

## **INDEPENDENT EXPERT REPORT SAYS FOCUS PLACEMENT TO SHANDONG GOLD IS “FAIR AND REASONABLE”**

Focus Minerals Ltd. (ASX: FML), a leading Australian gold producer and explorer, said today the Independent Expert report on the Company’s plan to raise approximately \$225 million through the placement of new shares with Shandong Gold International Mining Corporation Limited (“Shandong Gold”) (the “Placement”) has concluded that the transaction is “**fair and reasonable**” to Focus shareholders.

The Independent Expert report has been prepared by BDO Corporate Finance and was today sent to Focus’ shareholders, along with a Notice of Annual General Meeting and Explanatory Memorandum. The Annual General Meeting will be held on 30 November 2012 in Perth.

Focus Directors have unanimously recommended shareholders support the Placement in the absence of a superior proposal and subject to the expert not changing its view prior to the general meeting. The Independent Expert Report notes that, if approved by Focus shareholders, the Placement is expected to deliver a number of advantages, including the following:

- Provide an immediate capital injection of \$225 million to assist in fuelling an accelerated growth of Focus’ projects and operations as well as strengthening Focus’ balance sheet;
- Introduce a large, supportive investor in Shandong Gold that will allow for the exchange of technical knowledge and access to Chinese markets for potential future equity and debt funding;
- Provide expertise at Board level to assist with the exploration of Focus’ large tenement holdings; and
- Increase the market capitalisation of Focus by at least \$225 million, which may lead to a re-valuation of Focus shares by the market and an increased level of investment.

Also, the Foreign Investment Review Board has advised Shandong Gold that there are no objections to the Placement in terms of the Government’s foreign investment policy.

Under the terms of the Placement, Shandong Gold, a subsidiary of one of China’s three largest gold producers by production, will acquire 51% of Focus (on a fully diluted basis) by contributing \$225 million to subscribe for approximately 4.5 billion new fully paid ordinary Focus shares at 5 cents per share.

**For further information please contact:**

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# NOTICE OF ANNUAL GENERAL MEETING

To be read in conjunction  
with the

**EXPLANATORY  
MEMORANDUM**

and the

**INDEPENDENT  
EXPERT'S  
REPORT**

Focus Minerals Limited  
ACN: 005 470 799  
ASX: FML

For the Annual General Meeting to be held on  
30 November 2012 at 10.00am (Perth time) at  
the Duxton Hotel, 1 St Georges Terrace, Perth

This is an important document. Please read it carefully and in its entirety. If you do not understand it, please consult with your professional advisers. If you are unable to attend the Meeting, please complete the form of proxy enclosed and return it in accordance with the instructions set out on that form.



**Hartleys**

**KING & WOOD  
MALLESONS**

YOUR ANNUAL REPORT IS AVAILABLE ONLINE, VISIT:  
[www.focusminerals.com.au](http://www.focusminerals.com.au)



# Notice of Annual General Meeting

## Focus Minerals Limited (ACN 005 470 799)

Notice is hereby given that the Annual General Meeting of the shareholders of Focus Minerals Limited will be held on 30 November 2012 commencing at 10.00am (Perth time) at the Duxton Hotel, 1 St Georges Terrace, Perth.

The attached Explanatory Memorandum is provided to supply Shareholders with information to enable Shareholders to make an informed decision regarding the Resolutions set out in this Notice. The Explanatory Memorandum is to be read in conjunction with this Notice and the Independent Expert's Report.

## BUSINESS OF THE MEETING

### Financial Statements and Reports

To receive and consider the annual financial report of Focus for the year ended 30 June 2012 together with the declaration of the Directors, the Directors' report, the remuneration report and the auditor's report.

#### 1 RESOLUTION 1 – ISSUE OF SHARES TO SHANDONG GOLD INTERNATIONAL MINING CORPORATION LIMITED

To consider and, if thought fit, pass the following resolution as an ordinary resolution in accordance with item 7 of section 611 of the Corporations Act 2001, the Constitution and for all other purposes:

*That the issue of 4,501,997,651 fully paid ordinary shares in Focus to Shandong Gold at an issue price of 5 cents per share on the terms and conditions as contained in this Notice of Meeting and the accompanying Explanatory Memorandum be approved for the purposes of item 7 of section 611 of the Corporations Act 2001 (Cth), and for all other purposes.*

#### Voting prohibition statement

Under item 7 of section 611 of the Corporations Act, each of Shandong Gold and any associates of Shandong Gold are precluded from voting in favour of the resolution.

#### 2 RESOLUTION 2 – RE-ELECTION OF DIRECTOR – GERRY FAHEY

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

*That, for the purpose of clause 13.2 of the Constitution and for all other purposes, Gerry Fahey, a Director who retires by rotation, and being eligible, is re-elected as a director.*

#### 3 RESOLUTION 3 – RE-ELECTION OF DIRECTOR – BRUCE MCCOMISH

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

*That, for the purpose of clause 13.2 of the Constitution and for all other purposes, Bruce McComish, a Director who retires by rotation, and being eligible, is re-elected as a director.*

#### 4 RESOLUTION 4 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, pass the following resolution as a non-binding ordinary resolution:

*That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the remuneration report as contained in Focus' annual financial report for the financial year ended 30 June 2012.*

The remuneration report is set out in the Directors' Report contained in Focus' Annual Report.

The vote on this resolution is advisory only and does not bind Focus or the Directors.

##### Voting Exclusion

A vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the remuneration report; or
- (b) a Closely Related Party of such a member.

However, a person described above may vote on this Resolution if:

- (a) the person does so as a proxy appointed by writing that specifies how the proxy is to vote on the Resolution; and
- (b) the vote is not cast on behalf of a person described in sub-paragraphs (a) or (b) above.

#### 5 RESOLUTION 5 – SPILL RESOLUTION

**Important Note: This Resolution will only be put to the meeting if more than 25% of votes validly cast on Resolution 4 are cast against that Resolution.**

To consider and if thought fit pass the following Resolution as an ordinary resolution:

*That:*

- (a) *a meeting of holders of Focus Minerals Limited be held within 90 days of this Annual General Meeting (“Spill Meeting”); and*
- (b) *all of the Directors of Focus Minerals Limited who were Directors when the resolution to adopt the remuneration report as contained in Focus' annual financial report for the financial year ended 30 June 2012 was passed, other than a managing director of the company who may, in accordance with the ASX Listing Rules, continue to hold office indefinitely without being re-elected to the office, cease to hold office immediately before the end of the Spill Meeting; and*
- (c) *resolutions to appoint persons to the offices that will be vacated immediately before the end of the Spill Meeting be put to the vote at the Spill Meeting.*

##### Voting Exclusion

A vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the remuneration report; or
- (b) a Closely Related Party of such a member.

However, a person described above may vote on this Resolution if:

- (a) the person does so as a proxy appointed by writing that specifies how the proxy is to vote on the Resolution; and
- (b) the vote is not cast on behalf of a person described in sub-paragraphs (a) or (b) above.

By order of the Board

A handwritten signature in blue ink that reads "P Fromson". The signature is written in a cursive style with a large initial "P".

**Paul Fromson**  
Company Secretary  
30 October 2012

## **Notes to the Notice of Meeting**

These notes form part of the Notice of Annual General Meeting. The Notice of Annual General Meeting should be read in conjunction with the accompanying Explanatory Memorandum and Independent Expert's Report.

To enable you to make an informed decision on each Resolution, further information on the each Resolution and the Transaction is set out in the Explanatory Memorandum accompanying this Notice of Meeting. Terms used in this Notice of Meeting have the same respective meanings as set out in the Glossary of the Explanatory Memorandum.

### ***Venue***

The Annual General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 10.00am (Perth time) on 30 November 2012 at the Duxton Hotel, 1 St Georges Terrace, Perth.

### ***Your vote is important***

The business of the Annual General Meeting affects your shareholding and your vote is important.

### ***Voting in person***

To vote in person, attend the Annual General Meeting on the date and at the time and place set out above. If you wish to attend the meeting, please arrive 15 minutes prior to the start of the meeting to facilitate the registration process.

### ***Entitlement to vote***

In accordance with Regulation 7.11.37 of the Corporations Regulations and ASX Settlement Operating Rule 5.6.1, the Directors have determined that, for the purposes of this Annual General Meeting, all Shares in Focus shall be taken to be held by the person who held Shares as registered Shareholders at 4.00pm (Perth time) on 28 November 2012 ("**Record Date**"). Transactions registered after that time will be disregarded in determining the Shareholders entitled to attend and vote at the Annual General Meeting.

### ***Voting by proxy***

1. All holders of Shares in Focus as at the Record Date are entitled to attend and vote at this Annual General Meeting and may appoint a proxy to attend this Annual General Meeting and vote in that member's stead.
2. A proxy need not be a member of Focus.
3. The proxy form sent with this Notice should be used for this Annual General Meeting.
4. Each Shareholder who is entitled to cast 2 or more votes at this Annual General Meeting may appoint 2 persons to act as proxies and may specify the proportion or number of votes that each proxy is entitled to exercise. If a Shareholder does not specify the proportion or number of that Shareholder's votes each proxy may exercise, then each proxy will be entitled to exercise half of the votes. An additional proxy form will be supplied by Focus on request.
5. In the case of an individual, a proxy must be under the hand of the individual or his or her attorney duly authorised in writing and, in the case of a corporation, a proxy must be executed pursuant to section 127 of the Corporations Act or under the hand of its duly authorised officer or attorney.

6. Any member may by power of attorney appoint an attorney to act on his or her behalf and such power of attorney or certified copy thereof must be received by Focus as specified in paragraph (8).
7. Any corporation which is a member of Focus may appoint a representative to attend and vote for that corporation at the Annual General Meeting. Appointments of representatives by corporations must be received by Focus as specified in paragraph (8) or handed in at the Annual General Meeting when registering as a company representative.
8. To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
  - (a) post, to:           Computershare Investor Services Pty Ltd  
                          GPO Box 242  
                          Melbourne Vic 3001; or
  - (b) facsimile, to:    within Australia 1800 783 447  
                          outside Australia +61 3 94732555,

so that it is received no later than 10.00am (Perth time) on 28 November 2012.

The Proxy Form forms part of this Notice of Meeting.

**Proxy Forms received later than this time will be invalid.**

***Proxy vote if appointment specifies way to vote***

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, if it does:

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

***Transfer of non-chair proxy to chair in certain circumstances***

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of Focus' members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
  - o the proxy is not recorded as attending the meeting; or
  - o the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

### **Questions from Shareholders**

The Chairman of the Meeting will allow a reasonable opportunity for Shareholders to ask questions or make comments on the management and performance of Focus.

Mr Patrick Warr of Grant Thornton Audit Pty Ltd, as the auditor responsible for preparing the auditor's report for the year ended 30 June 2012 (or his representative), will attend the Meeting. The Chairman of the Meeting will allow a reasonable opportunity for Shareholders to ask the auditor questions at the meeting about:

- (a) the conduct of the audit;
- (b) the preparation and content of the auditor's report;
- (c) the accounting policies adopted by Focus in relation to the preparation of the financial statements; and
- (d) the independence of the auditor in relation to the conduct of the audit.

To assist the Board and the auditor of Focus in responding to any questions you may have, please submit any written questions by fax or to the address below by no later than the fifth Business Day before the Annual General Meeting is to be held:

**By mail**            Focus Minerals Ltd  
                          Attention: The Company Secretary  
                          PO Box Z5422 St Georges Terrace  
                          Perth WA 6831

**By fax**             (+61 8) 9215 7889

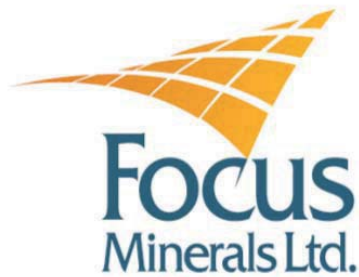
**In person**        Focus' premises at Level 30, 44 St Georges Terrace, Perth.

As required under section 250PA of the Corporations Act, at the Meeting, Focus will make available those questions directed to the auditor received in writing at least 5 business days prior to the meeting, being questions which the auditor considers relevant to the content of the auditor's report or the conduct of the audit of the annual financial report for the year ended 30 June 2012. The Chairman of the Meeting will allow a reasonable opportunity for the auditor to respond to the questions set out on this list.

### **Queries**

Shareholders with any queries in relation to the Transaction should contact the Transaction Information Line on 1800 850 191 (toll free in Australia) or +61 2 8256 3365 (from overseas) on Monday to Friday between 9.00am and 5.00pm (AEST).





## EXPLANATORY MEMORANDUM

Focus Minerals Limited

ACN: 005 470 799

ASX: FML

In relation to the Resolutions to be proposed at the Annual General Meeting, including Resolution 1 relating to the proposed transaction involving the issue of 4,501,997,651 fully paid ordinary shares in the capital of Focus to Shandong Gold, which will result in Shandong Gold holding 51.3% (equivalent to 51.0% on a fully diluted basis) of Focus' share capital.

This is an important document and requires your immediate attention. You should read this document in its entirety before deciding whether or not to vote in favour of the Transaction, and, if necessary, consult your legal, investment, taxation or other professional adviser.

This document should be read in conjunction with the Independent Expert's Report to Focus and the Focus 2012 Annual General Meeting Notice of Meeting, both of the same date.

If, after reading this Explanatory Memorandum, you have any questions about the Transaction, please call the Transaction Information Line on 1800 850 191 (toll free in Australia) or +61 2 8256 3365 (from overseas) on Monday to Friday between 9.00am and 5.00pm (AEST).

# Important Notices

This Explanatory Memorandum is issued by Focus Minerals Limited (ACN 005 470 799) ("**Focus**").

## **This Explanatory Memorandum**

This Explanatory Memorandum sets out the basis for Resolutions 1 to 5 contained within Focus' 2012 Notice of Annual General Meeting which Shareholders will consider at Focus' Annual General Meeting to be held at 10.00am (Perth time) on 30 November 2012.

You should read this Explanatory Memorandum in its entirety before making a decision as to how to vote on each Resolution to be considered at the Meeting and, if necessary, consult an independent legal, investment, taxation or other professional adviser.

## **Defined terms**

Capitalised terms used in this Explanatory Memorandum have the meaning given to them in the Glossary of this Explanatory Memorandum.

## **Disclaimer**

The information in this Explanatory Memorandum should be read in conjunction with the Independent Expert's Report to Focus and the Focus 2012 Annual General Meeting Notice of Meeting, both of the same date, as well as Focus' other periodic and continuous disclosure announcements and other announcements to ASX which are available at [www.asx.com.au](http://www.asx.com.au).

The information in this Explanatory Memorandum remains subject to change without notice. Focus reserves the right to withdraw or vary the timetable for the Transaction without notice.

This Explanatory Memorandum has been prepared without taking account of any individual person's specific investment objectives, financial situation or particular needs. This Explanatory Memorandum should not be relied upon as the sole basis for any investment decision. Shareholders should take into account their specific investment objectives, financial situation and particular needs, and should seek independent financial and taxation advice before making any decision in relation to each Resolution.

This Explanatory Memorandum has been prepared pursuant to item 7 of section 611 of the Corporations Act 2001 which requires shareholder approval of the Transaction. Furthermore, ASIC Regulatory Guide 74 sets out certain disclosure requirements which have been covered in this document. This includes the requirement to complete an Independent Expert's Report, prepared pursuant to ASIC Regulatory Guide 111 assessing the fairness and reasonableness of the Transaction including the advantages and disadvantages to non-associated Shareholders. The Independent Expert's Report is available and should be read in conjunction with this Explanatory Memorandum. It has been lodged with ASIC and mailed to all Shareholders.

In making representations in this Explanatory Memorandum, regard has been had to the fact that Focus is a disclosing entity for the purposes of the Corporations Act 2001 and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

## **ASIC and ASX involvement**

A draft of this Explanatory Memorandum (including the Independent Expert's Report) has been provided to ASIC. A copy of this Explanatory Memorandum has also been lodged with ASX. Neither ASIC nor ASX nor any of their respective officers takes any responsibility for the contents of this Explanatory Memorandum.

## **Responsibility for information**

Except as outlined below, the information contained in this Explanatory Memorandum has been provided by Focus and is the responsibility of Focus. Except as outlined below, neither

Shandong Gold nor any of its direct or indirect partners, members, directors, officers, employees, agents, advisers or intermediaries assumes any responsibility for the accuracy or completeness of any information in this Explanatory Memorandum.

Shandong Gold has prepared and is solely responsible for the Shandong Gold Information (except to the extent that Focus has provided Shandong Gold with information for the purpose of Shandong Gold preparing the Shandong Gold Information). Neither Focus nor any of its directors, officers, employees, agents, advisers or intermediaries assumes any responsibility for the accuracy or completeness of the Shandong Gold Information.

The Independent Expert has provided and is responsible for the information contained in the Independent Expert's Report. Neither Focus nor Shandong Gold nor any of their respective direct or indirect partners, members, directors, officers, employees, agents, advisers or intermediaries assumes any responsibility for the accuracy or completeness of the information contained in the Independent Expert's Report. The Independent Expert does not assume any responsibility for the accuracy or completeness of the information contained in this Explanatory Memorandum other than that contained in the Independent Expert's Report.

## **Privacy and personal information**

Focus will need to collect personal information in connection with the Meeting. The personal information may include the names, contact details and details of holdings of Shareholders, plus contact details of individuals appointed by Shareholders as proxies, corporate representatives or attorneys at the Meeting. The collection of some of this information is required or authorised by the Corporations Act. Shareholders who are individuals, and other individuals in respect of whom personal information is collected, may have certain rights to access personal information about them which is collected. You can contact Focus' Company Secretary if you wish to exercise those rights.

The personal information collected by Focus may be disclosed to print and mail service providers and to Focus' advisers. If the information outlined above is not collected, Focus may be hindered in, or prevented from, conducting the Meeting. Shareholders who appoint an individual as their proxy, corporate representative or attorney to vote at the Meeting should inform that individual of the matters outlined above.

It is noted that all persons are entitled under section 173 of the Corporations Act to inspect and copy the Register. The Register contains personal information about Shareholders.

## **Disclosures regarding forward looking statements**

The forward looking statements contained in this Explanatory Memorandum involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of Focus and may involve significant elements of subjective judgment and assumptions as to future events which may or may not be correct. There can be no assurance that actual outcomes will not differ materially from those forward-looking statements.

Any forward looking statements included in this Explanatory Memorandum are made only as at the date of this Explanatory Memorandum. Neither Focus nor Shandong Gold nor any of the respective direct or indirect partners, members, directors or officers of any of those entities, nor any other person, makes or gives any assurances or guarantee to Shareholders that the matters described in any forward looking statements will actually occur, or be achieved, and Shareholders are cautioned not to place undue reliance on such forward looking statements.

## **Currency**

Unless the contrary intention appears, all dollar values in this Explanatory Memorandum are expressed in Australian dollars.

## **Date**

This Explanatory Memorandum is dated 30 October 2012.

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## Key Dates

Annual General Meeting Notice of Meeting and associated documents (including this Explanatory Memorandum) sent to all Shareholders	30 October 2012
Last time to lodge Proxy Forms with the Registry	10.00am (Perth time) on 28 November 2012
Record Date	4.00pm (Perth time) on 28 November 2012
Annual General Meeting to be held at the Duxton Hotel, 1 St Georges Terrace Perth	10.00am (Perth time) on 30 November 2012
Results of Annual General Meeting lodged with ASX	30 November 2012
<b>If the Transaction is approved by Shareholders:</b>	
Expected date of Completion and issue of Subscription Shares Note: this indicative date assumes that all conditions, including Shareholder approval of Resolution 1, under the Share Subscription Deed are satisfied or waived by the date of the Annual General Meeting (see section 4.1 of this Explanatory Memorandum).	4 December 2012

Note: Dates and times are indicative only and subject to change. Any changes to the above timetable will be announced through ASX and notified on Focus' website at <http://www.focusminerals.com.au>. Unless otherwise specified, all times and dates refer to Perth time.



# Letter from the Chairman

30 October 2012

Dear Focus Minerals Shareholder,

## Transaction Summary

As announced on 20 September 2012, Focus has entered into a Share Subscription Deed with Shandong Gold, a subsidiary of one of China's three largest gold producers by production, under which Shandong Gold has agreed to subscribe for new fully paid ordinary Focus shares to raise approximately \$225 million at 5 cents per share.

We, your Board, consider the placement price of 5 cents per share to be very attractive as it represents a premium of:

- 13.6% to the closing price of Focus shares of 4.4 cents per share on 19 September 2012, the day before the Transaction was announced;
- 28% to the 60 day VWAP of 3.9 cents per share for the period ending 19 September 2012; and
- 35.1% to the closing price of Focus shares of 3.7 cents per share on 23 October 2012, the day before this Explanatory Memorandum went to print.

Successful completion of the Transaction is subject to the satisfaction or waiver of a number of conditions, including the receipt of regulatory approvals and the approval of Resolution 1 by Shareholders at the Meeting.

## Directors' Unanimous Recommendation

The Directors unanimously recommend that Shareholders approve Resolution 1, subject to no Superior Proposal arising and to the Independent Expert not changing its view prior to the Meeting. As a further signal to Shareholders of our support of the Transaction, each Director intends to vote all Shares they own or control the right to vote in favour of Resolution 1 in the absence of a Superior Proposal and subject to the Independent Expert not changing its view prior to the Meeting.

The Transaction is expected to deliver significant benefit to the Focus business and its Shareholders. The funds raised from the Transaction will establish the foundation for Focus to grow into a significant gold production and mining company. Benefits of the Transaction include the capacity to:

- enable the progression of operational strategies aimed to increase the rate of production across Focus' operations;
- accelerate exploration programmes at Focus' majority-owned Laverton operations to unlock the significant potential in the 1,200 km<sup>2</sup> landholding, where Focus has over 110 km in strike of mineralised shear systems that have been sparsely drilled;
- aggressively pursue the continued exploration at Focus' greenfields exploration project at Treasure Island, where surface anomalies and recently announced drilling results indicate the potential for significant gold endowment;
- increase exploration at Focus' existing Coolgardie operations and wider tenements, with the objective of increasing the resource position, especially at depth, and extending the current mine life at steady production rates for the Three Mile Hill Mill processing plant;
- potentially pursue value accretive acquisition opportunities, placing Focus in a strong position in a sector that rewards increased scale through consolidation; and
- undertake a review of Focus' Nepean nickel project to determine the prospects for development of this asset in line with improved nickel price parameters.

Although Shandong Gold will obtain majority control of Focus as a result of the Transaction, the Directors consider that the benefits of the Transaction, as well as the fact that the existing Directors will hold the majority of positions on the new Board immediately following completion of the Transaction, outweigh any disadvantage.

The key reasons for the Directors' unanimous recommendation are that:

- the Transaction will strengthen Focus' balance sheet and afford Focus the opportunity to enhance the business that Shareholders have invested in through their investment in Focus to date;
- they consider that the Transaction offers the best opportunity for Focus to grow and provide its Shareholders with potential upside in the long term; and
- the Transaction involves Focus raising capital at a premium, rather than a discount.

### **Independent Expert**

The Directors have asked for an Independent Expert's Report from BDO Corporate Finance (WA) Pty Ltd to assist Shareholders in deciding whether or not to approve Resolution 1. In that report, the Independent Expert has concluded that the Transaction is fair and reasonable for Focus Shareholders. The Independent Expert's Report is set out in Appendix 1 of this Explanatory Memorandum.

### **Further Information**

This Explanatory Memorandum contains further details of the proposed Transaction. While the Directors unanimously recommend that you vote in favour of the Transaction in the absence of a Superior Proposal and subject to the Independent Expert not changing its view prior to the Meeting, there are a number of potential disadvantages and risks associated with it that are set out in section 2.6 of this Explanatory Memorandum. Please read this Explanatory Memorandum in full before making your decision and voting on Resolution 1 at the Annual General Meeting.

The Directors encourage you to participate in the vote. You can vote in person at the Annual General Meeting on 30 November 2012 or, if you cannot attend the Annual General Meeting in person, you can vote by proxy or through an assigned power of attorney or corporate representative using the proxy form enclosed with the Explanatory Memorandum.

If you have any questions about the proposed Transaction, you should consult your independent financial, legal and/or tax adviser. For assistance with matters concerning the Transaction, the Annual General Meeting, or voting procedures, please call the Transaction Information Line on 1800 850 191 (toll free in Australia) or +61-2-8256 3365 (from overseas) on Monday to Friday between 9.00am and 5.00pm (AEST).

I and my fellow Directors believe that the Transaction will put Focus on a stronger footing to pursue growth opportunities and lay the foundation for Focus to become a globally significant gold production company. If you support our views and would like the Transaction to proceed, it is important that you vote in favour of Resolution 1. Further background regarding the Board's rationale is set out in an earlier letter sent to you dated 10 October 2012, which has also been placed on the Focus website and released to ASX.

Yours faithfully



Don Taig  
Chairman  
Focus Minerals Limited

# Section 1 – Business of the meeting

## 1.1 Annual Financial Statements

In accordance with the Constitution, the business of the Annual General Meeting will include receipt and consideration of the annual financial report of Focus for the financial year ended 30 June 2012 together with the declaration of the Directors, the Directors' report, the remuneration report and the auditor's report. There is no requirement for Shareholders to approve these reports.

## 1.2 Resolution 1

Under Resolution 1, Shareholders, other than Shandong Gold and its Associates, are asked to approve, for the purposes of item 7 of section 611 of the Corporations Act and for all other purposes, the issue of 4,501,997,651 fully paid ordinary shares in Focus to Shandong Gold at an issue price of 5 cents per share on the terms and conditions as contained in the Notice of Meeting and this Explanatory Memorandum.

### Item 7 of section 611 of the Corporations Act approval

Pursuant to section 606(1) of the Corporations Act, a person must not acquire a Relevant Interest in issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the company increases:

- (a) from 20% or below to more than 20%; or
- (b) from a starting point that is above 20% to below 90%.

Under the Transaction, Shandong Gold's voting power in Focus will increase from 0.56% to 51.3%, equivalent to 51.0% on a fully diluted basis.

Item 7 of section 611 of the Corporations Act provides an exception to the prohibition under section 606 of the Corporations Act. This exception provides that a person may acquire a Relevant Interest in a company's voting shares if Shareholders of the company approve the acquisition.

### Recommendation

The Directors unanimously recommend that you vote in favour of Resolution 1 to approve the Transaction in the absence of a Superior Proposal and subject to the Independent Expert not changing its view prior to the Meeting. All Directors intend to vote all Shares they own, or control the right to vote, in favour of the Resolution in the absence of a Superior Proposal and subject to the Independent Expert not changing its view prior to the Meeting.

An Independent Expert's Report accompanies this document and should be read in conjunction with it.

Details of the commercial rationale for the Transaction and reasons why you may vote for or against the Transaction are set out in Section 2 of this document.

## 1.3 Resolution 2 and 3 - Re-election of Directors

Clause 13.2 of the Constitution requires that at Focus' Annual General Meeting every year, one-third of the Directors for the time being, or, if their number is not a multiple of 3, then the number nearest one-third (rounded upwards in case of doubt), shall retire from office, provided always that no Director (except a Managing Director) shall hold office for a period in

excess of 3 years, or until the third Annual General Meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re-election.

The Directors to retire at an Annual General Meeting are those who have been longest in office since their last election, but, as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by drawing lots.

A Director who retires by rotation under clause 13.2 of the Constitution is eligible for re-election.

Focus currently has four Directors and accordingly two must retire.

Mr Gerry Fahey and Mr Bruce McComish retire by rotation and seek re-election.

#### *Background on Mr Gerry Fahey*

Mr Fahey is a geologist with 35 years' experience. He was chief geologist for Delta Gold between 1992-2002 where he gained extensive resource, mine development and feasibility study experience on projects including Kanowna Belle and Sunrise in Australia and Ngezi Platinum in Zimbabwe. Mr Fahey began his career as a mine geologist in the Irish base-metals industry on projects such as Tynagh, Avoca, and Tara Mines (Navan) owned by Noranda and later Outokumpu. On migrating to Australia in 1988, he gained further operational experience in Western Australia and the Northern Territory (Whim Creek and Dominion Mining), prior to joining Delta Gold. He formed FinOre Mining Consultants in 2005, which merged with CSA in 2006. Mr Fahey is a member of the Joint Ore Reserve Committee (JORC) and a former Board Member (Federal Councillor) for the Australian Institute of Geoscientists (AIG).

Mr Fahey is the Chairman of the Technical and Operations Committee which provides support to the technical team at Focus on a regular basis. He is also a member of the Remuneration Committee.

Mr Fahey joined the Board on 18 April 2011.

#### *Background on Mr Bruce McComish*

Mr McComish is the former chairman of stockbroking firm BBY. He has held senior management positions for a number of Australian and international companies including the National Australia Bank, where he served as Chief Financial Officer from 1994 to 1998, and North Limited, where he was the executive general manager of corporate affairs from 1992-1994. Mr McComish worked for Unilever Plc for 18 years in senior financial positions around the world. He holds a Bachelor of Commerce and Administration (Honours) from Victoria University of Wellington and is a Qualified Accountant.

Mr McComish is the Chairman of the Audit and Business Risk Committee which meets on a regular basis and is also a member of the Remuneration Committee.

Mr McComish joined the Board on 18 April 2011.

### **Recommendation**

The Directors unanimously recommend that you vote in favour of the re-election of Mr Gerry Fahey and Mr Bruce McComish.

#### **1.4 Resolution 4 – Adoption of Remuneration Report**

The purpose of Resolution 4 is to adopt the remuneration report for the financial year ended 30 June 2012. The remuneration report is contained in the Directors' Report of the Annual Report. The remuneration report sets out the policy for the remuneration of the Directors of



Focus and Key Management Personnel. Under the Corporations Act, a listed company is required to put its remuneration report to shareholders for approval each year.

During the meeting Shareholders will have an opportunity to comment upon and ask questions about the remuneration report. The vote on Resolution 4 is advisory only and does not bind the Directors or Focus. However, in 2011, more than 25% of Shareholders voted against approving the remuneration report for 2011. As a result, under the Corporations Act, if more than 25% of votes validly cast on Resolution 4 are cast against the adoption of the remuneration report, then Resolution 5 will be put to the Meeting (see the explanation of Resolution 5).

Resolution 4 will be decided by poll. Although non-binding, in order to be passed Resolution 4 must be approved by at least 50% of the votes cast by Shareholders entitled to vote.

### **Recommendation**

The Directors unanimously recommend that Shareholders adopt the Remuneration Report.

### **1.5 Resolution 5 – Spill Resolution**

**IMPORTANT NOTE: in accordance with the Corporations Act, Resolution 5 will only be put to the meeting if more than 25% of the votes validly cast on Resolution 4 are against the adoption of the remuneration report.**

The Corporations Act requires that if more than 25% of votes are cast against the adoption of the remuneration report at two consecutive Annual General Meetings, then a resolution must be put to shareholders at the second Annual General Meeting substantially in the form of Resolution 5.

At the 2011 Annual General Meeting, more than 25% of the votes validly cast on the resolution concerning the adoption of the remuneration report presented at that meeting were cast against that resolution. Accordingly, if at this Annual General Meeting more than 25% of votes validly cast are against the adoption of the remuneration report (Resolution 4), then Resolution 5 will be put to the Meeting.

If Resolution 5 is put to the Meeting and more than 50% of Shareholders vote in favour of that Resolution, then:

- a meeting of Shareholders will be held within 90 days of this Annual General Meeting (“**Spill Meeting**”);
- all of the current members of the Board other than the managing director who may, in accordance with the ASX Listing Rules, continue to hold office indefinitely without being re-elected, will vacate their offices immediately before the end of the Spill Meeting; and
- at the Spill Meeting, resolutions will be voted on to elect individuals to the vacated offices.

If all the current Directors other than the managing director who may, in accordance with the ASX Listing Rules, continue to hold office indefinitely without being re-elected, cease to be Directors prior to the Spill Meeting, the meeting need not be held.

## Section 2 – Transaction overview

### 2.1 Description of Transaction

Focus and Shandong Gold have entered into a Share Subscription Deed pursuant to which Shandong Gold has agreed to subscribe for 4,501,997,651 new fully paid ordinary Focus shares to raise \$225,099,883. If the Transaction proceeds, Shandong Gold will increase its voting power from 0.56% to 51.3%, equivalent to 51.0% on a fully diluted basis.

Completion of the Transaction is subject to a number of conditions, including regulatory approvals and the approval of Shareholders.

### 2.2 About Focus

Focus officially listed on ASX on 13 September 2000 and is now a leading Australian gold producer operating in Western Australia's Eastern Goldfields. Focus has grown significantly in recent years and in FY12, the Focus Group delivered total gold production of 176,632oz.

Focus operates from two significant gold production centres in Western Australia's Eastern Goldfields. The company is the largest landholder in the Coolgardie Gold Belt, 35km west of the 'Super Pit' in Kalgoorlie, where it runs The Tindals Mining Centre underground and open pit operations, and The Mount underground, 85km to the south.

Focus mines ore from a series of open cut and underground mines in the Coolgardie region, which is trucked to and processed at Focus' 1.2 million tonne per annum processing plant, Three Mile Hill, adjacent to the town of Coolgardie.

Focus also operates the Laverton Gold Project which comprises a significant portfolio of large scale open pit mines, with ore being processed under the OPA at the nearby Barrick Granny Smith mill. The Laverton Gold Project is located approximately 250km to the northeast of Coolgardie.

Focus has a significant landholding across both its Coolgardie and Laverton operations, which is considered to contain exciting potential for future Mineral Resource growth.

### 2.3 Commercial rationale

The Transaction is expected to deliver significant commercial benefits to Focus. The funds raised from the Transaction will establish the foundation for Focus to grow to become a globally significant gold production company through development of existing gold projects, new discoveries from targeted exploration programmes and the potential for value accretive acquisitions.

In addition to funding ongoing working capital needs, the Transaction funds will be used to pursue the following growth initiatives:

- **(production rate)** enable the progression of operational strategies aimed at increasing the rate of production across Focus' operations;
- **(exploration at Laverton)** accelerate exploration programmes at Focus' majority-owned Laverton operations, to unlock the significant potential in the 1,200 km<sup>2</sup> landholding, where Focus has over 110 km in strike of mineralised shear systems that have been sparsely drilled;
- **(exploration at Treasure Island)** aggressively pursue continued exploration at Focus' greenfields exploration project at Treasure Island, where surface anomalies and recently announced drilling results indicate potential for significant gold endowment;
- **(exploration at Coolgardie)** increase exploration at Focus' existing Coolgardie operations and wider tenements, with the objective of increasing the Mineral Resource

position, especially at depth, and extending the current long term mine life at steady production rates for the Three Mile Hill Mill processing plant;

- **(further acquisitions)** potentially pursue value accretive acquisition opportunities, placing Focus in a strong position in a sector that rewards increased scale through consolidation; and
- **(Nepean nickel strategy)** undertake a review of Focus' Nepean nickel project to determine the prospects for development of the asset in line with improved nickel price parameters.

## 2.4 Steps involved in implementing the Transaction and when Completion occurs

The following steps must be taken to implement the Transaction:

- 1 Eligible Shareholders must approve Resolution 1 by the requisite majority (more than 50% of votes cast by Shareholders entitled to vote on Resolution 1 are cast in favour) under item 7 of section 611 of the Corporations Act, at the Meeting.
- 2 All other conditions under the Share Subscription Deed that are outlined in section 4.1.2 of this Explanatory Memorandum must be either satisfied or waived.

Completion is to occur on the date which is two Business Days after the last of the conditions is satisfied or waived, or such other date agreed between Focus and Shandong Gold. If all of the conditions have been satisfied or waived by the Meeting Date, then Completion is scheduled to occur on 4 December 2012. On Completion, Shandong Gold will subscribe for, and Focus will issue, the Subscription Shares.

If any of the conditions have not been satisfied or waived by 31 December 2012, either Focus or Shandong Gold may terminate the Share Subscription Deed and the Subscription Shares will not be issued. Accordingly, there is a risk that the Transaction may not proceed in accordance with the anticipated timetable or may not proceed at all, even if Shareholders vote in favour of Resolution 1 by the requisite majority, in circumstances where all other conditions are not satisfied or waived.

## 2.5 Why you might vote in favour of the Transaction

The Directors expect the Transaction to deliver material benefits to Focus, including the following:

- **(strategic alliance)** commencing a long-term, mutually beneficial relationship with Shandong Gold which will assist Focus to unlock the potential of its large tenement holdings and resource base and lay the foundation for Focus to become a significant gold producer;
- **(accelerated growth)** assisting to unlock Focus' growth potential at an accelerated pace to enable it to pursue organic and non-organic growth opportunities, including investment in greenfields exploration;
- **(strengthen balance sheet)** strengthening Focus' balance sheet;
- **(relatively low cost of capital)** providing funding to the Focus business at a price per share that is unlikely to be achieved through any alternative transaction in the short to medium term;
- **(avoid volatile markets)** Focus not needing to raise additional capital in the current volatile market. Given the amount of capital required, it is anticipated that Focus would otherwise have to raise capital at a discount to the prevailing market price;
- **(mitigate processing risk)** providing Focus with the funding necessary to upgrade and recommission the Barnicoat Mill at Laverton, which is currently non-operational, to

enable ore processing. This will assist in mitigating the risk of Focus not being able to process ore which would arise if the OPA is not extended from the current expiry date of 30 June 2013. As at the date of this Explanatory Memorandum, Focus is not aware of any reason why the OPA would not be extended. However, if the OPA is not extended, and the Barnicoat Mill at Laverton is not upgraded and recommissioned, it is unlikely that Focus would be able to produce gold at its Laverton operations. Therefore, if the Transaction is not approved, a material business risk remains present;

- **(increased market capitalisation and exposure)** an increased market capitalisation which may result in increased media and investor interest in Focus, potentially effecting demand for Shares and the Share price; and
- **(significant market for Shares remains)** 49% of Focus's equity will remain tradeable in the market place ensuring a level of liquidity remains to enable Shareholders to enter and leave the stock.

The Directors note that the Independent Expert has opined that the Transaction is fair and reasonable to Focus Shareholders. You are advised to review in detail this report which is contained in Appendix 1 of this Explanatory Memorandum.

## 2.6 Why you might vote against the Transaction

The Directors note that there are a number of risks and disadvantages of the Transaction of which you should be aware, namely:

- **(dilution)** your percentage shareholding and voting power in Focus will be diluted as a significant number of new Focus Shares will be issued to Shandong Gold;
- **(discourage potential bidders)** Shandong Gold will increase its voting power from 0.56% to 51.3%, equivalent to 51.0% on a fully diluted basis. This may discourage a potential bidder from proposing a control transaction in relation to Focus;
- **(significant influence)** there is the potential for Shandong Gold to be put in a position to exercise significant influence on the operations of Focus, including through board appointments;
- **(reduced prospect of a full offer)** there is a risk that Shandong Gold increases its control of Focus from 51% (on a fully diluted basis) to a higher level without making a full offer to all Shareholders. In this way, existing Shareholders may not receive full value for their investment in Focus;
- **(lower liquidity)** there is a risk that the trading of Shares will be negatively affected by the presence of a party with 51% ownership. The stock will have a materially lower free float on a proportional basis, which may reduce liquidity and may potentially impair the market value of Shares;
- **(index exclusion)** most equity market indices have minimum liquidity or free float requirements. It is possible that the Transaction would result in Focus being removed from any current indices and not eligible for inclusion in any other indices in future, which may impact on investor demand for Shares;
- **(disagree with directors)** you may not agree with the assessment of the Directors that the Transaction delivers the best outcome to Shareholders; and
- **(disagree with Shandong Gold's intentions)** you may not agree with the intentions that Shandong Gold has with respect to the business.



## **2.7 Consequences for Focus if Resolution 1 is not approved or the Transaction does not otherwise proceed**

If Resolution 1 is not approved by the requisite majority of Shareholders, or if the Transaction is terminated as a result of all conditions not being satisfied or waived by 31 December 2012 (even if Shareholders vote in favour of Resolution 1 by the requisite majority), then:

- the material benefits outlined in respect of the commercial rationale for the Transaction (set out in sections 2.3 and 2.5) may not be able to be realised and Focus may not be able to proceed with the growth initiatives set out in section 2.3; and
- Focus may need to pursue other funding arrangements, with no guarantee that any such arrangements will be available, or if available, the terms on which such funding may be provided.

## **2.8 Independent Expert's Report**

The Independent Expert concluded that the Transaction is fair and reasonable for Focus Shareholders. The reasons for the Independent Expert's opinion are contained in the Independent Expert's Report which is set out in Appendix 1 to this Explanatory Memorandum.

## **2.9 Recommendation of Directors**

The Directors have considered the commercial rationale for the Transaction set out in section 2.3 and the reasons to vote for or against the Transaction set out in section 2.5 and section 2.6 of this Explanatory Memorandum. They have also considered the Independent Expert's Report in Appendix 1 to this Explanatory Memorandum. Having done so, the Directors **UNANIMOUSLY RECOMMEND** that Shareholders approve Resolution 1, in the absence of a Superior Proposal and subject to the Independent Expert not changing its view prior to the Meeting.

The key reasons for this recommendation are that:

- the Transaction will strengthen Focus' balance sheet and afford Focus the opportunity to enhance the business that Shareholders have invested in through their investment in Focus to date;
- they consider that the Transaction offers the best opportunity for Focus to grow and provide its Shareholders with potential upside in the long term; and
- the Transaction involves Focus raising capital at a premium, rather than a discount.

## Section 3 – Information about Shandong Gold

### 3.1 General information

#### (a) Shandong Gold

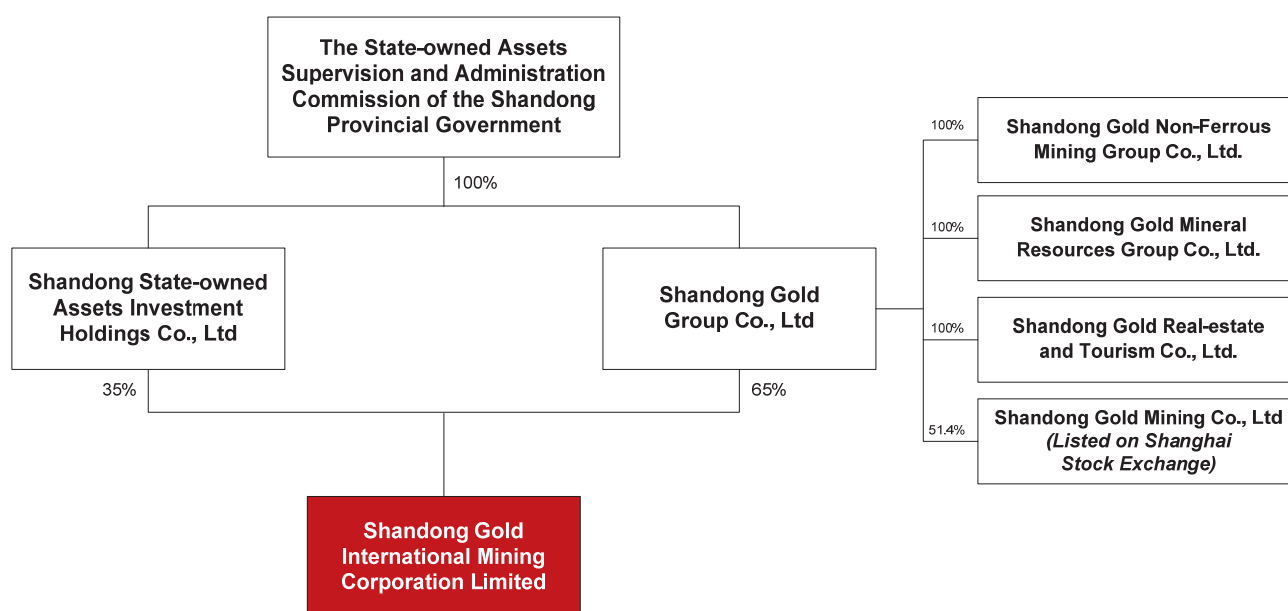
Shandong Gold is a limited liability company registered in Hong Kong. The Company's primary role is to act as the overseas expansion vehicle for its major shareholder, Shandong Gold Group Co Ltd (**Shandong Gold Group**), including facilitating and implementing overseas projects and investments in overseas mining companies and assets.

#### (b) Ownership of Shandong Gold

Shandong Gold is a 65%-owned subsidiary of Shandong Gold Group. The remaining 35% shares in Shandong Gold are held by Shandong State-owned Assets Investment Holdings Co., Ltd, which is 100% held by the State-owned Assets Supervision and Administration Commission of the Shandong Provincial Government (**Shandong SASAC**).

Shandong Gold Group Co., Ltd is 100% owned by the Shandong Provincial Government, and is a China-based company principally engaged in the exploration, mining, processing, and smelting of gold and non-ferrous metals. Shandong Gold Group holds 51.4% of the shares in Shandong Gold Mining Co., Ltd, which is listed on the Shanghai Stock Exchange and has a market capitalisation of approximately RMB 58.4 BN Yuan (as at 10 October 2012). During the year ended 31 December 2011, Shandong Gold Mining Co., Ltd produced approximately 22.24 tons (approximately 710,400oz) of gold.

The following diagram represents the corporate structure of Shandong Gold and its associated entities.



### **(c) Activities of Shandong Gold's associated entities**

Shandong Gold Group and its associated entities, are primarily involved in the exploration, mining and processing of gold and non-ferrous mining across various provinces in China including Henan, Inner Mongolia, Qinghai and the Shandong Gold Group's home province, Shandong. The Shandong Gold Group also has a subsidiary, Shandong Gold Real Estate and Tourism Group Co., Ltd, whose main business activities are the development and operation of real estate and tourism in China. However, this company's activities constitute a minor part of Shandong Gold Group's overall business, which remains predominately focused on gold exploration and mining.

### **(d) Management of Shandong Gold**

Shandong Gold is a business corporation with a board consisting of 7 members.

Shandong Gold's parent, Shandong Gold Group is a business corporation with a board consisting of 8 members, of whom the financial controller and the disciplinary director are appointed directly by Shandong SASAC. There is also an oversight committee of 3 members, all of whom are appointed by Shandong SASAC. This committee oversees the Shandong Group's overall decision making process and reports directly to Shandong SASAC. These oversight measures are ordinary incidents of the nature of a Chinese state owned enterprise. Whilst the ultimate beneficial owner of Shandong Gold, Shandong SASAC, is a division of the Shandong Provincial Government, the provincial government itself does not have any direct involvement in the decision making process of Shandong Gold's board, which operates independently. In day-to-day operations, Shandong Gold operates as a commercial entity, at arm's length from the Shandong SASAC.

