

## **MARCH 2015 QUARTERLY REPORT TO SHAREHOLDERS**

The Directors of Foyson Resources Limited (**“Foyson or “Company”**) are pleased to provide Shareholders with a summary of the activities for the March 2015 Quarter.

Key Company activities include:

- Finalisation of the structure of the transaction with Integrated Green Energy Limited (**“IGE”**) and the Australian Securities Exchange Limited (**“ASX”**) in order to provide more immediate benefits for Shareholders and to comply with Australian Stock Exchange requirements;
- Execution of a binding business sale agreement (**“Agreement”**) with IGE to acquire waste plastics to diesel and petrol conversion plant located at Berkeley Vale and royalty-free, perpetual licences to commercialise three specific technologies:
  - plastics to fuel conversion;
  - biomass to fuel conversion; and
  - biomass to energy conversion
- Issue of Capital Promissory Notes to raise \$1,000,000 to fund the ongoing due diligence and legal documentation associated with the IGE transaction as well as the working capital and Amazon Bay project requirements. All of these Notes have now been placed.
- Acquisition of the remaining 50% of the shares in Titan Mines Limited (**Titan**) for an immediate cash consideration plus a commitment to pay a royalty from the proceeds of any production from the Amazon Bay iron sands Project.
- Preliminary discussions held with the PNG Government to introduce the IGE biomass to power technology to the country.

## **IGE TRANSACTION**

The Company on recommendation from the Directors not associated with IGE (“**Independent Directors**”) executed a binding Business Sale Agreement on 18 March 2015 with IGE.

On successful completion of the transaction, the Company will acquire the following assets:

- waste plastics to diesel and petrol conversion plant (“**Commercial Plant**”) located at Berkeley Vale;
- royalty-free, perpetual licences to commercialise three specific technologies:
  - plastics to fuel conversion;
  - biomass to fuel conversion; and
  - biomass to energy conversion
- the Management team to operate the Berkeley Vale facility including the developer of the intellectual property on which the licences are based; and
- the other assets used exclusively in IGE’s business, including feedstock contracts, the property lease at Berkeley Vale and goodwill.

### **The Commercial Plant**

The Company will be acquiring a Commercial Plant which is designed to convert waste plastics to fuel. Under the Agreement, the Commercial Plant will have the capacity to process 50 tonnes per day (“**tpd**”) of waste plastics feedstock. The Commercial Plant has been designed on the basis of data collected from a pilot plant operating at the same location.

IGE has advised that commissioning of the Commercial Plant will commence in early May 2015.

The Commercial Plant must meet the following commissioning requirements prior to 31 December 2016:

- operating so as to process not less than 35 tpd feedstock per day for not less than 8 days in any calendar month; and
- producing at least 245,000 litres in the same calendar month of petroleum products (being saleable on-road diesel and petrol) which meet or are blended with petroleum diesel to meet all applicable Australian standards and regulatory requirements.

It is the Board's current intention that, if and when the Commercial Plant has met its commissioning requirements, the Company will undertake to increase the Plant's capacity to 200 tonnes of waste plastic feedstock per day. The funding requirements to expand the plant's capacity are summarised in the fundraising section below.



**Current status of Berkeley Vale Commercial Plant**

## **The Technology Licences**

The three specific technologies planned for acquisition by Foyson were developed by Btola Pty Ltd (**Btola**) and UTOF Pty Ltd (**UTOF**). One of the principals of Btola, Bevan Dooley, is now a Director of Foyson. IGE acquired the rights to commercialize these technologies (although the intellectual property remains with Btola and UTOF) and is now funding the construction of the 50tpd Commercial Plant.

The Agreement allows the transfer of these rights under the Licences to Foyson.

Each licence is royalty free, perpetual and:

- exclusive in Australia, New Zealand, Papua New Guinea, China, India, North America, South East Asia and Fiji;
- non-exclusive in Western Europe, Eastern Europe, South America, Japan and Africa, but Foyson has the right to one of only four Licences in each jurisdiction; and
- includes all future enhancements of the technologies.

The Independent Directors consider this is an excellent opportunity for the Company to generate short term cash flow, which if successful would be utilised to:

- expand the Commercial Plant from the 50 tonnes per day (**tpd**) facility acquired at completion of the IGE Transaction (**Completion**) by the addition of three further 50tpd modules;
- develop new plastics to fuel conversion facilities elsewhere on the East Coast of Australia;
- pursue its resource interests in Papua New Guinea (the Company recently announced its acquisition of the other 50% of the shares in Titan Mines Limited, the holder of the Amazon Bay iron sands Project).

