



18 December 2017

OPERATIONS AND CAPITAL RAISING UPDATE

Freehill Mining Limited (*Company*) is pleased to provide updates on several significant recent developments for the Company.

Convertible Notes Capital Raising

The Company is pleased to announce it has entered into various convertible note subscription agreements to issue convertible notes to professional and sophisticated investors in order to raise funds totalling up to approximately AU\$2,500,000 (with an ability to raise an additional US\$1,250,000) .

The Company will be applying these new funds to the installation of a Tertiary Crushing Circuit at the Yervas Buenas Project, as well as adjustments to the existing primary and secondary crushers. The Company will also be using the funds raised to complete preparatory work for the Company's drilling maiden program, and remaining funds will be applied to the Company's working capital.

The convertible notes will be issued under two separate offers in accordance with the convertible note subscription agreements. The Company has raised AU\$1,445,000 under an offer to numerous professional and sophisticated investors (**Series 1 Offer**), and US\$755,000 under tranche 1 of convertible notes to be issued to Yaniv Equity LP, with a potential second issue, subject to shareholder approvals, to raise a further US\$1,250,000 (**Yaniv Offer**). The key terms of the convertible notes as agreed are summarised below.

Series 1 Offer

- **Issue price of convertible notes:** AU\$2,500 per note.
- **Conversion price:** the notes will be convertible up until the maturity date, and shares in the Company issued at AU\$0.095 (9.5 cents) per share.
- **Maturity date:** the convertible notes will mature on the first anniversary of the execution of the convertible note subscription deed.
- **Interest:** the convertible notes will accrue interest payable at 12% per annum, half yearly in arrears and in either cash or shares in the Company at the election of each subscriber.
- **Establishment fee:** an establishment fee of 7,550,000 shares is payable in connection with the issue of notes under the Series 1 Offer to the various subscribers and a promoter.
- **Security:** the notes are secured by

- the granting of a mortgage over the Arenas Mining Leases (which comprise a significant portion of the Company's Yervas Buenas Project), and
- a security interest over all of the shares in the Company's wholly-owned subsidiary, San Patricio Minería SpA (which entity holds the Arenas Mining Leases).

Yaniv Offer

- **Issue price of convertible notes:** US\$755,000 for an initial tranche of 849,375 notes and US\$1,250,000 for a second tranche of up to 1,381,250 notes. The second tranche is conditional on the Company obtaining several shareholder approvals, and the Company may elect to reduce the second tranche payment, and the number of convertible notes issued commensurately.
- **Conversion price:** the notes will be convertible up until the maturity date, and shares in the Company issued at the lower of AU\$0.095 (9.5 cents) per share, and the lowest arms-length trade price of the Company's shares during the 15 days immediately prior to the date on which notice of conversion is given.
- **Maximum conversion shares:** the maximum number of shares to be issued upon conversion for the First Tranche will be up to the Company's maximum placement capacity of 15,935,952 shares. The Company has agreed to seek shareholder approval for the maximum number of shares to be issued on conversion to be 27,887,915 (for first tranche) and 46,233,281 shares in respect of the second tranche.
- **Maturity date:** the convertible notes issued in each tranche will mature on the first anniversary of the respective purchase date of each tranche (**Yaniv Maturity Date**).
- **Guaranteed Interest:** The Company must pay interest on the amount outstanding in respect of First Tranche at a rate of 12.5% per annum, which interest will:
 - until the Yaniv Maturity Date, be fixed at 12.5% of the aggregate face value of those Yaniv Convertible Notes, which will accrue and be capitalised on the date of the First Tranche; and
 - on and after the Yaniv Maturity Date, accrue daily and shall be capitalised and compounded monthly, from the Yaniv Maturity Date until the Company discharges the amount outstanding in full
- **Options:** subject to shareholder approval, the Company will issue to the note subscriber options exercisable for ordinary shares in the Company at \$0.1425 per share. The number of options issued will be determined by dividing 25% of the amount equivalent to (the purchase price of the notes x 1.125), converted into Australian Dollars at the exchange rate on the trading day immediately prior to the date of issue of the options, by the option exercise price. The options will have an expiry date which is 5 years from the date of their issue.
- **Security:** the security for the notes will be the same as the security for Series 1 Noteholders.

