

Freehill Mining Limited

ACN 091 608 025

Annual Report - 30 June 2019

Freehill Mining Limited
Corporate directory
30 June 2019

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

Freehill Mining Limited
Directors' report
30 June 2019

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Freehill Mining Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2019.

Directors

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

Raymond Charles Mangion
Paul Davies
Samuel Duddy (appointed 9 July 2018)
Peter Hinner (appointed 31 July 2018)
Wayne Johnson (appointed 30 November 2018 and resigned 29 August 2019)
Frank Terranova (resigned 12 July 2018)

Dividends

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

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$2,508,162 (30 June 2018: \$2,965,058).

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

Significant changes in the state of affairs

On 18 January 2019, 203,982,421 fully paid ordinary shares were released from escrow.

During the financial year, the company issued 451,072,259 fully paid ordinary shares upon:

- receiving cash and cash equivalents totalling \$1,593,467 (\$250,000 was also received before 30 June 2018 in relation to shares issued on 6 July 2018);
- the extinguishment of borrowings and interest payable totalling \$4,097,957;
- the extinguishment of trade and other payables totalling \$463,926; and
- settlement of capital raising costs of \$90,000.

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

Matters subsequent to the end of the financial year

On 30 August 2019, the company announced that it has received commitments from sophisticated and professional investors for a placement of shares raising a total of \$2,600,000. The company will issue 236,363,637 fully paid ordinary shares at \$0.011 (1.1 cents), plus one free attaching option for every share placed exercisable at \$0.025 (2.5 cents) expiring two years from date of issue.

The placement is subject to approval of the company's shareholders expected to be held in October 2019.

At the time of signing the company had received \$1,036,000 of these funds.

On 2 September 2019, the company announced that it had completed the acquisition of an 80 hectare tenement known as Arenas XI 1/20, located directly to the south of the Yerbos Buenas project area. The tenement acquisition was settled by means of exchanging the receivable from Lacerta amounting to AUD912,091 (refer to Note 6) and a payment of CLP100,000 (AUD210).

On 17 September 2019, convertible debt amounting to \$459,519 were extended to 31 May 2021.

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No other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

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

Environmental regulation

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

Information on directors

Name: Raymond Charles Mangion
 Title: Non-Executive Director and Chairman since 9 July 2018)
 Qualifications: Associate Diploma of Business (Accounting) and an Associate Diploma in Financial Planning.
 Experience and expertise: Ray Mangion has performed the role of Managing Director of Morbak Investments Pty Ltd for the past 18 years, having created the business as a start-up business. He has approximately 30 years' managerial experience.
 Other current directorships: Nil
 Former directorships (last 3 years): Nil
 Interests in shares: 19,108,305 fully paid ordinary shares

Name: Paul Davies
 Title: Director and Chief Financial Officer
 Qualifications: Paul holds an Economics Degree from Monash University, has qualified as a Chartered Accountant and is an alumnus of the Stanford Business School.
 Experience and expertise: Paul Davies has extensive experience as CFO of both publicly traded and privately held companies. Over the past 10 years he has been involved with many early stage companies involving reporting, strategic planning, systems implementation and fundraising. Prior to this Paul was Director in charge of Corporate and Institutional Banking for Deutsche Bank Australia and a member of the Deutsche Bank Credit Committee. He has been directly involved in over \$20 billion worth of transactions involving origination, advising, arranging, structuring, project finance, lead managing, syndication, negotiation, risk management, including servicing many of Australia's major mining companies. Before Deutsche Bank Paul worked for a number of years with both Bankers Trust Australia and Macquarie Bank.

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

Other current directorships: Nil
 Former directorships (last 3 years): Nil
 Interests in shares: 2,134,330 fully paid ordinary shares

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Name: Peter Hinner
 Title: Chief Executive Officer (appointed 31 July 2018)
 Qualifications: Bachelor of Science in Chemistry from the Queensland University of Technology with post graduate qualifications in mining, metallurgy and business management
 Experience and expertise: Mr Hinner was appointed COO of the Company in February 2017 and has over 35 years experience in the heavy minerals and gold industry both within Australia and internationally.

Over the past several years he has worked predominantly internationally as a project development consultant on a variety of projects in Africa, Korea, Indonesia, Malaysia and South America. His previous roles have included senior management and operational roles in several of the world's largest mineral operations as well as mine management roles with BP Minerals Indonesia, Operations Manager for the Tiwest Joint Venture mine in Western Australia, Chief Operating Officer of an industrial minerals company and senior consultant for KPMG.

He has significant mining, operating and project management experience in most facets of the industry including exploration, dredging, processing, engineering design, construction, commissioning and feasibility studies.

Other current directorships: Nil
 Former directorships (last 3 years): Nil
 Interests in shares: 2,018,697 fully paid ordinary shares
 Interests in rights: Nil

Name: Samuel Duddy
 Title: Non-Executive Director (appointed 9 July 2018)
 Qualifications: First Class Honours Degree Science, Master of Property Science and Master of Business Administration (all from University of Queensland)
 Experience and expertise: Mr Duddy is a substantial investor in Freehill and has previously visited the Yerbas Buenas operations as part of his own due diligence process. Mr Duddy is currently a board member and majority shareholder of a Civil Construction firm and brings to the Board a wealth of knowledge and experience in business management, engineering and finance.

Other current directorships: Nil
 Former directorships (last 3 years): Nil
 Interests in shares: 131,859,482 fully paid ordinary shares

Name: Frank Terranova
 Title: Non - Executive Director (resigned 12 July 2018)
 Qualifications: Fellow of Institute of Chartered Accountants
 Experience and expertise: 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 AUSAG Resources Limited.

Mr Terranova is a member of the Australian Institute of Company Directors and the Finance and Treasury Association of Australia.

