Freehill Mining Limited

ACN 091 608 0025

Annual Report - 30 June 2018

Freehill Mining Limited
Corporate directory
30 June 2018

Directors	Raymond Charles Mangion Paul Davies Samuel Duddy Peter Hinner
Company secretary	Frank Pirera
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, 50 Holt Street Surry Hills, NSW 2000
Auditor	RSM Australia Partners Level 21, 55 Collins Street Melbourne, Victoria, 3000
Stock exchange listing	Freehill Mining Limited shares are listed on the Australian Securities Exchange (ASX code: FHS)
Website	www.freehillmining.com
Corporate Governance Statement	Refer to www.freehillmining.com

Dear Shareholders,

2018 was a year of significant achievement, change, and ultimately redirection for the company. Objectives outlined during the 2017 Annual General Meeting for the year ahead were generally achieved. The board is disappointed with the share price and does not believe it reflects the true value of the Company assets. Modification and expansion of the demonstration processing plant was carried out as planned resulting in record levels of magnetite production and revenue in the March quarter however significant falls in the iron ore price and the quality of plant equipment impacted our ability to achieve site operating surpluses.

All payments under the purchase agreement with Sociedad A y F Muzard Mineria Limitada for the Yerbas Buenas 1-16 concession block have now been completed and the company now has full ownership of both the Arenas and Yerbas Buenas mining concession blocks as well as associated surface rights.

Operations

Operation of the trial mining and demonstration processing plant have provided operational, geotechnical, and operating cost insights that will be invaluable for future feasibility studies.

A strategic review of the companies objectives toward the end of 2017 highlighted that it would be difficult to satisfy both the Compania Minera Del Pacifico "CMP" requirement for the continued supply of magnetite product and the Company's immediate objective of focussing all new capital toward exploration and the development of a JORC Resource without a major change.

To this end the Company has been actively assessing and evaluating a number of mining operating models ranging from partnering with mining services firms to outsourcing operations to allow capital to be deployed to exploration activities which can derive greatest shareholder value in the short to medium term.

An outsourcing approach is favoured to minimise or remove the Company's exposure to production costs and this is currently being negotiated.

A conceptual Exploration Target for the Yerbas Buenas project was determined by Geos Mining based on the surface extent of highly magnetic anomalous bodies identified by the high resolution geophysics, as well as the RC drilling and trial mining records.

Board Renewal

Interim Chairman Mr Frank Terranova who brought extensive knowledge and experience in the mining sector, both domestically and internationally, graciously agreed to join the company to carry out a strategic review involving the Board assessing its own composition. As part of this process Mr Stephen Chaplin and Mr Nicholas Kapes believed it was in the best interests of the Company to resign from the Board of Freehill and the Company thanks them for their contribution.

It is important that Freehill broadens its Board composition to fully reflect all attributes required in overseeing its Chilean resource projects and has commenced the process in order to achieve this objective. The strategic review also looked at the prioritisation and allocation of capital across its portfolio of assets in order to improve shareholder value.

2019 Priorities

Having commenced a restructuring of the board, the company is now focussed on restoring shareholder value by completing a maiden drilling program, scheduled to commence fourth quarter 2018, that will deliver a JORC Resource Estimate.

Finally we would like to close by thanking our shareholders, management team and other stakeholders for their patience and contribution over the past year. The interest support and effort of these groups are vital to the future success of our company.

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Ray Mangion

Chairman

Melbourne, 27th September 2018

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 2018.

Directors

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

Raymond Charles Mangion
Paul Davies
Samuel Duddy (appointed 9 July 2018)
Peter Hinner (appointed 31 July 2018)
Frank Terranova (appointed 18 December 2017 and resigned 12 July 2018)
Stephen Chaplin (resigned 5 January 2018)
Nicholas Kapes (resigned 5 January 2018)

Dividends

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

Review of operations

The loss for the consolidated entity after providing for income tax amounted to $2,965,058 (30 June 2017: $1,522,205).

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

Significant changes in the state of affairs

During the year the company issued 33,414,791 fully paid ordinary shares valued at $2,644,154 before costs. Of these shares valued at $244,749 were issued to KMP to settle fees and expenses, shares valued at $336,000 were issued for cash and shares valued at $2,063,405 were issued to settle debt and other amounts payable.

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 6 July 2018, the company issued 37,765,166 fully paid ordinary shares. Of these shares 31,729,019 (valued at $1,522,992) were issued on the conversion of convertible notes, 5,208,333 (valued at $250,000) fully paid ordinary shares were issued in relation to amounts received before 30 June 2018, and 827,814 (valued at $50,000) fully paid ordinary shares were issued to the company's COO as part of his remuneration.

