

# **Freehill Mining Limited**

**ACN 091 608 025**

**Annual Report - 30 June 2022**

**Freehill Mining Limited**  
**Corporate directory**  
**30 June 2022**

Directors	Raymond Charles Mangion Paul Davies Jim Moore
Company secretary	Joe Fekete
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	Connect National Audit Pty Ltd Level 8/350 Collins St MELBOURNE VIC 3000
Stock exchange listing	Freehill Mining Limited shares are listed on the Australian Securities Exchange (ASX code: FHS)
Website	<a href="http://www.freehillmining.com">www.freehillmining.com</a>
Corporate Governance Statement	Refer to <a href="http://www.freehillmining.com">www.freehillmining.com</a>

**Freehill Mining Limited**  
**Chairman's letter**  
**30 June 2022**

Dear Shareholders,

In presenting the 2022 annual report for Freehill Mining Ltd, I'd like to take this opportunity to thank my fellow board members for their outstanding efforts over the last 12 months.

FY22 was marked by ongoing volatility, defined not only by the global economic after effects of the worst pandemic in over 100 years, but also by war in the Ukraine and continuing tensions in the South Pacific along with soaring inflation, interest rates and energy prices.

Despite these unprecedented events, I'm pleased to confirm that Freehill achieved all the goals that the board set for it in 2022.

The achievement of those operational targets was centred around the Board's primary strategic objective – Freehill's emergence from an exploration company into a producer and key supplier from Yervas Buenas, its 100%-owned magnetite project in Chile.

Management's successful pursuit of that target was reflected throughout the financial year by several key milestones, culminating in a formal offtake agreement with Chilean iron ore major Compania Minera Del Pacifico S.A (CMP) in June.

**A summary of the group's significant FY22 announcements is outlined below:**

- **11/10/2021**  
Freehill appoints MTN Gold Spa to undertake mining, crushing and processing operation, with a target of 5,000 tonnes per month under permit.
- **19/11/2021**  
FHSO options fully subscribed, confirming shareholder confidence.
- **24/02/2022**  
Mining activities and processing at Yervas Buenas commences
- **02/06/2022**  
Offtake agreement secured with Compania Minera Del Pacifico S.A (CMP)

After executing on our FY22 transition, I'm also pleased to add that ongoing developments post year-end have further confirmed Freehill's status as a trusted magnetite producer for the Chilean market.

Following its June offtake agreement in June, the first 2,500t shipment was formally completed in September, with ongoing magnetite deliveries from the Yervas Buenas mine to CMP.

Looking ahead, the focus for FY23 will turn to the consolidation of processing operations and product sales from YB, and the achievement and maintenance of positive cash flows that will allow the board to explore and fund further opportunities when they arise.

We firmly believe that the events planned for the next 3–6 months will excite the marketplace and deliver for shareholders a better reflection of the company's true market value.

Ray Mangion, Non-Executive Chairman

**Freehill Mining Limited**  
**Directors' report**  
**30 June 2022**

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 2022.

**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  
Jim Moore

**Impact of COVID 19 pandemic**

During the period ended 30 June 2020, the COVID-19 was declared a pandemic by the World Health Organisation (WHO). The pandemic has adversely affected the global economy, including an increase in unemployment, decrease in consumer demand, interruptions in supply chains, and tight liquidity and credit conditions. Since its outbreak, governments worldwide have set up measures to contain the pandemic. Many countries have required entities to limit or suspend business operations, and have also implemented travel restrictions and quarantine measures. Monetary and fiscal stimulus packages have also been introduced in some countries. As the COVID-19 outbreak continues to evolve, the estimated financial impact cannot be reasonably determined at this juncture. The impact which COVID 19 has had on the consolidated entity is set out below.

*Chilean operations*

In response to the pandemic the Chilean government has imposed restrictions. These have resulted in delays to the exploration program on all Chilean projects. Whilst there have been delays this has not impacted on the likelihood that the project will ultimately be feasible, and therefore has not impacted on the impairment assessments in relation to exploration assets.

*Australian operations*

The impact of COVID-19 on the consolidated entity's Australian operations has not been material due to their scale and nature of operations as a holding company.

**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 \$1,616,501 (30 June 2021: \$2,244,474).

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

**Significant changes in the state of affairs**

Below is a summary of the fully paid ordinary shares issued during the year

- 80,228,204 fully paid ordinary share were issued on the exercise of options raising \$2,005,707 before costs;
- 25,035,929 fully paid ordinary shares were issued settling debt valued at \$544,255;
- 11,730,769 fully paid ordinary shares valued at \$305,000 were issued as consideration for the extinguishment of a royalty over the consolidated entity's assets;
- 37,500,000 fully paid ordinary were issued as part of placement raising \$750,000 before costs; and
- 1,500,000 fully paid ordinary shares valued at \$60,000 were issued to key management personnel as part of their remuneration.

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**

Since 30 June 2022, the company has received total funding of \$534,808 under its existing Convertible Debt facility and further \$100,000 short term debt funding from a director related entity.

On 7 September 2022, the company issued 25,813,474 fully paid ordinary shares settling debt and accrued interest valued at \$371,689 relating amounts received since 30 June 2022 under the Convertible Debt facility. In addition, on the same day the company also issued 650,00 fully paid ordinary shares settling trade payables valued at \$10,844.

**Freehill Mining Limited**  
**Directors' report**  
**30 June 2022**

As at 20 September 2022, the Company had delivered in excess of 3500 tonnes of Fe concentrate its Chilean customer CMP under the purchase order issued by CMP to our Chilean subsidiary Yervas Buenas SpA. The final amount delivered will be determined subsequent to lodgement of these accounts but will give rise to a material receivable.

No other matter or circumstance has arisen since 30 June 2022 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
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:	38,134,721 fully paid ordinary shares
Interests in options:	Nil
Interests in rights:	Nil

Name:	Paul Davies
Title:	Chief Executive 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:	Mr Davies has been CFO of the Company for six years prior to being appointed Chief Executive. He brings an intimate knowledge of Freehill's activities combined with significant experience in the mining sector from his 30 plus years in the finance industry. During his career, Mr Davies has held leadership roles with many organisations, both large and small, in addition to his finance experience. Most notably, he 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, Mr. Davies worked for a number of years with both Bankers Trust Australia and Macquarie Bank. Mr Davies holds an Economics Degree from Monash University, has qualified as a Chartered Accountant and is an alumnus of the Stanford Business School.

Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Interests in shares:	4,706,787 fully paid ordinary shares
Interests in options:	Nil
Interests in rights:	3,000,000 performance rights

**Freehill Mining Limited**  
**Directors' report**  
**30 June 2022**

Name:	Jim Moore
Title:	Non-Executive Director
Qualifications:	Bachelor of Engineering from Royal Melbourne Institute of Technology
Experience and expertise:	Mr Moore is an experienced and qualified mining engineer and provides significant expertise in the development of the Yerbias Buenas magnetite mining and processing operation. Mr Moore has undertaken multiple roles as a mine manager, superintendent and mining engineer for companies such as BHP Billiton, Pilbara Minerals, Oceana Gold, Element25 and Grange Resources and he brings desirable engineering and research capability to the Board at a critical time.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Interests in shares:	Nil
Interests in options:	Nil
Interests in rights:	Nil

'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**

Tom Sapountis was company secretary until 26 November when he was replaced by Joe Fekete. Tom is a qualified corporate lawyer who has a solid track record working with numerous public companies and providing governance and regulatory advice.

Joe holds a Bachelor of Business in Accounting and is a registered Company Secretary. He is a member of both the CPA Australia and the Chartered Institute of Secretaries. His business management and accounting experience spans over 20 years in various industries including Mining, Advertising, Travel, Wholesale Retail distribution, Construction, and Public Practice. Joe is an experienced professional who has gained his experience in areas of statutory reporting, IPOs, accounting, system development, restructuring and general business management from the Board Room to Shop Floor.

He is also experienced in public disclosure requirements and dealing with external parties, including statutory reporting and in the delivery of quality management information within the organisation on a timely basis.

**Meetings of directors**

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2022, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Raymond Charles Mangion	9	9
Paul Davies	9	9
Jim Moore	9	9

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.

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**Directors' report**  
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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.

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 2022, the consolidated entity did not engage remuneration consultants.

*Voting and comments made at the company's 25 November 2021 Annual General Meeting ('AGM')*

At the 25 November 2021 AGM, 99.7% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2021. 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	
	Salary and fees	Consulting fees	Non-monetary	Super-annuation	Long service leave	Equity-settled	Total
<b>2022</b>	\$	\$	\$	\$	\$	\$	\$
Raymond Charles Mangion	45,000	-	-	-	-	-	45,000
Jim Moore *	45,000	9,600	-	-	-	-	54,600
<i>Executive Directors:</i>							
Paul Davies	99,000	-	-	-	-	71,313	170,313
	189,000	9,600	-	-	-	71,313	269,913

\* Consulting fee paid during the year related to operations at Yerbass Buenas.



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	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Salary and fees \$	Cash bonus \$	Non-monetary \$	Super-annuation \$	Long service leave \$	Equity-settled \$	Total \$
<b>2021</b>							
Raymond Charles Mangion	45,000	-	-	-	-	-	45,000
Jim Moore ***	15,000	-	-	-	-	-	15,000
<i>Executive Directors:</i>							
Paul Davies *	99,000	-	-	-	-	38,588	137,588
Peter Hinner **	313,654	-	-	-	-	74,087	387,741
	<u>472,654</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>112,675</u>	<u>585,329</u>

\* Paul Davies was CFO until 18 February 2021 when he became CEO.

\*\* During the year, Peter Hinner received 1,347,028 fully paid ordinary shares valued at \$74,086. During the year Peter received \$180,000 as part of an agreed settlement. Peter Hinner resigned on 18 February 2021.

\*\*\* Appointed on 18 February 2021.

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

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2022	2021	2022	2021	2022	2021
<i>Non-Executive Directors:</i>						
Raymond Charles Mangion	100%	100%	-	-	-	-
Jim Moore	100%	100%	-	-	-	-
<i>Executive Directors:</i>						
Paul Davies	59%	67%	-	-	41%	33%
Peter Hinner	-	80%	-	-	-	20%

**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: Chief Executive Officer  
Agreement commenced: 1 January 2017  
Details: Remuneration is set at \$99,000 per annum plus GST

Name: Raymond Charles Mangion  
Title: Chairman  
Agreement commenced: 1 January 2017  
Details: Remuneration is set at \$45,000 per annum plus GST.

Name: Jim Moore  
Title: Non-Executive Director  
Agreement commenced: 18 February 2021  
Details: Remuneration is set at \$45,000 per annum plus GST.

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 2022.

*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 2022.

**Additional information**

The earnings of the consolidated entity for the five years to 30 June 2022 are summarised below:

	2022 \$	2021 \$	2020 \$	2019 \$	2018 \$
Revenue	-	2,825	13,471	370	61
Loss after income tax	(1,616,501)	(2,244,747)	(2,831,376)	(2,508,162)	(2,965,089)

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

	2022	2021	2020	2019	2018
Share price at financial year end (cents)	1.80	3.40	5.40	1.40	6.00
Basic earnings per share (cents per share)	0.09	(0.14)	(0.25)	(0.43)	(0.84)
Diluted earnings per share (cents per share)	0.09	(0.14)	(0.25)	(0.43)	(0.84)

**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	Additions	As part of remuneration	Conversion of options	Balance at the end of the year
<i>Ordinary shares</i>					
Raymond Charles Mangion	35,407,449	-	-	2,727,272	38,134,721
Paul Davies	4,706,787	-	-	-	4,706,787
	40,114,236	-	-	2,727,272	42,841,508

*Option holding*

The number of options 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 as part of remuneration	Exercised	Lapsed	Balance at the end of the year
<i>Options over ordinary shares</i>					
Paul Davies	10,000,000	-	-	(10,000,000)	-
Ray Magnion	2,727,272	-	(2,727,272)	-	-
	12,727,272	-	(2,727,272)	(10,000,000)	-

**Freehill Mining Limited**  
**Directors' report**  
**30 June 2022**

*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	Converted to issued capital	Expired/ forfeited/ other	Balance at the end of the year
<i>Performance rights over ordinary shares</i>					
Paul Davies *	9,000,000	-	-	(6,000,000)	3,000,000
	<u>9,000,000</u>	<u>-</u>	<u>-</u>	<u>(6,000,000)</u>	<u>3,000,000</u>

\* During the prior year Paul Davies was issued 3,000,000 performance rights. The performance rights will vest upon completion of a 10 day period where the volume weighted average share price exceeds 10 cents. These performance rights will expire on 31 December 2022.

