

# **Freehill Mining Limited**

**ACN 091 608 0025**

## **Annual Report - 30 June 2017**



**Freehill Mining Limited**  
**Corporate directory**  
**30 June 2017**

Directors	Stephen Chaplin Paul Davies Nicholas Kapes Raymond Charles Mangion
Registered office	88 Miller Street West Melbourne VIC 3003
Principal place of business	88 Miller Street West Melbourne Vic 3003
Share register	Automic Registry Services Level 12, Bourke Street Melbourne, Victoria 3000
Auditor	RSM Australia Partners Level 21, 55 Collins Street Melbourne, Victoria, 3000
Stock exchange listing	Freehill Mining Limited shares are listed on the Australian Securities Exchange (ASX code: FHS)
Website	<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>



## Chairman's Report

### **Corporate:**

Since the acquisition of Freehill Investments Pty Ltd and its mining assets in Chile "The Yervas Buenas Project", and the Company's listing in January, the Board and management of Freehill Mining Limited have been active both on the Exploration and Development fronts.

The Board and management are reviewing the Company's Exploration and are looking to achieve ongoing Commercial Scale Production while currently commercial Sales are being achieved. The Board intends to continue to undertake all reasonable steps to ensure that both the exploration and production at our Yervas Buenas site takes place.

### **Highlights this Year:**

1. Acquisition of Freehill Investments Pty Ltd, its Chilean subsidiaries and the associated Yervas Buenas Project, as part of the Company's IPO fundraising was successfully completed with the relisting of the Company on the Australian Securities Exchange.
2. Appointment of Chief Operating Officer, Mr Peter Hinner, in February.
3. Growing commercial Sales to "CAPS" (Compañía Minera del Pacifico S.A.) re-affirmed for 2017 its ongoing commitment to take product from the Yervas Buenas Project.
4. Ground Magnetics and Passive Seismic geophysical survey of the project commenced.
5. Establishment of demonstration plant for the production of hard rock magnetite, delivering commercial quantities of product.
6. A mine plan for the exploitation of the hard rock resource has been developed and submitted to government authorities for approval for expanded production.
7. The Company is continuing in its objective to establish a JORC compliant resource in the near term.



On behalf of the Board and myself, I wish to thank you for your ongoing support and look forward the continuing development of our project in the year ahead.

**Stephen Chaplin**

**Chairman**

**Freehill Mining Limited**  
**Directors' report**  
**30 June 2017**

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 2017.

**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:

Stephen Chaplin  
Paul Davies  
Nicholas Kapes  
Raymond Charles Mangion

**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 \$1,522,205 (30 June 2016: \$968,925).

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

**Significant changes in the state of affairs**

The company has successfully completed an IPO fundraising of \$4,023,925 before costs.

The company was re-admitted to the Australia Securities Exchange on 12 January 2017 (Stock Code : FHS).

The company completed the acquisition of Freehill Investments Pty Ltd.

The company issued 32,386,129 fully paid ordinary shares in order to settle borrowings totalling \$2,378,961.

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

**Matters subsequent to the end of the financial year**

On 12 September 2017, the company issued 17,043,068 fully paid ordinary shares raising \$1,363,445. These funds reduced existing debt including funds raised after balance date by some \$1,027,445 and provided \$336,000 funds to purchase plant for the Chilean operations and contribute to working capital. In addition a further \$495,000 was raised to meet the Company's obligations under the purchase agreement for the Yervas Buenas tenements and further support plant acquisition and working capital.

No other matter or circumstance has arisen since 30 June 2017 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.

**Freehill Mining Limited**  
**Directors' report**  
**30 June 2017**

**Information on directors**

Name: Stephen Chaplin  
Title: Chairman  
Experience and expertise: Stephen Chaplin has been a company director with over 30 years' experience in a number of Australian companies including mining, manufacturing, commercial fishing and property development. Stephen has participated in "Team Australia" which is a government initiative inviting Australian small business to pitch directly to the USA military procurement program, has extensive experience in international trade, and is a member of the Australian Institute of Company Directors.  
Other current directorships: Nil  
Former directorships (last 3 years): Nil  
Interests in shares: 2,118,671 fully paid ordinary shares

Name: Paul Davies  
Title: Director and Chief Financial Officer  
Qualifications: Paul holds an Economics Degree from Monash University, has qualified as a Chartered Accountant and is an alumnus of the Stanford Business School.  
Experience and expertise: Paul Davies has extensive experience as CFO of both publicly traded and privately held companies. Over the past 10 years he has been involved with many early stage companies involving reporting, strategic planning, systems implementation and fundraising. Prior to this Paul was Director in charge of Corporate and Institutional Banking for Deutsche Bank Australia and a member of the Deutsche Bank Credit Committee. He has been directly involved in over \$20 billion worth of transactions involving origination, advising, arranging, structuring, project finance, lead managing, syndication, negotiation, risk management, including servicing many of Australia's major mining companies. Before Deutsche Bank Paul worked for a number of years with both Bankers Trust Australia and Macquarie Bank.  
With his 20 plus years in the finance sector, Paul brings to the Company considerable experience in both debt and equity markets in addition to significant understanding of the mining sector.  
Other current directorships: Nil  
Former directorships (last 3 years): Nil  
Interests in shares: 500,000 fully paid ordinary shares

