FYI RESOURCES LIMITED

ABN 85 061 289 218

ANNUAL REPORT 2018

Corporate Information

Directors	:	Edmund Babington Adrian Jessup David Sargeant
Managing Director	:	Roland Hill
Company Secretary	:	Phillip MacLeod
Registered Office	:	Registered Office and Principal Place of Business 53 Canning Highway Victoria Park WA 6100 Telephone: (08) 9361 3100 Facsimile: (08) 9361 3184 Website: www.fyiresources.com.au
Auditor	:	HLB Mann Judd Level 4 130 Stirling Street Perth WA 6000
Share Registry	:	Security Transfer Australia Pty Ltd 770 Canning Highway Applecross WA 6153 Telephone: (08) 9315 2333 Facsimile: (08) 9315 2233
Securities Exchanges	:	ASX Limited Home Branch: Perth Code: FYI Frankfurt Stock Exchange Code: SDL
ABN	:	85 061 289 218

Review of Operations

INTRODUCTION

FYI Resources Limited (FYI) is an ASX listed resources company with a focus on the exploration and development of strategic commodity projects. The Company's near-term corporate objective is to advance its High Purity Alumina (HPA) project in Western Australia and to be a dominant participant in the battery and electric vehicle (EV) growth markets, as well as progress its potash strategy in Southeast Asia.

PROJECTS

High Purity Alumina

FYI is developing an industry competitive processing route for HPA from a non-traditional source of feedstock, being high quality aluminous clay (kaolin). The Company owns the Cadoux kaolin deposit (EL 70/4673) in Western Australia.

Since demonstrating the key proof of concept in an initial metallurgical trial production of 99.99% grade alumina in October 2017, FYI has completed its Pre-feasibility Study (PFS) in September 2018 which determined positive technical and economic parameters for the Cadoux project.

The PFS outcome demonstrated the viability of FYI producing high-grade alumina at the lowest quartile capital and operating costs and supports the Company's decision to progress to a Bankable Feasibility Studies (BFS).

PFS key parameters are tabled below:

PFS summary key inputs / results	Unit	Amount
Key inputs		
HPA production	tpa	8,000
Production grade	Al2O3	>99.99%
Capital cost	US$ m	179
Capital cost / t	US$ / t	22,344
Forecast average operating costs	US$ / t	6,467
Forecast revenue / t	US$ / t	24,000
Discount rate	%	10%
Key Results		
NPV	US$ m	506
IRR	%	46%
Project payback	yrs	3.6
Annual EBITDA (avg)	US$ m	128
Total project net operation cash flow (25 years)	US$ m	2,266
Annual revenue (avg)	US$ m	190
Life of Mine - total revenue	US$ m	11,376

FYI intends to progress the Cadoux project BFS studies to completion scheduled for June 2019 with the intention of developing a world class integrated HPA production facility in Kwinana, Western Australia. The details of the PFS and the relevant parameters and modifying factors are set out in the PFS announcement dated 25 September 2018.

The basis for FYI's HPA strategy is the Company's objective of innovating the production of HPA via significant capital and operating cost reductions made possible from the non-traditional kaolin processing route and then participating in the emerging and rapidly expanding EV and battery / power storage industry segments and other associated HPA markets as a lower quartile producer.

Potash

FYI has potash applications in Thailand and is progressing with securing potash concessions in Laos.

RESOURCES

FYI Resources' Mineral Resource Estimate (MRE) as at 27 September 2018 is set out in Table 1 below along with a comparison to the MRE included in the Company's 2017 Annual Report.

Table 1: Cadoux Mineral Resource estimate

Classification	Tonnage Mt	Al_2O_3%	Al%	Fe%	K_2O%
2018[1]					
Indicated	3.2	24.4	12.9	1.0	1.0
Inferred	6.3	22.3	11.8	0.7	1.2
Combined	**9.6**	**23.0**	**12.2**	**0.8**	**1.1**
2017[2]					
Indicated	13.0	21.8	11.6	0.5	Not reported
Inferred	3.1	23.6	12.5	0.7	Not reported
Combined	**16.1**	**22.2**	**11.8**	**0.5**	Not reported

Notes:
1. Refer to ASX announcement 25 September 2018. The MRE reported in September 2018 focused on a sub-set of the larger Cadoux Kaolin resource for optimal feedstock characteristics.
2. Refer to ASX announcement 26 July 2017. K_2O was not reported in the 2017 MRE.

Mineral Resource and Ore Reserve Governance and Internal Controls
FYI Resources ensures that the MRE quoted is subject to governance arrangements and internal controls activated at a site level and at the corporate level. Internal and external reviews of MRE procedures and results are carried out through an independent technical review team which is comprised of highly competent and qualified professionals. These reviews have not identified any material issues. FYI Resources reports its Mineral Resource on an annual basis in accordance with the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (the JORC Code) 2012 Edition. Competent Persons named by FYI Resources are Members or Fellows of the Australasian Institute of Mining and Metallurgy and/or the Australian Institute of Geoscientists and qualify as Competent Persons as defined in the JORC Code.

Competent person statements

Resources
The information in this report that relates to the 2017 Mineral Resources is based on information compiled by Mr Andrew Kohler, a Competent Person who is a Member of the Australian Institute of Mining and Metallurgy (AusIMM). Mr Kohler is an employee of Strategic Resource Management, and consultant to the Company. Mr Kohler has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration, and to the activity that he has undertaken to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves. The Mineral Resource estimate complies with recommendations in the Australian Code for Reporting of Mineral Resources and Ore Reserves (2012) by the Joint Ore Reserves Committee (JORC). Mr Kohler consents to the inclusion of the information in the form and context in which it appears.

The information in this report that relates to 2018 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 (JORC Code). Dr Scogings consents to the disclosure of information in this report in the form and context in which it appears.

The Company confirms it is not aware of any new information that materially affects the information included in the original announcements regarding the Company's 2017 and 2018 MRE.

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 (The JORC Code). Mr Evans consents to the inclusion of the report in the form and context in which it appears. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements dated 5 September and 23 October 2017 and 21 February and 2 September 2018 and that all material assumptions and technical parameters underpinning the findings in the relevant market announcements continue to apply and have not materially changed.

Announcements in respect to exploration results are available on the Company's website at www.fyiresources.com.au.

Directors' Report

Your Directors submit their report for the year ended 30 June 2018.

DIRECTORS

The names and details of the Directors of the Company in office during the financial year and until the date of this report are listed below. Directors were in office for this entire period unless otherwise stated.

Mr Edmund Babington (Non-Executive Chairman)

Mr Babington is a Director of WA commercial law firm, Lyons Babington Lawyers, and is a member of the resources and energy law association, AMPLA Ltd and is a WA committee member of the Australian Institute of Business Brokers. He is a specialist in franchising, mining and resources, and corporations law in particular relating to capital raisings, stock exchange requirements, corporate governance and compliance.

Mr Babington has been a director of the following listed Company during the past three years.

Company	Position	Appointed	Ceased
Hawkley Oil & Gas Ltd	Non- Executive Director	16/03/2017	
Empire Resources Ltd	Alternate Director	10/07/2017	1/08/18

Mr David Sargeant (Non-Executive)

Mr Sargeant holds a Bachelor of Science degree in economic geology from the University of Sydney and has more than 40 years experience as a geologist, consultant and company director. As such, he has been involved in numerous mineral exploration, ore deposit evaluation and mining development projects and is a member of AusIMM and the Geological Society of Australia.

During his career, Mr Sargeant has held a range of senior positions, including that of senior geologist with Newmont Pty Ltd and senior supervisory geologist with Esso Australia Ltd at the time of the Harbour Lights Gold Mine discovery and development. Mr Sargeant was the first chief geologist at Telfer Gold Mine during exploration, development and production at that project. In addition, he was exploration manager for the Adelaide Petroleum NL group of companies, manager of resources development for Sabminco NL and a technical director of Western Reefs Limited during the period in which that company became a successful producer at the Dalgaranga Gold Project.

Mr Sargeant successfully managed an exploration and geological consulting business for 18 years, which included the formation and management of platinum and copper-gold companies in Botswana until they were taken over during the 2005 to 2007 period by United Kingdom listed public companies. He was the principal promoter in forming Empire Resources Limited and remains Managing Director.

Mr Sargeant has been a director of the following listed Company during the past three years.

Company	Position	Appointed
Empire Resources Ltd	Managing Director	13/04/2000

Mr Adrian Jessup (Non-Executive)

Mr Jessup holds a Bachelor of Science degree (with honours) in economic geology from the University of Sydney and has more than 40 years continuous experience as a geologist, company director and consultant involved in mineral exploration, ore deposit evaluation and mining. He is a member of AusIMM, the Geological Society of Australia and the Australian Institute of Geoscientists.