*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 2022.

***This concludes the remuneration report, which has been audited.***

**Shares under option**

Unissued ordinary shares of Freehill Mining Limited under option at the date of this report are as follows:

Grant Date	Expiry date	Exercise price	Number under option
12 November 2019	12 November 2022	\$0.1000	30,000,000
18 May 2018	16 February 2023	\$0.1425	1,984,725
			<u>31,984,725</u>

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

**Shares issued on the exercise of options**

The following ordinary shares of Freehill Mining Limited were issued during the year ended 30 June 2022 and up to the date of this report on the exercise of options granted:

Issue date	Exercise price	Number of shares issued
30 July 2021	\$0.0250	150,000
26 October 2021	\$0.0250	4,668,688
4 November 2021	\$0.0250	11,041,254
23 November 2021	\$0.0250	17,035,512
		<u>32,895,454</u>

**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.

**Freehill Mining Limited**  
**Directors' report**  
**30 June 2022**

**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**

There were no non-audit services provided during the financial year by the auditor.

**Officers of the company who are former partners of Connect National Audit**

There are no officers of the company who are former partners of Connect National Audit.

**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**

Connect Audit was appointed 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



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Ray Mangion  
Chairman

29 September 2022

**AUDITOR'S INDEPENDENCE DECLARATION**  
**UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**

As lead auditor for the audit of Freehill Mining Limited for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Freehill Mining Limited.

**George Georgiou FCA**  
Managing Partner  
Connect National Audit Pty Ltd  
ASIC Authorised Audit Company No. 521888  
Melbourne, Victoria  
Date: 29 September 2022

## **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 29 September 2022. 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 2022**

	<b>Note</b>	<b>Consolidated 2022 \$</b>	<b>2021 \$</b>
<b>Revenue</b>			
Interest revenue calculated using the effective interest method		-	147
Other revenue		-	2,678
<b>Expenses</b>			
Corporate and administration expenses		(542,466)	(891,752)
Consulting expenses		(237,448)	(556,461)
Employee benefits expense		(405,002)	(564,465)
Depreciation and amortisation expense	8	(12,109)	(2,697)
Extinguishment of royalty rights	14	(305,000)	-
Other expenses		(61,806)	(62,175)
Finance costs		(52,670)	(169,749)
<b>Loss before income tax expense</b>		(1,616,501)	(2,244,474)
Income tax expense	5	-	-
<b>Loss after income tax expense for the year attributable to the owners of Freehill Mining Limited</b>		(1,616,501)	(2,244,474)
<b>Other comprehensive income / (loss)</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(412,235)	413,909
Other comprehensive income / (loss) for the year, net of tax		(412,235)	413,909
<b>Total comprehensive loss for the year attributable to the owners of Freehill Mining Limited</b>		<u>(2,028,736)</u>	<u>(1,830,565)</u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	27	(0.09)	(0.14)
Diluted earnings per share	27	(0.09)	(0.14)

*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 2022**

	<b>Note</b>	<b>Consolidated 2022 \$</b>	<b>2021 \$</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	580,651	1,535,609
Trade and other receivables	7	64,309	104,795
Other		474	-
Total current assets		<u>645,434</u>	<u>1,640,404</u>
<b>Non-current assets</b>			
Trade and other receivables	7	857,901	603,252
Property, plant and equipment	8	148,980	7,404
Exploration and evaluation asset	9	21,201,563	19,687,399
Total non-current assets		<u>22,208,444</u>	<u>20,298,055</u>
<b>Total assets</b>		<u>22,853,878</u>	<u>21,938,459</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	10	81,693	595,522
Borrowings	11	-	64,000
Employee benefits	12	13,365	12,161
Total current liabilities		<u>95,058</u>	<u>671,683</u>
<b>Non-current liabilities</b>			
Provisions	13	70,000	70,000
Total non-current liabilities		<u>70,000</u>	<u>70,000</u>
<b>Total liabilities</b>		<u>165,058</u>	<u>741,683</u>
<b>Net assets</b>		<u>22,688,820</u>	<u>21,196,776</u>
<b>Equity</b>			
Issued capital	14	39,713,329	36,263,862
Reserves	15	(465,676)	(124,754)
Accumulated losses		(16,558,833)	(14,942,332)
<b>Total equity</b>		<u>22,688,820</u>	<u>21,196,776</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 2022**

<b>Consolidated</b>	<b>Issued capital \$</b>	<b>Reserves \$</b>	<b>Accumulated losses \$</b>	<b>Total equity \$</b>
Balance at 1 July 2020	27,096,965	(510,751)	(12,697,858)	13,888,356
Loss after income tax expense for the year	-	-	(2,244,474)	(2,244,474)
Other comprehensive income for the year, net of tax	-	413,909	-	413,909
Total comprehensive income / (loss) for the year	-	413,909	(2,244,474)	(1,830,565)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 14)	9,100,397	-	-	9,100,397
Shared based payments	-	38,588	-	38,588
Transfer	66,500	(66,500)	-	-
Balance at 30 June 2021	<u>36,263,862</u>	<u>(124,754)</u>	<u>(14,942,332)</u>	<u>21,196,776</u>
<b>Consolidated</b>	<b>Issued capital \$</b>	<b>Reserves \$</b>	<b>Accumulated losses \$</b>	<b>Total equity \$</b>
Balance at 1 July 2021	36,263,862	(124,754)	(14,942,332)	21,196,776
Loss after income tax expense for the year	-	-	(1,616,501)	(1,616,501)
Other comprehensive loss for the year, net of tax	-	(412,235)	-	(412,235)
Total comprehensive loss for the year	-	(412,235)	(1,616,501)	(2,028,736)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 14)	3,449,467	-	-	3,449,467
Shared based payments	-	71,313	-	71,313
Balance at 30 June 2022	<u>39,713,329</u>	<u>(465,676)</u>	<u>(16,558,833)</u>	<u>22,688,820</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 2022**

