

Freehill Mining Limited

ACN 091 608 025

Annual Report - 30 June 2023

Freehill Mining Limited
Corporate directory
30 June 2023

Directors	Paul Davies Benjamin Jarvis Peter Williams
Company secretary	Joe Fekete
Registered office	Level 24, 570 Bourke St Melbourne, Victoria, Australia, 3000
Principal place of business	Level 24, 570 Bourke St, Melbourne, Victoria, Australia, 3000
Share register	Automic Registry Services Level 12, 50 Holt Street Surry Hills, NSW 2000
Auditor	Connect National Audit Pty Ltd Level 14/333 Collins St MELBOURNE VIC 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
Chairman's letter
30 June 2023

Dear shareholders, I am pleased to present this Annual Report for the 2023 financial year. While FY23 marked a challenging period for Freehill on several fronts, I am confident that the decisive steps taken by the Board and management team over the last six months have positioned the Company with a strong foundation for growth heading into FY24 and beyond.

As previously advised, shares in Freehill were suspended from trading on the ASX during the year following a series of operational challenges at the Company's 100%-owned Yervas Buenas ('YB') magnetite mine in Chile. Those challenges aside, the YB mine still maintains a number of unique commercial attributes that can be leveraged to generate stable and consistent revenues and net earnings. My assessment of these attributes subsequently informed my decision to join the Freehill Board as Chairman in April 2023, alongside Peter Williams who was appointed as a non-executive Director in May 2023. Since then, our focus has been to work with Managing Director Paul Davies to restructure and stabilise operations at YB and position the business to capitalise on an emerging new growth channel in the Chilean market.

This opportunity for Freehill has been underpinned by a key regulatory change in Chile, where environmental laws now stipulate cement industry feedstock can no longer be sourced from dry riverbeds. Historically this been a source of 95% of material used by cement companies. Based on Freehill's production activities over the past six years, YB has generated a waste stockpile of some 700,000 cubic metres which, after testing, is proving to be an acceptable alternative source of materials to the cement industry. As a direct beneficiary of this regulatory change, Freehill can rapidly establish itself as a key participant in the Chilean waste materials market. Reflective of the group's progress in this regard, Freehill has recognised ongoing sales in the September 2023 quarter and is in advanced discussions with a pipeline of large customers.

In turn, Freehill has an asset in YB that has the capacity to deliver near-term cash generation and acceptable margins from a fairly straightforward processing operation. In the current market environment, where a lot of junior resources companies are struggling to attract capital, this gives the Company an ability to generate immediate cashflows by providing a valuable product to the Chilean cement and construction industries, with modest handling and processing costs. Complementing these developments, the Board has made a concerted effort to increase oversight of operational control procedures and on-site staff management. Today, the daily supply of waste materials from YB is being capably managed by an experienced contractor who is systematically improving operations and leveraging the inherent strengths of the business to maximise margins. My favourable views on the Company's new contractor were reinforced by a site visit at YB in June 2023 which gave me confidence that Freehill now has a capable on-site team with the capacity to advance the project.

First purchase orders have been received from a local cement plant operated by Melón, one of Chile's largest cement companies. Freehill is also in dialogue with two more cement companies, construction companies and other groups interested in securing product from YB. Broadly, the level of interest is most encouraging. The regulatory changes in Chile have made waste materials a sought-after commodity in Chile which in turn has given rise to an uplift in prices per cubic metre. To meet demand, the group's aim is to expand waste material production at YB and facilitate sales of 10-12,000 cubic metres of material per month by the end of this calendar year.

In turn, Freehill's Board is confident this will underpin the group's broader strategy; to recommence magnetite mining operations with project funding from the cash flows generated by a profitable waste materials business. With operations now stabilised, the Board has more recently focused its efforts on strengthening the Freehill balance sheet to fund this next phase of growth. In that respect, the Company is fortunate to have had the support of both long-term shareholders and new investors provided capex funding while the Company was suspended from trading to facilitate the commencement of waste processing at YB.

Post balance-date on 14 September, Freehill also announced the results of a pro rata non-renounceable entitlement offer which raised an additional \$704,000. This successful funding round provides Freehill with additional financial flexibility as it progressively builds revenue from its processing operations in Chile. In light of these positive developments, the lodgement of the Company's audited financial statements for FY23 is expected to coincide with the reinstatement to quotation of Freehill shares on the ASX.

In closing, I'd like to reiterate my confidence in our operations and that of the Company's future. Our priority at this time is to scale up operations at YB, continue to manage our cost base conservatively, and regularly report back to shareholders with respect to financial performance and other key performance indicators. Once again, we would like to thank our investors for their ongoing support, and look forward to providing more updates on expanded processing operations and increased sales heading into the end of the year.

Freehill Mining Limited
Directors' report
30 June 2023

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 2023.

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:

Paul Davies
Benjamin Jarvis (appointed (5 April 2023)
Peter Williams (appointed (1 May 2023)
Raymond Charles Mangion (resigned 20 February 2023)
Jim Moore (resigned 20 February 2023)

Principal activities

During the financial year the principal continuing activities of the consolidated entity consisted of:

- Progressing the feasibility of magnetite mining at the Yervas Buenas site;
- Reviewing multiple technical issues relating to production of magnetite from Yervas Buenas;
- Development of secondary revenue stream from sale of waste material;
- Identify scope of waste material opportunity due to legislative changes in Chile; and
- Reviewing potential acquisitions predicated on adding shareholder value.

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 \$14,707,646 (30 June 2022: \$1,616,501).

The loss for the year includes \$13,011,718 of impairment expense in relation to mining and exploration assets.

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

Significant changes in the state of affairs

Other than those matters disclosed in the Chairman's Letter, 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 2023, the company has issued 60,256,003 fully paid ordinary share settling trade and other payables valued at \$180,768.

Since 30 June 2023, the company has issued 421,559,569 fully paid ordinary shares valued at \$1,264,679 settling the "loan - convertible debt" and interest accrued on those loans in full, other than \$165 owing to Paul Davies for interest that accrued on his loans from 1 to 15 September 2023.

Since 30 June 2023, the company has also issued 347,136,620 fully paid ordinary shares under its non-renounceable entitlement offer raising \$1,041,410 before costs. At the time of signing 38,233,158 fully paid ordinary shares remain unplaced, meaning that an additional \$114,699 before costs can still be raised under the entitlement offer.

Since 30 June 2023, to settle the convertible note payable and related derivative liability valued at \$384,217, the company:

- issued 90,000,000 fully paid ordinary shares valued at \$270,000;
- agreed for the holder to retain 51,600,795 fully paid ordinary shares that were issued as collateral shares; and
- paying \$2,150

This means that the company is now free of debt relating to the convertible securities.