For the last 15 years, Mr Jessup has operated a geological consulting company. During that time, he was a founding director of publicly listed companies Empire Resources Limited and Sylvania Resources Limited. He was a non-executive director of Empire Resources Ltd. He was also a director of two mineral exploration companies based in southern Africa that were subsequently acquired by United Kingdom listed public companies. Prior to commencing consulting, Mr Jessup was managing director of Giralia Resources NL for eight years, from the company's inception in 1987. Previously, he had worked for AMAX Exploration Inc., as a senior geologist and as regional manager in charge of that company's mineral exploration in Western Australia.

Mr Jessup has been a director of the following listed Company during the past three years.

Company	Position	Appointed	Resigned
Empire Resources Ltd	Non-Executive Director	15/08/2003	17/07/2018

Directors' Report

Mr Roland Hill (Managing Director)

Mr Hill holds a Bachelor of Science and Bachelor of Commerce from Curtin University. Mr Hill was appointed to the position of chief executive officer on 4 February 2011 and to the position of Managing Director on 1 July 2014. Mr Hill has extensive resource industry and investment, finance and funds management experience. He has been directly associated with the mining and exploration sector for over 18 years. Mr Hill has not acted as a director of any other listed company within the past three years.

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

At the date of this report the interests of the directors in the shares and options of the Company were:

	Ordinary Shares		Options	
Director	Direct Interest	Indirect Interest	Direct Interest	Indirect Interest
Edmund Babington	428,571	829,807	500,000	-
David Sargeant	-	1,375,000	-	-
Adrian Jessup	150,000	725,000	500,000	-
Roland Hill	6,037,074	5,417,951	750,000	-

Unissued shares under option
At the date of this report unissued ordinary shares or interest of the Company under option are:

Date options granted	Number of shares under option	Exercise price of option	Expiry date of option
23 December 2016	1,750,000	$0.088	29 November 2018
17 November 2017	7,452,615	$0.100	31 January 2019
5 April 2018	2,000,000	$0.096	4 April 2020

Shares issued during or since the end of the year as a result of exercise
As at the date of this report details of ordinary shares issued by the Company are:

Date options granted	Number of shares issued	Amount paid for the shares
23 December 2016	500,000	$44,000.00
17 November 2017	1,214,053	$121,405.30

COMPANY SECRETARY

Mr Phillip MacLeod, B.Bus, ASA, MAICD, was appointed to the position of Company Secretary on 19 May 2008. Mr MacLeod has over 20 years commercial experience and has held the position of Company Secretary with listed public companies since 1995.

CORPORATE INFORMATION

FYI Resources Limited is a company limited by shares incorporated and domiciled in Australia.

PRINCIPAL ACTIVITY

During the period the principal activities of the Company consisted of mineral exploration in Australia and southeast Asia.

RESULTS OF OPERATIONS

The loss after income tax for the financial year was $1,107,110 (2017: $845,688).

DIVIDENDS

No dividend was paid during the financial year and the Directors do not recommend payment of a dividend.

REVIEW OF OPERATIONS

Detailed comments on operations are included separately in this annual report under the Review of Operations.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Company that occurred during the financial year.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No matter or circumstance has arisen, since the end of the financial year, which significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Directors have excluded from this report any further information on the likely developments in the operations of the Group, and the expected results of those operations in future financial years, as the Directors believe that doing so would be speculative and prejudicial to the interests of the Group.

ENVIRONMENTAL REGULATION

The Group is not aware of any breaches in relation to environmental matters.

DIRECTORS' MEETINGS

The number of meetings of directors (including meetings of committees of directors) held during the year and the numbers of meetings attended by each director were as follows:

Director	Directors' Meetings	
	A	B
Edmund Babington	6	6
David Sargeant	6	6
Adrian Jessup	6	6
Roland Hill	6	6

A - Meetings eligible to attend

B - Meetings attended

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Indemnification:
The Company has agreed to indemnify all the directors and the Company Secretary who have held office in the Company during this financial year, against all liabilities to another person (other than the Company or its related body corporate) that may arise from their position as a director or officer of the Company, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

Insurance Premiums:
In July 2018, the Company has paid insurance premiums of $16,032 (2017: $15,500) in respect of directors and officers liability and legal expenses insurance contracts, for current and former directors and officers, including executive officers of the Company. The insurance premiums relate to:

- Costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- Other liabilities that may arise from their position, with the exception of conduct involving the wilful breach of duty or improper use of information or position to gain a personal advantage.

REMUNERATION REPORT (Audited)

This Remuneration Report consists of the following sections:

A. Principles of Remuneration
B. Details of Remuneration
C. Equity holdings

A. Principles of Remuneration

This Remuneration Report outlines the director and executive remuneration arrangements of the Company in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purposes of this report Key Management Personnel (KMP) of the Company are defined as those persons having authority and responsibility for

REMUNERATION REPORT (Cont.)

planning, directing and controlling the major activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company and includes the executives in the Company receiving the highest remunerations.

For the purposes of this report, the term "executive" encompasses the Directors and Managing Director of the company.

Details of Key Management Personnel for the year ended 30 June 2018

Directors

Name	**Position**
E Babington	Chairman (Non-Executive)
D Sargeant	Director (Non-Executive)
A Jessup	Director (Non-Executive)
R Hill	Managing Director

Remuneration Philosophy

This section details the remuneration arrangements in place for the executives and directors of FYI Resources Limited.

The broad remuneration philosophy is to ensure that remuneration properly reflects the relevant person's duties and responsibilities, and that the remuneration is competitive in attracting, retaining and motivating people of the highest quality. The Board believes that the best way to achieve this objective is to provide any executive directors and executives with a remuneration package consisting of components that reflect the person's responsibilities, duties, personal and corporate performance.

At this time no part of an executive's remuneration package is directly dependent on Company performance.

To this end FYI Resources follows the following principles;

- Provide competitive rewards.
- That a part of the senior executive's remuneration may be "at risk" and is linked to pre-determined achievements.
- That any variable part of executive remuneration has appropriate and demanding performance hurdles attached.

Remuneration Committee

FYI Resources does not have a remuneration committee. The remuneration of non-executive directors is determined by the Board as a whole having regard to industry standards of similar sized entities and the financial resources of the Company.

Each director receives a fee for being a director of the Company, with additional fees considered in recognition of specific duties carried out by each director. Fees paid to Non-Executive Directors are reviewed periodically.

Non-Executive Director Remuneration

The Board seeks to set aggregate remuneration at a level that provides the Company with an ability to attract and retain directors of suitable calibre, whilst incurring a cost that is acceptable to the shareholders.

The constitution and the ASX listing rules specify that the aggregate remuneration of Non-Executive directors shall be determined from time to time by general meeting of shareholders.

The aggregate amount payable to the Company's Non-Executive Directors must not exceed the maximum annual amount approved by the Company's shareholders. An aggregate amount of $300,000 was approved by shareholders at the Annual General Meeting held in November 2008.

The remuneration of non-executive directors for the periods ending 30 June 2018 and 30 June 2017 is detailed in Section B.

Details of Remuneration.

Senior Manager and Executive Director Remuneration

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

REMUNERATION REPORT (Cont.)

- reward executives for Company, business unit and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of executives with those of shareholders;
- link rewards with the strategic goals and performance of the Company; and
- ensure total remuneration is competitive by market standards.

Remuneration packaging contains the following key elements;

- Fixed remuneration - fixed components of salaries, fee and non-monetary benefits.
- Variable remuneration - share options.
- Post employment benefits - superannuation.

The Chairman, subject to Board approval, generally sets remuneration of any executive directors and the Chief Executive Officer.

Fixed Remuneration

The level of fixed remuneration for executives is set so as to provide a base level of remuneration which is both appropriate to the position and competitive in the market. Fixed remuneration is reviewed annually.

Variable Remuneration

Short term incentives (STI) may be linked to achievement of the Company's operational targets if the relevant executives achieve the target. STI is not linked to the Company's prevailing share price or results as the Company is not at a profitable stage of operations.

The Directors, subject to shareholder approval, and executives are eligible to participate in the Company's share option plan whereby options may be granted at an exercise price above the prevailing share price. This premium in conversion price, coupled with an appropriate vesting period, provides a long term incentive (LTI) whereby directors and executives will benefit only if there is a substantial improvement in the Company's share price. The number of options granted to each director and executive is determined by the Board based on the Company's and the eligible participant's performance. The grant of options is not linked to the Company's financial results, as the Company is not at a profitable stage of operations.

The Company does not have a policy for Directors to hedge their equity positions.

