

# **FYI RESOURCES LIMITED**

ACN 061 289 218

## **NOTICE OF GENERAL MEETING AND EXPLANATORY STATEMENT**

**For a General Meeting to be held on  
24 September 2014 at  
10:00am (Western Standard Time) at**

**Cullen Babington Macleod Boardroom  
Level 2, 95 Stirling Highway  
Nedlands, Western Australia**

***This is an important document. Please read it carefully.***

***If you are unable to attend the Meeting, please complete the form of proxy enclosed  
and return it in accordance with the instructions set out on that form.***

## **TIME AND PLACE OF GENERAL MEETING AND HOW TO VOTE**

### **Venue**

The General Meeting of FYI Resources Limited will be held at:

Cullen Babington Macleod Boardroom	Commencing
Level 2, 95 Stirling Highway	at 10:00am (Western Standard Time)
Nedlands, WA, 6009	on Wednesday, 24 September 2014.

### **How to Vote**

You may vote by attending the Meeting in person, by proxy or authorised representative.

#### **Voting in Person**

To vote in person, attend the Meeting on the date and at the place set out above. The Meeting will commence at 10:00am (Western Standard Time).

#### **Voting by Proxy**

To vote by proxy, please complete and sign the enclosed Proxy Form and return by:

- Hand to the Company's office at 53 Canning Highway, Victoria Park, Western Australia, 6100;
- Facsimile to fax number +61 (8) 9361 3184;
- Post to 53 Canning Highway, Victoria Park, Western Australia, 6100; or
- Email to [pmacleod@gapcs.com.au](mailto:pmacleod@gapcs.com.au),

so that it is received not later than 10:00am (WST) on 22 September 2014.

**FYI RESOURCES LIMITED**  
**ACN 061 289 218**

**NOTICE OF GENERAL MEETING**

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Notice is hereby given that a General Meeting of the Shareholders of FYI Resources Limited will be held at Cullen Babington Macleod Boardroom, Level 2, 95 Stirling Highway, Nedlands, Western Australia on Wednesday, 24 September 2014 at 10:00am (WST) for the purpose of transacting the following business.

The attached Explanatory Statement is provided to supply Shareholders with information to enable Shareholders to make an informed decision regarding the Resolutions set out in this Notice. The Explanatory Statement is to be read in conjunction with this Notice.

**AGENDA**

**GENERAL BUSINESS**

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**Resolution 1 – Ratification of Placement of Shares**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 5,000,000 Shares in the capital of the Company at 5 cents each on the terms set out in the Explanatory Statement."*

**Voting Exclusion:**

The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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**Resolution 2 – Issue of Shares to Capstone Capital Pty Ltd in Lieu of Fees**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the issue of up to 1,540,000 Shares in the capital of the Company at 5 cents each to Capstone Capital Pty Ltd, an associate of Director Roland Hill, on the terms set out in the Explanatory Statement."*

**Voting Exclusion:**

The Company will disregard any votes cast on this Resolution by Capstone Capital Pty Ltd and Roland Hill and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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### Resolution 3 – Re-election of a Director

To consider, and if thought fit, to pass as an **ordinary resolution** with or without amendment the following:

*"That Mr Edmund Babington, who retires in accordance with the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a Director of the Company."*

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### Resolution 4 – Approval of Employee Incentive Scheme

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, for the purposes of ASX Listing Rule 7.2 Exception 9(b) and for all other purposes, approval is given for the Company to grant Options (and issue any Shares upon exercise of those Options) under the employee incentive scheme titled "FYI Resources Limited Employee Share Option Plan" for a period of 3 years commencing on the date of this Meeting and otherwise on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by any Director, other than any Directors who are ineligible to participate in any employee incentive scheme in relation to the Company, and any associates of those Directors. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Voting Prohibition Statement:** A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
  - (i) a member of the Key Management Personnel; or
  - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair of the Meeting; and
  - (b) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.
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### Resolution 5 – Approval to Grant Incentive Options to Roland Hill

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*"That, for the purposes of section 195(4) and section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to grant to Roland Hill (or his nominee) up to 750,000 Director Incentive Options on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by Roland Hill (or his nominee) and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Voting Prohibition Statement:** A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
  - (i) a member of the Key Management Personnel; or
  - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair of the Meeting; and
  - (b) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.
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## **Resolution 6 – Approval to Grant Incentive Options to Edmund Babington**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That, for the purposes of section 195(4) and section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to grant to Edmund Babington (or his nominee) up to 500,000 Director Incentive Options on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by Edmund Babington (or his nominee) and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Voting Prohibition Statement:** A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
  - (i) a member of the Key Management Personnel; or
  - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair of the Meeting; and
  - (b) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.
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## **Resolution 7 – Approval to Grant Incentive Options to David Sargeant**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That, for the purposes of section 195(4) and section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to grant to David Sargeant (or his nominee) up to 500,000 Director Incentive Options on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by David Sargeant (or his nominee) and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Voting Prohibition Statement:** A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
  - (i) a member of the Key Management Personnel; or
  - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair of the Meeting; and
  - (b) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.
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## **Resolution 8 – Approval to Grant Incentive Options to Adrian Jessup**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That, for the purposes of section 195(4) and section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to grant to Adrian Jessup (or his nominee) up to 500,000 Director Incentive Options on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by Adrian Jessup (or his nominee) and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Voting Prohibition Statement:** A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
  - (i) a member of the Key Management Personnel; or
  - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair of the Meeting; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