Name: Nicholas Kapes  
Title: Non-Executive Director  
Qualifications: Bachelor of Economics  
Experience and expertise: Nicholas Kapes began his professional career in 1988, where he commenced merchant banking after completing a Bachelor of Economics. He brings to the Board an array of experience including trading on the world's major exchanges on behalf of some of the world's premier banks, including Credit Suisse. Nicholas was a Director of Proprietary Trading at Credit Suisse for two years.  
In his time in merchant banking Nicholas became heavily involved in companies evolving from venture capital stage to listing on the Australian Securities Exchange.  
Since his return to Melbourne in 2005, Nicholas has actively engaged in originating deal opportunities and implementing strategic business initiatives including mergers and acquisitions, private and public equity capital raisings through initial public offerings, private placements and rights issues.  
Other current directorships: Nil  
Former directorships (last 3 years): Nil  
Interests in shares: 500,000 fully paid ordinary shares

**Freehill Mining Limited**  
**Directors' report**  
**30 June 2017**

Name:	Raymond Charles Mangion
Title:	Non-Executive Director
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:	2,250,000 fully paid ordinary shares

'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**

Joe Fekete holds a Bachelor of Business in Accounting. He is a member of both the CPA Australia and the Governance Institute of Australia. 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 was previously a director, CFO and Company Secretary for Altius Mining Limited and CFO of Nagambie Mining Limited. Other roles have included Finance Director of J Walter Thompson and Simon Richards Group, Director of Rail Plus Australasia Pty Ltd and also CFO/Commercial Manager in managing various other businesses.

Joe is currently a director for WOW Travel Pty Ltd.

**Meetings of directors**

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2017, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Raymond Charles Mangion	6	10
Paul Davies	10	10
Nicholas Kapes	9	10
Stephen Chaplin	10	10

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

**Remuneration report (audited)**

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

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

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

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

***Principles used to determine the nature and amount of remuneration***

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

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

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

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

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

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

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

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

***Non-executive directors remuneration***

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

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

***Executive remuneration***

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

The executive remuneration and reward framework has four components:

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

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

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

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

**Freehill Mining Limited**  
**Directors' report**  
**30 June 2017**

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 2017, the consolidated entity did not engage remuneration consultants.

**Details of remuneration**

*Amounts of remuneration*

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

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled *	Total
	\$	\$	\$	\$	\$	\$	\$
<b>2017</b>							
Raymond Charles Mangion	22,500	-	-	-	-	100,000	122,500
Nicholas Kapes	22,500	-	-	-	-	100,000	122,500
Stephen Chaplin	22,500	-	-	-	-	100,000	122,500
<i>Executive Directors:</i>							
Paul Davies	46,500	-	-	-	-	100,000	146,500
<i>Other Key Management Personnel:</i>							
Peter Hinner	<u>129,593</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>129,593</u>
	<u>243,593</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>400,000</u>	<u>643,593</u>

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

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	Total
	\$	\$	\$	\$	\$	\$	\$
<b>2016</b>							
Paul Davies	<u>22,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,000</u>
	<u>22,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,000</u>



**Freehill Mining Limited**  
**Directors' report**  
**30 June 2017**

***Service agreements***

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

Name:	Paul Davies
Title:	Executive Director and Chief Financial Officer
Agreement commenced:	1 January 2017
Details:	Remuneration is set at \$69,000 per annum inclusive of statutory superannuation.
Name:	Raymond Charles Mangion
Title:	Non-Executive Director
Agreement commenced:	1 January 2017
Details:	Remuneration is set at \$45,000 per annum inclusive of statutory superannuation.
Name:	Nicholas Kapes
Title:	Non-Executive Director
Agreement commenced:	1 January 2017
Details:	Remuneration is set at \$45,000 per annum inclusive of statutory superannuation.
Name:	Stephen Chaplin
Title:	Non-Executive Director
Agreement commenced:	1 January 2017
Details:	Remuneration is set at \$45,000 per annum inclusive of statutory superannuation.
Name:	Peter Hinner
Title:	Chief Operating Officer
Agreement commenced:	6 February 2017
Details:	Under the agreement Peter Hinner is entitled to \$218,000 in his first year and \$297,000 in his second year. He also received shares valued at \$50,000, and 1,250,000 performance rights which vest upon delivery of performance milestones.

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 2017.

***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 2017.

There were no options over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 30 June 2017.

***Performance rights***

When appointed Peter Hinner on February 2017, was granted 1,250,000 performance rights which vest upon delivery of certain milestones. None of these had been achieved at 30 June 2017, or at the time of signing.