Employment contracts

In February 2011, the Company entered into a management services agreement with Capstone Capital Pty Ltd (a Company associated with Mr Roland Hill) ("Capstone") for the term of 36 months, for the provision of services by Mr Hill, acting in the capacity of FYI's Chief Executive Officer, overseeing the day to day administration and management of the business. The monthly fee payable to Capstone is $15,000 plus GST in arrears. The termination payment is 50% of the number of months remaining under the term of the Agreement multiplied by the monthly fee payable. The contract has been verbally renegotiated and FYI and Mr Hill have acted as if the contract has continued with the same terms and conditions.

B. Details of remuneration

The remuneration for each director and each of the executive officers of the Company receiving remuneration during the year was as follows:

2018	Short Term			Post Employment	Share Based Payment		% performance based
Specified Directors	Consulting Fees $	Salary $	Directors Fees $	Super $	Options $	Total $	
E Babington (Non-Executive)	-	-	30,000	2,850	-	32,850	0%
D Sargeant (Non-Executive)	-	-	24,500	-	-	24,500	0%
A Jessup (Non-Executive)	-	-	24,500	-	-	24,500	0%
R Hill (Managing Director)	-	-	180,000	-	-	180,000	0%
	-	-	259,000	2,850	-	261,850	0%

Directors' Report

REMUNERATION REPORT (Cont.)

2017 Specified Directors	Short Term Consulting Fees $	Salary $	Directors Fees $	Post Employment Super $	Share Based Payment Options $	Total $	% performance based
E Babington (Non-Executive)	-	-	30,000	2,850	7,737	40,587	0%
D Sargeant (Non-Executive)	-	-	24,500	-	7,737	32,237	0%
A Jessup (Non-Executive)	-	-	24,500	-	7,737	32,237	0%
R Hill (Managing Director)	-	-	180,000	-	11,605	191,605	0%
	-	-	259,000	2,850	34,816	296,666	0%

C. Equity Holdings

Directors and other Key Management Personnel

Options granted, exercised or lapsed during the year by directors and executives:

Name	No. of options held at 30 June 2017	Number of options lapsed	Number of options granted	Value of options exercised at the exercise date	No. of options held at 30 June 2018	Value of options lapsed at the date of lapse
E Babington	500,000	-	-	-	500,000	-
D Sargeant	500,000	-	-	-	500,000	-
A Jessup	500,000	-	-	-	500,000	-
R Hill	750,000	-	-	-	750,000	-

On 19 July 2018, David Sargeant exercised 500,000 options and paid $44,000 for the shares.

There is no performance criteria linked to the granted KMP options. The option holders must remain employed with the Company until vesting date to be entitled to the options. The options granted during the prior year vested immediately.

The option holders do not have any right, by virtue of the option to participate in any share issue of the Company or any related body corporate.

Option Holdings of Directors

2018	Balance at beginning of period 1 Jul 2017	Granted as Remuneration	Options Exercised	Net Change Other #	Balance at end of period 30 Jun 2018	Vested at 30 June 2018 Total	Exercisable	Not Exercisable
Directors								
E Babington	500,000	-	-		500,000	500,000	500,000	-
D Sargeant	500,000	-	-		500,000	500,000	500,000	-
A Jessup	500,000	-	-		500,000	500,000	500,000	-
R Hill	750,000	-	-		750,000	750,000	750,000	-
Total	2,250,000	-	-	-	2,250,000	2,250,000	2,250,000	-

Directors' Report

REMUNERATION REPORT (Cont.)

Share Holdings of Directors

2018	Balance at beginning of period 1 July 2017	Issued as Remuneration	Issued on Exercise of Options	Net Change Other	Consolidation of Capital	Balance at end of period 30 Jun 2018
Directors						
E Babington	1,258,378	-	-	-	-	1,258,378
D Sargeant	875,000	-	-	-	-	875,000
A Jessup	875,000	-	-	-	-	875,000
R Hill[1]	10,887,746	420,000	-	147,279	-	11,455,025
Total	13,896,124	420,000	-	147,279	-	14,463,403

[1] On 25 May 2018, Roland Hill entered into an option agreement with Empire Resources Limited to acquire 7 million FYI shares. The option fee is $80,000 and the option has a term of 6 months. The consideration is a minimum price of 12 cents per share plus 30% of the FYI share price above 12 cents when the option is exercised, net of the option fee.

D. Transactions with Directors

	Consolidated	
	2018 $	2017 $
Other transactions with Directors		
The Director, Mr Babington is a director of Lyons Babington Lawyers which has provided legal services to the company on normal commercial terms. This excludes fees included as remuneration noted under section B of the Directors Report.	**3,498**	4,449
	3,498	4,449

Refer to Note 17 for amounts owing to directors at balance date.

AUDITORS INDEPENDENCE AND NON-AUDIT SERVICES

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the audit of the annual report. This Independence Declaration is set out on page 11 and forms part of this directors' report for the year ended 30 June 2018.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of FYI Resources Ltd support the principles of corporate governance. The Company's Corporate Governance Statement can be found on the Company's website at www.fyiresources.com.au .

Signed at Perth this 27th day of September 2018

Roland Hill
Managing Director

Auditor's Independence Declaration

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of FYI Resources Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia
27 September 2018

D I Buckley
Partner

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

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Email: mailbox@hlbwa.com.au | Website: www.hlb.com.au

Directors' Declaration

1. In the opinion of the directors of FYI Resources Limited ("the Company"):

   a) the financial statements, notes and the remuneration disclosures (contained in sections A to C of the remuneration report in the Directors' report), are in accordance with the *Corporations Act 2001*, including:

      (i) giving a true and fair view of the financial position of the group as at 30 June 2018 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date; and

      (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

   b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(c);

   c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The directors have been given the declarations pursuant to Section 295A of the *Corporation Act 2001* for the financial year ended 30 June 2018.

Dated this 27th day of September 2018.

Signed in accordance with a resolution of the directors:

Roland Hill
Managing Director

Statement of Comprehensive Income

For The Year Ended 30 June 2018

	Note	Consolidated 2018 $	Consolidated 2017 $
Continuing Operations			
Gain on loss of control of subsidiary	23	**37,582**	-
Interest income		**13,006**	5,690
Exploration expense	2	**(775,648)**	(446,280)
ASX fees		**(24,981)**	(18,291)
Share based payments		**-**	(34,816)
Accounting and audit fees		**(115,445)**	(75,625)
Other administration expenses	2	**(70,625)**	(35,643)
Directors fees		**(263,038)**	(261,850)
Share registry expenses		**(12,665)**	(4,952)
Rent		**(6,725)**	(6,664)
Legal expenses		**(4,638)**	(1,766)
Consulting fees		**(86,287)**	-
Impairment of loan		**(95,045)**	(15,590)
Loss before income tax expense		**(1,404,509)**	(895,787)
Income tax benefit	3	**297,399**	50,099
Net loss for the year		**(1,107,110)**	(845,688)
Other comprehensive income, net of tax			
Items that may be reclassified to profit or loss			
Exchange differences from translation of foreign operations		**(3,357)**	(2,820)
Other comprehensive income		**(3,357)**	(2,820)
Total comprehensive loss		**(1,110,467)**	(848,508)
Loss for the year is attributable to:			
Owners of FYI Resources Ltd		**(1,061,502)**	(794,796)
Non-controlling interests		**(45,608)**	(50,892)
		(1,107,110)	(845,688)
Total comprehensive year for the period is attributable to:			
Owners of FYI Resources Ltd		**(1,064,859)**	(797,616)
Non-controlling interests		**(45,608)**	(50,892)
		(1,110,467)	(848,508)
Basic and diluted loss per share (cents per share)	20	**(0.81)**	(0.88)

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

As At 30 June 2018

	Note	Consolidated 2018 $	Consolidated 2017 $
CURRENT ASSETS			
Cash and cash equivalents	**18**	**2,889,087**	238,145
Trade and other receivables	**4**	**351,709**	110,110
Total Current Assets		**3,240,796**	348,255
NON-CURRENT ASSETS			
Exploration and evaluation expenditure	**6**	**3,533,332**	-
Total Non-Current Assets		**3,533,332**	-
TOTAL ASSETS		**6,774,128**	348,255
CURRENT LIABILITIES			
Trade and other payables	**7**	**451,292**	549,437
Total Current Liabilities		**451,292**	549,437
TOTAL LIABILITIES		**451,292**	549,437
NET ASSETS / (LIABILITIES)		**6,322,836**	(201,182)
EQUITY			
Issued capital	**9**	**35,880,361**	29,309,935
Reserves	**10**	**2,359,031**	1,374,264
Accumulated losses		**(31,770,098)**	(30,708,596)
Equity attributable to owners of the parent		**6,469,294**	(24,397)
Non-controlling interests		**(146,458)**	(176,785)
TOTAL EQUITY / (DEFICIENCY)		**6,322,836**	(201,182)