No other matter or circumstance has arisen since 30 June 2023 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.

Freehill Mining Limited
Directors' report
30 June 2023

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 (resigned 20 February 2023)
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: N/A
Former directorships (last 3 years): N/A
Interests in shares: N/A
Interests in options: N/A
Interests in rights: N/A

Name: Paul Davies
Title: Chief Executive 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: Mr Davies has been CFO of the Company for six years prior to being appointed Chief Executive. He brings an intimate knowledge of Freehill's activities combined with significant experience in the mining sector from his 30 plus years in the finance industry. During his career, Mr Davies has held leadership roles with many organisations, both large and small, in addition to his finance experience. Most notably, he 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, Mr. Davies worked for a number of years with both Bankers Trust Australia and Macquarie Bank. Mr Davies holds an Economics Degree from Monash University, has qualified as a Chartered Accountant and is an alumnus of the Stanford Business School.

Other current directorships: Nil
Former directorships (last 3 years): Nil
Interests in shares: 34,804,806 fully paid ordinary shares
Interests in options: Nil
Interests in rights: Nil

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Directors' report
30 June 2023

Name: Jim Moore
Title: Non-Executive Director (resigned 20 February 2023)
Qualifications: Bachelor of Engineering from Royal Melbourne Institute of Technology
Experience and expertise: Mr Moore is an experienced and qualified mining engineer and provides significant expertise in the development of the Yerbas Buenas magnetite mining and processing operation. Mr Moore has undertaken multiple roles as a mine manager, superintendent and mining engineer for companies such as BHP Billiton, Pilbara Minerals, Oceana Gold, Element25 and Grange Resources and he brings desirable engineering and research capability to the Board at a critical time.

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

Name: Benjamin Jarvis
Title: Non - Executive Director (appointed 5 April 2023)
Experience and expertise: Mr Jarvis is an experienced company director in the small resources sector. Since 2011, he has been a non-executive director of South-American focused Austral Gold Limited (ASX: AGD; TSX-V: AGLD), a precious metals mining and exploration company with an extensive portfolio of assets in Chile and Argentina. He is also a non-executive director of QX Resources Limited (ASX: QXR) which has a portfolio of exploration assets in Australia and other investments in the resources sector, and a non-executive director of unlisted public company Aeramentum Resources Limited which is focused on copper, nickel, cobalt and gold exploration in Cyprus in the EU. Mr Jarvis is the managing director of Six Degrees Investor Relations, an investor relations and advisory firm he founded in 2006 with offices now in Sydney and Perth.

Other current directorships: Austral Gold Limited (ASX: AGD; TSX-V: AGLD), Aguia Resources Limited (ASX: AGR) and QX Resources Limited (ASX: QXR)
Former directorships (last 3 years): Nil
Interests in shares: 11,333,333 fully paid ordinary shares
Interests in options: Nil

Name: Peter Williams
Title: Non-Executive Director (appointed 1 May 2023)
Experience and expertise: Mr Williams joins the Board with over 20 years' experience as a company director, and a successful career in logistics management and private equity. His career experience includes over 30 years' experience at Toyota Tsusho Australasia, a whollyowned trading and supply-chain specialist of the Toyota Group. As Director and COO of Toyota Tsusho Australia, Mr Williams led all trading divisions and sat on the board of five subsidiary companies with annual revenues of over \$500 million. He was subsequently appointed as an Investment Committee Member for TeamInvest Private Ltd, a specialised private equity investment group which listed on the ASX in 2019.

Other current directorships: Nil
Former directorships (last 3 years): Nil
Interests in shares: 28,580,359 fully paid ordinary shares
Interests in options: Nil

'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

Joe Fekete holds a Bachelor of Business in Accounting and is a registered Company Secretary. He is a member of both the CPA Australia and the Chartered Institute of Secretaries. His business management and accounting experience spans over 20 years in various industries including Mining, Advertising, Travel, Wholesale Retail distribution, Construction, and Public Practice. Joe is an experienced professional who has gained his experience in areas of statutory reporting, IPOs, accounting, system development, restructuring and general business management from the Board Room to Shop Floor.

Freehill Mining Limited
Directors' report
30 June 2023

He is also experienced in public disclosure requirements and dealing with external parties, including statutory reporting and in the delivery of quality management information within the organisation on a timely basis.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2023, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Raymond Charles Mangion	2	2
Paul Davies	3	3
Jim Moore	2	2
Ben Jarvis	1	1
Peter Williams	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

Freehill Mining Limited
Directors' report
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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 2023, the consolidated entity did not engage remuneration consultants.

Voting and comments made at the company's 30 November 2022 Annual General Meeting ('AGM')

At the 30 November 2022 AGM, 99.84% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2022. 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.

Freehill Mining Limited
Directors' report
30 June 2023

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Salary and fees	Consulting fees	Non-monetary	Super-annuation	Long service leave	Equity-settled	
2023	\$	\$	\$	\$	\$	\$	\$
Raymond Charles Mangion *	28,849	-	-	-	-	-	28,849
Jim Moore *	28,849	-	-	-	-	-	28,849
Peter Williams	7,500	-	-	-	-	-	7,500
Ben Jarvis **	21,000	-	-	-	-	-	21,000
<i>Executive Directors:</i>							
Paul Davies ***	99,000	-	-	-	-	17,299	116,299
	<u>185,198</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,299</u>	<u>202,497</u>

* Resigned on 20 February 2023.

** Includes director's fees of \$11,250 and additional investor relations consulting fees incurred since his appointment.

*** The performance rights for which this expense relates to lapsed during the year.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Salary and fees	Consulting fees	Non-monetary	Super-annuation	Long service leave	Equity-settled	
2022	\$	\$	\$	\$	\$	\$	\$
Raymond Charles Mangion	45,000	-	-	-	-	-	45,000
Jim Moore *	45,000	9,600	-	-	-	-	54,600
<i>Executive Directors:</i>							
Paul Davies	99,000	-	-	-	-	71,313	170,313
	<u>189,000</u>	<u>9,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,313</u>	<u>269,913</u>

* Consulting fee paid during the year related to operations at Yerbas Buenas.

** Includes director's fees of \$11,250, and additional consulting fees relating to investor relations incurred since his appointment as a directors

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

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2023	2022	2023	2022	2023	2022
<i>Non-Executive Directors:</i>						
Raymond Charles Mangion	100%	100%	-	-	-	-
Jim Moore	100%	100%	-	-	-	-
Peter Williams	100%	-	-	-	-	-
Ben Jarvis	100%	-	-	-	-	-
<i>Executive Directors:</i>						
Paul Davies	85%	59%	-	-	15%	41%

Freehill Mining Limited
Directors' report
30 June 2023

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: Chief Executive Officer
Agreement commenced: 1 January 2017
Details: Remuneration is set at \$99,000 per annum plus GST

Name: Raymond Charles Mangion
Title: Chairman (resigned 20 February 2023)
Agreement commenced: 1 January 2017
Details: Remuneration is set at \$45,000 per annum plus GST.

