



ACN 091 608 025



## REPLACEMENT PROSPECTUS

For an offer of 20,000,000 New Shares at a price of \$0.20 each, to raise a minimum of \$4,000,000, with provision to accept oversubscriptions of up to a total of 35,000,000 New Shares at \$0.20 to raise a maximum of \$7,000,000 (the “Public Offer”). The Public Offer is underwritten up to the Minimum Subscription amount of \$4,000,000 by Novus Capital Limited.

**GrilloHiggins**  
Lawyers

**Novus**  
AFSL:238168 Capital

### IMPORTANT NOTICE

This is an important document and investors should read the document in its entirety and are advised to consult with their professional advisors before deciding whether to apply for securities pursuant to this Prospectus. Any investment in the Company under this Prospectus should be considered speculative in nature.





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## IMPORTANT INFORMATION

This Replacement Prospectus is dated 7 November 2016 and was lodged with ASIC on that date. This Replacement Prospectus replaces the Original Prospectus dated 21 October 2016 that was issued by the Company and lodged with ASIC on that date. For the purposes of this document, this Replacement Prospectus will be referred to as either the "Replacement Prospectus" or "Prospectus". ASIC, ASX and their respective officers do not take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

Application was made on 26 October 2016 (within 7 days of the date of the Original Prospectus) for the Shares offered to be admitted for quotation on ASX.

There is a risk that the Company may not be able to satisfy the conditions of the Offers and meet the requirements of ASX for quotation on the ASX. In the event the conditions to the Offers are not satisfied or the Company does not receive conditional approval for quotation on ASX then the Company will not proceed with the Offers and will repay all application monies received.

Securities will not be issued pursuant to this Prospectus later than 13 months after the date of this Prospectus.

Persons wishing to apply for Shares pursuant to the Offers must do so using the relevant Application Form attached to or accompanying this Replacement Prospectus; please note that the Application Form attached to the Original Prospectus cannot be used to apply for Shares. Before applying for Shares, potential investors should carefully read the Prospectus so that they can make an informed assessment of

- the rights and liabilities attaching to the Shares;
- the assets and liabilities of the Company; and
- the Company's financial position and performance, profits and losses, and prospects.

Investors should carefully consider these factors in light of their own personal financial and taxation circumstances.

Any investments in the Company should be considered speculative. Refer to Section 7 of this Prospectus for details relating to risk factors. Applicants should read this document in its entirety and persons considering applying for Shares pursuant to the Prospectus should obtain professional advice from an accountant, stockbroker, lawyer or other advisor before deciding whether to invest.

No person is authorised to give any information or to make any representation in relation to the Offers which is not contained in this Prospectus. Any information or representation not so contained may not be relied upon as having been authorised by the Company or the Directors in relation to the Offers.

The offers of Shares made pursuant to this Prospectus are not made to persons or places to which, or in which, it would not be lawful to make such an offer of securities. No action has been taken to register the Offers under this Prospectus or otherwise permit the Offers to be made in any jurisdiction outside Australia. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law in those jurisdictions and therefore persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities laws.

This Prospectus contains forward-looking statements which incorporate an element of uncertainty or risk, and are identified by words such as 'intends', 'may', 'could', 'believes', 'estimates', 'target' or 'expects'. Forward looking statements are not based on historical facts but are based on current expectations of future results or events. These forward looking statements are subject to risks, uncertainties and assumptions which could cause actual results or events to differ materially from the expectations described in such forward looking statements. While the Company believes the expectations reflected in the forward looking statements in this Prospectus are reasonable, no assurance can be given that such expectations will prove to be correct. The risk factors set out in Section 7, as well as other matters not yet known to the Company or not currently considered material by the Company, may cause actual results or events to be materially different from those expressed, implied or projected in any forward looking statement. Any forward looking statement in this Prospectus is qualified by this cautionary statement.

## OVERVIEW OF REPLACEMENT PROSPECTUS

Investors should note this is a Replacement Prospectus. This Prospectus replaces the original prospectus lodged with ASIC by the Company dated 21 October 2016. The key differences between the Replacement Prospectus and the original prospectus are as follows:

- the Chairman's Letter and Investment Overview sections have been updated to include additional disclosure regarding the primary activity of the Company, the current profitability of mining operations, the types of mining interests held by the Company, the risks associated with investment, the percentage of share capital being offered in the fund raising and the percentage of shares that will be in escrow post listing, emphasis that the current mining operations are on an unidentified and undefined resource and that the Company has not identified a JORC compliant resource or reserve;
- the Company Overview section involves additional disclosure regarding the proposed use of funds;



- the Independent Geologist's Report has been revised to include a cautionary statement at the beginning of the report, and confirmation that the report does not contain opinions of the author on production targets or JORC compliant reserves or resources;
- the Legal Tenement Report has been revised to include additional disclosure with respect to surface access rights at the Yervas Buenas Project Area and the transition of mining services pursuant to the Mining Operations Transition Deed;
- the Financial Information section includes unaudited 30 June 2014 accounts for Freehill Investments Pty Ltd with a corresponding amendment to the Investigating Accountant's Report relating to the inclusion of the unaudited 30 June 2014 accounts for Freehill Investments Pty Ltd;
- changes have been made to Sections 2, 5.4, 5.5 and 12.1 to reflect changes to the sub-underwriters and sub-underwriting commitments; and
- a number of formatting matters and typographical errors have been corrected.

It is important investors read this Prospectus, in its entirety, before making any decision to invest in the Company and participate in this Offer. Further, investors should not rely on or have consideration to the original prospectus dated 21 October 2016 in making such decision to participate in the Offer.

## **WEBSITE – ELECTRONIC PROSPECTUS**

An electronic version of this Prospectus can be downloaded from our website at [www.freehillmining.com](http://www.freehillmining.com). If you access the electronic version of this Prospectus, you should ensure that you download and read the entire Prospectus. The electronic version of this Prospectus is only available to Australian residents and must only be accessed from within Australia. You may obtain a hard copy of this Prospectus free of charge by contacting the Company. Please telephone the number listed on our website or email us during the Offer period.

## **INVESTMENT DECISION**

This Prospectus does not provide investment advice.

You should seek your own financial advice. The Offers contained in this Prospectus do not take into account your investment objectives, financial situation or particular needs. It is important that you read this Prospectus carefully and in full before deciding to invest in the Company. In particular, in considering the prospects of the Company, you should consider the risk factors that could affect the financial performance of the Company in light of your personal circumstances (including financial and taxation issues) and seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest.

## **EXPOSURE PERIOD**

The Corporations Act prohibits the Company from processing Applications in the seven day period following the date of lodgement of the original Prospectus, dated 21 October 2016, with ASIC. ASIC chose to extend this period for a further seven days. The period is an exposure period to enable the original Prospectus to be examined by market participants prior to the raising of funds. Any Applications received during the exposure period will not be processed until after the end of that period. No preference will be given to Applications received during the exposure period.

## **NO FINANCIAL FORECASTS**

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

## **NO RELIANCE ON INDEPENDENT EXPERT REPORT OR PROJECT VALUATION INCLUDED IN NOTICE OF GENERAL MEETING DATED 4 JULY 2016**

When seeking shareholder approval at the General Meeting that was held on 27 July 2016 for the Company to acquire Freehill Investments on terms that would result in Smart Investment Chile Limited, an entity associated with Mr Juan Dagach obtaining an interest in more than 20% of the issued capital of the Company, the Company obtained an Independent Expert's Report to determine whether the proposed acquisition of Freehill Investments was fair and reasonable to the Company's non-associated shareholders. To assist with its report, the independent expert commissioned the preparation of an Independent Geologist's Report which included a Project Valuation in respect of Freehill Investments and its assets. The Independent Expert's Report and the associated Project Valuation were prepared for the purposes of item 7, section 611 of the takeovers provisions of the Corporations Act and therefore were drafted to comply with the requirements of those provisions and ASIC Regulatory Guide 111. The Company advises investors that these reports should not be relied upon for the purposes of making an assessment about the assets and liabilities, financial position and prospects of the Company.

## **COMPETENT PERSONS STATEMENT**

The information in this Prospectus that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Peter Thompson, a Competent Person who is a member of the Australasian Institute of Mining and Metallurgy, Peter Thompson is self-employed and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral

Resources and Ore Reserves' (**JORC Code**). Peter Thompson consents to the inclusion in this Prospectus of the matters based on his information in the form and context in which it appears.

#### **MISCELLANEOUS**

Photographs used in this Prospectus are for illustration only and should not be interpreted to mean that the assets or items shown in them are owned by the Company or that people depicted are employees of the Company.

All references to "\$", "AUD", "dollar" and "cents" are references to Australian currency unless otherwise stated. All references to "US\$", "United States dollar" and "USD" are references to United States of America currency unless otherwise stated. All references to time relate to the time in Melbourne, Victoria, Australia.

A number of terms and abbreviations used in this Prospectus have defined meanings which appear in Section 14.



## CHAIRMAN'S LETTER

7 November 2016

Dear Investor

On behalf of the Board of Directors of Freehill Mining Limited (**the Company**), I am pleased to offer you the opportunity to subscribe for fully paid shares in Company and invite you to become a Shareholder.

This Prospectus replaces the Original Prospectus that was lodged on 21 October 2016.

The Company has entered into a Share Purchase and Sale Agreement to acquire all of the share capital of Freehill Investments Pty Ltd (**Freehill Investments**) in consideration for the issue of shares in the Company to Freehill Investments' shareholders, as vendors. Upon completion of the acquisition of Freehill Investments, the Company will become an emerging iron ore producer and a mineral explorer through its operations in Chile. The Company is not currently listed on any securities exchange. The listing of the Company on the ASX is critical, as the transfer of the shares in Freehill Investments is conditional on listing, and the acquisition cannot be completed until listing approval has been achieved.

Freehill Investments has beneficial interests of 50% in a number of mining tenements (totalling approximately 398 hectares) comprising the Yervas Buenas Project Area which will increase to 100% on listing on the ASX. The project is situated in a recognised iron and copper-producing district, between the long-established El Romeral magnetite mine and the Dominga magnetite-copper project. Further information about the Yervas Buenas Project is included in Independent Geologist's Report in Section 8.

The Independent Geologist's Report indicates that there is an exploration target of 60 million tonnes of magnetite sands which also holds alluvial gold particles, hard rock magnetite and other minerals in the Yervas Buenas Project. The potential quantity and grade of the exploration target is conceptual in nature as there has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource. Notwithstanding the conceptual nature of the exploration target, small scale production of iron ore has commenced at the Yervas Buenas Project, supplying to two Chilean customers, Compania Minera del Pacifico, a subsidiary of CAP S.A. (**CAPS**) and Melon S. A (**Melon**).

The exploration targets referred to are based on lower technical and economic assessments, and are insufficient to support estimation of Ore Reserves, to formulate a production target, to provide assurance of an economic development case at this stage. There is no certainty that future exploration work will result in the determination of Indicated Mineral Resources, or that the outcomes of any proposed production will be realised. Accordingly, these exploration targets should not be relied on by investors when making investment decisions.

Further, the current mining operations are conducted on an undefined resource in the terms of the JORC Code; the Company has not at present identified a JORC Code compliant resource.

This Prospectus also does not contain any statements of production targets. The Directors and Incoming Director are of the opinion that it is not appropriate to provide any forecast production targets or estimates in relation to the Company.

Freehill Investments current mining operations are not profitable, due to their small scale and relative infancy and investment made in operational infrastructure to date. The capital raised from the Public Offer will primarily be used to enable the Company to expand its operation and production levels to the tenement licenses' current limits and based on the Independent Geologist's findings, review and drill the mineral sands deposit and determine the extent and value of mineralisation within the sands. In addition, the Company will evaluate mining of hard rock evident at surface. The Company's primary activity therefore is conducting mining operations, however it intends to conduct exploration activities in order to determine the full extent of its resource.

The Public Offer involves a minimum of approximately 6.03% and a maximum of approximately 10.09% of the Company's shares being offered. Details of the Offers, conditions and the business of the Company are contained in

this Prospectus. The Minimum Subscription amount of the Public Offer is underwritten by Novus Capital Limited (**Novus**).

The Company's interest in the YB Mining Concessions is through an Agreement on Mining Concession Lease with Purchase Option between Freehill Investments' subsidiary YB SpA and A y F Muzard Limitada, under which the purchase option is due to expire in August 2017. At present, approximately USD\$542,000 remains to be paid on the purchase option. To the extent only the Minimum Subscription is raised and operational cashflows are insufficient to pay the balance of the option exercise price payment to A y F Muzard Limitada by the due date, the Board has formed the view that the Company will be in a position to raise additional capital or debt finance (if necessary) to make payment of the balance of the option purchase price.

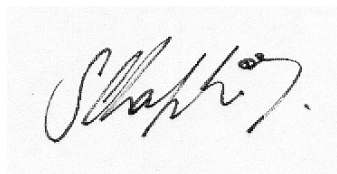
Other key risks associated with investment under the Public Offer include contractual risks such as the sale and purchase of Freehill Investments not being completed and early exercise of contractual rights by Australian Associated Finance Pty Ltd which would force the withdrawal of the offers, the emergence of direct competition in the iron ore market, the lack of long term commercial purchase commitments to the Company and the resulting reliance on major purchasers, and the transition of mining services from the current mining services contractor directly to the Company's Chilean subsidiaries. Details of these and other key, specific and general risks which relate to companies operating in the resources sector and doing business in Chile are included in Section 7.

I urge you to read the Prospectus carefully. All investors should obtain professional investment advice before deciding to invest.

Together with my fellow Directors, I encourage you to consider the Public Offer and look forward to welcoming you as a Shareholder of the Company.

If you are an existing Shareholder, I thank you for your continuing support and invite you to increase your investment to take advantage of the Company's new direction.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Stephen Chaplin', is written over a light grey rectangular background.

**Stephen Chaplin**  
**Chairman**  
**7 November 2016**



# 1. KEY DATES AND OFFER STATISTICS

## INDICATIVE TIMETABLE

INDICATIVE TIMETABLE	
Lodgement of Original Prospectus with ASIC	21 October 2016
Lodgement of Replacement Prospectus with ASIC	7 November 2016
Opening Date for the Public Offer ( <b>Opening Date</b> )	7 November 2016
Closing Date for the Public Offer ( <b>Closing Date</b> )	9 December 2016
Shares issued to Vendors and Lenders	14 December 2016
Dispatch of Statements of Shareholding	15 December 2016
Expected date for New Shares to commence trading on ASX	19 December 2016

*These dates are indicative only and may change. The Company, in consultation with the Underwriter, reserves the right to amend any or all of these dates and times subject to the Corporations Act, the Listing Rules and other applicable laws, including closing the Public Offer early, extending the Public Offer, accepting late applications or withdrawing the Offers without prior notice.*

## KEY OFFER STATISTICS

Shares available under the Public Offer	
<ul style="list-style-type: none"> <li>Minimum number</li> </ul>	20,000,000
<ul style="list-style-type: none"> <li>Maximum number</li> </ul>	35,000,000
Shares issued as part of the acquisition of Freehill Investments	
<ul style="list-style-type: none"> <li>Shares issued to vendors</li> </ul>	268,000,000
<ul style="list-style-type: none"> <li>Shares issued on conversion of loans assigned by Freehill Investments*</li> </ul>	9,255,019
<ul style="list-style-type: none"> <li>Shares issued on conversion of the Company's convertible loans**</li> </ul>	23,131,110
Shares issued to Underwriter/Sub-underwriters	5,000,000
Minimum gross proceeds of the Public Offer	\$4,000,000
Maximum gross proceeds of the Public Offer	\$7,000,000
Public Offer Price	\$0.20 per Share
Total number of Shares on issue following completion of the acquisition of Freehill Investments and the Public Offer	
<ul style="list-style-type: none"> <li>Minimum subscription</li> </ul>	331,666,730
<ul style="list-style-type: none"> <li>Maximum subscription</li> </ul>	346,666,730

<ul style="list-style-type: none"> <li>• Indicative market capitalisation (Minimum Subscription)</li> </ul>	\$66,333,356
<ul style="list-style-type: none"> <li>• Indicative market capitalisation (Maximum Subscription)</li> </ul>	\$69,333,346

*\*Number of shares listed includes shares issued in satisfaction of interest payable to 30 June 2016. Interest accrued post 30 June 2016 will be satisfied by a cash payment.*

*\*\* Number of shares calculated includes shares issued in satisfaction of interest payable to 15 October 2016. Any interest payable after this date will be satisfied by a cash payment.*



## 2. INVESTMENT OVERVIEW

Topic	Summary	More information
Who is the issuer of the Prospectus?	Freehill Mining Limited (ACN 083 160 909) ( <b>Company</b> ).	Section 3
What is the proposed transaction?	<p>The Company intends to acquire 100% of the fully paid ordinary shares in Freehill Investments Pty Ltd (ACN 158 270 627) (<b>Freehill Investments</b>), an Australian company that has interests in a number of Chilean companies that have interests in mining tenements in Chile.</p> <p>Pursuant to shareholder approval received by the Company in July 2010, the Company disposed of its main undertaking, an imaging business (and all associated intellectual property) operated by its wholly owned subsidiary latia Imaging Pty Ltd in August 2010.</p> <p>The Company's shares were suspended from quotation on the ASX in January 2010 and the Company has not undertaken any material business activity since the divestment. The Company was delisted from the ASX in March 2016.</p> <p>On 27 July 2016, the Company's shareholders approved the proposed acquisition of Freehill Investments. The acquisition is conditional upon an ASX listing by 31 December 2016.</p> <p>Freehill Investments has interests in five mining concessions. Further information about the mining concessions is set out in Section 3. Following the acquisition of Freehill Investments, the Company will become a mineral exploration and production company and its primary focus will be to:</p> <ul style="list-style-type: none"> <li>• expand, subject to permitting approval, production licenses to 10,000 tonnes per month to meet existing customer demands.</li> <li>• optimise existing production processes and procedures to lower unit costs from the current levels, to capture benefits for increased production levels and drive near term profitability.</li> <li>• undertake a program of drilling and specific determination with the objective of establishing a JORC compliant resource.</li> <li>• evaluate the mining of hard rock and sands in the context of cost, returns and time to revenue.</li> <li>• subject to JORC compliant resources being identified, develop a mine plan for exploitation of the resources to achieve reserve classification.</li> <li>• upon completion of a mine plan and reserve estimate, develop a bankable feasibility study for expanded production.</li> </ul>	Section 3
Who is Freehill Investments and what is the Company's strategy upon	<p>Freehill Investments is an Australian company which is engaged in identifying quality resource opportunities with an identifiable short term horizon to production.</p> <p>To date, Freehill Investments is pursuing this strategy in respect of the iron ore tenements that two of its Chilean incorporated subsidiaries, Yervas Buenas SpA (<b>YB</b></p>	Section 3

<p>acquisition of Freehill Investments?</p>	<p><b>SpA) and San Patricio Minería SpA (SP SpA) (collectively the Chilean Companies)</b> have interests in.</p> <p>Freehill Investments currently holds 50% of the issued capital of each of the Chilean Companies, and has the right to have the remaining issued capital transferred to it for no additional consideration upon completion of the Company's acquisition of Freehill Investments and the Company receiving approval to being admitted to the Official List of the ASX.</p> <p>Upon Completion of the Offer, the Company will hold tenement interests held by the Chilean Companies in the Yervas Buenas Project Area which spans 398 hectares and consists of the YB Mining Concession and the SP Mining Concessions (see Section 3.4).</p> <p>The Company's interest in the YB Mining Concession is through an Agreement on Mining Concession Lease with Purchase Option between YB SpA and A y F Muzard Limitada, under which the purchase option is due to expire in August 2017. At present, approximately USD\$542,000 remains to be paid on the purchase option. In the event only the Minimum Subscription is raised and YB SpA defaults on the terms of the agreement (for example for failing to pay rent on the lease to keep the YB Mining Concession in good standing or to pay the purchase price under the purchase option), the lease and associated purchase option may be terminated and YB SpA will lose the right to purchase the YB Mining Concession. This will result in the Company only retaining the SP Mining Concessions.</p> <p>The Yervas Buenas Project Area is on land effectively owned by a constructive trust based on hereditary succession, stemming from the original owner. On 24 December 2014, YB SpA entered into a purchase agreement giving it an entitlement to use an area approximately 180 hectares of land. The purchase payments are made by common agreement between the parties, and approximately \$14,000 remains outstanding (with approximately \$10,000 having been paid).</p> <p>Current iron ore sands mining at the Yervas Buenas Project commenced in 2014 and has produced high grade magnetite concentrates for sale to several Chilean buyers, mostly through an agreement with CAPS, a subsidiary of the largest Chilean iron ore producer. Freehill Investments presently has two customers, CAPS and Melon. Further information about the existing arrangements is set out in Section 12.</p> <p>YB SpA is party to a Purchase Agreement dated 23 October 2015 with CAPS. Under the agreement, YB was required to supply a total of 10,000 tonnes of iron ore product to CAPS within a prescribed period of 2 months between 23 October 2015 and 23 December 2015. The Company has been advised by the Freehill Investments that as at the date of this Prospectus, CAPS' order of 10,000 tonnes of iron ore has only been partially fulfilled. Notwithstanding this, Freehill Investments has advised the Company that CAPS has agreed to extend the prescribed period until Freehill Investments is in a position to complete the order.</p> <p>Freehill Investments aims to undertake further exploration with the objective of proving up reserves and resources at the Yervas Buenas Project. Freehill Investments will also review other potential opportunities in respect of gold, rare earth, magnetite and other ore bodies and high silica sands on the tenements.</p> <p>It is the intention of the Company that it will continue the operation of the mine following the acquisition of Freehill Investments as an owner-operator, as the Mining Operations Transition Deed between Freehill Investments and Lacerta provides for handover of all operations to Freehill Investments.</p> <p>YB SpA currently utilises a concentrate plant that is located on the Yervas Buenas Project that is presently owned by Lacerta, and will be transferred to YB SpA following the Company's listing for nil consideration. Further, it is the Company's intention that personnel currently employed by Lacerta are transitioned to being directly employed</p>
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	by YB SpA, and that existing short term equipment hire arrangements are transitioned from Lacerta to YB SpA.																																																		
What resource(s) is the Company Mining?	The Company is presently conducting operations which involve the mining of magnetite iron ore from hard rock and sands at the surface, and other resources have been identified as potentially present at the Yervas Buenas Project Area. The resource currently being mined is not defined as a resource or reserve which is compliant with the JORC Code.	Section 8																																																	
What are the key benefits associated with Freehill Investments' business?	<p>The benefits of Freehill Investments' business include:</p> <ul style="list-style-type: none"><li>• there is an existing operating mine at the Yervas Buenas Project Area in Chile;</li><li>• it has established commercial sales relationships with key partners in Chile;</li><li>• there are prospects of further growth as a result of the geology and exploration plan on the Yervas Buenas Project Area; and</li></ul> <p>there are various mineralisation opportunities as identified in the Independent Geologist's Report in Section 8.</p>	Sections 3 and 8																																																	
What is the financial position of the Company and Freehill Investments?	<p>The above financial information is based on the financial statements of Freehill Investments. A summary of the financial position of the Company and Freehill Investments given the minimum and maximum proceeds under the Public Offer is below:</p> <table><tr><th>Funds Raised</th><th>\$4,000,000</th><th>\$7,000,000</th></tr><tr><td>Cash</td><td>\$4,447,611</td><td>\$7,241,711</td></tr><tr><td>Liabilities</td><td>\$2,453,592</td><td>\$2,453,592</td></tr><tr><td>Net Assets</td><td>\$6,840,324</td><td>\$9,632,424</td></tr></table> <p>Further financial information regarding the Company and Freehill Investments is set out in Section 10 and is considered in the Investigating Accountant's Report in Section 11 of this Prospectus.</p>	Funds Raised	\$4,000,000	\$7,000,000	Cash	\$4,447,611	\$7,241,711	Liabilities	\$2,453,592	\$2,453,592	Net Assets	\$6,840,324	\$9,632,424	Sections 10 and 11																																					
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Use of funds	<table><tr><th colspan="5">Proposed Application of Funds Raised</th></tr><tr><th rowspan="2"></th><th colspan="2">Minimum Subscription \$4,000,000</th><th colspan="2">Maximum Subscription \$7,000,000</th></tr><tr><th>Amount (\$)</th><th>%</th><th>Amount (\$)</th><th>%</th></tr><tr><td>Expenses of the Capital Raising (including capital raising fees)</td><td>514,498</td><td>12.86</td><td>720,398</td><td>10.29</td></tr><tr><td>Loan repayments</td><td>1,512,590</td><td>37.81</td><td>1,512,590</td><td>21.61</td></tr><tr><td>Balance of option payment for Yervas Buenas Mining Concession *</td><td>-</td><td>-</td><td>722,700</td><td>10.32</td></tr><tr><td>Exploration &amp; Expansion</td><td>-</td><td>-</td><td>2,000,000</td><td>28.57</td></tr><tr><td>Drilling program</td><td>350,000</td><td>8.75</td><td>350,000</td><td>5.00</td></tr><tr><td>Working capital</td><td>1,622,912</td><td>40.57</td><td>1,694,312</td><td>24.20</td></tr><tr><td>Total</td><td>4,000,000</td><td>100.00</td><td>7,000,000</td><td>100.00</td></tr></table> <p>* Exchange Rate 1 AUD:0.75 USD</p>	Proposed Application of Funds Raised						Minimum Subscription \$4,000,000		Maximum Subscription \$7,000,000		Amount (\$)	%	Amount (\$)	%	Expenses of the Capital Raising (including capital raising fees)	514,498	12.86	720,398	10.29	Loan repayments	1,512,590	37.81	1,512,590	21.61	Balance of option payment for Yervas Buenas Mining Concession *	-	-	722,700	10.32	Exploration & Expansion	-	-	2,000,000	28.57	Drilling program	350,000	8.75	350,000	5.00	Working capital	1,622,912	40.57	1,694,312	24.20	Total	4,000,000	100.00	7,000,000	100.00	Section 4.9
Proposed Application of Funds Raised																																																			
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Working capital	1,622,912	40.57	1,694,312	24.20																																															
Total	4,000,000	100.00	7,000,000	100.00																																															

	<p>No guarantee can be provided that the Company will not in the future be required to raise additional funds to maintain mining operations or conduct exploration activities to identify a JORC compliant reserve or resource.</p> <p>Section 4.9 contains further details on the proposed use of funds and information on the allocation of working capital.</p>	
The audited historical financial information contains an emphasis of matter	<p>As noted in the Financial Information included in Section 10, the unqualified audit reports of Freehill Mining, Freehill Investments and YB SpAa for the year ended 30 June 2016 each included an emphasis of matter that, without modifying the unqualified audit opinion, drew notice to the existence of a material uncertainty which may cast significant doubt over each entities ability to continue as a going concern. The Directors of Freehill Mining are of the opinion that following completion of the Public Offer, the Company and its controlled entities will have sufficient funds to continue operating as a going concern.</p>	Section 10
What are the Company's forecast prospects?	<p>The Directors and Incoming Director are of the opinion that as the financial performance of the Company in any period will be influenced by various factors that are outside of their control, it is not appropriate to provide any forecast financial information in relation to the Company.</p>	N/A
Profitability of the mining operations	<p>Freehill Investments current mining operations are not profitable, due to their small scale and relative infancy and investment made in operational infrastructure to date. The capital raised from the Public Offer will primarily be used to enable the Company to expand its operation and production levels to the tenement licenses' current limits and based on the Independent Geologist's findings, review and drill the mineral sands deposit and determine the extent and value of mineralisation within the sands. In addition, the Company will evaluate mining of hard rock evident at surface. The Company's primary activity therefore is conducting mining operations, however it intends to conduct exploration activities in order to determine the full extent of its resource.</p> <p>Governing this expansion plan will be the permitting process, which allows for approved levels of production. Freehill Investments currently has a permit to produce 5,000 tonnes per month of product for YB SpA, and as a matter of process will be entitled to a further 5,000 tonnes per month for SP SpA. Analysis has indicated that expansion of production to 10,000 tonnes per month will require a modest increase in expenditure, and the addition of a further working shift.</p> <p>Freehill Investments has been in discussion with a Chilean permitting consultant, who has advised that increasing permitted production to 100,000 tonnes per month will take 12 to 18 months for approval, and cost approximately US\$140,000. The Company will consider this option once the drilling program has been completed and a comprehensive understanding of the resource is achieved.</p> <p>The profitability of the mining operations may be limited in the future if the current tenement licenses' limits on production levels cannot be increased.</p>	N/A
Who are the Company's Directors?	<p><b>Current Directors</b></p> <ul style="list-style-type: none"> <li>• Stephen Chaplin (Non-Executive Chairman)</li> <li>• Paul Davies (Executive Director and Chief Financial Officer)</li> <li>• Nicholas Kapes (Non-Executive Director)</li> <li>• Ray Mangion (Non-Executive Director)</li> </ul>	Section 5

	<p><b>Incoming Director</b></p> <p>Juan Enrique Dagach will be appointed as Managing Director after completion of the acquisition of Freehill Investments. The Company's shareholders approved Mr Dagach's appointment at a General Meeting that was held on 27 July 2016.</p> <p>Information about the background and experience of each Director, the Incoming Director and the Company Secretary is set out in Section 5.</p>	
What benefits are being paid to Directors?	<p>The Directors will be entitled to be paid directors' fees for operating the Company following the admission of the Company's shares on the ASX, as follows:</p> <ul style="list-style-type: none"> <li>As Non-Executive Chairman, Stephen Chaplin will be paid \$45,000 (plus GST) per annum inclusive of statutory superannuation (if any).</li> <li>As Non-Executive Director, Ray Mangion will be paid \$45,000 (plus GST) per annum inclusive of statutory superannuation (if any).</li> <li>As Non-Executive Director, Nicholas Kapes will be paid \$45,000 (plus GST) per annum inclusive of statutory superannuation (if any).</li> <li>As Executive Director, Paul Davies will be paid \$69,000 (plus GST) per annum inclusive of statutory superannuation (if any). This is inclusive of \$2,000 per month that is paid to Mr Davies in his capacity as Chief Financial Officer of the Company.</li> <li>As Managing Director, Juan Enrique Dagach will be paid \$100,000 per annum inclusive of statutory superannuation (if any).</li> </ul> <p>For further information on the Directors' interests, please refer to Section 5.4</p>	Section 5.4
What are the benefits being given to related parties?	<p>Juan Dagach, is associated with one of Freehill Investments' vendors, Smart Investment Chile Limited. As Mr Dagach is a proposed director of the Company, he is deemed to be a related party.</p> <p>Smart Investment Chile Limited is entitled to 94,500,000 shares in the Company as consideration for the transfer of its shares in Freehill Investments to the Company. Upon completion of the acquisition of Freehill Investments and the Public Offer, Smart Investment Chile Limited will hold a 28.49% interest in the capital of the Company (based on the Minimum Subscription amount).</p> <p>The Company's shareholders approved Smart Investment Chile Limited acquiring a relevant interest in more than 20% of the Company at the General Meeting that was held on 27 July 2016.</p> <p>Novus has agreed to underwrite the Minimum Subscription. Non-executive Director, Nicholas Kapes is a director of Novus. The Company has agreed to pay underwriting fees to Novus, a description of which is set out in Section 12.1.</p> <p>Minatec Pty Ltd, a company of which Non-executive Chairman, Steve Chaplin, is a director and shareholder, has agreed with Novus to sub-underwrite \$3,000,000 of the Minimum Subscription. Novus has agreed to pay sub-underwriting fees to Minatec Pty Ltd, a description of which is set out in Section 12.1.</p> <p>Executive Director and Chief Financial Officer Mr Paul Davies has agreed with Novus to sub-underwrite \$1,000,000 of the Minimum Subscription, jointly and severally with Origami Equities Pty Ltd. Novus has agreed to pay sub-underwriting fees to Mr Davies and Origami Equities Pty Ltd, a description of which is set out in Section 12.1.</p>	Section 5.5
What benefits are being paid to other persons?	<p>The Company will pay other service providers who have assisted with the preparation of the documentation required to enable the Company to prepare this Prospectus. These persons include accountants, solicitors and corporate advisors. Full details of the amounts paid, or to be paid are included at Section 12.3.</p>	Section 12.3

<p>What important contracts have the Company and Freehill Investments entered into?</p>	<p>The Company is party to a number of material contracts with its advisers in connection with the acquisition of Freehill Investments, including an underwriting agreement with Novus under which Novus has agreed to underwrite the Public Offer up to the Minimum Subscription amount of \$4,000,000. Novus has entered into sub-underwriting agreements with Minatec Pty Ltd, which has agreed to sub-underwrite the amount of \$3,000,000, and with Origami Equities Pty Ltd and Executive Director and Chief Financial Officer Mr Paul Davies, who have jointly and severally agreed to sub-underwrite the amount of \$1,000,000.</p> <p>In addition, the Company is party to a Sale and Purchase Agreement under which it has agreed to acquire 100% of the issued share capital of Freehill Investments.</p> <p>Freehill Investments and/or the Chilean Companies are parties to a number of material contracts including:</p> <ul style="list-style-type: none"><li>• A Mineral Exploitation Agreement with Lacerta Finance &amp; Mining Chile SpA (<b>Lacerta</b>). The parties have agreed to terminate this agreement upon completion of the Company's acquisition of Freehill Investments and for mining operations to be transitioned to Freehill Investments; and</li><li>• Purchase agreement with CAPS, a subsidiary of Chile's largest iron producer.</li><li>• Lacerta (on behalf of one of the Chilean Companies, YB SpA) receives regular purchase orders from Melon under which YB SpA will supply iron ore to Melon.</li></ul> <p>For further information on these material contracts, refer to Section 12.1.</p>	<p>Section 12.1</p>																									
<p>What is the effect of the acquisition of Freehill Investments and the Offers on the Company?</p>	<p>The acquisition of Freehill Investments and the funds raised under the Public Offer will provide the Company with the funds required to meet its operating costs, expand existing mining operations, undertake further geological exploration and meet the expenses associated with the Offers.</p> <p>The following table shows the effect on the issued capital of the Company after the issue of Shares upon completion of the acquisition of Freehill Investments and the issue of shares under the Public Offer and Transaction Offers.</p> <table><tr><th>Effect on the Company's Ordinary Shares</th><th>Number of Shares (Minimum Subscription)</th><th>Percentage of total shares on issue (Minimum Subscription)</th><th>Number of Shares (Maximum Subscription)</th><th>Percentage of total shares on issue (Maximum Subscription)</th></tr><tr><td>Shares currently on issue</td><td>6,280,601</td><td>1.89</td><td>6,280,601</td><td>1.81</td></tr><tr><td>Shares to be issued on conversion of the Company's Convertible Notes and Loans prior to admission to the Official List*</td><td>23,131,110</td><td>6.97</td><td>23,131,110</td><td>6.67</td></tr><tr><td>Shares to be issued on conversion of loans assigned by Freehill Investments prior to admission to the Official List**</td><td>9,255,019</td><td>2.79</td><td>9,255,019</td><td>2.66</td></tr><tr><td>Consideration Shares issued to</td><td>268,000,000</td><td>80.80</td><td>268,000,000</td><td>77.31</td></tr></table>	Effect on the Company's Ordinary Shares	Number of Shares (Minimum Subscription)	Percentage of total shares on issue (Minimum Subscription)	Number of Shares (Maximum Subscription)	Percentage of total shares on issue (Maximum Subscription)	Shares currently on issue	6,280,601	1.89	6,280,601	1.81	Shares to be issued on conversion of the Company's Convertible Notes and Loans prior to admission to the Official List*	23,131,110	6.97	23,131,110	6.67	Shares to be issued on conversion of loans assigned by Freehill Investments prior to admission to the Official List**	9,255,019	2.79	9,255,019	2.66	Consideration Shares issued to	268,000,000	80.80	268,000,000	77.31	<p>Sections 3 and 4</p>
Effect on the Company's Ordinary Shares	Number of Shares (Minimum Subscription)	Percentage of total shares on issue (Minimum Subscription)	Number of Shares (Maximum Subscription)	Percentage of total shares on issue (Maximum Subscription)																							
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Shares to be issued on conversion of loans assigned by Freehill Investments prior to admission to the Official List**	9,255,019	2.79	9,255,019	2.66																							
Consideration Shares issued to	268,000,000	80.80	268,000,000	77.31																							



	acquire Freehill Investments					
	Shares issued pursuant to Public Offer	20,000,000	6.03	35,000,000	10.10	
	Shares issued to Underwriter/Sub-underwriters	5,000,000	1.51	5,000,000	1.44	
	Fully Diluted ordinary shares on Listing	<b>331,666,730</b>	<b>100</b>	<b>346,666,730</b>	<b>100</b>	
	<p><i>*Number of Shares to be issued assumes interest is payable until 15 October 2016. Any interest payable after this date will be satisfied by a cash payment.</i></p> <p><i>**Number of Shares to be issued assumes interest payable until 30 June 2016. Interest payable after this date will be satisfied by a cash payment.</i></p> <p>The future of the Company will be dependent on many things, some of which are outside of the control of the Company. Specifically, in relation to the funds raised under the Prospectus, the future growth of the Company will be dependent on:</p> <ul style="list-style-type: none"> <li>the results of further exploration work at the Yervas Buenas Project and whether the Company is able to establish a JORC compliant resource;</li> <li>the continued operation and/or expansion of existing mining operations at the Yervas Buenas Project;</li> <li>continued relationships with its main customers, CAPS and Melon;</li> <li>satisfactory completion of an environmental impact study;</li> <li>prudent capital expenditure to minimise production costs; and</li> <li>the ability of the Company to attract and retain key management personnel.</li> </ul>					
Will the Company pay dividends?	The Company does not expect to pay dividends in the near future and any future payment of dividends by the Company will be at the discretion of the Board.					Section 4.22
Where will the Shares be quoted?	An application will be made to the ASX for quotation of the Company's shares on the Official List of ASX.					Section 4.6
Are any shares escrowed?	<p>Subject to the Company being admitted to the Official List, certain Shares on issue:</p> <p>(a) under the Vendor Offer on completion of the acquisition of Freehill Investments; and</p> <p>(b) to Lenders under the Conversion Offer;</p> <p>(c) that are issued to the Underwriter and/or Sub-underwriters pursuant to the Underwriting Agreement; and</p> <p>(d) that were issued to directors and service providers in lieu of fees for services will be classified by ASX as Restricted Securities and will be required to be held in escrow.</p> <p>On the basis of initial correspondence with ASX, the Company expects that approximately 166,722,467 shares will be held in escrow, being a maximum of 50.27% and a minimum of 48.09% of all shares on issue following the Offers, however the number of shares subject to escrow is subject to change, pending final determination by ASX.</p>					Section 4.17

When will I know if my Application was successful?	A holding statement confirming your allocation under the Offers will be sent to you if your Application is successful. Holding statements are expected to be issued on or about 15 December 2016.	Section 4.15
How can I obtain further advice?	By speaking to your accountant, stockbroker or other professional adviser. If you require assistance or additional copies of this Prospectus, please contact Novus during business hours on (03) 8602 1700.	
Contact details	For further details, see the Corporate Directory at the beginning of this Prospectus.	Corporate Directory

## • THE OFFERS

Question	Response	More info.
What is the Public Offer?	<p>The Company is making the Public Offer to the general public for the issue of 20,000,000 New Shares at an issue price of \$0.20 (20 cents per share) to raise a minimum of \$4,000,000 before expenses of the Offers, with provision to accept (at the discretion of the Board) oversubscriptions up to the Maximum Subscription of 35,000,000 New Shares to raise up to a total of \$7,000,000.</p> <p>The maximum amount that may be raised under the Public Offer (assuming Maximum Subscription) is \$7,000,000.</p> <p>The Public Offer is underwritten up to the Minimum Subscription amount of \$4,000,000.</p>	Section 4
What are the Transaction Offers	The Transaction Offers are made to the Freehill Investments Vendors and the Lenders. You should not complete an Application Form in respect of the Transaction Offers unless specifically directed to do so by the Company.	Section 4.4
What are the conditions of the Offers	<p>Completion of each of the Offers is conditional upon:</p> <ul style="list-style-type: none"> <li>the Minimum Subscription under the Prospectus being achieved;</li> <li>ASX providing the Company with a list of conditions which, when satisfied, will result in ASX admitting the Shares to quotation; and</li> <li>completion taking place under the Sale and Purchase Agreement. A summary of the Sale and Purchase Agreement and a description of the conditions precedent to its completion are set out in Section 12.1.</li> </ul>	
How will funds raised under the Public Offer be used?	<p>The Company intends to use the funds raised by the Public Offer as follows:</p> <ul style="list-style-type: none"> <li>the payment of expenses of the Offers;</li> <li>meeting the operating costs of the Company (including repaying existing loans associated with Freehill Investments)</li> <li>undertaking a program of drilling and specific gravity determination with the objective of establishing a JORC compliant resource; and</li> <li>provide additional working capital.</li> </ul>	Sections 4.9 and 12.5
What are the key dates of the Offers?	<b>Lodgement of the Original Prospectus with ASIC: 21 October 2016</b>	Key Offer Details