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the year Ended 30 June 2018

	Consolidated						
	Issued Capital	Accumulated Losses	Share-based Payments Reserve	Option Premium Reserve	Foreign Currency Translation Reserve	Non-controlling interests	Total
	$	$	$	$	$	$	$
Balance at 1 July 2016	29,141,935	(29,913,800)	497,485	834,677	10,106	(125,893)	444,510
Loss for the year	-	(794,796)	-	-	-	(50,892)	(845,688)
Other comprehensive loss	-	-	-	-	(2,820)	-	(2,820)
Total comprehensive loss for the year	-	(794,796)	-	-	(2,820)	(50,892)	(848,508)
Equity transactions:							
Shares issued net of transactions costs	168,000	-	-	-	-	-	168,000
Share-based payments	-	-	34,816	-	-	-	34,816
Balance at 30 June 2017	29,309,935	(30,708,596)	532,301	834,677	7,286	(176,785)	(201,182)
Balance at 1 July 2017	**29,309,935**	**(30,708,596)**	**532,301**	**834,677**	**7,286**	**(176,785)**	**(201,182)**
Loss for the year	**-**	**(1,061,502)**	**-**	**-**	**-**	**(45,608)**	**(1,107,110)**
Other comprehensive loss	**-**	**-**	**-**	**-**	**(3,357)**	**-**	**(3,357)**
Total comprehensive loss for the year	**-**	**(1,061,502)**	**-**	**-**	**(3,357)**	**(45,608)**	**(1,110,467)**
Derecognise non-controlling interest	**-**	**-**	**-**	**-**	**-**	**75,935**	**75,935**
Equity transactions:							
Shares issued net of transactions costs	**6,570,426**	**-**	**-**	**-**	**-**	**-**	**6,570,426**
Share-based payments	**-**	**-**	**988,124**	**-**	**-**	**-**	**988,124**
Balance at 30 June 2018	**35,880,361**	**(31,770,098)**	**1,520,425**	**834,677**	**3,929**	**(146,458)**	**6,322,836**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For The Year Ended 30 June 2018

	Note	Consolidated 2018 $	Consolidated 2017 $
Cash flows from operating activities			
Payments to suppliers and employees		**(684,571)**	(236,944)
Payments for exploration and evaluation		**(725,099)**	(404,598)
Interest received		**13,178**	6,330
Other - R&D tax offset		**97,498**	-
Net cash outflow from operating activities	**18(b)**	**(1,298,994)**	(635,212)
Cash flows from financing activities			
Proceeds from issue of shares		**4,216,405**	-
Share issue costs		**(266,469)**	-
Net cash inflow from financing activities		**3,949,936**	-
Net increase/(decrease) in cash held		**2,650,942**	(635,212)
Cash at the beginning of the year		**238,145**	873,357
Cash at the end of the year	**18(a)**	**2,889,087**	238,145

The above statement of cash flows should be read in conjunction with the accompanying notes.

CORPORATE INFORMATION

The financial report of FYI Resources Limited ("the Company") for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of the directors on 27 September 2018. FYI Resources Limited is a Company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of the Company during the financial year are mineral exploration and evaluation of potash projects in southeast Asia and a kaolin project in Western Australia.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Preparation

This financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards (including Australian Interpretations). The Group's accounting policies have been consistently applied with prior years, unless otherwise stated.

The financial report has also been prepared on a historical cost basis.

The financial report is presented in Australian dollars, which is the Company's functional and presentation currency.

For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

The financial statements are for the Group consisting of FYI Resources Limited and its subsidiaries.

b) Adoption of New and Revised Accounting Standards

In the year ended 30 June 2018, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period.

It has been determined by the Directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Company and, therefore, no material change is necessary to Company accounting policies. This included consideration of AASB 9, AASB 15 and AASB 16.

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2018. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Company and, therefore, no change necessary to Company accounting policies.

c) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

d) Significant Accounting Judgements, Estimates and Assumptions

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Share-based payment transactions
The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuer using a Black and Scholes model, using the assumptions detailed in Note 15.

Exploration and evaluation expenditure
The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits are likely from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence or reserves.

e) Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement in with the investee; and
- has the ability to its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements listed above.

When the Company has less than a majority of the voting rights in an investee, it has the power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties; rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholder meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Changes in the Group's ownership interest in existing subsidiaries

Changes in the Group's ownership interest in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in subsidiaries. Any difference between the amount paid by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between:

- the aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by the applicable AASBs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

f) Foreign Currency Translation

Both the functional and presentation currency of FYI Resources Limited and its Australian subsidiaries is Australian dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date.

All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.
Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

The functional currency of the foreign operations, West Mekong Minerals Ltd and East Siam Minerals Ltd is Thai Baht (BHT).

As at the balance date the assets and liabilities of these subsidiaries are translated into the presentation currency of FYI Resources Limited at the rate of exchange ruling at the balance date and income and expense items are translated at the average exchange rate for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used.

The exchange differences arising on the translation are taken directly to a separate component of equity, being recognised in the foreign currency translation reserve.

On disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to the partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

g) Income Tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary difference and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interest in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.
Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation legislation
FYI Resources Ltd and its 100% owned Australian resident subsidiaries have implemented the tax consolidation legislation. Current and deferred tax amounts are accounted for in each individual entity as if each entity continued to act as a taxpayer on its own.

FYI Resources Ltd recognised its own current and deferred tax amounts and those current tax liabilities, current tax assets and deferred tax assets arising from unused tax credits and unused tax losses which it has assumed from its controlled entities within the tax consolidated Group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts payable or receivable from or payable to other entities in the Group. Any difference between the amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) controlled entities in the tax consolidated Group.

h) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

i) Revenue

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income is recognised as it accrues in profit or loss, using the effective interest method.

j) Plant and Equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

	Estimated useful life
Plant and equipment	4 – 5 years

Impairment
The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

k) Exploration and Evaluation Expenditure

Exploration and evaluation costs, excluding the costs of acquiring licences, are expensed as incurred. Acquisition costs will be assessed on a case by case basis and, if appropriate, they will be capitalised. These acquisition costs are only carried forward only if the rights to tenure of the area of interest are current and either:

- They are expected to be recouped through successful development and exploitation of the area of interest or alternatively, by its sale; or

- The activities in the area of interest at the reporting date have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing

Accumulated acquisition costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

The carrying values of acquisition costs are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

l) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are carried at amortised cost using the effective interest method less impairment losses.

m) Share-based Payments

Share-based compensation benefits are provided to directors and executives.

The fair value of options granted to directors and executives is recognised as an employee benefit expense with a corresponding increase in equity over the vesting period. The fair value is measured at grant date and recognised over the period during which the directors and/or executives becomes unconditionally entitled to the options.

The fair value at grant date is independently determined using an option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected divided yield and the risk-free interest rate for the term of the option.

n) Cash and Cash Equivalents

Cash and cash equivalents in the statement of financial position includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

o) Loss per Share

Basic loss per share is calculated as net result attributable to the Company, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Diluted loss per share is calculated as net result attributable to members, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of
- potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

p) Trade and Other Payables

Trade payables and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

q) Impairment of Assets

At each balance date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or group of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in the statement of comprehensive income.

An assessment is also made at each balance date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

r) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

When the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value or management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

s) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of FYI Resources Ltd.

Notes to the Financial Statements
For the Year ended 30 June 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

t) Issued Capital

Ordinary shares are classified as equity. Incremental costs directly attributably to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

u) Going concern

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlements of liabilities in the ordinary course of business.