***Additional information***

The earnings of the consolidated entity for the four years to 30 June 2017 are summarised below:

	2017 \$	2016 \$	2015 \$	2014 \$
Revenue	172	-	-	-
Profit after income tax	(1,522,205)	(968,925)	(1,606,589)	(295,543)

**Freehill Mining Limited**  
**Directors' report**  
**30 June 2017**

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

	2017
Share price at financial year end (\$)	0.10
Basic earnings per share (cents per share)	(0.51)
Diluted earnings per share (cents per share)	(0.51)

***Additional disclosures relating to key management personnel***

***Shareholding***

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

	Balance at the start of the year	Received as part of remuneration	Additions	Acquired at IPO	Balance at the end of the year
<i>Ordinary shares</i>					
Raymond Charles Mangion	-	500,000	-	1,750,000	2,250,000
Paul Davies	-	500,000	-	-	500,000
Nicholas Kapes	-	500,000	-	-	500,000
Stephen Chaplin	-	500,000	-	1,618,671	2,118,671
	-	<u>2,000,000</u>	-	<u>3,368,671</u>	<u>5,368,671</u>

***Performance rights holding***

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

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

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

**Shares under option**

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

**Shares under performance rights**

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

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

**Shares issued on the exercise of options**

There were no ordinary shares of Freehill Mining Limited issued on the exercise of options during the year ended 30 June 2017 and up to the date of this report.

**Shares issued on the exercise of performance rights**

There were no ordinary shares of Freehill Mining Limited issued on the exercise of performance rights during the year ended 30 June 2017 and up to the date of this report.

**Indemnity and insurance of officers**

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

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

**Indemnity and insurance of auditor**

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

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

**Proceedings on behalf of the company**

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

**Non-audit services**

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

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

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

**Auditor's independence declaration**

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

**Auditor**

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

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

On behalf of the directors



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Paul Davies

6 October 2017

**RSM Australia Partners**

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**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of the financial report of Freehill Mining Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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



**RSM AUSTRALIA PARTNERS**



**R B MIANO**  
Partner

Dated: 6 October 2017  
Melbourne, Victoria

## **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:

88 Miller Street  
West Melbourne VIC 3003

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 6 October 2017. 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 2017**

	<b>Note</b>	<b>Consolidated 2017 \$</b>	<b>2016 \$</b>
<b>Revenue</b>	6	172	-
Other income	7	28,837	-
<b>Expenses</b>			
Mine production costs		(83,149)	-
Corporate and administration expenses		(545,322)	(18,519)
Share of associate losses		(8,189)	(929,779)
Listing expenses	4	(822,757)	-
Finance costs	8	(91,797)	(20,627)
<b>Loss before income tax expense</b>		(1,522,205)	(968,925)
Income tax expense	9	-	-
<b>Loss after income tax expense for the year attributable to the owners of Freehill Mining Limited</b>		(1,522,205)	(968,925)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(125,353)	-
Other comprehensive income for the year, net of tax		(125,353)	-
<b>Total comprehensive income for the year attributable to the owners of Freehill Mining Limited</b>		<u>(1,647,558)</u>	<u>(968,925)</u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	30	(0.51)	(0.47)
Diluted earnings per share	30	(0.51)	(0.47)

*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 2017**

	Note	Consolidated 2017 \$	2016 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		40,684	143
Trade and other receivables	10	492,521	-
Other		11,219	-
Total current assets		<u>544,424</u>	<u>143</u>
<b>Non-current assets</b>			
Investments accounted for using the equity method	11	-	2,719,553
Mining	12	7,384,963	-
Total non-current assets		<u>7,384,963</u>	<u>2,719,553</u>
<b>Total assets</b>		<u>7,929,387</u>	<u>2,719,696</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	13	880,974	185,829
Borrowings	14	1,286,648	672,472
Total current liabilities		<u>2,167,622</u>	<u>858,301</u>
<b>Non-current liabilities</b>			
Borrowings	15	-	310,000
Total non-current liabilities		-	<u>310,000</u>
<b>Total liabilities</b>		<u>2,167,622</u>	<u>1,168,301</u>
<b>Net assets</b>		<u>5,761,765</u>	<u>1,551,395</u>
<b>Equity</b>			
Issued capital	16	10,280,380	4,422,452
Reserves	17	(125,353)	-
Accumulated losses		<u>(4,393,262)</u>	<u>(2,871,057)</u>
<b>Total equity</b>		<u>5,761,765</u>	<u>1,551,395</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 2017**

Consolidated	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2015	3,963,352	(1,902,132)	2,061,220
Loss after income tax expense for the year	-	(968,925)	(968,925)
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	(968,925)	(968,925)
<i>Transactions with owners in their capacity as owners:</i>			
Contributions of equity, net of transaction costs (note 16)	459,100	-	459,100
Balance at 30 June 2016	4,422,452	(2,871,057)	1,551,395

  

Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2016	4,422,452	-	(2,871,057)	1,551,395
Loss after income tax expense for the year	-	-	(1,522,205)	(1,522,205)
Other comprehensive income for the year, net of tax	-	(125,353)	-	(125,353)
Total comprehensive income for the year	-	(125,353)	(1,522,205)	(1,647,558)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 16)	5,857,928	-	-	5,857,928
Balance at 30 June 2017	10,280,380	(125,353)	(4,393,262)	5,761,765