The directors of Shandong Gold are:

- **Li Zhongyi** – Mr Li is the current Executive Chairman of Shandong Gold (appointed May 2011). Mr Li has been employed by Shandong Gold Group since 2002, and has been the Deputy General Manager and a member of the management committee since December 2003. Between July 2002 and late 2003 Mr Li was the General Manager of Shandong Gold Zhiye Real Estate Development Co., Ltd. Previously, Mr Li held a series of management positions in the United Development Group Co., Ltd of the Yellow River economic cooperation zone, including Deputy Manager of the General Office, a member of the management committee, and Deputy Manager. In addition, Mr Li was previously the Deputy Manager and subsequently the General Manager of the Real Estate Development Company Co., Ltd of Yellow River economic cooperation zone.
- **Liu Qin** - Mr Liu has a PhD in mining and has been employed by Shandong Gold Group since 2006. Currently he is deputy general manager of Shandong Gold Mineral Resource Group Co. Ltd. He was general manager of Shandong Gold from March 2011 to June 2012. From March 2010 to March 2011, Mr Liu held the position of Deputy Chairman of Shandong Non-ferrous Metal Mining Co., Ltd. From late 2006 to January 2010, Mr Liu was the mine manager of the Sanshan Island Gold Mine owned by Shandong Gold Mining Co., Ltd. Mr Liu was employed by Cangshang Mining Company from 1990 to 2006, and held the following positions in relation to the Laizhou Cangshang Mine: field technician, field team leader, deputy supervisor, and supervisor in the open-pit mining field. Mr Li also held the position of deputy manager and subsequently manager of the Cangshang Mining Company.

- **Ge Yuhuan** - Mr Ge has a Bachelor Degree in mining. He is currently the Deputy General Manager of Shandong Gold. From early 2002 to September 2010, Mr Ge was the Chairman and General Manager of Venezuela Jinyan Mining Co., Ltd. He was also engaged in research for engineering applications for Venezuela Jinyan Mining Co., Ltd. Mr Ge started his career at the Shandong Gold Mining Co., Ltd owned Sanshan Island Gold Mine after graduation from university in 1982. During that time he held the position of senior engineer and subsequently Deputy Mine Manager of the mining department of Shandhan Island Gold Mine.
- **Qin Lin** - Mrs Qin has a Masters Degree in Economics and is the director of the Investment Department of Shandong State-owned Assets Investment Holdings Co., Ltd. Mrs Qin has valuable experience in accounting and capital operation. Mrs Qin has held the following positions: accountant for the International Business Division of Shandong Press and Publication Co., Ltd; finance section manager of Shenzhen Dagong Printing Company; manager of the Investment Department in the Development and Investment Corporation Limited of the Shandong Transportation Bureau; and Deputy Manager of Shandong Property Rights Transaction Centre.
- **Li Xingsheng** - Mr Li has a Bachelors Degree in Accounting and is the Director of the Finance Department of Shandong State-owned Assets Investment Holdings Co., Ltd. Previously, Mr Li was employed by the Shandong Metallurgical Industry Company and held the positions of Officer of Shandong SASAC and the manager of SASAC Property Management Centre.
- **Wang Peiyue** - Mr Wang has a Masters Degree in mining engineering from China Northeastern University and is employed by Shandong Gold Group. He is the current Chief Planner of the Shandong Gold Group and has previously held positions as Deputy Manager and Director of the Production Department, mine manager in relation to the Linglong mine (owned by Shandong Gold Mining Co., Ltd). From 2004 to 2006, Mr Wang was the Vice Chief Engineer of the Shandong Gold Group. From 2006 to early 2011, Mr Wang worked in Shandong Gold Real Estate Company initially as Deputy General Manager and subsequently as Chairman.
- **Xiao Fengli** - Mr Xiao has a Masters Degree in Geology from China University of Geosciences and is the current manager of the Resources Management Section of the Strategic Planning Department of Shandong Gold Group. Mr Xiao has been employed by the Shandong Gold Group since 1999 and has held positions as senior engineer of the Production Department, Deputy Manager of Venezuela Jinyan Mining Co., Ltd, Deputy Manager of the Mining Development Department, General Manager of Inner Mongolia Mine Base, and Deputy Manager of Geological Prospecting Department.

### 3.2 Intentions of Shandong Gold

This section sets out Shandong Gold's intentions regarding the future of Focus if Shareholders approve the Transaction and the Transaction is implemented, including Shandong Gold's intentions in relation to:

- any changes in Focus' business;
- any injections of further capital into Focus;
- the future employment of the present employees of Focus;



- any proposals to transfer any property between Focus and Shandong Gold or any person associated with Shandong Gold;
- any proposals to redeploy the fixed assets or property of Focus;
- making any significant changes to the financial or dividend policies of Focus;
- the appointment of Shandong Gold representatives to the Focus board; and
- whether Focus remains listed on ASX.

If the Transaction is approved and implemented 3 of Shandong Gold's representatives will be appointed as Directors of Focus. Shandong Gold may therefore have indirect influence on the decisions of the Board of Focus. Shandong Gold will not be able to unilaterally determine decisions of the Board, both because its nominees will comprise 3 out of 7 Directors on the Board, and because those nominees will in any event owe their primary duties to Focus.

The following statements of intention are based on the information concerning Focus and the circumstances affecting the business of Focus that are known to Shandong Gold at the date of this Explanatory Memorandum. Final decisions on the matters which are the subject of the following statements of intention will only be made in light of all material facts and circumstances at the relevant time, after Shareholders approve the Transaction and the Transaction is implemented. Accordingly, the statements set out in this section 3.2 are statements of current intention only, which may change as new information becomes available or circumstances change.

Further, the intentions and statements of future conduct set out in this section 3.2 must be read as being subject to:

- the law (including the Corporations Act) and the ASX Listing Rules, including in particular the requirements of the Corporations Act and the ASX Listing Rules in relation to conflicts of interests and 'related party' transactions. Shandong Gold and its associated entities will be treated as related parties of Focus if the Transaction is implemented; and
- the legal obligations of the Focus Directors at the time, including any nominees of Shandong Gold, to act in good faith in the best interests of Focus and for proper purposes, and to have regard to the interests of all Shareholders.

The intentions of Shandong Gold Group, and Shandong Gold's other associated entities set out in this section 3.1 are the same as the intentions of Shandong Gold.

#### **(a) Continuation of business**

To the extent that Shandong Gold will have influence over the conduct of the business of Focus, Shandong Gold has no current intention to change the business of Focus.

#### **(b) Injection of further capital**

To the extent that Shandong Gold will have influence over the conduct of the capital management of Focus, Shandong Gold does not intend to propose the injection of further capital into Focus. Further, Shandong Gold does not presently intend to increase its holdings of shares in Focus. However, if Focus was to conduct any capital raising in the future, Shandong Gold may seek to participate in such a capital raising to avoid dilution of its 51% shareholding.

**(c) Future employment of employees**

To the extent that Shandong Gold will have influence over the employment of the present employees of Focus, Shandong Gold intends to continue the employment of the present employees of Focus.

**(d) Transfers of property**

Shandong Gold does not intend to propose any transfer of property between Focus and Shandong Gold (or any entities associated with Shandong Gold).

**(e) Redeployment of fixed assets or property**

To the extent that Shandong Gold will have influence over the deployment of the fixed assets or property of Focus, Shandong Gold does not intend to redeploy the fixed assets or property of Focus.

**(f) Changes to financial or dividend policies**

To the extent that Shandong Gold will have influence over the financial policies of Focus, Shandong Gold does not intend to change Focus' existing financial policies. Focus has not paid any dividends as at the date of this Explanatory Memorandum. Shandong Gold intends to support the current dividend policy of Focus, being that the payment and amount of dividends in the future is in the sole discretion of the Board and will depend on Focus' earnings, financial condition, financial arrangements, financing requirements for future growth, the competitive environment and any other factors the Directors consider relevant in the circumstances.

**(g) Appointment of directors**

As noted in section 3.3 below, if the Transaction is approved and implemented 3 of Shandong Gold's representatives will be appointed as Directors of Focus. While Shandong Gold would have the ability through its majority shareholding to control changes to the Board if the Transaction is approved, Shandong Gold has no present intention to seek the appointment of its representatives to a majority of the Board positions. However, Shandong Gold has not ruled out the possibility that in the future if there is a material change in relevant circumstances, Shandong Gold may seek the appointment or election of persons nominated by it who would constitute a majority of the Board.

**(h) ASX Listing**

To the extent that Shandong Gold will have influence over whether Focus maintains its listing, Shandong Gold intends for Focus to maintain its listing, and the quotation of Focus shares on ASX, provided Focus meets the relevant requirements of the listing on ASX.

**3.3 Details of Shandong Gold board nominees**

If Shareholders approve the Transaction and the Transaction is implemented, Mr Li Zhongyi, Mr Zhang Dahui and Mr Michael Guo will be appointed as Directors of Focus.

- **Li Zhongyi** - Details of Mr Li are set out at Section 3.1(d) above.
- **Zhang Dahui** - Mr Zhang has an MBA and a Bachelors Degree of Economics and over two decades of experience in accounting and finance including in relation to bank loan facilities, bonds, initial public offers,

takeovers, hedging, taxation, and general corporate management. Mr Zhang currently holds the position of General Manager of Shandong Gold. Previously, he was the Assistant President of Zijin Mining Group Ltd and the General Manager of Gold Mountains H.K. International Mining Co., Ltd (a wholly-owned subsidiary of Zijin Mining Group Ltd). Mr Zhang was appointed to the board of Sino Gold Mining Ltd (a position he held for three years) as a representative director of China Minmetals Group Corporation. Mr Zhang was the financial controller of Sino Gold Mining Ltd for 6 years. He held various management positions in China Minmetals Group Corporation before he joined Sino Gold Mining Ltd. Mr Zhang speaks excellent English.

- **Michael Guo** - Mr Guo has a Ph.D. in Geochemistry, a M.Sc. Geology, and a B.Sc. Geology. Mr Guo is currently the Deputy Manager and the Chief Geologist of Shandong Gold. Between July 2011 and July 2012 Mr Guo was the Deputy Manager of the Overseas Department and the Head of International Exploration Department of Zijin Mining Group Co. Ltd. From 2005 to 2008 Mr Guo worked in Canada as a mine geologist for Cameco Corporation. From 2008 to 2011 he was a senior geologist for Dahrouge Geological Consulting Ltd. Mr Guo speaks excellent English.

### 3.4 Regulatory Approvals

#### (a) FIRB approval

The Foreign Acquisitions and Takeovers Act 1975 (Cth) (**FATA**), administered by the Foreign Investment Review Board (**FIRB**), regulates the acquisition of interests in certain Australian entities where the acquisition results in a foreign person acquiring a substantial interest in the Australian entity.

FIRB also administers the foreign investment policy of the Commonwealth Government (**Policy**), which regulates direct investment in Australian entities by foreign governments and their related entities.

Shandong Gold is ultimately controlled by the Shandong provisional government, and as such, is a foreign person for the purposes of FATA, and a related entity of a foreign government for the purposes of the Policy.

Shandong Gold notified FIRB of the Transaction in accordance with FATA and the Policy on 25 September 2012. As at the date of this Explanatory Memorandum, FIRB has not yet advised whether it has any objections to the Transaction.

#### (b) Chinese regulatory approval

Shandong Gold may be required to obtain the approval of the following Chinese regulatory authorities:

- the Shandong SASAC;
- the Provincial Development and Reform Commission for the Shandong Province;
- the Ministry of Commerce the People's Republic of China; and
- the State Administration of Foreign Exchange of the People's Republic of China.

Shandong Gold has submitted the relevant applications to each of the relevant regulatory authorities seeking approval for the Transaction. However, as at the date of this Explanatory Memorandum it has not yet received the relevant approvals.

## Section 4 – Additional information

### 4.1 Summary of Share Subscription Deed

The Share Subscription Deed was entered into by Focus and Shandong Gold on 19 September 2012.

#### 4.1.1 Subscription

Under clause 3 of the Share Subscription Deed, Shandong Gold agrees to pay to Focus the Total Subscription Price for the Subscription Shares, in accordance with the terms and subject to the conditions of the Share Subscription Deed.

#### 4.1.2 Conditions

##### Foreign Investment and Chinese Regulatory Conditions

The obligations of the parties in relation to subscription (see section 4.1.1 (“Subscription”), the other conditions precedent (see “Conditions Precedent” below), completion deliverables and payment of the break fee (see section 4.1.4 (“Break Fee”)) are conditional on the satisfaction of the following conditions precedent:

- under the *Foreign Acquisitions and Takeovers Act 1975* (Cth) (“**FATA**”) and Australia’s Foreign Investment Policy the Treasurer of the Commonwealth of Australia consenting to the entry into the Share Subscription Deed by Focus and Shandong Gold and to the parties completing the Transaction in accordance with the Share Subscription Deed on conditions reasonably satisfactory to Shandong Gold (see section 3.4 regarding the status of FIRB approval); and
- Shandong Gold obtaining required Chinese Regulatory Approvals in relation to the Transaction, either without conditions or on conditions reasonably satisfactory to Shandong Gold (see section 3.4 regarding the status of the Chinese Regulatory Approvals).

##### Conditions Precedent

Completion is conditional on the satisfaction or, where permitted, waiver of each of the following conditions precedent:

- the Directors unanimously recommending that Shareholders vote in favour of the resolution to approve the Transaction at a general meeting (“**General Meeting**”) up to and including the date of the General Meeting in the absence of a Superior Proposal and subject to the Independent Expert opining that the terms of the Transaction are reasonable (even if not fair);
- Focus obtaining the approval of Shareholders at the General Meeting to the Transaction in accordance with the Corporations Act (including under item 7 of section 611) and the ASX Listing Rules;
- Focus obtaining agreed third party waivers or consents in relation to the Transaction. Focus has already obtained all required consents;
- Focus not having issued any securities from the date of the Share Subscription Deed up to and including the date of the General Meeting;



- Focus or any of its material subsidiaries not having made any material acquisitions or disposals of assets from the date of the Share Subscription Deed up to and including the date of the General Meeting; and
- as at 9.00am on the day which is one Business Day before the General Meeting, there having not occurred any Material Adverse Change in respect of Focus.

Completion is to occur on the date which is two Business Days after the last of the conditions is satisfied or waived. If all of the conditions have been satisfied or waived by the Meeting Date, then Completion is scheduled to occur on 4 December 2012. If any of the conditions have not been satisfied or waived by 31 December 2012, either Focus or Shandong Gold may terminate the Share Subscription Deed. Neither Shandong Gold nor Focus may terminate the Share Subscription Deed if the relevant condition has not been satisfied as a result of that party's breach of a term or a deliberate act or omission of that party.

#### **4.1.3 Exclusivity**

The Share Subscription Deed contains customary exclusivity provisions which apply during the Exclusivity Period (which expires on the earlier to occur of the end of the Shareholder meeting to approve the Transaction and 31 December 2012).

#### **Termination of existing discussions**

Under clause 2.1 of the Share Subscription Deed, during the Exclusivity Period, Focus must, and must procure that all of its Authorised Persons:

- terminate all negotiations or discussions in respect of any Competing Transaction or potential Competing Transaction with any other person; and
- promptly diligently request the return or destruction of all information (in any form, including copies) that was provided to other parties in connection with any Competing Transaction or potential Competing Transaction.

#### **No-shop restriction**

Under clause 2.2 of the Share Subscription Deed, during the Exclusivity Period, Focus must not, and must procure that none of its Authorised Persons directly or indirectly solicit, invite, encourage or initiate any enquiries, negotiations or discussions, or communicate any intention to do any of these things, with a view to obtaining any expression of interest, offer or proposal from any other person in relation to a Competing Transaction or potential Competing Transaction.

#### **No-talk restriction**

Under clause 2.3 of the Share Subscription Deed, and subject to clause 2.6 of the Share Subscription Deed, during the Exclusivity Period, Focus must not, and must procure that none of its Authorised Persons:

- directly or indirectly enter into, continue or participate in any communication, negotiations or discussions with any other person regarding a Competing Transaction or potential Competing Transaction; or
- grant access:
  - to any non-public information related to Focus; or
  - to any employees or officers of Focus or any of its Subsidiaries,
 to any person who intends to make, is assessing whether to make or may reasonably be expected to make, an offer, proposal or expression of interest with

respect to a Competing Transaction (other than Shandong Gold and its Associates);

even if, in any case:

- (c) the Competing Transaction was not directly or indirectly solicited, invited or initiated; or
- (d) the other person has publicly announced the Competing Transaction.

### **Notification**

Under clause 2.4 of the Share Subscription Deed, during the Exclusivity Period, Focus must immediately notify Shandong Gold in writing of all material terms of which Focus is aware in respect of any Competing Transaction.

### **Shandong Gold's right to respond**

- (a) Under clause 2.5 of the Share Subscription Deed, without prejudice to Shandong Gold's rights under clause 2 of the Share Subscription Deed, if at any time during the Exclusivity Period any Director wishes to approve or recommend the entry into any agreement, commitment, arrangement or understanding relating to a Competing Transaction, Focus must ensure that the Director does not do so:
  - (i) unless the Competing Transaction is bona fide; and
  - (ii) until each of the following has occurred:
    - (A) the Board has made the determination contemplated by clause 2.6 of the Share Subscription Deed (see "Exception to No Talk" below) in respect of the Competing Transaction;
    - (B) Focus has given Shandong Gold notice in writing of its intention to enter into an agreement, commitment, arrangement or understanding relating to a Competing Transaction, subject to Shandong Gold's rights under clause 2.5(b) of the Share Subscription Deed (see "Shandong Gold's right to respond" part (b), below);
    - (C) Focus has given Shandong Gold all information that would be required by clause 2.4 of the Share Subscription Deed (see "Notification" above);
    - (D) Shandong Gold's rights under clause 2.5(b) of the Share Subscription Deed (see "Shandong Gold's right to respond" part (b), below) have been exhausted; and
    - (E) the Board has made the determination contemplated by clause 2.6 of the Share Subscription Deed (see "Exception to No Talk" below) in respect of that Competing Transaction after Shandong Gold's rights under clause 2.5(b) of the Share Subscription Deed have been exhausted and after evaluation of any Counterproposal.

If Focus gives notice to Shandong Gold under clause 2.5(a)(ii)(B) of the Share Subscription Deed, Shandong Gold will have the right, but not the obligation, at any time during the period of three Business Days following receipt of the notice, to propose any other form of transaction ("**Counterproposal**"), and if it does so then Focus and the Directors must review the Counterproposal in good faith. If the Counterproposal is a more favourable to Shareholders (other than Shandong Gold and its Associates) than the Competing Transaction, after taking into account all terms and conditions of both proposals, then the parties must negotiate in good faith to enter into an amended agreement reflecting the Counterproposal, or otherwise pursue implementation of the Counterproposal in good faith.

- (b) For the purposes of clause 2.5, each successive modification of any third party expression of interest, offer or proposal in relation to a Competing Transaction will constitute a new Competing Transaction.

#### **Exception to no-talk**

Clause 2.6 of the Share Subscription Deed provides that, despite anything else in the Share Subscription Deed, the no-talk restrictions in clause 2.3 (see “No talk restriction” above) do not apply to the extent that they restrict the Directors from taking or refusing to take any action with respect to a bona fide Competing Transaction (which was not solicited, invited, encouraged or initiated in contravention of clause 2.2 (see “No-shop restriction” above)) in circumstances where the Directors have determined, acting in good faith:

- (a) that failing to take or refusing to take action with respect to the Competing Transaction would, or would be reasonably likely to, involve a breach of the fiduciary or statutory duties or legal obligations of a Director; or
- (b) that the Competing Transaction is more favourable to Shareholders than the Transaction after taking into account all terms and conditions of both proposals.

The onus of proving the outcome described in paragraphs (a) or (b) will lie on the Directors, who must be able to adduce authoritative expert or objective evidence to this effect.

#### **4.1.4 Break fee**

Focus has also agreed to pay a break fee of \$600,000 to Shandong Gold if:

- (a) Completion does not occur by 31 December 2012 due to one of the following conditions precedent not being satisfied or waived:
  - o the Directors not changing their unanimous recommendation that Shareholders approve the Resolution, in the absence of a Superior Proposal and subject to the Independent Expert not changing its view prior to the Meeting;
  - o Eligible Shareholders approving Resolution 1 by the requisite majority under item 7 of section 611 of the Corporations Act at the Meeting;
  - o Focus not having issued any securities from the date of the Share Subscription Deed up to and including the General Meeting; and
  - o Focus or any of its material subsidiaries not having made any material acquisitions or disposals of assets from the date of the Share Subscription Deed up to and including the General Meeting;
- (b) any of the Directors fail to recommend the Transaction, withdraw his or her recommendation or recommend a Superior Proposal; or
- (c) Focus decides to proceed with a Superior Proposal.

#### **4.1.5 Board representation**

On Completion, the Board will appoint three nominees of Shandong Gold to be Directors of Focus, such appointment to take effect immediately after Completion. The Shandong Gold nominee Directors must retire from office at, and will be eligible for re-election at, the next annual general meeting following his or her appointment. For so long as Shandong Gold or its nominee holds at least 42% shareholding in Focus, Focus will, and use reasonable endeavours to procure that the Board will, support the re-election of the then current or proposed Shandong Gold board nominee at the next annual general meeting following his or her appointment.

#### 4.1.6 Warranties

Focus and Shandong Gold have given a number of mutual warranties including as to title and capacity.

Focus has also given further representations and warranties to Shandong Gold including as to:

- (a) compliance with Focus' continuous disclosure obligations under the Corporations Act and the Listing Rules;
- (b) Focus' interest in, holding, and status of, certain Mining Titles; and
- (c) Focus securities on issue, being shares and existing options.

#### 4.2 Disclosure requirements

##### 4.2.1 Information required by item 7 of section 611 of the Corporations Act

Item 7 of section 611 of the Corporations Act requires the following information to be provided in this Explanatory Memorandum.

Information requirement	Information / relevant section of Explanatory Memorandum
Identity of the acquirer	Shandong Gold is the entity proposing to make the acquisition of the Subscription Shares. See section 3 of this Explanatory Memorandum for more information about Shandong Gold.
Identity of Shandong Gold's Associates	<p>The following companies have a Relevant Interest in any Shares that Shandong Gold has a Relevant Interest in as a result of the operation of section 608(3) of the Corporations Act:</p> <ul style="list-style-type: none"> <li>• Shandong Gold Group;</li> <li>• Shandong Gold Non-Ferrous Mining Group Co., Ltd;</li> <li>• Shandong Gold Mineral Resources Group Co., Ltd,</li> <li>• Shandong Gold Real-estate and Tourism Co., Ltd and</li> <li>• Shandong Gold Mining Co.,Ltd; and</li> <li>• Shandong State-owned Assets Investment Holdings Co., Ltd (which is 100% owned by Shandong SASAC),</li> </ul> <p>(the "Shandong Gold Group Companies").</p> <p>None of the Shandong Gold Group Companies have a Relevant Interest in any Shares other than those held by Shandong Gold.</p>
The voting power Shandong Gold and its associates would have as a result of the acquisition	<p>Shandong Gold currently holds 24,000,000 Shares. If the Transaction is approved and implemented, Shandong Gold will hold 4,525,997,651 Shares. As such, Shandong Gold's total Voting Power in Focus, as a result of the Transaction, will increase from 0.56% to 51.3%, equivalent to 51.0% on a fully diluted basis.</p> <p>By virtue of the Shandong Gold Group Companies' interest in</p>

Information requirement	Information / relevant section of Explanatory Memorandum
	Shandong Gold as outlined above and the operation of section 608(3) of the Corporations Act, the Shandong Gold Group Companies have a Relevant Interest in Shandong Gold's existing shareholding of 24,000,000 Shares, and will also have a Relevant Interest in the Subscription Shares. As such, the issue of the Subscription Shares will also increase the total Voting Power of the Shandong Gold Group Companies in Focus from 0.56% to 51.3%, equivalent to 51.0% on a fully diluted basis.

#### 4.2.2 Information required by ASIC Regulatory Guide 74

ASIC Regulatory Guide 74 requires the following information to be provided in this Explanatory Memorandum.

Information requirement	Information / relevant section of Explanatory Memorandum
Reasons for the proposed allotment of Subscription Shares to Shandong Gold	Section 2.3
When the proposed allotment of Subscription Shares to Shandong Gold is to occur	Section 2.4
Material terms of the proposed allotment of Subscription Shares to Shandong Gold	Section 4.1
Details of the terms of any other relevant agreement between Shandong Gold and Focus (or any of their associates) that is conditional on (or directly or indirectly depends on) Shareholders' approval of the proposed allotment.	There are no relevant agreements between Shandong Gold and Focus (or any of their associates) that have not been described in this Explanatory Memorandum.
A statement of the acquirer's intentions regarding the future of the company if Shareholders agree to the Transaction.	Section 3.2
Full particulars (including the number and the percentage) of the shares in the company to which the allottee or purchaser is or will be entitled immediately before and after the proposed acquisition.	Section 4.2.1
The identity, associations (with the allottee, purchaser or vendor and with any of their associates), qualifications and relevant professional or commercial experience, and interest in the acquisition or any relevant agreement of any person who it is intended will become a director if the Shareholders agree to the allotment or purchase.	Section 3.3
Particulars of the terms of the proposed allotment or purchase and any other contract or proposed contract between the allottee and the company or vendor or any of their associated which is conditional upon, or directly or indirectly dependent on, Shareholders' agreement to the allotment or purchase.	Section 4.1
Interests of the Directors.	Section 4.3



Information requirement	Information / relevant section of Explanatory Memorandum
The recommendation or otherwise of each director as to whether the non-associated Shareholders should agree to the acquisition, and the reasons for that recommendation or otherwise.	Section 2.9
An analysis of whether the proposal is fair and reasonable when considered in the context of the interests of the Shareholders other than those involved in the proposed allotment or purchase or associated with such persons.	Focus commissioned the Independent Expert to prepare an Independent Expert's Report to assess whether the Transaction is fair and reasonable to Shareholders not associated with the Transaction.  A copy of the Independent Expert's Report is contained in Appendix 1.

### 4.3 Interests of the Directors

#### Interests in Focus held by Directors

The number of Shares or rights to Shares in Focus in which each of the Focus Directors has a Relevant Interest as at the date of this Explanatory Memorandum are set out in the table below:

Director	Number of Shares	Number of Options
Don Taig	12,963,259	Nil
Bruce McComish	250,000	Nil
Phil Lockyer	849,523	Nil
Gerry Fahey	641,000	Nil

#### Interests in Focus held by Shandong Gold nominees to the Focus board

None of Mr Li, Mr Zhang or Mr Guo have a Relevant Interest as at the date of this Explanatory Memorandum in any Shares or rights to Shares in Focus.

Other than as disclosed elsewhere in this Explanatory Memorandum, none of Mr Li, Mr Zhang or Mr Guo have:

- (a) any associations with Shandong Gold, Focus or any of their associates; or
- (b) any interest in the Transaction, or any relevant agreements between Shandong Gold and Focus (or any of their associates) that are conditional on (or directly or indirectly depends on) Shareholders' approval of the proposed allotment of Subscription Shares to Shandong Gold.

# Glossary

**Accounting Standards** means:

- (a) an instrument in force under section 334 of the Corporations Act; or
- (b) a provision of such an instrument as it so has effect.

**ACN** means Australian Company Number.

**Annual Report** means the annual report of Focus in respect of the financial year ending 30 June 2012.

**ASIC** means the Australian Securities and Investments Commission.

**Associate** has the meaning given to that term in section 12 of the Corporations Act.

**ASX** means ASX Limited (ACN 008 624 691) or the market operated by it, as the context requires.

**Authorised Person** of a party means:

- (a) an officer or employee of the party;
- (b) an adviser of the party; and
- (c) an officer or employee of an adviser of the party.

**Board** means the board of Directors of Focus.

**Business Day** means a day, other than a Saturday, Sunday, public holiday or bank holiday in Perth, Australia or Shandong province, China or Hong Kong.

**Chinese Regulatory Approvals** mean approvals from any of the following:

- (a) the State-owned Assets Supervision and Administration Commission of the Shandong Provincial Government;
- (b) the Provincial Development and Reform Commission for the Shandong Province;
- (c) the Ministry of Commerce the People's Republic of China; and
- (d) the State Administration of Foreign Exchange of the People's Republic of China.

**Closely Related Party** of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or

(f) a person prescribed by the Corporations Regulations 2001 (Cth).

**Competing Transaction** means any expression of interest, offer or proposal by any person and/or its Associates (other than Shandong Gold or its Associates) in relation to a transaction which, if completed, would mean a person would:

- (a) directly or indirectly:
  - (i) acquire, or have a right (including a contingent right) to acquire
    - (A) an interest in;
    - (B) a relevant interest in;
    - (C) an economic, synthetic or derivative interest in; or
  - (ii) become the holder of or have a right (including a contingent right) to become the holder of, or obtain or have a right (including a contingent right) to obtain, Voting Power of, 10% or more of the Focus Shares;
- (b) directly or indirectly, acquire, or have a right (including a contingent right) to acquire, an interest, a relevant interest in, an economic, synthetic or derivative interest in or become the holder of 10% or more of the shares in any of Focus' material Subsidiaries;
- (c) directly or indirectly, acquire an interest, a relevant interest in, an economic, synthetic or derivative interest in or become the holder of the whole or material part of the business or property of Focus or any of its material Subsidiaries;
- (d) acquire control of Focus, within the meaning of section 50AA of the Corporations Act; or
- (e) otherwise acquire or merge (including by way of a reverse takeover bid or dual listed companies structure, stapled security structure or other form of synthetic merger having the same or substantially the same effect as a takeover bid for, or scheme of arrangement or merger) with Focus or any of its material Subsidiaries.

**Completion** means the completion of the Transaction in accordance with the Share Subscription Deed.

**Constitution** means the constitution of Focus.

**Corporations Act** means the Corporations Act 2001 (Cth).

**Director** means a director of Focus.

**Eligible Shareholders** means, in relation to each Resolution, Shareholders as at the Record Date, entitled to vote on each Resolution, which excludes those identified in the relevant 'Voting Exclusion' statement in the Notice of Meeting.

**Exclusivity Period** means the period commencing on the date of the Share Subscription Deed and expiring on the earlier to occur of:

- (a) the end of the General Meeting; and
- (b) the Sunset Date.

**Explanatory Memorandum** means this document, which includes the Notice of Meeting.

**Focus** means Focus Minerals Limited (ACN 005 470 799).

**General Meeting** has the meaning given to it in section 4.1.2.

**Independent Expert** means BDO Corporate Finance (WA) Pty Ltd.

**Independent Expert's Report** means the report prepared by the Independent Expert set out in Appendix 1 of this Explanatory Memorandum.

**Key Management Personnel** has the same meaning as in the Accounting Standards and broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of Focus directly or indirectly, including any director (whether executive or otherwise) of Focus.

**Listing Rules** means the ASX Listing Rules and any other rules of ASX that are applicable while Focus is admitted to the official list of ASX, each as amended or replaced from time to time, except to the extent of any express written waiver by ASX.

**Material Adverse Change** means:

- (a) Focus makes an announcement after the date of the Share Subscription Deed in which its Resources are reported to be at least 10% less than last reported. For the avoidance of doubt, this does not include any Resource downgrade resulting from a change in gold price or any change to Resources as a result of production after the date of the Share Subscription Deed; or
- (b) an event, occurrence, matter, or circumstance occurring after the date of the Share Subscription Deed which would reasonably be expected to materially and adversely impact, in a fundamental and sustained manner, the value of the assets or business of Focus, but does not include:
  - (i) any event, occurrence, matter or circumstance relating to any matter fully and fairly disclosed to Shandong Gold or its Authorised Persons on or before the date of the Share Subscription Deed (including as a result of disclosures made to ASX);
  - (ii) any event, occurrence, matter or circumstance arising:
    - (A) from changes to the price of gold;
    - (B) from changes to the value of any currency;
    - (C) from the economic or business conditions in Australia or elsewhere;
    - (D) from changes to any regulation;
    - (E) from changes to any royalty rates, taxation rates or interest rates;
    - (F) from any change in accounting policy required by law;
    - (G) from the global economy or securities markets in general; or
    - (H) from the failure by Focus to meet any public projections, forecasts or estimates of production levels, costs, earnings or revenues; or
  - (iii) any change occurring directly or indirectly as a result of any matter, event or circumstance required by the Share Subscription Deed or the transaction contemplated by it.

**Meeting** means the meeting of Shareholders convened under the Notice of Meeting to consider the Resolutions and includes any adjournment of such meeting.

**Meeting Date** means 30 November 2012.

**Mineral Resource** has the meaning given to that term in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2004 edition).

**Mining Titles** means the mining titles held or controlled by Focus as listed in Schedule 2 of the Share Subscription Deed.

**Notice of Meeting** or **Notice** means the Notice of Meeting accompanying this Explanatory Memorandum.

**OPA** means the ore purchasing agreement between Focus Minerals (Laverton) Limited and Barrick (Granny Smith) Pty Ltd and Barrick (GSM) Ltd.

**Proxy Form** means the form, so titled, enclosed with this Explanatory Memorandum.

**Register** means the share register of Focus.

**Registration** means the registration of Shandong Gold as the beneficial holder of the Subscription Shares in the Register.

**Registry** means the manager of the Register, being Computershare Investor Services Pty Ltd.

**Relevant Interest** has the meaning that term is given in sections 608 and 609 of the Corporations Act.

**Resolution** mean a resolution to be put to Shareholders at the Meeting as set out in the Notice of Meeting.

**Resolution 1** means the Resolution in respect of the Transaction.

**Resources** means the mineral resources defined in accordance with The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2004 edition).

**Share** means a fully paid ordinary share in the capital of Focus.

**Share Subscription Deed** means the Share Subscription Deed dated 19 September 2012, between Focus and Shandong Gold.

**Shareholder** means a holder of a Share.

**Shandong Gold** means Shandong Gold International Mining Corporation Limited.

**Shandong Gold Director** means a director of Shandong Gold.

**Shandong Gold Group** has the meaning given in section 3.1(a).

**Shandong Gold Group Companies** has the meaning given in section 4.2.1.

**Shandong Gold Information** means the information Shandong Gold has prepared and given to Focus in accordance with its obligation to do so under the Share



Subscription Deed and which is set out in Section 3 of this Explanatory Memorandum.

**Shandong SASAC** has the meaning given in section 3.1(b).

**Subscription Price** means A\$0.05 per Subscription Share.

**Subscription Shares** means approximately 4,501,997,651 fully paid ordinary shares in the capital of Focus.

**Subsidiary** has the same meaning as in the Corporations Act and includes a controlled entity of the relevant person.

**Sunset Date** means 31 December 2012.

**Superior Proposal** means a proposal that is more favourable to Focus Shareholders (other than Shandong Gold and its Associates) than the Transaction, after taking into account all terms and conditions of both proposals.

**Total Subscription Price** means the Subscription Price multiplied by the number of Subscription Shares.

**Transaction** means the issue of 4,501,997,651 fully paid ordinary shares in the capital of Focus to Shandong Gold, which will result in Shandong Gold holding 51.3% (equivalent to 51% on a fully diluted basis) of Focus' share capital, as described in this Explanatory Memorandum.

**Voting Power** has the meaning given by section 610 of the Corporations Act.

# Appendix 1 – Independent Expert’s Report



**FOCUS MINERALS LIMITED**  
**Independent Expert's Report**

23 October 2012



## Financial Services Guide

23 October 2012

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 (“we” or “us” or “ours” as appropriate) has been engaged by Focus Minerals Limited (“Focus”) to provide an independent expert’s report on the proposal to issue approximately 4.50 billion new ordinary shares to Shandong Gold International Mining Corporation Limited (“Shandong Gold”) at an issue price of \$0.05 each to raise \$225.1 million. You will be provided with a copy of our report as a retail client because you are a shareholder of Focus.

### Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide (“FSG”). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- ◆ Who we are and how we can be contacted;
- ◆ The services we are authorised to provide under our Australian Financial Services Licence, Licence No. 316158;
- ◆ Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- ◆ Any relevant associations or relationships we have; and
- ◆ Our internal and external complaints handling procedures and how you may access them.

### Information about us

BDO Corporate Finance (WA) Pty Ltd is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

### Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

### General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice.

## **Fees, commissions and other benefits that we may receive**

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately \$115,000.

## **Other services**

BDO Tax has provided employment tax advisory services over the past two years. The fee for the services was \$11,113.

## **Remuneration or other benefits received by our employees**

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from Focus for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

## **Referrals**

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

## **Complaints resolution**

### *Internal complaints resolution process*

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 West Perth WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

## **Referral to External Dispute Resolution Scheme**

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service (“FOS”). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FOS will be able to advise you as to whether or not they can be of assistance in this matter. Our FOS Membership Number is 12561. Further details about FOS are available at the FOS website [www.fos.org.au](http://www.fos.org.au) or by contacting them directly via the details set out below.

Financial Ombudsman Service  
GPO Box 3  
Melbourne VIC 3001  
Toll free: 1300 78 08 08  
Facsimile: (03) 9613 6399  
Email: [info@fos.org.au](mailto:info@fos.org.au)

## **Contact details**

You may contact us using the details set out at the top of our letterhead on page 1 of this FSG.



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23 October 2012

The Directors  
Focus Minerals Limited  
Level 30, St Martins Tower  
44 St Georges Terrace  
PERTH WA 6000

Dear Sirs

## INDEPENDENT EXPERT'S REPORT

### 1. Introduction

On 20 September 2012, Focus Minerals Limited ("**Focus**" or "**the Company**") announced its proposal to issue 4,501,997,651 new fully paid ordinary Focus shares ("**New Shares**") to Shandong Gold International Mining Corporation Limited ("**Shandong Gold**") at \$0.05 per New Share for total consideration of \$225,099,883 under a Share Subscription Deed ("**the Placement**"). Following the issue of the New Shares, Shandong Gold will hold 51% of the issued capital of Focus on a fully diluted basis.

The Placement, which will result in Shandong Gold holding an interest in Focus in excess of 20%, will be subject to shareholder approval which will be sought under item 7 section 611 of the Corporations Act 2001.

### 2. Summary and Opinion

#### 2.1 Purpose of the report

The directors of Focus have requested that BDO Corporate Finance (WA) Pty Ltd ("**BDO**") prepare an independent expert's report ("**our Report**") to express an opinion as to whether or not the Placement is fair and reasonable to the non-associated shareholders of Focus ("**Shareholders**").

Our Report is prepared pursuant to section 611 of the Corporations Act 2001 and is to be included in the Explanatory Memorandum for Focus in order to assist the Shareholders in their decision whether to approve the Placement.

#### 2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission ("**ASIC**") Regulatory Guide 111 ("**RG 111**"), 'Content of Expert's Reports' and Regulatory Guide 112 ("**RG 112**") 'Independence of Experts'.

In arriving at our opinion, we have assessed the terms of the Placement as outlined in the body of this report. We have considered:

- How the value of a Focus share prior to the Placement compares to the consideration of \$0.05 per New Share to be received from Shandong Gold;
- The likelihood of a superior alternative offer being available to Focus;
- Whether a premium for control is being offered in relation to the issue of Focus shares and whether this is appropriate;
- Other factors which we consider to be relevant to the Shareholders in their assessment of the Placement; and
- The position of Shareholders should the Placement not proceed.

### 2.3 Opinion

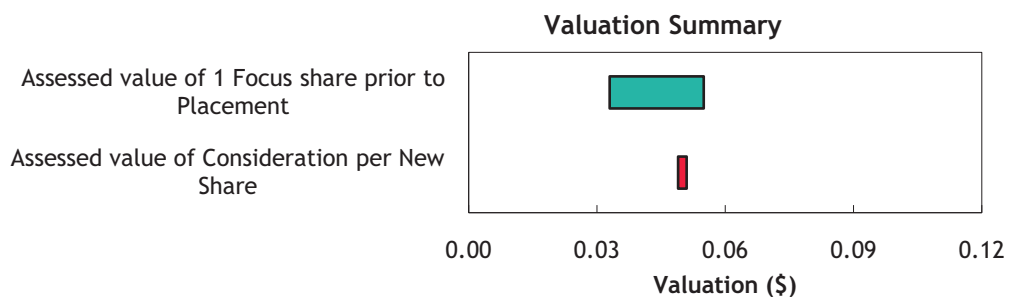
We have considered the terms of the Placement as outlined in the body of this report and have concluded that, in the absence of a superior offer, the **Placement is fair and reasonable to Shareholders.**

### 2.4 Fairness

In section 12 we determined how the value of a Focus share prior to the Placement compares to the consideration to be received from Shandong Gold, as detailed hereunder.

	Ref	Low \$	Preferred \$	High \$
Value of a Focus share prior to the Placement (control basis)	10.4	0.033	0.040	0.055
Value of consideration per New Share	11	0.05	0.05	0.05

The above valuation ranges are graphically presented below:



The above pricing indicates that the Placement is fair for Shareholders as the value of consideration offered by Shandong Gold per New Share is within our value range of a Focus share prior to the Placement.

## 2.5 Reasonableness

We have considered the analysis in section 13 of this report, in terms of both the:

- advantages and disadvantages of the Placement; and
- alternatives, including the position of Shareholders if the Placement does not proceed.

In our opinion, the position of Shareholders if the Placement is approved is more advantageous than the position if the Placement is not approved. Accordingly, in the absence of any other relevant information, we believe that the Placement is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
13.4.1	Immediate capital injection	13.5.1	Dilution of existing Shareholders' interests
13.4.2	Strengthens the Company's balance sheet	13.5.2	Decreases the likelihood of a takeover offer
13.4.3	Introduces a large supportive investor	13.5.3	Potential lower liquidity of shares
13.4.4	Enables the continued exploration of the Company's large tenement holdings	13.5.4	Index exclusion
13.4.5	Increased market capitalisation and media coverage		
13.4.6	No change to current operating arrangements		

Other key matters we have considered include:

Section	Description
13.1	No alternative proposals available for Focus
13.2	Shandong Gold will obtain a controlling interest in Focus as a result of the Placement
13.3	Consequences of not approving the Placement

### 3. Scope of the Report

#### 3.1 Purpose of the Report

Section 606 of the Corporations Act Regulations (“the Act”) expressly prohibits the acquisition of shares by a party if that acquisition will result in that person (or someone else) holding an interest in 20% or more of the issued shares of a public company, unless a full takeover offer is made to all shareholders.

Following the Placement, Shandong Gold will hold 51% of the issued capital of Focus on a fully diluted basis.

Section 611 permits such an acquisition if the shareholders of that entity have agreed to the issue of such shares. This agreement must be by resolution passed at a general meeting at which no votes are cast in favour of the resolution by any party who is associated with the party acquiring the shares, or by the party acquiring the shares. Section 611 states that shareholders of the company must be given all information that is material to the decision on how to vote at the meeting.

Regulatory Guide 74 issued by ASIC deals with “Acquisitions Agreed to by Shareholders”. It states that the obligation to supply shareholders with all information that is material can be satisfied by the non-associated directors of Focus, by either:

- undertaking a detailed examination of the Placement themselves, if they consider that they have sufficient expertise; or
- by commissioning an Independent Expert's Report.

The directors of Focus have commissioned this Independent Expert's Report.

#### 3.2 Regulatory guidance

Neither the Listing Rules nor the Corporations Act defines the meaning of “fair and reasonable”. In determining whether the Placement is fair and reasonable, we have had regard to the views expressed by ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

This regulatory guide suggests that where the transaction is a control transaction, the expert should focus on the substance of the control transaction rather than the legal mechanism to affect it. RG 111 suggests that where a transaction is a control transaction, it should be analysed on a basis consistent with a takeover bid.

In our opinion, the Placement is a control transaction as defined by RG 111 and we have therefore assessed the Placement as a control transaction to consider whether, in our opinion, it is fair and reasonable to Shareholders.

#### 3.3 Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the offer price or consideration is greater than the value of the securities subject of the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. When considering the value of the securities subject of the offer in a control transaction the expert should consider this value inclusive of a control premium. Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being ‘not fair’ the expert

believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

Having regard to the above, BDO has completed this comparison in two parts:

- A comparison between the value of the Placement consideration for each New Share and the value of each Focus share being acquired (fairness - see section 12 “Is the Placement Fair?”); and
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the Placement, after reference to the value derived above (reasonableness - see section 13 “Is the Placement Reasonable?”).

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 ‘Valuation Services’ (“APES 225”).

A Valuation Engagement is defined by APES 225 as follows:

*“an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.”*

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.



## 4. Outline of the Placement

On 20 September 2012, Focus Minerals Limited announced its proposal to issue 4,501,997,651 New Shares to Shandong Gold International Mining Corporation Limited at an issue price of \$0.05 per New Share for a total consideration of \$225,099,883 under a Share Subscription Deed.

Focus has 4,320,773,701 ordinary shares and 51,733,846 options on issue as at the date of this report. Therefore following the issue of New Shares under the Placement, Shandong Gold will increase their current holding in Focus of 24,000,000 shares to a total of 4,525,997,651 shares. This represents 51% of Focus' share capital on a fully diluted basis. These movements are shown in the table below:

	Shandong Gold	Other Shareholders	Total
<b>Issued Shares as at the date of this Report</b>	<b>24,000,000</b>	<b>4,296,773,701</b>	<b>4,320,773,701</b>
<i>% holdings as at date of this Report</i>	<i>0.56%</i>	<i>99.44%</i>	<i>100.00%</i>
Shares to be issued upon exercise of all issued Options	-	51,733,846	51,733,846
<b>Issued shares after exercise of all Options</b>	<b>24,000,000</b>	<b>4,348,507,547</b>	<b>4,372,507,547</b>
<i>% holdings after exercise of all Options</i>	<i>0.55%</i>	<i>99.45%</i>	<i>100.00%</i>
Shares to be issued under Placement	4,501,997,651	-	4,501,997,651
<b>Issued shares after exercise of all options and Placement</b>	<b>4,525,997,651</b>	<b>4,348,507,547</b>	<b>8,874,505,198</b>
<i>% holdings after exercise of all Options and Placement</i>	<i>51.00%</i>	<i>49.00%</i>	<i>100.00%</i>

The following is a summary of the conditions precedent as set out in the Share Subscription Deed:

- Shandong Gold obtaining the required approvals under the Foreign Acquisitions and Takeovers Act 1975 (Cth) ("FATA") and Australia's Foreign Investment Policy to enter into the Share Subscription Deed;
- Shandong Gold obtaining required Chinese regulatory approvals in relation to the Placement;
- The Directors of Focus unanimously recommending the Placement at a general meeting in the absence of a superior proposal and subject to the independent expert opining that the terms of the Placement are reasonable (even if not fair);
- Focus obtaining the required approval from its Shareholders in regard to the Placement under section 611 (item 7) of the Act and the Australian Securities Exchange ("ASX") Listing Rules;
- Focus obtaining agreed third party waivers or consents in relation to the Placement;
- Focus not having issued any securities from the date of the Share Subscription Deed up to and including the date of the general meeting;
- Focus or any of its material subsidiaries not having made any material acquisitions or disposals of assets from the date of the Share Subscription Deed up to and including the date of the general meeting; and
- No material adverse changes in respect to Focus.