Security Priority

With respect to the security arrangements over the notes provided in each Offer, the note subscribers have entered into an Inter-Creditor Deed, pursuant to which the

proceeds of any enforcement of security, after costs, will be distributed to the Series 1 Offer noteholders and Yaniv Equity LP, proportionally to the amounts owing by the Company to each noteholder.

An Appendix 3B and Cleansing Notice will be lodged with ASX upon the issue of the convertible notes by the Company in accordance with the convertible note subscription agreements, with further details of the terms of the notes.

Appointment of New Director and Chairman of the Board

The Board is delighted to announce the appointment of Mr Frank Terranova as Non-Executive Director and Chairman of the Board of Directors of Freehill Mining Limited.

The current Chairman Mr Stephen Chaplin has decided to step down as Chairman and proposed Mr Frank Terranova to replace him. This action was unanimously approved by the Board. Mr Chaplin will continue as a Non-Executive Director and on behalf of shareholders and the Board of Freehill Mining, we thank him for his service as Chairman over the past 3 years.

Mr Frank Terranova has extensive experience as a Director and Executive with a wide range of Australian and international publicly listed companies. He has held senior roles in a number of organisations including, Normandy Mining Limited and Queensland Cotton Limited. He was Chief Financial Officer and ultimately Managing Director of Allied Gold PLC which was subsequently acquired by St Barbara Limited in 2012.

Mr Terranova was also Managing Director of Polymetals Mining Limited where he led its transformation through a merger with Southern Cross Goldfields Limited in 2013 and oversaw the combined group's recapitalisation program. He has also served on the Boards of a number of resource public companies overseeing a variety of successful growth and restructuring initiatives. He is currently a Director of Mayur Resources PTE and Executive Chairman of AUSA Resources Limited.

Mr Terranova is a Fellow of the Institute of Chartered Accountants of Australia & New Zealand, a member of the Australian Institute of Company Directors and the Finance and Treasury Association of Australia.

Operational Update

- The company is pleased to advise that it is continuing to work actively on the implementation of the Tertiary crushing circuit that will improve final product iron grades and revenues and is expected to be operational by early January;
- Trialling of an alternative in-pit mobile impact crusher was successfully completed having crushed in excess of 49,000 tonnes of ore during November some of which has already been processed with the balance stockpiled awaiting further size reduction;
- November production from the demonstration plant of 6,900 tonnes at grades of

55%Fe and 59% Fe was all sold under the Company's long term sales agreement with the CAP Romeral pellet feed plant. A further 7000 tonnes was held in inventory and will be delivered in December;

- Ore quality is visibly improving as mining moves down into the third mining bench with more instances of the higher grade mantle occurring;
- The company expects to produce over 15,000 tonnes of saleable +58%Fe -10mm product in December;
- Upgrading of the magnet plant successfully completed with the addition of two finisher magnets that allow an increase in the final product grade to >58% Fe'



Figure 1 – In-pit crushed ore stockpile produced during the testing of a contract mobile impact crusher



Figure 2 – General view of complete trial mining pit showing deepening pit and commencement of third bench



Figure 3 – Blasting drill rig preparing next bench for production blast. Trucks moving ore to demonstration crushing plant



Figure 4 – Demonstration crushing plant showing pre-concentrate stockpiles ready for treatment in magnet plant

Yours sincerely,

Stephen Chaplin
Chairman

About Freehill Mining Ltd

Freehill Mining Ltd (ASX:FHS) is an ASX listed company, which is engaged in identifying quality resource opportunities with an identifiable short term horizon to production.

Freehill Mining Ltd is pursuing this strategy in respect of the iron ore tenements owned by two of its Chilean incorporated subsidiaries, Yervas Buenas SpA (YB SpA) and San Patricio Minería SpA (SP SpA), collectively the Yervas Buenas Project. The operations at the Yervas Buenas Project 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 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. There is an existing operating mine and established commercial sales relationships with key partners in Chile. In the near future FHS intends to commence a drilling program to prove up its reserves at the Yervas Buenas project.

For further information, please refer to the prospectus located on our website at www.freehillmining.com



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