



29 July 2021

## Quarterly Activity Report 30 June 2021

- Exploration and development initiatives at 100%-owned Yervas Buenas magnetite continued during the quarter
- Commencement of small scale production mining at the original YB1 magnetite mine in process with mine plan imminent
- Comprehensive analysis of YB6 data undertaken to determine optimal process and production strategy
- YB6 Infill drilling submission provided to Chilean Mining Authorities adjusted for regulatory changes while in process
- Strategic decision to suspend drilling at El Dorado provides financial flexibility with short term focus on development of Yervas Buenas

Freehill Mining Limited (ASX: FHS 'Freehill' or 'the Company') is pleased to provide this activity report for the quarter ended 30 June 2021.

### 100%-owned Yervas Buenas magnetite project update

#### **Establishment of small scale mining operations at the original YB1 magnetite mine ("YB1"):**

The Company continued to progress two work streams to recommence production at the Yervas Buenas magnetite project. Work is underway to establish small scale production mining operations with an aim of producing up to 5,000 tonnes per month at the original YB1 magnetite mine, which will allow Freehill to take advantage of strong iron ore prices and capitalise on the growing demand from potential customers. Planning for start-up mining operations using established local contractors is well advanced and the Company expects to announce production agreements in the coming months.

#### **YB6 Magnetite Project ("YB6") infill drilling and project development:**

Work has been undertaken by Dean David FAusIMM, CP (Met) of DD Consulting to provide an in-depth analysis of all of the test work to date including the assessment of three types of process options for the operation; 68%+ Fe grade pellet feed, 63% Fe grade HG fines and 53% Fe grade LG fines.

For each of these process options the broad OPEX and CAPEX will be shown as well as the metal outputs. Following receipt and analysis of this information, the Company will be able to focus all future studies on a single process path with clarity that demonstrates that optimum value is being achieved from exploiting the ore body.

The report outlining achievable product grades and production parameters is progressing well and is expected to be ready in the coming weeks. This report, combined with the pit design and the block model, is a key catalyst for delivering a larger scale production model for YB6.

Freehill is also progressing the next step in YB6's development, which is a planned infill drilling campaign. The aim to this program is to redefine the geological and mine modelling for the project. Environmental work and permitting necessary to commence infill drilling has been submitted to the relevant authorities for approval and drilling will commence shortly thereafter.

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## **El Dorado project update**

A number of exploration initiatives began during the quarter across the El Dorado copper gold asset. The Company planned a 1,500m, three-hole drill program designed to test high intensity Induced Polarisation (IP) anomalies and other targets. Upon the first 1,000m of drilling, Freehill found limited mineralisation and made the strategic decision to suspend the drill program. The remaining allocated capital from the initiative will be redeployed to the aforementioned activities of exploration and project development activities underway at the Yervas Buenes magnetite project.

The Company is awaiting assays from the first 1,000m of the program and geological survey work will be undertaken at the northern end of the tenement blocks to determine future exploration initiatives at El Dorado.

## **Funding**

Freehill is pleased to see the continued exercising of options as shareholders recognise the potential value that can be unlocked following the recommencement of mining and ongoing development at Yervas Buenes. During the quarter 2,706,000 options were exercised into fully paid shares raising an additional \$67,650. At quarter end, Freehill's cash balance was \$1.535m and the Company is well-funded to carry out its current works program which are now focused predominantly on Yervas Buenes.

The Board also continues to review project opportunities, with a sole focus on Chile, as and when they are presented and predicated on increasing shareholder value.

## **Effects of COVID-19**

Despite high vaccination rates, a proportion of Chile remains under a State of Emergency and some areas are experiencing ongoing lockdown measures. While this has not had a major effect on Freehill's activities, it has caused some minor delays. The Company has put in place a number of contingencies to ensure the safety of its in-country staff and will continue to act in line with the appropriate issued guidelines.

## **Mining Tenements Listing**

In accordance with ASX Listing Rule 5.3.3, Freehill provides the following information in relation to its tenement holdings located in Chile:

<b>Tenement Name</b>	<b>Freehill Group Ownership</b>	<b>Location</b>	<b>Licence Number</b>	<b>Area</b>
YERBAS BUENAS 1-16	100%	Region IV, Chile	04102-2723-1	50 Ha
ARENAS III 1 to 15	100%	Region IV, Chile	04102-2714-2	150 Ha
ARENAS IV 1 to 10	100%	Region IV, Chile	04102-2715-0	44 Ha
ARENAS VI 1 to 20	100%	Region IV, Chile	04102-2755-K	92 Ha
ARENAS X 1 to 18	100%	Region IV, Chile	04102-2937-4	54 Ha
ARENAS XI 1 to 20	100%	Region IV, Chile	04102-3522-6	80 Ha
EL DORADO I to 10	100%	La Higuera, Chile	04102-3669-9	100 Ha
EL DORADO II 1 to 10	100%	La Higuera, Chile	04102-3670-2	100 Ha
EL DORADO III 1 to 10	100%	La Higuera, Chile	04102-3671-0	100 Ha
EL DORADO IV 1 to 10	100%	La Higuera, Chile	04102-3672-9	100 Ha
EL DORADO V 1 to 10	100%	La Higuera, Chile	04102-3673-7	58 Ha
EL DORADO VI 1 to 10	100%	La Higuera, Chile	04102-3674-5	94 Ha
EL DORADO VII 1 to 7	100%	La Higuera, Chile	04102-3675-3	70 Ha
EL DORADO VIII 1 to 10	100%	La Higuera, Chile	04102-3676-1	96 Ha
<b>Total</b>				<b>1,188 Ha</b>

