



31 July 2020

## FYI Activity Report for the quarter ended 30 June 2020

### Highlights:

- FYI Resources progresses HPA development following positive feedback for outstanding DFS results
- First stage commercial qualification completed for targeted LED and battery separator (LiB) off-take groups
- Second stage HPA qualification assessment process and HPA product marketing commences
- Pilot plant production of additional trial HPA material for qualification and continual improvement of HPA process flowsheet efficiency and variability
- \$80m equity facility available for project development and working capital
- Project deliverables to include broader HPA markets outside of LED and LiB
- HPA product development and customer engagement increases despite COVID-19
- Project financing options advancing

FYI Resources Ltd (ASX: FYI) ("FYI" or "the Company") is pleased to release its Quarterly Activities report for the period ending 30 June 2020.

### Positive Customer Feedback from DFS and Supporting HPA Development Studies

FYI has received widespread positive comments from potential off-take groups regarding the results of the Company's definitive feasibility study (DFS) released in March 2020. The DFS confirmed FYI's positioning as a world class HPA participant. The outstanding project economics and lowest quartile capital and operating costs demonstrated the high quality of FYI's HPA project and, in particular, the superior purity and desirable characteristics of the HPA that the Company intends to produce and supply to the market.

This positive industry feedback provides FYI with the added assurance and encouragement to progress with its development strategy for the low-risk HPA production and strengthen the product marketing activities.

### Customer Engagement and Market Reach

As a result of the industry interest and project validation from various off-take groups, FYI has increased its level of engagement with potential customers of its HPA material.

FYI has been active in delivering on customer engagement via a dual strategy:

1. by fostering stronger relationships with established potential customer groups whom have received stage one HPA trial samples; and
2. routinely following up on and exploring additional lines of inquiry for HPA with the emphasis on the LED and lithium ion battery (LiB) separator markets.

Customers in receipt of FYI's Stage One HPA material have undertaken initial assessments and, following overwhelming positive responses to the purity, quality and characteristics of the product, have requested additional product to expand the qualification investigations.

In managing the new inquiries for HPA, FYI will routinely commence its engagement process and progress to qualification ranking to include them on the list of potential customers. FYI will maintain a focused approach on the LED, LIB separator and specialty materials markets in Europe and East Asia.

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### Further Pilot Plant production

FYI advised during the quarter that it was planning a further production run of HPA from the Company's Welshpool based pilot plant. The Stage Two pilot production run will have a nominal production rate of 1 kg HPA per hour with a target grade of 99.99% Al<sub>2</sub>O<sub>3</sub>. The production run will be conducted to:

1. refine and improve the HPA production understanding through variability testwork and materials handling / materials construction testing; and
2. generate additional trial HPA from the Stage Two production and make it available for selected potential customers to further their product qualification assessment.

FYI has a strategy to become a global producer and supplier to the growing HPA market (~17% CAGR – according to CRU\* market forecasting). FYI has a number of points of difference with its integrated HPA product that provides a distinct market advantage and appeal to customer groups. The pilot plant test work is critical in developing and refining our advantages and also assisting in attracting potential off-take customer support.

### A\$80m Equity Facility

To support FYI's funding requirements, the Company has arranged an \$80m equity facility through Luxembourg-based private equity group, GEM Global Yield LLC SCS (**GEM**) (see ASX release 11 March 2020) to provide capital funding for project development and working capital purposes.

The funding provides FYI with capital support for the Company's planned development of its HPA project, particularly at key funding requirement stages and is an additional source of capital that may be accessed at FYI's election.

### Project Construction and Development Financing

Through the detailed engineering and project costings studies undertaken for the DFS, which demonstrated the financial robustness of FYI's HPA project, the Company has advanced discussions on broader project financing arrangements.

In addition to the A\$80 million equity financing facility with GEM which significantly de-risks the project financing, FYI has been continuing negotiations with various funding parties for the balance of the project capital.

FYI is discussing contributing funding with various sources including traditional long-term project financing (debt) as well as other institutional supported options such as:

- off-take pre-funding
- project Joint Venture
- funding from Engineering Procurement Construction groups (EPC&F)
- Government Export Credit Agencies (ECA)

\*Commodity Research Unit (CRU) HPA Market Research Report 2019

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## Future Battery Research and Development

FYI is a founding member and partner of the Western Australian government's \$135m Future Batteries Industries Cooperative Research Centre (FBI CRC) based out of Curtin University in Perth.

The FBI CRC research partnership of 58 industry, academic and government partners was established to:

- value add to WA's strategic battery minerals industry
- address industry-identified gaps in the battery industries value chain
- leverage Australia's battery knowledge, expertise and innovation into commercial applications

WA Resources Minister, Bill Johnston, announced a new research report that found Western Australia was well placed to support the battery related critical minerals industry and capable of developing an integrated battery manufacturing industry.