	<b>Note</b>	<b>Consolidated 2022 \$</b>	<b>2021 \$</b>
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees (inclusive of GST)		(1,432,167)	(1,726,519)
Interest received		-	25
Other revenue		26,949	147
Interest and other finance costs paid		(44,416)	(179,428)
Net cash used in operating activities	26	(1,449,634)	(1,905,775)
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment	8	(165,103)	-
Payments for exploration and evaluation		(2,324,572)	(1,045,601)
Pre-productions mining receipts offset against the carrying value of the assets		-	258,256
Net cash used in investing activities		(2,489,675)	(787,345)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		2,755,705	2,725,369
Proceeds from borrowings		472,000	942,400
Share issue transaction costs		(215,492)	(180,237)
Repayment of borrowings		-	(152,364)
Net cash from financing activities		3,012,213	3,335,168
Net increase/(decrease) in cash and cash equivalents		(927,096)	642,048
Cash and cash equivalents at the beginning of the financial year		1,535,609	917,111
Effects of exchange rate changes on cash and cash equivalents		(27,862)	(23,550)
Cash and cash equivalents at the end of the financial year	6	<u>580,651</u>	<u>1,535,609</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 2022.

### **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 \$1,616,501 (2021: \$2,244,474) and had operating cash outflows of \$1,449,634 (2021: \$1,905,775).

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.

The directors have reviewed the cash flow forecast for the next 12 months from the date of signing this financial report, and 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:

- Since 30 June 2022, the company has received total funding of \$534,808 under its existing Convertible Debt facility and a further \$100,000 short term debt funding from a director related entity;
- On 7 September 2022, the company issued 25,813,474 fully paid ordinary shares settling debt and accrued interest valued at \$371,689 relating amounts received since 30 June 2022 under the Convertible Debt facility;
- On 25 August 2022, the company announced that on going deliveries have commenced, and the consolidated entity is now revenue generating, and expects to generate positive during the second quarter of the 2023 financial year; and
- The company has a proven track record of being able to raise funding via both debt and equity as needed.

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.

**Note 1. Significant accounting policies (continued)**

**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 23.

**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 2022 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.

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.

**Note 1. Significant accounting policies (continued)**

**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.

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.

**Note 1. Significant accounting policies (continued)**

**Trade and other receivables**

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.

*Financial assets at amortised cost*

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

*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.

**Property, plant and equipment**

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Motor vehicles	7 years
Plant and equipment	6 years
Computer equipment	6 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to 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.

**Note 1. Significant accounting policies (continued)**

**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.

**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.

**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**

*Short-term employee benefits*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

*Other long-term employee benefits*

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

*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.

**Note 1. Significant accounting policies (continued)**

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.

**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.



**Note 1. Significant accounting policies (continued)**

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 2022. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

**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 2022, 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. Impact of COVID 19 pandemic**

During the period ended 30 June 2020, the COVID-19 was declared a pandemic by the World Health Organisation (WHO). The pandemic has adversely affected the global economy, including an increase in unemployment, decrease in consumer demand, interruptions in supply chains, and tight liquidity and credit conditions. Since its outbreak, governments worldwide have set up measures to contain the pandemic. Many countries have required entities to limit or suspend business operations, and have also implemented travel restrictions and quarantine measures. Monetary and fiscal stimulus packages have also been introduced in some countries. As the COVID-19 outbreak continues to evolve, the estimated financial impact cannot be reasonably determined at this juncture. The impact which COVID 19 has had on the consolidated entity is set out below.

*Chilean operations*

In response to the pandemic the Chilean government has imposed restrictions. These have resulted in delays to the exploration program on all Chilean projects. Whilst there have been delays this has not impacted on the likelihood that the project will ultimately be feasible, and therefore has not impacted on the impairment assessments in relation to exploration assets.

*Australian operations*

The impact of COVID-19 on the consolidated entity's Australian operations has not been material due to their scale and nature of operations as a holding company.

**Note 4. 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 5. Income tax expense**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(1,616,501)	(2,244,474)
Tax at the statutory tax rate of 25% (2021: 26%)	(404,125)	(583,563)
Non-deductible expenses	112,775	56,117
Temporary differences and losses not brought to account	291,350	527,446
Income tax expense	-	-

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<i>Australian tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	9,949,982	8,873,600
Potential tax benefit @ 25%	2,487,496	2,218,400

In addition to the above Australian tax losses the consolidated entity has unused losses of 4,371,278,422 Chilean pesos (\$6,906,619) Chilean pesos which amount to an unrecognised benefit of 1,180,245,173 Chilean pesos (\$1,864,787). The corporate tax rate in Chile is 27%.

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

**Note 6. Cash and cash equivalents**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<i>Current assets</i>		
Cash on hand	1,590	1,820
Cash at bank	579,061	1,533,789
	580,651	1,535,609

**Freehill Mining Limited**  
**Notes to the financial statements**  
**30 June 2022**

**Note 7. Trade and other receivables**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<i>Current assets</i>		
Other receivables	4,700	40,903
Indirect taxes receivable	59,609	63,892
	<u>64,309</u>	<u>104,795</u>
<i>Non-current assets</i>		
Indirect taxes receivable	<u>857,901</u>	<u>603,252</u>

**Note 8. Property, plant and equipment**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<i>Non-current assets</i>		
Plant and equipment - at cost	12,507	14,328
Less: Accumulated depreciation	(8,847)	(7,928)
	<u>3,660</u>	<u>6,400</u>
Motor vehicles - at cost	153,797	-
Less: Accumulated depreciation	(9,155)	-
	<u>144,642</u>	<u>-</u>
Computer equipment - at cost	1,191	1,364
Less: Accumulated depreciation	(513)	(360)
	<u>678</u>	<u>1,004</u>
	<u>148,980</u>	<u>7,404</u>

*Reconciliations*

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

<b>Consolidated</b>	Motor vehicles \$	Computer equipment \$	Plant and equipment \$	Total \$
Balance at 1 July 2020	-	1,204	8,693	9,897
Exchange differences	-	10	194	204
Depreciation expense	-	(210)	(2,487)	(2,697)
Balance at 30 June 2021	-	1,004	6,400	7,404
Additions	165,103	-	-	165,103
Exchange differences	(10,634)	(113)	(671)	(11,418)
Depreciation expense	(9,827)	(213)	(2,069)	(12,109)
Balance at 30 June 2022	<u>144,642</u>	<u>678</u>	<u>3,660</u>	<u>148,980</u>

