

FYI RESOURCES LIMITED

ABN 85 061 289 218

Financial Report

for the half-year ended 31 December 2010

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CORPORATE DIRECTORY

DIRECTORS

Russell Barnett – Chairman
Dr David Sparling – Director
David Sargeant – Director
Adrian Jessup – Director

COMPANY SECRETARY

Phillip MacLeod

REGISTERED and PRINCIPAL OFFICE

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Victoria Park 6100
Western Australia

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ABN 85 061 289 218

SHARE REGISTRY

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross 6153
Western Australia

AUDITOR

HLB Mann Judd
Level 4
130 Stirling Street
Perth 6000
Western Australia

SECURITIES EXCHANGE LISTING

The Company is listed on the Australian Securities
Exchange Limited. Home Exchange Perth
ASX Code: Shares FYI

**DIRECTORS' REPORT
31 DECEMBER 2010**

Directors' Report

Your directors submit the financial report of the consolidated entity for the half-year ended 31 December 2010. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The directors of the Company at any time during or since the end of the half-year are:

Russell Barnett
Dr David Sparling
David Sargeant
Adrian Jessup

Review of Operations and Exploration Activities

The Company's loss for the half-year ended 31 December 2010 was \$364,804 (2009: \$412,427).

During the period the principal activities of the Company consisted of mineral exploration and evaluation of properties in Australia. There has been no significant change in these activities during the financial period.

Dividends

No dividends have been paid during the period and no dividends have been recommended by the directors.

Events subsequent to reporting date

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

Auditors Independence Declaration

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 review of the interim financial report. This written Auditor's Independence Declaration is set out on page 15 and forms part of this directors' report for the half-year ended 31 December 2010.

FYI RESOURCES LIMITED AND CONTROLLED ENTITIES

**DIRECTORS' REPORT
31 DECEMBER 2010**

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s306(3) of the Corporations Act 2001.

A handwritten signature in blue ink, appearing to read 'R Barnett', with a large, stylized initial 'R' and 'B'.

**R Barnett
Director**

Perth, Western Australia
8 March 2011

FYI RESOURCES LIMITED

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

	Consolidated	
	31/12/2010	31/12/2009
	\$	\$
Continuing Operations		
Other income	27,160	16,014
Exploration expense	(167,657)	-
Depreciation expense	(219)	(3,219)
ASX fees	(21,947)	(14,643)
Doubtful debts	-	(52,446)
Accounting and audit fees	(39,985)	(43,051)
Other administration expenses	(44,439)	(52,394)
Salaries and wages	(92,777)	(138,633)
Share registry expenses	(15,536)	(11,636)
Rent - Operating lease	(9,124)	(683)
Legal expenses	(280)	(14,693)
Consulting fees	-	(92,300)
	(364,804)	(407,684)
Income tax expense	-	-
Loss after tax from continuing operations	(364,804)	(407,684)
Loss after tax from discontinued operations	-	(4,743)
Net loss for the year	(364,804)	(412,427)
Other comprehensive income / (loss)		
Loss on revaluation of land and improvements taken to equity	-	(450,000)
Gain on available for sale financial assets taken to equity	-	17,659
Transfer of unrealised losses on disposal of available for sale assets	9,335	-
Other comprehensive income / (loss)	9,335	(432,341)
Total comprehensive loss attributable to members of the consolidated entity	(355,469)	(844,768)
Basic loss per share (cents per share)	(0.91)	(2.33)
Basic loss per share from continuing operations (cents per share)	(0.91)	(2.30)

The accompanying notes form part of these financial statements.

FYI RESOURCES LIMITED

**CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010**

		Consolidated	
	Note	31/12/2010	30/06/2010
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents		734,409	1,296,891
Trade and other receivables		2,512	35,042
Financial assets		-	35,583
Total Current Assets		736,921	1,367,516
NON-CURRENT ASSETS			
Property, plant & equipment		1,801,916	1,800,800
Exploration and evaluation		1,509,804	1,509,804
Total Non-Current Assets		3,311,720	3,310,604
TOTAL ASSETS		4,048,641	4,678,120
CURRENT LIABILITIES			
Trade and other payables		56,226	320,821
Current tax liabilities		7,618	7,618
Total Current Liabilities		63,844	328,439
NON-CURRENT			
Deferred tax liabilities		150,422	150,422
Total Non-Current Liabilities		150,422	150,422
TOTAL LIABILITIES		214,266	478,861
NET ASSETS		3,834,375	4,199,259
EQUITY			
Issued capital	7	26,886,464	26,895,879
Reserves		2,068,680	2,059,345
Accumulated losses		(25,120,769)	(24,755,965)
TOTAL EQUITY		3,834,375	4,199,259

The accompanying notes form part of these financial statements.

