefit @ 27.5% | 2,029,967 | 1,612,235 |

In addition to the above Australian tax losses the consolidated entity has unused losses of 1,720,208,482 (AUD 3,612,438) Chilean pesos which amount to an recognised benefit of 466,456,290 Chilean pesos (AUD 975,358). The corporate tax rate in Chile is 27%.

The above potential tax benefit for unused tax losses has not been recognised in the statement of financial position. These unused tax losses are available for used against future taxable income.

## Note 6. Current assets - cash and cash equivalents

| | Consolidated 2020 $ | 2019 $ |
|---|---|---|
| Cash on hand | 1,780 | 10 |
| Cash at bank | 915,331 | 62,470 |
| | 917,111 | 62,480 |

## Note 7. Current assets - trade and other receivables

| | Consolidated 2020 $ | 2019 $ |
|---|---|---|
| Other receivables | 15,542 | 18,656 |
| Receivable from Lacerta Finance & Mining SpA | - | 912,091 |
| Indirect taxes receivable | 81,702 | 31,989 |
| | 97,244 | 962,736 |

On 2 September 2019, the company completed the acquisition of an 80-hectare tenement known as Arenas XI 1/20, located directly to the south of the Yerbas Buenas project area. This receivable from Lacerta formed the consideration for this tenement acquisition.

## Note 8. Non-current assets - receivables

| | Consolidated 2020 $ | 2019 $ |
|---|---|---|
| Indirect taxes receivable | 586,032 | 464,804 |

## Note 9. Non-current assets - exploration and evaluation asset

| | Consolidated | |
|---|---|---|
| | **2020** | **2019** |
| | **$** | **$** |
| Exploration and evaluation - at cost | 13,335,980 | 14,025,904 |

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

| **Consolidated** | Exploration & evaluation $ |
|---|---|
| Balance at 1 July 2018 | 12,666,803 |
| Additions | 1,237,305 |
| Exchange differences | 121,796 |
| | |
| Balance at 30 June 2019 | 14,025,904 |
| Additions | 1,514,147 |
| Exchange differences | (2,204,071) |
| | |
| Balance at 30 June 2020 | 13,335,980 |

Exploration and evaluation assets are pledge as security of convertible notes issue (refer to note 13).

## Note 10. Current liabilities - trade and other payables

| | Consolidated | |
|---|---|---|
| | **2020** | **2019** |
| | **$** | **$** |
| Trade payables | 250,058 | 1,609,454 |
| Interest payable | 9,679 | 217,282 |
| Other payables | 215,290 | 342,050 |
| | | |
| | 475,027 | 2,168,786 |

Refer to note 17 for further information on financial instruments.

## Note 11. Current liabilities - borrowings

| | Consolidated | |
|---|---|---|
| | **2020** | **2019** |
| | **$** | **$** |
| Convertible notes payable | - | 1,006,101 |
| Short term loans | 72,303 | 1,062,798 |
| | | |
| | 72,303 | 2,068,899 |

Refer to note 17 for further information on financial instruments.

The short term loans are repayable at 12 months from the date of issue and interest has been accrued at 15% per annum. This loan has been repaid in full since 30 June 2020.

## Note 12. Current liabilities - employee benefits

| | Consolidated 2020 $ | Consolidated 2019 $ |
|---|---|---|
| Employee benefits | 10,216 | - |

## Note 13. Non-current liabilities - borrowings

| | Consolidated 2020 $ | Consolidated 2019 $ |
|---|---|---|
| Debt with conversion option | 432,839 | - |

Refer to note 17 for further information on financial instruments.

Interest is payable on the Debt with conversion option at 10% per annum and the borrowings expire in November 2021. It can be converted at a 15% discount to 7 day VWAP.

*Total secured liabilities*
The total secured liabilities (current and non-current) are as follows:

| | Consolidated 2020 $ | Consolidated 2019 $ |
|---|---|---|
| Convertible notes | - | 930,884 |
| Debt with conversion option | 432,839 | - |
| | 432,839 | 930,884 |

*Assets pledged as security*
The carrying amounts of assets pledged as security for current and non-current borrowings are:

| | Consolidated 2020 $ | Consolidated 2019 $ |
|---|---|---|
| Exploration and evaluation assets | 13,335,980 | 14,230,011 |

## Note 14. Equity - issued capital

| | Consolidated 2020 Shares | Consolidated 2019 Shares | Consolidated 2020 $ | Consolidated 2019 $ |
|---|---|---|---|---|
| Ordinary shares - fully paid | 1,453,768,548 | 816,273,950 | 27,096,965 | 20,106,620 |