**By order of the Board**



Phillip MacLeod  
Company Secretary  
Dated: 21 August 2014

**FYI RESOURCES LIMITED**  
**ACN 061 289 218**

**EXPLANATORY STATEMENT**

This Explanatory Statement is intended to provide Shareholders with sufficient information to assess the merits of the Resolutions contained in this Notice.

The Directors recommend that Shareholders read this Explanatory Statement in full before making any decision in relation to the Resolutions.

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**1. RESOLUTION 1 – RATIFICATION OF PLACEMENT OF SHARES**

**1.1 Background**

On 28 May 2014, the Company announced that it had issued 5,000,000 Shares at 5 cents each to raise \$250,000 (before costs) (**Placement**). The funds were raised to advance the Company's Thai potash project applications and administrative support structures, costs of the issue and working capital. The Placement was made to sophisticated investors under the Company's placement capacity pursuant to Listing Rule 7.1.

**1.2 ASX Listing Rules**

Resolution 1 seeks the ratification of the issue of 5,000,000 Shares at a price of 5 cents per Share to raise \$250,000 issued within the Company's placement capacity under Listing Rule 7.1.

Resolution 1 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Shares (**Ratification**).

Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

Listing Rule 7.4 sets out an exception to Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to Listing Rules 7.1 (and provided that the previous issue did not breach Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of Listing Rule 7.1.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in Listing Rule 7.1.

Listing Rule 7.5 provides that for Shareholders to approve an issue subsequently, the notice of meeting must include particular information. This information is as follows:

- (a) the number of securities issued and allotted was 5,000,000 Shares;
- (b) the Shares were issued at a price of 5 cents per Share;
- (c) the Shares are fully paid ordinary shares in the Company and rank equally with the Company's current issued Shares;
- (d) the Shares were allotted to clients of Peloton Capital and to other sophisticated investors under Section 708 of the Corporations Act. The allottees are not related parties of the Company; and
- (e) the funds raised from the issue will be used to fund the Company's Thai potash project applications and administrative support structures, costs of the issue and working capital.

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## **2. RESOLUTION 2 – ISSUE OF SHARES TO CAPSTONE CAPITAL PTY LTD, AN ASSOCIATE OF DIRECTOR, ROLAND HILL**

### **2.1 Background**

The Company entered into an agreement with Capstone Capital Pty Ltd (**Capstone**) in February 2011, for the provision of the services by Roland Hill as CEO of the Company. Under the terms of that agreement Capstone was to be paid a fee of \$15,000 per month. During 2013, Capstone agreed to defer the payment of the monthly fee until otherwise agreed by both parties. To 30 June 2014, a total of \$231,000 in fees had accrued to Capstone. The Company has reached an agreement with Capstone that:

- Capstone will forgo \$77,000 of the fees owing;
- subject to Shareholder approval, the Company will issue up to 1,540,000 Shares at 5 cents each in lieu of fees of \$77,000; and
- the balance will be paid in cash.

By issuing Shares in lieu of paying cash, the Company is able to preserve its cash reserves. The Board does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Shares upon the terms proposed. The independent Directors resolved to issue the Shares at a deemed issue price of 5 cents each which was the market price of the Company's Shares at the time the resolution was made. The independent Directors (Messrs Sargeant, Jessup and Babington) support Resolution 2.

### **2.2 ASX Listing Rule 10.11**

Listing Rule 10.11 requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in the opinion of ASX, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

As an entity associated with Director Roland Hill, Capstone is a related party of the Company. Accordingly, approval is sought pursuant to Listing Rule 10.11 from Shareholders for the issue of the Shares to Capstone.

Listing Rule 10.11 provides that for Shareholders to approve an issue to a related party, the notice of meeting must include particular information set out in Listing Rule 10.13. This information is as follows:

- (a) the Shares to be issued are proposed to be issued to Capstone or its nominee;
- (b) the maximum number of securities to be issued is 1,240,000 Shares;
- (c) the Company proposes to issue the Shares to Capstone no later than 1 month after the date of this Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules);
- (d) Capstone is an associate of Director Roland Hill;
- (e) the Shares were issued at a deemed price of 5 cents per Share;
- (f) the Shares are fully paid ordinary shares in the Company and rank equally with the Company's current issued Shares; and
- (g) no funds will be raised on the issue of these Shares as they are being issued in part consideration for fees accrued and owing by the Company to Capstone.