2. EXPENSES

	Consolidated	
	2018 $	2017 $
Exploration expense		
Laos administration	**91,461**	133,295
Laos legal	**39,977**	59,710
Laos drilling	**3,254**	62,500
Laos assay, exploration, sampling, R&D	**29,485**	87,685
Thai government applications	**-**	50,481
HPA tenement expenses	**35,514**	2,148
HPA drilling	**50,868**	20,391
HPA assay	**278,360**	7,699
HPA geophysics	**17,294**	-
HPA field supplies	**28,744**	1,228
HPA geologist	**68,550**	6,250
HPA research & development	**73,193**	**-**
Other exploration expense	**58,948**	14,893
	775,648	446,280
Corporate Administration costs		
Postage, printing & stationery	**17,346**	7,848
Insurance	**11,335**	2,877
Other administration expenses	**41,944**	24,918
	70,625	35,643

3. INCOME TAXES

The prima facie income tax benefit on pre-tax accounting loss from operations reconciles to the income tax expense in the financial statements as follows:

	Consolidated	
	2018 $	2017 $
Accounting loss before tax	**(1,404,509)**	(895,787)
Income tax benefit at 27.5% (2017: 30%)	**386,240**	268,736
Tax effect of:		
Non-deductible expenses	**(174,129)**	(33,785)
Share based payment	**-**	(16,385)
Fines	**(152)**	(23)
Deductible temporary differences (net)	**36,302**	15,366
Non-assessable temporary differences	**708**	-
Captial raising costs	**27,634**	8,065
Deferred tax asset not recognised	**(276,603)**	(241,974)
R&D tax incentive	**297,399**	50,099
Income tax benefit attributable to loss from ordinary activities before tax	**297,399**	50,099

Unrecognised deferred tax balances	Consolidated	
	2018 $	2017 $
Tax losses carried forward	**9,887,666**	8,881,836
Potential Income tax benefit at 27.5% (2017: 30%)	**2,719,108**	2,664,551

These deferred tax assets will only be obtained if:

(i) Future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
(ii) The conditions for deductibility imposed by tax legislation continue to be complied with; and
(iii) No changes in tax legislation adversely affect the Company in realising the benefit.

4. TRADE AND OTHER RECEIVABLES

	Consolidated	
	2018 $	2017 $
Current		
Trade receivables	**8,116**	8,225
Other receivables	**101,227**	63,658
Allowance for impairment	**(8,116)**	(23,706)
	101,227	48,177
Prepaid expenses	**482**	11,834
R&D tax receivable	**250,000**	50,099
	351,709	110,110

Trade and sundry receivables are non interest bearing and are generally received on 30-60 day terms.

All receivables that are past due have been impaired.

5. PLANT AND EQUIPMENT

	Consolidated	
	Plant & Equipment $	Total $
At 30 June 2017		
Cost / Fair value	2,135	2,135
Accumulated depreciation	(2,135)	(2,135)
Net carrying amount	-	-
At 30 June 2018		
Cost / Fair value	**2,135**	**2,135**
Accumulated depreciation	**(2,135)**	**(2,135)**
Net carrying amount	**-**	**-**

6. EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	2018 $	2017 $
Balance at beginning of year	**-**	-
Acquisition consideration	**3,533,332**	-
	3,533,332	-

On 26 September 2017, FYI Resources Ltd agreed to progress with the purchase of 100% of the shares in Kokardine Kaolin Pty Ltd, including its granted exploration tenements, rights, title and interests of the entity.

The consideration for the purchase is the issue of three tranches of shares:

- Tranche 1 is the issue of 21,428,571 shares, which occurred on 29 November 2017;
- Tranche 2 is the issue of 12,500,000 shares, which occurred on 20 February 2018; and
- Tranche 3 is the issue of 10,000,000 shares.

The tranche 3 issue is contingent on project and share price milestones and shareholder approval.
The fair value of share consideration is $0.081 per share valued using the spot price of the Company, when the Company had rights to the asset.

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluations phases is dependent on the successful development and commercial exploitation or sale of the respective areas.

7. TRADE AND OTHER PAYABLES

	Consolidated	
	2018 $	2017 $
Trade and other payables	**107,280**	36,165
Director related payables (refer note 17)	**314,399**	468,941
Accruals	**29,613**	44,331
	451,292	549,437

Trade payables are non-interest bearing and most suppliers have 30 day terms.

8. DEFERRED TAX LIABILITIES

	Consolidated	
	2018 $	2017 $
Recognised deferred tax assets and liabilities		
Deferred tax assets and liabilities are attributable to the following:		
Capital raising costs	**108,340**	13,915
Doubtful debts	**6,876**	7,112
Accrued Income	**(708)**	-
Tenements	**(36,560)**	-
Tax losses	**2,719,108**	2,664,551
Provision for expenses	**9,283**	13,636
Deferred tax assets offset against deferred tax liabilities	**-**	-
Deferred tax liability offset against deferred tax asset	-	-
Deferred tax assets not recognised[1]	**(2,806,339)**	(2,699,214)
Net deferred tax asset/(liabilities)	**-**	-

[1] to the extent of offsetting deferred tax liabililites.
Full details of deferred tax assets not recognised are outlined in Note 3.

9. ISSUED CAPITAL

	Consolidated	
	2018 $	2017 $
185,899,454 (30 June 2017: 92,410,643) fully paid ordinary shares	**35,880,361**	29,309,935

9. ISSUED CAPITAL CONTINUED

	Consolidated	
(i) Ordinary shares - number	**2018 No.**	**2017 No.**
Balance at beginning of year	**92,410,643**	88,610,643
1,800,000 shares issued at 5 cents per share on 23 December 2016[3]	**-**	1,800,000
2,000,000 shares issued at 3.9 cents per share on 23 December 2016	**-**	2,000,000
13,333,330 shares issued at 4.5 cents per share on 17 November 2017	**13,333,330**	-
21,428,571 shares issued at no consideration on 29 November 2017[1]	**21,428,571**	-
6,428,571 shares issued at 7 cents per share on 12 December 2017	**6,428,571**	-
714,286 shares issued at 7 cents per share on 19 February 2018	**714,286**	-
12,500,000 shares issued at 8.1 cents per share on 20 February 2018[1]	**12,500,000**	-
420,000 shares issued at 12 cents per share on 20 February 2018[2]	**420,000**	-
11,475,519 shares issued at 8 cents per share on 22 February 2018	**11,475,519**	-
302,941 shares issued at 10 cents per share on 21 March 2018	**302,941**	-
26,024,481 shares issued at 8 cents per share on 5 April 2018	**26,024,481**	-
250,000 shares issued at 10 cents per share on 5 April 2018	**250,000**	-
111,111 shares issued at 10 cents per share on 12 April 2018	**111,111**	-
45,000 shares issued at 10 cents per share on 20 April 2018	**45,000**	-
65,000 shares issued at 10 cents per share on 30 April 2018	**65,000**	-
390,001 shares issued at 10 cents per share on 10 May 2018	**390,001**	-
Balance at end of year	**185,899,454**	92,410,643

[1] Issued as the first and second tranche consideration for the purchase of Kokardine Pty Ltd as approved by shareholders on 29 November 2017. Tranche 3 to be issued to the vendors on meeting further key operational and performance objectives and shareholder approval.

[2] Issued to settle amounts owed to the Managing Director as approved by shareholders on 19 February 2018.

[3] Issued to settle amounts owed to the Managing Director as approved by shareholders on 28 November 2016.

9. ISSUED CAPITAL CONTINUED

(ii) Ordinary shares – value	**Consolidated 2018 $**	**Consolidated 2017 $**
Balance at beginning of year	**29,309,935**	29,141,935
1,800,000 shares issued at 5 cents per share on 23 December 2016	**-**	90,000
2,000,000 shares issued at 3.9 cents per share on 23 December 2016	**-**	78,000
13,333,330 shares issued at 4.5 cents per share on 17 November 2017	**600,000**	-
21,428,571 shares issued at no consideration on 29 November 2017	**1,735,714**	-
6,428,571 shares issued at 7 cents per share on 12 December 2017	**450,000**	-
714,286 shares issued at 7 cents per share on 19 February 2018	**50,000**	-
12,500,000 shares issued at 8.1 cents per share on 20 February 2018	**1,012,500**	-
420,000 shares issued at 12 cents per share on 20 February 2018	**50,400**	-
11,475,519 shares issued at 8 cents per share on 22 February 2018	**918,042**	-
302,941 shares issued at 10 cents per share on 21 March 2018	**30,294**	-
26,024,481 shares issued at 8 cents per share on 5 April 2018	**2,081,958**	-
250,000 shares issued at 10 cents per share on 5 April 2018	**25,000**	-
111,111 shares issued at 10 cents per share on 12 April 2018	**11,111**	-
45,000 shares issued at 10 cents per share on 20 April 2018	**4,500**	-
65,000 shares issued at 10 cents per share on 30 April 2018	**6,500**	-
390,001 shares issued at 10 cents per share on 10 May 2018	**39,000**	-
Costs of shares issued	**(444,593)**	-
Balance at end of year	**35,880,361**	29,309,935

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

9. ISSUED CAPITAL CONTINUED

Options - number	Consolidated 2018 No.	Consolidated 2017 No.
Balance at beginning of year	**2,250,000**	2,250,000
Expiry of options 22 September 2016	**-**	(2,250,000)
Issue of options 23 December 2016	**-**	2,250,000
Issue of options 17 November 2017	**6,666,668**	-
Issue of options 17 November 2017	**2,000,000**	-
Exercise of options 21 March 2018	**(302,941)**	-
Issue of options 5 April 2018	**2,000,000**	-
Exercise of options 5 April 2018	**(250,000)**	-
Exercise of options 12 April 2018	**(111,111)**	-
Exercise of options 20 April 2018	**(45,000)**	-
Exercise of options 30 April 2018	**(65,000)**	-
Exercise of options 10 May 2019	**(390,001)**	-
Balance at end of year	**11,752,615**	2,250,000

Option holders do not have any rights, by virtue of their option holding, to vote at a meeting of the Company.