Other current directorships: N/A
 Former directorships (last 3 years): N/A
 Interests in shares: N/A
 Interests in rights: N/A

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Name: Wayne Johnson
 Title: Non-Executive Director (appointed 30 November 2018 and resigned 29 August 2019)
 Experience and expertise: Wayne Johnson has over 30 years business and financial transaction experience gained in Australia, New Zealand, Asia and America. He has extensive experience in corporate advisory, governance and compliance as a result of building, managing and directing public and private companies from start-up to established public corporations.
 Other current directorships: N/A
 Former directorships (last 3 years): N/A
 Special responsibilities: N/A
 Interests in shares: N/A

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

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

Company secretary

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

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2019, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Raymond Charles Mangion	5	5
Paul Davies	5	5
Samuel Duddy	5	5
Peter Hinner	4	4
Frank Terranova	1	1
Wayne Johnson	1	2

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

Remuneration report (audited)

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

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

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

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

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

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

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

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

Non-executive directors remuneration

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

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

Executive remuneration

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

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- Long-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

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

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

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

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

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

Use of remuneration consultants

During the financial year ended 30 June 2019, the consolidated entity did not engage remuneration consultants.

Voting and comments made at the company's 30 November 2018 Annual General Meeting ('AGM')

At the 30 November 2018 AGM, 58.19% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2018. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration

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

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

* Peter Hinner was appointed as a director on 31 July 2018. Fees earned before that time has been recognised as key management personnel remuneration.

** Peter Hinner has met the performance obligation in relation to 250,000 of the performance shares that have been issued in relation to him. An expense has been recognised in relation to those shares.

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	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	Total
2018	\$	\$	\$	\$	\$	\$	\$
Raymond Charles Mangion	45,000	-	-	-	-	-	45,000
Nicholas Kapes	22,500	-	-	-	-	-	22,500
Stephen Chaplin	22,500	-	-	-	-	-	22,500
Frank Terranova	22,500	-	-	-	-	40,500	63,000
<i>Executive Directors:</i>							
Paul Davies	69,000	-	-	-	-	-	69,000
<i>Other Key Management Personnel:</i>							
Peter Hinner	174,567	-	-	-	-	100,000	274,567
	356,067	-	-	-	-	140,500	496,567

* Share based payments were issued before completion of the reverse acquisition therefore the expense is not included in the Statement of Comprehensive Income.

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

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2019	2018	2019	2018	2019	2018
<i>Non-Executive Directors:</i>						
Raymond Charles Mangion	100%	100%	-	-	-	-
Samuel Duddy	100%	100%	-	-	-	-
Wayne Johnson	100%	100%	-	-	-	-
Nicholas Kapes	-	100%	-	-	-	-
Stephen Chaplin	-	100%	-	-	-	-
Frank Terranova	-	100%	-	-	-	-
<i>Executive Directors:</i>						
Paul Davies	100%	100%	-	-	-	-
Peter Hinner	88%	-	-	-	12%	-
<i>Other Key Management Personnel:</i>						
Peter Hinner	100%	100%	-	-	-	-

Service agreements

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

Name:	Paul Davies
Title:	Executive Director and Chief Financial Officer
Agreement commenced:	1 January 2017
Details:	Remuneration is set at \$99,000 per annum inclusive of statutory superannuation.
Name:	Raymond Charles Mangion
Title:	Chairman
Agreement commenced:	1 January 2017
Details:	Remuneration is set at \$45,000 per annum inclusive of statutory superannuation.

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Name: Peter Hinner
Title: Chief Operating Officer
Agreement commenced: 6 February 2017
Details: Under the agreement Peter Hinner is entitled to \$218,000 in his first year and \$297,000 in his second year. He also received shares valued at \$100,000.

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

Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2019.

Options

There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2019.

There were no options over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 30 June 2019.

Performance rights

On 5 May 2018, Frank Terranova was issued 500,000 performance rights which vest in six months from issue provided that he is still working for the company. An expense of \$40,500 has been recognised in relation to these performance rights.

When appointed Peter Hinner in February 2017, was granted 1,250,000 performance rights which vest upon delivery of certain milestones. The performance hurdles in relation to 250,000 of these performance rights had been met at 30 June 2019.

Additional information

The earnings of the consolidated entity for the five years to 30 June 2019 are summarised below:

	2019 \$	2018 \$	2017 \$	2016 \$	2015 \$
Revenue	370	61	172	-	-
Loss after income tax	(2,508,162)	(2,965,089)	(1,522,205)	(968,925)	(1,606,589)

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

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

Additional disclosures relating to key management personnel

Shareholding

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

	Balance at the start of the year	Held at time of appointment	Additions	In lieu of fees and SBP	Balance at the end of the year
<i>Ordinary shares</i>					
Raymond Charles Mangion	2,644,737	-	1,197,443	10,746,781	14,588,961
Paul Davies	500,000	-	250,000	1,384,330	2,134,330
Peter Hinner	1,190,883	-	-	827,814	2,018,697
Samuel Duddy	-	29,259,105	100,575,377	1,375,000	131,209,482
	<u>4,335,620</u>	<u>29,259,105</u>	<u>102,022,820</u>	<u>14,333,925</u>	<u>149,951,470</u>

Performance rights holding

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

	Balance at the start of the year	Granted	Vested	Expired/ forfeited/ other	Balance at the end of the year
<i>Performance rights over ordinary shares</i>					
Peter Hinner	1,250,000	-	(250,000)	(1,000,000)	-
Frank Terranova	500,000	-	-	(500,000)	-
	<u>1,750,000</u>	<u>-</u>	<u>(250,000)</u>	<u>(1,500,000)</u>	<u>-</u>

Loans to key management personnel and their related parties

There were no loans transactions with key management personnel and their related entities made during the year ended 30 June 2019.

This concludes the remuneration report, which has been audited.

Shares under option

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

Shares under performance rights

On 6 February 2017, the company issued 1,250,000 performance rights to Peter Hinner as part of his remuneration package. These performance rights are in bundles of 250,000 contingent upon different performance targets being met. At 30 June 2019, the performance hurdles in relation to the first tranche of 250,000 performance rights.