As announced on 20 September 2012, Focus has advised that in addition to ongoing working capital needs, the Placement is expected to deliver significant benefit to Focus and its Shareholders. The funds raised from the Placement will establish the foundation for Focus to grow to become a globally significant gold production company. Benefits of the Placement include the capacity to:

- enable the progression of operational strategies aimed to increase the rate of production across Focus' operations;
- accelerate exploration programmes at Focus' majority-owned Laverton operations to unlock the potential in the 1,200 km<sup>2</sup> landholding, where Focus has over 110 km in strike of mineralised shear systems that have been sparsely drilled;
- aggressively pursue the continued exploration at Focus' greenfields exploration project at Treasure Island, where surface anomalies and recently announced drilling results indicate the potential for significant gold endowment;
- increase exploration at Focus' existing Coolgardie operations and wider tenements, with the objective of increasing the resource position, especially at depth, and extending the current mine life at steady production rates for the Three Mile Hill Mill processing plant;
- potentially pursue value accretive acquisition opportunities, placing Focus in a strong position in a sector that rewards increased scale through consolidation; and
- undertake a review of Focus' Nepean nickel project to determine the prospects for development of the asset.

## 5. Profile of Focus Minerals Limited

### 5.1 History

Focus Minerals Limited is an ASX-listed gold producer based in Western Australia. The Company was originally named Austminex NL and changed its name to Focus Minerals Limited on 20 September 2005. Focus listed on the ASX in September 2000 and the Company's current board members and senior management comprise of:

- Mr Donald Taig, Non-Executive Chairman
- Mr Campbell Baird, Chief Executive Officer
- Mr Gerry Fahey, Independent Director
- Mr Phil Lockyer, Independent Director
- Mr Bruce McComish, Independent Director
- Mr Mark Hine, Chief Operating Officer
- Mr Paul Fromson, Chief Financial Officer
- Mr Neil Le Febvre, Investor Relations

The Company's most recent capital raising was completed in April 2011 which saw a total of \$32.3 million raised via a Placement to institutional and sophisticated investors and a further \$7 million raised under a Share Purchase Plan. A total of 517.1 million ordinary shares were issued at an issue price of \$0.076 each.

In June 2011 the Company announced an off-market takeover bid to acquire all the issued ordinary shares of Crescent Gold Limited ("Crescent"). The consideration was one Focus share for every 1.18 Crescent shares and options on issue. The Offer closed on 5 October 2011 and the Company received acceptances totalling 81.57% of Crescent issued ordinary shares. The Company issued a total of 880,258,270 Focus shares in consideration for the acceptances received.

### 5.2 Projects

Focus operates from two significant gold production centres in Western Australia's Eastern Goldfields. The Company is the largest landholder in the Coolgardie Gold Belt, 35km west of the 'Super Pit' in Kalgoorlie. Focus also operates the Laverton Gold Project which comprises a significant portfolio of large scale open pit mines, and where ore is processed under an Ore Purchase Agreement ("OPA") at the nearby Barrick Granny Smith mill."

#### Coolgardie Operations

Focus owns a number of tenements and projects in and around Coolgardie in Western Australia.

#### Tindals - Underground

The underground operations at Tindals comprise five main ore bodies: Tindals, Cyanide, Perseverance, Empress and Countess. Tindals Underground Mine currently produces at around 45,000 tonnes per month at 3.5 grams per tonne. The mine will be put on care and maintenance in October and be handed back to exploration and technical services in order to review the existing resource and also work towards discovering further high grade ore bodies such as the Perseverance ore body, discovered in 2006 by Focus. Although the mine has historically been one of the highest grade areas of the Coolgardie goldfield, these underground workings are still relatively shallow at only 400 metres deep.

Focus recommissioned the Tindals Underground Mine in April 2008 and since this time the mine has produced over 200,000 ounces of gold, with Focus increasing production through 2011 by 28% to reach its current steady state.

#### **Tindals - Open Pit**

The Tindals Open Pit operation was a new operation commissioned by Focus late in the 2011 June Quarter. The project comprises multiple surface deposits within a 10 square kilometre area around Coolgardie. Throughout 2010, Focus established a plan to build a new surface mining operation at the Tindals Mining Centre targeting an additional 25,000 ounces per annum production. This saw a concerted exploration program throughout 2010 and 2011 with Focus adding 40,000 ounces to the Reserve in the Tindals Open Pit project area. The mine entered production late in the 2011 June Quarter.

Focus also owns several other tenements around Coolgardie which it aims to explore over the coming years and support with its existing infrastructure at Tindals, Focus' Three Mile Hill processing plant and through the capital raised from the Placement.

#### **The Mount**

The Mount is a new narrow vein, high-grade underground mine that Focus took into production late in the March quarter of 2011 and is located 85 kilometres south of Focus' Three Mile Hill processing plant. The Mount is currently producing at a rate of 1,500 ounces per month. The area surrounding the mine is one of Focus' high priority exploration targets for 2013.

Further information on the Coolgardie Project can be found in Appendix 5.

#### **Laverton Project**

Focus' Laverton Project is an open-pit operation situated near the town of Laverton in Western Australia which was acquired as part of the Crescent acquisition in 2011. Focus acquired 81.57% of Crescent and changed Crescent's name to Focus Minerals (Laverton) Ltd on 24 July 2012. The Laverton Project currently produces gold at a rate of 100,000 ounces per annum. Focus processes ore under an OPA with Barrick Gold for processing at Barrick Gold's nearby Granny Smith Mill. The OPA commenced under an initial two year term on 15 June 2009. The contract was extended and now concludes in June 2013. Focus and Barrick Gold are in discussions with regards to the possible extension of this contract.

Focus believes strong potential exists in the project for extending existing mines, development of known deposits into mines and exploration for new discoveries.

Further information on the Laverton Project can be found in Appendix 5.

#### **Treasure Island Project**

The Treasure Island Project is located near Kambalda in Western Australia. Focus recently acquired a 100% stake in this project. This project sits on the same fault which hosts many high-grade gold and nickel deposits such as the Kalgoorlie Super Pit and the recently discovered Athena gold deposit.

Based on initial aeromagnetic surveys Focus believes this project has significant prospectivity. Focus has completed initial drilling for the project in March 2012 and continues to undertake drilling to further define potential resources at the project.

Further information on the Treasure Island Project can be found in Appendix 4.

## Other projects

### Nepean Project

The Nepean Project is located at the southernmost end of the Focus' Coolgardie tenement package. This project is centred on the historic Nepean Nickel Mine, which produced 32,303 tonnes of mined nickel at an average recovered grade of 2.99% nickel over a 17 year period to 1987. In addition to the historical mine, which remains open at depth, the Nepean Project incorporates a 30 kilometre strike length of Kambalda-style komatites with significant nickel sulphide mineralisation potential. A bankable feasibility study was completed in 2008 but due to sustained decline in the nickel price at that time, Focus decided to defer further development of the project until the nickel price outlook improved.

### 5.3 Historical Balance Sheet

Statement of Financial Position	Audited as at 30-Jun-12 \$'000	Reviewed as at 31-Dec-11 \$'000	Audited as at 30-Jun-11 \$'000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	2,604	18,252	30,709
Restricted cash	381	-	-
Trade and other receivables	6,509	5,086	1,379
Inventories	25,559	16,929	7,717
Other current assets	623	533	560
Financial assets	1,347	1,000	4,195
<b>TOTAL CURRENT ASSETS</b>	<b>37,023</b>	<b>41,800</b>	<b>44,560</b>
<b>NON-CURRENT ASSETS</b>			
Restricted cash	12,885	-	812
Plant and equipment	54,064	52,290	31,529
Development expenditure	53,023	42,453	23,520
Exploration and evaluation expenditure	141,243	131,871	77,667
<b>TOTAL NON-CURRENT ASSETS</b>	<b>261,215</b>	<b>226,614</b>	<b>133,528</b>
<b>TOTAL ASSETS</b>	<b>298,238</b>	<b>268,414</b>	<b>178,088</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	61,553	41,244	22,206
Interest bearing liabilities	9,455	3,455	1,445
<b>TOTAL CURRENT LIABILITIES</b>	<b>71,008</b>	<b>44,699</b>	<b>23,651</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	8,397	8,334	1,750
Interest bearing liabilities	2,404	3,260	4,454
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>10,801</b>	<b>11,594</b>	<b>6,204</b>
<b>TOTAL LIABILITIES</b>	<b>81,809</b>	<b>56,293</b>	<b>29,855</b>
<b>NET ASSETS</b>	<b>216,429</b>	<b>212,121</b>	<b>148,233</b>
<b>EQUITY</b>			
Issued capital	203,910	203,910	145,010
Reserves	(1,732)	(1,732)	123
Outside equity interest	5,000	4,481	-
Retained earnings	9,251	5,462	3,100
<b>TOTAL EQUITY</b>	<b>216,429</b>	<b>212,121</b>	<b>148,233</b>

Source: Audited financial statements for the years ended 30 June 2012 and 30 June 2011 and reviewed financial statements for the half year ended 31 December 2011



## 5.4 Historical Statement of Comprehensive Income

Statement of Comprehensive Income	Audited for the year ended 30-Jun-12 \$'000	Audited for the year ended 30-Jun-11 \$'000
<b>Revenue</b>		
Revenue	258,253	102,752
Cost of sales	(202,625)	(75,064)
<b>Gross Profit</b>	<b>55,628</b>	<b>27,688</b>
Other income	1,370	2,864
Depreciation and amortisation	(32,800)	(15,034)
Finance costs	(17)	(20)
Other expenses	(13,794)	(7,853)
Takeover costs	(3,543)	-
<b>Profit before income tax</b>	<b>6,844</b>	<b>7,645</b>
Income tax expense	-	-
<b>Profit after income tax for the year</b>	<b>6,844</b>	<b>7,645</b>
Total comprehensive income attributable to:		
Non-controlling interest	693	-
Owners of the parent	6,151	7,645
<b>Total Comprehensive Income for the Period</b>	<b>6,844</b>	<b>7,645</b>

Source: Audited financial statements for the years ended 30 June 2012 and 30 June 2011

### Commentary on Historical Financial Statements

On 20 June 2011 the Company announced an off-market takeover bid to acquire the issued ordinary shares of Crescent. On 5 October 2011 the Offer closed with the Company receiving acceptances totalling 81.57% of Crescent's issued ordinary shares. The Company issued 880,258,270 Focus shares in consideration for the acceptances received.

Cash has decreased from \$30.71 million as at 30 June 2011 to \$2.60 million as at 30 June 2012. Over this period the Company has incurred mine capital development expenditure as well as continued its exploration programs. The Company also injected \$17 million of its own cash to open up three new operating areas at the Laverton Project. As at 30 June 2012 the Company also held \$13.27 million in restricted cash, the majority of which related to short term deposits lodged as security. We have been advised by the Company that the cash balance was \$8.7 million as at 30 September 2012 and that the restricted cash balance was \$13.9 million.

Inventories as at 30 June 2012 totalled \$25.56 million and relate to mined ore and gold in circuit. This balance has increased from \$7.72 million as at 30 June 2011 as a result of the acquisition of Crescent in August 2011 through which the Laverton Project was acquired. Inventory balance of \$25.56 million has been recorded at cost as at 30 June 2012.

Financial assets have decreased from \$4.12 million to \$1.35 million between 30 June 2011 and 30 June 2012. The majority of this balance relates to an investment in Macphersons Resources Limited which is an ASX listed entity.

As at 30 June 2012 development expenditure and exploration and evaluation expenditure have both increased significantly on their respective 30 June 2011 balances. Contributing to this increase was the acquisition of Crescent as well as further exploration expenditure incurred.

The majority of the \$8.40 million non-current provisions balance as at 30 June 2012 relates to the restoration and rehabilitation provision regarding prospecting leases used for the production and exploration of gold and nickel.

Issued capital has increased from \$145.01 million as at 30 June 2011 to \$203.91 million as at 30 June 2012. The majority of this increase resulted from the acquisition of Crescent in which the consideration was satisfied through the issue of Focus shares.

For the year ended 30 June 2012, Focus recorded a profit of \$6.84 million in comparison to a profit of \$7.65 million for the year ended 30 June 2011. Although revenue from both gold sales and silver sales increased for the year ended 30 June 2012, the Company incurred takeover costs, associated with the acquisition of Crescent, as well as significant depreciation and amortisation costs leading to a lower profit for the year ended 30 June 2012.

## 5.5 Capital Structure

The share structure of Focus as at the date of this report is outlined below:

	Number
Total ordinary shares on issue	4,320,773,701
Top 20 shareholders	1,152,293,730
Top 20 shareholders - % of shares on issue	26.67%

Source: Focus management

The range of shares held in Focus as at the date of this report is outlined below:

Range of Shares Held	Number of Ordinary Shareholders	Number of Ordinary Shares	Percentage of Issued Shares (%)
1 - 1,000	341	86,827	0.00%
1,001 - 5,000	544	1,796,919	0.04%
5,001 - 10,000	1,194	10,239,820	0.24%
10,001 - 100,000	6,299	295,669,961	6.84%
100,001 - and over	3,851	4,012,980,174	92.88%
<b>TOTAL</b>	<b>12,229</b>	<b>4,320,773,701</b>	<b>100.00%</b>

Source: Focus management

The ordinary shares held by the most significant shareholders as at the date of this report are detailed below:

Name	Number of Ordinary Shares Held	Percentage of Issued Shares (%)
Van Eck Associates Corporate	342,368,376	7.92%
Dimensional Fund Advisors LP	90,451,368	2.09%
Lloyd Miller Family	90,034,457	2.08%
Sector Investment Managers Ltd	74,000,000	1.71%
Subtotal	596,854,201	13.81%
Others	3,723,919,500	86.19%
<b>Total ordinary shares on issue</b>	<b>4,320,773,701</b>	<b>100.00%</b>

Source: Focus management

Focus has the following options on issue as at the date of this report:

Current Options on Issue	Number
Options exercisable at \$0.075 on or before 31 December 2012	14,116,923
Options exercisable at \$0.078 on or before 31 December 2012	14,116,923
Options exercisable at \$0.123 on or before 30 June 2014	23,500,000
	<b>51,733,846</b>

Source: Focus management

## 6. Profile of Shandong Gold International Mining Corporation Limited

Shandong Gold International Mining Corporation Limited (“**Shandong Gold**”) is a 65%-owned subsidiary of Shandong Gold Group Co. Ltd (“**Shandong Group**”), one of the largest gold producers in China. Shandong State-owned Assets Investment Holdings Co., Ltd holds the remaining 35% of Shandong Gold. Shandong Group and its associated entities are principally engaged in exploration, mining, processing and smelting of gold and non-ferrous metals.

The Shandong Group was established in 1996 and in recent years has established a strategic goal of focusing on the resources industry, entering the non-ferrous field and striving to be the global first-class enterprise with international competitiveness. Shandong Gold is responsible for expanding the Shandong Group’s operations overseas through project trade, overseas listings and foreign financing.

The Shandong Group has built five mining bases within China at Shandong, Hainan, Inner Mongolia, Henan and Qinghai. Shandong Gold is also actively pursuing opportunities overseas by investing in resource companies based in the USA, Canada, Australia, Argentina, Nigeria, Malaysia and other countries.

The Shandong Group has also established a close strategic partnership with various financial institutions both in China and overseas, as well as government departments and research institutes, who provide the support for Shandong Gold’s exploration operations.

## 7. Economic analysis

The outlook for growth in the world economy has softened over recent months, with estimates for global GDP being edged down, and risks to the outlook still seen to be on the downside. Economic activity in Europe is contracting, while growth in the United States remains modest. Growth in China has also slowed, and uncertainty about near-term prospects is greater than it was some months ago. Around Asia generally, growth is being dampened by the more moderate Chinese expansion and the weakness in Europe.

Key commodity prices for Australia remain significantly lower than earlier in the year, even though some have regained some ground in recent weeks. The terms of trade have declined by over 10% since the peak last year and will probably decline further, though they are likely to remain historically high.

Financial markets have responded positively over the past few months to signs of progress in addressing Europe's financial problems, but expectations for further progress remain high. Low appetite for risk has seen long-term interest rates faced by highly rated sovereigns, including Australia, remain at exceptionally low levels. Nonetheless, capital markets remain open to corporations and well-rated banks, and Australian banks have had no difficulty accessing funding, including on an unsecured basis. Share markets have generally risen over recent months.

In Australia, most indicators suggest that growth has been running close to trend, led by very large increases in capital spending in the resources sector. Consumption growth was quite firm in the first half of 2012, though some of that strength was temporary. Investment in dwellings has remained subdued, though there have been some tentative signs of improvement, while non-residential building investment has also remained weak. Looking ahead, the peak in resource investment is likely to occur next year, and may be at a lower level than earlier expected. As this peak approaches it will be important that the forecast strengthening in some other components of demand starts to occur.

Labour market data have shown moderate employment growth and the rate of unemployment has thus far remained low. The Reserve Bank of Australia's assessment, though, is that the labour market has generally softened somewhat in recent months.

Inflation has been low, with underlying measures near 2% over the year to June, and headline CPI inflation lower than that. The introduction of the carbon price is affecting consumer prices in the current quarter, and this will continue over the next couple of quarters. Moderate labour market conditions should work to contain pressure on labour costs in sectors other than those directly affected by the current strength in resources. This and some continuing improvement in productivity performance will be needed to keep inflation low as the effects of the earlier exchange rate appreciation wane. The Reserve Bank of Australia's assessment remains, at this point, that inflation will be consistent with the target over the next one to two years.

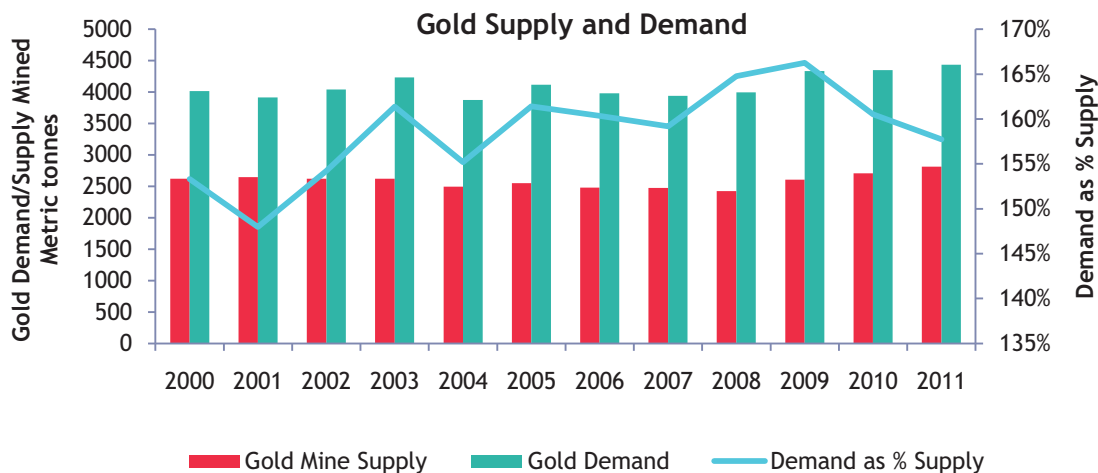
Interest rates for borrowers have for some months been a little below their medium-term averages. There are tentative signs of this starting to have some of the expected effects, though the impact of monetary policy changes takes some time to work through the economy. However, credit growth has softened of late and the exchange rate has remained higher than might have been expected, given the observed decline in export prices and the weaker global outlook.

Source: [www.rba.gov.au](http://www.rba.gov.au) Statement by Glenn Stevens, Governor: Monetary Policy Decision 2 October 2012

## 8. Industry analysis

Gold is both a commodity and an international store of monetary value. Once mined, gold continues to exist indefinitely, often melted down and recycled to produce alternative or replacement products. This characteristic means that gold demand is supported by both mine production and gold recycling.

As illustrated in the chart below, gold mine production was approximately 2,812 metric tonnes in 2011 and gold consumption was 4,436 metric tonnes. Demand for gold has consistently exceeded supply over the last 10 years, and the escalated level of economic and financial uncertainty during the past 24 months has caused investors to move capital from risky assets to gold assets, which are perceived to be a good store of monetary value. As a result, total gold demand increased by 8% between 2009 and 2011, with demand as a percentage of supply remaining at over 150% for the same period.

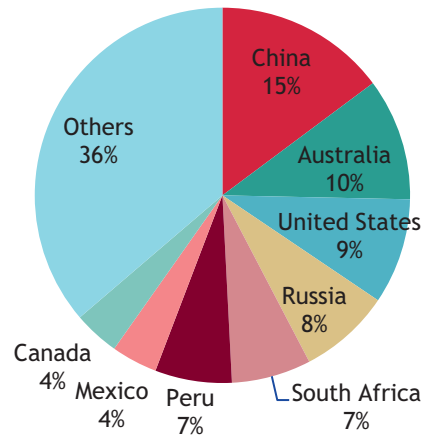


Source: Bloomberg and BDO Analysis

Until the late 1980's, South Africa produced approximately half of the total gold produced. More recently however, gold production has become geographically segmented, as shown in the chart below, with production dominated by China and Australia.



## Production by Country - YTD August 2012



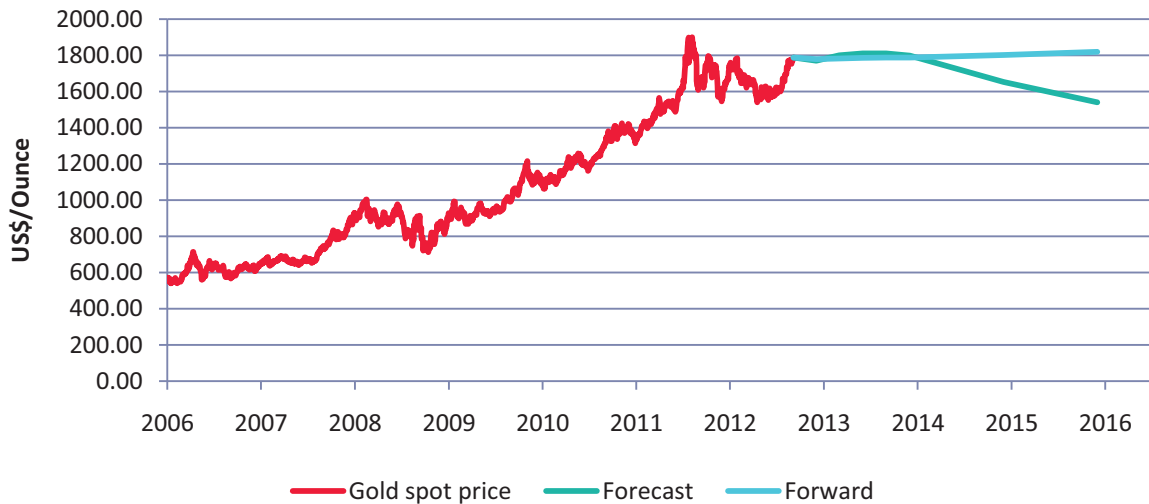
Source: Bloomberg and BDO Analysis

### Gold prices

The price of gold fluctuates on a daily basis depending on global demand and supply factors. The price trend over the last two years is reflective of weak global economic conditions driving demand. As can be seen in the graph below, the value of gold peaked at US\$1,900 per ounce on 5 September 2011. This peak was largely caused by the recent debt market crisis in Europe, but it was also driven by the Standard and Poor's downgrade of the US credit rating. This sent global stock markets tumbling and a flood of investors towards safer havens such as gold. Prices contracted in December 2011 reaching a low of US\$1,545 per ounce; however 2012 has seen the gold price recover reaching US\$1,777 on 27 September 2012.

Gold prices are forecast to fall over the next three years to approximately US\$1,400 per ounce in 2016. Nevertheless, growth in global money supply, U.S dollar depreciation and overall uncertainty in global financial markets may continue to drive investors toward using precious metals as a store of value. This could be further fuelled by the rapidly increasing appetite for precious metals from China.

## Gold Spot Price



Source: Bloomberg, Consensus Economics and BDO Analysis

### Recent gold transactions

The emergence of a new generation of mid-tier miners and the resurgent gold price has been driving the increase in the number of announced gold acquisitions in 2012. In August 2012, Zijin Mining Group announced that it had made a cash offer to acquire its remaining 83.02% share in Norton Gold Fields Ltd for \$198 million.

Recently, five large deals have been announced to the market involving gold companies:

- On 29 June 2012 it was announced that Allied Gold Mining Plc and St Barbara Ltd had reached an agreement in which the two companies would merge, worth \$594 million.
- On 6 August 2012, Silver Lake Resources announced it planned to merge with Integra Mining Ltd in a deal worth \$417 million.
- On 9 August 2012, Regis Resources Limited announced it had executed a letter of agreement to acquire the McPhillamys Gold Project from joint venture owners, Newmont Exploration Pty Ltd and Alkane Resources Limited. The consideration to be paid is \$150 million to be satisfied by the issue of Regis shares based on an issue price of \$4.20 per share.
- On 19 September 2012, CGA Mining Limited and B2Gold Corp announced they had entered into a Merger Implementation Agreement to combine the two companies. The transaction is estimated to be valued at approximately C\$1.1 billion.
- On 27 September 2012, Noble Mineral Resources Limited announced that a major non-government Chinese mining and investment group, Zhongrun, will invest A\$84.7 million in Noble via a placement of shares.
- On 28 September 2012, Cortona Resources Limited and Unity Mining Limited announced they had agreed to a merger via a Scheme of Arrangement in which Cortona Resources Limited shareholders will receive 0.734 Unity Mining Limited shares for every one share they hold.

## 9. Valuation approach adopted

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings (“FME”)
- Discounted cash flow (“DCF”)
- Quoted market price basis (“QMP”)
- Net asset value (“NAV”)
- Market based assessment

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information. A summary of each of these methodologies is outlined in Appendix 2.

### 9.1. Valuation of Focus Minerals Limited prior to the Placement

In our assessment of the value of Focus prior to the Placement we have chosen to employ the following methodologies set out below. We have adopted the sum-of parts and QMP methodologies as our primary valuation methodologies and used the resource multiple valuation as a cross-check to our sum-of parts and QMP valuations.

- **Sum-of-parts**

We have estimated the fair market value of Focus by aggregating the estimated fair market value of its underlying assets and liabilities. In determining the fair market value of its underlying assets, we have used the sum-of-parts basis of the fair market value of the Company’s projects and other assets and liabilities (including net cash).

We have assessed that the most appropriate methodology in valuing the Coolgardie Project and the Laverton Project is the DCF method for the following reasons:

- The Company has completed cash flow forecasts based on the life of mine for both the Coolgardie Project and the Laverton Project;
- Both the Coolgardie Project and the Laverton Project are in production and have historical information available on which to reasonably base forecasts on;
- The majority of the capital expenditure has been incurred for both the Coolgardie Project and the Laverton Project; and
- The Coolgardie Project and the Laverton Project have finite lives and are suited to applying the DCF approach.

We have instructed Quantitative Group Pty Ltd (“QG”) to provide an independent technical assessment report to confirm that Focus has a reasonable basis upon which to base the assumptions and mining inputs used in the cash flow forecasts of both the Coolgardie Project and the Laverton Project. The technical assessment is in accordance with the Code of Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (“the Valmin Code”) and the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (“JORC Code”).

In particular we have instructed QG to provide an assessment on the following:

- An assessment on the reasonableness of the resources used in the preparation of the financial model used to value the Coolgardie Project and the Laverton Project (with the exception of the Burtville mine pit, the Burtville stage 2 mine pit and the Burtville stage 2 mine pit which Ravensgate Minerals Industry Consultants has assessed);
- Mining physicals (including tonnes, recovery and grade);
- Operating costs (mining operation, surface haulage, processing, accommodation and messing, royalties and general and administration); and
- Capital costs (mining capital costs, processing capital costs, resource definition, general and administration).

We have also instructed QG to value all of the resources at the Laverton Project and the Coolgardie Project under the Valmin Code that are not included in the Models.

We are satisfied with the valuation methodologies adopted by QG which are in accordance with industry practices and in accordance with the requirements of the Valmin Code.

A copy of QG's report is attached at Appendix 5.

We have instructed Ravensgate Minerals Industry Consultants ("**Ravensgate**") to provide an independent valuation of Focus' Treasure Island Project in accordance with the Valmin Code and the JORC Code.

We are satisfied with the valuation methodologies adopted by Ravensgate which are in accordance with industry practices and in accordance with the requirements of the Valmin Code.

A copy of Ravensgate's report is attached in Appendix 4.

Under the sum-of-parts methodology, the value of the Coolgardie Project and the Laverton Project under the DCF approach are added to the value of the Treasure Island Project before applying a NAV multiple as gold mining companies consistently trade at a market capitalisation greater than their DCF value. We then adjust the value of the mineral assets for other key assets and liabilities of the Company to arrive at the overall value of Focus prior to the Placement.

- **Quoted Market Price Basis**

The QMP basis is a relevant methodology to consider because Focus' shares are listed on the ASX. This means there is a regulated and observable market where Focus' shares can be traded. However, in order for the QMP methodology to be considered appropriate, the Company's shares should be liquid and the market should be fully informed as to Focus' activities. We have considered these factors in section 10.2.

- **Resource multiple: cross-check**

As a cross check to our sum-of-parts and QMP valuations, we have analysed the resource multiple observed for companies listed on the ASX with gold projects as their primary focus.

## 10. Valuation of Focus prior to the Placement

### 10.1 Sum-of-parts valuation of Focus

We elected to use the DCF approach in valuing the Coolgardie Project and the Laverton Project (“the Projects”). The DCF approach estimates the fair market value by discounting the future cash flows arising from the project to their net present value. Performing a DCF valuation requires the determination of the following:

- The expected future cash flows that the project is expected to generate; and
- An appropriate discount rate to apply to the cash flows of the project to convert them to present value equivalent.

Cash flow models for the Projects were prepared by Focus (“Coolgardie Model” and “Laverton Model”, collectively “the Models”). The Models estimate the future cash flows expected from gold production at the Projects based on determined JORC compliant reserves. The Models depict forecasts of nominal, post-tax cash flows over the life of mine on a monthly basis.

The Models have been adjusted by us to reflect any changes to technical assumptions as a result of QG’s and Ravensgate’s reviews and any changes to the economic and other input assumptions from our research. We have adjusted the Models to reflect cash flows on an annual basis.

The Models were prepared based on:

- Estimates of production profile, operating costs and sustaining capital expenditure.

The main assumptions underlying the Models include:

- Mining and production volumes
- Commodity prices
- Operating costs
- Sustaining capital expenditure
- Foreign exchange rates
- Royalties
- Discount rate.

#### Limitations

Since forecasts relate to the future, they may be affected by unforeseen events and they depend, in part, on the effectiveness of management’s actions in implementing the plans on which the forecasts are based. Accordingly, actual results may vary materially from the forecasts, as it is often the case that some events and circumstances frequently do not occur as expected, or are not anticipated, and those differences may be material.

#### Revenue assumptions

Revenue has been estimated as the product of annual saleable gold and the forecast gold prices. The Models have been based on forecast gold prices and exchange rates.

## Economic assumptions

### Inflation

We have applied an inflation rate to convert the forecast real costs into nominal terms.

In our assessment of the inflation rate, we have considered forecasts prepared by economic analysts and other publicly available information including broker consensus to arrive at our inflation rate assumptions. From our analysis, target inflation is in the range of 2% to 3% which is consistent with the Reserve Bank of Australia's target inflation rate range. We have adopted an inflation rate of 3% to convert the cash flows expressed in real terms to nominal terms.

### Foreign exchange rate

All commodity prices are stated in United States Dollars ("USD") and the forecasts in the Models are in Australian Dollars ("AUD"). USD to AUD conversions were undertaken using the following foreign exchange rate assumptions:

Period	AUD:USD
FY2013	1.000
FY2014	0.950
FY2015	0.920
FY2016	0.895
FY2017 onwards	0.888

Source: Bloomberg

## Royalties and tax

### Royalties

The following royalty expenses are included in the Models:

#### Coolgardie Model

- 2.5% Western Australian State Government royalty

#### Laverton Model

- 2.5% Western Australian State Government royalty
- 0.25% Native Title royalty
- 2% Indago Resources Limited royalty
- Western Mining Corporation Limited and Great Boulder Holdings Limited: A\$1 is payable per tonne of ore mined and milled from any open pit mining operations and A\$1.50 is payable per tonne of ore mined or milled from any underground mining operations. The royalty increases/decreases by A\$0.10 per tonne of ore mined and milled for every A\$10 increase in the gold price above A\$525.



### Corporate tax

The Models assume a corporate tax rate of 30% over the period of the forecasts, after taking into account any tax losses carried forward.

### DCF Valuation - Discount rate

We have selected a nominal after tax discount rate in the range of 9% to 11.5% to discount the forecasts to their present value.

In selecting this range of discount rates we considered the following:

- The rates of return for comparable listed Australian gold companies;
- The risk profile of Focus as compared to other listed Australian gold companies;
- The debt to equity ratio of Focus; and
- Focus' current cost of debt as advised by management

Details on our discount rate determination are provided in Appendix 3.

### Commodity prices

In obtaining projected gold prices we have considered:

- Historical spot and forward prices from Bloomberg;
- Most recent Consensus Economics price forecasts; and
- Focus' current sale contracts in place.

Focus has the following forward sales contracts in place:

Ounces	Value/ounce (AUD)	Value date
1,000	\$1,601.35	12 October 2012
1,000	\$1,614.476	19 October 2012
1,000	\$1,615.158	26 October 2012
1,000	\$1,644.802	2 November 2012
1,000	\$1,681.15	9 November 2012
1,000	\$1,701.269	16 November 2012
1,000	\$1,695.449	23 November 2012
1,000	\$1,701.269	30 November 2012

Focus has two gold pours per week at roughly 1,000 ounces each.

Based on our analysis, we adopted the following projected gold prices (in nominal terms):

Period	Gold (US\$/Ounce)
FY2013	1,850
FY2014	1,575
FY2015	1,450
FY2016	1,400
FY2017 onwards	1,325

Source: Consensus Economics & Bloomberg

We note that applying the forward sale contract prices in FY2013 instead of the adopted price per ounce in the table above, results in an immaterial change in value. The value of the Projects when applying the forward sale contracts is incorporated in our assessed value range of the Projects.

### 10.1.1 Valuation of the Coolgardie Project & the Laverton Project

#### DCF Valuation - Future cash flows

##### The Coolgardie Project model

We undertook the following analysis on the Coolgardie Model:

- A review of the mathematical structure and internal consistency;
- Appointed QG as the technical expert to assess the reasonableness of the resources and mining inputs used in the preparation of the life of mine;
- Conducted independent research on certain economic and other inputs such as commodity prices, foreign exchange rates, inflation and discount rate applicable to the future cash flows of the Coolgardie Project;
- Held discussions with Focus' management regarding the preparation of the projections in the Coolgardie Model and its views;
- Adjusted the Coolgardie Model to reflect any changes to the technical assumptions as a result of QG's review and any changes to the economic and other input assumptions from our research; and
- Performed a sensitivity analysis on the value of the Coolgardie Project as a result of flexing selected assumptions and inputs.

##### Appointment of a technical expert

QG, an independent mining expert, was engaged to prepare a report providing an assessment on the following inputs used in the preparation of the Coolgardie Model;

- The reasonableness of the resources used in the preparation of the Coolgardie Model;
- Mining physicals (including tonnes, recovery and grade);
- Operating costs (mining operation, surface haulage, processing, accommodation and messing, royalties and general and administration); and

- Capital costs (mining capital costs, processing capital costs, resource definition, general and administration).

Based on QG’s report, we highlight the following conclusions on the Coolgardie Model:

- QG modified the production schedule in the life of mine (“LOM”) by excluding the production sources that are not currently classified as ore reserves or where there was no analysis supporting the economic viability of mining the production source.
- QG modified the mining costs and capital costs in the LOM. These changes were based on analysis of Focus’ current operating strategy and performance at similar operations to allow for the changes to the number and timing of the production sources.

A copy of QG’s report is included in Appendix 5.

### Mining Physicals

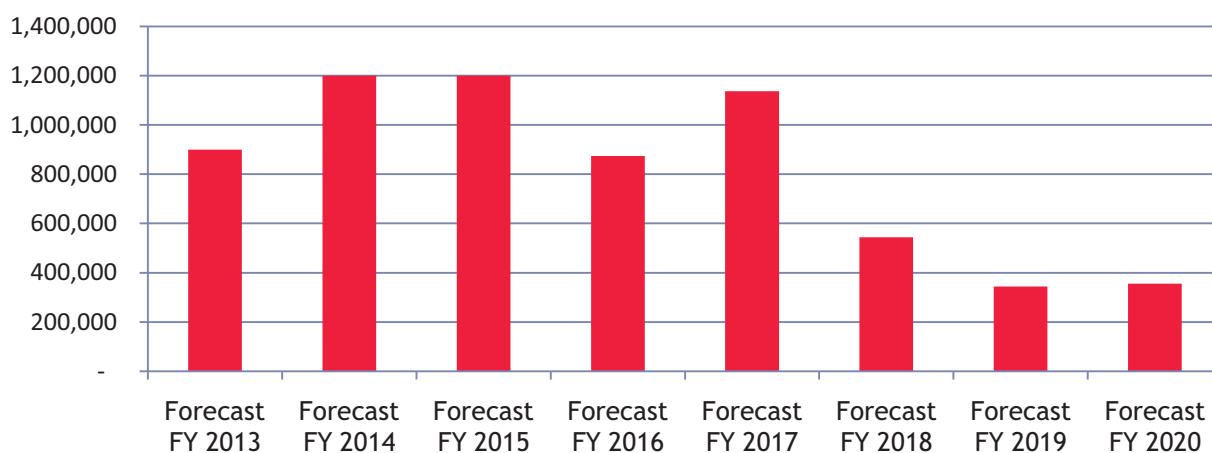
The Coolgardie Project has a significant remaining mine life based on a series of near-mill open pit and underground mines. The table below shows the forecast tonnes of ore to be milled annually over the remaining life of mine.

QG noted that due to the nature of the mineralisation at the Coolgardie Project and Focus’ operating practices, only a relatively low proportion of the mineral resource has been analysed to a sufficient level for an ore reserve to be reported and therefore suitable to include in a DCF valuation under the Valmin Code. Therefore the Coolgardie Model only includes a small proportion of the known mineralisation at the Coolgardie Project. The balance has been valued separately by QG.

See QG’s report in Appendix 5 for further details.

Coolgardie Project	Forecast FY2013	Forecast FY2014	Forecast FY2015	Forecast FY2016	Forecast FY2017	Forecast FY2018	Forecast FY2019	Forecast FY2020
Ore milled (tonnes)	900,000	1,200,000	1,200,000	873,862	1,136,664	544,339	343,864	355,000
Grade (grams/tonne)	2.20	2.13	2.20	1.95	1.89	2.15	3.76	3.95
Recovery %	93%	93%	92%	92%	92%	92%	95%	95%
Total production (ounces)	59,050	76,253	78,223	50,404	63,581	34,701	39,369	42,887

### Coolgardie Project - Ore milled (tonnes)



Source: Coolgardie Model

## Operating Costs

Operating costs included in the Coolgardie Model consist of mining operations, surface haulage, processing, royalties and general administrative costs. The table below shows the forecast operating costs per annum for the remaining life of mine.

Coolgardie Project	Forecast FY2013	Forecast FY2014	Forecast FY2015	Forecast FY2016	Forecast FY2017	Forecast FY2018	Forecast FY2019	Forecast FY2020
Operating costs (\$'000)	84,314	110,026	85,277	68,219	69,532	28,581	36,030	38,949

Source: Coolgardie Model

## Capital Expenditure

Capital expenditure for the Coolgardie Model can be broken down into mining, processing, resource definition and general administrative capital costs. The table below shows the forecast capital costs per annum for the remaining life of mine.

Coolgardie Project	Forecast FY2013	Forecast FY2014	Forecast FY2015	Forecast FY2016	Forecast FY2017	Forecast FY2018	Forecast FY2019	Forecast FY2020
Capital expenditure (\$'000)	6,234	10,546	6,278	5,580	6,143	5,566	17,509	7,517

Source: Coolgardie Model

## DCF Valuation - sensitivities

The estimated value of the Coolgardie Project is derived under the DCF approach. Our valuation is most sensitive to changes in the forecast gold prices and exchange rate. We have therefore included an analysis to consider the value of the Coolgardie Project under various pricing scenarios and in applying:

- A change of +/- 10% to commodity prices
- A change of +/- 10% to exchange rate
- A change of +/- 10% to grade of the gold
- A change of +/- 10% to recovery percentage
- A change of +/- 10% to operating expense
- A change of +/- 10% to sustaining capital expenditure
- A discount rate in the range of 6% to 12%.

The following table sets out the valuation outcomes from our DCF analysis.

Sensitivity analysis						
Flex	NPV (\$m)	NPV (\$m)	NPV (\$m)	NPV (\$m)	NPV (\$m)	NPV (\$m)
	Commodity Price	Exchange rates	Grade	Recovery	Operating expense	Capital expenditure
-10%	33.33	141.94	33.33	73.99	123.34	89.19
-8%	43.62	129.52	43.62	76.15	115.63	88.31
-6%	53.91	117.62	53.91	78.30	107.92	87.42
-4%	64.20	106.22	64.20	80.46	100.21	86.54
-2%	74.49	95.28	74.49	82.62	92.49	85.66
0%	84.78	84.78	84.78	84.78	84.78	84.78
2%	95.07	74.69	95.07	86.94	77.07	83.90
4%	105.36	64.99	105.36	89.10	69.36	83.02
6%	115.65	55.66	115.65	91.26	61.64	82.14
8%	125.94	46.67	125.94	93.42	53.93	81.26
10%	136.23	38.01	136.23	95.57	46.22	80.37

Source: BDO Analysis

Discount rate sensitivity							
Discount rate (%)	6.0%	7.0%	8.0%	9.0%	10.0%	11.0%	12.0%
NPV (\$m)	94.71	91.21	87.90	84.78	81.83	79.04	76.40

Source: BDO Analysis

We consider the likelihood of a potential upside in the forecast long term gold price to be more likely than the potential downside.

Considering the valuation outcomes above, we estimate the fair market value of the Coolgardie Project to be in the range of \$70 million to \$110 million, with a preferred value of \$85 million.

## DCF Valuation - Future cash flows

### The Laverton Project model

We undertook the following analysis on the Laverton Model:

- A review of the mathematical structure and internal consistency;
- Appointed QG as the technical expert to assess the reasonableness of the resources and mining inputs used in the preparation of the life of mine;
- Appointed Ravensgate to assess the reasonableness of the resources with respect to the Burtville mine pit, the Burtville stage 2 mine pit and the Burtville stage 3 mine pit, used in the preparation of the Laverton Model;
- Conducted independent research on certain economic and other inputs such as commodity prices, foreign exchange rates, inflation and discount rate applicable to the future cash flows of the Laverton Project;

- Held discussions with Focus' management regarding the preparation of the projections in the Laverton Model and its views;
- Adjusted the Laverton Model to reflect any changes to the technical assumptions as a result of QG's review and any changes to the economic and other input assumptions from our research; and
- Performed a sensitivity analysis on the value of the Laverton Project as a result of flexing selected assumptions and inputs.

### Appointment of a technical expert

QG, an independent mining expert, was engaged to prepare a report providing an assessment on the following inputs used in the preparation of the Laverton Model;

- The reasonableness of the resources used in the preparation of the Laverton Model (with the exception of the Burtville mine pit, the Burtville stage 2 mine pit and the Burtville stage 2 mine pit which Ravensgate will assess);
- Mining physicals (including tonnes, recovery and grade);
- Operating costs (mining operation, surface haulage, processing, accommodation and messing, royalties and general and administration); and
- Capital costs (mining capital costs, processing capital costs, resource definition, general and administration).

Based on QG's report, we highlight the following conclusions on the Laverton Model:

- QG modified the production schedule in the LOM by excluding the production sources that are not currently classified as ore reserves or where there was no analysis supporting the economic viability of mining the production source.
- QG modified the mining costs and capital costs in the LOM. These changes were based on analysis of Focus' current operating strategy and performance at similar operations to allow for the changes to the number and timing of the production sources.

A copy of QG's report is included in Appendix 5.

### Mining Physicals

The Laverton Project has a significant remaining mine life based on a series of near-mill open pit and underground mines. The table below shows the forecast tonnes of ore to be milled annually over the remaining life of mine.

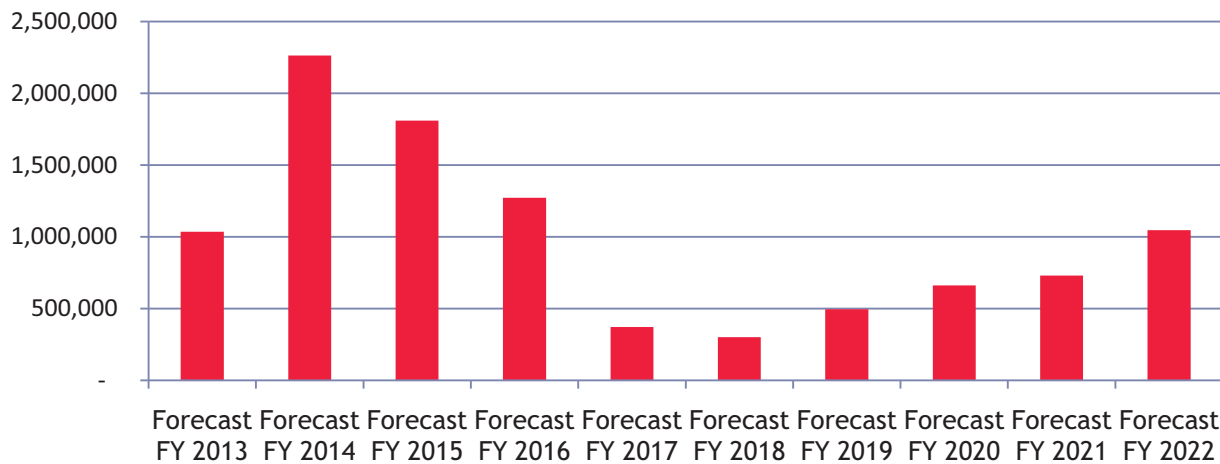
QG noted that due to the nature of the mineralisation at the Laverton Project and Focus' operating practices, only a relatively low proportion of the mineral resource has been analysed to a sufficient level for an ore reserve to be reported and therefore suitable to include in a DCF valuation under the Valmin Code. Therefore the Laverton Model only includes a small proportion of the known mineralisation at the Laverton Project.

See QG's report in Appendix 5 for further details.



Laverton Project	Forecast FY2013	Forecast FY2014	Forecast FY2015	Forecast FY2016	Forecast FY2017	Forecast FY2018	Forecast FY2019	Forecast FY2020	Forecast FY2021	Forecast FY2022
Ore milled (tonnes)	1,034,027	2,263,200	1,809,251	1,271,252	370,702	300,000	495,287	660,000	728,650	1,046,851
Grade (grams/tonne)	1.74	1.47	1.86	2.06	3.24	4.61	4.54	4.61	4.31	1.94
Recovery %	90%	90%	93%	92%	91%	83%	83%	83%	83%	92%
Total production (ounces)	52,167	96,024	100,153	77,634	35,011	36,680	60,020	80,695	83,675	60,260

### Laverton Project - Ore milled (tonnes)



Source: Laverton Model

### Operating Costs

Operating costs included in the Laverton Model consist of mining operations, surface haulage, processing, accommodation and messing, royalties and general administrative costs. The table below shows the forecast operating costs per annum for the remaining life of mine.

