

Foyson Resources Limited

INDEPENDENT EXPERT'S REPORT

24 June 2015

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24 June 2015

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Dear Independent Directors

INDEPENDENT EXPERT'S REPORT FOR NON-ASSOCIATED SHAREHOLDERS OF FOYSON RESOURCES LIMITED

Introduction

On 17 March 2015, Foyson Resources Limited ("*Foyson*" or the "*Company*") and Integrated Green Energy Limited ("*IGE*") entered into a Business Sale Agreement ("*Sale Agreement*") for Foyson to acquire the business of IGE ("*Business*") in exchange for the issue of Foyson shares and options. A Variation Deed to the Sale Agreement was executed on 6 June 2015 (together "*Proposed Transaction*").

The Business comprises the:

- Development, commercialisation and exploitation of licensed technologies, including waste to energy conversion technology; and
- Construction and development of plants utilising this technology based on and including IGE's facility located at Berkeley Vale (approximately 100km north of Sydney).

The following assets used in the Business form part of the Sale Agreement:

- Royalty-free, perpetual licences ("*Licences*") to commercialise three specific technologies:
 - Plastics to fuel conversion;
 - Biomass to fuel conversion; and
 - Biomass to energy conversion (collectively the "*Technologies*");
- A waste plastics to diesel and petrol conversion plant, based on a pilot plant, located at Berkeley Vale with a design capacity of 50 tonnes per day ("*tpd*") of waste feedstock ("*Commercial Plant*") as well as the pilot plant;
- The IGE Management team to operate the Berkeley Vale facility including the primary developer of the intellectual property on which the Licences are based; and
- Other assets used exclusively in the Business, including feedstock contracts, the property lease at Berkeley Vale and goodwill.

Consideration

The consideration for the sale of the Business is the:

- Initial issue of:
 - 153.9m¹ Foyson shares (on a post-consolidation basis) ("*Consideration Shares*"); plus
 - 93.9m² Foyson options exercisable at \$0.20 per share (on a post-consolidation basis) with an expiry date of 31 December 2019 ("*Consideration Options*" and together "*Consideration Securities*"); and
- Conditional issue of:
 - 17m³ Foyson shares (on a post-consolidation basis) ("*Milestone Shares*"); plus
 - 77m⁴ Foyson options exercisable at \$0.20 per share (on a post-consolidation basis) with an expiry date of 31 December 2019 ("*Milestone Options*" and together "*Milestone Securities*").

subject to satisfying the Performance Target (described below) by 30 June 2018.

The Performance Target is achieving EBITDA (earnings before interest, tax, depreciation and amortisation) of \$5m 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. In calculating EBITDA, only income, costs and expenses attributable to production activities utilising the Technologies will be considered. Costs and expenses incurred by Foyson at the head office level and income from other activities will be excluded.

As additional consideration, the Company has agreed to pay IGE up to \$400,000 plus certain other costs (together "*Commissioning Costs*"), on the later of the commissioning of the Commercial Plant and completion, subject to satisfying the commissioning requirements as set out in section 4.4.

Should the commissioning requirements not be met by 31 December 2016, the Company may terminate and unwind the Proposed Transaction under the Sale Agreement for nominal consideration (subject to receiving shareholder and other regulatory approvals at that time).

¹ Estimated based on 61.850% of issued shares (rounded to nearest 100,000) including Consideration Shares, Offer Shares and Rights Shares.

² Estimated based on 61.229% of granted options (rounded to nearest 100,000) including Consideration Options, Offer Options and Rights Options.

³ Estimated based on 64.288% (including Consideration Shares) of issued shares (rounded to nearest 100,000) including the Consideration Shares, Milestone Shares, Offer Shares and Rights Shares.

⁴ Estimated based on 74.179% (including Consideration Options) of granted options (rounded to nearest 100,000) including Consideration Options, Milestone Options, Offer Options and Rights Options. Milestone Options are to be adjusted to the extent that the total of Considerations Securities and Milestone Securities is not equal to 68.88% (rounded to the nearest 100,000) of the total shares and options outstanding after the issue of Milestone Securities.

In addition to seeking shareholder approval for the Proposed Transaction, shareholder approval is also being sought for a number of further resolutions (refer section 1.3) including the issue of shares and options to TVI Pacific, Inc (“TVI”) and Clifford James (“James”) (together “TVI Conversions”). A detailed breakdown of the TVI Conversions is set out in section 1.4 (c).

Proposed Fundraising Activities

Subject to shareholder approval of the Proposed Transaction, the Company intends to conduct the following fundraising activities (together “Proposed Fundraisings”):

- a) **Offer** – an offer of 22.5m shares (at a minimum of \$0.20 per share post-consolidation) (“Offer Shares”) plus one free attaching option per share (with an exercise price of \$0.20 exercisable at any time on or before 31 December 2019) (“Offer Options”) to raise approximately \$4.5m (“Offer”); and
- b) **Rights Issue** – a rights issue of up to 6.5m shares (at a minimum of \$0.20 per share post-consolidation) (“Rights Shares”) plus one free attaching option (with an exercise price of \$0.20 exercisable at any time on or before 31 December 2019) (“Rights Options”) for every 10 shares held to existing shareholders to raise approximately \$1.3m (“Rights Issue”).

The Company is preparing a prospectus to meet the requirements of Chapters 1 and 2 of the Australian Securities Exchange (“ASX”) Listing Rules (refer section 2.2.1) and facilitate the Proposed Fundraisings.

The primary purpose of the Proposed Fundraisings is to raise funds for the Proposed Transaction and Proposed Fundraising costs, capital expenditure to increase the Commercial Plant’s capacity to 200 tpd, Commissioning Costs and working capital. The Proposed Fundraisings may also assist the Company to re comply with Chapters 1 and 2 of the ASX Listing Rules.

Scope and Purpose

Corporations Act

Section 208 of the Corporations Act 2001 (the “Act”) provides that a company must obtain shareholder approval before giving a financial benefit to a related party. Section 219 of the Act provides that the Explanatory Statement is required to set out, amongst other things, all information that is reasonably required by shareholders, in order to decide whether or not it is in the company’s interest to pass the proposed resolution, and is known to the company or to any of its directors.

Section 606 of the Act provides a general prohibition against any person increasing their relevant interest in the voting shares of a public company from:

- 20% or below to more than 20%, or
- A starting point that is above 20% and below 90%.

Under section 610 of the Act, the calculation of a person’s voting power in the company involves determining the voting shares in the company in which the person, and the person’s associates, have a relevant interest.

As TVI and James currently hold a combined voting interest in excess of 20%, any further issue of shares to TVI or James would be in breach of section 606 of the Act. In addition, following the Proposed Transaction, IGE and its associates would increase their voting shares in the Company from below 20% to greater than 20%. However, section 611 item 7 of the Act provides an exemption to this general prohibition where the increase is approved in a general meeting by shareholders of the company.

Section 611 item 7 also states that the members of the company must be given all information known to the person proposing to make the acquisition or their associates, or known to the company, that was material to the decision on how to vote on the resolution.

ASX Listing Rules

The ASX has advised the Company that the Proposed Transaction constitutes a significant change to the nature or scale of the Company's activities to which ASX Listing Rule 11.1 applies. Accordingly, Foyson is required to:

- Obtain shareholder approval for the Proposed 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 the ASX.

In addition, ASX Listing Rule 10.1 states that where a company proposes to acquire a substantial asset from, or dispose of a substantial asset to, a related party, the company must obtain the prior approval of the non-associated shareholders.

Under such circumstances Listing Rule 10.10 requires the notice of meeting to include a report on the transaction from an independent expert. The report must state whether the transaction is fair and reasonable to holders of the entity's ordinary securities whose votes are not to be disregarded.

To meet its regulatory obligations and to ensure that Foyson's shareholders are fully informed, Foyson's Independent Directors have engaged Moore Stephens Sydney Corporate Finance Pty Ltd ("*Moore Stephens*") to prepare this Independent Expert's Report ("*Report*").

This Report has been prepared by Moore Stephens for inclusion in Foyson's Notice of Extraordinary General Meeting to assist Foyson shareholders not associated with the respective transactions ("*Non-associated Shareholders*") to decide whether or not to approve the TVI Conversions and Proposed Transaction. The sole purpose of this Report is to express our opinion as to whether the TVI Conversions and Proposed Transaction are fair and reasonable to the Non-associated Shareholders.

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This is a summary of Moore Stephens' opinion as to the merits or otherwise of the Proposed Transaction. This summary should be considered in conjunction with, and not independently of, our detailed Report.

Basis of Evaluation

In terms of RG 111:

- An offer is “*fair*” if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer. The comparison is made assuming 100% ownership of the target, irrespective whether the consideration is cash or scrip, and further assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm’s length;
- An offer is “*reasonable*” if it is “*fair*”; and
- An offer may be reasonable if, despite being “*not fair*”, the expert believes there are other sufficient reasons for shareholders to accept the offer in the absence of any higher bid before the close of the offer.

Our approach has therefore been to consider whether or not the TVI Conversions and Proposed Transaction are “*fair*” to the Non-associated Shareholders in the manner outlined in sections 6.1 and 6.2 respectively.

We have also considered whether the TVI Conversions and Proposed Transaction are “*reasonable*” to the Non-associated Shareholders by considering other factors relating to the TVI Conversions and Proposed Transaction which are likely to be relevant to the Non-Associated Shareholders in their decision of whether or not to approve the TVI Conversions and Proposed Transaction.

Summary of Opinions

TVI Conversions are Not Fair

In our opinion, the TVI Conversions are **not fair** to Non-associated Shareholders as the fair value of a Foyson share on a minority basis post TVI Conversions is lower than the fair value of a Foyson share on a control basis pre TVI Conversions.

TVI Conversions are Reasonable

After considering the advantages and disadvantages of the TVI Conversions for Non-Associated Shareholders, as set out in Section 10.1.3 of this Report, in our opinion the TVI Conversions are **reasonable** to Non-Associated Shareholders in the absence of any other relevant information and/or a superior proposal.

Proposed Transaction is Not Fair

We are unable to assess the value of a Foyson share on a minority basis after the Proposed Transaction in a manner which satisfies the relevant scope requirements of RG 111. Given our inability to conclude on value we must conclude that the Proposed Transaction is **not fair**.

Proposed Transaction is Reasonable

After considering the advantages and disadvantages of the Proposed Transaction for Non-Associated Shareholders, as set out in Section 10.2.3 of this Report, in our opinion the Proposed Transaction is **reasonable** to Non-Associated Shareholders in the absence of any other relevant information and/or a superior proposal.

Yours faithfully

Moore Stephens Sydney Corporate Finance Pty Ltd



Alan Max
Director



Scott Whiddett
Director

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1. Background

1.1 Overview

On 17 March 2015, Foyson Resources Limited ("*Foyson*" or the "*Company*") and Integrated Green Energy Limited ("*IGE*") entered into a Business Sale Agreement ("*Sale Agreement*") for Foyson to acquire the business of IGE ("*Business*") in exchange for the issue of Foyson shares and options⁵. A Variation Deed to the Sale Agreement was executed on 6 June 2015 (together "*Proposed Transaction*").

The Business comprises the:

- Development, commercialisation and exploitation of licensed technologies, including waste to energy conversion technology; and
- Construction and development of plants utilising this technology based on and including IGE's facility located at Berkeley Vale (approximately 100km north of Sydney).

The following assets used in the Business form part of the Sale Agreement:

- Royalty-free, perpetual licences ("*Licences*") to commercialise three specific technologies:
 - Plastics to fuel conversion;
 - Biomass to fuel conversion; and
 - Biomass to energy conversion (collectively the "*Technologies*");
- A waste plastics to diesel and petrol conversion plant, based on a pilot plant, located at Berkeley Vale with a design capacity of 50 tonnes per day ("*tpd*") of waste feedstock ("*Commercial Plant*") as well as the pilot plant;
- The IGE Management team to operate the Berkeley Vale facility including the primary developer of the intellectual property on which the Licences are based; and
- Other assets used exclusively in the Business, including feedstock contracts, the property lease at Berkeley Vale and goodwill.

1.2 Consideration

The consideration for the sale of the Business is the:

- Initial issue of:
 - 153.9m⁶ Foyson shares (on a post-consolidation basis⁷) ("*Consideration Shares*"); plus

⁵ Refer section 1.2.

⁶ Estimated based on 61.850% of issued shares (rounded to nearest 100,000) including the Consideration Shares, Offer Shares and Rights Shares.

⁷ Refer section 1.3.

- 93.9m⁸ Foyson options exercisable at \$0.20 per share (on a post-consolidation basis) with an expiry date of 31 December 2019 ("*Consideration Options*" and together "*Consideration Securities*"); and
- Conditional issue of:
 - 17m⁹ Foyson shares (on a post-consolidation basis) ("*Milestone Shares*"); plus
 - 77m¹⁰ Foyson options exercisable at \$0.20 per share (on a post-consolidation basis) with an expiry date of 31 December 2019 ("*Milestone Options*" and together "*Milestone Securities*").

subject to satisfying the Performance Target (described below) by 30 June 2018.

The Performance Target is achieving EBITDA (earnings before interest, tax, depreciation and amortisation) of \$5m 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. In calculating EBITDA, only income, costs and expenses attributable to production activities utilising the Technologies will be considered. Costs and expenses incurred by Foyson at the head office level and income from other activities will be excluded.

As additional consideration, the Company has agreed to pay IGE up to \$400,000 with respect to commissioning plus certain other costs (together "*Commissioning Costs*"), on the later of the commissioning of the Commercial Plant and completion, subject to satisfying the commissioning requirements as set out in section 4.4.

Should the commissioning requirements not be met by 31 December 2016, the Company may terminate and unwind the Proposed Transaction under the Sale Agreement for nominal consideration (subject to receiving shareholder and other regulatory approvals at that time).

1.3 Proposed Fundraising Activities

Subject to shareholder approval of the Proposed Transaction, the Company intends to conduct the following fundraising activities (together "*Proposed Fundraisings*"):

- a) **Offer** – an offer of 22.5m shares (at a minimum of \$0.20 per share post-consolidation) ("*Offer Shares*") plus one free attaching option per share (with an exercise price of \$0.20 exercisable at any time on or before 31 December 2019) ("*Offer Options*") to raise approximately \$4.5m ("*Offer*"); and
- b) **Rights Issue** – a rights issue of up to 6.5m shares (at a minimum of \$0.20 per share post-consolidation) ("*Rights Shares*") plus one free attaching option (with an exercise price of \$0.20 exercisable at any time on or before 31 December 2019) ("*Rights Options*") for every 10 shares held to existing shareholders to raise approximately \$1.3m ("*Rights Issue*").

⁸ Estimated based on 61.229% of granted options (rounded to nearest 100,000) including Consideration Options, Offer Options and Rights Options.

⁹ Estimated based on 64.288% (including Consideration Shares) of issued shares (rounded to nearest 100,000) including the Consideration Shares, Milestone Shares, Offer Shares and Rights Shares.

¹⁰ Estimated based on 74.179% (including Consideration Options) of granted options (rounded to nearest 100,000) including Consideration Options, Milestone Options, Offer Options and Rights Options. Milestone Options are to be adjusted to the extent that the total of Considerations Securities and Milestone Securities is not equal to 68.88% (rounded to the nearest 100,000) of the total shares and options outstanding after the issue of Milestone Securities.

The Company is preparing a prospectus to meet the requirements of Chapters 1 and 2 of the Australian Securities Exchange (“ASX”) Listing Rules (refer section 2.2.1) and facilitate the Proposed Fundraisings.

The primary purpose of the Proposed Fundraisings is to raise funds for the Proposed Transaction and Proposed Fundraising costs, capital expenditure to increase the Commercial Plant’s capacity to 200 tpd, Commissioning Costs and working capital. The Proposed Fundraisings may also assist the Company to re comply with Chapters 1 and 2 of the ASX Listing Rules.

The impact of the Proposed Transaction and the Proposed Fundraisings on Foyson’s capital structure is outlined in section 5.4.

In addition to seeking shareholder approval for the Proposed Transaction, shareholder approval is also being sought for the following:

- a) Change to the nature or scale of the Company’s activities through the Proposed Transaction (“*Activities Change*”);
- b) Consolidation of Foyson’s share capital on a 1-for-25 basis (“*Consolidation*”);
- c) The issue of the Dickson Options (refer section 1.4 (a));
- d) The Offer;
- e) The issue of shares and options to Michael Palmer, David McIntosh and Kilroy Genia, Directors of Foyson (“*Director Securities*”);
- f) The issue of shares and options to TVI Pacific, Inc (“*TVI*”) and Clifford James (“*James*”) (together “*TVI Conversions*”). A detailed breakdown of the TVI Conversions is set out in section 1.4 (c);
- g) Conversion terms of Capital Promissory Notes (“*Notes*”) issued to Michael Palmer, David McIntosh and unrelated parties;
- h) Ratification of issue of shares and options under the Interim Placement (refer section 1.4 (d)); and
- i) Name change to FOY Group Limited (“*Name Change*”).

The multiple resolutions to approve the Proposed Transaction, Activities Change, Consolidation and Dickson Options are inter-dependent (“*Inter-dependent Resolutions*”). The resolution to approve the Offer and Name Change is conditional on approval of the Inter-dependent Resolutions. The resolution to approve the Director Securities is conditional on approval of the Inter-dependent Resolutions and Offer. Further details of the Proposed Transaction, included related resolutions, are set out in the Notice of Extraordinary General Meeting and Explanatory Memorandum to be held on or around 30 July 2015 (“*Notice of EGM*”).

1.4 Recent Fundraising Activities

Foyson has undertaken the following fundraising activities since October 2014 to recapitalise its balance sheet and fund the costs of the Proposed Transaction, working capital and immediate needs for the Amazon Bay project in Papua New Guinea ("*PNG*" and together "*Amazon Bay*"):

- (a) **Issue of Dickson Shares** - on 23 October 2014, the Company issued 135m shares to Paul Dickson ("*Dickson*") to raise \$337,500 ("*Dickson Placement*"). Dickson, the Chairman of IGE and a shareholder in IGE, was appointed as Non-executive Chairman of Foyson on 4 December 2014. Foyson also agreed to issue Dickson 135m options (with a strike price of \$0.008 pre-consolidation and expiry date of 31 December 2019) ("*Dickson Options*") subject to shareholder approval. On Consolidation, the number of options will reduce to 5.4m and the exercise price will increase to \$0.20 (which maintains the same total exercise price).
- (b) **Issue of Notes** - on 27 April 2015, the Company announced that the issue of Notes, each with a face value of \$1, had been fully subscribed raising \$1m.

On issue, the Notes were debt securities with equity conversion rights subject to shareholder approval at an Extraordinary General Meeting on 31 March 2015 ("*First EGM*"). Shareholders approved the conversion rights and therefore:

- Most of the Notes issued, with a maturity date of 15 May 2015 ("*Maturity Date*") automatically converted into shares and options, but some of the Notes issued in April 2015 (including those issued to TVI) have a maturity date of the earlier of the business day immediately following the Extraordinary General Meeting to be held on or about 30 July 2015 ("*Second EGM*") or 30 September 2015.
- The Notes convert into a maximum of 344.8m shares ("*Note Shares*") in the Company at a conversion price of \$0.0029 per share (pre-consolidation) plus one attaching option per share ("*Note Options*"). The options would be exercisable until and including 31 December 2019 and have an exercise price of \$0.008 (pre-consolidation);
- On Consolidation, the number of options will reduce to a maximum of 13.8m and the exercise price will increase to \$0.20 (which maintains the same total exercise price); and
- The Company capitalises interest on the subscription amount at an interest rate of 12% per annum.

TVI subscribed for 100,000 Notes in February 2015 and 100,000 Notes in April 2015 (together "*TVI Notes*"). James, a director of both the Company and TVI, subscribed for 50,000 Notes in February 2015 ("*James Notes*"). James is an Associate of TVI because, as TVI's nominee director to the Foyson Board, James and TVI act in concert in relation to the affairs of the Company. As James is an Associate of TVI, his voting securities are taken into account when calculating TVI's voting power for the purpose of section 606 of the Corporations Act 2001 ("*the Act*") (refer section 2.1.2).

The Notes issued to TVI in February 2015 were due to convert into 34.5m shares ("*TVI Notes Shares – Feb*") and 34.5m options ("*TVI Notes Options – Feb*") on the Maturity Date. However, TVI has agreed for these shares and options to be issued after approval of the TVI Conversions in order not to breach section 606 of the Act.

The Notes issued to TVI in April 2015 have a maturity date of the earlier of the business day immediately following the Second EGM or 30 September 2015. Therefore, if the TVI Conversions are approved, those Notes will convert into 34.5m shares ("*TVI Notes Shares – April*") and 34.5m options ("*TVI Notes Options – April*") on or about 31 July 2015.

TVI's voting power will be diluted following the issue of shares and options on conversion of Notes held by entities not associated with TVI prior to the date of the Second EGM. Hence it is intended that 10.2m shares ("*James Note Shares*") and 10.2m options ("*James Note Options*") will be issued to James on conversion of some of his Notes using TVI's capacity under section 611, item 9 of the Act, with the remaining 7.1m shares ("*James Notes Remainder Shares*") and 7.1m options ("*James Notes Remainder Options*") due to be issued to James after approval of the TVI Conversions.

- (c) **TVI debt to equity conversion** – at the First EGM, shareholders approved the issue of up to 160m shares ("*TVI Shares*") and up to 160m options (with an exercise price of \$0.008 exercisable at any time on or before 31 December 2019) ("*TVI Options*") to TVI (or its nominee) to settle a debt of \$400,000 ("*TVI Debt*") owing to TVI (together "*TVI Debt Conversion*"). Refer section 3.5. On Consolidation, the number of options will reduce to 6.4m and the exercise price will increase to \$0.20 (which maintains the same total exercise value).

However, the Company has only issued to TVI that number of TVI Shares (and corresponding TVI Options) as TVI is permitted to acquire under section 611 item 9 of the Act, which permits a person who would otherwise contravene section 606 of the Act (refer section 2.1.2), to acquire voting shares in a company if:

- Throughout the 6 months before the acquisition that person, or any other person, has had voting power in the company of at least 19%; and
- As a result of the acquisition, none of the persons referred to above would have voting power in the company of more than 3% higher than they had 6 months before the acquisition.

TVI had a relevant interest in 20.05% of the voting shares of the Company as at the First EGM. Prior to the Dickson Placement on 23 October 2014, TVI had a relevant interest in 23.01% of the voting shares of the Company. Accordingly, TVI was permitted to increase its voting power in the Company up to 26.01% at any time prior to 23 April 2015. To satisfy this limitation, Foyson has only issued 84.6m shares and 84.6m options to TVI pursuant to the TVI Debt Conversion, reducing the TVI Debt by \$211,528 to \$188,472.

As the Company was unable to issue all 160m TVI Shares (and 160m TVI Options) to TVI, Foyson is seeking approval to issue the remainder of the shares (i.e. 75.4m shares ("*TVI Debt Remainder Shares*") and 75.4m options ("*TVI Debt Remainder Options*") under section 611 item 7 of the Act (refer section 2.1.2) at the Second EGM.

In this Report, “TVI Conversions” comprises the collective conversions of the following:

Convert From:	Convert to:	Section
TVI Notes	TVI Notes Shares – Feb TVI Notes Options – Feb TVI Notes Shares – April TVI Notes Options – April	1.4 (b)
James Notes	James Notes Remainder Shares James Notes Remainder Options	1.4 (b)
TVI Debt	TVI Debt Remainder Shares TVI Debt Remainder Options	1.4 (c)

- (d) **Interim Placement** – in the period up to and including 30 July 2015, we are advised that the Company will issue 80m shares at \$0.006 per share (pre-consolidation) and 80m options to unrelated sophisticated investors to raise \$480,000 (“*Interim Placement*”). The options are exercisable at \$0.008 pre-consolidation and have an expiry date of 31 December 2019. The funds raised under the Interim Placement are to be used partly on costs associated with getting the Proposed Transaction to the stage of shareholder approval and complying with Chapters 1 and 2 of the Listing Rules, and partly on costs associated with Amazon Bay and working capital.

1.5 Conditions

The Proposed Transaction will not proceed unless a number of conditions are satisfied or waived by 30 November 2015, including the following:

- a) Completion of construction of the Commercial Plant;
- b) ASX resolves to re-admit and quote Foyson’s shares on the ASX;
- c) Foyson shareholders pass resolutions to approve the:
 - Proposed Transaction;
 - TVI Debt Conversion (approved at First EGM);
 - Issue of the Dickson Options; and
 - Consolidation.
- d) Completion of due diligence to the satisfaction of Foyson;
- e) Selected key executives enter into a consultancy contract on terms satisfactory to Foyson;
- f) Assignment or novation of the Licences, Berkley Vale property lease and other material contracts;
- g) No material adverse change; and
- h) Various consents and approvals.

2. Basis of Assessment

2.1 Corporations Act

2.1.1 *Related party*

Section 208 of the Act provides that a company must obtain shareholder approval before giving a financial benefit to a related party.

IGE may be a related party of Foyson under section 228(4) or section 228(7) of the Act, on the basis that it is, or could be, controlled by a director of Foyson (namely Paul Dickson, who holds 33.3% of the shares in IGE) or is acting in concert with that controlling director on the understanding that the director will receive a financial benefit (in this case, the issue to Dickson of his proportion of the Consideration Securities and Milestone Securities) if Foyson gives a financial benefit to IGE (being the sale of the Business to Foyson).

Section 219 of the Act provides that the Explanatory Statement is required to set out, amongst other things, all information that is reasonably required by shareholders, in order to decide whether or not it is in the company's interest to pass the proposed resolution, and is known to the company or to any of its directors.

2.1.2 *Interest greater than 20%*

Section 606 of the Act provides a general prohibition against any person increasing their relevant interest in the voting shares of a public company from:

- 20% or below to more than 20%, or
- A starting point that is above 20% and below 90%.

Under section 610 of the Act, the calculation of a person's voting power in the company involves determining the voting shares in the company in which the person, and the person's associates, have a relevant interest.

As TVI and James currently hold a combined voting interest of approximately 26.0%, which will dilute to 23.1% prior to the Second EGM as a result of Note conversions, any further issue of shares to TVI or James would be in breach of section 606 of the Act. In addition, following the Proposed Transaction, IGE and its associates would increase their voting shares in the Company from below 20% to greater than 20%. However, section 611 item 7 of the Act provides an exemption to this general prohibition where the increase is approved in a general meeting by shareholders of the company.

Section 611 item 7 also states that the members of the company must be given all information known to the person proposing to make the acquisition or their associates, or known to the company, that was material to the decision on how to vote on the resolution.

2.2 ASX Listing Rules

2.2.1 *Significant change to nature or scale of activities*

The ASX has advised the Company that the Proposed Transaction constitutes a significant change to the nature or scale of the Company's activities to which ASX Listing Rule 11.1 applies. Accordingly, Foyson is required to:

- Obtain shareholder approval for the Proposed 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 the ASX.

2.2.2 *Substantial asset from related party*

In addition, ASX Listing Rule 10.1 states that where a company proposes to acquire a substantial asset from, or dispose of a substantial asset to, a related party, the company must obtain the prior approval of the non-associated shareholders. Listing Rule 10.1 describes a substantial asset as an asset that has a value, in the ASX's opinion, of at least 5% or more of the shareholders funds in the entity as set out in the latest accounts of the company.

Under such circumstances Listing Rule 10.10 requires the notice of meeting to include a report on the transaction from an independent expert. The report must state whether the transaction is fair and reasonable to holders of the entity's ordinary securities whose votes are not to be disregarded.

Based on the above, the Directors of Foyson are seeking shareholder approval for the:

- Acquisition of the Business from IGE for the purpose of ASX Listing Rule 10.1 (acquisition of a substantial asset from a related party or their associates) and ASX Listing Rule 11.1 (significant change to the nature or scale of activities) and section 208 of the Act (giving a financial benefit to a related party);
- Issue of the Consideration Securities and Milestone Securities as consideration for the Business for the purpose of section 611 item 7 of the Act; and
- TVI Conversions for the purpose of section 611 item 7 of the Act.