On 13 July 2018, the company issued 353,847 fully paid (valued at $16,985) ordinary shares on the conversion of convertible notes.

On 17 August 2018, the consolidated entity has settled all obligations in relation to the purchase agreement payable on Yerbas Buenas tenement leases.

The consolidated entity is currently in negotiation to outsource production at the Yerbas Buenas project in return for a rental stream based on product sold. This is intended to remove any capital demands for production while the company executes its drilling program.

Since 30 June 2018, the consolidated entity has received additional debt funding of $1,080,000.

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

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

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

Information on directors

Name:	Raymond Charles Mangion
Title:	Non-Executive Director and Chairman since 9 July 2018)
Qualifications:	Associate Diploma of Business (Accounting) and an Associate Diploma in Financial Planning.
Experience and expertise:	Ray Mangion has performed the role of Managing Director of Morbak Investments Pty Ltd for the past 18 years, having created the business as a start-up business. He has approximately 30 years' managerial experience.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Interests in shares:	2,644,737 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:	Peter Hinner
Title:	Chief Executive Officer (appointed 31 July 2018)
Qualifications:	Bachelor of Science in Chemistry from the Queensland University of Technology with post graduate qualifications in mining, metallurgy and business management
Experience and expertise:	Mr Hinner was appointed COO of the Company in February 2017 and has over 35 years experience in the heavy minerals and gold industry both within Australia and internationally. Over the past several years he has worked predominantly internationally as a project development consultant on a variety of projects in Africa, Korea, Indonesia, Malaysia and South America. His previous roles have included senior management and operational roles in several of the world's largest mineral operations as well as mine management roles with BP Minerals Indonesia, Operations Manager for the Tiwest Joint Venture mine in Western Australia, Chief Operating Officer of an industrial minerals company and senior consultant for KPMG. He has significant mining, operating and project management experience in most facets of the industry including exploration, dredging, processing, engineering design, construction, commissioning and feasibility studies.
Other current directorships:	
Former directorships (last 3 years):	Nil
Interests in shares:	2,028,697 fully paid ordinary shares
Interests in rights:	1,250,000 performance shares

Name:	Samuel Duddy
Title:	Non-Executive Director (appointed 9 July 2018)
Qualifications:	First Class Honours Degree Science, Master of Property Science and Master of Business Administration (all from University of Queensland)
Experience and expertise:	Mr Duddy is a substantial investor in Freehill and has previously visited the Yerbas Buenas operations as part of his own due diligence process. Mr Duddy is currently a board member and majority shareholder of a Civil Construction firm and brings to the Board a wealth of knowledge and experience in business management, engineering and finance.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Interests in shares:	41,344,105 fully paid ordinary shares

Name:	Frank Terranova
Title:	Non - Executive Director (appointed 18 December 2017 and resigned 12 July 2018)
Qualifications:	Fellow of Institute of Chartered Accountants
Experience and expertise:	Mr Frank Terranova has extensive experience as a Director and Executive with a wide range of Australian and international publicly listed companies. He has held senior roles in a number of organisations including, Normandy Mining Limited and Queensland Cotton Limited. He was Chief Financial Officer and ultimately Managing Director of Allied Gold PLC which was subsequently acquired by St Barbara Limited in 2012. Mr Terranova was also Managing Director of Polymetals Mining Limited where he led its transformation through a merger with Southern Cross Goldfields Limited in 2013 and oversaw the combined group's recapitalisation program. He has also served on the Boards of a number of resource public companies overseeing a variety of successful growth and restructuring initiatives. He is currently a Director of Mayur Resources PTE and Executive Chairman of AUSAG Resources Limited. Mr Terranova is a member of the Australian Institute of Company Directors and the Finance and Treasury Association of Australia.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Interests in shares:	N/A
Interests in rights:	N/A

Name:	Stephen Chaplin
Title:	Chairman (resigned 5 January 2018)
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:	
Former directorships (last 3 years):	N/A
Special responsibilities:	N/A
Interests in shares:	N/A

Name:	Nicholas Kapes
Title:	Non-Executive Director (resigned 5 January 2018)
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:	N/A

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

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

Company secretary

Joe Fekete 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. He resigned with effect from 8 January 2018.

Frank Pirera was appointed company secretary on 8 January 2018. He has extensive company secretarial experience and is a fellow of the Certified Practising Accountants.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2018, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Raymond Charles Mangion	6	9
Paul Davies	9	9
Nicholas Kapes	6	6
Stephen Chaplin	6	6
Frank Terranova	3	3

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.