Approval pursuant to Listing Rule 7.1 is not required in order to issue the Shares to Capstone as approval is being sought under Listing Rule 10.11. Accordingly, the issue of the Shares to Capstone will not be included in the 15% calculation of the Company's annual placement capacity pursuant to Listing Rule 7.1.



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### 3. RESOLUTION 3 – RE-ELECTION OF A DIRECTOR

Resolution 3 deals with the re-election of Mr Edmund Babington to the Board of the Company. Mr Babington was appointed a Director and Chairman of the Company on 1 July 2014.

Rule 7.2(b) of the Constitution gives the Directors authority to appoint other Directors provided that the total number of Directors does not exceed the maximum specified by the Constitution. Rule 7.3(f) states any Director appointed under Rule 7.2(b) may retire at the next meeting of Members and is eligible for re-election.

Accordingly, Mr Babington resigns as a Director at this Meeting and being eligible seeks approval to be re-elected as a Director.

Mr Babington is a director of WA commercial law firm, Cullen Babington Macleod and is a member of the Franchise Council of Australia; the resources and energy law association, AMPLA Ltd; and is a WA board member of the of the Australian Institute of Business Brokers. He specialises in mining and resources law, and corporations law (in particular relating to capital raisings, stock exchange requirements, corporate governance and compliance and franchising).

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### 4. RESOLUTION 4 – APPROVAL OF EMPLOYEE INCENTIVE SCHEME

#### 4.1 Background

In March 2011 the Board adopted the FYI Resources Limited Employee and Officers Share Option Plan (**Option Plan**) to enable the Company to issue Options to eligible participants including employees and consultants. The terms of the Option Plan were included in the notice of general meeting dated 14 April 2011 and approved by shareholders in the meeting held 20 May 2011.

The Option Plan is intended to provide an opportunity to eligible participants to participate in the Company's future growth and provide an incentive to contribute to that growth. The Option Plan is further designed to assist in retaining employees.

A copy of the Option Plan is available for review by Shareholders at the registered office of the Company until the date of the Meeting and can be sent to Shareholders upon request to the Company Secretary (Phillip Macleod). In addition, a copy of the Option Plan will be made available for inspection at the Meeting. A summary of the Option Plan is set out in Schedule 1.

Resolution 4 seeks Shareholders approval for the grant of Options (and any issue of Shares upon the exercise of those Options) under the Option Plan for a period of 3 years from the date of this Meeting in accordance with ASX Listing Rule 7.2 (Exception 9(b)).

#### 4.2 Regulatory Requirements

Shareholder approval is not required under the Corporations Act or the ASX Listing Rules for the establishment or operation of the Option Plan. However, Shareholder approval is being sought to allow the Company to rely on an exception to the calculation of the 15% limit imposed by ASX Listing Rule 7.1 on the number of securities that may be issued without shareholder approval.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period. ASX Listing Rule 7.2 (Exception 9(b)) provides an exception to ASX Listing Rule 7.1 which provides that issues of securities under an employee incentive scheme that has been approved by shareholders are exempt for a period of 3 years from the date of shareholder approval of the issue of securities under the employee incentive scheme.

If Resolution 4 is passed, the Company will be able to issue Shares under the Option Plan to eligible participants over a period of 3 years without impacting on the Company's ability to issue up to 15% of its total ordinary securities without Shareholder approval in any 12 month period.

Shareholders should note that 4,000,000 options exercisable at 15.2 cents each have previously been issued under the Option Plan. All these options expired unexercised on 1 January 2014. Currently there are no Options on issue under the Option Plan.

The objective of the Plan is to attract, motivate and retain key employees and officers and it is considered by the Company that the adoption of the Plan and the future issue of Options under the Plan will provide selected employees with the opportunity to participate in the future growth of the Company.

If an offer is made to a related party or person whose relation with the Company is, in ASX's opinion, such that approval should be obtained, to participate in the Option Plan then separate Shareholder approval will need to be obtained under ASX Listing Rule 10.14.

#### **4.3 Recommendation**

The Board recommends that Shareholders approve the Option Plan. It will allow the Company to issue securities for the benefit of participants of the Option Plan whilst preserving the Company's 15% limit of issuing securities and provide flexibility in the manner in which the Option Plan is managed.

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### **5. RESOLUTIONS 5 TO 8 – APPROVAL TO ISSUE DIRECTOR INCENTIVE OPTIONS**

#### **5.1 General**

The Company has agreed, subject to obtaining Shareholder approval, to issue up to a total of 2,250,000 Options (**Director Incentive Options**) to Messrs Roland Hill, Edmund Babington, David Sargeant and Adrian Jessup (or their respective nominees) (**Related Parties**) on the terms and conditions set out below.