To meet its regulatory obligations and to ensure that Foyson's shareholders are fully informed, Foyson's Independent Directors have engaged Moore Stephens Sydney Corporate Finance Pty Ltd ("*Moore Stephens*") to prepare this Independent Expert's Report ("*Report*").

2.3 ASIC Regulatory Guide 111

In preparing our Report we have had regard to the guidelines set out in Australian Securities & Investments Commission (“ASIC”) Regulatory Guide 111 “Content of expert reports” (“RG 111”). Neither the Act nor the ASX Listing Rules define the term “*fair and reasonable*”; however RG 111 provides that each of these criteria be assessed individually and not as a compound phrase. RG 111 states that:

- An offer is “*fair*” if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer. The comparison is made assuming 100% ownership of the target, irrespective whether the consideration is cash or scrip, and further assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm’s length (“*Fair Value*”);
- An offer is “*reasonable*” if it is “*fair*”;
- An offer may be reasonable if, despite being “*not fair*”, the expert believes there are other sufficient reasons for shareholders to accept the offer in the absence of any higher bid before the close of the offer.

Our approach has therefore been to consider whether or not the TVI Conversions and Proposed Transaction are “*fair*” to the Foyson shareholders not associated with the respective transactions (“*Non-associated Shareholders*”) in the manner outlined in sections 6.1 and 6.2 respectively.

A valuation of this nature should also meet the requirements of a “*Valuation Engagement*” as defined by APES 225 Valuation Services (“APES 225”) issued by the Accounting Professional & Ethical Standards Board.

We have also considered whether the TVI Conversions and Proposed Transaction are “*reasonable*” to the Non-associated Shareholders by considering other factors relating to the TVI Conversions and Proposed Transaction which are likely to be relevant to the Non-Associated Shareholders in their decision of whether or not to approve the TVI Conversions and Proposed Transaction.

2.4 Purpose

This Report has been prepared by Moore Stephens for inclusion in Foyson’s Notice of EGM to assist Non-associated Shareholders to decide whether or not to approve the TVI Conversions and Proposed Transaction. The sole purpose of this Report is to express our opinion as to whether the TVI Conversions and Proposed Transaction are fair and reasonable to the Non-associated Shareholders.

The Report may not be used for any other purpose, or by any other party, and Moore Stephens will not accept any responsibility for its use outside this purpose. No extract, quote or copy of this Report, in whole or in part, should be reproduced without the prior written consent of Moore Stephens, as to the form and context in which it appears.

2.5 Limitations and Reliance on Information

Our opinion is based on market, economic and other factors existing at the date of this Report. Such conditions can change significantly in short periods of time.

Our Report is based upon financial and other information provided by Foyson's and IGE's representatives, contractors, advisors, agents and/or related parties ("*Providers*"). In forming our opinion we have reviewed and relied upon this information, unless otherwise stated.

The information provided was evaluated through analysis, enquiry and review for the purposes of forming an opinion as to whether the TVI Conversions and Proposed Transaction are fair and reasonable. Our enquiries and procedures do not constitute an audit, extensive examination, verification or "due diligence" investigation. None of these assignments has been undertaken by Moore Stephens for the purposes of this Report.

In forming the opinion expressed in this Report, the opinions and judgments of management of Foyson and IGE have been considered. Although this information has been evaluated through analysis, enquiry and review to the extent practical, inherently such information is not always capable of independent verification.

In forming our opinion, we have considered the interest of Non-associated Shareholders as a whole. This Report therefore does not consider the financial situation, objectives or needs of individual shareholders. It is not practical to assess the implications of the Proposed Transaction on individual shareholders as their financial circumstances are not known.

The decision of shareholders as to whether or not to approve the TVI Conversions and Proposed Transaction is a matter for individuals based on, amongst other things, their risk profile, liquidity preference, investment strategy and tax position. Individual shareholders should therefore consider the appropriateness of our opinion to their specific circumstances before acting on it. As an individual's decision to approve or reject the TVI Conversions and Proposed Transaction may be influenced by his or her particular circumstances, we recommend that individual shareholders, including residents of foreign jurisdictions, seek their own independent professional advice.

Our opinion is based solely on information available as at the date of this Report as set out in Appendix 5 of this Report. We note that we have not undertaken to update this Report for events or circumstances arising after the date of this Report, other than those of a material nature and contemplated by RG 111 which occur prior to the date of the Second EGM.

3. Overview of Foyson

3.1 Company Overview

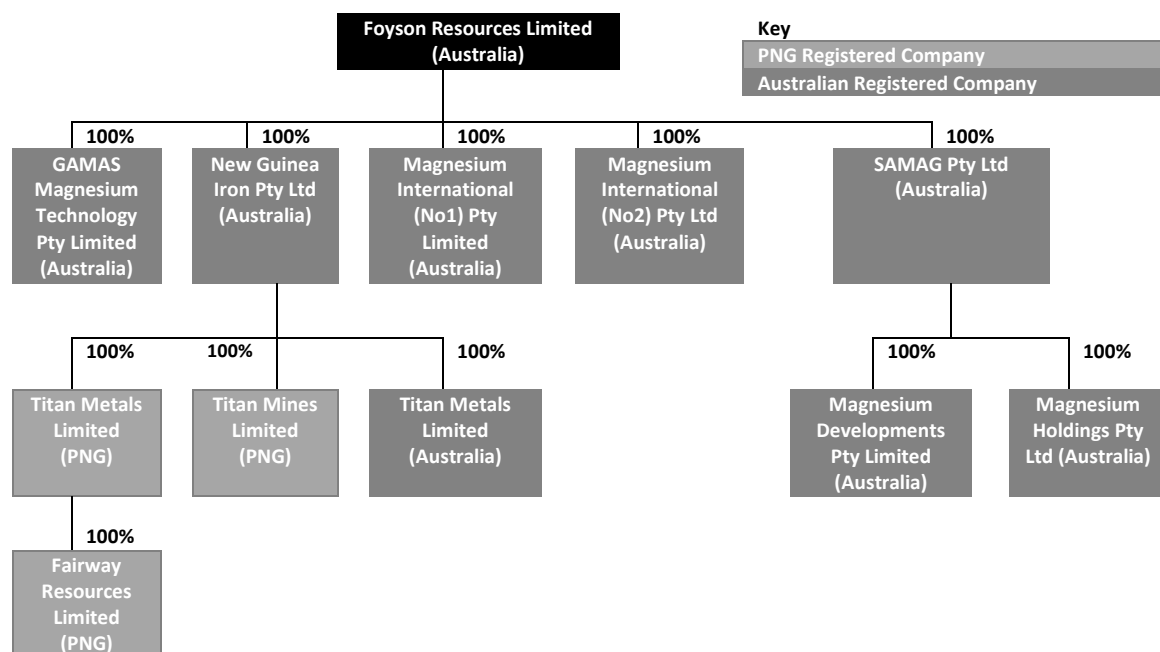
The Company was incorporated in December 1988 and subsequently listed on the ASX in November 1989. The Company has undertaken several name changes since incorporation, and was renamed Foyson Resources Limited in May 2012.

Foyson's principal activity is its Amazon Bay iron sands project in PNG (refer section 3.3).

The Board has determined that, with the continued decline in commodity prices and the poor market interest in junior exploration companies, the most secure method of sourcing the ongoing funding required to develop its resource exploration assets, specifically the Amazon Bay project, is through internal funding by way of a cash flow project. This has resulted in the Board pursuing the Proposed Transaction and Proposed Fundraisings.

3.2 Corporate Structure

The corporate structure of Foyson and its associated entities is set out below¹¹:



Source: Foyson management

3.3 Titan Mines

3.3.1 Overview

Foyson's primary activity is the vanadium-rich titano-magnetite iron sands project at Amazon Bay, located approximately 200km south-east of Port Moresby in PNG. Foyson owns a 100% equity interest in Titan Mines Limited ("Titan Mines") which, in turn, has a 90% interest in Amazon Bay. In February 2014, TVI gained a 10% direct interest in Amazon Bay through a joint-venture arrangement.

¹¹ All companies other than Foyson Resources Limited, New Guinea Iron Pty Ltd (Australia), and Titan Mines Limited (PNG) are dormant.

Historical exploration at Amazon Bay had identified over 100km of PNG coastline that was considered prospective for vanadium-rich titanomagnetite iron sands. Foyson undertook a regional airborne geophysics survey to test the extent of exploration targets beyond the known mineralisation reported by historical exploration.

Two areas with significant magnetic anomalies at Barracouta and Threadfin were targeted for initial drilling.

Preliminary metallurgical studies undertaken in 2010 on material from Amazon Bay indicated a concentrate grade of 52.3% iron (Fe), 1.02% vanadium (V₂O₅) and 17.3% titanium (TiO) may be produced through grinding, cleaning and metallurgical separation techniques.

Foyson commissioned two studies in 2012:

- **Potential Drilling Program** - an independent expert, Mr Chris Young ("*Young*"), was engaged by Foyson in April 2012 to review all existing exploration data on Amazon Bay and select the most promising area to drill for a resource to JORC standards. Young selected the 30km long Threadfin area and designed an initial drill program to fully scope the area. An exploration target of approximately 630m tonnes was estimated to exist in the Threadfin area.
- **Executive Desktop Study** - MSP Resource Development Consultants were engaged to review historical data collected on Amazon Bay to determine the appropriate product mix for development. Metallurgical processing developments in Australia and Indonesia indicated it is feasible to separate the Amazon Bay style of mineralisation into three products (vanadium, titanium and iron) which would increase the project value and the likelihood of project development.

In August 2013, Foyson commissioned Engenium Pty Ltd to undertake a scoping study on Amazon Bay. The study assessed the project location and resources, previous studies undertaken, metallurgical test work, process methodology, dredging, processing, shipping, infrastructure, project financials, comparison with other iron sands projects, and forward work project and overall project timeline. The scoping study indicated it would take approximately three years to obtain the first ore commencing with a bankable feasibility study up to completion of construction works and production.

The studies have identified power as a major operating cost to develop Amazon Bay. However, as there is no local grid supply, the project would be dependent on diesel-generated power, which is prohibitively expensive. Therefore, the Company has requested IGE to provide the PNG authorities with a proposal to introduce an IGE power generating technology to reduce operating costs from the supply of power provided by IGE.

In September 2013, the Company received notification from the PNG Mineral Resources Authority that an exploration licence for Amazon Bay North (EL2149) had been granted, covering an area of 588 square km, and that EL1623 at Sandbank Bay had been renewed. EL1623 was subsequently relinquished in November 2014.

In February 2014, the PNG Mineral Resources Authority advised the company that EL2281 (Maruta) had been granted, covering 652 square km and lying immediately east of EL1396 (the key tenement of Amazon Bay) and covering more than 50km of coastline prospective for iron sands.

In July 2014, Foyson was advised that its exploration license for Amazon Bay (EL1396) had been renewed.

In mid-2014, further sampling programs were undertaken in the Margarida and Deba areas resulting in 600kg of samples undergoing metallurgical testing. In addition, preliminary sampling and exploration activities were undertaken in the Maruta tenement following its grant in February 2014.

In late-2014, Foyson completed a comprehensive Environmental Management Plan (“EMP”) at Amazon Bay required by the PNG Department of Conservation. The EMP covered the environmental regulatory concerns and requirements that needed to be addressed prior to the issue of a drill permit.

3.3.2 Tenements Portfolio

An overview of Foyson’s tenement interests is set out below:

Tenement	Title	Commodity	Interest %	Area km ²
Amazon Bay	EL1396	Fe, Ti, V	90% ¹	192
Amazon North	EL2149	Fe, Ti, V	100%	590
Maruta	EL2281	Fe, Ti, V	100%	652

Source: Technical Review of Mineral Interests and Valuation by Terence Willstead & Associates dated 31 May 2015.

EL: Exploration license.

(1) TVI has a direct interest of 10% in Amazon Bay, with Titan Mines holding the balance of 90%.

Details of the tenements are set out in the independent Technical Review of Mineral Interests and Valuation Report by Terence Willstead & Associates (“TWA”) dated 31 May 2015, prepared in accordance with the VALMIN Code (“TWA Report”). A copy of the report is provided in Appendix 7.

3.3.3 Shareholding movement

In September 2007, Foyson acquired a 25% equity interest in Titan Mines. Foyson progressively increased its ownership in Titan Mines to 50% through funding contributions.

In August 2012, Foyson entered into an option agreement with the other shareholders of Titan Mines to acquire the remaining 50% interest in Titan Mines not owned by Foyson (“Titan Mines Option”). The consideration to purchase the Titan Mines Option was up to a maximum of \$0.9m plus 10m new shares in Foyson dependent on the time of exercise (together the “Option Payments”).

The terms of the Titan Mines Option were as follows:

- Upon exercising the Titan Mines Option, Foyson would acquire an additional 50% equity interest in Titan Mines.
- Exercise price was:
 - Cash payment of \$10m;
 - Issue of shares in Foyson equal to 2.16% of the issued capital of Foyson as at the exercise of the Titan Mines Option; and
 - Provision of a 0.5% gross revenue royalty on all concentrate from Amazon Bay.
- Foyson could exercise the Titan Mines Option at any time before 18 July 2015.
- If Foyson did not exercise the Titan Mines Option by 18 July 2015, at Foyson's request, Foyson would be granted an extension of two years. If the exercise period was extended by two years and Foyson did not exercise the Titan Mines Option, the option would lapse and Foyson would be obliged to return all the shares held in Titan Mines to the remaining shareholders for no consideration.

On 16 March 2015, Foyson and the other shareholders of Titan Mines agreed to terminate all existing agreements including the Titan Mines Option. Instead, Foyson acquired the remaining 50% of the shares in Titan Mines for cash consideration of \$150,000 plus a commitment to pay a 0.5% gross revenue royalty on all concentrate from Amazon Bay. The acquisition provides Foyson with a 90% effective interest in Amazon Bay, with the remaining 10% held by TVI.

3.4 Titan Metals

In September 2008, Foyson acquired a 50% equity interest in Titan Metals Limited ("*Titan Metals*") (as opposed to Titan Mines), which held a series of exploration licences and applications in PNG which were prospective, for gold, copper, nickel and molybdenum by committing to funding \$0.7 million of development and exploration costs, as well as the issue of performance shares which have since expired.

Foyson purchased the remaining 50% equity interest of Titan Metals in August 2010. The consideration paid was the issue by Foyson of 66.7m shares and 33.3m convertible redeemable preference shares ("*CRPS*").

Titan Metals held the exploration license to South New Britain (including Atui), a prospect for gold-copper-molybdenum porphyry (igneous rock) systems. It also held tenements at North New Britain, Golden Peak, Poi and Domara.

In FY13, Titan Metals relinquished the tenements at Poi and Domara in order to focus on more prospective assets. In FY14, Titan Metals relinquished the North New Britain and Golden Peak tenements.

In late-2014, the remaining tenement at South New Britain was relinquished.

3.5 TVI

TVI is Foyson's largest shareholder, with a shareholding of 26.0% pre TVI Conversions and Proposed Transaction, including the TVI Shares which may be issued without shareholder approval (refer sections 1.4 (c) and 3.10.1).

TVI is a Canadian resource company listed on the Toronto Stock Exchange with a market capitalisation of approximately C\$10m. TVI is focused on the production, development, exploration and acquisition of resource projects in the Philippines and Southeast Asia.

In August 2012, Foyson formed a strategic alliance and joint venture with TVI, and TVI agreed to loan the Company \$400,000 under a Loan Agreement ("*TVI Loan Agreement*"). The TVI Loan Agreement was amended from time to time in 2013 and 2014, under which further advances were made to the Company and partial repayments were made by the Company. Refer to Section 1.4 (c).

In September 2012, TVI completed a Tranche 1 Placement for \$884,000, providing the Company with funds for the purpose of exploration activities in New Britain and Amazon Bay ("*Tranche 1 Placement*").

In April 2013, Foyson shareholders approved a Tranche 2 Placement from TVI. The Tranche 2 Placement was settled in three instalments due to funding constraints encountered by TVI, as set out below:

- In March 2013, Foyson issued 14.3m shares at \$0.007 per share in partial completion of the Tranche 2 Placement raising \$100,000 in proceeds ("*Partial Settlement 1 of Tranche 2*").
- In December 2013, Foyson issued a further 45m shares at \$0.007 per share raising \$315,000 as a further partial settlement of the Tranche 2 Placement ("*Partial Settlement 2 of Tranche 2*").
- In March 2014, TVI completed the balance of the Tranche 2 Placement with Foyson issuing 83.6m shares and 80m options for \$585,000 ("*Balance of Tranche 2 Placement*").

In February 2014, Foyson announced that TVI had completed Stage 1 of the Amazon Bay Joint Venture through providing exploration funding of \$2m, earning a 10% direct interest in Amazon Bay. In July 2014, TVI elected not to proceed with Stage 2 of the Amazon Bay Joint Venture, which would have meant spending an additional \$5.5m on Amazon Bay within 12 months to earn a further 20% interest in Amazon Bay.

The TVI Debt was due to be repaid on 30 September 2014, however TVI agreed for Foyson to satisfy the TVI Debt by issuing the TVI Shares and TVI Options under a Debt Conversion Deed dated 28 February 2015 ("*Debt Conversion Deed*"). Under the Debt Conversion Deed, an additional cash payment of 8% per annum interest on the TVI Debt outstanding will be paid for the period from 1 October 2014 until all of the TVI Debt has been converted into the TVI Shares and TVI Options. Refer section 1.4 (c).

3.6 Financial Performance

The following table summarises Foyson's historic financial performance for the three years ended 30 June 2014 and six months ended 31 December 2014:

Period Ended	30-Jun-12 \$000	30-Jun-13 \$000	30-Jun-14 \$000	31-Dec-14 \$000
Revenue				
Revenue	284	15	-	-
Financial income	102	18	3	4
Other income	-	1,329	2,174	317
Expenses				
Cost of sales	(103)	(112)	-	-
Administrative expenses	(468)	(405)	(476)	(139)
Consultants expenses	(657)	(641)	(473)	(137)
Corporate expenses	-	-	-	(55)
Depreciation and amortisation	(6)	(9)	(11)	(5)
Employment expenses	(455)	(256)	(174)	(13)
Finance costs	-	(18)	(55)	(66)
Foreign currency movements	-	-	(59)	-
Insurance expenses	(71)	(84)	(54)	(24)
Occupancy expenses	(37)	(45)	(45)	(23)
Other expenses	(65)	(132)	(75)	-
Doubtful debt provision	-	(28)	(50)	-
Impairment expense	-	(4,374)	(8,178)	(425)
Share based payment expense	(42)	(58)	(31)	-
Loss on disposal of fixed asset	-	-	-	(1)
Share of loss of equity accounted investees	(27)	-	-	-
Loss before income tax expense	(1,545)	(4,801)	(7,503)	(566)
Income tax benefit	-	699	1,529	-
Net Loss for the year	(1,545)	(4,102)	(5,974)	(566)
Other comprehensive income				
Items that may be subsequently classified to profit and loss				
Exchange differences arising in translation of foreign operations	1,054	5	(687)	165
Total comprehensive income for the year, net of tax	(491)	(4,097)	(6,661)	(401)

Source: Foyson's audited financial statements (30 June 2012, 2013 and 2014) and reviewed financial statements (31 December 2014).

Note: Numbers may not add due to rounding.

We note the following with regard to Foyson's financial performance:

- Revenue in FY12 and FY13 relates to sales generated by the Magnesite operations which have subsequently been sold.
- Other income in FY13 was largely attributable to the sale of the Myrtle Springs Magnesite operations (\$1m) and an exclusivity fee paid by TVI of approximately \$300,000.

- Other income in FY14 mainly comprises the gain on the disposal of a 10% direct interest in Amazon Bay.
- The decrease in consultants and employment expenses from FY12 to FY14 reflects Foyson downsizing its operations and reducing the number of consultants and staff.
- The impairment expense in FY13 relates to the relinquishment of two tenements at Poi and Domara (held by Titan Metals).
- During FY14, the Golden Peak and New Britain North tenements (held by Titan Metals) were relinquished in order to focus on the more prospective assets, resulting in an impairment of \$3.3m. The remaining impairment expense for FY14 reflects the reassessment of the carrying value of the remaining capitalised exploration and evaluation expenditure.
- The impairment for the six months ended 31 December 2014 relates to the relinquishment of two further tenements at South New Britain (held by Titan Metals) and Sandbank Bay (held by Titan Mines) to focus on the more prospective assets.

3.7 Financial Position

The following table summarises Foyson's historic financial position as at 30 June 2012, 30 June 2013, 30 June 2014 and 31 December 2014.

Balance Sheet as at	30-Jun-12 \$000	30-Jun-13 \$000	30-Jun-14 \$000	31-Dec-14 \$000
Cash and equivalents	698	662	33	107
Trade and other receivables	154	1	432	22
Inventory	58	-	-	-
Other assets	180	77	80	68
Mineral rights	7,523	17,195	12,924	12,924
Exploration and evaluation assets	7,166	7,533	3,203	3,125
Property, plant and equipment	31	42	28	19
Total assets	15,809	25,509	16,700	16,265
Trade and other payables	614	492	623	406
Provisions	4	27	26	-
Loans from related parties	-	546	394	410
Non-financial liability	-	1,654	-	300
Non-current liabilities	1,933	1,281	-	-
Total liabilities	2,551	4,001	1,043	1,116
Net assets	13,258	21,508	15,657	15,150
Issued capital	106,188	106,949	107,727	107,921
Share reserves	1,827	1,958	2,089	2,089
Acquisition reserve	-	(300)	(600)	(900)
Foreign currency reserve	1,235	1,240	553	718
Accumulated losses	(95,991)	(100,093)	(106,067)	(106,634)
Shareholders equity before non-controlling interest	13,258	9,753	3,702	3,195
Non-controlling interest TVI	-	-	200	200
Non-controlling interest Titan Mines Limited	-	11,755	11,755	11,755
Total equity	13,258	21,508	15,657	15,150

Source: Foyson's audited financial statements (30 June 2012, 2013 and 2014) and reviewed financial statements (31 December 2014).

Note: Numbers may not add due to rounding.

We note the following with regard to Foyson's historic balance sheets:

- The lower cash balances from 30 June 2014 reflect the challenges experienced to raise capital in recent times.
- Trade and other receivables increased at 30 June 2014 primarily due to the research and development tax concession receivable of \$269,765.

- Titan Mines had been consolidated into the financial statements of Foyson from FY13 on the basis that Foyson controlled Titan Mines. As a result, mineral rights increased from approximately \$7.5 million at 30 June 2012 to \$17.2 million at 30 June 2013. A non-controlling interest of approximately \$11.8 million was recognised to take into consideration the estimated costs at the time for Foyson to acquire the remaining 50% of Titan Mines.
- Mineral rights and exploration and evaluation assets have been impaired as noted in section 3.6.
- Loans from related parties from 30 June 2013 are loans from TVI.
- The non-financial liability of \$1.7 million at 30 June 2013 reflects the joint venture arrangements between Foyson and TVI in relation to Amazon Bay and New Britain. Under the joint venture agreements, TVI committed to fund \$1.3 million at New Britain and \$2.0 million at Amazon Bay.
- Non-current liabilities at 30 June 2012 and 2013 relate to deferred tax liabilities. The elimination of the deferred tax liability at 30 June 2014 is a result of the impairment of exploration assets and mineral rights.
- The share reserve is used to record fair value movements of the CRPS (refer section 3.4) and options issued.
- The acquisition reserve relates to the Option Payments to acquire the remaining 50% interest in Titan Mines (refer section 3.3.3). The 30 June 2013 accounting treatment was incorrect, and was restated and corrected in the 30 June 2014 accounts. The restated position is shown above.
- The non-controlling interest reflects TVI's 10% interest in its Amazon Bay contribution.

3.8 Going Concern

The following note has been extracted from Foyson's 31 December 2014 half yearly accounts (emphasis added):

*"During the half year ended 31 December 2014, the Group incurred an operating loss before tax of \$565,613 and net cash inflows from operating activities of \$69,126 as disclosed in the statement of profit or loss and the statement of cash flows, respectively. **The continuing viability of the Group and its ability to continue as a going concern and meet its debts and commitments as they fall due are dependent upon the Group being successful with fundraising and other options outlined below:***

- The ability of the Group to raise additional funds from shareholders and new investors.** The Group has successfully raised \$550,000 through a capital promissory note subsequent to period end. The purpose of the issue of the Notes is to fund the Company's immediate needs for its Amazon Bay Project in Papua New Guinea, general working capital requirements and to fund expenses associated with advancing the proposed transaction with Integrated Green Energy Limited.*
- Completion of the proposed transaction with Integrated Green Energy Limited, fundraising on the basis of a further placement and rights issue to develop the project and re-complying with Chapters 1 and 2 of the ASX Listing Rules.***

- c) **The conversion of existing debt finance to equity. TVI have agreed to convert their existing loan of A\$400,000 to equity at \$0.0025 per share subject to Shareholder approval at the Extraordinary General Meeting to be held on 31 March 2015.**
- d) **Continuation of the close and effective monitoring of the Group's operating expenditure;**
- e) **Consideration of options that might include the sale of part of the business.**

As a result, there is material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial statements.

However, the Directors believe that the Group will be successful in achieving favourable outcomes on the above matters and that it will have sufficient funds to pay its debts and meet its commitments for at least the next 12 months from the date of this financial report, and accordingly, have prepared the financial report on a going concern basis. At this time, the directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report at 31 December 2014. As such, no adjustments have been made to the financial statements relating to the recoverability and classification of the asset carrying amounts or classification of liabilities that might be necessary should the Group not continue as a going concern."

3.9 Recent Capital Raisings

Foyson as a junior resource company does not currently generate any revenue and has relied on equity fundraisings and TVI Debt to fund its operations. We set out below a summary of Foyson's equity capital raisings since July 2012:

Equity capital raisings

Ordinary shares (and options)

Date	Issued to	Proceeds	Comments
September 2012	TVI	884,000	Tranche 1 Placement
March 2013	TVI	100,000	Partial Settlement 1 of Tranche 2
December 2013	TVI	315,000	Partial Settlement 2 of Tranche 2
March 2014	Directors	38,238	Offer to Directors
March 2014	TVI	585,000	Balance of Tranche 2 Placement
October 2014	Dickson	337,500	Dickson Shares

Notes

Date	Issued to	Proceeds	Comments
Feb- April 2015	TVI, Directors and other sophisticated investors	1,000,000	Refer section 1.4 (b).

The above summary indicates that Foyson has relied heavily on capital from TVI from September 2012 to March 2014. From October 2014, Foyson has been funded by IGE's associated parties, TVI and other sophisticated investors.

3.10 Capital Structure

Foyson has ordinary shares, Notes, options and CRPS in its capital structure.

3.10.1 Shares

Foyson had 1.136 billion ordinary shares on issue on the day prior to the issue of this Report ("*Last Observed Day*"), with the Top 20 shareholders holding approximately 69.5% of the issued shares as indicated below. Following the Interim Placement and issue of Notes Shares (other than TVI Conversions), Foyson anticipates having 1.416 billion ordinary shares on issue immediately before the second EGM.