*Movements in ordinary share capital*

## Note 14. Equity - issued capital (continued)

| Details | Date | Shares | Issue price | $ |
|---|---|---|---|---|
| Balance | 1 July 2018 | 365,201,691 | | 12,912,366 |
| Shares issued to settle borrowings | 6 July 2018 | 31,729,019 | $0.0480 | 1,522,993 |
| Shares issued in relation to funds received before 30 June 2018 | 6 July 2018 | 5,208,333 | $0.0480 | 250,000 |
| Shares issued to CEO | 6 July 2018 | 827,814 | $0.0640 | 50,000 |
| Shares issued to settle borrowings | 13 July 2018 | 353,847 | $0.0180 | 16,985 |
| Shares issued to settle borrowings | 8 October 2018 | 3,087,509 | $0.0180 | 55,575 |
| Shares issued to settle borrowings and trade and other payables | 29 November 2018 | 19,041,952 | $0.0150 | 285,269 |
| Issue of shares | 6 December 2018 | 53,031,164 | $0.0150 | 795,467 |
| Shares issued to settle borrowings and trade and other payables | 14 December 2018 | 22,096,820 | $0.0153 | 338,887 |
| Shares issued to settle borrowings | 24 December 2018 | 37,425,076 | $0.0150 | 561,376 |
| Issue of shares | 24 December 2018 | 28,333,331 | $0.0150 | 425,000 |
| Issue of shares | 31 December 2018 | 13,333,334 | $0.0150 | 200,000 |
| Shares issued to settle borrowings | 31 December 2018 | 65,386,693 | $0.0150 | 980,800 |
| Shares issued to settle borrowings | 7 January 2019 | 3,511,772 | $0.0174 | 61,029 |
| Issue of shares | 28 February 2019 | 3,200,000 | $0.0150 | 48,000 |
| Shares issued to settle borrowings | 28 February 2019 | 7,146,978 | $0.0120 | 86,062 |
| Shares issued to settle borrowings | 4 March 2019 | 3,967,476 | $0.0120 | 47,610 |
| Shares issued to settle borrowings | 6 March 2019 | 18,181,731 | $0.0113 | 206,181 |
| Shares issued to settle borrowings and trade and other payables | 8 March 2019 | 96,287,770 | $0.0123 | 1,184,634 |
| Issue of shares | 12 March 2019 | 8,333,334 | $0.0150 | 125,000 |
| Shares issued to settle borrowings | 12 March 2019 | 19,093,800 | $0.0135 | 257,890 |
| Shares issued to settle trade and other payables | 16 April 2019 | 6,000,000 | $0.0150 | 90,000 |
| Shares issued to settle borrowings | 17 May 2019 | 5,494,506 | $0.0137 | 75,000 |
| Transfers from reserves upon conversion of notes | | - | $0.0000 | 89,138 |
| Fair value adjustment on conversion of notes | | - | $0.0000 | (286,767) |
| Less cost of capital raising | | - | $0.0000 | (271,875) |
| | | | | |
| Balance | 30 June 2019 | 816,273,950 | | 20,106,620 |