Name: Jim Moore
Title: Non-Executive Director (resigned 20 February 2023)
Agreement commenced: 18 February 2021
Details: Remuneration is set at \$45,000 per annum plus GST.

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

Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2023.

Details of shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2023 are set out below:

Name	Date	Shares	Issue price	\$
Paul Davies	15 September 2023	30,098,019	\$0.0030	90,294
Peter Williams	15 September 2023	7,680,060	\$0.0030	23,040
Ben Jarvis	15 September 2023	11,333,333	\$0.0030	34,000

Options

There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2023.

Additional information

The earnings of the consolidated entity for the five years to 30 June 2023 are summarised below:

	2023	2022	2021	2020	2019
	\$	\$	\$	\$	\$
Revenue	112,965	-	2,825	13,471	370
Loss after income tax *	(14,707,646)	(1,616,501)	(2,244,747)	(2,831,376)	(2,508,162)

* The loss for the year includes \$13,011,718 of impairment expense in relation to mining and exploration assets.

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

	2023	2022	2021	2020	2019
Share price at financial year end (cents) *	-	1.80	3.40	5.40	1.40
Basic earnings per share (cents per share)	(0.78)	0.09	(0.14)	(0.25)	(0.43)
Diluted earnings per share (cents per share)	(0.78)	0.09	(0.14)	(0.25)	(0.43)

* The company was suspended from trading on the ASX at 30 June 2023.

Freehill Mining Limited
Directors' report
30 June 2023

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	Additions	Held at appointments	Other	Balance at the end of the year
<i>Ordinary shares</i>					
Raymond Charles Mangion *	38,134,721	-	-	(38,134,721)	-
Paul Davies	4,706,787	-	-	-	4,706,787
Peter Williams	-	-	20,990,299	-	20,990,299
Ben Jarvis	-	-	-	-	-
	<u>42,841,508</u>	<u>-</u>	<u>20,990,299</u>	<u>(38,134,721)</u>	<u>25,697,086</u>

* Resigned during the year, he held 38,134,721 shares at the time of his resignation.

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	Converted to issued capital	Expired/ forfeited/ other	Balance at the end of the year
<i>Performance rights over ordinary shares</i>					
Paul Davies	3,000,000	-	-	(3,000,000)	-
	<u>3,000,000</u>	<u>-</u>	<u>-</u>	<u>(3,000,000)</u>	<u>-</u>

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 2023.

This concludes the remuneration report, which has been audited.

Shares under option

There were no unissued ordinary shares of Freehill Mining Limited under option outstanding at the date of this report.

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 2023 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.

Freehill Mining Limited
Directors' report
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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

There were no non-audit services provided during the financial year by the auditor.

Officers of the company who are former partners of Connect National Audit

There are no officers of the company who are former partners of Connect National Audit.

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

Connect National Audit continues 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

A handwritten signature in blue ink, appearing to be 'BJ', is written next to a vertical line.

Benjamin Jarvis
Director

28 September 2023

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**

As lead auditor for the audit of Freehill Mining Limited for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Freehill Mining Limited.

Connect National Audit

CONNECT NATIONAL AUDIT PTY LTD

Authorised Audit Company No. 521888



GEORGE GEORGIOU FCA RCA

MANAGING DIRECTOR

Freehill Mining Limited

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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 28 September 2023. 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 2023

	Note	Consolidated 2023 \$	2022 \$
Revenue	4	112,965	-
Other income	5	59,958	-
Expenses			
Mine production costs		(556,270)	-
Corporate and administration expenses		(595,762)	(542,466)
Consulting expenses		(29,494)	(237,448)
Employee benefits expense		(348,788)	(405,002)
Impairment of non-current assets	6	(13,011,718)	-
Depreciation and amortisation expense	10	(32,054)	(12,109)
Extinguishment of royalty rights	18	-	(305,000)
Other expenses		(89,103)	(61,806)
Finance costs		(217,380)	(52,670)
Loss before income tax expense		(14,707,646)	(1,616,501)
Income tax expense	7	-	-
Loss after income tax expense for the year attributable to the owners of Freehill Mining Limited		(14,707,646)	(1,616,501)
Other comprehensive income / (loss)			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		1,694,952	(412,235)
Other comprehensive income / (loss) for the year, net of tax		1,694,952	(412,235)
Total comprehensive loss for the year attributable to the owners of Freehill Mining Limited		<u>(13,012,694)</u>	<u>(2,028,736)</u>
		Cents	Cents
Basic earnings per share	31	(0.78)	(0.09)
Diluted earnings per share	31	(0.78)	(0.09)

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 2023

	Note	Consolidated 2023 \$	2022 \$
Assets			
Current assets			
Cash and cash equivalents	8	46,880	580,651
Trade and other receivables	9	58,448	64,309
Other		45,952	474
Total current assets		<u>151,280</u>	<u>645,434</u>
Non-current assets			
Trade and other receivables	9	1,319,825	857,901
Property, plant and equipment	10	437,222	148,980
Exploration and evaluation asset	11	-	21,201,563
Mining	12	10,505,042	-
Total non-current assets		<u>12,262,089</u>	<u>22,208,444</u>
Total assets		<u>12,413,369</u>	<u>22,853,878</u>
Liabilities			
Current liabilities			
Trade and other payables	13	665,983	81,693
Borrowings	14	308,440	-
Derivative financial instruments	15	75,777	-
Employee benefits	16	6,141	13,365
Total current liabilities		<u>1,056,341</u>	<u>95,058</u>
Non-current liabilities			
Borrowings	14	1,209,168	-
Provisions	17	70,000	70,000
Total non-current liabilities		<u>1,279,168</u>	<u>70,000</u>
Total liabilities		<u>2,335,509</u>	<u>165,058</u>
Net assets		<u>10,077,860</u>	<u>22,688,820</u>
Equity			
Issued capital	18	40,097,764	39,713,329
Reserves	19	1,246,575	(465,676)
Accumulated losses		<u>(31,266,479)</u>	<u>(16,558,833)</u>
Total equity		<u>10,077,860</u>	<u>22,688,820</u>

