



30 October 2018

## Quarterly Report September 2018

### Highlights

- 100% of tenement ownership completed
- Agreement executed with management services company to operate trial mining operation independently of Freehill exploration activities
- New Directors join the board
- Rights Issue capital raising commenced to fund exploration program
- 4500m RC drilling program agreement signed with Major Drilling SA Chile
- Geophysics program commenced in north area

### Yerbas Buenas In Summary

The September quarter saw significant and positive changes being implemented as a result of various strategic reviews undertaken earlier in the year. These included board restructuring, the contracting out of the trial mining operation and detailed planning for a maiden exploration program commenced.

The company made the final payment to secure full ownership of the Yerbas Buenas 1-16 block of mining tenements at the Yerbas Buenas Project. All payments under the purchase agreement with Sociedad A y F Muzard Minería Limitada have been completed and transfer documents are now with the Chilean Region IV mining registrar. This completed a significant milestone and Freehill now has full mining tenement ownership of both the Arenas blocks and Yerbas Buenas block as well as surface rights. A tenement map is provided in Figure 1.

As part of the current focus on exploration, the Company assessed a number of operating models relating to the existing trial mining and processing activities. Models ranging from partnering with mining services firms to outsourcing operations were evaluated with the objective of deploying greater capital to exploration activities which can derive greatest shareholder value in the short to medium term.

To this end, an agreement has been executed with a mining services company to take over operation of the trial mining and processing activity on a fixed term basis in exchange for a product royalty based on 4% of sales revenue. The agreement ensures continued Freehill access to all areas, to allow other project development work to proceed unimpeded.

The benefit of this approach is that it allows continued magnetite product supply to the Compañía Minera

Del Pacifico (“CMP”) Romeral pellet feed plant to preserve the relationship that has been built up over the past four years.

## Fundraising activities

### Rights Issue

To fund ongoing exploration development of the Yervas Buenas project the company has invited shareholders to participate in a pro rata, renounceable entitlement offer of 1 new fully paid ordinary share in FHS (New Shares) for every 2 shares currently held, at an issue price of \$0.015 (1.5 cents) per New Share (Entitlement Offer).

The Entitlement Offer is to raise up to \$3,075,000 before costs and expenses. The funds from the Entitlement Offer will strengthen FHS’s balance sheet and provide increased working capital to support its forecast project expenditure and continuing growth.

The Entitlement Offer is being made to all shareholders (Eligible Shareholders) who are registered as a holder of FHS’s Shares as at 7.00pm (Melbourne time) on 25 October 2018 (Record Date).

Under the Entitlement Offer, Eligible Shareholders have the opportunity to subscribe for 1 New Share for every 2 Shares of which they are the registered holder at 7.00pm (Melbourne time) on the Record Date at an issue price of \$0.015 (1.5 cents) per New Share (Issue Price). The Entitlement Offer is non-renounceable.

### Convertible Notes

As part of its ongoing fundraising activities, the Company:

- converted over \$1.452 million of debt since 1 July 2018 (disclosed to the market under two Appendix 3Bs dated 6 July and 13 July 2018 ); and
- completed a placement of \$250,000 to an exempt investor, within the meaning of section 708 of the *Corporations Act 2001* (disclosed to the market under the Appendix 3B of 6 July 2018 ).

The Company has entered into agreements raising a further \$1.2 million in convertible debt since 30 June 2018 (“Debt Raising”).

The conversion to equity of funds raised under the Debt Raising is subject to shareholder approval, which will be sought at the Company’s upcoming Annual General Meeting. Further information about the Debt Raising and the issue of shares on conversion of the debt funds to equity will be provided to Freehill shareholders in the Notice of Annual General Meeting.

As a result of the above activities and other fundraising activities currently under review, the Company has decided not to proceed with Tranche 2 of the Yaniv Equity LP facility. The Company has further negotiated with Yaniv Equity a six-month extension of the remaining 480,875 convertible notes previously issued to it, which extension shall be subject to shareholder approval.

## Exploration Program

Freehill has recently signed a drilling contract with Major Drilling Group International Inc. (“Major Drilling”) in Chile to undertake a 4500m Reverse Circulation drilling program at the Yervas Buenas magnetite project. Major Drilling, who regularly drill for the larger global explorers, have their Chilean headquarters in the city

of La Serena, just 30km by highway to the south of the Yervas Buenas project.

Drilling activities are expected to commence during the first week of November and will entail the drilling of three major magnetite structures including the area over the current trial mining pit. Trial mining has been carried out over the Yervas Buenas No. 1 structure since early 2017 based on two existing drill holes that were completed by CMP in 2011 during one of their regional drilling programs.