## Note 14. Equity - issued capital (continued)

| Details | Date | Shares | Issue price | $ |
|---|---|---|---|---|
| Shares issued to settle borrowings, trade and other payables and for cash | 13 November 2019 | 334,668,350 | $0.0110 | 3,685,507 |
| Shares issued to settle borrowings | 15 November 2019 | 34,057,148 | $0.0100 | 324,083 |
| Shares issued to settle trade and other payables | 29 November 2019 | 2,572,457 | $0.0117 | 30,000 |
| Shares issued to settle trade and other payables | 3 December 2019 | 3,000,000 | $0.0110 | 33,000 |
| Shares issued to settle borrowings and for cash | 20 December 2019 | 24,502,321 | $0.0110 | 269,739 |
| Shares issued to settle borrowings | 03 January 2020 | 19,263,638 | $0.0110 | 211,900 |
| Shares issued to settle borrowings | 21 January 2020 | 30,727,271 | $0.0110 | 338,000 |
| Shares issued to settle borrowings, trade and other payables and for cash | 3 February 2020 | 86,252,526 | $0.0144 | 1,240,444 |
| Shares issued to settle borrowings | 18 February 2020 | 7,182,633 | $0.0136 | 98,000 |
| Shares issued to settle borrowings | 21 February 2020 | 17,276,169 | $0.0184 | 318,645 |
| Shares issued to settle borrowings | 11 March 2020 | 14,174,346 | $0.0247 | 350,007 |
| Shares issued to settle trade and other payables | 24 March 2020 | 3,184,783 | $0.0230 | 73,250 |
| Shares issued to settle borrowings | 6 April 2020 | 5,787,410 | $0.0173 | 100,122 |
| Shares issued to settle trade and other payables | 23 April 2020 | 1,858,696 | $0.0230 | 42,750 |
| Shares issued to settle borrowings | 30 April 2020 | 4,883,855 | $0.0205 | 100,000 |
| Shares issued to settle borrowings | 12 May 2020 | 1,504,832 | $0.0241 | 36,212 |
| Shares issued to settle borrowings and trade and other payables | 21 May 2020 | 7,501,222 | $0.0245 | 183,912 |
| Shares issued to settle trade and other payables | 27 May 2020 | 1,475,000 | $0.0300 | 16,500 |
| Shares issued on conversion of options and settle borrowings | 1 June 2020 | 5,952,335 | $0.0301 | 179,189 |
| Shares issued for cash | 4 June 2020 | 14,000,000 | $0.0500 | 700,000 |
| Shares issued to settle borrowings and trade and other payables | 11 June 2020 | 3,584,937 | $0.0420 | 150,745 |
| Shares issued on conversion of options and to settle borrowings | 16 June 2020 | 2,913,142 | $0.0412 | 120,041 |
| Shares issued on conversion of options, to settle borrowings and to settle borrowings | 30 June 2020 | 11,171,527 | $0.0290 | 323,445 |
| Transfers from reserves upon conversion of notes | | - | $0.0000 | 16,874 |
| Less cost of capital raising - equity and cash settled | | - | $0.0000 | (1,952,020) |
| Balance | 30 June 2020 | 1,453,768,548 | | 27,096,965 |

*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.

*Capital risk management*
The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

## Note 14. Equity - issued capital (continued)

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 30 June 2019 Annual Report.

## Note 15. Equity - reserves

| | Consolidated | |
|---|---|---|
| | 2020 $ | 2019 $ |
| Foreign currency reserve | (1,662,041) | 939,335 |
| Share-based payments reserve | 1,641,852 | 66,500 |
| Convertible notes reserve | - | 16,874 |
| | (20,189) | 1,022,709 |

*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.

*Convertible note reserve*
The reserve is used to recognise the value of the equity portion of convertible notes.

*Movements in reserves*
Movements in each class of reserve during the current and previous financial year are set out below:

| **Consolidated** | Convertible notes $ | Share based payments $ | Foreign currency $ |
|---|---|---|---|
| Balance at 1 July 2018 | 106,012 | 40,500 | 810,035 |
| Foreign currency translation | - | - | 129,300 |
| Share based payments | - | 26,000 | - |
| Transfers to issued capital upon conversion of notes | (89,138) | - | - |
| Balance at 30 June 2019 | 16,874 | 66,500 | 939,335 |
| Foreign currency translation | - | - | (2,601,376) |
| Share based payments | - | 1,575,352 | - |
| Transfers to issued capital upon conversion of notes | (16,874) | - | - |
| Balance at 30 June 2020 | - | 1,641,852 | (1,662,041) |

## Note 16. Equity - dividends

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

## Note 17. Financial instruments

***Financial risk management objectives***

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk.

Risk management is carried out by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. The Board identifies, evaluates and hedges financial risks within the consolidated entity's operating units.

***Market risk***

*Foreign currency risk*

The consolidated entity is exposed to foreign exchange risk in relation to its operation in Chile, and liabilities denominated in US dollars.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The net carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

| | Assets | | Liabilities | |
|---|---|---|---|---|
| **Consolidated** | **2020 $** | **2019 $** | **2020 $** | **2019 $** |
| US dollars | - | - | 72,303 | 371,132 |
| Chilean pesos | 604,378 | 1,397,261 | 263,132 | 1,180,995 |
| | 604,378 | 1,397,261 | 335,435 | 1,552,127 |

| | AUD strengthened | | | AUD weakened | | |
|---|---|---|---|---|---|---|
| **Consolidated - 2020** | **% change** | **Effect on profit before tax** | **Effect on equity** | **% change** | **Effect on profit before tax** | **Effect on equity** |
| US Dollar | 20% | 14,460 | 14,460 | 20% | (14,460) | (14,460) |
| Chilean pesos | 20% | - | (68,249) | 20% | - | 68,249 |
| | | 14,460 | (53,789) | | (14,460) | 53,789 |

**Note 17. Financial instruments (continued)**

| | | AUD strengthened | | | AUD weakened | |
|---|---|---|---|---|---|---|
| **Consolidated - 2019** | **% change** | **Effect on profit before tax** | **Effect on equity** | **% change** | **Effect on profit before tax** | **Effect on equity** |
| US Dollar | 20% | 74,226 | 74,226 | 20% | (74,226) | (74,226) |
| Chilean pesos | 20% | - | (42,253) | 20% | - | (43,253) |
| | | 74,226 | 31,973 | | (74,226) | (117,479) |

*Price risk*
The consolidated entity is not exposed to any significant price risk.