Name of Shareholder	Ordinary Shares Held	
	Number	Percentage
Current shareholders		
TVI PACIFIC INC	295,468,407	26.0%
MR PAUL GREGORY DICKSON	135,000,000	11.9%
NEEMS HOLDINGS PTY LTD <NEEMS FAMILY A/C>	86,500,000	7.6%
CHAVOO PTY LTD <MIDHURST SUPER FUND A/C>	42,000,000	3.7%
CORMI HOLDINGS PTY LTD <PALMER FAMILY A/C>	31,366,271	2.8%
M & C PALMER INVESTMENTS PTY LTD <M & C PALMER SUPER FUND A/C>	24,999,999	2.2%
DONNACHAIDH INVESTMENTS PTY LTD <BANNOCKBURN DISCRETIONARY AC>	21,489,973	1.9%
J P MORGAN NOMINEES AUSTRALIA LIMITED	20,118,896	1.8%
MR LUIGI REGHELIN <REGHELIN FAMILY A/C>	20,000,000	1.8%
ISAWILL PTY LTD	19,894,451	1.8%
MR IAN JAMES CAMERON	13,605,470	1.2%
ZERO NOMINEES PTY LTD	13,608,294	1.2%
MR JOE GUTIERREZ	12,659,231	1.1%
MRS SAN LINH LAM	10,000,000	0.9%
MR CHATCHAI YENBAMROONG	10,000,000	0.9%
MCINTOSH & ASSOCIATES PTY LTD <DAVID MCINTOSH FAMILY A/C>	7,224,431	0.6%
PETHOL (VIC) PTY LTD	6,665,844	0.6%
CITICORP NOMINEES PTY LIMITED	6,387,594	0.6%
BATRAS ONE PTY LTD	6,245,373	0.6%
MR JOHN HENDERSON & MRS SUSAN HENDERSON <MIGHTY OAK SUPER A/C>	6,094,368	0.5%
Total Top 20 Shareholders	789,904,316	69.5%
Other shareholders	346,109,283	30.5%
Total current shareholders as of Last Observed Day	1,136,013,599	100.0%
Proposed to be issued prior to Second EGM		
Interim Placement	80,000,000	
Notes Shares (excluding TVI Conversions and James Note Shares – refer section 1.4 (b))	189,655,174	
James Note Shares	10,162,513	
Total	279,817,687	
Total shares on issue immediately prior to the Second EGM	1,415,813,286	

Source: Foyson Management.

Note: Numbers may not add due to rounding.

The above shares exclude 1) shares to be issued under the TVI Conversions (refer section 1.4 (c)) and 2) 69m shares to be issued to Mike Palmer, David McIntosh (current Directors) and Doug Halley (past Director) on conversion of 200,000 Notes, which are subject to shareholder approval.

The Directors collectively hold a direct and indirect interest in 202.1 m shares, representing approximately 18% of the issued shares. Paul Dickson, Bevan Dooley and Mike Palmer (Directors) also hold a total of 250,000 Notes with a maturity date of 15 May 2015. These convert to 86.2m additional shares once ASX restriction requirements are finalised and agreed.

3.10.2 Notes

Foyson had 1m Notes on issue on the Last Observed Day (refer section 1.4 (b)). We are advised that the conversion into Note Shares and Note Options has not been completed yet, but will be completed (other than the TVI Conversions) prior to the Second EGM.

3.10.3 Options

Foyson had 114.3m options on issue on the Last Observed Day. Following the Interim Placement and issue of Note Options (other than TVI Conversions), Foyson anticipates having 394m options on issue immediately before the Second EGM.

Grant date	Number of options ¹	Exercise price ²	Expiry date
26/11/2010	5,000,000	\$0.120	31/12/2015
03/11/2011	6,500,000	\$0.060	30/09/2016
22/11/2012	4,557,019	\$0.040	30/06/2017
22/11/2012	4,557,019	\$0.050	30/06/2017
22/11/2012	4,557,019	\$0.050	30/06/2018
22/11/2012	4,557,019	\$0.070	30/06/2018
01/05/2015	84,611,254	\$0.008	31/12/2019
Total options on Last Observed Day	114,339,340		
Proposed to be issued prior to Second EGM			
Interim Placement	80,000,000	\$0.008	31/12/2019
Notes Options (excluding TVI Conversions and James Note Options – refer section 1.4 (b))	189,655,174	\$0.008	31/12/2019
James Note Options	10,162,513	\$0.008	31/12/2019
Total	279,817,687		
Total options on issue immediately prior to Second EGM	394,158,356		

Note: Numbers may not add due to rounding.

(1) Pre-consolidation. Divide by 25 to calculate post-consolidation.

(2) Pre-consolidation. Multiply by 25 to calculate post-consolidation.

The above options exclude the:

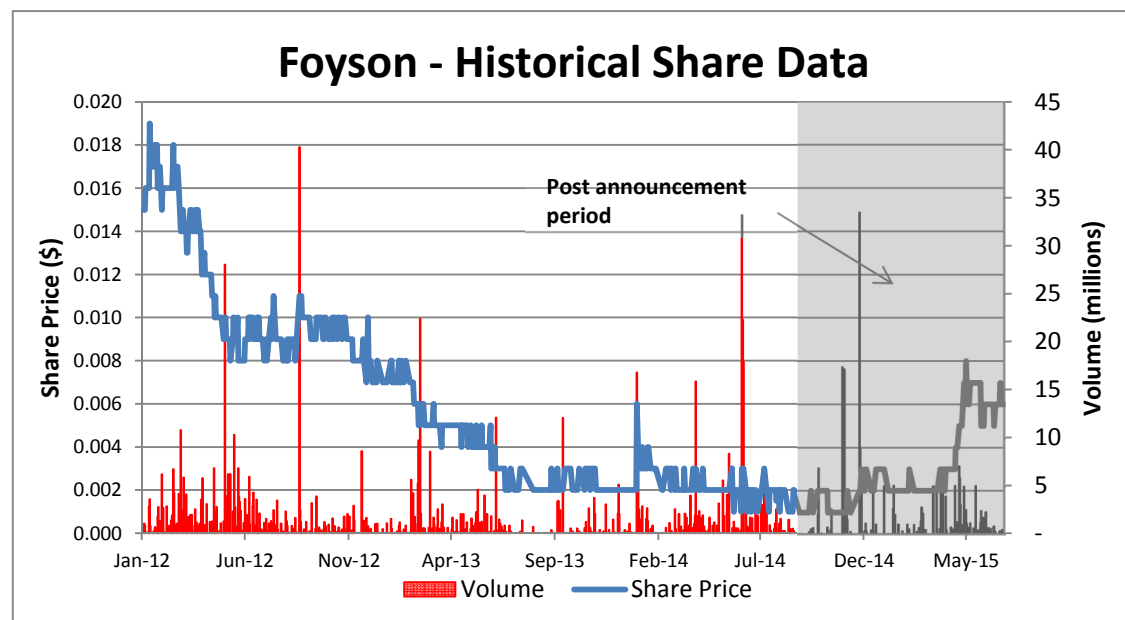
- Options expired on 31 May 2015;
- 69m options to be issued to Mike Palmer, Doug Halley and David McIntosh on conversion of 200,000 Notes;
- Options to be issued under the TVI Conversions; and
- Dickson Options which are subject to shareholder approval at the Second EGM.

3.10.4 CRPS

Foyson has 33.3m CRPS on issue which will convert on a one-for-one basis into ordinary shares, but only if within five years of the date of issue (being 30 September 2010) Foyson shares have traded on the ASX for a continuous period of 30 trading days in excess of \$0.011 pre-consolidation (or \$0.27 post-consolidation). The hurdle price is calculated including adjustments required to take into account share issues and reconstructions since issue, and assumes that the TVI Conversions, Proposed Transaction and Proposed Fundraisings will occur. If the CRPS do not convert, they will be redeemed by Foyson for total consideration of \$3.

3.11 Share Price Performance

The chart below illustrates Foyson's daily closing share price and volumes traded from 1 January 2012 to the Last Observed Day.



Source: S&P Capital IQ.

We observe the following in relation to Foyson's share price history during the above period:

- Between January 2012 and May 2012, the share price of Foyson decreased from approximately \$0.015 to less than \$0.01.
- The share price stabilised in the core trading range of \$0.008 to \$0.01 until November 2012, after which the price steadily declined until June 2013.
- From July 2013 to 3 July 2014, being the day prior to Foyson's announcement of exclusive negotiations with IGE (*"Last Trading Day"*), Foyson's share price traded within the core range of \$0.001 to \$0.004.
- From the Last Trading Day until the Last Observed Day, shares have traded between \$0.001 and \$0.008.
- On 2 May 2012, 28m Foyson shares were traded, coinciding with Foyson announcing the Titan Mines Option.
- On 20 August 2012, 40m Foyson shares were traded, when Foyson entered into a strategic relationship with TVI.

- On 14 February 2013, 23m Foyson shares were traded, coinciding with the ASX announcement of the Tranche 2 Placement to TVI.
- On 4-6 June 2014, an aggregate of 73.4m shares were traded ("*June 3-Day Trades*"). Foyson released an announcement to the ASX advising that they are unaware of any information which could explain the increase in share trading volume.
- On 24 November 2014, Foyson conducted its Annual General Meeting where it presented the Proposed Transaction to shareholders. On 25 November 2014, 33.4m Foyson shares were traded (there were no trades on 24 November 2014).

An analysis of the trading liquidity of Foysons's shares in the 12 months to the Last Trading Day is set out below:

Period	Closing share price		VWAP	Cumulative volume	As a % of issued capital (including June 3-Day Trades)	As a % of issued capital (excluding June 3-Day Trades)
	Low	High				
	\$	\$	\$	000	%	%
1 week	0.001	0.002	0.0018	10,615	1%	1%
1 month	0.001	0.003	0.0027	94,752	10%	2%
3 months	0.001	0.003	0.0025	162,174	18%	10%
6 months	0.001	0.006	0.0027	252,674	28%	20%
12 months	0.001	0.010	0.0036	405,767	44%	36%

Source: S&P Capital IQ.

The above analysis indicates that the market for Foyson's shares (excluding the June 3-Day Trades) to the Last Trading Day has been relatively illiquid.

We summarise below notable ASX announcements of the Company over the period analysed:

Date	Announcement
18/05/2015	Variation to IGE Sale Agreement.
18/05/2015	Commissioning of the Berkeley Vale plastics to fuel plant
27/04/2015	Notes fully subscribed, raising \$1m
27/04/2015	Change in substantial holding - TVI holds 26.01% interest in Foyson
24/04/2015	TVI issued 84.6m ordinary shares and 84.6m options, reducing TVI Debt from \$400,000 to \$188,472
22/04/2015	IGE Transaction Update - Berkeley Vale plant close to completion
10/04/2015	Waste plastics feedstock contracts secured.
31/03/2015	First EGM held – ratification of Dickson Placement, approval of Note conversion terms, approval of conversion of TVI Debt to equity, election of three Directors.
18/03/2015	FOY executes binding agreement with IGE.
16/03/2015	Acquisition of 100% interest in Titan Mines.
26/02/2015	Foyson to raise up to \$1m with Notes.
29/12/2014	Proposed Transaction update with IGE.
24/11/2014	IGE Presentation to Foyson shareholders.
3/11/2014	Paul Dickson becomes substantial holder with 135m shares.
23/10/2014	Share issue of 135m shares issued to investors associated with IGE.
30/09/2014	Foyson executes Term Sheet with IGE.
4/07/2014	Exclusive negotiations with IGE subject to Foyson's satisfactory completion of due diligence. Foyson seeking to secure funding to immediately scale the pilot plant to commercial production.
28/03/2014	Issue to TVI of 83.6m shares and 80m options on 27 March 2014 under the Tranche 2 Placement. Share issue price was \$585,000.
19/03/2014	Issue of 12.1m shares.
18/03/2014	Results of Extraordinary General Meeting - Issue of shares to TVI approved, issue of options to TVI approved, exercise of options approved, ratification of share issue approved, removal of auditor approved, appointment of auditor approved, share issue to John Haggerman approved, share issue to Doug Halley approved.
10/02/2014	TVI completes Phase 1 of the Amazon Bay Joint Venture Agreement through providing exploration funding of \$2m earning 10% equity interest.
23/12/2013	Issue of 45m shares to TVI at an issue price of \$0.007 per share.
7/05/2013	Issue of 14.3m shares to TVI for consideration of \$100,000 in partial settlement of the Tranche 2 Placement.
24/04/2013	Foyson advises that TVI has requested an extension of time in which TVI can fund its subscription to the Tranche 2 Placement.
6/03/2013	Foyson receives payment of \$482,394 from TVI as part of its contribution towards the exploration programs at Amazon Bay and New Britain.
14/02/2013	Tranche 2 Placement to proceed with TVI after TVI completes Tranche 1 Offer on 3 September 2012. Grant TVI the right to subscribe for further shares and options.
23/01/2013	TVI and Foyson agree to defer the date by which TVI must elect whether to participate in Tranche 2 or not.
26/11/2012	Issue of 45.6m options with performance conditions to Cormi Pty Ltd, a company controlled by Michael Palmer (Managing Director of Foyson).
22/10/2012	Issue of 10m shares to the grantors of the Titan Mines Option as approved by shareholders at the General Meeting held on 15 October 2012.
18/10/2012	TVI Transaction Update - two conditions of the conditions precedent to the Joint Venture arrangements with TVI have been satisfied, being shareholder approval of the Titan Mines Option and the renewal of EL1396. TVI has confirmed its commitment to advancing the Joint Venture arrangements on Amazon Bay and the New Britain Project, prior to satisfying the remaining condition precedent of shareholder approval for the Tranche 2 Placement.
12/10/2012	Calix Limited to purchase Myrtle Creek Mine for \$1m (excluding GST).
5/10/2012	Issue of 68m shares to TVI at \$0.013 per share on 3 September 2012 placing its interest at 9.05% (Tranche 1 Placement).

Date	Announcement
29/08/2012	Foyson & TVI Execute Tranche 1 - Long form documents executed for the first transaction with TVI as outlined in the Heads of Agreement released to the ASX on 20 August 2012. The Company has agreed to issue, by way of placement, 68m shares to TVI, raising a total of \$884,000.
20/08/2012	Foyson signs Heads of Agreement with TVI to explore and develop the Company's mineral projects in PNG.
13/07/2012	Foyson and TVI enter into strategic discussion which may lead to a material transaction, involving the placement of shares in Foyson and farm-ins to several of Foyson's projects.
22/06/2012	Issue of 10m shares at \$0.01 per share.
1/06/2012	Foyson enter into an Option Agreement to sell its interest in Myrtle Springs magnetite tenements to Calix Limited for a purchase price of \$1m (excluding GST).
25/05/2012	Share Purchase Plan to issue 21.9m shares at \$0.01 per ordinary share.
2/05/2012	Heads of Agreement with other shareholders in Titan Mines to acquire a three year option over their 50% interest and subject to shareholder approval, to increase its holding in Amazon Bay to 100%.
20/04/2012	Share Purchase Plan to fund exploration offering eligible shareholders the opportunity to participate in a Share Purchase Plan at the same issue price of \$0.01.
16/04/2012	Share placement of 80m shares to sophisticated and professional investors. An additional 3m shares to be issued to the Company's Interim Chief Executive Officer, Michael Palmer subject to shareholder approval at the General Meeting of the Company.
29/03/2012	Placement of 90m shares to raise capital for exploration activities in PNG.

3.12 Iron Sands Industry

a) Overview

Amazon Bay is a vanadium-rich titano-magnetite iron sands project in PNG. Iron sand is a grade of sand which is typically black or dark grey in colour with heavy concentrations of iron, and is produced by the natural weathering of certain types of volcanic rocks which contain variable amounts of magnetite (iron oxide) minerals within their matrix.

Iron sand is a 'titano-magnetite' which is a compound of the elements iron, titanium and oxygen. The magnetite minerals may contain other significant elements such as vanadium which can potentially add value as a by-product.

Although iron sand is found internationally, it occurs predominately on the west coast of New Zealand's north island. Other locations include the south coast of Java in Indonesia, PNG, Fiji (around the island of Viti Levu) and around South East Asia. Bluescope Steel Limited operates two iron sand mines in New Zealand. The 'Waikato North Head' mine primarily supplies iron sands for Bluescope's New Zealand steel-making operations at the Glenbrook Steelworks and 'Taharoa' mine supplies iron sands for export.

b) Marketability of iron sands

The demand for iron and, in turn, iron sands is primarily driven by Chinese demand for steel. Iron sand deposits are not all equally suitable for steel making due to the presence of various critical impurities, or the need for some high-energy grinding to adequately liberate the titano-magnetite. In assessing the grade of the concentrate it is preferable for a higher proportion of iron and lower portion of impurities such as titanium. The presence of titanium means that it contains less iron than magnetite concentrate produced from hard rock sources, and accordingly may be less marketable and realise lower prices.

The quality of the concentrate at Amazon Bay compared to other iron sands projects is summarised on pages 9 and 14 of the TWA Report.

The Amazon Bay concentrate best results to date are 52.3% iron (with titanium levels of 17%). The current estimate at Amazon Bay is 51% iron (with titanium levels of 13%). The iron levels of Amazon Bay are below that of similar projects. In addition, the levels of titanium impurity in the concentrate at Amazon Bay is well above the comparable projects.

Traditional iron ore blast furnaces are limited to the amount of titanium they can handle. Iron-ore feedstocks with greater than 6% titanium affect conventional blast furnace operation and restrict capacity.

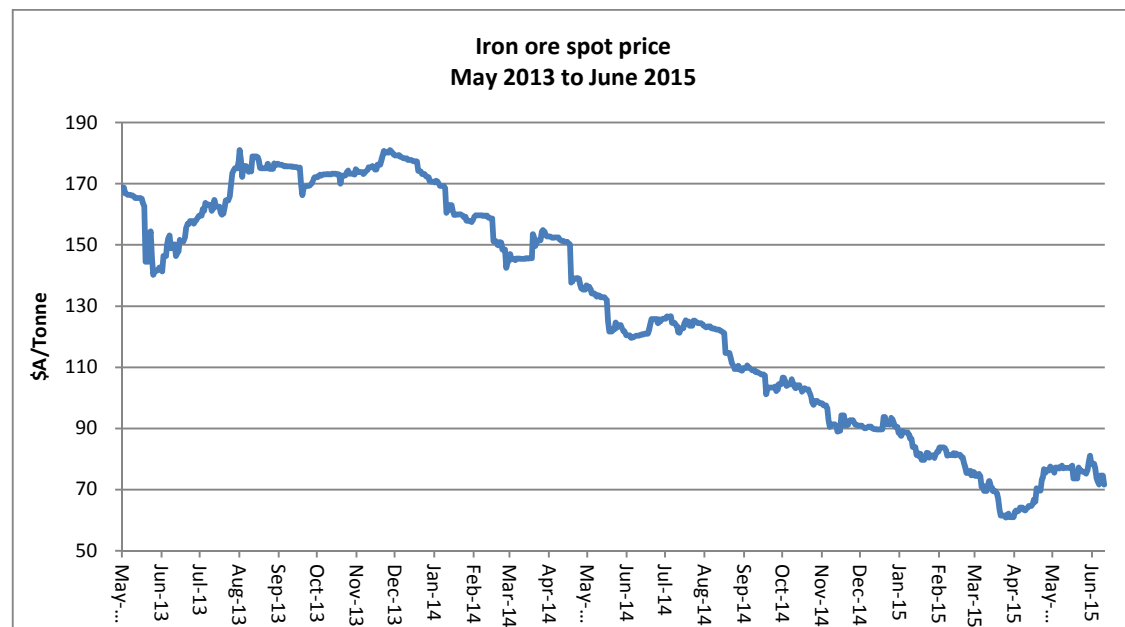
Due to the relatively higher titanium levels of Amazon Bay, greater expenditure would be required to remove the impurities. The Amazon Bay level of titanium would make it difficult to sell to conventional Chinese steel mills which appear to have an upper limit of approximately 2% titanium. Specialised steel mills in China do accept higher titanium content, up to approximately 8%. This could potentially limit the ore Foyson could sell to each mill.

However, we understand that the concentrate at Amazon Bay has relatively high vanadium levels which may be attractive to some iron-ore consumers. These types of magnetites have been bought in the past by Chinese mills simply for their vanadium content.

c) Impact of iron ore price

The price of iron ore is a key factor in the viability of iron sands projects. The key factors which drive the iron ore price are the demand for steel from China and the supply of iron from the larger producers being Rio Tinto, BHP and Vale.

We set out below a graph showing the spot iron ore price from May 2013 to June 2015.



Source: S&P CapitalIQ.

There has been a significant reduction in the spot price of iron ore from a high of A\$180 per tonne in August 2013 to A\$61 per tonne in March 2015, before recovering slightly to trade above A\$70 since May 2015.

A consequence of the significant decline in the iron ore price is that iron ore producers have engaged in constant price cutting to move their production volumes in an increasingly competitive environment, with some producers operating at a loss.

Falling iron ore prices has also resulted in a larger supply of cheaper, higher quality iron ore resulting in reduced demand for lower quality iron ore and iron sands.

4. Overview of IGE

4.1 Company Overview

IGE is an unlisted public company, incorporated in February 2013. IGE focuses on the development of its licensed waste conversion technology to produce sustainable energy resources. The technology is applicable to both processing waste plastic to fuels and for power generation in remote locations by processing a hybrid biomass.

IGE expects to develop the first fully continuous waste plastic to fuel conversion facility in Australia, and anticipates exploiting the following market drivers:

- Demand for diesel and petrol is continual;
- Cheaper imports are rationalising the fuel manufacturing market;
- Bio-diesel is not a viable replacement for diesel;
- The abundance of plastics make it a viable feedstock for fuel manufacture;
- Cost of processing and contamination sees only about 20% of plastics are recycled; and
- Smaller margins are hurting less competitive fuel manufacturing companies.

The ability of IGE to create a competitive advantage is dependent on IGE's ability to produce diesel and petrol to Australian Fuel Standards, using waste plastics as a feedstock, at a price competitive to the oil majors, with minimal environmental impact.

The feedstock is waste plastic generated from commercial and domestic use. Currently this waste plastic is dumped in landfills, with a relatively small percentage recycled.

IGE has advised that feedstock contracts have been executed for the supply of sufficient feedstock to scale the Commercial Plant up to, and operate the Commercial Plant at, 200 tpd for three years (subject to the supplier's ability and willingness to supply that quantity, as supply is not guaranteed under the current arrangements).

The recycling of this waste plastic avoids landfill dumping costs and prolongs the life of the landfills, providing significant environmental benefit to the large population centres.

The Commercial Plant has been designed with the objective of producing diesel and petrol which meets Australian Fuel Standards. Due diligence completed by the Company has determined there is a ready market for these standard commodities.

At the maximum throughput of the Commercial Plant of 200 tpd of feedstock (at Stage 3 – refer section 4.5), the estimation completed by IGE indicates that approximately 50m litres of diesel and 16m litres of petrol may be produced annually (assuming the Commercial Plant works as anticipated) which equates to less than 0.2% of Australia's annual fuel consumption. The target market for the diesel and petrol products are mid-size transport operators and mid-size fuel blenders and distributors. It is anticipated that these products would be sold at a small discount to the prevailing market price.

4.2 Technology

Plastics are essentially long chain polymers of hydrogen, oxygen and carbon. Depolymerisation is a process whereby the long chains in plastic are broken apart into smaller chains. Other inorganics are often added to change the base properties of the plastic. One of the by-products of depolymerisation can be petroleum products. The depolymerisation process simulates the natural geological process thought to be involved in the production of fossil fuels.

There have been numerous attempts to commercialise an industrial plastic depolymerisation process as it has the potential to turn plastic waste products into a valuable commodity. The main issue that has plagued such attempts is the wide variety of plastics in use. Each plastic polymer is different, requiring similar but different processes to achieve depolymerisation. As a result, the cost to produce fossil fuels by plastic depolymerisation has been greater than the cost of traditional fossil fuel production.

The Technology utilises a process which efficiently breaks down plastics into petrol, diesel and producer gas. The producer gas is used to power the process, resulting in the commercial production of petrol and diesel.

Importantly, the Technology does not produce bio-diesel. Bio-diesel is a niche product with lower demand than normal diesel. IGE does not compete with bio-diesel producers as IGE has both a different feedstock and produces a different product.

4.3 Licences

The Technologies were developed by Btola Pty Ltd ("*Btola*") and UTOF Pty Ltd ("*UTOF*" and together "*the Licensors*") and their principals Bevan Dooley (a Director of Btola, UTOF and now Foyson) and Adrian Lake (a Director of UTOF). IGE acquired the rights to commercialise these Technologies under the Licences (although the intellectual property remains with Btola and UTOF) and is now funding the construction of the 50 tpd Commercial Plant.

The Sale Agreement allows the transfer of the 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.

4.4 Commercial Plant

The Company will be acquiring the Commercial Plant which is designed to convert waste plastics to fuel. Under the Sale Agreement, the Commercial Plant will have the capacity to process 50 tpd of feedstock. The Commercial Plant has been designed on the basis of data collected from a pilot plant operating at the same location. Foyson announced the completion of the first phase of commissioning of the Commercial Plant on 18 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 tonnes of plastic materials 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.

Should the commissioning requirements not be met, the Company may terminate and unwind the transactions under the Sale Agreement (subject to receiving shareholder and other regulatory approvals at that time).

The Commercial Plant, whilst based on an operating pilot plant, is the first commercial scale plant of its type and there is an inherent risk that the Commercial Plant may not work as planned when scaled to the satisfaction of industry or regulatory levels.

It is the Foyson Board's current intention that, when the Commercial Plant has met its commissioning requirements, the Company will increase the plant's capacity to 200 tpd.

4.5 Commercialisation

The pathway to commercialisation is through a three stage deployment:

Stage	Description
Stage 1	Commercial Plant capacity of 50 tpd, with the first phase of commissioning completed in May 2015. Completion of construction of the Commercial Plant is a condition of the Proposed Transaction (refer section 1.5).
Stage 2	Commercial Plant capacity increase to 100 tpd, requiring management estimated capital expenditure of \$2.05m, with a planned completion date of January 2016.
Stage 3	Commercial Plant capacity increase to 200 tpd, requiring management estimated capital expenditure of \$1.65m, with a planned completion date of June 2016.

In this commercialisation period, IGE budgets (based on a number of assumptions including those outlined below which may or may not eventuate) revenue to commence in July 2015 and the Commercial Plant to be profitable within approximately 12 months.

IGE Management's base case projection for Berkeley Vale is \$34.6m in revenue and EBITDA of \$6.8m in FY17, assuming amongst other things:

- The Technology operates as planned when scaled up to the satisfaction of the industry or regulation levels;
- All three stages have been deployed by June 2016;
- The Commercial Plant operates at capacity;

- A diesel and petrol terminal gate price (“TGP”) of \$1.00 and \$0.95 per litre respectively (refer section 4.9.1); and
- Feedstock cost of \$250 per tonne.

Achievement of this management projection is dependent on a number of factors, some of which management have no control (e.g. diesel and petrol prices). Actual results are likely to be different from any projections since anticipated events frequently do not occur as expected and the variation may be material.

Moore Stephens does not express any opinion as to whether these management projections may be achieved as future events, by their nature, are not capable of substantiation, particularly as IGE has not yet commercialised the Technologies. We refer readers to the key risks outlined in section 4.6 of this Report and section 3.4 of the Notice of EGM.

4.6 Key Risks

The key risks of the Business include the following:

- The Technologies may not work as planned when scaled up to the satisfaction of the industry or regulation levels.
- The intellectual property rights owned by Btola and UTOF may be challenged by competitors or other third parties, which may prevent or delay IGE from undertaking its Business Plan.
- The ability of feedstock suppliers to supply the required quality and quantity of feedstock.
- IGE’s inability to attract new clients in numbers sufficient to grow the Business as outlined in its Business Plan.
- IGE may not accurately forecast future infrastructure requirements which could result in excess or insufficient capacity.
- Obtaining the necessary governmental permits can be a particularly complex, time consuming and costly process.
- IGE may be exposed to currency risk as the price of outputs (petrol and diesel) and is based on the TGP which, in turn, is driven by the crude oil price denominated in US Dollars.
- IGE is exposed to movements in supply and demand for fuel products, to commodity prices and to deterioration in economic and financial conditions.
- IGE’s activities will have a considerable production expense. Increased costs could result from a number of factors outside IGE’s control.

4.7 Financial Performance

IGE's financial performance for the six months ended 31 December 2014 is summarised below:

	\$000
Income	-
Operating expenses	
Administration	(85)
Research and development	(159)
Rent	(15)
Sub-contractors	(10)
Other	(12)
Total operating expenses	(281)
Net loss	(281)

Source: Unaudited management accounts.

Note: Numbers may not add due to rounding.

