



Freehill Mining Limited

Annual Financial Report

for the year ended 30 June 2016

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Corporate information

ABN 27 091 608 025

Freehil Mining Limited is a based in Melbourne, Australia, and was listed on the Australian Stock Exchange in April 2002. It has been suspended from trading on the ASX since January 2010 and was delisted in March 2016.

Registered Office

Level 1, 141 Capel Street
North Melbourne, Victoria 3051

Auditor

RSM Australia Partners
Level 21,
55 Collins Street
Melbourne VIC 3000

Share register

Computershare Investor Services Pty Ltd
Yarra Falls
452 Johnston Street
Abbotsford, Victoria, 3067
Telephone: 1300 85 05 05 (Australia)
+61 3 9415 4000 (Overseas)

Corporate governance statement

The Board of Directors of Freehill Mining Limited is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of Freehill Mining Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

Freehill Mining Limited's corporate governance principles and policies are therefore structured with reference to the Corporate Governance Council's best practice recommendations, which are as follows:

1. Lay solid foundations for management and oversight.
2. Structure the Board to add value.
3. Promote ethical and responsible decision making.
4. Safeguard integrity in financial reporting.
5. Make timely and balanced disclosure.
6. Respect the rights of shareholders.
7. Recognise and manage risk.
8. Remunerate fairly and responsibly.

1. Lay solid foundations for management and oversight

As the Board acts on behalf of and is accountable to the shareholders, the Board seeks to identify shareholders' expectations, as well as other regulatory and ethical expectations and obligations. It is also responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks. The Board seeks to discharge these responsibilities in a number of ways.

The Board has delegated the responsibility for operating and administering the Company to the executive team. The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess their performance. Within this setting, the executive team regularly reports to the Board on all operational and financial matters.

The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved. In addition to establishing Committees these mechanisms include:

- Approving a strategic plan, which encompasses the Company's vision, mission, and strategy statements, designed to meet stakeholders' needs and manage business risk.
- Implementing operating plans and budgets by management and Board monitoring of progress against budget.

2. Structure the Board to add value

Board composition

The Board composition is determined according to the following principles and guidelines:

- the Board should have at least three directors,
- the chairperson must be a non-executive director,
- the Board should comprise directors with an appropriate range of qualifications and expertise, and
- the Board shall meet as often as required for the effective operation of the Company and follow meeting guidelines set down to ensure all directors are made aware of, and have available all necessary information, to participate in an informed discussion of all agenda items.

The skills, experience and expertise relevant to the position of each director who is in office at the date of the annual report and their term of office are detailed in the Directors' Report.

The names of independent directors of the Company are listed below:

| Name | Appointed / Resigned |
|-------------------------|--|
| Stephen Chaplin | Appointed 3 August 2015 |
| Raymond Charles Mangion | Appointed 20 March 2015 |
| Nicholas Kapes | Appointed 20 March 2015 |
| Paul Davies | Appointed 20 March 2015, not independent after 3 August 2015 |

When determining whether a non-executive director is independent the director must not fail any of the following tests:

- less than 10% of Company shares are held by the director and any entity or individual directly or indirectly associated with the director;
- within the last three years the director has not been employed in an executive capacity with the Company; and
- none of the director's income or the income of an individual or entity directly or indirectly associated with the director is derived from the Company other than an income derived as a director of the Company.

At balance date the Company had three independent directors.

Directors have the right to seek independent advice in the furtherance of their duties as directors at the Company's expense. Approval must be obtained from the Chairman or Board prior to incurring any expense on behalf of the Company.

Given the size of the Board, the Board has not established a Nomination Committee. The responsibility for the appointment of Directors and review of Board succession plans is undertaken by the Board. The evaluation of the Board's performance is undertaken by the Chairman of the Board.

3. Promote ethical and responsible decision-making

The Company has not established a formal code of conduct. At present the Company has no employees. Directors and staff, as appointed, are expected to act ethically and responsibly at all times to ensure the protection of and proper use of the Company's assets and compliance with laws and regulations.

The Company does not have a formal policy concerning the trading in Company securities by directors, officers and employees however trading in Company securities should only occur in circumstances where the market is considered to be fully informed of the Company's activities.

The Board recognises the importance of promoting ethical and responsible decision-making and has embarked on establishing appropriate formal policies in this regard.

4. Safeguard integrity in financial reporting

Audit Committee

Given the nature of the Company's current operations and the size of the Board, as of 1 July 2008 the Board decided not to maintain an Audit Committee and to directly assume the role of the Audit Committee. The undertaking of the roles and responsibilities of the Audit Committee by the Board of Freehill Mining Limited will allow for a more efficient and streamlined decision making process and promotes better corporate governance.

The responsibilities of the Board in regard to audit related matters include:

- the review of accounting policies;
- the detailed review of the Company's annual, half yearly financial reports;
- the effectiveness of accounting and internal control systems;
- addressing the findings of the external auditors;
- the assessment of the scope, quality and cost of the external audit;
- identifying areas of operation, regulatory and legal risk and recommending procedures to the Board to ensure those risks are effectively managed; and
- ensuring that conflicts of interest do not arise from services provided by the company's external advisors.

The external auditors are invited to attend Board meetings at the discretion of the Board.

5. Make timely and balanced disclosure

The Board is aware of the continuous disclosure requirements of the ASX and have procedures in place to disclose any information concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities.

The Chairman and Board members with Board Approval are authorised to make statements and representations on Freehill Mining Limited's behalf. The Company Secretary is responsible for overseeing and coordinating the disclosure of information to the ASX, analysts, stockbrokers, shareholders, the media and the public.