Share Options

For details of the share based payment option scheme under which options to subscribe for the Company shares are granted to executives and officers, refer to note 15.

10. RESERVES

	Consolidated 2018 $	Consolidated 2017 $
Share based premium reserve	**1,520,425**	532,301
Option premium reserve	**834,677**	834,677
Foreign Currency Translation Reserve	**3,929**	7,286
Reserves	**2,359,031**	1,374,264

Reserves comprise the following:

Share Based Premium Reserve

At start of period	**532,301**	497,485
Share based payment - options	**178,124**	34,816
Share based payment - Tranche 3 of the consideration of Kokardine Kaolin Pty Ltd	**810,000**	-
Balance at end of year	**1,520,425**	532,301

Option Premium Reserve

At start of period	**834,677**	834,677
Balance at end of year	**834,677**	834,677

10. RESERVES CONTINUED

	Consolidated	
	2018 $	2017 $
Foreign Currency Translation Reserve		
At start of period	**7,286**	10,106
Currency translation differences	**(3,357)**	(2,820)
Balance at end of year	**3,929**	7,286

Nature and purpose of reserves

Share based payment reserve

The share based payments reserve is used to record the value of share based payments. The reserve includes grant of options or rights over shares to directors and employees, including key management personnel, as part of their remuneration and the acquisition of assets.

Option premium reserve

The option premium reserve is used to record premiums received when options are issued to shareholders at a premium.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of loans to foreign subsidiaries that are expected to be repaid in the long term and the translation of the financial statements of foreign subsidiaries.

11. DIVIDENDS

No dividends were paid or provided for during the year (2017: Nil).

12. SEGMENT INFORMATION

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of FYI Resources Ltd.

The Company operates in two business and two geographical segments being high purity alumina exploration and evaluation in Australia and potash exploration and evaluation in Asia. The Company considers its business operations in mineral exploration to be its primary reporting function.

The following tables present revenue and profit information and certain asset and liability information regarding business segments for the years ended 30 June 2018 and 30 June 2017.

12. SEGMENT INFORMATION CONTINUED

	Continuing Operations			
	High Purity Alumina Exploration and Evaluation Australia $	Potash Exploration and Evaluation Asia $	Unallocated Items $	Total $
Year ended 30 June 2018				
Segment net operating loss after tax	**(611,471)**	**(164,177)**	**(331,462)**	**(1,107,110)**
Interest and other revenue	**-**	**37,631**	**12,957**	**50,588**
Income tax benefit/(expense)	**-**	**-**	**297,399**	**297,399**
Segment assets	**3,533,432**	**1,262**	**3,239,434**	**6,774,128**
Segment liabilities	**72,651**	**18,921**	**359,720**	**451,292**
Cashflow information				
Net cash used in operating activities	**(557,979)**	**(167,120)**	**(573,895)**	**(1,298,994)**
Net cash provided by investing activities	**-**	**-**	**-**	**-**
Net cash provided by financing activities	**-**	**-**	**3,949,936**	**3,949,936**

	Continuing Operations			
	High Purity Alumina Exploration and Evaluation Australia $	Potash Exploration and Evaluation Asia $	Unallocated Items $	Total $
Year ended 30 June 2017				
Segment net operating loss after tax	(41,946)	(419,924)	(383,818)	(845,688)
Interest revenue	-	-	5,690	5,690
Income tax benefit/(expense)	-	-	50,099	50,099
Segment assets	-	31,068	317,187	348,255
Segment liabilities	-	55,593	493,844	549,437
Cashflow information				
Net cash used in operating activities	(15,905)	(388,693)	(230,614)	(635,212)
Net cash provided by investing activities	-	-	-	-
Net cash provided by financing activities	-	-	-	-

13. EXPENDITURE COMMITMENTS

	Consolidated	
	2018 $	2017 $
(i) Expenditure Commitments		
Exploration Tenements		
In order to maintain current rights of tenure to exploration tenements, the Company is required to outlay rentals and to meet the minimum expenditure requirements. These obligations are not provided for in the financial statements and are payable:		
- not later than 12 months	**30,000**	-
- between 12 months and 5 years	**16,767**	-
- greater than 5 years	**-**	
	46,767	-

These commitments are based on the roup holding the tenements for the next 5 years.

The Company entered into an agreement with GC Partners Asia Limited in June 2018. The Company is committed to pay $15,000 in July 2018 for a roadshow with FYI executives with those interested parties based in Asia. (2017: $Nil).

14. REMUNERATION OF AUDITOR

	Consolidated	
	2018 $	2017 $
Amounts received or due and receivable by HLB Mann Judd for:		
Audit or review of the financial reports of the Company	**30,000**	25,250
	30,000	25,250

15. SHARE BASED PAYMENTS

Executive and Director Share Based Payment Plan

An Executive and Officer Equity-settled Share Based Payment Plan ("the Plan") has been established where the Company, at the discretion of the Directors, may grant options over the ordinary shares of the Company to executives and officers of the Company. The Company has adopted this plan to enable executives and officers to acquire an ownership interest in the Company. The options issued under the Plan are not quoted on the ASX.

The expense recognised in the statement of comprehensive income in relation to share-based payments is $Nil (2017: $34,816).

The following share-based payment arrangements were in place during the current and prior periods:

2018	Number	Grant date	Expiry date	Exercise Price	Fair value at grant date	Vesting date
Director Options	2,250,000	28-Nov-16	29-Nov-18	$0.0880	$0.0155	28-Nov-16
Consultant Options	2,000,000	17-Nov-17	31-Jan-19	$0.1000	$0.0130	17-Nov-17
Consultant Options	2,000,000	05-Apr-18	04-Apr-20	$0.0960	$0.0761	05-Apr-18

15. SHARE BASED PAYMENTS CONTINUED

2017	Number	Grant date	Expiry date	Exercise Price	Fair value at grant date	Vesting date
Director Options	2,250,000	28-Nov-16	29-Nov-18	$0.0880	$0.0155	28-Nov-16

The fair value of the equity-settled share options granted is estimated as at the date of grant using the Black and Scholes model taking into account the terms and conditions upon which the options were granted.

2018	Grant Date	Dividend yield	Expected Volatility	Risk-free interest rate	Option life (years)	Exercise price	Grant date share price
Consultant Options	17-Nov-17	0%	116%	1.79%	1.21	$0.100	$0.050
Consultant Options	05-Apr-18	0%	119%	2.04%	2.00	$0.096	$0.140

The following table illustrates the number and weighted average exercise prices of and movements in share options issued during the year:

	2018 Number	2018 Weighted average exercise price	2017 Number	2017 Weighted average exercise price
Outstanding at the beginning of the year	2,250,000	$0.088	2,250,000	$0.080
Granted 17 November 2017	2,000,000	$0.100	2,250,000	$0.088
Granted 5 April 2018	2,000,000	$0.096	-	-
Expired during the year	-	-	(2,250,000)	$0.080
Outstanding at the end of the year	6,250,000	$0.201	2,250,000	$0.088
Exercisable at the end of the year	6,250,000		2,250,000	

The fair value of the equity-settled share options is estimated as at the date of grant using the Black and Scholes model taking into account the terms and conditions upon which the options were granted.

16. DIRECTOR AND EXECUTIVE DISCLOSURES

Details of Key Management Personnel for the year ended 30 June 2018

Directors

Name	**Position**
E Babington	Chairman (Non-Executive)
D Sargeant	Director (Non-Executive)
A Jessup	Director (Non-Executive)
R Hill	Managing Director

Transactions with Key Management Personnel

	Consolidated	
	2018 $	2017 $
Short-term employee benefits	**259,000**	259,000
Post-employment	**2,850**	2,850
Share-based payment	**-**	34,816
	261,850	296,666

The amounts outstanding to Key Management Personnel at the reporting date are included in Note 17.

17. RELATED PARTY TRANSACTIONS

The consolidated financial statements include the financial statements of FYI Resources Ltd and the subsidiaries listed in the following table.

