

ASX: FYI

QUARTERLY REPORT FOR THE PERIOD ENDING 30 JUNE 2017

The Board of FYI Resources Limited (**ASX:FYI**) is pleased to report on the Company's quarterly activities for the period ending 30 June, 2017.

HIGHLIGHTS

- ✓ **High Purity Alumina (HPA) strategy initiated**
- ✓ **Drill program completed and metallurgical test work under way**
- ✓ **HPA project technical and market due diligence commenced**
- ✓ **Potash opportunities progressing**

REVIEW OF OPERATIONS

Summary

The June quarter saw the Company taking advantage of a near term project development opportunity in high purity alumina whilst the potash strategy is progressing.

High Purity Alumina

During the reporting period, FYI entered into an agreement to acquire 100% of Kokardine Kaolin Pty Ltd ("Kokardine") and its high quality kaolin resource, in Western Australia. This transaction (see FYI ASX announcement 8 May 2017) is subject to due diligence review and satisfying certain conditions precedent.

The purpose of this transaction is to enable FYI to engage in a long life, high margin development and production strategy of high purity alumina (HPA) to meet the growing market demands for the product.

Due diligence and development strategy

To get some understanding of the technical aspects of the kaolin resource, the investment potential and the long term commercial feasibility of the HPA strategy, FYI are performing a due diligence review. This review includes initial metallurgical testing of the Cadoux kaolin and confirmation of the kaolin resource.

Drilling program

During the quarter, FYI undertook a drilling program of 58 aircore holes for 1,023 metres which resulted in a significant increase in the mineral resource from the previous estimate of 10.5Mt at 11.25% Al.

The resource upgrade established:

- a 53% increase in the global resource tonnage
- a 4% increase in overall Al grade
- an 80% conversion of the resource from Inferred to Indicated category
- a high-grade zone contained within the resource of 7.2MT @ 13.1% Al



Kaolin drilling at Cadoux – June 2017

There is significant potential to increase the resource to the northeast, east and south where it remains open.. However the current mineral resource for the project is considered sufficient to justify a long life operation for HPA production as well as potentially catering for other markets for kaolin.

Mineral Resources

Table 1: Cadoux Mineral Resource estimate July 2017

Classification	Tonnage (Mt)	% -45 microns	Al%	Fe%	Ti%
Indicated	13.0	84.4	11.58	0.47	0.34
Inferred	3.1	84.4	12.50	0.69	0.49
Total	16.1	84.4	11.76	0.51	0.37

Notes:

% minus 45 micron was measured by wet screening based on previous testwork and assays were determined by ALS using ICP

(Refer to announcement dated 26 July 2017 for further details)

FYI is continuing with detailed HPA marketing studies to complete the due diligence review.

High Purity Alumina

HPA (Al₂O₃) is a high purity non-metallurgical alumina product with a higher finished aluminium grade than 99.9% (3N). HPA has particular beneficial characteristics especially suited to rapidly developing high tech consumer and scientific markets. The specialised alumina is sought after for its superior hardness, low density, inertness (non-conductive), superior corrosion resistance and its ability to withstand high temperatures.

HPA serves as a base material in the manufacture of sapphire substrates which are in turn critical in the production of various product applications such as LED lighting, scratch-resistant artificial sapphire glass, and single crystal materials for the use in electronic screens such as those found in smart phones, televisions and watches. In addition, important growing markets are

to be found in battery technologies, and as anode/cathode separators for the electric-powered vehicle and battery / power storage markets. These sectors are all high-end markets that demonstrate strong year on year growth in the mid to long term.

The HPA demand is forecast to increase at a compound annual growth rate of 20% out to 2024 *. The product pricing is commensurate to its commercial application and its escalation of purity level i.e. 99.99% (4N – US\$23,000/t), 99.999% (5N – US\$35,000/t).

*Allied Market Research - High Purity Alumina Report (May 2016)



Kaolin

Kaolin is a bright white, soft, plastic clay composed mainly of kaolinite and other related clay minerals. The physical properties of kaolin vary considerably depending on the origin of individual deposits. Impurities that can affect properties such as whiteness; abrasiveness; particle size, shape and distribution; viscosity are important in determining the suitability of kaolin for specific applications.

The Cadoux kaolin project has been analysed with initial metallurgical test work indicating that it should be ideal feedstock for HPA processing and production.

Metallurgical test work is continuing to fully understand the parameters of the characteristics of the clays and to improve optimal leaching and precipitation rates and recoveries.



Cadoux kaolin at laboratory for test work

Potash

Project development

As market conditions for potash pricing and volumes appear to improve in the short term due to fertiliser affordability driving increased demand, FYI continues to progress its potash portfolio strategy in Southeast Asia.

FYI maintained its project review programme and Ministerial lobbying on its targeted potash projects in Laos. The in-country team provides an invaluable service in reviewing data, translating and accessing department information and key individuals.

Moving forward, the Company remains focused on selectively targeting and aggregating projects that meet FYI's development criteria.

Corporate

FYI are undertaking due diligence studies on Kokardine and the Cadoux kaolin deposit. Under the Sale and Purchase Agreement (SPA) with Kokardine, a decision to proceed was required by the 31st July 2017. Whilst the due diligence is proceeding very positively, several Conditions Precedent are yet to be met. As a result, both Kokardine and FYI have agreed to extend the completion date of the SPA to 31st August 2017 as well as making the issue of the first tranche of shares under the agreement subject to shareholder approval.

Current Quarter Activities and Objectives

Objectives for the September 2017 quarter include:

- progress potash project joint venture discussions
- continue metallurgical testing of the Cadoux kaolin
- continue HPA marketing review
- commence HPA PFS subject to completion of the SPA

About FYI

FYI is an ASX listed natural resources focused public company. The Company's principal objective is in the identification, exploration and development of high quality resource projects in strategic mineral sectors.

The Company's current focus is on the development of a HPA project in Western Australia in parallel with assembling a portfolio of quality potash projects in Southeast Asia. The strategy is targeting projects with long mine life and high strategic value.

The Board, management team and partner groups have a successful track record of project generation and delivery.

Further Information:

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Competent person statement

The information in this report that relates to the Cadoux Mineral Resources is based on information from the Company's announcement dated 26 July 2017 and is available to view on the Company's website at www.fyiresources.com.au and is based on information compiled by Mr Andrew Kohler, Principal Resource Geologist and a Member of the Australian Institute of Mining and Metallurgy (AusIMM). Mr Kohler is an employee of Strategic Resource Management, and consultant to the Company. Mr Kohler has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration, and to the activity that he has undertaken to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for the Reporting of Mineral Resources and Ore Reserves. The Mineral Resource estimate complies with recommendations in the Australian Code for Reporting of Mineral Resources and Ore Reserves (2012) by the Joint Ore Reserves Committee (JORC). Mr Kohler consents to the inclusion of the report in the form and context in which it appears. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

Interest in Mineral Tenements at 30 June 2017

Tenement	Location	Interest	Change in Interest During Quarter
WMM SPLs (6)	Thailand	100% (under application)	-
ESM SPLs (6)	Thailand	100% (under application)	-