



DECEMBER 2013 QUARTERLY REPORT TO SHAREHOLDERS

The Directors are pleased to provide Shareholders with the December 2013 Quarterly Report.

- **TVI Pacific Inc. (TVI) completes next phase of Placement and funding of Amazon Bay Project by providing funding of \$1,071,612 to Foyson, after completing its own financing restructure with a Philippines investor;**
- **Foyson completes successful Mining Wardens' hearing for EL1396 and lodges renewal application to take Amazon Bay iron sands Project through to Definitive Feasibility Study;**
- **Foyson receives strong PNG Government support following the presentation of the Scoping Study on the Amazon Bay Project to the PNG Mineral Resources Authority;**
- **Foyson commissions a Smelting Technology Review of the appropriate smelting technology for the concentrate from the Amazon Bay Project, and the Review identified various Direct Reduction techniques as suitable to treat the Amazon Bay concentrate;**
- **Foyson relinquishes its Golden Peak and North New Britain tenements, in light of the progress on the Amazon Bay Project and taking account of the funding delays from TVI and the current difficult capital market for junior resource stocks;**
- **Foyson remains in discussion with the New Ireland Provincial Government in terms of access for exploration to New Ireland and the surrounding islands.**

CORPORATE

TVI

TVI successfully completed the Tranche 1 placement in August 2012 by subscribing for 68million shares at 1.3cents to raise \$884,000. TVI has also provided a loan of \$600,000 to the Company and has funded in excess of \$2,500,000 towards exploration activities on our PNG properties.

The Tranche 2 placement was approved by shareholders in April 2013 to raise \$1,000,000, however due to TVI having to restructure their own funding requirements to allow for the development of two new resource projects in the Philippines, TVI was only able to partially complete the placement, contributing \$100,000.

Foyson and TVI have been closely cooperating to accommodate the realities of TVI's financing restructure in the current resources market. Foyson has previously provided TVI with relief from several deadlines because Directors considered that this was in the best interests of our shareholders. This decision was taken having regard to TVI's technical expertise and established operating capabilities in the Philippines, as well as the fact that this was the most attractive funding source at the time, and that the Tranche 2 funding was at a material premium to the prevailing Foyson share price.

TVI completed its funding restructure in December 2013 and reconfirmed its commitment to Foyson to complete the Tranche 2 placement of \$900,000 by subscribing for 128,517,428 shares at 0.7cents per share.

TVI subscribed for 45,000,000 shares in late December 2013 by making an initial payment of \$315,000. The remaining subscription for 83,571,428 shares to raise \$585,000 is subject to Shareholder approval, as it takes TVI above the 20% shareholding threshold. A General Meeting of shareholders is being convened for on or about 18 March 2014 and the Company is preparing an Independent Expert Report on the transaction, for the consideration of shareholders.

In addition to the placement, TVI has also paid \$300,000 for the Amazon Bay option fee, to preserve the Company's right to acquire the remaining 50% interest in the Amazon Bay Project and \$406,612 towards earning its 10% interest in the Amazon Bay Project.

As part of the amended funding arrangements, the Company has agreed to make an early repayment of 50% of the \$600,000 unsecured convertible loan from TVI, payable from the final placement proceeds following the General Meeting.

AMAZON BAY

Over the past several months, a number of Chinese parties have expressed interest in the Amazon Bay Project and due diligence, at varying stages of completion, is continuing. This has involved sampling of various sites over the Amazon Bay Project area and testing at laboratories in Beijing.

A further sampling program is currently underway at Amazon Bay to allow a detailed metallurgical assessment of the potential processing routes to produce high purity metal products.

GOLD/COPPER TENEMENTS

Foyson has held an extensive portfolio of exploration tenements for a number of years, covering ground with potential for copper and gold discoveries. This portfolio covered both granted Exploration Licences and Applications, many of which had been outstanding for several years.

The Company has decided to relinquish the EL's covering the Golden Peak and North New Britain properties, as a consequence of:

- A specific focus of the Company's resources on the Amazon Bay Project and the most advanced copper project, Atui;
- The protracted delay in completing the TVI funding;
- The currently depressed capital market for junior explorers; and
- The cost of holding the tenements.

The Company had previously indicated that a strategic review of the exploration portfolio would occur.

Discussions on potential farm-in arrangements for EL1642 South New Britain (Atui) are continuing with several interested parties.

The decision will meet the requirements of the PNG Mineral Resources Authority, which is placing greater emphasis on Company's meeting their commitments on tenements.

The Company remains in discussion with the New Ireland Provincial Government with regards to the applications on New Ireland and the surrounding Islands. The Company has made a concerted effort to reach agreement with the local Government officials on land owner and Provincial involvement and benefits, and the Minister for Mining has provided his written support to Foyson.