*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 2017**

	<b>Note</b>	<b>Consolidated 2017 \$</b>	<b>2016 \$</b>
<b>Cash flows from operating activities</b>			
Payments to suppliers (inclusive of GST)		(2,279,219)	(4,319)
Interest received		172	-
Interest and other finance costs paid		(21,362)	-
Net cash used in operating activities	29	<u>(2,300,409)</u>	<u>(4,319)</u>
<b>Cash flows from investing activities</b>			
Payments for exploration and evaluation		(1,577,419)	-
Contributions to joint ventures		(1,043,890)	(1,438,600)
Pre full scale receipts offset against mine assets		192,784	-
Net cash used in investing activities		<u>(2,428,525)</u>	<u>(1,438,600)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		3,822,729	459,100
Proceeds from borrowings		1,286,548	982,472
Share issue transaction costs		(343,762)	-
Cash acquired from listing	4	<u>3,960</u>	-
Net cash from financing activities		<u>4,769,475</u>	<u>1,441,572</u>
Net increase/(decrease) in cash and cash equivalents		40,541	(1,347)
Cash and cash equivalents at the beginning of the financial year		<u>143</u>	<u>1,490</u>
Cash and cash equivalents at the end of the financial year		<u><u>40,684</u></u>	<u><u>143</u></u>

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

## **Note 1. Significant accounting policies**

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

### **New or amended Accounting Standards and Interpretations adopted**

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

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted for the year ended 30 June 2017.

### **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 \$1,522,205 and had operating cash outflows of \$1,817,338 for the year ended 30 June 2017. As at that date, the consolidated entity had a net working capital deficiency of \$1,623,198.

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

- Since 30 June 2017, the company has received short term borrowings of \$495,000 in order to provide additional working capital;
- On 12th September the company completed a placement, issuing 17,043,068 fully paid ordinary shares raising \$1,363,445. Of this amount \$1,027,445 was used settle liabilities with the remaining \$336,000 being contributed to working capital;
- Since 30 June 2017, the consolidated operations on Chile have continued to expand, with sales totalling \$213,642 in July and August;
- The loss for the period includes a non-recurring listing expense of \$822,757;
- In August 2017, the company extended its arrangement for the Yervas Buenas tenements with A y F Muzard Limitada to enable further mining; and
- The company continues to develop and expand production with mining on a larger scale expected to commence, with the short term output target of 40,000 tonnes per month.

Accordingly, the directors believe that 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 available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

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

*Critical accounting estimates*

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

**Parent entity information**

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 25.

**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 2017 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**

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

*Sale of goods*

Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

*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 it is received or when 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.

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

**Cash and cash equivalents**

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

**Trade and other receivables**

Other receivables are recognised at amortised cost, less any provision for impairment.

**Joint ventures**

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method. Under the equity method, the share of the profits or losses of the joint venture is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in joint ventures are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Income earned from joint venture entities reduce the carrying amount of the investment.

**Mining assets**

Capitalised mining development costs include expenditures incurred to develop new ore bodies to define further mineralisation in existing ore bodies, to expand the capacity of a mine and to maintain production. Mining development also includes costs transferred from exploration and evaluation phase once production commences in the area of interest.

Amortisation of mining development is computed by the units of production basis over the estimated proved and probable reserves. Proved and probable mineral reserves reflect estimated quantities of economically recoverable reserves which can be recovered in the future from known mineral deposits. These reserves are amortised from the date on which production commences. The amortisation is calculated from recoverable proven and probable reserves and a predetermined percentage of the recoverable measured, indicated and inferred resource. This percentage is reviewed annually.

Restoration costs expected to be incurred are provided for as part of development phase that give rise to the need for restoration.

**Trade and other payables**

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

**Borrowings**

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

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

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

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

**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.

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

**Business combinations**

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

**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.

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

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

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

**New Accounting Standards and Interpretations not yet mandatory or early adopted**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2017. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

*AASB 9 Financial Instruments*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 January 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

*AASB 15 Revenue from Contracts with Customers*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 January 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

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

*AASB 16 Leases*

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

**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.

*Estimation of useful lives of assets*

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

*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 2017, because their realisation is not yet considered probable.

*Business combinations*

As discussed in note 1, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.



### **Note 3. Reverse acquisition accounting**

#### *Acquisition of Freehill Investments*

On 16 January 2017, Freehill Mining Limited (FM) obtained a 100% share interest in Freehill Investments Pty Ltd (FI) after a reverse acquisition. The transaction did not meet the of a business combination in AASB 3 'Business Combinations' as the net assets that existed in FM as at the date of acquisition did not represent a 'business' (as defined in AASB 3). The transaction has therefore been accounted for in the consolidated financial statements by reference to the requirement of AASB 2 'Share-Based Payments', and AASB 3, as a deemed issue of shares which is in effect, a share based transaction whereby FI has gained the listing status of FM.

The following principles and guidance on the preparation and presentation of the consolidated financial statements in reverse acquisition set out in AASB 3 have been applied:-

- fair value adjustments arising at acquisition were made to FM, not those of FI;
- retained earnings and other equity balances in the consolidated financial statements at acquisition date are those of FI;
- an in-substance share-based payment transactions arise whereby FM is deemed to have issued shares in exchange for the nets liabilities of FI. The listing status does not qualify for recognition as an intangible asset. The excess of the value of the consideration deemed to have been paid over the value of the net liabilities acquired has therefore, been expensed in profit of loss as a share based listing expense;
- the equity structure in the consolidated financial statements (the number and type of equity instruments issued) at the date of acquisition reflects the equity structure of FM, including the equity instruments issued by FM to effect the acquisition.
- the results for the 2017 financial year represent the results of FI for the entire financial year, together with the results of FM from 16 January 2017; and
- the comparative results represent the results of FI only.