FYI RESOURCES LIMITED

**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

Consolidated Group	Ordinary Shares	Accumulated Losses	Share Based Payments Reserve	Option Premium Reserve	Asset Revaluation Reserve	Total
	\$	\$	\$			\$
Balance at 1 July 2009	23,371,423	(23,654,132)	301,774	834,677	1,082,651	1,936,393
Revaluation of land and buildings to fair value	-	-	-	-	(450,000)	(450,000)
Change in the fair value of available for sale financial assets	-	-	-	-	17,659	17,659
Total income/(expense) for the year recognised directly in equity	-	-	-	-	(432,341)	(432,341)
Loss for the year	-	(412,427)	-	-	-	(412,427)
Total comprehensive loss for the year	-	(412,427)	-	-	(432,341)	(844,768)
Equity transactions:						
Shares issued net of transactions	561,377	-	-	-	-	561,377
Balance at 31 December 2009	23,932,800	(24,066,559)	301,774	834,677	650,310	1,653,002
Balance at 1 July 2010	26,895,879	(24,755,965)	301,774	834,677	922,894	4,199,259
Transfer of unrealised losses on disposal of available for sale assets	-	-	-	-	9,335	9,335
Total income/(expense) for the year recognised directly in equity	-	-	-	-	9,335	9,335
Loss for the year	-	(364,804)	-	-	-	(364,804)
Total comprehensive loss for the year	-	(364,804)	-	-	9,335	(355,469)
Equity transactions:						
Shares issued net of transactions	(9,415)	-	-	-	-	(9,415)
Balance at 31 December 2010	26,886,464	(25,120,769)	301,774	834,677	932,229	3,834,375

The accompanying notes form part of these financial statements.

FYI RESOURCES LIMITED

**CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

	Consolidated Group	
	2010	2009
	\$	\$
Cash Flows from Operating Activities		
Payments to suppliers and employees	(324,450)	(437,133)
Payments for exploration and evaluation	(299,220)	-
Interest received	19,579	6,070
Net cash outflows from operating	(604,091)	(431,063)
Cash Flows from Investing Activities		
Payments for plant and equipment	(1,468)	-
Proceeds from sale of investments	52,492	19,025
Net cash inflows from investing activities	51,024	19,025
Cash Flows from Financing Activities		
Proceeds from issue of shares	254	577,341
Share issue costs	(9,669)	(15,964)
Proceeds from share subscriptions prior to share allotment	-	191,800
Net cash (outflow)/inflow from financing activities	(9,415)	753,177
Net (decrease)/increase in cash held	(562,482)	341,139
Cash at the beginning of the financial year	1,296,891	184,733
Cash at the end of the financial year	734,409	525,872

The accompanying notes form part of these financial statements.

FYI RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2010

1. Statement of Significant Accounting Policies

Statement of Compliance

These interim consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards including AASB 134: Interim Financial Reporting, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This condensed half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the group as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2010 (which is available upon request from the Company's registered office at 53 Canning Highway, Western Australia 6100 or at www.fyiresources.com.au) and any public announcements made by FYI Resources Ltd during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Basis of preparation

The interim report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. The company is domiciled in Australia and all amounts are presented in Australian dollars.

For the purpose of preparing the interim report, the half-year has been treated as a discrete reporting period.

Significant accounting judgements and key estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty

FYI RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2010

1. Statement of Significant Accounting Policies (continued)

were the same as those that applied to the consolidated financial report for the year ended 30 June 2010.

Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2010, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2010.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

The Group has reviewed all new Standards and Interpretation that have been issued but are not yet effective for the half-year ended 31 December 2010. As a result of this review the Directors have determined that there is not impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

Going Concern

As disclosed in the Statement of Comprehensive Income, the consolidated entity recorded operating losses of \$364,804 (2009:\$412,427) and as disclosed in the Statement of Cash Flows, the consolidated entity recorded cash outflows from operating activities of \$604,091 (2009: \$431,063) and cash inflows from investing activities of \$51,024 (2009:\$19,025) and a cash outflow from financing activities of \$9,415 (2009:Inflow \$753,177). Cash flows from financing activities arose from capital raisings. After consideration of these financial conditions, the Directors have assessed the following matters in relation to the adoption of the going concern basis of accounting by the consolidated entity:

- The consolidated entity has net current assets of \$673,077 (30/6/10: \$1,039,077) at balance date and retain the ability to scale down their operations to conserve cash, in the event that the capital raisings are delayed or partial; and
- The company and consolidated entity have the ability, if required, to undertake mergers, acquisitions or restructuring activity or to wholly or in part, dispose of interests in property, mineral exploration and development assets.

Due to the above matters, the Directors believe that it is reasonably foreseeable that the company and consolidated entity will continue as going concerns and that it is appropriate that this basis of accounting be adopted in the preparation of the financial statements.