Laverton Project	Forecast FY2013	Forecast FY2014	Forecast FY2015	Forecast FY2016	Forecast FY2017	Forecast FY2018	Forecast FY2019	Forecast FY2020	Forecast FY2021	Forecast FY2022
Operating costs (\$'000)	102,880	134,664	140,457	92,175	28,271	33,425	54,319	73,536	97,323	68,890

Source: Laverton Model

### Capital Expenditure

Capital expenditure for the Laverton Model can be broken down into mining, processing, resource definition and general administrative capital costs. The table below shows the forecast capital costs per annum for the remaining life of mine.

Laverton Project	Forecast FY2013	Forecast FY2014	Forecast FY2015	Forecast FY2016	Forecast FY2017	Forecast FY2018	Forecast FY2019	Forecast FY2020	Forecast FY2021	Forecast FY2022
Capital expenditure (\$'000)	7,066	7,400	7,190	59,099	34,092	10,321	14,082	13,539	6,016	4,698

Source: Laverton Model

### DCF Valuation - sensitivities

The estimated value of the Laverton Project is derived under the DCF approach. Our valuation is most sensitive to changes in the forecast gold prices and exchange rate. We have therefore included an analysis to consider the value of the Laverton Project under various pricing scenarios and in applying:

- A change of +/- 10% to commodity prices

- A change of +/- 10% to exchange rate
- A change of +/- 10% to grade of the gold
- A change of +/- 10% to recovery percentage
- A change of +/- 10% to operating expense
- A change of +/- 10% to sustaining capital expenditure
- A discount rate in the range of 6% to 12%.

The following table sets out the valuation outcomes from our DCF analysis.

Sensitivity analysis						
Flex	NPV (\$m)	NPV (\$m)	NPV (\$m)	NPV (\$m)	NPV (\$m)	NPV (\$m)
	Commodity Price	Exchange rates	Grade	Recovery	Operating expense	Capital expenditure
-10%	(36.28)	111.90	(36.28)	N/A	89.94	44.68
-8%	(22.24)	94.95	(22.24)	N/A	78.74	42.53
-6%	(8.20)	78.72	(8.20)	(13.60)	67.53	40.37
-4%	5.83	63.16	5.83	2.24	56.32	38.22
-2%	19.87	48.24	19.87	18.07	45.12	36.07
0%	33.91	33.91	33.91	33.91	33.91	33.91
2%	47.95	20.15	47.95	49.75	22.70	31.76
4%	61.99	6.91	61.99	65.59	11.50	29.60
6%	76.03	(5.82)	76.03	N/A	0.29	27.45
8%	90.07	(18.08)	90.07	N/A	(10.91)	25.30
10%	104.10	(29.90)	104.10	N/A	(22.12)	23.14

Source: BDO Analysis

Discount rate sensitivity							
Discount rate (%)	6.0%	7.0%	8.0%	9.0%	10.0%	11.0%	12.0%
NPV (\$m)	44.52	40.65	37.13	33.91	30.97	28.29	25.83

Source: BDO Analysis

We consider the likelihood of a potential upside in the long term forecast gold price to be more likely than the potential downside.

Considering the valuation outcomes above, we estimate the fair market value of the Laverton Project to be in the range of \$10 million to \$65 million, with a preferred value of \$34 million.

Focus owns 81.57% of the Laverton Project. The value attributable to Focus is shown below:

Laverton Project	Ownership	Low value	Preferred value	High value
		\$m	\$m	\$m
DCF value of Laverton Project	100%	10.00	34.00	65.00
DCF value of Laverton Project attributable to Focus	81.57%	8.16	27.73	53.02

### 10.1.2 Value of the resources, not included in the Models

We have instructed QG to value all of the resources at the Laverton Project and the Coolgardie Project under the Valmin Code that are not included in the Models. QG has deemed that the most reliable method to value these resources in using the In Situ Resource methodology, which is based on applying a direct dollar value to resource identified on a property. The value of the resources of both the Coolgardie Project and the Laverton Project not included in the Models is shown in the table below:

	Ownership	Low value \$m	Preferred value \$m	High value \$m
Value of resources at Coolgardie Project not included in DCF	100%	30.70	33.50	38.50
Value of resources at Laverton Project not included in DCF	81.57%	21.70	26.43	31.40
<b>Total value</b>		<b>52.40</b>	<b>59.93</b>	<b>69.90</b>

QG have concluded that the value is between \$52.4 million and \$69.9 million, with a preferred value of \$59.9 million

### 10.1.3 Other Exploration Assets

We instructed Ravensgate to provide an independent market valuation of the Treasure Island Project held by Focus. The table below provides a summary of this valuation:

Focus Minerals Limited Other exploration areas	Ownership	Low value \$m	Preferred value \$m	High value \$m
Treasure Island Project - E15/986	100%	2.39	3.08	4.70
Treasure Island Project - E15/1224	0%	-	-	-
<b>Total</b>		<b>2.39</b>	<b>3.08</b>	<b>4.70</b>

The table above indicates a range of values between \$2.39 million and \$4.70 million, with a preferred value of \$3.08 million.

In valuing Focus' Treasure Island Project, which consists of tenements E15/986 and E15/1224, Ravensgate has relied on the Comparable Transactions and Multiples of Exploration Expenditure valuation methods. For tenement E15/1224, Ravensgate has determined that Focus has a 0% interest as they have not taken up the option to acquire it, hence the nil value attributed to this tenement. We are satisfied with the valuation methodologies adopted by Ravensgate which are in accordance with industry practices and compliant with the requirements of the Valmin Code.

A copy of Ravensgate's report is attached at Appendix 4.

### 10.1.4 NAV multiple

The value per share of gold mining companies when valued using the DCF valuation methodology, including the value of exploration assets, is often lower than the value of the trading price per share.

It is common practice to apply a NAV multiple to the DCF value and value of the exploration assets to arrive at the value of a company.

Possible reasons for a difference between the value of the mineral assets per share and the traded price are:

- The potential upside at existing operating or development sites that would allow for an extension of the life of mine and higher volumes, outside of the announced reserve and resource;
- The potential for actual gold prices exceeding the long-term forecast prices used in the DCF valuations;
- Gold being perceived as a safe asset investment; and
- The value attributable to the strong management of a company.

We have analysed a number of broker reports reporting on ASX listed gold companies with their main operations in Australia. The broker reports indicated that NAV multiples range between 0.85 and 1.53.

In determining an appropriate NAV multiple to apply to Focus, we have had regard to:

- Focus' medium volatility and history as a producing gold company;
- Focus' ability to improve the operations at the Laverton Project in the 9 months since acquisition;
- Focus' low risk profile. Focus currently has only 5% of debt and going forward will be funded via cashflows from operations; and
- Strength of the current management team.

Based on the results of our analysis, we consider a NAV multiple range of 1.1 to 1.2 to be appropriate for valuing Focus.

Focus Minerals Limited		Low value	Preferred value	High value
Summary of Assessment	Section	\$m	\$m	\$m
DCF value of Coolgardie Project	10.1.1	70.00	85.00	110.00
DCF value of Laverton Project	10.1.1	8.16	27.73	53.02
Value of resources at Coolgardie Project not included in the DCF	10.1.2	30.70	33.50	38.50
Value of resources at Laverton Project not included in the DCF	10.1.2	21.70	26.43	31.40
Value of Treasure Island Project	10.1.3	2.39	3.08	4.70
<b>Value of Focus' mineral assets</b>		<b>132.95</b>	<b>175.74</b>	<b>237.62</b>
NAV multiple	10.1.4	1.10	1.15	1.20
<b>Total value of Focus' mineral assets</b>		<b>146.25</b>	<b>202.10</b>	<b>285.14</b>

### 10.1.5 Other Assets and Liabilities

Other assets and liabilities represent the assets and liabilities which have not been specifically adjusted. From review of these other assets and liabilities, outlined in the table below, we do not believe that there is a material difference between their book value and their fair value unless an adjustment has been noted below. The table below represents a summary of the assets and liabilities identified:

Statement of Financial Position	Note	Audited as at 30-Jun-12 \$'000	Value of other assets & liabilities as at 30-Jun-12 \$'000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	(a)	2,604	8,687
Restricted cash	(a)	381	381
Trade and other receivables		6,509	6,509
Inventories		25,559	25,559
Other current assets		623	623
Financial assets	(b)	1,347	1,453
<b>TOTAL CURRENT ASSETS</b>		<b>37,023</b>	<b>43,212</b>
<b>NON-CURRENT ASSETS</b>			
Restricted cash	(a)	12,885	13,548
Plant and equipment	(c)	54,064	251
Development expenditure	(d)	53,023	-
Exploration and evaluation expenditure	(d)	141,243	1,000
<b>TOTAL NON-CURRENT ASSETS</b>		<b>261,215</b>	<b>14,799</b>
<b>TOTAL ASSETS</b>		<b>298,238</b>	<b>58,011</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		61,553	61,553
Interest bearing liabilities		9,455	9,455
<b>TOTAL CURRENT LIABILITIES</b>		<b>71,008</b>	<b>71,008</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	(e)	8,397	1,975
Interest bearing liabilities		2,404	2,404
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>10,801</b>	<b>4,379</b>
<b>TOTAL LIABILITIES</b>		<b>81,809</b>	<b>75,387</b>
<b>NET ASSETS</b>		<b>216,429</b>	<b>(17,376)</b>

We have been advised that there has not been a significant change in the net assets of Focus since 30 June 2012 and that the above value of assets and liabilities represent their fair market value apart from the adjustments discussed below:

#### Note a: Cash & cash equivalents and Restricted cash

We have been advised by the Company that the cash balance as at 30 September 2012 was \$8.687 million and that the restricted cash balance was \$13.9 million. We have adjusted the balance sheet to reflect the 30 September 2012 balances.

#### Note b: Financial assets

Approximately \$1.17 million of this balance relates to an investment in the ASX-listed entity Macphersons Resources Limited (“**Macphersons**”). Focus holds approximately 3.33 million shares which we have valued as at the date of this report using Macpherson’s 30 day volume weighted average price (“**VWAP**”) of \$0.382 per share. Therefore we have valued this investment at \$1.27 million. The remaining \$0.18 million relates to a foreign exchange contract which, for these purposes, we have assumed represents its fair value. The total fair value of financial assets is therefore \$1.45 million.

#### Note c: Plant and Equipment

Plant and equipment relating to the Laverton Project and the Coolgardie Project has been excluded from the other assets and liabilities as it forms an integral part in the value of each project. The plant and equipment remaining in the balance relate to furniture and equipment in the corporate office.

#### Note d: Development expenditure and Exploration and evaluation expenditure

The majority of the Company’s development expenditure and exploration and evaluation expenditure has been reflected through the DCF valuations under sections 10.1.1 and the other exploration assets valuation under sections 10.1.2 and 10.1.3 and has therefore been excluded in the valuation of other assets and liabilities.

We have been advised by the Company that \$1 million of the exploration expenditure relates to the Nepean Project. We have included the book value of the Nepean Project in our other assets and liabilities calculation shown in the table above.

#### Note e: Provisions

As at 30 June 2012, the Company has a provision for mine restoration of \$6.42 million in regard to costs to be incurred for the restoration and rehabilitation of mining and prospecting leases. This balance has been excluded from the other assets and liabilities as it has been included in our valuations of the Company’s projects.

### 10.1.6 Corporate costs

For the year ended 30 June 2012, corporate costs for Focus totalled approximately \$13.79 million. We have been advised by management that corporate costs are estimated to be approximately \$6 million per annum going forward for the following reasons:

- FY2012 included legal fees that are not expected to be incurred going forward;
- FY2012 included one-off share based payments;
- FY2012 included site wages and related superannuation, site flights and site accommodation expenses. These expenses are included in the operating expenses in the Models; and
- Focus is currently paying a high insurance premium that is expected to decrease by \$1 million per annum once the cash from the Placement is received.

We calculated the corporate costs over the LOM based on \$6 million per annum before inflation. The net present value is \$42.23 million.

### 10.1.7 Shares on Issue

In determining a valuation per share for Focus, we applied the number of Focus shares on issue at the date of this report, being 4,320,773,701.

### 10.1.8 Sum-of-parts valuation for Focus prior to Placement

Focus Minerals Limited		Low value	Preferred value	High value
Summary of Assessment	Section	\$m	\$m	\$m
DCF value of Coolgardie Project	10.1.1	70.00	85.00	110.00
DCF value of Laverton Project	10.1.1	8.16	27.73	53.02
Value of resources at Coolgardie Project not included in the DCF	10.1.2	30.70	33.50	38.50
Value of resources at Laverton Project not included in the DCF	10.1.2	21.70	26.43	31.40
Value of Treasure Island Project	10.1.3	2.39	3.08	4.70
<b>Value of Focus' mineral assets</b>		<b>132.95</b>	<b>175.74</b>	<b>237.62</b>
NAV multiple	10.1.4	1.10	1.15	1.20
<b>Total value of Focus' mineral assets</b>		<b>146.25</b>	<b>202.10</b>	<b>285.14</b>
Other assets	10.1.5	58.01	58.01	58.01
Other liabilities	10.1.5	(75.39)	(75.39)	(75.39)
Corporate costs	10.1.6	(43.23)	(43.23)	(43.23)
<b>Value of Focus under sum-of-parts method</b>		<b>85.64</b>	<b>141.49</b>	<b>224.53</b>
Number of Focus shares on issue	10.1.7	4,320,773,701	4,320,773,701	4,320,773,701
Value per share		\$ 0.020	\$ 0.033	\$ 0.052

## 10.2 Quoted Market Price for Focus securities

The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

RG 111.11 suggests that when considering the value of a company's shares for the purposes of approval under Item 7 of s611 the expert should consider a premium for control. An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain 100% control of another company. These advantages include the following:

- control over decision making and strategic direction;
- access to underlying cash flows;
- control over dividend policies; and
- access to potential tax losses.

Whilst Shandong Gold will not be obtaining 100% of Focus, RG 111 states that the expert should calculate the value of a target's shares as if 100% control were being obtained. RG 111.13 states that the expert can then consider an acquirer's practical level of control when considering reasonableness. Reasonableness has been considered in section 13.

Therefore, our calculation of the quoted market price of a Focus share including a premium for control has been prepared in two parts. The first part is to calculate the quoted market price on a minority



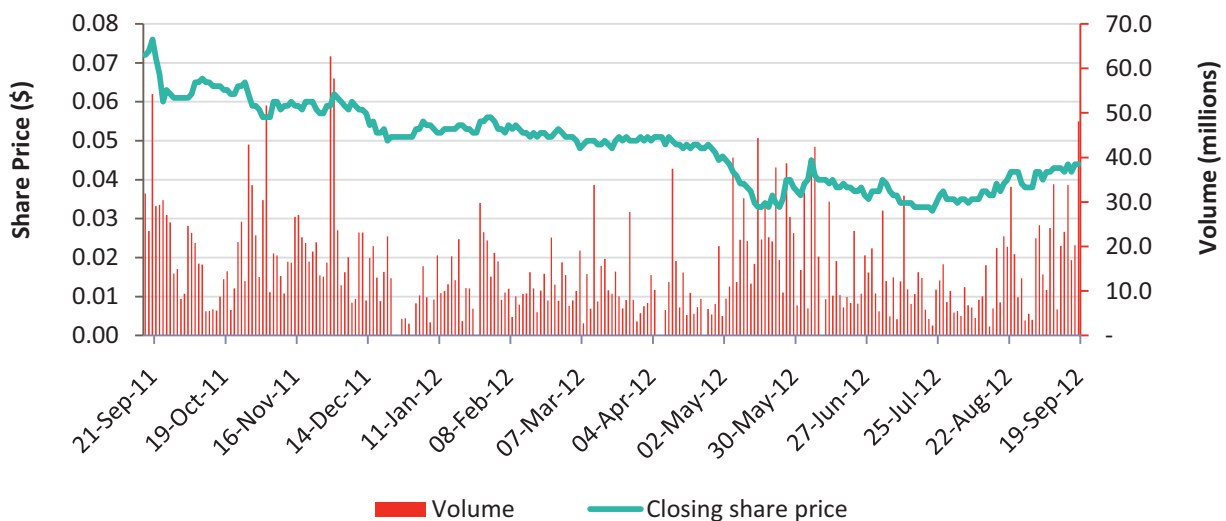
interest basis. The second part is to add a premium for control to the minority interest value to arrive at a quoted market price value that includes a premium for control.

### Minority interest value

Our analysis of the quoted market price of a Focus share is based on the pricing prior to the announcement of the Placement on 20 September 2012. This is because the value of a Focus share after the announcement may include the affects of any change in value as a result of the proposed Placement. However, we have considered the value of a Focus share following the announcement when we have considered reasonableness in section 13.

Information on the Placement was announced to the market on 20 September 2012. Therefore, the following chart provides a summary of the share price movement over the 12 months to 19 September 2012 which was the last trading day prior to the announcement.

**Focus share price and trading volume history**



Source: Bloomberg and BDO Analysis

The daily price of Focus’s shares from 19 September 2011 to 19 September 2012 has ranged from a low of \$0.031 on 18 May 2012 to a high of \$0.076 on 21 September 2011.

The share price of Focus’s shares has generally followed a downward trend over the measurement period. After hitting a low of \$0.031 on 18 May 2012, the share price of Focus has stabilised and gradually recovered to \$0.044 on the trading day prior to the announcement of the Placement.

During this period a number of announcements were made to the market. The key announcements are set out below:

		Closing Share Price Following Announcement			Closing Share Price Three Days After Announcement		
		\$	movement	%	\$	movement	%
07-Aug-12	Burtville Resource Upgrade	0.034	▼	-2.9%	0.035	▲	2.9%
31-Jul-12	FML Quarterly Activities Report and 5B	0.035	►	0.0%	0.035	►	0.0%
31-Jul-12	FML Drill Results at Burtville in Laverton	0.035	►	0.0%	0.035	►	0.0%
27-Jun-12	Drill Results Highlight Potential of Near Mill Targets	0.036	▼	-5.3%	0.037	▲	2.8%
07-Jun-12	Drilling Identifies Surface Targets Between Historic Mines	0.041	▼	-8.9%	0.040	▼	-2.4%
30-Apr-12	FML March Quarterly Report and 5B	0.047	▼	-2.1%	0.045	▼	-4.3%
11-Apr-12	Focus Delivers 47,489oz of Gold In March Quarter	0.051	▲	4.1%	0.049	▼	-3.9%
21-Mar-12	Treasure Island Exploration Update	0.050	▲	4.2%	0.051	▲	2.0%
16-Feb-12	Treasure Island Drilling Identifies Large Extension	0.051	▼	-1.9%	0.051	►	0.0%
31-Jan-12	FML December 2011 Quarterly and 5b	0.056	▲	1.8%	0.053	▼	-5.4%
29-Nov-11	CEO Presentation - 2011 AGM	0.059	▲	3.5%	0.061	▲	3.4%
29-Nov-11	Chairman `s Address to Shareholders	0.059	▲	3.5%	0.061	▲	3.4%
24-Nov-11	Treasure Island Aircore Update	0.058	▼	-3.3%	0.057	▼	-1.7%
28-Oct-11	Quarterly Cashflow Report	0.062	▼	-4.6%	0.059	▼	-4.8%
28-Oct-11	September Quarterly Activities Report	0.062	▼	-4.6%	0.059	▼	-4.8%
17-Oct-11	CRE: Crescent Hits Production Guidance	0.064	►	0.0%	0.063	▼	-1.6%
10-Oct-11	Drilling Results at Perseverance	0.065	►	0.0%	0.065	►	0.0%
05-Oct-11	Strong Drill Results Support Open Pit Development Strategy	0.061	►	0.0%	0.065	▲	6.6%
03-Oct-11	Focus Reports Profit Result for 2011	0.061	►	0.0%	0.062	▲	1.6%
28-Sep-11	Crescent Offer Extension Notices	0.062	▼	-1.6%	0.061	▼	-1.6%

Source: ASX and BDO Analysis

On 27 June 2012 Focus announced to the market that high grade assays returned from targets in Coolgardie as well as an updated mineral resource at its CNX site. The share price of the Company declined by 5% on the day of the announcement but then recovered marginally over the next three trading days.

On 21 March 2012 Focus announced positive preliminary drilling results at its 100% owned Treasure Island Project. The drilling results were significantly more promising than previously encountered and resulted in a 4% increase in the share price on the day of the announcement. Focus's share price increased a further 2% over the following three trading days.

On 5 October 2012 Focus announced a maiden mineral resource at two surface targets at the Tindal Mining Centre in Coolgardie. The share price increased by a total of 7% over the following three trading days, reflecting positive market sentiment towards the announcement.

To provide further analysis of the market prices for a Focus share, we have also considered the weighted average market price for 10, 30, 60 and 90 day periods to 19 September 2012.

Share Price per unit	19-Sept-12	10 Days	30 Days	60 Days	90 Days
Closing price	\$0.044				
Weighted average price		\$0.043	\$0.042	\$0.040	\$0.039

Source: Bloomberg and BDO Analysis

The above weighted average prices are prior to the date of the announcement of the Placement, to avoid the influence of any increase in price of Focus shares that has occurred since the Placement was announced.

An analysis of the volume of trading Focus shares for the twelve months to 19 September 2012 is set out below:

	Share price low	Share price high	Cumulative volume traded	As a % of Issued capital
1 Day	\$0.044	\$0.045	48,129,565	1.11%
10 Days	\$0.041	\$0.045	202,464,128	4.69%
30 Days	\$0.037	\$0.045	424,333,866	9.82%
60 Days	\$0.032	\$0.045	597,357,621	13.83%
90 Days	\$0.032	\$0.045	868,612,076	20.10%
180 Days	\$0.031	\$0.053	1,845,474,295	42.71%
1 Year	\$0.031	\$0.076	3,938,607,935	91.16%

Source: Bloomberg and BDO Analysis

This table indicates that Focus's shares display a high level of liquidity, with 91.16% of the Company's current issued capital being traded in a twelve month period. For the quoted market price methodology to be reliable there needs to be a 'deep' market in the shares. RG 111.69 indicates that a 'deep' market should reflect a liquid and active market. We consider the following characteristics to be representative of a deep market:

- Regular trading in a company's securities;
- Approximately 1% of a company's securities are traded on a weekly basis;
- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- There are no significant but unexplained movements in share price.

A company's shares should meet all of the above criteria to be considered 'deep', however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

In the case of Focus, we consider the shares to be liquid and therefore have taken into account the Company's quoted market price in determining the value of a Focus prior to the Placement.

Our assessment is that a range of values for Focus’s shares based on market pricing, after disregarding post announcement pricing, is between \$0.040 and \$0.044, with a preferred value of \$0.042.

### Control Premium

Our control premium study is based on observed premiums paid by acquirers of gold mining companies listed on the ASX since 2006. We have summarised our findings below:

Year	Number of Transactions	Average Deal Value (A\$m)	Average Control Premium
2012	1		-
2011	11	56.45	52.31
2010	19	933.80	60.30
2009	17	259.82	20.52
2008	13	153.19	28.54
2007	15	169.29	24.74
2006	15	64.39	10.37
<b>Median</b>		<b>161.24</b>	<b>26.64</b>
<b>Mean</b>		<b>272.82</b>	<b>32.80</b>

Source: BDO Analysis and Bloomberg

We have reviewed the announced control premia paid by acquirers for target mining companies listed on the ASX since 2006. A summary of the control premia is noted in the table below:

Year	Number of Transactions	Average Deal Value (A\$m)	Average Control Premium (%)
2011	13	710.34	33.07
2010	29	665.30	40.80
2009	33	91.18	34.36
2008	8	591.43	38.87
2007	28	570.63	25.26
2006	29	174.63	22.26
<b>Median</b>		<b>581.03</b>	<b>33.71</b>
<b>Mean</b>		<b>467.25</b>	<b>32.44</b>

Source: BDO Analysis and Bloomberg

In arriving at an appropriate control premium to apply, we note that observed control premiums can vary due to the:

- Nature and magnitude of non-operating assets;
- Nature and magnitude of discretionary expenses;
- Perceived quality of existing management;
- Nature and magnitude of business opportunities not currently being exploited;

- Ability to integrate the acquiree into the acquirer’s business;
- Level of pre-announcement speculation of the transaction; and
- Level of liquidity in the trade of the acquiree’s securities.

Based on the tables above, we observe that an average control premium of 32.80% has been paid when acquiring gold companies between 2006 and 2012. Across the general Australian mining industry, the average annual control premium paid for effective control transactions over 2006 to 2011 ranged between 22.26% and 40.8% with an average of 32.44%.

Taking the factors above into consideration in applying a control premium to Focus’ quoted market share price we believe an appropriate range to be 25% - 35% which is consistent with our analysis above.

### Quoted market price including control premium

Applying a control premium to Focus’ quoted market share price results in the following quoted market price value including a premium for control:

	Low	Mid	High
	\$	\$	\$
Quoted market price value	0.040	0.042	0.044
Control premium	25%	30%	35%
<b>Quoted market price valuation including a premium for control</b>	<b>\$0.050</b>	<b>\$0.055</b>	<b>\$0.059</b>

Therefore, our valuation of a Focus share based on the quoted market price method and including a premium for control is between \$0.050 and \$0.059, with a midpoint value of \$0.055.

### 10.3 Resource Multiple valuation

As a cross check to the sum-of parts and QMP valuations, we have analysed the resource multiple observed for companies listed on the ASX with gold projects in Australia as their primary focus.

The table below shows that the average enterprise value per unit of inferred, indicated and measured resource is \$139/ounce, compared to \$47/ounce for Focus.

We have also calculated the average excluding Regis Resources Limited as it is an outlier. Excluding Regis, the average enterprise value per unit of inferred, indicated and measured resource is \$77/ounce.

Resource multiple					
Mines	Locations	Enterprise value 19 September 2012 (\$m)	Resources (million oz)	EV/resource multiple (\$/oz)	
Focus Minerals Limited	Australia	181.78	3.89	47	
Regis Resources Limited	Australia	2,505.75	6.49	386	
Tanami Gold NL	Australia	258.58	3.04	85	
Evolution Mining Limited	Australia	1,279.78	7.00	183	
Alacer Gold	Australia & Turkey	482.52	13.85	35	
Silver Lake Resources Limited	Australia	609.59	8.22	74	
			<b>Average</b>	<b>153</b>	
			<b>Median</b>	<b>85</b>	
			<b>Average excluding Regis</b>	<b>94</b>	
			<b>Median excluding Regis</b>	<b>80</b>	

Based on the EV multiples of the comparable companies (excluding Regis), the value of a Focus share on a minority interest basis would be in the range of \$0.024 to \$0.122, with the average value being \$0.063 as shown below:

Focus' share price based on comparable companies EV/resource multiple					
Share price	Shares on issue (million)	Net cash (including restricted cash)	Enterprise value (\$m)	Resources (million oz)	EV/resource multiple (\$/oz)
0.024	4,320.77	4.0	100.5	2.87	35
0.063	4,320.77	4.0	269.8	2.87	94
0.122	4,320.77	4.0	525.2	2.87	183

We consider the value of a Focus share to be valued above that of Alacer Gold for the following reasons:

- Alacer Gold operates in both Australia and Turkey. Its operations in Turkey carry greater sovereign risk than its comparable companies that operate in Australia only.

We consider the value of a Focus share to be valued below that of Tanami Gold, Evolution Mining and Silver Lake Resources for the following reasons:

- Focus has a very weak cash position with only \$8.7 million in cash as at 30 September 2012. Without cash, the full potential of Focus' projects cannot be realised.

We consider the value of a Focus share on a minority interest basis to be in the range of \$0.03 to \$0.05 and have used this range as a cross check when concluding on Focus' value per share in section 10.4.

A brief description of the comparable companies are as follows:

Company name	Description
Regis Resources Limited	Regis Resources Limited is a mineral exploration and gold production company. Regis mines for gold, nickel and copper and currently has two producing gold mines being the Moolart Well Project and the Garden Well Project. Both these project are located in Western Australia.
Tanami Gold NL	Tanami Gold NL acquires, explores for and produces gold in central Western Australia and the Northern Territory. The Tanami's prospects include Highland Rocks, the West Australian Joint Venture and Harts Range.
Evolution Mining Limited	Evolution Mining Ltd is a gold exploration and production company with operations in Western Australia and Queensland. Evolution owns the following gold mines - Cracow, Edna May, Mt Rawdon and Pajingo - and the Mt Carlton development project.
Alacer Gold Corp.	Alacer Gold Corporation is a gold exploration and production company. Alacer holds a portfolio of long-life mines providing ore to three processing facilities both in Australia and Turkey. Its Australian operations are located in the Eastern Goldfields region of Western Australia.
Silver Lake Resources Limited	Silver Lake Resources is a mineral exploration and production company currently in the ASX 200. Silver Lake is focused on gold exploration in Western Australia focussing on Mount Monger, and Murchison Goldfields and the Great Southern District of Western Australia.

## 10.4 Assessment of Focus's value

The results of the valuations performed are summarised in the table below:

	Low	Preferred	High
	\$	\$	\$
Sum-of-parts method (section 10.1)	0.020	0.033	0.052
QMP method (section 10.2)	0.050	0.055	0.059

We consider that both the sum-of-parts methodology and the QMP methodology to be reliable valuation techniques in determining the value of a Focus share. The sum-of-parts methodology takes into account the value of Focus' mineral assets that it holds in its balance sheet being the Coolgardie Project, Laverton Project and Treasure Island Project, for which we have valued independently with the assistance of technical experts. We also note that from our analysis of the quoted market price of a Focus share that 91.16% of Focus' issued share capital was traded over a 12 month period up until the date of the announcement, representing a deep level of liquidity in Focus shares. We have also determined that Focus shares are widely held with the top four shareholders holding only 13.81%. As a result, we consider that the QMP methodology can also be relied on in determining the value of a Focus share.

In determining the value range of a Focus share we have relied on our preferred values of a Focus share determined under both the sum-of-parts and QMP methods and consider that the value of a Focus share prior to the Placement to be between \$0.033 and \$0.055, with a preferred value of \$0.04.



We have determined our preferred value of a Focus share prior to the Placement to be \$0.04. Our preferred value sits at the lower end of our value range as we have determined that the sum-of-parts method to be a more reliable method in valuing a Focus share. Although we have deemed that Focus shares are deeply traded and therefore the QMP method can be relied on, we believe our preferred value should be weighted towards our sum-of-parts value and have therefore deemed this value to be \$0.04.

## 11. Valuation of consideration

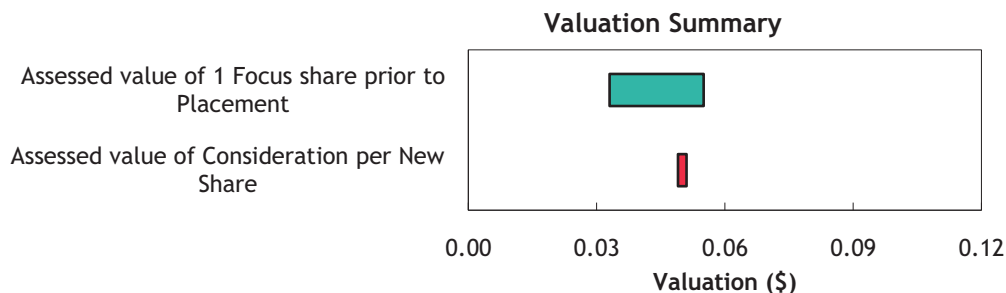
Shandong Gold are offering Focus \$0.05 per New Share. Therefore the value of the consideration is \$0.05 per New Share.

## 12. Is the Placement fair?

A comparison between the value of a Focus share prior to the Placement and the value of the consideration offered by Shandong Gold is shown below:

	Ref	Low \$	Preferred \$	High \$
Value of a Focus prior to the Placement (control basis)	10.4	0.033	0.040	0.055
Value of consideration per New Share	11	0.05	0.05	0.05

The above valuation ranges are graphically presented below:



The above pricing indicates that the Placement is fair for Shareholders as the value of consideration offered by Shandong Gold per New Share is within our value range of a Focus share prior to the Placement.

## 13. Is the Placement reasonable?

### 13.1 Alternative Proposal

We are unaware of any alternative proposal that might offer the Shareholders of Focus a premium over the value ascribed to, resulting from the Placement.

### 13.2 Practical Level of Control

If the Placement is approved then Shandong Gold will hold an interest of 51% in Focus on a fully diluted basis. In addition to this, Shandong Gold will nominate three persons to be directors of Focus, which will take effect once the Placement is complete.

When shareholders are required to approve an issue that relates to a company there are two types of approval levels. These are general resolutions and special resolutions. A general resolution requires 50% of shares to be voted in favour to approve a matter and a special resolution required 75% of shares on issue to be voted in favour to approve a matter. If the Placement is approved then Shandong Gold will be able to block special resolutions and general resolutions and will have the ability to pass general resolutions.

Focus' board currently comprises four directors. With the appointment of three nominees from Shandong Gold to the Focus Board upon completion of the Placement, this will increase the Focus board to seven directors. This means that Shandong Gold nominated directors will make up 43% of the Focus board.

Shandong Gold will obtain control of Focus upon approval of the Placement. Therefore, in our opinion, Shandong Gold will be able to significantly influence the activities of Focus and as such should be expected to pay a similar premium for control as if it were acquiring 100% of Focus.

### 13.3 Consequences of not approving the Placement

If the Placement is not approved then the Company would not receive funds from the issue of the 4.50 billion ordinary shares totalling \$225.1 million. We have been advised that the funds are to be used for the following purposes:

- enable the progression of operational strategies aimed to increase the rate of production across Focus' operations;
- accelerate exploration programmes at Focus' majority-owned Laverton operations to unlock the potential in the 1,200 km<sup>2</sup> landholding, where Focus has over 110 km in strike of mineralised shear systems that have been sparsely drilled;
- aggressively pursue the continued exploration at Focus' greenfields exploration project at Treasure Island, where surface anomalies and recently announced drilling results indicate the potential for significant gold endowment;
- increase exploration at Focus' existing Coolgardie operations and wider tenements, with the objective of increasing the resource position, especially at depth, and extending the current mine life at steady production rates for the Three Mile Hill Mill processing plant;
- potentially pursue value accretive acquisition opportunities, placing Focus in a strong position in a sector that rewards increased scale through consolidation; and

- undertake a review of Focus' Nepean nickel project to determine the prospects for development of the asset.

If the Placement is not approved, the Company would need to pursue other avenues to raise funds in order to achieve the outcomes listed above. As the Company currently has \$8.7 million in available cash (excluding restricted cash), it is likely that some form of capital raising will have to be undertaken. The most recent capital raising undertaken by the Company was in April 2011 which was a Placement to institutional and sophisticated investors. The majority of institutional investors that took part in that Placement have since sold their interests meaning that any new capital raising would have to be targeted at new institutional investors. In the current environment this could prove difficult and even if undertaken it is likely to be at a discount to the current Placement price. We note that post the announcement of the Placement, Focus shares have traded between \$0.036 and \$0.043 with the share price closing at \$0.039 on 8 October 2012. Any alternative capital raising would likely be at a discount to the current trading price, which is currently below the Placement price.

### 13.4 Advantages of approving the Placement

If the Placement is approved it is expected to bring a number of benefits to Focus Shareholders. We set out the key advantages below.

#### 13.4.1 Immediate capital injection

The Placement will provide Focus with a capital injection of \$225.1 million, which if approved by Shareholders, is likely to be received in December 2012. As the Company only has \$8.7 million in available cash as at 30 September 2012, this capital injection will assist with a number of objectives outlined by the Company in section 4, including providing the necessary cash to potentially fuel an accelerated growth of Focus' projects. These objectives are both short term and longer term and will assist the Company in its pursuit of both organic and non-organic growth opportunities.

#### 13.4.2 Strengthens the Company's balance sheet

As at 30 June 2012 the Company was in a net current liability position with available cash of \$2.6 million (excluding restricted cash). As at 30 September 2012, the available cash was \$8.7 million. Contributing to this net current liability position is the trade creditor balance of \$59.2 million. When Focus acquired Crescent the Laverton Project was being poorly managed and significant debts existed with limited working capital available for operations. Since the start of 2012 Focus has redirected over \$17 million in working capital to the Laverton Project in an attempt to improve the operations there. This has all been internally funded from the Company's existing cash balances. The results have been a decrease in costs at the Laverton Project from \$1,554/oz to \$1,203/oz with the aim to lower this further.

Managing the Company's working capital requirements has also been difficult due to the significant fluctuations that occur as a result of the 50 day milling campaign at the Granny Smith Mill under the Ore Purchase Agreement. During the milling campaign the working capital requirements are high and once completed limited working capital is required. These fluctuations in working capital have contributed to the high trade creditor balance as at 30 June 2012.

If the Placement is approved, the Company will receive cash of \$225.1 million which will enable it to reduce its significant trade creditor balance and put the Company in a net current asset position. The additional cash will enable the Company to more effectively manage its working capital levels going

forward and continue to make improvements at the Laverton Project in order to reduce the costs per ounce.

### 13.4.3 Introduces a large supportive investor

Shandong Gold is a subsidiary of Shandong Group who operates over 15 gold mines in China and is one of China's three largest gold producers by production. It has experience in the exploration, development, and the production of gold and has spent a considerable amount of time in Australia attempting to build a relationship with an Australian gold producer. Focus will benefit from having such a substantial shareholder on its register through the following:

- Exchange of technical knowledge, skills and expertise with regards to exploration, mining and processing issues;
- Providing access to Chinese markets in terms of sourcing equity and debt funding in the future to fund any further capital expenditure requirements;
- Provide expertise at a board level to assist with the exploration of the Company's large tenement holdings.

Shandong Gold's intention to nominate three directors to the board Focus indicates that Shandong Gold is undertaking a key interest in improving the operational functions of Focus' business which has the potential to improve shareholder value.

### 13.4.4 Continue exploration of tenement holdings

In order for the Company to achieve its goal of becoming a significant gold producer it needs to look beyond its current producing assets. For its long term viability it needs to continue its exploration programs on its 1,650 km<sup>2</sup> of tenement holdings including its 100% owned Treasure Island Project. Only 4% of the Company's land holdings have so far been explored.

If the Placement is approved the Company will have cash available in order to accelerate its exploration programmes at its Laverton operations as well as increasing exploration at Coolgardie's existing operations and wider tenements. The Company could also pursue further exploration at the Treasure Island Project which has previously had positive drilling results announced but requires further development.

The Placement will also provide the Company with the ability to pursue acquisition opportunities and provide potential growth through consolidation.

### 13.4.5 Increased market capitalisation and media coverage

If the Placement is approved, the market capitalisation of Focus will increase by at least \$225.1 million which is calculated based on the issue of 4.50 billion ordinary shares to Shandong Gold at \$0.05 each. Focus will also be in a position to pursue growth and acquisition opportunities to assist in the Company's long term aim of becoming a significant gold producer. Focus may also receive increased media coverage and market interest which could potentially lead to a revaluation of Focus shares by the market and an increased level of investment interest.

#### **13.4.6 No change to current operating arrangements**

We are not aware of any operational changes that Shandong Gold wishes to introduce if the Placement is approved and there has been no indication from Shandong Gold that they intend to change Focus' business as conducted by the current management.

Shandong Gold has stated that they want to work with the Company in order to achieve the aim of growing Focus into a substantial gold producer and have stated that they have chosen Focus as a result of the quality of its asset portfolio, the prospectivity of its tenements, the quality and potential of its operations and the quality of its management and board.

### **13.5 Disadvantages of approving the Placement**

If the Placement is approved, in our opinion, the potential disadvantages to Shareholders include the following:

#### **13.5.1 Dilution of existing Shareholders' interests**

Under the Placement Focus will issue a total of 4.50 billion shares to Shandong Gold. If Shareholders approve the Placement, the current Focus shareholders' ownership will be diluted from 99.45% to 49%. The capacity of shareholders to influence the operations of the Company will be reduced as Shandong Gold will hold a controlling interest. In addition, Shandong Gold will have three nominees appointed to board of Focus giving them a representation of 43% of the Focus board.

It is important to note that without additional funds Focus will not be able to complete its stated objectives regarding the use of funds and any alternative funding would also be likely to reduce the interest held by Shareholders.

#### **13.5.2 Decreases the likelihood of a takeover offer**

If the Placement is approved Shandong Gold will hold a controlling interest of 51% in Focus. Shareholders should note that if this occurs it may have the potential to discourage any other potential bidder from making a takeover bid for the Company in the future. This may have an adverse effect on the share price of Focus and reduces the opportunity for Shareholders to receive a takeover premium in the future.

We have been advised by the Company that as at the date of this report, Focus has not received any approaches nor alternate or superior offers.

#### **13.5.3 Potential lower liquidity of shares**

If the Placement is approved, the trading of shares may be negatively affected by the presence of a major shareholder with 51% ownership. The shares will have a materially lower free float on a proportional basis which may reduce liquidity.

#### **13.5.4 Index exclusion**

Most equity market indices have minimum liquidity or free float requirements. The Placement may result in Focus being removed from any current indices and not eligible for inclusion in any other indices in the future, which may impact on investor demand for Focus shares.

## 14. Conclusion

We have considered the terms of the Placement as outlined in the body of this report and have concluded that the **Placement is fair and reasonable to Shareholders.**

## 15. Sources of information

This report has been based on the following information:

- Draft Notice of General Meeting and Explanatory Statement on or about the date of this report;
- Audited financial statements of Focus Minerals Limited for the years ended 30 June 2012 and 30 June 2011;
- Reviewed financial statements of Focus Minerals Limited for the half-year ended 31 December 2011;
- Draft Share Subscription Deed between Focus Minerals Limited and Shandong Gold International Mining Corporation Limited;
- Cash flow model based on Life of Mine for Coolgardie Project prepared by management of Focus;
- Cash flow model based on Life of Mine for Laverton Project prepared by management of Focus;
- Independent Technical Assessment Report of Laverton Gold Project and Coolgardie Project dated 5 October 2012 performed by Quantitative Group Pty Ltd;
- Independent Valuation Report of Focus' Treasure Island Project dated 9 October 2012 performed by Ravensgate Minerals Industry Consultants;
- Share registry information;
- Information in the public domain; and
- Discussions with Directors and Management of Focus.

## 16. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of approximately \$115,000 (excluding GST and reimbursement of out of pocket expenses). Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by Focus in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by Focus, including the non provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to Focus and Shandong Gold and any of their respective associates with reference to ASIC Regulatory Guide 112 "Independence of Experts". In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of Focus and Shandong Gold and their respective associates.

A draft of this report was provided to Focus and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

BDO is the brand name for the BDO International network and for each of the BDO Member firms.

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Independent Member Firms. BDO in Australia, is a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International).

## 17. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Adam Myers of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Member of the Institute of Chartered Accountants in Australia. He has over twenty five years experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 200 public company independent expert's reports under the Corporations Act or ASX Listing Rules. These experts' reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Chairman of BDO in Western Australia, Corporate Finance Practice Group Leader of BDO in Western Australia and the Natural Resources Leader for BDO in Australia.

Adam Myers is a member of the Australian Institute of Chartered Accountants. Adam's career spans 14 years in the Audit and Assurance and Corporate Finance areas. Adam has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

## 18. Disclaimers and consents

This report has been prepared at the request of Focus for inclusion in the Notice of Meeting and Explanatory Memorandum which will be sent to all Focus Shareholders. Focus engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider the proposal to issue approximately 4.50 billion new ordinary shares to Shandong Gold International Mining Limited at an issue price of \$0.05 each to raise \$225.1 million.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Notice of Meeting and Explanatory Memorandum. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Notice of Meeting and Explanatory Memorandum other than this report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence in relation to



Shandong. BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

The forecasts provided to BDO Corporate Finance (WA) Pty Ltd by Focus and its advisers are based upon assumptions about events and circumstances that have not yet occurred. Accordingly, BDO Corporate Finance (WA) Pty Ltd cannot provide any assurance that the forecasts will be representative of results that will actual be achieved. BDO Corporate Finance (WA) Pty Ltd disclaims any possible liability in respect of these forecasts. We note that the forecasts provided do not include estimates as to the effect of any future emissions trading scheme should it be introduced as it is unable to estimate the effects of such a scheme at this time.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Placement, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of Focus, or any other party.

BDO Corporate Finance (WA) Pty Ltd has also considered and relied upon independent valuations for mineral assets held by Focus.

The independent specialists engaged for the mineral asset valuations, Ravensgate Minerals Industry Consultants and Quantitative Group Pty Ltd, possess the appropriate qualifications and experience in the industry to make such assessments. The approaches adopted and assumptions made in arriving at their valuations are appropriate for this report. We have received consent from the valuers for the use of their valuation reports in the preparation of this report and to append a copy of their reports to this report.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd has no obligation to update this report for events occurring subsequent to the date of this report.

Yours faithfully

**BDO CORPORATE FINANCE (WA) PTY LTD**



**Sherif Andrawes**

Director



**Adam Myers**

Director

## APPENDIX 1 - GLOSSARY OF TERMS

Reference	Definition
The Act	The Corporations Act (Cth)
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
Au	Gold
AUD	Australian dollars
BDO	BDO Corporate Finance (WA) Pty Ltd
Coolgardie Model	Cash flow model for the Coolgardie Project prepared by Focus
The Company	Focus Minerals Limited
Crescent	Crescent Gold Limited
DCF	Discounted Future Cash Flows
DCF	Discounted Future Cash Flows
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EV	Enterprise value
FATA	Foreign Acquisitions and Takeovers Act 1975 (Cth)
FME	Future Maintainable Earnings
Focus	Focus Minerals Limited
The JORC Code	Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
Km	Kilometre
Laverton Project	Cash flow model for the Laverton Project prepared by Focus
LOM	Life of mine
Macphersons	Macphersons Resources Limited

NAV	Net Asset Value
New Shares	4,501,997,651 new fully paid ordinary Focus shares to be issued to Shandong Gold International Mining Corporation Limited
Oz	Ounce
Our Report	This Independent Expert's Report prepared by BDO
The Placement	The proposal for Focus Minerals Limited to issue 4,501,997,651 new fully paid ordinary shares to Shandong Gold International Mining Limited at \$0.05 per New Share for a total consideration of \$225,099,883 under a Share Subscription Deed
QG	Quantitative Group Pty Ltd
QMP	Quoted Market Price
Ravensgate	Ravensgate Minerals Industry Consultants
RG111	Content of expert reports (March 2011)
RG112	Independence of experts (March 2011)
Shandong Gold	Shandong Gold International Mining Corporation Limited
Shandong Group	Shandong Gold Group Co. Ltd
Shareholders	Shareholders of Focus Minerals Limited not associated with Shandong Gold International Mining Corporation Limited
The Valmin Code	Code of Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports
VWAP	Volume Weighted Average Price

## APPENDIX 2 - VALUATION METHODOLOGIES

Methodologies commonly used for valuing assets and businesses are as follows:

### 1 *Net asset value (“NAV”)*

Asset based methods estimate the market value of an entity’s securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity’s valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity’s value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity’s assets are liquid or for asset holding companies.

### 2 *Quoted Market Price Basis (“QMP”)*

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a “deep” market in that security.