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

Shares issued on the exercise of options

There were no ordinary shares of Freehill Mining Limited issued on the exercise of options during the year ended 30 June 2019 and up to the date of this report.

Shares issued on the exercise of performance rights

There were no ordinary shares of Freehill Mining Limited issued on the exercise of performance rights during the year ended 30 June 2019 and up to the date of this report.

Indemnity and insurance of officers

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

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

Indemnity and insurance of auditor

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

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

Proceedings on behalf of the company

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

Non-audit services

The directors are of the opinion that the services as disclosed in note 18 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

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

Officers of the company who are former partners of RSM Australia Partners

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

Auditor's independence declaration

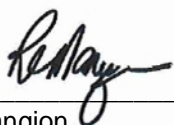
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Auditor

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

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

On behalf of the directors



Ray Mangion
Chairman

30 September 2019

Freehill Mining Limited
Chairman's letter
30 June 2019

Dear Shareholders,

As we stated in last year's Annual Report our focus for 2019 has been on completion of our maiden drilling program and delivery of a maiden JORC Resource Estimate.

This outcome was achieved with the announcement of our maiden JORC Resource Estimate in May of this year.

We believe the following highlights represent our progress for the year in delivering value to shareholders and provide the foundation for developing a long term and sustainable business.

Highlights

JORC Mineral Resource Estimate for YB1 Structure totalling 18.4 million tonnes at 15.1% Fe (Inferred plus indicated) based on exploration of 9% of Yervas Buenas Project Area.

This is one of seven identified magnetite structures on our project area and is one of the smallest, however it is where our trial mining occurred which provided significant data for the JORC determination.

A separate and much larger ore body, as identified by our geophysics, was drilled and is not included in our JORC estimate. Three drill holes supported our geophysical interpretation of this ore body and one, **(Hole YB016)** showed 120 metres of 30% Fe including 16 metres of >61%Fe (as detailed in ASX release dated 5 March 2019).

Our existing land area covered 30% of this ore body, and the remaining 70% was on an adjoining allotment. Since June 30 the Company has worked tirelessly to procure the lease and just recently we managed to acquire the lease for the balance of this ore body.

This is a significant milestone for the company

The **YB 016** ore body will be the major focus of our next drilling program with drilling expected to be completed by year end and results in Q1 2020. As at current date the drilling contractor has been engaged, with drilling to commence in early October.

The Company has identified 2 potentially significant copper sulphide structures through induced polarisation and these structures will be drilled in the forthcoming drilling program to determine their characteristics and provide the basis for future drilling.

Since balance date the Company has undertaken a share Placement with commitments of \$2.6 million to support the second drilling program.

We are grateful for the support for the Company.

Looking Forward

The Company believes that the second drilling program will provide the basis for a prefeasibility study (PFS) for the establishment of a purpose built plant for an initial production of one million tonnes per annum growing to 2+ million tonnes over a 3-4 year period.

The focus for the coming year will be completion of the drilling program and delivery of a prefeasibility Study.

Through its Trial Mining operations the Company established that we had a saleable product with a ready local customer which provides us with confidence in our planned development of our magnetite resource.

Given the location of our operations there are little or no external infrastructure burdens on the Company and close proximity to both a major customer and ports.

While we are excited about the potential of the copper and gold indications from the induced polarisation surveys we are committed to the development of our magnetite resource and the near term establishment of a significant iron ore business.

Results from our second drilling program will lead us into our go forward position in relation to copper gold in the context of delivering most value to shareholders.

Freehill Mining Limited
Chairman's letter
30 June 2019

We look forward to coming year with confidence and excitement and thank our shareholders for their ongoing support during the year.

We firmly believe that the events planned for the next 3 – 6 months will deliver value for shareholders and produce a better reflection of company value in the share price.

A handwritten signature in black ink, appearing to read 'Ray Mangion', is positioned above the printed name and title.

Ray Mangion
Non-Executive Chairman

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Freehill Mining Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

A handwritten signature in blue ink that reads "RSM".

RSM AUSTRALIA PARTNERS

A handwritten signature in blue ink that reads "P A Ransom".

P A RANSOM

Partner

Dated: 30 September 2019
Melbourne, VIC

Freehill Mining Limited

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General information

The financial statements cover Freehill Mining Limited as a consolidated entity consisting of Freehill Mining Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Freehill Mining Limited's functional and presentation currency.

Freehill Mining Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 24, 570 Bourke St,
Melbourne, Victoria,
Australia, 3000

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 30 September 2019. The directors have the power to amend and reissue the financial statements.

Freehill Mining Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2019

	Note	Consolidated 2019 \$	2018 \$
Revenue			
Interest revenue calculated using the effective interest method		111	44
Other revenue		259	17
Expenses			
Corporate and administration expenses		(1,649,182)	(1,421,763)
Other expenses		(141,005)	(87,843)
Finance costs		(718,345)	(1,455,513)
Loss before income tax expense		(2,508,162)	(2,965,058)
Income tax expense	4	-	-
Loss after income tax expense for the year attributable to the owners of Freehill Mining Limited		(2,508,162)	(2,965,058)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		129,300	935,388
Other comprehensive income for the year, net of tax		129,300	935,388
Total comprehensive income for the year attributable to the owners of Freehill Mining Limited		<u>(2,378,862)</u>	<u>(2,029,670)</u>
		Cents	Cents
Basic earnings per share	26	(0.43)	(0.84)
Diluted earnings per share	26	(0.43)	(0.84)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Freehill Mining Limited
Statement of financial position
As at 30 June 2019