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 2018, the consolidated entity did not engage remuneration consultants.

Voting and comments made at the company's 23 November 2017 Annual General Meeting ('AGM')
At the 23 November 2017 AGM, 88.35% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2017. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

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

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

2017	Short-term benefits: Cash salary and fees $	Short-term benefits: Cash bonus $	Short-term benefits: Non-monetary $	Post-employment benefits: Super-annuation $	Long-term benefits: Long service leave $	Share-based payments: Equity-settled $	Total $
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
Executive Directors:							
Paul Davies	46,500	-	-	-	-	100,000	146,500
Other Key Management Personnel:							
Peter Hinner	129,593	-	-	-	-	-	129,593
	243,593	-	-	-	-	400,000	643,593

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

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:	Chairman
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 $100,000.

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

Share-based compensation

Issue of shares
Details of shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2018 are set out below:

Name	Date	Shares	Issue price	$
Peter Hinner	7 August 2017	548,705	$0.0910	50,000
Peter Hinner	7 February 2018	642,178	$0.0780	50,000

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 2018.

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 2018.

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

When appointed Peter Hinner in February 2017, was granted 1,250,000 performance rights which vest upon delivery of certain milestones. None of these had been achieved at 30 June 2018, or at the time of signing.

Additional information
The earnings of the consolidated entity for the five years to 30 June 2018 are summarised below:

	2018 $	2017 $	2016 $	2015 $	2014 $
Revenue	61	172	-	-	-
Loss after income tax	(2,965,089)	(1,522,205)	(968,925)	(1,606,589)	(295,543)

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

	2018	2017
Share price at financial year end ($)	0.06	0.10
Basic earnings per share (cents per share)	(0.84)	(0.51)
Diluted earnings per share (cents per share)	(0.84)	(0.51)

Additional disclosures relating to key management personnel

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

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals / held when resigned	Balance at the end of the year
Ordinary shares					
Raymond Charles Mangion	2,250,000	-	394,737	-	2,644,737
Paul Davies	500,000	-	-	-	500,000
Nicholas Kapes	500,000	-	-	(500,000)	-
Stephen Chaplin	2,118,671	-	-	(2,118,671)	-
Peter Hinner	-	1,190,883	-	-	1,190,883
	5,368,671	1,190,883	394,737	(2,618,671)	4,335,620

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
Performance rights over ordinary shares					
Peter Hinner	1,250,000	-	-	-	1,250,000
Frank Terranova	-	500,000	-	-	500,000
	1,250,000	500,000	-	-	1,750,000

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 2018 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 2018 and up to the date of this report.

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

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

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

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

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

Non-audit services
The directors are of the opinion that the services as disclosed in note 22 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:
- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

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

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

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

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

On behalf of the directors

Ray Mangion
Chairman

27 September 2018

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Freehilll Mining Limited for the year ended 30 June 2018, 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

RSM AUSTRALIA PARTNERS

P A RANSOM
Partner

Dated: 27 September 2018
Melbourne, Victoria

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 27 September 2018. 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 2018

	Note	Consolidated 2018 $	Consolidated 2017 $
Revenue		61	172
Other income	6	-	28,837
Expenses			
Mine production costs		-	(83,149)
Corporate and administration expenses		(1,421,763)	(545,322)
Share of associate losses		-	(8,189)
Listing expenses	4	-	(822,757)
Other expenses		(87,843)	-
Finance costs		(1,455,513)	(91,797)
Loss before income tax expense		(2,965,058)	(1,522,205)
Income tax expense	8	-	-
Loss after income tax expense for the year attributable to the owners of Freehill Mining Limited		(2,965,058)	(1,522,205)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		935,388	(125,353)
Other comprehensive income for the year, net of tax		935,388	(125,353)
Total comprehensive income for the year attributable to the owners of Freehill Mining Limited		(2,029,670)	(1,647,558)
		Cents	**Cents**
Basic earnings per share	31	(0.84)	(0.51)
Diluted earnings per share	31	(0.84)	(0.51)