6. Respect the rights of shareholders

The Board aims to ensure that all shareholders, on behalf of whom they act, are informed of major developments affecting the affairs of the Company. Information is communicated to the shareholders through the annual and half year reports, disclosures made to the ASX, notices of meetings and occasional letters to shareholders where appropriate.

7. Recognise and manage risk

The Board has procedures in place to recognise and manage risk. Monthly reporting of financial performance, position and cash flow is in place as are policies to manage other business risks.

The Chairman and one other director both sign statements to the Board for the full and half year financial reports confirming that:

- The Company's financial reports present a true and fair view, in all material respects of the Company's financial condition and operational results and are in accordance with relevant accounting standards;
- The statement given above is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- The Company's risk management and internal compliance and control system is operating efficiently in all

8. Remunerate fairly and responsibly

Remuneration policies

Remuneration for the Board will be put to the next general meeting of Shareholders.

Remuneration policies for employees will be developed in line with the Company's activities and will be consistent with relevant industry standards.

The number of meetings of the Committee and their attendance at meetings is disclosed in the Directors' Report.

There are no schemes for retirement benefits other than statutory superannuation for non-executive directors.

Directors' report

Your directors are pleased to present their report on Freehill Mining Limited ("Freehill" or "the Company") for the financial year ended 30 June 2016.

Directors

The Company's directors in office during and since the end of the financial year ended 30 June 2015 are as follows:

| | |
|-------------------------|---|
| Stephen Chaplin | (Chairman appointed 3 August 2015) |
| Paul Davies | (Chairman, appointed 20 March 2015, Resigned as Chairman and appointed Chief Financial Officer 3 August 2015) |
| Raymond Charles Mangion | (appointed 20 March 2015) |
| Nicholas Kapes | (appointed 20 March 2015) |

Information on Directors

Stephen Chaplin

Chairman

Mr 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, is a significant investor in many ASX listed companies and a member of the Australian Institute of Company Directors.

Paul Davies

Director and Chief Financial Officer

Mr. 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, fundraising and IPO. Prior to this Mr Davies was Director in Charge of Corporate and Institutional Banking for Deutsche Bank Australia and a member of the Deutsche Bank Credit Committee. He has been directly involved in over \$20 billion worth of transactions involving origination, advising, arranging, structuring, project finance, lead managing, syndication, negotiation, risk management, including servicing many of Australia's major mining companies. Before Deutsche Bank Mr. Davies worked for a number of years with both Bankers Trust Australia and Macquarie Bank.

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

Mr. Davies holds an Economics Degree from Monash University, has qualified as a Chartered Accountant and is an alumnus of the Stanford Business School.

Nicholas Kapes

Non-executive director

Mr. 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. Mr Kapes was a Director of Proprietary Trading at Credit Suisse for two years.

In his time as a merchant banker Mr. Kapes became heavily involved in companies evolving from venture capital stage to listing on the Australian Securities Exchange.

Since his return to Melbourne in late 2005, Mr. Kapes 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.

Raymond Charles Mangion

Non-executive director

Mr 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 and holds an Associate Diploma of Business (Accounting) and an RG146 Associate Diploma in Financial Planning.

Directors' share and option holdings

As at the date of this report, the directors' interests in Freehill Mining Limited's shares and options are as follows:

| | Ordinary Shares |
|-------------------------|----------------------------|
| Stephen Chaplin | - |
| Paul Davies | - |
| Raymond Charles Mangion | - |
| Nicholas Kapes | - |
| | <hr/> |
| | - |
| | <hr/> |

Principal activities

Freehill Mining Limited was de-listed in March 2016. During 2015-2016 financial year, the principal activities of the company has been to undertake a capital restructure, raise funds via convertible instruments and prepare a prospectus in order raising capital to allow for the proposed acquisition of Freehill Investments Pty Ltd. The target company has interests in two Chilean companies that own a producing magnetite iron ore sands project in Chile, the Yervas Buenas Project. In addition, Freehill is seeking re-listing of its shares on the ASX.

Review and results of operations

Freehill Mining Limited incurred losses of \$507,888 for the financial year ended 30 June 2016 (2015: Profit of \$819,513).

The losses incurred were largely due to expenses in relation to the Company's proposed acquisition of Freehill Investments Pty Ltd including extensive work done on the development of a Prospectus for the Company's fundraising and compliance costs associated with the Company itself.

Future developments

Freehill, with the support of investors and funding provided through the issue of Convertible Notes has restructured its capital and formalised its offer for the acquisition of Freehill Investments Pty. Ltd. The Company will be lodging a Prospectus with ASIC in late August 2016 for a \$6 million fundraising of which \$4 million will be underwritten as part of the acquisition which will provide working capital to develop the Chilean mining assets and facilitate the relisting of the Company's shares on the ASX.

Significant events after balance date

The Company has held an EGM and obtained approval for the acquisition of Freehill Investments Pty Ltd. As part of these approvals and subject to successful completion Mr Juan Enrique Dagach will be appointed to the Board as Chief Executive Officer.

Dividends

No dividends were paid or declared since the start of the financial year and the directors do not recommend the payment of a dividend in respect of the financial year ended 30 June 2016.

Remuneration report

This report details the nature and amount of compensation for each director of Freehill Mining Limited and its executives (key management personnel).

Remuneration policy

The Company is currently reviewing its operations and is undertaking an acquisition which will require a review of the Company's remuneration policies and practices. The Board will ensure that appropriate policies and procedures will be put in place to ensure Remuneration practices are in line with relevant industry standards.