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 2023

Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2021	36,263,862	(124,754)	(14,942,332)	21,196,776
Loss after income tax expense for the year	-	-	(1,616,501)	(1,616,501)
Other comprehensive loss for the year, net of tax	-	(412,235)	-	(412,235)
Total comprehensive loss for the year	-	(412,235)	(1,616,501)	(2,028,736)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 18)	3,449,467	-	-	3,449,467
Shared based payments	-	71,313	-	71,313
Balance at 30 June 2022	<u>39,713,329</u>	<u>(465,676)</u>	<u>(16,558,833)</u>	<u>22,688,820</u>
Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2022	39,713,329	(465,676)	(16,558,833)	22,688,820
Loss after income tax expense for the year	-	-	(14,707,646)	(14,707,646)
Other comprehensive income for the year, net of tax	-	1,694,952	-	1,694,952
Total comprehensive income / (loss) for the year	-	1,694,952	(14,707,646)	(13,012,694)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 18)	384,435	-	-	384,435
Shared based payments (note 19)	-	17,299	-	17,299
Balance at 30 June 2023	<u>40,097,764</u>	<u>1,246,575</u>	<u>(31,266,479)</u>	<u>10,077,860</u>

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 2023

	Note	Consolidated	
		2023	2022
		\$	\$
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(1,219,380)	(1,432,167)
Receipts from customers		112,965	-
Other revenue		-	26,949
Interest and other finance costs paid		<u>(120,712)</u>	<u>(44,416)</u>
Net cash used in operating activities	30	<u>(1,227,127)</u>	<u>(1,449,634)</u>
Cash flows from investing activities			
Payments for property, plant and equipment	10	(271,268)	(165,103)
Payments for exploration and evaluation		<u>(919,835)</u>	<u>(2,324,572)</u>
Net cash used in investing activities		<u>(1,191,103)</u>	<u>(2,489,675)</u>
Cash flows from financing activities			
Proceeds from issue of shares		-	2,755,705
Proceeds from borrowings and convertible notes		1,937,425	472,000
Share issue transaction costs		<u>(53,729)</u>	<u>(215,492)</u>
Net cash from financing activities		<u>1,883,696</u>	<u>3,012,213</u>
Net decrease in cash and cash equivalents		(534,534)	(927,096)
Cash and cash equivalents at the beginning of the financial year		580,651	1,535,609
Effects of exchange rate changes on cash and cash equivalents		<u>763</u>	<u>(27,862)</u>
Cash and cash equivalents at the end of the financial year	8	<u><u>46,880</u></u>	<u><u>580,651</u></u>

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 2023.

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 \$14,707,646 (2022: \$1,616,501), had net current liabilities of \$905,061 and had operating cash outflows of \$1,227,127 (2022: \$1,449,634).

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:

- The loss for the period included non-cash impairment expenses of \$13,011,718;
- Since 30 June 2023, the company has issued 60,256,003 fully paid ordinary settling shares trade and other payables valued at \$180,768;
- Since 30 June 2023, the company has issued 421,559,569 fully paid ordinary shares valued at \$1,264,679 settling the "loan - convertible debt" and interest accrued on those loans in full, other than \$165 owing to Paul Davies for interest that accrued on his loans from 1 to 15 September 2023;
- Since 30 June 2023, the company has also issued 347,136,620 fully paid ordinary shares under its non-renounceable entitlement offer raising \$1,041,410 before costs. At the time of signing 38,233,158 fully paid ordinary shares remain unplaced, meaning that an additional \$114,699 before costs can still be raised under the entitlement offer;
- Since 30 June 2023, to settle the convertible note payable and related derivative liability valued at \$384,217, refer to note 29. This means that the company is now free of debt relating to the convertible securities.
- The consolidated entity's Yerbas Buenas project has commenced production and is budgeted to be generate positive cash flows over the coming 12 month period and beyond;
- The board and management are working to towards working towards readmission to the official list of the Australian Securities Exchange.

Accordingly, the directors believe that the 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. In the event that the Consolidated Entity is unsuccessful in implementing the above-stated initiatives, a material uncertainty exists, that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern and its ability to recover assets and discharge liabilities in normal course of business and at the amounts shown in the financial report.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessarily incurred should the company not continue as a going concern.

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').

Note 1. Significant accounting policies (continued)

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 27.

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 2023 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.

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.

Note 1. Significant accounting policies (continued)

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:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Mining sales

Revenue from mining sales is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

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.

Note 1. Significant accounting policies (continued)

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.

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.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives are classified as current or non-current depending on the expected period of realisation.

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, its 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.

Note 1. Significant accounting policies (continued)

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.

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Motor vehicles	7 years
Plant and equipment	6 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to 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.

Rehabilitation costs

Restoration costs expected to be incurred are provided for during the development phase which is expected to give rise to the need for restoration.

Mining assets

Capitalised mining development costs include expenditures incurred to develop new ore bodies to define further mineralisation in existing ore bodies, to expand the capacity of a mine and to maintain production. Mining development also includes costs transferred from exploration and evaluation area of interest is ready to move into the production phase. Amortisation of the mining asset will commence once production commences.

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.

Note 1. Significant accounting policies (continued)

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.

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.

Note 1. Significant accounting policies (continued)

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.

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.

Freehill Mining Limited
Notes to the financial statements
30 June 2023

Note 1. Significant accounting policies (continued)

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 2023. 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 2023, because their realisation is not yet considered probable.

Impairment of mining assets and exploration and evaluation assets

The consolidated entity assesses impairment of mining and exploration and evaluation assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

During the financial half-year the consolidated entity has recognised impairments in relation to exploration and evaluation assets (note 11) and mining assets (note 12).

Yerbas Buenas Project

As at 30 June 2023, the board have determined that the Yerbas Buenas project was ready to move into the production phase, and for this reason the capitalised value of exploration and evaluation expenditure relating to that project was transferred to mining assets.

Note 3. 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 4. Revenue

	Consolidated	
	2023	2022
	\$	\$
Mining sales	112,965	-

Freehill Mining Limited
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Note 4. Revenue (continued)

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

	Consolidated	
	2023	2022
	\$	\$
<i>Geographical regions</i>		
Chile	112,965	-
	<u>112,965</u>	<u>-</u>
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	112,965	-
	<u>112,965</u>	<u>-</u>

Note 5. Other income

	Consolidated	
	2023	2022
	\$	\$
Net gain on derivatives	59,958	-
	<u>59,958</u>	<u>-</u>

Note 6. Expenses

	Consolidated	
	2023	2022
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Impairment</i>		
Mining assets (note 12)	5,597,217	-
Exploration and evaluation assets (note 11)	7,414,501	-
	<u>13,011,718</u>	<u>-</u>

Note 7. Income tax expense

	Consolidated	
	2023	2022
	\$	\$
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(14,707,646)	(1,616,501)
Tax at the statutory tax rate of 25%	(3,676,912)	(404,125)
Non-deductible expenses	218,460	112,775
Temporary differences and losses not brought to account	205,523	291,350
Impairment of non-current assets	3,252,929	-
	<u>-</u>	<u>-</u>
Income tax expense	<u>-</u>	<u>-</u>

Freehill Mining Limited
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Note 7. Income tax expense (continued)

	Consolidated	
	2023	2022
	\$	\$
<i>Australian tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	10,752,394	9,930,302
Potential tax benefit @ 25%	2,688,099	2,482,576

In addition to the above Australian tax losses the consolidated entity has unused losses of 4,258,457,748 Chilean pesos (\$8,005,900) which amount to an unrecognised benefit of 1,149,783,592 Chilean pesos (\$2,161,593). The corporate tax rate in Chile is 27%.