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 2018

	Note	Consolidated 2018 $	2017 $
Assets			
Current assets			
Cash and cash equivalents		165,846	40,684
Trade and other receivables	9	999,015	492,521
Other		1,481	11,219
Total current assets		1,166,342	544,424
Non-current assets			
Exploration and evaluation asset	10	12,666,803	7,171,299
Mining	11	-	213,664
Total non-current assets		12,666,803	7,384,963
Total assets		13,833,145	7,929,387
Liabilities			
Current liabilities			
Trade and other payables	12	2,534,980	880,974
Borrowings	13	2,690,072	1,286,648
Other	14	250,000	-
Total current liabilities		5,475,052	2,167,622
Non-current liabilities			
Borrowings	15	1,847,500	-
Total non-current liabilities		1,847,500	-
Total liabilities		7,322,552	2,167,622
Net assets		6,510,593	5,761,765
Equity			
Issued capital	16	12,912,366	10,280,380
Reserves	17	956,547	(125,353)
Accumulated losses		(7,358,320)	(4,393,262)
Total equity		6,510,593	5,761,765

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 2018

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)
Transactions with owners in their capacity as owners:				
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

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2017	10,280,380	(125,353)	(4,393,262)	5,761,765
Loss after income tax expense for the year	-	-	(2,965,058)	(2,965,058)
Other comprehensive income for the year, net of tax	-	935,388	-	935,388
Total comprehensive income for the year	-	935,388	(2,965,058)	(2,029,670)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 16)	2,631,986	-	-	2,631,986
Share-based payments	-	40,500	-	40,500
Equity portion of convertible notes	-	106,012	-	106,012
Balance at 30 June 2018	12,912,366	956,547	(7,358,320)	6,510,593

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 2018

	Note	Consolidated 2018 $	2017 $
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(940,338)	(2,279,219)
Interest received		61	172
Interest and other finance costs paid		(284,938)	(21,362)
Net cash used in operating activities	30	(1,225,215)	(2,300,409)
Cash flows from investing activities			
Payments for exploration and evaluation		(5,567,826)	(1,577,419)
Contributions to joint ventures		-	(1,043,890)
Pre full scale receipts offset against mine assets		1,706,610	192,784
Net cash used in investing activities		(3,861,216)	(2,428,525)
Cash flows from financing activities			
Proceeds from issue of shares		336,000	3,822,729
Proceeds received ahead of the issue of shares		250,000	-
Proceeds from borrowings		660,271	1,286,548
Proceeds from convertible notes		4,192,490	-
Share issue transaction costs		(12,168)	(343,762)
Repayment of borrowings		(215,000)	-
Cash acquired from listing	4	-	3,960
Net cash from financing activities		5,211,593	4,769,475
Net increase in cash and cash equivalents		125,162	40,541
Cash and cash equivalents at the beginning of the financial year		40,684	143
Cash and cash equivalents at the end of the financial year		165,846	40,684

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 2018.

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

As disclosed in the financial statements, the consolidated entity incurred a loss of $2,965,058 (2017: $1,522,205) and had operating cash outflows of $1,225,215 (2017: $2,300,409). As at that date, the consolidated entity had a net working capital deficiency of $4,308,710 (2017: $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 2018, the company has received funds of $1,080,000 from current shareholders which are currently classified as borrowings. One of the shareholders has communicated their intention to receive share capital in return for $840,000 of this amount. The entity is under negotiation to issue convertible notes for the remaining $240,000;
- Other current liabilities included $250,000 of funds received in advance of issuing shares. Since 30 June 2018, these shares have been issued and the liability extinguished;
- The consolidated entity is currently in negotiation to outsource production at the Yerbas Buenas project in return for a rental stream based on product sold. This is intended to remove any capital demands for production while the Company executes its drilling program;
- Since 30 June 2018, there have been conversions of convertible notes resulting in an overall reduction of liabilities of $1,539,977. Of this amount $114,298 were included as current liabilities with the remainder being non-current; and
- The company is in active discussions with parties regarding further fundraisings with both current shareholders and new investors. This funding will be used to fully fund our drilling program and the establishment of JORC compliant resource, as well as meeting the ongoing working capital requirement of the consolidated entity.

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 26.

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 2018 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.

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.

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

Note 1. Significant accounting policies (continued)

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

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

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

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

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

Rehabilitation costs
Restoration costs expected to be incurred are provided for during the development phase which is expected to 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.

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

Note 1. Significant accounting policies (continued)

Employee benefits

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

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

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

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

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

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

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

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

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

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

Fair value measurement
Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

Note 1. Significant accounting policies (continued)

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

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.

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.

Note 1. Significant accounting policies (continued)

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

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

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

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

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2018. 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 July 2018 but the impact of its adoption is not expected to be material.

Note 1. Significant accounting policies (continued)

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 July 2018 but the impact of its adoption is not expected to be material.

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 still being assessed by management.

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.

Fair value measurement hierarchy
The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

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 2018, 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.