We note the following regarding IGE's historic financial performance:

- IGE was incorporated in February 2013 with limited operations to date, as most of the development and operating activities have been undertaken by the Licensors.
- IGE has generated no income to date. The net loss for the six months ended 31 December 2014 was \$281,000.

4.8 Financial Position

IGE's historic financial position as at 31 December 2014, is summarised below.

	\$000
Assets	
Cash	305
Other receivables	202
Total assets	508
Liabilities	
Accounts payable	47
Provisions and accruals	89
GST paid	(15)
Total liabilities	121
Net assets	386

Source: Unaudited management accounts.

Note: Numbers may not add due to rounding.

We note the following regarding IGE's financial position:

- Assets comprised cash and other receivables (share subscription proceeds).
- Construction of the Commercial Plant commenced in January 2015 and is therefore not included in the December 2014 balance sheet.
- Liabilities primarily comprised accounts payable, provisions and accruals.
- IGE had no debt as at 31 December 2014.

4.9 Industry Overview

4.9.1 Fuel

a) Manufacturing

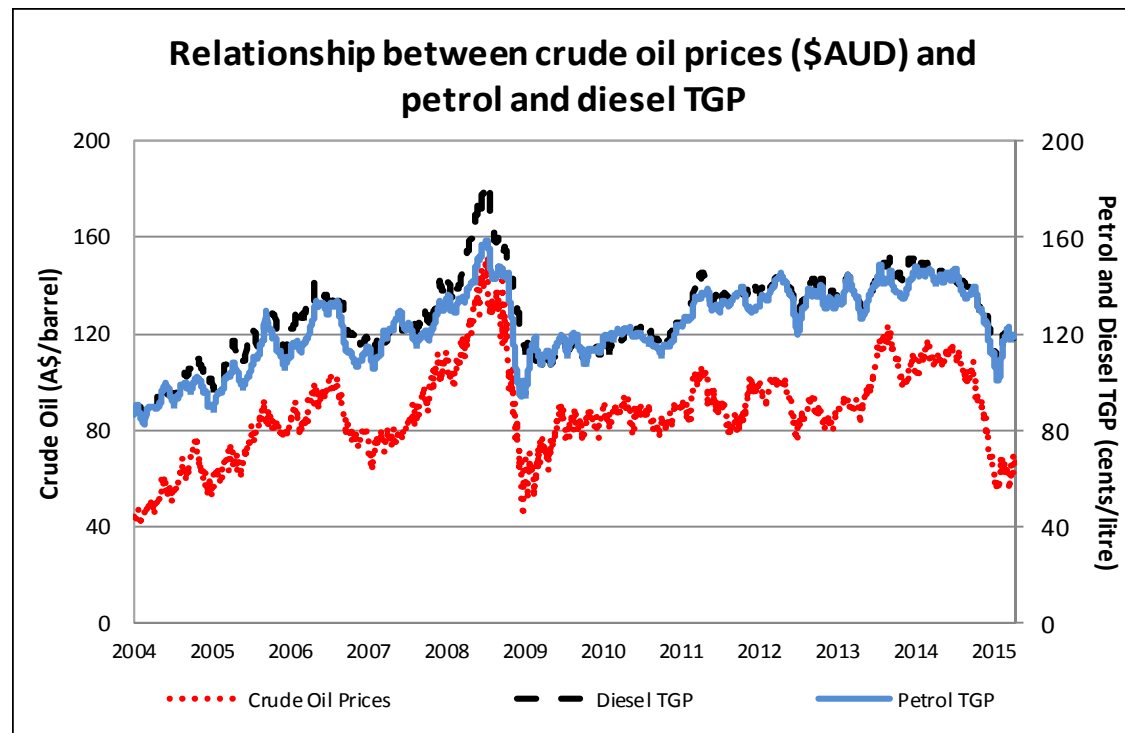
The fuel manufacturing industry in Australia is highly concentrated with the top four producers responsible for 98% of domestically produced fuel. The industry runs on high volumes, low margins and is capital intensive. This generally makes it difficult for minor operators to reach sufficient economies of scale.

Recent years have seen the top four producers being challenged by new refineries operated in the Asia-Pacific region which are typically capable of more efficient production. This has resulted in the closure of significant Australian refineries and a reduction in the revenues of the local industry.

Key external drivers for the industry include:

- **Global crude oil prices** - production competition between OPEC and the United States combined with modest demand growth has seen major falls recently in crude oil prices. The profitability of the alternatives fuel industry is largely driven by the crude oil prices, with inefficient or under-capitalised operators in particular struggling with lower crude oil prices.
- **Foreign exchange rates** - the Australian manufacturing industry competes with wholesalers importing products that have already been refined. The strength of the Australian Dollar determines the US Dollar equivalent cost of refining product in Australia.
- **Electricity prices** - refining petrol is a highly energy-intensive process. Lower electricity costs decrease input costs for refiners, allowing for greater profits. Electricity costs are expected to decrease in the short to medium term. We note that IGE uses producer gas, a by-product in its depolymerisation process, instead of electricity to fuel its plant and accordingly any movements in electricity prices are unlikely to materially impact IGE's profitability.

The relationship between global crude oil prices (in A\$) and the petrol / diesel TGP is shown below. TGP represents the wholesale petrol / diesel price in Australia.



Source: US Energy Information Administration, Australian Institute of Petroleum and Reserve Bank of Australia.

We note the following key observations in relation to the above prices:

- There is a strong correlation between the crude oil price (A\$) and the TGP;
- Crude oil has traded in the core range of A\$80 to A\$120 per barrel from 2010 to late 2014, falling to around A\$60 per barrel in recent months, before recovering to around A\$75; and
- The crude oil price is projected to increase progressively to approximately A\$90¹² and A\$101 per barrel in December 2015 and December 2016 respectively.

¹² Source: US Energy Information Administration, National Australia Bank, Commonwealth Bank and Westpac Banking Corporation.

b) **End-users**

IGE's main outputs are petrol and diesel, which operate in two similar but distinct markets.

The predominant end-user of the petrol market is household vehicle transport. The petrol is provided to the end-user through integrated fuel wholesalers and retailers, non-integrated wholesalers and retailers and export markets.

The retail market (including integrated fuel wholesalers) has high entry barriers due to the strong market share of the incumbents and high levels of infrastructure required. As such, IGE plans to focus on the wholesale industry and fuel blenders and distributors.

The diesel market has a more diverse end-user profile, which includes the household vehicle transport, commercial transport, mining, construction and agriculture sectors.

The diesel market has comparatively lower entry barriers due to the more diverse mix of users and higher focus on the wholesale market. IGE's target market is transport operators and the broader wholesale market.

c) **Market Size and Demand Drivers**

Total sales of petroleum products were 55 billion litres in Australia for 2013-2014. This is split into petrol sales of 23 billion litres and diesel sales of 22 billion litres, with other petroleum products making up the extra 10 billion litres. Key drivers for the:

- Petrol market include the number of motor vehicles in Australia and real household discretionary income.
- Diesel market include the performance of the industries that use diesel, and in particular the transport, mining and construction industries.

4.9.2 Plastic Waste

Australia consumed 1.5m tonnes of plastics in the year ended 30 June 2013. Traditionally in Australia, when a plastic reaches the end of its useful life it is disposed to landfill or is recycled. In this period, 307,300 tonnes were recycled.

Importantly, the tonnage recycled is not necessarily sourced from the plastics consumed in that year, with a number of plastic products having a useful life in excess of 1 year. There is currently no reliable data on the profile of plastic products going to landfill and accordingly it is not possible to determine what portion of plastics remain in use and what portion are disposed of into landfill.

IGE plans to source the plastic feedstock from the following participants in the waste market:

- **Waste management enterprises** - generally collect waste from business for a fee and deposit at landfill operators. The landfill operators charge a fee based on weight. Accordingly if IGE can divert some of this waste, the waste management enterprises can reduce their landfill fees;
- **Plastic aggregators** - sort plastics for use by plastic reprocessors. IGE intends sourcing from the aggregators plastics that cannot be provided to the reprocessors and which would otherwise be sent to landfill; and

- **Plastic reprocessors** - value add plastic waste by converting it into other usable plastics. IGE intends on sourcing from the reprocessors contaminated or otherwise unrecyclable plastics which would otherwise have to be sent to landfill.

5. Impact of TVI Conversions, Proposed Transaction and Proposed Fundraisings on Foyson's Capital Structure

5.1 Foyson's capital structure pre TVI Conversions, Consolidation, Proposed Transaction and Proposed Fundraisings

As noted in section 3.10.1:

- Foyson had 1.136 billion ordinary shares on issue as at the Last Observed Day;
- An additional 279.8m shares are expected to be issued prior to the Second EGM; and
- On shareholder approval at the Second EGM, Foyson will issue the 69m shares to Mike Palmer, Doug Halley and David McIntosh on conversion of 200,000 Notes.

to have an aggregate of 1.485 billion ordinary shares on issue.

As noted in section 3.10.3:

- Foyson had 114.3m options on issue on the Last Observed Day;
- An additional 279.8m options are expected to be issued prior to the Second EGM; and
- On shareholder approval at the Second EGM, Foyson will issue the 69m options to Mike Palmer, Doug Halley and David McIntosh on conversion of 200,000 Notes, as well as the 135m Dickson Options,

to have an aggregate of 598.1m options on issue.

The CRPS (refer section 3.10.4) are likely to expire unexercised on 30 September 2015.

5.2 Foyson's capital structure post TVI Conversions and pre Consolidation, Proposed Transaction and Proposed Fundraising

The table below sets out a summary of the capital structure of Foyson after the TVI Conversions and before the Consolidation, Proposed Transaction and Proposed Fundraising.

	Section	No. of Shares/ Options (000)	Undiluted Percentage (%)	Diluted Percentage (%)
<u>Before TVI Conversions</u>				
Total Ordinary Shares - Existing Shareholders	Note 1	1,484,797	100%	71%
Total Options – Existing Optionholders	Note 2	598,123	n/a	29%
Total Diluted Shares - Existing Securityholders		2,082,919	100%	100%
<u>Post TVI Conversions</u>				
Existing Securityholders Position				
Total Ordinary Shares - Existing Shareholders	Note 1	1,484,797	91%	62%
Total Options – Existing Optionholders	Note 2	598,123	n/a	25%
Total Existing Securityholders		2,082,919	91%	87%
<i>Shares issued in terms of TVI Conversions</i>				
TVI Debt Remainder Shares	1.4 (c)	75,389	5%	3%
TVI Notes Shares – Feb and April	1.4 (b)	68,966	4%	3%
James Notes Remainder Shares	1.4 (b)	7,079	0.4%	0%
Total Shares issued		151,433	9%	6%
<i>Options issued in terms of TVI Conversions</i>				
TVI Debt Remainder Options	1.4 (c)	75,389	n/a	3%
TVI Notes Options – Feb and April	1.4 (b)	68,966	n/a	3%
James Notes Remainder Options	1.4 (b)	7,079	n/a	0%
Total Options Issued		151,433	n/a	6%
Total Shares on Issue		1,636,230		
Total Options on Issue		749,556		
Total Fully Diluted Shares on Issue		2,385,786	100%	100%

Note: Numbers may not add due to rounding.

- (1) Includes 1,415.8m shares expected to be in issue prior to the Second EGM (refer 3.10.1) and 69m shares to be issued to Mike Palmer, Doug Halley and David McIntosh on conversion of 200,000 Notes, subject to approval at the Second EGM.
- (2) Includes 394.2m options expected to be in issue prior to the Second EGM (refer 3.10.3), 135m Dickson Options subject to approval at the Second EGM, and 69m options to be issued to Mike Palmer, Doug Halley and David McIntosh on conversion of 200,000 Notes, subject to approval at the Second EGM.

The TVI Conversions would result in TVI's (including James') interest increasing on an:

- Undiluted basis¹³ from 20.6% to 27.9%; and
- Diluted basis¹³ from 19.2% to 25.5%.

The movement in Foyson's shares and options on issue from 30 June 2014 to the Last Observed Day is summarised below:

	Section	No. of Shares (000)	No. of Unexpired Options (000)
Existing Shareholders			
Before Dickson Placement		916,402	29,728
Dickson Placement - Oct 2014	1.4 (a)	135,000	-
TVI Shares - Debt Conversion Deed (Partial)	1.4 (c)	84,611	84,611
Outstanding as at Last Observed Day		1,136,014	114,339
Dickson Options	Note 1	-	135,000
Interim Placement	1.4 (d)	80,000	80,000
Notes Shares/ Options (excluding TVI Conversions and James Note Shares/ Options)	1.4 (b)	258,621	258,621
James Notes Shares/ James Notes Options	1.4 (b)	10,163	10,163
Total - Before TVI Conversions		1,484,797	598,123

Note: Numbers may not add due to rounding.

- (1) While the Dickson Option issue is subject to shareholder approval, we consider the issue to be pre TVI Conversions. Refer section 1.4 (a).

5.3 Foyson's capital structure post TVI Conversions and Consolidation, and pre Proposed Transaction and Proposed Fundraising

The table below sets out a summary of the capital structure of Foyson after the TVI Conversions and Consolidation but before Proposed Transaction and Proposed Fundraising:

	Section	No. of Shares/Options (000)	Undiluted Percentage (%)	Diluted Percentage (%)
Pre Consolidation				
Total Ordinary Shares		1,636,230	100%	69%
Total Options		749,556	n/a	31%
Total Diluted Shares		2,385,786	100%	100%
Post Consolidation				
Total Ordinary Shares	Note 1	65,449	100%	69%
Total Options	Note 1	29,982	n/a	31%
Total Diluted Shares		95,431	100%	100%

- (1) Shares and options consolidated in the ratio of 25:1.

¹³ After Interim Placement and Notes conversion (excluding TVI Conversions). This includes effect of issue of Dickson Options and 69m shares (and options) to Mike Palmer, Doug Halley and David McIntosh on conversion of 200,000 Notes, subject to approval at the Second EGM.

5.4 Foyson's capital structure post TVI Conversions, Consolidation, Proposed Transaction and Proposed Fundraising

The table below sets out a summary of the capital structure of Foyson after the TVI Conversions, Consolidation, Proposed Transaction and Proposed Fundraising, dependent on whether the Performance Targets are met by IGE (on the assumption that the Notes issued all convert into shares and the Rights Issue and Offer are fully subscribed).

	Section	Performance Target not met			Performance Target met		
		No. of Shares/ Options (000)	Undiluted Percentage (%)	Diluted Percentage (%)	No. of Shares/ Options (000)	Undiluted Percentage (%)	Diluted Percentage (%)
<u>Post TVI Conversions, Consolidation, Proposed Transaction and Proposed Fundraisings</u>							
Pre Proposed Transaction and Proposed Fundraisings							
Total Ordinary Shares	5.3	65,449	26%	16%	65,449	25%	13%
Total Options	5.3	29,982	n/a	7%	29,982	n/a	6%
Total		95,431	26%	24%	95,431	25%	19%
<i>Shares issued in terms of Proposed Transaction and Proposed Fundraisings</i>							
Rights Shares	1.3 (b)	6,545	3%	2%	6,545	2%	1%
Offer Shares	1.3 (a)	22,500	9%	6%	22,500	8%	5%
Consideration Shares	1.2	153,900	62%	38%	153,900	58%	31%
Milestone Shares	1.2	n/a	n/a	n/a	17,000	6%	3%
Mike Palmer	1.3	250	0%	0%	250	0%	0%
David McIntosh	1.3	100	0%	0%	100	0%	0%
Kilroy Genia	1.3	100	0%	0%	100	0%	0%
Total Shares issued		183,395	74%	46%	200,395	75%	40%
<i>Options issued in terms of Proposed Transaction and Proposed Fundraisings</i>							
Rights Options	1.3 (b)	6,545	n/a	2%	6,545	n/a	1%
Offer Options	1.3 (a)	22,500	n/a	6%	22,500	n/a	5%
Consideration Options	1.2	93,900	n/a	23%	93,900	n/a	19%
Milestone Options	1.2	n/a	n/a	n/a	77,000	n/a	16%
Mike Palmer	1.3	250	n/a	0%	250	n/a	0%
David McIntosh	1.3	100	n/a	0%	100	n/a	0%
Kilroy Genia	1.3	100	n/a	0%	100	n/a	0%
Total Options Issued		123,395	n/a	31%	200,395	n/a	40%
Total Fully Diluted Shares on Issue		402,221	100%	100%	496,221	100%	100%

Note: Numbers may not add due to rounding.

After the TVI Conversions, Proposed Transaction and Proposed Fundraisings (assuming fully subscribed), dependant on whether the Performance Target is met, the aggregate shareholding of the:

- Shareholders pre Proposed Transaction and Proposed Fundraising would range from 25% to 26% on an undiluted basis, and range from 13% to 16% on a fully diluted basis.
- IGE vendors under the Proposed Transaction would range from 62% to 64% on an undiluted basis, and range from 61% to 69% on a fully diluted basis.

6. Evaluation of TVI Conversions and Proposed Transaction

6.1 Evaluation of TVI Conversions

In order to assess whether the TVI Conversions are fair and reasonable to Non-associated Shareholders, our approach is to consider whether the TVI Conversions are:

- Fair by comparing the:
 - Fair value of a share in Foyson on a control basis pre the TVI Conversions; with
 - Fair value of a share in Foyson on a minority basis (i.e. non control) post completion of the TVI Conversions.
- Reasonable by first considering whether the TVI Conversions are fair. In addition, we have considered other advantages and disadvantages of the TVI Conversions to Non-associated Shareholders.

6.2 Evaluation of Proposed Transaction

In order to assess whether the Proposed Transaction is fair and reasonable to Non-associated Shareholders, our approach is to consider whether the Proposed Transaction is:

- Fair by comparing the:
 - Fair value of a share in Foyson on a control basis pre the Proposed Transaction; with
 - Fair value of a share in Foyson on a minority basis (i.e. non control) post completion of the Proposed Transaction.
- Reasonable by first considering whether the Proposed Transaction is fair. In addition, we have considered other advantages and disadvantages of the Proposed Transaction to Non-associated Shareholders.

7. Fairness of TVI Conversions

7.1 Summary

We compare the fair value of a Foyson share on a control basis pre TVI Conversions with the fair value of a Foyson share on a minority basis after the TVI Conversions:

	Section	Low \$	High \$
Diluted value per share (control) before TVI Conversions	7.3.1	0.003	0.009
Diluted value per share (minority) after TVI Conversions	7.4	0.002	0.007

In our opinion, the TVI Conversions are not fair to Non-associated Shareholders as the fair value of a Foyson share on a minority basis post TVI Conversions is lower than the fair value of a Foyson share on a control basis pre TVI Conversions.

7.2 Valuation Methodology for Foyson Pre TVI Conversions and Proposed Transaction

Foyson's principal asset is its Amazon Bay exploration tenements.

These tenements are still at the exploration stages and are yet to generate any revenue. The future profitability and operational life of such assets, if any, depend on the outcome of exploration and evaluation programs that are not predictable.

In the circumstances, we consider that the most appropriate valuation method for Foyson is the assessment of the fair value of its underlying net assets as a going concern. We have used the audit reviewed net assets of the Company as at 31 December 2014, as set out in section 3.7 as the basis for our valuation.

In accordance with the ASIC Regulatory Guide 112 "Independence of experts" ("RG 112"), if specialist advice is required on a particular matter for the purposes of a Report, the expert should retain an independent specialist to provide this advice. Accordingly, TWA has been engaged as an independent specialist to prepare a valuation of Foyson's exploration assets. A copy of the TWA Report is attached as Appendix 7.

The TWA Report was prepared in accordance with the Australasian Institute of Mining & Metallurgy's ("AusIMM") Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (known as the "VALMIN Code").

We have satisfied ourselves as to TWA's qualifications and independence from both Foyson and IGE and have placed reliance on its report.

The valuation methodology adopted by TWA is outlined in its report. The methods used include an assessment of the:

- Appraised value;
- Value of comparative projects;
- Conceptual economic estimates; and
- Farm-in transactions for Amazon Bay.

7.3 Valuation of Foyson Pre TVI Conversion

7.3.1 Net Asset Valuation

Our estimation of the fair value of Foyson shares before the TVI Conversions and Proposed Transaction, adopting the net asset valuation methodology, is set out below:

	Section	Low \$000	High \$000
Fair value of Foyson's tenements	7.3.2	8,100	18,810
Book value of other assets and liabilities	7.3.3	(900)	(900)
Post 31 December 2014 adjustments	7.3.4	269	269
Capitalised corporate overheads	7.3.5	(3,120)	(3,900)
Equity value Foyson (control – undiluted)		4,349	14,279
Present value of proceeds from the exercise of options (Note 1)	7.3.6	-	4,159
Equity value of Foyson (control - diluted)		4,349	18,439
Number of shares (000's)	5.2	1,484,797	1,484,797
Add: Options exercised (000's) (Note 1)	5.2/7.3.6	-	568,394
Diluted number of shares (000's)		1,484,797	2,053,191
Undiluted value per share (control) (\$)		0.003	0.010
Diluted value per share (control) (\$) (Note 2)		0.003	0.009

Note: Numbers may not add due to rounding.

- (1) We assume that options are not exercised where the exercise price exceeds the assessed value per share. The proceeds from the exercise of the in-the-money options has been discounted at a rate of 2% per annum (being consistent with Australian Government bond rates with similar maturities).
- (2) For the Low scenario, the estimated value per share is less than the exercise price of all the options. Under this scenario all the options are out-the-money and therefore the undiluted value equals the diluted value.

Based on the above, we have estimated the fair value of a Foyson share on a control basis before the TVI Conversions to be in the range of \$0.003 to \$0.009.

7.3.2 Fair value of Foyson's tenements

In determining the fair value of Foyson's tenements we have:

- Adopted the value of Amazon Bay on a 100% equity interest basis as determined by TWA.
- Deducted the value of the 0.5% gross revenue royalty payable on concentrate from Amazon Bay.
- Calculated Foyson's 90% equity interest in Amazon Bay after deducting the value of the 0.5% gross revenue royalty payable.

	Ref	Low \$000	High \$000
Fair value of Amazon Bay	Note 1	10,000	22,000
Less: Provision for 0.5% gross revenue royalty payable	a)	(1,000)	(1,100)
Value of Amazon Bay on 100% equity interest - after royalty		9,000	20,900
Foyson's interest		90%	90%
Value of Foyson's 90% equity interest after royalty		8,100	18,810

Note: Numbers may not add due to rounding.

- (1) TWA has assessed the fair value of Amazon Bay based on various methods – refer section 7.2.

a) **Royalty payable**

To value the royalty payable, we have undertaken an analysis of EBIT margins of the most comparable mineral sands and iron ore producers in order to assess the likely impact after royalty on Amazon Bay's EBIT and therefore value. A list of the comparable companies and historical EBIT margins observed are set out in Appendix 4.

We note that these comparable companies are producers (rather than explorers) with resources of varying characteristics. Based on the relative characteristics of Foyson and the comparable companies, we have estimated an implied EBIT margin applicable to Amazon Bay when in production to be in the order of 5% to 10%.

This implied EBIT margin reflects the earnings before royalty adjustments. A 0.5% gross revenue royalty would reduce the implied EBIT margin. Therefore, the differential in EBIT margin reflects the change in value of Amazon Bay if the gross revenue royalty is to be deducted from the cash flows. We then used the relative ratios of EBIT margins with and without the 0.5% gross revenue royalty charge to assess the impact on the value of Amazon Bay.

Our analysis of the above is summarised below:

0.5% Royalty	Low	High
EBIT margin before adjustment for 0.5% gross revenue royalty	5%	10%
EBIT margin after adjustment for 0.5% gross revenue royalty	4.5%	9.5%
Differential in EBIT margin due to royalty	10%	5%
100% equity interest in Amazon Bay (\$'000)	10,000	22,000
Impact on value of a 0.5% gross revenue royalty on all production	1,000	1,100

7.3.3 Book value of other net assets as at 31 December 2014

We have used the audit reviewed financial position of Foyson as at 31 December 2014 as the basis to determine the values of all other net assets not accounted in the other sections as noted below:

	31-Dec-14 \$000
Cash and equivalents	107
Trade and other receivables	22
Other assets	68
Property, plant and equipment	19
Total other assets	216
Trade and other payables	(406)
Loans from related parties	(710)
Total other liabilities	(1,116)
Book value of other net assets / (liabilities)	(900)

Source: Foyson's Half Year Report for the period ended 31 December 2014.

Note: Numbers may not add due to rounding.

7.3.4 Post 31 December 2014 adjustments

We have adjusted for material movements in the fair value of other net assets since 31 December 2014, by evaluating the subsequent events and budgeted (to the Second EGM date) financial performance of Foyson, as noted below:

\$'000s unless stated otherwise	Ref	
Transaction costs	a)	(878)
Net operational costs	b)	(456)
TVI Debt converted into shares and options (partial)	Section 1.4 (c)	212
Removal of Option Payments liability	c)	300
Titan Mines share purchase	c)	(150)
Stamp duty of Titan Mines Share purchase liability	d)	(18)
Proceeds from Notes	e)	1,000
Liability on TVI Notes and James Notes not converted	Section 1.4 (b)	(221)
Interim Placement	Section 1.4 (d)	480
Total Post 31 December 2014 adjustments		269

Note: Numbers may not add due to rounding.

a) Transaction costs

Foyson management estimates that the transaction costs during this period in relation to the TVI Conversions, Proposed Transaction and associated fundraising activities are expected to be approximately \$0.878m. These costs include legal and other professional fees but exclude stamp duty, underwriting fees, and ASX Relisting Fees that would only be incurred if the Proposed Transaction is approved at the Second EGM.

b) Net operational costs

Foyson management estimates net operational costs of approximately \$0.456m from 1 January 2015 to the Second EGM date.

c) Consideration payable on acquisition of the remaining 50% in Titan Mines

Foyson were due to pay to the vendors of Titan Mines \$300,000 in order to preserve the right to acquire the remaining 50% of Titan Mines. Foyson reported a liability of \$300,000 as at 31 December 2014.

On 16 March 2015, Foyson acquired the remaining 50% of the shares in Titan Mines for cash consideration of \$150,000 and a commitment to pay a royalty from the proceeds of any production from Amazon Bay.

d) Stamp duty payable on Titan Mines share purchase

The stamp duty payable on the acquisition of the remaining 50% of Titan Mines is estimated at 2% of the \$150,000 payable plus Kina 10,000 (approximately A\$5,000) per tenement.

e) Notes issued

Foyson has received proceeds of \$1m from issue of the Notes as at the Last Observed Day.

7.3.5 Capitalised corporate overheads

The corporate costs of Foyson are not included in the fair value of the Company's tenements. In estimating the value of Foyson on a going concern basis, an appropriate value for corporate overheads (including administrative and head office employment costs, insurance and Director's fees) has been determined.

Based on our review of the financial performance and discussions with Foyson management, we have estimated required ongoing corporate overheads to be approximately \$780,000 per annum (pre-tax). We have applied a multiple of 4 to 5 times in capitalising the corporate costs. A summary of our analysis is below:

	Low	High
Total corporate overheads (\$000)	780	780
Multiple (times)	4	5
Capitalised corporate overheads (\$000)	3,120	3,900

7.3.6 Options on issue pre TVI Conversion

Foyson's options on issue pre TVI Conversion are summarised below:

	Ref	Number	Exercise price	Proceeds	Present Value of Proceeds ⁵
		000	\$	\$000	\$000
Dickson Options	Note 1	135,000	0.008	1,080	988
Note Options (excluding TVI Conversions)	Note 2	268,783	0.008	2,150	1,967
TVI Options (excluding TVI Debt Remainder Options)	Note 3	84,611	0.008	677	619
Interim Placement	Note 4	80,000	0.008	640	585
Total in-the-money options		568,394		5,119	4,159
Other options issued pre 2013	Note 4	29,728	Above \$0.04	-	-
Total		598,123		5,119	4,159

Note: Numbers may not add due to rounding.

(1) Refer section 1.4 (a).

(2) Refer section 1.4 (b).

(3) Refer section 1.4 (c).

(4) Refer sections 3.10.3 and 1.4 (d).