### **Note 4. Acquisition share based payment expense**

On 16 January 2107, FM acquired 100% of the share capital of FI. FM issued 268,000,000 fully paid ordinary shares to the original shareholders of FI.

This transaction has been accounted as a share-based payment in accordance with AASB 2 'Share-Based Payments'.

The following table represents the assets and liabilities of FM that were acquired on its acquisition by FI :

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
<b>Net assets acquired</b>		
Cash and cash equivalents	3,960	-
Trade and other receivables	57,369	-
Loan to related party	1,358,985	-
Trade and other payables	(606,917)	-
Short term loans	(422,297)	-
Convertible notes	(1,213,857)	-
	<u>(822,757)</u>	<u>-</u>
Total listing expense recognised in Statement of Comprehensive Income	<u>(822,757)</u>	<u>-</u>

### **Note 5. Operating segments**

#### *Identification of reportable operating segments*

The consolidated entity is organised into one operating segment: Chilean Mining. This operating segments are 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.

**Freehill Mining Limited**  
**Notes to the financial statements**  
**30 June 2017**

**Note 6. Revenue**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Interest	172	-

**Note 7. Other income**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Net foreign exchange gain	28,837	-

**Note 8. Expenses**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Mine assets	14,506	-
<i>Finance costs</i>		
Interest and finance charges paid/payable	91,797	20,627

**Note 9. Income tax expense**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(1,522,205)	(968,925)
Tax at the statutory tax rate of 27.5% (2016: 30%)	(418,606)	(290,678)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible items	226,258	10,132
Temporary differences and losses not brought to account	(192,348)	(280,546)
	192,348	280,546
Income tax expense	-	-

**Note 10. Current assets - trade and other receivables**

	Consolidated 2017 \$	2016 \$
Other receivables	2,990	-
Indirect taxes receivable	489,531	-
	<u>492,521</u>	<u>-</u>

**Note 11. Non-current assets - investments accounted for using the equity method**

	Consolidated 2017 \$	2016 \$
Investment in Chilean joint venture	-	2,719,553

	Consolidated 2017 \$	2016 \$
<b>Investment in Chilean joint venture</b>		
Opening balance	2,719,553	2,210,732
Contributions to joint venture	1,043,890	1,438,600
Share of joint venture losses	(8,189)	(929,779)
Transfer on acquiring control of Chilean assets	(3,755,254)	-
	<u>-</u>	<u>2,719,553</u>

On 16 January 2017, the consolidated entity acquired 100% of the Chilean assets. The amounts previously accounted for using equity accounting formed part of the consideration when accounting for this business combination.

**Note 12. Non-current assets - mining**

	Consolidated 2017 \$	2016 \$
Mining assets - at cost	5,675,169	-
Tenement assets - at cost	1,496,130	-
Mining plant and equipment - at cost	228,170	-
Less: Accumulated depreciation	(14,506)	-
	<u>213,664</u>	<u>-</u>
	<u>7,384,963</u>	<u>-</u>

**Freehill Mining Limited**  
**Notes to the financial statements**  
**30 June 2017**

**Note 12. Non-current assets - mining (continued)**

*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>Mining plant &amp; equipment \$</b>	<b>Tenement assets \$</b>	<b>Mining assets \$</b>	<b>Total \$</b>
Balance at 1 July 2015	-	-	-	-
Balance at 30 June 2016	-	-	-	-
Additions	-	-	1,577,298	1,577,298
Additions through business combinations (note 26)	236,362	1,616,168	4,497,915	6,350,445
Mining receipts offset against the carrying value of the assets	-	-	(192,784)	(192,784)
Exchange differences	(8,192)	(120,038)	(207,260)	(335,490)
Depreciation expense	(14,506)	-	-	(14,506)
Balance at 30 June 2017	<u>213,664</u>	<u>1,496,130</u>	<u>5,675,169</u>	<u>7,384,963</u>

The mine in Chile is yet to reach steady state production, and for this reason mining receipts have been offset against the carrying value of the mining assets and there has been no amortisation charges against the mining assets and tenement assets.

**Note 13. Current liabilities - trade and other payables**

	<b>Consolidated 2017 \$</b>	<b>2016 \$</b>
Trade payables	35,000	-
Purchase agreement payable *	521,427	-
Interest payable	1,919	20,627
Other payables	<u>322,628</u>	<u>165,202</u>
	<u>880,974</u>	<u>185,829</u>

Refer to note 19 for further information on financial instruments.

\* In August 2017, the company extended its arrangement for the Yerbass Buenas tenements with A y F Muzard Limitada.

**Note 14. Current liabilities - borrowings**

	<b>Consolidated 2017 \$</b>	<b>2016 \$</b>
Convertible notes payable	-	672,472
Short term loans	<u>1,286,648</u>	<u>-</u>
	<u>1,286,648</u>	<u>672,472</u>

Refer to note 19 for further information on financial instruments.