	Note	Consolidated 2019 \$	2018 \$
Assets			
Current assets			
Cash and cash equivalents	5	62,480	165,846
Trade and other receivables	6	962,736	999,015
Other		41,326	1,481
Total current assets		<u>1,066,542</u>	<u>1,166,342</u>
Non-current assets			
Receivables	7	464,804	-
Property, plant and equipment		13,282	-
Exploration and evaluation asset	8	14,025,904	12,666,803
Total non-current assets		<u>14,503,990</u>	<u>12,666,803</u>
Total assets		<u>15,570,532</u>	<u>13,833,145</u>
Liabilities			
Current liabilities			
Trade and other payables	9	2,168,786	2,534,980
Borrowings	10	2,068,899	2,690,072
Other	11	-	250,000
Total current liabilities		<u>4,237,685</u>	<u>5,475,052</u>
Non-current liabilities			
Borrowings	12	-	1,847,500
Provisions		70,000	-
Total non-current liabilities		<u>70,000</u>	<u>1,847,500</u>
Total liabilities		<u>4,307,685</u>	<u>7,322,552</u>
Net assets		<u>11,262,847</u>	<u>6,510,593</u>
Equity			
Issued capital	13	20,106,620	12,912,366
Reserves	14	1,022,709	956,547
Accumulated losses		<u>(9,866,482)</u>	<u>(7,358,320)</u>
Total equity		<u>11,262,847</u>	<u>6,510,593</u>

The above statement of financial position should be read in conjunction with the accompanying notes

Freehill Mining Limited
Statement of changes in equity
For the year ended 30 June 2019

Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2017	10,280,380	(125,353)	(4,393,262)	5,761,765
Loss after income tax expense for the year	-	-	(2,965,058)	(2,965,058)
Other comprehensive income for the year, net of tax	-	935,388	-	935,388
Total comprehensive income for the year	-	935,388	(2,965,058)	(2,029,670)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 13)	2,631,986	-	-	2,631,986
Share-based payments	-	40,500	-	40,500
Equity portion of convertible notes	-	106,012	-	106,012
Balance at 30 June 2018	<u>12,912,366</u>	<u>956,547</u>	<u>(7,358,320)</u>	<u>6,510,593</u>
Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2018	12,912,366	956,547	(7,358,320)	6,510,593
Loss after income tax expense for the year	-	-	(2,508,162)	(2,508,162)
Other comprehensive income for the year, net of tax	-	129,300	-	129,300
Total comprehensive income for the year	-	129,300	(2,508,162)	(2,378,862)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 13)	7,105,116	-	-	7,105,116
Share-based payments	-	26,000	-	26,000
Transfers upon conversion of notes	89,138	(89,138)	-	-
Balance at 30 June 2019	<u>20,106,620</u>	<u>1,022,709</u>	<u>(9,866,482)</u>	<u>11,262,847</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

Freehill Mining Limited
Statement of cash flows
For the year ended 30 June 2019

	Note	Consolidated 2019 \$	2018 \$
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(823,694)	(940,338)
Interest received		111	61
Other revenue		259	-
Interest and other finance costs paid		<u>(319,061)</u>	<u>(284,938)</u>
Net cash used in operating activities	25	<u>(1,142,385)</u>	<u>(1,225,215)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(16,029)	-
Payments for exploration and evaluation		(1,215,139)	(5,567,826)
Pre full scale receipts offset against mine assets		-	1,706,610
Amounts advanced to related party	21	<u>(912,091)</u>	<u>-</u>
Net cash used in investing activities		<u>(2,143,259)</u>	<u>(3,861,216)</u>
Cash flows from financing activities			
Proceeds from issue of shares		1,593,467	336,000
Proceeds received ahead of the issue of shares		-	250,000
Proceeds from borrowings		1,275,841	660,271
Proceeds from convertible notes		1,200,000	4,192,490
Share issue transaction costs		(182,238)	(12,168)
Repayment of borrowings		<u>(704,792)</u>	<u>(215,000)</u>
Net cash from financing activities		<u>3,182,278</u>	<u>5,211,593</u>
Net increase/(decrease) in cash and cash equivalents		(103,366)	125,162
Cash and cash equivalents at the beginning of the financial year		<u>165,846</u>	<u>40,684</u>
Cash and cash equivalents at the end of the financial year	5	<u><u>62,480</u></u>	<u><u>165,846</u></u>

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

Note 1. Significant accounting policies

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

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted for the year ended 30 June 2019.

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

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

AASB 9 Financial Instruments

The consolidated entity has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available. The adoption of this standard has not had a material impact on the financial statements.

AASB 15 Revenue from Contracts with Customers

The consolidated entity's does not derive any revenue from contracts with customers and therefore its adoption has not had any impact on the consolidated entity's reported financial performance or position.

Going concern

These financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the consolidated entity incurred a loss of \$2,508,162 and had operating cash outflows of \$1,142,385. As at that date, the consolidated entity's current liabilities exceed current assets by \$3,171,143.

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

Note 1. Significant accounting policies (continued)

The directors have assessed that there are reasonable grounds to believe the consolidated entity will be able to continue as a going concern due to the following factors:

- On 30 August 2019, the company announced that it has received commitments from sophisticated and professional investors for a placement of share raising a total of \$2,600,000. The company will issue 236,363,637 fully paid ordinary shares at \$0.011 (1.1 cents), plus one free attaching option for every two shares placed, exercisable at \$0.025 (2.5 cents) and expiring two year from date of issue. The placement is subject to approval of the company's shareholders expected to be held in October 2019. At the time of signing the company had received \$1,036,000 of these funds;
- On 17 September 2019, convertible debt amounting to \$459,519 were extended to 31 May 2021; and
- The directors are confident, particularly given recent successful equity raisings, the company will be able to access equity capital markets for additional working capital requirements when required.