*Interest rate risk*
The consolidated entity is not exposed to any interest rate risk.

***Credit risk***
The consolidated entity is not exposed to significant credit risk.

***Liquidity risk***
Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

*Remaining contractual maturities*
The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

| **Consolidated - 2020** | Weighted average interest rate % | 1 year or less $ | Between 1 and 2 years $ | Between 2 and 5 years $ | Over 5 years $ | Remaining contractual maturities $ |
|---|---|---|---|---|---|---|
| **Non-derivatives** | | | | | | |
| *Non-interest bearing* | | | | | | |
| Trade and other payables | - | 475,027 | - | - | - | 475,027 |
| *Interest-bearing - fixed rate* | | | | | | |
| Short term loans | 15.00% | 72,303 | - | - | - | 72,303 |
| Debt with conversion option | 10.00% | - | 432,839 | - | - | 432,839 |
| Total non-derivatives | | 547,330 | 432,839 | - | - | 980,169 |

### Note 17. Financial instruments (continued)

| Consolidated - 2019 | Weighted average interest rate % | 1 year or less $ | Between 1 and 2 years $ | Between 2 and 5 years $ | Over 5 years $ | Remaining contractual maturities $ |
|---|---|---|---|---|---|---|
| **Non-derivatives** | | | | | | |
| *Non-interest bearing* | | | | | | |
| Trade and other payables | - | 2,168,786 | - | - | - | 2,168,786 |
| *Interest-bearing - fixed rate* | | | | | | |
| Convertible notes payable | 16.49% | 1,006,101 | - | - | - | 1,006,101 |
| Short term loans | 15.00% | 1,062,798 | - | - | - | 1,062,798 |
| Total non-derivatives | | 4,237,685 | - | - | - | 4,237,685 |

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

***Fair value of financial instruments***
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

### Note 18. Key management personnel disclosures

*Directors*
The following persons were directors of Freehill Mining Limited during the financial year:

Raymond Charles Mangion
Paul Davies
Samuel Duddy
Peter Hinner
Wayne Johnson

Benefits to key management personnel are recognised in profit or loss within employee benefits expense.

*Compensation*
The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

| | Consolidated 2020 $ | Consolidated 2019 $ |
|---|---|---|
| Short-term employee benefits | 365,750 | 345,500 |
| Share-based payments | 212,647 | 163,750 |
| | 578,397 | 509,250 |

## Note 19. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by RSM Australia Partners, the auditor of the company, and unrelated firms:

| | Consolidated | |
|---|---|---|
| | **2020** | **2019** |
| | **$** | **$** |
| *Audit services - RSM Australia Partners* | | |
| Audit or review of the financial statements | 61,000 | 80,920 |
| *Other services - RSM Australia Partners* | | |
| Taxation services | 9,500 | 10,500 |
| | 70,500 | 91,420 |
| *Audit services - out of network firms* | | |
| Audit or review of the financial statements | - | 32,625 |

## Note 20. Contingent liabilities

During the prior year, legal claims were lodged in Chile by two separate former suppliers against Yerbas Buenas SpA (YB), a fully owned subsidiary of the company. The claims are in relation to alleged breaches of contracts by YB.

In addition, YB has been joined in three labour related legal claims, in relation to alleged wrongful dismissal by Lacerta Finance & Mining SpA (Lacerta) which resulted from the period where Lacerta was leasing the mining operations.

The above matters are in the early stages of assessment however, in consideration of advice from the Company’s legal advisers in Chile, the directors believe that these matters will be resolved with minimal impact on the group position.

The consolidated entity had no other contingent liabilities at 30 June 2020 and 30 June 2019.

## Note 21. Commitments

The consolidated entity had no commitments at 30 June 2020 and 30 June 2019.

## Note 22. Related party transactions

*Parent entity*
Freehill Mining Limited is the parent entity.

*Subsidiaries*
Interests in subsidiaries are set out in note 24.

*Key management personnel*
Disclosures relating to key management personnel are set out in note 18 and the remuneration report included in the directors' report.

## Note 22. Related party transactions (continued)

*Transactions with related parties*
The following transactions occurred with related parties:

| | Consolidated 2020 $ | Consolidated 2019 $ |
|---|---|---|
| Payment for other expenses: | | |
| Interest paid and accrued on short terms loans payable to Ray Mangion and his wife | 95,449 | 24,000 |
| Other transactions: | | |
| Amounts advanced to Lacerta Finance and Mining SpA ("Lacerta"). Juan Dagach was a director of Yerbas Buenas SpA until February 2019 and was also the general manager of Lacerta. | - | 912,091 |

*Receivable from and payable to related parties*
The following balances are outstanding at the reporting date in relation to transactions with related parties:

| | Consolidated 2020 $ | Consolidated 2019 $ |
|---|---|---|
| Current payables: | | |
| Trade payables to Electrum Pty Ltd - an entity related to Peter Hinner | 14,506 | 276,665 |
| Trade payables and accrued expenses to directors in relation to unpaid fees and expenses | 26,250 | 116,886 |

*Loans to/from related parties*
The following balances are outstanding at the reporting date in relation to loans with related parties:

| | Consolidated 2020 $ | Consolidated 2019 $ |
|---|---|---|
| Current borrowings: | | |
| Loan from Ray Mangion (director) and his wife | - | 495,519 |

*Terms and conditions*
All transactions were made on normal commercial terms and conditions and at market rates.

## Note 23. Parent entity information

Set out below is the supplementary information about the parent entity.

*Statement of profit or loss and other comprehensive income*

| | Parent 2020 $ | Parent 2019 $ |
|---|---|---|
| Loss after income tax | (2,249,738) | (2,110,719) |
| Total comprehensive loss | (2,249,738) | (2,110,719) |

## Note 23. Parent entity information (continued)

*Statement of financial position*

| | Parent 2020 $ | Parent 2019 $ |
|---|---|---|
| Total current assets | 998,547 | 122,810 |
| Total assets | 16,614,257 | 12,654,915 |
| Total current liabilities | 284,198 | 3,056,689 |
| Total liabilities | 717,037 | 3,056,689 |
| Equity | | |
| Issued capital | 40,352,910 | 33,362,565 |
| Share-based payments reserve | 1,641,852 | 66,500 |
| Convertible notes reserve | 1,007,202 | 1,024,166 |
| Accumulated losses | (27,104,744) | (24,855,005) |
| Total equity | 15,897,220 | 9,598,226 |

*Guarantees entered into by the parent entity in relation to the debts of its subsidiaries*
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2020 and 30 June 2019.

*Contingent liabilities*
The parent entity had no contingent liabilities as at 30 June 2020 and 30 June 2019.

*Capital commitments - Property, plant and equipment*
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2020 and 30 June 2019.

*Significant accounting policies*
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

## Note 24. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

| Name | Principal place of business / Country of incorporation | Ownership interest 2020 % | Ownership interest 2019 % |
|---|---|---|---|
| Freehill Investments Pty Ltd | Australia | 100.00% | 100.00% |
| Yerbas Buenas SpA | Chile | 100.00% | 100.00% |
| San Patricio Mineria SpA | Chile | 100.00% | 100.00% |

## Note 25. Events after the reporting period

Since 30 June 2020, the company has issued the fully paid ordinary shares :-

## Note 25. Events after the reporting period (continued)

- A total of 11,054,540 fully paid ordinary on the conversion of options raising $276,364;
- A total of 12,788,978 fully paid ordinary shares valued at $601,970 in relation to the conversion of debt and accrued interest;
- A total of 1,000,000 fully paid ordinary shares valued at $57,000 to key management personnel as part of their remuneration; and
- A total of 10,000,000 fully paid ordinary shares as part of a placement raising $600,000 before costs.

On 20 August 2020, the company issued 6,000,000 performance shares to the company's CFO and Executive Directors Paul Davies as part of his remuneration package.

On 20 October 2020, the company announced that its wholly owned subsidiary, San Patricio Mineria SpA (‘San Patricio’), has completed the acquisition from Minera El Dorado SCM of the 750 hectare El Dorado Project tenements that directly adjoin Freehill’s 67Mt Yerbas Buenas magnetite project.

Since 30 June 2020, the company has received a total of $525,000 in relation to debt with conversion option. Interest is payable at 10% per annum and the borrowings expire in November 2021. It can be converted at a 15% discount to 7 day VWAP.

The impact of the COVID 19 pandemic has been outlined in note 3 to the financial statements. The impact has continued to be felt since 30 June 2020 and is being monitored by the board.

No other matter or circumstance has arisen since 30 June 2020 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 26. Reconciliation of loss after income tax to net cash used in operating activities

| | Consolidated | |
|---|---|---|
| | **2020** | **2019** |
| | **$** | **$** |
| Loss after income tax expense for the year | (3,321,938) | (2,508,162) |
| | | |
| Adjustments for: | | |
| Depreciation and amortisation | 249 | 2,747 |
| Share-based payments | 82,647 | 26,000 |
| Foreign exchange differences | (13,377) | 102,320 |
| Accrued finance costs and finance costs settled via issue of shares | 316,173 | 399,284 |
| Operating expenses settled via the issue of shares | 1,502,291 | 463,926 |
| | | |
| Change in operating assets and liabilities: | | |
| Decrease/(increase) in trade and other receivables | (195,358) | 129,524 |
| Decrease/(increase) in other operating assets | 38,839 | (39,845) |
| Increase/(decrease) in trade and other payables | (1,072,402) | 281,821 |
| Increase in employee benefits | 10,216 | - |
| | | |
| Net cash used in operating activities | (2,652,660) | (1,142,385) |

## Note 27. Earnings per share

| | Consolidated 2020 $ | Consolidated 2019 $ |
|---|---|---|
| Loss after income tax attributable to the owners of Freehill Mining Limited | (3,321,938) | (2,508,162) |
| | **Number** | **Number** |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 1,140,465,178 | 583,292,191 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 1,140,465,178 | 583,292,191 |
| | **Cents** | **Cents** |
| Basic earnings per share | (0.29) | (0.43) |
| Diluted earnings per share | (0.29) | (0.43) |

## Note 28. Share-based payments

During the half year the company issued the following options

- Investors and brokers received 166,481,086 options in relation the company's capital raising efforts;
- Lacerta received 30,000,000 options as part of it financials settlement; and
- Key management personnel received 10,000,000 options as part of their remuneration

Set out below are summaries of options granted under the plan:

| | Number of options 2020 | Weighted average exercise price 2020 | Number of options 2019 | Weighted average exercise price 2019 |
|---|---|---|---|---|
| Outstanding at the beginning of the financial year | - | $0.0000 | - | $0.0000 |
| Granted | 206,481,086 | $0.0359 | - | $0.0000 |
| Outstanding at the end of the financial year | 206,481,086 | $0.0359 | - | $0.0000 |
| Exercisable at the end of the financial year | 206,481,086 | $0.0359 | - | $0.0000 |

2020

| Grant date | Expiry date | Exercise price | Balance at the start of the year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
|---|---|---|---|---|---|---|---|
| 13/11/2019 | 12/11/2021 | $0.0250 | - | 176,481,086 | - | - | 176,481,086 |
| 13/11/2019 | 12/11/2021 | $0.1000 | - | 30,000,000 | - | - | 30,000,000 |
| | | | - | 206,481,086 | - | - | 206,481,086 |

The weighted average remaining contractual life of options outstanding at the end of the financial year was 1.36 years.

## Note 28. Share-based payments (continued)

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

| Grant date | Expiry date | Share price at grant date | Exercise price | Expected volatility | Dividend yield | Risk-free interest rate | Fair value at grant date |
|---|---|---|---|---|---|---|---|
| 13/11/2019 | 12/11/2021 | $0.1600 | $0.0225 | 120.000% | - | 0.870% | $0.0083 |
| 13/11/2019 | 12/11/2021 | $0.0160 | $0.1000 | 120.000% | - | 0.870% | $0.0039 |

## Note 29. Changes in liabilities arising from financing activities

| **Consolidated** | Borrowings $ | Total $ |
|---|---|---|
| Balance at 1 July 2018 | 4,537,572 | 4,537,572 |
| Net cash from financing activities | 571,049 | 571,049 |
| Conversion to equity | (3,039,722) | (3,039,722) |
| Balance at 30 June 2019 | 2,068,899 | 2,068,899 |
| Net cash from financing activities | 2,126,601 | 2,126,601 |
| Conversion to equity | (3,690,358) | (3,690,358) |
| Balance at 30 June 2020 | 505,142 | 505,142 |

**Freehill Mining Limited**
**Directors' declaration**
**30 June 2020**

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the financial 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.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Ray Mangion
Chairman

29 October 2020

RSM

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# INDEPENDENT AUDITOR'S REPORT

## To the Members of Freehill Mining Limited

### Opinion

We have audited the financial report of Freehill Mining Limited (the Company) and its subsidiaries (the Consolidated entity), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of the Consolidated entity is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Consolidated entity's financial position as at 30 June 2020 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Consolidated entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the consolidated entity incurred a loss of $3,321,938 and had net cash outflows from operating activities amounting to $2,652,660 during the year ended 30 June 2020. As stated in Note 1, these events and conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Consolidated entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matter to be communicated in our report.