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

**Note 15. Non-current liabilities - borrowings**

	Consolidated 2017 \$	2016 \$
Loan from controlling entity	-	310,000

**Note 16. Equity - issued capital**

	2017 Shares	Consolidated 2016 Shares	2017 \$	2016 \$
Ordinary shares - fully paid	331,786,900	268,000,000	10,280,380	4,422,452

*Movements in ordinary share capital*

Details	Date	Shares	Issue price	\$
Balance	1 July 2015	130,350,000		4,094,002
Issue of shares	20 August 2016	150,000	\$0.1000	15,000
Issue of shares	17 September 2016	250,000	\$0.1000	25,000
Issue of shares	29 September 2016	1,250,000	\$0.1000	125,000
Issue of shares	16 October 2016	500,000	\$0.1000	50,000
Issue of shares	19 October 2016	500,000	\$0.1000	50,000
Issue of shares	23 October 2016	500,000	\$0.1000	50,000
Issue of shares	14 December 2016	134,500,000	\$0.0001	13,450
Balance	30 June 2016	268,000,000		4,422,452
Issue of IPO share	16 January 2017	20,119,623	\$0.2000	4,023,925
Recognition of Freehill Mining's number of shares at listing	16 January 2017	11,281,148	\$0.0000	-
Share issued to settle convertible notes and FI liabilities	16 January 2017	32,386,129	\$0.0700	2,378,961
Cost of capital raising		-	\$0.0000	(544,958)
Balance	30 June 2017	331,786,900		10,280,380

*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.

*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.

**Note 16. Equity - issued capital (continued)**

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.

**Note 17. Equity - reserves**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Foreign currency reserve	(125,353)	-

*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.

*Movements in reserves*

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

<b>Consolidated</b>	<b>Foreign currency \$</b>
Balance at 1 July 2015	-
Balance at 30 June 2016	-
Foreign currency translation	(125,353)
Balance at 30 June 2017	(125,353)

**Note 18. Equity - dividends**

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

## Note 19. 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 carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	Assets		Liabilities	
	2017	2016	2017	2016
Consolidated	\$	\$	\$	\$
US dollars	-	-	521,427	-
Chilean pesos	483,071	-	534,085	-
	483,071	-	1,055,512	-

Consolidated - 2017	% change	AUD strengthened		% change	AUD weakened	
		Effect on profit before tax	Effect on equity		Effect on profit before tax	Effect on equity
US Dollar	20%	(104,285)	(104,285)	20%	104,285	104,285
Chilean pesos	20%	(10,203)	(10,203)	20%	10,203	10,203
		(114,488)	(114,488)		114,488	114,488

#### 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.

**Note 19. Financial instruments (continued)**

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.

	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>Consolidated - 2017</b>						
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade other payables	-	880,974	-	-	-	880,974
<i>Interest-bearing - fixed rate</i>						
Short term loans	15.00%	<u>1,268,648</u>	-	-	-	<u>1,268,648</u>
Total non-derivatives		<u>2,149,622</u>	-	-	-	<u>2,149,622</u>
	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>Consolidated - 2016</b>						
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade and other payables	-	185,829	-	-	-	185,829
<i>Interest-bearing - fixed rate</i>						
Convertible notes payable	10.00%	<u>672,472</u>	-	-	-	<u>672,472</u>
Total non-derivatives		<u>858,301</u>	-	-	-	<u>858,301</u>

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 20. Key management personnel disclosures**

*Directors*

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

Raymond Charles Mangion  
Paul Davies  
Nicholas Kapes  
Stephen Chaplin  
Peter Hinner



**Note 20. Key management personnel disclosures (continued)**

*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>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	243,593	22,000
Share-based payments	<u>400,000</u>	<u>-</u>
	<u><b>643,593</b></u>	<u><b>22,000</b></u>

The share based payments were issued before the reverse acquisition therefore are not included in the statement of comprehensive income.

**Note 21. Remuneration of auditors**

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

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<i>Audit services - RSM Australia Partners</i>		
Audit or review of the financial statements	<u>25,000</u>	<u>-</u>
<i>Other services - network firms</i>		
Audit of Chilean subsidiaries	<u>19,572</u>	<u>-</u>

**Note 22. Contingent liabilities**

The consolidated entity had no contingent liabilities at 30 June 2017 and 30 June 2016.

**Note 23. Commitments**

The consolidated entity had no commitments at 30 June 2017 and 30 June 2016.

**Note 24. Related party transactions**

*Parent entity*

Freehill Mining Limited is the parent entity.

*Subsidiaries*

Interests in subsidiaries are set out in note 27.

*Key management personnel*

Disclosures relating to key management personnel are set out in note 20 and the remuneration report included in the directors' report.