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

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

Basis of preparation

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

Historical cost convention

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

Critical accounting estimates

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

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 22.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Freehill Mining Limited ('company' or 'parent entity') as at 30 June 2019 and the results of all subsidiaries for the year then ended. Freehill Mining Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

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

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

Note 1. Significant accounting policies (continued)

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

Operating segments

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

Foreign currency translation

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

Foreign currency transactions

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

Foreign operations

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

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

Revenue recognition

The consolidated entity recognises revenue as follows:

Interest

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

Other revenue

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

Income tax

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Note 1. Significant accounting policies (continued)

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

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

Current and non-current classification

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

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

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

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

Cash and cash equivalents

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

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

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

Investments and other financial assets

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Note 1. Significant accounting policies (continued)

Impairment of financial assets

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

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

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

Exploration and evaluation assets

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

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

Trade and other payables

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

Borrowings

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

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

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

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

Finance costs

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

Note 1. Significant accounting policies (continued)

Provisions

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

Employee benefits

Share-based payments

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

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

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

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

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

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

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

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

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

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

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

Note 1. Significant accounting policies (continued)

Issued capital

Ordinary shares are classified as equity.

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

Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

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

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2019. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019 and the impact of its adoption is not expected to be material.

Note 2. Critical accounting judgements, estimates and assumptions

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

Recovery of deferred tax assets

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

Deferred tax assets are not being recognised at 30 June 2019, because their realisation is not yet considered probable.

Exploration and evaluation costs

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

Note 3. Operating segments

Identification of reportable operating segments

The consolidated entity is organised into one operating segment: Chilean Mining. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

Note 4. Income tax expense

	Consolidated	
	2019	2018
	\$	\$
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(2,508,162)	(2,965,058)
Tax at the statutory tax rate of 27.5%	(689,745)	(815,391)
Non-deductible expenses	150,586	-
Temporary differences and losses not brought to account	539,159	815,391
Income tax expense	-	-

Note 4. Income tax expense (continued)

	Consolidated	
	2019	2018
	\$	\$
<i>Australian tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	6,064,426	4,225,795
Potential tax benefit @ 27.5%	1,667,717	1,162,094

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

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

Note 5. Current assets - cash and cash equivalents

	Consolidated	
	2019	2018
	\$	\$
Cash on hand	10	10
Cash at bank	62,470	165,836
	<u>62,480</u>	<u>165,846</u>

Note 6. Current assets - trade and other receivables

	Consolidated	
	2019	2018
	\$	\$
Trade receivables	-	189,280
Other receivables	18,656	148,180
Receivable from Lacerta Finance & Mining SpA	912,091	-
Indirect taxes receivable	31,989	661,555
	<u>962,736</u>	<u>999,015</u>

On 2 September 2019, the company announced that it had completed the acquisition of an 80 hectare tenement known as Arenas XI 1/20, located directly to the south of the Yerbass Buenas project area. This receivable will form part of the consideration for this tenement acquisition (refer to Note 24).

Note 7. Non-current assets - receivables

	Consolidated	
	2019	2018
	\$	\$
Indirect taxes receivable	464,804	-

On 2 September 2019, the company announced that it had completed the acquisition of an 80 hectare tenement known as Arenas XI 1/20, located directly to the south of the Yervas Buenas project area. This receivable will form the consideration for this tenement acquisition.

Note 8. Non-current assets - exploration and evaluation asset

	Consolidated	
	2019	2018
	\$	\$
Exploration and evaluation - at cost	14,025,904	12,666,803

Reconciliations

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

Consolidated	Exploration & evaluation \$
Balance at 1 July 2017	7,171,299
Additions	6,913,307
Exchange differences	478,087
Mining receipts offset against the carrying value of the assets	(1,895,890)
Balance at 30 June 2018	12,666,803
Additions	1,237,305
Exchange differences	121,796
Balance at 30 June 2019	14,025,904

Note 9. Current liabilities - trade and other payables

	Consolidated	
	2019	2018
	\$	\$
Trade payables	1,609,454	1,696,148
Purchase agreement payable	-	219,250
Interest payable	217,282	455,914
Other payables	342,050	163,668
	2,168,786	2,534,980

Refer to note 16 for further information on financial instruments.

Note 10. Current liabilities - borrowings

	Consolidated	
	2019	2018
	\$	\$
Convertible notes payable	1,006,101	1,965,150
Short term loans	1,062,798	724,922
	<u>2,068,899</u>	<u>2,690,072</u>

Refer to note 16 for further information on financial instruments.

Convertible notes includes notes with a value of \$132,525 have an interest rate of 12.5% and expire in December 2019. Shares will be issued at a price equal to 85% of the 85% of the volume weighted average share price during the seven days on which trades were recorded prior to conversion, provided such price is not less than \$0.015.

Convertible notes payable includes notes with a value of \$459,519 with a variable conversion price and interest rate of 20% per month compounding, which expire in August 2019. These were extended to 31 May 2021 on 17 September 2019 (refer to Note 24).

Convertible notes payable, also, includes \$302,840 with a variable conversion price, an interest rate of 12.5% and which expire in December 2019. These notes are denominated in USD.

The short term loans are repayable at 12 months from the date of issue and interest has been accrued at 15% per annum.

Note 11. Current liabilities - other

	Consolidated	
	2019	2018
	\$	\$
Funds received in advance of issuing shares	-	250,000

Note 12. Non-current liabilities - borrowings

	Consolidated	
	2019	2018
	\$	\$
Convertible notes payable	-	1,847,500

Refer to note 16 for further information on financial instruments.

Convertible notes in the prior year included \$487,500 of notes which have a conversion price of \$.048, an interest rate of 12.5% and expire in March 2020.

Convertible notes in the prior year included also includes notes with a value of \$1,360,000 with a variable conversion price an interest rate of 3% per month compounding, which expire in August 2019.