(5) Proceeds from the exercise of the in-the-money options have been discounted at a rate of 2% per annum (being consistent with Australian Government bond rates with similar maturities).

7.4 Valuation of Foyson Post TVI Conversions

Our estimate of the fair value of Foyson after the TVI Conversions is set out below:

	Section	Low \$000	High \$000
Equity value of Foyson before TVI Conversions (Control - Undiluted)	7.3.1	4,349	14,279
Conversion of Remaining TVI Debt to Equity	1.4 (c)	188	188
Conversion of Remaining TVI Notes and James Notes to Equity	1.4 (b)	221	221
Equity value Foyson (control – undiluted)		4,758	14,688
Present value of proceeds from the exercise of options (Note 1)	7.4.1	-	5,268
Equity value of Foyson (control - diluted)		4,758	19,956
Number of shares (000's)	5.3	1,636,230	1,636,230
Add: Options exercised (000's) (Note 1)	7.4.1	-	719,828
Diluted number of shares (000's)		1,636,230	2,356,058
Undiluted value per share (control) (\$)		0.003	0.009
Diluted value per share (control) (\$)		0.003	0.008
Less minority interest discount (Note 2)		20%	20%
Diluted value per share (minority) (\$) (Note 2)		0.002	0.007

Note: Numbers may not add due to rounding.

- (1) We assume that options are not exercised where the exercise price exceeds the assessed value per share. The proceeds from the exercise of the in-the-money options have been discounted at a rate of 2% per annum (being consistent with Australian Government bond rates with similar maturities).
- (2) An adjustment is required as the estimated Foyson value, pre TVI Conversions, reflects a controlling interest which should be compared with a minority interest post TVI Conversions. Empirical evidence on control premiums of Australian listed companies indicates that such premiums tend to range from 20% to 35%. We have adopted a control premium of 25% implying a minority discount of 20%.

7.4.1 Options on issue post TVI Conversion

Foyson's options on issue post TVI Conversion are summarised below:

	Ref	Number	Exercise price	Proceeds	Present Value of Proceeds ⁵
		000	\$	\$000	\$000
Dickson Options	Note 1	135,000	0.008	1,080	988
Note Options (excluding TVI Conversions)	Note 2	268,783	0.008	2,150	1,967
TVI Options (excluding TVI Debt Remainder Options)	Note 3	84,611	0.008	677	619
Interim Placement	Note 4	80,000	0.008	640	585
TVI Debt Remainder Options	Note 3	75,389	0.008	608	556
TVI Notes Options – Feb and April, plus James Notes Remainder Options	Note 2	76,044	0.008	603	552
		719,828		5,759	5,268
Other options issued pre 2013	Note 4	29,728	Above \$0.04	-	-
Total		749,556		5,759	5,268

Note: Numbers may not add due to rounding.

(1) Refer section 1.4 (a).

(2) Refer section 1.4 (b).

(3) Refer section 1.4 (c).

(4) Refer sections 3.10.3 and 1.4 (d).

(5) We assume that options are not exercised where the exercise price exceeds the assessed value per share. The proceeds from the exercise of the in-the-money options have been discounted at a rate of 2% per annum (being consistent with Australian Government bond rates with similar maturities).

8. Fairness of Proposed Transaction

The valuation of a Foyson share on a minority basis after the Proposed Transaction requires us to value IGE. There are a number of valuation methods that can be used to value a business or shares in a company. In evaluating the possible valuation methods to apply, we have considered the valuation guidelines set out in RG 111 and summarised in Appendix 2.

The appropriateness of valuation methods outlined in Appendix 2 is considered below:

- **Discounted Cash Flow (“DCF”)** - In our view, the DCF method is most appropriate to value a business in growth stage. We reviewed the IGE Business Plan, cash flow forecasts and the underlying assumptions prepared by IGE management. Based on the review, we note that it's challenging to create a reasonable forecast of revenue, profits and cash flows without a considerable amount of speculation, recognising that the Technologies are in the process of being commercialised and IGE has not yet generated any revenue of substance. As a result, in our opinion, it's not possible to support the cash flow projections on a reasonable basis in a manner which satisfies the relevant scope requirements of RG 111.
- **Capitalised Future Maintainable Earnings (“CFME”)** - Valuation of IGE on a CFME basis is not appropriate as IGE has limited historical financial data and is not currently profitable.
- **Net Asset Value (“NAV”)** - IGE has a business model with potential for future growth which the assets in the balance sheet do not capture. As a result the balance sheet is not a fair representation of assets and liabilities of IGE. Accordingly, we do not consider valuation of IGE using the NAV methodology to be appropriate.

- **Quoted Price** - As IGE is not a publicly listed company, no quoted prices are available.
- **Recent offers or potential acquirers** - We are not aware of any recent offers or other parties interested in acquiring IGE.

Based on the above considerations, we believe that there is no appropriate valuation methodology to value IGE in a manner which satisfies the relevant scope requirements of RG 111. We are therefore unable to assess the value of a Foyson share on a minority basis after the Proposed Transaction.

Given our inability to conclude on value we must conclude that the Proposed Transaction is **not fair**.

9. Analysis of Foyson Pre and Post Proposed Transaction

While it's not possible to conclude on the value of IGE for the purposes of this Report, to assist Non-associated Shareholders to evaluate the Proposed Transaction and to aid our reasonableness assessment we have calculated IGE's required maintainable earnings from FY17 in order to equate the estimated value of a:

- Share in Foyson on a control basis pre the Proposed Transaction; with
- Share in Foyson on a minority basis (i.e. non control) post completion of the Proposed Transaction and Proposed Fundraisings.

Our calculation is based on the:

- Terms of the Proposed Transaction and Proposed Fundraisings;
- Estimated value of Foyson pre the Proposed Transaction; and
- Possible EBITDA multiples for IGE.

9.1 Analysis of Foyson After Proposed Transaction and Proposed Fundraisings

As noted in section 9, we calculate below IGE's required maintainable earnings from FY17 in order to equate the estimated value of a:

- Share in Foyson on a control basis pre the Proposed Transaction; with
- Share in Foyson on a minority basis (i.e. non control) post completion of the Proposed Transaction and Proposed Fundraisings.

	Section	Low \$000	High \$000
<u>Pre Proposed Transaction</u>			
<u>Diluted</u>			
Equity value of Foyson pre Proposed Transaction (Control)	7.4	4,758	19,956
Number of diluted shares pre Proposed Transaction (Post Consolidation)	7.4	65,449	94,242
Equity value per share (Control) - Diluted [A]		0.073	0.212
<u>Post Proposed Transaction and Proposed Fundraisings</u>			
Number of shares			
Number of diluted shares pre Proposed Transaction	7.4	65,449	94,242
Offer Shares	5.4	22,500	22,500
Rights Shares	5.4	6,545	6,545
Consideration Shares	5.4	153,900	153,900
Director Securities - Shares	Note 5	450	450
Milestone Shares	Note 2	-	17,000
Exercised Offer Options	5.4	-	22,500
Exercised Rights Options	5.4	-	6,545
Exercised Consideration Options	5.4	-	93,900
Exercised Milestone Options	Note 2	-	77,000
Exercised Director Securities – Options	Note 5	-	450
Diluted shares on issue post Proposed Transaction and Proposed Fundraisings [B]		248,844	495,032
Required equity value (minority) of Foyson after Proposed Transaction and Proposed Fundraisings for equity value Pre and Post to be equal [C=A x B]		18,091	104,824
Required equity value (control) of Foyson after Proposed Transaction and Proposed Fundraisings for equity value Pre and Post to be equal [C] * (1 + 25% control premium)	Note 1	22,614	131,030
Less: Equity value of Foyson pre Proposed Transaction (Control)	7.4	(4,758)	(19,956)
Less: Proceeds from Offer Shares	1.3 (a)	(4,500)	(4,500)
Less: Proceeds from Rights Shares	1.3 (b)	(1,309)	(1,309)
Less: Present value of proceeds from the exercise of Offer Options	9.2	-	(4,116)
Less: Present value of proceeds from the exercise of Rights Options	9.2	-	(1,197)
Less: Present value of proceeds from the exercise of Consideration Options	9.2	-	(17,179)
Less: Present value of proceeds from the exercise of Milestone Options	9.2	-	(14,087)
Less: Present value of proceeds from the exercise of Director Securities -Options	9.2	-	(82)
Required equity value of IGE after Proposed Transaction and Proposed Fundraisings		12,047	68,603
Add: Capital Expenditure	9.4	4,407	4,407
Add: Working Capital	9.5	261	261
Add: IGE net debt	Note 3	-	-
Add: Transaction costs contingent upon completion of Proposed Transaction and Proposed Fundraisings	Note 4	370	370
Required enterprise value of IGE after Proposed Transaction and Proposed Fundraisings		17,085	73,641
Possible EBITDA Multiple for IGE	9.3	4.0	5.0
Required maintainable EBITDA after Proposed Transaction and Proposed Fundraisings		4,271	14,728

Note: Numbers may not add due to rounding.

- (1) An adjustment is required as the estimated Foyson value pre Proposed Transaction reflects a controlling interest which should be compared with a minority interest post Proposed Transaction. Empirical evidence on control premiums of Australian listed companies indicates that such premiums tend to range from 20% to 35%. We have adopted a control premium of 25%.
- (2) Under the High scenario, Milestone Shares and Milestone Options are included as the required maintainable EBITDA exceeds \$5m. Refer section 5.4
- (3) The Proposed Transaction is debt and cash free.
- (4) Includes stamp duty payable and ASX relisting fees.
- (5) Includes shares and options issued to David McIntosh, Mike Palmer and Kilroy Genia (refer section 5.4).

9.2 Proceeds from the exercise of options issued in Proposed Transaction and Proposed Fundraisings

We set out below the proceeds from the exercise of options issued in the Proposed Transaction and Proposed Fundraisings.

	Ref	Number 000	Exercise Price	Proceeds \$000	Present Value of Proceeds ⁴ \$000
Offer Options	Note 1	22,500	0.200	4,500	4,116
Rights Options	Note 2	6,545	0.200	1,309	1,197
Consideration Options	Note 3	93,900	0.200	18,780	17,179
Director Securities – Options	Note 5	450	0.200	90	82
Options before Milestone Options		123,395		24,679	22,575
Milestone Options	Note 3	77,000	0.200	15,400	14,087
Options after Milestone Options		200,395		40,079	36,662

Note: Numbers may not add due to rounding.

- (1) Refer sections 1.3 (a) and 5.4.
- (2) Refer sections 1.3 (b) and 5.4.
- (3) Refer sections 1.2 and 5.4.
- (4) Proceeds from the exercise price of the in-the-money options have been discounted at a rate of 2% per annum (being consistent with Australian Government bond rates with similar maturities).
- (5) Includes options issued to David McIntosh, Mike Palmer and Kilroy Genia (refer section 5.4).

9.3 EBITDA Multiple

We apply an EBITDA multiple range of **4 to 5** times.

Our selected multiple range is based on the following considerations:

- Trading multiples of the most comparable listed companies (*“IGE Peer Group Companies”*) (refer section 9.3.1); and
- Other considerations (refer section 9.3.2).

In analysing the available trading data, we have used information from financial databases, published financial information, and company announcements. Where necessary, certain assumptions have been made.

9.3.1 Trading Multiples

We refer to Appendix 3 which contains a summary of the IGE Peer Group Companies.

Key observations are below:

- The comparable companies are mostly substantially larger than IGE.
- The median forecast (Year 2) EBITDA multiple of identified IGE Peer Group Companies is 8.3 times.
- The most directly comparable trading company to IGE is Plastic2Oil Inc. which produces and sells fuel products from unsorted and unwashed waste plastics in the United States. We have not utilised Plastic2Oil in determining our multiple as it is currently loss-making and has no available earnings forecasts.

- Other than Plastic2Oil, the most comparable company is Covanta Holding Corporation (“Covanta”). Covanta provides waste and energy services to municipal entities worldwide, owns and operates infrastructure for the conversion of waste to energy, and engages in other waste disposal and renewable energy activities.
- Vertex Energy, Inc., an environmental services company, provides a range of services designed to aggregate, process, and recycle industrial and commercial waste systems, as well as off-specification commercial chemical products. It’s ‘Refining and Marketing’ division purchases hydrocarbon streams in the form of petroleum distillates, transmix, and other chemical products and sells end products, such as gasoline blendstock, pygas, and fuel oil cutter stock to oil companies or to petroleum trading and blending companies.
- Clean Harbor’s ‘Oil Refining and Recycling’ segment, which accounts for approximately 10% of revenue, processes used oil into high quality base and blended lubricating oils for sale to third party customers, and recycles oil.
- Progressive Waste Solutions’ key operations are in waste management. It also owns and operates a power generating plant fuelled by landfill gas, and generates and sells methane gas.

Compared to IGE, the IGE Peer Group Companies are mostly substantially larger, offer a broader range of products and services in their respective markets and some operate in multiple countries. The difference in size and diversity is reflected in the higher multiples of those IGE Peer Group Companies.

The EBITDA multiples of the IGE Peer Group Companies are based on the prices at which investors buy and sell portfolio interests rather than controlling interests. A premium is often paid for control to reflect the benefits that may be derived as a consequence of having control rather than simply a minority portfolio interest.

9.3.2 Other Considerations

Other factors that we have considered when assessing an appropriate EBITDA multiple include the following:

- IGE is significantly smaller with less diverse (both product and geographic) revenue streams than almost all the IGE Peer Group Companies.
- Smaller companies often have more business risk and financial risk than larger companies. For example, larger companies often tend to be:
 - Of a size where they participate in more than one industry or sector, therefore diversifying risk. Smaller companies are typically less diversified;
 - Spread over a broader geographical area than smaller companies;
 - Further developed in areas such as management, financial stability and strategic planning than many smaller companies; and
 - Better able to benefit from greater economies of scale than smaller companies.

As a result, smaller companies typically have lower pricing multiples than larger companies.

- Diverse revenue sources generally assist to minimise earnings risk and economic dependency compared with a less diverse portfolio. A higher risk profile generally lowers pricing multiples.
- IGE has not yet commenced production and thus has generated no sales revenue. However, we note that for consistency, our analysis uses Year 2 forecasts of the IGE Peer Group Companies in order to consider IGE management projected earnings over a similar timeframe (refer section 4.5).

9.4 Capital expenditure required for IGE

After the Proposed Transaction, capital expenditure of approximately \$3.7m is budgeted to deploy Stage 2 (100 tpd) and Stage 3 (200 tpd) of the Commercial Plant by June 2016 (refer section 4.6). In addition, the Company has agreed to pay Commissioning Costs to IGE, subject to satisfying the commissioning requirements.

9.5 Change in working capital

After the Proposed Transaction, a working capital investment of approximately \$261,000 is budgeted to deploy Stage 3.

9.6 Analysis of Findings

Our analysis indicates that IGE's required maintainable earnings is in the range of \$4.3m to \$14.7m from FY17 in order to equate the Foyson estimated equity value per share (control) pre the Proposed Transaction and Proposed Fundraisings to the Foyson equity value per share (minority) post the Proposed Transaction and Proposed Fundraisings.

This compares to IGE's projected EBITDA of \$6.8m in FY17, subject to the assumptions outlined in section 4.5 and noting the risks outlined in section 4.6.

As noted in section 8, it is challenging to create a reasonable forecast of revenue, profits and cash flows without a considerable amount of speculation, recognising that the Technologies are in the process of being commercialised and IGE has not yet generated any revenue.

We note the Proposed Transaction is conditional on completion of due diligence to Foyson's satisfaction (refer section 1.5), including IGE's financial projections.

We confirm that our enquiries and procedures do not constitute an audit, extensive examination, verification or "due diligence" investigation for the purposes of this Report. Moore Stephens does not express any opinion as to whether the IGE management projections may be achieved as future events, by their nature, are not capable of substantiation, particularly as IGE has not yet commercialised the Technologies. We refer readers to the key risks outlined in section 4.6 of this Report and section 3.4 of the Notice of EGM.

10. Reasonableness Assessment

For the purposes of RG 111, an offer is considered to be reasonable if it is fair. However, even if it is not fair it may be reasonable if there are sufficient reasons for the shareholders to accept the offer.

Set out below is a summary of the factors we have considered in our reasonableness assessment.

10.1 Reasonableness of TVI Conversions

10.1.1 Advantages of approving TVI Conversions

The primary advantages to Non-associated Shareholders of approving the TVI Conversions are as follows:

- a) **Repayment demand** – if shareholders do not approve the TVI Conversions:
- The outstanding amount owing under the TVI Notes and James Notes subject to the TVI Conversions approval becomes payable to TVI and James respectively; and
 - TVI has undertaken to not exercise its rights under the Loan Agreement before 1 December 2015, allowing Foyson the opportunity to partly or fully settle the TVI Debt through alternative mechanisms (refer section 10.1.1 c)) before this date. However, from this date TVI may demand repayment under the Loan Agreement or bring a claim against Foyson in respect of the TVI Debt.

Should TVI and James be entitled to and do demand repayment, in the event that the:

- Proposed Fundraising has not occurred and no other capital is raised, Foyson would be unable to fund the repayment; or
 - Proposed Fundraising is successful, such repayment would reduce any funds raised to pursue the IGE Business Plan and settle other liabilities.
- b) **Increased capital requirements** – Foyson proposes to raise additional capital of \$5.8m under the Proposed Fundraising in order to fund the IGE Business Plan and settle liabilities. If the TVI Conversions are not approved and Foyson is required to settle the amounts owing to TVI, Foyson's capital requirements would increase by approximately \$409,000.

The terms of the TVI Notes and James Notes (including conversion price of \$0.0029) are consistent with those of the Notes issued to unrelated parties. The conversion price of the TVI Debt (repayment date was September 2014) of \$0.0025 is the same as the issue price of the Dickson Shares in October 2014.

- c) **Alternative mechanisms for TVI Conversions** - In the absence of shareholder approval for the TVI Conversions, we understand that the TVI Conversions could still proceed in the short to medium term in the following alternative ways:
- If the Proposed Transaction is approved and completes, the TVI Conversions would not contravene section 606 of the Act as TVI's undiluted interest in Foyson would be diluted to:
 - 5.0% pre the TVI Conversions; and

- 7.3% post the TVI Conversions; and
- Under the Section 611 item 9 of the Act, TVI may increase its voting power in Foyson by 3% every six months (refer section 1.4 (c)). Accordingly, in the absence of the Proposed Transaction, we understand that the TVI Conversions could complete without shareholder approval in approximately:
 - 2 years on an undiluted basis; or
 - 2.5 years on a diluted basis.

10.1.2 Disadvantages of Approving TVI Conversion

The primary disadvantages to Non-associated Shareholders of approving the TVI Conversions are as follows:

- a) **Conversion prices lower than assessed value of Foyson pre TVI Conversions** – the conversion price of the:
 - TVI Notes and James Notes of \$0.0029; and
 - TVI Debt of \$0.0025,is lower than the assessed value of each Foyson share pre TVI Conversion.
- b) **Increase in shareholding** - the TVI Conversion would result in TVI's (including James') interest in Foyson increasing by 7.3% to 27.9% on an undiluted basis (before the Proposed Transaction and Proposed Fundraisings).

10.1.3 Reasonableness Conclusion

After considering the advantages and disadvantages of the TVI Conversions for Non-associated Shareholders, in our opinion the TVI Conversions are reasonable to Non-associated Shareholders in the absence of any other relevant information and/or a superior proposal.

10.2 Reasonableness of Proposed Transaction

10.2.1 Advantages of Approving Proposed Transaction

The primary advantages to Non-associated Shareholders of approving the Proposed Transaction are as follows:

- a) **Limited alternative sources of funding** - as a junior exploration company, Foyson does not currently generate any revenue and relies solely on equity capital raisings and shareholder loans to fund its operations. The ability to continue as a going concern is dependent on Foyson being able to raise sufficient funds to continue its operations, in conjunction with other possible initiatives (refer section 3.8).

Management believes that Foyson has exhausted the equity raising options available to a “pure play” exploration company with a small market capitalisation. The scarcity of capital is demonstrated by the waiver by the Directors, including the Managing Director, to their entitlement to all remuneration during the period required to complete the Proposed Transaction and until the Company is operating on a cash flow positive basis.

Based on our discussions with Foyson management, Foyson is likely to find it challenging to raise further funding solely for exploration activities for the following reasons:

- **Poor current prospects for junior iron-ore companies** - the significant fall in iron-ore prices and the poor current prospects for junior iron-ore companies makes meaningful equity raisings for Foyson’s exploration activities highly unlikely in the short to medium term. This is exacerbated by it being considered uneconomic to proceed to a bankable feasibility study on Amazon Bay under current market conditions.
- **Recent capital raisings from parties associated with IGE and other sophisticated investors seeking exposure to IGE** - Foyson has advised us that the capital of \$1.3m raised since October 2014, comprising the issue of the Dickson Shares and Notes (as well as the proposed Interim Placement - refer section 3.9) are from associated parties of IGE or other sophisticated investors seeking to gain exposure to the IGE business. In particular, Paul Dickson is the Chairman of, and shareholder in, IGE. We understand that these capital raisings would not have occurred in the absence of the Proposed Transaction.
- **Offer to investors seeking exposure to IGE** - Foyson has advised us that for the Offer, the Company is in discussions with parties seeking to gain further exposure to the IGE business. Again, we understand that the Offer would not occur in the absence of the Proposed Transaction.

- **Limited further Amazon Bay funding from TVI** - TVI has been the equity funder of Foyson and Amazon Bay directly since August 2012 (refer section 3.9). However, in July 2014 TVI elected not to proceed with Stage 2 of the Amazon Bay Joint Venture to provide further funding for an increased direct interest in Amazon Bay (refer section 3.5). Further, Foyson has advised us that TVI has indicated a reluctance to further fund exploration activities through the Foyson listed entity; however TVI has been prepared to convert the TVI Debt into equity and invest in the Notes to support the opportunity presented by IGE.
- **Debt funding not available** - Foyson is currently unable to obtain independent debt funding for its exploration activities.

The Independent Directors have confirmed that they have actively sought alternative sources of funding for Foyson's exploration activities, and have found no sources of capital willing to meaningfully fund Foyson in the absence of the change of business direction. Without such capital, Foyson may be required to cease all exploration activities and wind-up the company.

- b) **Projected cashflow positive IGE to provide funding for Amazon Bay** - the Board determined that, for the reasons outlined above, the most desirable way to source ongoing funding required to explore Amazon Bay is through internal funding, by way of a cash flow positive project. Although IGE's Commercial Plant is still under construction and commercialisation activities are still in progress, IGE management projects IGE to be cashflow positive by June 2016, noting that it is challenging to create a reasonable forecast of revenue, profits and cash flows without a considerable amount of speculation, recognising that the Technologies are in the process of being commercialised and IGE has not yet generated any revenue of substance.
- c) **Acquire operating business with upside potential** - IGE constitutes a significant change to the nature and scale of Foyson's activities and provides the Company with an alternative business direction allowing shareholders to participate in any potential upside arising from the Proposed Transaction, noting the risks involved (refer section 4.6).

We refer to our analysis in section 9.6 which compares IGE's projected EBITDA with the required maintainable earnings in order to equate the Foyson estimated equity value per share pre and post the Proposed Transaction and Proposed Fundraisings.

- d) **Possible access to capital** - completion of the Proposed Transaction provides Foyson with an opportunity to seek to conduct the Proposed Fundraisings to raise capital to fund the Company, the expansion of IGE and for general working capital purposes. Although the Proposed Transaction is not expressly conditional on a minimum amount of funds being raised under the Proposed Fundraisings, it is conditional on the ASX re-admitting and quoting Foyson's shares on the ASX. If sufficient funds are not raised under the Proposed Fundraisings, there is a risk that Foyson will not be able to re-comply with Chapters 1 and 2 of the ASX Listing Rules in which case the re-admittance and quotation on the ASX would not occur. Under these circumstances, the Proposed Transaction would not proceed.

10.2.2 *Disadvantages of approving the Proposed Transaction*

The primary disadvantages to Non-associated Shareholders of approving the Proposed Transaction are as follows:

- a) **Dilution in shareholding and loss of control** - the Proposed Transaction would result in the dilution of the shareholders' aggregate interest in Foyson from 100% to 25% on an undiluted basis, and to 19% on a fully diluted basis (assuming that the Milestone Securities are fully issued – refer sections 1 and 5).
- b) **Controlling stake in Foyson** - As noted in section 5, the IGE vendors' collective interest in Foyson would range from 62% to 64% on an undiluted basis, and range from 61% to 69% on a fully diluted basis (dependent on whether the Milestone Securities are issued).

Although the recipients of the Consideration Securities and Milestone Securities are multiple parties, we note that Dickson has a 33.3% ownership in IGE.

Prior to the Proposed Transaction, Dickson owns 135m shares in Foyson on a pre consolidation basis (representing a 11.9% undiluted interest). After the Proposed Transaction, Dickson's interest in Foyson could potentially increase up to 25.9% if the Milestone Securities are issued, the Dickson Options receive shareholder approval and all options are exercised. At this shareholding, Dickson would be able to block special resolutions and may also deter others from making a future takeover bid for the Company.

- c) **Risk of failure** - The inherent risks attached to investing in technologies without operating history by the incumbent is high. Shareholders should consider the risks of the IGE Business as set out in section 3.4 of the Notice of EGM and section 4.6 of this report. We note that, as set out in section 1.2, should the commissioning requirements not be met by 31 December 2016, the Company may terminate and unwind the Proposed Transaction under the Sale Agreement for nominal consideration (subject to receiving shareholder and other regulatory approvals at that time). However, significant capital and operating expenditure is required by Foyson prior to this date.
- d) **Possible failure to raise capital** - the Proposed Transaction is not conditional on the successful Proposed Fundraisings or alternative capital raisings. A risk exists that, even if the Proposed Transaction is approved, the Company may not be able to raise capital to fund the Company, the expansion of IGE, and for general working capital purposes.
- e) **Possible failure to remove ASX suspension** – if the Proposed Transaction is approved (together with the Inter-dependent Resolutions), the Company will be suspended from trading on the ASX until it meets the requirements of ASX Listing Rules Chapters 1 and 2. Although completion of the Proposed Transaction is conditional on a re-quotation of Foyson's shares on the ASX, a risk exists that the Company may not be able to meet the requirements of the ASX for re-quotation of its shares. Should this occur, the shares cannot be traded on the ASX until such time as those requirements are met, or the Proposed Transaction is terminated for not satisfying the re-quotation condition, leaving Non-associated Shareholders with a minority interest in an unquoted public company.
- f) **Possible divergent objectives of Non-associated Shareholders** – Foyson's alternative business focus on the Technologies may not be consistent with the objectives of all Non-associated Shareholders.

- g) **No future proposals** - if the Proposed Transaction is approved, Non-associated Shareholders would not be able to entertain possible alternative proposals with a view to possibly achieving a more beneficial outcome. However, as noted in sections 3.8 and 10.2.1 a), if the Proposed Transaction is not approved, Foyson may not have the ability to continue as a going concern in the absence of a capital raising, which we understand is unlikely in the short to medium term as a junior iron-ore exploration company with a small market capitalisation.

In addition, we note that Foyson advises us that no alternative transactions are currently being considered.

10.2.3 Reasonableness conclusion

After considering the advantages and disadvantages of the Proposed Transaction for Non-associated Shareholders, in our opinion the Proposed Transaction is reasonable to Non-associated Shareholders in the absence of any other relevant information and/or a superior proposal.

10.3 Conclusions

In our opinion the **TVI Conversions** are **not fair but reasonable** to Non-associated Shareholders of Foyson in the absence of any other relevant information and/or a superior proposal.

In our opinion the **Proposed Transaction** is **not fair but reasonable** to Non-associated Shareholders of Foyson in the absence of any other relevant information and/or a superior proposal.

Appendix 1 - Financial Services Guide

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- Applying for, varying or disposing of a financial product on behalf of another person in respect of Authorised Financial Products.

