

FYI Activity Report for the quarter ended 31 December 2020

Key points:

- FYI and Alcoa progress landmark MOU for joint HPA project development
- FYI and Alcoa successfully completed a collaborative HPA pilot plant trial in December
- Trial achieved anticipated operating parameters; results will be reviewed jointly
- Trial HPA to be sent to the US for independent high level analysis
- HPA samples being sent to potential customers for application qualification
- \$6 million placement completed to advance FYI's HPA commercialisation strategy
- Directors exercise options, raising a further \$238,500
- Product marketing to targeted off-take groups continues

FYI Resources Ltd (ASX: FYI) ("FYI" or "the **Company**") is pleased to release its Quarterly Activities Report for the period ending 31 December 2020.

Successful High Purity Alumina (HPA) Joint Pilot Plant Trial Concludes

The planned collaborative HPA pilot plant trial with Alcoa Australia Limited (**Alcoa**) concluded in late December, achieving expected operational performances and further demonstrating the potential for commercial production of HPA via FYI's innovative flowsheet design.

The pilot plant trial followed previous trial operations in replicating FYI's designed and engineered process flowsheet for production of high quality HPA. The pilot plant operated continuously for seven consecutive days on a 24-hour-a-day basis to demonstrate the "end to end" operational efficiency of FYI's innovative HPA refining process.

The objective of the collaborative pilot plant operation was to demonstrate the complete metallurgical process using the best scale up practices to replicate commercial production, being one of the condition's precedent to the Memorandum of Understanding (**MOU**) with Alcoa.



FYI's HPA pilot plant in operation in collaboration with Alcoa





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HPA development trials

The HPA produced during the trial operation was consistent with previous trials and achieved excellent initial quality control and assurance checks. The HPA will be forwarded by FYI to targeted end-user and customer groups for on-going product qualification.

The collaborative pilot plant trial was successful in:

- Providing Alcoa with firsthand observation of FYI's innovative HPA flowsheet operations
- Demonstration and validation of the process efficiency and operating parameters
- Assessment of the materials handling and construction appropriate to commercial production
- Corroborating scale up factors and opportunities
- Progressing the MOU KPI's
- Generating FYI high quality HPA for ongoing product qualification

The pilot plant operation is an integral component to the progression of the Alcoa MOU. Both FYI and Alcoa will progress the project's development including continuing the MOU discussions and completing the conditions precedent. The Company anticipates a very active and progressive next six months.

MOU Background

FYI has developed an innovative processing flowsheet design that has demonstrated the capability for the production of high purity, high quality HPA at the lowest cost quartile for both capex and opex. Production trials have resulted in outstanding quality HPA which has been supplied for assessment by potential off-take parties for sales contract purposes.

FYI and Alcoa entered into a Memorandum of Understanding on 8 September 2020 to progress a potential joint development of FYI's innovative, fully integrated, high quality HPA project. The collaborative operation and demonstration of FYI's pilot plant is one of the condition precedents under the MOU.

FYI has been in advanced discussions with a number of industry HPA off-take industry groups across the Lithium-ion battery (LiB) separator, Sapphire glass and other specialty markets regarding HPA marketing and off-take arrangements. The HPA market is growing at ~17% CAGR according to HPA commodity research group CRU in their HPA marketing report 2019.

Project Financing

FYI is engaged in a number of project financing package reviews which include traditional and non-market correlated options.

The Company's definitive feasibility study (**DFS**) demonstrated the attractiveness of the project to potential funders through the visible long-term project returns of the conservative development metrics (refer announcement 11 March 2020).

The Company will progress the financing evaluation discussions to provide the most suitable funding to match the over-all project forecasts.



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Customer Engagement and Market Reach

FYI has the objective of becoming a global producer and supplier of premium HPA. As the Company progresses its HPA strategy and continues to attract the interest of companies, such as Alcoa, the global opportunities will continue to emerge.

Additionally, FYI believes it has a number of points of difference with its integrated production and quality HPA that could provide a distinct commercial advantage and attraction to customer groups.

FYI is active in addressing the HPA application qualification requirements of the Company's key targeted potential customers.

The product from the collaborative pilot plant trial will be provided to the targeted groups across the LiB and LED industries. Qualification assessment by these groups has advanced through the availability of FYI's product. FYI, in collaboration with Alcoa, plan to generate further product to supply to potential customers from a second joint pilot plant run scheduled in March.

Future Battery Industry CRC

FYI is a founding member and partner of the Western Australian government's \$135m Future Batteries Industries Cooperative Research Centre (**FBI CRC**) based out of Curtin University in Perth.

FYI is participating in project development and testing of HPA in Li-ion batteries for various cell formats to progress to commercialisation. The investment in the development program should produce the following key outputs and understanding:

- competitive processing of HPA for various battery materials
- Characterisation and provenance mapping of integrated process routes for HPA
- Mass and energy balance flowsheets supported by experimental outcomes for our innovative processes.
- Waste generation, reagents, energy, water consumption mapping to the operating industrial ecosystem
- Continued pilot plant demonstrations to verify process technologies to extract and refine HPA for production of battery precursors

Corporate

Capital raising

In November 2020, FYI raised \$6 million through a placement to sophisticated and professional investors. FYI issued 30.0 million fully paid ordinary shares at \$0.20 per share (**Placement**).