Controlled entities	Country of incorporation	Percentage Owned 2018 %	Percentage Owned 2017 %
Parent Entity:			
FYI Resources Ltd	Australia		
Subsidiaries of FYI Resources Ltd:			
Kokardine Kaolin Pty Ltd	Australia	**100**	-
FYI Thailand Pty Ltd	Australia	**100**	100
which owns			
West Mekong Minerals Ltd	Thailand	**49**	49
East Siam Minerals Ltd[1]	Thailand	-	49

[1] On 22 June 2018, the Group lost control over its subsidiary, East Siam Minerals Limited, as on this date, the subsidiary was placed into liquidation. Refer to Note 23.

The Company finances the operations of FYI Thailand Pty Ltd and thus this company has unsecured borrowings from the Company that are interest free and at call. The ability of this controlled entity to repay debts due to the company (and other parties) will be dependent on the commercialisation of the prospecting licences owned by the subsidiary.

FYI Thailand Pty Ltd possesses 82.8% of the voting rights for West Mekong Minerals Ltd.

The loss for the year to which the NCI relates amounted to $89,427 (2017: $99,788). The net liabilities of the subsidiary to which the NCI relates was $227,897 (2017: $197,896). The NCI at balance date was adjusted for the amount owing to the Group from the NCI party for their investment in that entity.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and not disclosed in this note.

The parent's investment in West Mekong Minerals Ltd is not material, therefore, no disclosure of the subsidiary's assets and liabilities has been made.

Directors and specified executives

Disclosures relating to the remuneration and shareholding of directors and specified executives are set out in the Directors' Report.

The following table provides the amounts outstanding at the reporting date in relation to transactions with related parties:

	Consolidated 2018 $	Consolidated 2017 $
Amounts payable to Directors:		
E Babington	**-**	12,500
Kirkdale Holdings Pty Ltd	**2,246**	13,475
Murilla Exploration Pty Ltd	**2,246**	13,475
Capstone Capital Pty Ltd [1]	**280,500**	405,000
	284,992	444,450

[1] In addition to amounts owing for services to the Company an additional amount of $29,407 (2017: $24,491 was owing at balance date relating to normal business reimbursements. The total owing to Directors at 30 June 2018 was $314,399 (2017: $468,941) Refer note 7.

17. RELATED PARTY TRANSACTIONS CONTINUED

	Consolidated	
	2018 $	2017 $
Other transactions with Directors		
The Director, Mr Babington is a director of Lyons Babington Lawyers which has provided legal services to the company on normal commercial terms. This excludes fees included as remuneration noted under section B of the Directors Report.	**3,498**	4,449
	3,498	4,449

18. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconcilation to Statement of Cash Flows

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand and at bank.

Cash and cash equivalents as shown in the statement of cash flows are reconciled to the related items in the statement of financial position as follows:

	Consolidated	
	2018 $	2017 $
Cash and cash equivalents	**2,889,087**	238,145

(b) Reconciliation of loss after income tax to net cash flows from operating activities:

	Consolidated	
	2018 $	2017 $
Loss after income tax	**(1,107,110)**	(845,688)
Share based payments	**-**	34,816
Gain on loss of control of subsidiary	**(37,582)**	-
Impairment of loan	**95,045**	15,590
Movements in Assets and Liabilities		
Trade and other receivables	**(45,426)**	(12,270)
Trade and other payables	**(203,921)**	172,340
Net cash outflow from operating activities	**(1,298,994)**	(635,212)

19. FINANCIAL RISK MANAGEMENT

Overview
The Company has exposure to the following risks from their use of financial instruments:
- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Company through regular reviews of the risks.

Credit risk
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

Investments
The Company limits its exposure to credit risk by only investing with counterparties that have an acceptable credit rating. Cash and cash equivalents are held with BankWest which is an Australian bank with an AA- credit rating (Standard & Poor's).

Trade and other receivables

During the last three financial years the Company has sold some equipment and has a small exposure to trade receivables at 30 June 2018.

The Company has established an allowance for impairment that represents their estimate of incurred losses in respect of other receivables and investments. The components of this allowance may include a specific loss component that relates to individually significant exposures.

Exposure to credit risk
The carrying amount of the Company's financial assets represents the maximum credit exposure. The Company's maximum exposure to credit risk at the reporting date was:

	Consolidated	
	2018 $	2017 $
Cash & cash equivalents	**2,889,087**	238,145
Trade and other receivables	**351,709**	110,110

Impairment losses

An impairment loss of $Nil (2017: $15,590) has been recognised in respect of other receivables.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows.

Typically the Company ensures it has sufficient cash on demand to meet expected operational expenses for a period of 90 days.

Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk
As a result of controlled entities in Thailand and purchases in Thai Baht, the Group's statement of financial position can be affected by movements in the Thai Baht / AUD exchange rates. The Group does not have a policy to enter into forward foreign exchange contracts.

19. FINANCIAL RISK MANAGEMENT CONTINUED

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the balance date expressed in Australian dollars are as follows:

	Consolidated			
	Liabilities		Assets	
	2018 $	2017 $	2018 $	2017 $
Thai Baht	**(229,406)**	(263,964)	**1,509**	66,068

At 30 June 2018 and 30 June 2017, had the Australian dollar moved up or down by 10%, with all other variables held constant, post tax result and equity would not have been materially affected.

Interest rate risk
The Company is exposed to interest rate risk due to variable interest being earned on its assets held in cash and cash equivalents.

The Company has no borrowings.

Profile
At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

	Consolidated	
	2018 $	2017 $
Fixed rate instruments		
Financial assets	**-**	-
Variable rate instruments		
Financial assets	**2,889,087**	238,145

Interest Rate Risk

Where possible the Company enters into fixed interest rate deposits to reduce its exposure to interest rate fluctuations. The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates, and the effective weighted average interest rates on these financial instruments, are as follows:

2018	Weighted Average Effective Interest Rate	Floating Interest Rate $	Non-interest bearing $	Total $
Financial Assets:				
Cash & cash equivalents	**1.1%**	**2,889,087**	**-**	**2,889,087**
Trade and other receivables	**-**	**-**	**351,709**	**351,709**
Total Financial Assets		**2,889,087**	**351,709**	**3,240,796**
Financial Liabilities:				
Trade and other payables	**-**	**-**	**451,292**	**451,292**
Total financial liabilities		**-**	**451,292**	**451,292**
Net Financial Assets (liabilities)		**2,889,087**	**(99,583)**	**2,789,504**

19. FINANCIAL RISK MANAGEMENT CONTINUED

2017	Weighted Average Effective Interest Rate	Floating Interest Rate $	Non-interest bearing $	Total $
Financial Assets:				
Cash & cash equivalents	1.3%	238,145	-	238,145
Trade and other receivables	-	-	110,110	110,110
Total Financial Assets		238,145	110,110	348,255
Financial Liabilities:				
Trade and other payables	-	-	549,437	549,437
Total financial liabilities		-	549,437	549,437
Net Financial Assets (liabilities)		238,145	(439,327)	(201,182)

Cash flow sensitivity analysis for variable rate instruments
A change of 100 basis points would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, remain constant. The analysis is performed on the same basis for 2017.

	Profit or Loss		Equity	
	100bp increase	100bp decrease	100bp increase	100bp decrease
30 June 2018				
Variable rate instruments	**11,569**	**(11,569)**	**11,569**	**(11,569)**
30 June 2017				
Variable rate instruments	5,146	(5,146)	5,146	(5,146)

Fair values versus carrying amounts
The fair values of financial assets and liabilities are as per the carrying amounts shown in the statement of financial position.

Other market price risk
Other Equity price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

Capital management
The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Company defines return on capital as net operating income divided by total shareholders equity.

There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

20. LOSS PER SHARE

Basic loss per share amounts are calculated by dividing the net result for the year attributable to ordinary equity holders of the Company (after deducting interest on the convertible redeemable preference shares) by the weighted average number of ordinary shares outstanding during the year.

Diluted loss per share amounts are calculated by dividing the net result attributable to ordinary equity holders of the Company (after deducting interest on the convertible redeemable preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.
The following reflects the income and share data used in the basic and diluted loss per share computations:

20. LOSS PER SHARE CONTINUED

	Consolidated	
	2018 Cents	2017 Cents
Basic loss per share	**(0.81)**	(0.88)
Loss used in the calculation of basic EPS	**(1,061,502)**	(794,796)
Weighted average number of shares outstanding during the year used in calculations of basic loss per share	**131,510,371**	90,578,314

21. SUBSEQUENT EVENTS

No matter or circumstance has arisen, since the end of the financial year, which significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

22. CONTINGENCIES

In the opinion of the directors there were no contingent liabilities at the date of the report.