#### **5.2 Chapter 2E of the Corporations Act**

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The grant of the Director Options constitutes giving a financial benefit and Messrs Hill, Babington, Sargeant and Jessup are related parties of the Company by virtue of being Directors.

It is the view of the Company that the exceptions set out in sections 210 to 216 of the Corporations Act do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the grant of Director Options to the Related Parties.

#### **5.3 Shareholder Approval (Chapter 2E of the Corporations Act –Related Party Transactions)**

Pursuant to and in accordance with the requirements of section 219 of the Corporations Act, the following information is provided in relation to the proposed grant of Director Options:

- (a) **The related parties to whom the proposed Resolutions would permit the financial benefit to be given**

The related parties are Roland Hill (Resolution 5), Edmund Babington (Resolution 6), David Sargeant (Resolution 7) and Adrian Jessup (Resolution 8) or their nominees and they are related parties by virtue of being Directors.

**(b) The nature of the financial benefit**

The maximum number of Director Options (being the nature of the financial benefit provided) to be granted to the Related Parties is:

- (i) 750,000 Director Incentive Options to Roland Hill (or his nominee);
- (ii) 500,000 Director Incentive Options to Edmund Babington (or his nominee);
- (iii) 500,000 Director Incentive Options to David Sargeant (or his nominee); and
- (iv) 500,000 Director Incentive Options to Adrian Jessup (or his nominee).

The terms and conditions of the Director Options are set out in Schedule 2.

**(c) Directors Recommendation and Basis of Financial Benefit**

The Board currently consists of Roland Hill, Edmund Babington, David Sargeant and Adrian Jessup.

By Resolutions 5, 6, 7 and 8 the Company is proposing to grant Director Incentive Options to each of the Directors. In each case, the number of Director Incentive Options to be granted and the terms of the Director Incentive Options was negotiated by the Directors independent of the particular Related Party to be granted the Director Incentive Options.

The purpose of the grant of the Director Incentive Options to the Related Parties is to provide each Director with added incentive to achieve the goals set by the Board to add Shareholder value. The Director Incentive Options are issued as part of each Director's remuneration package.

The independent Directors in each case consider that the quantity of Director Incentive Options together with the terms of the Director Incentive Options in each case constitute an appropriate number to adequately incentivise the Directors in light of that Director's skill and experience and their current remuneration as detailed below.

The Board acknowledges that the grant of the Director Incentive Options to Edmund Babington, David Sargeant and Adrian Jessup as non-executive Directors is contrary to guidelines for non-executive remuneration in Recommendation 8.3 of The Corporate Governance Principles and Recommendations with 2010 Amendments (2nd Edition) as published by The ASX Corporate Governance Council. However, the Board considers the grant of the Director Incentive Options to be reasonable in the circumstances given the Company's size and stage of development and the importance of maintaining the Company's cash reserves.

Roland Hill declines to make a recommendation to Shareholders in relation to Resolution 5 due to his material personal interest in the outcome of the Resolution on the basis that he is to be granted Related Director Incentive Options in the Company should Resolution 5 be passed. However, in respect of Resolutions 6, 7 and 8 Mr Hill recommends that Shareholders vote in favour of those Resolutions for the following reasons:

- (i) the grant of Director Incentive Options to the Related Parties will align the interests of the Related Parties with those of Shareholders;
- (ii) the grant of the Director Incentive Options is a reasonable and appropriate method to provide cost effective remuneration as the non-cash form of this benefit will allow the Company to spend a greater proportion of its cash reserves on its operations than it would if alternative cash forms of remuneration were given to the Related Parties; and
- (iii) it is not considered that there are any significant opportunity costs to the Company or benefits foregone by the Company in granting the Director Incentive Options upon the terms proposed.

Edmund Babington declines to make a recommendation to Shareholders in relation to Resolution 6 due to his material personal interest in the outcome of the Resolution on the basis that he is to be granted Director Incentive Options in the Company should Resolution 6 be passed. However, in respect of Resolutions 5, 7 and 8 Mr Babington recommends that Shareholders vote in favour of those Resolutions for the reasons set out in (i) to (iii) above.

David Sargeant declines to make a recommendation to Shareholders in relation to Resolution 7 due to his material personal interest in the outcome of the Resolution on the basis that he is to be granted Director Incentive Options in the Company should Resolution 7 be passed. However, in respect of Resolutions 5, 6 and 8 Mr Sargeant recommends that Shareholders vote in favour of those Resolutions for the reasons set out in (i) to (iii) above.