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

Note 8. Cash and cash equivalents

	Consolidated	
	2023	2022
	\$	\$
<i>Current assets</i>		
Cash on hand	1,890	1,590
Cash at bank	44,990	579,061
	<u>46,880</u>	<u>580,651</u>

Note 9. Trade and other receivables

	Consolidated	
	2023	2022
	\$	\$
<i>Current assets</i>		
Other receivables	1,312	4,700
Indirect taxes receivable	57,136	59,609
	<u>58,448</u>	<u>64,309</u>
<i>Non-current assets</i>		
Indirect taxes receivable	<u>1,319,825</u>	<u>857,901</u>

Freehill Mining Limited
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Note 10. Property, plant and equipment

	Consolidated	
	2023	2022
	\$	\$
<i>Non-current assets</i>		
Plant and equipment - at cost	310,241	13,185
Less: Accumulated depreciation	<u>(18,982)</u>	<u>(8,847)</u>
	<u>291,259</u>	<u>4,338</u>
Motor vehicles - at cost	182,999	153,797
Less: Accumulated depreciation	<u>(37,036)</u>	<u>(9,155)</u>
	<u>145,963</u>	<u>144,642</u>
	<u><u>437,222</u></u>	<u><u>148,980</u></u>

Reconciliations

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

Consolidated	Motor vehicles \$	Plant and equipment \$	Total \$
Balance at 1 July 2021	-	7,404	7,404
Additions	165,103	-	165,103
Exchange differences	(10,634)	(784)	(11,418)
Depreciation expense	<u>(9,827)</u>	<u>(2,282)</u>	<u>(12,109)</u>
Balance at 30 June 2022	144,642	4,338	148,980
Additions	-	271,268	271,268
Exchange differences	25,337	23,690	49,027
Depreciation expense	<u>(24,056)</u>	<u>(7,997)</u>	<u>(32,053)</u>
Balance at 30 June 2023	<u><u>145,923</u></u>	<u><u>291,299</u></u>	<u><u>437,222</u></u>

Note 11. Exploration and evaluation asset

	Consolidated	
	2023	2022
	\$	\$
<i>Non-current assets</i>		
Exploration and evaluation - at cost	7,518,179	21,201,563
Less: Impairment	<u>(7,518,179)</u>	<u>-</u>
	<u><u>-</u></u>	<u><u>21,201,563</u></u>

Freehill Mining Limited
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Note 11. Exploration and evaluation asset (continued)

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 2021	19,687,399
Additions	2,595,248
Exchange differences	<u>(1,081,084)</u>
Balance at 30 June 2022	21,201,563
Additions	724,043
Exchange differences	1,591,154
Impairment of assets	(7,414,501)
Transfer to mining assets (note 12)	<u>(16,102,259)</u>
Balance at 30 June 2023	<u><u>-</u></u>

As at 30 June 2023, the board have determined that the Yervas Buenas project was ready to move into the production phase, and for this reason the capitalised value of exploration and evaluation expenditure of \$16,102,259 relating to that project was transferred to mining assets.

The consolidated entity does not intend to incur any further exploration expenditure in relation to its El Dorado project. For this reason, the project has been impaired in full and an expense of \$7,414,501 has been recognised.

Exploration and evaluation assets are pledge as security of convertible notes issue (refer to note 14).

Note 12. Mining

	Consolidated	
	2023	2022
	\$	\$
<i>Non-current assets</i>		
Mining assets - at cost	16,102,259	-
Less: Impairment	<u>(5,597,217)</u>	<u>-</u>
	<u><u>10,505,042</u></u>	<u><u>-</u></u>

Reconciliations

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

Consolidated	Mining asset \$
Balance at 1 July 2021	<u>-</u>
Balance at 30 June 2022	-
Transfer from exploration and evaluation (note 12)	16,102,259
Impairment of assets	<u>(5,597,217)</u>
Balance at 30 June 2023	<u><u>10,505,042</u></u>

Freehill Mining Limited
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Note 12. Mining (continued)

As at 30 June 2023, the board have determined that the Yerbas Buenas project was ready to move into the production phase, and for this reason the capitalised value of exploration and evaluation expenditure of \$16,102,259 relating to that project was transferred to mining assets.

At 30 June 2023, the carrying value of the mining asset reviewed for impairment. This was done based on the discounted cash flows expected from the Yerbas Beunas project, using a discount rate of 12.5%. An impairment expense of \$5,597,217 was recognised.

Note 13. Trade and other payables

	Consolidated	
	2023	2022
	\$	\$
<i>Current liabilities</i>		
Trade payables	468,086	19,718
Other payables	197,897	61,975
	<u>665,983</u>	<u>81,693</u>

Refer to note 21 for further information on financial instruments.

Note 14. Borrowings

	Consolidated	
	2023	2022
	\$	\$
<i>Current liabilities</i>		
Convertible notes payable	<u>308,440</u>	-
<i>Non-current liabilities</i>		
Loan - convertible debt	<u>1,209,168</u>	-

Refer to note 21 for further information on financial instruments.

Convertible notes includes notes with a value of \$400,000 which have been issued at US\$1.00 with a face value of \$US1.15 and expiring on 15 November 2023. The conversion price is the is lesser of :

- 90% of the lowest VWAP during the 5 actual trading day prior to the conversion; and
- \$A0.01 being the lowest daily VWAP during the 5 actual trading days immediately prior to the agreement.

No interest is payable on the notes, and the company's obligations under the convertible note agreement are secured by way of the issue of 90,000,000 collateral shares to the noteholder, refer to note 18.

A derivative liability of \$75,777 has been recognised in relation to the convertible note, refer to note 15.

Interest is payable on the convertible debt at 10% per annum and the borrowings expire in November 2024. It could be converted at a 15% discount to 7 day VWAP. This has been converted in full since 30 June 2023, refer to note 29.

Freehill Mining Limited
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Note 14. Borrowings (continued)

Assets pledged as security

The carrying amounts of assets pledged as security for borrowings are:

	Consolidated	
	2023	2022
	\$	\$
Exploration and evaluation assets	-	21,201,562

Note 15. Derivative financial instruments

Current liabilities

Derivative portion of convertible notes

	Consolidated	
	2023	2022
	\$	\$
Derivative portion of convertible notes	75,777	-

Refer to note 21 for further information on financial instruments.