Over the past 12 months no Directors fees have been paid however a grant of shares in lieu of fees was approved by shareholders at an Extraordinary General Meeting post Balance Date. The Grant is for 500,000 shares for each director and the Company Secretary based on 20 cent shares reflecting both the fact that directors have received no fees during the past 12 months and the risk associated with completion of the acquisition and proposed fundraising currently proposed by the Company. Shares issued under this grant will be subject to a two year escrow period. Directors are entitled to \$45,000 per year Directors fees. The grant described above, while approved by shareholders subsequent to balance date, will not be brought to account until successful completion of the Company's acquisition and associated fundraising

Since August 2015, Executive Director, Mr Paul Davies, receives \$2,000 per month for accounting and professional services provided to the Company.

Directors and executives (key management personnel compensation) disclosures

The key management personnel of Freehill Mining Limited during the year were:

Directors

| | |
|---|---|
| Stephen Chaplin (appointed 3 August 2015) | Chairman |
| Paul Davies (appointed 20 March 2015) | Appointed Finance Director August 3, 2015 formerly Chairman |
| Nicholas Kapes (appointed 20 March 2015) | Non-Executive director |
| Ray Magnion (appointed 20 March 2015) | Non-Executive director |

| | Primary (short-term) employee benefits | | | Post employment benefits | Other long term benefits | Share based payments | Total |
|---|--|----------|--------------------|--------------------------|----------------------------|--|---------------|
| | Salary & fees | Bonus | Other (allowances) | Superannuation | Long service leave accrued | Shares in lieu of salary & fees ¹ | |
| 2016 | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Directors | | | | | | | |
| Stephen Chaplin (appointed August 3 2015) | | | | | | | |
| Paul Davies (appointed March 20 2015) | 22,000 | - | - | - | - | - | 22,000 |
| Nicholas Kapes (appointed 20 March 2015) | - | - | - | - | - | - | - |
| Ray Magnion (appointed 20 March 2015) | - | - | - | - | - | - | - |
| Total | 22,000 | - | - | - | - | - | 22,000 |

| | Primary (short-term) employee benefits | | | Post employment benefits | Other long term benefits | Share based payments | Total |
|--|--|----------|--------------------|--------------------------|----------------------------|--|---------------|
| | Salary & fees | Bonus | Other (allowances) | Superannuation | Long service leave accrued | Shares in lieu of salary & fees ¹ | |
| 2015 | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Directors | | | | | | | |
| Shihao Li | - | - | - | - | - | - | - |
| Kee Guan Saw | 11,000 | - | - | - | - | - | 11,000 |
| Gavin Boyd | 9,000 | - | - | - | - | - | 9,000 |
| Paul Davies (appointed March 20 2015) | - | - | - | - | - | - | - |
| Nicholas Kapes (appointed 20 March 2015) | - | - | - | - | - | - | - |
| Ray Magnion (appointed 20 March 2015) | - | - | - | - | - | - | - |
| Total | 20,000 | - | - | - | - | - | 20,000 |

Contracts for service of key management personnel

The Company has no contracts in place for the services of key management personnel.

Options issued to directors and executives

There were no options granted, exercised or lapsed during the annual reporting period to the directors and executives.

End of Audited Remuneration Report

Indemnification and insurance of directors and officers

During the financial year, the Company paid a premium in respect of a contract insuring the directors and executives of the Company and all the executive officers of the Company and any related body corporate against a liability incurred as such a director, secretary or executive officer 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.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or any related body corporate against a liability incurred as such an officer or auditor.

Environmental regulations

The Company is not subject to any significant environmental regulations.

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.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director while they were a director or committee member:

| | FY 2016 | FY 2016 | FY 2015 | FY 2015 |
|---|-----------------------------|---------------------------------------|-----------------------------|---------------------------------------|
| | Number of meetings attended | Number of meetings eligible to attend | Number of meetings attended | Number of meetings eligible to attend |
| Number of meetings attended: | | | | |
| Stephen Chaplin (appointed 3 August 2015) | 6 | 7 | - | - |
| Paul Davies (appointed 20 March 2015) | 7 | 7 | 1 | 1 |
| Nicholas Kapes (appointed 20 March 2015) | 7 | 7 | 1 | 1 |
| Raymond Mangion (appointed 20 March 2015) | 4 | 7 | 1 | 1 |

Given the financial circumstances Freehill found itself in during the year, no distinct remuneration committee meetings were held. All matters in relation to remuneration were handled directly by the Board of Directors.

Committee membership

As at the date of this report Freehill Mining Limited does not have a Remuneration Committee as Freehill Mining Limited has no current employees and Directors fees associated with current directors will be put to the next meeting of shareholders for approval. Should the Company take on employees appropriate practice in relation to determination of remuneration will be adopted by the Board.

As at the date of this report, Freehill Mining Limited does not have an Audit Committee. The Board of Directors has assumed the role and responsibilities of the Audit Committee as at 1 July 2008.

Non-audit services provided by auditor

The Company's auditor, RSM Australia Partners, provided non-audit services in relation to general assistance with the earlier prospectus during the year ended 30 June 2016. The directors are satisfied that the provision of non-audit services during the financial year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

Auditor's independence declaration

The auditor's independence declaration, as required under Section 307C of the *Corporations Act 2001*, is included on page 10.

Signed in accordance with a resolution of the directors made pursuant to s.298(2) of the *Corporations Act 2001*.