FYI RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2010

2. Related Parties

Arrangements with related parties continue to be in place. For details on these arrangements, refer to the 30 June 2010 annual financial report.

3. Segment Reporting

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.

Consistent with prior year, the Group operates only in one business and geographical segment being predominantly in the area of mining and exploration in Australia. The Group considers its business operations in mineral exploration to be its primary reporting function.

4. Dividends

No dividends were paid or declared payable during or since the half-year.

5. Contingent Liabilities

There has been no change in contingent liabilities of the company or the consolidated entity since the last annual reporting date.

6. Events Subsequent to Reporting Date

Since 31 December 2010, there has not been any matter or circumstance not otherwise dealt with in the half-year report that has significantly affected or may significantly affect the company or the consolidated entity.

FYI RESOURCES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010**

7. Issued capital

(a) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares. On a show of hands every holder of ordinary shares present at a meeting, in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

	Consolidated Group	
	31/12/2010	30/06/2010
	\$	\$
40,077,060 (30 June 2010: 40,075,362) fully paid ordinary shares	26,886,464	26,895,879

	Consolidated Group	
	31/12/2010	30/06/2010
	No.	No.
(i) Ordinary shares - number		
At 1 July 2010	40,075,362	288,670,665
288,670,665 shares issued 30th July 2009	-	288,670,665
Consolidation of Capital, 1 for 30, 2nd March 2010	-	(558,095,775)
8,000,000 shares issued IPO 31 March 2010	-	8,000,000
12,829,807 shares issued Empire Resources Ltd 31 March 2010	-	12,829,807
Exercise of options 17 August 2010	500	-
Exercise of options 18 August 2010	1	-
Exercise of options 23 August 2010	880	-
Exercise of options 1 September 2010	15	-
Exercise of options 29 September 2010	2	-
Exercise of options 5 October 2010	300	-
Balance at 31 December 2010	40,077,060	40,075,362

FYI RESOURCES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010**

8. Issued capital (continued)

	Consolidated Group	
	31/12/2010	30/06/2010
(ii) Ordinary shares – value	\$	\$
At 1 July 2010	26,895,879	23,371,423
288,670,665 shares issued at 0.2 cents per share 30th July 2009	-	577,341
8,000,000 shares issued at 20 cents per share IPO 31 March 2010	-	1,600,000
12,829,807 shares issued at 11.69 cents per share Empire Resources Ltd 31 March 2010	-	1,499,805
Exercise of options 17 August 2010	75	-
Exercise of options 18 August 2010	-	-
Exercise of options 23 August 2010	132	-
Exercise of options 1 September 2010	2	-
Exercise of options 29 September 2010	-	-
Exercise of options 5 October 2010	45	-
Costs of shares issued	(9,669)	(152,690)
Balance at 31 December 2010	26,886,464	26,895,879

(b) Options

As at 31 December 2010 (30 June 2010: 218,366) the Company had the following options on issue over ordinary shares:-

	Consolidated Group	
	31/12/2010	30/06/2010
Options - number	No.	No.
At start of period	218,336	16,550,000
Consolidation of Capital, 1 for 30, 2nd March 2010	-	(15,998,330)
Expired 30th June 2010	-	(333,334)
Issue of options 10 August 2010	20,037,681	-
Expired 1 August 2010	(218,336)	-
Balance at 31 December 2010	20,037,681	218,336

Option details at 31 December 2010 -
20,037,681 exercisable at \$0.15 on 30 June 2012
Option details at 30 June 2010
218,336 exercisable at \$1.50 on 1 August 2010

FYI RESOURCES LIMITED

DIRECTORS' DECLARATION

In the Opinion of the Directors of FYI Resources Limited ("Company"):

1. the financial statements and notes as set out on pages 5 to 13 are in accordance with the Corporations Act 2001, including:

(a) complying with Accounting Standards, Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) giving a true and fair view of the Group's financial position as at 31 December 2010 and of its performance for the half-year then ended.

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

This declaration is signed made in accordance with a resolution of the Board of Directors made pursuant to s303(5) of the Corporations Act 2001.

A handwritten signature in blue ink, appearing to read 'R Barnett', with a large circular flourish at the end.

Russell Barnett
Director

Perth, Western Australia
8 March 2011

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of FYI Resources Limited for the half-year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.



Perth, Western Australia
8 March 2011

N G NEILL
Partner, HLB Mann Judd

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of FYI Resources Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of FYI Resources Limited ("the Company") which comprises the condensed statement of financial position as at 31 December 2010, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of FYI Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of FYI Resources Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



HLB MANN JUDD
Chartered Accountants



N G NEILL
Partner

Perth, Western Australia
8 March 2011