Financial Services Guide

The Corporations Act 2001 requires Moore Stephens to provide this Financial Services Guide ("**FSG**") in connection with its provision of an Independent Expert's Report ("**Report**") which is included in the Notice of Extraordinary Meeting provided by Foyson Resources Limited (the "**Company**").

General Financial Product Advice

The financial product advice provided in our Report is known as "general advice" because it does not take into account your personal objectives, financial situation or needs. You should consider whether the general advice contained in our Report is appropriate for you, having regard to your own personal objectives, financial situation or needs. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

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Moore Stephens is required to be independent of the Company.

Neither Moore Stephens, the Licence Holder, any related entities, any Director thereof, nor any individual involved in the preparation of the Report have any financial interest in the outcome of the TVI Conversions or Proposed Transaction, other than a fee in connection with the preparation of our Report for which professional fees in the order of \$85,000 (excluding GST) will be received.

No pecuniary or other benefit, direct or indirect, has been received by Moore Stephens, the Licence Holder, any related entities, their Directors or employees, or related bodies corporate for or in connection with the preparation of this Report.

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By fax: (02) 9233 4636
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SYDNEY NSW 2001

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- If you still do not get a satisfactory outcome, you have the right to complain to the Financial Industry Complaints Service at PO Box 579 Collins St West, Melbourne, Victoria 8007 or call on 1300 78 08 08. We are a member of this scheme.
- The Australian Securities & Investments Commission (ASIC) also has a freecall Infoline on 1300 300 630 which you may use to make a complaint and obtain information about your rights.

The Licence Holder, as holder of the AFSL, gives authority to Moore Stephens to distribute this FSG.

Appendix 2 – Valuation Methodologies

1. Overview of Business Valuation Methods

RG 111 provides guidance on the valuation methods that an independent expert should consider when valuing a company. These methods include the:

- Discounted cash flow method and the estimated realisable value of any surplus assets (“DCF”);
- Application of earnings multiples (appropriate to the business or industry in which the entity operates) to the estimated future maintainable earnings or cash flows of the entity (“CFME”), added to the estimated realisable value of any surplus assets;
- Amount that would be available for distribution to security holders on an orderly realisation of assets (“Net Asset Value”);
- Quoted price for listed securities, when there is a liquid and active market and allowing for the fact that the quoted price may not reflect their value, should 100% of the securities be available for sale;
- Recent genuine offers, if any, received by the target for any business units or assets as a basis for valuation of those business units or assets; and
- Amount that any alternative acquirer might be willing to offer if all the securities in the target were available for purchase.

ASIC does not suggest that this list is exhaustive or that an expert should use all of the valuation methods listed above. Rather, each of the above valuation methods has application in different circumstances. These circumstances include the nature, profitability and financial position of the business being valued and the quality of information available.

1.1 Discounted Cash Flow

The DCF method estimates the net present value (“NPV”) of future cash flows expected to be generated from the business including a terminal value. The terminal value is the assessed value of the business after the projection period. The NPV is calculated by discounting future cash flows and the terminal value using a discount rate which reflects the risks associated with the cash flow stream.

Cash flows subject to discounting are operating cash flows on an ungeared basis (i.e. before interest and debt repayments) less tax payments, working capital requirements and capital expenditure. Cash flows on an ungeared basis are used to enable the enterprise value to be determined irrespective of the level of debt funding. The equity value may then be calculated by adding surplus assets to, and subtracting debt from, the enterprise value.

1.2 Capitalisation of Future Maintainable Earnings

The CFME method involves capitalising the earnings of a business at a multiple which reflects the growth prospects of the business and the risks inherent in the business. A multiple may be applied to, amongst others, earnings before interest, tax, depreciation and amortisation (“EBITDA”) or net profit after tax (“NPAT”).

This method determines the enterprise (or business) value where a multiple is applied to earnings before interest (e.g. EBITDA). The equity value may then be calculated by adding surplus assets to, and subtracting debt from, the enterprise value.

If the transaction value is known or the enterprise value has been estimated, the CFME method may be “reversed” to determine the required earnings or earnings multiple to support the enterprise value.

1.3 Net Asset Value

The Net Asset Value method is based on the value of the assets of a business less certain liabilities adjusted to a market value.

The Net Asset Value method is most relevant when a company is not producing economic returns, a significant portion of a company’s assets are liquid, for asset holding companies, or where other common valuation methods are unable to be utilised.

1.4 Quoted Share Price

Where the shares can be readily traded through a market such as the ASX, recent prices at which shares are bought and sold can usually be taken as the market value per share. The quoted price of a listed share is observable and objective in terms of value. With the advent of continuous disclosure, such market value should include all factors and influences that impact upon the ASX price.

However, in the absence of a deep, well-informed market exhibiting good liquidity, this method has significant limitations.

Shares in a company normally trade at a discount to the underlying value of the company as a whole, reflecting the fact that portfolio shareholdings do not give shareholders management control or direct access to cash flows.

Appendix 3 – IGE Peer Group Companies

Table 1 – Peer Group Summary

Company	Region	Enterprise Value A\$m	Historic EBITDA A\$m	Historic Multiple times	Forecast EBITDA Year 1 A\$m	Forecast Multiple Year 1 times	Forecast EBITDA Year 2 A\$m	Forecast Multiple Year 2 times
Covanta Holding Corporation	USA	5,059	426	11.9	470	10.8	506	10.0
Progressive Waste Solutions Ltd.	Canada	5,044	514	9.8	531	9.5	569	8.9
Clean Harbors, Inc.	USA	4,512	511	8.8	539	8.4	586	7.7
Vertex Energy, Inc.	USA	114	(8)	n/a	10	11.9	24	4.7
Plastic2Oil, Inc.	USA	14	(4)	n/a	n/a	n/a	n/a	n/a
Median				9.8		10.1		8.3
Average				10.2		10.1		7.8

n/a = not available

Table 2 – Peer Group Information

Company	Description
Plastic2Oil, Inc.	Plastic2Oil, Inc. produces and sells fuel products from unsorted and unwashed waste plastics in the United States. The company operates through Plastic2Oil and Data Business segments. It provides Plastic2Oil, a process that converts waste plastic into fuel through a series of chemical reactions. The company uses waste plastic as feedstock to produce Fuel Oil No. 2, Fuel Oil No. 6, and naphtha for various uses. It also produces by-products, including an off-gas similar to natural gas and a petcoke carbon residue. The company sells its products through fuel wholesalers and directly to commercial and industrial end-users. In addition, it is engaged in data recovery and migration business. The company was formerly known as JBI, Inc. and changed its name to Plastic2Oil, Inc. in August 2014. Plastic2Oil, Inc. was incorporated in 2006 and is headquartered in Niagara Falls, New York.
Covanta Holding Corporation	Covanta Holding Corporation provides waste and energy services to municipal entities primarily worldwide. It owns and operates infrastructure for the conversion of waste to energy, as well as engages in other waste disposal and renewable energy production businesses. The company is also involved in the disposal of waste and the generation of electricity and/or steam, as well as in the sale of metal recovered during the energy-from-waste process. It owns and operates 46 energy-from-waste facilities; and 11 additional energy generation facilities, including wood biomass and hydroelectric renewable energy production facilities in North America. In addition, the company owns and operates 18 transfer stations; 1 industrial waste treatment, storage, and disposal facility; and 4 ash landfills in the Northeast United States; and owns an interest in a 24 MW (gross) coal-fired cogeneration facility in Taixing City, the People's Republic of China. Further, it offers recycling and recovery solutions that provide alternatives to landfills. The company was formerly known as Danielson Holding Corporation. Covanta Holding Corporation was founded in 1960 and is based in Morristown, New Jersey.
Vertex Energy, Inc.	Vertex Energy, Inc., an environmental services company, provides various services designed to aggregate, process, and recycle industrial and commercial waste streams, as well as off-specification commercial chemical products. It operates in three divisions: Black Oil, Refining and Marketing, and Recovery. The Black Oil division collects and purchases used motor oil directly from third-party generators; aggregates used motor oil from a network of local and regional collectors; and sells used motor oil to customers for use as a feedstock or reOffer fuel for industrial burners. The Refining and Marketing division gathers hydrocarbon streams in the form of petroleum distillates, transmix, and other chemical products that are purchased from pipeline operators, refineries, chemical processing facilities, and third-party providers; and sells end products, such as gasoline blendstock, pygas, and fuel oil cutter stock to oil companies or to petroleum trading and blending companies. The Recovery division generates solutions for the recovery and management of hydrocarbon streams; and provides dismantling, demolition, decommissioning, investment recovery, and marine salvage services at industrial facilities. The company offers its services in 13 states, primarily in the Gulf Coast and Central Midwest regions of the United States. Vertex Energy, Inc. is based in Houston, Texas.

Company	Description
Clean Harbors, Inc.	Clean Harbors, Inc. provides environmental, energy, and industrial services in North America. The company's Technical Services segment provides hazardous material management services, including the packaging, collection, transportation, treatment, and disposal of hazardous and non-hazardous waste at its incineration, landfill, wastewater, and other treatment facilities. Its Industrial and Field Services segment offers industrial and specialty services, such as high-pressure and chemical cleaning, catalyst handling, decoking, material processing, and industrial lodging services to refineries, chemical plants, oil sands facilities, pulp and paper mills, and other industrial facilities. This segment also provides environmental cleanup services consisting of tank cleaning, decontamination, remediation, and spill cleanup services. The company's Oil Re-refining and Recycling segment processes used oil into high quality base and blended lubricating oils for sale to third party customers, as well as recycles oil. Its SK Environmental Services segment offers environmental services comprising parts cleaning, containerized waste services, oil collection, and other complementary products and services, such as vacuum services, allied products, and other environmental services. The company's Lodging Services segment provides lodges and remote workforce accommodation facilities, including client and open lodges, operator camps, and drill camps in Western Canada. This segment also manufactures modular units and wastewater processing plants, operating services, and parts. Its Oil and Gas Field Services segment provides fluid handling and hauling, production servicing, surface rentals, seismic services, and directional boring services to energy sector serving oil and gas exploration and production, and power generation. The company operates through a network of approximately 400 service locations. Clean Harbors, Inc. was founded in 1980 and is headquartered in Norwell, Massachusetts.
Progressive Waste Solutions Ltd.	Progressive Waste Solutions Ltd. operates as a vertically integrated non-hazardous solid waste management company in North America. It operates through three segments: the U.S. South, the U.S. Northeast, and Canada. The company is engaged in the collection, transfer, disposal, and recycling of non-hazardous solid waste to commercial, industrial, and residential customers. It also owns and operates a power generating plant fuelled by landfill gas; and generates and sells methane gas. The company was formerly known as IESI-BFC Ltd. and changed its name to Progressive Waste Solutions Ltd. in May 2011. Progressive Waste Solutions Ltd. was founded in 2001 and is headquartered in Vaughan, Canada.

Appendix 4 – Foyson Peer Group Companies

Table 1 – Peer Group Summary

Company	Region	Market Capitalisation A\$m	Revenue Historic A\$m	EBIT Historic A\$m	EBIT Margin Historic %
Iluka Resources	Australia	3,473	792	48	6.1%
Mount Gibson Iron Limited	Australia	229	898	143	16.0%
Atlas Iron Limited	Australia	110	1,098	34	3.1%
Median					6.1%
Average					8.4%

n/a = not available

Table 2 – Peer Group Information

Company	Description
Iluka Resources Limited	Iluka Resources Limited engages in the exploration, project development, mining, processing, and marketing of mineral sands products. The company operates in Australia, the United States, and Mining Area C segments (Iluka holds a royalty over iron ore produced from specific tenements of BHP Billiton's Mining Area C (MAC) province in Western Australia). It produces zircon; titanium dioxide products of rutile and synthetic rutile; and ilmenite, as well as activated carbon and iron oxide. Its products are used in a range of consumer, medical, lifestyle, and industrial applications. The company was formerly known as Westralian Sands Limited and changed its name to Iluka Resources Limited in May 1999. Iluka Resources Limited was founded in 1954 and is based in Perth, Australia.
Atlas Iron Limited	Atlas Iron Limited, an independent iron ore company, is engaged in the exploration, development, mining, and sale of iron ore in the northern Pilbara region of Western Australia in Australia. The company primarily operates the Wodgina, Abydos, and Mt Webber Direct Shipping Ore mines. It is also focused on the development and feasibility of its Horizon 2 projects, which include McPhee Creek. Atlas Iron Limited is headquartered in Perth, Australia.
Mount Gibson Iron Limited	Mount Gibson Iron Limited is engaged in the mining, exploration, and development of hematite iron ore deposits in Australia. The company operates the Talling Peak mine located in the Mid-West region of Western Australia; the Koolan Island hematite mine situated in the northern Kimberley coast of Western Australia; and the Extension Hill hematite project located in the Mt Gibson range, southeast of Geraldton. It also owns the Shine hematite project located east of Geraldton in the Mid-West region of Western Australia. The company was founded in 1996 and is based in West Perth, Australia.

Appendix 5 – Sources of Information

- Draft Notice of EGM to be held on or around 30 July 2015.
- Notice of EGM held on 31 March 2015.
- Annual Reports for Foyson for the years ended 30 June 2012, 30 June 2013 and 30 June 2014.
- The Half Year Report for Foyson for the six months ended 31 December 2014.
- Amazon Bay Iron Sands Project Prefeasibility Study dated 11 September 2013 (prepared by Engenium).
- TWA Report.
- IGE Business Plan.
- Business Sale Agreement between Foyson and IGE dated 17 March 2015.
- Variation Deed to Business Sale Agreement dated 6 June 2015.
- Deed of Termination and Release Option Agreement
- Deed of Termination and Release Royalty Deed
- Royalty Deed
- Titan Mines Share Purchase Agreement
- Debt Conversion Deed
- Capital Promissory Note Agreement.
- ASX announcements made by Foyson.
- Other publically available information.
- S&P CapitalIQ.
- Discussions and other correspondence with management and/or other representatives of Foyson and IGE.
- Foyson company website (www.foyson.net.au).
- National Packaging Covenant Industry Association's 2012-13 National Plastics Recycling Survey.
- IBISWorld Industry Report C1701 Petroleum Refining and Petroleum Fuel Manufacturing in Australia.

Appendix 6 – Disclosures

Terms defined in the attached Report have the same meaning in this Appendix.

Qualifications and Independence

The individuals responsible for preparing this Report on behalf of Moore Stephens are Alan Max, Director, B.Com (Hons) FCA and Scott Whiddett, Director, B.Com FCA. Alan has many years' experience in the preparation of valuations and Independent Expert's Reports as well as the provision of corporate finance advice. Scott is experienced at performing financial due diligence assignments and statutory audits, as well as preparing Investigating Accountant's Reports, Review of Directors' Forecasts and Independent Expert's Reports.

Neither Moore Stephens, its related entities, any Director thereof, nor any individual involved in the preparation of the Report has any financial interest in the outcome of the TVI Conversions or Proposed Transaction which could be considered to affect our ability to render an unbiased opinion. Moore Stephens will receive a fee of approximately \$85,000 (excluding GST) for the preparation of this Report. This fee is based upon time spent at our normal hourly rates and is not contingent upon the success or otherwise of the TVI Conversions or Proposed Transaction.

Neither Moore Stephens, its related entities, any Director thereof, nor any individual involved in the preparation of the Report receive any commissions or other benefits in connection with the preparation of this Report, except for the fees referred to above.

During the course of this engagement, Moore Stephens provided draft copies of this Report to Foyson for comment as to the factual accuracy. Changes made to the Report as a result of these reviews have not changed the opinions reached by Moore Stephens.

In addition to this Report, Moore Stephens has also been engaged to prepare an Independent Accountant's Report ("IAR") for Foyson. The IAR is intended to be included in a prospectus to meet the requirements of Chapters 1 and 2 of the ASX Listing Rules (refer section 2.2.1) and to facilitate the Proposed Fundraisings.

Disclaimer and Indemnity

It is not intended that this Report should be used or relied upon for any purpose other than to assist Non-associated Shareholders to decide whether or not to approve the TVI Conversions and the Proposed Transaction. Moore Stephens expressly disclaims any liability to any Foyson shareholder who relies or purports to rely on the Report for any other purpose and to any other party who relies or purports to rely on the Report for any purpose whatsoever.

Other than this Report, neither Moore Stephens nor its related entities has been involved in the preparation of the Notice of EGM or any other document prepared in respect of the TVI Conversions or Proposed Transaction. Accordingly, we take no responsibility for the content of the Notice of EGM as a whole or other documents prepared in respect of the TVI Conversions or Proposed Transaction.

Statements and opinions contained in this Report are given in good faith. In the preparation of this Report, Moore Stephens has relied upon information provided by the Providers. In forming our opinion we have reviewed and relied upon this information and have no reason to believe that the information provided is not reliable, accurate and complete. Also, we have no reason to believe that material facts or information have been withheld by the Providers.

The information provided was evaluated through analysis, enquiry and review for the purposes of forming an opinion as to whether the TVI Conversions and Proposed Transaction are fair and reasonable. Our enquiries and procedures do not constitute an audit, extensive examination, verification or “due diligence” investigation. None of these assignments have been undertaken by Moore Stephens.

In forming the opinions expressed in this Report, the opinions and judgments of management of Foyson and IEG have been considered. Although this information has been evaluated through analysis, enquiry and review to the extent practical, inherently such information is not always capable of independent verification.

Foyson has agreed to indemnify and hold harmless Moore Stephens, its directors, officers, employees, servants, agents or affiliated organisations (“*Associates*”) or any other person who is sought to be made liable against any and all losses, claims, damages and liabilities arising out of or related to the performance of these services and which arise from reliance on information received which is provided by the Providers or material information any of the Providers had in their possession and was not provided to us.

With respect to tax implications of the TVI Conversions and Proposed Transaction, it is recommended that individual shareholders obtain their own tax advice, tailored to their own particular circumstances. Furthermore, the advice provided in this Report does not constitute legal or taxation advice to the shareholders, or any other party.

We note that we have not undertaken to update this Report for events or circumstances arising after the date of this Report, other than those of a material nature and contemplated by RG 111 which occur prior to the date of the Extraordinary General Meeting.

Consent

Moore Stephens consents to the inclusion of this Report in the form and context in which it is included with the Notice of EGM to be issued to the shareholders of Foyson. Neither the whole nor the any part of this Report nor any reference thereto may be reproduced or included in any other document without the prior written consent of Moore Stephens as to the form and context in which it appears.

Appendix 7 – TWA Report

TERENCE WILLSTEED & ASSOCIATES

CONSULTING MINING ENGINEERS

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T V WILLSTEED & ASSOCIATES PTY LTD

ABN: 44 001 859 712

31 May 2015

Moore Stephens Sydney Corporate Finance Pty Ltd
Level 15, 135 King Street
Sydney, NSW, 2000

Dear Sirs,

INDEPENDENT TECHNICAL REVIEW OF MINERAL INTERESTS AND VALUATION

Terence Willstead & Associates [TWA] have prepared an Independent Technical Review and Valuation for the Papua New Guinean (PNG) titaniferous ironsands projects held by Foyson Resources Limited (FOY), through its subsidiary company Titan Mines Limited (TML).

This report provides for the changes of economic conditions since a previous valuation dated 23 January 2014.

The Valuation is required for inclusion in an Independent Expert Report provided by Moore Stephens Corporate Finance Pty Ltd related to the completion of the IGE (Integrated Green Energy Ltd) transactions.

The TWA review and valuation will not provide an opinion on share value or corporate capital value.

The technical review and valuation has been prepared by T V Willstead, Consulting Mining Engineer, BE[Min]Hons BA FAusIMM MSME based on the technical and geological data provided by FOY.

The Technical Review Report has been prepared to generally conform to the JORC and VALMIN Codes of AusIMM and will review and value the following project areas in PNG:

Amazon Bay Iron Sands Project

Amazon Bay	EL 1396
Amazon Bay North	EL 2149
Maruta	EL 2281

Note: EL - Exploration Licence

TWA has previously prepared a wide range of Independent Expert and Specialist's reports relating to the requirements of the both the Australian Stock Exchange Limited (ASX) and the Australian Securities and Investments Commission [ASIC]. A list of TWA independent reports issued for prospectus and information memoranda is available on request.

To complete the assessment, we requested from FOY and their advisors:

- The most recent reported results of investigations for the Amazon Bay project.
- Copies of recent independent assessments of the projects including resource statements and projections.
- Details of agreements relating to transactions and joint venture interests involving the projects.
- Current and previous investigations and economic analyses.
- Records of expenditure on the project areas and by previous tenement holders.
- Data on proposed expenditure commitments and budgets for the project areas.

It has not been considered necessary to include site visits for the assessment but to rely on information

supplied by FOY and on assessments prepared by TWA and other independent consultants for equivalent projects. Reliance has been placed on FOY project resource estimation, geological interpretation and data.

FOY has confirmed that:

- All material information currently available has been provided for a proper assessment to be carried out and that the information is complete, accurate and true.
- A status report and tenement schedule has been provided relating to the property title.
- All relevant agreements entered into by FOY and TML have been supplied.
- Information relating to current and future indigenous interests, taxation and royalties, market restrictions, environmental impacts, legal claims and other similar issues of economic importance, as far as they are known to FOY and TML, has been made available.

To conform with the VALMIN Code, FOY has confirmed that it will indemnify TWA for liability arising from reliance on the information provided, or for available information not provided by FOY.

This report is prepared in accordance with the relevant requirements and listing rules of the Australian Securities Exchange Limited (ASX), the Australian Securities & Investment Commission [ASIC] and the VALMIN Code of the Australasian Institute of Mining & Metallurgy. The VALMIN Code sets out the principles and matters, which should be taken into account in preparation of a technical expert report concerned with mining assets. ASIC Practice Note 42 provides guidance to ensure that the expert report is independent of the commissioning party and that the assessments contained within the report are at the highest possible level, in accordance with professional standards.

TWA has considered the requirements of Regulatory Guide 112 Independence of Experts' Reports issued by ASIC and confirms that it is not aware of any circumstances, which compromise its independence to undertake this assignment.

AMAZON BAY IRON SANDS PROJECT

SUMMARY

FOY currently holds a 100% interest in TML a PNG incorporated company. TML currently holds the following interests in tenements contained within the Amazon Bay Ironsands project located in south east PNG.

- | | |
|----------------------------|---------------|
| • EL 1396 Amazon Bay | 90% interest |
| • EL 2149 Amazon Bay North | 100% interest |
| • EL 2281 Maruta | 100% interest |

The remaining 10% interest of EL 1396 was acquired by TVI Pacific Inc. (TVI) following completion of Phase One of the Amazon Bay Joint Venture Agreement in early 2014. TVI is a substantial shareholder of FOY and at the date of this report held a 26.01% shareholding in FOY.

BACKGROUND

In September 2007, FOY (previously known as MIL Resources Limited) entered into agreements to acquire up to a 90% interest in TML which held the Amazon Bay Ironsands project through the provision of A\$22.5 million to fund TML's exploration and evaluation programmes.

FOY initially acquired a 25% interest with a commitment to fund A\$1.25 million towards completion of the Stage 1 programme. FOY, at its election, could increase its interest to 51% following completion of the Stage 2 programme by providing additional funding of A\$1.25million. In order to progress beyond a 51% interest, an additional commitment of A\$10 million of project expenditure was required to increase FOY's interest to 75% and subsequently a further commitment of A\$10 million would increase the interest to 90%.

In May 2012 FOY announced that it had entered into a three year option agreement to acquire the remaining 50% of TML through a cash payment of A\$10 million, a net smelter royalty of 1.5% and the issue of 25 million FOY shares to the vendors of TML on exercise of the option.

In July 2012, FOY entered into strategic discussions with TVI. As a result of these discussions, TVI became a substantial shareholder in FOY and a number of joint venture agreements were entered into between FOY and TVI to progress the PNG tenements including those at Amazon Bay.

Concurrently, FOY renegotiated the option agreement with the vendors to acquire the remaining 50% of TML. The exercise price of the option is a A\$10 million cash payment, the issue of FOY shares equal to 2.16% of the issued capital of FOY and an 0.5% gross revenue royalty on all concentrate sold. The option period currently is due to expire in July 2015 with a two year extension available at FOY's request. If the

extension is requested FOY must exercise the option no later than July 2017, otherwise it needs to return its shares in TML to the vendors for nil consideration.

In March 2015, FOY acquired the remaining 50% of the shares in TML for an immediate cash consideration of \$150,000 plus a commitment to pay a royalty from the proceeds of any production from the Amazon Bay iron sands Project.

The acquisition provides FOY with a 100% interest in the Amazon Bay iron sands Project (other than for the 10% interest held by TVI Pacific Inc. in EL1396).

The parties agreed that this arrangement facilitated the development of the Amazon Bay Project by giving FOY the flexibility to control the Project and maximise its future value.

The parties have agreed to terminate all existing agreements including the Amazon Bay Option Agreement. The new agreement removes the obligation of the Company to pay 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 any other tenement granted over any part of or adjacent to those licences.

The revised royalty arrangements allow the vendors of the 50% interest in TML to participate in the upside of the Amazon Bay Project, should it be developed in the future.

AMAZON BAY

Amazon Bay is a mineral exploration target estimated to contain 3 to 4 billion tonnes [t] of vanadium rich magnetite ironsands spanning over 200 kilometres [km] of coastline. TML currently holds exploration licences covering 1434 square kilometres [sq. km]

Work to date has focused on scoping out the potential size of the exploration target and detailed metallurgy. A number of scoping studies and a pre-feasibility study on project development, processing, and capital requirements have been completed.

Exploitation of Amazon Bay is expected to involve conventional sand mining using a floating dredge followed by concentration on site by gravity, magnetic and electrostatic separation to produce a concentrate of particle size [-300 +75 microns]. Concentrate would be loaded onto ships of up to 60,000 t capacity by barges, submarine pipeline, single point mooring buoy or direct via jetty and conveyor. Steel makers could use direct reduction to produce a vanadiferous pig iron and a titanium bearing slag, both of which could be processed to produce iron, vanadium and titanium. Concentrates could also be processed in a dedicated hydrometallurgical plant proposed to employ technology currently under development.

TENEMENTS

TML was originally granted EL 1396 in December 2005. The exploration license has been renewed every two years in accordance with PNG requirements. TML was most recently granted an Extension of Term in June 2014 for EL 1396 (covering 192 sq. km) for the two year period expiring 19 December 2015.

FOY through TML, has expanded its Ironsands interests by lodging new exploration license applications adjacent to the main tenement EL 1396 Amazon Bay which were identified as potential extensions of the Amazon Bay iron sand deposits.

In July 2012, an application was lodged for Amazon Bay North (ELA 2149) seeking to extend the exploration target by 590 sq. km. This was subsequently granted in October 2013 becoming EL 2149. In March 2013, additional exploration licenses were applied for covering Maruta (ELA 2281) which was granted in February 2014 becoming EL 2281 covering 652 sq. km

TML licences cover an area exceeding 1,434 sq. km of vanadiferous titanomagnetite ironsands potential which includes contiguous targets striking over 200 km of coastline.

TML Tenement Summary (Fe, Ti, V)

Amazon Bay	EL 1396	192 sq. km
Amazon North	EL 2149	590 sq. km
Maruta	EL 2281	652 sq. km

Note: *Fe* (Iron), *Ti* (Titanium), *V* (Vanadium)

LOCATION AND ACCESS

The Amazon Bay Project is located on the southern coastline of PNG east of Port Moresby for approximately 200 km. Approximately 100 km of this coastline comprises black sand beaches fronting coastal plains up to 8 km wide. In the coastal plain/strandline environment the tenement is prospective for vanadiferous titanomagnetite ironsands.

Access to Amazon Bay is by air from Port Moresby to Alotau, the capital of Milne Bay Province, thence approximately 120 km southwest by road to Mullins Harbour and then by boat about 47 km west to Magarida.

PNG COUNTRY BACKGROUND

PNG is a diverse and in places extremely rugged country hosting a population of 6.1 million people of Melanesian, Micronesian, Papuan, Negrito and Polynesian culture of dominantly Christian faith. PNG operates a parliamentary democracy, based on the Westminster model and its business language is English. Its capital, Port Moresby, is one of the few major cities in PNG and hosts a modern CBD, international airport, shipping port, modern banking facilities and transportation.