FYI could gain considerable benefit from Australia's emerging battery supply chain as the sole FBI - CRC HPA participant that is fully integrated within Western Australia.

FYI has entered into a number of study and research programs within the FBI- CRC that can lead into further improvements of our innovative process and may lead to FYI being a strategic participant in WA's emerging battery industry.

More information on the Future Batteries Industry Cooperative Research Centre may be viewed on the group's website at [fbicrc.com.au](http://fbicrc.com.au)

## Corporate

### Impact of COVID-19 and Revision to Development pathway

The effects of the COVID-19 virus continues to be of concern globally. Despite the interruptions to business, particularly with national and International travel being curtailed, FYI remains relatively well positioned and on schedule for its project development with the impact being minimised through adequate forward scheduling.

### Issue of Shares to Supporting Service Providers in lieu of cash

FYI announced during the quarter that it had issued 8.3 million shares at 5 cents each to a select group of suppliers as payment for services provided during the quarter. The recipients included project study managers and major contributors to the production of FYI's DFS and who are long-term supporters of the Company's HPA strategy.

All service providers supporters of FYI's HPA strategy and will retain their issued stock for the long term.

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### Planned September Quarter Activities

- Further pilot plant operation to produce additional trial HPA for on-going customer qualification
- Trial HPA includes FYI completing specialty product finishing to off-take groups specifications
- Continued customer engagement and follow up on product qualification assessment
- Continue off-take MOU discussions with potential customers
- Respond to customer feedback enquiries for HPA product development
- Advance project financing discussions
- Progress Final Investment Decision (**FID**)

### Issue of Shares to Supporting Service Providers

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### ASX Additional Information

ASX listing rule 5.3.1 - Exploration and evaluation cash payments (net of GST) during the quarter was \$11,200. Details of exploration and evaluation and development activities during the June 2020 quarter are set out in this report.

ASX listing rule 5.3.2 - There were no substantive mining production activities during the quarter.

ASX listing rule 5.3.5 - Appendix 5B, Section 6.1 – description of payments: During the quarter \$800 was paid to Directors for director fees (as per market notice provided in the COVID-19 release dated 15 April 2020).

Authorised for release by Roland Hill, Managing Director.

### For more information please contact:

#### Roland Hill

Managing Director

Tel: +61 414 666 178

[roland.hill@fyiresources.com.au](mailto:roland.hill@fyiresources.com.au)

#### Simon Hinsley

Investor & Media Relations

Tel: 0401 809 653

[simon@nwrcommunications.com.au](mailto:simon@nwrcommunications.com.au)

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### **About FYI Resources Limited**

FYI is developing a long life fully integrated high quality, high purity alumina (HPA) production project for both general / traditional and niche markets. FYI's corporate objective is to position itself to be a significant producer of HPA within these rapidly developing markets which include applications in LED, electric vehicle, smartphone and television screen as well as other associated high-tech product markets.

On the basis of its recently released DFS and the robust economic business case for production of HPA, FYI's Cadoux project, north-east of Perth in Western Australia, entails controlled production of a 100%-owned feedstock source, mined on a schedule to match supply requirements of a proposed refinery at Kwinana, south of Perth. FYI's ability to control the integrated process should ensure product quality, consistency and provenance – an increasingly important product selection criteria for customers who rely on knowing the origins and record of ownership in a product's supply chain.

The foundation of FYI's HPA strategy is the innovative and integrated processing flowsheet utilising moderate temperature and atmospheric pressure technologies. These factors combine resulting in world class HPA project potential.

### **Interest in Mineral Tenements at 30 June 2020**

<b>Tenement</b>	<b>Location</b>	<b>Interest at the beginning of the quarter</b>	<b>Interest at the end of the quarter</b>
E70/4673	Western	100%	100%
M70/1388	Australia	100%	100%
WMM SPLs (6)	Thailand	100% (under application)	100% (under application)

### **Cautionary Statements**

#### **Substance of DFS**

The DFS referred to in this announcement is a study of the potential viability of the Cadoux Kaolin Project. It has been undertaken to understand the technical and economic viability of the Project.

The DFS assumes as a 25-year Project life based only on Proved and Probable Ore Reserves (100%).

The DFS is based on the material assumptions outlined elsewhere in this announcement and the appended summary of the DFS. These include assumptions about the availability of funding. While the Company considers all of the material assumptions to be based on reasonable grounds, there is no certainty that they will prove to be correct or that the range of outcomes indicated by this DFS will be achieved.