Pre-production mine receipts
Pre-production mine sales are being offset against the carrying value of the exploration asset because the current mine and processing plant have been purposely designated as a trial mine and demonstration process plant and not a full operational commercial mining pit or production plant.

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 recognition criteria 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 wherby 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 2017, 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 :

Note 4. Acquisition share based payment expense (continued)

	Consolidated	
	2018	**2017**
Net assets acquired		
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)
Total listing expense recognised in Statement of Profit or Loss	-	(822,757)

Note 5. Operating segments

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

Note 6. Other income

	Consolidated	
	2018	**2017**
	$	**$**
Net foreign exchange gain	-	28,837

Note 7. Expenses

	Consolidated	
	2018	**2017**
	$	**$**
Loss before income tax includes the following specific expenses:		
Depreciation		
Mine assets	30,730	14,506

Note 8. Income tax expense

	Consolidated 2018 $	2017 $
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(2,965,058)	(1,522,205)
Tax at the statutory tax rate of 27.5%	(815,391)	(418,606)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible items	-	226,258
	(815,391)	(192,348)
Temporary differences and losses not bought to account	815,391	192,348
Income tax expense	-	-

	Consolidated 2018 $	2017 $
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	3,414,335	2,269,557
Potential tax benefit @ 27.5%	938,942	624,128

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

Note 9. Current assets - trade and other receivables

	Consolidated 2018 $	2017 $
Trade receivables	189,280	-
Other receivables	148,180	2,990
Indirect taxes receivable	661,555	489,531
	999,015	492,521

Note 10. Non-current assets - exploration and evaluation asset

	Consolidated 2018 $	2017 $
Exploration and evaluation - at cost	12,666,803	7,171,299

Note 10. Non-current assets - exploration and evaluation asset (continued)

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

Consolidated	Exploration & evaluation $
Balance at 1 July 2016	-
Additions	1,577,298
Additions through business combinations (note 27)	6,114,083
Mining sales offset against the carrying value of the assets	(192,784)
Exchange differences	(327,298)
Balance at 30 June 2017	7,171,299
Additions	6,913,307
Exchange differences	478,087
Mining receipts offset against the carrying value of the assets	(1,895,890)
Balance at 30 June 2018	12,666,803

Note 11. Non-current assets - mining

	Consolidated	
	2018 $	**2017 $**
Mining plant and equipment - at cost	-	228,170
Less: Accumulated depreciation	-	(14,506)
	-	213,664
	-	213,664

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

Consolidated	Mining plant & equipment $	Total $
Balance at 1 July 2016	-	-
Additions through business combinations (note 27)	236,362	236,362
Exchange differences	(8,192)	(8,192)
Depreciation expense	(14,506)	(14,506)
Balance at 30 June 2017	213,664	213,664
Disposals	(182,934)	(182,934)
Depreciation expense	(30,730)	(30,730)
Balance at 30 June 2018	-	-

Note 12. Current liabilities - trade and other payables

	Consolidated	
	2018 $	2017 $
Trade payables	1,696,148	35,000
Purchase agreement payable *	219,250	521,427
Interest payable	455,914	1,919
Other payables	163,668	322,628
	2,534,980	880,974

Refer to note 19 for further information on financial instruments.

* Since 30 June 2018, this amount has been paid in full.

Note 13. Current liabilities - borrowings

	Consolidated	
	2018 $	2017 $
Convertible notes payable	1,965,150	-
Short term loans	724,922	1,286,648
	2,690,072	1,286,648

Refer to note 19 for further information on financial instruments.

Convertible notes includes notes with a value of $1,235,476 with a conversion price of $.048, an interest rate of 12.5% and which expire in December 2018. The company is currently in negotiations to extend these notes for a further 12 months.

Convertible notes include $729,674 with a value of $729,674 with a variable conversion price, an interest rate of $12.5% and which expire in December 2018. These notes are denominated in USD.

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

Note 14. Current liabilities - other

	Consolidated	
	2018 $	2017 $
Funds received in advance of issuing shares	250,000	-

The shares in relation to these funds received in advance were issued on 6 July 2018.

Note 15. Non-current liabilities - borrowings

	Consolidated	
	2018 $	2017 $
Convertible notes payable	1,847,500	-

Note 15. Non-current liabilities - borrowings (continued)

Refer to note 19 for further information on financial instruments.