On behalf of the directors



Paul Davies

Director

Melbourne, 24 August 2016

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Freehill Mining Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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



RSM AUSTRALIA PARTNERS



R B MIANO
Partner

Melbourne, VIC
Dated: 23 August 2016

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

FREEHILL MINING LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Freehill Mining Limited ("the company"), which comprises the statement of financial position as at 30 June 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility 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 is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Freehill Mining Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Freehill Mining Limited (Formerly Iatia Limited) is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1(p) in the financial report which refers to the significant net liability position of \$403,729 as at 30 June 2016, and operating losses of \$507,888 and net cash outflows from operating activities of \$341,822 for the year then ended, as well as the reliance of the company on its ability to obtain equity funds to enable it to meet its debts as and when they fall due. These conditions, along with other matters set forth in Note 1(p), indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and, therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report in the directors' report for the year ended 30 June 2016. 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.

Opinion

In our opinion the Remuneration Report of Freehill Mining Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

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

RSM AUSTRALIA PARTNERS

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

R B MIANO
Partner

Melbourne, VIC
Dated: 23 August 2016

Directors' declaration

The directors of Freehill Mining Limited declare that:

1. The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, accompanying notes, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards and the Corporations Regulations 2001; and
 - b. give a true and fair view of the company's financial position as at 30 June 2016 and of its performance for the year ended on that date.
2. The company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
3. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
4. The remuneration disclosures included in the directors' report (as part of audited Remuneration Report), for the year ended 30 June 2016, comply with section 300A of the Corporations Act 2001.
5. The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



Paul Davies

Director

Melbourne, 24 August 2016

Statement of comprehensive income

for the financial year ended 30 June 2016

| | Note | Jun-16 | Jun-15 |
|---|------|------------------|----------------|
| Revenue from continuing operations | 2 | 22 | 983 |
| Loan Forgiveness | | - | 1,012,567 |
| Capital Raising Expenses | | (24,350) | (10,591) |
| Employee benefits expense | | - | (20,000) |
| Compliance and Filing Fees | | (13,813) | - |
| Geologist's Reports | | (78,601) | - |
| Interest Expense | | (55,884) | (3,408) |
| Insurance expenses | | (9,184) | (18,204) |
| Printing & Stationary | | (6,140) | - |
| Professional fees | | (218,714) | (95,406) |
| Share registry expenses | | (46,406) | (46,428) |
| Technical Consultant | | (15,000) | - |
| Travel & Accommodation | | (32,681) | - |
| Web Services | | (2,500) | - |
| Other expenses | | (4,637) | - |
| Profit/(Loss) from continuing operations before income tax benefit | | (507,888) | 819,513 |
| Income tax benefit | 3 | - | - |
| Profit/(Loss) from continuing operations | | (507,888) | 819,513 |
| Total comprehensive income for the half-year | | (507,888) | 819,513 |
| Basic earnings per share (cents per share) | 10 | (8.27)* | 0.07 |
| Diluted earnings per share (cents per share) | 10 | (8.27)* | 0.07 |

*Calculated after 222 for 1 consolidation and approved issue of shares

The above Statement of comprehensive income is to be read in conjunction with the accompanying notes.

Statement of financial position

as at 30 June 2016

| | Note | Jun-16 \$ | Jun-15 \$ |
|--------------------------------------|------|-----------------|----------------|
| Current assets | | | |
| Cash and cash equivalents | 9(b) | 38,829 | 25,651 |
| Trade and other receivables | 4 | 16,720 | 4,846 |
| Other current assets | | - | - |
| | | <hr/> 55,548 | <hr/> 30,497 |
| Total current assets | | <hr/> 55,548 | <hr/> 30,497 |
| Non-Current Assets | | | |
| Loan receivable | 5 | 310,000 | - |
| Total non-current assets | | <hr/> 310,000 | <hr/> - |
| Total assets | | <hr/> 365,548 | <hr/> 30,497 |
| Current liabilities | | | |
| Trade and other payables | 6 | 177,221 | 56,119 |
| Total current liabilities | | <hr/> 177,221 | <hr/> 56,119 |
| Non Current Liabilities | | | |
| Financial Liabilities | 7 | 592,056 | 47,505 |
| Total non-current liabilities | | <hr/> 592,056 | <hr/> 47,505 |
| Total liabilities | | <hr/> 769,277 | <hr/> 103,624 |
| Net assets | | <hr/> (403,729) | <hr/> (73,127) |
| Equity | | | |
| Contributed equity | 8 | 16,821,001 | 16,821,001 |
| Reserves | | 320,681 | 143,394 |
| Accumulated losses | | (17,545,411) | (17,037,522) |
| Total equity | | <hr/> (403,729) | <hr/> (73,127) |

The above Statement of financial position is to be read in conjunction with the accompanying notes.

Statement of changes in equity

for the financial year ended 30 June 2016

| | Contributed equity | Convertible Notes Reserve | Accumulated losses | Total |
|---|-----------------------|------------------------------|-----------------------|------------------|
| | \$ | \$ | \$ | \$ |
| Balance at 30 June 2014 | 16,791,001 | 99,474 | (17,857,035) | (966,560) |
| Transactions with equity holders in their capacity as equity holders | | | | |
| Issue of share capital | 30,000 | - | - | 30,000 |
| Issue of convertible notes | - | 43,920 | - | 43,920 |
| Share based payments | - | - | - | - |
| | <u>16,821,001</u> | <u>143,394</u> | <u>(17,857,035)</u> | <u>(892,640)</u> |
| Total comprehensive income for the year | | | | |
| Comprehensive income for the year | - | - | 819,513 | 819,513 |
| | <u>16,821,001</u> | <u>143,394</u> | <u>(17,037,522)</u> | <u>(73,127)</u> |
| Balance at 30 June 2015 | 16,821,001 | 143,394 | (17,037,522) | (73,127) |
| Transactions with equity holders in their capacity as equity holders | | | | |
| Issue of share capital | - | - | - | - |
| Issue of convertible notes | - | 177,287 | - | 177,287 |
| Share based payments | - | - | - | - |
| | <u>16,821,001</u> | <u>320,681</u> | <u>(17,037,522)</u> | <u>104,160</u> |
| Total comprehensive income for the year | | | | |
| Comprehensive income for the year | - | - | (507,888) | (507,888) |
| | <u>16,821,001</u> | <u>320,681</u> | <u>(17,545,410)</u> | <u>(403,729)</u> |
| Balance at 30 June 2016 | 16,821,001 | 320,681 | (17,545,410) | (403,729) |