	<p><b>Lodgement of this Replacement Prospectus with ASIC:</b> 7 November 2016</p> <p><b>Opening Date for Public Offer:</b> 7 November 2016</p> <p><b>Closing Date for Public Offer:</b> 9 December 2016</p> <p><b>Shares issued to Vendors and Lenders:</b> 14 December 2016</p> <p><b>Dispatch of Statements of Shareholding:</b> 15 December 2016</p> <p><b>Expected date for Shares to commence trading on ASX:</b> 19 December 2016</p> <p>The above dates are indicative only and may change without notice. The Company reserves the right (in consultation with the Underwriter) to extend the Closing Date or close the Public Offer early without notice.</p>	
What is the Public Offer price?	The Public Offer price is \$0.20 per Share.	Section 4
Investment Highlights	<p>The Directors are of the opinion that the following are the key highlights of the Public Offer:</p> <ul style="list-style-type: none"> <li>the Company will acquire a producing mineral asset in Chile;</li> <li>the Company will have the benefit of a number of material contracts, including a sales contract with CAPS; and</li> <li>the Company will have interests in mining tenements totalling approximately 398 hectares which comprise the Yerbas Beunas Project Area.</li> </ul>	N/A
What rights and liabilities are attached to the Shares being offered?	All Shares issued under the Offers will rank equally with Existing Shares on issue on the terms set out in Section 4.18.	Section 4.18
Is the Public Offer underwritten?	The Public Offer is underwritten by Novus up to the Minimum Subscription amount of \$4,000,000.	Section 12.1
How do I apply for Shares under the Public Offer?	<p>All Application Forms must be completed in accordance with the instructions accompanying the Application Form and in respect of Application Forms for the Public Offer, must be accompanied by a cheque in Australian dollars for the full amount of the application being \$0.20 cents per Share.</p> <p>Applications must be for a minimum of 10,000 Shares (\$2,000) and then in increments of 2,000 Shares (\$400). No brokerage, stamp duty or other costs are payable by applicants. Refer to Section 4.7 below for payment and lodgement details.</p> <p>Cheques must be made payable to Freehill Mining Limited and should be crossed "Not Negotiable".</p>	Section 4.7 and Application Form
Where do I send the Application Form?	<p>Applications Forms should be sent to:</p> <p>Novus Capital Limited Level 8, 330 Collins Street Melbourne VIC 3000</p>	

	Completed Application Forms and cheques must be received by 9 December 2016 before 5.00pm AEDT on the Closing Date.	
What conditions does ASX impose on the Company ahead of listing?	<p>The ASX requires that criteria relating to the Company's number of shareholders and its assets are satisfied before admission. It is required that the Company have either a minimum of 400 investors investing \$2,000, a minimum of 350 investors investing \$2,000 with 25% held by unrelated parties, or a minimum of 300 investors investing \$2,000 with 50% held by unrelated parties.</p> <p>The Company is seeking admission to the ASX's Official List by satisfying the "Asset Test" which requires the Company to have \$3 million net tangible assets or \$10 million market capitalisation.</p> <p>It is also a condition of listing that the Company complete the acquisition of Freehill Investments and that the transfer of the remaining interests in the Chilean Companies to Freehill Investments be completed.</p> <p>The ASX will classify certain shares on issue or to be issued under the Transaction Offers as restricted securities and will require the holders of restricted securities to enter into restriction agreements prohibiting the disposal of those securities for prescribed periods of time post listing.</p> <p>It is not anticipated that ASX will impose conditions on listing outside the standard conditions outlined above.</p>	N/A
Can I speak to a representative about the Offers?	Questions relating to the Offers can be directed to Novus on (03) 8602 1700.	Section 4.28

• **KEY RISK FACTORS**

Question	Response	More info.
What are the key risks of investing in Shares in the Company?	<p>The list below is a summary of key risks associated with investing in the Company. A more comprehensive summary of risks is set out in Section 7.</p> <p><b>Contractual risk</b></p> <p>Completion of the acquisition of Freehill Investments under the Sale and Purchase Agreement is subject to the satisfaction of various conditions precedent, including confirmation by ASX that the Company has complied with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules. If the acquisition of Freehill Investments is not completed, the Company will incur third party costs relating to advisors and other costs, without any material benefit being achieved.</p> <p>Pursuant to the Mineral Exploitation Agreement between Lacerta and YB SpA, exploitation and management rights relating to the YB Mining Concession have been granted to Lacerta until September 2017, and while it has been agreed that the Mineral Exploitation Agreement will be terminated upon the acquisition of Freehill Investments by the Company, there is a risk that non-performance by either party will delay the handover of the mining operations.</p>	Section 7



	<p>The increase of the Company's interest in the YB Mining Concession and the SP Mining Concessions from 50% to 100% is contingent on the Company becoming listed.</p> <p>The Company has access to the Yervas Buenas Project Area under a purchase agreement under which approximately \$14,000 is to be paid at a future date, non-payment of which would expose the Company to the exercise of the mortgage rights of the vendor under the purchase agreement.</p> <p><b>Sovereign risk</b></p> <p>Freehill Investments' business is subject to political, social, economic and other uncertainties including (without limitation) policy changes, changes to personnel who are administering policies, foreign exchange restrictions, changes to laws affecting foreign ownership, currency fluctuations, royalties and tax increases in Chile.</p> <p>There is a risk that Freehill Investments' activities will be affected if there are any changes to Chile's political, legal or fiscal systems that might affect the ownership and operation of Freehill Investments' Chilean mining interests.</p> <p><b>Country Risk</b></p> <p>Operating in foreign countries has inherent risks which may adversely impact on the financial position, financial performance, cash flows, growth prospects, ability to pay dividends and the share price of the Company.</p> <p>The following risks are specifically noted:</p> <ul style="list-style-type: none"> <li>• changes in government policies;</li> <li>• economic considerations;</li> <li>• legal considerations;</li> <li>• foreign investment requirements;</li> <li>• challenges to the ownership or nature of titles and other rights;</li> <li>• devaluation or appreciation of currencies; and</li> </ul> <p>timing considerations.</p> <p><b>Title risks and Native Title</b></p> <p>Freehill Investments may lose the interests it has in mining tenements if the tenements' licence conditions are not satisfied.</p> <p>If it is determined that native title rights exist over the tenements that Freehill Investments has an interest in, the ability of Freehill Investments to progress from exploration to development and mining phases may be adversely affected.</p> <p><b>Discovery Risk</b></p> <p>Upon completion of the acquisition of Freehill Investments, there is a risk that the Company will not be able to establish a JORC compliant resource or reserve.</p> <p>There is also a risk that any subsequent discovery by the Company may not be commercially viable or recoverable.</p>	
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	<p><b>Operating risk</b></p> <p>The nature of exploration, mining and mineral processing involves hazards which could result in the Freehill Investments incurring uninsured losses and liabilities to third parties, for example arising from pollution, environmental damage or other damage, injury or death.</p> <p><b>Earthquake</b></p> <p>Much of the west coast of Chile, including the Yervas Buenas Project area and the city of La Serena where Freehill Investments is based, is seismically active with frequent earthquakes and occasional tsunamis. These issues may result in operational delays.</p> <p><b>Production cost improvement</b></p> <p>The ability of the Company to increase the scale of its operations will be subject to a number of factors, including there being no significant decline in the grade of materials that are processed or any unidentified processing issues.</p> <p><b>Project risk</b></p> <p>The Yervas Buenas Project is at an early stage of development and potential investors should understand that mineral exploration and development are high risk undertakings. There can be no assurance that exploitation of the project, or any other tenements acquired in the future, will result in an economic ore deposit that could be classified for the purpose of a regulatory or securities exchange code.</p> <p><b>Directors' experience</b></p> <p>With the exception of Paul Davies, the Directors (including the Incoming Director) have not previously been directors of other ASX listed entities.</p> <p>Whilst the Directors do not have previous experience as directors of other ASX listed entities, between them they have considerable experience in the mining industry, international trade, financial services, accounting and commercial sectors.</p> <p><b>Quotation of Shares on ASX</b></p> <p>There is a risk that the Company may not be able to meet the requirements of the ASX for quotation of its Shares on the Official List. Should this occur, the Shares will not be able to be traded on the ASX until such time as those requirements can be met, if at all.</p> <p><b>Share liquidity</b></p> <p>Certain Shares on issue prior to the close of the Offers (or to be issued in connection with the Vendor Offer and the Conversion Offer) may be classified as restricted securities and will be escrowed for up to 24 months. During the period in which these Shares are prohibited from being transferred, trading in shares may be less liquid which may impact on a Shareholder's ability to dispose of his or her Shares in a timely manner. On the basis of initial correspondence with ASX, the Company expects that approximately 166,722,467 shares will be held in escrow, being a maximum of 50.27% and a minimum of 48.09% of all shares on issue following the Offers, however the number of shares subject to escrow is subject to change, pending final determination by ASX.</p>	
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### 3. OVERVIEW OF THE COMPANY, THE INDUSTRY, FREEHILL INVESTMENTS AND THE YERBAS BUENAS PROJECT

#### 3.1 THE COMPANY

The Company, previously known as Iatía Limited carried on an imaging business and was listed on the ASX. In January 2010, the Company's securities were suspended from quotation on the ASX and in August 2010, Iatía Limited disposed of its main undertaking, being the imaging business (and all associated intellectual property) operated by its wholly owned subsidiary Iatía Imaging Pty Ltd. Subsequent to the divestment, the Company did not undertake any material business and its assets thereafter comprised of a number of residual assets and obligations from the business it no longer carried on.

The Company sought and obtained shareholder approval to change its name at its Annual General Meeting on 17 December 2015. On 23 December 2015, the Company announced to the ASX that from 22 December 2015 its name would be Freehill Mining Limited, so as to reflect the name of Freehill Investments, the company which the Company was proposing to acquire. With the name change, the Company also announced that its ASX code would be FHM. Pursuant to ASX's policy of automatic removal from the official list of any entity whose securities have been suspended from trading for a continuous period of three years, the Company was removed from the Official List on 23 March 2016.

On or around 18 November 2015, the Company entered into a share sale and purchase agreement (**Sale and Purchase Agreement**) with the shareholders of Freehill Investments to acquire all of the issued shares in Freehill Investments in consideration for shares in the Company. Freehill Investments is an Australian private company incorporated on 9 May 2012 that is engaged in identifying quality resource opportunities that have an identifiable short term horizon to production. Currently, Freehill Investments has interests in two Chilean companies that have interests in iron ore tenements.

#### 3.2 OVERVIEW OF FREEHILL INVESTMENTS AND ACQUISITION

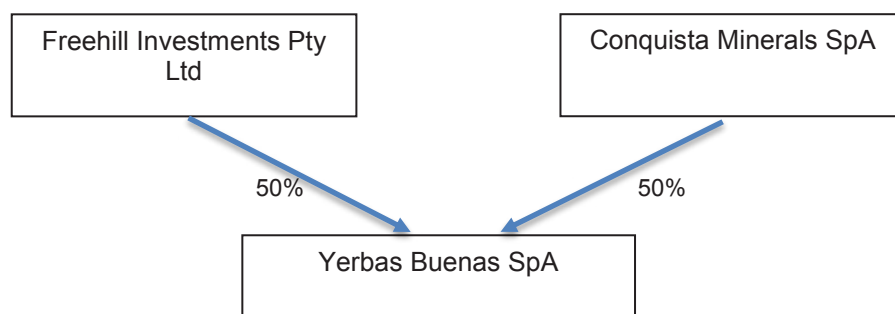
As at the date of this Prospectus, Freehill Investments is the holder of:

- 50% of the shares on issue in YB SpA; and
- 50% of the share on issue in SP SpA

(collectively the **Chilean Companies**).

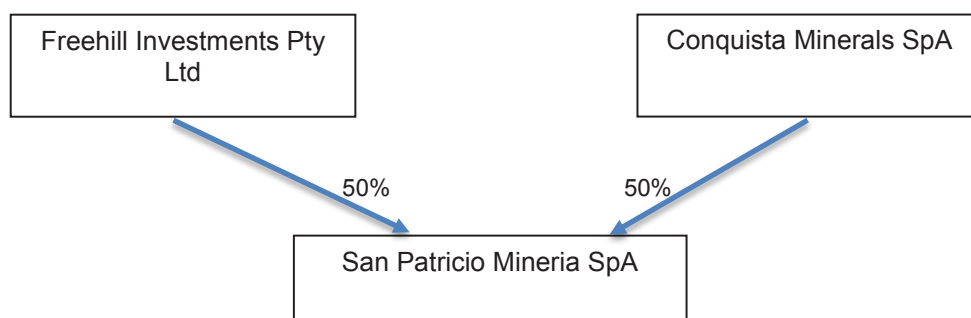
The capital structure of each of the Chilean Companies is as follows:

##### **Yerbas Buenas SpA**



- Freehill Investments has the right to have the 50% interest held by Conquista Minerals SpA transferred to it if the Company acquires Freehill Investments and is granted admission to quotation on the ASX.

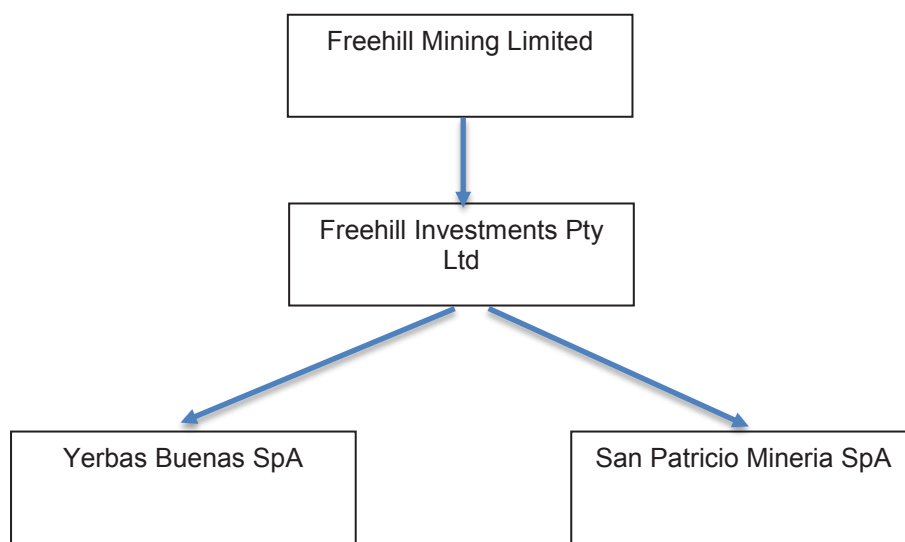
### **San Patricio Minería SpA**



- Freehill Investments has the right to have the 50% interest held by Conquista Minerals SpA transferred to it if the Company acquires Freehill Investments and is granted admission to quotation on the ASX.

The Company has entered into a Sale and Purchase Agreement to acquire 100% of the ordinary shares in Freehill Investments. Further information about the Sale and Purchase Agreement is set out in Section 12.1.

Upon completion of the acquisition of Freehill Investments, the Company through its ownership of Freehill Investments, will become the sole shareholder of the Chilean Companies. As a result, the corporate structure of the Company will be as follows:



### **3.3 BUSINESS STRATEGY & OBJECTIVES**

The Chilean Companies have interests in a number of mining tenements in Chile. These interests make up the Yerbas Buenas Project.

Current magnetite sands mining at the Yerbas Buenas Project commenced in 2014 and has produced high grade magnetite concentrates for sale to several Chilean buyers mostly through an agreement with CAPS. YB SpA has entered into a Mineral Exploitation Agreement with Lacerta Finance & Mining Chile SpA (**Lacerta**) pursuant to which Lacerta has provided management and exploration services in respect of the Yerbas Beunas Project.

Lacerta, in its capacity as an agent of Freehill Investments and YB SpA, has carried out the following activities on the Yerbas Buenas Project:

- installed plant and equipment to establish mining operations;



- developed infrastructure to enable access from the Yervas Buenas Project area to the local highway 5 North;
- as noted in the Independent Geologist's Report in Section 8, dug multiple pits that have enabled the identification of an exploration target of 60 million tonnes of magnetic sand;<sup>1</sup>
- established an understanding of production economics at low production levels;
- established production of high grade magnetite concentrates at a rate up to 5,000 tonnes per month;
- identified collateral opportunities in gold, high grade silica sands hard rock magnetite and rare earths;
- identified hard rock magnetite mineralisation at surface;
- established relationships and sales to two customers, CAPS and Melon. Further details about these arrangements are set out in Section 12; and
- identified a path to expanded production and associated environmental approvals.

The parties to the Mineral Exploitation Agreement have also entered into a Mining Operations Transition Deed whereby it has been agreed that the Mineral Exploitation Agreement will be terminated upon the Company completing its acquisition of Freehill Investments. Upon termination of this agreement, the management and operation of the Yervas Buenas Project will be taken over by Freehill Investments. The parties have agreed that there will be a handover period of 6 months (which can be extended or reduced by agreement). Further information about the Mining Operations Transition Deed is set out in Section 12. In addition, certain plant and equipment acquired by Lacerta for use in the Yervas Buenas Project will be transferred to YB SpA following the listing of the Company.

Under Chilean mining law, by application, all tenement owners are entitled to produce 5,000 tonnes per month of finished product. YB SpA has been granted this license in respect of the YB Mining Concession and an application has been lodged with the National Service of Geology and Mining (**Sernageomin**) for SP SpA to also be granted a license to produce 5,000 tonnes of product per month on the SP Mining Concessions.

Upon completion of the acquisition of Freehill Investments, the Company's business model is to:

- expand, subject to permitting approval, existing production to 10,000 tonnes per month to meet anticipated demand from existing customers.
- optimise existing production processes and procedures to lower unit costs from the current levels, to capture benefits for increased production levels and drive near term profitability.
- undertake a program of drilling and specific gravity determination with the objective of establishing a JORC compliant resource.
- evaluate the mining of hard rock and sands opportunities in the context of cost, returns and time to revenue.
- subject to JORC Compliant resources being identified, develop a mine plan for exploitation of the resources to achieve reserve classification.
- upon completion of a mine plan and reserve estimate, develop a bankable feasibility study for expanded production including an environmental study to establish long term profitability and maximize value to shareholders.

### 3.4 INFORMATION ABOUT THE YERBAS BUENAS PROJECT

The Yervas Buenas Project Area is located 30 kilometres north of the city of La Serena in the IV Region of Coquimbo, Chile. The Yervas Buenas Project spans 398 hectares and consists of the following concessions:

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#### <sup>1</sup> Cautionary Statement

The exploration targets referred to are based on lower technical and economic assessments, and are insufficient to support estimation of Ore Reserves, to formulate a production target, to provide assurance of an economic development case at this stage, or to provide certainty that the conclusions of the Scoping Study will be realised. It is important to state that no Mineral Resources are used in the conceptual study, as only an Exploration Target currently exists, and that there is a low level of geological confidence associated with this target and consequently there is no certainty that future exploration work will result in the determination of Indicated Mineral Resources, or that the outcomes of any proposed production will be realised. Accordingly, these Exploration Targets should not be relied on by investors when making investment decisions.

- the exploitation concession over Yervas Buenas 1–16 (**YB Mining Concession**); and
- the exploration concessions Arenas III, 1 to 15; Arenas IV 1 to 10; Arenas VI, 1 to 20 and Arenas X, 1 to 18 (**SP Mining Concessions**).

The table below details the registration information for each of the concessions within the Yervas Buenas Project.

Tenement	Date Constituted	Registered Owner	R.O.I	Location	Area (ha)	Type of Lease	Registration at Conservator		
							Folio	Page No.	Year
Yervas Buenas 1-16	6 October 2010	A y F Muzard Limitada	04012-2723-1	Municipality of La Higuera, Province of Elqui, Coquimbo Region	50	Exploitation	665	146	2010
Arenas III 1-15	24 November 2011	San Patricio Minería SpA	04012-2714-2	Municipality of La Higuera, Province of Elqui, Coquimbo Region	150	Exploitation	1783	298	2011
Arenas IV 1-10	29 April 2014	San Patricio Minería SpA	04012-2715-0	Municipality of La Higuera, Province of Elqui, Coquimbo Region	44	Exploitation	645	144	2013
Arenas VI 1-20	24 November 2011	San Patricio Minería SpA	04012-2755-K	Municipality of La Higuera, Province of Elqui, Coquimbo Region	92	Exploitation	1796	300	2011
Arenas X 1-18	6 January 2013	San Patricio Minería SpA	04012-2937-4	Municipality of La Higuera, Province of Elqui, Coquimbo Region	54	Exploitation	29	5	2013

Full details of each of the above concessions, including their location and ownership, is set out in the Tenement Report in Section 9 and the Independent Geologist's Report in Section 8.

### YB Mining Concession

YB SpA has a beneficial interest in the YB Mining Concession, which are legally registered in the name of AYF Muzard Limitada (**AFM**). YB SpA's beneficial interest in the YB Mining Concession arises under an Agreement on Mining Concession Lease with Purchase Option with AFM whereby YB SpA has been granted a lease over the YB Mining Concession and has been granted option to purchase the YB Mining Concession for US\$900,000. US\$170,000 that was paid to AFM upon execution of the agreement and rental amounts may be offset against the option exercise price. To date, approximately US\$362,000 has been offset against the option exercise price. The Company intends to apply future production revenues toward payment of the balance of the option exercise price. Further information about this agreement is detailed in the Tenement Report in Section 9.

As at the date of this Prospectus, the YB Mining Concession carries the right to explore for minerals on the concession area, and has been issued with a production permit issued by Sernageomin to operate an extraction and processing operation and to produce up to 5,000 tonnes of iron-ore material per month.

### **SP Mining Concessions**

The SP Mining Concessions are located in the areas surrounding the YB Mining Concession. The SP Mining Concessions provide the right to explore for minerals on the concession areas and to operate an extraction and processing operation subject to obtaining the appropriate permits from Sernageomin. As at the date of this Prospectus, an application for a 4,999 tonne permit to commence exploitation of Arenas IV and Arenas X leases has been lodged with Sernageomin.

### **Plant and Equipment**

YB SpA currently utilises a concentrate plant that is located on the Yervas Buenas Project that is presently owned by Lacerta, and will be transferred to YB SpA following the Company's listing for nil consideration. Further, it is the Company's intention that personnel currently employed by Lacerta are transitioned to being directly employed by YB SpA, and that existing short term arrangements for hire of plant and equipment by Lacerta are transferred to YB SpA post-listing. As noted in the Independent Geologist's Report in Section 8, the plant can produce up to 280 tonnes per day of concentrate or up to 8,000 tonnes per month. The YB Mining Concession has a current production limit of 5,000 tonnes per month.

YB SpA also rents the following equipment:

- 3 x 25 tonne capacity tip trucks;
- two front-end loaders;
- one 40 tonne caterpillar D8 Dozer;
- one 30 tonne Chinese-manufactured excavator; and
- two light 4WD vehicles.

YB SpA also owns some plant that is second-hand, containerised plant which is also located on the Yervas Buenas Project Area. The Independent Geologist has indicated that the total commissioning cost of this plant is likely to be in the range of US\$50,000 to US\$100,000.

## **3.5 GEOLOGY**

For further information about the geology of the Yervas Buenas Project please refer to the Independent Geologist's Report in Section 8.

## **3.6 CURRENT MINING OPERATION**

Since 2014, Lacerta acting as the agent of YB SpA and Freehill Investments, has operated a small scale, low cost magnetite sands mining operation at the Yervas Buenas Project. The operation processes the magnetite sands which are found at surface over most of the Yervas Buenas Project Area.

Due to the availability of the magnetite sands on the surface of the mining project area, the process of extraction of these sands is relatively low cost and simple. Extraction of magnetite sands is carried out via a dry process of production through the use of a magnetic separation plant.

The process is as follows:

- surface material is dug up by a front end loader and put in pre-concentration units or trucks;
- all material is transported to hoppers by truck for further separation;

- material is dropped into hoppers and passed through conveyors where it undergoes magnetic separation;
- approved grade ore is separated and transferred to stockpile; and
- any sands remaining after processing is stockpiled in a non-production area.

YB SpA has entered into an agreement with Lacerta whereby Lacerta has responsibility for all facets of the mining operation.

Lacerta has been responsible for the supply of all of the mining equipment and human resources required to operate the Yervas Buenas Project. Pursuant to the arrangement, Lacerta has received and is entitled to receive from Freehill Investments its costs of providing mining services and has applied the proceeds of the sale of minerals to third parties toward such costs.

A summary of the contract with Lacerta is set out in the Tenement Report in Section 9.

### **3.7 CURRENT PRODUCTION**

Product produced from the YB Mining Concession is currently sold under a Purchase Agreement to CAPS, Chile's largest listed mining and steel company, whose nearest processing facility, Romeral, is located approximately 30km by road from the Yervas Buenas Project Area.

The current Purchase Agreement between CAPS and YB SpA specifies that YB SpA is to receive a sales price for each tonne sold based on a formula which is a percentage of the current benchmark iron ore price – PLATTS IODEX Iron Ore Price - adjusted for the actual product grade received and less shipping costs. Pursuant to the Mineral Exploitation Agreement YB SpA entered into with Lacerta, Lacerta has been acting as YB SpA's agent under the Purchase Agreement with CAPS.

In addition to the production sold to CAPS, Lacerta (on behalf of YB) also sells iron ore products to a local cement and building products company, Melon which issues purchase orders for iron ore products to Lacerta on a regular basis.

### **3.8 COMMERCIAL POSITION WITH EXISTING CUSTOMERS**

Freehill Investments and/or the Chilean Companies are parties to a number of material contracts including:

- A Mineral Exploitation Agreement with Lacerta which operates the YB mine on behalf of Freehill Investments and YB SpA; and
- A purchase agreement with CAPS.

Further information on these material contracts are set out in Sections 9 and 12.1

Lacerta (on behalf of the Chilean Companies) also supplies Melon with iron ore on a regular basis.

While there are currently no identified competitors in supplying CAPS in the region Freehill Investments operates, Freehill Investments' business is impacted by competitive pressures that are exerted by the world's three largest iron ore producers, particularly in respect of iron ore pricing. Further downward pressure on the iron ore price may have an adverse effect on the operating and financial position of Freehill Investments.

### **3.9 GROWTH POTENTIAL**

The Directors have identified the potential sources of revenue and production growth for the Company, as well as ways to optimise the efficiency of current operations as follows:

- increasing the efficiency of the existing mining process through optimisation of current processes and the purchase of additional equipment such as a power screen and magnetic belts;



- increasing the number of shifts per day. Currently the Yervas Buenas mine operates for one shift only;
- reviewing potential low cost hard rock mining at surface;
- reviewing the potential sale of high silica sands that are currently treated as waste;
- commissioning extra plant and equipment which is currently on site but not being utilised; and
- pursuing gold opportunities as identified in the Independent Geologist's Report.

### **3.10 OVERVIEW OF INDUSTRY AND REGULATORY ENVIRONMENT**

#### **Overview of Chile**

Chile, with a continental area of 764,000 square kilometres excluding the Antarctic territory with an area of 1,269,000 square kilometres, is a long narrow ribbon of land stretching almost 4,345 kilometres along the west coast of South America with an average width of only 177 kilometres, varying between 97 kilometres and 402 kilometres. The country is wedged between the Andes on the east and the Pacific Ocean on the west, bordering Peru on the north and Bolivia and Argentina on the east. Southern Chile is an archipelago, with Cape Horn at its tip. There are five distinct and well-defined geographic regions: the northern desert, the high Andean sector, the central valley, the southern lake district, and the archipelago. Santiago is the capital and the commercial centre of the country.

The Yervas Buenas Project is located 30km north of the city of La Serena in the Coquimbo Region of Chile.

#### **Overview of investment environment in Chile**

- Chile has a positive approach towards foreign direct investment as it is considered a key to its economic performance over the last thirty years. There are very few legal and regulatory restrictions placed on foreign direct investment. Chile's capital markets are also well developed.
- Chile has implemented a number of invariability tax schemes for foreign investors together with tax benefits on mergers conducted through acquisitions.
- Restrictions are placed on the ownership of mineral, hydrocarbon and fossil fuel deposits in Chile. However, the government may grant licenses over these deposits to private enterprises. In practice, Chile's government does not expropriate hydrocarbon and fossil fuel deposits.
- To give effect to the growing awareness of the importance of 'responsible business conduct' in Chile, the government has developed and implemented national action plans that relate to corporate social responsibility, sustainable development and human rights.
- With the exception of one region in the south of Chile, political violence in Chile is rare and is unlikely to affect foreign investment.
- The Chilean government has implemented an anti-corruption agenda.
- Chile has 41 bilateral investment agreements in force, and 24 other investment agreements in force, including the investment chapters of the FTA with the U.S. and other FTAs signed by Chile, the Latin American Integration treaty and the Protocol of the Pacific Alliance. Additionally, Chile is a party to the convention of the World Bank's Multilateral Investment Guarantee Agency (MIGA). A U.S.-Chile bilateral treaty to avoid double taxation has been ratified by Chile, and is currently awaiting ratification in the U.S. Senate.

#### **Overview of the iron ore industry**

Iron is the most commonly used metal worldwide. It is primarily used by the construction, engineering,

automotive, and machinery industry, often as the main ingredient in steel. Thus, the supply of iron ore is an important factor for the global economy. Based on the production of usable iron ore, Australia and Brazil are the major producers. In 2015, Australia produced around 824 million metric tons of iron ore, while Brazil some 428 million metric tons.<sup>2</sup>

Within Chile the dominant producer is the CAP S.A., the parent company of CAPS, which had total production of 15.4 million tonnes in 2015.<sup>3</sup>

In the IBISWorld Industry Report-Global Iron Ore Mining it was reported that in the 5 years to 2015 the industry has been highly volatile with significant price fluctuations and annualized revenue of US \$143.7 billion which is expected to grow to US\$158 billion by 2020.

The industry has seen major expansion over the past 20 years driven largely by expansion from China. Prices peaked at US\$200/metric tonne in February 2011 and have since declined to below \$US60/metric tonne reflecting both increased supply and decline in China's growth rate.

During this price decline many high cost producers have been forced to close down while the top three producers BHP Billiton, Rio Tinto and Brazil's Vale have continued to produce large volumes at costs around US\$30/metric tonne.

IBISWorld reported that the key external drivers for the global iron ore industry are:

- downstream demand for the manufacture of iron and steel products;
- the GDP of mainland China;
- the industrial production index of OECD countries; and
- the world price of iron ore

While there has been a recent slowdown there is still major activity in large developing countries with China and India expected to expand at a steady rate until 2020, albeit rates lower than previously seen.

IBISWorld identifies the key success factors for the industry as:

- access to high-quality inputs;
- effective cost controls;
- economies of scale;
- downstream ownership links; and
- access to rail and port infrastructure.

## **Overview of applicable Chilean laws**

### **Types of Chilean corporations**

Within the framework of Chilean law, business entities can take a number of legal forms. In broad terms, business may be carried out in Chile through the participation of foreign investors via either a Chilean limited liability company or in a corporation or a branch. Pursuant to Chilean law, corporations are legal entities separate and distinct from their owners, and they are capable of acting independently.

With a few exceptions, no limitations exist as to the type of business which may be carried on by foreign investors, and there are no restrictions regarding the ownership of Chilean companies.

Under Chilean law (the Corporations Act -Law Nr. 18,046- and its Regulations), corporations may be either publicly-held or closely-held corporations. Publicly-held corporations are corporations that have shares that are publicly traded, which have 500 or more shareholders or in which at least 10% of the stock belongs to a minimum

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<sup>2</sup> Source: U.S. Geological Survey, Mineral Commodity Summaries, January 2016.

<sup>3</sup> Source: CAP S.A. Annual Operating Summary 2015.

of 100 shareholders, excluding those who individually exceed this percentage. Closely-held corporations are all other corporations which are not publicly-held corporations. Publicly-held corporations are subject to the stricter regulations of the Superintendency of Securities and Insurance (SVS), whilst closely-held corporations are not.

Corporations, whether publicly-held or closely-held, are incorporated through the execution of a public deed by at least two incorporators. Under Chilean legislation enacted in 2007 to encourage private entrepreneurship and investment in venture capital companies, a new company structure known as the “SpA” structure was introduced in Chile. SpA stands for “Sociedad por Acciones” and provides for a corporate structure similar to that of a closely-held corporation, with reduced formalities and administrative costs which are generally attached to corporations.

The Chilean Companies that Freehill Investments has interests in are SpA companies.

SpAs are governed by the Commerce Code, but in the absence of provisions therein (and in the relevant by-laws), they are governed by those provisions applicable to closely-held corporations.

Notwithstanding that Chilean law has a general legal requirement for every Chilean incorporated company to have at least two partners or shareholders, a SpA may have a single shareholder, even from the time of incorporation, as a sole incorporator.

This SpA structure provides a useful corporate alternative for foreign companies (such as the Company) which intend to wholly-own a Chilean subsidiary, as it enables such foreign companies to avoid the need to appoint nominee shareholders to formally meet the two-shareholder requirement.

#### **Overview of regulatory framework for mining concessions in Chile**

The Tenement Report enclosed in Section 9 of this Prospectus provides an overview of the regulatory framework for mining concessions in Chile.

## 4. DETAILS OF THE OFFERS

### 4.1 THE PUBLIC OFFER

The Public Offer is an offer by the Company for up to 35,000,000 New Shares at a price of \$0.20 per Share to raise up to \$7,000,000. The Minimum Subscription to be raised under the Public Offer is \$4,000,000. The Public Offer is underwritten by Novus up to the Minimum Subscription amount of \$4,000,000.

Applications for Shares subject to the Public Offer must be made on the Application Form accompanying this Prospectus and be received by the Company on or before the Closing Date. Persons wishing to apply for Shares should refer to Section 4.8 for further details and instructions.

### 4.2 MINIMUM SUBSCRIPTION

The Minimum Subscription amount for the Public Offer is 20,000,000 New Shares at an issue price of \$0.20 per New Share to raise a minimum of \$4,000,000. No New Shares will be allotted or issued until the Public Offer has reached the Minimum Subscription. If the Minimum Subscription has not been achieved within four (4) months after the date of this Prospectus, all Application Monies will be refunded without interest in accordance with the Corporations Act. The Minimum Subscription is underwritten by Novus.

### 4.3 MAXIMUM SUBSCRIPTION

The Maximum Subscription is an offer of up to 35,000,000 New Shares at an issue price of \$0.20 per New Share to raise up to \$7,000,000. The maximum amount that may be raised under the Public Offer (assuming Maximum Subscription) is \$7,000,000.

### 4.4 DISCLOSURE OF TRANSACTION OFFERS

The following Transaction Offers (the Vendor Offer and the Conversion Offer) are available only to the respective offerees of such offers and are not available for subscription to the general public. A personalised Application Form in relation to the relevant Offer along with a copy of this Prospectus shall be provided to relevant offerees. The securities subscribed for under these Transaction Offers may be subject to escrow restrictions imposed by the ASX Listing Rules.

The Board has chosen to provide details of these Transaction Offers to remove the need for an additional disclosure document to be issued upon the sale of any Shares which are issued in accordance with the terms and conditions of the relevant Transaction Offer.

#### Vendor Offer

An offer of 268,000,000 Shares (**Vendor Shares**) to the Vendors in relation to the acquisition of Freehill Investments (the **Vendor Offer**).

On 18 November 2015, the Company entered into a Share Sale and Purchase Agreement with the Vendors in relation to the acquisition of all of the issued shares of Freehill Investments. The material terms of the agreement are summarised in Section 12.1.

The Company is offering the Vendor Shares to the Vendors in satisfaction of the terms of the Sale and Purchase Agreement.

#### Conversion Offer

An offer of up to 32,386,129 Shares (the **Lender Shares**) to lenders (the **Lenders**) who have advanced funds to the Company and Freehill Investments under convertible loan agreements (the **"Conversion Offer"**).

23,131,110 of the Lender Shares are being issued to Lenders in satisfaction of loans advanced directly to the Company. The loans have an aggregate value of \$1,735,665.98 (including interest payable to 30 June and 15 October 2016). Any interest payable after 30 June 2016 and 15 October 2016, will be satisfied by cash payments.

9,255,019 of the Lender Shares are being issued to Lenders in satisfaction of loans advanced directly to Freehill Investments. Pursuant to the conditions precedent set out in the Sale and Purchase Agreement, the Company has agreed to acquire the loans from Freehill Investments. The loans have an aggregate value of \$693,256.55 (including interest payable to 30 June 2016). Interest payable post 30 June 2016 will be satisfied by cash payments.

The loan funds advanced by Lenders were advanced over a period from March 2015 to October 2016 to provide working capital to both the Company and Freehill Investments, including funding operational expenditure at the Yerbas Buenas Project Area and the costs of the provision of mining services by Lacerta pursuant to the Mineral Exploitation Agreement. The Lenders are numerous individual sophisticated and professional. One Lender is associated with Non-Executive Director Mr Stephen Chaplin, and upon conversion of the loans, that Lender will receive 137,694 Shares and payment of outstanding interest.

The tables below detail the total principal amounts paid on the loans, the total interest payable and the formula that is to be applied in determining the number of shares to be issued to the Lenders.

<b>The Company's Convertible Loans</b>	
Principal amount:	\$1,667,000.00
Total interest payable (calculated to 15 October 2016)*:	\$68,665.98
Formula for determining number of Shares to be issued:	(principal and interest) x 2.66538728/0.20.

*\*Interest payable at an interest rate of 10% after 15 October 2016 will be satisfied by a cash payment to the Lenders (pro rata to their respective entitlements).*

<b>Freehill Investments' Convertible Loans</b>	
Principal amount:	\$672,471.80
Total interest payable*:	\$20,784.75
Formula for determining number of Shares to be issued:	(principal and interest) x 2.67/0.20

*\*Interest payable at an interest rate of 10% after 30 June 2016 will be satisfied by a cash payment to the Lenders (pro rata to their respective entitlements).*

The Shares to be issued under the Transaction Offers are expected to be issued as soon as possible after the ASX has granted conditional approval for the Company's shares to be admitted to quotation on the official list of ASX.

## 4.5 CONDITIONAL OFFERS

The Offers under this Prospectus are conditional upon:

- the Minimum Subscription under the Prospectus being achieved;
- ASX providing the Company with a list of conditions which, when satisfied, will result in ASX admitting the Shares to quotation on ASX; and



- Completion taking place under the Sale and Purchase Agreement. A summary of the Sale and Purchase Agreement and a description of the conditions precedent to completion under that agreement are set out in Section 12.1 of this Prospectus.

If the conditions above are not satisfied, the Offers will not proceed and investors will be refunded their Application Monies.

The Application Form should be completed in accordance with the instructions set out on the back of the form.

Applications must be for a minimum of 10,000 Shares (\$2,000) and then in increments of 2,000 Shares (\$400). No brokerage, stamp duty or other costs are payable by applicants. Refer to Section 4.7 below for payment and lodgement details.

## **4.6 ASX LISTING**

The Company will apply to ASX no later than seven (7) days from the date of this Prospectus for ASX to grant Official Quotation to the Shares issued pursuant to this Prospectus and the Shares on issue immediately prior to completion of the Offers, other than those that are determined by the ASX to be Restricted Securities in accordance with the ASX Listing Rules.

If the Shares are not admitted to quotation within three (3) months after the date of this Prospectus, no Shares will be issued. Application Monies will be refunded in full without interest in accordance with the Corporations Act.

Neither ASX nor ASIC take responsibility for the contents of this Prospectus. The fact that ASX may grant official quotation to the Shares issued pursuant to this Prospectus is not to be taken in any way as an indication by ASX as to the merits of the Company or the Shares.

The ASX requires that criteria relating to the Company's number of shareholders and its assets are satisfied before admission. It is required that the Company have either a minimum of 400 investors investing \$2,000, a minimum of 350 investors investing \$2,000 with 25% held by unrelated parties, or a minimum of 300 investors investing \$2,000 with 50% held by unrelated parties.

The Company is seeking admission to the ASX's Official List by satisfying the "Asset Test" which requires the Company to have \$3 million net tangible assets or \$10 million market capitalisation.

It is also a condition of listing that the Company complete the acquisition of Freehill Investments and that the transfer of the remaining interests in the Chilean Companies to Freehill Investments be completed.

The ASX will classify certain shares on issue or to be issued under the Transaction Offers as restricted securities and will require the holders of restricted securities to enter into restriction agreements prohibiting the disposal of those securities for prescribed periods of time post listing. On the basis of initial correspondence with ASX, the Company expects that approximately 166,722,467 shares will be held in escrow, being a maximum of 50.27% and a minimum of 48.09% of all shares on issue following the Offers, however the number of shares subject to escrow is subject to change, pending final determination by ASX.

It is not anticipated that ASX will impose conditions on listing outside the standard conditions outlined above.

## **4.7 PAYMENT AND LODGEMENT DETAILS**

The details provided in this Section relate to the Application Form.

All Application Forms must be completed in accordance with the instructions accompanying the Application Form. Application Forms in respect of the Public Offer must be accompanied by a cheque in Australian dollars for the full amount of the application being 20 cents per Share. Cheques must be made payable to "Freehill Mining Limited Share Application" and should be crossed "Not Negotiable". All applications Monies will be paid into a trust account.

Completed Application Forms and cheques must be received by the Company before 5.00pm AEDT on the Closing Date.

**Applicants are urged to lodge their Application Forms as soon as possible as the Public Offer may close early without notice.**

**Delivered to:**

Novus Capital Limited  
Level 8, 330 Collins Street  
Melbourne VIC 3000

**Mailed to:**

Novus Capital Limited  
Level 8, 330 Collins Street  
Melbourne VIC 3000

An original, completed and lodged Application Form for Shares together with a cheque for the Application Monies (if applicable), constitutes a binding and irrevocable offer to subscribe for the number of Shares specified in each Application Form. The Application Form does not need to be signed to be valid. If the Application Form is not completed correctly or if the accompanying payment is for the wrong amount, it may be treated by the Company as valid. The Directors' decision as to whether to treat such an application as valid and how to construe amend or complete the Application Form is final however an Applicant will not be treated as having applied for more Shares than is indicated by the amount of the cheque for the Application Monies.

It is the responsibility of Applicants outside Australia to obtain all necessary approvals for the allotment and issue of the Shares pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by the Applicant that all relevant approvals have been obtained.

#### **4.8 PURPOSE OF THE PUBLIC OFFER**

The principal purpose of the Public Offer is to fund:

- payment of expenses of the Offer;
- meet the operating costs of the Company (including repaying any existing loans associated with Freehill Investments);
- a program of geographical studies, drilling and specific gravity determination with the objective of establishing a JORC compliant resource; and
- provide additional working capital.