Note 12. Non-current liabilities - borrowings (continued)

Total secured liabilities

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

	Consolidated	
	2019	2018
	\$	\$
Convertible notes	930,884	3,812,650

Assets pledged as security

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

	Consolidated	
	2019	2018
	\$	\$
Exploration and evaluation assets	14,230,011	12,447,465

Note 13. Equity - issued capital

	2019	Consolidated	
	Shares	2018	2019
		Shares	\$
			\$
Ordinary shares - fully paid	816,273,950	365,201,691	20,106,620
			12,912,366

Freehill Mining Limited
Notes to the financial statements
30 June 2019

Note 13. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2017	331,786,900		10,280,380
Shares issued to KMP	7 August 2017	548,705	\$0.0910	50,000
Shares issued	12 September 2017	4,200,000	\$0.0800	336,000
Share issued to extinguish short term debt	12 September 2017	12,843,068	\$0.0800	1,027,446
Shares issued to pay trade creditors	8 November 2017	825,000	\$0.0800	66,000
Loan establishment fee paid with shares	19 December 2017	7,475,000	\$0.0800	598,000
Conversion of convertible notes	21 December 2017	193,019	\$0.0760	14,669
Conversion of convertible notes	4 January 2018	643,178	\$0.0770	49,525
Shares issued to KMP	7 February 2018	642,178	\$0.0780	50,000
Conversion of convertible notes	8 February 2018	970,855	\$0.0650	63,106
Conversion of convertible notes	16 February 2018	1,208,484	\$0.0650	78,551
Shares issued to KMP to pay fees and expenses	5 March 2018	1,523,684	\$0.0950	144,749
Conversion of convertible notes	14 March 2018	1,097,542	\$0.0720	79,023
Conversion of convertible notes	13 April 2018	1,244,078	\$0.0700	87,085
Cost of capital raising		-	\$0.0000	(12,168)
Balance	30 June 2018	365,201,691		12,912,366
Shares issued to settle borrowings	6 July 2018	31,729,019	\$0.0480	1,522,993
Shares issued in relation to funds received before 30 June 2018	6 July 2018	5,208,333	\$0.0480	250,000
Shares issued to CEO	6 July 2018	827,814	\$0.0640	50,000
Shares issued to settle borrowings	13 July 2018	353,847	\$0.0180	16,985
Shares issued to settle borrowings	8 October 2018	3,087,509	\$0.0180	55,575
Shares issued to settle borrowings and trade and other payables	29 November 2018	19,041,952	\$0.0150	285,269
Issue of shares	6 December 2018	53,031,164	\$0.0150	795,467
Shares issued to settle borrowings and trade and other payables	14 December 2018	22,096,820	\$0.0153	338,887
Shares issued to settle borrowings	24 December 2018	37,425,076	\$0.0150	561,376
Issue of shares	24 December 2018	28,333,331	\$0.0150	425,000
Issue of shares	31 December 2018	13,333,334	\$0.0150	200,000
Shares issued to settle borrowings	31 December 2018	65,386,693	\$0.0150	980,800
Shares issued to settle borrowings	7 January 2019	3,511,772	\$0.0174	61,029
Issue of shares	28 February 2019	3,200,000	\$0.0150	48,000
Shares issued to settle borrowings	28 February 2019	7,146,978	\$0.0120	86,062
Shares issued to settle borrowings	4 March 2019	3,967,476	\$0.0120	47,610
Shares issued to settle borrowings	6 March 2019	18,181,731	\$0.0113	206,181
Shares issued to settle borrowings and trade and other payables	8 March 2019	96,287,770	\$0.0123	1,184,634
Issue of shares	12 March 2019	8,333,334	\$0.0150	125,000
Shares issued to settle borrowings	12 March 2019	19,093,800	\$0.0135	257,890
Shares issued to trade and other payables	16 April 2019	6,000,000	\$0.0150	90,000
Shares issued to settle borrowings	17 May 2019	5,494,506	\$0.0137	75,000
Transfers from reserves upon conversion of notes		-	\$0.0000	89,138
Fair value adjustment on conversion of notes		-	\$0.0000	(286,767)
Less cost of capital raising		-	\$0.0000	(271,875)
Balance	30 June 2019	<u>816,273,950</u>		<u>20,106,620</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

Note 13. Equity - issued capital (continued)

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

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

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

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

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

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

The capital risk management policy remains unchanged from the 30 June 2018 Annual Report.

Note 14. Equity - reserves

	Consolidated	
	2019	2018
	\$	\$
Foreign currency reserve	939,335	810,035
Share-based payments reserve	66,500	40,500
Convertible notes reserve	16,874	106,012
	<u>1,022,709</u>	<u>956,547</u>

Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Convertible note reserve

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

Note 14. Equity - reserves (continued)

Movements in reserves

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

Consolidated	Convertible notes \$	Share based payments \$	Foreign currency \$
Balance at 1 July 2017	-	-	(125,353)
Foreign currency translation	-	-	935,388
Movement in convertible notes	106,012	-	-
Share based payments	-	40,500	-
Balance at 30 June 2018	106,012	40,500	810,035
Foreign currency translation	-	-	129,300
Share based payments	-	26,000	-
Transfers to issued capital upon conversion of notes	(89,138)	-	-
Balance at 30 June 2019	<u>16,874</u>	<u>66,500</u>	<u>939,335</u>

Note 15. Equity - dividends

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

Note 16. Financial instruments

Financial risk management objectives

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

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

Market risk

Foreign currency risk

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

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

Note 16. Financial instruments (continued)

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

	Assets		Liabilities	
	2019 \$	2018 \$	2019 \$	2018 \$
Consolidated				
US dollars	-	-	371,132	729,674
Chilean pesos	1,397,261	896,646	1,180,995	1,590,378
	<u>1,397,261</u>	<u>896,646</u>	<u>1,552,127</u>	<u>2,320,052</u>

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

Consolidated - 2018	% change	AUD strengthened Effect on profit before tax		% change	AUD weakened Effect on profit before tax	
			Effect on equity			Effect on equity
US Dollar	20%	145,934	145,934	20%	(145,934)	(145,934)
Chilean pesos	20%	<u>-</u>	<u>138,746</u>	20%	<u>-</u>	<u>(138,746)</u>
		145,934	284,680		(145,934)	(284,680)

Price risk

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

Interest rate risk

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

Credit risk

The consolidated entity is not exposed to significant credit risk.