The Placement received strong support from local and international investors as well as several existing major shareholders. FYI also welcomed several new institutional and professional investors to its register. The Placement was priced at a 11% discount to the 15-day VWAP at the date of the Placement was announced.



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FYI is using proceeds from the Placement to advance FYI's strategy to produce high purity product from the Company's innovative and fully integrated HPA project in Western Australia, including ongoing test work and refinement of the production process, further trial production and product generation, progressing the Alcoa joint venture MOU and furthering marketing. Part of the proceeds from the Placement will be used for working capital and to meet the costs of the issue.

Board exercises options

In November, all directors exercised FYI options due to expire on 26 November 2020 to raise a total of \$238,500, demonstrating the Board's commitment to FYI's HPA development project.

R&D Tax incentive

In October, FYI received an R&D tax incentive rebate payment of \$924,564 for the 2019/2020 financial year.

The rebate relates to FYI's expenditure on the development of the Company's innovative process to refine high quality HPA.

As a component of the eligible expenditure, FYI finalised its DFS with outstanding potential economic outcomes.

R&D funds will continue to be directed towards the ongoing development of the Company's HPA strategy of a fully integrated, low-risk, low-cost production of high purity 4N (99.99%) and 5N (99.999%) alumina products. This includes advancing end user directed material finishes and specialty battery components such as HPA coatings for anode architecture and battery cell linings.

Cash

The Company ended the December Quarter with a cash balance of \$ 6.82m.

FYI maintains an \$80m equity funding facility through Luxembourg-based private equity group, GEM Global Yield LLC SCS to assist financing for the Company's planned development of its HPA project and working capital purposes which can be accessed at FYI's election.

FYI intends to utilise the capital support at key funding stages to manage shareholder dilution and to support other major financing packages.

Planned March Quarter Activities:

- Progress joint venture discussions with Alcoa
- Undertake further HP product generation via further Alcoa collaboration pilot plant trials
- Detailed product specification studies
- Build potential customer engagement
- Continue product qualification assessment with targeted off-take groups
- Continue off-take discussions with potential customers
- Progress ESG certification
- Advance project financing options



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ASX Additional Information

ASX listing rule 5.3.1 and 5.3.2 - Exploration and evaluation cash payments (net of GST) during the quarter were approximately \$397,900. Details of exploration and evaluation and development activities during the December 2020 quarter are set out in this report.

There were no substantive mining production activities during the quarter.

ASX listing rule 5.3.5 - Appendix 5B, Section 6.1 – description of payments: During the quarter \$308,000 was paid to Directors for current and accrued director fees.

Authorised for release by Managing Director, Roland Hill.

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About FYI Resources Limited

FYI is developing a long life fully integrated high quality HPA production project for both general / traditional and niche markets. FYI's corporate objective is to position itself to be a significant producer of HPA within these rapidly developing markets which include applications in LED, electric vehicle, smartphone and television screen as well as other associated high-tech product markets.

The foundation of FYI's HPA strategy is the innovative and integrated processing flowsheet utilising moderate temperature and atmospheric pressure technologies. These factors combine resulting in world class HPA project potential.

About Alcoa

Alcoa is a global industry leader in the production of bauxite, alumina and aluminium, a position enhanced by a portfolio of value-added cast and rolled products and select energy assets. Since developing the aluminium industry more than 130 years ago, Alcoa has built a legacy of breakthrough innovations and best practices that have led to efficiency, safety, sustainability and stronger communities wherever they operate.

Alcoa of Australia Limited (Alcoa) is owned 60 per cent by Alcoa Corporation and 40 per cent by Alumina Limited.

The Australian operations represent one of the world's largest integrated bauxite mining, alumina refining and aluminium smelting systems and add value to Australia's local, state and national economies at every stage.



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Cautionary Statements

Substance of DFS

The DFS referred to in this announcement is a study of the potential viability of the Cadoux Kaolin Project. It has been undertaken to understand the technical and economic viability of the Project.

The DFS assumes as a 25-year Project life based only on Proved and Probable Ore Reserves (100%).

The DFS is based on the material assumptions outlined elsewhere in this announcement and the appended summary of the DFS. These include assumptions about the availability of funding. While the Company considers all of the material assumptions to be based on reasonable grounds, there is no certainty that they will prove to be correct or that the range of outcomes indicated by this DFS will be achieved.

To achieve the range of outcomes indicated in the DFS, funding in the order of A\$189 million will likely be required. Investors should note that there is no certainty that the Company will be able to raise the amount of funding when needed. It is also possible that such funding may only be available on terms that may be dilutive to or otherwise affect the value of the Company's existing shares.

It is also possible that the Company could pursue other "value realisation" strategies such as a sale, partial sale or joint venture of the Project. If it does, this could materially reduce the Company's proportionate ownership of the Project.