**Freehill Mining Limited**  
**Notes to the financial statements**  
**30 June 2022**

**Note 9. Exploration and evaluation asset**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<i>Non-current assets</i>		
Exploration and evaluation - at cost	<u>21,201,563</u>	<u>19,687,399</u>

*Reconciliations*

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

<b>Consolidated</b>	<b>Exploration &amp; evaluation</b>
	<b>\$</b>
Balance at 1 July 2020	13,335,980
Additions	922,430
Acquisition of El Dorada tenement via issue of shares	5,250,000
Exchange differences	437,245
Pre-productions mining receipts offset against the carrying value of the assets	<u>(258,256)</u>
Balance at 30 June 2021	19,687,399
Additions	2,595,248
Exchange differences	<u>(1,081,084)</u>
Balance at 30 June 2022	<u>21,201,563</u>

Exploration and evaluation assets are pledge as security of convertible notes issue (refer to note 11).

**Note 10. Trade and other payables**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<i>Current liabilities</i>		
Trade payables	19,718	362,438
Other payables	<u>61,975</u>	<u>233,084</u>
	<u>81,693</u>	<u>595,522</u>

Refer to note 17 for further information on financial instruments.

**Note 11. Borrowings**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<i>Current liabilities</i>		
Debt with conversion option	<u>-</u>	<u>64,000</u>

Refer to note 17 for further information on financial instruments.

The short term loans were repayable at 12 months from the date of issue and interest has been accrued at 15% per annum. This loan was repaid in full during the current year.

**Freehill Mining Limited**  
**Notes to the financial statements**  
**30 June 2022**

**Note 11. Borrowings (continued)**

Interest was payable on the Debt with conversion option at 10% per annum and the borrowings expire in November 2021. It could be converted at a 15% discount to 7 day VWAP.

The total secured liabilities are as follows:

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Debt with conversion option	-	64,000

*Assets pledged as security*

The carrying amounts of assets pledged as security for borrowings are:

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Exploration and evaluation assets	21,201,562	19,687,399

**Note 12. Employee benefits**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<i>Current liabilities</i> Employee benefits	13,365	12,161

**Note 13. Provisions**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<i>Non-current liabilities</i> Rehabilitation	70,000	70,000

**Note 14. Issued capital**

	<b>2022</b>	<b>Consolidated</b>	
	<b>Shares</b>	<b>2021</b>	<b>2021</b>
		<b>Shares</b>	<b>\$</b>
Ordinary shares - fully paid	1,809,194,419	1,653,199,517	36,263,862

**Freehill Mining Limited**  
**Notes to the financial statements**  
**30 June 2022**

**Note 14. Issued capital (continued)**

*Movements in ordinary share capital*

Details	Date	Shares	Issue price	\$
Balance	1 July 2020	1,453,768,548		27,096,965
Shares issued on exercise of options	July 2021	2,555,903	\$0.0250	63,899
Shares issued to settle borrowings	17 July 2021	1,874,612	\$0.0430	80,000
Shares issued to settle borrowings	31 July 2021	6,546,052	\$0.0480	312,000
Shares issued to KMP in relation to performance shares	31 July 2021	1,000,000	\$0.0670	66,500
Shares issued	3 August 2021	10,000,000	\$0.0600	600,000
Shares issued to settle borrowings	8 August 2021	4,367,414	\$0.0480	210,000
Shares issued on exercise of options	August 2021	6,203,637	\$0.0250	155,091
Shares issued on exercise of options	September 2021	2,295,000	\$0.0250	57,375
Shares issued on exercise of options	October 2021	2,110,000	\$0.0250	52,750
Shares issued to settle borrowings	21 October 2021	1,725,294	\$0.0580	100,000
Shares issued for El Dorado acquisition	23 October 2021	75,000,000	\$0.0700	5,250,000
Shares issued on exercise of options	November 2021	41,638,149	\$0.0250	1,040,954
Shares issued to settle borrowings	6 November 2021	815,883	\$0.0610	50,000
Shares issued on exercise of options	December 2021	23,856,576	\$0.0250	596,414
Shares issued to settle borrowings	30 December 2021	4,780,412	\$0.0520	246,400
Shares issued on exercise of options	January 2021	249,500	\$0.0250	6,237
Shares issued on exercise of options	February 2021	100,000	\$0.0250	2,500
Shares issued to KMP	4 February 2021	1,347,028	\$0.0550	74,086
Shares issued on exercise of options	March 2021	3,300,000	\$0.0250	82,500
Shares issued to settle borrowings	15 April 2021	6,959,509	\$0.0330	232,778
Shares issued on exercise of options	May 2021	1,000,000	\$0.0250	25,000
Shares issued on exercise of options	June 2021	1,706,000	\$0.0250	42,650
Less cost of capital raising		-	\$0.0000	(180,237)
Balance	30 June 2021	1,653,199,517		36,263,862
Conversion of debt	9 July 2021	2,145,245	\$0.0301	64,465
Conversion of options	30 July 2021	150,000	\$0.0250	3,750
Conversion of debt	6 September 2021	1,006,937	\$0.0248	25,013
Conversion of debt	6 September 2021	1,023,440	\$0.0247	25,259
Share issued to settle trade payables	5 October 2021	1,500,000	\$0.0400	60,000
Conversion of debt	21 October 2021	10,090,273	\$0.0250	252,256
Conversion of options	26 October 2021	4,668,688	\$0.0250	116,717
Conversion of options	4 November 2021	11,041,254	\$0.0250	276,031
Conversion of debt	9 November 2021	2,863,112	\$0.0250	71,577
Shares issued for acquisition of El Dorado tenements	12 November 2021	34,379,365	\$0.0250	859,484
Conversion of options	23 November 2021	17,035,512	\$0.0250	425,887
Conversion of debt	7 February 2022	8,025,239	\$0.0215	172,815
Extinguishment of royalty right	7 February 2022	11,730,769	\$0.0260	305,000
Issue of shares	6 June 2022	37,500,000	\$0.0200	750,000
Conversion of debt	6 June 2022	12,835,068	\$0.0200	256,701
Less cost of capital raising		-	\$0.0000	(215,488)
Balance	30 June 2022	<u>1,809,194,419</u>		<u>39,713,329</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.