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

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

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

	Consolidated	
	2018 $	2017 $
Convertible notes	3,812,650	-

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

	Consolidated	
	2018 $	2017 $
Exploration and evaluation assets	12,447,465	-

Note 16. Equity - issued capital

	Consolidated			
	2018 Shares	2017 Shares	2018 $	2017 $
Ordinary shares - fully paid	365,201,691	331,786,900	12,912,366	10,280,380

Note 16. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 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
Shares issued to KMP	7 August 2017	548,705	$0.0910	50,000
Shares issued	12 September 2017	4,200,000	$0.0800	336,000
Share issued to extinguish short term debt	12 September 2017	12,843,068	$0.0800	1,027,446
Shares issued to pay trade creditors	8 November 2017	825,000	$0.0800	66,000
Loan establishment fee paid with shares	19 December 2017	7,475,000	$0.0800	598,000
Conversion of convertible notes	21 December 2017	193,019	$0.0760	14,669
Conversion of convertible notes	4 January 2018	643,178	$0.0770	49,525
Shares issued to KMP	7 February 2018	642,178	$0.0780	50,000
Conversion of convertible notes	8 February 2018	970,855	$0.0650	63,106
Conversion of convertible notes	16 February 2018	1,208,484	$0.0650	78,551
Shares issued to KMP to pay fees and expenses	5 March 2018	1,523,684	$0.0950	144,749
Conversion of convertible notes	14 March 2018	1,097,542	$0.0720	79,023
Conversion of convertible notes	13 April 2018	1,244,078	$0.0700	87,085
Cost of capital raising		-	$0.0000	(12,168)
Balance	30 June 2018	365,201,691		12,912,366

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.

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.

Note 16. Equity - issued capital (continued)

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

	Consolidated 2018 $	Consolidated 2017 $
Foreign currency reserve	810,035	(125,353)
Share-based payments reserve	40,500	-
Convertible notes reserve	106,012	-
	956,547	(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.

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

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

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

Consolidated	Convertible notes $	Share based payments $	Foreign currency $
Balance at 1 July 2016	-	-	-
Foreign currency translation	-	-	(125,353)
Balance at 30 June 2017	-	-	(125,353)
Foreign currency translation	-	-	935,388
Movement in convertible notes	106,012	-	-
Share based payments	-	40,500	-
Balance at 30 June 2018	106,012	40,500	810,035

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

	Assets		**Liabilities**	
Consolidated	**2018 $**	**2017 $**	**2018 $**	**2017 $**
US dollars	-	-	729,674	521,427
Chilean pesos	896,646	483,071	1,590,378	534,085
	896,646	483,071	2,320,052	1,055,512

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

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

Price risk

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

Note 19. Financial instruments (continued)

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

Credit risk
The consolidated entity is not exposed to significant credit risk.

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

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

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

Consolidated - 2018	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade other payables	-	2,602,664	-	-	-	2,602,664
Interest-bearing - fixed rate						
Convertible notes	21.05%	1,965,150	1,847,500	-	-	3,812,650
Short term loans	15.00%	724,922	-	-	-	724,922
Total non-derivatives		5,292,736	1,847,500	-	-	7,140,236

Consolidated - 2017	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade other payables	-	880,974	-	-	-	880,974
Interest-bearing - fixed rate						
Short term loans	15.00%	1,268,648	-	-	-	1,268,648
Total non-derivatives		2,149,622	-	-	-	2,149,622

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. Fair value measurement

Fair value hierarchy
The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

Consolidated - 2018	Level 1 $	Level 2 $	Level 3 $	Total $
Liabilities				
Convertible notes	-	-	3,812,650	3,812,650
Total liabilities	-	-	3,812,650	3,812,650

There were no transfers between levels during the financial year.

Note 21. 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
Frank Terranova

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

Peter Hinner

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

	Consolidated	
	2018 **$**	**2017** **$**
Short-term employee benefits	356,067	243,593
Share-based payments	140,500	400,000
	496,567	643,593

The share based payments were issued before the reverse acquisition therefore are not included in the statement of profit or loss during the year ended 30 June 2017.

Note 22. Remuneration of auditors

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

	Consolidated	
	2018 $	2017 $
Audit services - RSM Australia Partners		
Audit or review of the financial statements	63,290	32,700
Other services - RSM Australia Partners		
Taxation services	9,300	-
	72,590	32,700
Other services - network firms		
Audit of Chilean subsidiaries	20,820	19,572

Note 23. Contingent liabilities

The consolidated entity had no contingent liabilities at 30 June 2018 and 30 June 2017.

Note 24. Commitments

The consolidated entity had no commitments at 30 June 2018 and 30 June 2017.

Note 25. Related party transactions

Parent entity
Freehill Mining Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 28.

Key management personnel
Disclosures relating to key management personnel are set out in note 21 and the remuneration report included in the directors' report.