Adrian Jessup declines to make a recommendation to Shareholders in relation to Resolution 8 due to his material personal interest in the outcome of the Resolution on the basis that he is to be granted Director Incentive Options in the Company should Resolution 8 be passed. However, in respect of Resolutions 5, 6 and 7 Mr Jessup recommends that Shareholders vote in favour of those Resolutions for the reasons set out in (i) to (iii) above.

In forming their recommendations, each Director considered the experience of each other Related Party, the current market price of Shares, the current market practices when determining the number of Director Incentive Options to be granted as well as the exercise price and expiry date of those Director Incentive Options.

**(d) Dilution**

The passing of Resolutions 5, 6, 7 and 8 will have the effect of granting up to 2,250,000 Director Incentive Options.

If any of the Director Incentive Options are exercised into Shares, the effect would be to dilute the shareholding of existing Shareholders. If all the Director Incentive Options are exercised, a total of 2,250,000 Shares would be issued. This will increase the number of Shares on issue from 63,311,118 to 65,561,118 (assuming that no other Shares are issued) with the effect that the shareholding of the existing Shareholders would be diluted by an aggregate of 3.43%, comprising 1.15% by Roland Hill, 0.76% by Edmund Babington, 0.76% by David Sargeant and 0.76% by Adrian Jessup.

The market price for Shares during the term of the Director Incentive Options would normally determine whether or not the Director Incentive Options are exercised. If, at any time any of the Director Incentive Options are exercised and the Shares are trading on ASX at a price that is higher than the exercise price of the Director Incentive Options, there may be a perceived cost to the Company.

The actual dilution will depend on the extent of further equity raised by the Company and whether any of the Director Incentive Options are exercised.

**(e) Total Remuneration Package of Related Parties**

The following table shows the total annual remuneration paid or payable to both executive and non-executive directors.

Director	FY13	FY14	FY15
Roland Hill <sup>1</sup>	\$180,000	\$103,000 <sup>2</sup>	\$180,000
Edmund Babington <sup>3</sup>	-	-	\$24,000
David Sargeant	\$24,000	\$24,000	\$24,000
Adrian Jessup	\$24,000	\$24,000	\$24,000

**Note**

- Mr Hill was appointed as CEO from 1 January 2011. Mr Hill was appointed a director on 1 July 2014.
- Assumes Capstone forgoes \$77,000 in fees on passing of Resolution 2.
- Mr Babington was appointed a director on 1 July 2014.

(f) **Existing Relevant Interests**

At the date of this Notice, Messrs Hill, Babington, Sargeant and Jessup and their associates have the following relevant interest in securities of the Company (which excludes any securities to be issued pursuant to this Meeting).

Name	Shares
Roland Hill	2,530,672
Edmund Babington	829,807
David Sargeant <sup>1</sup>	12,350,000
Adrian Jessup <sup>1</sup>	12,350,000

**Note**

1. Includes 12,000,000 Shares held by Empire Resources Limited.

(g) **Trading History**

The following table gives details of the highest, lowest and the latest closing price of the Company's Shares trading on the ASX in the 12 months before the date of this Notice.

	Date	Closing Price
Highest Price	8 November 2013, 10 and 11 December 2013	6.2 cents
Lowest Price	10 October 2013	4.0 cents
Latest Price	21 August 2014	5.2 cents

(h) **Valuation of Director Options**

The Director Options will not be quoted on ASX.

The Company has valued the Director Incentive Options to be granted to the Related Parties or their nominees using the Black & Scholes option model.

The following assumptions have been made regarding the inputs required for the option pricing module:

Input		Note
Number of options to related parties:	2,250,000	
Underlying security spot price:	5.2 cents	1
Exercise price:	8 cents	2
Dividend rate:	Nil	3
Volatility rate:	52%	4
Risk free interest rate:	2.59	5
Expiry Date:	21 August 2016	6

Note 1	The underlying security spot price used for the purposes of this valuation is based on the closing price of Shares on the valuation date of 21 August 2014 which was 5.2 cents.
Note 2	The exercise price is the greater of 8 cents or 150% of the volume weighted average closing price for the 5 days traded prior to the date of the Meeting. This example uses 8 cents.
Note 3	As at the date of the valuation, the Company had not forecast any future dividend payments. For the purposes of the valuation it is therefore assumed that the Company's share price is "ex-dividend". If dividend payments were forecast, the value of the Director Options would be reduced.
Note 4	A volatility rate of 52% has been adopted. This rate has been calculated by reference to the closing price volatility for the Shares of the Company for the previous 12 months.
Note 5	The risk free rate is 2.59% based on the current Reserve Bank Treasury Bond rates.
Note 6	The Expiry Date is two years from the date of grant. This example uses the date of this Notice as the grant date.

As the Director Incentive Options are not listed, a 20% marketability discount has been applied to the values.