## 4.9 PROPOSED APPLICATION OF FUNDS RAISED

Funds raised from the Public Offer are intended to be applied as follows:

Proposed Application of Funds Raised				
	Minimum Subscription		Maximum Subscription	
	\$4,000,000		\$7,000,000	
	Amount (\$)	%	Amount (\$)	%
Expenses of the Capital Raising (including capital raising fees)	514,498	12.86	720,398	10.29
Loan repayments	1,512,590	37.81	1,512,590	21.61
Balance of option payment for Yerbas Buenas Mining Concession *	-	-	722,700	10.32
Exploration & Expansion	-	-	2,000,000	28.57
Drilling program	350,000	8.75	350,000	5.00
Working capital	1,622,912	40.57	1,694,312	24.20
<b>Total</b>	<b>4,000,000</b>	<b>100.00</b>	<b>7,000,000</b>	<b>100.00</b>

\* Exchange Rate 1 AUD:0.75 USD

**The Directors are satisfied that upon completion of the Public Offer, the Company will have sufficient capital to meet its stated objectives.**

However, no guarantee can be provided that the Company will not in the future be required to raise additional funds to maintain mining operations or conduct exploration activities to identify a JORC compliant reserve or resource.

The use of further equity funding or share placements will be considered by the Directors where it is appropriate to accelerate a specific project.

It is also possible that future project acquisitions that may be contemplated may exceed the current or projected financial resources of the Company and it is expected that these acquisitions would be funded by project finance and/or equity issues (subject to any necessary shareholder approvals).

The reference to 'working capital' in the table above includes wages, bonuses and superannuation of employees and directors, rent and outgoings, insurance, other items of a general administrative nature and cash reserves which may be used for the purposes of, if considered appropriate, increasing business development costs, additional process development, or acquisitions, as determined by the Board. This includes corporate and administrative costs (inclusive of ASX listing fees, premises costs, share registry costs, directors' fees and investor relations) of between \$390,000 (Minimum Subscription) and \$480,000 (Maximum Subscription).

Working capital funds will also be applied toward:

- (a) refinement and optimisation of mineral sands mining and production processes to lower unit costs including mineral sands processing pilot plant at a cost of approximately \$270,000;

- (b) subject to approvals, expanding existing mining operation to 10,000 tonnes per month with potential addition of available processing equipment at a cost of \$50,000;
- (c) evaluation of mining hard rock in the context of returns, costs and time to revenue at a cost of approximately \$80,000;
- (d) ongoing geological work at a cost of approximately \$100,000; and
- (e) development of mine plan based on drilling results with expansion to bankable feasibility study.

On the basis of the proposed application of working capital funds above, the portion of funds raised under the Public Offer that is unallocated working capital is between 18.32% (Minimum Subscription) and 10.20% (Maximum Subscription).

Exploration and expansion expenses will be primarily applied towards drilling and assaying that may be carried out on the magnetite sands at Yerbass Buenas Project. In the event that the Minimum Subscription only is raised, the Company may require additional equity or debt funding to undertake exploration and expansion activities and to fund the acquisition of the balance of the option payment for the Yerbass Buenas Mining Concession.

The loan repayments relate to the repayment of a loan facility that has been advanced to YB SpA by Australian Associated Finance Pty Ltd. Further information about the loan agreement is set out in the Tenement Report in Section 9.

#### 4.10 CAPITAL STRUCTURE

Set out in the table below is a summary of the capital structure of the Company before and after completion of the Offers under this Prospectus.

Effect on the Company's Ordinary Shares	Number of Shares (Minimum Subscription)	Number of Shares (Maximum Subscription)
Shares currently on issue	6,280,601	6,280,601
Shares to be issued on conversion of the Company's Convertible Notes and Loans prior to admission to the Official List*	23,131,110	23,131,110
Shares to be issued on conversion of loans assigned by Freehill Investments**	9,255,019	9,255,019
Consideration Shares issued to acquire Freehill Investments	268,000,000	268,000,000
Shares issued pursuant to Public Offer	20,000,000	35,000,000
Shares issued to Underwriter/Sub-underwriters	5,000,000	5,000,000
<b>Fully Diluted ordinary shares on Listing</b>	<b>331,666,730</b>	<b>346,666,730</b>

\* Number of Shares to be issued assumes interest is payable until 15 October 2016. Interest payable after this date at a rate of 10% will be satisfied by a cash payment.

\*\*Number of Shares to be issued assumes interest payable until 30 June 2016. Interest payable after this date at a rate of 10% will be satisfied by a cash payment.

The table below summarises the shareholdings of the Company's substantial Shareholders. Some of the substantial Shareholders listed in the table below hold their Shares via various entities and trusts and do not necessarily hold a beneficial interest in those Shares. The table shows their aggregate holdings.

<b>Substantial Shareholder</b>	<b>Number of Shares held prior to completion of Acquisition and Offers</b>	<b>% of Shares on issue prior to completion of Acquisition and Offers</b>	<b>Number of Shares held upon completion of Acquisition and Offers**</b>	<b>% Ownership in the Company (assuming Minimum \$4.0m subscription)</b>	<b>% Ownership in the Company (assuming Maximum \$7.0m subscription)</b>
Smart Investment Chile Limited*	-	-	94,500,000	28.49%	27.25%

*\*The Company's proposed director, Mr Juan Dagach is associated with this entity. The Company's shareholders approved the issue of shares to Smart Investment Chile Limited as part of the consideration for the acquisition of Freehill Investments at a general meeting held on 27 July 2016.*

*\*\*Does not include any Shares that may be acquired under the Public Offer.*

#### **4.11 SECURITIES ISSUED ON THE PROPOSED ACQUISITION OF SHARES IN FREEHILL INVESTMENTS**

The Company held a general meeting of Shareholders on 27 July 2016. The principal business of this general meeting was among other things, to approve the acquisition of all of the shares in the Freehill Investments and the issue of 268,000,000 New Shares in the Company to the Freehill Investments Vendors (at a deemed issue price of \$0.20 each).

Shareholders approved all of the resolutions at the general meeting, and accordingly the acquisition of all of the shares in the Freehill Investments will be completed once all other conditions precedent to the acquisition have been met. Further information about these conditions is detailed in Section 12.1.

#### **4.12 NO RELIANCE ON INDEPENDENT EXPERT REPORT OR PROJECT VALUATION INCLUDED IN THE NOTICE OF GENERAL MEETING DATED 4 JULY 2016**

When seeking shareholder approval at the general meeting that was held on 27 July 2016 for the Company to acquire Freehill Investments on terms that would result in Smart Investment Chile Limited, an entity associated with Mr Juan Dagach obtaining an interest in more than 20% of the issued capital of the Company, the Company obtained an Independent Expert's Report to determine whether the proposed acquisition of Freehill Investments was fair and reasonable to the Company's non-associated shareholders. To assist with its report, the independent expert commissioned the preparation of an Independent Geologist's Report which included a Project Valuation in respect of Freehill Investments and its assets. The Independent Expert's Report and the associated Project Valuation were prepared for the purposes of item 7, section 611 of the takeovers provisions of the Corporations Act and therefore were drafted to comply with the requirements of those provisions and ASIC Regulatory Guide 111. The Company advises investors that these reports should not be relied upon for the purposes of making an assessment about the assets and liabilities, financial position and prospects of the Company.

#### **4.13 UNDERWRITING**

Novus has agreed to underwrite the Public Offer, up to the Minimum Subscription of \$4,000,000.

A summary of the main terms of the Underwriting Agreement, including termination provisions, is set out in Section 12.1 of this Prospectus.



Mr Nicholas Kapes, a director of the Company is also a director of Novus.

#### **4.14 NATURE OF THE SHARES**

The Shares are fully paid Shares and will, once issued, rank equally with existing Shares. Further information about the rights and liabilities attaching to the Shares is set out in Section 4.18.

#### **4.15 ALLOCATION AND ALLOTMENT OF SHARES**

The Directors in conjunction with the Underwriter, reserve the right to reject any application or to allot a lesser number of Shares than that applied for. If the number of Shares allocated is less than that applied for, or no allotment is made, the surplus Application Monies will be refunded without interest.

Subject to ASX granting approval for quotation of the Shares, the allotment of Shares applied for under this Prospectus will occur as soon as practicable after the Offers close. All Shares issued pursuant to the Offers will rank equally in all respects with the Existing Shares of the Company. Statements of shareholding will be dispatched as required by ASX. It is the responsibility of applicants to determine their allocation prior to trading in the Shares.

Applicants who sell the Shares before they receive their statement of shareholding will do so at their own risk.

#### **4.16 APPLICATION MONIES TO BE HELD IN TRUST**

The Application Monies for Shares to be issued pursuant to the Public Offer will be held in a separate bank account on behalf of applicants until the Shares are allotted. If the Shares are not admitted to quotation within three (3) months after the date of this Prospectus, no Shares will be issued. Application Monies will be refunded in full without interest in accordance with the Corporations Act. Applicants in the Public Offer whose Applications are not accepted, or who are issued a lesser dollar amount of Shares than the amount applied for, will be sent a refund (without interest) of all or part of their Application Monies as soon as practicable after the Closing Date. All interest earned on Application Monies (including those which do not result in allotment of Shares) will be retained by the Company.

#### **4.17 RESTRICTED SECURITIES**

Pursuant to the Listing Rules, securities issued to the Lenders, certain services providers and the Freehill Investments Vendors may be classified as ASX Restricted Securities and have escrow restrictions placed on them. Such securities may be required to be held in escrow for up to 24 months and may not be transferred, assigned or otherwise disposed of during that period.

The Shares issued under the Public Offer will not be subject to any escrow restrictions.

Prior to the Company's Shares being admitted to quotation on the ASX, the Company will enter into escrow arrangements with the recipients of the restricted securities in accordance with the Listing Rules, and the Company will announce to ASX full details (duration and quantity) of the Shares required to be held in escrow.

#### **4.18 RIGHTS AND LIABILITIES ATTACHING TO SHARES**

The following is a general description of the more significant rights and liabilities attaching to the Shares. This summary is not exhaustive. Full details of provisions relating to rights attaching to the Shares are contained in the Corporations Act, Listing Rules and the Company's Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

##### ***Ranking of Shares***

At the date of this Prospectus, all shares are of the same class and rank equally in all respects. Specifically, the Shares issued pursuant to this Prospectus will rank equally with Existing Shares.

### ***Voting Rights***

Subject to any special rights or restrictions (at present there are none), at any meeting each member present in person or by proxy has one vote on a show of hands, and on a poll has one vote for each share held.

### ***Dividend Rights***

Subject to any special rights (at present there are none), any dividends that may be declared by the Company are payable on all Shares in proportion to the amount paid up.

### ***Variation of Rights***

The rights attaching to the Shares may only be varied by the consent in writing of the holders of three-quarters of the Shares, or with the sanction of a special resolution passed at a general meeting.

### ***Transfer of Shares***

Subject to the Company's Constitution, the Corporations Act or any other applicable laws of Australia and the Listing Rules, the Shares are freely transferable. The Directors may refuse to register a transfer of Shares only in limited circumstances, such as where the Company has a lien on those Shares.

### ***General Meetings***

Each shareholder is entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be furnished to shareholders under the Company's Constitution, the Corporations Act and the Listing Rules.

### ***Rights on Winding Up***

If the Company is wound up, the liquidator may, with the sanction of a special resolution;

- divide among the shareholders the whole or any part of the Company's property; and
- decide how the division is to be carried out between the shareholders.

## **4.19 CHESS AND ISSUER SPONSORSHIP**

The Company will participate in the Clearing House Electronic Subregister System (CHESS). CHESS is operated by ASX Settlement Pty Limited, a wholly owned subsidiary of ASX, in accordance with the Listing Rules and the ASX Settlement Operating Rules. Investors who do not wish to participate through CHESS will be issuer sponsored by the Company.

The Company will not issue certificates to shareholders. Rather, holding statements (similar to bank statements) will be dispatched to shareholders as soon as practicable after allotment. The statements will set out the number of Shares allotted under the Prospectus and provide details of a shareholder's Holder Identification Number (for shareholders who elect to hold shares on the CHESS sub register) or Shareholder Reference Number (for shareholders who elect to hold their shares on the issuer sponsored sub-register)

Updated holding statements will also be sent to each shareholder following the month in which the balance of their shareholding changes, and also as required by the Listing Rules or the Corporations Act.

## **4.20 RISKS**

As with any share investment, there are risks associated with investing in the Company. The principal risks that could affect the financial and market performance of the Company are detailed in Section 7. The Shares on offer under this Prospectus should be considered speculative. Accordingly, before deciding to invest in the Company,

applicants should read this Prospectus in its entirety and should consider all factors in light of their individual circumstances and seek appropriate professional advice.

#### **4.21 OVERSEAS INVESTORS**

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or to extend such an invitation. No action has been taken to register this Prospectus or otherwise to permit a public offering of Shares in any jurisdiction outside Australia. It is the responsibility of non-Australian resident investors to obtain all necessary approvals for the issue to them of Shares offered pursuant to this Prospectus.

##### ***Hong Kong***

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (**the SFO**).

No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO). No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities. The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

#### **4.22 DIVIDENDS**

The Company does not expect to pay dividends in the near future.

#### **4.23 PRIVACY DISCLOSURE**

Persons who apply for Shares pursuant to this Prospectus are asked to provide personal information to the Company, either directly or through the Share Registry. The Company and the Share Registry collect, hold and use that personal information to assess applications for Shares, to provide facilities and services to shareholders, and to carry out various administrative functions. Access to the information collected may be provided to the Company's agents and service providers and to ASX, ASIC and other regulatory bodies on the basis that they deal with such information in accordance with the relevant privacy laws. If the information requested is not supplied, applications for Shares will not be processed. In accordance with privacy laws, information collected in relation to specific shareholders can be obtained by that shareholder through contacting the Company or the Share Registry.

#### **4.24 EXPOSURE PERIOD**

In accordance with Chapter 6D of the Corporations Act, this Prospectus is subject to an exposure period of 7 days from the date of lodgement with ASIC. The exposure period may be extended by ASIC by a further period of up to 7 days.

The purpose of the exposure period is to enable the Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in the Prospectus. If deficiencies are detected, any application that has been received may need to be dealt with in accordance with

Section 724 of the Corporations Act. During the exposure period, the Prospectus may be viewed online at the Company's website or a hard copy of the Prospectus will be made available upon request to the Company. Applications received during the exposure period will not be processed until after expiration of the exposure period. No preference will be conferred on applications received during the exposure period and all such applications will be treated as if they were simultaneously received on the Opening Date.

#### **4.25 ELECTRONIC PROPECTUS**

In addition to issuing the Prospectus in printed form, a read-only version of the Prospectus is also available on the Company's website [www.freehillmining.com](http://www.freehillmining.com). Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access the Prospectus from within Australia. The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered electronic version of this Prospectus.

#### **4.26 TAXATION**

The Australian taxation consequences of any investment in Shares will depend upon your particular circumstances. It is your obligation to make your own enquiries concerning the taxation consequences of an investment in the Company. The Company, and its advisers, do not accept responsibility or liability for any taxation consequences to you in respect of the issue of Shares under this Prospectus.

You should seek appropriate independent professional advice that considers the taxation implications of your own specific circumstances.

#### **4.27 NO FORECASTS**

The business of exploration and mining is speculative where there are no proved reserves and there are significant uncertainties associated with forecasting revenues and expenses of such operations. Accordingly, the Directors believe that reliable forecasts cannot be prepared and forecasts have therefore not been included in this Prospectus.

#### **4.28 ENQUIRIES**

This document is important and should be read in its entirety. If, after reading this Prospectus, you have any questions about any aspect of an investment in the Company, please contact your stockbroker, accountant or independent financial adviser.

Questions relating to the Public Offer or completion of Application Forms can be directed to Novus on (03) 8602 1700.

## 5. DIRECTORS AND KEY MANAGEMENT

The Directors and key management of the Company collectively have significant experience in the corporate sectors. Brief summaries of the Directors' and key management profiles are set out below.

### 5.1 COMPOSITION OF BOARD OF DIRECTORS FOLLOWING ADMISSION

Following admission of the Company to the Official List, the Board of the Company is to comprise of the following members:

- Stephen Chaplin as Independent Non-Executive Chairman;
- Juan Enrique Dagach as Managing Director;
- Paul Davies as Executive Director and Chief Financial Officer;
- Ray Mangion as Independent Non-Executive Director; and
- Nicholas Kapes as Independent Non-Executive Director.

### 5.2 EXISTING DIRECTOR AND OFFICER PROFILES

#### DIRECTORS

##### Mr Stephen Chaplin



Stephen Chaplin has been a company director with over 30 years' experience in a number of Australian companies including mining, manufacturing, commercial fishing and property development. Stephen has participated in "Team Australia" which is a government initiative inviting Australian small business to pitch directly to the USA military procurement program, has extensive experience in international trade, and is a member of the Australian Institute of Company Directors.

Stephen has previously been a director of Pyrenees Gold Limited and Australian Copper and Gold NL.

##### Mr Paul Davies



Paul Davies has extensive experience as CFO of both publicly traded and privately held companies. Over the past 10 years he has been involved with many early stage companies involving reporting, strategic planning, systems implementation and fundraising. Prior to this Paul was Director in charge of Corporate and Institutional Banking for Deutsche Bank Australia and a member of the Deutsche Bank Credit Committee. He has been directly involved in over \$20 billion worth of transactions involving origination, advising, arranging, structuring, project finance, lead managing, syndication, negotiation, risk management, including servicing many of Australia's major mining companies. Before Deutsche Bank Paul worked for a number of years with both Bankers Trust Australia and Macquarie Bank.

With his 20 plus years in the finance sector, Paul brings to the Company considerable experience in both debt and equity markets in addition to significant understanding of the mining sector.



Paul holds an Economics Degree from Monash University, has qualified as a Chartered Accountant and is an alumnus of the Stanford Business School.

Paul has previously been a director of ASX listed Austin Exploration Limited.

#### **Mr Ray Mangion**

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 and holds an Associate Diploma of Business (Accounting) and an Associate Diploma in Financial Planning.

#### **Mr Nicholas Kapes**



Nicholas Kapes began his professional career in 1988, where he commenced merchant banking after completing a Bachelor of Economics. He brings to the Board an array of experience including trading on the world's major exchanges on behalf of some of the world's premier banks, including Credit Suisse. Nicholas was a Director of Proprietary Trading at Credit Suisse for two years.

In his time in merchant banking Nicholas became heavily involved in companies evolving from venture capital stage to listing on the Australian Securities Exchange.

Since his return to Melbourne in 2005, Nicholas has actively engaged in originating deal opportunities and implementing strategic business initiatives including mergers and acquisitions, private and public equity capital raisings through initial public offerings, private placements and rights issues.

### **COMPANY SECRETARY**

#### **Mr Joe Fekete**



Joe Fekete holds a Bachelor of Business in Accounting. He is a member of both the CPA Australia and the Governance Institute of Australia. 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 was previously a director, CFO and Company Secretary for Altius Mining Limited and CFO of Nagambie Mining Limited. Other roles have included Finance Director of J Walter Thompson and Simon Richards Group, Director of Rail Plus Australasia Pty Ltd and also CFO/Commercial Manager in managing various other businesses.

Joe is currently a director for WOW Travel Pty Ltd and Centurion Securities & Investments Pty Ltd.

## **5.3 INCOMING DIRECTOR PROFILE**

#### **Mr Juan Enrique Dagach**

Juan Enrique Dagach has over 15 years mining industry experience in Chile. He has worked at high level positions as an operator and technical consultant to a number of projects with particular focus on iron ore.

His work has covered mine evaluation, technical feasibility, reserve assessment, logistics analysis and metallurgical evaluation. As an operator he has been involved in taking a green field site to a producing mine meeting production standards required by the market.

Juan brings a wealth of local knowledge and experience to the Company together with his considerable technical skill and understanding.

No Director or proposed director has been the subject of any disciplinary action, criminal conviction, personal bankruptcy or disqualification in Australia or elsewhere in the last 10 years which is relevant or material to the performance of their duties as a Director or which is relevant to an investor's decision as to whether to subscribe for Shares under the Offers.

No Director has been an officer of a company that has entered into any form of external administration as a result of insolvency during the time that they were an officer or within a 12 month period after they ceased to be an officer.

## 5.4 DISCLOSURE OF INTERESTS AND REMUNERATION

Other than as set out below or elsewhere in this Prospectus, no Director has or has had, within two years before lodgement of this Prospectus with ASIC:

- any interest in the formation or promotion of the Company, any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the Offers or in the Offers; and
- no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any Director, either to induce him to become, or to qualify him as a Director, or otherwise, for services rendered by him in connection with the formation or promotion of the Company or the Offers.

### *Shareholding qualifications*

The Directors are not required to hold any Shares under the constitution of the Company.

### *Directors' security holdings*

Set out in the table below are details of the Existing and Incoming Directors' relevant interests in the Shares of the Company as at the date of this Prospectus, and their relevant interests in the Company's Shares after the completion of the Offers.

Name	Existing Shares		New Shares				
	Number	Percentage Interest in the Company	Shares to be issued pursuant to the Vendor Offer	Shares to be issued pursuant to the Conversion Offer	Shares to be issued pursuant to sub-undewriting agreements*	Percentage Interest in the Company (Minimum Subscription)	Percentage Interest in the Company (Maximum Subscription)
Juan Enrique Dagach	-	-	94,500,000	-	-	28.49	27.25
Ray Mangion	500,000	7.37	1,750,000	-	-	0.68	0.65
Stephen Chaplin	500,000	7.37	-	137,694	18,750,000	5.84	5.59
Paul Davies	500,000	7.37	-	-	6,250,000	2.04	1.95
Nicholas Kapes	500,000	7.37	-	-	-	0.15	0.14
<b>TOTAL</b>	2,000,000	29.48	-	-	-	37.20	35.58

*\* Maximum number of Shares that may be issued to Minatec Pty Ltd, a related party of Mr Stephen Chaplin, and Mr Paul Davies, pursuant to sub-underwriting agreements entered into between Minatec Pty Ltd and Novus and between Mr Davies (jointly and severally with Origami Equities Pty Ltd) and Novus. Details of fees payable and Shares to be issued to Minatec Pty Ltd and Mr Davies in their capacities as sub-underwriters are set out in Section 12.1.*

### **Directors Remuneration**

The Constitution provides that the Directors are entitled to such remuneration for their services as Directors of the Company as the Directors decide, but the total amount provided to all Directors must not exceed in aggregate the amount fixed by the Company in a general meeting or, prior to an amount being fixed in general meeting, an amount determined by the Directors. This amount has been fixed at \$225,000 per annum.

The Directors will be entitled to be paid directors' fees for operating the Company following the admission of the Company's shares on the ASX, as follows:

- As Non-Executive Chairman, Stephen Chaplin will be paid \$45,000 (plus GST) per annum inclusive of statutory superannuation (if any).
- As Non-Executive Director, Ray Mangion will be paid \$45,000 (plus GST) per annum inclusive of statutory superannuation (if any).
- As Non-Executive Director, Nicholas Kapes will be paid \$45,000 (plus GST) per annum inclusive of statutory superannuation (if any).
- As Executive Director, Paul Davies will be paid \$69,000 (plus GST) per annum inclusive of statutory superannuation (if any). This is inclusive of \$2,000 per month that is paid to Mr Davies in his capacity as Chief Financial Officer of the Company.
- As Managing Director, Juan Enrique Dagach will be paid \$100,000 per annum inclusive of statutory superannuation (if any).

Directors may also be paid for travel and other expenses incurred in attending to the Company's affairs.

There are no retirement benefit schemes for directors, other than statutory superannuation contributions.

## **5.5 RELATED PARTY TRANSACTIONS**

Mr Juan Dagach has an interest in Smart Investment Chile Limited, one of the vendors of Freehill Investments. Upon completion of the acquisition of Freehill Investments, Smart Investment Chile Limited will acquire up to a 28.49% interest in the Company (based on the Minimum Subscription amount of \$4,000,000). Shareholders approved the acquisition of these Shares by Smart Investment Chile Limited at a General Meeting that was held on 27 July 2016.

Mr Nick Kapes is also a director of Novus. Novus has agreed to underwrite the Minimum Subscription. Details of the fees payable to Novus under the Underwriting Agreement is set out in Section 12.1.

Mr Stephen Chaplin is associated with a Lender who advanced a convertible loan to Freehill Investments. Upon conversion of the loans, the Lender will receive 137,694 Shares and payment of outstanding interest.

Mr Stephen Chaplin is a director and shareholder of Minatec Pty Ltd. Minatec Pty Ltd has agreed with Novus to sub-underwrite the offer up to \$3,000,000. Details of fees payable and Shares to be issued to Minatec Pty Ltd in its capacity as sub-underwriter are set out in Section 12.1.

Mr Paul Davies (jointly and severally with Origami Equities Pty Ltd) has agreed with Novus to sub-underwrite the offer up to \$1,000,000. Details of fees payable and Shares to be issued to Mr Davies in his capacity as sub-underwriter are set out in Section 12.1.

## 5.6 EXECUTIVE DIRECTOR AND KEY MANAGEMENT EMPLOYMENT AGREEMENTS

### *Juan Dagach Executive Services Agreement*

Mr Juan Dagach has entered into a consultancy agreement with the Company for the provision of services as the Company's Managing Director. This agreement will come into effect upon the Company becoming listed on the ASX's Official List.

Under the agreement, Mr Dagach will provide the services as an independent contractor to the Company, and will be responsible for conducting the Company's affairs in Chile. Mr Dagach will be accountable to the Board and will be compensated \$100,000 per annum as well as business related travel out-of-pocket expenses. The Company will be able to terminate the consultancy agreement on giving 3 months written notice Mr Dagach, or immediately on the occurrence of prescribed events.

## 5.7 EMPLOYEE INCENTIVE PLAN

The Company has adopted an Employee Equity Incentive Plan (**Plan**) in order to assist in the motivation and retention of selected employees of the Company. The Plan is designed to align the interests of eligible employees with those of the Company by providing an opportunity for eligible employees to receive an equity interest in the Company as an award. Under the Plan, eligible employees may be offered performance rights, options, deferred share awards or exempt share awards which may be subject to vesting conditions set by the Board.

A summary of the plan is set out below. No awards have been offered under the Plan as at the date of this Prospectus. The Directors are entitled to participate in the Plan.

### **Awards**

Under the Plan, the Company may offer or issue to eligible employees:

- **Options:** Options are rights to be issued a share in the Company upon payment of an exercise price and satisfaction of vesting conditions specified in the Plan or in the offer for the award.
- **Performance Rights:** Performance Rights are rights to be issued a share in the Company for a nil exercise price upon satisfaction of vesting conditions specified in the offer for the award.
- **Deferred Share Awards:** Deferred Share Awards are shares issued to employees:
  - who elect to receive shares in lieu of any wages, salary, director's fees, or other remuneration; or
  - by the Company in its discretion, in addition to their wages, salary and remuneration, or in lieu of any discretionary cash bonus or other incentive payment; and
  - that may be forfeited if vesting conditions specified in the offer are not satisfied.
- **Exempt Share Awards:** Exempt Share Awards are issues of shares for no consideration or an issue price which is at a discount to the market price with the intention that up to \$1,000 (or such other amount which is exempted from tax under the Income Tax Assessment Act 1936 (Cth) from time to time) of the total value or discount received by each eligible employee will be exempt from tax.

(collectively, **Awards**).

## **Eligible Employees**

Awards may be granted to:

- an employee to whom, or who falls within a class of employees to whom, the Board determines that an offer is to be made under the Plan; or
- an employee who satisfies the eligibility criteria (if any) determined by the Board for a proposed offer.

## **Price**

The Board has discretion to determine the issue price and/or exercise price for Awards.

## **Vesting and exercise of Awards**

The Awards held by a participant in the Plan will vest in and become exercisable by that participant upon the satisfaction of any vesting conditions specified in the offer and in accordance with the rules of the Plan. Vesting conditions may be waived at the absolute discretion of the Board (unless such waiver is excluded by the terms of the Award).

## **Change of control**

If a takeover bid is made to acquire all of the issued Shares of the Company, or a scheme of arrangement, selective capital reduction or other transaction is initiated which has an effect similar to a full takeover bid for Shares in the Company, then Participants are entitled to accept the takeover bid or participate in the other transaction in respect of all or part of their Awards other than Exempt Share Awards notwithstanding that the Restriction Period in respect of such Awards has not expired. The Board may, in its discretion, waive unsatisfied Vesting Conditions in relation to some or all Awards in the event of such a takeover or other transaction.

## **Clawback**

If any vesting conditions of an Award are mistakenly waived or deemed satisfied when in fact they were not satisfied, then in accordance with the terms of the Plan, the Board may determine that the relevant Awards expire and are incapable of being exercised (if not yet exercised), or it may otherwise recover from the relevant participant some or all shares issued upon exercise of the Awards or any proceeds received from the sale of those shares.

## **Re-organisation of share capital**

If, prior to the exercise of an Award, the Company undergoes a reorganisation of capital (other than by way of a bonus issue or issue for cash) the terms of the Awards of the participant will be changed to the extent necessary to comply with the ASX Listing Rules as they apply at the relevant time.

## **5.8 DEEDS OF INDEMNITY, ACCESS AND INSURANCE**

The Company has entered into a deed of indemnity, access and insurance with each Director, which confirms the Director's right of access to Board papers and requires the Company to indemnify the Director, on a full indemnity basis and to the full extent permitted by law, against all losses or liabilities (including all reasonable legal costs) incurred by the Director as an officer of the Company or of a related body corporate. Under the deeds of indemnity, access and insurance, the Company must maintain a directors and officer's insurance policy insuring a Director (among others) against liability as a Director and officer of the Company and its subsidiaries until seven years after a Director ceases to hold office as a Director or a director of a related body corporate (or the date of any relevant proceedings commenced (and notified by the Director to the Company) during the seven year period have been finally resolved.



## 6. CORPORATE GOVERNANCE

The Board is responsible for the overall corporate governance of the Company. Details of the Company's key policies and practices and the charters for the Board and each of its committees will be available from listing at the Company's website [www.freehillmining.com](http://www.freehillmining.com).

The Board monitors the operational and financial position and performance of the Company and oversees its business strategy, including approving the strategic objectives, plans and budgets of the Company. The Board is committed to protecting and optimising performance and building sustainable value for Shareholders. In conducting business with these objectives, the Board seeks to ensure that the Company is properly managed to protect and enhance Shareholder interests, and that the Company, and its Directors, officers and personnel operate in an appropriate environment of corporate governance.

Accordingly, the Board has created a framework for managing the Company, including adopting relevant internal controls, risk management processes and corporate governance policies and practices that it believes are appropriate for the Company's business and that are designed to promote the responsible management and conduct of the Company.

The main policies and practices adopted by the Company, which will take effect from listing, are summarised below. In addition, many governance elements are contained in the Constitution.

### **ASX Corporate Governance Council's Corporate Governance Principles and Recommendations**

To the extent applicable, and commensurate with the Company's size and nature, the Company has adopted various corporate governance policies having regard to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3<sup>rd</sup> edition) (**ASX Recommendations**). As a listed entity, the Company will be required to report annually the extent to which it has followed the ASX Recommendations during each financial year. Where the Company does not follow an ASX Recommendation, it must identify the recommendation and provide a reason for not following it.

### **Board appointment and composition**

At the time of listing, the Board will comprise of five Directors, comprising the independent Non-Executive Chairman, two Executive Directors and two independent Non-Executive Directors.

The Board considers a Director to be independent where he or she is independent of management and is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with the exercise of their unfettered and independent judgement. The Board will consider the materiality of any given relationship on a case-by-case basis.

The Company's Board Charter sets out guidelines to assist in considering the independence of Directors and has adopted a definition of independence that is based on that set out in the ASX Recommendations.

The Board considers that each of Stephen Chaplin, Ray Mangion, and Nick Kapes are free from any business or any other relationship that could materially interfere with the independent exercise of their judgement and are able to fulfil the role of an independent Director for the purposes of the ASX Recommendations.

### **Board Charter**

The Board has adopted a written charter to provide a framework for the effective operation of the Board, which sets out:

- the Board's composition;
- the Board's role and responsibilities;
- the relationship and interaction between the Board and management; and
- the authority delegated by the Board to management and Board committees.

The Board's role is to represent and serve the interests of Shareholders by overseeing and appraising the Company's strategies, policies and performance. This includes:

- overseeing the financial and human resources the Company has in place to meet its objectives and reviewing management performance;
- protect and optimise Company performance and build sustainable value for Shareholders in accordance with any duties and obligations imposed on the Board by law and the Company's Constitution and within a framework of prudent and effective controls that enable risk to be assessed and managed;
- set, review and ensure compliance with the Company's values and governance framework (including establishing and observing high ethical standards); and
- ensure Shareholders are kept informed of the Company's performance and major developments affecting its state of affairs.

The management function is conducted by, or under the supervision of, the Managing Director as directed by the Board (and by other officers to whom the management function is properly delegated by the CEO). Management must supply the Board with information in a form, timeframe and quality that will enable the Board to discharge its duties effectively. Directors are entitled to request additional information at any time when they consider it appropriate.

The Board collectively, and each Director individually, has the right to seek independent professional advice, subject to the approval of the Chairman or the Board as a whole.

### **Board Committees**

The Board may from time to time establish committees to streamline the discharge of its responsibilities. The Board will establish an Audit and Risk Committee. Other committees may be established by the Board as and when required.

#### *Audit and Risk Committee*

Under its charter, this committee must consist of a minimum of three members of the Board and a majority of independent Directors.

The Audit and Risk Committee will comprise:

- Steve Chaplin as Chairman;
- Paul Davies;
- Mr Ray Mangion; and
- Mr Joe Fekete.

The Audit and Risk Committee's responsibilities include:

- overseeing the Company's relationship with the external auditor and the external audit function generally;
- overseeing the Company's relationship with the internal auditor and the internal audit function generally;
- overseeing the preparation of the financial statements and reports;
- overseeing the Company's financial controls and systems; and
- managing the process of identification and management of risk.

Non-committee members, including members of management and the external auditor, may attend all or part of a meeting of the committee at the invitation of the committee chair.

### *Nomination and Remuneration of Directors*

Due to the size of the Board and the Company's current level of operations, the Company does not have a separate nomination and remuneration committee.

The Board will consider nominations for the appointment or election of Directors that may arise from time to time, having regard to the skills and experience required by the Company and procedures outlined in the Company's Constitution and the *Corporations Act 2001* (Cth).

The Company undertakes appropriate checks before appointing a person, or putting forward to shareholders a candidate for election, as a Director. Candidates are assessed through interviews, meetings and background and reference checks (which may be conducted both by external consultants and by Directors) as appropriate.

The Company gives shareholders all material information in its possession relevant to the decision on whether or not to elect (or re-elect) a Director, either in the notice of the meeting at which the election of the Director is to be held, or by including in the notice a clear reference to the location on the Company's website, Annual Report or other document lodged with ASX where the information can be found.

The Board is responsible for determining and reviewing the remuneration of the Directors, the Executive Chairman and the executive officers of the Company and reviewing the operation of the Company's Employee Incentive Plan. This process requires consideration of the levels and form of remuneration appropriate to securing, motivating and retaining executives with the skills to manage the Company's operations. In making decisions regarding the appointment of Directors, the Board as a whole periodically assesses that an appropriate mix of skills and experience is represented on the Board.

It is the Company's objective to provide maximum shareholder benefit from the retention of high quality Board members having regard to the Company's level of operations and financial resources. Directors are remunerated with reference to market rates for comparable positions. Remuneration policies for each Non-Executive Director are disclosed in the Directors' Report that is set out in the Annual Report.

The Board may obtain information from, and consult with management and external advisers, as it considers appropriate.

### **Corporate governance policies**

The Board has adopted the following corporate governance policies, each having been prepared having regard to the ASX Recommendations and which are available on the Company's website at <http://www.freehillmining.com>.

#### *Continuous Disclosure Policy*

Once listed, the Company will be required to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. The Company is aware of its obligation to keep the market fully informed of any information the Company becomes aware of concerning the Company, which may have a material effect on the price or value of the Company's securities, subject to certain exceptions.

The Company has adopted a Continuous Disclosure Policy to take effect from listing that establishes procedures aimed at ensuring the Company fulfils its obligations in relation to the timely disclosure of material price-sensitive information.

The Company also aims to communicate all important information relating to the Company to its Shareholders. Additionally, the Company recognises that potential investors and other interested stakeholders may wish to obtain information about the Company from time to time. To achieve this, the Company will communicate information regularly to Shareholders and other stakeholders through a range of forums and publications, including the Company website, at the annual general meeting, and through the Company's annual report and ASX announcements.

### *Securities Trading Policy*

The Company has adopted a Securities Trading Policy that is intended to explain the types of conduct in relation to dealings in securities that are prohibited by law and establish procedures for the buying and selling of securities that protect the Company, Directors and employees against the misuse of unpublished information, which could materially affect the price or value of the Company's securities.

The Policy provides that Directors, employees and their connected persons must not:

- deal in the Company's securities when they are aware of 'inside' information;
- deal in the Company's securities on a short-term trading basis (except in exceptional circumstances with approval); and
- hedge unvested equity remuneration or vested equity subject to holding locks.

In addition, Directors, certain restricted employees and their connected persons must not deal in the Company's securities during any of the following blackout periods (except in exceptional circumstances with approval):

- 7 days immediately before release of the Company's quarterly report, half year results, full year results and one day immediately following such release;
- 7 days immediately before the Company's Annual General Meeting and one day following such Annual General Meeting; and
- any other period that the Board specifies from time to time.

Directors and certain employees must receive prior approval for any proposed dealing in the Company's securities (including any proposed dealing by one of their connected persons) within these periods, and in all instances, buying or selling securities is not permitted at any time by any person who possesses 'inside' information.

### *Code of Conduct*

The Board recognises the need to observe the highest standards of ethics, integrity and behaviour. Accordingly, the Board has adopted a formal Code of Conduct that outlines how the Company expects its employees and Directors to behave during the course of their employment in dealing with employees, suppliers and customers of the business. The key aspects of this Code are to:

- comply with all Company policies, procedures, rules and regulations;
- be honest and fair in dealings with customers, clients, co-workers, Company management and the general public;
- protect from unauthorised use any information, records or other materials acquired during the course of employment with the Company; and
- respect the Company's ownership of assets and property.

### *Diversity Policy*

The Company has not adopted a formal diversity policy and therefore, has not set measurable objectives for achieving gender diversity. The Board is of the view that the size of the Company and the scale and nature of its operations does not currently lend itself to an effective and meaningful application of such a policy. However, the Board intends to reconsider the adoption of a formal diversity policy periodically.

### *Communication with Shareholders*

The Company aims to communicate all important information relating to the Company to its Shareholders. Additionally, the Company recognises that potential investors and other interested stakeholders may wish to obtain information about the Company from time to time. To achieve this, the Company communicates information regularly to Shareholders and other stakeholders through a range of forums and publications, including the Company's website, at the annual general meeting, through the annual report and ASX announcements.

## 7. RISK FACTORS

As with any share investment, there are risks involved. This section identifies major areas of risk associated with an investment in the Company, but should not be taken as an exhaustive list of the risk factors to which the Company and its shareholders are exposed. There are specific risks which relate directly to the Company's business and general risks, many of which are largely beyond the control of the Company and Directors.

The risks identified in this section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the Shares. Potential investors should read the entire Prospectus and consult their professional advisors before deciding whether to apply for Shares.

### 7.1 SPECIFIC RISKS

- **Contractual Risk – Sale and Purchase Agreement**

Completion of the acquisition of Freehill Investments is subject to the satisfaction of various conditions precedent, including confirmation by ASX that the Company has complied with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules. If the acquisition of Freehill Investments is not completed, the Company will not proceed with the Offer and will incur third party costs relating to advisors and other costs, without any material benefit being achieved.

- **Competition**

Freehill Investments operates in the bulk commodity market being iron ore and is subject to both the commodity cycle and the volatility of that market. In the domestic market in Chile, Freehill Investments is largely dependent of one buyer of its product, CAPS. Freehill Investments supplies to CAPS. CAPS is the largest purchaser of Freehill Investments' product and as such the Company is presently reliant on the continuity of its arrangement with CAPS.

One of the Chilean Companies, YB SpA has entered into a Purchase Agreement with CAPS whereby YB SpA has agreed to supply iron ore to CAPS. CAPS only purchases iron ore as required and the agreement does not include any commitment by CAPS to purchase iron ore in the future, therefore there is a risk that CAPS may terminate its supply arrangement with YB SpA.

There are currently no identified competitors in supplying CAPS in the region Freehill Investments operates.

The industry is currently going through a difficult period with prices going from a high of USD\$190 per tonne in 2011 for Fines to below US\$40 per tonne, with current prices around \$US58 per tonne as at 30 September.<sup>4</sup> Freehill Investments' business is impacted by competitive pressures that are exerted by the world's three largest iron ore producers, particularly in respect of iron ore pricing. Further downward pressure on the iron ore price may have an adverse effect on the operating and financial position of Freehill Investments.

- **Reliance & loss of revenue from key customers**

Freehill Investments is significantly dependent on two parties, CAPS and Melon, to purchase the majority of production from its mining operations. Freehill Investments does not have any long term contractual commitments from these parties for the supply of iron ore product by Freehill Investments, and

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<sup>4</sup> Source: [https://ycharts.com/indicators/iron\\_ore\\_spot\\_price\\_any\\_origin](https://ycharts.com/indicators/iron_ore_spot_price_any_origin)

accordingly there is a risk that where those parties cease to submit purchase orders to Freehill Investments, Freehill Investments will not be in a position to sell its products.

In addition, until output is at sufficient scale so that Freehill Investments can market its production to a greater range of customers, Freehill Investments will continue to have this dependency.