To achieve the range of outcomes indicated in the DFS, funding in the order of A\$189 million will likely be required. Investors should note that there is no certainty that the Company will be able to raise the amount of funding when needed. It is also possible that such funding may only be available on terms that may be dilutive to or otherwise affect the value of the Company's existing shares.

It is also possible that the Company could pursue other "value realisation" strategies such as a sale, partial sale or joint venture of the Project. If it does, this could materially reduce the Company's proportionate ownership of the Project.

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### General and forward-looking statements

The contents of this announcement reflect various technical and economic conditions, assumptions and contingencies which are based on interpretations of current market conditions at the time of writing. Given the nature of the resources industry, these conditions can change significantly and without notice over relatively short periods of time. Consequently, actual results may vary from those detailed in this announcement.

Some statements in this announcement regarding estimates or future events are forward-looking statements. They include indications of, and guidance on, future earnings, cash flow, costs and financial performance. Such forward-looking statements are provided as a general guide only and should not be relied on as a guarantee of future performance. When used in this announcement, words such as, but are not limited to, "could", "planned", "estimated", "expect", "intend", "may", "potential", "should", "projected", "scheduled", "anticipates", "believes", "predict", "foresee", "proposed", "aim", "target", "opportunity", "nominal", "conceptual" and similar expressions are forward-looking statements.

Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties, and no assurance can be given that actual results will be consistent with these forward-looking statements.

The contents of this release are also subject to significant risks and uncertainties that include but are not limited to those inherent in mine development and production, geological, mining, metallurgical and processing technical problems, the inability to obtain and maintain mine licences, permits and other regulatory approvals required in connection with mining and processing operations, competition for among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel, incorrect assessments of the value of projects and acquisitions, changes in commodity prices and exchange rates, currency and interest rate fluctuations and other adverse economic conditions, the potential inability to market and sell products, various events which could disrupt operations and/or the transportation of mineral products, including labour stoppages and severe weather conditions, the demand for and availability of transportation services, environmental, native title, heritage, taxation and other legal problems, the potential inability to secure adequate financing and management's potential inability to anticipate and manage the foregoing factors and risks.

All persons should consider seeking appropriate professional legal, financial and taxation advice in reviewing this announcement and all other information with respect to the Company and evaluating the business, financial performance and operations of the Company. Neither the provision of this announcement nor any information contained in this announcement or subsequently communicated to any person in connection with this announcement is, or should be taken as, constituting the giving of investment or financial advice to any person. This announcement does not take into account the individual investment objective, financial or tax situation or particular needs of any person.



## Appendix 5B

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

Name of entity

FYI Resources Limited

ABN

85 061 289 218

Quarter ended ("current quarter")

30 June 2020

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation (if expensed)	(10)	(1,514)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(1)	(179)
	(e) administration and corporate costs	(15)	(334)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	1
1.5	Interest and other costs of finance paid	-	(40)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	10	788
1.8	Other (provide details if material)	-	-
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(16)</b>	<b>(1,278)</b>
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) exploration & evaluation (if capitalised)	-	-
	(e) investments	-	-
	(f) other non-current assets	-	-

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	-	-
<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(6)
3.5	Proceeds from borrowings	-	999
3.6	Repayment of borrowings	-	(550)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	-	<b>443</b>
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	121	940
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(16)	(1,278)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	443



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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>105</b>	<b>105</b>

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	105	121
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>105</b>	<b>121</b>

**6. Payments to related parties of the entity and their associates**

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter  
\$A'000**

1

-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

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

**7. Financing facilities**

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 <b>Total financing facilities</b>	750	750

**7.5 Unused financing facilities available at quarter end**

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

The Company has arranged the forward payment of its estimated 2020 R&D tax rebate through Innovative Technology Funding Pty Ltd. The advance is for up to \$750,000 being 80% of its expected tax rebate resulting from eligible R&D expenditure for the current financial year. The principal and accrued interest (at 15% p.a.) for the facility is repayable out of the actual tax refunded. The facility is for a maximum of 12 months and is secured against the Company's R&D offset rebate.

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(16)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	-
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(16)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	105
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	105*
8.7 <b>Estimated quarters of funding available (Item 8.6 divided by Item 8.3)</b>	6.56

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: n/a

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: n/a

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: n/a

\* The Company also has an equity finance/capital commitment facility of up to A\$80 million in place with GEM Global Yield LLC SCS for funding development of the HPA project and working capital purposes. Refer to announcement 11 March 2020.

## Compliance statement

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

Date: 31 July 2020

Authorised by: Roland Hill, Managing Director  
(Name of body or officer authorising release – see note 4)

## Notes

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