Based on the above assumptions the Options proposed to be issued to Directors have been valued as follows:

<b>Number and Value of Director Incentive Options</b>	
	<b>Director Incentive Options</b>
Roland Hill	750,000 Director Incentive Options – 0.69 cents per Director Option (total value - \$5,175)
Edmund Babington	500,000 Director Incentive Options – 0.69 cents per Director Option (total value - \$3,444)
David Sargeant	500,000 Director Incentive Options – 0.69 cents per Director Option (total value - \$3,444)
Adrian Jessup	500,000 Director Incentive Options – 0.69 cents per Director Option (total value - \$3,444)

(i) **Other Information**

The Directors are not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision as to whether it is in the best interests of the Company to pass Resolutions 5, 6, 7 and 8.

**5.4 ASX Listing Rule 10.11**

ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

Roland Hill, Edmund Babington, David Sargeant and Adrian Jessup are Directors and as such are related parties of the Company.

It is the view of the Company that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the grant of Director Incentive Options to the Related Parties.

If approval to grant the Director Incentive Options to the Related Parties is obtained under ASX Listing Rule 10.11, approval is not required under ASX Listing Rule 7.1. Accordingly, the issue of the Incentive Director Options to the Related Parties will not be included in the Company's 15% annual placement capacity calculation.

ASX Listing Rule 10.13 provides that the notice of meeting to approve the issue of securities under ASX Listing Rule 10.11 must include certain information.

For the purposes of ASX Listing Rule 10.13, the following information is provided to Shareholders in relation to Resolutions 5, 6, 7 and 8:

- The Director Incentive Options will be granted to Roland Hill (Resolution 5), Edmund Babington (Resolution 6), David Sargeant (Resolution 7) and Adrian Jessup (Resolution 8) or their nominees;
- The maximum number of securities the Company will grant is:
  - 750,000 Director Incentive Options to Roland Hill (or his nominees);
  - 500,000 Director Incentive Options to Edmund Babington (or his nominees);
  - 500,000 Director Incentive Options to David Sargeant (or his nominees); and
  - 500,000 Director Incentive Options to Adrian Jessup (or his nominees);
- The Director Incentive Options will be granted no later than 1 month after the date of this Meeting (or a later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Options will occur on the same date;
- Roland Hill, Edmund Babington, David Sargeant and Adrian Jessup as Directors are related parties;
- The Director Incentive Options are granted for nil consideration;
- The exercise price of the Director Incentive Options is the greater of 8 cents or 150% of the 5 traded day volume weighted average closing price of Shares prior to the date of the Meeting. The final exercise price will be determined and disclosed to the market prior to the Meeting. The Director Incentive Options expire on 22 September 2016 and have no vesting criteria. The full terms of the Director Options are set out in Schedule 2; and
- No funds will be raised from the grant of the Director Options.

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## 6. ENQUIRIES

Shareholders may contact Phil MacLeod on (+ 61 8) 9389 7050 if they have any queries in respect of the matters set out in these documents.

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## 7. VOTING AND PROXIES

1. A Shareholder of the Company entitled to attend and vote is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the Shareholder's voting rights. If the Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes. A proxy need not be a Shareholder of the Company.
2. Where a voting exclusion applies, the Company need not disregard a vote if it is cast by the person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.
3. The chair of the Meeting will vote undirected proxies on, and in favour of, the proposed Resolution.
4. In accordance with Regulation 7.11.37 of the Corporations Act, the Directors have set a date to determine the identity of those entitled to attend and vote at the Meeting. The date is 22 September 2014 at 5:00pm (Western Standard Time).
5. A proxy form is attached. If required it should be completed, signed and returned to the Company's registered office in accordance with the instructions on that form.



# FYI RESOURCES LIMITED

ACN 061 289 218

## GLOSSARY

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In the Notice and this Explanatory Statement the following expressions have the following meanings:

"**ASIC**" means the Australian Securities and Investments Commission.

"**ASX**" means the ASX Limited (ABN 98 008 624 691).

"**ASX Listing Rules**" or "**Listing Rules**" means the Listing Rules of the ASX.

"**Board**" means the Board of Directors of the Company.

"**Business Day**" means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

"**Chairman**" means the chairman of the Company.

"**Closely Related Party**" of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the Corporations Regulations 2001 (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

"**Company**" or "**FYI Resources**" means FYI Resources Ltd (ACN 061 289 218).

"**Constitution**" means the constitution of the Company.

"**Corporations Act**" means the Corporations Act 2001 (Cth).

"**Directors**" mean the directors of the Company from time to time.

"**Director Incentive Option**" means an Incentive Option granted pursuant to Resolutions 5, 6, 7 and 8 with the terms and conditions set out in Schedule 2.

"**Equity Securities**" has the same meaning as in the Listing Rules.

"**Explanatory Statement**" means this Explanatory Statement.