### 3 *Capitalisation of future maintainable earnings (“FME”)*

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax (“EBIT”) or earnings before interest, tax, depreciation and amortisation (“EBITDA”). The capitalisation rate or “earnings multiple” is adjusted to reflect which base is being used for FME.

#### **4 Discounted future cash flows (“DCF”)**

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

#### **5 Market Based Assessment**

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.

## APPENDIX 3 – DISCOUNT RATE ASSESSMENT

Determining the correct discount rate, or cost of capital, for a business requires the identification and consideration of a number of factors that affect the returns and risks of a business, as well as the application of widely accepted methodologies for determining the returns of a business.

The discount rate applied to the forecast cash flows from a business represents the financial return that will be before an investor would be prepared to acquire (or invest in) the business.

The capital asset pricing model (“CAPM”) is commonly used in determining the market rates of return for equity type investments and project evaluations. In determining a business’ weighted average cost of capital (“WACC”) the CAPM results are combined with the cost of debt funding. WACC represents the return required on the business, whilst CAPM provides the required return on an equity investment.

### Cost of Equity and Capital Asset Pricing Model

CAPM is based on the theory that a rational investor would price an investment so that the expected return is equal to the risk free rate of return plus an appropriate premium for risk. CAPM assumes that there is a positive relationship between risk and return, that is, investors are risk averse and demand a higher return for accepting a higher level of risk.

CAPM calculates the cost of equity and is calculated as follows:

#### CAPM

$$K_e = R_f + \beta \times (R_m - R_f)$$

Where:

$K_e$  = expected equity investment return or cost of equity in nominal terms

$R_f$  = risk free rate of return

$R_m$  = expected market return

$R_m - R_f$  = market risk premium

$\beta$  = equity beta

The individual components of CAPM are discussed below.

### Risk Free Rate ( $R_f$ )

The risk free rate is normally approximated by reference to a long term government bond with a maturity equivalent to the timeframe over which the returns from the assets are expected to be received. Having regard to the period of the operations we have used the current yield to maturity on the 10 year Commonwealth Government Bond which was 3.15% per annum as at 24 September 2012.

### Market Risk Premium ( $R_m - R_f$ )

The market risk premium represents the additional return that investors expect from an investment in a well-diversified portfolio of assets. It is common to use a historical risk premium, as expectations are not observable in practice.

We have noted that the current market risk premium is 8%. This has been sourced from Bloomberg. The market risk premium is derived on the basis of capital weighted average return of all members of the S&P 200 Index minus the risk free rate is dependent on the ten year government bond rates. For the purpose of our report we have adopted a market risk premium of 6% to 8%.

### Equity Beta

Beta is a measure of the expected correlation of an investment's return over and above the risk free rate, relative to the return over and above the risk free rate of the market as a whole. A beta greater than one implies that an investment's return will outperform the market's average return in a rising market and underperform the market's average return in a falling market. On the other hand, a beta less than one implies that the business' performance compared to that of a business whose beta is greater than one will provide an inverse relationship in terms of the market's average return.

Equity betas are normally either an historical beta or an adjusted beta. The historical beta is obtained from the linear regression of a stock's historical data and is based on the observed relationship between the security's return and the returns on an index. An adjusted beta is calculated based on the assumption that the relative risk of the past will continue into the future, and hence derived from the historical data. It is then modified by the assumption that a stock will move towards the market over time, taking into consideration the industry risk factors which make the operating risk of the investment project greater or less risky than comparable listed companies when assessing the equity beta for an investment project.

It is important to note that it is not possible to compare the equity betas of different companies without having regard to their gearing levels. Thus, a more valid analysis of betas can be achieved by "ungearing" the equity beta ( $\beta_a$ ) by applying the following formula:

$$\beta_a = \beta / (1 + (D/E \times (1-t)))$$

In order to assess the appropriate equity beta for the Projects we have taken two steps:

- a) We have had regard to the equity beta of Focus. The geared beta below has been calculated using weekly data over a two-year period.

Company	Market Capitalisation (\$)	Geared Beta (B)	Gross Debt/Equity (%)	Ungeared Beta ( $\beta_a$ )
FOCUS MINERALS LIMITED	164,189,392	1.02	5%	0.98

- b) We have had regard to the equity betas of listed companies involved in similar activities in similar industry sectors. The geared betas below have been calculated using weekly data over a two-year period.

Company	Market Capitalisation (\$)	Geared Beta (B)	Gross Debt/Equity (%)	Ungeared Beta ( $\beta_a$ )
NEWCREST MINING LIMITED	21,255,525,391	0.99	15.95%	0.89
ST BARBARA LIMITED	1,005,432,556	1.37	0.75%	1.36
REGIS RESOURCES LIMITED	2,447,144,775	1.20	2.04%	1.18
SARACEN MINERAL HOLDINGS LIMITED	255,770,737	1.12	0.65%	1.12
TANAMI GOLD NL	218,045,776	0.80	27.69%	0.67
RAMELIUS RESOURCES LIMITED	148,118,057	1.11	2.09%	1.10
RAND MINING LIMITED	20,077,600	1.29	6.43%	1.23
CANYON RESOURCES LIMITED	15,890,233	0.77	0.00%	0.77
	Mean	1.08	6.95%	1.04
	Median	1.12	2.06%	1.11
	Weighted average			0.94



### Selected Beta (B)

In selecting an appropriate Beta for the Projects, we have considered the similarities between the Projects and the comparable companies selected above. The comparable similarities and differences noted are:

- the comparable companies' mining and exploration assets have varying risk profiles depending on the maturity of the assets and the stages and location of production;
- several companies having been producing for a considerable time period; and
- several comparable companies are still in the prefeasibility and evaluation stage.

Having regard to the above we consider that an appropriate ungeared beta to apply to the Projects is between 0.95 and 1.05. We consider it reasonable that a forward looking ungeared beta for Focus will reflect that of the Company's peers.

We understand that the current capital structure of Focus reflects approximately 5% debt and 95% equity. We consider it reasonable to assume that the shareholders of Focus determine their required rate of return, for a particular Company project, by viewing the risks associated with the Company's portfolio of assets as a whole. The Company currently has 5% debt on its balance sheet. Therefore we have regared the project beta to 0.99 to 1.09.

### Cost of Equity

On this basis we have assessed the cost of equity to be:

Input	Value Adopted	
	Low	High
Risk free rate of return	3.15%	3.15%
Equity market risk premium	6.00%	8.00%
Beta (geared)	0.99	1.09
<b>Cost of Equity</b>	<b>9.09%</b>	<b>11.87%</b>

### Weighted Average Cost of Capital

The WACC represents the market return required on the total assets of the undertaking by debt and equity providers. WACC is used to assess the appropriate commercial rate of return on the capital invested in the business, acknowledging that normally funds invested consist of a mixture of debt and equity funds. Accordingly, the discount rate should reflect the proportionate levels of debt and equity relative to the level of security and risk attributable to the investment.

In calculating WACC there are a number of different formulae which are based on the definition of cash flows (i.e., pre-tax or post-tax), the treatment of the tax benefit arising through the deductibility of interest expenses (included in either the cash flow or discount rate), and the manner and extent to which they adjust for the effects of dividend imputation. The commonly used WACC formula is the post-tax WACC, without adjustment for dividend imputation, which is detailed in the below table.

#### CAPM

$$WACC = \frac{E}{E+D} K_e + \frac{D}{D+E} K_d (1 - t)$$

Where:

$K_e$  = expected return or discount rate on equity

$K_d$	= interest rate on debt (pre-tax)
T	= corporate tax rate
E	= market value of equity
D	= market value of debt
$(1 - t)$	= tax adjustment

### Gearing

Before WACC can be determined, the proportion of funding provided by debt and equity (i.e., gearing ratio) must be determined. The gearing ratio adopted should represent the level of debt that the asset can reasonably sustain (i.e., the higher the expected volatility of cash flows, the lower the debt levels which can be supported). The optimum level of gearing will differentiate between assets and will include:

- the variability in earnings streams;
- working capital requirements;
- the level of investment in tangible assets; and
- the nature and risk profile of the tangible assets.

As described earlier, we understand the capital structure of Focus to be made up of approximately 5% debt and 95% equity. We have been informed by the Company that the current cost of debt is approximately 6.4%.

### Calculation of WACC

Based on the above inputs we have calculated the WACC to be between 9.00% and 11.50%.

WACC	Value Adopted	
	Low	High
Cost of equity, $K_e$	9.09%	11.87%
Cost of debt, $K_d$	6.40%	6.40%
Proportion of equity $((E/(E+D))$	94.8%	94.8%
Proportion of debt $((D/(E+D))$	5.2%	5.2%
<b>Weighted average cost of capital</b>	<b>8.93%</b>	<b>11.57%</b>

Company Name	Description
Newcrest Mining Limited	Newcrest Mining Limited is a gold mining, exploration and production company. The Company's exploration projects include Telfer and Boddington which are located in Western Australia. The Company also is developing and exploring at the Cadia Hill and Ridgeway projects in New South Wales and the Gosowong project in Indonesia.
Regis Resources Ltd	Regis Resources Limited is a mineral exploration and gold production company. Regis mines for gold, nickel and copper and currently has two producing gold mines being the Moolart Well Project and the Garden Well Project. Both these project are located in Western Australia.
St. Barbara Limited	St. Barbara Limited is a gold exploration and production company. The Company's exploration projects include its Southern Cross and Leonora Operations which are located in Western Australia.
Saracen Mineral Holdings Ltd.	Saracen Mineral Holdings Ltd. explores for and produces gold. The Company produces gold from its Carosue Dam mine located northeast of Kalgoorlie, Western Australia.
Tanami Gold NL	Tanami Gold NL acquires, explores for and produces gold in central Western Australia and the Northern Territory. The Company's prospects include Highland Rocks, the West Australian Joint Venture and Harts Range.
Ramelius Resources Limited	Ramelius Resources Limited is a gold exploration and production company with exploration activities focused in Western Australia. The Company also explores for base metals.
Rand Mining Ltd.	Rand Mining Ltd. explores for and produces gold through its exploration projects in Western Australia.
Canyon Resources Ltd	Canyon Resources Ltd is a mining company which produces gold from its operations in the Western Australia.



## APPENDIX 4 - INDEPENDENT VALUATION REPORT - RAVENSGATE



**TECHNICAL PROJECT REVIEW**

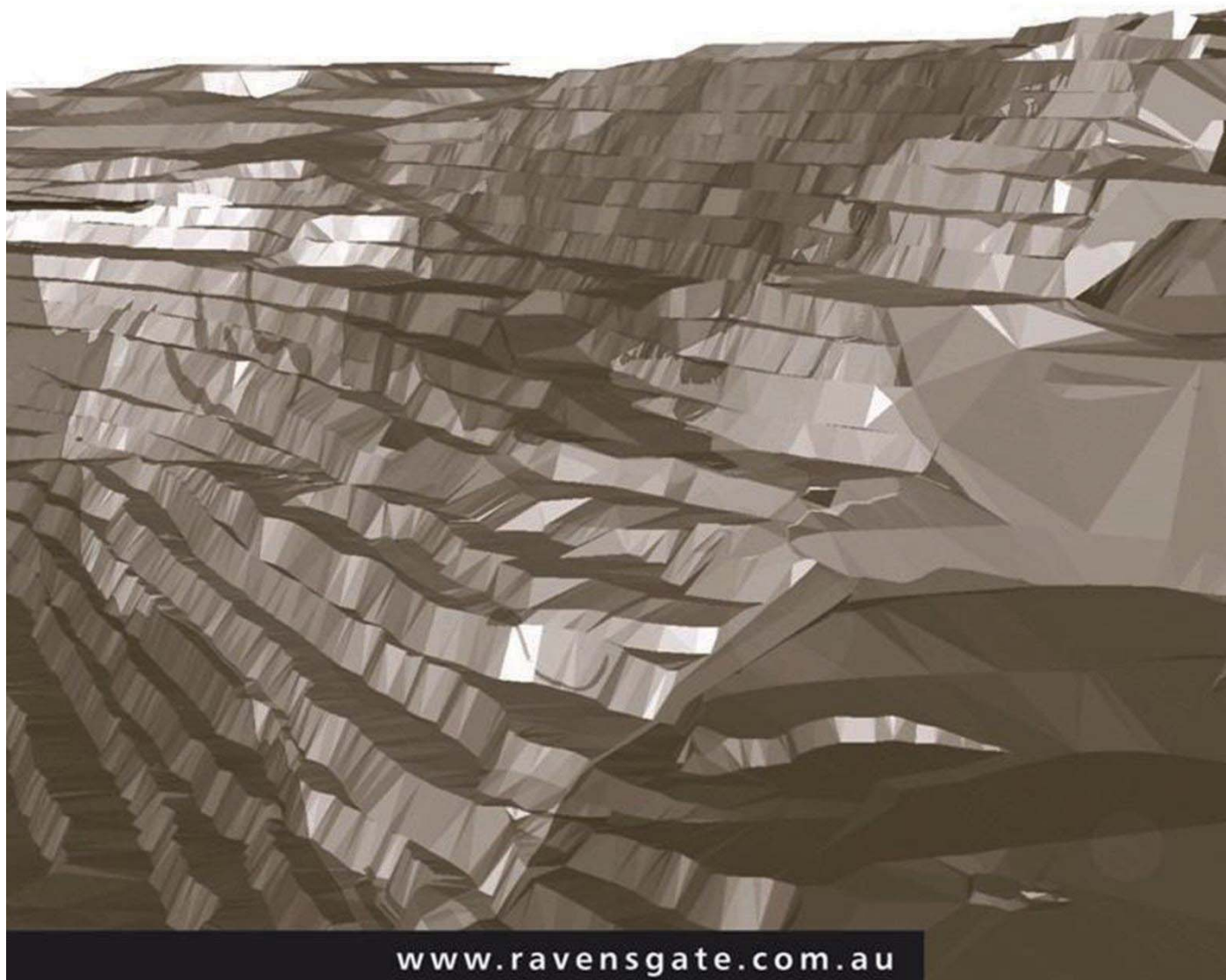
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**INDEPENDENT VALUATION REPORT**

**FOCUS MINERALS LIMITED TREASURE ISLAND MINERAL ASSET**

for

**BDO CORPORATE FINANCE (WA) PTY LTD**



[www.ravensgate.com.au](http://www.ravensgate.com.au)



# TECHNICAL PROJECT REVIEW

and

# INDEPENDENT VALUATION REPORT

**FOCUS MINERALS LIMITED TREASURE ISLAND MINERAL ASSET**

for

**BDO CORPORATE FINANCE (WA) PTY LTD**

23 October 2012

**Ravensgate Perth**

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# TECHNICAL PROJECT REVIEW and INDEPENDENT TECHNICAL VALUATION

Prepared by RAVENSGATE on behalf of:

**BDO Corporate Finance (WA) Pty Ltd**

---

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<b>Date:</b> 23 October 2012		
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For and on behalf of:  
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Sam Ulrich  
For and on behalf of:  
**RAVENSGATE**

Craig Harvey  
For and on behalf of:  
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This report has been commissioned from and prepared by Ravensgate for the exclusive use of BDO Corporate Finance (WA) Pty Ltd. Each statement or opinion in this report is provided in response to a specific request from BDO Corporate Finance (WA) Pty Ltd to provide that statement or opinion. Each such statement or opinion is made by Ravensgate in good faith and in the belief that it is not false or misleading.  
Each statement or opinion contained within this report is based on information and data supplied by Focus Minerals Limited to Ravensgate, or otherwise obtained from public searches conducted by Ravensgate for the purposes of this report.





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## 1. EXECUTIVE SUMMARY

### 1.1 Background

Corvidae Pty Ltd ATF Ravensgate Unit Trust T/As Ravensgate (Ravensgate) has been commissioned by BDO Corporate Finance (WA) Pty Ltd (BDO) and Focus Minerals Limited (Focus) to:

- (1) provide a Technical Project Review on Focus' Treasure Island Mineral Asset;
- (2) undertake an Independent Technical Valuation of the Treasure Island Project; and
- (3) review the reasonableness of the JORC (2004) Mineral Resource Estimate for the Burtville mine pit, the Burtville stage 2 mine pit and the Burtville stage 3 mine pit. This Resource Estimate will be used in the preparation of the financial model used to value the Laverton Project.

This Technical Project Review, Independent Valuation Report and assessment on the reasonableness of Mineral Resources was prepared by Ravensgate for inclusion in the Independent Expert's Report (IER) prepared by BDO Corporate Finance (WA) Pty Ltd (BDO). The IER will be included in Focus' notice of meeting and explanatory statement.

### 1.2 Focus' Treasure Island Project Australia (Gold) 0% and 100%

Focus' Treasure Island project is divided into tenements that are owned 100% by Focus and tenements that are under an option agreement. Any tenement applications in progress by Focus have not been included in this valuation of the Mineral Assets managed by Focus. The projects included in this report are as listed below:

<u>Mineral Asset</u>	<u>Focus Ownership %</u>
• E15/986 Treasure Island Project, Western Australia	100%
• E15/1224 Treasure Island Project, Western Australia	0%

Focus' Treasure Island project is located in the Eastern Gold Fields, 120 km south of Kalgoorlie, in Western Australia. Tenement details have been compiled for detailed review and are tabled in Section 6 of this report. Further exploration work remains to be carried out in order to help improve geological understanding, to generate or investigate exploration targets and to update Mineral Resources and associated ongoing economic studies (where defined and as further work progresses) within the project areas. Ravensgate's considered opinion is that the projects are of merit and worthy of further exploration.

Ravensgate carried out a site visit to the Treasure Island project in producing this report on the 26<sup>th</sup> September 2012. As part of the site visit Ravensgate completed a review of the project technical aspects, including previous work, geology, planned exploration and exploration potential in order to assist in the valuation. Ravensgate is of the opinion that on limited review, the site visit reasonably covered all significant areas for the purposes of this report. Ravensgate has concluded that Focus' Treasure Island project is of technical merit and is worthy of conducting further review and exploration.

The valuation presented in this report was completed on behalf of BDO. The valuation has been completed with information provided by and with the full support of Focus. The applicable valuation date is 23 October 2012. The Mineral Assets within Focus' Treasure Island project vary from Exploration Areas through to Advanced Exploration Area Mineral Assets. A reported Mineral Resource as defined by the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code - 2004 Edition) has not been defined for the Treasure Island project.

A summary of the Focus' Treasure Island project valuation in its respective ownership percentage terms is provided in Table 1 below. The applicable valuation report date is 23 October 2012 and



is derived from an analysis of the resource bases in conjunction with the Comparable Transactions valuation method. The value of Focus' Treasure Island project is considered to lie in a range from \$2.386M to \$4.696M, within which Ravensgate has selected a preferred value of \$3.079M.

Treasure Island Project	Mineral Asset	Ownership %	Valuation		
			Low \$M	High \$M	Preferred \$M
E15/986	Advanced Exploration Area	100%	2.386	4.696	3.079
E15/1224	Exploration Area	0%	0.000	0.000	0.000
<b>TOTAL</b>	<b>Various</b>	<b>0% &amp; 100%</b>	<b>2.386</b>	<b>4.696</b>	<b>3.079</b>

*The valuation has been compiled to an appropriate level of precision and minor rounding errors may occur.*

### 1.3 Burtville Resource Assessment (Gold)

There has been a significant increase in the total mineral resource reported at the Burtville Project since the introduction of Leapfrog Software to aid with the interpretation of the mineralised domains.

It appears as though the interpretation of the mineralised domains is optimistic and is probably reporting an inflated volume and ultimately an inflated tonnage for the project, specifically within the Inferred mineral resource category. The grade has potentially been smoothed and the inherent variability of the mineralisation appears to have been nullified.

The production plan contained in the Company Model as reviewed, totalled 109Koz for the Burtville, Burtville Stage 2 and the Burtville Stage 3 pits. The total mineral resource at Burtville at a 0.8g/t cut-off value totals 235Koz, of which 53Koz are classified as Indicated mineral resources.

It is likely that the Indicated mineral resources will be extracted as planned within acceptable limits. The greatest risk remains with the Inferred mineral resources not being adequately constrained which could result in greater than planned waste tonnages being mined in order to achieve the total planned ounces from Burtville.



## 2. INTRODUCTION

### 2.1 Terms of Reference

Corvidae Pty Ltd ATF Ravensgate Unit Trust T/As Ravensgate (Ravensgate) has been commissioned by BDO Corporate Finance (WA) Pty Ltd (BDO) and Focus Minerals Limited (Focus) to:

- (1) provide a Technical Project Review on Focus' Treasure Island Mineral Asset;
- (2) undertake an Independent Technical Valuation of the Treasure Island Project; and
- (3) review the reasonableness of the JORC (2004) Mineral Resource Estimate for the Burtville mine pit, the Burtville stage 2 mine pit and the Burtville stage 3 mine pit. This Resource Estimate will be used in the preparation of the financial model used to value the Laverton Project.

The Technical Project Review, Independent Valuation Report and assessment on the reasonableness of resources was prepared by Ravensgate for inclusion in the Independent Expert's Report (IER) prepared by BDO Corporate Finance (WA) Pty Ltd (BDO). Focus' Treasure Island project is divided into tenements owned 100% by Focus and those that are under an option agreement. Tenement applications currently in progress (i.e. pending) by Focus have not been included in this valuation of Mineral Assets owned by Focus. Ravensgate has been advised that all the project tenements in Australia are held in good standing.

Ravensgate has not independently verified the status of the tenement(s) that are referred to in this report as set out in the Tenement Schedule in Table 11 this report, which is a matter for independent legal experts. BDO commissioned an independent review of Focus' mineral tenement status. Legal firm Murcia Pestell Hillard (MPH) completed this review and identified no material issues that would impact on Ravensgate's valuation. Ravensgate is satisfied, based on MPH's review, that the tenements are in good standing and the values assigned to the tenements correctly reflect Focus' ownership.

The objective of this report is to firstly provide a Technical Project Review of Focus' Treasure Island project. The second objective of this report is to provide a valuation and technical assessment of the projects prepared in accordance with the guidelines of the VALMIN Code. The third objective is to provide an assessment on the reasonableness of the resources with respect to the Burtville mine pit, the Burtville stage 2 mine pit used and the Burtville stage 3 mine pit used in the preparation of the financial model used to value the Laverton Project. The work has been commissioned by BDO and Focus. The IER will be included in Focus' notice of meeting and explanatory statement.

Ravensgate carried out a site visit to the Treasure Island project in producing this report on the 26<sup>th</sup> September 2012. As part of the site visit Ravensgate completed a review of the project technical aspects, including previous work, geology, planned exploration and exploration potential in order to assist in the valuation. Ravensgate is of the opinion that based on its limited review the site visit reasonably covered all significant areas for the purposes of this report. Ravensgate has concluded that the Treasure Island projects is of technical merit and is worthy of conducting further review and exploration.

This report does not provide a valuation of Focus as a whole, nor does it make any comment on the fairness and reasonableness of any proposed transaction between any two companies. The conclusions expressed in this Technical Project Review and Independent Technical Valuation are valid as at the Valuation Date (23 October 2012). The review and valuation is therefore only valid for this date and may change with time in response to changes in economic, market, legal or political factors, in addition to ongoing exploration results. All monetary values included in this report are expressed in Australian dollars (A\$) unless otherwise stated.

This report has been prepared in accordance with the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (The



VALMIN Code) as adopted by the Australasian Institute of Mining and Metallurgy (AusIMM) in April 2005. The report has also been prepared in accordance with ASIC Regulatory Guides 111 (Contents of Expert Reports) and 112 (Independence of Experts). The Technical Project Review and Independent Technical Valuation report has been compiled based on information available up to and including the date of this report.

## 2.2 Qualifications, Experience and Independence

**Ravensgate** was established in 1997 and specialises in resource modelling and resource estimation services. The company has worked for major clients globally, including Freeport at Grasberg Mine, Ok Tedi Gold Mine in Papua New Guinea, Goldfields in Ghana, BHPB in Western Australia and many junior resource companies which are ASX (Australian Securities Exchange), TSX (Toronto Stock Exchange) or AIM (London Stock Exchange) listed companies. Ravensgate has focused upon providing resource estimations, valuations, and independent technical documentation and has been involved in the preparation of Independent Reports for Canadian, Australian, United States and United Kingdom listed companies.

### **Author: Neal Leggo, Principal Consultant, BSc (Hons) Geology, MAIG, MSEG**

**Neal Leggo** has over 28 years experience in minerals geology including senior management, consulting, exploration, development, underground mining and open pit mining. He has extensive experience with a wide variety of commodities including gold, copper, iron ore, silver, lead and zinc, uranium and manganese across numerous geological terrains within the Asia-Pacific region.

Prior to joining Ravensgate, Neal worked for FMG leading a large field team undertaking fast-track exploration, delineation and feasibility study of a major new iron ore discovery in the Pilbara of WA.

Previous to this Neal was Exploration Manager at Crescent Gold where he led a successful exploration team and also managed feasibility study and development work on seven gold deposits in preparation for mining. At Hatch he undertook numerous geological consulting assignments including scoping, prefeasibility and review studies, geological audit and due diligence. At BHP he modelled mineral resources including the Cannington, Mt Whaleback and Yandi world-class deposits.

Previous to this Neal worked 8 years in Mt Isa for MIM where roles included chief geologist for the Hilton underground lead zinc mine and exploration manager for Isa District. During the 1980s he worked as a field geologist across northern Australia on a wide variety of exploration projects and mines.

Neal offers extensive knowledge of available geological, geophysical, geochemical and exploration techniques and methodologies, combined with strong experience in feasibility study, development and mining of mineral deposits.

Neal completed an Honours degree in Geology at the University of Queensland in 1980 and holds the relevant qualifications, experience and professional associations required by the ASX, JORC and VALMIN Codes in Australia. He is a Qualified Person under the rules and requirements of the Canadian Reporting Instrument NI43-101.

### **Co-author: Sam Ulrich, Principal Consultant. BSc (Hons) Geology, GDApPFin, MAusIMM, MAIG, FFin.**

**Sam Ulrich** is a geologist with over 15 years experience in near mine and regional mineral exploration, resource development and the management of exploration programs. He has worked in a variety of geological environments in Australia, Indonesia, Laos and China primarily in gold, base metals and uranium. Prior to joining Ravensgate Sam worked for Manhattan Corporation Ltd a uranium exploration and resource development company in a senior management position. Mr Ulrich holds the relevant qualifications and experience as well as professional associations required by the ASX, JORC and VALMIN Codes in Australia to qualify as a Competent Person as





defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. He is a Qualified Person under the rules and requirements of the Canadian Reporting Instrument NI43-101.

**Co-author: Craig Harvey, Principal Consultant, NHD Economic Geology, MGSSA.**

**Craig Harvey** has had extensive experience of over 18 years in exploration geology, production geology, resource modelling and due diligence investigations. He has worked extensively within Southern Africa as well as offshore in Canada, Australia and Asia, conducting due diligence investigations across various operations from grassroots exploration properties to producing mines. Prior to joining Ravensgate, Craig has worked for Gold and Uranium producers Simmer and Jack Mines and First Uranium Corporation. Prior to this, he worked for Transvaal Gold Mining Estates modelling mineral resources from producing mines and managing exploration activities across extensive properties in a hydrothermal gold environment. He has worked for Harmony Gold Mines where he was part of the change management and due diligence team related to Harmony's growth strategy. He started his career with Gold Fields and gained production geology experience across a broad range of the operating mines in various commodities including gold, platinum and coal. Mr Harvey holds the relevant qualifications and experience as well as professional associations required by the ASX, JORC and VALMIN Codes in Australia.

**Peer Reviewer: Don Maclean, Principal Consultant, MSc (Hons) Geology, MAIG, MSEG.**

**Don Maclean** is a geologist with more than 18 years experience in the minerals industry. Don has worked in a number of different geological environments in Australasia, Africa, Central and Southeast Asia and Europe. He has a broad skill base, having worked in regional and near mine exploration, resource development and estimation, open pit and underground geology as well as in senior global management roles. Mr Maclean holds the relevant qualifications and experience as well as professional associations required by the ASX, JORC and VALMIN Codes in Australia to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. He is a Qualified Person under the rules and requirements of the Canadian Reporting Instrument NI43-101.

### 2.3 Disclaimer

The Authors of this report, and Ravensgate, have no prior association with Focus in regard to the mineral assets and have no interest in the outcome of the technical assessment.

Ravensgate is independent of Focus, its directors, senior management and advisors and has no economic or beneficial interest (present or contingent) in any of the mineral assets being reported on. Ravensgate is remunerated for this report by way of a professional fee determined in accordance with a standard schedule of commercial rates, which is calculated based on time charges for review work carried out, and is not contingent on the outcome of this report. Fees arising from the preparation of this report are in the order of \$25,000 to \$35,000.

The relationship with Focus is solely one of professional association between client and independent consultant. None of the individuals employed or contracted by Ravensgate are officers, employees or proposed officers of Focus or any group, holding or associated companies of Focus.

The report has been prepared in compliance with the Corporations Act and ASIC Regulatory Guides 111 and 112 with respect to Ravensgate's independence as experts. Ravensgate regards RG112.31 to be in compliance whereby there are no business or professional relationships or interests which would affect the expert's ability to present an unbiased opinion within this report.

This report has been compiled based on information available up to and including the date of this report. The statements and opinions are based on the reference date of 23 October 2012 and could alter over time depending on exploration results, mineral prices and other relevant market factors.



## 2.4 Consent

Ravensgate consents to this report being distributed, in full, in the form and context in which the technical assessment is provided, for the purpose for which this report was commissioned. Ravensgate provides its consent on the understanding that the assessment expressed in the individual sections of this report will be considered with, and not independently of, the information set out in full in this report.

## 2.5 Principal Sources of Information

The principal sources of information used to compile this report comprise technical reports and data variously compiled by Focus Minerals Limited (Focus) and their partners or consultants, publically available information such as ASX releases, government reports and discussions with Focus' technical and corporate management personnel. With the consent of Focus, other general report contents describing the regional geology, historical exploration and current exploration has been reproduced verbatim from a number of Focus internal and publically available reports. A listing of the principal sources of information is included in the references attached to this report

Ravensgate has endeavoured, by making all reasonable enquiries, to confirm the authenticity, accuracy and completeness of the technical data upon which this report is based. A final draft of this report was also provided to Focus prior to finalisation by Ravensgate, requesting that Focus identify any material errors or omissions prior to its final submission. Ravensgate does not accept responsibility for any errors or omissions in the data and information upon which the opinions and conclusions in this report are based, and does not accept any consequential liability arising from commercial decisions or actions resulting from errors or omissions in that data or information.

## 2.6 Competent Persons Statement

The information in this report that relates to Exploration Results at Treasure Island as described in Section 3 is based on information compiled by Dr Garry Adams who is a member of the Australian Institute of Geoscientists. Dr Adams is a full time employee of Focus Minerals and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Dr Adams consents to the inclusion in the report of the matters based on the information in the form and content in which it appears.

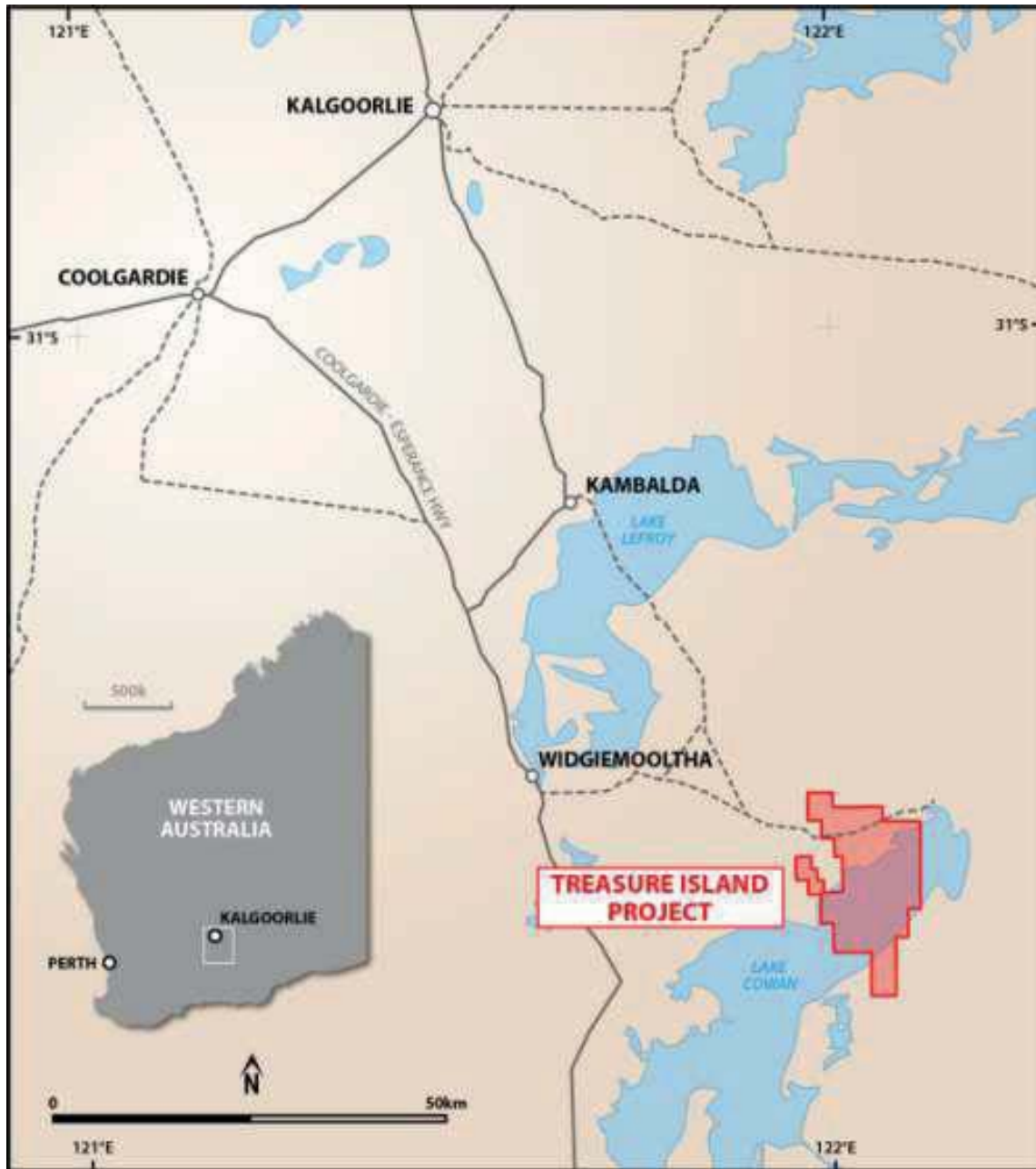
The information in this report that relates to Exploration Results and Minerals Resources at Burtville as described in Section 5 is based on information compiled by Dr Garry Adams a member of the Australian Institute of Geoscientists and a fulltime employee of Focus Minerals and Mr Tim Journeaux of Quantitative Group (QG) who is a member of the Australasian Institute of Mining and Metallurgy. Both Dr Adams and Mr Journeaux have sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Persons as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Dr Adams and Mr Journeaux consent to the inclusion in the report of the matters based on the information in the form and content in which it appears.

## 2.7 Background Information

The projects discussed in this report are located in Australia. A locality map of the Treasure Island project is presented in Figure 1 below. A summary of the tenement details is listed in Table 11 at the end of this report. Report file references and a glossary of terms are also included at the end of this report. Ravensgate understands that the project tenements in Australia are held in good standing. A brief overview of the projects is outlined in Section 3. The Independent Valuation of Focus' Treasure Island project is outlined in Section 4. The assessment of the reasonableness of the resources with respect to the Burtville mine pit, the Burtville stage 2 mine pit and the Burtville stage 3 mine pit is provided in Section 5.



Figure 1 Locality Map of Focus Mineral Limited's Treasure Island Project





### **3. TREASURE ISLAND PROJECT, WESTERN AUSTRALIA**

Note Competent Person statements are listed in Section 2.6.

#### **3.1 Introduction**

The Treasure Island project, originally known as the Lake Cowan project, commenced in 2010 with the signing of a purchase/joint-venture agreement with Semro Pty Ltd. The project is located 560km east of Perth, 120km south of Kalgoorlie, and 35km south-southeast of Kambalda (Figure 1). The project area falls within the Norseman Mineral Field and is covered by the Widgiemooltha (SH51-14) 1:250,000 map sheet and Cowan (3234) and Yardina (3334) 1:100,000 map sheets. The project tenements cover the Madoonia Downs Station and vacant crown land. The project can be accessed via sealed and gravel roads. Major access is off the Coolgardie-Esperance Highway, down the Binneringie Road then along station tracks to the project. Kalgoorlie is a 1 hour, 40 minute drive north-north east of the project.

The physiography is dominated by Lake Cowan which is a salt lake about 260m above sea level. The remainder of the project area is quite flat; relief rises gradually to the north and the south away from Lake Cowan. Drainages and the salt lake are dry for most of the year, except during periods of locally heavy rainfall, which typically occurs mainly during the autumn to winter period from April to July. It is possible to gain access to most of the project by quad bike and four-wheel drive vehicle, except during wet periods when the normally hard packed clay of the lake bed turns very soft and muddy.

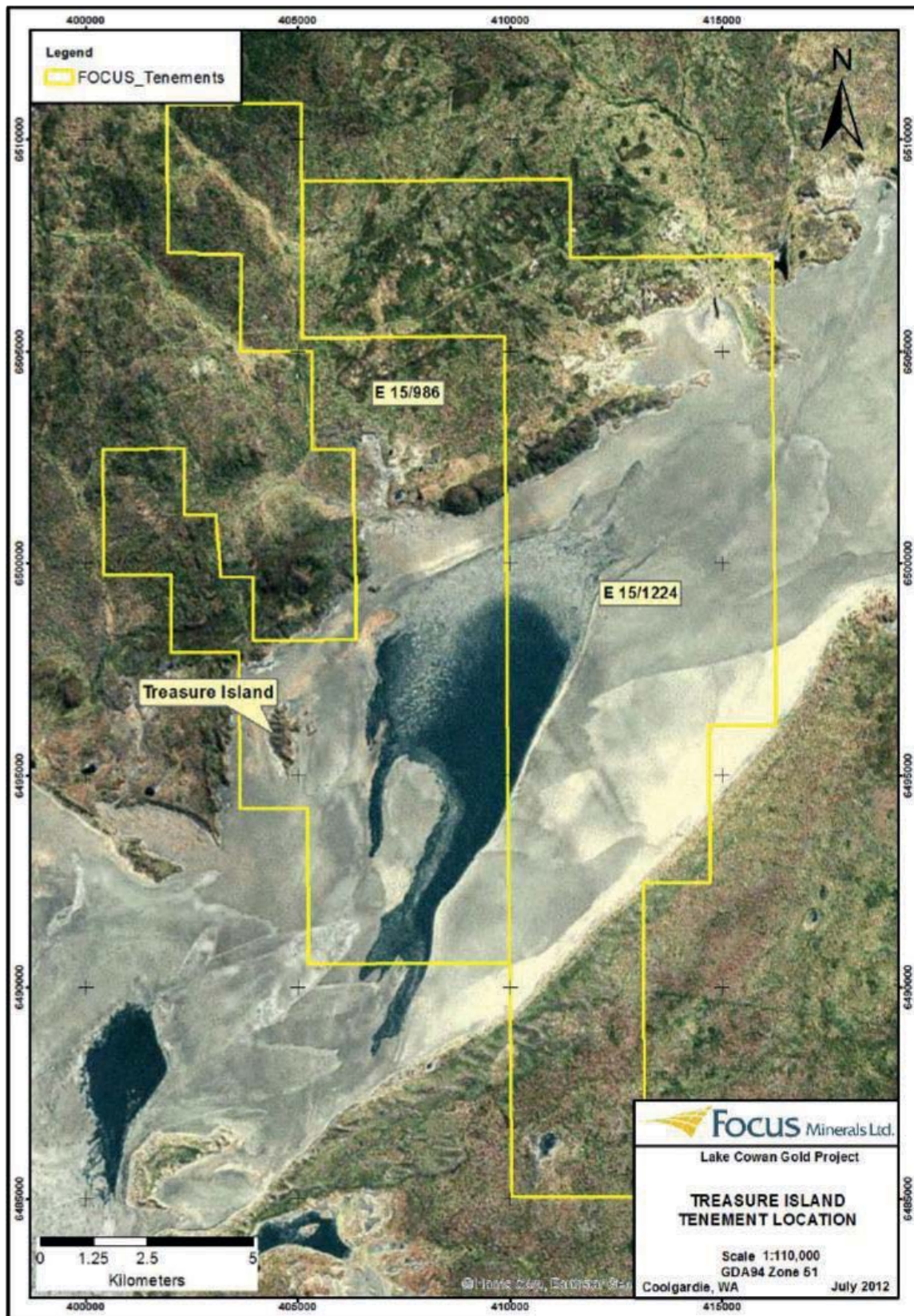
#### **3.2 Tenure**

The Treasure Island gold project covers the exploration licenses E 15/986 and E 15/1224 which are held by Semro Pty Ltd, with Focus Minerals being the operator. Total area of the tenements is 227km<sup>2</sup>. Tenure location is shown in Figure 2.





Figure 2 Tenement Location Map





### 3.3 Geology

#### 3.3.1 Regional Geology

The Treasure Island project sits on the western margin of the north-northwest trending Norseman-Wiluna greenstone belt, in the Kambalda Domain of the Eastern Goldfields in Western Australia. This Archaean terrain has a significant gold endowment, hosting large gold deposits including the Golden Mile, New Celebration and St Ives. This belt of greenschist facies metamorphosed rocks is characterized by abundant tholeiites and komatiites, overlain by felsic volcanic and sedimentary rocks and intruded by granitic rocks. The broad stratigraphy of the Kambalda Domain is summarized in Table 2.

<b>Table 2 Archaean Stratigraphy of the Kambalda - St Ives District (after Watchorn, 1998)</b>		
The submarine volcanic succession comprises, from youngest to oldest:		
Black Flag group	black shales, graywackes, volcanoclastic rocks	
Condensor/Junction Dolerite	intrusive sill above the Paringa Basalt	2680 ± 8Ma
Paringa Basalt	pillowed to massive magnesian lavas	
Defiance Dolerite	intrusive sill at the Kapai Slate	2680 ± 8Ma
Kapai Slate	sulfidic and tuffaceous shale, marker horizon	
Devon Consoles Basalt	pillowed to massive magnesian lavas	
Kambalda Komatiite	ultramafic flows	2709 ± 4 Ma
Lunnon Basalt	ultramafic flows	2720 Ma
Cross-cutting intrusives into the volcanic succession:		
Rhyolite porphyry	intrusive dykes and stocks	2678 ± 8 Ma

Deformation of the volcano-sedimentary succession in the Kalgoorlie-Kambalda area is subdivided by Swager (1989) into four events: D1 recumbent folding and nappe-style thrusting, D2 upright folding producing regional north-west trending folds, D3 sinistral wrench faulting in a transpressional regime, with the major faults trending north-northwest, and D4 dextral wrench faulting, with most faults trending north-northeast. D3 is younger than ca. 2660 Ma. Some authors do not recognise early recumbent folding and thrusting in the Kalgoorlie district but agree with Swager on the timing and nature of the three remaining deformation phases, which have been considered part of a progressive deformational event (Weinberg et al, 2005).

The north-northwest trending Boulder-Lefroy shear zone is a major shear zone, over 200km in length, located within the greenstone sequence of the Kalgoorlie terrane in the southern part of the 600km long Norseman-Wiluna belt. The shear zone can be traced from the Paddington gold mine, north of Kalgoorlie, to south of Kambalda. Through its southern section, the trend of the Boulder-Lefroy shear zone is parallel to the main regional fabric, but its main trace is relatively poorly defined because of lack of exposure combined with a number of strands and splays. Many authors separate the Boulder shear zone, to the north, from the Lefroy shear zone to the south (Weinberg et.al, 2005).



### 3.3.2 Local Geology

Recent exploration by Focus, including detailed mapping, aeromagnetic interpretation, aircore drilling and diamond drilling, has greatly improved definition of local geology within the tenements.

The tenement area is dominated by a shallow cover of young sediments and alluvial deposits which mask underlying basement rocks which host the gold mineralisation. The basement consists of a sequence of strongly folded and faulted metamorphosed Archaean volcanics and intrusives, which have been intruded by Archaean granitoids and Proterozoic gabbro/dolerite dykes. Figure 3 illustrates the interpreted basement geology. The Binneringie Dyke, which strikes east-west through the centre of the project area, is one of the largest Proterozoic dykes in the region. The Boulder-Lefroy shear zone, a north-northwest trending regional structure, runs through the project area. This structure lies close to a number of the region's largest gold deposits further to the north as indicated on Figure 10 and is considered to be closely linked to the formation of the deposits (Adams et al, 2011<sup>\*</sup> and Adams, 2012<sup>\*</sup>).

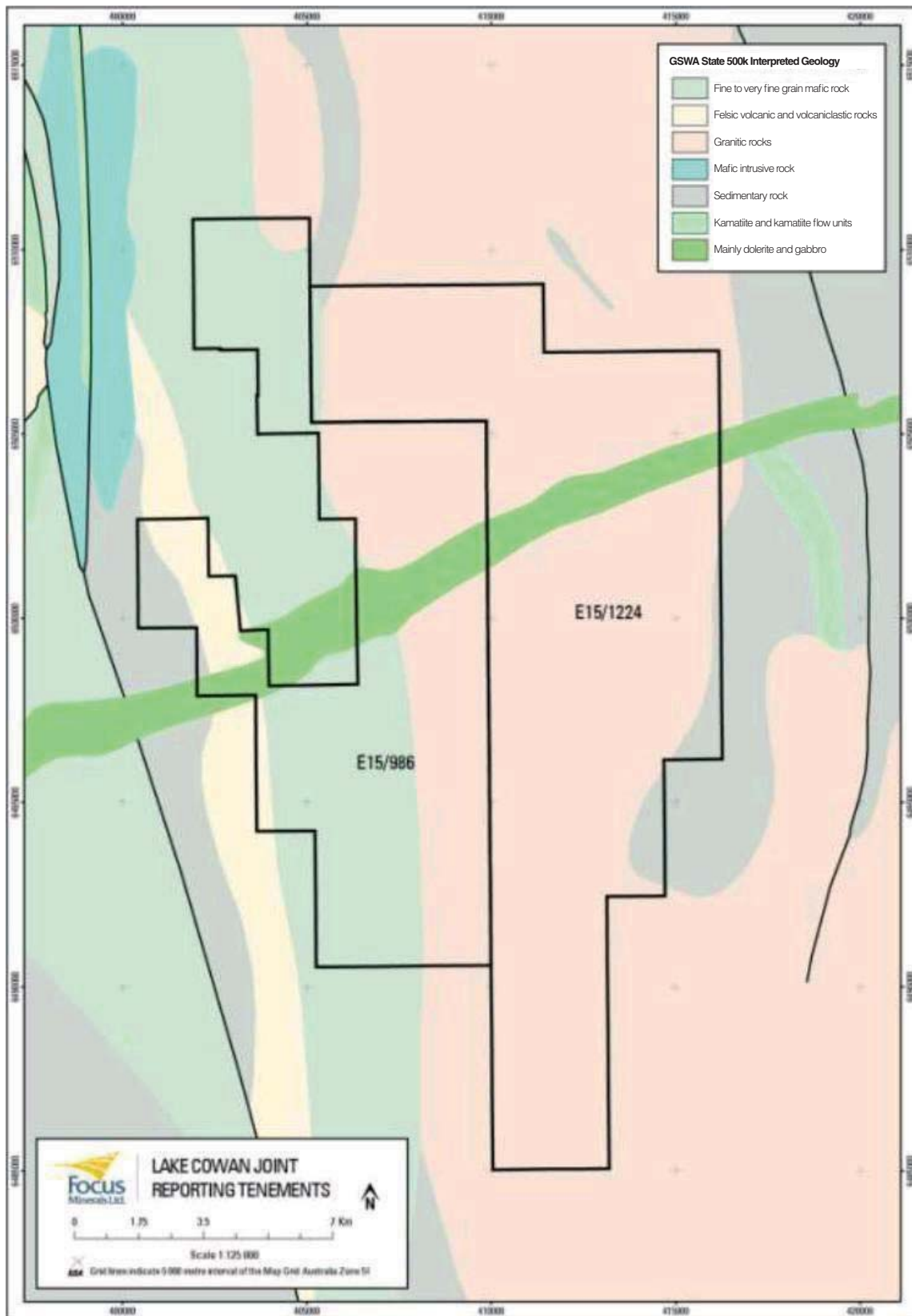
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<sup>\*</sup> Dr Garry Adams the author of Adams, 2012 and lead author for Adams et al, 2011 has given written consent for Ravensgate to quote from these two reports.