**Note 24. Related party transactions (continued)**

*Transactions with related parties*

The following transactions occurred with related parties:

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Payment for other expenses:		
Interest accrued to on short terms loans payable to Ray Mangion and his wife	1,558	-
Other transactions:		
Payments for mining development expenditure were made to mine project contractor Lacerta Finance and Mining SpA ("Lacerta"). Yervas Buenas SpA director Juan Dagach, is the general manager of Lacerta.	2,621,188	1,438,600

*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*

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

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Current borrowings:		
Loan from Ray Mangion (director) and his wife	201,558	-

*Terms and conditions*

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

**Note 25. 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>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax	(575,309)	(507,888)
Total comprehensive income	(575,309)	(507,888)

**Note 25. Parent entity information (continued)**

*Statement of financial position*

	<b>Parent</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Total current assets	<u>54,784</u>	<u>55,548</u>
Total assets	<u>6,093,399</u>	<u>365,548</u>
Total current liabilities	<u>1,633,537</u>	<u>177,221</u>
Total liabilities	<u>1,633,537</u>	<u>769,277</u>
Equity		
Issued capital	23,536,325	16,821,001
Foreign currency reserve	-	320,681
Accumulated losses	<u>(19,076,463)</u>	<u>(17,545,411)</u>
Total equity/(deficiency)	<u>4,459,862</u>	<u>(403,729)</u>

*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 2017 and 30 June 2016.

*Contingent liabilities*

The parent entity had no contingent liabilities as at 30 June 2017 and 30 June 2016.

*Capital commitments - Property, plant and equipment*

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2017 and 30 June 2016.

*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 26. Business combinations**

*Acquisition of Yervas Buenas and San Patricio Minería*

On 16 January 2017, after completion of the IPO, Freehill Investments Pty Ltd acquired the remaining 50% of the issued capital of Yervas Buenas SpA and San Patricio Minería. Prior to this, the company owned a 50% joint venture interest in these companies. There was no further consideration payable by Freehill Investments Pty Ltd. The consideration for the transaction was the pre-acquisition contributions the joint venture.

**Note 26. Business combinations (continued)**

Details of the acquisition are as follows:

	<b>Fair value</b> <b>\$</b>
Cash and cash equivalents	4,048
Other current assets	2,824
Mine assets	6,350,445
Other liabilities	<u>(669,293)</u>
Net assets acquired	5,688,024
Goodwill	-
Acquisition-date fair value of the total consideration transferred	<u><u>5,688,024</u></u>
Representing:	
Pre-acquisition contributions to Chilean joint venture	<u><u>5,688,024</u></u>

**Note 27. 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>2017</b> <b>%</b>	<b>2016</b> <b>%</b>
Freehill Investments Pty Ltd	Australia	100.00%	-
Yerbas Buenas SpA	Chile	100.00%	-
San Patricio Minería	Chile	100.00%	-

**Note 28. Events after the reporting period**

On 12 September 2017, the company issued 17,043,068 fully paid ordinary shares raising \$1,363,445. These funds reduced existing debt including funds raised after balance date by some \$1,027,445 and provided \$336,000 funds to purchase plant for the Chilean operations and contribute to working capital. In addition a further \$495,000 was raised to meet the Company's obligations under the purchase agreement for the Yerbas Buenas tenements and further support plant acquisition and working capital.

No other matter or circumstance has arisen since 30 June 2017 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 29. Reconciliation of loss after income tax to net cash used in operating activities**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax expense for the year	(1,522,205)	(968,925)
Adjustments for:		
Depreciation and amortisation	14,506	-
Share of loss - joint ventures	-	929,779
Accrued interest	70,435	20,627
Gain on foreign exchange	(28,837)	-
Listing expense	822,757	-
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(435,152)	14,200
Increase in other operating assets	(11,219)	-
Decrease in trade and other payables	(1,210,694)	-
Net cash used in operating activities	<u>(2,300,409)</u>	<u>(4,319)</u>

**Note 30. Earnings per share**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax attributable to the owners of Freehill Mining Limited	<u>(1,522,205)</u>	<u>(968,925)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>296,835,174</u>	<u>205,994,520</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>296,835,174</u>	<u>205,994,520</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(0.51)	(0.47)
Diluted earnings per share	(0.51)	(0.47)

**Freehill Mining Limited**  
**Directors' declaration**  
**30 June 2017**

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 2017 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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Paul Davies

6 October 2017

**RSM Australia Partners**

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## INDEPENDENT AUDITOR'S REPORT To the Members of Freehill Mining Limited

### Opinion

We have audited the financial report of Freehill Mining Limited (the Company) and its controlled entities (the consolidated entity), which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for Opinion

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

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

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

### Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the consolidated entity incurred a net loss of \$1,522,205 during the year ended 30 June 2017 and, as of that date, the consolidated entity's current liabilities exceeded its current assets by \$1,623,198. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the consolidated entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Key Audit Matters