PNG's major industrial sectors include: mining, crude oil, petroleum refining, copra, palm oil, timber, construction, fisheries and tourism. Its major markets are Australia, China, Japan and Singapore.

PNG is richly endowed with natural resources and has a long history of mining. PNG has produced world class mines and ore deposits, such as Bougainville, Lihir, Misima, Ok Tedi and Porgera. Recent developments have seen the discovery of medium size ore deposits, including Ramu Nickel, Tolukuma, Kainantu, Hidden Valley, Frieda River and Simberi.

PNG's government is proactive toward the mining sector which is administered by the Mineral Resources Authority [MRA]. The MRA was established by an Act of Parliament in 2005 to promote the orderly exploration for and development of the country's mineral resources and oversee the administration of the Mining Act 1992 and associated Acts.

REGIONAL GEOLOGY

The most modern geological event which can be recognized is the formation of the broad coastal plains which host Amazon Bay. The alluvium which forms the plains is derived from the immediate hinterland, but the huge volume of detritus is also partly derived by weathering of pre-existing unconsolidated sediment, specifically from the southern portions of the Domara River Beds which have now been completely removed by erosion.

The coastal sediment was deposited, in a process which is still continuing, either on a submerged erosion surface which was formed during fault movements, or more probably on a gently sloping block which is intermittently sinking. The age of the coastal plains is unknown, but it seems likely that the beach forming processes have operated during the last 100,000 years.

MINERALISATION

The depth of the sand mass at high water mark is at least 10 metres [m], as shown by hand auger drill holes. The width of the beach sand material has been assumed to be the inland limit of the vegetation banding, which corresponds with the break in slope between the foothills and the near level coastal plain. On this basis the beach sands are a maximum of 1.6 km wide at Baibara, 8 km wide at Table Bay and 3.2 km wide at Cape Rodney and Paramana Point.

High-grade titanomagnetite bands have been outlined by shallow drilling at Deba and Omanu Point. These are up to 5 km long bands paralleling the present coastline and up to 180m wide inland from high water mark, with a low grade basal layer of coarse pebbles up to 3.6m below the surface. Previous exploration assumed that high-grade bands occur inland from the major coastal bands, but insufficient drilling precluded calculations of size or grade of these.

Ironsands mineralisation targets have been estimated from regional geological maps which indicate the area within the three exploration licenses held by TML are likely to contain coastal strandlines and ironsands of the order of 367 sq. km.

If assuming an in-ground density of 1.75 t per cubic m and indicated continuity of magnetic mineralisation in the coastal strandlines, the ironsands mineralisation exploration target contained in the 367 sq. km would be approximately 640 million t per vertical metre, or 6.4 billion t to 10m deep.

REVIEW OF PREVIOUS EXPLORATION

The Amazon Bay ironsands resource was first identified by AOG during an aerial inspection in late 1969. AOG carried out preliminary studies on the Amazon Bay ironsands in 1970 and 1971.

A reconnaissance sampling programme conducted by AOG involved the drilling of approximately 785 holes by hand augering equipment for a total of 1,940m. This work resulted in the defining of a potential resource to 9m depth of 445 million t of heavy mineral sands containing approximately 10% magnetics. Subsequent sampling in the Deba Village grid area inferred a resource to 9m depth of 21 million t of heavy mineral sands containing 13% magnetics [non-JORC compliant].

CSIRO test work demonstrated that the titanomagnetite-bearing material could be extracted by screening, gravity and magnetic separation methods to produce a low-grade concentrate, typically containing around 30% Fe. Subsequent extraction of the -74 micron fraction gave a concentrate of 40% Fe. This was consistent with the determination that the largest grains typically contain only around 20% Fe. The explanation for these observations is that the smaller grains contain a smaller percentage of gangue silicates as a result of natural liberation. The concentrates contained 10 to 18% TiO₂ and 0.7% V₂O₅, the titanomagnetite phase contains up to 56.5% Fe.

To determine the potential to upgrade all of the magnetic concentrate AMDEL conducted liberation grinding test work. This demonstrated that the grade could be increased from around 30% Fe to around 40% Fe when the pre-concentrate was ground from 700 to 120 micron and further concentrated.

Thereafter, reduction and smelting test work was carried out by the CSIRO. This involved reducing the titanomagnetite with carbon monoxide at 800°C then melting the direct reduced iron [DRI] at 1,570°C to produce pig iron and titaniferous slag. The pig iron contained 2.8% C and 1.9% V₂O₅ and the slag 32% TiO₂. A key aspect of this work was the identification of a slag composition suitable for smelting.

TML EXPLORATION

TML carried out field studies near Deba Village in 2006 during which bulk samples were taken by hand auger to replicate samples taken by AOG. Preliminary test work which included grinding, heavy media and magnetic separation, chemical analyses and petrographic studies was carried out. This work indicated the grade of magnetic concentrates increased from around 30% Fe to 46% Fe when the material was ground from 700 to 50 micron.

This result is consistent with the expectation that grinding to a finer size will yield a higher grade of concentrate. Subsequent to FOY's involvement at Amazon Bay in 2007, the principal work completed includes a 3,072 line km airborne geophysics survey which identified significant magnetic and radiometric anomalies with an exploration target estimated to be between 3 to 4 billion t of magnetite-rich ironsands. The objective of the airborne magnetics and ironsands sampling was to scope out the extent of the exploration targets within the Amazon Bay EL's beyond the known mineralisation reported by AOG.

Two significant magnetic anomalies, Barracouta and Threadfin were targeted for initial auger drilling. Ironsands sampling over magnetic anomalies at Barracouta and the surrounding areas comprised the drilling of 35 auger holes from surface to a maximum depth of 6m and the excavation of 4 pits from which a total of 112 samples were collected.

Sample sites at Threadfin were selected in areas of high magnetic anomalism identified by the airborne survey. A total of 154 samples were collected from 72 auger holes drilled to a maximum depth of 10m. In addition, 10 high-grade surface grab samples were collected.

A total of 1311 kilograms [kg] of ironsand samples from Barracouta and Threadfin were submitted for metallurgical test work where composite samples were prepared for metallurgy, processing and marketing studies.

A Resource Potential Drilling Programme proposal [May 2012] prepared by Chris Young Consulting Pty Ltd [Young] notes that it is apparent the major zones of high magnetic response such as at Threadfin and Barracouta are likely to be related to strongly magnetic ultramafic bedrock possibly ophiolite (oceanic crustal material). Ophiolite type rocks are a likely source for the titanomagnetite mineralisation itself.

Following analysis of the aeromagnetic data and previous reconnaissance drill sampling, Young concludes that Two Resource Blocks are identified; Block A where there is room for plus 500 million t of iron sands (titanomagnetite) and Block B where there is room for plus 250 million t of iron sands.

The Threadfin area appeared to provide reasonable continuity of dune foundation for increases of 50 million tonnes of mineralised sand. A programme of air-core drilling totalling some 20,200m was recommended on lines spaced at 1,600m intervals and with drill holes at 80m intervals, for this area.

METALLURGICAL STUDIES

Initial metallurgical investigations indicated that:

- Iron and titanium recoveries from raw sand may be around 50%
- Major contaminants are likely to be 9% SiO₂, 3% Al₂O₃, 5% CaO and 1% MgO
- Grind grade studies showed no increase in Fe or Ti grade when grinding finer than P80 of 53

microns through 38 to 20 microns

- After cleaning of the magnetic concentrate by high intensity magnetic and electrostatic separation, quantitative mineralogy indicated it should be possible to produce a final concentrate grade >46% Fe, 0.9% V₂O₅, 19% TiO₂, 7% SiO₂, 3% Al₂O₃, 5% CaO and 1% MgO.

Given that work had achieved concentrate grades as high as 51% Fe, 1.02% V₂O₅ and 20% TiO₂ with residual silicate gangue mineralisation of 6% to 9% silica and 2% to 2.5% alumina, further work involved the optimisation of the pre-concentrate route with the aim of minimising the content of liberated siliceous gangue and also reviewing an appropriate low grade refining process that may suit the Amazon Bay concentrate.

Perth based Independent Metallurgical Operations Pty Limited [IMO] were engaged to review and recommend an appropriate split pyrometallurgical and hydrometallurgical refining route specific for low grade treatment in comparison with other more energy intensive pyrometallurgical reduction routes. They have concluded that the best concentrate grade was achieved by rougher wet magnetic separation, followed by three stage cleaning to deliver a concentrate grade of 52.3% Fe (72.2% Fe₃O₄) and 17.3% TiO₂ from a head grade of 63.3% Fe₃O₄ and 20.6% TiO₂.

IMO's conclusions were that the treatment of the natural sands with limited grinding and similar treatment to that employed in typical mineral sands beneficiation resulted in a final concentrate containing of 47.3% Fe (65.3% Fe₃O₄) and 20% TiO₂ and a combined silica and alumina grade of 8.75%. The adoption of a simplified treatment route based on grinding below 150 micron and staged magnetic separation resulted in an improved TiO₂ rejection to that achieved via limited grinding and natural sands treatment. The best concentrate grade was achieved by rougher and cleaner magnetic beneficiation, resulting in a final concentrate grade of 49.5% Fe, 19.1% TiO₂, 4.8% SiO₂, and 2.0% Al₂O₃. Fine dry magnetic separation reached an efficiency limit at the finer grind size and adoption of the same treatment via finer grinding, below 75 micron and staged wet magnetic separation achieved the best concentrate grade at 52.3% Fe, 17.3% TiO₂, 3.5% SiO₂, and 1.8% Al₂O₃.

The results achieved indicate that the level of residual TiO₂, is controlled by the relative proportion of exsolved ilmenite and titanium bearing silicate locked at fine size within the titanomagnetite.

MARKETING OF CONCENTRATES

Even with current demand for iron ore, to sell Amazon Bay concentrates based on pig iron production alone may require grades >55 to 57 % Fe. It is expected the buyer of Amazon Bay concentrates will recover Fe, V and possibly Ti.

China produces Fe, V and Ti from titanomagnetite and would be targeted for the sale of Amazon Bay concentrates.

Sichuan Province in China contains vanadium bearing titanomagnetite resources where typical "iron ore" consists of titanomagnetite [35%], ilmenite [12%] and gangue [50%]. Gravity, magnetic and electrostatic separations produce concentrates containing:

- 51% Fe, 0.6% V₂O₅, 13% TiO₂, 5% SiO₂, 5% Al₂O₃, 1% CaO and 3% MgO.
- Chengde Iron and Steel in Sichuan processes titanomagnetite concentrates to produce iron and steel with vanadium and titanium recovered as V₂O₅ and TiO₂.

Marketing options which have been considered are:

- Amazon Bay concentrate best results to date are 52.3% Fe due to the presence of titanite in titanomagnetite.
- Industry consensus is, unless a concentrate grade > 55 to 57% Fe is produced, it will be difficult to achieve a project based on production of pig iron alone.
- Project economics indicate a reasonable return should be possible for Amazon Bay by recovering all three elements [Fe, Ti and V].
- Chengde Steel recovers Fe, Ti and V from titanomagnetite concentrates containing 51% Fe.
- Pipestone Lake, Manitoba, Canada developed a laboratory process to recover Fe, Ti and V from titanomagnetite.
- CSIRO Minerals proposed two "high energy" options to recover Fe, Ti and V from concentrates.
- Adaptation of Austpac Resources EAMS and EARS processes may provide a "low energy" route to recover Fe, Ti and V.
- ProMet has developed a synthetic rutile slag process for titanomagnetite which permits recovery of Fe, Ti and V.
- Hydrometallurgical processing to extract V, Ti and Fe units utilising technology similar to the

TIVAN process is under development.

In the context of the review of the market availability and competition for the possible sale of Amazon Bay concentrates other titanomagnetite projects which have been under exploration and development are reported to be:

- Indo Mines Ironsands at Jogjakata contain 270 million t at 14% Fe; particle size is 500 to 600 microns which will require grinding to <45 microns prior to concentration to 55% Fe and 0.4% V for processing in Indonesia to pig iron. Vanadium slag will be sold as a by-product and titaniferous slag is expected to be sold as construction material.
- Aconcagua Resources ironsands at Fierro Inca in Ecuador contains 250 million t which could produce a high grade titanomagnetite concentrate with particle size -300 +100 um and grade 50% Fe, 17% Ti, and 0.3% V (70% Fe₂O₃, 27% TiO₂, 0.5% V₂O₅ and 1% SiO₂). Plans to process into steel in Ecuador are now on hold.
- Aurox hard rock Balla project in Western Australia contains 450 million t and will produce 6 million tpa concentrates containing 57% Fe and 1% V₂O₅. Contracts with Chengde Iron and Steel and Rockcheck Steel provide for payment of iron units only, based on price of Hamersley iron high grade fines.
- Aricom hard rock Kuranakh project in Siberia containing 120 million t planned to produce 1 million tpa of 62.5% Fe and 0.8% V₂O₅ concentrates ground to 20 microns and 300,000 tpa ilmenite of 50% TiO₂, for sale to China.
- Windimurra Vanadium, Reed Resources Ballambie and the Yellow Rock Gabanintha hard rock projects in Western Australia propose to produce vanadium only.
- Speewah Metals Limited, 3.6 billion t magnetite deposit with titanium/vanadium in the Speewah Dome, Western Australia, propose to produce concentrates at 50% Fe, 2.2% V₂O₅ and 14.8% TiO₂, with metallurgical test work indicating acid leach process recovery of +90% of Ti, V and Fe in high grade products.

Existing titanomagnetite projects based on production of steel have been reported as:

- Chengde Steel hard rock project in China produces Fe, V₂O₅ and TiO₂.
- New Zealand Steel's ironsands reserves at Waikato contain 150 million t and at Taharoa [200 million t] with particle size -300+100 microns and minimum contaminants which permits gravity then magnetic separation to produce concentrate containing 57% Fe, 5% Ti and 0.3% V [80% Fe₂O₃, 8% TiO₂ and 0.5% V₂O₅] without grinding. NZ Steel:
 - Processes 1.2 million tonnes per annum [tpa] Waikato sands into steel at Glenbrook
 - Slag containing 15% V is sold as a by-product
 - Slag containing 33% TiO₂ is stockpiled.
 - Ships 1 million tonnes per annum [tpa] 57% Fe ironsands from Waikato to Asia.
- Highveld Steel and Vanadium hard rock project in South Africa produces Fe and V.
- Panzhihua New Steel and Vanadium hard rock project in China produces Fe and V.

Chengde Iron and Steel Group Co [Chengde] is one of the world's largest low-cost vanadium producers, making vanadium slag as a by-product of steel production using a feedstock of vanadium-rich titanomagnetite concentrate. Chengde's steel plant, located in Hebei Province, was to be expanded from 4.4 million tpa to 8 million tpa steel. Chengde is part of the Tangshan Iron and Steel Group Ltd, one of the top three steel producers in China.

MARKET OPTIONS

MSP Resource Development Consultants carried out an Executive Desktop Study which provided the following observations and conclusions.

Pyrometallurgical Route

In considering pyrometallurgical processing routes, the following observations have been made:

- The contained grade of TiO₂ above 15% makes it difficult to sell to conventional Chinese steel mills which appear to have an upper limit of approximately 2% TiO₂. Specialised steel mills in China do accept higher grade TiO₂ content in cases up to approximately 8% TiO₂ content. In summary, there will be marketable challenges in selling concentrates to China due to the high TiO₂. This will potentially limit the ore FOY can sell to each mill, resulting in a large customer base and increased marketing costs.
- Mineralogy test work to date strongly indicates there is little potential to produce a titanomagnetite iron sands concentrate with ≥57% Fe and ≤8% TiO₂, as produced by New Zealand Steel (NZS) and therefore the Amazon Bay resource is judged more suited to a titanium slag production with pig iron by-product than for a pig iron and vanadium slag production. However, existing western titanium slag producers have dedicated ore resources

around which their operations have been developed. Moreover, a $\geq 35\%$ TiO_2 content is required.

- An early study prepared by Promet Engineers in 2007, titled “Vanadiferous Magnetite -Ilmenite Sands”, recommended that the best prospect for proceeding with developing Amazon Bay was to produce a high grade magnetite ilmenite concentrate (ideally $>35\%$ TiO_2) and smelt to produce a titanium slag and pig iron. They suggested the FASTMELT iron making process to be the most suitable and most economic process for either pig iron or titanium slag production, subject to locating the facility close to a substantive electrical supply grid.

Amazon Bay titanomagnetite would be attractive to iron ore consumers for its high Vanadium content and anecdotally, these types of magnetites have been bought in the past by Chinese mills simply for their Vanadium. Traditional iron ore blast furnaces are in general technically limited in the amount of titanium they can handle. Producers using conventional blast furnaces state that they can only use feedstock's containing a maximum of 6% TiO_2 . Generally consumers only add about 5-8% by weight of iron sands into their blast furnaces to supplement hematites or hard rock magnetites.

Iron ore feedstock's with greater than 6% titanium affect conventional blast furnace operation and restrict capacity, thus Amazon Bay material would generally only be sold into the traditional furnace market as a supplement. Some Chinese iron producers such as Chengde have developed their blast furnaces and fluxes to accept ores with up to 12% TiO_2 however these would be the exception not the rule. Alternative consumers are those that have direct reduction/smelting/melting processes which could utilise a feedstock comprised predominantly of titanomagnetite iron sands.

A Direct Reduced Iron “DRI” material can be fed either directly to a basic oxygen furnace or electric furnace to complete the reduction to pig iron. There are a number of reliable DRI technologies available in the market able to treat high titanium magnetites however the critical portion of the pig iron production process with respect to high titanium feedstock's is the smelting or melting stage.

The treatability of Amazon Bay material by Direct Reduction should not be an issue and the titanium content plays no part in the reduction reactions involved. The reduction process would upgrade the magnetite feed from 52% Fe to nominally 70% Fe. After reduction the melting of the DRI can be achieved solely using electrical energy to generate heat or can be achieved using gaseous/solid reductants with oxygen to supply the heat source. Those DRI plus smelting processes involving oxygen and combustion in the smelting process will reportedly struggle because of viscosity issues caused by the elevated titanium content typical of iron sands. A reduction process using electric arc smelting, whether it be AC or DC avoids the high titanium chemistry issues associated with the burning of fuels and would be able to treat Amazon Bay material.

Those processes most likely suitable for Amazon Bay have been summarised below and all use electric based heating in the final pig iron production step and use no combusting fuels for heat generation.

- Midrex Direct Reduction Shaft Furnace plus EAF
- Midrex Fastmelt plus EAF
- Outotec Fluid Bed reactor (Circofer or Circored) plus EAF

Electric smelting lends itself to locations where mains electrical power is cheap, where cheap electrical power can be generated close by using coal or gas if an efficient co-generation system can be incorporated into the reduction and smelting circuit. A number of other proprietary processes exist that combine DRI with an electric furnace that also utilises the combustion of recycled gases, coals and other fuels and these reportedly produce increased viscosity and tapping issues with the slag.

There should not be a limit to the titanium content of the iron sands that can be treated if the process used is DRI+electric melting however the capability of each of these technologies to treat Amazon Bay material can only be determined by physical test work.

It is noted that Ilmenite slag plants have been operating using DRI/Electric Arc Furnace technology for 60 years and operate using material with 35-55% Titanium and 20% Fe. These plants produce a saleable pig iron as the by-product.

Hydrometallurgical Route

The alternative option are hydrometallurgical routes for extraction of vanadium, titanium and iron units from the Amazon Bay heavy mineral concentrates by utilising technology similar to those currently under research and development referred to as the TIVAN process or Process Research Orectech (PRO).

The process generally comprises acid or chloride leaching, solvent extractions and precipitation and has the ability to recover all three key commodities in the concentrates being TiO_2 , V_2O_5 and Fe_2O_3 in the form

of titanium dioxide, vanadium pentoxide and iron oxide.

While there are no current operating process plants using the technology, the individual components of the process flow sheet have been utilised on a production scale around the world for decades and TIVAN claim that the inherent risk of employing these unit operations together to produce a vanadium pentoxide flake is low.

Similar technology is also being considered and developed by Speewah Metals for their Speewah titanium/vanadium/hematite resource located in the Kimberley region of Western Australia. The technology is referred to as Process Research Orectech (PRO).

MARKETING SUMMARY

Mineral processing test work conducted by FOY appears to have followed a logical progression of analysis and investigated magnetic, grinding, electrostatic and flotation methods. Flow sheets and the processing method selected from that test work is used as the basis for subsequent plant design, capital/operating cost estimates.

The last round of test work completed by IMO used a combination of multiple wet magnet stages and grinding to -75 microns to treat a heavy mineral concentrate that produced a magnetite with a grade of 52.3% Fe.

The quality of that concentrate is shown against various other potential iron sands projects. The mass yield of the Amazon Bay concentrate was estimated at 10.1 % from ore. The concentrate has low Alumina content but also a uniquely high Vanadium grade at 1.2% which should increase the titanomagnetites attractiveness to potential buyers.

Project location	% Mass yield From ore to Concentrate	%Fe	% SiO2	%Al2O3	%TiO2	V2O5
Amazon Bay	10.1	52.3	3.5	1.8	17.3	1.19
New Zealand	-	57	3.8	3.6	7.8	0.5
Java	14	55	5.4	3.9	8.3	0.5
Chili	-	57	2.5	2.1	10.2	0.5
Ecuador	-	52	0.9	0.8	25.4	0.5
Fiji	6.25	58	1.50	5.20	6.50	0.65
Peru	-	63	5	1.5	3.7	0.4

In summary, pyrometallurgical processing of the Amazon Bay concentrates would require additional downstream processing at the mine site comprising fine grinding, magnetic and electrostatic separation and possible flotation to produce a high Fe-TiO₂ grade concentrate, which would have constrained application in existing Chinese mills and/or would require the development of a dedicated high capital, energy intensive iron making process.

FOY could develop a hydrometallurgical facility in Darwin or in the Asian region. FOY could produce a gravity and magnetic concentrate at Amazon Bay, which would be loaded onto vessels and transported to Darwin or the Asian region for downstream processing at the hydrometallurgical facility to produce vanadium pentoxide, titanium dioxide and iron oxide concentrates.

Using the test work methods that produced the 52.3% Fe product an alternative production flow sheet has been proposed based on the direct treatment of dredged ore by magnetic separation, followed by grinding and additional multiple stages of magnetic separation on the -75um mill product. The alternative flow sheet does not require the production of a heavy mineral concentrate. The flow sheet is based on a mining rate of 15Mtpa, production of 1.5Mtpa of concentrate and assumes a mass yield from ore to final product of 10%.

The New Zealand Iron & Steel project provides the development model for many iron sands projects and historically a concentrate under 58% Fe was seen as unsellable. In the iron market economy driven by Chinese demand the iron grade threshold for sale has fallen and 50-55% Fe iron sands are being sold into China on a regular basis from Indonesia.

Published data from the Tex report between 2004 and 2009 showed that New Zealand Iron & Steel

discounted their iron sands concentrates by an average of 37% compared to the Pilbara Benchmark 62% Fines price. Trans Tasman Resources suggest a discount for titanomagnetites of 15% and the true figure may lie in-between at about 20%. The price discount for the Amazon Bay concentrate will need to be established.

Other salient points are:

- Considerable additional mineral processing works will need to be undertaken to confirm the proposed production flow sheet.
- The resource has a Vanadium content that is at least twice that of other iron sands projects and provides a valuable credit if the iron sands are sold to suitable Chinese steel mills
- The larger proportion of iron sands resources require some form of grinding to liberate gangue particles and increase the Fe grade. Amazon Bay test work should focus on this aspect to determine if a realistic grind size can yield a market acceptable product before pursuing non-traditional processing routes. Particle size will have a significant effect on stockpile drainage and transport.
- The CSIRO carried out preliminary investigations of smelting which showed a TiO₂ slag content of only 35%. This is probably under the grade that would interest pigment slag consumers. The test work should be repeated using a group such as Outotec and if successful then the economics of that route used as a marketing tool

VALUATION OF AMAZON BAY PROJECT

VALUATION METHODOLOGY

The range of values which can be estimated for the mineral interests are based on current market prices for equivalent properties, the geological potential of the properties taking into account the possibility of outlining potential resources, and the probability of present value being derived from recognised areas of mineralisation and production. The valuation also takes account of previous and planned expenditure and commitments, and the expenditures and investment made by other parties to earn, acquire or retain their interests. The range of value estimated for each project allows for the sensitivity of the project values to expected variations in commodity prices and exchange rates, and for the changes in property market value with changing investment expectations, and valuations estimated for acquisition and listing for similar projects in the same geological environment.

Where production is in progress or planned based on quantified reserves and resources, financial analyses derive the net present value for the projects. The valuation of exploration tenements, particularly those without any quantifiable resource, is highly subjective but a number of value indicator methods have been developed and are outlined below. To determine a fair market value for the mineral exploration interests under review, various methods are normally considered including Appraised Value Method, Comparable Transaction Method, Farm-In Commitment Method, and In-situ Mineral Valuation.

Appraised Value Method

The Appraised Value Method is considered one of the methods most applicable to appraising the value of exploration properties, which have neither viable ore reserves nor any commercial production possibilities on which to establish a value. Accordingly, the real value of an exploration property is its potential for the existence of an economically viable ore body. An objective way to value a property's exploration potential is to equate it to the cost of exploration work that is warranted to assess that potential.

Appraising an exploration property with this method assumes that a direct relationship exists between the amount of exploration work performed on the property and the value of that property and that an exploration programme will either enhance or diminish the value of the property.

Past and future expenditures on a property of merit will produce a current dollar value for that property that is at least equal to the total amount expended. Any expenditure considered as contributing to the value of the property are those, which are judged to be relevant, prudent, and which were incurred in accordance with normally accepted industry practices.

Evaluating the results of an exploration programme and their relevance to the appraisal process involves assessing such parameters as, the geological environment of the property and its exploration potential, the exploration procedures utilised and their applicability to the style of mineralisation being sought or expected, the overall scope of the work performed or planned, the effectiveness of the work conducted, and the depth and experience of the management team involved in area selection and exploration programme planning and implementation.

As a result of this evaluation process, the valuer must decide as to what degree the exploration efforts have enhanced or diminished the value of the property. Only those expenditures deemed relevant to the overall value of the property are retained and used in the valuation process. In cases where inconclusive results are obtained, a subjective judgement may be made by the appraiser either on the basis of his own experience or in consultation with other technical experts. It is important to consider the intention of the owners regarding their exploration plans for the property and in this regard any funds committed to exploration work in the future budget period must be taken into account when arriving at an appraised value.

The expenditure on a project considered to be effective in terms of advancing the prospectivity of the areas is used, in conjunction with a subjective prospectivity enhancement multiplier, to derive a value of the project, which takes into account the valuer's judgment of prospectivity and the value of the database. Future planned committed expenditure is also considered as a measure of the estimated investment value of the property, to which a future exploration multiplier can be applied. In this review, we take into account expenditure of previous explorers and their joint venture partners and also past and current expenditure on the Project.

Comparable Transaction Method

One of the better methods in determining property value is by conducting a comparable transaction analysis with other recent transactions on equivalent properties, preferably within similar geographic and geological environments, with the same exploration potential and style of mineralisation, and at the same stage of development. Such a transaction should be between parties dealing at arm's length. The date of the comparable transactions should be as close as possible to the property's valuation date as the time-related factors can affect the value. These transactions can be through a direct cash payment, a farm-in or option agreement or a combination of the above. Similar transactions can be compared and expressed in a number of ways, for instance, dollars per unit area, price paid per unit of mineral commodity in the ground, or on expenditure commitments.

Comparison of recent transactions of equivalent properties provides one of the better yardsticks to measure the value of the property because it relates the price to that which an informed investor would be willing to pay to obtain a similar property. In those cases where the transactions were not directly comparable, either a premium or a discount to the value is made as deemed appropriate.