The ASX has advised the Company that the IGE Transaction constitutes a significant change to the nature and scale of the Company's activities to which ASX Listing Rule 11.1 applies and requires the Company to:

- obtain shareholder approval for the IGE Transaction; and
- meet the requirements in ASX Listing Rules Chapters 1 and 2 as if the Company were applying for admission to the official list of ASX.

The Company will provide shareholders with a Notice of Extraordinary General Meeting when it seeks approval of the IGE Transaction. The Notice, and the later Prospectus, will each include further details on the IGE Transaction and the fundraising activities described in this announcement.

## **Consideration for the Transaction**

Foyson is not paying cash for the Assets. The Consideration being paid for the Assets are securities in Foyson, which occurs initially when the Commercial Plant is built to its 50tpd capacity (and the other conditions to completing the transaction are met) and secondly when the performance target described below (**Performance Target**) is met.

The securities to be issued as consideration for the Assets are as follows:

<b>When issued</b>	<b>Type of security</b>	<b>Defined term</b>	<b>Total Percentage interest after the relevant issue</b>	<b>What the percentage calculation is based on</b>	<b>Expected number of securities (on a 1:25 consolidation)</b>
Completion	Fully paid ordinary shares in the capital of the Company ( <b>Shares</b> )	Consideration Shares	60.897% <sup>1</sup> of issued Shares	Issued shares includes the Consideration Shares and shares issued under the Fundraising Activities	130 million
Completion	Options over unissued Shares ( <b>Options</b> ) with an exercise price of \$0.20 exercisable at any time on or before 31 December 2019	Consideration Options	61.153% of granted Options	Granted Options includes Consideration Options and Options issued under the Fundraising Activities	75 million
Performance Target achieved	Shares	Milestone Shares	63.465% of issued Shares	Issued shares includes the Consideration Shares, Milestone Shares and shares issued under the Fundraising Activities. <sup>2</sup>	15 million
Performance Target achieved	Options with an exercise price of \$0.20 exercisable at any time on or before 31 December 2019	Milestone Options	75.269% of granted Options	Granted Options includes Consideration Options, Milestone Options and Options issued under the Fundraising Activities. <sup>3</sup>	70 million

The Performance Target is achieving EBITDA of \$5,000,000 per annum from operating the Business during any 6 month period ending on either 30 June or 31 December (pro-rata) between Completion and 30 June 2018. The number of Milestone Shares and Milestone Options, and the terms of the Performance Target, cannot be varied without the prior approval of the ASX and Shareholders.

<sup>1</sup> At completion of the IGE Transaction, IGE and its associates will hold more than 60.897% of the total issued Shares.

<sup>2</sup> The percentage will not be grossed up for changes to capital after Completion.

<sup>3</sup> The percentage will not be grossed up for changes to capital after Completion.



Completing the IGE Transaction will have a control impact on the Company and Shareholders will be asked to approve this control aspect of the IGE Transaction as part of the Company seeking shareholder approval of the overall transaction.

All securities issued to IGE or its nominees as consideration for the Assets will be subject to an ASX imposed restriction agreement restricting the ability to dispose of those securities for a period of 12 or 24 months.

## **IGE UPDATE**

IGE have advised the Company that the construction of the Commercial Plant at Berkeley Vale is progressing well against the planned construction timetable and that commissioning will commence in early May 2015.

Further IGE has confirmed to the Company that feedstock contracts have been secured to supply the 50 tpd waste plastics to diesel Commercial Plant at Berkeley Vale. Based on current forecasts, the two contracts secured will supply the entire feedstock requirements of the Commercial Plant for the first three years to June 2018, as throughput increases from 50tpd to 200tpd. With respect to one of the feedstock contracts, IGE was able to negotiate significantly better terms than the budgeted target cost of \$250 per tonne delivered and the price decreases annually, as supplied volumes increase throughout the duration of the contract. The contracts specify the minimum acceptable quality of waste plastic feedstock, and further specify the plastics are to be delivered in a form relatively free of contaminants.

The contracts will be assigned to Foyson on completion of the IGE transaction.



## **FUNDRAISING ACTIVITIES**

### **Placement and Rights Issue**

In conjunction with the IGE Transaction, the Company currently intends to undertake a Placement and a Rights Issue (“**Fundraising Activities**”). The terms of each are currently expected to be:

- **Placement:** a placement of Shares (at a minimum of \$0.20 per Share) plus one free attaching Option per Share (with an exercise price of \$0.20 exercisable at any time on or before 31 December 2019) to sophisticated investors to raise approximately \$3,000,000 (**Placement**); and
- **Rights Issue:** a rights issue of one Share (at a minimum of \$0.20 per Share) plus one free attaching Option (with an exercise price of \$0.20 exercisable at any time on or before 31 December 2019) for every 10 Shares held, to existing shareholders at the record date to raise approximately \$1,250,000 (**Rights Issue**).