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

Key Audit Matter	How our audit addressed this matter
<b>Accounting for reverse acquisition</b> Refer to Note 3 in the consolidated financial statements	
<p>During the year, the Company obtained a 100% share interest in Freehill Investments Pty Ltd. The consideration for the purchase involved the Company issuing 268,000,000 fully paid ordinary shares to the original shareholders of Freehill Investments Pty Ltd. The effect of this transaction was that Freehill Investments Pty Ltd was determined to be the accounting acquirer and the Company the accounting subsidiary.</p> <p>The acquisition did not meet the definition of a business combination under AASB 3 <i>Business Combinations</i> as the activities of Freehill Mining Limited at the date of acquisition did not represent a business. By analogy, whilst not in the scope of AASB 3, the transaction has been accounted for using the principles of reverse acquisition accounting set out in that standard and also by reference to the accounting requirements of AASB 2 <i>Share Based Payments</i>.</p> <p>We identified the acquisition as a key audit matter due to the complexity and judgment involved in accounting for this transaction, in particular, determining:</p> <ul style="list-style-type: none"> <li>- the acquiring entity;</li> <li>- whether the accounting acquiree meets the definition of a business under AASB 3 <i>Business Combinations</i>; and</li> <li>- the share based payment expense.</li> </ul>	<p>Our audit procedures in relation to the accounting for acquisition included:</p> <ul style="list-style-type: none"> <li>• reviewing the Share sale agreement in order to obtain an understanding of the transaction and the related accounting considerations;</li> <li>• evaluate management's determination that Freehill Investments Pty Ltd was the acquiring entity, and that the acquired entity did not meet the definition of a business</li> <li>• challenging the key assumptions used by management in determining the accounting treatment and the share based payment expense, having consideration of the various related documents and agreements as well as the requirements of the Australian Accounting Standards;</li> <li>• inspecting management's calculations of the share based payment expense including testing the reasonableness of the assumptions and inputs used in the calculation. ; and</li> <li>• assessing the appropriateness of financial statement disclosures in relation to the acquisition.</li> </ul>



<b>Carrying value of capitalised mining assets</b> Refer to Note 12 in the consolidated financial statements	
<p>As at 30 June 2017, the consolidated entity had mining assets at a cost of \$5,675,169 relating to the Yervas Buenas project. We considered the carrying value of capitalised mining assets a key audit matter as there is a certain level of judgement required by management to assess which costs incurred in relation to the Yervas Buenas project should be capitalised.</p>	<p>We tested the costs capitalised in order to determine whether these costs are directly attributable to bringing the asset to the condition necessary for it to be capable of operating in the manner intended by management. Our procedures included:</p> <ul style="list-style-type: none"> <li>• vouching such costs to supporting documentation such as invoices;</li> <li>• obtaining confirmation from the mine operator as to the work performed; and</li> <li>• review of a sample of costs that were capitalised to determine whether the cost was appropriate to capitalise</li> </ul>

## Other Information

The directors are responsible for the other information. The other information comprises the information included in the consolidated entity's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

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

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

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

## Responsibilities of the Directors for the Financial Report

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

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

## **Auditor's Responsibilities for the Audit of the Financial Report**

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

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

## **Report on the Remuneration Report**

### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Freehill Mining Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

### *Responsibilities*

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

A handwritten signature in blue ink, appearing to read 'RSM'.

**RSM AUSTRALIA PARTNERS**

A handwritten signature in blue ink, appearing to read 'R B Miano'.

**R B MIANO**

Partner

Dated: 6 October 2017  
Melbourne, Victoria

**Freehill Mining Limited**  
**Shareholder information**  
**30 June 2017**

The shareholder information set out below was applicable as at 14 September 2017.

**Distribution of equitable securities**

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

	<b>Number of holders of ordinary shares</b>
1 to 1,000	821
1,001 to 5,000	87
5,001 to 10,000	200
10,001 to 100,000	210
100,001 and over	<u>303</u>
	<u>1,621</u>
Holding less than a marketable parcel	<u>893</u>

**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 % of total shares issued</b>
<b>Number held</b>	
Smart Investment Chile LLC	94,500,000 27.09
G&T Holdings Limited	12,667,000 3.63
L A L Global Limited	10,166,000 2.91
Datapulse International Pty Ltd	10,008,082 2.87
Origami Equities Pty Ltd	8,923,000 2.56
La Serena Holdings Pty Ltd	5,875,000 1.68
Odel Investments Pty Ltd	5,205,000 1.49
La Serena Holdings Pty Ltd	5,133,221 1.47
Mr John Mavrias	4,800,000 1.38
Mr Leo Radiotis	4,567,500 1.31
DG Freehold Pty Ltd	4,303,837 1.23
South Beach Super Pty Ltd	3,800,000 1.09
Ms Joan Grainger	3,750,000 1.08
Glacier Blue Pty Ltd	3,400,000 0.97
Mr Leo Radiotis	3,164,816 0.91
Origami Equities Pty Ltd	3,000,000 0.86
Mr John Mavrias	2,822,000 0.81
AKM Marlborough Pty Ltd	2,650,000 0.76
AKM Marlborough Pty Ltd	2,600,000 0.75
Craig Charter Investments Pty Ltd	<u>2,500,000 0.72</u>
	<u>193,835,456 55.57</u>

*Unquoted equity securities*

There are no unquoted equity securities.

**Freehill Mining Limited**  
**Shareholder information**  
**30 June 2017**

**Substantial holders**

Substantial holders in the company are set out below:

	<b>Ordinary shares</b>	
	<b>Number held</b>	<b>% of total shares issued</b>
Smart Investment Chile LLC	94,500,000	27.09

**Voting rights**

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

*Ordinary shares*

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

There are no other classes of equity securities.