- **Mining concession**

YB SpA currently only has a beneficial interest in the YB Mining Concession (described further in Section 3.4) through an Agreement on Mining Concessions Lease with Purchase Option (described further in the Tenement Report in Section 9).

Pursuant to the terms of the agreement, YB SpA has the right to purchase the YB Mining Concession. However, if YB SpA defaults on the terms of the agreement (for example for failing to pay rent on the lease to keep the YB Mining Concession in good standing or to pay the purchase price under the purchase option), the lease and associated purchase option may be terminated and YB SpA will lose the right to purchase the YB Mining Concession. This will result in the Company only retaining the SP Mining Concessions.

- **Loan Agreement with Australian Associated Finance Pty Ltd**

YB SpA has entered into a loan agreement with Australian Associated Finance Pty Ltd, whereby Australian Associated Finance agreed to provide YB SpA with an AU\$1 million facility (further details about the loan agreement are set out in the Tenement Report in Section 9).

Australian Associated Finance has registered a charge over all of the issued capital in YB SpA as security for the loan.

As noted in the Use of Funds table in Section 4.9, the Company intends to repay the loan out of the funds raised under the Public Offer immediately after completion of the Offer.

Australian Associated Finance Pty Ltd has agreed in correspondence to extend the repayment date for the loan to the date that the Company becomes listed on the ASX. Notwithstanding, there is a risk that Australian Associated Finance Pty Ltd could enforce its security prior to the Company listing which could have the effect of forcing the withdrawal of the Offers. There is also a risk that Australian Associated Finance Pty Ltd will enforce its security after the Company completes its listing but prior to receipt of the payment of funds from the Company.

- **Commodity price fluctuations**

Any future revenue derived through any future sales of iron ore exposes the potential income of the Company to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by numerous factors beyond the control of the Company. These factors include world demand for commodities, forward selling by producers and the level of production costs in major commodity-producing regions. Moreover, commodity prices are also affected by macroeconomic factors such as expectations regarding inflation, interest rates and global and regional demand for, and supply of, commodities.

- **Future capital needs**

Further funding may be required by the Company to support its ongoing activities and operations. There can be no assurance that funding will be available on satisfactory terms or at all. Any inability to obtain finance will adversely affect the business and financial condition of the Company and its performance. If additional funds are raised through the issuance of new equity or equity-linked securities of the Company other than on a pro rata basis to existing shareholders, the percentage ownership of shareholders may



be reduced. Shareholders may experience subsequent dilution. There can be no guarantee that any future capital raisings will be successful.

- **Sovereign risk**

Freehill Investments' activities are presently carried out in Chile. As a result, Freehill Investments is subject to political, social, economic and other uncertainties including, but not limited to, changes in policies or the personnel administering them, foreign exchange restrictions, changes of law affecting foreign ownership, currency fluctuations, royalties and tax increases in that country. Other potential issues contributing to uncertainty such as repatriation of income, exploration licensing, environmental protection and government control over mineral properties should also be considered. Potential risk to Freehill Investments' activities may occur if there are changes to the political, legal and fiscal systems which might affect the ownership and operation of Freehill Investments' interests in Chile. This may also include changes in exchange control systems, expropriation of mining rights, changes in government and in legislative and regulatory regimes.

The following risks are specifically noted:

*Changes in government policies*

Industry is subject to the policies which are implemented by the relevant governments from time to time. These policies may have a material impact on the business of the Company. These governments may, for instance, withdraw subsidies or forms of preferential treatment such as tax benefits or favourable financing arrangements.

*Economic considerations*

It is unclear how future economic reforms and macroeconomic measures to be adopted by governments will affect the development of a country's economy. Further, there can be no assurance that such measures will be applied consistently and effectively or that the Company will be subject to such reforms. The business of the Company may be adversely affected by any reform.

*Legal considerations*

Statutes, regulations and government policies are subject to change from time to time, as is the interpretation of statutes and regulations and the application of policy. Such uncertainties may affect the Company's operations.

*Local labour laws*

Labour laws in Chile are different to Australia and accordingly employers may be subject to different duties and obligations to their employees than they would if their employees were employed in Australia.

*Foreign investment requirements*

Many governments have foreign exchange controls which need to be considered as far as repatriation of funds to Australia and elsewhere is concerned. These controls may have an adverse effect on the

financial position, financial performance, cash flows, growth prospects, ability to pay dividends and the share price of the Company.

#### *Challenges to the ownership or nature of titles and other rights*

The Company may potentially be exposed to challenges to the ownership or nature of titles and other rights by its partners, government authorities or third parties.

#### *Timing considerations*

It may take many years to get from a discovery to extraction of an iron ore asset. As such, there is a risk that the initial investment involved in discovery will not get to the exploitation stage. Such uncertainties as to timing may affect the Company's operations and accordingly its profitability.

- **International operations (Generally)**

International operations are subject to a wide variety of uncertainties: including (but not limited to) political, economic and other risks which may include: terrorism, revolution, border disputes, expropriation, renegotiations or modifications of existing contracts, import, export and transportation regulations and tariffs, taxation policies, including royalty and tax increases and retroactive tax claims, exchange controls, limits on allowable levels of production, currency fluctuations, labour disputes and other uncertainties arising out of foreign government sovereignty over the Company's international operations.

- **Title risks and native title**

Freehill Investments' activities are presently carried out in Chile. Interests in tenements in Chile are governed by legislation and are evidenced by the granting of concession licences. Each licence is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Freehill Investments may lose title to its interest in tenements if licence conditions are not met or if insufficient funds are available to meet expenditure commitments or if it defaults in its obligations to third parties. It is also possible that, in relation to tenements which Freehill Investments has an interest in or will in the future acquire such an interest, there may be areas over which legitimate native title rights exist. If native title rights do exist, the ability of Freehill Investments to gain access to tenements (through obtaining consent of any relevant landowner), or to progress from the exploration phase to the development and mining phases of operations, may be adversely affected. The Directors will closely monitor the potential effect of native title claims involving tenements in which Freehill Investments has or may have an interest.

- **Discovery risk**

The business of mineral exploration, project development and production, by its nature contains elements of significant risk, with no guarantee of success.

Any discovery by the Company may not be commercially viable or recoverable: that is no resources within the meaning of the JORC Code may be able to be established and it may be that consequently no reserves can be established.

Feasibility studies are used to determine the commercial viability of a deposit and involve the consideration of many factors such as estimates of the resource yield, capital and operating costs and the future resource price. Capital and operating costs estimates are based upon many factors, including anticipated tonnage and yields to be mined and processed, the configuration of resource body, ground

and mining condition and environmental and compliance costs. Each of these factors involves uncertainties beyond the control of the Company.

- **Reserves and resource estimates**

Reserve and resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource and reserve estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional drilling and analysis the estimates are likely to change. This may result in alterations to development and production plans which may in turn, adversely affect the Company and its operations.

- **Operating risk**

The nature of exploration, mining and mineral processing involves hazards which could result in Freehill Investments incurring uninsured losses and liabilities to third parties, for example arising from pollution, environmental damage or other damage, injury or death. These could include rock falls, flooding, unfavourable ground conditions or seismic activity. The operations of the Company may be affected by various factors, including failure to locate or identify mineral deposits, failure to achieve resource estimates, predicted grades in exploration and mining, operational and technical difficulties encountered in mining, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated metallurgical problems which may affect extraction costs, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increase in the costs of consumables, spare parts, plant and equipment.

Freehill Investments has been reliant on Lacerta to provide mining services at the Yervas Buenas Project. Freehill Investments and Lacerta have entered into a Mining Operations Transition Deed for the transition of mining services to be directly undertaken by Freehill Investments. On Completion of the Offer, the Company will have no direct mining employees other than Juan Dagach. Notwithstanding the intention of the Mining Operations Transition Deed, there is no guarantee that the Company will be able to implement a transition of mining services from Lacerta directly to the Company, and in such event, should Lacerta cease mining or be unable to continue mining for whatever reason, then the Company may need to cease mining operations until replacement mining personnel can be retained. There is no guarantee that any new or replacement mining personnel will have the same skill or experience in carrying out mining on the site and this may lead to decreased mining output.

- **Earthquake**

Much of the west coast of Chile, including the Yervas Buenas operation and the city of La Serena where YP SpA and SP SpA are based is seismically active with frequent earthquakes and occasional tsunamis. These are not regarded as significant operational risks but some earthquake activity may result in logistical delays.

- **Location risk**

The physical distance of Freehill Investments' operations in Chile from the Company's Australian base, difference in time zones and the lack of widely-spoken English in Chile impact on the ease of communication and project risk.

- **Production cost improvement**

Freehill Investments currently operates on relatively low production volumes however it is the intention of the Company to increase scale of production on the Yervas Buenas Project, which should achieve significant production cost improvements. The ability to achieve these improvements will be dependent upon the Company receiving approval to increase production licenses and there being no unidentified

process issues or significant declines in grade of materials processed and the development and commissioning of production infrastructure.

- **Project risk**

The absence of drilling (except for 2 RC drill holes) and a resource inventory at Yerbos Buenas is a project risk. As a result of the evidence from current operations and the occurrence of three styles of magnetite mineralization, it is the Company's objective to delineate a JORC compliant resource.

However, resource estimates are an expression of judgment based on knowledge, experience and industry practice. In the event that the Company delineates further mineral resources on any of its tenements, those estimates will be an expression of judgment based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to development and mining plans which may, in turn, adversely affect the Company's operations.

- **Environmental, health & safety risk**

The Company's exploration and future mining operations will be subject to extensive Chilean health and safety and environmental laws and regulations which provide for penalties and other liabilities for violation of such standards and establish, in certain circumstances, obligations to rehabilitate current and former facilities and locations where operations are or were conducted. Permission to operate could be withdrawn where there is evidence of serious breaches of health and safety and environmental laws and regulations.

Mining operations have inherent risks and liabilities associated with safety and damage to the environment and the disposal of waste products occurring as a result of mineral exploration and production. The occurrence of any such safety or environmental incident could delay production or increase production costs. The Company's proposed operations have been designed to comply with known or reasonably predictable conditions, however, it is not possible to predict all prevailing conditions that may affect the Company's operations at all times in the future. Events, such as unpredictable rainfall may impact on the Company's ongoing compliance with environmental legislation, regulations and licences and expose the Company to significant liabilities in the instance it is found to have breached any obligation or condition imposed by environmental legislation, regulations or licence.

- **Foreign currency risk**

The operations of the Company and the costs of and revenues from operations will be in Chilean peso as well as the United States dollar. The Company may deal in other currencies from time-to time, as appropriate. As the Company's financial reports will be presented in Australian dollars, the Company will be exposed to the volatility and fluctuations of the exchange rate between local currencies, the United States dollar and the Australian dollar. Global currencies are affected by a number of factors that are beyond the control of the Company. These factors include economic conditions in the relevant country and elsewhere and the outlook for interest rates, inflation and other economic factors. These factors may have a positive or negative effect on the Company's exploration, project development and production plans and activities together with the ability to fund those plans and activities.

- **Insurance**

Insurance against all risks associated with mining and exploration is not always available or affordable. The Company will maintain insurance where it is considered appropriate for its needs, however it will not

be insured against all risks either because appropriate cover is not available or because the Directors consider the required premiums to be excessive having regard to the benefits that would accrue.

- **Uninsurable risks**

Exploration, development and production operations involve numerous risks, including unexpected or unusual geological operating conditions, floods, earthquakes and other environmental occurrences, and political and social instability. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks because of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any further profitability and result in increasing costs and a decline in the value of the securities of the Company. Initially, the Company will not maintain insurance against operational, political or environmental risks.

- **Directors' experience**

With the exception of Paul Davies, the Directors (including the Incoming Director) have not previously been directors of other ASX listed entities.

Whilst the Directors do not have previous experience as directors of other ASX listed entities, between them they have considerable experience in the mining industry, international trade, accounting, financial services and commercial sectors.

## **7.2 GENERAL RISKS**

- **Economic conditions**

The financial performance and value of the Company may be influenced by various economic factors such as inflation, interest rates, domestic and international economic growth, taxation policies, legislative change, political stability, stock market conditions in Australia and elsewhere, changes in investor sentiment towards particular market sectors, exchange rate fluctuations and acts of terrorism.

- **Weather**

From time to time wet weather can have an impact on Freehill Investments' processing operations which may adversely impact the production process and consequent volumes of output and therefore impact unit costs. Whilst this may create short term challenges, the region in which Freehill Investments operates has a moderate climate with a low average annual rainfall.

- **Industry risk**

The level of activity in the industry can be cyclical and sensitive to a number of factors beyond the control of Freehill Investments. In addition, Freehill Investments may not be able to predict the timing, extent or duration of the activity cycles in the industry. Consequently, no assurance can be given regarding future demand or price sensitivity. Any sustained decline in worldwide demand could detrimentally affect Freehill Investments' future growth and profitability profile.

- **Regulatory and compliance risk**

The Company's future mining operations and exploration and development activities will be subject to extensive laws and regulations relating to numerous matters including resource licence consent, conditions including environmental compliance and rehabilitation, taxation, social and labour relations, health and worker safety, waste disposal, protection of the environment, native title and heritage matters, protection of endangered and protected species and other matters. The Company will require permits from regulatory authorities to authorise the Company's operations. These permits relate to exploration, development, production and rehabilitation activities.

Obtaining necessary permits can be a time consuming process and there is a risk that the Company will not obtain these permits on acceptable terms, in a timely manner or at all. The costs and delays

associated with obtaining necessary permits and complying with these permits and applicable laws and regulations could materially delay or restrict the Company from proceeding with the development of a project or the operation or further development of a mine. Any failure to comply with applicable laws and regulations or permits, even if inadvertent, could result in material fines, penalties or other liabilities. In extreme cases, failure could result in suspension of the Company's activities or forfeiture of one or more of its tenements.

- **Share market conditions**

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as, general economic outlook, interest rates and inflation rates, currency fluctuations, changes in investor sentiment toward particular market sectors, the demand for, and supply of, capital and terrorism or other hostilities.

- **Reliance on key personnel and employees**

The Company does not currently have an extensive management team due to being in an initial growth stage. However, as the Company grows, the responsibility of overseeing the day-to-day operations and the strategic management of the Company will depend substantially on its senior management. The Company will also need to engage employees with experience in the mining and development sector.

There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

- **Share dilution risk**

The Company may issue more shares in the future in order to fund operations, acquisitions, investments or to reduce its debt. While the Company will be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital that it is able to issue within a 12 month period (other than where exceptions apply), any such equity raisings may dilute the interests of Shareholders.

- **Share liquidity**

Certain Shares on issue prior to the close of the Offers (or to be issued in connection with the acquisition of Freehill Investments) may be classified as restricted securities and will be escrowed for up to 24 months. During the period in which these Shares are prohibited from being transferred, trading in shares may be less liquid which may impact on a Shareholder's ability to dispose of his or her Shares in a timely manner. On the basis of initial correspondence with ASX, the Company expects that approximately 166,722,467 shares will be held in escrow, being a maximum of 50.27% and a minimum of 48.09% of all shares on issue following the Offers, however the number of shares subject to escrow is subject to change, pending final determination by ASX.



## 8. INDEPENDENT GEOLOGIST'S REPORT



Peter Robert Thompson

Consulting Geologist BSc, MSc, MAusIMM

14th October 2016

**The Directors,  
Freehill Mining Ltd.  
Level 1, 61 Spring Street,  
Melbourne, VIC, 3001,  
Australia**

Dear sirs,

**Independent evaluation of the mineral assets of the Yervas Buenas project**

I have been commissioned by Freehill Mining Ltd to deliver an independent evaluation of the mineral assets of the Yervas Buenas Project in Chile, that Freehill Investments Pty Ltd currently has interests in. This report gives the results of the exploration of magnetite in sand and rock within the mineral assets of Yervas Buenas. This Report is to be included in a Prospectus to be issued in support of a listing on the Australian Securities Exchange. Pursuant to the Prospectus, investors have the opportunity to subscribe to an offer of up to 30 million shares at a price of \$0.20 each to raise up to \$6 million.

The legal status of the mining properties was reported by Catalino Albanez, expert in Mining Licencing recognized by Sernageomin, the Chilean national Mining Authority. This report was carried out assuming that the mining properties are valid, registered and legal.

I have not been requested to provide an independent valuation or detailed risk assessment. This report does not express an opinion regarding the value of the mineral assets or tenements involved.

**Sources of information**

Most of the information gathered for this report was provided by Juan Enrique Dagach (Yervas Buenas project General Manager) and included the following studies, details of which are shown in the attachments:

- a) Geological report on the deposit of magnetite sand in the nearby "Honda" area conducted by Manuel Riveros in 2010.
- b) Geological report by CMP (Compania Minera del Pacifico SA) that includes a magnetometry survey and two RC drill holes performed in July 2011.
- c) Report of mineralogical testing of raw material, concentrate and tailings samples by Jimena Cucurella, Geologist from the University of La Serena in October 2009.

- d) Review of ground magnetometry survey with 16 lines of 50 metres spacing, totaling 10 km in length. This report was performed by Geoexploraciones S.A. in January of 2010.
- e) Review of ground magnetometry survey with 8 lines of 200 metres spacing, totaling 5.5 km in length. This report was made by Ingegloal in 2015.
- f) Review of Yervas Buenas Fines Mining Project prepared by Gesnat environmental consultants, in May 2015.
- g) Lacerta Project Assessment by the Author, Peter Thompson in November 2015

### **Qualifications and experience**

The author, Mr Peter Thompson, is a geologist with 28 years of experience in exploration, mining and evaluation of mining properties, in gold, iron ore, copper, nickel and graphite. The author is a Competent Person with regard to this style of mineralization under JORC 2012, and a Representative Expert for the purposes of Valuation under Valmin 2015.

Much of the technical information in this report has been compiled by Mr Jose Astudillo, a Chilean geologist with a record of working for 11 years in Chilean iron projects (owned by Codelco, Angloamerican and Teck) evaluating its mines and projects. For the last 7 years he has worked in various mining companies and explored the Region of Coquimbo for copper-gold and iron projects. The author also spent 3 weeks in late 2015 on site at the Yervas Buenas project at the request of Freehill Mining Ltd.

### **Independence**

This report was prepared in exchange for a fee based on a contract and the payment of this fee is not related to the results of this report. The author does not have any direct or indirect interest in Freehill Mining Ltd.

### **Consent**

The author, Mr Peter Thompson, has provided his consent for the inclusion of this report, which will be included as an Independent Geologist's Report in Section 7 of the Freehill Mining Limited Prospectus and for the inclusion of references to his name in other sections of the Prospectus in the form and context in which the report and those statements appear, and has not withdrawn his consent prior to issue. Mr Peter Thompson accepts responsibility for the Independent Geologist's Report for the purposes of the ASX Listing. The author has taken all reasonable care to ensure that the information contained in this report is to the best of his knowledge, in accordance with the facts and contains no omission likely to affect its import.

*Pete Thompson*

Peter Thompson

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## CAUTIONARY STATEMENT

This report may contain certain “forward-looking statements” which may not have been based solely on historical facts, but rather may be based on the Company’s current expectations about future events and results. Where the Company expresses or implies an expectation of belief as to future events or results, such expectation or belief is expressed in good faith and believed to have a reasonable basis. The detailed reasons for that conclusion are outlined throughout this announcement. However, forward looking statements are subject to risks, uncertainties, assumptions and other factors, which could cause actual results to differ materially from future results expressed, projected or implied by such forward-looking statements. Such risks include, but are not limited to resource risk, metals price volatility, currency fluctuations, increased production costs and variances in ore grade or recovery rates from those assumed in mining plans, as well as political and operational risks in the Countries and States in which we sell product to, and governmental regulation and judicial outcomes.

The Exploration Target referred to in this report is based on low-level technical and economic assessments, and is insufficient to support estimation of Mineral Resources, to formulate a production target, to provide assurance of an economic development case at this stage, or to provide certainty that the quantum of the Exploration Target will be realised.

It is important to state that no Mineral Resources are used in this report and that there is a low level of geological confidence associated with these deposits and consequently there is no certainty that future exploration work will result in the determination of Mineral Resources, or that the outcomes of the planned development will be realised. Accordingly, this Exploration Target should not be relied on by investors when making investment decisions.

**This report does not provide opinions on recent production or production targets for magnetite sands at the Yervas Buenas project.**

**This report does not provide opinions on JORC-compliant Resources or Reserves, except to suggest the steps and expenditure required to establish such Resources at Yervas Buenas.**

## **Executive Summary**

Freehill Investments Pty Ltd has interests in the Yervas Buenas Project in central Chile area containing iron and gold mineralisation with 5 licences covering 398 hectares. Further details about the interest Freehill Investments Pty Ltd has in the Yervas Buenas Project is detailed in the Prospectus that includes this report.

This report discusses the geological setting, exploration history and proposed exploration of the Yervas Buenas project.

The tenement portfolio offers a package of tenements with a producing iron sands mining operation in a safe mining jurisdiction, within a mineral producing region, with good infrastructure, long mining history and other currently operating mines.

The Yervas Buenas Project is located 30km North of the city of La Serena on the west coast of Chile. The project is situated in a recognised iron and copper-producing district, between the long-established El Romeral magnetite mine and the Dominga magnetite-copper project (in feasibility).

Current iron sands mining at Yervas Buenas commenced in 2014 and is successfully produced high grade magnetite concentrates at a rate of 5,000 tonnes per month for sale to several Chilean buyers, mostly through an offtake agreement with the largest Chilean iron producer, CPS. Mining of iron sands is by sand quarrying and dry processing through simple magnetic separators, with significant opportunities for scaled expansion. Alluvial gold particles are present within these iron sands and an opportunity to recover some gold as a co-product remains to be tested.

Hard-rock magnetite mineralisation is also present on the Yervas Buenas project, as demonstrated by magnetic surveys, rock-chip sampling, RC drilling and laboratory testwork. This mineralisation is not quantified due to a lack of drillhole data, and is considered secondary in importance to the magnetite and gold contained in Iron Sands.



## 1.0 TENURE, LOCATION & ACCESS

### 1.1 MINING PROPERTY TENURE

Freehill Investments Pty Ltd has interests in the mining properties listed in Table 1 below. The interests are held through Chilean subsidiaries in which Freehill Investments Pty Ltd currently has a 50% interest. Freehill Investments Pty Ltd has the right to acquire the remaining 50% interests in these subsidiaries. The mining properties are collectively referred to as the "Yerbas Buenas Project" in this Report.

NAME	LICENCE HOLDER	LICENCE NUMBER	AREA
YERBAS BUENAS 1 TO 16	AYF MUZARD LIMITED	04102-2723-1	50 ha
ARENAS III, 1 TO 15	SAN PATRICIO MINERIA SpA	04102-2714-2	150 ha
ARENAS IV, 1 TO 10	SAN PATRICIO MINERIA SpA	04102-2715-0	44 ha
ARENAS VI, 1 TO 20	SAN PATRICIO MINERIA SpA	04102-2755-K	100 ha
ARENAS X, 1 TO 18	SAN PATRICIO MINERIA SpA	04102-2937-4	54 ha
			398 ha

Table 1: Mining properties under evaluation, YERBAS BUENAS project

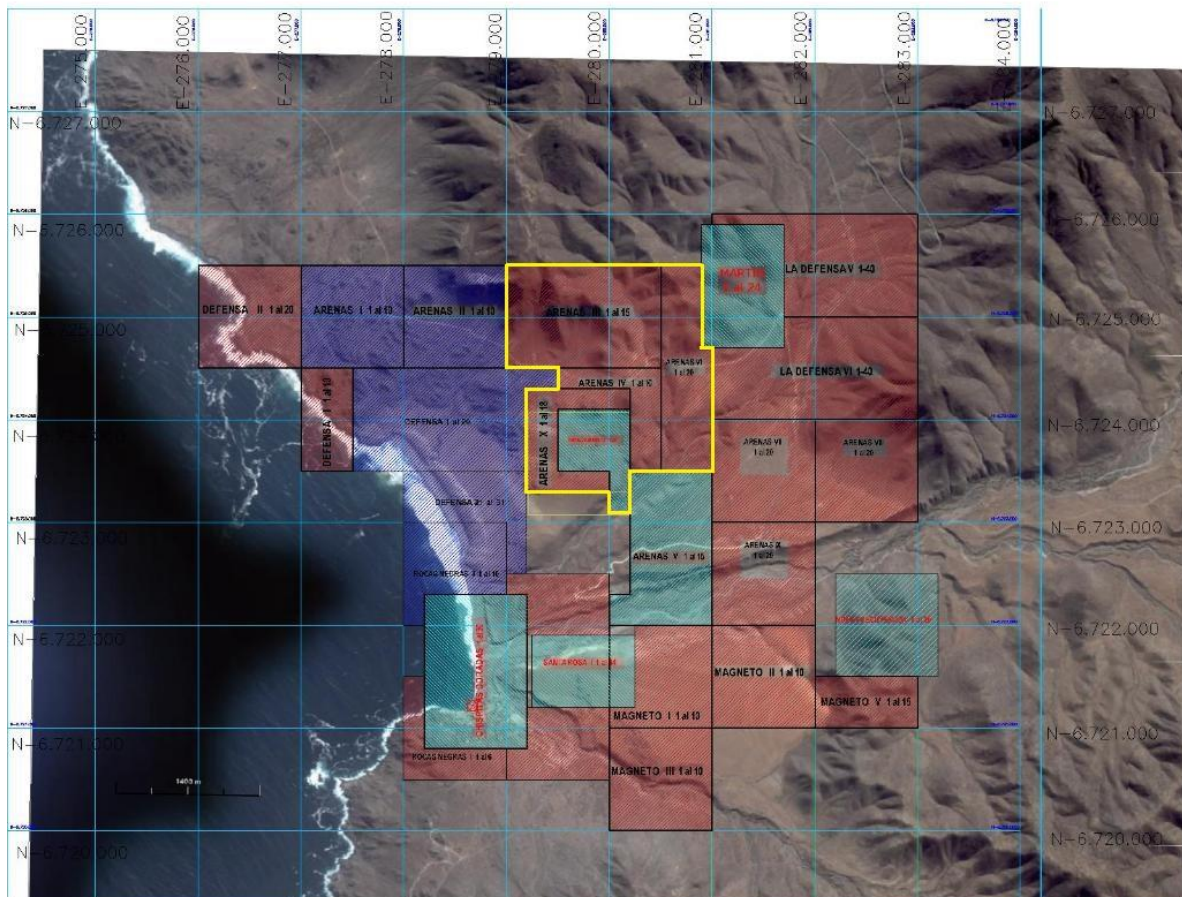


Figure 1 Mineral Licence Plan, Yerbas Buenas (yellow outline indicates licences in which Freehill Investments Pty Ltd has an interest).



## 1.2 LOCATION AND ACCESS

The Yervas Buenas project is located 30 km North of the city of La Serena, Coquimbo Region, Chile. The license area has an approximate area of 398 hectares. Access to the project is via highway 5 North, to the access road to the caleta Chungungo, travelling 3 km west along a gravel road in good condition, then South for 0.8 km, until the Yervas Buenas project is reached.



*Figure 2: Location of Yervas Buenas project*

## 2.0 GEOLOGY AND EXPLORATION

### 2.1 REGIONAL GEOLOGY

Regional geology consists of a sequence of Cretaceous age volcanic rocks, named the Bandurrias Formation, intruded by Granites of central Cretaceous age, and overlaid by younger marine sedimentary rocks of the Tertiary Coquimbo formation.

The Yervas Buenas project is located 20 km south of the Dominga hardrock magnetite Project where a deposit of over 1 billion tonnes is subject to a feasibility study.

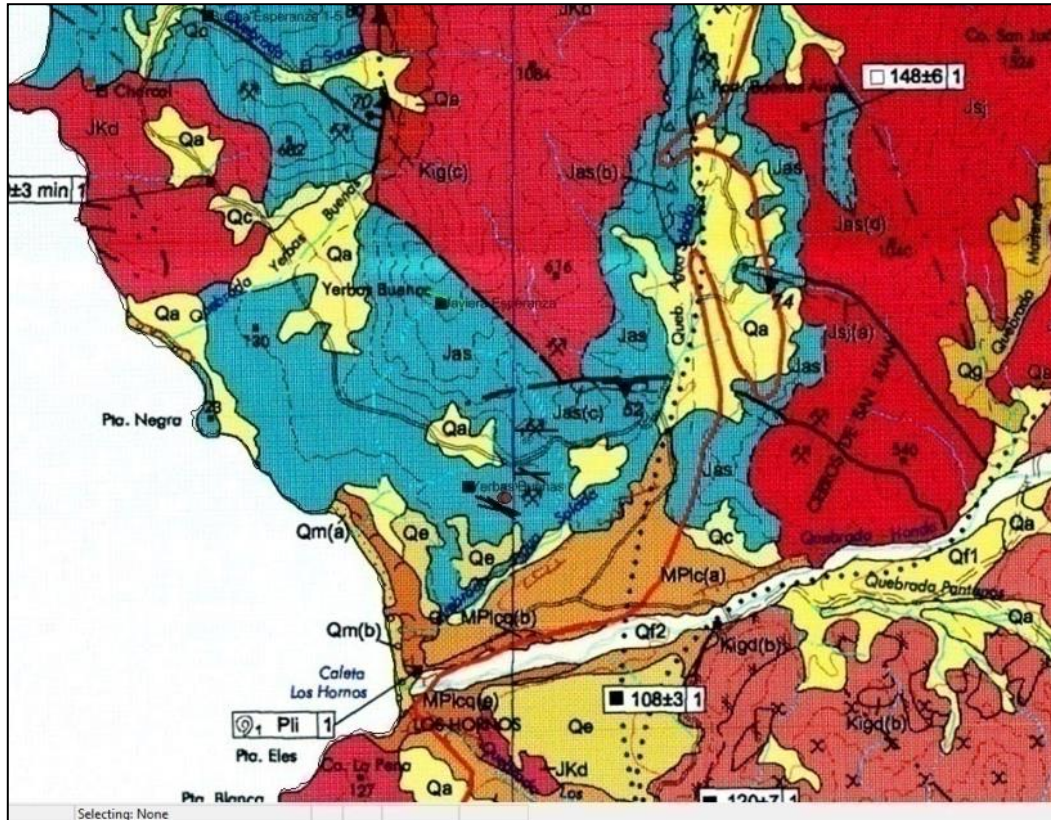


Figure 3: Regional Geology of Yerbas Buenas project. Yerbas Buenas project is located immediately north of Caleta Los Hornos, in brown-coloured Qm(b) rock code.

## 2,2 LOCAL GEOLOGY

The basement rocks are volcanic (dacite) rocks of Cretaceous age (green in the geological map, Fig 3), which are strongly altered by veinlets of magnetite. These rocks form hills immediately North of, and outcrop sporadically within the project area. The magnetite-rich rocks extend northwards and eastwards for tens of kilometres, and host some significant magnetite deposits, including the undeveloped Dominga deposit 30km further north. Surrounding the volcanics are granitic, intrusive rocks (pink in Fig 3). Draped over the volcanic rocks in the project area are relatively recently formed Quaternary aged beach sands, which contain significant levels of fine-grained magnetite which has been sorted by beach wave action. The source of the magnetite grains within these sands are the green volcanic rocks, within a large drainage basin. Uplift of the basement rocks over time caused erosion of the volcanic rocks, and deposition of sands where a large river system met the coast. These sands are included in the “Quaternary unconsolidated” material shown in yellow in Fig 3. Wave action further broke down the magnetite into fine grains, and sorted them by gravity (magnetite being denser than most other minerals) into layers. Continued land uplift due to active faults and earthquakes has lifted the sand dunes to 50- 100m above current sealevel, and protected most of the deposits from further erosion. Minor development of a calcrete layer has more recently formed in the topmost 4 metres of the sand dunes.

## **2.3 DEPOSIT GEOLOGY**

The Yervas Buenas project presents two well-defined geological environments, these are magnetite-mineralized rock and mineralized sands/sedimentary-marine deposits. These geological environments are described below:

### **2.3.1 Magnetite-bearing Sands**

Magnetite sands are found at surface over most of the lease area, except where there are steep, outcropping volcanic and intrusive rocks. They are well exposed in the two working iron sands open pits on the property, which have exposed faces up to 10m high. Dragging a magnet through the sand immediately picks up abundant fine-grained magnetite, and the black magnetite grains are just visible to the eye. There is some horizontal stratification of the sands seen in the working pits 1 and 2, as well as in multiple trenches and pits dug to 5 m depth. The typical profile of sand material is as follows:

- Dark brown, weakly oxidised magnetite/hematite and organic-rich layer 0.5 to 2m thick.
- Calcrete layer, 0.5 to 3m thick, composed of nodules and horizontal seams of white calcium carbonate material, which also contains magnetite grains. The nodules are hard and held together by a weak calcium carbonate cement, but break easily with a hammer or by crushing.
- Brown bedded sands, typically showing cross-bedding, formed by dune (wind) and beach (wave) action. These are tens of metres thick, and continue down until an abrupt contact to basement hard rock is reached. The base of these sands has not been reached, or proven by drilling in any part of the deposit. This bedded sand material contains the vast majority of the metal in sands, and has variable grades from 5 to 20% iron, with some anecdotal evidence for improving grades with depth. Cementing of this material into soft lumps causes lower metal recoveries in the plant as it flows straight through the plant as lumps, without the magnetite being separated. The cause of this lumping is partly from increased moisture content, partly from a weak carbonaceous cement, and partly from compaction from the weight of overburden.

Analysis of different size fractions within the sand has been completed, and this indicates that the highest grades of iron are in medium size fractions (+100, +150 Tyler mesh).

Analysis of different sand horizons (from the Manuel Medina report, 2010) reported the following average metal distribution:

Material type	% Fe
Carbonate (calcrete) layer	4.4 %
Banded sands	13.0 %
Sands with minor banding	4.7 %

Differentiation of the high grade 'Banded sands' from the lower grade 'Sands with minor banding' may be possible while mining, if high-grading is required. Note that 'banding' refers to the fine black streaks of magnetite grains seen in the sand deposit, it does not refer to the dune bedding structures which can be seen from 50m away.

### **Ferruginous Layer**



*Figure 4 profile of Yerbass Buenas pit wall showing Ferruginous layer, Calcrete layer and underlying Banded Sands layer.*





*Figure 5: Upper unit of sands with magnetite and red hematite, indicated by arrow.*

### **Calcrete Layer**

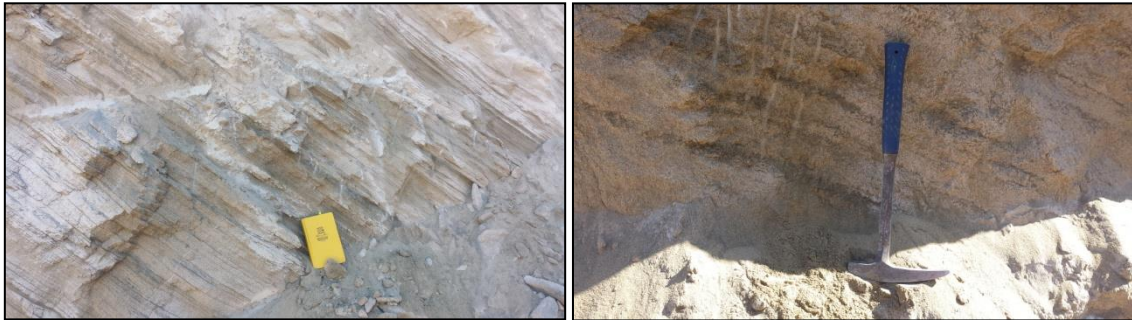
This unit is located to the East of the current operating mine and was abundant in the first pit exploited by the company, it corresponds to a layer of white sand and strong presence of calcium carbonate cement that tends to bind the sand and magnetite particles, hampering their recovery in the plant. It is located directly below the sand with red hematite unit. This zone was observed in pits and is of the order of 1 to 3 metres thick.



*Figure 6: Unit of sands with calcrete.*

### Bedded Sands Unit

This unit is located in both of the open pits currently in operation and in several of the pits mapped from trenching. Elsewhere on the Project it is the main unit of magnetite-rich sands in the project. It corresponds to a sequence of brown sands with interbedded magnetite layers, it exhibits cross-bedding and occasional boulders of rocks of different composition. This level is currently being exploited and in some areas showing vertical exposures of 10 metres. Iron content varies from 2.1% Fe to 15.4% Fe (Manuel Riveros 2010 report).



*Figure 7: Detail of Brown sands unit. Dark streaks are magnetite grains.*

#### 2.3.2 Magnetite-bearing Gravels

This unit is located to the East and South of the project and comprises polymictic, subrounded to rounded rocks including clasts with magnetite, surrounded by a brown sand/clay matrix. There is no dune bedding, and this material was deposited by a river system. This unit was identified in a deep ravine located to the East of the Yervas Buenas Process Plant and has development potential with several magnetite operations in this Region of Chile developed using this style of mineralisation.





*Figure 8: Unit of Brown Gravel, photograph taken in Yervas Buenas Creek.*

### **2.3.3 Magnetite-Mineralized hardrock**

Within the Project area four types of magnetite-rich rock units have been identified, these are: Porphyritic andesites, porphyry dioritics, diorite intrusives and volcanic rocks with hydrothermal magnetite alteration. In all of these units, disseminated magnetite and magnetite veinlets are recognized, along with biotite and quartz alteration. These geological units are described below:

#### **1. Porphyritic andesite**

This unit is located immediately to the North of the road that leads to the village of Chungungo and is noted for exhibiting layers with replacement of magnetite (Figure 9).



*Figure 9: Detail of porphyritic andesites replaced by magnetite layers. Black lines indicate these magnetite-enrichment trails*

Reviewing the rock samples, strong pervasive replacement of biotite and magnetite is recognized (photo 10), and sampling of these rocks reported 5.34% Fe to 42.31% FeDtt (recoverable magnetic Iron). It is likely that replacement of magnetite in these layers has resulted in magnetic anomalies.



*Figure 10: Detail of porphyritic andesite replaced by biotite and magnetite*

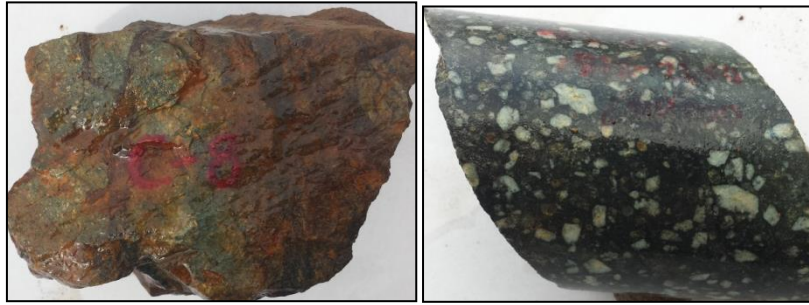
## **2. Porphyry Dioritite**

This unit was recognized at surface in the vicinity where CMP completed two exploration RC drillholes in August of 2011. This type of rock is associated with centimeter-scale veins of magnetite exploited in various historical workings (Photo 11). These structures have a preferential strike orientation of N70°W and contain some magnetite breccias.



*Figure 11: Dioritic porphyry unit detail dioritic*





*Figure 12: Dioritic porphyry found in Yervas Buenas and its equivalent from the nearby Dominga project.*

### **3. Intrusive unit**

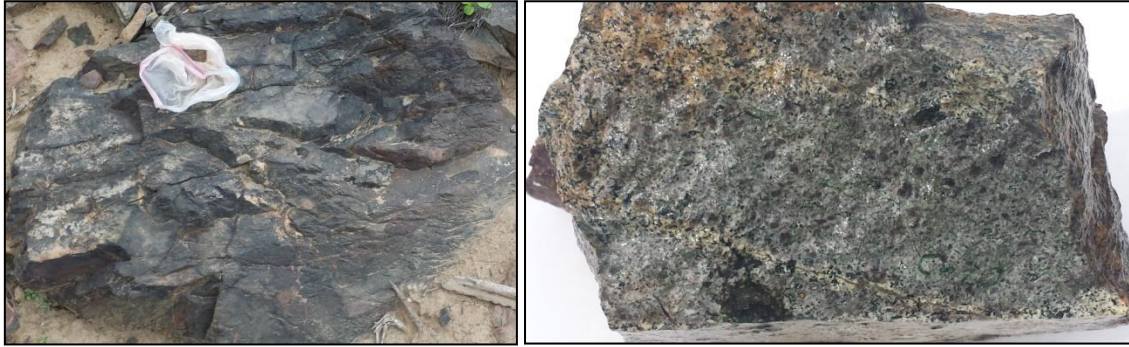
This unit was recognized in the highest hill of the mapped area (photo 13), and contains numerous veinlets of magnetite, quartz-magnetite and magnetite-biotite (photo 14). In addition, alteration by magnetite that gives a dark coloration to the intrusive was recognized (photo 15).



*Figure 13: Highest point of the mapped area, which corresponds to a dioritic intrusive.*



*Figure 14: Detail of magnetite and quartz-magnetite veinlets cutting dioritic intrusive.*



*Figure 15: (Left) accumulation of magnetite replacing intrusive, (right) intrusive texture detail.*

From field observations, it is clear that this dioritic intrusive contains mineralized veinlets and disseminations of magnetite. 6 samples of this unit were collected and analysed in August 2015 which reportedly gave an average of 5.33% FeT (total contained Fe) grade and 60.7% FeDtt (potential Fe concentrate grade).

#### **4. Hydrothermal Magnetite**

This unit has been recognized locally and associated with structures and veins that are present in historical workings (Photo 16). They correspond to units with fragments of quartz in a matrix of magnetite or units with pieces of magnetite in a matrix of quartz, are high-grade (including one sample C-13 analysed in August 2015 with 54.54% Fe and 72.93% DTT (Davis Tube Tester)) since it includes massive magnetite.