Geos Mining Minerals Consultants, a Sydney based geological and mining consultancy are providing technical assistance both at site and in Australia and will complete the geological resource modelling after the field campaign is completed.

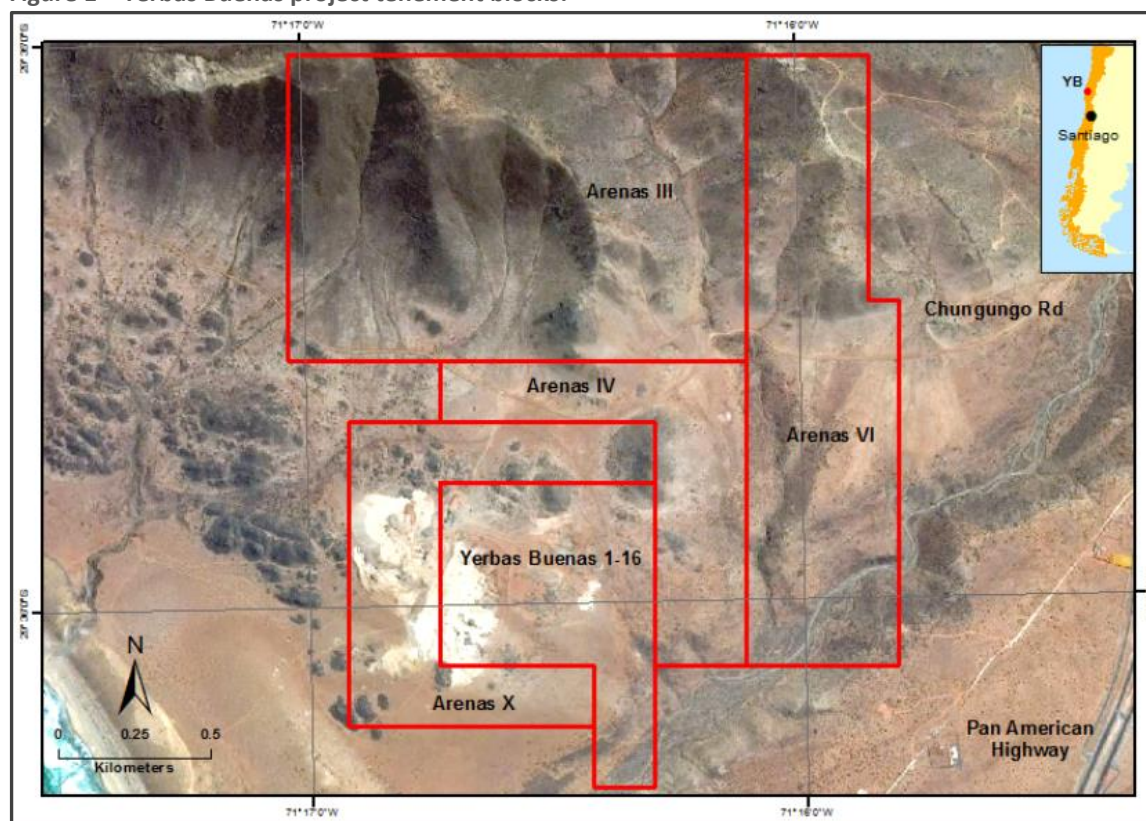
## Board

Following the resignation of Mr Frank Terranova, Mr Ray Mangion, a director since inception of the Company, has accepted the position as Chairman of Freehill Mining Limited.

Mr Peter Hinner joined the Board effective 31 July 2018. Mr. Hinner, formerly the Company's COO, is now acting CEO of Freehill and continues to be primarily responsible for general project development at the Yervas Buenas assets.

Mr Samuel Duddy was appointed to the Board of Freehill effective 9 July 2018. Mr Duddy is currently a board member and majority shareholder of a Civil Construction firm and brings to the Board a wealth of knowledge and experience in Business Management, Engineering and finance, Mr Duddy holds a First Class Honours degree in Science from the University of Queensland along with a Masters of Property Studies and a Masters of Business Administration, also from the University of Queensland.

Figure 1 – Yervas Buenas project tenement blocks.



**Competent Persons Statement:**

*The information in this report that relates to exploration results is based on information compiled by Mr Peter Hinner, a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Hinner is a full-time employee of Freehill Mining Ltd 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' (the JORC Code 2012). Peter Hinner consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

**About Freehill Mining Limited**

Freehill Mining Limited (ASX:FHS) is a mineral exploration company focused on creating shareholder wealth through the identification of mineral resources in Chile and development of its Yervas Buenas magnetite project. The company has also identified copper and gold mineralisation on its tenements and plans to undertake further mineral exploration programs on these.

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