## **Comment**

**Chief Executive Officer Paul Davies said:** "During the quarter, the Company made the prudent and strategic decision to suspend drilling at El Dorado and commit its focus on advancing the more mature Yervas Buenes project which offers much greater near-term growth potential. Work continued at both the YB1 and YB6 projects, and we are very confident that further development here will unlock significant shareholder value.

"Freehill has a capable team of experienced contractors, as well as excellent corporate and technical management. This will provide the essential skills needed to focus on unlock greater value at Yervas Buenes and allow the Company to progress its next phase of growth. A number of discussions with potential customers, exploration and development initiatives are in train and we look forward to updating shareholders as these materialise."

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**About Freehill Mining Limited:**

Freehill Mining Limited (ASX: FHS) is a mineral exploration company focused on the development of its 100%-owned Yervas Buenas magnetite project in Chile. Freehill has defined two inferred magnetite resources (JORC 2012) at Yervas Buenas and is identifying gold and copper mineralisation in the northern part of the property as well as copper and gold mineralisation at the 100%-owned El Dorado tenements immediately to the north of Yervas Buenas. Freehill plans to recommence mining operations at its YB1 magnetite mine in 2021 and continue to advance the development of the larger scale YB6 magnetite resource.

**For further information, please contact:**

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## Appendix 5B

### Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

FREEHILL MINING LIMITED

ABN

27 091 608 025

Quarter ended ("current quarter")

30 June 2021

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
<b>1. Cash flows from operating activities</b>			
1.1 Receipts from customers			
1.2 Payments for			
(a) exploration & evaluation			
(b) development			
(c) production			
(d) staff costs		(33)	(151)
(e) administration and corporate costs		(307)	(1,841)
1.3 Dividends received (see note 3)			
1.4 Interest received			
1.5 Interest and other costs of finance paid		(7)	(97)
1.6 Income taxes paid			
1.7 Government grants and tax incentives			
1.8 Other (provide details if material)			
<b>1.9 Net cash from / (used in) operating activities</b>		<b>(347)</b>	<b>(2,089)</b>

<b>2. Cash flows from investing activities</b>			
2.1 Payments to acquire or for:			
(a) entities			
(b) tenements			(124)
(c) property, plant and equipment			
(d) exploration & evaluation		(191)	(581)
(e) investments			
(f) other non-current assets			

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
2.2	Proceeds from the disposal of:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment		
	(d) investments		
	(e) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)	232	250
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>41</b>	<b>(455)</b>

The items listed in 2.5 above in the current quarter relate to pre production receipts that have been allocated against the carrying value of the exploration asset.

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	68	2,725
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(9)	(320)
3.5	Proceeds from borrowings	64	942
3.6	Repayment of borrowings		(169)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>123</b>	<b>3,178</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	1,734	917
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(347)	(2,089)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	41	(455)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	123	3,178

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(16)	(16)
4.6	<b>Cash and cash equivalents at end of period</b>	<b>1,535</b>	<b>1,535</b>

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,535	1,734
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,535</b>	<b>1,734</b>

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	56
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		
6.1 Include payments of directors and consulting fees.		

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

<b>7.</b>	<b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1	Loan facilities		
7.2	Credit standby arrangements		
7.3	Other (please specify)	64	64
7.4	<b>Total financing facilities</b>	<b>64</b>	<b>64</b>
7.5	<b>Unused financing facilities available at quarter end</b>		
7.6	<p>Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.</p> <p>Other borrowings relate to debt with a conversion of option. Interest is payable on the debt with conversion option at 10% per annum and the borrowings expire in November 2021. It can be converted at a 15% discount to 7 day VWAP.</p>		

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(347)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(191)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(538)
8.4	Cash and cash equivalents at quarter end (item 4.6)	1,535
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	1,535
8.7	<b>Estimated quarters of funding available (item 8.6 divided by item 8.3)</b>	2.85
	<p><i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i></p>	
8.8	If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: N/A	
8.8.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: N/A	
8.8.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer: N/A	
	<i>Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.</i>	

## **Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 29 July 2021

Authorised by: By the Board

(Name of body or officer authorising release – see note 4)

## **Notes**

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg *Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.