*Figure 16: Detail of Hydrothermal veins*

During August 2015, sampling of the various units of rocks described above was undertaken; results of this sampling and geological characteristics of the mapped units are shown below in table 2:

COORDINATES		GEOLOGICAL COMMENTS	CHEMICAL ANALYSIS					
NORTH	EAST		Fe %	Cu %	Dtt %	Fe Dtt %	Fe Mag %	Au g/t
6723556	279757	Diorite Porphyry units cut by veins of magnetite	30.7	0.004	36.8	65.69	24.17	<.01
6723701	279850	Moderate to strong disseminated magnetite rock	6.46	0.005	3.39	54.95	1.86	<.01
6723749	279852	Intrusive units (diorite) , secondary biotite and magnetite	6.68	0.005	3.77	56.38	2.13	0.04
6723778	279834	Diorite Porphyry unit with veinlets of magnetite replacement	7.71	0.005	5.68	58.17	3.3	0.02
6723871	279857	Semi-consolidated coarse sand unit with magnetite	7.97	0.006	2.89	54.7	1.58	0.02
6723874	279867	Hydrothermal breccia with massive magnetite	54.54	0.007	72.93	70.15	51.16	0.02
6723879	279877	Massive veining N70W/85°SW up to 1m width	35.91	0.004	43.67	69.22	30.23	<.01
6723879	279877	Diorite porphyry replaced by biotite and magnetite	7.65	0.005	7.51	45.7	3.43	<.01
6723935	279926	Hydrothermal breccia with magnetite	22.32	0.003	18.21	67.93	12.37	<.01
6724151	279914	Magnetite veins possibly with gold	29.76	0.008	23.76	66.76	15.86	0.03
6724257	280092	Intrusive unit (diorite) with veins of quartz-magnetite	5.07	0.007	3.66	57.61	2.11	0.01
6724350	280216	Intrusive unit (diorite) with veins of quartz-magnetite, disseminated magnetite	8.02	0.005	6.81	65.35	4.45	<.01
6724363	280269	Intrusive diorite, coarse-grained, veins of quartz-magnetite	5.78	0.007	1.79			0.01
6724302	280235	Intrusive diorite, veins of biotite-magnetite, disseminated magnetite	4.18	0.01	1.93			<.01
6724237	280211	Intrusive diorite with biotite in mafic, disseminated magnetite	5.2	0.004	2.92	59.35	1.73	0.03
6724219	280263	Coarse grained intrusive diorite with disseminated chlorite	3.75	0.005	1.47			0.03
6724219	280231	Recrystallised andesite porphyry with disseminated magnetite	5.75	0.006	5.9	50.98	3.01	0.01
6724766	280247	Andesitic porphyry with biotite, magnetite, possible Dominga-style mantle	5.34	0.005	3.12	42.31	1.32	<.01
6724578	279219	Andesitic porphyry with abundant biotite, quartz with magnetite	6.85	0.012	6.18	55.74	3.44	<.01

Table 2: Detail of grades of various units of rocks in Yervas Buenas.



## 2.4 GROUND MAGNETIC SURVEY BY INGEGLOBAL, 2015

The studied area corresponds to the entire mining property covering an area of 398 hectares. 7 lines E-W and a control line N-S totaling 5.5 km of lines were undertaken. Figure 2 shows 4 magnetic anomalies, these are: North anomaly, Central 1 anomaly, Central 2 anomaly and South anomaly.

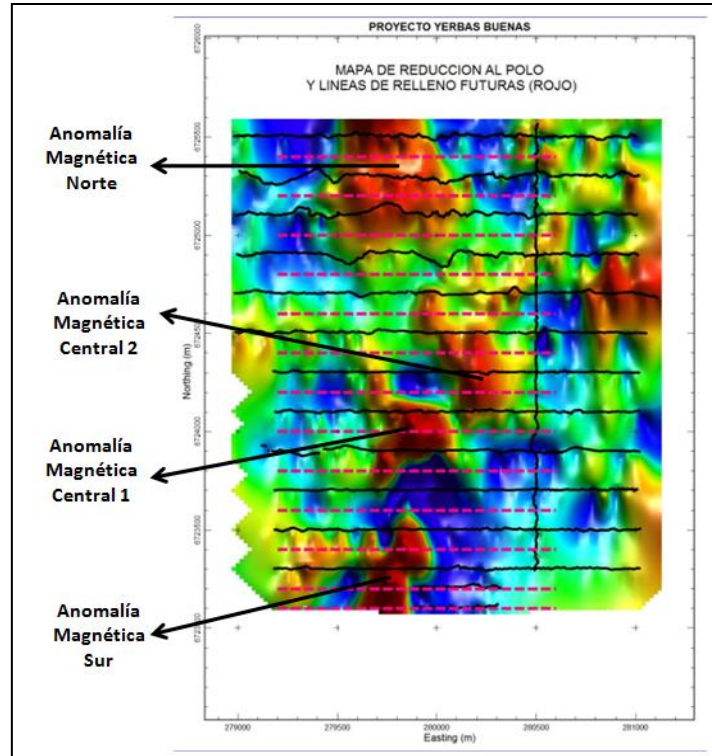
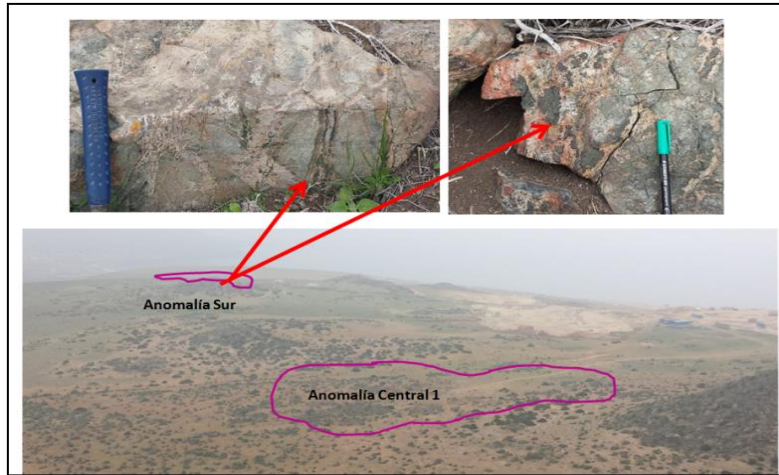


Figure 17: Ground Magnetic anomalies, Yervas Buenas property.

□

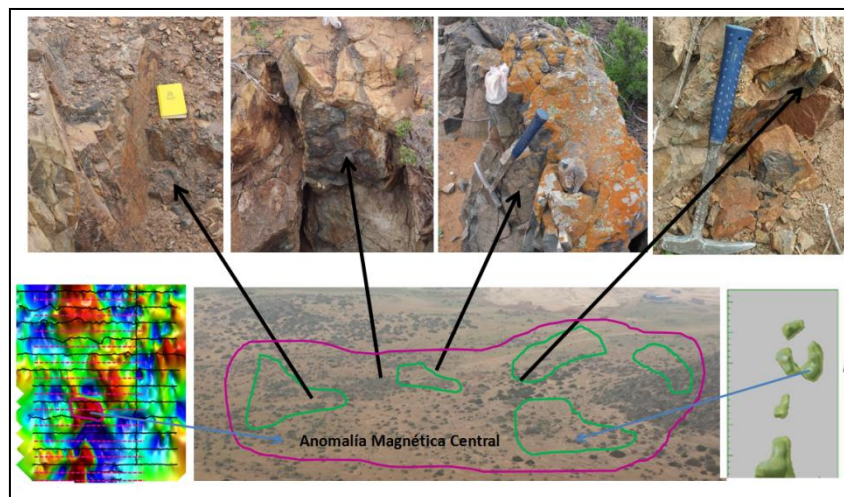
The South magnetic anomaly is associated with dioritic porphyry rocks with centimetre-scale veins of magnetite-quartz and layers of high grade magnetite exposed on a hill.





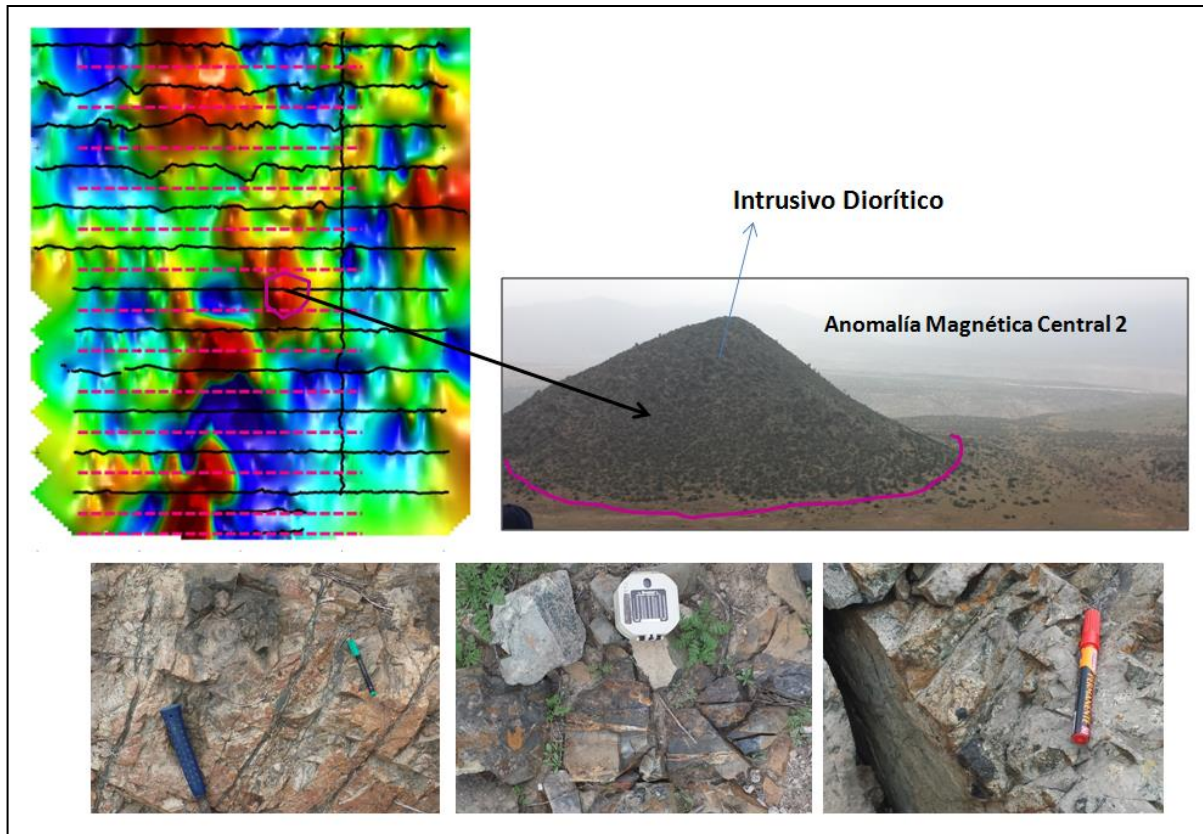
*Figure 18: Location Southwest anomaly and occurrences of magnetite in nearby hill*

The Central magnetic anomaly 1 matches the four largest bodies showing magnetic susceptibility detected by the inversion model made by Geoexploraciones in 2014 (Photo 19).



*Figure 19: Main Target, magnetic anomaly central- major bodies of increased magnetic susceptibility - veins/veinlets/gaps of magnetite on the surface.*

The Central magnetic anomaly 2 corresponds to an identified outcrop of Intrusive rocks and veinlets of quartz-magnetite and magnetite-biotite. This magnetic anomaly has less intensity than the Central magnetic anomaly and coincides with the intrusive unit.



*Figure 20: Unit of dioritic intrusive which coincides with Central 2 magnetic anomaly.*

The North magnetic anomaly does not correspond to any surface geological characteristics. It covers an area of 600 x 600 m, is located in andesitic units and is a target for future exploration (Figure 21).

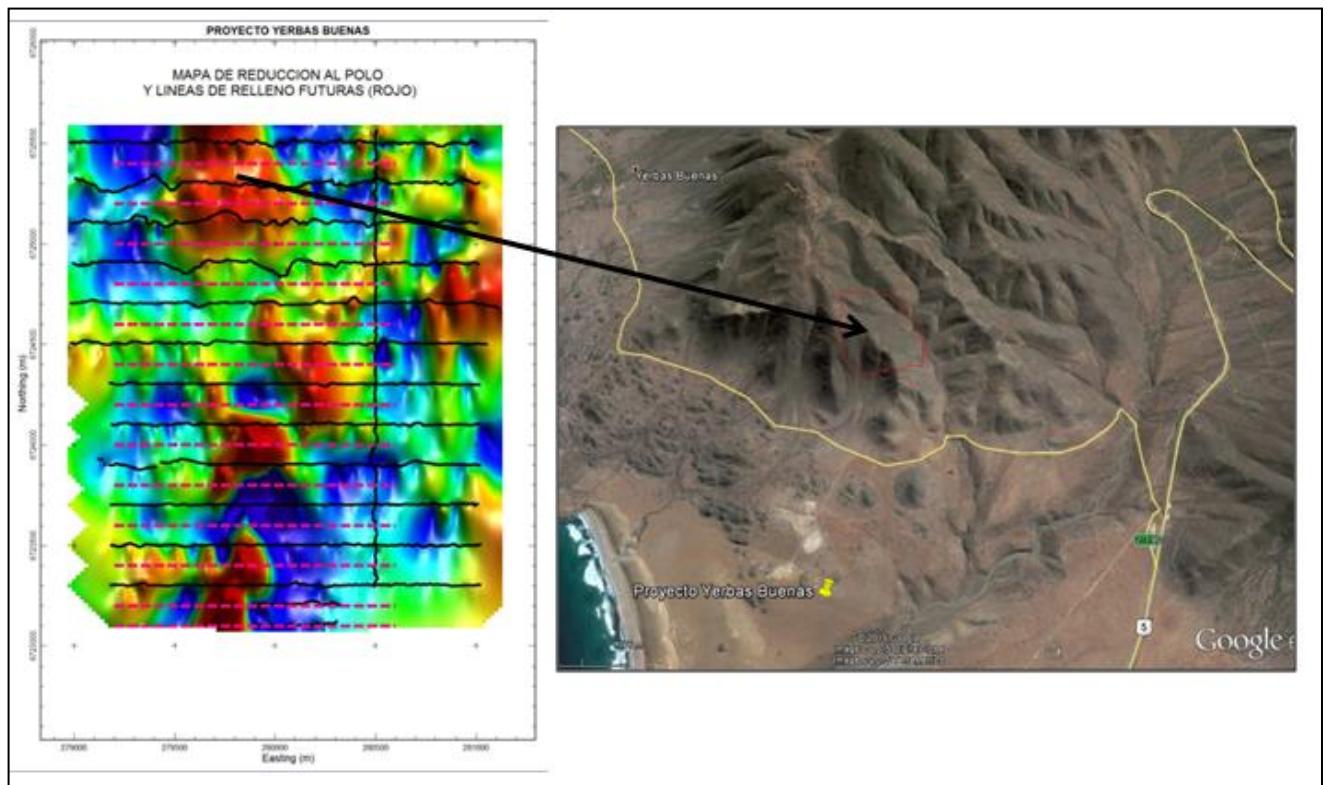


Figure 21: Location of North magnetic anomaly.

## 2.5 RC DRILLING OF PRIMARY MAGNETITE MINERALISATION

During July 2011, CMP's exploration team drilled 2 RC drillholes, targeting one of the four targets of higher magnetic susceptibility at the Central Magnetic Anomaly and where some historical underground workings were identified. The drillholes were inclined at - 70 ° to the East and drilled to depths of 150 m and 101m.

Drilling intersected magnetite mineralization in multidirectional veinlets of 1-4 mm within altered volcanic rocks.

Drillhole SDHYB1101 intersected 8m @ 31.69% Fe from 84m, and 12m @ 31.69% Fe from 114m. Drillhole SDHYB1102 intersected 20m @ 34% Fe from 38m.

These intersection thicknesses are Apparent Widths, and True widths are expected to be around 70% of the Apparent Widths. An average grade of 32.84% Fe is reported from these drillhole intercepts, with magnetic Fe of 28.14%, Phosphorous of 0.205% and Sulphur of 0.029%.



### 3.0 RESOURCE POTENTIAL

#### 3.1 MAGNETITE SANDS POTENTIAL

No JORC-compliant Resource Estimate is available for the Yervas Buenas magnetite sands, due to a lack of below-surface information from drilling. Mineralisation is clearly present at surface, and in the walls and base of the two operating open pits. In the absence of drilling, the mineralized sand material is referred to as an Exploration Target, according to JORC 2012.

An estimate of the volume of magnetite-rich sand was made from a polygon of surface mapping in the field by Jose Astudillo which in conjunction with topographic contours, and observations from the two operating open pit magnetite sand mines. This data was integrated by Ingegloal which built 3D models with Globalmappet software in parallel with a vertical profiles of 20, 30 and 40 metres in depth. A dry density determination of 2.01 dry tonnes per cubic metre was determined from measurements taken from 22 pits and trenches excavated to 3, 4 or 5m depth across the surface of exposed sands.



*Fig 22. Sand dune with magnetite sands at surface, elevation 150m, with port of Caleta los Hornos at far left.*

Table 4 below shows the estimated tonnage which is likely to be present at Yervas Buenas with 3 different assumptions of the vertical depth of sand material ie 20m, 30m and 40m. The author observed vertical continuity in magnetic sands of greater than 30m in some areas from walking down slopes and testing in-situ sand material with a pick and hand-held magnet. Strong vertical and horizontal continuity of these sands is also demonstrated in the walls of the operating open pits and in the gorge located 500m South of the iron sands processing plant.

Geological Unit	Surface Area	Specific Gravity	0-20m depth assumed	0-30m depth assumed	0-40m depth assumed
Magnetic Sands	89.74 hectares	2.01	40.4 M tonnes	60.45 M tonnes	80.6 M tonnes

Table 3: Exploration Potential of Magnetite Sands, Yervas Buenas

The author considers it appropriate to consider the potential volume of sand mineralization to a minimum depth of **30 meters**, which gives an **Exploration Target of 55-65 million tonnes of sand containing 8% to 12% iron**.

Neither the tonnage nor grade of these sands is determined by drilling, however limited surface sampling and magnetite production in 2015 of some 360,000 tonnes of sand material suggest an average grade of 10% Fe. The author has reviewed all available sampling data from trenches, pits and processing plant, and is satisfied that the in-situ grade of iron of the magnetite sands in the top 10 metres from surface is between 8%-12%. How consistent the grade profile is at depth is best determined by vertical drilling.

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### 3.1.1 PROGRAMME REQUIREMENTS TO ESTABLISH A MINERAL RESOURCE

In order to fully delineate an Inferred Resource of the Magnetite Sands at Yervas Buenas, the following work programme is required:

**Specific Gravity ('SG')** This needs to be further validated, as the current estimate relies solely on testwork within the top 5m of the deposit. SG should be calculated every 5m vertically for several entire core holes (Sonic or Diamond drilling from Surface to base of sands) with a minimum of 5 of these holes evenly spread over the deposit, and moisture determinations for each Specific Gravity sample also required). The cost of 5 Sonic core holes to 60m each is expected to total around A\$45,000.

**Drilling.** Drilling is required to the base of the sand deposit, which is expected to be a contact to bullet-hard volcanic rock. Aircore drilling to 'refusal' (no more penetration possible due to hardness) is recommended, or if cost effective, "Sonic" core drilling, which uses high frequency vibrations to allow the drill rods penetrate the ground (sonic drilling produces core and is generally much more expensive than aircore). Water injection may be required to stabilize the aircore hole during drilling, and a PVC or steel collar may be required in the top 5m.

Sampling should be in 2m or 3m intervals, assuming the drill rods are 6m long, with each sample Split appropriately to 2-3kg. The hole diameter should be 3 to 5 inch (compared to RC which is usually 5.5 inch). Drill spacing requirements are unclear, and should be determined by geostatistics, however close-spaced vertical and horizontal sampling in the pits undertaken in September 2015 suggests reasonable horizontal continuity within each geological sub-unit, and a 50 x 50m grid of vertical holes is recommended (400 holes in total).

Aircore drilling is expected to cost around \$20/m or less; the rig should achieve 300-400m per day if they can avoid hole collapse. Equipment wear should be minimal. The surface area of potential sand mineralisation is 100ha (equivalent to a 1000m x 1000m square). Assuming an average hole depth of 30m, the following scenario for a resource drilling programme is given:

Grid	50 x 50
Traverses	21
holes per traverse	19
Total holes	399
total m @ 30m/holes	11970
cost @ \$20/m	\$239,400

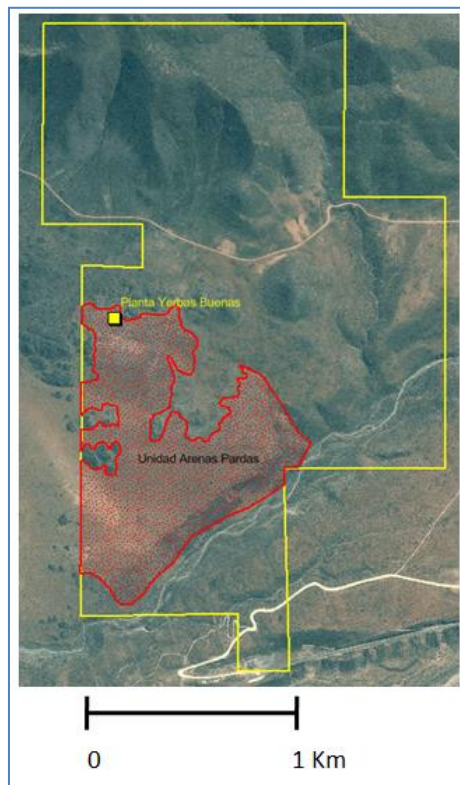
Note assay cost per hole, assuming 3m sample intervals should be A\$330 (12 samples @ \$27.50 each for gold and iron). DTT determinations if required will double this cost. If a gold resource estimate was required, the cost of gold assays (\$15/sample and total of \$72,000) should be added.



All drillholes need to have collar and downhole surveys, so that precise 3D location of all samples is given.

ACTIVITY	COST ESTIMATE (A\$)
Aircore Drilling 12,000m	250,000
Sonic Core Drilling 300m	45,000
Assays	130,000
Geological supervision & Database	40,000
Surveying (Collar and Downhole)	15,000
Resource Estimation	20,000
Total	500,000

The total time estimated for completion of all activities required to complete a Resource estimate is 4-5 months.



*Fig 23: Location of Iron sands at surface, Yerbass Buenas*

### 3.2 MAGNETITE GRAVEL POTENTIAL

A magnetite-rich Gravel unit lies vertically below the magnetite sands, and is not as well exposed at surface; mostly it is visible only in the sides of valleys. This report does not include an economic assessment of the resource potential for the Gravel deposits, however, a substantial deposit may be present, based on exposures observed in valley sides.

The author recommends evaluation of the magnetite Gravels after detailed exploration of the magnetite Sands. No grade is yet attributed to these Gravels, due to a current lack of sampling, however a handheld magnet demonstrated the presence of magnetite in both clasts and sand matrix in many occurrences, and similar gravel deposits are currently being exploited commercially in this district.

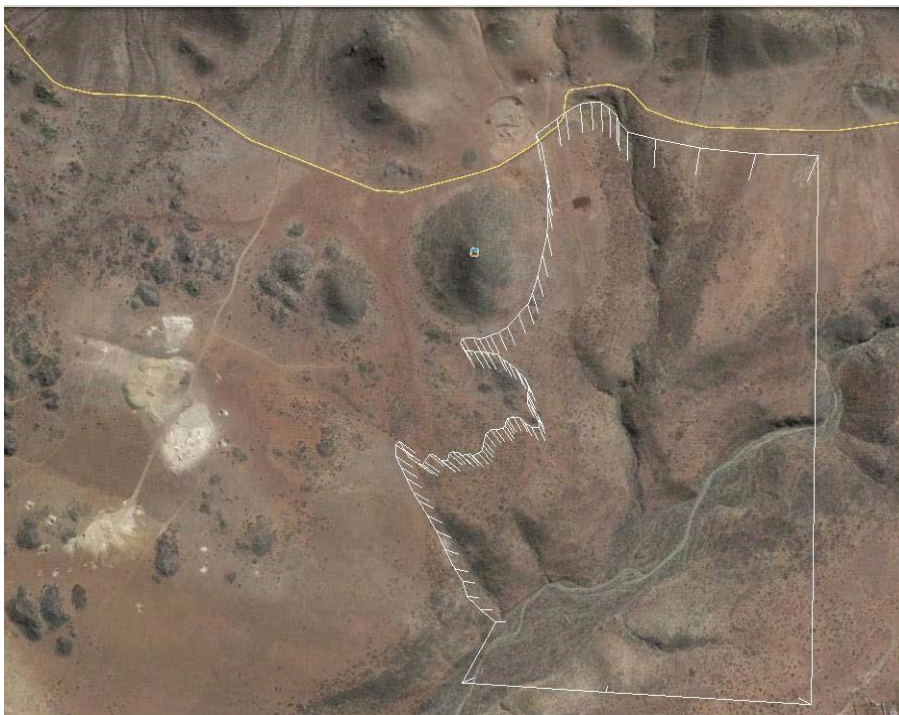


Photo 24: Location of unit of Brown Gravels (white outline), Yervas Buenas project

### 3.3 MINERALISED MAGNETITE HARDROCK

No attempt is made to evaluate the tonnage potential for hardrock magnetite at Yervas Buenas. Only two holes have been drilled into this mineralisation, and insufficient data is available to allow resource estimation. Hardrock magnetite remains an Exploration Target at Yervas Buenas, with 4 discrete targets identified. Selective surface rockchip sampling has shown a range of grades of iron and recoverable iron, and ground magnetic surveys have allowed the 3D modelling of magnetic bodies.

In order to establish hardrock magnetite resources, a programme of surface mapping, angled RC and diamond drilling, Specific Gravity measurements of diamond core, and assaying and DTT

analysis is required. Such a programme would take a minimum of 6 months and cost between \$0.4m and \$3m depending on the number of targets tested, the density of drilling required and the vertical depths drilled.

### **3.4 GOLD POTENTIAL**

In October 2009, geologist Ms Jimena Cucurella, petrologist of the University of La Serena described fine particles of free gold from polished thin sections, from 4 to 10 microns in width in the plant feed and plant tailings from 5 samples of Unit of magnetite-rich sands which were being exploited in the Yervas Buenas Project.

The gold in concentrate is fine alluvial gold, which is considered to be derived from the same primary geological source as the magnetite inland, washed down river systems and reconcentrated by coastal wave action, deposited as dunes and then uplifted by faulting to its current location.

The fine gold present in the magnetite sands has an average estimated grade of 0.1g/t (one part per 10 million). Most of the gold reports to the Waste sands following magnetite extraction, with 0.1g/t average contained grade (from limited sampling). Microscopic examination of sand particles shows that the gold is present as ultra-fine particle between 2 and 10 microns in size (0.002 to 0.01 mm). Continued wave and river action in the formation of the sands has broken down gold grains to this size, and coarse gold (greater than 100 microns) is unlikely to be present, especially in the wind-sorted bedded sands.

The average grade of contained gold is very low, and considered not enough to sustain the use of cyanide, whether by heap leaching or Vat or Tank leaching. Gravity is the simplest, cheapest and most likely viable gold recovery method. Most gravity systems operate on coarse gold (above 100 micron size), but some gravity techniques might work, particularly Knelson concentrators. One advantage of this auriferous sand material is that it is free of slimes or clays, which should speed up the gravity circuit throughput.

A test batch of 200kg is recommended to be tested by Knelson facility in Santiago for fine gold recovery and gold particle size analysis. Unless a viable recovery method is demonstrated, the contained gold in sands cannot be regarded as a resource. Should that testwork indicate possible recoveries of > 30% of the fine gold, then a feasibility study into a gravity gold recovery system would be recommended. Should gold be recoverable from magnetite sand tailings, the significant advantage of having no mining cost for the gold process would exist. No resource estimation for contained gold at Yervas Buenas is possible until the sand resource is adequately drilled and sampled, and a viable recovery method demonstrated.

A similar level of gold (0.1 g/t) is indicated from analysis to exist in magnetite concentrate, but it is unlikely that any consumer of that product is likely to be able to extract, or be willing to pay for the contained gold (which is approximately 10% of the volume of gold contained in the waste sands).

**CERTIFICADO DE ANALISIS**

Informe : N° 56214 (Folio 56214)  
 Razón Social : SR. LACERTA FINANCE Y MINING SPA  
 Solicitante : Sr. Lacerta Finance y Mining SPA  
 E-mai : gerente.general.lacerta@gmail.com  
 Muestra : Concentrado  
 Ingreso Laboratorio : 04 de agosto de 2015  
 Egreso : 06 de agosto de 2015  
 Análisis : Oro

Resultados análisis realizados a las siguientes muestras según parámetros solicitados:

Análisis		ORO (g/T)
22498	PF	0.12
22499	PILA	0.06

Resultados válidos solamente para las muestras analizadas las que fueron proporcionadas por el cliente.

Table 4: Gold analysis of Magnetite concentrate stockpiles, Yerbas Buenas, August 2015



Fig 25: Stockpiled magnetite concentrates, Yerbas Buenas

Fecha Muestreo	Concentrado Ley Au (gr/ton)	Cola Ley Au (gr/ton)
03-ago	0,12	
04-ago	0,1	0,3
05-ago	0,06	0,08
06-ago	0,12	0,05
07-ago	0,1	
17-ago	6,8	
18-ago	0,04	0,08
19-ago	0,04	0,03
20-ago	0,16	0,1
21-ago	0,09	0,03
22-ago	0,06	0,14
23-ago	0,03	0,09
24-ago	0,09	0,05
25-ago	0,01	0,02
26-ago	0,05	0,02
27-ago	0,05	0,02
28-ago	0,06	0,08
29-ago	0,06	0,08
30-ago	0,06	0,08

Table 5: Results of sampling concentrates ('Concentrado Ley') and tailings ('Cola Ley') produced during August 2015

Quality control for the procedures of gold chemical analyses were conducted in the FGF Analysis LTDA laboratory which is located in the city of Coquimbo, and is certified ISO 9001-2008. This laboratory is equipped with a sampling protocol standard that includes robotic sample preparation with fire assay analysis.



## 4.0 MAGNETITE OPERATIONS AND PERMITTING

From December 2014 to August 2015, 362,548 tonnes of magnetite sands ore have been processed that have generated approximately 28,500 tonnes of concentrate grading approximately 62% Fe and have been sold to Melon Cement and to CMP.

This data regarding throughput and production implies a magnetite recovery of 7.8%, this recovery being severely reduced due to the input sands material containing high levels of lumped, weakly cemented sand which was not broken down to liberate fine magnetite grains. As a consequence some iron was not recovered during this phase of production. The subsequent introduction of a Power Screen within the pit has rectified this problema and virtually no lump material is present on the post-processing conveyor belt. The author's best estimate of head grade from the mine operating statistics is between 9% to 12% Fe



Figure 26: View of pits exploited, Yervas Buenas project

### 4.1 FIXED PLANT (100% owned)

The operating circuit as observed in late 2015 comprises two identical circuits as follows:

- Elevated ROM pad and Hopper
- Vibrating Apron Feeder
- Two 2.4m length Rougher Magnetic drums (Chinese manufacturer)
- Conveyor waste (non-magnetic) to a shared Waste Conveyor
- Conveyor magnetic portion to Finisher Magnetic drum (1.4m length) which has a greater concentration of magnets.
- Conveyor magnetic portion to finished product stockpile
- Conveyor non-magnetic portion back to Rougher drums
- 100kva Generator
- Control Room
- Stores and maintenance room
- Offices and crib room.

Subject to capital availability, improvements to this circuit would include the following:

- Steel/rubber barrier at front end of hopper opening to guide reversing trucks when to stop (currently a spotter guides every truck into position).
- Conveyor belt and Radial Stacker for Waste material. This would remove the need for one man, one truck and one loader during normal operations.

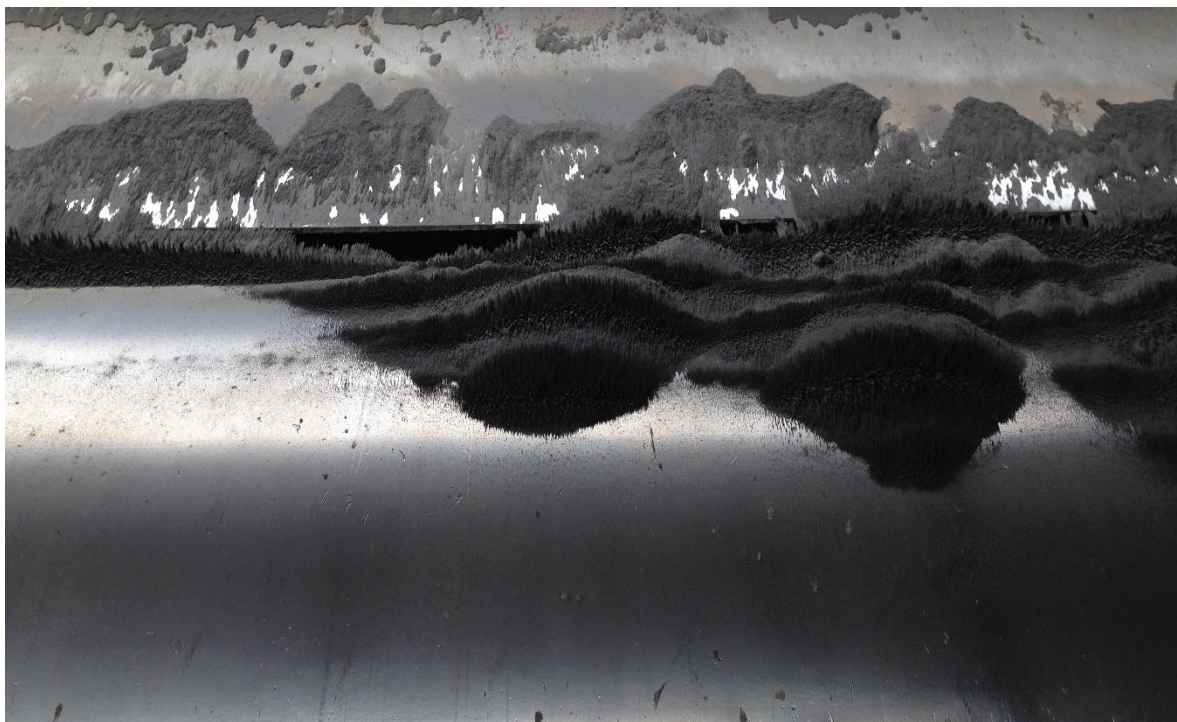
Maintenance of equipment is done by employees rather than contractors, and appropriate personal safety equipment is being used.

**Plant Capacity.** In 2015, and as of the date of this report, the plant operates on Dayshift only, under a 5000t/month permit (which can be annualised), the plant can produce 280 tonnes/day of concentrate, or up to 8,000 tonnes per month.

At average head grade of 10% Fe, approximately 90% of material fed into the plant reports as waste, and 10% to concentrate.



*Figure 27. Part of Yerbos Buenas magnetite concentration plant, October 2015. 62% Fe product in closest stockpile and ready for shipping in centre with yellow excavator.*



*Figure 28. Magnetite grains on rotating magnetic drum, Yervas Buenas concentrator.*

#### **4.2 MOBILE PLANT (0% owned)**

All of the Mobile Plant is rented on hourly or daily rates (the daily rates taking into account that only Day Shift operates). Maintenance is provided for all equipment by the owner, and operators are provided for some equipment as part of the rate. All equipment appears to be well-maintained and with good availability; fortunately sand mining does not produce high 'wear and tear'. An equipment list is as follows:

- 3 x 25 tonne capacity tip trucks
- Two front-end Loaders
- One 40 tonne Caterpillar D8 Dozer,
- One 30 tonne Chinese-manufactured Excavator
- Two light 4WD vehicles

All concentrate delivery to CMP is by contractor, who provides a reliable, flexible service. All of these trucks have tarp-covered trays which avoids product loss and contamination. Melon Cement buy magnetite concentrate from the mine gate, paying for their own concentrate transport.





*Figure 29. Loading of iron sands in open pit No 2, Yervas Buenas (not Yervas Buenas equipment).*



*Fig 30. Sand trucked from open pit delivered to Yervas Buenas magnetite concentration plant (truck is not property of Yervas Buenas)*

#### **4.3 ADDITIONAL AVAILABLE PLANT**

A second-hand, unused, containerised Brazilian plant has been purchased and is at the Yerbas Buenas site. It comprises two identical plants with 300t/hr capacity each, and the condition of parts appears good. Containerisation is good for transporting this plant but may create operating problems with limited access to some areas. The circuitry is similar to the Chinese magnetite separation system already operating, with magnetic rougher drums and electromagnetic finisher drums (adjustable current gives flexibility to process). Some belting has been taken for the current plant but otherwise it is intact and could be assembled within weeks using in-company mechanical labour, some external crane hire, steel hopper construction, some new rubber belting, a 100 Kva generator and some electrical motor reviews. Total cost of commissioning is likely to be in the range of US\$50k to US\$100k.

#### **4.4 MAGNETITE RECOVERY**

Magnetite recovery in the Sand plant is a function of several variables as follows:

- Head Grade
- Lump size and frequency (magnetite within lumps goes to Waste dump)
- Speed of throughput (feed should operate at optimum speed for magnetic drums; if too fast, recovery drops)
- Air Moisture levels (dampness of feed material will cause clumping and prevent efficient recovery by magnetic drums). This impacts more on night shift than dayshift.
- Wind abatement (excessive wind can blow sand over and contaminate the final product).

All of these factors except Moisture can be (and are) controlled to optimise recovery. Where necessary, product can be recycled through the plant to further enrich and remove sand, with an increase from 61/62% to 64% Fe, however this ultimately limits production and is inefficient.

Two areas where recoveries may be improved are as follows:

- **Calcrete removal** Due to high calcium levels, average Fe levels in calcrete are below average, and this material should not be processed, but set aside as waste by the dozer. Calcrete is only present in the top 4m and is visually distinctive. A sampling programme from the current pit walls and all of the trenches (minimum 50 samples in total) should be carried out to accurately determine average iron grades in calcrete. Calcrete is currently attractive as a feed material as it is powdery and dry, whereas some of the higher-grade sand material is damp, and takes longer to process.
- **Lump removal.** Sand which has consolidated into lump can be broken down by dozer tracks, or more efficiently, by a Power Screen (such as in Fig 3b), which was recommended in late 2015 and was contracted in December 2015 with an immediate reduction in lump passing through the plant and apparent improvement in metal recovery.





*Fig 31. Power Screen unit (not property of Yervas Buenas)*

Chemical composition of the YB concentrate is shown below, and it is an attractive product by global standards. The Vanadium content of 0.36% is interesting, and may be investigated as a potential metal credit, given that concentrate from the nearby El Romeral process plant operated by CMP contains a Vanadium credit at 0.8% V.

<b>YB Concentrate Analysis</b>	
<b>Component</b>	<b>%</b>
Fe	62.95
P	0.057
S	0.004
FeO	24.03
Na	0.316
K	0.150
Al <sub>2</sub> O <sub>3</sub>	1.81
SiO <sub>2</sub>	4.96
CaO	0.86
MgO	0.75
V	0.36
Ti	2.10

Particle size analysis shows the majority (66%) of magnetite grains in the final product are between 100 and 325 microns in size:

Granulometry analysis		
Mesh #	Size	%
+10	2 mm	0.0
+18	1 mm	0.1
+30	0,6 mm	0.4
+50	0,3 mm	4.5
+100	150 µm	66.3
+200	75 µm	26.1
+325	45 µm	1.2
-325	-45µm	1.4

#### 4.5 PROJECT EXPANSION PERMITTING

Permitting restrictions of 5,000 tonnes per month has delayed the expansion of the current plant, however a Chilean Permitting consultant that has been engaged by Freehill Investments has provided advice as to the steps that need to be undertaken to increase the permit restrictions to first 10,000 tonnes and then 100,000 tonnes per month (1.2m tonnes/year). Expansion of production is expected to include adding a night-shift to the current activities and commissioning more of the on-site fixed plant.

To assist with the expansion application, the preparation of an Environmental Impact Declaration ("EID") shall be performed according to the provisions of Law No. 19,300 on General Environmental Framework and its Regulations (Supreme Decree No. 40/2012), and will consider the characterization and analysis of the project and its environmental impacts during the construction and operating stages, in order to minimize disturbances on the immediate area and its surroundings. This will be the main aspect that the Authority will examine to favorably assess the project.

The submission could be prepared in a 90 day period at a cost of US\$140,000, and a further 12 to 18 months is generally required for the expanded operating Licence to be granted.

#### 4.6 OPERATING COSTS AND PURCHASE AGREEMENTS

Sales of magnetite product to date have been to a local cement producer, Melon, and to CMP, who own the nearby El Romeral plant and a port facility 40km south of Yerbás Buenas at Guayacán. Sales to Melon are through Purchase Agreements, and to CMP sales are as much as the operation can produce (limited to 5000 t/month currently by permitting). Delivery of product to CMP at El Romeral (25km distance) is required; no delivery is required to Melon.

Operating costs are largely Fixed costs, and at a rate of 5,000t/month, Site and Admin costs are claimed by the Company to total US\$25/tonne. Under the CMP contract, payment is made according to a formula incorporating freight cost to China, current 62% fines price, a port handling charge if used, bonuses for higher grade and penalties for impurities including moisture. This equated to a received price of US\$31 when the quoted 62% fines iron ore price was US\$45.