Liquidity risk

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

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

Note 16. Financial instruments (continued)

Remaining contractual maturities

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

Consolidated - 2019	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade and other payables	-	2,168,786	-	-	-	2,168,786
<i>Interest-bearing - fixed rate</i>						
Convertible notes payable	16.49%	1,006,101	-	-	-	1,006,101
Short term loans	15.00%	1,062,798	-	-	-	1,062,798
Total non-derivatives		4,237,685	-	-	-	4,237,685
Consolidated - 2018						
Non-derivatives						
<i>Non-interest bearing</i>						
Trade and other payables	-	2,534,980	-	-	-	2,534,980
<i>Interest-bearing - fixed rate</i>						
Convertible notes	21.05%	1,965,150	1,847,500	-	-	3,812,650
Short term loans	15.00%	724,922	-	-	-	724,922
Total non-derivatives		5,225,052	1,847,500	-	-	7,072,552

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

Fair value of financial instruments

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

Note 17. Key management personnel disclosures

Directors

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

Raymond Charles Mangion
Paul Davies
Samuel Duddy
Wayne Johnson
Peter Hinner

Other key management personnel

The following person also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

Peter Hinner

Note 17. Key management personnel disclosures (continued)

Peter Hinner was appointed a director of the company on 31 July 2018. He acted as key management personnel before that date.

Compensation

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

	Consolidated	
	2019	2018
	\$	\$
Short-term employee benefits	345,500	356,067
Share-based payments	163,750	140,500
	<u>509,250</u>	<u>496,567</u>

Note 18. Remuneration of auditors

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

	Consolidated	
	2019	2018
	\$	\$
<i>Audit services - RSM Australia Partners</i>		
Audit or review of the financial statements	80,920	63,290
<i>Other services - RSM Australia Partners</i>		
Taxation services	10,500	9,300
	<u>91,420</u>	<u>72,590</u>
<i>Other services - network firms</i>		
Audit of Chilean subsidiaries	32,625	20,820

Note 19. Contingent liabilities

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

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

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

The consolidated entity had no other contingent liabilities at 30 June 2019 and 30 June 2018.

Note 20. Commitments

The consolidated entity had no commitments at 30 June 2019 and 30 June 2018.

Note 21. Related party transactions

Parent entity

Freehill Mining Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 23.

Key management personnel

Disclosures relating to key management personnel are set out in note 17 and the remuneration report included in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2019	2018
	\$	\$
Payment for other expenses:		
Interest paid and accrued on short terms loans payable to Ray Mangion and his wife	24,000	27,963
Other transactions:		
Payments for mining development expenditure were made to mine project contractor Lacerta Finance and Mining SpA ("Lacerta"). Yervas Buenas SpA director Juan Dagach, is the general manager of Lacerta.	-	3,902,610
Amounts advanced to Lacerta Finance and Mining SpA ("Lacerta"). Juan Dagach was a director of Yervas Buenas SpA until February 2019 and was also the general manager of Lacerta.	912,091	-

Receivable from and payable to related parties

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

	Consolidated	
	2019	2018
	\$	\$
Current payables:		
Trade payables to Electrum Pty Ltd - an entity related to Peter Hinner	256,682	170,924
Trade payables and accrued expenses to directors in relation to unpaid fees and expenses	116,886	77,389

Loans to/from related parties

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

	Consolidated	
	2019	2018
	\$	\$
Current borrowings:		
Loan from Ray Mangion (director) and his wife	495,519	195,000

Terms and conditions

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

Note 22. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2019	2018
	\$	\$
Loss after income tax	(2,110,718)	(2,660,621)
Total comprehensive income	(2,110,718)	(2,660,621)

Statement of financial position

	Parent	
	2019	2018
	\$	\$
Total current assets	122,810	149,284
Total assets	12,654,915	10,310,001
Total current liabilities	3,056,689	3,884,673
Total liabilities	3,056,689	5,732,173
Equity		
Issued capital	33,362,565	26,168,311
Share-based payments reserve	66,500	40,500
Convertible notes reserve	1,024,166	1,113,304
Accumulated losses	(24,855,005)	(22,744,287)
Total equity	9,598,226	4,577,828

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2019 and 30 June 2018.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2019 and 30 June 2018.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2019 and 30 June 2018.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

Note 23. Interests in subsidiaries

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

Name	Principal place of business / Country of incorporation	Ownership interest	
		2019 %	2018 %
Freehill Investments Pty Ltd	Australia	100.00%	100.00%
Yerbas Buenas SpA	Chile	100.00%	100.00%
San Patricio Minería SpA	Chile	100.00%	100.00%

Note 24. Events after the reporting period

On 30 August 2019, the company announced that it has received commitments from sophisticated and professional investors for a placement of shares raising a total of \$2,600,000. The company will issue 236,363,637 fully paid ordinary shares at \$0.011 (1.1 cents), plus one free attaching option for every share placed exercisable at \$0.025 (2.5 cents) expiring two years from date of issue.

The placement is subject to approval of the company's shareholders expected to be held in October 2019.

At the time of signing the company had received \$1,036,000 of these funds.

On 2 September 2019, the company announced that it had completed the acquisition of an 80 hectare tenement known as Arenas XI 1/20, located directly to the south of the Yerbas Buenas project area. The tenement acquisition was settled by means of exchanging the receivable from Lacerta amounting to AUD912,091 (refer to Note 6) and a payment of CLP100,000 (AUD210).

On 17 September 2019, convertible debt amounting to \$459,519 were extended to 31 May 2021.