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed this matter</th></tr>
<tr><td colspan="2">Carrying value of Exploration & evaluation assets<br>Refer to Note 9 in the consolidated financial statements</td></tr>
<tr><td>The consolidated entity has capitalised exploration expenditure, in relation to the Yerbas Buenas project, with a carrying value of $13.3m, which represented 89% of the total assets of the consolidated entity as at 30 June 2020. We determined this to be a key audit matter due to the materiality of this asset in the statement of financial position of the consolidated entity, and also because of the significant management judgement involved in assessing the carrying value in accordance with AASB 6 Exploration for and Evaluation of Mineral Resources (AASB 6), including:<br>• Determination of whether expenditure can be associated with finding specific mineral resources;<br>• Assessment whether indicators of impairment exists; and<br>• Determination of whether exploration activities have progressed to the stage at which the existence of an economically recoverable mineral reserve may be determined.</td><td>Our audit procedures in relation to the carrying value of Exploration and evaluation assets included:<br>• Assessing whether the consolidated entity's policy for capitalising exploration and evaluation asset costs is in accordance with Australian Accounting Standards;<br>• Reviewing a sample of additions capitalised as exploration and evaluation assets to determine whether the costs were appropriate to capitalise in accordance with AASB 6 and the consolidated entity's accounting policy;<br>• Obtaining evidence that the consolidated entity has valid rights to explore in the specific areas of interest;<br>• Critically assessing and evaluating management's assessment that no indicators of impairment existed, including reviewing the geologist's report concluding there are reasonable prospects for eventual economic extraction in the short term; and<br>• Enquiring with management, and reviewing the consolidated entity's ASX announcements and other relevant documentation, to assess management's determination that exploration activities have not yet progressed to the point where the existence or otherwise of an economically recoverable mineral resource may be determined.</td></tr>
</table>

**Other Information**

The directors are responsible for the other information. The other information comprises the information included in the Consolidated entity's annual report for the year ended 30 June 2020; but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Directors for the Financial Report**

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Consolidated entity to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Consolidated entity or to cease operations, or have no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance; but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf . This description forms part of our auditor's report.

**Report on the Remuneration Report**

*Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 5 to 11 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Freehill Mining Limited., for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

**Report on the Remuneration Report (continued)**

*Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**RSM AUSTRALIA PARTNERS**

**R J MORILLO MALDONALDO**

Partner

Dated: 29 October 2020
Melbourne, Victoria

The shareholder information set out below was applicable as at 8 October 2020.

**Distribution of equitable securities**

Analysis of number of equitable security holders by size of holding:

| | Number of holders of options over shares | Number of options over shares | Number of holders of ordinary shares | Number of ordinary shares |
|---|---|---|---|---|
| 1 to 1,000 | - | - | 789 | 112,311 |
| 1,001 to 5,000 | - | - | 81 | 200,886 |
| 5,001 to 10,000 | - | - | 238 | 2,197,590 |
| 10,001 to 100,000 | 29 | 1,684,501 | 631 | 26,632,198 |
| 100,001 and over | 101 | 150,393,929 | 735 | 1,463,303,474 |
| | 130 | 152,078,430 | 2,474 | 1,492,446,459 |
| Holding less than a marketable parcel | - | - | 919 | 644,017 |

**Equity security holders**

*Twenty largest quoted equity security holders*

The names of the twenty largest security holders of quoted equity securities are listed below:

| | Ordinary shares | |
|---|---|---|
| | Number held | % of total shares issued |
| SAMUEL WILLIAM DUDDY | 195,333,585 | 13.09 |
| DG FREEHOLD PTY LTD (DG FREEHOLD A/C) | 86,694,032 | 5.81 |
| J M ROSS SUPER PTY LTD (J M ROSS SUPER FUND A/C) | 86,448,485 | 5.79 |
| CAM NOMINEES PTY LTD (CAM NOMINEES SUPER FUND A/C) | 59,341,323 | 3.98 |
| PELICAN INVESTMENTS FAMILY A/C | 44,814,063 | 3.00 |
| R & A MANGION PTY LTD (STEGMAN SMSF A/C) | 35,407,449 | 2.37 |
| GEORGE THEONAS | 33,315,152 | 2.23 |
| HRM PARTNERS PTY LTD (L&P SUPERFUND A/C) | 30,496,113 | 2.04 |
| AEGIS INVESTMENT CAPITAL PTY LTD | 22,952,486 | 1.54 |
| MR LEO ILIAS RADIOTIS (L A RADIOTIS FAMILY A/C) | 22,095,451 | 1.48 |
| MS STEPHANIE LAUREN THEONAS | 21,946,589 | 1.47 |
| PAW SUPER PTY LTD (PAW SUPER FUND A/C) | 20,900,299 | 1.40 |
| MR RINO DI GIANTOMASSO | 19,000,000 | 1.27 |
| MR PETER BROUWER & MS TANIA BROUWER (P&T BROUWER SMSF A/C) | 16,031,520 | 1.07 |
| PETER HINNER | 15,749,910 | 1.06 |
| AKM MARLBOROUGH PTY LTD (M & M VINACCIA FAMILY A/C) | 15,327,543 | 1.03 |
| WATO HOLDINGS PTY LTD (GRILLO DISCRETIONARY A/C) | 13,349,650 | 0.89 |
| NAFRA PTY LTD | 13,333,333 | 0.89 |
| MR JAG ZENON MAXWELL (ZENON FAMILY A/C) | 13,276,571 | 0.89 |
| PINNACLE EQUITIES PTY LTD | 13,064,000 | 0.88 |
| | 778,877,554 | 52.18 |