## 5.0 GLOSSARY OF TECHNICAL TERMS AND ABBREVIATIONS

**Aeolian.** Relating to wind-formed surficial deposits, comprising of fine sand and sediment.

**Aircore Drilling.** Rotary drilling technique employed to drill in poorly consolidated rocks, where the sample is returned to the surface inside the drill rods under the applied air pressure.

**Anomalous.** Having statistically significantly higher or lower values than the norm.

**Au.** Chemical symbol for Gold.

**Calcrete.** A surficial form of carbonate, usually formed during weathering processes.

**Clastic.** Sediments derived from weathering of pre-existing rocks.

**Country Rock.** The rock intruded by and surrounding an igneous intrusion.

**CMP.** Companie Minera del Pacific. Also referred to as 'CAPS'. The largest Chilean iron ore mining company, previously state-owned, now public company listed on the NYSE.

**Disseminated.** Mineral grains scattered throughout host rock.

**DTT Davis Tube Tester.** The Davis Magnetic Tube Tester consists of an extremely powerful electromagnet which can generate a magnetic field intensity of up to 4,000 gauss, a glass separation tube and a motor driven agitation mechanism. It gives a meaningful estimate of actual magnetic recovery of magnetite from a crushed sample of magnetite-bearing material.

**Exploration.** Projecting, sampling, trenching, mapping, drilling and other work involved in the search for mineralization.

**Fe.** Chemical symbol for Iron.

**Ferruginous.** Pertaining to or containing iron; red coloured rocks in which the iron has been oxidized.

**Felsic.** Descriptive of light-coloured fine-grained igneous rock containing an abundance of mineral feldspar and quartz but with a very low concentration of mafic minerals.

**Geophysical survey.** The exploration of an area in which physical properties (for example resistivity, conductivity, magnetism) unique to the rocks in an area are quantitatively measured.

**Grade.** Quantity of iron or other metal per unit weight of host rock or sample.

**Ground Magnetism.** Ground-based survey of the earth's magnetic field for the purpose of recording magnetic characteristics of rocks.

**Granite.** Coarse grained igneous rock with a high silica content.

**Grid.** Systematic array of points or lines along which field observations are made.

**Ha.** Abbreviation for Hectare.

**Igneous.** Rock formed by solidification from the molten state.

**Intermediate.** A descriptive term applied to igneous rocks that are transitional between basic and acidic with Silica (SiO<sub>2</sub>) between 54% and 65%.

**Intrusion.** The process of emplacement of magma in pre-existing rock.

**Magnetic anomaly.** Magnetic values above or below the norm for a particular rock.

**Magnetite.** An iron bearing ore mineral with the formula Fe<sub>3</sub>O<sub>4</sub>.

**Magnetic separation.** A mechanical method of concentrating magnetic grains (such as magnetite) from other non-magnetic minerals.

**Ounce.** Troy ounce equivalent to 31.1034 grams.

**Outcrop.** An exposure of bedrock at surface, protruding through the overlying soil cover.

**Proterozoic.** A geological period of time from 2500 to 545 Ma (million years ago).

**Quartz.** A very common mineral composed of silica.

**Sampling.** Taking small pieces of rock at intervals along exposed mineralization for assay (to determine the mineral content).

**Sediment.** Formed by the deposition of solid fragmental or chemical material that originates from the weathering of rocks.

**Silicified.** Referring to rocks in which a significant proportion of the original constituent minerals have been replaced by silica.

**Stratigraphic.** Pertaining to the composition, sequence and correlation of stratified rocks.

**Tenement.** Area of land defined by a government authority over which an applicant may conduct exploration or mining activity. Also known as 'Mineral Property' eg Mining Lease.

**Vein.** A narrow, dyke-like intrusion of mineral traversing a rock mass of different material.

**Weathering.** The set of all processes that decay and break up bedrock by physical fracturing or chemical decomposition.

This report was compiled by

*Pete Thompson*

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**Peter Thompson**

**Consultant Geologist BSc, MSc, MAusIMM**

**14th October 2016**



## 9. LEGAL TENEMENT REPORT





19 October 2016

Solicitor's Report

I, Raul Salamanca Carvajal, have been engaged by Freehill Mining Limited (ACN 091 608 025) (**Freehill**) to prepare a Tenement Report for inclusion in a prospectus for the issue of up to 35,000,000 fully paid ordinary shares in Freehill at \$0.20 per share to raise \$7,000,000.

The Directors

Freehill Mining Limited.  
Level 1, 141 Capel Street  
North Melbourne VIC 3051  
AUSTRALIA

Dear Sirs,

I have conducted due diligence on and provide my legal opinion of various mining and exploration concessions and leases in Chile, as well as corresponding permits (collectively, the **Tenements**) in which Freehill Investments Pty Ltd has an interest. I understand that Freehill Investments Pty Ltd's interests in the Tenements is by way of its interest in shares in the entities Yervas Buenas SpA and San Patricio Minería SpA, each of which has a direct interest in the concessions relevant to the Tenements.

In preparing this report, I have examined originals or copies, certified or otherwise identified to my satisfaction, of all such documents, corporate records, certificates, governmental approvals and other instruments as I have considered necessary or appropriate as a basis for this report.

I have obtained searches of the Tenements from the records maintained by the Conservator of La Serena, VI Region, Chile. These searches were conducted over the period of 29 July 2016 and 10 August 2016.

A schedule of the Tenements is annexed to this report.

## 1. Regulatory Framework for Mining Concessions in Chile

### 1.1 Overview

A mining concession is a real property right conferred by the State to explore or exploit any and all mineral substances found within the area of the concession which are able to be removed from the concession. The mining concession is independent from ownership of the surface land, enforceable against the State and any other person, and capable of being transferred, mortgaged and subject to any other act or agreement. A mining concession cannot be cancelled but may be seized by the government and sold to recover unpaid statutory fees.

The regulatory framework governing the exploration and extraction of mineral resources in Chile consists of;

- A. The Political Constitution of the Republic of Chile, which provides the legal basis for mining legislation, as it expressly stipulates that ownership of a mining concession is protected by the constitutional guarantee related to property rights.



- B. The Organic Constitutional Law on Mining Concessions (Ley Organica Constitucional sobre Concesiones Mineras), which describes in general terms what mining concessions are, their duration and expiration, and the rights and obligations of titleholders.
- C. The Chilean Mining Code, which addresses topics covered in the Organic Constitutional Law on refining Concessions in more detail, and sets out:
  - i. the procedure for obtaining exploration and exploitation concessions;
  - ii. how such concessions are protected; and
  - iii. the regime governing contracts related to mining operations.
- D. The rules that complement those of the Mining Code, the Mining Code Regulations, explain the different requirements needed to exercise the rights and comply with the duties stated in the Code, and detail the phases of each procedure.
- E. The Mining Safety Regulations contained in Supreme Decree No 132/2004, whose objective is to protect the life and physical integrity of those who work in and are related to the mining industry, as well as to protect facilities and infrastructure that allow mining operations and their continuance.
- F. The Regulation on the System of Environmental Impact Assessment and some provisions of the Water Code, Health Code and Labour Code are also applicable to mining operations.

In Chile, there are two kinds of mining concessions: for exploration and exploitation claims.

## 1.2 Exploration concessions

An exploration concession is a right granted for a limited term (two periods of two years as from the date of the court decision establishing such concession), which grants to its holder (within its corresponding territorial extension) the exclusive right to investigate the existence of grantable mineral substances and to request one or more mining exploitation concessions.

The constitution of an exploration concession is started by a writ called a "pedimento" (petition).

An exploration concession may have a maximum area of 5,000 hectares, and a minimum area of 100 hectares.

The initial term of an exploration concession is two years from the date of the court order constituting the concession. The holder may apply for a second term of two years provided that 50% of the initial area is abandoned upon renewal.

## 1.3 Exploitation concessions

A mining exploitation concession is a right of indefinite duration, which grants to the holder the exclusive rights of investigating the existence of grantable mineral substances, extracting such grantable mineral substances and becoming the owner of such substances.





The constitution of an exploitation concession starts by lodgement of an application known as a "manifestacion" (manifest or exposure).

An exploitation concession may have a minimum area of one hectare and maximum area of one thousand hectares.

#### 1.4 Grant of mining concessions

Mining concessions are granted by a judicial decision rendered by a competent court of justice in the context of a non-contentious proceeding filed with such court. The purpose of such proceeding is to identify, define and create the concession, whether for exploration or exploitation.

Once published in the pertinent Official Mining Bulletin, the Judgement that constituted the mining concession (Acta Mensura) must be registered with the Custodian of Mines in the place where the concession is located within 120 days of the date it was granted.

Once these procedures are completed, the concession holder will be entitled to all the rights that the law grants the owners of a mining concession.

#### 1.5 Fees

The holder of a mining concession must pay an annual fee (mining patent) to maintain ownership of the concession, calculated in UTM (Tax Monthly Unit).

Fees are payable at the rate of:

- 1/50<sup>th</sup> of a UTM per hectare for exploration concessions; and
- 1/10<sup>th</sup> of a UTM per hectare for exploitation concessions.

If the holder of a mining concession fails to pay the mining patent by the due date, the Chilean Treasury has the right to commence legal proceedings to obtain such payment by sale of the mining concession in a public auction. The statute of limitation for pursuing such payment is three years commencing from April 1 of the year in which the mining payment should have been paid.

In addition to the annual fees, the applicant must pay a fee to the court within 30 days after the date on which the mining petition or mining claim has been lodged with the court. Failure to pay this fee may result in termination of the corresponding constitution proceeding.

#### 1.6 Agreements over mining concessions

Mining concessions (being exploration or exploitation concessions), as well as mining petitions or claims, are real property rights, capable of being transferred or mortgaged, and may be subject to any acts or agreements.

The Mining Code also specifically permits an option to be granted over any rights governed by the Mining Code. Option agreements must be granted by a public deed registered in the corresponding Mines Conservator. Once an option agreement is granted, it must be honoured by



the grantor and also any third party. If the grantor executes an agreement affecting or limiting the tenures possession or ownership of the assets covered by the option while the option is pending, such act shall be considered null and void once the option is exercised. An option agreement creates an encumbrance over the assets granted in the option.

To exercise an option, the grantee declares by public deed that it accepts the option agreement and the grantee does not require any further consent from the grantor.

#### 1.7 Grounds for annulment of a mining concession

An action to declare a mining concession void may be filed by any person with an interest in the affected area within a 4 year period commencing from the publication of the excerpt of the court award that granted the concession.

If this 4 year period elapses without an annulment action having been brought before the court, the right to pursue such an action ceases in accordance with the statute of limitations.

The Mining Code also provides that the holder of a mining petition, exploration concession or exploitation concession may, under certain circumstances, be entitled to oppose the constitution or mining exploitation concessions that overlap their petition or concession. If such oppositions are not filed, the petition or concession holder will forfeit the preferential rights granted by the law in the corresponding area.

#### 1.8 Rights of access to the surface of land

Owners of mining concessions are entitled to require rights of way over surface land and other mining concessions owned by third parties for the exclusive purpose of facilitating mineral exploration and exploitation on their concessions, subject to the payment of compensation to the third party. This access may be agreed upon by the interested parties, or, failing agreement by virtue of a court decision.

#### 1.9 Water rights

The holder of a mining concession has the right to use the water resources found while developing the concession, but only for the purposes of the exploration or exploitation of the concession. In the event that no water resources are found on the concession, a water source may be obtained by securing water rights from the State of Chile in accordance with the term and conditions provided by the law, or by purchasing water rights from third parties.

#### 1.10 Environmental and administrative authorizations

All mining works require the following administrative authorizations:

- in accordance with the environmental legislation in Chile, any mining activity that moves more than 5,000 tonnes per month, or which produces significant changes to the area or that forces





people living there to be relocated, shall be obliged to submit an Environmental Impact Declaration or an Environmental Impact Study, which must be approved by the corresponding Regional Environmental Authorities (COREMA). If water is used in the process the declaration will be an environmental study and the time frame for it to be approved is not less than a year. If the production is under 5,000 tonnes a month, the only permits needed will be sectorial permits, such as transport permits;

- the National Service of Geology and Mining (SERNAGEOMIN) must be notified at the onset of any mining activities that in either exploration, mining or smelting minerals. This notification must contain information regarding the location of the deposits, the holder of the concession, the type of work to be performed, the number of workers and supervisors, the use of machinery and vehicles for transporting material and personnel, the use of electricity and any communications systems, what fuels will be used and how they will be stored and disposed of, the same regarding explosives, where mining waste will be disposed of and the hygienic conditions of the works;
- they must comply with the municipal regulations regarding employment contracts, occupational health and safety, and hygiene;
- they must comply with the municipal regulations as regards the payment of patents; and
- they must request an authorization from the General Water Board if tailings tanks with a capacity of over 50,000 cubic metres or whose walls are over 5 metres high are to be used in the operations.

It is noted that the above administrative authorizations are not required in order to conduct exploration activities on the concessions.

#### 1.11 Foreign investment in Chile

Foreign investment is regulated principally by the Foreign Investment Statute (Decree Law 600) (the "Statute") and Chapter XTV of the 'Foreign Exchange Regulations of the Chilean Central Bank (the "Regulations").

Foreign investment in Chile is characterized by clear, non-discriminatory and non-discretionary rules. The rules ensure that all regardless of their nationality are "to be treated by the State and its bodies in economic matters without arbitrary discriminations".

Therefore, foreign investors have the same rights and guarantees as local investors. The principle of non-discretionary treatment governs the activities in every economic sector and is based on the existence of clear, well-known and transparent rules which assure foreign investors that they will be treated fairly and impartially.



Foreign investors in Chile can own up to 100% of a Chilean company, and there is no time limit on property rights. They also have free access to all productive activities and sectors of the economy, except for a few restrictions in areas that include fishing, air transport and communications.

Therefore, Freehill Investments Pty Ltd and Freehill Mining Limited are entitled to own all or part of the shares in the two mining companies, Yervas Buenas SpA and San Patricio Minería SpA.

## **2. Searches on Yervas Buenas SpA**

2.1 Yervas Buenas SpA was duly incorporated under Chilean law on the 21st of May 2014 with the purpose of holding the core mining cases making up the Yervas Buena project.

2.2 Yervas Buenas SpA's incorporation was entered into the Official Records of the Republic of Chile on the 12th of June 2014 in accordance with the relevant laws of the country. Its registration number is 874248 and the scope of its business is:

- Mining project exploration and exploitation development
- Development of mining projects
- All types of extractive work in relation to natural resources
- Commercialisation, sale and/or exporting of all types of minerals obtained from the preceding works.

2.3 The initial share capital of the company was 1,000 shares issued in the name of Robert Turkington and were transferred to the current shareholders as follows:

- 500 shares to Patricia Alejandra Diaz Castillo Consultorias Mineras Integrals (since renamed Conquista Minerals SpA on the 14th of May 2015)
- 500 shares to Freehill Investments Pty Ltd on the 6th July 2015

2.4 The company was started by Robert Turkington as a single shareholder entity and whilst all shares have been transferred to the current holders as listed above, no Directors have been nominated by them and powers of administration remain with Robert Turkington.

2.5 The company was inscribed on the Tax Roll with the Chilean Taxation Office on the 8th of July 2014 and was issued a Tax File Number (R.U.T.) 76.381.095-K

2.6 On the 6th of July 2015 Freehill Investments Pty Ltd acquired a 50% interest in Yervas Buenas SpA.

2.7 On the 14th of December 2015 Conquista Minerals SpA entered into a conditionally binding heads of agreement with Freehill Investments Pty Ltd to transfer its shareholding in Yervas Buenas SpA to Freehill Investments conditional upon Freehill Investments being successful in vending the Yervas Buenas project (including all assets held in Yervas Buenas SpA) into a company "Freehill Mining Limited" in exchange for shares in that entity and those shares being granted admission to trading on the Australian Securities Exchange.

2.8 Further to searches conducted at the Judicial Branch of the Republic of Chile on 1 July 2016, I confirm that Yervas Buenas SpA is not involved in any litigation proceedings.



### 3. Search of the Yervas Buenas Tenements

3.1 Yervas Buenas SpA is the lessee, with a purchase option of a mining concession known as "Yervas Buenas 1-16", located in the La Higuera district of the Province of Elqui in the Coquimbo Region. The lease of the concessions is granted under an agreement with A y F Muzard Limitada, dated 29 August 2014, the term of which is 3 years from the date of execution. The term of the lease agreement may be extended, along with an extension of the option expiry date, at the end of the in initial 3 year period upon common agreement. A y F Muzard Limitada is the owner of the concessions that make up the Yervas Buenas Tenements.

In addition to the standard conditions, the lease agreement includes the following terms:

- Variable rent: rent on the lease is calculated at a rate of USD\$4.00 per tonne of ore mined from the concessions, subject to a minimum rent equivalent to the amount corresponding to 3,000 metric tons of ore per month, after a six-month grace period.
- Purchase price: the purchase price for the concessions under the option for purchase is USD\$900,000 and Yervas Buenas SpA may convert the up-front payment of USD\$170,000 and any monthly rental payments into payments towards the full purchase price.
- Option expiry: the option to purchase will irrevocably expire if not exercised by expression of acceptance before the end of the three-year term of the agreement, 29 August 2017.
- No royalty: no royalty has been granted by A y F Muzard Limitada in relation to the mining concessions.
- Extension: the agreement may be extended for a further 3 years upon agreement between the parties and execution of a public deed.
- The agreement places many obligations on Yervas Buenas SpA which might normally be found in such a business arrangement such as when the rent is to be paid and its method of calculation, also included are several clauses pertaining to maintenance of the lease in good standing and use of the exploitation permit in compliance with its conditions. The failure of Yervas Buenas SpA to satisfy these obligations may lead to termination of the agreement including the option. In the event the option to purchase is not exercised by 29 August 2017 or is not extended by agreement in writing, the lease of the mining concession may be terminated by A y F Muzard Limitada.

Prior to Yervas Buenas SpA entering into the agreement to purchase the Yervas Buenas to 16 leases I was responsible for undertaking a full due diligence of the mining leases.

The following is a summary of the details pertaining thereto.

The mining exploitation lease named Yervas Buenas 1 to 16, having a ROL number 04102-2723-1, located in the Comutta de la Higuera of the Elqui Province in the IVth region of Chile, were formally constituted on the 6th of October 2010 by the 3rd Court of La Serena. It is registered in the records for 2010 of the Conservator of Mines of La Serena in Folio number 665 on page 146.



The area of the mining leases is 50 hectares and the exact location is described by the 6 corner posts as follows;

	North (m)	East (m)
L1	6.724.100,00	279.500,00
L2	6.724.100,00	280.200,00
L3	6.723.100,00	280.200,00
L4	6.723.100,00	280.000,00
L5	6.723.500,00	280.000,00
L6	6.723.500,00	279.500,00

Ownership is correctly registered in the name of A y F Muzard Limitada, there were no encumbrances on the title and fees are up to date.

There are no overlapping third party interests, nor any encumbrances (apart from those contained in the contract), prohibitions or litigation affecting the Yervas Buenas Tenements.

### 3.2 Permits

The exploitation of the Yervas Buenas Tenements is permitted by Exempt Resolution 381 of the National Geology and Mining Service dated 27 July 2011, the transfer of which to Yervas Buenas SpA was confirmed and approved by the National Geology and Mining Service by Exempt Resolution on 7 January 2015. This permit authorises production of iron concentrate up to a maximum of 5,000 tonnes per month. The mining patent fee on the Yervas Buenas 1-16 concessions has been paid.

### 3.3 Other Material Contracts

#### 3.3.1 Contract for Exploitation of Minerals in favour of Lacerta Finance & Mining SpA

Pursuant to a Mineral Exploitation Agreement between Lacerta Finance & Mining SpA and Yervas Buenas SpA dated 11 November 2014 and a Mining Operations Transition Deed between Lacerta Finance & Mining SpA, Yervas Buenas SpA and Freehill Investments Pty Ltd dated 8 August 2016, exploitation and management rights have been granted to Lacerta Finance & Mining SpA until 15 September 2017.

Pursuant to the arrangement, Lacerta has received and is entitled to receive from Freehill Investments its costs of providing mining services and has applied the proceeds of the sale of minerals to third parties toward such costs.



Freehill Investments has advanced funds to Lacerta under the agreement that were applied by Lacerta towards operations carried out on the tenements including operations carried out under the agreement.

Lacerta, acting as the agent of Yerbos Buenas SpA and Freehill Investments Pty Ltd has responsibility for all facets of the mining operation.

Other clauses refer to the laws governing the contract, Chilean, and stipulate that Lacerta is obliged to observe all Chilean laws which may be relevant to the nature of the enterprise such as Labour laws, Mining laws, Tax laws, Employee Health and Safety and Environmental obligations.

Lacerta and Yerbos Buenas SpA have agreed that the Mineral Exploitation Agreement will be terminated upon completion of the acquisition of Freehill Investments Pty Ltd by Freehill Mining Limited. The parties have agreed that there will be a handover period of 6 months (which may be extended or reduced by agreement) during which time Lacerta shall continue to extract minerals from the tenements and carry out any other responsibilities and obligations it has under the agreement for the sole benefit of Yerbos Buenas SpA subject to Freehill Investments Pty Ltd meeting the costs Lacerta incurs for providing the transition services. Pursuant to an executed letter of commitment from Lacerta dated 21 September 2016, a concentrate plant being used on the tenements that is presently owned by Lacerta will be transferred to Yerbos Buenas SpA following Freehill Mining Limited's listing, for nil consideration. Other than for those costs, Lacerta will have no claim over the tenements or benefits from mining operations conducted at the tenements.

### 3.3.2 Contract to purchase surface rights from Mrs Rosa Galleguillos

The Yerbos Buenas project (including the Arenas mining leases) is located on land which is in effect owned by a constructive trust based on hereditary succession, stemming from the original owner. Over the years the beneficiaries of this constructive trust have not sought to separate specific areas of the land into areas owned by each beneficiary. There have been several instances of sales of rights attaching to the trust, by the respective beneficiaries, to outside parties. On the 24th of December 2014 Yerbos Buenas SpA entered into a purchase agreement with Mrs Rosa Galleguillos for her part of the trust, giving an entitlement to use an area approximately 180 hectares of land. The purchase payments are made by common agreement between the parties. Mrs Galleguillos holds an encumbrance registered on title at the conservator as mortgagor.

The purchase agreement relating to the surface rights is a binding agreement on Mrs Galleguillos and Yerbos Buenas SpA has an enforceable right to acquire the surface rights following the purchase.

### 3.3.3 Loan agreement with Australian Associated Finance Pty Ltd





On 7 May 2015, Australian Associated Finance Pty Ltd (AAF) and YB SpA entered into a loan agreement whereby AAF agreed to provide YB SpA with a AU\$1 million facility.

The key terms of the Loan Agreement are as follows:

- the loan amount is AU\$1 million;
- interest is payable at 2% plus 10% withholding tax (and any other applicable taxes) per month (calculated daily);
- If any payments are late, interest will increase on the balance of the loan outstanding by 1% per month. In addition, AAF may immediately demand repayment of the outstanding loan amount (plus all outstanding interest) without any notice;
- YB SpA is responsible for all costs associated with the loan and the associated documentation;
- YB SpA will not take out any other line of credit while the facility is in place without the prior written consent of AAF;
- SpA has granted a charge in favour of AAF. The charge requires YB SpA to have its shareholders sign a transfer for 100% of all of the YB SpA shares to AAF as security for the loan. Pursuant to the terms of the charge, if YB SpA is overdue in any payments due to AAF, it shall submit a rectification plan to AAF to correct the non-payment within 7 days of the funds becoming due. If agreement cannot be reached as to the terms of the rectification plan or YB SpA fails to submit a rectification plan, AAF may acquire the YB SpA shares it holds as security;
- YB SpA is required to provide AAF with a weekly report detailing;
  - An iron ore cubification stocktake report;
  - Details of what monies drawn down under the Facility were applied towards;
  - A cash flow forecast; and
  - Other production cost KPI's to evaluate performance.If the report is not supplied within 7 days, AAF may demand immediate repayment of the outstanding loan balance and any applicable interest.
- YB SpA has appointed AAF as a power of attorney to do all things necessary, to give effect to YB SpA's obligations under the Loan Agreement and to execute a mortgage over real estate or a debenture charge over YB SpA's assets.

Subsequent to execution of the Loan Agreement, AAF has advised Freehill Investments that it will not seek repayment of the loan until completion of the Company's proposed listing. It is intended that the loan be repaid in full on listing from the proceeds of the Public Offer.

#### **4. Searches on San Patricio Minería SpA**

4.1 La Despreciada SpA was duly incorporated under Chilean law on the 29th of May 2014.

4.2 La Despreciada SpA was entered into the Official Records of the Republic of Chile on the 10th of June 2014 in accordance with the relevant laws of the country. Its registration number is 8600787 and the scope of its business is;

- Mining project exploration and exploitation development
- Development of mining projects



- All types of extractive work in relation to natural resources
- Commercialisation sale and/or exporting of all types of minerals obtained from the preceding works.

4.3 The company was inscribed on the Tax Roll with the Chilean Taxation Office on the 8<sup>th</sup> of July 2014 and was issued a Tax File Number (R.U.T.) 76.381.096-8.

4.4 The name of the company was changed to San Patricio Minería SpA on the 20<sup>th</sup> of January 2015.

4.5 The company was started by Robert Turkington as a single shareholder entity and while all shares have been transferred to the current holders as listed below, no Directors have been nominated by them and powers of administration remain with Robert Turkington at this time.

4.6 The initial share capital of the company of 1,000 shares were transferred by Robert Turkington to the current shareholders as follows;

- 500 shares to Patricia Alejandra Diaz Castillo Consultorias Mineras Integrals (since renamed Conquista Minerals SpA) on the 14<sup>th</sup> of May 2015.
- 500 shares to Freehill Investments Pty Ltd on the 1<sup>st</sup> of October 2015.

4.7 On the 12<sup>th</sup> of November 2014 San Patricio Minería SpA entered into an agreement to purchase the four leases adjoining the Yerbás Buenas 1- 16 lease. These leases referred to collectively as the "Arenas leases" are as follows; Arenas III 1 to 15, Arenas IV 1 to 10, Arenas VI 1 to 20 and Arenas X 1 to 18.

At the time of the purchase I undertook a complete due diligence of the leases on behalf of San Patricio Minería SpA.

At the time the leases were transferred to San Patricio Minería SpA a mortgage was registered on the titles in favour of the seller, as the payments for purchase of the leases were completed by San Patricio Minería SpA. I was responsible for their removal. The leases are now owned outright by San Patricio Minería SpA free of all encumbrances.

On the 1<sup>st</sup> of October 2015 Freehill Investments Pty Ltd acquired a 50% interest in San Patricio Minería SpA, which owns the four "Arenas" mining concessions mentioned above.

On 14 December 2015 Conquista Minerals SpA entered into a conditionally binding heads of agreement with Freehill Investments Pty Ltd to transfer its shareholding in San Patricio Minería SpA to Freehill Investments Pty Ltd conditional upon Freehill Investments Pty Ltd being successful in vending the Yerbás Buenas project (including the mining leases held in San Patricio Minería SpA) into Freehill Mining Limited in exchange for shares in that entity and those shares being granted admission to trading on the Australian Securities Exchange.

4.8 Further to searches conducted at the Judicial Branch of the Republic of Chile on 1 July 2016, I confirm that San Patricio Minería SpA is not involved in any litigation proceedings.



## 5. Searches of the Tenements owned by San Patricio Minería SpA

San Patricio is the registered owner of the four mining leases listed below. The following is a summary of the details pertaining thereto.

### 5.1 Arenas III:

The mining exploitation lease named Arenas III 1 to 15, having a ROL number 04102-2714-2, located in the Comuna de la Higuera of the Elqui Province in the IVth region of Chile, as formally constituted on the 24th of November 2011 by the 3rd Court of La Serena. It is registered in the records for 2011 of the Conservator of Mines of La Serena in folio number 1783 on page 298.

The area of the mining lease is 150 hectares and the exact location is described by the 4 corner Posts as follows;

	North (m)	East (m)
L1	6.725.500,00	279.000,00
L2	6.725.500,00	280.500,00
L3	6.724.500,00	280.500,00
L4	6.724.500,00	279.000,00

Ownership was correctly registered in the name of La Despreciada SpA, since changed to San Patricio Minería SpA, there were no encumbrances on the title and fees were up to date.

### 5.2 Arenas IV

The mining exploitation lease named Arenas IV I to 10, having a ROL number 04102-2715-0, located in the Comuna de la Higuera of the Elqui Province in the IVth region of Chile, was formally constituted on the 29th of April 2013 by the 3rd Court of La Serena. It is registered in the records for 2013 of the Conservator of Mines of La Serena in Folio number 645 on page 144.

The area of the mining lease is 44 hectares and the exact location is described by the 6 corner posts as follows;

	North (m)	East (m)
L1	6.724.500,00	279.500,00
L2	6.724.500,00	280.500,00
L3	6.723.500,00	280.500,00
L4	6.723.500,00	280.200,00
L5	6.724.300,00	280.200,00
L6	6.724.300,00	279.500,00



Ownership was correctly registered in the name of La Despreciada SpA, since changed to San Patricio Minería SpA, there were no encumbrances on the title and fees were up to date.

### 5.3 Arenas VI

The mining exploitation lease named Arenas VI I to 20, having a ROL number 04102-2755-K, located in the Comuna de la Higuera of the Elqui Province in the IVth region of Chile, was formally constituted on the 24th of November 2011 by the 3rd Court of La Serena. It is registered in the records for 2011 of the Conservator of Mines of La Serena in Folio number 1796 on page 300. The area of the mining lease is 92 hectares and the exact location is described by the 6 corner posts as follows;

	North (m)	East (m)
L1	6.725.500,00	280.500,00
L2	6.725.500,00	280.900,00
L3	6.724.700,00	280.900,00
L4	6.724.700,00	281.000,00
L5	6.723.500,00	281.000,00
L6	6.723.500,00	280.500,00

Ownership was correctly registered in the name of La Despreciada SpA, since changed to San Patricio Minería SpA, there were no encumbrances on the title and fees were up to date.

### 5.4 Arenas X

The mining exploitation lease named Arenas X 1 to 18, having a ROL number 04102-2937-4, located in the Comuna de la Higuera of the Elqui Province in the IVth region of Chile, was formally constituted on the 6th of January 2013 by the 3rd Court of La Serena. It is registered in the records for 2013 of the Conservator of Mines of La Serena in Folio number 29 on page 5.

The area of the mining lease is 54 hectares and the exact location is described by the 8 corner posts as follows;

	North (m)	East (m)
L1	6.724.300,00	279.200,00
L2	6.724.300,00	280.200,00
L3	6.724.100,00	280.200,00
L4	6.724.100,00	279.500,00
L5	6.723.500,00	279.500,00
L6	6.723.500,00	280.000,00
L7	6.723.300,00	280.000,00
L8	6.723.300,00	279.200,00



Ownership was correctly registered in the name of La Despreciada SpA, since changed to San Patricio Minería SpA, there were no encumbrances on the title and fees were up to date.

There are no overlapping third party interests, nor any encumbrances, prohibitions or litigation affecting the San Patricio Tenements.

#### 5.5 Permits

The exploitation of the San Patricio Minería SpA Tenements may be permitted upon lodgement of an acceptable, formal plan of work with SERNAGEOMIN. As at the time of writing, an application for a permit to commence exploitation of Arenas IV & X leases has been lodged with SERNAGEOMIN and is being processed.

#### 6. Assumptions

For the purposes of reviewing the Tenements, the registration of Yervas Buenas SpA and San Patricio Minería SpA and the material contracts described in this report, we have assumed:

- the genuineness of all signatures and the authenticity of all documents submitted to me as originals;
- the conformity to originals of all documents submitted to me as certified or reproduced copies;
- that all factual statements made in all documents are correct in all material aspects; and
- that all parties to the documents have full power and authority to enter into, and have duly executed and delivered such documents.

#### 7. Opinion

As a result of my searches and enquiries and subject to the comments, qualifications and assumptions set out in this report, I am of the opinion that;

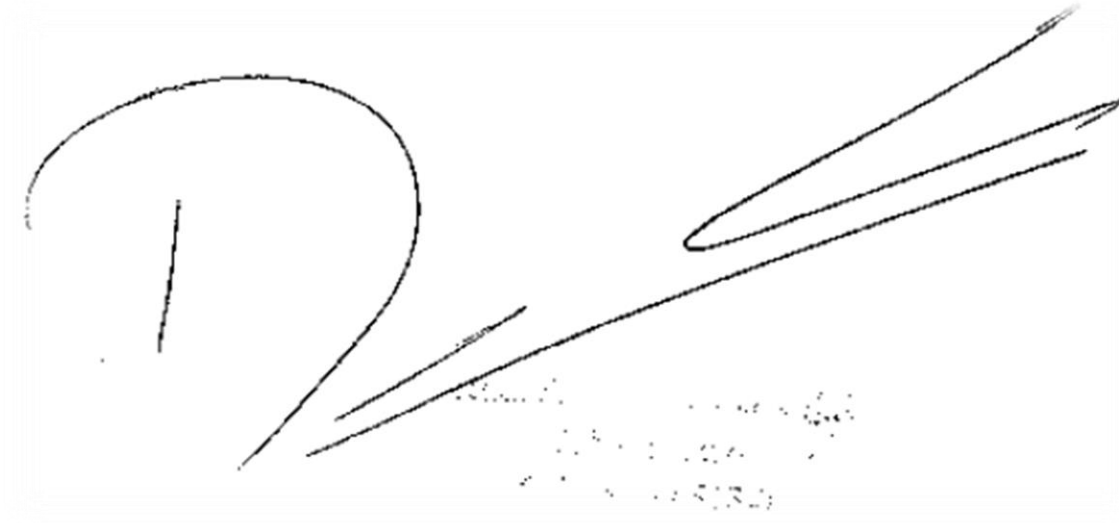
- As at the date of this report, there is nothing to indicate that Yervas Buenas SpA, San Patricio Minería SpA and the Tenements held by those entities as described above are not in good standing.
- This report provides an accurate statement as to the validity and good standing of the Tenements.
- This report provides an accurate statement as to the validity and good standing of the two entities holding the Tenements.
- This report provides an accurate statement as to third party interests, including encumbrances, in relation to the Tenements
- Freehill Investments Pty Ltd is not the registered holder of any Tenement described in this document. Freehill Investments Pty Ltd's interests in the Tenements arise through the purchase of all the issued capital of Yervas Buenas SpA and San Patricio Minería SpA.
- It is noted that the Freehill Investments Pty Ltd's right to acquire 100% of the Chilean entities holding the Tenements is subject to the condition that shares in Freehill Mining Limited are admitted to the official list of the Australian Securities Exchange and I express no opinion on whether the Company will ultimately acquire such interest.



**8. Consent**

I consent to the inclusion of this report in the form and context in which it appears and have not withdrawn consent before lodgement of the Prospectus with ASIC.

Yours sincerely

A handwritten signature in black ink, consisting of a large, stylized 'D' followed by a series of diagonal strokes. Below the signature is a large, circular, textured stamp, possibly a seal or a watermark, which is partially obscured by the signature.

**Annexure of Tenements****CATASTRO DE REVISION DE PROPIEDADES MINERAS, PROYECTO YERBAS BUENAS**

A SOLICITUD DE ALAMIN MINERIA SpA, SE REALIZO LA SIGUIENTE REVISION DETERMINANDOSE LO SIGUIENTE:  
TODAS LAS PROPIEDADES SE ENCUENTRAN VIGENTES; MENSURADAS, Y DEBIDAMENTE INSCRITAS EN EL REGISTRO  
DE PROPIEDADES DEL CONSERVADOR DE MINAS DE LA SERENA.  
EL PAGO DE PATENTE MINERA SE ENCUENTRA AL DIA.-

YERBAS BUENAS I AL 16	A Y F MUZARD LIMITADA	04102-2723-1	50 HAS	FOIAS 665 N° 146 AÑO 2010
ARENAS II 1 AL 15	SAN PATRICIO SpA	04102-2714-2	150 HAS	FOIAS 1783 N° 298 AÑO 2011
ARENAS IV 1 AL 10	SAN PATRICIO SpA	04102-2713-0	44 HAS	FOIAS 645 N° 144 AÑO 2013
ARENAS VI 1 AL 20	SAN PATRICIO SpA	04102-2755-X	100 HAS	FOIAS 1796 N° 300 AÑO 2011
ARENAS X 1 AL 18	SAN PATRICIO SpA	04102-2937-4	54 HAS	FOIAS 29 N° 5 AÑO 2013

CATALINO ALBANEZ V.  
ING. EN MINAS  
PERITO MENSURADOR

CATALINO ALBANEZ VERGARA  
ING. PERITO MENSURADOR  
CERT. TITULO 31.937

LA SERENA, 10 DE AGOSTO DE 2015.-

## **10. FINANCIAL INFORMATION**

## **Financial Information – basis of preparation**

The Financial Information contained in this section includes the Historical Financial Information and Pro forma Historical Financial Information for Freehill Mining, Freehill Investments and YB SpA.

The Financial Information included in this Section has been prepared and presented in accordance with the recognition and measurement principals described in Australian Accounting Standards. Compliance with these standards ensures that the Financial Information complies with the recognition and measurement principles of International Financial Reporting Standards as adopted by the International Accounting Standards Board.

The Financial Information has been solely prepared for the purpose of inclusion in the Prospectus and is presented in an abbreviated form insofar as it does not include all the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

The Financial Information section of the Prospectus sets out the following:

- the audited Statement of Comprehensive Income of Freehill Mining for the years ended 30 June 2014, 30 June 2015 and 30 June 2016;
  - the audited Statement of Comprehensive Income of Freehill Investments for the years ended 30 June 2015 and 30 June 2016;
  - the unaudited Statement of Comprehensive Income of Freehill Investments for the year ended 30 June 2014;
  - the audited consolidated Statement of Comprehensive Income of YB SpA for the period ended 30 June 2015 and the year ended 30 June 2016;
  - the audited Statement of Cash Flows of Freehill Mining for the years ended 30 June 2014, 30 June 2015 and 30 June 2016;
  - the audited Statement of Cash Flows of Freehill Investments for the years ended 30 June 2015 and 30 June 2016;
  - the unaudited Statement of Cash Flows of Freehill Investments for the year ended 30 June 2014;
  - the audited consolidated Statement of Cash Flows of YB SpA for the period ended 30 June 2015 and the year ended 30 June 2016;
  - the audited Statement of Financial Position of Freehill Mining as at 30 June 2016;
  - the audited Statement of Financial Position of Freehill Investments as at 30 June 2016; and
  - the audited Statement of Financial Position of YB SpA as at 30 June 2016.
- together the Historical Financial Information; and
- the Pro-Forma Financial Information, comprising the Consolidated Pro-Forma Statement of Financial Position of Freehill Mining as at 30 June 2016, assuming the completion of transactions summarised in Note 1 of the Financial Information.

The Pro-Forma Financial Information has been reviewed by RSM Corporate Australia Pty Limited, Melbourne. A copy of RSM Corporate Australia Pty Limited's Investigating Accountant's Report is set out in section 11 of the Prospectus.

The Financial Information has been prepared and presented in accordance with the accounting policies set out in Note 15 to the Financial Information.

The Historical Financial Information of Freehill Mining for the years ended 30 June 2014, 30 June 2015 and 30 June 2016 has been extracted from Freehill Mining's financial statements for each financial year, which were audited by RSM Australia Partners (formerly RSM Bird Cameron Partners), Melbourne, and on which an unqualified audit opinion was issued for each financial year. RSM Australia Partners' audit reports for each of the years ended 30 June 2014, 30 June 2015 and 30 June 2016 included an emphasis of matter that, without modifying their audit opinion, drew notice to the existence of a material uncertainty which may cast significant doubt over Freehill Mining's ability to continue as a going concern.

The Historical Financial Information of Freehill Investments for the years ended 30 June 2015 and 30 June 2016 has been extracted from Freehill Investments's financial statements for each financial year, which were audited by Connect Audit, Melbourne, and on which an unqualified audit opinion was issued for each financial year. Connect Audit's audit reports for each of the years ended 30 June 2015 and 30 June 2016 included an emphasis of matter that, without modifying their audit opinion, drew notice to the existence of a material uncertainty which may cast significant doubt over Freehill Investment's ability to continue as a going concern.

The Historical Financial Information of Freehill Investments for the year ended 30 June 2014 has been extracted from Freehill Investments unaudited financial statements for the year ended 30 June 2014. During the year ended 30 June 2014, Freehill Investments had very limited operating history and audited financial statements were not produced as these financial statements are not material to understanding the financial history of Freehill Investments.

The Historical Financial Information of YB SpA for the period ended 30 June 2015 and the year ended 30 June 2016 has been extracted from YB SpA's consolidated financial statements for each financial period and year, which were audited by Connect Audit, Melbourne, and on which an unqualified audit opinion was issued for each financial period and year. Connect Audit's audit reports for the period ended 30 June 2015 and the year ended 30 June 2016 included an emphasis of matter that, without modifying their audit opinion, drew notice to the existence of a material uncertainty which may cast significant doubt over YB SpA's ability to continue as a going concern.

YB SpA was incorporated on 21 May 2014. As such, audited financial statements have been prepared for the period ended 30 June 2015 and the year ended 30 June 2016. These financial statements include all trading activity since incorporation.

SP SpA has no operating history or material assets or liabilities. As such, audited financial statements have not been prepared for SP SpA as they are not material to understanding the financial history of this entity.

The Historical and Pro Forma Financial Information is presented in abbreviated form insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act 2001.

Investors should note that past results are not a guarantee of future performance.



## Historical Statement of Comprehensive Income - Freehill Mining

Set out below is the historical audited Statement of Comprehensive Income of Freehill Mining for the years ended 30 June 2014, 30 June 2015 and 30 June 2016.