"**General Meeting and Meeting**" means the meeting convened by this Notice.

"**Key Management Personnel**" has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

"**Notice**" means the notice of meeting that accompanies this Explanatory Statement.

"**Option**" means an option to acquire a Share.

"**Optionholder**" means a holder of an Option or Director Option as the context requires.

"**Proxy Form**" means the proxy form accompanying the Notice.

"**Resolution**" means a resolution referred to in the Notice.

"**Share**" means a fully paid ordinary share in the capital of the Company.

"**Shareholder**" means a registered holder of shares in the Company.

"**WST**" or "**Western Standard Time**" means Western Standard Time, Perth, Western Australia.

"**\$**" means Australian dollars unless otherwise stated.

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## Schedule 1 – Terms and Conditions of Option Plan (Resolution 4)

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Following is a summary of the terms and conditions of the Option Plan:

- 1. Purpose** The purpose of the Option Plan is to offer Options to assist with reward, retention, motivation and recruitment of eligible participants.
- 2. Eligible Participants** Eligible participants are a full or part-time employee, consultant or an officer of the Company or a subsidiary ("**Eligible Participants**").
- 3. Offers** Subject to any necessary Shareholder approval, the Board may offer Options to Eligible Participants for nil consideration.
- 4. Exercise Price** The exercise price of Options will be determined by the Board in its discretion provided that the exercise price will not be less than 80% of the average closing sale price of Shares on ASX over the 5 trading days immediately preceding the date of the offer.
- 5. Expiry Date** The expiry date of Options will be determined by the Board but will be no later than 5 years from the date of issue of an Option.
- 6. Vesting and Lapse**

An Option may only be exercised after that Option has vested and before its expiry date. The Board may determine the vesting period, conditions and restrictions (if any). On the grant of an Option the Board may in its absolute discretion impose other conditions on the exercise of an Option.

An Option will lapse upon the first to occur of its expiry date; the holder acting fraudulently or dishonestly in relation to the Company; following the participant ceasing to be an officer, employed or engaged by the Company; or on certain conditions associated with a party acquiring a 90% interest in the Shares of the Company.

If, in the opinion of the Board, a change of control event (scheme of arrangement, takeover bid or a person with a sufficient relevant interest to replace the Board) has or is likely to occur, then the Board may declare an Option to be free of any conditions of exercise. Similarly, Options will be free of any conditions of exercise where a notice of meeting is issued to enter into a scheme of arrangement resulting in a person obtaining a relevant interest in not less than 90% of the Shares.
- 7. Shares issued on exercise of Options** Each Option entitles the holder to one fully paid ordinary share on exercise of the Option.
- 8. Transferability and quotation** Options may not be transferred other than to a nominee of the holder or with the prior consent of the Board. Quotation of the Options on the ASX will not be sought. However, the Company will apply for official quotation of Shares issued on exercise of Options.
- 9. Limitation on number of Options** Shares to be received on the exercise of all Options under the Option Plan when aggregated with the number of Shares issued during the previous 5 years under any employee share plan of the Company must not exceed 5% of the total number of Shares on issue at the time of the relevant offer. Various excluded offers may be disregarded so as to not count for the 5% limit.
- 10. Administration of the Plan** The Option Plan will be administered under the directions of the Board and the Board may make regulations and establish procedures for the administration and management of the Option Plan as it considers appropriate.
- 11. Operation** The operation of the Plan is subject to the ASX Listing Rules and the Corporations Act.

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## Schedule 2 – Terms and Conditions of Director Incentive Options (Resolutions 5, 6, 7 and 8)

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**(a) Entitlement**

Each Director Incentive Option entitles the holder to subscribe for one Share upon exercise of the Director Incentive Option.

**(b) Exercise Price**

Subject to paragraph (k), the amount payable upon exercise of each Director Incentive Option will be the greater of 8 cents or 150% of the volume weighted average closing price for the 5 days traded prior to date of the Meeting (**Exercise Price**).

**(c) Expiry Date**

Each Director Incentive Option will expire at 5.00pm (WST) on 22 September 2016 (**Expiry Date**). A Director Incentive Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

**(d) Exercise Period**

The Director Incentive Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

**(e) Notice of Exercise**

The Director Incentive Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Director Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

**(f) Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Director Incentive Option being exercised in cleared funds (**Exercise Date**).

**(g) Timing of issue of Shares on exercise**

Within 15 Business Days after the later of the following:

- (i) the Exercise Date; and
- (ii) when excluded information in respect to the Company (as defined in section 708A(7) of the Corporations Act) (if any) ceases to be excluded information,

but in any case no later than 20 Business Days after the Exercise Date, the Company will:

- (iii) issue the number of Shares required under these terms and conditions in respect of the number of Director Options specified in the Notice of Exercise and for which cleared funds have been received by the Company; and
- (iv) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Director Options.