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 25. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2019 \$	2018 \$
Loss after income tax expense for the year	(2,508,162)	(2,965,058)
Adjustments for:		
Depreciation and amortisation	2,747	30,730
Share-based payments	26,000	40,500
Foreign exchange differences	102,320	-
Accrued finance costs and finance costs settled via issue of shares	399,284	1,170,575
Operating expenses settled via the issue of shares	463,926	310,749
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	129,524	(29,198)
Decrease/(increase) in other operating assets	(39,845)	9,738
Increase in trade and other payables	281,821	206,749
Net cash used in operating activities	<u>(1,142,385)</u>	<u>(1,225,215)</u>

Note 26. Earnings per share

	Consolidated	
	2019	2018
	\$	\$
Loss after income tax attributable to the owners of Freehill Mining Limited	<u>(2,508,162)</u>	<u>(2,965,058)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>583,292,191</u>	<u>352,912,562</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>583,292,191</u>	<u>352,912,562</u>
	Cents	Cents
Basic earnings per share	(0.43)	(0.84)
Diluted earnings per share	(0.43)	(0.84)

Freehill Mining Limited
Directors' declaration
30 June 2019

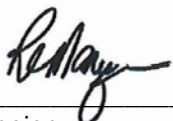
In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the directors



Ray Mangion
Chairman

30 September 2019

INDEPENDENT AUDITOR'S REPORT

To the Members of Freehill Mining Limited

Opinion

We have audited the financial report of Freehill Mining Limited (the Company) and its controlled entities (the consolidated entity), which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the consolidated entity incurred a net loss of \$2,508,162 and had net cash outflows from operating activities amounting to \$1,142,385 during the year ended 30 June 2019. In addition, as at 30 June 2019, the consolidated entity's current liabilities exceeded its current assets by \$3,171,143. As stated in Note 1, these events and conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the consolidated entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

Key Audit Matter	How our audit addressed this matter
Carrying value of Exploration & Evaluation assets Refer to Note 9 in the consolidated financial statements	
<p>The consolidated entity has capitalised exploration expenditure, in relation to the Yerbos Buenas project, with a carrying value of \$14.2m, which represented 90% of the total assets of the consolidated entity as at 30 June 2019. We determined this to be a key audit matter due to the significant management judgment involved in assessing the carrying value in accordance with AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i>, including:</p> <ul style="list-style-type: none"> • Determination of whether expenditure can be associated with finding specific mineral resources; • Assessing whether any indicators of impairment are present; and • Determination of whether exploration activities have progressed to the stage at which the existence of an economically recoverable mineral reserve may be determined. 	<p>Our audit procedures in relation to the carrying value of Exploration and Evaluation assets included:</p> <ul style="list-style-type: none"> • Reviewing a sample of costs that were capitalised to determine whether the costs were appropriate to capitalise in accordance with Australian Accounting Standards and the consolidated entity's accounting policy; • Critically assessing and evaluating management's assessment that no indicators of impairment existed; and • Discussions with management, and a review of the Group's ASX announcements and other relevant documentation, to assess management's determination that exploration activities have not yet progressed to the point where the existence or otherwise of an economically recoverable mineral resource may be determined.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the consolidated entity's annual report for the year ended 30 June 2019 but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2019. In our opinion, the Remuneration Report of Freehill Mining Limited for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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



RSM AUSTRALIA PARTNERS



P A RANSOM

Partner

Dated: 30 September 2019
Melbourne, Victoria

Freehill Mining Limited
Shareholder information
30 June 2019

The shareholder information set out below was applicable as at 17 September 2019.

Distribution of equitable securities

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

	Number of holders of ordinary shares	Number of ordinary shares
1 to 1,000	788	113,355
1,001 to 5,000	88	219,129
5,001 to 10,000	161	1,562,948
10,001 to 100,000	274	13,104,967
100,001 and over	430	801,273,551
	1,741	816,273,950
Holding less than a marketable parcel	1,171	5,073,613

Equity security holders

Twenty largest quoted equity security holders

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

	Ordinary shares Number held	% of total shares issued
DUDDY INVESTMENT PTY LTD (DUDDY INVESTMENT A/C)	86,637,404	10.61
PINNACLE EQUITIES PTY LTD	85,925,000	10.53
DG FREEHOLD PTY LTD (DG FREEHOLD A/C)	82,271,820	10.08
MR LEO ILIAS RADIOTIS (L A RADIOTIS FAMILY A/C)	25,910,794	3.17
MR RINO DI GIANTOMASSO	21,780,924	2.67
PAW SUPER PTY LTD (PAW SUPER FUND A/C)	20,900,299	2.56
MR SAMUEL WILLIAM DUDDY	20,213,500	2.48
R & A MANGION PTY LTD (STEGMAN SMSF A/C)	19,108,305	2.34
BNP PARIBAS NOMINEES PTY LTD (IB AU NOMS RETAILCLIENT DRP)	17,335,458	2.12
CAM NOMINEES PTY LTD (CAM NOMINEES SUPER FUND A/C)	16,954,764	2.08
AKM MARLBOROUGH PTY LTD (M & M VINACCIA FAMILY A/C)	15,327,543	1.88
LILLYPILLY INVESTMENTS-PINKENBA PTY LTD	15,000,000	1.84
RMVIC PTY LTD (RMVIC S/F A/C)	14,632,000	1.79
NAFRA PTY LTD	13,333,333	1.63
S W DUDDY INVESTMENTS PTY LTD	10,395,078	1.27
MR JAG ZENON MAXWELL (ZENON FAMILY A/C)	8,031,842	0.98
HRM PARTNERS PTY LTD (L&P SUPERFUND A/C)	8,000,465	0.98
MS IDA BEATRICE DWYER	6,666,666	0.82
AEGIS INVESTMENT CAPITAL PTY LTD	6,124,225	0.75
SEMZJ INVESTMENTS PTY LTD (HALLELUYAH INVESTMENT A/C)	5,992,285	0.73
	500,541,705	61.31

Freehill Mining Limited
Shareholder information
30 June 2019

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
SAMUEL DUDDY	131,859,482	16.15
PINNACLE EQUITIES PTY LTD	85,925,000	10.53
DG FREEHOLD PTY LTD (DG FREEHOLD A/C)	82,271,820	10.08

Voting rights

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

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of ordinary securities.