	Audited Year ended 30-Jun-16 \$	Audited Year ended 30-Jun-15 \$	Audited Year ended 30-Jun-14 \$
<b>REVENUE</b>	<b>22</b>	<b>983</b>	<b>1,805</b>
Loan forgiveness	-	1,012,567	-
<b>EXPENSES</b>			
Business acquisition cost	-	-	(12,324)
Capital raising expenses	(24,350)	(10,591)	(215,629)
Compliance & Filing Fees	(13,813)	-	-
Employee benefits expense	-	(20,000)	(24,179)
Geologist's Reports	(78,601)	-	-
Finance costs	(55,884)	(3,408)	-
Insurance expenses	(9,184)	(18,204)	(48,088)
Professional fees	(218,714)	(95,406)	(48,795)
Share registry expenses	(46,406)	(46,428)	(38,846)
Technical Consultant	(15,000)	-	-
Travel & Accommodation	(32,681)	-	-
Other expenses	(13,277)	-	-
<b>Profit / (loss) before income tax</b>	<b>(507,888)</b>	<b>819,513</b>	<b>(386,056)</b>
Income tax expense	-	-	-
<b>Net profit / (loss) from continuing operations</b>	<b>(507,888)</b>	<b>819,513</b>	<b>(386,056)</b>
Other comprehensive income	-	-	-
<b>Total comprehensive income for the year</b>	<b>(507,888)</b>	<b>819,513</b>	<b>(386,056)</b>

The historical Statements of Comprehensive Income of Freehill Mining have been extracted from the audited financial statements of Freehill Mining for the years ended 30 June 2014, 30 June 2015 and 30 June 2016.

## Historical Statement of Comprehensive Income - Freehill Mining (Continued)

### Notes on significant items

Details of significant income and expenditure items included above are set out below.

	<b>Audited Year ended 30-Jun-16 \$</b>	<b>Audited Year ended 30-Jun-15 \$</b>	<b>Audited Year ended 30-Jun-14 \$</b>
Loan forgiveness	-	1,012,567	-
Professional fees	(218,714)	(95,406)	(48,795)

The loan forgiveness income relates to the 100% forgiveness in March 2015 of loans from Victoria Property and Investment Group Pty Ltd, Onwide (H.K.) Investment Group Ltd and former shareholders. The loans related to the financing of costs in relation to an aborted reverse acquisition of a Chinese property investment group in 2015.

Professional fees relate to advisory costs (legal, accounting, etc.) in relation to the aborted reverse acquisition (as referred to above) in 2014/15 and in relation to the current acquisition of Freehill Investments as detailed in this Prospectus.

Note: The Statement of Comprehensive Income should be read in conjunction with the notes to the financial information.

## Historical Statement of Comprehensive Income – Freehill Investments

Set out below is the historical audited Statement of Comprehensive Income of Freehill Investments for the years ended 30 June 2015 and 30 June 2016 and unaudited Statement of Comprehensive Income for the year ended 30 June 2014.

	Audited Year ended 30-Jun-16 \$	Audited Year ended 30-Jun-15 \$	Unaudited Year ended 30-Jun-14 \$
<b>REVENUE</b>	-	-	-
<b>EXPENSES</b>			
Administrative expenses	(18,519)	(249,344)	(295,543)
Share of joint venture losses accounted for using the equity method	(929,779)	(1,357,245)	-
Finance costs	(20,627)	-	-
<b>Loss before income tax expense</b>	<b>(968,925)</b>	<b>(1,606,589)</b>	<b>(295,543)</b>
Income tax expense	-	-	-
<b>Loss after income tax expense for the year attributable to the owners of Freehill Investments</b>	<b>(968,925)</b>	<b>(1,606,589)</b>	<b>(295,543)</b>
Other comprehensive income for the year, net of tax	-	-	-
<b>Total comprehensive income for the year attributable to the owners of Freehill Investments</b>	<b>(968,925)</b>	<b>(1,606,589)</b>	<b>(295,543)</b>

The historical Statements of Comprehensive Income of Freehill Investments have been extracted from the audited financial statements of Freehill Investments for the years ended 30 June 2015 and 30 June 2016 and the unaudited financial statements of Freehill Investments for the year ended 30 June 2014.

### Notes on significant items

Details of significant income and expenditure items included above are set out below.

	Audited Year ended 30-Jun-16 \$	Audited Year ended 30-Jun-15 \$	Unaudited Year ended 30-Jun-14 \$
Share of joint venture losses accounted for using the equity method	(929,779)	(1,357,245)	-

Joint venture losses accounted for using the equity method relates to 50% of the net loss of YB SpA for each period. A full breakdown of the audited Statement of Comprehensive Income of YB SpA for each financial period is set out on the following page.

Note: The Statement of Comprehensive Income should be read in conjunction with the notes to the financial information.

## Historical Statement of Comprehensive Income – YB SpA

Set out below is the historical audited consolidated Statement of Comprehensive Income of YB SpA for the period ended 30 June 2015 and the year ended 30 June 2016.

	<b>Audited Year ended 30-Jun-16 \$</b>	<b>Audited Period ended 30-Jun-15 \$</b>
<b>REVENUE</b>	<b>501,716</b>	<b>65,906</b>
<b>EXPENSES</b>		
Corporate and administrative expenses	(102,854)	(127,987)
Mine establishment and operating expenses	(1,357,279)	(1,495,917)
Employee benefits expense	(507,672)	(572,295)
Depreciation and amortisation expense	(46,052)	(24,570)
Other expenses	(890)	(548,675)
Finance costs	(346,528)	(10,953)
<b>Profit / (loss) before income tax</b>	<b><u>(1,859,559)</u></b>	<b><u>(2,714,492)</u></b>

The historical Statements of Comprehensive Income of YB SpA have been extracted from the audited financial statements of YB SpA for the period ended 30 June 2015 and the year ended 30 June 2016.

YB SpA was incorporated on 21 May 2014. As such, audited financial statements have been prepared for the period ended 30 June 2015 and the year ended 30 June 2016. The above financial statements include all trading activity since incorporation.

The historical Statements of Comprehensive Income of YB SpA have been translated, based on average exchange rates for each reporting period and year, from Chilean Peso ("CLP") to Australian dollars (\$), using exchange rates as follows:

- year ended 30 June 2016 – CLP1 : \$0.002000; and
- period ended 30 June 2015 – CLP1 : \$0.001985.

Note: The Statement of Comprehensive Income should be read in conjunction with the notes to the financial information.

## Historical Statement of Cash Flows - Freehill Mining

Set out below is the historical audited Statement of Cash Flows of Freehill Mining for the years ended 30 June 2014, 30 June 2015 and 30 June 2016.

	Audited Year ended 30-Jun-16 \$	Audited Year ended 30-Jun-15 \$	Audited Year ended 30-Jun-14 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Payments to suppliers and employees	(285,960)	(156,589)	(152,875)
Interest received	22	983	1,805
Borrowing costs	(55,884)	(1,983)	-
<b>Cash flows from operating activities</b>	<b>(341,822)</b>	<b>(157,589)</b>	<b>(151,070)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for expenses of business acquisition	-	-	(12,324)
Loan to Freehill Investments Pty Ltd	(310,000)	-	-
<b>Cash flows from investing activities</b>	<b>(310,000)</b>	<b>-</b>	<b>(12,324)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings	665,000	110,000	-
Repayments of borrowings	-	-	(34,192)
Payments for expenses of capital raising	-	-	(41,855)
Proceeds from capital raising	-	30,000	-
<b>Cash flows from financing activities</b>	<b>665,000</b>	<b>140,000</b>	<b>(76,047)</b>
<b>Net cash received / (paid out)</b>	<b>13,178</b>	<b>(17,589)</b>	<b>(239,441)</b>
Cash at the start of the year	25,651	43,240	282,681
<b>Cash at the end of the year</b>	<b>38,829</b>	<b>25,651</b>	<b>43,240</b>

The historical Statements of Cash Flows of Freehill Mining have been extracted from the audited financial statements of Freehill Mining for the years ended 30 June 2014, 30 June 2015 and 30 June 2016.

Note: The Statement of Cash Flows should be read in conjunction with the notes to the financial information.



## Historical Statement of Cash Flows – Freehill Investments

Set out below is the historical audited Statement of Cash Flows of Freehill Investments for the years ended 30 June 2015 and 30 June 2016 and unaudited Statement of Cash Flows of Freehill Investments for the year ended 30 June 2014.

	<b>Audited Year ended 30-Jun-16 \$</b>	<b>Audited Year ended 30-Jun-15 \$</b>	<b>Unaudited Year ended 30-Jun-15 \$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Payments to suppliers and employees (inclusive of GST)	(4,319)	(98,342)	(295,543)
<b>Net cash used in operating activities</b>	<b>(4,319)</b>	<b>(98,342)</b>	<b>(295,543)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Contributions to joint ventures	(1,438,600)	(3,567,977)	-
<b>Net cash used in investing activities</b>	<b>(1,438,600)</b>	<b>(3,567,977)</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares	459,100	3,614,351	349,001
Proceeds from borrowings	982,472	-	-
<b>Net cash from financing activities</b>	<b>1,441,572</b>	<b>3,614,351</b>	<b>349,001</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(1,347)</b>	<b>(51,968)</b>	<b>53,458</b>
Cash and cash equivalents at the beginning of the year	1,490	53,458	-
<b>Cash and cash equivalents at the end of the year</b>	<b>143</b>	<b>1,490</b>	<b>53,458</b>

The historical Statements of Cash Flows of Freehill Investments have been extracted from the audited financial statements of Freehill Investments for the years ended 30 June 2015 and 30 June 2016 and the unaudited financial statements of Freehill Investments for the year ended 30 June 2014.

Note: The Statement of Cash Flows should be read in conjunction with the notes to the financial information.

## Historical Statement of Cash Flows – YB SpA

Set out below is the historical audited consolidated Statement of Cash Flows of YB SpA for the period ended 30 June 2015 and the year ended 30 June 2016.

	<b>Audited Year ended 30-Jun-16 \$</b>	<b>Audited Period ended 30-Jun-15 \$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	501,736	65,906
Payments to suppliers and employees	(2,005,459)	(2,725,149)
Interest and other finance costs paid	(41,756)	(10,953)
<b>Net cash used in operating activities</b>	<b>(1,545,479)</b>	<b>(2,670,196)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for property, plant and equipment	(50,458)	(1,811,897)
Contribution from JV investor	1,221,889	3,198,585
<b>Net cash from investing activities</b>	<b>1,171,431</b>	<b>1,386,688</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	-	3,970
Proceeds from borrowings	549,402	1,304,507
Repayment of borrowings	(199,446)	-
<b>Net cash from financing activities</b>	<b>349,956</b>	<b>1,308,477</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(24,092)</b>	<b>24,969</b>
Cash and cash equivalents at the beginning of the year	24,969	-
Pro forma effect of foreign exchange	260	-
<b>Cash and cash equivalents at the end of the year</b>	<b>1,137</b>	<b>24,969</b>

The historical Statements of Cash Flows of YB SpA have been extracted from the audited consolidated financial statements of YB SpA for the period ended 30 June 2015 and the year ended 30 June 2016.

The historical Statements of Cash Flows have been translated as follows:

- cash at the end of each financial year has been translated from CLP to \$, using spot exchange rates as follows:
  - 30 June 2016 – CLP1 : \$0.002133; and
  - 30 June 2015 – CLP1 : \$0.002058;
- Cash flows for each reporting year, from CLP to \$, using average exchange rates as follows:
  - Year ended 30 June 2016 – CLP1 : \$0.002000; and
  - Period ended 30 June 2015 – CLP1 : \$0.001985.

Note: The Statement of Cash Flows should be read in conjunction with the notes to the financial information.

## Consolidated Historical and Pro-Forma Statement of Financial Position

The Consolidated Pro-Forma Statement of Financial Position as at 30 June 2016, set out below, has been prepared to illustrate the effects of the Offer and the acquisition of Freehill Investments and YB SpA, and assumes completion of the pro-forma transactions set out in Note 1 as if they had occurred on 30 June 2016.

		Audited Freehill Investments As at 30-Jun-16	Audited YB SpA As at 30-Jun-16	Pro-Forma Adjustments Minimum	Pro-Forma Adjustments Maximum	Unaudited Pro-Forma Position Minimum	Unaudited Pro-Forma Position Maximum
Notes		\$	\$	\$	\$	\$	\$
<b>ASSETS</b>							
<b>Current assets</b>							
Cash and cash equivalents	3	38,829	143	1,137	4,406,152	7,200,252	4,446,261
Trade and other receivables	4	16,720	-	28,663	-	-	45,383
<b>Total current assets</b>		<b>55,549</b>	<b>143</b>	<b>29,800</b>	<b>4,406,152</b>	<b>7,200,252</b>	<b>4,491,644</b>
<b>Non-current assets</b>							
Loan receivable from Freehill Investments	5	310,000	-	-	(310,000)	(310,000)	-
Investments accounted for using the equity method	6	-	2,719,553	-	(2,719,553)	(2,719,553)	-
Mining assets at cost	7	-	-	1,705,893	2,875,209	2,875,209	4,581,102
Plant and equipment		-	-	219,820	-	-	219,820
<b>Total non-current assets</b>		<b>310,000</b>	<b>2,719,553</b>	<b>1,925,713</b>	<b>(154,344)</b>	<b>(154,344)</b>	<b>4,800,922</b>
<b>Total assets</b>		<b>365,549</b>	<b>2,719,696</b>	<b>1,955,513</b>	<b>4,251,808</b>	<b>7,045,908</b>	<b>9,292,566</b>
<b>LIABILITIES</b>							
<b>Current liabilities</b>							
Trade and other payables	8	177,221	165,202	10,667	-	-	353,090
Borrowings	9	-	693,099	1,331,471	(693,099)	(693,099)	1,331,471
<b>Total current liabilities</b>		<b>177,221</b>	<b>858,301</b>	<b>1,342,138</b>	<b>(693,099)</b>	<b>(693,099)</b>	<b>1,684,561</b>
<b>Non-current liabilities</b>							
Convertible notes	10	592,056	-	-	(592,056)	(592,056)	-
Loan payable to Freehill Mining	5	-	310,000	-	(310,000)	(310,000)	-
Borrowings	9	-	-	5,510,290	(4,741,259)	(4,741,259)	769,031
<b>Total non-current liabilities</b>		<b>592,056</b>	<b>310,000</b>	<b>5,510,290</b>	<b>(5,643,315)</b>	<b>(5,643,315)</b>	<b>769,031</b>
<b>Total liabilities</b>		<b>769,277</b>	<b>1,168,301</b>	<b>6,852,428</b>	<b>(6,336,414)</b>	<b>(6,336,414)</b>	<b>2,453,592</b>
<b>NET ASSETS</b>		<b>(403,728)</b>	<b>1,551,395</b>	<b>(4,896,915)</b>	<b>10,588,222</b>	<b>13,382,322</b>	<b>6,838,974</b>
<b>EQUITY</b>							
Issued capital	11	16,821,001	4,422,452	4,267	(11,088,591)	(8,294,491)	10,159,129
Reserves	12	320,681	-	-	(320,681)	(320,681)	-
Accumulated losses	13	(17,545,410)	(2,871,057)	(4,901,182)	21,997,494	21,997,494	(3,320,155)
<b>TOTAL EQUITY</b>		<b>(403,728)</b>	<b>1,551,395</b>	<b>(4,896,915)</b>	<b>10,588,222</b>	<b>13,382,322</b>	<b>6,838,974</b>

The Consolidated Pro-Forma Statement of Financial Position represents the Audited Statement of Financial Position as at 30 June 2016 adjusted for the pro-forma transactions outlined in Note 1 relating to the issue of shares pursuant to this Prospectus and other transactions.

The historical Statement of Financial Position of Freehill Mining at 30 June 2016 has been extracted from the audited financial statements of Freehill Mining for the year ended 30 June 2016.

The historical Statement of Financial Position of Freehill Investments at 30 June 2016 has been extracted from the audited financial statements of Freehill Investments for the year ended 30 June 2016.

The historical Statement of Financial Position of YB SpA at 30 June 2016 has been extracted from the audited consolidated financial statements of YB SpA for the year ended 30 June 2016.

The Consolidated Pro-Forma Statement of Financial Position should be read in conjunction with the notes to the financial information.

**FREEHILL MINING LIMITED  
NOTES TO THE FINANCIAL INFORMATION  
AS AT 30 JUNE 2016**

**1. PRO-FORMA ADJUSTMENTS**

The Pro-Forma Statement of Financial Position as at 30 June 2016 has been prepared by adjusting the Consolidated Statement of Financial Position as at that date to reflect the financial effects of the following transactions as if they had occurred at 30 June 2016:

- i) A share consolidation where every 2 Shares will be consolidated into 1 Share.
- ii) The issue of 2,000,000 Shares to the Directors of the Company in lieu of Directors' fees of \$400,000.
- iii) The issue of 500,000 Shares to Mr Joe Fekete, in respect of services provided to the Company of \$100,000.
- iv) The issue of 710,000 Shares to NIST Enterprises Pty Ltd, a supplier of the Company in lieu of fees of \$142,000.
- v) The issue of 268,000,000 Shares as consideration for the acquisition of Freehill Investments.
- vi) The consolidation of YB SpA following transfer of the 50% ownership interest not owned at 30 June 2016 upon admission to quotation on the ASX. YB SpA's operations have therefore been consolidated into Freehill Investments' Statement of Financial Position in the Pro-Forma Statement of Financial Position at 30 June 2016.
- vii) The issue of \$922,000 in Convertible Notes by the Company between 30 June 2016 and the date of this Prospectus.
- viii) The issue of 23,131,110 Shares on conversion of the Company's Convertible Notes and Loans prior to admission to quotation on the ASX under the Conversion Offer.
- ix) The issue of 9,255,019 Shares on conversion of loans assigned by Freehill Investments under the Conversion Offer. At 30 June 2016, Freehill Investments disclosed loans of \$693,099. The conversion includes a small adjustment for interest accrued of \$158.
- x) The Public Offer issue of 20,000,000 (minimum subscription) to 35,000,000 (maximum subscription) Shares at \$0.20 each, to raise \$4,000,000 to \$7,000,000 before expenses of the issue. The pro-forma adjustments assume that the Public Offer is fully subscribed. All shares issued pursuant to the Prospectus will be issued as fully paid.
- xi) Cash costs of undertaking the Public Offer of \$514,498 (minimum subscription) to \$720,398 (maximum subscription).
- xii) The issue of 5,000,000 Shares to the Underwriter/Sub-underwriters.

## 2. REVERSE ACQUISITION

The proposed acquisition by Freehill Mining (the legal parent) of Freehill Investments (the legal subsidiary) is deemed to be a reverse asset acquisition under the principles of AASB 3 "Business Combinations" since the substance of the transaction is that the existing shareholders of Freehill Investments have effectively acquired Freehill Mining. As a result of the reverse acquisition Freehill Investments is considered to be the acquirer and Freehill Mining is considered to be the accounting acquiree, therefore this Financial Information has been prepared as a continuation of the financial statements of Freehill Investments.

However, as Freehill Mining did not constitute a business at the acquisition date, no goodwill can be recognised as a result of the transaction and the excess of the notional transaction consideration paid over the assets and liabilities of Freehill Mining acquired has been recognised as an expense in the income statement.

The following accounting treatment has been adopted on the basis that the acquisition of Freehill Investments is deemed to be completed prior to the capital raising as set out in note 1(v).

		\$
Issued share capital of Freehill Mining as at 30 June 2016	6,141,201	
The share consolidation of Freehill Mining's share capital (note 1(i))	3,070,601	
The issue of 2,000,000 Shares to the Directors of the Company in lieu of Directors' fees (note 1(ii))	2,000,000	
The issue of 500,000 Shares to Mr Joe Fekete, in respect of services provided to the Company (note 1(iii))	500,000	
The issue of 710,000 Shares to a supplier in lieu of fees (note 1(iv))	710,000	
Shares on issue at the date of the Prospectus	6,280,601	
Vendor Shares issued as consideration for the acquisition of Freehill Investments (note 1 (v))	268,000,000	
Percentage ownership of Freehill Mining by Freehill Investors shareholders (rounded)*	97.71%	
<b>Calculation of consideration</b>		
Net Liabilities of Freehill Mining at 30 June 2016	(403,728)	
Add: listed shell value **	450,000	
Fair value of Freehill Mining	46,272	
Fair value of 97.71% of Freehill Mining		45,212
Less: Net tangible liabilities of Freehill Mining acquired		(403,728)
Excess of notional consideration over net liabilities acquired – expensed to the income statement		<b>448,940</b>

\* This percentage is prior to the consideration of the Public Offer.

\*\* Based on the value of a listed shell in accordance with the mid-point value adopted in the Independent Expert's Report accompanying the notice to shareholders to approve the acquisition of Freehill by Freehill Mining.



### 3. CASH AND CASH EQUIVALENTS

	Audited 30-Jun-16 \$	Consolidated Unaudited Pro-Forma Minimum \$	Consolidated Unaudited Pro-Forma Maximum \$
Cash and cash equivalents	38,829	4,446,261	7,240,361
Cash at 30 June 2016		38,829	38,829
<i>Adjustments arising in the preparation of the Pro-Forma Statement of Financial Position are summarised as follows:</i>			
Cash acquired from the acquisition of a 100% interest in Freehill Investments (note 1(v))		143	143
Cash acquired from the consolidation of YB SpA following transfer of the 50% ownership interest to Freehill Investments (note 1(vi))		1,137	1,137
Cash raised from the issue of Convertible Notes post 30 June 2016 (note 1 (vii))		922,000	922,000
Cash raised from the Public Offer (note 1(x))		4,000,000	7,000,000
Cash costs of undertaking the Public Offer (note 1(xi))		(515,848)	(721,748)
Total Pro-Forma adjustments		4,407,432	7,201,532
<b>Pro-Forma balance</b>		<b>4,446,261</b>	<b>7,240,361</b>

### 4. TRADE AND OTHER RECEIVABLES

	Audited 30-Jun-16 \$	Consolidated Unaudited Pro-Forma Minimum \$	Consolidated Unaudited Pro-Forma Maximum \$
Trade and other receivables	16,720	45,383	45,383
Trade and other receivables at 30 June 2016		16,720	16,720
<i>Adjustments arising in the preparation of the Pro-Forma Statement of Financial Position are summarised as follows:</i>			
Trade and other receivables acquired in the Freehill Investments acquisition (note 1(v))		-	-
Trade and other receivables acquired from the consolidation of YB SpA following transfer of the 50% ownership interest to Freehill Investments (note 1(vi))		28,663	28,663
<b>Pro-Forma balance</b>		<b>45,383</b>	<b>45,383</b>

### 5. INTERCOMPANY LOAN

	Audited 30-Jun-16 \$	Consolidated Unaudited Pro-Forma Minimum \$	Consolidated Unaudited Pro-Forma Maximum \$
Loan receivable from Freehill Investments	310,000	-	-
Loan receivable at 30 June 2016		310,000	310,000
<i>Adjustments arising in the preparation of the Pro-Forma Statement of Financial Position are summarised as follows:</i>			
Elimination of loan as a result of the Freehill Investments acquisition (note 1(v))		(310,000)	(310,000)
<b>Pro-Forma balance</b>		<b>-</b>	<b>-</b>

## 6. INVESTMENT IN ASSOCIATE

	Audited 30-Jun-16 \$	Consolidated Unaudited Pro-Forma Minimum \$	Consolidated Unaudited Pro-Forma Maximum \$
Investments in YB SpA accounted for using the equity method	-	-	-
Investments at 30 June 2016		-	-
<i>Adjustments arising in the preparation of the Pro-Forma Statement of Financial Position are summarised as follows:</i>			
Acquisition of investments acquired in the Freehill Investments acquisition (note 1(v))		2,719,553	2,719,553
Elimination of investments accounted for using the equity method as a result of the consolidation of YB SpA following transfer of the 50% ownership interest to Freehill Investments (note 1(vi))		(2,719,553)	(2,719,553)
<b>Pro-Forma balance</b>		<b>-</b>	<b>-</b>

## 7. MINING ASSETS AT COST

	Audited 30-Jun-16 \$	Consolidated Unaudited Pro-Forma Minimum \$	Consolidated Unaudited Pro-Forma Maximum \$
Mining assets at cost	-	4,581,102	4,581,102
Mining assets at cost at 30 June 2016		-	-
<i>Adjustments arising in the preparation of the Pro-Forma Statement of Financial Position are summarised as follows:</i>			
Mining assets at cost acquired from the consolidation of YB SpA following transfer of the 50% ownership interest to Freehill Investments (note 1(vi))		1,705,893	1,705,893
Excess of consideration over net liabilities acquired upon acquiring a 100% interest in YB SpA attributed as relating to mining assets		2,875,209	2,875,209
Total Pro-Forma adjustments		4,581,102	4,581,102
<b>Pro-Forma balance</b>		<b>4,581,102</b>	<b>4,581,102</b>

## 8. TRADE AND OTHER PAYABLES

	Audited 30-Jun-16 \$	Consolidated Unaudited Pro-Forma Minimum \$	Consolidated Unaudited Pro-Forma Maximum \$
Trade and other payables	177,221	353,090	353,090
Trade and other payables at 30 June 2016		177,221	177,221
<i>Adjustments arising in the preparation of the Pro-Forma Statement of Financial Position are summarised as follows:</i>			
Trade and other payables acquired in Freehill Investments acquisition (note 1(v))		165,202	165,202
Trade and other payables acquired from the consolidation of YB SpA following transfer of the 50% ownership interest to Freehill Investments (note 1(vi))		10,667	10,667
Total Pro-Forma adjustments		175,869	175,869
<b>Pro-Forma balance</b>		<b>353,090</b>	<b>353,090</b>

## 9. BORROWINGS

	Audited 30-Jun-16 \$	Consolidated Unaudited Pro-Forma Minimum \$	Consolidated Unaudited Pro-Forma Maximum \$
Current borrowings	-	1,331,471	1,331,471
Current borrowings at 30 June 2016		-	-
<i>Adjustments arising in the preparation of the Pro-Forma Statement of Financial Position are summarised as follows:</i>			
Borrowings acquired in Freehill Investments acquisition (note 1(v))		693,099	693,099
The conversion of loans assigned by Freehill Investments under the Conversion Offer (note 1(ix))		(693,099)	(693,099)
Bank loan acquired from the consolidation of YB SpA following transfer of the 50% ownership interest to Freehill Investments (note 1(vi))		1,331,471	1,331,471
Total Pro-Forma adjustments		1,331,471	1,331,471
<b>Pro-Forma balance</b>		<b>1,331,471</b>	<b>1,331,471</b>
	Audited 30-Jun-16 \$	Consolidated Unaudited Pro-Forma Minimum \$	Consolidated Unaudited Pro-Forma Maximum \$
Non-current borrowings	-	769,031	769,031
Non-current borrowings at 30 June 2016		-	-
<i>Adjustments arising in the preparation of the Pro-Forma Statement of Financial Position are summarised as follows:</i>			
Borrowings acquired from the consolidation of YB SpA following transfer of the 50% ownership interest to Freehill Investments (note 1(vi))		5,510,290	5,510,290
Less elimination of amounts payable by YB SpA to Freehill Investments		(4,741,259)	(4,741,259)
Total Pro-Forma adjustments		769,031	769,031
<b>Pro-Forma balance</b>		<b>769,031</b>	<b>769,031</b>

Non-current borrowings comprised liabilities in relation to the mine lease. Refer to the legal tenement report in Section 9 of the Prospectus for further details.

## 10. CONVERTIBLE NOTES

	Audited 30-Jun-16 \$	Consolidated Unaudited Pro-Forma Minimum \$	Consolidated Unaudited Pro-Forma Maximum \$
Convertible notes	592,056	-	-
Convertible notes at 30 June 2016		592,056	592,056
<i>Adjustments arising in the preparation of the Pro-Forma Statement of Financial Position are summarised as follows:</i>			
The issue of \$922,000 of Convertible Notes by the Company between 30 June 2016 and the date of this Prospectus (note 1(vii))		922,000	922,000
The issue of 23,131,110 Shares on conversion of the Company's Convertible Notes and Loans prior to admission to quotation on the ASX under the Conversion Offer (note 1(viii))		(1,514,056)	(1,514,056)
Total Pro-Forma adjustments		(592,056)	(592,056)
<b>Pro-Forma balance</b>		<b>-</b>	<b>-</b>

## 11. SHARE CAPITAL

	Minimum		Maximum	
	Number of ordinary shares	\$	Number of ordinary shares	\$
Issued share capital at 30 June 2016	6,141,201	16,821,001	6,141,201	16,821,001
<i>Adjustments arising in the preparation of the Pro-Forma Statement of Financial Position are summarised as follows:</i>				
The share consolidation of Freehill Mining's share capital (note 1(i))	3,070,601	16,821,001	3,070,601	16,821,001
The issue of 2,000,000 Shares to the Directors of the Company in lieu of Directors' fees (note 1(ii))	2,000,000	400,000	2,000,000	400,000
The issue of 500,000 Shares to Mr Joe Fekete, in respect of services provided to the Company (note 1(iii))	500,000	100,000	500,000	100,000
The issue of 710,000 Shares to a supplier in lieu of fees (note 1(iv))	710,000	142,000	710,000	142,000
Elimination of existing Freehill Mining share capital balance (note 2)	-	(17,463,001)	-	(17,463,001)
Freehill Investments' share capital balance acquired	-	4,422,452	-	4,422,452
Vendor Shares issued as consideration for the acquisition of Freehill Investments (note 1(v), note 2)	268,000,000	45,212	268,000,000	45,212
The issue of 23,131,110 Shares on conversion of the Company's Convertible Notes and Loans prior to admission to quotation on the ASX under the Conversion Offer (note 1(viii))	23,131,110	1,514,056	23,131,110	1,514,056
The issue of 9,255,019 Shares on conversion of loans assigned by Freehill Investments under the Conversion Offer (note 1(ix))	9,255,019	693,257	9,255,019	693,257
The Public Offer issue of 20,000,000 (minimum subscription) to 35,000,000 (maximum subscription) Shares at \$0.20 per share (note 1(x))	20,000,000	4,000,000	35,000,000	7,000,000
Costs of undertaking the Public Offer (note 1(xi))	-	(515,848)	-	(721,748)
The issue of 5,000,000 Shares to the Underwriter/Sub-underwriters (note 1(xii))	5,000,000	-	5,000,000	-
Total Pro-Forma adjustments	328,596,129	(6,661,872)	343,596,129	(3,867,772)
<b>Pro-Forma balance</b>	<b>331,666,730</b>	<b>10,159,129</b>	<b>346,666,730</b>	<b>12,953,229</b>

\* Measured by reference to the fair value to the accounting acquirer, Freehill Investments (Notional consideration)

## 12. RESERVES

	Audited 30-Jun-16 \$	Consolidated Unaudited Pro-Forma Minimum \$	Consolidated Unaudited Pro-Forma Maximum \$
Reserves	320,681	-	-
Reserves at 30 June 2016		320,681	320,681
<i>Adjustments arising in the preparation of the Pro-Forma Statement of Financial Position are summarised as follows:</i>			
Elimination of existing Freehill Mining reserves balance (note 2)		(320,681)	(320,681)
Total Pro-Forma adjustments		(320,681)	(320,681)
<b>Pro-Forma balance</b>		<b>-</b>	<b>-</b>

### 13. ACCUMULATED LOSSES

	Audited 30-Jun-16 \$	Consolidated Unaudited Pro-Forma Minimum \$	Consolidated Unaudited Pro-Forma Maximum \$
Accumulated losses	(17,545,410)	(3,320,155)	(3,320,155)
Accumulated losses at 30 June 2016		(17,545,410)	(17,545,410)
<i>Adjustments arising in the preparation of the Pro-Forma Statement of Financial Position are summarised as follows:</i>			
The issue of 2,000,000 Shares to the Directors of the Company in lieu of Directors' fees (note 1(ii))		(400,000)	(400,000)
The issue of 500,000 Shares to Mr Joe Fekete, in respect of services provided to the Company (note 1(iii))		(100,000)	(100,000)
The issue of 710,000 Shares to a supplier in lieu of fees (note 1(iv))		(142,000)	(142,000)
Elimination of Freehill Mining losses (note 2)		18,187,410	18,187,410
Accumulated losses of Freehill Investments on acquisition (note 1(v))		(2,871,057)	(2,871,057)
Excess of notional consideration over net liabilities acquired - expensed to the income statement (note 2)		(448,940)	(448,940)
Increase in loan amounts assigned by Freehill Investments (note 1(ix))		(158)	(158)
Total Pro-Forma adjustments		14,225,255	14,225,255
<b>Pro-Forma balance</b>		<b>(3,320,155)</b>	<b>(3,320,155)</b>

### 14. RELATED PARTY DISCLOSURE

- (a) The Directors of Freehill Mining at the date of this report are:
- Mr Stephen Chaplin (Non-Executive Chairman);
  - Mr Paul Davies (Executive Director);
  - Mr Nicholas Kapes (Non Exec. Director);
  - Mr Ray Magnion (Non Exec. Director);
- (b) Directors' holdings of shares, directors' remuneration and other directors' interests are set out in Section 12 of the Prospectus.
- (c) The Directors are not related parties of Freehill Investments prior to the completion of the Offer.
- (d) There have been no related party transactions other than the directors' transactions set out in Section 5 of the Prospectus.



## 15. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been adopted in the preparation of financial information are:

### a. Basis of Preparation

The financial information has been prepared in accordance with the recognition and measurement, but not all the disclosure requirements of Australian Accounting Standards (including Australian Accounting Interpretations), and the *Corporations Act 2001*.

The Consolidated Pro-Forma Statement of Financial Position assumes completion by Freehill Mining of the legal acquisition of Freehill Investments.

For accounting purposes, the legal acquisition of Freehill Investments by Freehill Mining does not represent a business combination as outlined in Australian Accounting Standard AASB 3 “*Business Combinations*” (“AASB 3”). At the time of the transaction, Freehill Mining will not constitute a business in its own right as defined in AASB 3.

To recognise the effects of this transaction, the financial information has been prepared using ‘reverse acquisition accounting principles’ (as set out in AASB 3), in accordance with the International Financial Reporting Interpretation Committee’s Interpretation guidance dated March 2013.

Accordingly, the consolidated financial statements of Freehill Mining have been prepared as a continuation of the consolidated financial statements of Freehill Investments. Freehill Investments (as the deemed acquirer) has accounted for the acquisition of Freehill Mining from the acquisition date. However, as Freehill Mining did not constitute a business at the acquisition date, no goodwill can be recognised as a result of the transaction and the excess of the notional transaction consideration paid over the assets and liabilities of Freehill Mining acquired has been recognised as an expense in the income statement.

### Historical cost convention

The financial information has been prepared under the historical cost convention, as modified by the revaluation of certain assets, where appropriate.

### Critical accounting estimates and judgements

The preparation of financial information in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies.

## **Basis of consolidation**

The consolidated financial statements comprise the financial statements of Freehill Mining and its subsidiaries at each period end ("the Group"). Subsidiaries are entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Potential voting rights that are currently exercisable or convertible are considered when assessing control. Consolidated financial statements include all subsidiaries from the date that control commences until the date that control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the parent, using consistent accounting policies.

All intercompany balances and transactions, including unrealised profits arising from intragroup transactions have been eliminated. Unrealised losses are also eliminated unless costs cannot be recovered. Non-controlling interest in the results and equity of subsidiaries are shown separately in the consolidated profit or loss and balance sheet respectively.

### **b. Reverse assets acquisition**

In accordance with the principles of AASB 3, the proposed acquisition by Freehill Mining (the legal parent) of Freehill Investments (the legal subsidiary), is deemed a reverse asset acquisition since the substance of the transaction is that the existing shareholders of Freehill Investments will have effectively acquired Freehill Mining. Under reverse acquisition accounting, the consolidated financial statements are prepared as if Freehill Investments had acquired Freehill Mining, not vice versa as represented by the legal position. However, as Freehill Mining did not constitute a business at the acquisition date, no goodwill can be recognised as a result of the transaction.

In reverse acquisition accounting, the cost of the business is deemed to have been incurred by the legal subsidiary (the acquirer for accounting purposes) in the form of equity instruments issued to the owners of the legal parent (the acquiree for accounting purposes).

As a consequence:

- the cost of investment held by the legal parent (Freehill Mining) in the legal subsidiary (Freehill Investments) is reversed on consolidation and the cost of the reverse acquisition (based on the fair value of the shareholding of Freehill Mining acquired) is eliminated on consolidation against the consolidated equity and reserves of Freehill Mining and its consolidated entities at the date control is passed. The effect of this is to restate the consolidated equity and reserves balances to reflect those of Freehill Investments at the date of acquisition;
- the amount recognised as issued equity instruments is determined by adding the deemed cost of the combination, calculated by reference to the fair value of the shareholding in Freehill Mining acquired, to the issued equity of the legal subsidiary (Freehill Investments) immediately before the proposed acquisition; and
- the consolidated financial statements are issued under the name of the legal parent (Freehill Mining) but are a continuation of the financial statements of the deemed acquirer (Freehill Investments) under the reverse acquisition rules.

**c. Borrowing costs**

Borrowing costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**d. Cash and cash equivalents**

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

**e. Contributed equity**

Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares or options are shown as a deduction from the equity proceeds, net of any income tax benefit.

**f. Financial instruments issued by the company**

***Debt and equity instruments***

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

***Compound instruments***

The component parts of compound instruments are classified separately as liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible debt. The equity component initially brought to account is determined by deducting the amount of the liability component from the amount of the compound instrument as a whole.

***Transaction costs on the issue of equity instruments***

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

***Interest and dividends***

Interest and dividends are classified as expenses or as distributions of profit consistent with the statement of financial position classification of the related debt or equity instruments or component parts of compound instruments.

**g. Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

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

**h. Property, plant and equipment**

Mine assets are carried at cost, and depreciated over the life of the mine in accordance with the expected depletion of the mine resource.

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:

Plant and equipment	5 years
---------------------	---------

**i. Impairment of assets**

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

**j. Income tax**

***Current tax***

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

### ***Deferred tax***

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the company is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

### ***Current and deferred tax for the period***

Current and deferred tax is recognised as an expense or income in the profit or loss, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

#### **k. Interest bearing liabilities**

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the redemption amount is recognised in the profit or loss over the period of the loans and borrowings using the effective interest method.

The fair value of a liability portion of a convertible note is determined using a market rate of interest for an equivalent non-convertible note and stated on an amortised cost basis until conversion or maturity of the notes. The remainder of the proceeds is allocated to the conversion option and is shown as equity. Issue costs are apportioned between the liability and equity components based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

All borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

**l. Other liabilities**

Other liabilities comprises non-current amounts due to related parties that do not bear interest and are repayable in 366 days from balance sheet date. As these are non-interest bearing, fair value at initial recognition requires an adjustment to discount these loans using a market-rate of interest for a similar instrument with a similar credit rating (Company's incremental borrowing rate). The discount is credited to the profit or loss immediately and amortised using the effective interest method.

**m. Payables**

Trade and other payables represent liabilities for goods and services provided to the Company prior to the year end and which are unpaid. These amounts are unsecured and have 30-60 day payment terms.

**n. Provisions**

Provisions are recognised when the company has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is probable that recovery will be received and the amount of the receivable can be measured reliably.

Provisions are not recognised for future operating losses.

**o. Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Revenue is recognised at the fair value of consideration received or receivable.

**p. Trade receivables**

Trade receivables are recognised at original invoice amounts less an allowance for uncollectible amounts and have repayment terms between 30 and 90 days. Collectability of trade receivables is assessed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance is made for doubtful debts where there is objective evidence that the Company will not be able to collect all amounts due according to the original terms. Objective evidence of impairment include financial difficulties of the debtor, default payments or debts more than 90 days overdue. On confirmation that the trade receivable will not be collectible the gross carrying value of the asset is written off against the associated provision.

From time to time, the Company elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and are not, in the view of the directors, sufficient to require the derecognition of the original instrument.



**q. Critical accounting estimates and judgements**

Estimates and judgements are based on past performance and management expectations for the future.

The Company makes certain estimates and assumptions concerning the future, which by definition will seldom represent actual results. The estimates and assumptions that have a significant inherent risk in respect of estimates based on future events which could have a material impact on the assets and liabilities in the next financial year, are outlined below:

Convertible notes – in determining the fair value of the liability the company used a market interest rate of 25%.

**r. Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Company has retrospectively applied an accounting policy, made a retrospective restatement of items in the financial statements or reclassified items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

**s. Critical accounting estimates and judgements.**

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

## **11. INVESTIGATING ACCOUNTANT'S REPORT**

**RSM Corporate Australia Pty Ltd**

4 November 2016

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PO Box 248 Collins Street West VIC 8007

The Directors  
Freehill Mining Limited  
Level 1, 141 Capel Street  
North Melbourne, VIC 3051

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Dear Directors

## **Investigating Accountant's Report**

### **Independent Limited Assurance Report on the Historical and Pro Forma Historical Financial Information of Freehill Mining Limited**

We have been engaged to report on the historical financial information and pro forma historical financial information of Freehill Mining Limited ("Freehill Mining" or "the Company") as at 30 June 2016 for inclusion in Freehill Mining's prospectus to be lodged with the Australian Securities and Investments Commission ("ASIC") and dated on or around 4 November 2016 ("the Prospectus") and relating to the proposed public offer of the Company.