A derivative liability of \$75,777 has been recognised in relation to convertible notes, refer to note 14.

Note 16. Employee benefits

Current liabilities

Employee benefits

	Consolidated	
	2023	2022
	\$	\$
Employee benefits	6,141	13,365

Note 17. Provisions

Non-current liabilities

Rehabilitation

	Consolidated	
	2023	2022
	\$	\$
Rehabilitation	70,000	70,000

Note 18. Issued capital

	Consolidated			
	2023	2022	2023	2022
	Shares	Shares	\$	\$
Ordinary shares - fully paid	1,926,848,893	1,809,194,419	40,097,764	39,713,329

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Note 18. Issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2021	1,653,199,517		36,263,862
Conversion of debt	9 July 2021	2,145,245	\$0.0301	64,465
Conversion of options	30 July 2021	150,000	\$0.0250	3,750
Conversion of debt	6 September 2021	1,006,937	\$0.0248	25,013
Conversion of debt	6 September 2021	1,023,440	\$0.0247	25,259
Share issued to settle trade payables	5 October 2021	1,500,000	\$0.0400	60,000
Conversion of debt	21 October 2021	10,090,273	\$0.0250	252,256
Conversion of options	26 October 2021	4,668,688	\$0.0250	116,717
Conversion of options	4 November 2021	11,041,254	\$0.0250	276,031
Conversion of debt	9 November 2021	2,863,112	\$0.0250	71,577
Shares issued for acquisition of El Dorado tenements	12 November 2021	34,379,365	\$0.0250	859,484
Conversion of options	23 November 2021	17,035,512	\$0.0250	425,887
Conversion of debt	7 February 2022	8,025,239	\$0.0215	172,815
Extinguishment of royalty right	7 February 2022	11,730,769	\$0.0260	305,000
Issue of shares	6 June 2022	37,500,000	\$0.0200	750,000
Conversion of debt	6 June 2022	12,835,068	\$0.0200	256,701
Less cost of capital raising		-	\$0.0000	(215,488)
Balance	30 June 2022	1,809,194,419		39,713,329
Share issued to settle trade payables	7 September 2022	650,000	\$0.0170	11,050
Conversion of debt	7 September 2022	25,804,474	\$0.0140	371,562
Share issued to settle trade payables	16 November 2022	1,200,000	\$0.0080	9,600
Convertible note collateral shares issued (note 14)	16 November 2022	90,000,000	\$0.0000	-
Less cost of capital raising		-	\$0.0000	(7,777)
Balance	30 June 2023	<u>1,926,848,893</u>		<u>40,097,764</u>

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.

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.

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Note 18. Issued capital (continued)

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 2022 Annual Report.

Note 19. Reserves

	Consolidated	
	2023	2022
	\$	\$
Foreign currency reserve	(455,977)	(2,150,929)
Share-based payments reserve	1,702,552	1,685,253
	<u>1,246,575</u>	<u>(465,676)</u>

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.

Movements in reserves

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

Consolidated	Share based payments \$	Foreign currency \$	Total \$
Balance at 1 July 2021	1,613,940	(1,738,694)	(124,754)
Foreign currency translation	-	(412,235)	(412,235)
Share based payments	71,313	-	71,313
	<u>1,685,253</u>	<u>(2,150,929)</u>	<u>(465,676)</u>
Balance at 30 June 2022	1,685,253	(2,150,929)	(465,676)
Foreign currency translation	-	1,694,952	1,694,952
Share based payments	17,299	-	17,299
	<u>1,702,552</u>	<u>(455,977)</u>	<u>1,246,575</u>
Balance at 30 June 2023	<u>1,702,552</u>	<u>(455,977)</u>	<u>1,246,575</u>

Note 20. Dividends

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

Note 21. 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.

Freehill Mining Limited
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Note 21. Financial instruments (continued)

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	
	2023	2022	2023	2022
Consolidated	\$	\$	\$	\$
Chilean pesos	19,183	865,675	289,674	32,586

Consolidated - 2023	% change	AUD strengthened		AUD weakened	
		Effect on profit before tax	Effect on equity	Effect on profit before tax	Effect on equity
Chilean pesos	20%	-	54,098	-	(54,098)

Consolidated - 2022	% change	AUD strengthened		AUD weakened	
		Effect on profit before tax	Effect on equity	Effect on profit before tax	Effect on equity
Chilean pesos	20%	-	(166,617)	-	166,617

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.

Freehill Mining Limited
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Note 21. Financial instruments (continued)

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 - 2023	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						
<i>Non-interest bearing</i>						
Trade and other payables	-	665,983	-	-	-	665,983
Convertible notes payable	-	308,440	-	-	-	308,440
<i>Interest-bearing - fixed rate</i>						
Loan - convertible debt	15.00%	-	1,209,168	-	-	1,209,168
Total non-derivatives		974,423	1,209,168	-	-	2,183,591
Derivatives						
Derivative portion of convertible notes						
	-	75,777	-	-	-	75,777
Total derivatives		75,777	-	-	-	75,777
Consolidated - 2022						
Non-derivatives						
<i>Non-interest bearing</i>						
Trade and other payables	-	81,693	-	-	-	81,693
Total non-derivatives		81,693	-	-	-	81,693

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 22. Key management personnel disclosures

Directors

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

Paul Davies
Benjamin Jarvis (appointed (5 April 2023))
Peter Williams (appointed (1 May 2023))
Raymond Charles Mangion (resigned 20 February 2023)
Jim Moore (resigned 20 February 2023)

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Note 22. Key management personnel disclosures (continued)

Compensation

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

	Consolidated	
	2023	2022
	\$	\$
Short-term employee benefits	185,198	198,600
Share-based payments	17,299	71,313
	<u>202,497</u>	<u>269,913</u>

Note 23. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Connect National Audit, the auditor of the company:

	Consolidated	
	2023	2022
	\$	\$
<i>Audit services - Connect National Audit</i>		
Audit or review of the financial statements	52,500	49,000

Note 24. Contingent liabilities

The consolidated entity had no contingent liabilities at 30 June 2023 and 30 June 2022.

Note 25. Commitments

The consolidated entity had no commitments at 30 June 2023 and 30 June 2022.

Note 26. Related party transactions

Parent entity

Freehill Mining Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 28.

Key management personnel

Disclosures relating to key management personnel are set out in note 22 and the remuneration report included in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2023	2022
	\$	\$
Other income:		
Interest accrued on "loan - convertible debt" from directors and those related to former directors	10,319	-

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Note 26. Related party transactions (continued)

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated		
	2023	2022	
	\$	\$	
Current payables:			
Directors fees payable to current and former directors	146,498		-

Loans to/from related parties

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

	Consolidated		
	2023	2022	
	\$	\$	
Non-current borrowings:			
Loan - convertible debt from directors and those related to former directors (including accrued interest)	150,619		-

Terms and conditions

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

Note 27. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2023	2022
	\$	\$
Loss after income tax	<u>(6,337,707)</u>	<u>(1,294,305)</u>
Total comprehensive loss	<u>(6,337,707)</u>	<u>(1,294,305)</u>

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Note 27. Parent entity information (continued)

Statement of financial position

	Parent	
	2023	2022
	\$	\$
Total current assets	132,056	637,707
Total assets	21,593,141	25,608,527
Total current liabilities	760,525	49,107
Total liabilities	1,969,693	49,107
Equity		
Issued capital	53,353,709	52,969,274
Share-based payments reserve	1,702,552	1,685,253
Convertible notes reserve	1,007,202	1,007,202
Accumulated losses	(36,440,015)	(30,102,309)
Total equity	<u>19,623,448</u>	<u>25,559,420</u>

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 2023 and 30 June 2022.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2023 and 30 June 2022.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2023 and 30 June 2022.

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 28. 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	
		2023 %	2022 %
Freehill Investments Pty Ltd	Australia	100.00%	100.00%
Yerbas Buenas SpA	Chile	100.00%	100.00%
San Patricio Minería SpA	Chile	100.00%	100.00%
El Dorado Minería SpA	Chile	100.00%	100.00%
El Dorado Hold Co Pty Ltd	Australia	100.00%	100.00%

Note 29. Events after the reporting period

Since 30 June 2023, the company has issued 60,256,003 fully paid ordinary share settling trade and other payables valued at \$180,768.

Freehill Mining Limited
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Note 29. Events after the reporting period (continued)

Since 30 June 2023, the company has issued 421,559,569 fully paid ordinary shares valued at \$1,264,679 settling the "loan - convertible debt" and interest accrued on those loans in full, other than \$165 owing to Paul Davies for interest that accrued on his loans from 1 to 15 September 2023.

Since 30 June 2023, the company has also issued 347,136,620 fully paid ordinary shares under its non-renounceable entitlement offer raising \$1,041,410 before costs. At the time of signing 38,233,158 fully paid ordinary shares remain unplaced, meaning that an additional \$114,699 before costs can still be raised under the entitlement offer.

Since 30 June 2023, to settle the convertible note payable and related derivative liability valued at \$384,217, the company:

- (a) issued 90,000,000 fully paid ordinary shares valued at \$270,000;
- (b) agreed for the holder to retain 51,600,795 fully paid ordinary shares that were issued as collateral shares; and
- (c) paying \$2,150.

This means that the company is now free of debt relating to the convertible securities.

No other matter or circumstance has arisen since 30 June 2023 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 30. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2023	2022
	\$	\$
Loss after income tax expense for the year	(14,707,646)	(1,616,501)
Adjustments for:		
Depreciation and amortisation	32,054	12,109
Impairment of non-current assets	13,011,718	-
Net gain on derivatives	(59,958)	-
Share-based payments	17,299	71,313
Operating expenses settled via the issue of shares	20,650	60,000
Extinguishment of royalty rights via issue of shares	-	305,000
Non-cash finance expenses	96,668	8,254
Change in operating assets and liabilities:		
Increase in trade and other receivables	(456,063)	(214,163)
Decrease/(increase) in other operating assets	474	(474)
Increase/(decrease) in trade and other payables	824,901	(76,376)
Increase/(decrease) in employee benefits	(7,224)	1,204
Net cash used in operating activities	<u>(1,227,127)</u>	<u>(1,449,634)</u>

Note 31. Earnings per share

	Consolidated	
	2023	2022
	\$	\$
Loss after income tax attributable to the owners of Freehill Mining Limited	<u>(14,707,646)</u>	<u>(1,616,501)</u>

Freehill Mining Limited
Notes to the financial statements
30 June 2023

Note 31. Earnings per share (continued)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>1,887,116,951</u>	<u>1,720,270,748</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>1,887,116,951</u>	<u>1,720,270,748</u>
	Cents	Cents
Basic earnings per share	(0.78)	(0.09)
Diluted earnings per share	(0.78)	(0.09)

Note 32. Changes in liabilities arising from financing activities

	Borrowings	Derivative liability	Total
Consolidated	\$	\$	\$
Balance at 1 July 2021	64,000	-	64,000
Net cash from financing activities	472,000	-	472,000
Conversion to equity	<u>(536,000)</u>	<u>-</u>	<u>(536,000)</u>
Balance at 30 June 2022	-	-	-
Net cash from financing activities	1,937,425	-	1,937,425
Conversion to equity	(370,009)	-	(370,009)
Other changes	<u>(53,808)</u>	<u>75,777</u>	<u>21,969</u>
Balance at 30 June 2023	<u>1,513,608</u>	<u>75,777</u>	<u>1,589,385</u>

Freehill Mining Limited
Directors' declaration
30 June 2023

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 2023 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

A handwritten signature in blue ink, appearing to be 'BJ', is written over a vertical line.

Benjamin Jarvis
Director

28 September 2023

**Independent Auditor’s Report
To the Members of Freehill Mining Limited
Report on the Audit of the Financial Report**

Opinion

We have audited the accompanying financial report of Freehill Mining Limited (the “consolidated entity”), which comprises the statement of financial position as at 30 June 2023, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the financial year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors’ declaration of the consolidated entity as set out on page 41.

In our opinion the financial report of Freehill Mining Limited is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the entity’s financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and
- (b) 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 consolidated entity, 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.

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.

Key Audit Matter	How our audit addressed the key audit matter
Assessment of Carrying Value of Exploration and Evaluation Assets	
We focus on the assessment of the carrying value of the exploration and evaluation asset as this represents a significant asset of the	We ensured the consolidated entity has tested at the level of area of interest where the following indicators are present: (a) the period

<p>consolidated entity. We need to assess whether the facts and circumstances existed to suggest that the carrying value of this asset may exceed its recoverable amount. Significant judgement is involved in considering if there was impairment indicator and estimating the value of the asset and the potential material impact on the financial report.</p>	<p>for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed; (b) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned (c) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; (d) sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.</p>
<p>As part of their annual impairment review management prepared a list of all its exploration and evaluation assets and reviewed these against their list of impairment indicators. Where impairment indicators existed, management performed an impairment review in accordance with AASB 6 Impairment of Exploration and Evaluation Assets. No Asset was written off during this year in respect of areas of exploration in the exploration and evaluation assets.</p>	<p>We enquired with management and reviewed budgets to ensure that substantive expenditure on further exploration for and evaluation of the mineral resources in the consolidated entity's areas of interest were planned.</p>
	<p>We enquired with management, reviewed announcements made and reviewed minutes of the directors' meetings to ensure that the consolidated entity had not decided to discontinue activities in any of its areas of interest. We noted the consolidated entity had decided to discontinue activities in respect of a number of areas of exploration.</p>
	<p>We evaluated management's assessment of impairment indicators including the conclusion reached.</p>
	<p>We also considered the appropriateness of the related disclosure in Notes 1, 2 and 9 to the financial statements.</p>

Emphasis of Matter – Material uncertainty related to 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 \$14,707,646 (2022: \$1,616,501), had net current liabilities of \$905,061 and had operating cash outflows of \$1,227,127 (2022: \$1,449,634).