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.

**Note 14. Issued capital (continued)**

*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 2021 Annual Report.

**Note 15. Reserves**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Foreign currency reserve	(2,150,929)	(1,738,694)
Share-based payments reserve	1,685,253	1,613,940
	<u>(465,676)</u>	<u>(124,754)</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.

**Note 15. Reserves (continued)**

*Movements in reserves*

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

<b>Consolidated</b>	Share based payments \$	Foreign currency \$	Total \$
Balance at 1 July 2020	1,641,852	(2,152,603)	(510,751)
Foreign currency translation	-	413,909	413,909
Share based payments	38,588	-	38,588
Transfer to issued capital from performance shares	(66,500)	-	(66,500)
Balance at 30 June 2021	1,613,940	(1,738,694)	(124,754)
Foreign currency translation	-	(412,235)	(412,235)
Share based payments	71,313	-	71,313
Balance at 30 June 2022	<u>1,685,253</u>	<u>(2,150,929)</u>	<u>(465,676)</u>

**Note 16. Dividends**

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

**Note 17. 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.

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

<b>Consolidated</b>	<b>Assets</b>		<b>Liabilities</b>	
	<b>2022</b> \$	<b>2021</b> \$	<b>2022</b> \$	<b>2021</b> \$
Chilean pesos	<u>865,675</u>	<u>878,837</u>	<u>32,586</u>	<u>483,404</u>



**Note 17. Financial instruments (continued)**

Consolidated - 2022	% change	AUD strengthened		% change	AUD weakened	
		Effect on profit before tax	Effect on equity		Effect on profit before tax	Effect on equity
Chilean pesos	20%	-	(166,617)	20%	-	166,617
Consolidated - 2021	% change	AUD strengthened		% change	AUD weakened	
		Effect on profit before tax	Effect on equity		Effect on profit before tax	Effect on equity
Chilean pesos	20%	-	(79,086)	20%	-	79,086

*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.

*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 - 2022	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
	%	\$	\$	\$	\$	\$
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade and other payables	-	81,693	-	-	-	81,693
Total non-derivatives		81,693	-	-	-	81,693

**Freehill Mining Limited**  
**Notes to the financial statements**  
**30 June 2022**

**Note 17. Financial instruments (continued)**

<b>Consolidated - 2021</b>	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade and other payables	-	595,522	-	-	-	595,522
<i>Interest-bearing - fixed rate</i>						
Debt with conversion option	15.00%	64,000	-	-	-	64,000
Total non-derivatives		659,522	-	-	-	659,522

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 18. Key management personnel disclosures**

*Directors*

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

Raymond Charles Mangion  
Paul Davies  
Jim Moore

Benefits to key management personnel are recognised in profit or loss within employee benefits expense.

*Compensation*

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

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	198,600	472,654
Share-based payments	71,313	112,675
	<u>269,913</u>	<u>585,329</u>

**Note 19. Remuneration of auditors**

During the financial year the following fees were paid or payable for services provided by Connect National Audit, the auditor of the company:

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<i>Audit services - Connect National Audit</i>		
Audit or review of the financial statements	<u>49,000</u>	<u>45,000</u>

**Note 20. Contingent liabilities**

During the prior 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 have all been resolved during the current financial year.

The consolidated entity had no other contingent liabilities at 30 June 2022 and 30 June 2021.

**Note 21. Commitments**

The consolidated entity had no commitments at 30 June 2022 and 30 June 2021.

**Note 22. Related party transactions**

*Parent entity*

Freehill Mining Limited is the parent entity.

*Subsidiaries*

Interests in subsidiaries are set out in note 24.

*Key management personnel*

Disclosures relating to key management personnel are set out in note 18 and the remuneration report included in the directors' report.

*Transactions with related parties*

There were no transactions with related parties during the current and previous financial year.

*Receivable from and payable to related parties*

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

*Loans to/from related parties*

There were no loans to or from related parties at the current and previous reporting date.

**Note 23. Parent entity information**

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

*Statement of profit or loss and other comprehensive income*

	<b>Parent</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax	(1,294,305)	(1,703,260)
Total comprehensive loss	(1,294,305)	(1,703,260)

**Freehill Mining Limited**  
**Notes to the financial statements**  
**30 June 2022**

**Note 23. Parent entity information (continued)**

*Statement of financial position*

	<b>Parent</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Total current assets	637,707	1,380,098
Total assets	25,608,527	23,521,223
Total current liabilities	49,107	188,279
Total liabilities	49,107	188,279
Equity		
Issued capital	52,969,274	49,519,807
Share-based payments reserve	1,685,253	1,613,940
Convertible notes reserve	1,007,202	1,007,202
Accumulated losses	(30,102,309)	(28,808,005)
Total equity	25,559,420	23,332,944

*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 2022 and 30 June 2021.

*Contingent liabilities*

The parent entity had no contingent liabilities as at 30 June 2022 and 30 June 2021.

*Capital commitments - Property, plant and equipment*

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022 and 30 June 2021.

*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 24. 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:

<b>Name</b>	<b>Principal place of business / Country of incorporation</b>	<b>Ownership interest</b>	
		<b>2022</b>	<b>2021</b>
		<b>%</b>	<b>%</b>
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%
El Dorado Minería SpA	Chile	100.00%	100.00%
El Dorado Hold Co Pty Ltd	Australia	100.00%	100.00%

**Freehill Mining Limited**  
**Notes to the financial statements**  
**30 June 2022**

**Note 25. Events after the reporting period**

Since 30 June 2022, the company has received total funding of \$534,808 under its existing Convertible Debt facility and further \$100,000 short term debt funding from a director related entity.

On 7 September 2022, the company issued 25,813,474 fully paid ordinary shares settling debt and accrued interest valued at \$371,689 relating amounts received since 30 June 2022 under the Convertible Debt facility. In addition, on the same day the company also issued 650,00 fully paid ordinary shares settling trade payables valued at \$10,844.