The pro forma historical financial information of the Company includes the following pro forma adjustments:

- a share consolidation where every 2 Shares will be consolidated into 1 Share;
- the issue of 2,000,000 Shares to the Directors of the Company in lieu of Directors' fees of \$400,000;
- the issue of 500,000 Shares to Mr Joe Fekete, in respect of services provided to the Company of \$100,000;
- the issue of 710,000 Shares to NIST Enterprises Pty Ltd, a supplier of the Company in lieu of fees of \$142,000;
- the issue of 268,000,000 Shares as consideration for the acquisition of Freehill Investments;
- the consolidation of YB SpA following transfer of the 50% ownership interest not owned at 30 June 2016 upon admission to quotation on the ASX. YB SpA's operations have therefore been consolidated into Freehill Investments' Statement of Financial Position in the Pro-Forma Statement of Financial Position at 30 June 2016;
- the issue of \$922,000 in Convertible Notes by the Company between 30 June 2016 and the date of this Prospectus;
- the issue of 23,131,110 Shares on conversion of the Company's Convertible Notes and Loans prior to admission to quotation on the ASX under the Conversion Offer;
- the issue of 9,255,019 Shares on conversion of loans assigned by Freehill Investments under the Conversion Offer. At 30 June 2016, Freehill Investments disclosed loans of \$693,099. The conversion includes a small adjustment for interest accrued of \$158;

## **THE POWER OF BEING UNDERSTOOD**

### **AUDIT | TAX | CONSULTING**

RSM Corporate Australia Pty Ltd is beneficially owned by the Directors of RSM Australia Pty Ltd. RSM Australia Pty Ltd is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Corporate Australia Pty Ltd ABN 82 050 508 024 Australian Financial Services Licence No. 255847

- the Public Offer issue of 20,000,000 (minimum subscription) to 35,000,000 (maximum subscription) Shares at \$0.20 each, to raise \$4,000,000 to \$7,000,000 before expenses of the issue. The pro-forma adjustments assume that the Public Offer is fully subscribed. All shares issued pursuant to the Prospectus will be issued as fully paid;
- cash costs of undertaking the Public Offer of \$515,848 (minimum subscription) to \$721,748 (maximum subscription); and
- the issue of 5,000,000 Shares to the Underwriter/Sub-underwriters.

Expressions and terms defined in the Prospectus have the same meaning in this report.

The nature of this report is such that it can only be issued by an entity which holds an Australian Financial Services Licence (AFSL) under the *Corporations Act 2001*. RSM Corporate Australia Pty Ltd holds the appropriate AFSL under the *Corporations Act 2001*.

## Scope

### *Historical Financial Information*

You have requested RSM Corporate Australia Pty Ltd to review the following historical financial information of the Company included in the Prospectus:

- the audited Statement of Comprehensive Income of Freehill Mining for the years ended 30 June 2014, 30 June 2015 and 30 June 2016;
- the audited Statement of Comprehensive Income of Freehill Investments for the year ended 30 June 2014;
- the unaudited Statement of Comprehensive Income of Freehill Investments for the years ended 30 June 2015 and 30 June 2016;
- the audited consolidated Statement of Comprehensive Income of YB SpA for the period ended 30 June 2015 and the year ended 30 June 2016;
- the audited Statement of Cash Flows of Freehill Mining for the years ended 30 June 2014, 30 June 2015 and 30 June 2016;
- the audited Statement of Cash Flows of Freehill Investments for the years ended 30 June 2015 and 30 June 2016;
- the unaudited Statement of Cash Flows of Freehill Investments for the year ended 30 June 2014;
- the audited consolidated Statement of Cash Flows of YB SpA for the period ended 30 June 2015 and the year ended 30 June 2016;
- the audited Statement of Financial Position of Freehill Mining as at 30 June 2016;
- the audited Statement of Financial Position of Freehill as at 30 June 2016; and
- the audited consolidated Statement of Financial Position of YB SpA as at 30 June 2016.

The Historical Financial Information of Freehill Mining for the years ended 30 June 2014, 30 June 2015 and 30 June 2016 has been extracted from Freehill Mining's financial statements for each financial year, which were audited by RSM Australia Partners (formerly RSM Bird Cameron Partners), Melbourne, and on which an unqualified audit opinion was issued for each financial year. RSM Australia Partners' audit reports for each of the years ended 30 June 2014, 30 June 2015 and 30 June 2016 included an emphasis of matter that, without modifying their audit opinion, drew notice to the existence of a material uncertainty which may cast significant doubt over Freehill Mining's ability to continue as a going concern.

The Historical Financial Information of Freehill Investments for the years ended 30 June 2015 and 30 June 2016 has been extracted from Freehill Investments' financial statements for each financial year, which were audited by Connect Audit, Melbourne, and on which an unqualified audit opinion was issued for each financial year. Connect Audit's audit reports for each of the years ended 30 June 2015 and 30 June 2016 included an emphasis of matter that, without modifying their audit opinion, drew notice to the existence of a material uncertainty which may cast significant doubt over Freehill Investment's ability to continue as a going concern.

The Historical Financial Information of Freehill Investments for the year ended 30 June 2014 has been extracted from Freehill Investments' unaudited financial statements for the year ended 30 June 2014.

The Historical Financial Information of YB SpA for the period ended 30 June 2015 and the year ended 30 June 2016 has been extracted from YB SpA's consolidated financial statements for each financial period and year, which were audited by Connect Audit, Melbourne, and on which an unqualified audit opinion was issued for each financial period and year. Connect Audit's audit reports for each of the period ended 30 June 2015 and the year ended 30 June 2016 included an emphasis of matter that, without modifying their audit opinion, drew notice to the existence of a material uncertainty which may cast significant doubt over YB SpA's ability to continue as a going concern.

The Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

#### *Pro Forma Historical Financial Information*

You have requested RSM Corporate Australia Pty Ltd to review the pro forma historical financial information of the Company included in the Prospectus, comprising the Consolidated Pro-Forma Statement of Financial Position of Freehill Mining as at 30 June 2016, assuming the completion of transactions summarised in Note 1 of the Financial Information.

The Consolidated Pro-Forma Statement of Financial Position represents the Audited Statement of Financial Position as at 30 June 2016 adjusted for the pro-forma transactions outlined in Note 1 relating to the issue of shares pursuant to this Prospectus and other transactions.

#### **Directors' responsibility**

The directors of Freehill Mining are responsible for the preparation of the historical financial information and pro forma historical financial information, including the selection and determination of pro forma adjustments made to the historical financial information and included in the pro forma historical financial information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of historical financial information and pro forma historical financial information that are free from material misstatement, whether due to fraud or error.

#### **Our responsibility**

Our responsibility is to express a limited assurance conclusion on the financial information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

We made such enquiries, primarily of persons responsible for financial and accounting matters, and performed such procedures as we, in our professional judgment, considered reasonable in the circumstances including:

- a consistency check of the application of the stated basis of preparation, to the historical and pro forma historical financial information;
- a review of the Company's work papers, accounting records and other documents;
- enquiry of directors, management personnel and advisors;
- consideration of the pro forma adjustments described in Note 2 of the financial information; and
- the performance of analytical procedures applied to the historical and pro forma historical financial information.

A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusions

### *Historical Financial Information*

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the historical financial information, as described in Section 10 of the Prospectus, and comprising:

- the audited Statement of Comprehensive Income of Freehill Mining for the years ended 30 June 2014, 30 June 2015 and 30 June 2016;
- the audited Statement of Comprehensive Income of Freehill Investments for the years ended 30 June 2015 and 30 June 2016;
- the unaudited Statement of Comprehensive Income of Freehill Investments for the years ended 30 June 2015 and 30 June 2016;
- the audited consolidated Statement of Comprehensive Income of YB SpA for the period ended 30 June 2015 and the year ended 30 June 2016;
- the audited Statement of Cash Flows of Freehill Mining for the years ended 30 June 2014, 30 June 2015 and 30 June 2016;
- the audited Statement of Cash Flows of Freehill Investments for the years ended 30 June 2015 and 30 June 2016;
- the unaudited Statement of Cash Flows of Freehill Investments for the year ended 30 June 2014;
- the audited consolidated Statement of Cash Flows of YB SpA for the period ended 30 June 2015 and the year ended 30 June 2016;
- the audited Statement of Financial Position of Freehill Mining as at 30 June 2016;
- the audited Statement of Financial Position of Freehill as at 30 June 2016; and
- the audited consolidated Statement of Financial Position of YB SpA as at 30 June 2016

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in the financial information.



### *Pro Forma Historical Financial Information*

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the pro forma historical financial information, as described in Section 10 of the Prospectus, comprising the Consolidated Pro-Forma Statement of Financial Position of Freehill Mining as at 30 June 2016, is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in the financial information.

### **Restriction on Use**

Without modifying our conclusions, we draw attention to the financial information – basis of preparation section, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose.

### **Responsibility**


RSM Corporate Australia Pty Ltd has consented to the inclusion of this assurance report in the Prospectus in the form and context in which it is included. RSM Corporate Australia Pty Ltd has not authorised the issue of the Prospectus. Accordingly, RSM Corporate Australia Pty Ltd makes no representation regarding, and takes no responsibility for, any other documents or material in, or omissions from, the Prospectus.

### **Declaration of Interest**

RSM Corporate Pty Ltd does not have any interest in the outcome of this transaction other than the preparation of this assurance report for which normal professional fees will be received.

Yours faithfully

**RSM CORPORATE AUSTRALIA PTY LTD**



**Glyn Yates**  
Director

4 November 2016

## **12. ADDITIONAL INFORMATION**

### **12.1 SUMMARY OF MATERIAL CONTRACTS**

Set out below is a summary of the material contracts to which Freehill Investments, the Chilean Companies or the Company are party.

The following material contracts, which are governed by the laws of Chile are summarised in the Tenement Report in Section 9:

- A Statement of Intent from Patricia Alejandra Diaz Castillo of Conquista Minerals SpA regarding the transfer of 50% of the shares held by Conquista Minerals SpA in Yervas Buenas SpA and San Patricio Minería SpA;
- Contract to Purchase Surface Rights from Mrs Rosa Galleguillos dated 24 December 2014;
- Agreement on Mining Concessions Lease with Purchase Option between Yervas Buenas SpA and A Y F Muzard Limitada dated 29 August 2014;
- Mineral Exploitation Agreement between Yervas Buenas SpA and Lacerta Finance and Mining Chile SpA dated 11 November 2014;
- Mining Operations Transition Deed between Lacerta Finance and Mining Chile SpA, Yervas Buenas SpA and Freehill Investments Pty Ltd dated 8 August 2016; and
- Loan Agreement between Australian Associated Finance Pty Ltd and Yervas Buenas Spa.

#### **Purchase Agreement with CAPS**

YB SpA is party to a Purchase Agreement dated 23 October 2015 with CAPS. Under the agreement, YB was required to supply a total of 10,000 tonnes of iron ore product to CAPS within a prescribed period of 2 months between 23 October 2015 and 23 December 2015. The Company has been advised by the Freehill Investments that as at the date of this Prospectus, CAPS' order of 10,000 tonnes of iron ore has only been partially fulfilled. Notwithstanding this, Freehill Investments has advised the Company that CAPS has agreed to extend the prescribed period until Freehill Investments is in a position to complete the order.

The price for the iron ore purchase by CAPS is based on the Platzz Index for North China times 62%.

The parties will be released from their obligations under the agreement in the event of a force majeure event, such as floods, fires earthquakes, non-remediable disruptions to transport or electricity.

The agreement may be terminated by CAPS at any time without cause.

The agreement is governed by the laws of Chile.

#### **Purchase Order with Melon**

Lacerta (on behalf of YB) sells iron ore products to a local cement and building products company, Melon S.A. which issues purchase orders for iron ore products to Lacerta on an as needs basis.

#### **Loan Agreement between the Company and Freehill Investments**

The Company and Freehill Investments entered into a Loan Agreement on 28 April 2016 whereby the Company agreed to lend Freehill Investments and initial amount of \$135,000 plus such further amounts as may be required from time to time. As at the date of this Prospectus, \$1,072,985 has been advanced. The maturity date of the loan is 28 April 2019 (or such other date as is agreed by the parties).

Interest on the loan is payable at 10% per annum or such other amount as may be determined based on the ownership of Freehill Investments by the Company. Interest is to be calculated daily and is payable at the maturity date.

Freehill Investments is entitled to repay the whole or any part of the loan prior to the maturity date.

The loan plus all applicable interest will, at the discretion of the Company, become payable in full on the occurrence of any one or more of the following events:

- if Freehill Investments defaults on any payment it is required to make and the default continues for a period of at least 14 days;
- if Freehill Investments breaches any term of the agreement;
- if Freehill Investments ceases to carry on business or evidences an intention to do so; or
- if a receiver and manager or liquidator is appointed to Freehill Investments.

### ***Agreements entered into by the Company***

#### **Mandate with Novus Capital Limited**

The Company has also entered into a mandate agreement with Novus under which Novus has agreed to be the Company's exclusive Sponsoring Broker and Underwriter to in relation to the Public Offer, and as such to advise, assist and sponsor the Company in relation to the Public Offer and the Company's admission to the official list of ASX (**Mandate Agreement**).

The term of the Mandate Agreement is 12 months commencing on 12 July 2016, with a minimum term of 3 months. After the minimum term, the Company may terminate the Mandate Agreement early without cause with 30 days' written notice and the payment of a break fee of \$50,000 and payment of all expenses accrued prior to termination.

Novus may terminate the Mandate Agreement with 14 business days' written notice without cause, or in its sole discretion if certain events occur.

The Company has provided standard indemnities under the Mandate Agreement.

The fees payable by the Company to Novus under the Mandate Agreement are as follows:

- Monthly advisory fee of \$5,000 (excluding GST);
- Sponsoring Broker's fee of \$50,000 - \$75,000 (excluding GST), depending on the actual amount raised under the Public Offer, which will become payable upon the successful listing of the Company on the ASX; and
- Additional fees payable pursuant to the Underwriting Agreement between the Company and Novus.

The Company has also agreed to pay Novus a post IPO Corporate Advisory fee of \$2,500 (excluding GST) per month. These fees are in respect of post IPO support, investor relations and market advice. The fees are payable for 12 months post listing (with a minimum 6 month engagement period).

#### **Underwriting Agreement**

The Company has entered into an underwriting agreement with Novus, under which Novus agrees to exclusively underwrite the Public Offer up to the Minimum Subscription Amount of \$4,000,000.

Under the Underwriting Agreement, Novus is committed to subscribe or procure subscriptions (under sub underwriting agreements between Novus and any sub underwriters engaged by Novus) for any

shortfall between the number of shares actually subscribed for under the Public Offer and a number of shares that if subscribed for would raise \$4,000,000(**Underwritten Amount**).

In consideration of the services provided by Novus under the Underwriting Agreement, the Company will pay to Novus an underwriting fee of 5% of the Underwritten Amount, a management fee of 1% of the Underwritten Amount, and a corporate advisory fee of 5,000,000 Shares. The Underwriting Agreement provides that Novus shall be responsible for all sub-underwriting fees payable to sub-underwriters appointed by Novus.

If, by two business days after the Closing Date, the Underwritten Amount is not fully subscribed the Company must notify Novus of any shortfall on or before 5.00 pm AEDT on the day which is three business days after the Closing Date, by written notice that specifies the number of New Shares that constitutes the Shortfall (**Shortfall Notice**).

Novus' obligations under the Underwriting Agreement are subject to the following conditions:

- Novus entering into sub-underwriting agreements with Minatec Pty Ltd, and Mr Paul Davies jointly and severally with Origami Equities Pty Ltd (which condition has been satisfied);
- the Company providing due diligence and verification documents, in a form reasonably acceptable to Novus, with reasonable time to review prior to lodgement of the Prospectus with ASIC and ASX;
- the Company lodging the Prospectus, in substantially the form last provided to Novus before the execution of the Underwriting Agreement or such other form approved by Novus (acting reasonably), with ASIC on or before the lodgement date;
- the Company becoming capable of accepting applications in respect of the Public Offer in accordance with section 727(3) of the Corporations Act by the Opening Date;
- the Company having, by the day immediately before the date when Shortfall Notice may first be provided by the Company to Novus, received approval (excluding any standard conditions) from the ASX that the New Shares will be granted official quotation on the securities market operated by the ASX;
- any documentation that the Company provides to its shareholders prior to the allotment date is satisfactory to Novus (acting reasonably);
- the Company giving Novus the Shortfall Notice and a closing certificate making certain statements on behalf of the Company (**Closing Certificate**), including that:
  - the Company has duly and punctually complied with all of its obligations under the Underwriting Agreement and is not otherwise in breach of any provision of it; and
  - the Company has duly and punctually complied with all of its obligations in respect of the Public Offer and the Prospectus under statute or otherwise; and
  - Sub-underwriting agreements being entered into with Minatec Pty Ltd, and Mr Paul Davies jointly and severally with Origami Equities Pty Ltd on such terms and conditions as Novus determines in its absolute discretion.

The Company will reimburse Novus for reasonable out of pocket expenses incurred and shall pay all costs in connection with the preparation, negotiation and execution of the Underwriting Agreement and any sub underwriting agreements which shall not exceed \$5,000 (excluding GST).

The Company has made standard warranties under the Underwriting Agreement, including that the Company has the authority to enter into the Underwriting Agreement, that the information provided by the Company is correct and not misleading, that all relevant consents and approvals have been

obtained and that no insolvency event as defined in the Underwriting Agreement has occurred or is likely to occur.

### **Sub-Underwriting Agreement**

Novus has entered into sub-underwriting agreements with the following underwriters:

- Minatec Pty Ltd; and
- Mr Paul Davies jointly and severally with Origami Equities Pty Ltd.

Minatec Pty Ltd has agreed to sub-underwrite the Public Offer up to 15,000,000 Shares (\$3,000,000) and will receive a sub-underwriting fee of \$150,000 in addition to 3,750,000 Shares. Mr Paul Davies and Origami Equities Pty Ltd have agreed with Novus to sub-underwrite the Public Offer on a joint and several basis up to 5,000,000 Shares (\$1,000,000), and will receive a sub-underwriting fee of \$50,000 in addition to 1,250,000 Shares. The sub-underwriting obligations of the sub-underwriters will be allocated by Novus on a pro rata basis as between sub-underwriters.

The obligations of Minatec Pty Ltd under its sub-underwriting agreement with Novus are personally guaranteed by Non-Executive Chairman Mr Stephen Chaplin, who is also a director of Minatec Pty Ltd. The obligations of Origami Equities Pty Ltd under its sub-underwriting agreement with Novus are personally guaranteed by Jim Zouzoulas, a director of Origami Equities Pty Ltd. Each sub-underwriter's sub-underwriting obligation, and payment of its fee, is conditional on the Underwriting Agreement not being terminated.

Each sub-underwriter may be authorised by Novus to contract with professional and sophisticated investors to subscribe for its relevant sub-underwriting commitment and have a portion of its sub-underwriting fee paid and Share allocation issued directly to that professional or sophisticated investor.

### **Share Sale and Purchase Agreement**

On or around 18 November 2015, the Company entered into a Share Sale and Purchase Agreement (which has been subsequently amended by the parties) with Freehill Investments and the shareholders of Freehill Investments (**Freehill Vendors**) in relation to the acquisition of all of the issued shares in Freehill Investments. In consideration for the acquisition, the Company agreed to issue to the Freehill Investments Vendors 268,000,000 fully paid ordinary shares pro rata to their respective shareholdings.

The key terms of the Sale and Purchase Agreement (as varied by subsequent Deeds of Variation) are:

- Completion of the Share Sale and Purchase Agreement is subject to the satisfaction or waiver in accordance with the agreement of various conditions precedent, including:
  - resolutions relating to the acquisition being passed at the General Meeting that was held on 27 July 2016;
  - the Company completing its due diligence on Freehill Investments to its absolute satisfaction;
  - prior to completion, the Company not receiving a proposal in respect of the Company which an independent expert determines to be superior to the acquisition of Freehill Investments for shareholders of the Company;
  - the Company obtaining and complying with any requisite shareholder or Board approvals and any other requirements, approvals, consents or authorisations from ASIC, ASX or any other Regulatory Authority as determined necessary by the Company (acting reasonably) or as may be required to legally and validly implement the acquisition;

- Freehill Investments facilitating and the Company completing a capital raising of at least \$3,500,000 subject to any conditions ASX may impose on the capital raising, including that completion occurs under the Sale and Purchase Agreement and that the shares to be issued and allotted pursuant to the capital raising are in accordance with the Corporations Act; and
- existing loans to a value of \$672,471.80 (plus interest payable at 10% per annum. Interest payable to 30 June 2016 is \$20,784.75) in Freehill Investments being assigned to the Company and those loans (including any interest payable to 30 April 2016) being satisfied by the issue of 9,255,019 shares in the Company. It is also a condition that the lenders undertake to enter into a restriction agreement in the form of Appendix 9A of the ASX Listing Rules in respect of the shares that are to be issued by the Company in satisfaction of the loans which are to be classified as Restricted Securities for such period as ASX specifies.
- Subject to the satisfaction (or waiver) of the conditions precedent, the total consideration for the purchase of Freehill Investments shares comprises of:
  - the issue and allotment of 268,000,000 fully paid ordinary Shares in the Company to the Freehill Investments Vendors (pro rata to the respective shareholdings in Freehill Investments); and
  - the issue of shares in satisfaction of convertible loans to be assigned to the Company by Freehill Investments.
- Pursuant to the terms of the Share Sale and Purchase Agreement, the Freehill Investments Vendors have acknowledged that ASX may require that some or all of the consideration Shares that are to be issued to them be classified as Restricted Securities for such escrow period as ASX specifies. The Freehill Investments Vendors have undertaken to enter into any restrictions agreements that the ASX requires.
- The Share Sale and Purchase Agreement has a sunset date of 31 December 2016 or such other date as the parties may agree in writing.
- The Share Sale and Purchase Agreement contains standard warranties and indemnities.

## **12.2 CONTINUOUS DISCLOSURE AND DOCUMENTS AVAILABLE FOR INSPECTION**

The Company will be a “disclosing entity” for the purposes of Part 1.2A of the Corporations Act. As such, it will be subject to regular reporting and disclosure obligations which require it to disclose to ASX any information which it is or becomes aware of concerning the Company and which a reasonable person would expect to have a material effect on the price or value of the securities of the Company. The Company’s announcements will be available free of charge on the ASX website or on request to the Company.

## **12.3 INTERESTS OF EXPERTS AND ADVISERS**

### **No interest except as disclosed**

Other than as set out below or elsewhere in the Prospectus, no expert, promoter, underwriter or any other person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, nor any firm in which any of those persons is or was a partner nor any company in which any of those persons is or was associated with has or has, within two years before lodgement of the Prospectus with ASIC:



- (a) had any interest in the formation or promotion of the Company or in any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the Offers or in the Offers; and
- (b) not recorded any amounts or benefits or has not agreed to be paid benefits for services rendered by such persons in connection with the formation or promotion of the Company or the Offers.

### **Investigating Accountants**

RSM Corporate Australia Pty Ltd has prepared the Investigating Accountant's Report which is included at Section 11. Total fees payable to RSM Corporate Australia Pty Ltd for work done in relation to this Prospectus are approximately \$16,000. During the 24 months preceding lodgement of this Prospectus with ASIC, RSM Corporate Australia Pty Ltd and its affiliated entity RSM Australia Partners have performed services for the Company for fees totalling approximately \$59,650.

### **Independent Geologist**

Peter Thompson has prepared the Independent Geologist's Report which is included at Section 8. Total fees payable to Peter Thompson for work done in relation to this Prospectus are \$18,000. During the 24 months preceding lodgement of this Prospectus with ASIC, Peter Thompson has not received any other fees from the Company.

### **Auditor**

RSM Australia Partners remains as the Company's auditor and will be paid for these services on normal commercial rates.

### **Share Registry**

Computershare Investor Services Pty Limited remains the Company's Share Registry and will be paid for these services on normal commercial rates.

### **Legal Advisers**

GrilloHiggins Lawyers are the Company's Australian legal advisers. Total fees payable to GrilloHiggins Lawyers for work done in relation to this Prospectus are \$40,000. During the 24 months preceding lodgement of this Prospectus with ASIC, GrilloHiggins Lawyers has performed services for the Company for fees totalling approximately \$85,150.32.

Mr Raul Salamanca Carvajal is the Company's Chilean legal adviser. Total fees payable to Mr Salamanca for work done in relation to this Prospectus are \$11,882. During the 24 months preceding lodgement of this Prospectus with ASIC, Mr Salamanca has not received any other fees from the Company.

## **12.4 CONSENTS**

The following written consents have been given in accordance with the Corporations Act with respect to the issue of this Prospectus in both paper and electronic form:

### **Investigating Accountant**

RSM Corporate Australia Pty Ltd has given, and have not before lodgement of this Prospectus withdrawn, its written consent to be named in this Prospectus as Investigating Accountant and to the inclusion of the Investigating Accountant's Report in Section 11 in the form and context in which it is included, together with all references to it and to that report in this Prospectus. RSM Corporate Australia Pty Ltd has not authorised nor caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other than its report and any references to it or its report.

### **Auditor**

RSM Australia Partners has given and not withdrawn its written consent to being named as Auditor for Freehill Mining Limited in the Prospectus in the form and context in which it is named. RSM Australia Partners was not involved in the preparation of any part of the Prospectus and did not authorise or cause the issue of any part of the Prospectus.

### **Independent Geologist**

Peter Thompson has given, and have not before lodgement of this Prospectus withdrawn, his written consent to be named in this Prospectus as Independent Geologist and to the inclusion of the Independent Geologist's Report in Section 8 in the form and context in which it is included, together with all references to it and to that report in this Prospectus. Peter Thompson has not authorised nor caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other than his report and any references to him or his report.

### **Computershare Investor Services Pty Limited**

Computershare Investor Services Pty Limited has given, and has not before lodgement of this Prospectus withdrawn, its written consent to be named in this Prospectus as the Share Registry in the form and context in which it is named, together with all references to it in this Prospectus. Computershare Investor Services Pty Limited has had no involvement in the preparation of any part of this Prospectus other than being named as Share Registry. Computershare Investor Services Pty Limited has not authorised nor caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other than the references to it.

### **Novus Capital Limited**

Novus has given, and has not before lodgement of this Prospectus withdrawn, its written consent to be named in this Prospectus as the Underwriter and Sponsoring Broker and in the form and context in which it is named, together with all references to it in this Prospectus.

### **Legal Advisers**

GrilloHiggins Lawyers has given, and has not before lodgement of this Prospectus withdrawn, its written consent to be named in this Prospectus as the Australian legal advisers in the form and context in which it is named, together with all references to it in this Prospectus.

Mr Raul Salamanca Carvajal has given, and have not before lodgement of this Prospectus withdrawn, his written consent to be named in this Prospectus as Chilean legal adviser and to the inclusion of Tenement Report in Section 9 in the form and context in which it is included, together with all references to it and to that report in this Prospectus. Mr Salamanca has not authorised nor caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other than his report and any references to him or his report.

### **Others**

There are a number of persons referred to elsewhere in this Prospectus who have not made statements included in this Prospectus nor are there any statements made in this Prospectus on the basis of any statements made by those persons. These persons did not consent to being named in this Prospectus and did not authorise or cause the issue of this Prospectus.

## 12.5 EXPENSES OF THE PUBLIC OFFER

The expenses of the Public Offer are expected to comprise the following estimated costs and are exclusive of any GST payable by the Company.

	Minimum Subscription \$	Maximum Subscription \$
Corporate advisory fees	50,000	75,000
Broker/Manager commissions/management fees	240,000	420,000
Investigating Accountant and Independent Expert's Fees	28,000	28,000
Legal fees	65,000	65,000
Printing and distribution	20,000	20,000
ASIC fees	2,350	2,350
ASX fees	110,498	111,398
<b>Total</b>	<b>515,848</b>	<b>721,748</b>

## 12.6 ELECTRONIC PROSPECTUS

Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access the Prospectus from within Australia.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please contact the Company at 03 8602 1700 and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus or both. Alternatively, you may obtain a copy of the Prospectus from the Company's website at [www.freehillmining.com](http://www.freehillmining.com).

The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

## 12.7 FORECASTS

There are significant uncertainties associated with forecasting future revenues and expenses of the Company. The Directors have considered the matters in ASIC Regulatory Guide 170. Accordingly, any forecast or prospective information would contain a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection. Therefore the Directors believe that they do not have a reasonable basis to forecast future earnings due to uncertainty as to timing and outcome of the Company's growth strategies. Accordingly, the Directors have not included financial forecasts in this Prospectus.

## 12.8 LITIGATION

To the Directors knowledge there is no litigation against the Company, Freehill Investments or the Chilean Companies or initiated by the Company, Freehill Investments or the Chilean Companies as at the date of this Prospectus.

## 12.9 GOVERNING LAW

This Prospectus and the contracts that arise from the acceptance of the Applications under this Prospectus are governed by the laws applicable in Victoria, Australia and each Applicant under this Prospectus submits to the exclusive jurisdiction of the courts of Victoria, Australia.

## 12.10 TAXATION

The acquisition and disposal of Shares in the Company will have tax consequences, which will differ depending on the individual circumstances of each investor. All potential investors in the Company are urged to obtain independent professional financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally. It is the sole responsibility of potential Applicants to inform themselves of their taxation position resulting from participation in the Offers.

The Directors do not consider that it is appropriate to give potential Applicants advice regarding taxation matters and consequences of applying for Shares under this Prospectus, as it is not possible to provide a comprehensive summary of all the possible taxation positions of potential Applicants.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisers accept no liability or responsibility with respect to any taxation consequences to investors of subscribing for Shares under this Prospectus.



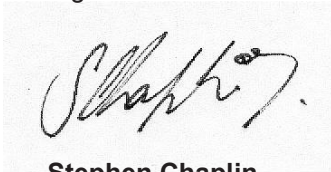
### 13. DIRECTORS' AUTHORISATION

The Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with ASIC and has not withdrawn that consent.

The Directors state that they have made all reasonable enquiries and on that basis have reasonable grounds to believe that any statements made by the Directors in this Prospectus are not misleading or deceptive and that, in respect to any other statements made in this Prospectus by persons other than Directors, the Directors have made reasonable enquiries and, on that basis, have reasonable grounds to believe that persons making the statement or statements were competent to make such statements. Those persons have given their consent to the statements being included in this Prospectus, in the form and context in which they are included and have not withdrawn that consent before lodgement of this Prospectus with the ASIC or, to the Directors' knowledge, before any issue of Shares pursuant to this Prospectus.

Signed for and on behalf of the Company.

A handwritten signature in black ink, appearing to read 'S. Chaplin', is written over a light grey rectangular background.

**Stephen Chaplin**  
Chairman

Dated: 7 November 2016

## 14. DEFINITIONS

**A\$ or \$** means an Australian dollar.

**AEDT** means Australian Eastern Daylight Time as observed in Melbourne, Victoria.

**Applicant** means a person who submits an Application Form.

**Application Form** means the application form that is attached to, and forms part of this Prospectus.

**Application Monies** means the amount of money in dollars and cents payable for New Shares at \$0.20 cents per New Share pursuant to the Public Offer under this Prospectus.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited (ABN 98 008 624 691) or the Australian Securities Exchange, as the context requires.

**ASX Recommendations** means 3<sup>rd</sup> edition of the ASX Corporate Governance Councils' Corporate Governance Principles and Recommendations.

**Board** or **Board of Directors** means the Board of Directors of the Company.

**CAPS** means Compania Minera Del Pacifico S.A., a subsidiary of CAP S.A.

**CHES** means ASX Clearing House Electronic Sub-register System.

**Chilean Companies** means Yervas Buenas SpA (**YB SPA**) and San Patricio SpA (**SP SPA**).

**Closing Date** means the closing date for the receipt of Application Forms under this Prospectus, being 5.00pm AEDT on 9 December 2016 (unless the Public Offer is extended or closed early). The Company reserves the right to extend the closing date or close the Public Offer early without notice.

**Company** or **Freehill Mining** means Freehill Mining Limited (formerly Iatia Limited) (ACN 083 160 909).

**Conversion Offer** means the conversion offer described in Section 4.4.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Directors** mean the directors of the Company.

**Electronic Prospectus** means the electronic copy of this Prospectus located at the website

**Existing Directors** means Stephen Chaplin, Paul Davies, Nicholas Kapes and Ray Mangion further details of which are provided at Section 5.

**Existing Shares** means the Shares on issue in the Company at the date of this Prospectus.

**Freehill Investments** means Freehill Investments Pty Ltd (ACN 158 270 627).

**GST** means goods and services tax levied in Australia pursuant to *A New Tax System (Goods and Services Tax) Act 1999* (Cth).

**Incoming Director** means Juan Enrique Dagach, further details of whom are provided at Section 5.3.

**Investigating Accountant** means RSM Financial Services Australia Pty Ltd.

**Issue Price** means \$0.20 (20 cents).



**Lenders** means the lenders under the convertible loan agreements described in Section 4.4.

**Listing Rules** means the official rules of ASX.

**Maximum Subscription** means the raising of \$7,000,000 by the issue of 35,000,000 New Shares at \$0.20 each pursuant to the Public Offer under this Prospectus.

**Melon** means Melon S.A.

**Minimum Subscription** means the raising of \$4,000,000 by the issue of 20,000,000 New Shares at \$0.20 each pursuant to the Public Offer under this Prospectus.

**New Shares** means Shares issued under this Prospectus.

**Novus** means Novus Capital Limited (ACN 006 711 995).

**Offers** mean the offers described in Section 4 of this Prospectus.

**Official List** means the official list of ASX.

**Official Quotation** means the quotation of the Company's Shares on the Official List.

**Opening Date** means the first date for receipt of completed Application Forms which is 9:00am AEDT on 7 November 2016 or other such date and time as the Directors determine.

**Prospectus** means this Replacement Prospectus dated 7 November 2016.

**Public Offer** means the public offer of up to 35 million Shares in the Company to raise \$7,000,000 as described in Section 4.

**Public Offer Price** means \$0.20 per share.

**Restricted Securities** means Shares classified by ASX as being subject to the restriction provision of the Listing Rules of ASX.

**Share** means a fully paid ordinary share in the capital of the Company.

**Share Registry** means Computershare Investor Services Pty Limited.

**Share Sale and Purchase Agreement** means the sale and purchase agreement entered into between the Company and the Freehill Investments Vendors.

**Shareholder** means the Company's existing shareholders at the date of this Prospectus.

**Transaction Offers** means the offer described in Section 4.4.

**Vendors** means the vendors of Freehill Investments.

**Vendor Offer** means the offer described in Section 4.4.

**Yerbas Buenas Project** means the iron ore mining and exploration project operated by the Chilean Companies in respect of the Yerbas Buenas Project Area.

**Yerbas Buenas Project Area** means the area spanning approximately 398 hectares, 30 kilometers north of the city of La Serena in the IV Region of Coquimbo, Chile, over which the Chilean Companies hold (or are entitled to hold) the Mining Concessions.

## **CORPORATE DIRECTORY**

### **DIRECTORS**

Stephen Chaplin (Non-Executive Chairman)  
Paul Davies (Executive Director and Chief Financial Officer)  
Nicholas Kapes (Non-Executive Director)  
Ray Mangion (Non-Executive Director)  
Juan Dagach (Proposed Director)

### **COMPANY SECRETARY**

Joe Fekete

### **REGISTERED OFFICE**

C/- Yarra Business Group  
Level 1, 141 Capel Street  
North Melbourne, VIC 3051

### **UNDERWRITER AND SPONSORING BROKER**

Novus Capital Limited  
Level 8, 330 Collins Street  
Melbourne, Victoria, 3000

### **SHARE REGISTRY**

Computershare Investor Services Pty Ltd  
Yarra Falls  
452 Johnston Street  
Abbotsford, Victoria, 3067

### **AUDITOR**

*Freehill Mining Limited*  
RSM Australia Partners  
Level 21, 55 Collins Street  
Melbourne, Victoria, 3000

*Freehill Investments Pty Ltd*  
Connect Audit  
Level 13, 636 St Kilda Road  
Melbourne, Victoria, 3000

### **INVESTIGATING ACCOUNTANT**

RSM Corporate Australia Pty Ltd  
Level 21, 55 Collins Street  
Melbourne, Victoria, 3000

## **LEGAL ADVISERS**

### *Australian Legal Adviser:*

GrilloHiggins Lawyers  
Level 4, 114 William Street  
Melbourne, Victoria, 3000

### *Chilean Legal Adviser:*

Mr Raul Salamanca Carvajal  
Avenida Matta 288  
La Serena  
IV Region Coquimbo  
Chile

## **ASX CODE**

FHS

## **WEBSITE**

[www.freehillmining.com](http://www.freehillmining.com)

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## How to complete this Application Form

**A Number of Shares applied for**  
Enter the number of Shares you wish to apply for. The Application must be for a minimum of 10,000 Shares (A\$2,000). Applications for greater than 10,000 Shares must be in multiples of 2,500 Shares (A\$500).

**B Application Monies**  
Enter the amount of Application Monies. To calculate the amount, multiply the number of Shares applied for in Step A by the Issue Price of A\$ 0.20.

**C Applicant Name(s)**  
Enter the full name you wish to appear on the statement of shareholding. This must be either your own name or the name of a company. Up to 3 joint Applications may register. You should refer to the table below for the correct forms of registrable title. Applications using the wrong form of names may be rejected. Clearing House Electronic Subregister System (CHES) participants should complete their name identically to that presently registered in the CHES system.

**D Postal Address**  
Enter your postal address for all correspondence. All communications to you from the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

**E Contact Details**  
Enter your contact details. These are not compulsory but will assist us if we need to contact you regarding this Application.

**F CHES**  
Freehill Mining Limited will apply to the ASX to participate in CHES, operated by ASX Settlement Pty Limited, a wholly owned subsidiary of ASX Limited. If you are a CHES participant (or are sponsored by a CHES participant) and you wish to hold Shares issued to you under this Application on the CHES Subregister, enter your CHES HIN. Otherwise, leave this section blank and on issue, you will be sponsored by Freehill Mining Limited and allocated a Securityholder Reference Number (SRN).

**G Payment**  
Make your cheque, bank draft or money order payable in Australian dollars to **'Freehill Mining Limited'** and cross it **'Not Negotiable'**. Cheques must be drawn from an Australian bank. Cash will not be accepted.  
The total payment amount must agree with the amount shown in Step B. Complete the cheque details in the boxes provided.  
Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques received may not be re-presented and may result in your Application being rejected. Paperclip (do not staple) your cheque(s) to the Application Form. Receipts will not be forwarded. Funds cannot be directly debited from your bank account.

Before completing the Application Form the Applicant(s) should read the Prospectus to which this Application relates. By lodging the Application Form, the Applicant agrees that this Application for Shares in Freehill Mining Limited is upon and subject to the terms of the Prospectus and the Constitution of Freehill Mining Limited, agrees to take any number of Shares that may be issued to the Applicant(s) pursuant to the Prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

### Lodgement of Application

Application Forms must be received by Novus Capital Limited by no later than 5:00pm (AEDT) on 9 December 2016. You should allow sufficient time for this to occur. Return the Application Form with cheque, bank draft or money order attached to:

**Novus Capital Limited**  
Level 8, 330 Collins Street  
Melbourne VIC 3000

Neither Novus Capital Limited, Computershare Investor Services Pty Limited (**CIS**) nor Freehill Mining Limited accepts any responsibility if you lodge the Application Form at any other address or by any other means.

### Privacy Notice

The personal information you provide on this form is collected by CIS, as registrar for the securities issuers (the issuer), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. In addition, the issuer may authorise us on their behalf to send you marketing material or include such material in a corporate communication. You may elect not to receive marketing material by contacting CIS using the details provided overleaf or emailing [privacy@computershare.com.au](mailto:privacy@computershare.com.au). We may be required to collect your personal information under the Corporations Act 2001 (Cth) and ASX Settlement Operating Rules. We may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf, to the issuer for whom we maintain securities registers or to third parties upon direction by the issuer where related to the issuer's administration of your securityholding, or as otherwise required or authorised by law. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America. For further details, including how to access and correct your personal information, and information on our privacy complaints handling procedure, please contact our Privacy Officer at [privacy@computershare.com.au](mailto:privacy@computershare.com.au) or see our Privacy Policy at <http://www.computershare.com/au>.

### Correct forms of registrable title(s)

Note that ONLY legal entities are allowed to hold Shares. Application Forms must be in the name(s) of a natural person(s), companies or other legal entities acceptable to Freehill Mining Limited. At least one full given name and the surname is required for each natural person. Application Forms cannot be completed by persons less than 18 years of age. Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual: use given names in full, not initials	Mr John Alfred Smith	JA Smith
Company: use the company's full title, not abbreviations	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings: use full and complete names	Mr Peter Robert Williams & Ms Louise Susan Williams	Peter Robert & Louise S Williams
Trusts: use the trustee(s) personal name(s)	Mrs Susan Jane Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates: use the executor(s) personal name(s)	Ms Jane Mary Smith & Mr Frank William Smith <Est John Smith A/C>	Estate of late John Smith or John Smith Deceased
Minor (a person under the age of 18): use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Master Peter Smith
Partnerships: use the partners personal names	Mr John Robert Smith & Mr Michael John Smith <John Smith and Son A/C>	John Smith and Son
Long Names	Mr John William Alexander Robertson-Smith	Mr John W A Robertson-Smith
Clubs/Unincorporated Bodies/Business Names: use office bearer(s) personal name(s)	Mr Michael Peter Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds: use the name of the trustee of the fund	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund





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Joint Holdings: use full and complete names	Mr Peter Robert Williams & Ms Louise Susan Williams	Peter Robert & Louise S Williams
Trusts: use the trustee(s) personal name(s)	Mrs Susan Jane Smith <Sue Smith Family A/C>	Sue Smith Family Trust
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Partnerships: use the partners personal names	Mr John Robert Smith & Mr Michael John Smith <John Smith and Son A/C>	John Smith and Son
Long Names	Mr John William Alexander Robertson-Smith	Mr John W A Robertson-Smith
Clubs/Unincorporated Bodies/Business Names: use office bearer(s) personal name(s)	Mr Michael Peter Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds: use the name of the trustee of the fund	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund





