



**30 April 2013**

**ASX: FOY**

### **MARCH 2013 QUARTERLY REPORT**

Foyson Resources Limited ("Foyson" or "the Company") is pleased to provide Shareholders with its Quarterly Report for the period ended 31 March 2013.

- Settlement of the Tranche 2 placement to TVI Pacific Inc. ("TVI") will occur progressively in the three month period to end July 2013. Shareholder approval was received whereby TVI will subscribe for 142,857,143 Foyson shares at 0.7cents (\$0.007) each, to raise \$1 million for working capital requirements. Foyson will also issue to TVI 80 million options, each option convertible to a fully paid share on payment of 1.5cents (\$0.015), prior to 31 December 2014. An appropriate waiver will be sought from the ASX for the deferred allocation of the shares and options;
- Settlement with Calix Limited on the Myrtle Springs tenements is planned to occur on or before Friday 10 May, 2013;
- Planning completed for the 2013 field program on the Amazon Bay project, with the objective being to confirm an exploration target sufficient to support the requirements of the initial Direct Shipping Ore operation;
- Interest expressed by two Chinese parties in off take agreements and project funding on Amazon Bay project, with due diligence to focus on the outcomes of the 2013 field program;
- A field visit to the Amazon Bay site will occur with one of the interested Chinese parties in mid-May, 2013 and shareholders will be informed of the outcomes;
- Further technical reviews on the Amazon Bay project completed by experienced iron sands consultants, to assist in defining drilling program and project strategy;
- Conceptual flow sheet, capital and operating costs determined on the Amazon Bay project for nominated development strategy of initially producing 1.5 million tonnes per annum of concentrate, containing both magnetite and any valuable non-magnetic minerals;
- Approval received for the Amazon Bay Joint Venture arrangements from the Minister for Mining in Papua New Guinea;
- Applications lodged with the PNG Mineral Resources Authority (MRA) for an additional area of 1869 square kilometres (increasing potential Amazon Bay

Project area by 124% to 3355sq km), contiguous with the existing Project area, and covering potential extensions of the onshore and offshore resource;

- Approval received for the renewal of the key New Britain tenement, EL1642;
- Expressions of Interest sought from major copper/gold producers for funding of further exploration and development work on the New Britain copper porphyry targets;
- TVI to cooperate with Foyson on seeking to identify a suitable resource project, which can provide near-term cash flow to Foyson and move the Company from an explorer to a producer.

## **CORPORATE ACTIVITIES**

### **Tranche 2 Placement**

Shareholder approval for the Tranche 2 placement to TVI was received at a General Meeting held on Tuesday 16 April 2013. The placement funds will be received progressively from TVI in the three month period prior to 31 July, 2013 and the shares and the options will be allocated as the placement funds are received. An initial payment of \$100,000 towards the placement funds will be received on Friday 3 May, 2013. An appropriate waiver will be sought from the ASX for the deferred allocation of the shares and options.

On receipt of the placement funds, the cumulative funding provided by TVI to Foyson will total \$4,302,506, comprising \$1,884,000 by way of Placements, \$1,518,506 by way of exploration contributions, \$300,000 by way of exclusivity fees and \$600,000 by way of a loan. TVI is also committed to spend \$2million under the Amazon Bay Joint Venture Agreement.

### **Loan repayment**

The commercial arrangements between the parties were restructured such that the loan provided by TVI is now a Convertible Loan. The amount has been increased to \$600,000, repayable on 30 June 2014 at zero interest, if not previously converted to securities.

In the six month period prior to 30 June 2014, TVI will have the right (but not the obligation) to request repayment of the Convertible Loan by Foyson issuing 75 million shares and 75 million options to TVI. The options will be convertible to fully paid shares, by payment of 1.5cents (\$0.015) each, prior to 31 December 2014 at \$0.015.

These arrangements were approved by shareholders at the General Meeting on 16 April 2013.

## **Joint Venture Agreements**

TVI has confirmed its intention to proceed with the Amazon Bay joint venture and the Joint Venture Agreement has been approved by PNG Minister for Mining.

TVI has already invested over \$725,000 in the Amazon Bay project, by way of reimbursement of costs incurred by Foyson, and has committed to a minimum project spend of \$2 million by 31 December 2013. TVI has committed to pay the next option payment of \$150,000 on the Amazon Bay project (over the remaining 50% of the shares in Titan Mines Limited) by 6 May, 2013.

TVI will utilize the expertise gained from being a successful mine developer and operator in the Asia Pacific region in seeking to fast track the development of an operating project.

TVI has invested over \$790,000 in the New Britain joint venture, by way of reimbursement of costs incurred by Foyson. The exploration program completed at Atui in New Britain during 2012 was successful in confirming the presence of a significant copper porphyry system. The parties now consider that the development of this project will be best served by introducing a major copper/gold producer to replace TVI, to allow TVI to focus its resources on Amazon Bay.

TVI will cooperate with Foyson in identifying a possible, replacement joint venture partner and may choose to withdraw from the New Britain joint venture upon the earlier of Foyson introducing a new partner or 30 September 2013.

The Joint Venture Agreement on the New Britain tenements has been approved by the PNG Minister for Mining.

## **Sale of South Australian Magnesite Tenements**

Foyson has entered into a tenement sale agreement with Calix Limited and its wholly owned subsidiary MS Minerals Pty Limited, to sell its Myrtle Springs magnesite tenements in South Australia.

Total consideration payable under the agreement is \$1 million (excluding GST). An amount of \$400,000 (excluding GST) has been received and final settlement of the transaction is planned to occur on or before Friday 10 May, 2013.

## **AMAZON BAY PROJECT**

### **Amazon Bay Joint Venture Arrangements**

Under the Joint Venture arrangements, TVI is currently earning a 10% interest in the Project, by spending A\$2million prior to 31 December 2013, on programs and studies approved by the Amazon Bay Joint Venture ("ABJV") Operating Committee.

TVI has the right but not the obligation to spend a further A\$5.5million, prior to 31 December 2014, to earn a further 20% interest in the Project.

TVI also has the right to develop and sole fund a Direct Shipping Ore (“DSO”) operation, at a shipping rate of 3million tonnes per annum (“mtpa”) for a maximum of twenty years. TVI would hold a 51% interest in such a DSO operation.

The ABJV partners have agreed that the development of a DSO operation is the most likely approach to generate the earliest cash flow from the Project and as a consequence, this strategy has been adopted in developing the 2013 field program.

The target of the 2013 field program is to delineate sufficient concentrate to commence the DSO operation. Cash flow from the DSO operation would then be available to potentially fund the larger scale development of the Project.

## **Field Program**

The ABJV partners retained the services of Mr Chris Young, former Chief Geologist at Mineral Deposits Limited and with over thirty years’ experience in the delineation and evaluation of mineral deposits, to assist in defining the field program.

Based on a review of other iron sands projects under consideration, sonic drilling was selected to provide the optimum samples from this program. The Company believes this is the first application of sonic drilling in PNG. Sonic drilling can provide essentially 100% core recovery and is ideal for drilling below the water table in unconsolidated material. This core accurately reflects the depth and grade variations of the deposit and meets the requirements of the interested off take partners for representative samples.

The sonic drilling contractor selected (and the project manager engaged for the program) has undertaken much of the recent work on the Fijian iron sands project of Amex Resources Ltd (ASX: AXZ); AXZ has a current market capitalisation in excess of \$100million, on the basis of that project.

Drilling will occur in the western area of the Threadfin area of the Project, which previous airborne aeromagnetic / radiometric surveys, and the surface sampling program conducted in 2012, has identified as one of the more prospective areas. Further satellite imaging interpretation, in conjunction with reinterpretation of all previous work, is currently being completed to confirm the specific drilling locations.

The iron sands samples will be subject to heavy media separation to produce a concentrate containing both magnetite and any valuable non-magnetic minerals (jointly “Concentrate”) and the Concentrate will be assayed for iron, titanium, vanadium and gold (the Owen Stanley Ranges, which is the source area for the coastal Amazon Bay iron sands deposits, is highly prospective for gold).

Samples of the Concentrate will be composited and provided to the potential off take partners for pyro and hydrometallurgical testing, with the aim of producing high purity vanadium, titanium and iron metals.

The purpose of the 2013 field program is to advance the understanding of this defined exploration target, as it progresses towards a JORC resource, with the objective of outlining approximately 60 million tonnes of Concentrate. This quantity of Concentrate is the initial focus of the ABJV and meets the requirements of the DSO operation.

This field program will also form the basis of the pre-feasibility study to be produced later in 2013.

### **Potential Off-Take Partners**

Two Chinese parties have approached the Company expressing interest in the Project. Both parties are Hong Kong based, with extensive experience in the evaluation and development of iron sands projects.

Samples were provided to one of these parties in late 2012 and the results were sufficiently encouraging to generate continuing interest.

The potential off take arrangements will be advanced by the Chinese parties being provided with iron sands and Concentrate samples which are representative of a significant tonnage of the potential resource, to demonstrate the spatial and vertical variability of the iron sands, and with a focus on the Concentrate recoveries.

The Chinese parties are interested in the Amazon Bay concentrate due to the favourable logistics of the Project, the high vanadium and titanium content and the political stability of PNG.

The Company is encouraged by this level of interest and will keep Shareholders fully informed of any developments.

### **Project Strategy**

The ABJV partners have retained Mr Peter Hinner, a mineral and iron sands metallurgist with over thirty years operating experience, and specifically, recently as a project manager for feasibility studies on iron sands projects in South America and Indonesia.

He has reviewed all previous sampling, assaying and metallurgical work on the Project and has concluded this work indicates that the iron sands provide approximately 10% Concentrate content, which compares favourably with other iron sands projects currently under consideration.

As a consequence of this review, a conceptual flow sheet has been developed for the Project.

The flow sheet involves dredging 15 million tonnes per annum of sand to produce approximately 1.5mtpa of Concentrate, utilizing gravity and magnetic separation and selective grinding. The planned DSO production rate of 3mtpa of Concentrate is likely to be produced by two identical operations (providing redundancy and lower risk). The 2013 field program will determine the feasibility of including the recovery circuit for the non-magnetic material, by assessing the value of the non-magnetic minerals.

The Concentrate would initially be barged to vessels standing offshore. Subsequently, the transfer of the Concentrate may be upgraded to a lower cost operation by pumping via a seabed pipeline to shipping at a single point mooring, for

dewatering in purpose built holds, similar to the New Zealand Iron and Steel operation.

On the basis of this strategy and his relevant industry experience, Mr Hinner has developed indicative Project costs for the first stage of development. The capital cost is estimated at A\$160 to \$180 million for 1.5mtpa of Concentrate production, and the operating cost is estimated at A\$29/tonne Concentrate FOB.

This program of work will provide the opportunity for a detailed commercial comparison of the Project to be made with other iron sands projects currently under consideration around the world, and Directors are confident that this will lead to a more realistic reflection of the market value of the Project.

### **PNG Government Support**

The PNG Government and MRA continue to work closely with the Company and this ongoing support is acknowledged. It is planned to develop a pre-feasibility study during 2013, outlining the likely Project development strategy, timing and scale, for discussion with the MRA and relevant Government Ministers, and to meet the Exploration Licence renewal requirements.

### **NEW BRITAIN PROJECT**

Foyson received highly encouraging results from the 2012 field program of diamond drilling and an Induced Polarisation ("IP") survey at the Atui Project, within the Company's EL1642 on New Britain Island, PNG.

Atui is a substantial at-surface area of porphyry mineralisation and alteration, which was originally discovered in the 1980s. Despite the prospectivity of the region, Atui had never been previously drilled.

Following the decision of TVI to withdraw from the New Britain Joint Venture to focus its resources on the Amazon Bay project, the Company decided to seek Expressions of Interest from major copper/gold producers to farm into the tenements.

An Information Memorandum on the project has been prepared and is currently being circulated to selected parties. Shareholders will be informed of any developments on the tenements.

### **NEW IRELAND TENEMENTS**

The Wardens' hearings have been successfully completed and all approvals have been received from the PNG Mining Advisory Council for the granting of the exploration applications in the New Ireland region.

The Company is now awaiting Ministerial approval for the formal granting of these Exploration Licences.

FOR FURTHER INFORMATION CONTACT:

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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 remaining 50% interest) in a major iron sands exploration target at Amazon Bay, located on the coast, 170km south east of Port Moresby. Development options for the Project are currently being assessed.

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

The technical information contained in this announcement has been reviewed and assessed by a consultant to the Company, Mr Chris Young, who is a Member of the Australasian Institute of Mining & Metallurgy and a Member of the Australian Institute of Geoscientists.

Mr Young has over 40 years' experience in the industry and has more than 5 years' experience which is relevant to the style of mineralization being reported on, to qualify as a Competent Person, as defined in the 2004 Edition of the "Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Young consents to the inclusion of this information in this announcement.