As at 20 September 2022, the Company had delivered in excess of 3500 tonnes of Fe concentrate its Chilean customer CMP under the purchase order issued by CMP to our Chilean subsidiary Yervas Buenas SpA. The final amount delivered will be determined subsequent to lodgement of these accounts but will give rise to a material receivable.

No other matter or circumstance has arisen since 30 June 2022 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 26. Reconciliation of loss after income tax to net cash used in operating activities**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax expense for the year	(1,616,501)	(2,244,474)
Adjustments for:		
Depreciation and amortisation	12,109	2,697
Share-based payments	71,313	38,588
Operating expenses settled via the issue of shares	60,000	74,087
Extinguishment of royalty rights via issue of shares	305,000	-
Non cash finances expenses	8,254	-
Change in operating assets and liabilities:		
Increase in trade and other receivables	(214,163)	(24,771)
Decrease/(increase) in other operating assets	(474)	2,487
Increase/(decrease) in trade and other payables	(76,376)	243,666
Increase in employee benefits	1,204	1,945
Net cash used in operating activities	<u>(1,449,634)</u>	<u>(1,905,775)</u>

**Note 27. Earnings per share**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax attributable to the owners of Freehill Mining Limited	<u>(1,616,501)</u>	<u>(2,244,474)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>1,720,270,748</u>	<u>1,583,403,125</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>1,720,270,748</u>	<u>1,583,403,125</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(0.09)	(0.14)
Diluted earnings per share	(0.09)	(0.14)

**Freehill Mining Limited**  
**Notes to the financial statements**  
**30 June 2022**

**Note 28. Changes in liabilities arising from financing activities**

	Borrowings	Total
<b>Consolidated</b>	\$	\$
Balance at 1 July 2020	505,142	505,142
Net cash from financing activities	790,036	790,036
Conversion to equity	(1,231,178)	(1,231,178)
	<hr/>	<hr/>
Balance at 30 June 2021	64,000	64,000
Net cash from financing activities	472,000	472,000
Conversion to equity	(536,000)	(536,000)
	<hr/>	<hr/>
Balance at 30 June 2022	-	-
	<hr/> <hr/>	<hr/> <hr/>

**Freehill Mining Limited**  
**Directors' declaration**  
**30 June 2022**

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 2022 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



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Ray Mangion  
Chairman

29 September 2022

**Independent Auditor's Report  
To the Members of Freehill Mining Limited  
Report on the Audit of the Financial Report**

**Opinion**

We have audited the accompanying financial report of Freehill Mining Limited (the "consolidated entity"), which comprises the statement of financial position as at 30 June 2022, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the financial year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity as set out on page 38.

In our opinion the financial report of Freehill Mining Limited is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the entity's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and
- (b) 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 consolidated entity, 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.

**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.

Key Audit Matter	How our audit addressed the key audit matter
<b>Capitalisation of Exploration and Evaluation Assets</b>	
We focus on the capitalisation of exploration and evaluation asset as this represents a significant asset of the consolidated entity and that the capitalisation of this amount is significantly affected by management's judgement	<p>We carried out the following work in accordance with the guidance set out in AASB 6 Exploration for and Evaluation of Mineral Resources:</p> <p>We reviewed the consolidated entity's accounting policy specifying which</p>



<p>The consolidated entity has incurred significant exploration and evaluation expenditures. The accounting treatment of these expenditures (whether as capital or expense) can have a significant impact on the financial report. This is particularly relevant as this consolidated entity is in an exploration stage with no production activities. As such it is necessary to assess whether the facts and circumstances existed to suggest that these expenditures were properly capitalised in accordance with accounting standard.</p>	<p>expenditures are recognised as exploration and evaluation assets and its consistent application of the policy. We tested a sample of capitalised expenditures to ensure that these expenditures are associated with finding specific mineral resources</p> <p>We obtained evidence that the rights to tenure of the area of interest are current and that the consolidated entity has valid rights to explore in the areas represented by the capitalised exploration and evaluation expenditures by reviewing supporting documents of a sample of the consolidated entity's tenement holdings</p> <p>We evaluated whether the exploration and evaluation expenditures are expected to be recouped, either through successful development and exploitation or through sale</p> <p>We enquired with management and evaluated whether exploration and evaluation activities in the area of interest have not at the end of the reporting period reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.</p> <p>We enquired with those charged with governance whether they monitor that these expenses are capitalised as per AASB6</p> <p>We have obtained sufficient appropriate audit evidence with regards to the capitalised amount as disclosed in the note to financial statements.</p> <p>We also considered the appropriateness of the related disclosure in Notes 1, 2 and 9 to the financial statements.</p>
<p><b>Assessment of Carrying Value of Exploration and Evaluation Assets</b></p>	
<p>We focus on the assessment of the carrying value of the exploration and evaluation asset as this represents a significant asset of the consolidated entity. We need to assess whether the facts and circumstances existed to suggest that the carrying value of this asset may exceed its recoverable amount. Significant judgement is involved in considering if there was impairment indicator and estimating the value of the asset and the</p>	<p>We ensured the consolidated entity has tested at the level of area of interest where the following indicators are present: (a) the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed; (b) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned (c)</p>

<p>potential material impact on the financial report.</p> <p>As part of their annual impairment review management prepared a list of all its exploration and evaluation assets and reviewed these against their list of impairment indicators. Where impairment indicators existed, management performed an impairment review in accordance with AASB 6 Impairment of Exploration and Evaluation Assets. No Asset was written off during this year in respect of areas of exploration in the exploration and evaluation assets.</p>	<p>exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; (d) sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.</p> <p>We enquired with management and reviewed budgets to ensure that substantive expenditure on further exploration for and evaluation of the mineral resources in the consolidated entity's areas of interest were planned.</p> <p>We enquired with management, reviewed announcements made and reviewed minutes of the directors' meetings to ensure that the consolidated entity had not decided to discontinue activities in any of its areas of interest. We noted the consolidated entity had decided to discontinue activities in respect of a number of areas of exploration.</p> <p>We evaluated management's assessment of impairment indicators including the conclusion reached.</p> <p>We also considered the appropriateness of the related disclosure in Notes 1, 2 and 9 to the financial statements.</p>
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## Emphasis of Matter – Material uncertainty related to going concern

1. 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 \$1,616,501 (2021: \$2,244,474) and had operating cash outflows of \$1,449,634 (2021: \$1,905,775).