The Fundraising Activities will only take place if shareholder approval for the IGE Transaction (and any approvals required under the Corporations Act or the ASX Listing Rules for the Fundraising Activities) is received.

If the Board considers it necessary or desirable to ensure the Company achieves the requisite spread for compliance with ASX Listing Rule 1.1 condition 7, the Company may also conduct a retail offer of securities. If the Board decides to proceed with a retail offer, details of the retail offer will be announced to the market at that time.

The securities to be issued under the Rights Issue and the Placement (and, if applicable, the retail offer) will be offered under a prospectus (**Prospectus**) to be lodged by the Company with ASIC on or around the time that it lodges its application for admission under Chapters 1 and 2 of the ASX Listing Rules with ASX.

### **Use of funds**

The Board intends to use the funds raised under the Placement and Rights Issue to expand the capacity of the Commercial Plant to a processing capacity of 200 tonnes of waste plastic feedstock per day, and for general working capital purposes (including payment of transaction costs associated with the IGE Transaction).

An approximate break down of the use of the funds raised is as follows:

<b>Use</b>	<b>Amount</b>
Transaction costs	\$750,000
Capital expenditure to increase capacity of Plant to 200tpd	\$3,000,000
Working capital	\$500,000
<b>Total amount of funds raised</b>	<b>\$4,250,000</b>

In the longer term, and pending the success of the Plant, the Board anticipates the Company constructing additional waste plastic to fuel plants in eastern Australia. Further funds may be required to construct these plants and the Company will consider its funding options at the relevant time, which may include a capital raising.

### **Capital Promissory Notes**

The Company issued Capital Promissory Notes to raise \$1,000,000 to fund the ongoing due diligence and legal documentation associated with the IGE transaction as well as the working capital and Amazon Bay project requirements. All of these Notes have now been placed.

At the Extraordinary General Meeting held on the 31 March 2015, shareholders approved the terms of the capital promissory notes.

The key terms of the Notes are set out below:

- each note has a face value of A\$1.00 in total
- the maturity date is 15 May 2015
- interest accrues and is capitalised daily at the rate of 12% per annum and is payable in cash on maturity date
- conversion price is \$0.0029 with one free attaching option exercisable at \$0.008 anytime until 31 December 2019
- each note will be deemed to convert automatically on maturity date unless the Company elects to pay the notes in cash.

Subsequent to the EGM, related parties subscribed for \$200,000 of the Notes and the conversion of these Notes to equity will require approval of Shareholders at the next EGM of the Company.

### **PNG STRATEGY**

The Company has continued to progress its PNG strategy and the future development of the Amazon Bay project with the acquisition of the remaining 50% of Titan Mines Limited, the PNG Company that holds the tenements at Amazon Bay.

The acquisition included an immediate cash consideration plus a commitment to pay a royalty from the proceeds of any production from the Amazon Bay iron sands Project.

All existing agreements including the Amazon Bay Option Agreement were terminated. These new arrangements remove the obligations of the Company to pay both the outstanding Option Fee of \$300,000 and the Option Exercise consideration of \$10 million and the issue of new shares equivalent to 2.16% of the total issued capital in the Company.

The parties have terminated the existing royalty deed and entered into a new royalty deed whereby the 0.50% royalty is now calculated on the gross revenue actually received by Titan from the sale or disposal of minerals extracted from exploration



licences 1396, 2149 and 2281 and exploration licence applications 1643 and 2280 and any other tenement granted over any part of or adjacent to those licences.

During the quarter, preliminary discussions were held with the PNG Government to introduce the IGE power generating technologies to the country.

The biomass to power technology is applicable to service remote rural communities and remote industrial developments such as Amazon Bay, at a much lower cost in addition to also providing local employment and infrastructure.

Following the execution of the business sale agreement with IGE, securing the right for Foyson to use the technology (subject to shareholder approval of the transaction), and the acquisition of the remaining 50% of Titan Mines Limited, the Company is in a stronger position to progress the opportunity.

### **SUMMARY OF PNG TENEMENTS**

The Company's focus in PNG continues to be on the Amazon Bay Project.

<b>Project</b>	<b>Tenement</b>	<b>Interest</b>
Amazon Bay	EL 1396	90% interest (TVI Pacific Inc. Foyson substantial shareholder holds 10%)
Amazon North	EL2149	100% interest
Maruta	EL 2281	100% interest

**Further information:**

**Mr Michael Palmer, Managing Director,  
0418 950 694  
mpalmer@foyson.net**