

**HD FOYSON RESOURCES LTD. - SEPTEMBER 2014 QUARTERLY REPORT TO SHAREHOLDERS**

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Foyson Resources Limited is pleased to provide Shareholders with the September 2014 Quarterly Report.

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The Report provides a summary of the activities of the **Company** for the Quarter and the strategic direction for the forthcoming period.

Activities undertaken include:

Negotiations with Integrated Green **Energy** Pty Ltd (IGE) progressed, with the parties signing a non-binding term sheet to enter into a strategic relationship.

Confidential settlement with Archer Exploration Limited (ASX: AXE) in September to settle all disputes between them concerning the Leigh Creek magnesite tenements.

Renewal of EL1396, the key Amazon Bay **iron** sands tenement, by the PNG Mineral Resources Authority.

Small scale exploration activities at Amazon Bay tenement areas including the successful **Mining** Wardens' hearing at ELA1637 to increase the Amazon Bay project area.

**CASH FLOW IGE PROJECT**

The Board were pleased to announce on the 30 September the execution of a non binding term sheet with IGE.

IGE is an Australian **company** located near Berkeley Vale, New South Wales, with a focus on the development of its waste conversion technology to produce sustainable **energy** resources. The technology is applicable to both processing non-recyclable and waste plastics-to-fuels and for power generation in remote locations by processing a hybrid biomass.

The Term Sheet allows Foyson to acquire:

exclusive licences in Australia, New Zealand, **China**, North America, South East Asia, India, Papua New Guinea and Fiji to commercialise IGE's plastics to fuel technology and biomass to both fuel and **energy** conversion technologies;

one of three non-exclusive technology licences in all other jurisdictions;

IGE's existing pilot scale plastics to fuel conversion plant at Berkeley Vale on New South Wales' central coast;

The Term Sheet states the remuneration for IGE is all performance based. To obtain the maximum remuneration in terms of Foyson shares and options, the operating facilities utilizing the IGE technology must earn annual EBITDA in excess of \$20million. This arrangement will provide a substantial reward for current shareholders, if these performance targets are achieved.

The Term Sheet is subject to conditions precedent including completion of due diligence, the agreement and execution of long form documentation, and all shareholder and regulatory approvals.

This strategy is consistent with previous announcements by the **Company**, in that it is seeking a cash flow project to assist in funding the Amazon Bay Project development activities. This requirement has become more pressing since the notification from TVI Pacific Inc ('TVI') on 26 July 2014 that it will not be funding Stage 2 of the Amazon Bay Joint Venture and the collapse of the **iron ore** price to below US\$80 per tonne, which is likely to preclude any short term third party investment in the Project.

#### IGE Term Sheet

The Term Sheet sets out the terms of the proposed arrangements, as described below. These include two placements of shares, Foyson's **acquisition** of licences to use IGE's technology, **acquisition** of IGE's existing plant, and the construction and development of new plants based on the existing Plant ('IGE Transaction') over the next four years.

#### Placements preceding completion of the IGE Transaction

Parties associated with IGE will subscribe for shares representing 14.73% of Foyson's existing share capital via a first Placement of 135,000,000 ordinary Shares at a subscription price of \$0.0025 (0.25 cents) to raise \$337,500. Funds from the first placement are to be used predominantly to complete the due diligence and legal documentation for the IGE transaction and for the working capital requirements of the **Company**.

The first placement was successfully completed on 23 October 2014 using Foyson's existing 15% capacity under ASX Listing Rule 7.1, and is not subject to shareholder approval. These parties will also be issued with 135,000,000 options exercisable at \$0.0025 (0.25 cents) no later than 31 December 2019. Grant of the options is subject to shareholder approval.

Foyson will seek shareholder ratification of the first placement at an Extraordinary General Meeting to be held in mid-December 2014, to refresh its ability to issue further capital as required and to approve the grant of options in connection with the first placement.

Foyson intends to make a second placement for investors to subscribe for a total of 100,000,000 ordinary Shares at a subscription price of \$0.0025 (0.25 cents) to raise \$250,000. These parties will be issued with 100,000,000 options exercisable at \$0.0025 (0.25cents) no later than 31 December 2019.

This second placement will be put to shareholders for consideration at the Extraordinary General Meeting to be held in mid-December 2014. Funds from the second placement will be used for working capital requirements for the **Company** during completion of due diligence and final documentation to complete the IGE Transaction.

Concurrent with the second placement, TVI will be offered the opportunity (subject to all approvals necessary) to convert its existing loan of \$400,000 to **equity** or subscribe for additional shares, on the same terms as the two Placements.