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.

The directors have reviewed the cash flow forecast for the next 12 months from the date of signing this financial report, and 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:

- Since 30 June 2022, the company has received total funding of \$534,808 under its existing Pallmark facility and a further \$70,000 short term debt funding from a director related entity;
- On 7 September 2022, the company issued 25,813,474 fully paid ordinary shares settling debt and accrued interest valued at \$371,689 relating amounts received since 30 June 2022 under the Pallmark facility;
- On 25 August 2022, the company announced that on going deliveries have commenced, and the consolidated entity is now revenue generating, and expects to generate positive during the second quarter of the 2023 financial year; and
- The company has a proven track record of being able to raise funding via both debt and equity as needed.

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.

Our opinion is unmodified in this regard.

## Responsibilities of the directors for the financial report

The directors of the consolidated entity are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members. The directors' responsibility also includes 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 the basis of preparation, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

In preparing the financial report, the directors are responsible for assessing the consolidated entity's ability 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: <http://www.auasb.gov.au/Home.aspx>. 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 pages 5 to 10 of the directors' report for the financial year ended 30 June 2022.

In our opinion the Remuneration Report of Freehill Mining Limited for the financial year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The directors of the consolidated entity 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.

**George Georgiou FCA**  
Managing Partner  
Connect National Audit Pty Ltd  
ASIC Authorised Audit Company No.: 521888  
Melbourne, Victoria  
Date: 29 September 2022

**Freehill Mining Limited**  
**Shareholder information**  
**30 June 2022**

The shareholder information set out below was applicable as at 13 September 2022

**Distribution of equitable securities**

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

	<b>Ordinary shares</b>	
	<b>Number of holders</b>	<b>% of total shares issued</b>
1 to 1,000	786	0.01
1,001 to 5,000	79	0.01
5,001 to 10,000	195	0.10
10,001 to 100,000	606	1.46
100,001 and over	821	98.42
	<b>2,487</b>	<b>100.00</b>
Holding less than a marketable parcel	<b>1,242</b>	<b>0.28</b>

**Equity security holders**

*Twenty largest quoted equity security holders*

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

	<b>Ordinary shares</b>	
	<b>Number held</b>	<b>% of total shares issued</b>
SAMUEL WILLIAM DUDDY	258,836,841	14.10
J M ROSS SUPER PTY LTD (J M ROSS SUPER FUND A/C)	113,483,997	6.18
DG FREEHOLD PTY LTD (DG FREEHOLD A/C)	93,570,265	5.10
CAM NOMINEES PTY LTD (CAM NOMINEES SUPER FUND A/C)	89,150,000	4.86
PELICAN INVESTMENTS FAMILY A/C	44,814,063	2.44
R & A MANGION PTY LTD (STEGMAN SMSF A/C)	38,134,721	2.08
MR LEO ILIAS RADIOTIS (L A RADIOTIS FAMILY A/C)	29,718,784	1.62
RMVIC PTY LTD (RMVIC S/F A/C)	25,276,316	1.38
GEORGE THEONAS	22,505,891	1.23
PAW SUPER PTY LTD (PAW SUPER FUND A/C)	20,900,299	1.14
HRM PARTNERS PTY LTD (L&P SUPERFUND A/C)	19,856,122	1.08
MR RINO DI GIANTOMASSO	19,000,000	1.04
SIGNAL SUPERANNUATION PTY LTD (SIGNAL SUPER FUND A/C)	17,056,976	0.93
MR PETER BROUWER & MS TANIA BROUWER (P&T BROUWER SMSF A/C)	16,031,520	0.87
M D ZIMBLER PTY LTD (MICHAEL ZIMBLER SMSF A/C)	14,077,271	0.77
WATO HOLDINGS PTY LTD (GRILLO DISCRETIONARY A/C)	13,349,650	0.73
SAMUEL WILLIAM DUDDY & LYDIA ANN DUDDY (PELICAN INVESTMENTS FAMILY A/C)	13,000,000	0.71
ORMOND HEIGHTS PTY LTD (ORMOND HEIGHTS S/FUND A/C)	12,299,000	0.67
MR MATTHEW KENDON STRAHLEY & MRS EMILY ANNE STRAHLEY (MK & EA STRAHLEY FAMILY A/C)	11,958,636	0.65
AKM MARLBOROUGH PTY LTD (M & M VINACCIA FAMILY A/C)	11,011,639	0.60
	<b>884,031,991</b>	<b>48.18</b>

*Unquoted equity securities*

There are 3,000,000 performance rights and 31,984,725 options currently on issue.

**Freehill Mining Limited**  
**Shareholder information**  
**30 June 2022**

**Substantial holders**

Substantial holders in the company are set out below:

	<b>Ordinary shares</b>	<b>% of total</b>
	<b>Number held</b>	<b>shares issued</b>
DUDDY INVESTMENT PTY LTD (DUDDY INVESTMENT A/C)	243,386,841	13.26
J M ROSS SUPER PTY LTD (J M ROSS SUPER FUND A/C)	113,483,997	6.18
DG FREEHOLD PTY LTD (DG FREEHOLD A/C)	93,570,265	5.10

**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.

*Options*

Option holders do not have voting rights.

**Tenements**

<b>Description</b>	<b>Tenement number</b>	<b>Interest owned %</b>
YERBAS BUENAS 1-16	04102-2723-1	100.00
ARENAS III 1 to 15	04102-2714-2	100.00
ARENAS IV 1 to 10	04102-2715-0	100.00
ARENAS VI 1 to 20	04102-2755-K	100.00
ARENAS X 1 to 18	04102-2937-4	100.00
ARENAS XI 1 to 20	04102-3522-6	100.00
EL DORADO I to 10	04102-3669-9	100.00
EL DORADO II 1 to 10	04102-3670-2	100.00
EL DORADO III 1 to 10	04102-3671-0	100.00
EL DORADO IV 1 to 10	04102-3672-9	100.00
EL DORADO V 1 to 10	04102-3673-7	100.00
EL DORADO VI 1 to 10	04102-3674-5	100.00
EL DORADO VII 1 to 7	04102-3675-3	100.00
EL DORADO VIII 1 to 10	04102-3676-1	100.00