Figure 3 Geological Map of the Project Area





In the northern part of the tenement, several palaeochannels filled with Tertiary aged sediments up to 55m thick cover the Archaean basement rocks. The extents of the palaeochannels have been defined by drilling undertaken by Focus. In the central part of the tenement, lacustrine sediments deposited under Lake Cowan cover the Archaean rocks. Aircore and diamond drilling by Focus are gradually elucidating the detailed local geology of the underlying basement.

The geological mapping of the Treasure Island area has defined three main interpreted stratigraphic units - Defiance Dolerite, Paringa Basalt and the Black Flag Beds. On the island, a thick +150m granophyric horizon exists near the top of the Defiance Dolerite. This granophyric zone contains characteristic blue eye quartz, spinel group minerals and minor magnetite. It hosts the quartz vein gold mineralisation at the Black Dog, Blind Pew and Black Spot prospects. Along the shore line of Lake Cowan, west of Treasure Island, mapping has identified felsic volcanoclastic sediments and rhyolite flows of the lower Black Flag Group. This unit is known in the Kambalda area as the Newtown Felsics. These rocks sit conformably over the high-magnesium basalt sequence which makes up nearly half of Treasure Island. Mapping in north-east of the island just north of the Binneringie Dyke has defined a 1000m wide east-west orientated palaeochannel (Adams et al 2011\* and Adams, 2012\*).

Structurally, the geology strikes 010°, slightly east of north against the regional grain of 340°, all the way from Treasure Island to the Binneringie Dyke. This is an unusual geological orientation for the region and correlates with an increasing structural complexity and degree of veining in alteration. The Boulder-Lefroy fault is interpreted to exist some 300m east of the island marking a major thrust repeat of the stratigraphy (Adams et al, 2011\*).

Diamond drilling at Treasure Island has intersected veins hosted in the granophyric horizon of the Defiance Dolerite. This particular zone is located near the top of the differentiated dolerite containing blue-eye quartz, spinel group minerals and coarse grained amphiboles and feldspar. Most holes intersected narrow quartz veining with minor disseminated sulphides including pyrrhotite, pyrite and chalcopyrite. A particularly interesting rock type logged in diamond drilling is lamprophyre, a lithology commonly spatially associated with orogenic gold mineralisation in the Kalgoorlie-Kambalda region.

The Treasure Island project is located 35km south-southeast along strike from the major gold camp of Kambalda - St Ives.

### 3.4 Exploration

#### 3.4.1 Historic Exploration

No recorded production from the project area has been reported, nor have any historical workings been found. The nearest historic workings are at the nearby abandoned Paris mine, located 9km north of Lake Cowan, where copper-gold mineralisation is hosted in chalcopyrite and arsenopyrite rich west-northwest trending quartz veins in a metagabbro. Recorded production at Paris is approximately 22,000 ounces of gold at an average grade of 11.1g/t (Adams et al 2011\*).

Initial rock chip sampling on Treasure Island in the early 1990s by Renton Holdings encountered malachite stained quartz carbonate vein system. Renton planned to follow up with drilling; however the company was unable to get a rig onto the island due to difficult weather conditions (Adams et al, 2011\*).

From 1992 to 1996 the Lefroy joint venture between Resolute Samantha Ltd, Geographic Resources Ltd and Great Southern Mines NL, explored exploration licence E15/291 which covered the western most portion of the project area and areas off tenement to the West. Exploration targeted Archaean hosted shear zone gold deposits. Extensive soil geochemistry defined a 1km long geochemical target to which was tested with 12 rotary air blast holes for 366m. No significant results were received and the tenement was subsequently relinquished. Resolute stated they intended to test the anomaly with RC drilling, but this never eventuated.

\* Dr Garry Adams the author of Adams, 2012 and lead author for Adams et al, 2011 has given written consent for Ravensgate to quote from these two reports.



Tenements were pegged over the project area in 1994 by ASX listed company Welcome Stranger, which carried out additional geochemical and chip sampling as well as detailed mapping. Mapping on the island delineated a north-south shear with associated 290-310° trending quartz carbonate veins; gossanous ironstones with malachite and azurite staining. The shear is located on the contact of a gabbro and volcanic exhalative shale dolomite sequence and is approximately 40m wide. The sequence has been intruded by small dolerite bodies. Rock chip sampling was undertaken. A wide spaced soil geochemical sampling program undertaken by Welcome Stranger identified a wide zone of interest. Welcome Stranger also attempted to drill test these geochemical anomalies. After several attempts to get a rig to the location over a three year period, a small RC rig was mobilised to the island and drilled 12 holes to a maximum depth of 30 metres. The rig could only get to within 50m of the island due to water. Eight of these holes were drilled parallel to the shear structure and missed the mineralisation. The remaining four intersected the structure and encountered copper and zinc levels above 20ppm (Adams et al, 2011\*).

A local group of prospectors (Semro Pty Ltd) acquired tenure over the project in late 2007 and subsequently conducted rock chip sampling and geochemical sampling was undertaken. No other work was conducted by Semro. In mid-June 2010 Focus Minerals reached an agreement with Semro to acquire a 75% stake in the Treasure Island project. In early March 2011 Focus Minerals acquired the remaining 25% of the project (Adams et al, 2011\*).

### 3.4.2 Current Exploration (2010 onwards)

Since acquisition of the project in 2010, work completed by Focus has included purchasing publically available aeromagnetic images data, data review, data validation and compilation, aerial photography, geological mapping, aeromagnetics, soil geochemistry, MMI geochemistry, rock chip sampling, aircore drilling, diamond drilling and associated analytical testing of geochemical and drill samples. Geophysical work conducted has included a detailed low level airborne magnetic survey over the entire tenement package. Geological mapping at 1:5,000 scale has covered Treasure Island and parts of the lake shoreline. Rock chip and soil sampling was carried out mainly over the Island. Aircore drilling was undertaken on the lake and in the north. Diamond drilling was conducted on the lake bed following up quartz veining outcropping on the Island and aircore anomalies.

#### 3.4.2.1 Aerial Photography

Fugro Spacial Solutions flew aerial photography over the entire tenement area in 2010, obtained orthoimagery from Landgate that was derived from 1:25,000 photography flown in 2005 and from these sets of 1:25,000 scale and 1:5,000 scale, orthoimages were produced.

#### 3.4.2.2 Geological mapping and Interpretation

Geological mapping at 1:5,000 scale was carried out by Focus geologists over four 1:5,000 scale sheets covering the Treasure Island and parts of the mainland using orthoimages for control. Factual and interpretive geological maps were developed and used to guide further exploration. Figure 4 provides an example of that part of the interpretive geology map covering Treasure Island. Limited detailed 1:5,000 scale mapping was carried out in areas away from Treasure Island including just north of the Binneringie Dyke where a 1000m wide east-west orientated palaeochannel was mapped.

Detailed mapping has delineated the main strike of the stratigraphic units and identified three main orientations of quartz veining (striking 320 degrees, 008 degrees and 170 degrees). All three quartz vein orientation sets appear mineralised with abundant oxidised sulphides and minor copper oxides present.

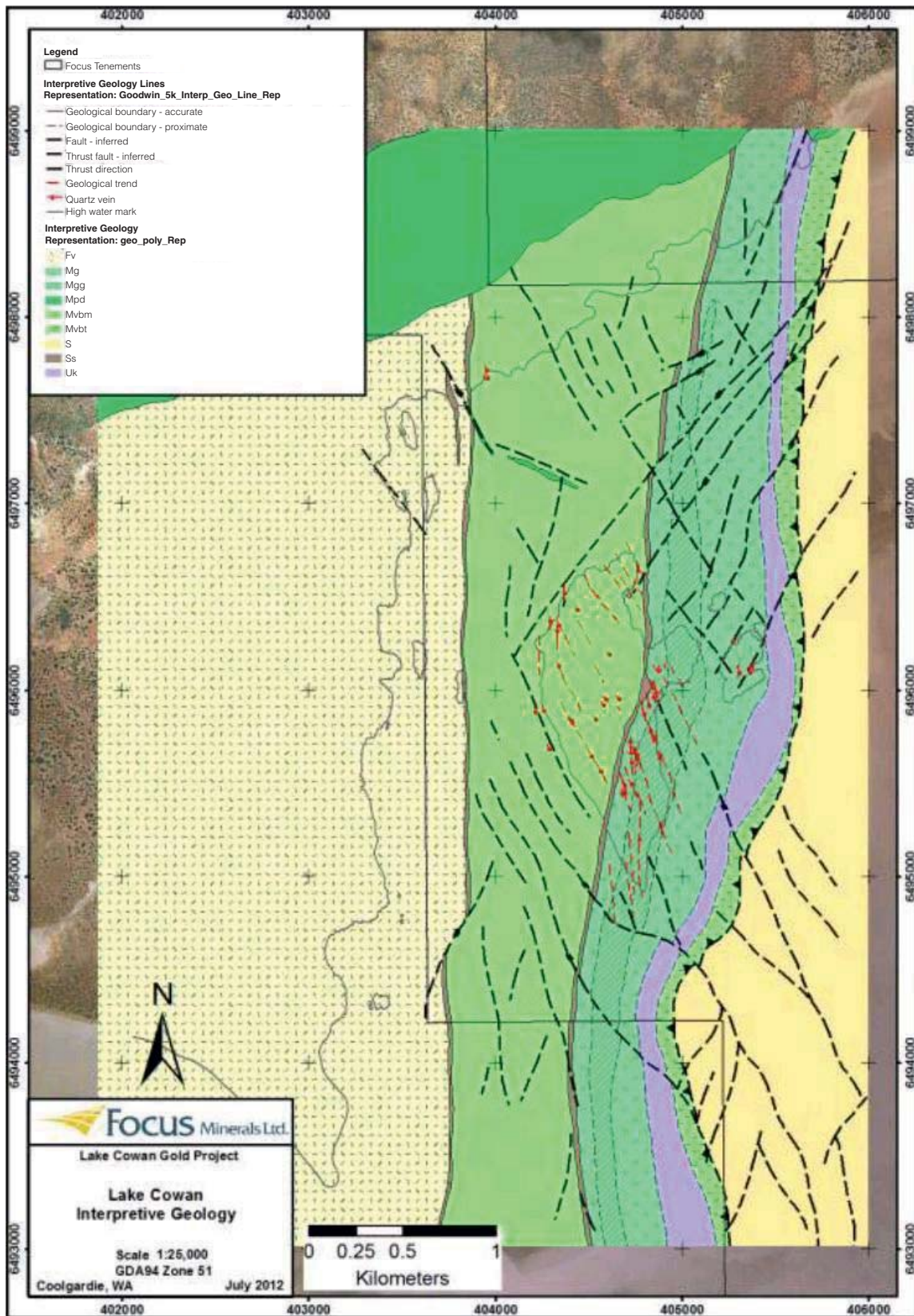
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\* Dr Garry Adams the author of Adams, 2012 and lead author for Adams et al, 2011 has given written consent for Ravensgate to quote from these two reports.





Figure 4 Detailed Geological Map of Treasure Island





### 3.4.2.3 Geophysics

All available aeromagnetic imagery over the tenements was procured by Focus. A detailed low level aeromagnetic survey was conducted over the project area by GPX (50m flight height, 50m spaced east-west lines, 3,761km). SGC processed the raw data to produce a set of high quality aeromagnetic maps at a variety of scales and depictions including TMI and 1VD (Figure 5). Significant lithological and structural information was gleaned from these magnetic images through detailed interpretation by focus geologists. These were used in conjunction with the regional mapping to aid in target generation under the lake.





Figure 5 Geophysical Image of Aeromagnetic Data - First Vertical Derivative





#### 3.4.2.4 Geochemistry

Focus have utilised a variety of geochemical techniques to aid in exploration of the tenements. In Ravensgate's opinion appropriate field sampling methods were employed with samples submitted for analysis to ALS Laboratory Group and Intertec Genalysis which are accredited laboratories. Quality assurance and quality control procedures have been put in place by Focus to check the reliability of the results.

A surface soil sampling program was conducted over the entire area of Treasure Island on a 100m x 40m grid at 20cm depth, with 230 samples of -2mm fraction submitted for low level ppb Au analysis. No anomalous results were received.

An orientation MMI (mobile metal ions) survey on the lakes surface was carried out in the immediate area surrounding Treasure Island. Results were disappointing and it was concluded that the MMI geochemical technique would not be viable in such an active environment.

Rock chip samples were collected by Focus geologists in conjunction with the detailed 1:5,000 scale mapping of Treasure Island and its surrounds (Figure 6). The majority of the 262 samples collected were of quartz veining and majority of the quartz samples returned 40 gold values above 1g/t Au, with the best returning 58.90g/t Au (Adams et al 2011<sup>\*</sup>) Detailed tables of the analytical results of the rock chip sampling are provided by Focus in a series of publicly available reports to the ASX (Focus 2010 and Focus 2011).

The results from the southern end of the island at Blind Pew (Figure 6), which include 33.3g/t, 18.0g/t and 15.3g/t (Figure 8), are from three separate north-south striking quartz veins that strike to the south under the lake. The veins are consistently 0.5-1m thick and contain fine visible gold associated with oxidised sulphide grain boundaries striking for 50-70m before disappearing beneath the lake surface (Adams et al, 2011<sup>\*</sup>).

On the eastern side of the island at Black Dog (Figure 6 and Figure 9) the quartz veins containing rock chip results of 58.9g/t, 45.7g/t and 9.4g/t come from the same vein array made up of at least three separate veins ranging in average thickness from 0.5-2m and interpreted to strike nearly 300m in length before running under the lake surface. The thickest of the veins have been observed to contain visible gold as pinheads and fine disseminations associated with the oxidised sulphides along its entire 300m strike length. Oxidised sulphides occur on both the footwall and hanging wall contacts within the host gabbro rock unit are also disseminated throughout the vein thickness. The main vein in places approaches 4-5m in thickness with the whole array approaching 20m. Of note is that these outcropping auriferous veins have no sign of historic workings which is surprising given the project's location and proximity to historically mined areas. Nearer the lake, there are further parallel veins with small link veins running between them. All contain oxidised sulphide grains, fractures and fine grains of visible gold were observed in specimens (Adams et al, 2011<sup>\*</sup>).

The Billy Bones prospect located 300m north of Black Dog consists of a 50m long north-striking quartz reef (Figure 6). The vein was systematically sampled yielding encouraging results, including 45.4g/t, 9.9g/t and 7g/t Au (Adams et al, 2011<sup>\*</sup>).

The presence of visible gold in the quartz veins on Treasure Island was confirmed by a Ravensgate geologist during the site inspection conducted for this independent valuation.

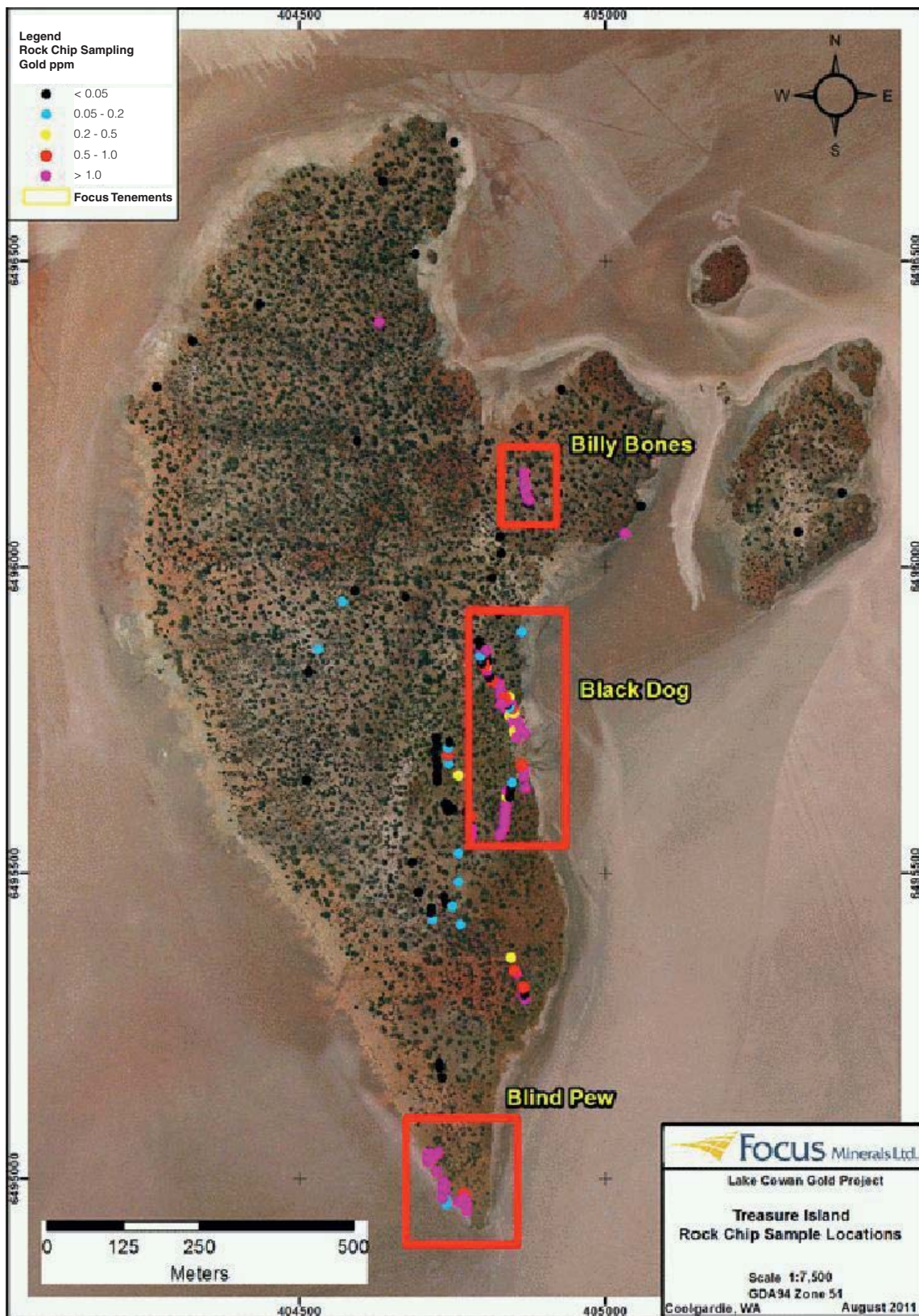
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<sup>\*</sup> Dr Garry Adams the author of Adams, 2012 and lead author for Adams et al, 2011 has given written consent for Ravensgate to quote from these two reports.





Figure 6 Rock Chip Sample Locations





### 3.4.25 Drilling

Diamond drilling was the first drilling technique employed by Focus in 2011 to follow up the rock chip sampling results obtained from the quartz reefs on Treasure Island which were greater than 1g/t Au. Conventionally RC drilling would have been utilised for such an investigation, but heavy RC rigs cannot access across the boggy lake bed separating the Island from the mainland, necessitating the use of more expensive coring techniques. However the resulting drill core did provide excellent geological and structural information and confirmed the presence of gold mineralisation down dip. Surface geochemical techniques proved ineffective in testing for gold in the Archaean rocks buried below the lake sediments therefore Focus employed the aircore drilling technique to provide samples of regolith and bedrock from below the base of the lake sediments for geochemical analysis. This technique proved successful and several programs were completed. Further diamond drilling programmes were also undertaken by Focus. Results of the various drilling campaigns are summarised in the following sections.

Ausdrill were contracted for drilling on the lake bed using a combination diamond-aircore drill rig specifically fitted out for manoeuvring on salt lakes. Mondrill were contracted for aircore drilling on the palaeochannel system using a tyre mounted drill rig.

### 3.4.26 Aircore Drilling

Aircore drilling was conducted across three areas: Eastern Zone (3km to the east of Treasure Island); the Treasure Island trend; and, the palaeochannel (immediately to the north of Lake Cowan). The samples were logged and then sampled based on geology on 4m composite intervals. All samples were assayed by Genalysis using the 10g aqua assay method or the 50g fire assay method.

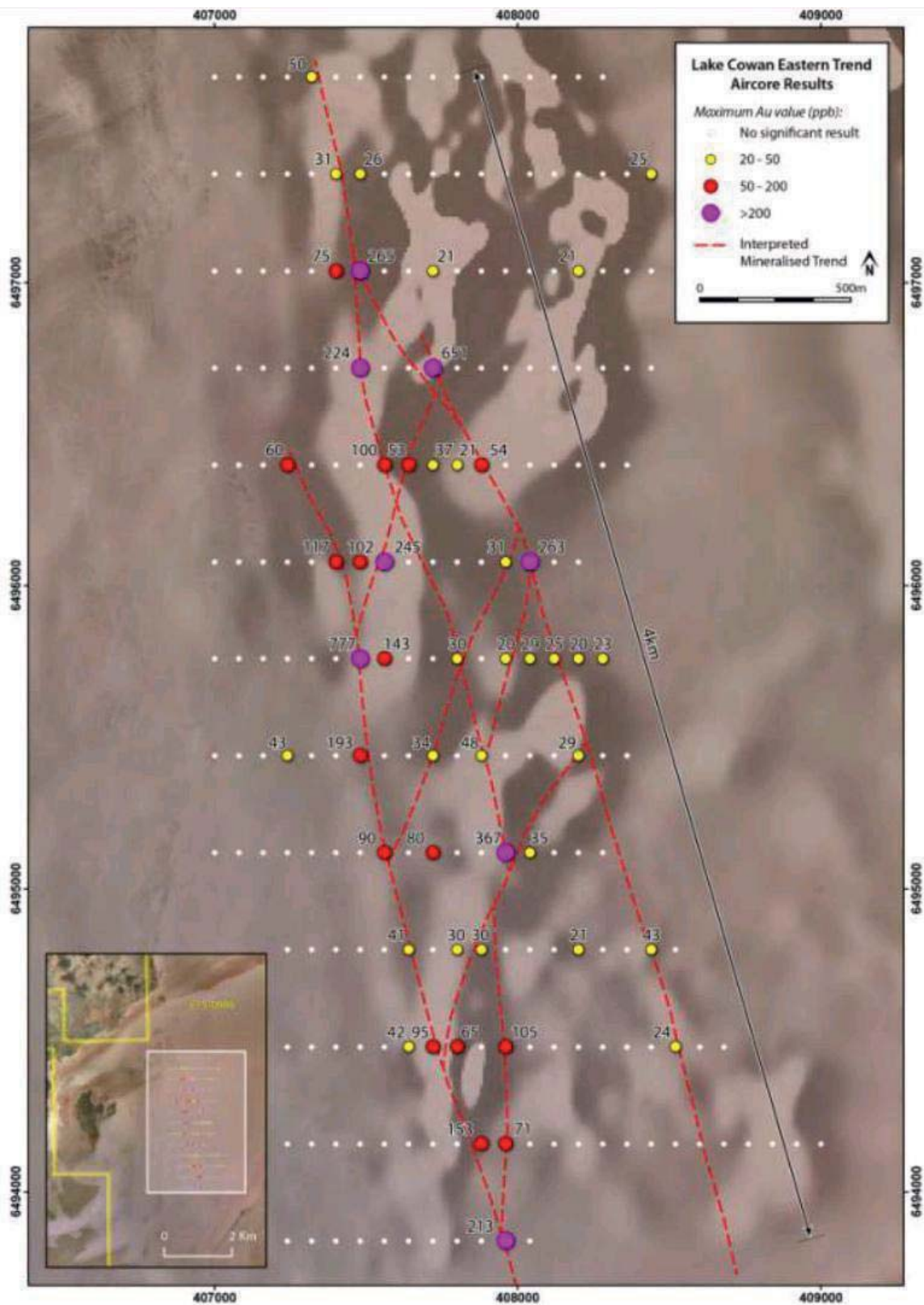
#### Eastern Zone

The Eastern Zone prospect was identified from aeromagnetics, where Focus interpreted a structurally complex repeat of the Treasure Island stratigraphy buried under lake sediments 3km to the east of the island. Aircore drilling was conducted at reconnaissance spacing of 320m x 80m, with anomalous (>50ppb Au) zones being infilled at an 80m x 40m pattern with 19,034m in 382 holes testing the Eastern zone. Drilling completed to date has identified a new gold bearing system that extends over a 4km strike length (Figure 7), and remains open along strike in both directions. The system is structurally complex with favourable geology similar to that found to the west on Treasure Island. Logging indicates a thick package of Black Flag sediments with abundant quartz veining. In the western part of the drilling area a magnesium rich basalt and gabbro-dolerite unit occurs in close proximity, similar to the Paringa basalt and Defiance dolerite of Treasure Island. A 200m plus thick gabbro-dolerite unit, containing a granophyric horizon, has been logged. In Ravensgate's opinion further extensional and infill aircore drilling is warranted to further test this zone.





Figure 7 Eastern Zone Aircore Drilling Gold Results in PPB





### Treasure Island Trend

Reconnaissance aircore drilling was conducted along the stratigraphic trend to the north and south of Treasure Island. The drilling concentrated on the interpreted position of the dolerite/gabbro sequence mapped on the Island. Aircore drilling was conducted at reconnaissance spacing of 320m x 80m, with anomalous zones being infilled at an 80m x 40m pattern with 6,023m in 285 holes completed to date. The program produced 7 holes with values greater than 50ppb Au. However Focus geologists (Adams et al, 2011<sup>\*</sup>) consider that it has not adequately tested the trend, as the weathering profile is very shallow, compared to what has been seen along the Eastern Zone trend. As a result, any potential primary gold structure would not develop a large gold halo (as is commonly the case in the Eastern goldfields where a thick regolith profile has developed). Aircore drilling has confirmed the continuation of the dolerite/gabbro package seen on Treasure Island. Ravensgate concurs with Focus' interpretation and is of the opinion that further drill testing is warranted.

### Palaeochannel

A palaeochannel system was identified through interpretation of the aeromagnetic immediately to the north of Lake Cowan. The system drains into Lake Cowan through a break in the Binnering Dyke. A total of 3,642m in 93 holes have been drilled at reconnaissance spacing of 320m x 80m to test for deep leads in the base of the channel and the Archaean basement below the channel. There were no significant results from the aircore drill program. The drilling identified a grit horizon of coarse sands, rounded quartz pebbles, lignite and sulphides including pyrite and marcasite. This horizon is 2-5m thick at an average depth of 35m.

#### 3.4.2.7 Diamond Drilling

A substantial amount of diamond drilling has been undertaken by Focus with 48 holes drilled across the Blind Pew, Black Dog, Billy Bones, Spy Glass and Eastern Zone prospects for 7,218m of core.

Ausdrill were contracted for drilling on the lake bed at Lake Cowan using a specialised lake diamond and aircore drill rig. Aircore drilling was conducted along two identified trends - the Treasure Island trend and the Eastern Zone trend (approximately 3km to the east of Treasure Island). Diamond core drilling was used to target mineralised vein systems identified on Treasure Island, and to target anomalies on the Eastern Zone trend identified from the aircore drilling. Drill size was dominantly NQ2 with some HQ2. The path of all holes was recorded by down hole surveys and the orientation of core was determined for each run. All core was logged in detail by an experienced geologist including a detailed structural log. Half core samples were obtained by diamond blade sawing and dispatched to Genalysis (50g fire assay) or ALS Laboratory Group (40g fire assay) except for samples containing visible gold, for which 500g screen fire assay was used. Any samples for which the fire assay result was over 100g/t Au were also re-assayed by 500g screen fire assay. Drilling data including collar, survey, assay, logging and down hole data were verified by geologists and preserved digitally by loading into a database.

Detailed tables of the significant analytical results of the diamond drill core sampling are provided in Table 3 and by Focus in a series of publicly available reports to the ASX.

### Blind Pew

Several phases of drilling at Blind Pew intersected sporadic but high grade mineralisation (1.78 - 24.38g/t Au) in narrow quartz veins with sulphides and fine visible gold. Hole locations, traces and best intersections are shown in Figure 8 and Table 3. The drill holes testing the auriferous veins mapped on the surface, all intersected narrow quartz veins containing sulphides and fine visible gold. The veins represent two parallel systems some 40m apart beneath the island not visible at the surface because of covering windblown sands. Drilling to date at Blind Pew has shown the vein to have a strike length in excess of 200m, with a down dip extent of 80m vertical; however spacing is too wide to define a resource at this stage of exploration. The veins are hosted in the granophyric horizon of the Defiance Dolerite; a unit which hosts much gold

<sup>\*</sup> Dr Garry Adams the author of Adams, 2012 and lead author for Adams et al, 2011 has given written consent for Ravensgate to quote from these two reports.



mineralisation in both the Kalgoorlie and Kambalda areas. Further drilling is required to test the overall strike extent of the system.

Two holes were drilled to test the interpreted position of the Boulder-Lefroy fault to the south and east of Treasure Island. Both holes intersected significant shearing associated with chlorite-biotite alteration, significant quartz-carbonate veining and some finely disseminated sulphides; however geology in the holes suggests the Boulder-Lefroy Fault lies further to the east.

**Figure 8** Blind Pew - Vein Rock Chips and Diamond Drilling, results > 3g/t Au





## Black Dog

Diamond drilling was also conducted at Black Dog to initially test several outcropping high grade (>1g/t) gold mineralised quartz veins mapped at the surface (Figure 6 and Figure 9) and subsequently to test the depth and strike potential around significant intercepts. Several holes intersected mineralised quartz veins with fine visible gold with associated disseminated and blebby sulphides within the favourable granophyric horizon. Hole locations, traces and best intersections are shown in Table 3 and Figure 9. The veins remain open at depth and along strike to the south. The quartz vein system at Black Dog now has an approximate strike length of 400m, with a vertical down dip extent of over 60m and with vein widths up to 2.3m. Ravensgate consider that further close space RC drilling is warranted to define the potential of this prospect.

**Table 3 List of Diamond Drill Core Assays > 1.0g/t Au**

Hole Number	From (m)	To (m)	Interval (m)	Grade g/t (Au)
<b>Blind Pew</b>				
BPDD001	61.00	62.00	1.00	6.56
	162.43	163.00	0.57	20.50
BPDD002	32.54	32.96	0.42	8.43
	145.18	145.48	0.30	13.40
	93.61	94.00	0.39	6.92
BPDD003	170.00	171.00	1.00	1.63
BPDD004	33.00	33.60	0.60	1.50
	106.60	107.15	0.55	1.43
	173.48	174.00	0.52	1.51
BPDD005	11.95	12.25	0.30	37.90
	15.00	15.50	0.50	6.61
	142.00	142.30	0.30	1.46
BPDD007	88.00	89.00	1.00	3.64
BPDD008	78.66	82.44	3.78	6.30
BPDD010A	81.60	81.90	0.30	2.74
	187.00	188.00	1.00	1.64
	191.46	192.32	0.86	1.32
BPDD015	54.76	55.30	0.54	1.78
	58.90	59.25	0.35	2.82
	148.00	150.00	2.00	14.90
BPDD016	39.00	39.50	0.50	24.38
BPDD017	44.30	44.76	0.46	3.55
<b>Black Dog</b>				
BDDD003	42.28	42.66	0.38	13.90
BDDD007	20.62	21.05	0.43	12.11
BDDD009	14.10	15.00	0.90	3.28





**Table 3 List of Diamond Drill Core Assays > 1.0g/t Au**

Hole Number	From (m)	To (m)	Interval (m)	Grade g/t (Au)
BDDD011	49.50	52.04	2.54	10.80
BDDD013	41.00	41.30	0.30	10.82
BDDD014	57.45	57.76	0.31	1.77
BDDD017	28.50	28.70	0.20	1.15
BDDD018	39.51	39.81	0.30	2.45
BDDD021	31.76	32.40	0.64	1.36
BDDD022	27.70	28.30	0.60	2.64
<b>Billy Bones</b>				
BBDD001	109.00	110.00	1.00	1.96
	124.10	124.60	0.50	1.63
<b>Eastern Zone</b>				
LCDD001	116.55	117.00	0.45	2.06

### Billy Bones

Diamond drilling was conducted at Billy Bones to test along strike to the south from several outcropping high grade gold mineralised quartz veins mapped at the surface. The outcrop is on top of the island to the north where access is difficult. The three holes were sited 200m to the south-east of the outcrop on the lake bed. Results from the drilling were disappointing however in Ravensgate's opinion, drill testing immediately below the outcropping mineralised quartz veins is warranted.

### Spy Glass

Diamond drilling was conducted at Spy Glass at the northern end of Treasure Island to test below numerous copper rich quartz-carbonate sulphide outcropping veins. Holes were drilled from the north and south to test for various dip scenarios. Both holes failed to intersect significant mineralisation with only minor veins intersected close to the surface. It is quite possible that the veins exhibit a shallow plunge component that is not evident at the surface. Further drilling is warranted.

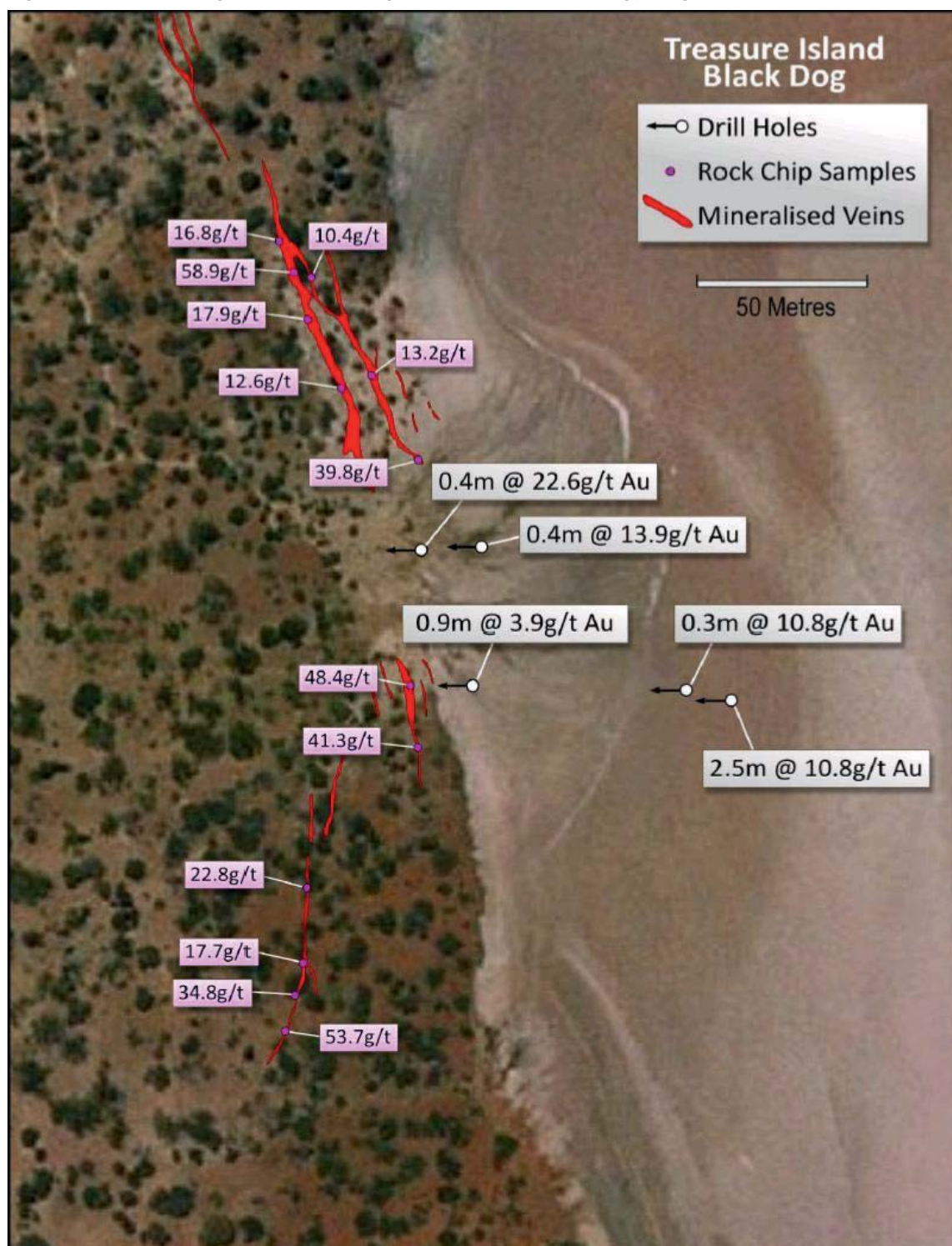
### Eastern Zone

Preliminary diamond drilling was conducted on the Eastern Zone in order to determine the stratigraphy of the prospect area and targeting an area based on the aircore results (Section 3.4.2.6). An initial hole passed through sediments, high-magnesium basalt, thin flow ultramafics and finally into footwall basalt. Some minor zones of quartz veining with alteration were intersected; the strongest was adjacent to the sediment - basalt contact. This zone, containing several quartz veins up to 1m thick with minor sulphides including pyrite, pyrrhotite and galena, strong shearing with abundant biotite and chlorite alteration. The only significant assay result Table 3 was returned from within this zone. The second hole was drilled up dip of the first, but no significant quartz veining or alteration was observed. This would suggest that the sediment - basalt contact is not the source of the anomalism intersected in the aircore holes. Focus is planning to undertake further diamond drilling along the trend.





Figure 9 Black Dog - Vein Rock Chips and Diamond Drilling, > 3g/t Au





#### **3.4.2.8 QAQC**

Focus have undertaken a substantial QAQC program to check and substantiate the integrity of the analytical work, including the submission certified reference samples including blanks and standards with batches of samples. The external laboratories also reported their internal standards and blanks. In Ravensgate's opinion Focus' QAQC program is appropriate for the stage of the project and indicates an acceptable standard of analytical precision has been maintained.

#### **3.5 Treasure Island Project Potential**

Based on the technical review of project data and its site visit, Ravensgate is of the opinion that the Treasure Island has good prospectivity for gold. The various prospectivity factors which Ravensgate examined while reaching this conclusion are summarised in the following sections.

##### **3.5.1 Positive Prospectivity Factors**

The project is positioned in a prospective location in terms of a regional geological and gold mineralisation setting. It lies in one of the most well-endowed gold regions in the world (Yilgarn Terrain) within the most richly endowed greenstone belt (Norseman-Wiluna) in that terrain. Treasure Island is located on the southern extension of a major crustal feature (Boulder-Lefroy Shear Zone) which is spatially associated with numerous large gold deposits including the Golden Mile, New Celebration, Paddington and St Ives lying along strike to the north. The area shares the similar stratigraphic sequences to those which hosts these large gold deposits.

Recent published research on the kinematic history of the Boulder-Lefroy shear zone system and controls on Yilgarn gold mineralisation (Weinberg et al, 2005, Weinberg et al, 2004), point to a structural and genetic relationship between the Boulder Lefroy shear zone and numerous gold deposits (Figure 10).





Figure 10 Kalgoorlie Kambalda Region Showing Gold Distribution





The distribution of gold deposits along the Boulder-Lefroy shear zone follows a remarkable pattern (Figure 11) where the major mining districts characterised by peaks in gold endowment are spaced approximately 35 km apart (Weinberg et al., 2005).

**Figure 11 Gold Endowment Along The Boulder Lefroy Shear Zone**

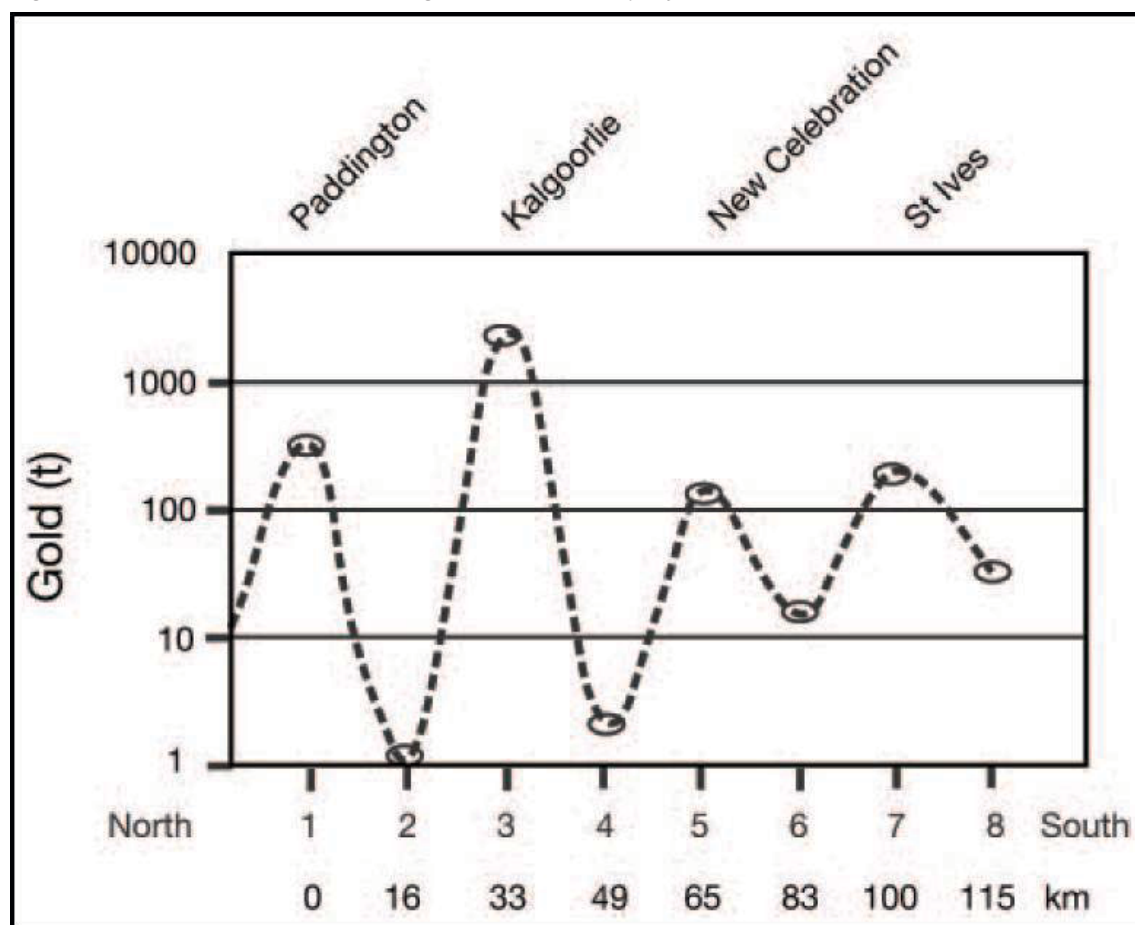


Figure 11 (after Weinberg et al., 2005) graphs gold endowment measured in boxes 17km long and 10km wide, centred at the Boulder-Lefroy shear zone and aligned parallel to it, covering its length from north of Paddington to south of St Ives. Endowment includes all gold produced and known reserves within each box. Gold peaks occur at regular intervals of approximately  $35 \pm 5$  km. Interestingly the more endowed a district is, the less endowed are the adjacent zones along strike (Weinberg et al, 2005).

Ravensgate notes that the Treasure Island project is located 35km south-southeast along the shear zone strike from the next major gold camp St Ives (Figure 10) and that the Boulder-Lefroy shear zone has been interpreted in the project area.

Other factors which enhance prospectivity of the project include:

- Gold mineralisation has been identified nearby - the structural setting, local geology and mineralisation style of the historic Paris mine located 8km to the north is similar to that at Treasure Island. The Paris mine produced some 22,000 ounces of gold at an average grade of 11g/t.



- The project area stratigraphy is known to host gold deposits - the geology of the Treasure Island area is interpreted to be comprised of three main stratigraphic units which are the Defiance Dolerite, Paringa Basalt and volcanoclastic rocks of the Black Flag Beds. A thick (+150m) granophyric horizon exists near the top of the interpreted Defiance Dolerite. This granophyric zone contains characteristic blue eye quartz, spinel group minerals and minor magnetite. It hosts the quartz vein mineralisation with visible gold at Black Dog, Blind Pew and Black Spot. The zone can be interpreted/traced using detailed aeromagnetics north and south of the island for some 6kms. This particular horizon is the main host unit to gold mineralisation at both the Kambalda and the Golden Mile Gold deposits.
- Presence of lamprophyre - a core hole at Black Dog has intersected a lamprophyre, an intrusive rock commonly spatially associated with lode gold deposits in Archaean terranes around the world, including the Yilgarn.
- High-grade visible gold in quartz veins at the surface - detailed systematic rock chip sampling of quartz vein and zones of veining on Treasure Island have returned 40 gold grades above 1.0g/t. The samples revealed visible gold in quartz for a number of different vein sets. The veins display consistent thickness and contain visible gold associated with oxidised sulphides. The main race strike about 100m with each vein striking for 50m to 70m. The array of veins (striking 320 degrees, 008 degrees and 170 degrees) is similar to those seen at St Ives, and indicate a primary stress field the same as the D3 event, which was the main gold mineralising event.
- High-grade visible gold in quartz veins intersected in diamond core - drilling at three prospects (Blind Pew, Black Dog and Billy Bones) has confirmed be down dip continuity of the auriferous vein systems Table 3; however spacing is too wide to define a resource at this stage of exploration.
- The Boulder-Lefroy shear zone - interpreted to exist some 300m east of the island marking a major thrust repeat of the stratigraphy.
- Complex Structural Setting - regionally rocks of the Kalgoorlie domain strike on average at 340 degrees, the regional grain. At Treasure Island the geology strikes 010 degrees, slightly east of north against the regional grain. Because of this angle difference in the major structures this may have created a favourable structural setting for mineralising fluids to transport and deposit gold. This unique geological orientation exists all the way north of the island to the Binneringie Dyke. On the northern side of the Binneringie dyke the geology swings back to 340 degrees.
- Alteration and Shearing - diamond holes at Black Dog and Eastern Zone intersected significant shearing associated with chlorite-biotite alteration, significant quartz-carbonate veining and some finely disseminated sulphides. The amount of shearing and alteration seen in these holes is substantial and may indicate a major structure nearby.
- Proterozoic dykes - an empirical observation is that large intrusive dolerite dykes of Proterozoic age cut across the Boulder Lefroy shear zone near several large gold deposits. It is postulated that they exploit pre-existing crustal weaknesses which also controlled earlier gold mineralisation events. A large Proterozoic dyke cuts across the project area.