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated	
	2018 $	2017 $
Payment for other expenses:		
Interest paid and accrued on short terms loans payable to Ray Mangion and his wife	27,963	1,558
Other transactions:		
Payments for mining development expenditure were made to mine project contractor Lacerta Finance and Mining SpA ("Lacerta"). Yerbas Buenas SpA director Juan Dagach, is the general manager of Lacerta.	3,902,610	2,621,188

Note 25. Related party transactions (continued)

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

	Consolidated	
	2018	**2017**
	$	**$**
Current payables:		
Trade payables to Electrum Pty Ltd - an entity related to Peter Hinner	170,924	67,196
Trade payables and accrued expenses to directors in relation to unpaid fees and expenses	77,389	53,625

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

	Consolidated	
	2018	**2017**
	$	**$**
Current borrowings:		
Loan from Ray Mangion (director) and his wife	195,000	201,558

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

Note 26. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2018	**2017**
	$	**$**
Loss after income tax	(2,660,621)	(575,309)
Total comprehensive income	(2,660,621)	(575,309)

Note 26. Parent entity information (continued)

Statement of financial position

	Parent 2018 $	2017 $
Total current assets	149,284	54,784
Total assets	10,310,001	6,093,399
Total current liabilities	3,884,673	1,633,537
Total liabilities	5,732,173	1,633,537
Equity		
Issued capital	26,168,311	23,536,325
Share-based payments reserve	40,500	-
Convertible notes reserve	1,113,304	-
Accumulated losses	(22,744,287)	(19,076,463)
Total equity	4,577,828	4,459,862

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 2018 and 30 June 2017.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2018 and 30 June 2017.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2018 and 30 June 2017.

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 27. Business combinations

Acquisition of Yerbas Buenas SpA and San Patricio Mineria SpA
On 16 January 2017, after completion of the IPO, Freehill Investments Pty Ltd acquired the remaining 50% of the issued capital of Yerbas Buenas SpA and San Particia Mineria SpA. 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 27. Business combinations (continued)

Details of the acquisition are as follows:

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

Note 28. 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:

		Ownership interest	
Name	Principal place of business / Country of incorporation	2018 %	2017 %
Freehill Investments Pty Ltd	Australia	100.00%	100.00%
Yerbas Buenas SpA	Chile	100.00%	100.00%
San Patricio Mineria SpA	Chile	100.00%	100.00%

Note 29. Events after the reporting period

On 6 July 2018, the company issued 37,765,166 fully paid ordinary shares. Of these shares 31,729,019 (valued at $1,522,992) were issued on the conversion of convertible notes, 5,208,333 (valued at $250,000) fully paid ordinary shares were issued in relation to amounts received before 30 June 2018, and 827,814 (valued at $50,000) fully paid ordinary shares were issued to the company's COO as part of his remuneration.

On 13 July 2018, the company issued 353,847 fully paid (valued at $16,985) ordinary shares on the conversion of convertible notes.

On 17 August 2018, the consolidated entity has settled all obligations in relation to the purchase agreement payable on Yerbas Buenas tenement leases.

The consolidated entity is currently in negotiation to outsource production at the Yerbas Buenas project in return for a rental stream based on product sold. This is intended to remove any capital demands for production while the company executes its drilling program.

Since 30 June 2018, the consolidated entity has received additional debt funding of $1,080,000.

No other matter or circumstance has arisen since 30 June 2018 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 30. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated 2018 $	Consolidated 2017 $
Loss after income tax expense for the year	(2,965,058)	(1,522,205)
Adjustments for:		
Depreciation and amortisation	30,730	14,506
Share-based payments	40,500	-
Accrued finance costs and finance costs settled via issue of shares	1,170,575	70,435
Gain on foreign exchange	-	(28,837)
Listing expense	-	822,757
Operating expenses settled via the issue of shares	310,749	-
Change in operating assets and liabilities:		
Increase in trade and other receivables	(29,198)	(435,152)
Decrease/(increase) in other operating assets	9,738	(11,219)
Increase/(decrease) in trade and other payables	206,749	(1,210,694)
Net cash used in operating activities	(1,225,215)	(2,300,409)

Note 31. Earnings per share

	Consolidated 2018 $	Consolidated 2017 $
Loss after income tax attributable to the owners of Freehill Mining Limited	(2,965,058)	(1,522,205)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	352,912,562	296,835,174
Weighted average number of ordinary shares used in calculating diluted earnings per share	352,912,562	296,835,174
	Cents	**Cents**
Basic earnings per share	(0.84)	(0.51)
Diluted earnings per share	(0.84)	(0.51)