**Freehill Mining Limited**
**Shareholder information**
**30 June 2020**

| | Options over ordinary shares | |
|---|---|---|
| | Number held | % of total options issued |
| SAMUEL WILLIAM DUDDY | 18,136,557 | 11.19 |
| CAM NOMINEES PTY LTD (CAM NOMINEES SUPER FUND A/C) | 14,411,364 | 8.89 |
| MR SIMON WILLIAM TRITTON (INVESTMENT A/C) | 7,954,545 | 4.91 |
| RMVIC PTY LTD (RMVIC S/F A/C) | 7,750,000 | 4.78 |
| GEORGE THEONAS | 6,962,624 | 4.30 |
| ALITIME NOMINEES PTY LTD (HONEYHAM FAMILY A/C) | 6,251,539 | 3.86 |
| DC & PC HOLDINGS PTY LTD (DC & PC NEESHAM SUPER A/C) | 6,000,000 | 3.70 |
| MR MATTHEW KENDON STRAHLEY & MRS EMILY ANNE STRAHLEY (MK & EA STRAHLEY FAMILY A/C) | 5,781,818 | 3.57 |
| MR JAG ZENON MAXWELL (ZENON FAMILY A/C) | 4,134,814 | 2.55 |
| DUDDY 2020 PTY LTD (DUDDY 2020 A/C) | 3,893,338 | 2.40 |
| SEMZJ INVESTMENTS PTY LTD (HALLELUYAH INVESTMENT A/C) | 3,000,000 | 1.85 |
| R & A MANGION PTY LTD (STEGMAN SMSF A/C) | 2,727,272 | 1.68 |
| HANWORTH QLD PTY LTD (HANWORTH A/C) | 2,306,000 | 1.42 |
| MRS TANIA LESLEY WATT & MR RODNEY JOHN WATT | 2,297,820 | 1.42 |
| MR STEVEN HUSSEY & MRS KIM HUSSEY (S& K HUSSEY S/F A/C) | 2,272,727 | 1.40 |
| HUNTERLAND HJDN PTY LTD | 2,000,000 | 1.23 |
| FREYABEAR FHMN PTY LTD | 2,000,000 | 1.23 |
| DR ANTHONY JOHN CERQUI & MRS SARAH JANE CERQUI (CERQUI SUPER FUND A/C) | 1,975,930 | 1.22 |
| MR JIA-JIAN CHEN & MRS ZHANG PING | 1,845,956 | 1.14 |
| M D ZIMBLER PTY LTD (MICHAEL ZIMBLER SMSF A/C) | 1,818,181 | 1.12 |
| | 103,520,485 | 63.86 |

**Substantial holders**
Substantial holders in the company are set out below:

| | Ordinary shares | |
|---|---|---|
| | Number held | % of total shares issued |
| SAMUEL DUDDY | 213,470,142 | 14.30 |
| DG FREEHOLD PTY LTD (DG FREEHOLD A/C) | 86,694,032 | 5.81 |
| J M ROSS SUPER PTY LTD (J M ROSS SUPER FUND A/C) | 86,448,485 | 5.79 |

| | Options over ordinary shares | |
|---|---|---|
| | Number held | % of total options issued |
| SAMUEL WILLIAM DUDDY | 18,136,557 | 11.19 |
| CAM NOMINEES PTY LTD (CAM NOMINEES SUPER FUND A/C) | 14,411,364 | 8.89 |

**Voting rights**
The voting rights attached to ordinary shares are set out below:

*Ordinary shares*
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.

*Options*

Option holders do not have voting rights.