23. INTERESTS IN SUBSIDIARIES

On 22 June 2018, the Group lost control over its subsidiary, East Siam Minerals Limited, as on this date the subsidiary entered into liquidation. At the date of liquidation the Group had 49% equity interest in its subsidiary. A gain of $37,582 has been recognised in the current reporting period due to loss of control of the subsidiary. The assets and liabilities of the entity were not material to the Group. The loss of control of the subsidiary is not deemed as a discontinued operation.

24. PARENT ENTITY DISCLOSURES

Statement of Financial position

	Company	
	2018 $	2017 $
CURRENT ASSETS		
Cash and cash equivalents	**2,888,103**	221,635
Trade and other receivables	**351,431**	93,959
Total Current Assets	**3,239,534**	315,594
NON-CURRENT ASSETS		
Investments	**24,884**	2
Exploration and evaluation expenditure	**3,533,332**	-
Total Non-Current Assets	**3,558,216**	2
TOTAL ASSETS	**6,797,750**	315,596
CURRENT LIABILITIES		
Trade and other payables	**427,066**	518,165
Total Current Liabilities	**427,066**	518,165
TOTAL LIABILITIES	**427,066**	518,165
NET ASSETS / (LIABILITIES)	**6,370,684**	(202,569)
EQUITY		
Issued capital	**35,880,361**	29,309,935
Reserves	**2,355,102**	1,366,978
Accumulated losses	**(31,864,779)**	(30,879,482)
TOTAL EQUITY / (DEFICIENCY)	**6,370,684**	(202,569)
Loss before income tax expense	**(1,282,696)**	(882,920)
Income tax benefit / (expense)	**297,399**	33,025
Loss after tax	**(985,297)**	(849,895)

The recovery of other financial assets and investments are dependent on the successful development and commercial exploitation or sale of the company's explorations and evaluation projects.

The parent entity has no commitments or contingencies at balance date.

Independent Auditor's Report

HLB Mann Judd

Accountants | Business and Financial Advisers

Independent Auditor's Report to the Members of FYI Resources Limited

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of FYI Resources Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

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Key Audit Matter	How our audit addressed the key audit matter
Carrying amount of exploration and evaluation expenditure Note 6 of the financial report	
In accordance with *AASB 6 Exploration for and Evaluation of Mineral Resources*, the Group has chosen to capitalise the acquisition costs associated with the Cadoux Kaolin Project during the year. The cost model has subsequently been applied to the capitalised exploration and evaluation asset after recognition. Our audit focussed on the Group's assessment of the carrying amount of the capitalised exploration and evaluation asset, as this is one of the most significant assets of the Group.	Our procedures included but were not limited to the following: ▪ We obtained an understanding of the key processes associated with management's review of the carrying value of the Cadoux area of interest; ▪ We considered the Directors' assessment of potential indicators of impairment; ▪ We obtained evidence that the Group has current rights to tenure over its Cadoux area of interest; ▪ We examined the exploration budget for the year ending 30 June 2019 and discussed with management the nature of planned ongoing activities; ▪ We enquired with management, reviewed ASX announcements and reviewed minutes of Directors' meetings to ensure that the Group had not resolved to discontinue exploration and evaluation at its Cadoux area of interest; and ▪ We examined the disclosures made in the financial report.
Acquisition of Kokardine Kaolin Pty Ltd Note 6 of the financial report	
The Group acquired 100% of the share capital of Kokardine Kaolin Pty Ltd which holds the Cadoux Kaolin project in Western Australia. The Company issued 21,428,571 ordinary shares (tranche 1 consideration shares), 12,500,000 ordinary shares (tranche 2 consideration shares) as consideration for the acquisition. A further 10,000,000 ordinary shares are to be issued as consideration based upon the future achievement of various performance and market based vesting criteria (tranche 3 consideration shares). The Group has accounted for the acquisition as an acquisition of assets and not as a business combination. We considered the acquisition to be key audit matter as accounting for this transaction is a complex and judgemental exercise, requiring	Our procedures included but were not limited to the following: • Reading the sale and purchase agreement to understand the key terms and conditions; • Consideration of whether the transaction was a business combination Kokardine Kaolin Pty Ltd met the definition of a business as defined in AASB 3 *Business Combinations*; • Testing the value of the equity consideration with reference to AASB 2 *Share-based Payment*; • Assessment of the carrying amount of assets and liabilities acquired including assessment of any tax impact; and

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management to consider whether the acquisition was a business combination or an asset acquisition, and to fair value the consideration and assets acquired.	• We assessed the adequacy of the Group's financial report disclosures in respect of the asset acquisition.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

Independent Auditor's Report

HLB Mann Judd

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of FYI Resources Limited for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

D Buckley

D I Buckley
Partner

Perth, Western Australia
27 September 2018

Additional Securities Exchange Information

The additional information dated 25 September 2018 is required by the ASX Limited Listing Rules and not disclosed elsewhere in this report.

Distribution of Security Holders

	Quoted Ordinary shares	
	Number of holders	**Number of holders**
1 - 1,000	1,089	433,425
1,001 - 5,000	493	1,138,657
5,001 - 10,000	158	1,285,309
10,001 - 100,000	265	9,911,572
100,001 and over	161	173,680,491
TOTAL	2,166	186,449,454

There were 1,549 holders of less than a marketable parcel of ordinary shares.

21,428,571 shares are voluntarily escrowed until 6 December 2018 and 11,925,000 shares are voluntarily escrowed until 19 February 2019.

	Unquoted Options					
	Exercisable at 8.8 cents expiring 29 November 2018		**Exercisable at 10 cents expiring 31 January 2019**		**Exercisable at 9.6 cents expiring 4 April 2020**	
	Number of holders	**Number of Options**	**Number of holders**	**Number of Options**	**Number of holders**	**Number of Options**
1 - 1,000	-	-	-	-	-	-
1,001 - 5,000	-	-	-	-	-	-
5,001 - 10,000	-	-	-	-	-	-
10,001 - 100,000	-	-	8	634,969	-	-
100,001 and over	3	1,750,000	22	6,817,646	1	2,000,000
TOTAL	3	1,750,000	30	7,452,615	1	2,000,000

Twenty Largest Shareholders

Shareholder	**Number of Shares**	**Percentage**
Merrill Lynch Australia Nominees Pty Ltd	25,304,300	13.57
A Spinks	19,000,000	10.19
UBS Nominees Pty Ltd	16,734,965	8.98
Empire Resources Limited	7,000,000	3.75
R Hill	6,037,074	3.24
Capstone Capital Pty Ltd	5,417,951	2.91
J P Morgan Nominees Australia Pty Ltd	4,131,094	2.22
HJO Den Dries	4,071,429	2.18
Invia Custodians Pty Ltd	4,062,500	2.18
BNP Paribus Nominees Pty Ltd	3,807,441	2.04
LJJ Van Vliet	3,071,429	1.65
Citicorp Nominees Pty Ltd	2,610,038	1.40
Invia Custodians Pty Ltd	2,466,755	1.32
AD Findlay	2,080,000	1.12
AP Spinks	2,079,609	1.12
HSBC Custody Nominees Australia Ltd	2,004,540	1.08
P Nguyen & CA Shelvey	2,000,000	1.07
Sanlam Private Wealth Pty Ltd	1,875,000	1.01
J Clarke	1,800,000	0.97
AG Kohler	1,526,786	0.82
	117,080,911	62.82

Additional Securities Exchange Information

Unquoted Securities
The names of security holders with more than 20% of an unlisted class of security are listed below:

Options exercisable at 8.8 cents expiring 29 November 2018	Number of options held	Percentage
R Hill	750,000	42.86
E Babington	500,000	28.57
Murilla Exploration Pty Ltd	500,000	28.57

Options exercisable at 10 cents expiring 31 January 2019	Number of options held	Percentage
Judge Thatcher Pty Ltd	1,500,000	20.13

Options exercisable at 9.6 cents expiring 4 April 2020	Number of options held	Percentage
Foster Stockbroking Nominees Pty Ltd	2,000,000	100.00

Substantial Shareholders
Substantial holder notices have been received from the following holders.

Shareholder	Number of Shares	Percentage
Paragon Fund	15,000,000	8.04
R Hill	18,455,025	9.90
Regal Funds Management Pty Limited	23,874,676	12.80

Voting Rights
The voting rights attaching to each class of equity securities are set our below:
(a) Ordinary Shares: On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(b) Options: No voting rights.

On- Market Buy-back
There is currently no on-market buy-back programme for any of the Company's equity securities.

Interest in Mineral Tenements

Tenement	Location	Interest
E70/4673	Cadoux, Western Australia	100%
WMM SPLs (6)	Thailand	100% (under application)

Corporate Governance

The Company's 2018 Corporate Governance Statement has been released as a separate document and is located on our website at http://www.fyiresources.com.au/company/corporate-governance .