### 3.5.2 Negative Prospectivity Factors

Exploration under salt lakes is more difficult and more expensive than equivalent work on land, but has been successfully undertaken at many locations throughout the Goldfields. The depth of lake sediment in the tenement area is quite shallow especially within several kilometres of the island and most of the eastern zone (5 -15 metres). Depths increase to 50m or 60m in places but this is still manageable. Exploration has been hindered by unseasonal rain events which have caused flooding of the normally dry Lake Cowan. It can be expected that exploration will continue to be delayed by similar episodic rainfall events into the future. The cost of undertaking potential development and mining of mineral deposits discovered under Lake Cowan would be higher than for equivalent deposits on dry land.





Standard practice in the Goldfields is to use reverse circulation (RC) drilling methods to test and define gold mineralisation at depths shallower than 150m. Heavy RC rigs cannot traverse the soft sediments of the lake floor, explaining why no RC has been undertaken. It is Ravensgate's opinion that close spaced RC drilling under the three main prospects (Blind Pew, Black Dog, Billy Bones, Spy Glass) would be of benefit to assist in advancing the project. RC drilling would be possible with the construction of a causeway from the mainland and raised drill pads.

At the Palaeochannel Prospect the results from the aircore program were disappointing. The channel has now been tested over a 2km strike length. However a further 1.5km remains to be tested to the south before it enters Lake Cowan.

### 3.5.3 Exploration Strategy and Methodology

Ravensgate considers that Focus have appropriately experienced personnel and exploration programs in place to effectively explore the project area. Key members of the Focus exploration team have considerable experience successfully exploring for gold in the Yilgarn Terrain. Exploration over the last two years has been systematic, based on appropriate geological concepts and has used effective methods.

#### 3.5.3.1 Targets

Treasure Island Zone - there is significant opportunity to explore to the north, to the south and down dip throughout the Treasure Island zone.

Eastern Zone - exploration in 2011 discovered a second gold bearing system concealed under lake sediments some 3km to the east of the island through a program of aircore drilling. This target zone was identified by interpretation of detailed airborne geophysical magnetic data which identified a structural pattern very similar to the structure and stratigraphy of the Treasure Island area. Aircore and diamond drilling confirmed the presence of a second thrust fault at the project; suggesting that the Boulder-Lefroy fault system could have split in two through the project area. The drilling revealed a thick package of Black Flag sediments with abundant quartz veining. In the western part basalt and gabbro-dolerite unit occurs in close proximity, similar to the Paringa basalt and Defiance dolerite of Treasure Island. A 200m plus thick gabbro-dolerite unit, containing a granophyric horizon, has been identified within the sediments. This unit may be stratigraphically equivalent to the Junction dolerite at the St Ives gold camp. This eastern package appears to be structurally complex and contains widespread quartz veining and disseminated sulphides which are important ingredients for gold mineralisation. Interpretation of this zone has revealed several high priority exploration targets under the lake.

E15/1224 - reconnaissance phase exploration of this particularly underexplored but highly prospective tenement represents an excellent opportunity to generate further targets using the same proven exploration methodology employed to date on the project. Most of the tenement is covered by salt lake. A syenite body in the south eastern portion of the tenement provides the opportunity for a different exploration strategy focusing on intrusion controlled gold mineralisation.

E15/986 - parts of the main tenement remain underexplored and further reconnaissance phase exploration represents further opportunities to generate high priority targets.

#### 3.5.3.2 Nickel Prospectivity

A hole drilled at the Blind Pew prospect intersected a thick 200m sequence of talc-carbonate ultramafics before passing into pillowed mafic basalt that looks like a low magnesium tholeiitic basalt. The hole finished at 363m ending in pillowed basalts. The geology in this hole is significant as it indicates that the footwall basalt exists in the stratigraphic sequence. This is a good target for nickel sulphide mineralisation as stratigraphically equivalent units host nickel deposits in the Kambalda area 30 to 40km north. Continued gold exploration will provide further geological data which will aid interpreting the nickel prospectivity of the tenement. At this stage however, the value of the tenement lies nearly entirely with its gold potential.





## 4. VALUATION

### 4.1 Introduction

There are a number of recognised methods used in valuing “mineral assets”. The most appropriate application of these various methods depends on several factors, including the level of maturity of the mineral asset, and the quantity and type of information available in relation to the asset. All monetary values included in this report are expressed in Australian dollars (A\$) unless otherwise stated.

The Valmin Code, which is binding upon “Experts” and “Specialists” involved in the valuation of mineral assets and mineral securities, classifies mineral assets in the following categories:

- Exploration Areas refer to properties where mineralisation may or may not have been identified, but where specifically a Mineral Resource has not been identified.
- Advanced Exploration Areas refer to properties where considerable exploration has been undertaken and specific targets have been identified that warrant further detailed evaluation, usually by some form of detailed geological sampling. A Mineral Resource may or may not have been estimated but sufficient work will have been undertaken that provides a good understanding of mineralisation and that further work will elevate a prospect to the resource category. Ravensgate considers any identified Mineral Resources in this category would tend to be of relatively lower geological confidence.
- Pre-Development Projects are those where Mineral Resources have been identified and their extent estimated, but where a positive development decision has not been made. This includes projects at an early assessment stage, on care and maintenance or where a decision has been made not to proceed with immediate development.
- Development Projects refers to properties which have been committed to production, but which have not been commissioned or are not operating at design levels.
- Operating Mines are those mineral properties, which have been fully commissioned and are in production.

Various recognised valuation methods are designed to provide the most accurate estimate of the asset value in each of these categories of project maturity. In some instances, a particular mineral property or project may include assets that comprise one or more of these categories. When valuing Exploration Areas and therefore by default where the potential is inherently more speculative than more advanced projects, the valuation is largely dependent on the informed, professional opinion of the valuer. There are a number of methods available to the valuer when appraising Exploration Areas.

The Multiple of Exploration Expenditure (“MEE”) method can be used to derive project value, when recent exploration expenditure is known or can be reasonably estimated. This method involves applying a premium or discount to the exploration expenditure or Expenditure Base (“EB”) through application of a Prospectivity Enhancement Multiplier (“PEM”). This factor directly relates to the success or failure of exploration completed to date, and to an assessment of the future potential of the asset. The method is based on the premise that a “grass roots” project commences with a nominal value that increases with positive exploration results from increasing exploration expenditure. Conversely, where exploration results are consistently negative, exploration expenditure will decrease along with the value. The following guidelines are presented on selection of the PEM:

- PEM = 1. Exploration activities and evaluation of mineralisation potential justifies continuing exploration.
- PEM = 2. Exploration activities and evaluation of mineralisation potential has identified encouraging drill intersections or anomalies, with targets of noteworthy interest generated.
- PEM = 3. Exploration activities and evaluation of mineralisation potential has identified significant grade intersections and mineralisation continuity.



Where transactions including sales and joint ventures relating to mineral assets that are comparable in terms of location, timing, mineralisation style and commodity, and where the terms of the sale are suitably “arm’s length” in accordance with the Valmin Code, such transactions may be used as a guide to, or a means of, valuation. This method (termed Comparable Transactions) is considered highly appropriate in a volatile financial environment where other “cost based” methods may tend to overstate value.

The Joint Venture Terms valuation method may be used to determine value where a Joint Venture Agreement has been negotiated at “arm’s length” between two parties. When calculating the value of an agreement that includes future expenditure, cash and/or shares payments, it is considered appropriate to discount expenditure or future payments by applying a discount rate to the mid-point of the term of the earn-in phase. Discount factors are also applied to each earn-in stage to reflect the degree of confidence that the full expenditure specified to completion of any stage will occur. The value assigned to the second and any subsequent earn-in stages always involves increased risk that each subsequent stage of the agreement will not be completed, from technical, economic and market factors. Therefore, when deriving a technical value using the Joint Venture Terms method, Ravensgate considers it appropriate to only value the first stage of an earn-in Joint Venture Agreement. Ravensgate have applied a discount rate of 10.0% per annum to reflect an average company’s cost of capital and the effect of inflation on required exploration spends over the timeframe required.

The total project value of the initial earn-in period can be estimated by assigning a 100% value, based on the deemed equity of the farminor, as follows:

$$V_{100} = \frac{100}{D} \left[ CP + \left( CE * \frac{1}{(1+I)^{\frac{t}{2}}} \right) + \left( EE * \frac{1}{(1+I)^{\frac{t}{2}}} * P \right) \right]$$

where:

- $V_{100}$  = Value of 100% equity in the project (\$)
- $D$  = Deemed equity of the farminor (%)
- $CP$  = Cash equivalent of initial payments of cash and/or stock (\$)
- $CE$  = Cash equivalent of committed, but future, exploration expenditure and payments of cash and/or stock (\$)
- $EE$  = Uncommitted, notional exploration expenditure proposed in the agreement and/or uncommitted future cash payments (\$)
- $I$  = Discount rate (% per annum)
- $t$  = Term of the Stage (years)
- $P$  = Probability factor between 0 and 1, assigned by the valuer, and reflecting the likelihood that the Stage will proceed to completion.

Where Mineral Resources remain in the Inferred category, reflecting a lower level of technical confidence, the application of mining parameters using the more conventional DCF/NPV approach may be problematic or inappropriate and technical development studies may be at scoping study level. In these instances it is considered appropriate to use the ‘in-situ’ Resource method of valuation for these assets. This technique involves application of a heavily discounted valuation of the total in-situ metal or commodity contained within the resource. The level of discount applied will vary based on a range of factors including physiography and proximity to infrastructure or processing facilities. Typically and as a guideline, the discounted value is between 1% and 5% of the in-ground value of the metal in the Mineral Resource.

In the case of Pre-development, Development and Mining Projects, where Measured and Indicated Mineral Resources have been estimated and mining and processing considerations are known or can be reasonably determined, valuations can be derived with a reasonable degree of confidence by compiling a discounted cash flow (DCF) and determining the net present value (NPV).



The Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC code, 2004) sets out minimum standards, recommendations and guidelines. A Mineral Resource defines a mineral deposit with reasonable prospects of economic extraction. Mineral Resources are sub-divided into Inferred, Indicated and Measured to represent increasing geological confidence from known, estimated or interpreted specific geological evidence and knowledge. An Ore Reserve is the economically minable part of a Measured or Indicated Resource after appropriate studies. An Inferred Resource reflecting insufficient geological knowledge, cannot translate into an Ore Reserve. Measured Resources may become Proved (highest confidence) or Probable Reserves. Indicated Resources may only become Probable Reserves.

#### 4.2 Previous Mineral Asset Valuations

Ravensgate is not aware, nor have we been made aware, of any valuations over Focus' Treasure Island Project. Exploration tenements have not been included in the valuation where tenure or permits have not been granted to the relevant company and the company does not therefore have any ownership over tenement mineral assets or any exploration value within the tenements.

#### 4.3 Material Agreements

Ravensgate has been commissioned by BDO Corporate Finance (WA) Pty Ltd and Focus Minerals Limited (Focus) to provide an Independent Technical Project Review and Valuation Report. The Technical Project Review and Valuation report encompasses Focus' Treasure Island Project. The Technical Valuation report provides an assessment of the Australian "Exploration Area" and "Advanced Exploration Area" mineral assets listed below which either are owned 100% by Focus or under an option agreement. Brief details of the ownership and option agreement can be listed as follows.

<u>Mineral Asset</u>	<u>Focus Ownership %</u>
• Treasure Island Project E15/986, Western Australia	100%
• Treasure Island Project E15/1224, Western Australia	0% (option to acquire 100%)
<b>Focus' Treasure Island Project, Western Australia</b>	<b>0% &amp; 100%</b>

On the 4 March 2011 Focus announced it had entered into an option to purchase agreement with Semro Pty Ltd (Semro) over tenement E15/1224 at the Treasure Island project. The key commercial terms of the agreement are as follows:

- Under the terms of the option Focus will grant Semro 1,000,000 fully paid ordinary shares (\$325,000). On exercising the option Focus will issue Semro a further 15 million Focus options in return for 100% ownership of E15/1224. The options will be issued in three tranches, with the first exercisable at 10 cents within two year, the second at 15 cents within three years and the third at 20 cents within four years.

Ravensgate understands all active mining and exploration tenements are granted at this point in time and are in good standing.

Ravensgate is not aware, nor have been made aware, of any other agreements that have a material effect on the provisional valuations of the mineral assets, and on this basis have made no adjustments on this account.



#### 4.4 Comparable Transactions

Ravensgate has completed a search for publicly available market transactions involving gold projects, without resources within Western Australia. Transactions reflect comparable tenement holdings in geological provinces that are considered prospective for similar commodities, and that are of similar prospectivity to the minerals assets being valued. In Ravensgate's opinion and experience, it is understood that individual market transactions are rarely completely identical to the relevant project area or may not necessarily contain all the required information for compilation. In practice, a range of implied values on a dollar per metal unit or dollar per square kilometre of tenement holding will be defined as suitable for use. The transactions identified along with the implied cash-equivalent values are summarised in Section 4.4.1 by commodity and region.

Publicly available market transactions have been separated to reflect transactions on a dollar per square kilometre of tenement holding or on a dollar per metal unit for a more advanced Exploration Target or Mineral Resource. This was undertaken to reflect the varying levels of geological exploration carried out within the various project tenements. In general terms, exploration projects may start with a relatively large tenement holding where a lack of detailed geological sampling and knowledge renders the use of the "in-situ" yardstick valuation method inappropriate (i.e. an "Exploration Area Mineral Asset"). For these particularly early-stage exploration areas comparable transactions on a dollar per square kilometre basis are more relevant. As the project advances and as geological sampling and knowledge increase, tenement areas tend to decrease to match a narrowing focus on more prospective areas. For these areas where specific, drill sample supported Exploration Targets have been identified that warrant further detailed evaluation or Mineral Resources require estimation, comparable transactions on a dollar per metal unit basis may be more appropriate (i.e. an "Advanced Exploration Area Mineral Asset or Pre-Development Project at early assessment").

##### 4.4.1 Reported Market Transactions

###### 4.4.1.1 Reported Market Transactions Involving Exploration and Advanced Exploration Area Gold Projects in Western Australia

Ravensgate's analysis of Western Australian market transactions for Exploration and Advanced Exploration Area Mineral Asset gold projects (Table 4) indicates an implied value between \$303 and \$456,116 per km<sup>2</sup> for Exploration and Advanced Exploration Area Mineral Assets, with no estimated Mineral Resources in accordance of the JORC Code 2004. The implied value per km<sup>2</sup> is dependent on the type of licence, whether it is an Exploration Licence, Prospecting Licence or Mining Licence. With lower implied values per km<sup>2</sup> for Exploration Licences compared to Prospecting Licences and lower implied values per km<sup>2</sup> for Prospecting Licences compared to Mining Licences. The implied value was also affected by the strategic importance of the licences and the presence of known gold mineralisation upon them and the grade of the gold mineralisation.



**Table 4 Market Transactions Involving Gold Projects at the Exploration Stage in Western Australia**

Project	Transaction Details & Type	Area (km <sup>2</sup> )	Purchase Price 100% Basis (A\$)	Implied Value / km <sup>2</sup> (A\$)
Spargos Reward, Western Australia	September 2012: Mithril Resources Limited entered into an acquisition agreement with Breakaway Resources Limited for 100% of the Spargos Reward Project for \$0.20M in cash. The project is prospective for gold. And has an area of 10.45km <sup>2</sup> . Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$0.20M (notional \$19,139 A\$/km <sup>2</sup> on 100% terms).	10.45	\$0.20M	\$19,139
Golden Ridge Project, Western Australia	July 2012: Pioneer Resources Limited entered into an acquisition agreement with Australian Mines Limited for the remaining 44% of the Golden Ridge project for \$0.91M in cash. The project is prospective for gold and nickel and has an area of 120km <sup>2</sup> . Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$2.06M (notional \$17,178 A\$/km <sup>2</sup> on 100% terms).	120	\$2.06M	\$17,178
Darlot North, Western Australia	July 2012: Stratos Resources Limited entered into an acquisition agreement with Interglobal Investments Ltd for 100% of the Darlot North Gold project for \$0.80M in shares. The project is prospective for gold and has an area of 104km <sup>2</sup> . Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$0.80M (notional \$7,692 A\$/km <sup>2</sup> on 100% terms).	104	\$0.80M	\$7,692
Holleton, Western Australia	June 2012: Evolution Mining Limited entered into an acquisition agreement with Independence Group NL for 100% of the Holleton Gold Project for \$0.74M in shares. The project is prospective for gold and has an area of 650km <sup>2</sup> . Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$0.74M (notional \$1,142 A\$/km <sup>2</sup> on 100% terms).	650	\$0.74M	\$1,142



**Table 4 Market Transactions Involving Gold Projects at the Exploration Stage in Western Australia**

Project	Transaction Details & Type	Area (km <sup>2</sup> )	Purchase Price 100% Basis (A\$)	Implied Value / km <sup>2</sup> (A\$)
Eastern Goldfields, Western Australia	May 2012: Peel Mining Limited entered into an acquisition agreement with Birimian Gold Limited for 100% of the Apollo Hill Mining Lease for \$60,000 in shares. The project is prospective for gold and has an area of 0.24km <sup>2</sup> . Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$0.06M (notional \$247,219 A\$/km <sup>2</sup> on 100% terms).	0.24	\$0.06M	\$247,219
Leonora, Western Australia	April 2012: Midas Resources Limited entered into a joint venture/farm-in agreement with Cazador Resources Limited to earn a 75% interest in the project with an exploration spend of \$0.50M over three years. The project is prospective for gold and has an area of 156km <sup>2</sup> . Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$0.58M (notional \$3,704 A\$/km <sup>2</sup> on 100% terms).	156	\$0.58M	\$3,704
Widgiemooltha, Kambalda, Western Australia	March 2012: Mutiny Gold Limited entered into an acquisition agreement with a Private Person for 100% of the Widgie South Tenement for \$0.20M in cash and shares. The project is prospective for nickel and has an area of 1.19km <sup>2</sup> . Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$0.20M (notional \$168,634 A\$/km <sup>2</sup> on 100% terms).	1.19	\$0.20M	\$168,634
West Kambalda, Western Australia	February 2012: Ramelius Resources Limited entered into an acquisition agreement with Breakaway Resources Limited for 100% of the West Kambalda Project excluding the nickel rights for \$0.30M in cash. The project is prospective for gold and nickel and has an area of 20.81km <sup>2</sup> . Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$0.30M (notional \$14,419 A\$/km <sup>2</sup> on 100% terms).	20.81	\$0.30M	\$14,419





**Table 4 Market Transactions Involving Gold Projects at the Exploration Stage in Western Australia**

Project	Transaction Details & Type	Area (km <sup>2</sup> )	Purchase Price 100% Basis (A\$)	Implied Value / km <sup>2</sup> (A\$)
Geko Gold Project, Western Australia	January 2012: GGG Resources Plc. and Auzex Resources Limited entered into an acquisition agreement with an unknown party for 100% of the Geko Gold Project, comprising of one mining lease for an option payment of \$0.20M and an additional \$3.00M in cash and shares in 6 months' time. The project is prospective for gold and has an area of 10km <sup>2</sup> . Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$3.13M (notional \$312,936 A\$/km <sup>2</sup> on 100% terms).	10.0	\$3.13M	\$312,936
Kambalda, Western Australia	January 2012: Mincor Resources NL entered into an acquisition agreement with Jupiter Mines Limited for 100% of an exploration licence for \$0.2M. The project is prospective for nickel and gold and has an area of 56.4km <sup>2</sup> . Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$0.20M (notional \$3,546 A\$/km <sup>2</sup> on 100% terms).	56.4	\$0.20M	\$3,546
Nimbus, Western Australia	December 2011: Macphersons Reward Gold Limited entered into an acquisition agreement with Northern Mining Limited for 100% of a single strategic prospecting licence for \$0.50M. The project is prospective for gold and has an area of 1.075km <sup>2</sup> . Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$0.50M (notional \$465,116 A\$/km <sup>2</sup> on 100% terms).	1.075	\$0.50M	\$465,116
Nimbus, Western Australia	December 2011: Macphersons Reward Gold Limited entered into an acquisition agreement with Cazaly Resources Limited for 100% of a number of prospecting licences for initially \$0.30M in cash and shares and a further cash payment of \$0.70M in three years. The project is prospective for gold and has an area of 30.1km <sup>2</sup> . Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$0.83M (notional \$27,439 A\$/km <sup>2</sup> on 100% terms).	30.1	\$0.83M	\$27,439



**Table 4 Market Transactions Involving Gold Projects at the Exploration Stage in Western Australia**

Project	Transaction Details & Type	Area (km <sup>2</sup> )	Purchase Price 100% Basis (A\$)	Implied Value / km <sup>2</sup> (A\$)
Nimbus, Western Australia	December 2011: Macphersons Reward Gold Limited entered into an acquisition agreement with a private individual for 100% of five prospecting licences for \$0.10M in cash and shares. The project is prospective for gold and has an area of 8.06km <sup>2</sup> . Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$0.10M (notional \$12,405 A\$/km <sup>2</sup> on 100% terms).	8.06	\$0.10M	\$12,405
Nimbus, Western Australia	December 2011: Macphersons Reward Gold Limited entered into an acquisition agreement with a private individual for 100% of one prospecting licence for \$0.005M in cash and shares. The project is prospective for gold and has an area of 8.06km <sup>2</sup> . Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$0.005M (notional \$6,595 A\$/km <sup>2</sup> on 100% terms).	0.76	\$0.005	\$6,595
Red October, Western Australia	November 2011: Saracen Mineral Holdings Limited entered into an acquisition agreement with Rubicon Resources Limited for 100% of exploration tenements for \$0.85M in cash. The project is prospective for gold and has an area of 1,147km <sup>2</sup> . Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$0.85M (notional \$741 A\$/km <sup>2</sup> on 100% terms).	1,147	\$0.85M	\$741
Linden, Western Australia	November 2011: Exterra Resources Limited entered into an acquisition agreement with an unknown party for 100% of an exploration licence for \$0.05M in cash. The project is prospective for gold and has an area of 9.04km <sup>2</sup> . Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$0.05M (notional \$5,533 A\$/km <sup>2</sup> on 100% terms).	9.04	\$0.05M	\$5,533



**Table 4 Market Transactions Involving Gold Projects at the Exploration Stage in Western Australia**

Project	Transaction Details & Type	Area (km <sup>2</sup> )	Purchase Price 100% Basis (A\$)	Implied Value / km <sup>2</sup> (A\$)
Earaheedy, Western Australia	November 2011: Aurium Resources Limited entered into an acquisition agreement with a private party for 100% of an exploration licence for \$15,000 in cash. The project is prospective and has an area of 3.00km <sup>2</sup> . Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$0.015M (notional \$5,000 A\$/km <sup>2</sup> on 100% terms).	3.00	\$0.015M	\$5,000
Zelica Project, Western Australia	September 2011: Exterra Resources Limited entered into an acquisition agreement with an unknown party for 100% of a prospecting licence for \$50,000. The prospecting licence is prospective for gold and has an area of 1.75km <sup>2</sup> . Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$0.05M (notional \$28,571 A\$/km <sup>2</sup> on 100% terms).	1.75	\$0.05M	\$28,571
Linden and Pelt Well Projects, Western Australia	September 2011: Power Resources Limited entered into an acquisition agreement with a private party for a 90% interest in the Linden and Pelt Well projects for \$20,000 cash. The projects are prospective for gold mineralisation and have a combined total area of 3.42km <sup>2</sup> . Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$0.022M (notional \$6,498 A\$/km <sup>2</sup> on 100% terms).	3.42	\$0.022M	\$6,498
Beatons Creek Project, Western Australia	August 2011: Novo Resources Corp entered into a joint venture farm-in agreement with Millennium Minerals Limited for a 70% interest in three mining licences for an initial payment of \$0.5M in shares and a minimum expenditure of \$1.0M over two years. The tenements are prospective for gold and have an area of 8.36km <sup>2</sup> . Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$2.01M (notional \$240,730 A\$/km <sup>2</sup> on 100% terms).	8.36	\$2.01M	\$240,730



**Table 4 Market Transactions Involving Gold Projects at the Exploration Stage in Western Australia**

Project	Transaction Details & Type	Area (km <sup>2</sup> )	Purchase Price 100% Basis (A\$)	Implied Value / km <sup>2</sup> (A\$)
Tuckanarra Project, Western Australia	August 2011: Phosphate Australia Limited entered into an acquisition agreement with Gold & Minerals Resources Pty Ltd for 100% of the Tuckanarra gold project for \$130,000. The licences are prospective for gold and have an area of 270km <sup>2</sup> . Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$0.13M (notional \$481 A\$/km <sup>2</sup> on 100% terms).	270	\$0.13M	\$481
Cheritons, Western Australia	August 2011: Silver Stone Resources Limited entered into an acquisition agreement with Riedel Resources Limited for 100% of an exploration licence for \$0.21M in cash and shares. The project is prospective for gold and has an area of 55km <sup>2</sup> . Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$0.21M (notional \$3,818 A\$/km <sup>2</sup> on 100% terms).	55	\$0.21M	\$3,818
Muddawerrie and Livingstone Projects, Western Australia	June 2011: Talisman Mining Limited entered into acquisition agreement with an unknown party for 80% of the Muddawerrie and Livingstone projects for \$0.68M in shares. The projects are prospective for gold and have a total area of 260km <sup>2</sup> . Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$0.85M (notional \$3,269 A\$/km <sup>2</sup> on 100% terms).	260	\$0.85M	\$3,269
Scotia Project, Western Australia	June 2011: Aphrodite Gold Limited entered into a joint venture/farm-in agreement with Breakaway Resources Limited to earn an initial interest of 51% of gold rights only of the Scotia project for a minimum exploration spend of \$0.40M within one year. The project is prospective for gold and has a total area of 159.2km <sup>2</sup> . Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$0.75M (notional \$4,697 A\$/km <sup>2</sup> on 100% terms).	159.2	\$0.75M	\$4,697



**Table 4 Market Transactions Involving Gold Projects at the Exploration Stage in Western Australia**

Project	Transaction Details & Type	Area (km <sup>2</sup> )	Purchase Price 100% Basis (A\$)	Implied Value / km <sup>2</sup> (A\$)
Mount Fisher Project, Western Australia	March 2011: Rox Resources Limited entered into an acquisition agreement with Avoca Resources Limited to acquire 100% of the Mount Fisher gold and nickel project for \$1.0M in shares. The tenements are prospective for gold and have an area of 615km <sup>2</sup> . Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$1.00M (notional \$1,626 A\$/km <sup>2</sup> on 100% terms).	615	\$1.00M	\$1,626
Treasure Island, Western Australia	March 2011: Focus Minerals Limited entered into an acquisition agreement with Semro Pty Ltd to acquire the remaining 25% of the Treasure Island project comprising of one exploration licence for an initial payment of \$325,000 in shares and \$2.00M in cash in \$80,000 monthly instalments. The project is prospective for gold and has an area of 95.43km <sup>2</sup> . Assuming the terms of the agreement were met the implied discounted cash equivalent on 100% equity basis is \$8.54M (notional \$89,460 A\$/km <sup>2</sup> on 100% terms).	95.43	\$8.54M	\$89,460
Muriels, Western Australia	February 2011: Vector Resources Limited entered into an acquisition agreement with a private party to acquire 100% of the Muriels project comprising of one mining lease and eight prospecting licences for \$0.25M in cash. The project is prospective for gold and has an area of 17.72km <sup>2</sup> . Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$0.25M (notional \$14,108 A\$/km <sup>2</sup> on 100% terms).	17.72	\$0.25M	\$14,108



**Table 4 Market Transactions Involving Gold Projects at the Exploration Stage in Western Australia**

Project	Transaction Details & Type	Area (km <sup>2</sup> )	Purchase Price 100% Basis (A\$)	Implied Value / km <sup>2</sup> (A\$)
Illaara, Western Australia	February 2011: Alphabass Resources Pty Ltd entered into a farm-in joint venture agreement with Australian Minerals & Mining Group Limited to earn 51% of its Illaara project by expending \$1.0M over 3 years. The Illaara project consists of one exploration licence, is prospective for gold, copper, zinc and silver and has an area of 167km <sup>2</sup> . Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$1.70M (notional \$10,177 A\$/km <sup>2</sup> on 100% terms).	167	\$1.70M	\$10,177
Broads Dam Project, Western Australia	January 2011: Phoenix Gold Limited entered into an acquisition agreement with Australian Gold Investments Limited to acquire 100% of their Broads Dam Gold project for \$2.5M in cash and shares. The Broads Dam project consists of 14 prospecting licences with an area of 24.28km <sup>2</sup> , which are prospective for gold. Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$2.5M (notional \$102,965 A\$/km <sup>2</sup> on 100% terms).	24.28	\$2.50M	\$102,965
Paynes Find, Western Australia	January 2011: Paynes Find Gold Limited entered into an acquisition agreement with Provider Express Pty Ltd to acquire 100% of a prospecting licence for \$0.06M. The prospecting licence is prospective for gold and has an area of 0.43km <sup>2</sup> . Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$0.06M (notional \$139,535 A\$/km <sup>2</sup> on 100% terms).	0.43	\$0.06M	\$139,535





**Table 4 Market Transactions Involving Gold Projects at the Exploration Stage in Western Australia**

Project	Transaction Details & Type	Area (km <sup>2</sup> )	Purchase Price 100% Basis (A\$)	Implied Value / km <sup>2</sup> (A\$)
Tin Dog Project, Western Australia	December 2010: Saracen Mineral Holdings Limited entered into an acquisition option agreement with an unknown party to acquire 80% of the Tin Dog project for \$430,000. The project consists of three prospecting licences and one mining licence, prospective for gold with a total area of 1.53km <sup>2</sup> . Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$0.54M (notional \$351,307 A\$/km <sup>2</sup> on 100% terms).	1.53	\$0.54M	\$351,307
Peak Hill-Doolgunna, Western Australia	December 2010: Lodestar Minerals Limited entered into an acquisition agreement with an unknown party for 100% of two exploration licences in the Peak Hill-Doolgunna district for \$0.06M in cash and shares. The project is prospective for gold and base metals and has an area of 190km <sup>2</sup> . Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$0.06M (notional \$303 A\$/km <sup>2</sup> on 100% terms).	190	\$0.06M	\$303
Barlee, Western Australia	November 2010: Beacon Minerals entered into an acquisition agreement with an unknown party for four exploration licences in the Barlee area for \$0.12M in cash. The project is prospective for gold and has an area of 100km <sup>2</sup> . Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$0.12M (notional \$1,150 A\$/km <sup>2</sup> on 100% terms).	100	\$0.12M	\$1,150
Tropicana Belt, Western Australia	October 2010: Sirius Resources NL entered into an acquisition agreement with Mark Greasy for a 70% interest in exploration licences near Tropicana for \$2.76M in shares. The project tenements are prospective for gold and have an area of 2,300km <sup>2</sup> . Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$3.94M (notional \$1,714 A\$/km <sup>2</sup> on 100% terms).	2,300	\$3.94M	\$1,714



**Table 4 Market Transactions Involving Gold Projects at the Exploration Stage in Western Australia**

Project	Transaction Details & Type	Area (km <sup>2</sup> )	Purchase Price 100% Basis (A\$)	Implied Value / km <sup>2</sup> (A\$)
Treasure Island, Western Australia	<p>June 2010: Focus Minerals Limited entered into an acquisition agreement with Semro Pty Ltd to acquire 75% of the Treasure Island project comprising of one exploration licence for an initial payment of \$0.15M in shares and an exploration spend \$0.20M over 1 year. The project is prospective for gold and has an area of 95.43km<sup>2</sup>. Assuming the terms of the agreement were met the implied discounted cash equivalent on 100% equity basis is \$0.45M (notional \$4,760 A\$/km<sup>2</sup> on 100% terms).</p>	95.43	\$0.45M	\$4,760

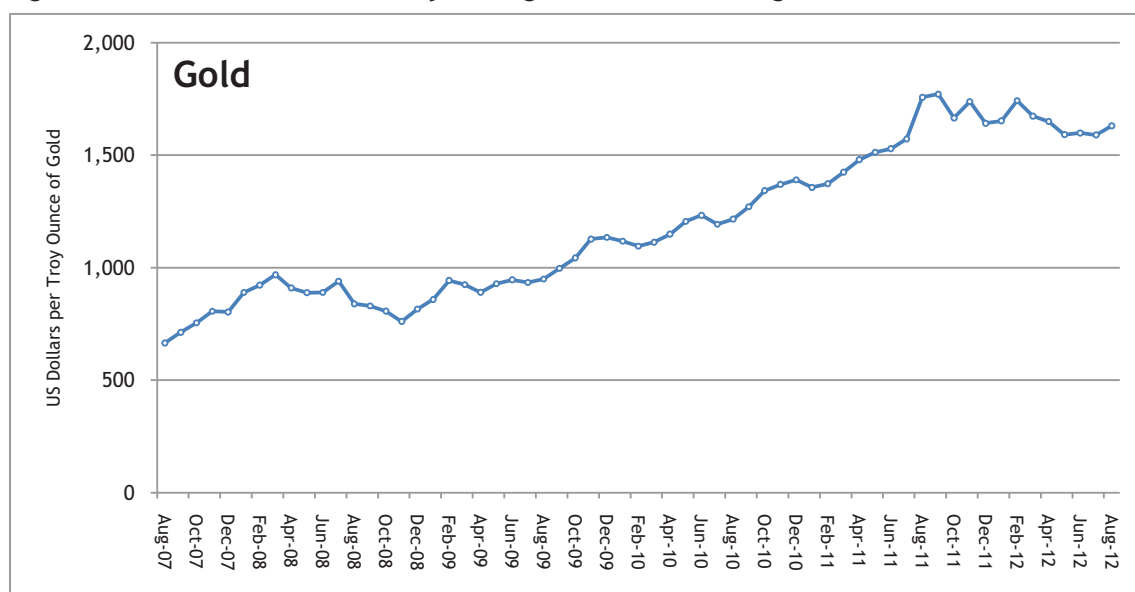
*Note: Differences may occur due to rounding errors*



#### 4.4.2 Commodity Prices

Ravensgate has examined the historical commodity chart for gold (Figure 12) for general trends over time. A general analysis of the price chart for gold in Figure 12 shows a continuous price increase with only a short period of slight price decline between April and November 2008. In recent months the gold price has remained relatively steady although showing a significant rise in late 2011 interpreted to be partly a response to the “European Debt Crisis”. Ravensgate has taken into consideration the general commodity trend as an influence on deriving a final project valuation.

**Figure 12 Gold Five Year Monthly Average Price Chart to August 2012**



Source: [Indexmundi.com](http://Indexmundi.com)



## 4.5 Mineral Asset Valuations

### 4.5.1 Treasure Island Project, Western Australia

#### 4.5.1.1 Selection of Valuation Method

The Treasure Island Gold Project, in which Focus has a 100% interest in tenement E15/986, which can be classified as an “Advanced Exploration Area” mineral asset as defined in Section 4.1 and an option to purchase 100% of tenement E15/1224, which can be classified as an “Exploration Area” mineral asset as defined in Section 4.1.

A Mineral Resource as defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code - 2004 Edition) has not been reported for the Treasure Island project. In valuing the mineral asset of the Treasure Island Project, Ravensgate considers the ‘DCF/NPV’ method inappropriate.

Ravensgate has elected to apply the Comparable Transaction and Multiples of Exploration Expenditure methods to value the project after consideration of the various valuation methods outlined in Section 4.1 and the geological / exploration information outlined in Section 3.

#### 4.5.1.2 Project Analysis - Comparable Transactions Method

Ravensgate has subdivided the Treasure Island project into the two tenements, as they are at varying stages of exploration with varying prospectivity and will attract different valuation ranges.

Ravensgate’s analysis of Western Australian market transactions for Exploration and Advanced Exploration Area Mineral Asset gold projects (Table 4) suggests an implied value between \$303 and \$465,116 per km<sup>2</sup> for Exploration and Advanced Exploration Area Mineral Assets, with no estimated Mineral Resources in accordance of the JORC Code 2004. Within the range \$303 to \$465,116 per km<sup>2</sup>, mineral assets consisting entirely of exploration licences, have a derived range of from \$303 to \$168,634 per km<sup>2</sup> depending on how strategic the licence is, and or, the presence of known gold mineralisation, with most falling between \$1,142 and \$4,760 per km<sup>2</sup>. Early stage exploration licences with limited work or limited exploration potential have a derived range of \$303 to \$1,714 per km<sup>2</sup>, exploration licences with average exploration potential and or have early stage prospects with gold mineralisation have a derived range of \$1,714 to \$4,760 per km<sup>2</sup>, values higher than \$4,760 per km<sup>2</sup> are for exploration licences that have good gold mineralisation prospects and have good exploration potential or are considered very strategic by the purchaser. Ravensgate has derived implied ranges and preferred values varying on the tenements prospectivity per km<sup>2</sup> to apply to the area of the granted exploration licences (Table 5), which have a total combined area of 227.03km<sup>2</sup>. These values relate to approximately \$1.343M to \$3.258M. From this range a preferred value of \$2.682M has been selected, which reflects the outcome of successful exploration to date and the quality of the exploration ground. The higher range (\$12,000 to \$30,000 per km<sup>2</sup>) and preferred value of \$25,000 per km<sup>2</sup> for tenement E15/986 reflect the quality of the exploration results so far with gold mineralisation, including gold intersections >5g/t identified in drilling and the exploration potential of the tenement. The range of \$1,500 to \$3,000 per km<sup>2</sup> and preferred value of \$2,250 per km<sup>2</sup> for tenement E15/1224 reflects the earlier stage of exploration and the minimal exploration completed on the tenement compared to E15/986.



**Table 5 Treasure Island Project - Comparable Transactions - Assuming 100% Equity**

Tenement	Area	Values Per km <sup>2</sup>			Valuation		
		Low \$	High \$	Preferred \$	Low \$M	High \$M	Preferred \$M
E15/986	95.43	12,000	30,000	25,000	1.145	2.863	2.386
E15/1224	131.60	1,500	3,000	2,250	0.197	0.395	0.296
<b>TOTAL</b>	<b>227.03</b>	-	-	-	<b>1.343</b>	<b>3.258</b>	<b>2.682</b>

*The valuation has been compiled to an appropriate level of precision and minor rounding errors may occur. It does not take into account current ownership percentages for each tenement.*

#### 4.5.1.3 Project Analysis - Multiples of Exploration Expenditure Method

The Multiples of Exploration Expenditure (MEE) method of mineral valuation (a cost based method) is applicable to exploration properties from the earliest stage of exploration to a moderately advanced stage, but for which no Mineral Resources in accordance of the JORC Code 2004 has been delineated. Recent expenditure totalled \$3.287M on E15/986 and \$0.052M on E15/1224. An analysis on the efficiency and effectiveness on the exploration carried out against the results returned to date to determine prospectivity enhancement multiples (PEM) was completed. It should be noted that exploration activities especially drilling within a salt lake environment like that of the Treasure Island project can be 30-50% more expensive than exploration activities on a dry land environment. Ravensgate has applied a 40% discount to the exploration expenditure (\$2.348M) reported for E15/986 to reflect the more expensive nature of conducting exploration activities at Treasure Island. The PEM's selected reflect the results to date and that further exploration justified. Ravensgate considers a range of PEM's of 1.6 to 2.4 is applicable to the exploration expenditure on E15/986 and a range of PEM's of 0.8 to 1.6 is applicable to the exploration expenditure on E15/1224 to value the project. This equates to a valuation range of \$3.798M to \$5.718M. Ravensgate has elected to assign a preferred value of \$4.758M in the middle of the range (Table 6), recognising the mineral asset prospects and exploration drilling and geological work outlined to date. The prospectivity enhancement multipliers (PEM) selected for tenement E15/986 reflect the quality of the exploration results so far with gold mineralisation, including gold intersections >5g/t identified in drilling and the exploration potential of the tenement. The PEM selected for tenement E15/1224 reflects the earlier stage of exploration compared to E15/986 and the prospectivity of the tenement. Only 1 year of expenditure was known for E15/1224, hence Ravensgate considers the MEE method to not be appropriate for valuing this tenement.

**Table 6 Treasure Island Project - Multiples of Exploration Expenditure - Assuming 100% Equity**

Tenement	Expenditure \$M	Prospectivity Multiplier			Valuation		
		Low	High	Preferred	Low \$M	High \$M	Preferred \$M
E15/986	2.348	1.6	2.4	2.0	3.757	5.635	4.696
E15/1224	0.052	0.8	1.6	1.2	0.041	0.083	0.062
<b>TOTAL</b>	<b>3.339</b>	-	-	-	<b>3.798</b>	<b>5.718</b>	<b>4.758</b>



The valuation has been compiled to an appropriate level of precision and minor rounding errors may occur. It does not take into account current ownership percentages for each tenement.

#### 4.5.1.4 Treasure Island Project - Valuation Conclusions

By using the Comparable Transactions and Multiples of Exploration Expenditure (MEE) valuation methods for valuing the Treasure Island tenements, which Focus has an interest a range of selected values from \$2.583M to \$5.091M can be derived. Ravensgate has elected to assign a preferred value of \$3.375M (Table 7). Ravensgate assigned the two preferred values of the two valuation methods to create the range for tenement E15/986, but only used the comparable transaction valuation method for tenement E15/1224 as it considered the MEE valuation method not appropriate due to minimal exploration expenditure, because minimal exploration has been conducted. This value reflects the stage of exploration at the project and the quality of the exploration ground. The preferred value is at the lower end of the range due to the MEE method being a cost based valuation method, which can overstate the value of a tenement. Ravensgate considers the Treasure Island Project is of merit and worthy of further exploration.

Tenement	Mineral Asset	Area km <sup>2</sup>	Valuation		
			Low \$M	High \$M	Preferred \$M
E15/986	Advanced Exploration Area	95.43	2.386	4.696	3.079
E15/1224	Exploration Area	131.60	0.197	0.395	0.296
<b>TOTAL</b>	<b>Various</b>	<b>227.03</b>	<b>2.583</b>	<b>5.091</b>	<b>3.375</b>

The valuation has been compiled to an appropriate level of precision and minor rounding errors may occur. It does not take into account current ownership percentages for each tenement.

#### 4.6 Valuation Summary

Ravensgate has concluded that Focus' Treasure Island Project is of merit (although at varying stages of exploration and subsequent Mineral Asset classification), and worthy of further exploration. The Treasure Island tenement E15/986 has itself had two separate transactions over it in recent years (Table 4). The first transaction was in June 2010, when Focus acquired a 75% interest in the tenement, which on a 100% equity basis valued the tenement at \$0.454M, (equivalent to \$4,760/km<sup>2</sup>). The second transaction in March 2011 involved Focus acquiring the remaining 25% interest in the tenement, which on a 100% equity basis valued the tenement at \$8.544M (equivalent to \$89,470/km<sup>2</sup>). Ravensgate considers the high price paid for the final 25% of the project contained a significant control premium to buy out the joint venture partner Semro to facilitate easier exploration and possible future development of the Treasure Island project. Between these two transactions Focus acquired a 100% interest in tenement E15/986 for a discounted cash equivalent price of \$2.475M (equivalent to \$25,934/km<sup>2</sup>). Since initially acquiring the project Focus has conducted a considerable amount of exploration which has shown gold mineralisation to be present and improved the exploration potential of the project.

A summary of Focus' project valuation in current ownership percentage terms is provided in Table 8. The applicable valuation date is 23 October 2012 and is derived from using the Comparable Transactions and Multiples of Exploration Expenditure (MEE) valuation methods. Technically Focus has a 0% interest in tenement E15/1224 as they have not taken up the option to acquire it, hence no value was attributed to this tenement. The value of the Treasure Island project is considered to lie in a range from \$2.386M to \$4.696M, within this range Ravensgate has selected a preferred value of \$3.079M, which is at the lower end of the range, which is more of a





reflection of the influence of the MEE valuation method, being a cost based method rather than the comparable transactions valuation method (market based method) and that expenditure costs are most likely higher than normal expenditure costs due to operating in a salt lake environment.

<b>Table 8 Focus - Summary Project Technical Valuation in Respective Ownership Terms</b>						
Focus Treasure Island Project	Mineral Asset	Ownership %	Area km <sup>2</sup>	Valuation		
				Low \$M	High \$M	Preferred \$M
E15/986	Advanced Exploration Area	100%	95.43	2.386	4.696	3.079
E15/1224	Exploration Area	0%	131.60	0.000	0.000	0.000
<b>TOTAL</b>	<b>Various</b>	<b>0% &amp; 100%</b>	<b>227.03</b>	<b>2.386</b>	<b>4.696</b>	<b>3.079</b>

*The valuation has been compiled to an appropriate level of precision and minor rounding errors may occur.*



## 5. ASSESSMENT OF BURTVILLE RESOURCES

The most current mineral resource undertaken by the Quantitative Group (“QG”) during July 2012 on behalf of Focus Minerals Ltd for the Burtville Gold Project was reviewed for reasonableness and industry best practice. Data searches for previous mineral estimates undertaken at Burtville were undertaken in order to assess the growth or decline in mineral resources experienced at the project and to analyse these movements.

The Burtville Project is located near Laverton, Western Australia and comprises quartz veins occurring within a granodioritic sill which has intruded a north north-west trending sequence of Archaean mafic and sedimentary lithologies within the Laverton Tectonic Zone.

The quartz veins typically range in thickness from 1mm to 30cm in size and contain disseminated pyrite. Interpretation of mineral continuity and of controls on mineralisation has proved to be problematic.

### 5.1 Mineral Resource Estimates

QG reported mineral resources for the Burtville project as listed in Table 9. Note Competent Person statements are listed in Section 2.6.

<b>Table 9 Burtville Mineral Resource @ a 0.8g/t cut-off value; Quantitative Group; July 2012</b>			
Classification	Domain 1 (>0.5g/t estimate)		
	Tonnes (Mt)	Grade (g/t Au)	Ounces Au
Indicated	1.573	1.3	65,000
Inferred	4.146	1.3	170,000
<b>Total</b>	<b>5.719</b>	<b>1.3</b>	<b>235,000</b>

Note: Some errors may result due to rounding.

### 5.2 Previous Mineral Resource Estimates at Burtville

A number of resource consultancy companies have undertaken mineral estimates for various owners at the Burtville gold project. The mineral resource estimates are listed in Table 10.