The above Statement of changes in equity is to be read in conjunction with the accompanying notes.

Statement of cash flows

for the financial year ended 30 June 2016

| | Note | 2016 | 2015 |
|--|------|------------------|------------------|
| Cash Flows from Operating Activities | | | |
| Payments to suppliers | | (285,960) | (156,589) |
| Interest received | | 22 | 983 |
| Borrowing costs | | (55,884) | (1,983) |
| Net cash flows (used in)/provided by operating activities | 9(a) | (341,822) | (157,589) |
| Cash flows from investing activities | | | |
| Loan to Freehill Investments Pty Ltd | | (310,000) | - |
| Net cash flows (used in)/provided by investing activities | | (310,000) | - |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | 665,000 | 110,000 |
| Proceeds from capital raising | | - | 30,000 |
| Net cash flows (used in)/provided by financing activities | | 665,000 | 140,000 |
| Net increase/(decrease) in cash held | | 13,178 | (17,589) |
| Add opening cash brought forward | | 25,651 | 43,240 |
| Closing cash carried forward | 9(b) | 38,829 | 25,651 |

The above Statement of cash flows is to be read in conjunction with the accompanying notes.

Notes to the financial statements

For the financial year ended 30 June 2015

1. Summary of significant accounting policies

Statement of compliance

Freehill Mining Limited ("the Company") is a company limited by shares incorporated in Australia whose shares were delisted from trading on the Australian Stock Exchange.

The address of the registered office and principal place of business is Level 1, 141 Capel Street, North Melbourne, VIC 3051.

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report also complies with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Basis of preparation

The financial report has been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Borrowing costs

Borrowing costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(b) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(c) Contributed equity

Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares or options are shown as a deduction from the equity proceeds, net of any income tax benefit.

(d) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to members of Latia Limited, adjusted for the after-tax effect of preference dividends on preference shares classified as equity, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares during the year. The weighted average number of issued shares outstanding during the financial year does not include shares issued as part of the Employee Share Loan Plan that are treated as in-substance options.

Diluted earnings per share

Earnings used to calculate diluted earnings per share are calculated by adjusting the basic earnings by the after-tax effect of dividends and interest associated with dilutive potential ordinary shares. The weighted average number of shares used is adjusted for the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

1. Summary of significant accounting policies (cont'd)

(e) Financial instruments issued by the company

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Compound instruments

The component parts of compound instruments are classified separately as liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible debt. The equity component initially brought to account is determined by deducting the amount of the liability component from the amount of the compound instrument as a whole.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the statement of financial position classification of the related debt or equity instruments or component parts of compound instruments.

(f) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

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

(g) Impairment of assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

1. Summary of significant accounting policies (cont'd)

(h) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the company is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the profit or loss, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Tax consolidation

After the sale of subsidiary companies, Iatia Limited is not the head entity of a tax-consolidated group from 01 July 2012.

(i) Interest bearing liabilities

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the redemption amount is recognised in the profit or loss over the period of the loans and borrowings using the effective interest method.

The fair value of a liability portion of a convertible note is determined using a market rate of interest for an equivalent non-convertible note and stated on an amortised cost basis until conversion or maturity of the notes. The remainder of the proceeds is allocated to the conversion option and is shown as equity. Issue costs are apportioned between the liability and equity components based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

All borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

1. Summary of significant accounting policies (cont'd)

(j) Other liabilities

Other liabilities comprises non-current amounts due to related parties that do not bear interest and are repayable in 366 days from balance sheet date. As these are non-interest bearing, fair value at initial recognition requires an adjustment to discount these loans using a market-rate of interest for a similar instrument with a similar credit rating (Company's incremental borrowing rate). The discount is credited to the profit or loss immediately and amortised using the effective interest method.

(k) Payables

Trade and other payables represent liabilities for goods and services provided to the Company prior to the year end and which are unpaid. These amounts are unsecured and have 30-60 day payment terms.

(l) Provisions

Provisions are recognised when the company has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is probable that recovery will be received and the amount of the receivable can be measured reliably.

Provisions are not recognised for future operating losses.

(m) Revenue recognition

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

(n) Trade receivables

Trade receivables are recognised at original invoice amounts less an allowance for uncollectible amounts and have repayment terms between 30 and 90 days. Collectability of trade receivables is assessed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance is made for doubtful debts where there is objective evidence that the Company will not be able to collect all amounts due according to the original terms. Objective evidence of impairment include financial difficulties of the debtor, default payments or debts more than 90 days overdue. On confirmation that the trade receivable will not be collectible the gross carrying value of the asset is written off against the associated provision.

From time to time, the Company elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and are not, in the view of the directors, sufficient to require the derecognition of the original instrument.