**(h) Shares issued on exercise**

Shares issued on exercise of the Director Incentive Options rank equally with the then issued shares of the Company.

**(i) No Quotation of the Options**

The Company will not apply for quotation of the Director Incentive Options on ASX.

**(j) Quotation of Shares issued on exercise**

If admitted to the official list of ASX at the time, application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Director Incentive Options.

**(k) Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

**(l) Participation in new issues**

There are no participation rights or entitlements inherent in the Director Incentive Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Director Incentive Options without exercising the Options.

**(m) Change in exercise price**

A Director Incentive Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Director Incentive Option can be exercised.

**(n) Transferability**

The Director Incentive Options are only transferable with the consent of the Board of the Company.

# FYI RESOURCES LIMITED

ACN 061 289 218

## PROXY FORM

### APPOINTMENT OF PROXY

I/We

being a Shareholder of FYI Resources Ltd and entitled to attend and vote at the General Meeting, hereby

appoint

**Name of Proxy**

or failing the person so named or, if no person is named, the Chairman of the Meeting or the Chairman's nominee, to vote in accordance with the following directions or, if no directions have been given, as the proxy sees fit at the General Meeting to be held at Cullen Babington Macleod Boardroom, Level 2, 95 Stirling Hwy, Nedlands, Western Australia on 24 September 2014 at 10:00 am (WST) and at any adjournment thereof.

### Voting on Business of the General Meeting

		For	Against	Abstain
Resolution 1	Ratification of Placement of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Issue of Shares in Lieu of Fees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Re-election of E Babington	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Approval of Employee Incentive Scheme	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Approval of Issue of Incentive Options to R Hill	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Approval of Issue of Incentive Options to E Babington	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Approval of Issue of Incentive Options to D Sargeant	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8	Approval of Issue of Incentive Options to A Jessup	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Important note for Resolutions 4, 5, 6, 7 and 8:** If you appoint a member of the Company's key management personnel (other than the Chairman of the Meeting) or a closely related party of a member of the Company's key management personnel as your proxy, and you do not direct your proxy how to vote in respect of Resolutions 4, 5, 6, 7 and 8 your proxy will NOT cast your vote on the resolution and your votes will not be counted.

If you appoint the Chairman of the Meeting as your proxy (or the Chairman of the Meeting becomes your proxy by default) and you do not direct your proxy how to vote in respect of any Resolution your vote will be cast in favour of those Resolutions, and you hereby expressly authorise the Chairman of the Meeting to exercise your proxy even though those Resolutions are connected directly or indirectly with the remuneration of the members of the Company's key management personnel. **At the time of issue of the Notice of meeting the Chair intends to vote any such undirected proxies in favour of all Resolutions.**

If you mark the abstain box for a particular resolution, you are directing your proxy not to vote on that resolution on a show of hands or on a poll and that your Shares are not to be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is \_\_\_\_\_ %

Please return this Proxy Form to the Company Secretary, FYI Resources Limited, 53 Canning Highway, Victoria Park, Western Australia, 6100 or by fax to (08) 9361 3184 by 9:30am (WST) on 22 September 2014.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2014.

**By:**

**Individuals and joint holders**

**Companies (affix common seal if appropriate)**

**Signature**

**Director**

**Signature**

**Director/Secretary**

**Signature**

**Sole Director and Sole Secretary**

**FYI RESOURCES LIMITED**  
**ACN 061 289 218**

**Instructions for Completing Appointment of Proxy Form**

1. In accordance with section 249L of the Corporations Act, a shareholder of the Company who is entitled to attend and cast two or more votes at a general meeting of shareholders is entitled to appoint two proxies. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.
2. A duly appointed proxy need not be a member of the Company. In the case of joint holders, all must sign.
3. Corporate shareholders should comply with the execution requirements set out on the Proxy Form or otherwise with the provisions of section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
  - 2 directors of the company;
  - a director and a company secretary of the company; or
  - for a proprietary company that has a sole director who is also the sole company secretary – that director.

For the Company to rely on the assumptions set out in sections 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with sections 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of sections 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

4. Completion of a Proxy Form will not prevent individual shareholders from attending the Meeting in person if they wish. Where a shareholder completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the Meeting.
5. Where a Proxy Form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in like manner as this proxy.
6. In accordance with section 250BA of the Corporations Act the Company specifies the following for the purposes of receipt of proxy appointments:

Registered Office: 53 Canning Highway, Victoria Park, Western Australia, 6100

Fax Number: +61 (8) 9361 3184

Email Address: [pmacleod@gapcs.com.au](mailto:pmacleod@gapcs.com.au)

Postal Address: 53 Canning Highway, Victoria Park, Western Australia, 6100

by no later than 48 hours prior to the time of commencement of the Meeting.