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:

- The loss for the period included non-cash impairment expenses of \$13,011,718;
- Since 30 June 2023, the company has issued 60,256,003 fully paid ordinary settling trade and other payables valued at \$180,768;
- Since 30 June 2023, the company has issued 421,559,569 fully paid ordinary shares valued at \$1,264,679 settling the "loan - convertible debt" and interest accrued on those loans in full, other than \$165 owing to Paul Davies for interest that accrued on his loans from 1 to 15 September 2023;
- Since 30 June 2023, the company has also issued 347,136,619 fully paid ordinary shares under its non-renounceable entitlement offer raising \$1,041,410 before costs. At the time of signing 38,233,159 fully paid ordinary shares remain unplaced, meaning that an additional \$114,699 before costs can still be raised under the entitlement offer;
- Since 30 June 2023, to settle the convertible note payable and related derivative liability valued at \$384,217, refer to note 29. This means that the company is now free of debt relating to the convertible securities.
- The consolidated entity's Yerbas Buenas project has commenced production and is budgeted to be generate positive cash flows over the coming 12 month period and beyond;
- The board and management are working to towards working towards readmission to the official list of the Australian Securities Exchange.

Accordingly, the directors believe that the 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. In the event that the Consolidated Entity is unsuccessful in implementing the above-stated initiatives, a material uncertainty exists, that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern and its ability to recover assets and discharge liabilities in normal course of business and at the amounts shown in the financial report.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessarily incurred should the company not continue as a going concern.

Our opinion is unmodified in this regard.

Responsibilities of the directors for the financial report

The directors of the consolidated entity are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members. The directors' responsibility also includes 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 the basis of preparation, the directors also state, in accordance with Accounting

Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

In preparing the financial report, the directors are responsible for assessing the consolidated entity's ability 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: <http://www.auasb.gov.au/Home.aspx>. 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 6 to 10 of the directors' report for the financial year ended 30 June 2023.

In our opinion the Remuneration Report of Freehill Mining Limited for the financial year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the consolidated entity 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.

Connect National Audit

CONNECT NATIONAL AUDIT PTY LTD

Authorised Audit Company No. 521888

GEORGE GEORGIU FCA RCA

MANAGING DIRECTOR

Melbourne VIC 3000

28 September 2023

Freehill Mining Limited
Shareholder information
30 June 2023

The shareholder information set out below was applicable as at 22 September 2023.

Distribution of equitable securities

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

	Ordinary shares	
	Number of holders	% of total shares issued
1 to 1,000	781	-
1,001 to 5,000	75	0.01
5,001 to 10,000	187	0.07
10,001 to 100,000	587	0.99
100,001 and over	906	98.93
	<u>2,536</u>	<u>100.00</u>
Holding less than a marketable parcel	<u>-</u>	<u>-</u>

At the date of signing the company was suspended from trading on the Australian Securities Exchange (ASX).

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
DUDDY INVESTMENT PTY LTD (DUDDY INVESTMENT A/C)	280,151,451	10.60
J M ROSS SUPER PTY LTD (J M ROSS SUPER FUND A/C)	202,221,892	7.65
DG FREEHOLD PTY LTD (DG FREEHOLD A/C)	167,382,692	6.33
CLAYMORE VENTURES LIMITED	86,139,607	3.26
CAM NOMINEES PTY LTD (CAM NOMINEES SUPER FUND A/C)	82,150,000	3.11
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	58,814,064	2.23
MRS ANITA MANGION	48,006,642	1.82
R & A MANGION PTY LTD (STEGMAN SMSF A/C)	38,134,721	1.44
RMVIC PTY LTD (RMVIC S/F A/C)	35,123,833	1.33
MR ROBERT JESSE HUNT	34,502,282	1.31
WFC NOMINEES PTY LTD	34,502,282	1.31
MR ARTHUR AFENTOULIS	32,186,679	1.22
MR LEO ILIAS RADIOTIS (L A RADIOTIS FAMILY A/C)	29,718,784	1.12
MR PAUL DAVIES	29,156,661	1.10
PAW SUPER PTY LTD (PAW SUPER FUND A/C)	28,580,359	1.08
B&J DUDDY INVESTMENTS PTY LTD	25,395,433	0.96
SIGNAL SUPERANNUATION PTY LTD (SIGNAL SUPER FUND A/C)	20,468,372	0.77
CHYE YAP PTY LTD (YAP FAMILY A/C)	20,437,727	0.77
MR PETER BROUWER & MS TANIA BROUWER (P&T BROUWER SMSF A/C)	19,237,824	0.73
AKM MARLBOROUGH PTY LTD (M & M VINACCIA FAMILY A/C)	17,096,772	0.65
	<u>1,289,408,077</u>	<u>48.79</u>

Unquoted equity securities

There are no unquoted securities at the date of signing.

Freehill Mining Limited
Shareholder information
30 June 2023

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
DUDDY INVESTMENT PTY LTD (DUDDY INVESTMENT A/C)	280,151,451	10.60
J M ROSS SUPER PTY LTD (J M ROSS SUPER FUND A/C)	202,221,892	7.65

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.

Tenements

Description	Tenement number	Interest owned %
YERBAS BUENAS 1-16	04102-2723-1	100.00
ARENAS III 1 to 15	04102-2714-2	100.00
ARENAS IV 1 to 10	04102-2715-0	100.00
ARENAS VI 1 to 20	04102-2755-K	100.00
ARENAS X 1 to 18	04102-2937-4	100.00
ARENAS XI 1 to 20	04102-3522-6	100.00
EL DORADO I to 10	04102-3669-9	100.00
EL DORADO II 1 to 10	04102-3670-2	100.00
EL DORADO III 1 to 10	04102-3671-0	100.00
EL DORADO IV 1 to 10	04102-3672-9	100.00
EL DORADO V 1 to 10	04102-3673-7	100.00
EL DORADO VI 1 to 10	04102-3674-5	100.00
EL DORADO VII 1 to 7	04102-3675-3	100.00
EL DORADO VIII 1 to 10	04102-3676-1	100.00