(o) Critical accounting estimates and judgements

Estimates and judgements are based on past performance and management expectations for the future.

The Company makes certain estimates and assumptions concerning the future, which by definition will seldom represent actual results. The estimates and assumptions that have a significant inherent risk in respect of estimates based on future events which could have a material impact on the assets and liabilities in the next financial year, are outlined below:

- Convertible notes – in determining the fair value of the liability, in accordance with the accounting policy outlined in note 1(i), the company used a discount rate of 25%.
- Loan receivable recoverability – the recoverability of the \$310,000 loan receivable from Freehill Investments Pty Ltd, the target company that Freehill Mining Limited will acquire should equity raising be successful, is considered recoverable on the basis that management believe the equity raising will be successful.

1. Summary of significant accounting policies (cont'd)

(p) Going concern

The financial statements have been prepared on the going concern basis, which contemplates 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 company incurred a net loss of \$507,888 (2015: \$193,054 before loan forgiveness gain of \$1,012,567) and had net cash outflows from operating activities of \$341,822 (2015: \$157,589) for the year ended 30 June 2016. As at that date the company had net liabilities of \$403,729 (2015: \$73,127).

These factors indicate a material uncertainty which may cast significant doubt over the ability of the company to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The Directors believe that there are reasonable grounds to believe that the company will be able to continue as a going concern after consideration of the following factors:

- The Company has re-structured its capital to facilitate a potential capital raising.
- The Company is in the process of finalising its fundraising Prospectus and anticipates lodging with ASIC before the end of August with fundraising to ensue shortly thereafter.
- The Company has received convertible note proceeds of \$665,000 during the past 12 months and further funds of \$300,000 have been raised post balance date.
- Following on from the above points, the Company has sought and received approval from shareholders to acquire Freehill Investments Pty Ltd whose interests in the Chilean resource sector have been the subject of significant evaluation by the Company. As part of this acquisition the Company is finalising its Prospectus to proceed with fundraising and achieve re-listing of the Company's shares on the ASX.
- The recoverability of the \$310,000 loan receivable from Freehill Investments Pty Ltd, the target company that Freehill Mining Limited will acquire should equity raising be successful, is considered recoverable on the basis that management believe the equity raising will be successful.

Accordingly, the Directors believe that the company 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 if the company does not continue as a going concern.

1. Summary of significant accounting policies (cont'd)

(q) New accounting standards and interpretations

As at 30 June 2016, the following standards and interpretations, which may impact the entity in the period of initial application, have been issued but are not yet effective:

Other than changes to disclosure formats, it is not expected that the initial application of these new standards in the future will have any material impact on the financial report.

| Reference | Title | Summary | Application date (financial years beginning) |
|-------------|---|---|--|
| AASB 2014-9 | <i>Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements</i> | This amending standard allows entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements. | 1 January 2016 |
| AASB 2015-1 | <i>Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle</i> | The Standard makes amendments to various Australian Accounting Standards arising from the IASB's Annual Improvements process, and editorial corrections. | 1 January 2016 |
| AASB 2015-2 | <i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101</i> | The Standard makes amendments to AASB 101 <i>Presentation of Financial Statements</i> arising from the IASB's Disclosure Initiative project. | 1 January 2016 |
| AASB 15 | <i>Revenue from Contracts with Customers</i> | This Standard establishes principles (including disclosure requirements) for reporting useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. | 1 January 2018 |
| AASB 2014-5 | <i>Amendments to Australian Accounting Standards arising from AASB 15</i> | Consequential amendments arising from the issuance of AASB 15. | 1 January 2017 |
| AASB 9 | <i>Financial Instruments</i> | This Standard supersedes both AASB 9 (December 2010) and AASB 9 (December 2009) when applied. It introduces a "fair value through other comprehensive income" category for debt instruments, contains requirements for impairment of financial assets, etc. | 1 January 2018 |
| AASB 2014-7 | <i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)</i> | Consequential amendments arising from the issuance of AASB 9 | 1 January 2018 |

| | 2016 | 2015 |
|---|------|------|
| | \$ | \$ |
| 2 Revenue | | |
| Revenue from continuing operations | | |
| Interest - unrelated parties | 22 | 983 |
| Total revenue from continuing operations | 22 | 983 |

| | 2016 | 2015 |
|---|-----------|-----------|
| | \$ | \$ |
| 3 Income tax | | |
| The prima facie tax expense on profit/(loss) before income tax is reconciled to the income tax expense as follows: | | |
| Prima facie tax expense/(benefit) at 30% | (152,366) | 245,854 |
| Add/(Less): | | |
| Non-deductible items | 10,132 | 57,916 |
| Non-assessable income | - | (303,770) |
| Temporary differences and losses not brought to account | (142,234) | - |
| Income tax attributable to profit/(loss) before income tax | - | - |

| | 2016 | 2015 |
|--------------------------------------|--------|-------|
| | \$ | \$ |
| 4 Trade and other receivables | | |
| Current | | |
| GST & Other receivable | 16,720 | 4,846 |
| | 16,720 | 4,846 |

Trade debtors are non-interest bearing and generally on 30 day terms.

| | 2016 | 2015 |
|--|---------|------|
| | \$ | \$ |
| 5 Loan receivable | | |
| Loan to Freehill Investments Pty Ltd (a) | 310,000 | - |
| | 310,000 | - |

(a) The unsecured loan is repayable 3 years from commencement date at interest of 10% per annum, payable at the end of the term of the loan.

| | 2016 | 2015 |
|-----------------------------------|----------------|---------------|
| | \$ | \$ |
| 6 Trade and other payables | | |
| Current | | |
| Trade creditors | 35,000 | 36,839 |
| Other creditors and accruals | 142,221 | 19,280 |
| | <u>177,221</u> | <u>56,119</u> |

Trade creditors are non-interest bearing and are normally settled on 30 day terms.

| | 2016 | 2015 |
|----------------------------------|----------------|---------------|
| | \$ | \$ |
| 7 Financial Liabilities | | |
| Non-Current | | |
| Convertible note (unsecured) (a) | 592,056 | 47,505 |
| | <u>592,056</u> | <u>47,505</u> |

(a) Convertible notes with a face value of \$90,000 were issued in the last quarter of the 30 June 2015 year.