Freehill Mining Limited
Directors' declaration
30 June 2018

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 2018 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the directors

Ray Mangion
Chairman

27 September 2018

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 2018, 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 2018 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001.*

Basis for Opinion

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

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

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the consolidated entity incurred a net loss of $2,965,058 and had net cash outflows from operating activities amounting to $1,225,215, during the year ended 30 June 2018. In addition, as at 30 June 2018, the consolidated entity's current liabilities exceeded its current assets by $4,308,710. 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
Carrying value of Exploration & Evaluation assets Refer to Note 10 in the consolidated financial statements	
As at 30 June 2018, the consolidated entity's statement of financial position reflects Exploration and Evaluation assets relating to the Yerbas Buenas project amounting to $12,666,803 which represented 91% of the total assets of the consolidated entity as at that date. We considered the carrying value of the capitalised Exploration and Evaluation assets as a key audit matter because of its significance, because there is a level of judgement required by management to assess which costs should be capitalised, and because of the judgement involved in determining whether the carrying amount of the Exploration and Evaluation assets exceeds its recoverable amount.	Our audit procedures in relation to the carrying value of Exploration and Evaluation assets included: • Critically assessing and evaluating management's assessment that no indicators of impairment existed; • Obtaining confirmation from the mine operator as to the work performed during the year; • Reviewing a sample of costs that were capitalised to determine whether the costs were appropriate to capitalise in accordance with the Australian Accounting Standards and the consolidated entity's accounting policy; and • Discussions with management and a review of the Group's ASX announcements and other relevant documentation, to assess management's determination that exploration activities have not yet progressed to the point where the existence or otherwise of an economically recoverable mineral resource may be determined.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the consolidated entity's annual report for the year ended 30 June 2018, 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.

Responsibilities of the Directors for the Financial Report (Continued.)

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2018.
In our opinion, the Remuneration Report of Freehill Mining Limited for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001.*

Responsibilities

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

RSM

RSM AUSTRALIA PARTNERS

Philip A Ransom

P A RANSOM
Partner

Dated: 27 September 2018
Melbourne, Victoria

Freehill Mining Limited
Shareholder information
30 June 2018

The shareholder information set out below was applicable as at 17 September 2018.

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

	Number of holders of ordinary shares
1 to 1,000	821
1,001 to 5,000	84
5,001 to 10,000	194
10,001 to 100,000	226
100,001 and over	315
	1,640
Holding less than a marketable parcel	1,156

Equity security holders

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

	Ordinary shares	
	Number held	% of total shares issued
SMART INVESTMENT CHILE LLC	94,500,000	23.19
DUDDY INVESTMENT PTY LTD (DUDDY INVESTMENT A/C)	24,373,105	5.98
MR SAMUEL WILLIAM DUDDY	12,700,000	3.12
G&T HOLDINGS LIMITED	12,667,000	3.11
L A L GLOBAL LIMITED	10,166,000	2.49
DG FREEHOLD PTY LTD (DG FREEHOLD A/C)	9,304,734	2.28
ORIGAMI EQUITIES PTY LTD	8,923,000	2.19
LA SERENA HOLDINGS PTY LTD	5,875,000	1.44
ODEL INVESTMENTS PTY LTD	5,205,000	1.28
LA SERENA HOLDINGS PTY LTD	4,915,221	1.21
MR JOHN MAVRIAS (JOHN MAVRIAS FAMILY A/C)	4,800,000	1.18
MR NIGEL KENNETH PHILLIPS	4,576,753	1.12
MR LEO ILIAS RADIOTIS (L A RADIOTIS FAMILY A/C)	4,567,500	1.12
	4,510,000	1.11
CAM NOMINEES PTY LTD (ROBERT FINKELSTEIN A/C)	3,850,162	0.94
SOUTH BEACH SUPER PTY LTD (SOUTH BEACH SUPERFUND A/C)	3,800,000	0.93
MS JOAN CHRISTINE GRAINGER	3,750,000	0.92
GLACIER BLUE PTY LTD (MARIC FAMILY A/C)	3,400,000	0.83
MR LEO ILIAS RADIOTIS (L A RADIOTIS FAMILY A/C)	3,139,817	0.77
ORIGAMI EQUITIES PTY LTD	3,000,000	0.74
	228,023,292	55.95

Unquoted equity securities
There are no unquoted equity securities.

Freehill Mining Limited
Shareholder information
30 June 2018

Substantial holders
Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
SMART INVESTMENT CHILE LLC	94,500,000	23.19
DUDDY INVESTMENT PTY LTD	24,373,105	5.98

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.