PNG GOVERNMENT PRESENTATION

In October 2013, the Chairman and CEO met with the Mineral Resources Authority, senior Cabinet Ministers and other PNG Government officials to present the Foyson Corporate Strategy, Amazon Bay Iron Sands Scoping Study and the 2014 Exploration Program.

The Presentation was extremely well received by the PNG Government and there was strong encouragement for the Amazon Bay Project renewal application, which was lodged in December 2013.

The renewal application was supported by a very positive Mining Wardens' hearing on EL1396, attended by more than 500 local landowners and their families. The local people unanimously voted in support of the renewal and the Wardens' report will be considered by the next meeting of the Mining Advisory Council in late February.

SMELTING TECHNOLOGY REVIEW

During the quarter, the Company commissioned a high level study from Electrum Pty Ltd to identify suitable smelting techniques for the likely Amazon Bay concentrate.

The Review concluded that the Amazon Bay concentrate was well suited to DRI technology and the high titanium and very high vanadium contents make the concentrate very attractive in a number of markets.

Based on previous metallurgical testing, Amazon Bay has a likely titano-magnetite concentrate product quality as follows:

Fe Grade %	Al₂O₃ %	TiO₂ %	V₂O₅ %
52.3	1.82	17.3	1.19

Salient features are:

- a sub 55% Fe grade;
- low Al₂O₃;
- high TiO₂ compared to an industry norm of 6% to 15%;
- very high Vanadium grades, compared to other iron sands projects which generally have 0.35-0.5%.

Amazon Bay titano-magnetite would be attractive to iron ore consumers for its high Vanadium content and anecdotally, these types of magnetites have been bought in the past by Chinese mills for this reason.

Traditional iron ore blast furnaces are technically limited in the amount of titanium they can handle. Producers using conventional blast furnaces state that they can only use feedstocks containing a maximum of 6% TiO₂.

Generally consumers only add about 5- 8% by weight of iron sands into their blast furnaces to supplement hematites or hard rock magnetites.

Iron ore feedstocks with greater than 6% titanium affect conventional blast furnace operation and restrict capacity, thus Amazon Bay material would generally only be sold into the traditional furnace market as a supplement.

Some Chinese iron producers such as Chengde, have developed their blast furnaces and fluxes to accept ores with up to 12% TiO₂ however these would be the exception not the rule.

Alternative consumers are those that have direct reduction/smelting/melting processes which could utilise a feedstock comprised predominantly of titanomagnetite iron sands.

A Direct Reduced Iron “DRI” material can be fed either directly to a basic oxygen furnace or electric furnace to complete the reduction to pig iron.

There are a number of reliable DRI technologies available which are able to treat high titanium magnetites, however the critical portion of the pig iron production process with respect to high titanium feedstocks is the smelting or melting stage.

Direct reduction methods utilise one of three basic technologies:

- Rotary Kiln (SL/RN process)
- Shaft
- Fluid Bed (FB)

The treatability of Amazon Bay material by Direct Reduction should not be an issue and the titanium content plays no part in the reduction reactions involved. The reduction process would upgrade the magnetite feed from 52% Fe to nominally 70% Fe.

The critical process step with high titanium feedstocks is the smelting/melting stage. After reduction, the melting of the DRI can be achieved solely using electrical energy to generate heat or can be achieved using gaseous/solid reductants with oxygen to supply the heat source.

Those DRI plus smelting processes involving oxygen and combustion in the smelting process will reportedly struggle because of viscosity issues caused by the elevated titanium content typical of iron sands.

However a reduction process using electric arc smelting, whether it be AC or DC, avoids the high titanium chemistry issues associated with the burning of fuels and would be able to treat Amazon Bay material.

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

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

Electric smelting is suited to locations where mains electrical power is cheap, or where cheap electrical power can be generated close by using coal or gas or if an efficient co-generation system can be incorporated into the reduction and smelting circuit.

There is no limit to the titanium content of the iron sands that can be treated if the process used is DRI plus electric melting however the capability of each of these technologies to treat Amazon Bay material can only be determined by large scale physical test work.

The major technology groups which will run laboratory bench scale and pilot scale tests if supplied with iron sands concentrate include:

- Siemens-VAI
- Outotec
- Mintek
- Hatch
- Davy McKee
- Batemans

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

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ABOUT FOYSON RESOURCES LIMITED

Foyson Resources Limited (ASX: FOY) is focussed on mineral resources opportunities in Papua New Guinea. The Company holds a 50% interest (and an option over the other 50% interest) in a major iron sands exploration target at Amazon Bay, located 170km south east of Port Moresby.

The Company is also exploring for gold and copper in 100% owned licence areas, covering over 8,000 square kilometres, and has completed a successful drilling program and IP survey on a copper porphyry system at Atui, in south New Britain.