All convertible notes remain outstanding at 30 June 2016.

The convertible notes mature 3 years from the issue of the notes and have a 10% per annum interest rate.

The conversion price of the notes was \$0.000169 which was updated to \$0.037518 post consolidation of shares. The number of shares issued is determined by the total face value of the notes to be converted divided by the conversion price based on the number of shares on issue at the time of Note issuance.

Any future changes to the share structure will be pro rata reflected in the in the conversion price.

Convertible notes with a face value of \$665,000 were issued in the year to 30 June 2016.

All the convertible notes were on the same terms as the previously issued convertible notes with the conversion price also at \$0.037518..

| | 2016 | | 2015 | |
|--|-----------------|------------|---------------|------------|
| | Number | \$ | Number | \$ |
| 8 Contributed equity & reserves | | | | |
| Ordinary shares | | | | |
| (a) Issued and paid up capital | | | | |
| Ordinary shares fully paid | 1,363,346,543 | 16,821,001 | 1,363,346,543 | 16,821,001 |
| (b) Movements in shares on issue | | | | |
| Ordinary shares | | | | |
| Beginning of the financial year | 1,363,346,543 | 16,821,001 | 1,185,518,733 | 16,791,001 |
| Issued during the year | - | - | 177,827,810 | 30,000 |
| Consolidation of shares 222 for 1 | (1,357,205,342) | - | - | - |
| End of the financial year | 6,141,201 | 16,821,001 | 1,363,346,543 | 16,821,001 |

Terms and conditions of contributed equity and reserves

Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote per share, either in person or by proxy, at a meeting of the company.

| | 2016 | 2015 |
|--|------------------|------------------|
| | \$ | \$ |
| 9 Statement of cash flows | | |
| (a) Reconciliation of the net profit / (loss) after tax to the net cash flows from operations | | |
| Net profit / (loss) | (507,888) | 819,513 |
| <i>Non-operating / non-cash Items</i> | | |
| Loan forgiveness | - | (1,012,567) |
| Notional interest expense | 55,884 | 1,425 |
| <i>Changes in assets and liabilities</i> | | |
| (Increase)/decrease in receivables / other assets | (10,920) | 12,057 |
| (Decrease)/increase in trade and other payables | 121,102 | 21,983 |
| Net cash flow from operating activities | (341,822) | (157,589) |
| (b) Reconciliation of cash | | |
| Cash balance comprises: | | |
| - cash at bank | 38,829 | 25,651 |
| Closing cash balance | 38,829 | 25,651 |

| | 2016 | 2015 |
|--|---------------|---------------|
| | \$ | \$ |
| 10 Earnings/(loss) per share | | |
| Basic profit/ (loss) per share (cents per share) from continuing operations | (8.27) | 0.07 |
| Basic profit/ (loss) per share (cents per share) | <u>(8.27)</u> | <u>0.07</u> |
| Diluted Profit/(loss) per share (cents per share) from continuing operations | (8.27) | 0.07 |
| Diluted Profit/(loss) per share (cents per share) | <u>(8.27)</u> | <u>0.07</u> |
| Net Profit/(Loss) | (507,888) | 819,513 |
| Weighted average number of ordinary shares used in the calculation of basic and diluted loss per share | 6,141,201 | 1,229,975,686 |
| | 2016 | 2015 |
| | \$ | \$ |
| 11 Auditors' remuneration | | |
| Audit or review of the financial report | 15,000 | 14,500 |
| Other services | 14,500 | - |
| | <u>29,500</u> | <u>14,500</u> |

12 Key management personnel compensation

The company has transferred various compensation information disclosures of key management personnel to the "Remuneration Report" section of the Directors' Report, as allowed under 2M.6.04.

The key management personnel of the company during the year were:

| | 2016 | 2015 |
|---|-------------|-------------|
| Directors | | |
| Stephen Chaplin (appointed 3 August 2015) | Y | Y |
| Paul Davies (appointed 20 March 2015) | Y | Y |
| Raymond Mangion (appointed 20 March 2015) | Y | Y |
| Nicholas Kapes (appointed 20 March 2015) | Y | Y |

The aggregate compensation of the key management personnel of the company is set out below:

| | \$ | \$ |
|---|--------|--------|
| Short-term employee benefits | 22,000 | 20,000 |
| Post-employment benefits | - | - |
| Other long term benefits | - | - |
| Share based payments - expensed | - | - |
| Share based payments - capitalised into development costs | - | - |
| | 22,000 | 20,000 |
| | 22,000 | 20,000 |

Options & rights holdings

There were no options held by key management personnel during the years ended 30 June 2016 and 2015.

13 Financial instruments

(a) Financial risk management objectives

The company does not enter into or trade in financial instruments, including derivative financial instruments, for speculative purposes. The company's activities expose it primarily to the financial risk of changes in foreign currency exchange rates and interest rates.