General and forward-looking statements

The contents of this announcement reflect various technical and economic conditions, assumptions and contingencies which are based on interpretations of current market conditions at the time of writing. Given the nature of the resources industry, these conditions can change significantly and without notice over relatively short periods of time. Consequently, actual results may vary from those detailed in this announcement.

Some statements in this announcement regarding estimates or future events are forward-looking statements. They include indications of, and guidance on, future earnings, cash flow, costs and financial performance. Such forward-looking statements are provided as a general guide only and should not be relied on as a guarantee of future performance. When used in this announcement, words such as, but are not limited to, "could", "planned", "estimated", "expect", "intend", "may", "potential", "should", "projected", "scheduled", "anticipates", "believes", "predict", "foresee", "proposed", "aim", "target", "opportunity", "nominal", "conceptual" and similar expressions are forward-looking statements.

Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties, and no assurance can be given that actual results will be consistent with these forward-looking statements.

The contents of this release are also subject to significant risks and uncertainties that include but are not limited to those inherent in mine development and production, geological, mining, metallurgical and processing technical problems, the inability to obtain and maintain mine licences, permits and other regulatory approvals required in connection with mining and processing operations, competition for among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel, incorrect assessments of the value of projects and acquisitions, changes in commodity prices and exchange rates, currency and interest rate fluctuations and other adverse economic conditions, the potential inability to market and sell products, various events which could disrupt operations and/or the transportation of mineral products, including labour stoppages and severe weather conditions, the demand for and availability of transportation services, environmental, native



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title, heritage, taxation and other legal problems, the potential inability to secure adequate financing and management's potential inability to anticipate and manage the foregoing factors and risks.

All persons should consider seeking appropriate professional legal, financial and taxation advice in reviewing this announcement and all other information with respect to the Company and evaluating the business, financial performance and operations of the Company. Neither the provision of this announcement nor any information contained in this announcement or subsequently communicated to any person in connection with this announcement is, or should be taken as, constituting the giving of investment or financial advice to any person. This announcement does not take into account the individual investment objective, financial or tax situation or particular needs of any person.

Competent Persons Statements

Ore Reserves

The information in this report that relates to Ore Reserves is based on information compiled by Mr. Steve Craig, who is a Fellow of the Australasian Institute of Mining and Metallurgy. Steve Craig is a full-time employee of Orelogy Consulting Pty Ltd and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". The information is extracted from the Ore Reserve announcement released 29 October 2018 and is available to view on the Company's website at www.fyiresources.com.au.

Mineral Resources

The information in this report that relates to Mineral Resources is based on information compiled by Mr Grant Louw, under the direction and supervision of Dr Andrew Scogings, who are both full-time employees of CSA Global. Dr Scogings is a Member of the Australasian Institute of Mining and Metallurgy and a Member of the Australian Institute of Geoscientists. He is a Registered Professional Geologist in Industrial Minerals. Dr Scogings has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2012 Edition of the "Australasian Code for the Reporting of Exploration Results, Mineral Resources, and Ore Reserves". The information is extracted from the PFS announcement dated 25 September 2018 and is available to view on the Company's website at www.fyiresources.com.au.

Metallurgy

The information in this report that relates to metallurgy and metallurgical test work is based on information reviewed and compiled by Mr Daryl Evans, a Competent Person who is a Fellow of the Australian Institute of Mining and Metallurgy (AusIMM). Mr Evans is an employee of Independent Metallurgical Operations Pty Ltd, and is a contractor to FYI. Mr Evans has sufficient experience that is relevant to this style of processing 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 Exploration Results, Mineral Resources and Ore Reserves". Announcements in respect to metallurgical results are available to view on the Company's website at www.fyiresources.com.au.

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

FYI Resources Limited

ABN

85 061 289 218

Quarter ended ("current quarter")

31 December 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(398)	(1,287)
(b) development	-	-
(c) production	-	-
(d) staff costs	(308)	(311)
(e) administration and corporate costs	(118)	(292)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(113)	(113)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	848	853
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(89)	(1,150)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) exploration & evaluation	-	-
(e) investments	-	-
(f) other non-current assets	-	-

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	7,413	8,713
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	289	469
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(453)	(570)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(750)	(750)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	6,499	7,862

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	410	108
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(89)	(1,150)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	6,499	7,862

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	6,820	6,820

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	6,820	410
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	6,820	410

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	340
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	-	-
7.5	Unused financing facilities available at quarter end		-
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9) (excluding R&D refund)	(937)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	-
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(937)
8.4 Cash and cash equivalents at quarter end (item 4.6)	6,820
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	6,820*
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	7.28
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: N/A.	
8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: N/A.	
8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer: N/A.	
<i>Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.</i>	

* The Company also has an equity finance/capital commitment facility of up to A\$80 million in place with GEM Global Yield LLC SCS for funding the development of the HPA project and working capital purposes. Refer to announcement 11 March 2020.

Compliance statement

- This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- This statement gives a true and fair view of the matters disclosed.

Date: 29 January 2021

Authorised by: Roland Hill, Managing Director
(Name of body or officer authorising release – see note 4)

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.