Farm-In Commitment Analysis

An exploration property may have significant untested geological potential requiring a large exploration expenditure that the owner of the property cannot meet and as such will seek a joint venture partner to help with the exploration financing. It also may happen that an initial low budget exploration programme results in a significant discovery that requires the owner to seek a joint venture partner that can provide the financing necessary to develop it fully. In cases such as these, the Appraised Value Method tends to undervalue the property because of the low level of past exploration expenditures relative to the overall potential of the property.

A more appropriate approach in these instances is to consider the terms of an arm's length transaction for a farm-in option or agreement by a third party to earn an equity interest in the property. Such agreements can be used to calculate a value for the property. The terms of these agreements usually consist of a series of optional expenditure commitments over a number of years. The farm-in participants usually earn an equity interest in the project by paying all of the exploration expenditures during the earn-in period. Normally all expenditure commitments must be met in order to earn the equity. However, such farm-in commitments are not absolutely binding as usually there are rights to withdraw or in some cases there may be staged expenditure requirements earning an escalating equity interest.

A review of the terms of the agreement, as well as the geological potential of the property must be made in order to determine the value of a farm-in commitment and to assess the probabilities that some or all of the expenditure commitments will be met, particularly in a staged earn-in situation. In these cases a discount factor reflecting the estimated probabilities can be applied to the expenditure commitments.

In-situ Mineral Valuation

This method consists of valuing the commodity content of a tenement before it is mined. It is subjective, and therefore it is important that the valuation is based on considerable experience. The current market price of the commodity is discounted for factors such as mining losses, complexity of mineralogy, mining conditions, political risk, regional infrastructure support, etc.

OTHER VALUATION CRITERIA

For the valuation of the FOY mineral interests, the following factors are considered:

- Tenements are granted or close to grant. The minimum commitment expenditures and working conditions are subject to the terms of title.
- Prospectivity and development progress on the FOY projects as have been summarized in this report.

- Estimates of previous attributable expenditure on the tenement areas, based on the accumulated information available from past exploration programmes and proposed future expenditure, are considered, as well as the terms of farm-in agreements entered into with joint venture partners.
- Equivalent farm-in expenditures are discounted for the normal time periods of expenditure.
- Comparable project expenditure are assessed in the light of the equivalence to the project under review.
- The grouping of tenements and contiguous tenure over the FOY-Titan Metal project area provides additional advantage for a substantial exploration and development programme.
- The sensitivity of the valuation, particularly relating to the risk factors listed below, is allowed for by estimating a range of valuation for each sector of the project.
- A long-term exchange rate of US\$0.80 to the Australian dollars is projected.

ESTIMATION RISKS

Estimation risks are to be taken into account in assessing mineral projects, the principal risks being summarised as follows:

Mining and Exploration Risks

The successful exploitation of mineral exploration resources and the design and construction of efficient mining facilities has inherent risks which can be hampered by force majeure circumstances, cost overruns, inconsistent grades and other unforeseen events. The technical risks attached to resource project development and production is unknown until economic resources are outlined.

General Economic Conditions

Production from mineral resources is subject to international market conditions, exchange rates and normal cost inflation. These matters would be considered if economic resources are outlined.

Environmental Impact Constraints

Exploration and development of any resources will be dependent on the projects meeting environmental guidelines. Development permits are to be approved subject to compliance with the environmental management programme.

Indigenous Title and Heritage Site

The effect of various legislation is that mining tenement and exploration permit applications and any existing mining tenements or exploration permit renewal application may be affected by indigenous title negotiation processes. There are no such title issues recorded for the FOY projects.

Land Access

A mining company may be required to seek consent of landholders to obtain access to resources and for exploration. Legislation could restrict access to tenements. Some restrictions are foreseen at this stage, allowing for the fact that the Company plans to acquire all agricultural areas affected by the operations.

VALUATION ESTIMATES

Although significant exploration and technical investigations have been carried out on the Amazon Bay heavy mineral sands mineralisation targets over a number of exploration phases and in the recent period, engineering and economic programmes, a resource statement has not been declared to JORC standards for the Project. At this stage a substantial technical and economic data base has been established and preliminary financial analysis have been carried out on conceptual basis which are considered suitable for consideration in establishments of a comparative valuation range. Of equal importance, a range of values of comparative projects have also been included to aid in the establishment of the possible market valuation range for the Amazon Bay Project, with the comparative possible estimation criteria allowed for. These projects are of similar size and mineralisation, but are following different development routes and are at various stages of development. For use in the valuation of the FOY-TML project, the following valuation criteria have been summarised from the recorded data bases relating to the Project and for acquisition agreements and for a range of valuations for projects which are similar to the Amazon Bay project.

APPRAISED EXPENDITURE

An analysis of previous expenditure on the FOY-TML project areas has been carried out to indicate an attributable value of the current data base and established facilities which would support proposed exploration and development programmes. The summary of the recorded expenditure is estimated where possible for the project area, with an estimate of its current value.

It is estimated that FOY-TML and previous explorers had spent in excess of A\$5 million exploring and investigating the Amazon Project since 1970, with over \$3.5 million having been spent by FOY to date. In addition, the exploration commitment relating to the granted FOY-TML mineral tenements during their current two year term total about \$3 million per year and \$130,000 per year for licence application.

FOY has reported that the actual expenditure on the current two year term is significantly less than the

expenditure commitment due to delays experienced with the grant of relevant environmental and subsequent drilling permits. As a result of these delays, it is expected that the comprehensive drilling program planned to define the JORC resource in the current licence period will be deferred into the next exploration licence period. FOY has confirmed that the Minerals Resource Authority are aware of the delays and the Company expects to lodge amendments to the work programme in due course.

COMPARABLE VALUE

In New Zealand, **Blue Scope Steel** has coastal sand deposits comprising titanomagnetite, which are somewhat similar to FOY project in the close association of titanium and magnetite. Resources at Waikato North Head total more than 1 billion t averaging 20% iron, with proven reserves of 70 million t grading 33.8% titanomagnetite. This would provide 19 million t of concentrate containing 59% iron. Sand is extracted by bucket wheel excavators and conveyed to gravity circuits and magnetic separators, which provide titanomagnetite concentrates, which is then pumped 18 km as a slurry to Glenbrook mill for processing to steel products by BlueScope Limited. Resources at Taharoa total 625 million t averaging 30% titanomagnetite, with proven reserves of around 10 million t grading 55% titanomagnetite. This would yield about 5 million t of concentrate containing 57.5% iron and 8% titanium dioxide. Taharoa titanomagnetite has been exported directly to the Asian market and reported NZ\$53 million revenue for the year to 30 June 2008. An acquisition offer of NZ\$258 million for the Taharoa iron sands operation was made in 2008, but was withdrawn due to refusal of consent by the Overseas Investment Commission.

A number of transaction valuations and economic assessments of mineral sand projects have been recorded in recent years that provide a market based assessment of heavy mineral projects. These are not directly comparable to the FOY deposition and mineralisation, but are an indication of industry values.

- Valuation of **RGC's Murray Basin assets**
 - Resources: 3.0% HM cut-off 32.2 million t at 18.2% HM including 30% ilmenite, 17.5% rutile, 9.6% zircon and 42.5% other
 - Valuation: \$45 million to \$65 million.
 - Unit value: \$1.69/t resource and \$9.3/t HM.
- Acquisition of **RZM Project interests**
 - Resources: 135.2 million t at 3.2% HM including 44.6% ilmenite, 11.3% rutile, 11.3% zircon, 0.8% leucoxene of which Inferred Resource was 115 million t.
 - Valuation: \$30 million.
 - Unit value: \$0.22/t resource and \$6.93/t HM.
- The **Toliara Mineral Sound Project** at feasibility study stage located in Madagascar is held by World Titanium Resources. (WTR). Reported ore resources are 160 million t at 8.2% HM with an estimated mine life to produce 400,000 ilmenite and 40,000 tpa zircon rutile concentrate from 8 million tpa ore. WTR is currently under acquisition offer which values the company at \$14.5 million and the mineral sand resources at \$0.09/t. This offer apparently will be rejected.

Independent valuations were completed in 2005 and 2010 by TWA of two ironsands mineral deposits located in **inland placer sands and beach sand in Chile**. The deposits contained confirmed resources of 3 billion t with approximately 10% heavy magnetic minerals. Processing test work confirmed possible product grade of 56% Fe, 10% TiO_2 and 0.4% V_2O_5 . A valuation range of \$15 million to \$16 million has been estimated at an early stage of assessment.

Indo Mines Limited, has earned an interest in the **Kulon Progo iron sands** deposit at Yogyakarta, Indonesia by the expenditure of \$4 million and the issue of shares based on the confirmation of a global resource estimate of 600 million t at 10.8% Fe, containing 273 million t at 14.2% Fe of measured, indicated and inferred resources. Scoping and feasibility study activity increased the Indo Mines interest to 70% and cost an additional \$18 million, and outlined mineral resources of 160 million t at 14.2% Fe, which are currently valued at \$0.15/t

Amex Resources Limited's Mba Delta Ironsand Magnetite Project covers more than 132 sq. km at the mouth of Ba River, on the northwest coast of Fiji's main island Viti Levu. The resource occurs as a flat lying blanket of fine to coarse magnetite-bearing sand approximately 15 km long by up to 4 km wide. It is developed from surface to depths of up to 9.4m, and averages 4.3m in thickness. The Mba Delta hosts a significant deposit of ironsand, over which Amex is currently completing Bankable Feasibility Studies. The iron mineralisation at Mba is contained within a 'vanadiferous titano-magnetite'. An Indicated Resource of 220 million t at 10.9% Fe is estimated. A valuation of the Mba Delta project by PCF Securities [April 2012] for Amex estimated a DCF value of \$220 million, based on production of

750,000 tpa of concentrate at 58% Fe. Recent market value of Amex indicates a value range of \$0.3 to \$0.5 / t resource for the MBA Project.

Other vanadium and iron ore projects with a range of iron-titanium content of similar size and grade as the Amazon Bay resources are hard rock projects at feasibility study to predevelopment stages which indicate the following order of current financial values.

TNG Limited Mount Peake Vanadium Project (Northern Territory) is at feasibility study stage, with reported production resources of 160 million t at 0.3% V₂O₅, 5.3% TiO₂ and 23%Fe and current market which indicates resource value range of \$0.3 to 0.5 / t. TNG estimated NPV is quoted at \$2.65 billion (March 2013).

Windimurra Vanadium, (Western Australia) held by Atlantic Limited which has suspended production following fire in the beneficiation plant. Reconstruction involves a vanadium plant design and flow sheet to target production of ferro vanadium. With 5000tpa of contained vanadium, ore resources of 127 million t at 0.47 % V₂O₅ are reported. Current market value is from \$23 to \$39 million which indicates resource value of \$0.18 to \$0.3/t resources.

Balla Mine (Western Australia) held by Rutila Resources, has 318 million t of ore resources reported at 46%Fe, 0.64% V₂O₅ and 13.7% TiO₂ Current market value is \$12 to \$19 million which relates to a revenue value of \$0.04 to 0.06 / t resources.

Speewah Project (Western Australia), held by King River Copper has a large vanadium titanium magnetite resource quoted as 4700 million t at 14.7%Fe, 0.30\$ V₂O₅ and 2% Ti. Current market capital is estimated at \$5 to 6 million.

Gabanintha Project (Western Australia) held by Yellow Rock Resources has a higher grade vanadium titanium magnetic resource with indicate and inferred resources of 126 million t at 0.7% V₂O₅, 32.3% Fe and 8.6% TiO₂ to 100m depth. Current market value is \$7.6 million with project valuation estimates of \$46 to \$76 million.

Taking these and other projects into consideration the most comparable in terms of grade and quality are considered below:

	<u>Amazon Bay (Foyson Resources)</u>	<u>MBA Delta (Amex Resources)</u>	<u>Sigatoka (Dome Gold Mines)</u>
Stage:	Exploration	Development	Pre feasibility conducted
Location	PNG	Fiji	Fiji
JORC resources	N/A	220MT @10.9% Fe (Indicated)	JORC (131.6MT)B (Indicated and Inferred)
Fe (Iron)	51.00%	58.50%	58.00%
V ₂ O ₅ (Vanadium)	0.65%	0.60%	0.40%
TiO ₂ (Titanium)	13.00%	6.50%	6.60%
SiO ₂ (Silicon)	5.00%	1.50%	4.50%
Al ₂ O ₃ (Aluminium Oxide)	5.00%	5.20%	3.70%
CaO (Calcium Oxide)	1.00%	0.37%	
Other projects	No	Yes	Yes
Market Capitalisation	\$3m	\$56m	\$41m
NPV *	Indicative \$22.5m	\$455m**	\$282m**
Ratio Market Cap to NPV	Mid Range 7.50	8.13	6.88
* Based on latest feasibility study for each entity			
** Based on USD to AUD Rate Conversion of 0.85			

FARM-IN COMMITMENT ANALYSIS

In July 2012, FOY entered into strategic discussions with TVI. As a result of these discussions, TVI became a substantial shareholder in FOY and a number of joint venture agreements were entered into between FOY and TVI to progress the PNG tenements including those at Amazon Bay.

The joint venture agreement at Amazon Bay, required TVI to spend A\$2million prior to 31 December 2013, in order to earn a 10% interest in the Project. Further, TVI had the right but not the obligation to spend a further A\$5.5million, prior to 31 December 2014, to earn a further 20% interest in the Project.

The joint venture agreement if TVI proceeded with both phases implied a value of A\$47.5 million for the Amazon Bay project.

FOY announced in February 2014 that TVI had spent the required A\$2million to earn a 10% interest in the project. On 26 July 2014, TVI notified FOY that decided not to proceed with the additional investment of A\$5.5 million to earn a further 20% interest in the project on the basis it preferred direct investment into

Taking this into consideration, the fact that TVI spent the required \$2 million to earn their 10% interest, and discounting for the poor commodity prices, an indicative value range for Amazon Bay between \$12 and \$18 million would be supported.

ECONOMIC STUDIES

Because they are near surface and unconsolidated, minerals sands deposits can be mined by wet or dry excavation methods. Dredging is the most commonly used wet mining method in current practice in the Industry. The sand is pumped to the wet concentrator where primary processing of the sands occurs. In the wet concentrator the heavy mineral fraction is recovered by screening and gravity separation. Typically concentrates with between 75% and 99% heavy minerals are produced and the quartz, clay and 'trash' components are rejected and returned to the mined out pond.

This concentrate is then sent to the dry plant which upgrades the mineral components using various combinations of magnetic and electrostatic techniques. The dry plant will produce separate concentrates of the individual mineral components of the orebody and products and quantities will vary mainly dependent upon the original mineralogical proportions of the individual orebody and wet and dry plant efficiencies in recovery of individual mineral components. Production from the dry plant can also vary in grade depending upon market requirements.

The infrastructure support for the project should include transportation access, power supply, development facilities, operations support facilities including workshops, handling, ship loading, and personnel accommodation. All the mined out land would be rehabilitated. As the proposed mining methods would use hydraulic mining there would not be any chemical contamination or environmental impacts that could prevent a positive environmental qualification of the projects.

FOY engaged **Mineral Technologies of Downer EDi Mining**, to undertake a Scoping Study [April 2010] for the proposed Amazon Bay titanomagnetite project based on the mineralisation exploration target to an accuracy of $\pm 50\%$. The project included new ironsand dredges, floating concentrator plant, beneficiation plant, and product storage and shipping facilities. The design product delivery rate was 2.5 million tpa.

The scoping study identified that the capital cost of the Amazon Bay Project Concentrate Production was likely to be in the range of \$300 million to \$600 million with a most likely cost in the region of \$415 million.

The capital cost of the milling and flotation circuit if they are required is in the order of \$35 million. The cost of the electrostatic circuit is approximately \$8 million. The cost versus benefit of these processes would be considered in future studies.

The annual operating cost of the concentrate production project was estimated to be in the range of \$50 million to \$115 million with the most likely operating cost to be in the region of \$77 million per annum. Approximately half of the annual operating costs are diesel fuel costs. If upgrading processes are considered, the reagents required for floatation cost in the order of \$12 million per annum. Consideration would be given to optimising these processes.

For the hydrometallurgical processing option, FOY engaged **MSP Resource Development Consultants [MSP]** to prepare an Executive Desktop Study [June 2012]. It was proposed to export the concentrates to a dedicated hydrometallurgical plant located in the Asian region. The plant would employ components of various flow sheets currently under development, which incorporates the following process stages:

- Atmospheric Leaching
- Counter Current Decantation
- Solvent Extraction
- Vanadium Pentoxide Flaking
- Acid Regeneration
- Iron Precipitation
- TiO₂ Production.

The concept of processing vanadiferous titanomagnetite ore via a hydrometallurgical route is considered new and innovative and, to date, whilst there is no process plant currently in operation, several parties claim that the process technologies incorporated in the flow sheet have been utilised previously internationally and the inherent risk of employing these unit operations together to produce a vanadium pentoxide flake is low.

MSP developed a high-level Base Case for establishing the project and developed capital and operating costs to an order of magnitude of $\pm 50\%$. These costs were incorporated in a financial model to assess the overall commercial viability of the project.

The key parameters for the model were based on a hydrometallurgical plant located in the Asian region.

In addition to the capital cost of the Amazon Bay mining and processing facilities and infrastructure outlined above, capital estimates for the hydrometallurgical plant are considered at a low level accuracy to be:

	\$ million
Port Facility	20
Infrastructure	40
Hydrometallurgical Plant	500

Design parameters for the hydrometallurgical plant were estimated to be:

Plant Project Rate	tpa	450
Concentrate Feed	mtpa	3,226
Concentrate Grade		
TiO ₂	%	18.5
V ₂ O ₅	%	0.80
Fe	%	44.6
Plant Recovery		
Titanium Dioxide	%	91.1
Vanadium Pentoxide	%	94.6
Iron [Fe]	%	97.0
Product Quality		
TiO ₂	+%	67.0
V ₂ O ₅	+%	80.0
Fe	+%	66.0
Product Output		
Titanium Dioxide Concentrate	ktpa	811
Vanadium Pentoxide Concentrate	ktpa	30.5
Iron Concentrate	mtpa	2.12

The overall concentrating and hydrometallurgical processing operating costs were based on available data contained in the public domain and factored accordingly for the Desktop Study concepts developed by **MSP** indicated the following total operating costs

	\$/t Feed	\$/t HMC	\$/t
Total Operating Costs [\$/t]	20.9	168.6	183.56

FINANCIAL ANALYSIS

A conceptual financial analysis was carried out for comparative purposes applicable to the Amazon Bay project based on the scoping studies carried out by **Downer EDI Mining** in April 2010 but was not completed to indicative cash flow analysis standards because the heavy mineral content was not estimated to ore reserve standards and the assessments of economic mineral products, separation processes and marketability were at a preliminary stage.

Initial investigations suggested the following preliminary financial estimation bases for a concentrate only production operation;

Production rate:	25 million tpa sand 2.5 million tpa HM magnetic concentration 52% Fe, 17% TiO ₂ and 1.0% V ₂ O
Costs:	Operating \$31/t product Administration \$5/t product
Capital Expenditure:	\$415 million

The cost and revenue estimates were based on recent sand mining project developments, modified to provide for the simpler magnetite-ilmenite production scenario.

A conceptual financial value range of \$35 million to \$80 million was suggested for the project, at its early

stage of development, which allowed for the unconfirmed resource status of the database, and the $\pm 50\%$ accuracy of the cost estimates, over a project life of 10 to 20 years, using high discount rates and conservative sensitivity analysis.

The **MSP Desktop Study** progressed this analysis further to provide for the processing of the concentrate in a hydrometallurgical facility with the recovery and production of high grade titanium vanadium and iron oxide products.

This study indicates additional capital expenditure of \$560 million, total operating costs of \$183/t products and revenue of \$280/t of products. A substantial conceptual positive net cash flow is estimated over the life of the project. Allowing high discount rates and conservative sensitivity factors, the provision of $+50\%$ estimation accuracy, the lack of confirmed resources and the early stage of technical and economic investigations, the conceptual value range of the Amazon Bay project with the processing of high grade products can be projected to increase to \$70 million to \$100 million.

Engenium Pty Ltd was engaged to complete a Prefeasibility Scoping Study in August 2013 related to the production of ironsands concentrates.

This study is summarized as follows:-

Production: Mineral sand 15mtpa
Product 1.56mtpa

The process flow sheet would comprise of:

- dredging slurry to be pumped to a floating concentrator plant to be processed;
- initial trommel and trash screening;
- primary wet low intensity magnetic separation (LIMS) cleaned by spirals to remove non-magnetic and lower density gangue material;
- grinding to liberate magnetite from gangue in composite particles;
- secondary and cleaner wet LIMS stages;
- final product dewatering; and
- storage of concentrate for load out.

Two logistics options to transport primary concentrate from the floating concentrator to the land based facility were considered for the Project:

- initial operation pumping primary concentrate from floating concentrator located within a 3km radius of the land based processing site (base case), and;
- subsequent operation utilising barges to transport the floating concentrator primary concentrate to the port processing site.

Due to the shallow depth of water close to the shore, conventional ship loading was not considered. Options which were instead considered for ship loading included transshipment via:

- barge to non-geared Handymax vessel with floating cranes (base case),
- barge to geared Supramax, and
- slurry pipeline to a single buoy mooring point.

The infrastructure required for the Project at the port and processing facilities were considered and would include an administration area, store and workshop, laboratory, power supply and distribution, fuel farm, camp, wastewater treatment, fire suppression, marine fleet and mobile equipment.

The capital cost estimate encompassed development capital costs to be expended from the commencement of the Project execution phase through to completion of the facilities commissioning and commencement of operations.

Summary of Engenium Prefeasibility Scoping Study amended conceptual financial model:

The following assumptions have been derived from the Engenium prefeasibility study:

- Base case ore mining rate of 15 Mt per annum, producing 1.56 Mt of ironsands per annum.
- Stripping Ratio 0:1.
- Project life of 25 years.
- Mass recovery of 10.4%.
- Concentrate is saleable at 52% iron content, 17.3% TiO₂ and 1.2% V₂O₅.
- Iron ore fines (62% Fe) price of US \$70-\$80/t CFR China over life of mine.
- Discounting of 40% on iron ore price for titanium content.
- Vanadium credits of US \$20/t concentrate product. Exchange rate of 0.85 USD/AUD over life of mine
- PNG royalty of 2%
- 100% of the estimated contingency expended.
- No allowance has been made for plant relocation or transport barge logistics capital expenditure.
- Financed case for 1.56 Mtpa product assuming 70% of capital at 10% interest per annum.

Assuming that 50% of the 3 km radius around the processing plant can be dredged at an average resource depth of 10 m, it was projected that the 25 year production life could be achieved utilising the base case logistics infrastructure and with no requirement for additional logistics or relocation capital expenditure.

It is expected that the shipping cost would be in the range of \$15/t. The price assumption is based on spot iron ore pricing for 62% Fe fines CPR China. The vanadium credit and titanium discount assumption were based on information from similar studies.

Commodity projections have been significantly reduced by the major trading banks indicating a possible average iron price of US \$55-60 / t for 2015-16 due to oversupply conditions but with eventual rise and stability thereafter.

The effect of currency depreciation is balancing these possible adjustments. Vanadium pentoxide price has remained in a US \$5 to \$6 per kg price range after higher prices up to US \$70 / kg in 2004-2005. It is expected that prices will commence to firm as world production is eclipsed by consumption.

The Key Conceptual Projections from the Engenium Pre-feasibility Scoping Study are:

- estimated direct capital costs of \$116.9M for the 1.56 Mtpa case (accuracy of 35%)
- estimated operating costs of \$26.41/t product for the 1.56 Mtpa case (accuracy of 35%)
- adjusted results of financial modelling for the study showed that a NPV of \$190 million could be achieved for the Conceptual Project base case on the basis of mining recovery 50% of the mineralisation target
- in terms of capital and operating cost estimates, the most viable option suggested is to be the case of 1.56 Mtpa with initial operation pumping concentrate within a 3 km radius of the land based processing site, and transshipment with barge to a geared Supramax carrier.

The key conceptual projections and assumptions from the Engenium Study have been reviewed taking into consideration the following project, economic and market factors:

- FOY management have estimated additional exploration costs of \$5m to \$8m in order to define the resource to JORC standard.
- FOY management have considered the fall in iron ore prices and consider that Iron ore fines (62% Fe) price of US \$60 CFR China over life of mine is a more appropriate current benchmark.
- FOY management have considered the historical Vanadium price and consider Vanadium credits of US \$25/t concentrate product to be a more appropriate benchmark.
- FOY management have considered that an exchange rate of 0.80 USD/AUD over life of mine is reflective of the current market and forecast position.
- FOY management have confirmed that the PNG Royalty rate should be increased to include the additional 0.5% royalty payable to the vendors of TML as part of the contractual agreement to purchase 100% of TML executed in March 2015.

Further, taking into consideration the current market outlook, the fact that the project is still at an exploration stage and providing for the unconfirmed nature of the mineralisation and data base, it is considered reasonable to apply a high discount rate of 25% to the valuation.

Taking into account the above conceptual projections and assumption, allowing for the 25% discount rate and estimated accuracy range, a value range of the **Engenium Study** proposals is suggested to be between \$10 million to \$22 million. In this case a value of \$14 million is considered a reasonable estimation.

SUMMARY VALUATION OF AMAZON BAY PROJECT

Based on the parameters outlined for appraised Amazon Bay expenditure, the value of comparative projects and the conceptual financial analysis, the following value ranges are considered for the Amazon Bay Project.

An appraised and farm-in commitment value range of \$12 million to \$18 million is suggested based on actual and planned Amazon Bay project investment as an upgrade providing for an enhancement factor of 1.2.

Comparative project valuations for vanadium, titanium magnetite projects of similar grade and size, but with various technical backgrounds and state of development have been summarized above. Allowing for the technical and economic issues a comparative value range of \$10 million to \$40 million is possible.

The conceptual valuation ranges from \$10 million to \$22 million as outlined in the above analyses estimates.

In summary the considered ranges of project valuations is as follows:

- **Low: \$10 million** based on the lower ranges of the comparative, attributable investment and appraised values and conceptual financial analysis.
- **High: \$22 million** based on the upper range of the conceptual project financial estimates and the middle range of comparative values of similar projects.
- **Most likely: \$16 million** as the middle of the valuation ranges.

QUALIFICATIONS

Terence Willsteed & Associates is a Mining Engineering Consultancy, which has had considerable experience in the valuation of mining interests and investments, and in advising both prospective purchasers and sellers of such interests and investments. The persons responsible for this report is:

T V Willsteed

BE[Min]Hons, BA, FAusIMM, MSME, MAICD
Consulting Mining Engineer

Mr Willsteed is the Principal of Terence Willsteed & Associates. He has had extensive experience in the mining industry over 50 years, the last 40 years of which have been as a consultant to the industry. He holds a First Class Mine Managers Certificate of Competency, and has been extensively involved in mineral project evaluation and management.

DECLARATION

This report has been prepared for inclusion in the Independent Expert's Report. This report is designed to assist shareholders to assess the value of the FOY Projects and was not prepared for any other purpose. The valuation does not provide an opinion as to share or corporate value but values the exploration and mine development projects only.

The statements and opinions contained in this report are given in good faith but, in the preparation of this report, TWA has relied substantially on information provided by the Directors and Management of FOY. We do not have reason to doubt the information so provided.

Neither the whole nor any part of this report, nor any references thereto, may be included in or with or attached to any document, circular, resolution, letter or statement without the prior written consent of TWA.

DISCLAIMER OF INTERESTS

At the date of this report, TWA and Terence Willsteed does not have, nor has had any relationship with FOY.

TWA has no relevant interest in, nor any interest in the acquisition or disposal of any securities or assets of FOY. TWA have no pecuniary or other interest that could be regarded as being capable of affecting its ability to give an unbiased opinion in relation to the valuation of the mineral interest of FOY.

Neither TWA nor T V Willsteed has received or may receive any pecuniary or other benefits, whether direct or indirect or in connection with the preparing of this report other than normal consultancy fees based on fee time at normal professional rates plus out-of-pocket expenses.

Yours faithfully,



T V WILLSTEED
Principal

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