In common with all other businesses, the company is exposed to risks that arise from its use of financial instruments. This note describes the company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The Board has overall responsibility for the determination of the company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the company's finance function. The company's risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the results of the company where such impacts may be material. The company generally uses derivative financial instruments such as foreign exchange contracts and interest rate swap contracts to hedge these risks. The Board receives monthly reports from the company Financial Controller through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The company's internal auditors also review the risk management policies and processes and report their findings to the Audit Committee.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the company's competitiveness and flexibility. Further details regarding these policies are set out below.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

(c) Foreign currency risk

The company undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The company does not have any Sales in foreign currencies in current year. Currently, no instruments to hedge foreign currency are used.

(d) Interest rate risk management

The company is exposed to interest rate risk as it borrows funds at fixed interest rates. The level of interest beared borrowings is low and therefore no instruments are entered into to hedge interest rate risk.

The company has no significant interest-bearing assets or liabilities and the company's income and operating cash flows are not materially exposed to changes in market interest rates. As such management have not used sensitivity analysis to monitor such risks.

The Company does have interest bearing Convertible Notes on issue which have a fixed interest rate. Interest rate movement will not impact the interest rate obligations associated with these Notes.

Maturity profile of financial instruments

The following tables details the company's exposure to interest rate risk:

13 Financial instruments (cont.)

| 2016 | Variable interest rate | Interest bearing | | | Non-interest bearing | | | Total |
|---------------------------|------------------------|------------------|-----------|-----------|----------------------|-----------|-----------|---------|
| | \$ | Less than 1 year | 1-2 years | 2-3 years | Less than 1 year | 1-2 years | 2-3 years | \$ |
| | | \$ | \$ | \$ | \$ | \$ | \$ | |
| Financial assets: | | | | | | | | |
| Cash and cash equivalents | 38,829 | - | - | - | - | - | - | 38,829 |
| Other receivables | - | - | - | - | 16,720 | - | - | 16,720 |
| Loan receivable | - | - | - | 310,000 | - | - | - | |
| | 38,829 | - | - | 310,000 | 16,720 | - | - | 365,549 |

| | | | | | | | | |
|------------------------------|---|---|--------|---------|---------|---|---|---------|
| Financial liabilities | | | | | | | | |
| Trade and other payables | - | - | - | - | 177,221 | - | - | 177,221 |
| Borrowings | - | - | 82,749 | 509,307 | - | - | - | 592,056 |
| | - | - | 82,749 | 509,307 | 177,221 | - | - | 769,277 |

| 2015 | Variable interest rate | Interest bearing | | | Non-interest bearing | | | Total |
|---------------------------|------------------------|------------------|-----------|-----------|----------------------|-----------|-----------|--------|
| | \$ | Less than 1 year | 1-2 years | 2-3 years | Less than 1 year | 1-2 years | 2-3 years | \$ |
| | | \$ | \$ | \$ | \$ | \$ | \$ | |
| Financial assets: | | | | | | | | |
| Cash and cash equivalents | 25,651 | - | - | - | - | - | - | 25,651 |
| Other receivables | - | - | - | - | 4,846 | - | - | 4,846 |
| | 25,651 | - | - | - | 4,846 | - | - | 30,497 |

| | | | | | | | | |
|------------------------------|---|---|---|--------|--------|---|---|---------|
| Financial liabilities | | | | | | | | |
| Trade and other payables | - | - | - | - | 56,119 | - | - | 56,119 |
| Borrowings | - | - | - | 47,505 | - | - | - | 47,505 |
| | - | - | - | 47,505 | 56,119 | - | - | 103,624 |

13 Financial instruments (cont.)

(e) **Credit risk management**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. The company has adopted a policy of only dealing with creditworthy counterparties. The company measures credit risk on a fair value basis.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the company's maximum exposure to credit risk.

(f) **Fair value of financial instruments**

The directors consider the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

(g) **Liquidity risk management**

The company manages liquidity risk by maintaining adequate reserves and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The majority of Convertible debt providers have indicated an intention to convert their debt into shares in the Company. Full details will be provided in the Company's Prospectus.

| 2016 | Carrying amount | Contractual cash flows | <6 mths | 6-12 mths | 1-3 yrs | >3yrs |
|------------------------------|-----------------|------------------------|----------------|-----------|----------------|----------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Financial liabilities | | | | | | |
| Trade and other payables | 177,221 | 177,221 | 177,221 | - | - | - |
| Borrowings | 592,056 | 755,000 | - | - | 755,000 | - |
| | <u>769,277</u> | <u>932,221</u> | <u>177,221</u> | <u>-</u> | <u>755,000</u> | <u>-</u> |

14 **Related party transactions**

There are no related Party transactions.

15 Segment Reporting

The company is operating as a single entity, and does not have any other reportable segments.

16 Capital risk management

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

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

Given the nature of the business the Company monitors capital on the basis of current business operations and cash flow requirements.

17 Subsequent events

Freehill Mining Limited is actively pursuing the acquisition of an Australian private company which has a producing iron ore mine and associated tenements in Chile. The acquisition was approved by a General Meeting of the Company's Shareholders subsequent to balance date. The details of the acquisition and related transactions were included in the Company's Notice of Meeting previously distributed to shareholders but also available on the Company's website freehillmining.com.

As discussed earlier in this report the Company is in the final stages of preparation of its Prospectus for a proposed fundraising of \$6 million with \$4 million to be underwritten. Minimum requirement for successful closing of this raising is the \$4million underwritten amount.

In addition to the \$665,000 raised by issue of Convertible Loans prior to balance date a further \$300,000 has been raised subsequent to balance date.