**Acquisition** of exclusive licences, Plant **acquisition** and construction of New Plants Foyson will acquire exclusive licences to use IGE's waste conversion technology in Australia, New Zealand, **China**, North America, India, South East Asia, Papua New Guinea and Fiji. Foyson will also acquire non-exclusive licences to use IGE's technology in other jurisdictions globally, with IGE to grant no more than three licences to any party in any jurisdiction.

Over the next four years, Foyson will fund the construction of up to four Plants in eastern Australia, according to the timetable and budget to be finalised in the long form documentation between the parties.

At completion of the proposed IGE Transaction, Foyson will offer positions to those IGE employees required to manage the Plant and construct the New Plants on terms and conditions acceptable to both parties. IGE will construct and develop the Plants on behalf of Foyson.

#### Share consolidation, fundraising initiatives and issue of Performance Shares to IGE

Foyson intends to undertake a consolidation of its share capital and will issue 1 new share for every 80 existing ordinary shares. This will result in the exercise price of all Foyson options increasing to or above 20 cents.

In addition, Foyson proposes to conduct a Rights Issue in the first quarter of 2015 to raise gross proceeds of approximately \$3,000,000 to fund the development of the Berkeley Vale Plant. Concurrent with the

rights issue, TVI will be offered the opportunity (subject to all approvals necessary) to convert any remaining balance of its existing loan of \$400,000 to **equity**, on the same terms as the two Placements.

Subject to ASX approval of their terms, after the share consolidation and on completion of the IGE Transaction, Foyson will issue 70,000,000 Convertible Performance Shares and 70,000,000 Convertible Performance Options to IGE (together, 'Performance Securities').

The Performance Securities will be issued to IGE in tranches. The vesting conditions for each tranche will be linked to the IGE Plants generating increments of \$5 **million** EBITDA per annum. The first tranche, linked to the existing Plant, has a performance period of two years from completion of the IGE Transaction. Each multiple of \$5 **million** EBITDA generated will result in the vesting of another tranche of Performance Securities.

The Convertible Performance Shares will convert to Foyson ordinary fully paid shares on achieving the Earnings target increments within the relevant performance period. The target for each plant is EBITDA of \$5 **million** per annum, pro-rated over any rolling 6 month period within that performance period.

Subject to the targets being met within the relevant performance periods, IGE may exercise the Convertible Performance Options on or before 31 December 2019 at an exercise price of \$0.20 (post consolidation). On exercise, Foyson will issue one ordinary fully paid share for each Convertible Performance Option exercised.

Effect on issued capital and IGE interest in Foyson

The share capital and IGE-related share capital interests are presented on the basis of the following assumptions:

TVI converts debt to **equity**;

The Rights issue occurs at 20 cents with 1 for 1 option, with full take up and no exercise of options by any party.

The column headed 'Fully diluted' assumes that all options issued as part of this transaction are exercised and is otherwise made on the assumptions outlined above.

#### TVI STATUS

Ongoing discussions with representatives of TVI have confirmed its conceptual support for the IGE transaction, subject to appropriate Due Diligence and TVI Board approval, in order to develop a sustainable business model which will allow for the ongoing funding of exploration and technical assessment of the Amazon Bay project, as well as the corporate costs of the **Company**.

#### MT HUTTON MAGNESITE TENEMENTS

On 12 September 2014, the **Company** announced it had entered into a confidential settlement with Archer Exploration Limited (ASX: AXE) to settle all disputes between them concerning the Leigh Creek magnesite tenements. Foyson had commenced proceedings against Archer in the Supreme Court and these proceedings have now been discontinued.

#### RESEARCH AND DEVELOPMENT APPLICATION

In July 2014, the **Company** received A\$273,873 following a successful application submitted during the June quarter for the R&D Tax Incentive for the year ended 30 June 2013.

The R&D Tax Incentive for the year ended 30 June 2014 has been lodged and it is expected to generate a refund in excess of \$315,000 in the next quarter.

#### SUMMARY OF PNG TENEMENTS

The **Company**'s focus in PNG continues to be on the Amazon Bay project, with the exception of the Atui **copper** porphyry target on New Britain and the applications on and adjacent to the Legusulum **gold/copper** project on New Ireland.

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**CO** acrhpe : Archer Exploration Ltd | wndbul : Foyson Resources Ltd.

**IN** ibasicm : Basic Materials/Resources | imet : Mining/Quarrying

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