<b>Table 10 Historical Mineral Resource Estimates at Burtville</b>							
Date of Resource	Company	Resource by	Classification	Historical Estimates			
				Cut-Off (g/t)	Tonnes (Mt)	Grade (g/t Au)	Ounces Au
30-Aug-11	Crescent Gold Limited	CSA Global	Indicated	0.8	0.8	1.82	46,400
			Inferred	0.8	2.34	1.98	148,700
			<b>Total</b>	<b>0.8</b>	<b>3.14</b>	<b>1.93</b>	<b>195,100</b>
30-Oct-06	Crescent Gold Limited	FinOre Mining Consultants	Indicated	0.6	0.7	1.5	34,500
			Inferred	0.6	0	0	0
			<b>Total</b>	<b>0.6</b>	<b>0.7</b>	<b>1.5</b>	<b>34,500</b>
30-Oct-04	Crescent Gold Limited	Hardcore Geological Services	Indicated	0.0	0	0	0
			Inferred	0.0	1.1	1.7	58,000
			<b>Total</b>	<b>0.0</b>	<b>1.1</b>	<b>1.7</b>	<b>58,000</b>



It is apparent that the Burtville mineral resource has consistently been of low confidence levels with only the resource statements by CSA and QG increasing the Inferred mineral resources. Factors affecting this increase in the Inferred mineral resources are discussed in the sections below.

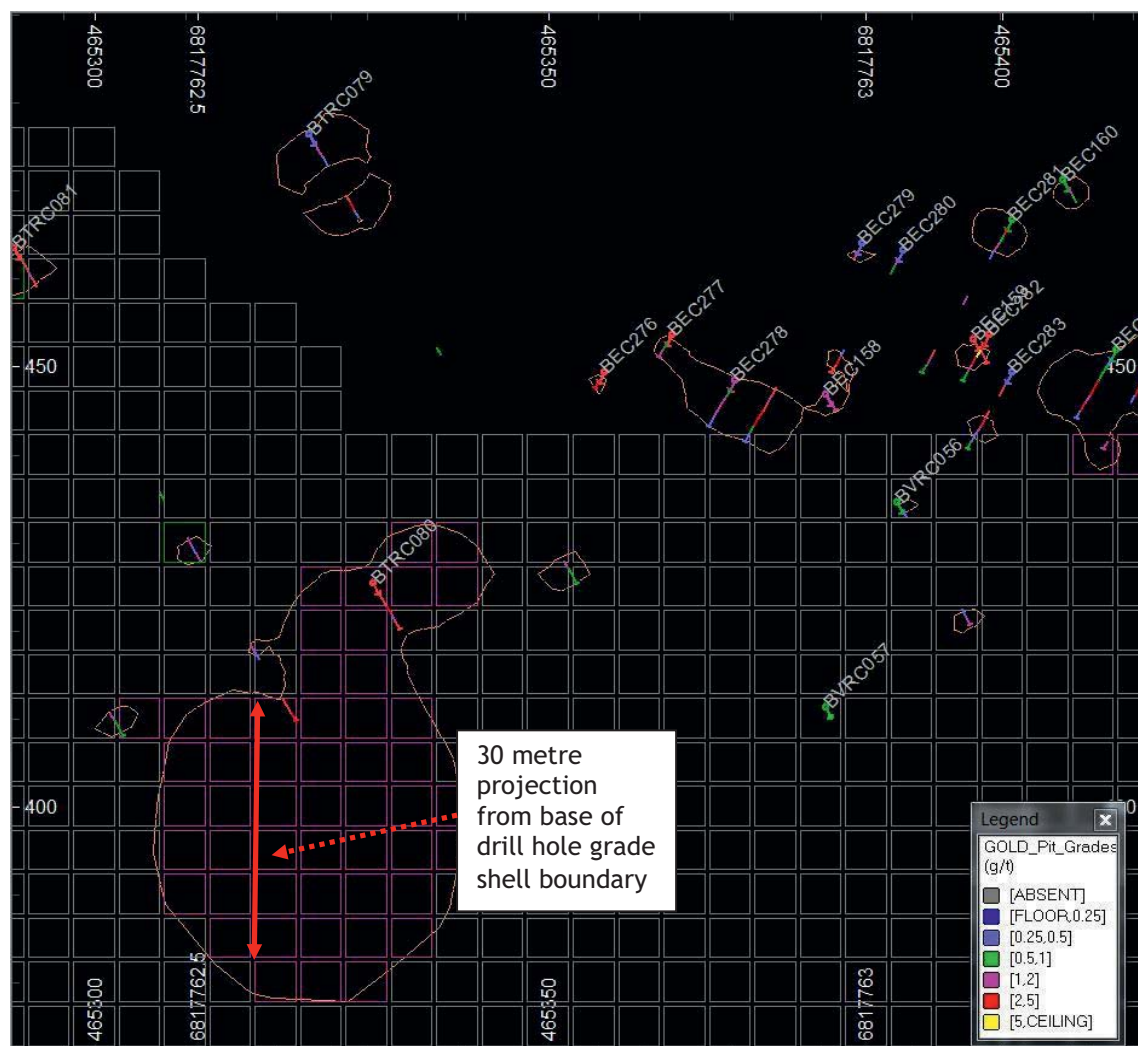
### 5.2.1 Grade Domaining

Grade domains or mineralisation envelopes for a 0.5g/t and a 1.0g/t cut-off were constructed from drill holes by utilising Leapfrog software as detailed by Journeaux in the Burtville Mineral Resource Estimate Report, July 2012. This software semi-automatically generates the domain wireframes based on inputs from a user. A number of potential problems exist with this method as follows:

- Potentially no controlling factor applied to mineralisation;
- Potential ‘blow-outs’ of domains in areas where mineralisation would not be present;
- Removes trained geological interpretation from the process. If results not carefully checked, verified and audited, could result in erroneous results.

An example of a ‘blow-out’ around drill holes is shown in Figure 13, a screen snapshot of the drill holes and 0.5g/t grade domain shells created in Leapfrog.

**Figure 13** Sectional View looking North of Grade domain ‘blow-out’ around drill holes





As can be seen in the Figure 13, the grade shell is being interpreted to blow out from the base of the drill hole up to 30 metres away. This implies that the grade associated with drill hole will be used to fill this portion of the grade shell. In the immediate surrounding area there is no evidence from adjacent drill holes to suggest that this is the case. This will artificially inflate the resource tonnage and content of the mineral resource.

### 5.2.2 Search Volumes and Block Size Selection

The search volumes used to interpolate gold grade item into the resource block model have been set at up to 130% of the variogram ranges as derived from a Quantitative Kriging Neighbourhood Analysis (“QKNA”). An effect derived from over expansive search ranges when running interpolation is that the values can become smoothed and not reflect short range variability in value or high grade values can be extrapolated for an unrealistic distance from their spatial position. In addition, when a high number of samples are selected in conjunction with the expansive search ranges, the values are smoothed to the extent that the value begins to approach the mean of the sample population.

Block size selection can mitigate this to some extent as smaller blocks would show a greater variability in grade value than larger size blocks.

The gold grade item at Burtville shows high localised variability when the drill hole dataset is viewed in both section and plan views. This variability should be present in the resource block model to some degree. Visually, it appears as though some artificial smoothing may have taken place within the resource model as a consequence of search ranges in excess of variogram ranges. QG states in their resource report “37% of samples being below 0.5g/t Au in the 0.5g/t shell”. With over  $\frac{1}{3}$  of all composited drill hole samples contained in the grade shell being below 0.5g/t, it is expected that a higher proportion of the resource model would have a grade below the 0.5g/t threshold. This is not the case which indicates that the interpolation has probably smoothed the low grades upwards and smoothed the high grades downwards, removing a high proportion of the variability from the resource model.

### 5.2.3 Mineral Resources from Burtville Included in the Production Plan of the Company Model

A production plan for the greater Laverton Project contained within the Company Model was reviewed in order to assess the impact of the inclusion of the Burtville mineral resource. The production plan in the Company Model extracts approximately 2.5Mt at an average grade of 1.36g/t for a contained content of 109Koz. The mineral resources are divided equally between Indicated and Inferred mineral resources.

### 5.2.4 Conclusions

A key factor in the resource estimation is the stated interpretation by Crescent geologists that no clear set of mineralised vein system directions can be found, modelled and mined selectively. This has driven the need for use of software in undertaking interpretations related to controls on mineralisation. Short range variability in the dataset has been nullified mainly as a result of expansive search ranges.

The current and historic mineral resource estimates for Burtville have shown some consistency when regarding Indicated mineral resources only. Of note is that the increase in total mineral resources coincides with the use of the Leapfrog software in generating mineralisation envelopes.

The mineral resources included in the Company Model comprise an approximately equal split of 50% Indicated mineral resources and 50% Inferred mineral resources. The Indicated mineral resources have remained fairly consistent across a number of independent resource estimations and it is likely that these mineral resources would be extracted as planned.

It is likely that the total contained ounces extracted from the Inferred mineral resource category in the production plan would be achieved. The risk is that the contained ounces reported in the production plan from the Inferred mineral resource category are present in smaller, tighter geological domains resulting in a higher percentage of waste being mined in order to extract the



total contained ounces. Ravensgate considers the Inferred mineral resources to be somewhat speculative and should be used with caution in this type of financial analysis.

#### **5.2.5 Recommendations**

The geological interpretation should be conducted utilising manual techniques in order to prevent 'blow-outs' generated by software artificially increasing tonnages and metal content.



## 6. TENEMENT DETAILS

<i>Table 11 Granted Project Tenement Details Australia</i>				
Tenement ID	Status	Expiry	Area (km <sup>2</sup> )	Holder
<b>Treasure Island</b>				
E15/986	Granted	19/06/2013	95.43	Semro Pty Ltd
E15/1224	Granted	13/06/2016	131.60	Semro Pty Ltd

*Notes: Licences under application and/or granted miscellaneous licences have been excluded from the list of tenements.*





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## 8. GLOSSARY

A\$	Australian dollars.
Andesite	An intermediate volcanic rock composed of andesine and one or more mafic minerals.
Data	Data pertaining to the physical properties of the Earth's crust at or near surface and collected from an aircraft.
Assay	A procedure where the element composition of a rock soil or mineral sample is determined.
Chalcopyrite	$\text{CuFeS}_2$ , a copper ore.
Craton	Is an old and stable part of the continental lithosphere.
Dacite	Is an igneous, volcanic rock. It has an aphanitic to porphyritic texture and is intermediate in composition between andesite and rhyolite.
Density	Mass of material per unit volume.
Deposit	A mineralised body which has been physically delineated by sufficient drilling and found to contain sufficient average grade of metal or metals to warrant further exploration and development expenditure.
Diamond drilling	A method of obtaining a cylindrical core of rock by drilling with a diamond impregnated bit.
Dip	The angle at which a rock stratum or structure is inclined from the horizontal.
Dykes	A tabular body of intrusive igneous rock, crosscutting the host strata at a high angle.
Facies	Characteristic features of rocks such as sedimentary rock type, mineral content, metamorphic grade, fossil content and bedding characteristics.
Fault zone	A wide zone of structural dislocation and faulting.
Feldspar	A group of rock forming minerals.
Felsic	An adjective indicating that a rock contains abundant feldspar and silica.
Foliated	Banded rocks, usually due to crystal differentiation as a result of metamorphic processes.
Footwall	Surface of rock along the fault plane having rock below it.
g/t	Grams per tonne.
Gabbro	A fine to coarse grained, dark coloured, igneous rock composed mainly of calcic plagioclase, clinopyroxene and sometimes olivine.
Galena	Is the natural mineral form of lead sulphide. It is the most important lead ore mineral.
Geochemical	Pertains to the concentration of an element.
Geophysical	Pertains to the physical properties of a rock mass.
GIS database	A system devised to present partial data in a series of compatible and interactive layers.
Gneiss	Coarse-grained, banded metamorphic rock.
Granite	A common type of intrusive, felsic, igneous rock.
Greenstones	A broad term used to describe an elongate belt of rocks that have undergone regional metamorphism to greenschist facies.
Hangingwall	The mass of rock above a fault, vein or zone of mineralisation.



Igneous	A rock that has solidified from molten rock or magma.
In-situ	In the natural or original position.
Intermediate	A rock unit which contains a mix of felsic and mafic minerals.
Intrusion/Intrusive	A body of igneous rock that invades older rock.
Joint venture	A business agreement between two or more commercial entities.
JORC	Joint Ore Reserves Committee (of the Australian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and the Minerals Council of Australia).
JORC Code	A code developed by the Australian Joint Ore Reserves Committee which sets minimum standards for public reporting of exploration results, Mineral Resources and Ore Reserves.
kg/m <sup>3</sup>	Kilogram per cubic metre.
kg/t	Kilograms per tonne, a standard mass unit for demonstrating the concentration of uranium in a rock.
Komatiite	Is a type of ultramafic mantle-derived volcanic rock. Komatiites have low silicon, potassium and aluminium, and high to extremely high magnesium content.
Lithology	A term pertaining to the general characteristics of rocks.
M	Millions.
Mafic	A dark igneous rock composed dominantly of iron and magnesium minerals (such as basalt).
Magnetometer	An instrument which measures the earth's magnetic field intensity.
Mass recovery	The percentage of mass recovered after processing.
Metamorphism	Process by which changes are brought about to rock in the earth's crust by the agencies of heat, pressure and chemically active fluids.
Mineralisation	A geological concentration minerals or elements of prospective economic interest.
Mineral	A substance occurring naturally in the earth which may or not be of economic value.
Mineralised zone	Any mass of rock in which minerals of potential commercial value may occur.
Mineral Resource	A mineral inventory that has been classified to meet the JORC code standard.
mRL	Metres reduced level, refers to the height of a point relative to a datum surface.
Mt	Million Tonnes.
Open pit	A mine working or excavation open to the surface.
Ore	Material that contains one or more minerals which can be recovered economically.
Ore Reserve	An Ore Reserve that has been classified to meet the JOR code standard.
Orogen	A belt of deformed rocks, usually comprising metamorphic and intrusive igneous rocks, mostly occurring along the collision zone between cratons.
Outcrops	Surface expression of underlying rocks.
Outlier	A limited area of younger rocks completely surrounded by older rocks.
Percussion drilling	Drilling method of where rock is broken by the hammering action of a drill bit.



PGE	Also known as PGM are the six platinum group metals, which are ruthenium, rhodium, palladium, osmium, iridium, and platinum.
Phosphorite	Is a non-detrital sedimentary rock which contains high amounts of phosphate bearing minerals. The phosphate content of phosphorite is at least 15 to 20%
ppb	Parts per billion; a measure of low level concentration.
Proterozoic	Geological eon that extended from 2.5 billion to 542 million years ago.
Pyrite	A common, pale bronze iron sulphide mineral.
Pyrrhotite	A common, pale bronze iron sulphide mineral.
RAB drilling	A relatively inexpensive and less accurate drilling technique (compared to RC drilling) involving the collection of sample returned by compressed air from outside the drill rods.
RC drilling	Reverse Circulation drilling, whereby rock chips are recovered by airflow returning inside the drill rods, rather than outside, thereby returning more reliable samples.
Reserves	The portion of a mineral deposit which could be economically extracted or produced at the time of the Reserve determination. These are classified as either proven, probable or possible Ore Reserves based on the JORC code.
Resource	An occurrence of material of intrinsic economic interest in a form that provides reasonable prospects for eventual economic extraction. These are classified as Measured, Indicated or Inferred ore resources based on the JORC code.
Rock chip sampling	The collection of rock specimens for mineral analysis.
Sandstone	Sedimentary rock comprising predominantly of sand.
Sedimentary	Rocks formed by the deposition of particles carried by air, water or ice.
Shale	Fine grained sedimentary rock with well-defined bedding planes.
Sphalerite	(Zn, Fe)S is a mineral that is the chief ore of zinc.
Spot price	Current delivery price of a commodity traded in the spot market.
Strike	The bearing of a rock formation.
Stratiform	The arrangement of mineral deposit in strata or layers.
Strike	Horizontal direction or trend of a geological structure.
t	Tonne.
Tpa	Tonnes per annum.
Tenements	Large tracts of land granted under lease to mining companies and prospectors by the government.
US\$	United States Dollars

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## APPENDIX 5 - INDEPENDENT TECHNICAL REPORT - QUANTITATIVE GROUP

## Executive Summary

Quantitative Group Pty Ltd (QG) was engaged by BDO Corporate Finance (WA) Pty Ltd (BDO) to prepare an Independent Technical Assessment of certain key aspects of Focus Minerals Limited's (Focus) Laverton and Coolgardie operations. This assessment is associated with the issue of approximately 4.50 billion shares to Shandong Gold International Mining Limited (Shandong Gold) for 5 cents each. BDO will use QG's Technical Assessment as part of an Independent Expert's Valuation Report in relation to this share issue. As such QG is acting as a Specialist under the terms of the Valmin Code (2005).

BDO Requested QG:

1. Provide a valuation of the Focus Resources not included in the Laverton and Coolgardie mine schedules;
2. An assessment of the reasonableness of the resources used in the preparation of the financial model used to value the Laverton Gold Project and Coolgardie Project;
3. Provide a schedule of mining physicals for Laverton Gold Project and Coolgardie Project;
4. Provide an operating cost schedule for Laverton Gold Project and Coolgardie Project; and
5. Provide a capital cost schedule Laverton Gold Project and Coolgardie Project.

BDO excluded the Treasure Island exploration asset and the assessment of the reasonableness of the Burtville resource at Laverton from QG's scope.

In preparing this report, QG has relied upon information provided by Focus and publicly available data. We have assessed this data for reasonableness and its suitability for determining valuations and public reporting. QG visited the Coolgardie asset to independently validate and confirm the information contained in the data room. QG has previously visited the Laverton asset (during 2011 and 2012) and is relying on these previous visits to validate information provided by Focus.

### Assessment of Mineral Resources

QG reviewed the resource estimation practices at both Laverton and Coolgardie to assess the suitability of these resources for mine planning and valuation. Our assessment includes reviewing descriptive documentation provided for each resource estimate, where possible loading Focus' resource models and drill hole data and independently verifying the reported

tonnes and grade of the resources. QG also examined the resource classification and assessed it for reasonableness.

In QG's opinion the resources at Focus' Coolgardie Project are suitable for mine planning and valuation. The resources contained in the Laverton Gold Project are also suitable for mine planning and valuation with the exception of parts of the Lancefield camp where the estimates have not been updated since the mid-1990's and the level of documentation is poor. In QG's opinion these resources are higher risk than the other resources in the Laverton area and we have therefore discounted their inclusion in the mine physical schedule.

QG note that at both Coolgardie and Laverton, only a relatively low proportion of the total reported mineral resource has been analysed to a sufficient level for an ore reserve to be reported and for the material to be included in the mine physical schedule. This material has therefore been separately valued along with the other non-mined resources at Laverton and Coolgardie.

### **Mine Physicals Model**

Focus provided QG its company model (the Model) for both Coolgardie and Laverton. QG reviewed this model, and discussed the planning strategy with Focus' senior mine planning personnel. Following this review QG assessed the reasonableness and suitability of the model for asset valuation. The final model was checked for errors before it was used for this assessment.

The Focus model includes known ore reserves, known mineral resources including Inferred Resources and some allowance for future exploration success. Adjustments were required in order to perform a valuation under the framework of the VALMIN Code. Therefore QG modified Focus' model by removing production sources that are not currently classified as ore reserves or where there was no analysis supporting the economic viability of mining the production source.

In addition to modifying the production sources, QG made alterations to the mining costs and capital costs recorded in the model. These changes were based on analysis of Focus' current strategic approach, recent performance, comparison to current performance at similar operations and to allow for the changes to the number and timing of production sources.

For the purposes of assessing the Laverton and Coolgardie mining assets, QG developed three alternative alternatives; a preferred case, a low case and a high case. QG's physicals production model, operating and capital schedules were provided to BDO as per the terms of engagement.

## Valuation of Additional Resources

The Laverton and Coolgardie tenements held by Focus contain a large number of known mineral resources. Some of these resources have been assessed by qualified mining professionals and converted to ore reserves after consideration of modifying factors as required by the JORC Code (2004). Due to the nature of the mineralisation and Focus' operating strategy, many of the known resources have not been assessed for conversion to ore reserves, therefore no valid mine planning or economic evaluation has been performed on these resources. Under the terms of our engagement BDO requested QG provide a valuation of these of these additional resources in addition to the mine physicals model.

There are a number of industry recognised approaches for valuing mineral assets when it is not appropriate to assess value using discounted cash flow (DCF) techniques. In particular the most common valuation methodologies include:

- The Multiple of Exploration Expenditure method;
- The Comparable Transaction method; and
- The In Situ Resource method.

These different methods are suitable for different stages of exploration and resource development (as outlined in the VALMIN Code) and it is the role of the Specialist engaged in conducting the valuation to determine which method(s) are most appropriate for each asset considered. In QG's opinion the most suitable method for both the Laverton and Coolgardie additional resources is the In Situ Resource method. This method was preferred due to the proximity of the additional resources to the existing Focus mining operations and the status of resource development.

The method was applied after first assessing if the resource was included in the mine physicals schedule to ensure the value was not already accounted for. QG further assessed the nature of the resource to determine the likelihood it was sterilised by previous mining. Sterilised resources were assigned a zero value. The resources remaining after this analysis were valued between 1% and 5% of the FY2013 gold price provided by BDO. This factor is consistent with industry practice in valuing mineral resources. Determination of the final factor used was based on a combination of considering the classification of the additional resource, the grade of the mineralisation, its depth and if in QG's opinion there is potential for the resource to be expanded or improved by additional exploration. Factors were determined on a resource-by-resource basis. The average of all factors applied for our preferred case was 3.0%.

## Resource Value and Mine Physicals Schedule

QG's assessment of the value of the additional resources at Laverton and Coolgardie is summarised in Table 1. As per the terms of our engagement this excludes any consideration for the Treasure Island exploration asset.. The Burtville component of the mine physicals schedule is based on Ravensgate's opinion of material suitable for inclusion.

Resource Name	Contained Ounces				Value (\$ million)		
	Measured	Indicated	Inferred	Total	Low	Preferred	High
Laverton	4,185	324,261	301,046	629,492	26.6	32.4	38.5
Coolgardie	28,335	267,542	259,577	555,454	30.7	33.5	38.5
Total	32,520	591,803	560,623	1,184,946	57.3	65.9	77.0

**Table 1. Valuation of Additional Resources.**

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# 1 Introduction

Quantitative Group Pty Ltd (QG) was engaged by BDO Corporate Finance (WA) Pty Ltd (BDO) to prepare an Independent Technical Assessment of certain key aspects of Focus Minerals Limited's (Focus) Laverton and Coolgardie operations. This assessment is associated with the issue of approximately 4.50 billion shares to Shandong Gold International Mining Limited (Shandong Gold) for 5 cents each. BDO will use QG's Technical Assessment as part of an Independent Expert's Valuation Report in relation to this share issue. As such QG is acting as a Specialist under the terms of the Valmin Code (2005).

## 1.1 Terms of Reference

The scope of QG's Independent Technical Assessment report is outlined in BDO's letter of instruction to QG (Appendix A). Specific items included in the scope are:

### LAVERTON GOLD PROJECT

- A valuation of the resources not included in the Laverton life of mine;
- A technical assessment of certain key assumptions underlying the Laverton model including:
  - An assessment on the reasonableness of the resources used in the preparation of the financial model used to value the Laverton;
  - Mining physicals (including tonnes, recovery and grade);
  - Operating costs (mining operation, surface haulage, processing, accommodation and messing, royalties and general and administration); and
  - Capital costs (mining capital costs, processing capital costs, resource definition, general and administration).

### COOLGARDIE PROJECT

- A valuation of the resources not included in the Coolgardie life of mine;
- A technical assessment of certain key assumptions underlying the Coolgardie model including:
  - An assessment on the reasonableness of the resources used in the preparation

of the financial model used to value the Coolgardie Project;

- Mining physicals (including tonnes, recovery and grade);
- Operating costs (mining operation, surface haulage, processing, accommodation and messing, royalties and general and administration); and
- Capital costs (mining capital costs, processing capital costs, resource definition, general and administration).

QG understand these assessments, physical schedules and cost profiles will be used by BDO to form the basis of an Independent Expert's Report for Focus. Gold prices and foreign exchange rates were set by BDO.

QG note BDO specifically excluded the Laverton Burtville resource from QG's assessment due to a potential conflict of interest and therefore QG's involvement with the Burtville asset has been limited to incorporating the assessment of another Specialist (Corvidae Pty Ltd ATF Ravensgate Unit Trust, or Ravensgate) into the consolidated mining physicals for the Laverton operations.

A number of other factors that impact on public reporting of resources and reserves under the terms of the JORC Code<sup>1</sup> (2004) are also excluded from this report; specifically matters relating to:

- Government and regulatory approval for operations;
- Community and social impact;
- Environmental factors and operating conditions; and
- Legal factors.

QG's report is therefore solely an assessment of the technical geological, mining and metallurgical aspects of the assets. It represents QG's opinion of the potentially recoverable ore reserves for the two operations if the 'modifying factors' identified above are satisfactorily managed.

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<sup>1</sup> The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

## 1.2 Independence

Quantitative Group Pty Ltd is a privately held company. Neither QG nor any of the authors of this Technical Assessment Report have a pecuniary or beneficial interest in Focus Minerals Limited, Shandong Gold International Mining Limited, any parties involved in promoting the assets accessed by the report, or the assets themselves.

Focus Minerals Limited is paying QG a service fee for the production of this report. The value of this fee is not dependent on the outcome of the assessment. QG's service fee is based on standard hourly-basis consulting rates. Our fee for preparing this report was \$153,914.74 including GST. This fee is the total of consulting costs and disbursements.

QG has previously conducted various technical consulting assignments for Focus Minerals Limited including:

- Various reviews and reports assessing the quality of Focus' resource models, grade control and sampling practices;
- Assistance with technical advice on aspects of resource estimation such as variogram modelling and quantitative kriging neighbourhood analysis; and
- Estimation of some of the mineral resource assets held by Focus; specifically the Burtville resource at Laverton. Accordingly QG has not assessed the Burtville resource in this report.

## 1.3 Qualifications and Experience

The primary author of this report, Mr Scott Dunham, is a qualified geologist and mining technical professional with more than 25 years international experience in the mining industry. Mr Dunham is a Director of QG and Principal Consultant. He is a Fellow of the Australasian Institute of Mining and Metallurgy (the AusIMM) and has the appropriate qualifications and experience to act as a Competent Person as defined in the JORC Code and to satisfy the requirements of an Expert and Specialist as defined in the Valmin Code.

The report co-authors, Mr David Purdey, Mr Mike Job and Mr Tim Journeaux, are all Members of the AusIMM, have at least 20 years international experience in the mining industry and are employed as Principal Consultants. Mr Purdey is a Mining Engineer, Mr Job is a geologist and Mr Journeaux is a geologist. The co-authors have the requisite experience and qualifications to act as a Competent Persons as defined in the JORC Code and to satisfy the requirements of an Expert and Specialist as defined in the Valmin Code.

## 1.4 Sources of Information

In preparing this report QG has relied upon data provided by Focus and publicly available data. QG was provided access to an electronic data room containing a wide range of reports, spreadsheets, resource models and estimates, production schedules, audits and review and other such data as required to complete this assessment. In addition QG had access to and held discussions with Focus' technical personnel involved in the estimation of resources and reserves and in production planning and forecasting.

QG visited the Coolgardie asset to independently validate and confirm the information contained in the data room. QG has previously visited the Laverton asset (during 2011 and 2012) and is relying on these previous visits to validate information in the data room. During the site visits and subsequent analysis, Focus provided QG with additional data as requested where such data was available. In some instances however the requested data was not available, and in these cases QG's assessment is based on its experience with similar mineralisation and operations.

## 1.5 Reliance on Other Experts

In preparing this report QG has relied on an assessment of the Burtville resource estimate completed by Ravensgate Pty Ltd.

QG has independently reviewed the majority of the resource and reserve estimates this assessment is based upon. Some minor resources were not reviewed and are not considered material to our assessment.

BDO commissioned an independent review of Focus' mineral tenement status. Legal firm Murcia Pestell Hillard (MPH) completed this review and identified no material issues that would impact on QG's valuation. QG is satisfied, based on MPH's review, that the values assigned to the resources correctly reflect Focus' ownership.

## 1.6 Consent

This report has been provided to BDO for the purpose of forming its opinion in relation to the transaction described in Section 1 of this document. QG gives its consent for this report to be appended to BDO's report.

## 2 Description of Mineral Assets

Focus produces gold from two districts in Eastern Goldfields of Western Australia; the Laverton and Coolgardie regions (Figure 1). Both regions have a long history of gold production dating from the 1890's to the present day. The mineral assets consist of multiple underground and open pit gold mining operations and a fully refurbished and operational gold treatment plant in Coolgardie (The Three Mile Hill plant). Ore mined from the Laverton district is currently treated through Barrick Gold Limited's Granny Smith mill through a formal ore processing agreement.

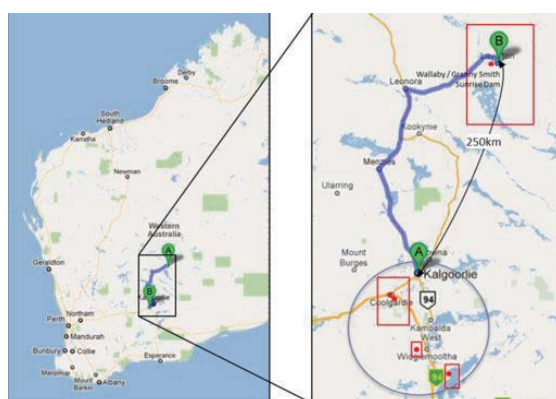


Figure 1. Location of Focus' Coolgardie and Laverton mineral assets

### 2.1 Coolgardie Operations

Coolgardie is located in the Eastern Goldfields of Western Australia at Latitude 30°90' S and Longitude 121° 11' W. Coolgardie is accessed by major highway from Perth (~550 km) or from Kalgoorlie (~35km). The prospectors Bayley and Ford first recorded gold in the Coolgardie district in 1892. The Coolgardie field was developed by numerous small mines exploiting small tonnage high grade quartz reefs and shears until the potential of the Coolgardie area was eclipsed by larger discoveries made further east around Kalgoorlie. Bayleys Reward was continually worked until 1963. Focus formed in 2001 and in the period from 2001 to 2012 has worked on consolidating the lease holdings in the Coolgardie region under one company.

Focus is currently producing from two underground mines (Tindals and The Mount) and a number of small open pits in the Tindals area including Empress, Big Blow and Dreadnought. Total annual production from the Coolgardie region in FY 2011 was 1,182,979 tonnes grading 2.47 grams per tonne (g/t) gold (Au) for a total of 89,959 recovered gold ounces. The mineral assets assessed in this report can be divided into five distinctly mineralised zones as



follows (Figure 2):

1. Tindals Mining Centre;
2. Three Mile Hill;
3. Lindsays-Bayleys;
4. Norris; and
5. The Mount.



**Figure 2. Location of Coolgardie Resources**

Focus has a successful track record of identifying new mineral resources in the Coolgardie district and has been steadily increasing the total mineral inventory faster than the average rate of depletion through mining. Following QG's review of the exploration potential at Coolgardie, it is considered likely that Focus will continue to identify additional mineralisation given sustained or increased exploration expenditure.

### **2.1.1 Geology**

Focus' Coolgardie area is part of the larger Coolgardie Goldfield and is situated on the western side of the Archean Norseman Wiluna Belt of the Eastern Goldfields Province. The Coolgardie area sits in the Coolgardie Domain, one of six tectono-stratigraphic domains that comprise the belt. These domains run NNW- SSE and are bounded by large-scale regional

faults and thrusts. The dominant rock types in the Norseman-Wiluna Belt include intrusive komatiites (ultramafic), mafic intrusive and extrusive rocks, along with sedimentary sequences and felsic intrusives. The Belt is intruded by voluminous high Ca granites throughout the area (2.67 to 2.65 Ma), much of this with associated strike slip reactivation of earlier faults. The Coolgardie Domain and project area is located on the SW margins of the Belt.

The Coolgardie Domain is bounded to the west by the Ida fault and to the east by the Zuleika shear. The Domain is intruded by several granitoids of the Woolgangie supersuite. The largest of these in the project area is the Calooli Monzogranite which crops out on the south-western side of the project area. The granite has a Pb- Pb radiogenic age of 2665 Ma, consistent with the age of other granites in the Kalgoorlie – Coolgardie area.

## 2.1.2 Resource Estimates

### Tindals

The Tindals project hosts the majority of the reported mineral resource at Coolgardie (Appendix B). Gold mineralisation is hosted in diorites on or near the regional north-northeast trending Redemption Fault Corridor. The diorites have varying orientations, from sub-vertical to horizontal. There are fifteen different reported resources in this area and many as yet untested prospects.

The resource estimates are based on reverse circulation (RC) and diamond drilling (DD) samples with the majority of samples pre-dating Focus' ownership of the asset. The drill hole sample data has been extensively verified by Focus; however, much of the available assay data lacks modern quality assurance data used to detect sampling bias and precision issues. Focus has drilled additional holes to validate the historic data and the geology, geometry and grade of the pre-Focus drilling are largely confirmed by this check sampling.

The geological interpretation uses the available drill hole data and mapping. Estimation domains are defined using a combination of geology and a 0.5 g/t Au grade shell. A top-cut (grade cap) is applied prior to grade estimation using Ordinary Kriging. In QG's opinion the resource estimation approach is reasonable for this type of mineralisation and is a good global estimate of the contained tonnes and grade of the resource. On a local (mining) scale the resource will most likely be more variable than indicated in the model and therefore good grade control practices are required to ensure correct ore/waste allocation.

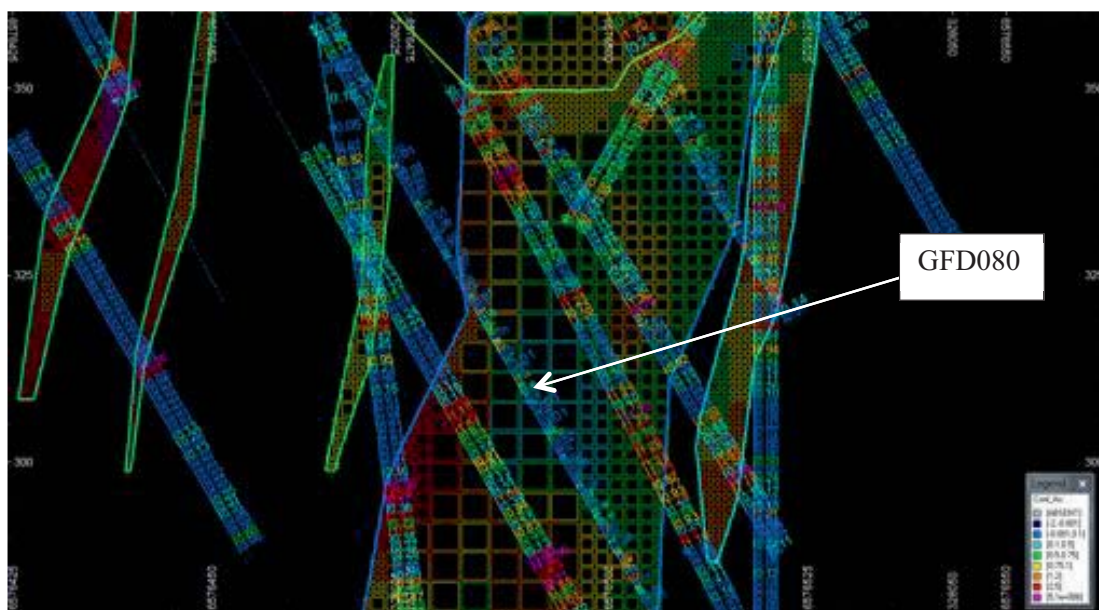
The resources are classified according to the JORC Code (2004) using a combination of drilling density, geologically assessed confidence in the interpretation and a combination of statistical and geostatistical parameters. In QG's opinion the classification approach is sound

and the results are an appropriate indication of the confidence in the estimates.

### Three Mile Hill

Three Mile Hill is comprised of the Greenfields and CNX deposits. Mineralisation is hosted in the Three Mile Hill dolerite with higher grades occurring on fractures and in veins. Lower grade material occurs in disseminations distal to the vein system. The main mineralised lode is sub-vertical and up to 15m wide. Smaller lodes occur in the hangingwall of this main lode.

The resource estimates are based on reverse circulation (RC) and diamond drilling (DD) samples with the majority of samples pre-dating Focus' ownership of the asset (similar to Tindals). The drill hole sample data has been extensively verified by Focus as described above for Tindals. Focus has drilled additional holes to validate the historic data and the geology, geometry and grade of the pre-Focus drilling are largely confirmed by this check sampling. In some cases the grade of close space (twinned) RC and DD holes are materially different (Figure 3). This may be due to the orientation of flat, ladder-style quartz veins that control the mineralisation.



**Figure 3. Highly variable grade in close spaced holes.**

The mineralisation geometry is interpreted as vertical using drill hole data. The overall lode geometry is well defined; however, there is a complex internal vein geometry at a different orientation to the general trend of the lodes. The lode is defined using a 0.5 g/t Au grade shell within Unit 4 of the Three Mile Hill dolerite. Grade estimation is by Ordinary Kriging within the interpreted domains using top-cut data. QG considers the estimation approach and practice

reasonable and appropriate for this style of mineralisation. Local (mining scale) differences between the estimate and true geometry and grade may occur due to the different orientation of the ladder-style veins and the overall lode geometry. A suitable grade control process will be required to minimise ore/waste misallocation.

The resources are classified according to the JORC Code using a combination of drilling density, geologically assessed confidence in the interpretation and a combination of statistical and geostatistical parameters. In QG's opinion the classification approach is sound and the results are an appropriate indication of the confidence in the estimates.

### **Lindsays-Bayleys**

The Lindsays-Bayleys project consists of three reported resources; Hillside, Lindsays and the King Solomon/Queen Sheba complex. The mineralisation is hosted in a northwest trending dolerite, possibly equivalent to the Three Mile Hill dolerite that hosts the Three Mile Hill resources. Gold mineralisation occurs in stacked quartz-sulphide vein systems and selvages dipping 30° to the northeast. The mineralisation controls are poorly understood and there is significant potential for additional mineralisation to be identified.

The majority of the drill hole data (both RC and DD) pre-date Focus' involvement in the project and dates from the late 1970's. The area has had numerous owners resulting in multiple and disparate logging and sampling practices. The pre-Focus sampling consisted of both aqua regia and fire assay analyses. These two methods show a distinct bias (up to 30%) illustrating the poor quality of some of this data. Analysis of duplicate samples shows equally poor precision results. Drill hole spacing is at best 20m x 20m near the surface and getting broader below 100m depth.

The resource model is based on broad geological domains interpreted to coincide with fault and dolerite contacts. Consequently the domains include a high proportion of sub-grade material and represent an almost unconstrained estimation approach. A top-cut was applied on a domain by domain basis to limit the influence of very high grades. The estimate used a large number of samples (up to 70) and large search distance. This approach will result in a very smooth estimate that likely over-estimates the tonnes and under-estimates the grade of the mineralisation.

The resource is classified according to the JORC Code (2004) based on the number of composites used during estimation and the geostatistical slope of regression. There is no consideration of data quality or geological confidence incorporated into the classification scheme.

In QG's opinion the main Lindsays model is potentially flawed due to the apparent bias

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between the aqua regia and fire assay analyses. This, combined with the high degree of smoothing resulting from the estimation approach, means the estimate is potentially both globally and locally incorrect and any mining activity is likely to only poorly reconcile compared to the estimate. In QG's opinion there is clearly a zone of potentially economic mineralisation at Lindsays; however the current level of evaluation is insufficient for mine planning and additional work is required for this resource.

## The Mount

The Mount resource is located approximately 130km, by road, south-south west of Kalgoorlie, or 4km south-south west of the township of Widgemooltha in Western Australia. The mineralisation is hosted in a number of narrow, near vertical, tourmaline, biotite and carbonate altered shears in an ultramafic rock mass. The shears range from 0.5m to 2.5m wide and have a combined strike extent of approximately 250m.

The majority of drilling data used for the resource estimate is relatively recent and was drilled by Focus and Austminex Limited. The drilling is about a 50:50 mix of DD and RC. Grade control samples (underground face sampling) have also been used in the resource estimate. The mineralisation has been drilled from underground on a 20m x 20m grid for the westernmost lodes, extending to 80m x 80m for the eastern lodes. Face samples are collected every 2.5m along ore drives. The samples were analysed using fire assay (DD and RC) and Leachwell™ for the underground face samples. Appropriate sample and analytical quality management processes are in place and the sample data is of good quality.

Ten major lodes and 70 smaller veins occur at The Mount. The mineralisation is interpreted using geological data from logging and a 1g/t Au domain boundary. The geometry of the shear zones is predictable; however, grade continuity along and between mining levels can be poor, with some of the eastern lodes in particular having alternating runs of high grade and sub-grade between face samples. Grade estimation is by 3-dimensional Ordinary Kriging using a top-cut on the samples. The samples are composited to 2m prior to estimation although smaller composites are allowed. This has resulted in the average 'composite' length being closer to 1m. Therefore, there is not equal support, and from a theoretical standpoint, 3-dimensional Ordinary Kriging should not be used. This would have serious implications if higher grade zones were associated with shorter sample lengths. However, this is not the case at The Mount and the length weighted grades for the main lodes are about the same as the unweighted grades thus supporting the method applied.

The resource is classified according to the JORC Code on the basis of sample spacing. Measured Resources are limited to areas adjacent to mining level where there is face sampling. The distinction between Indicated and Inferred Resources is dependent on DD and



RC hole spacing. In QG's opinion the classification approach is sound and the results are an appropriate indication of the confidence in the estimates.

### **2.1.3 Mining Operations**

Focus operate both underground and open pit mining at Coolgardie. The underground operations include The Tindals Mining Centre and The Mount mine. The current open pits include Dreadnought, Empress and Big Blow. The underground and open pit operations all provide feed to Focus' Three Mile Hill ore treatment facility.

#### **Underground Operations - Tindals**

Underground mining at the Tindals Mining is accessed from a portal located in an open pit originally mined in the mid-1990's. The declines are 5.0m wide x 5.0m high in the upper sections and 5.0m wide x 5.5m high in the lower parts. This limits the size of equipment that can be used. In the 15 years or so since the portal was cut, the original two declines have been split into four separate declines, each accessing multiple orebodies. Three of these declines are currently active, Empress, Perseverance and Cyanide, whilst the Tindals decline has been abandoned for most of the past 10 years. The Empress decline also accesses the Countess and Tindals Deeps zones and the Cyanide decline was located to allow future access to the Bird in Hand zone.

Focus provides technical control and supervision of the mining activities, overseeing the operations of mining contractor Barmenco. Mining is by conventional top-down sublevel longhole open stoping, without fill. Level intervals are typically between 20-23m. Ground conditions are typically good allowing up to 90% mining recovery. In-ore pillars may be left in areas of faulting or where previous ground failures have occurred. Regional pillars are located on the basis of geotechnical planning taking into account the geometry of the mineralisation, the rock mass strength and the proposed extraction sequence.

#### **Underground Operations – The Mount**

Underground operations at The Mount are accessed from a single portal and 5.5m x 5.5m decline. The mine is currently developed to a depth of approximately 100 m below surface. Level intervals are generally at 20m intervals. Ground conditions are generally good and, coupled with the relatively shallow mining depth no stress-related issues occur. Ore is extracted using longhole open stoping with no back fill. Stopes are extracted down to a minimum mining width of 1.0m. In narrower zones, some stoping is undertaken by hand-held methods. Gallery stoping is used above top levels closer to surface where there is no conventional development access.

## Open Pit Operations

Open pit operations at Coolgardie are currently centred around the Tindals resources. Focus operate several open pit mines in the area, typically with three in production at a time while other resources are undergoing evaluation. The pits are typically shallow and short-lived; however in more recent times Focus has progressed to mining larger open pit volumes and it is likely that the future production profile from Coolgardie will be dominated by material sourced from open pit mining.

Mining is by conventional open pit techniques following a typical drill and blast, load and haul cycle with blast hole grade control. The haulage mining fleet is owned and operated by the mining contractor (Barcon Logistics) and the drill and blast fleet is owned and operated by Pettingil Blasting Services. Load and haul operations are day shift only for five and a half days a week. Drill and blast operations operate seven days a week.

## Three Mile Hill Ore Treatment Facility

Focus recommissioned the Three Mile Hill ore treatment facility and re-started ore processing in December 2009. The plant is a conventional carbon-in-leach (CIL) operation. Ore is initially crushed to 106 $\mu$  before undergoing cyanidation, carbon adsorption and electrowinning to recover the free milling gold in mill feed. The maximum sustainable mill throughput is 165 tonnes per hour (tph) and Focus target processing a blend of oxide (open pit) and fresh (underground) ore at an average rate of 155 tph.

Ore comminution is a conventional three-stage crushing circuit consisting of a primary jaw crusher operating in open-circuit and secondary and tertiary cone crushers operating in closed circuit. A single stage ball mill discharges to sizing cyclones. Cyclones overflow reports to the leach and adsorption circuit which consists of two leach tanks or 6-7 hours residence time each for a through put of 150-165 tph. Leached slurry then reports to a train of 10 adsorption tanks. Cyclone underflow is split, with one half reporting back to mill feed for regrind, and the other half reporting to the gravity screen to feed the Falcon concentrator. Gravity gold is treated in an inline leach reactor (ILR). Approximately 120 tph of tails is directed to a thickener for water reclamation. Remaining tails is directed to the tailings storage facility (TSF). Thickener underflow also reports to the TSF.



## 2.1.4 Assessment of Reasonableness for Inclusion in Financial Model

The resource estimates described in 2.1.2 of this report form the basis of the tonnes and grade used for scheduling mine production and valuing the Coolgardie asset. In QG's opinion the reported resources and ore reserves are a reasonable representation of the known mineral inventory at Coolgardie and are therefore appropriate for inclusion in financial modelling and valuation. QG note however, that due to the nature of the mineralisation<sup>2</sup> at Coolgardie and Focus' strategic approach<sup>3</sup>, only a relatively low proportion of the mineral resource has been analysed to a sufficient level for an ore reserve to be reported. Therefore in preparing a production schedule only a small proportion of the known mineralisation at Coolgardie can be included under the framework of this assessment and the VALMIN Code.

In order to assess and develop ore reserves for the additional known mineralisation, Focus will need to continue and/or accelerate exploration and resource development activities in the district. Until sufficient work has been performed in order for there to be adequate confidence in the resources for them to be classified as Measured and Indicated under the JORC Code and until appropriate mining studies have been completed, it is inappropriate to value these known Inferred Resources using a discounted cash flow (DCF) approach. Alternative valuation methodologies including:

- Similar or previous transactions;
- Multiples of exploration expenditure; or
- Heuristic or 'rules of thumb' valuations based on heavily discounted (typically 1%-5%) valuation of the total resource inventory.

<sup>2</sup> The mineralisation in the Coolgardie district is highly variable and discontinuous. This variability impacts on the confidence levels of resource estimates making it unreasonable to classify some mineralisation as Measured Resource until after it has been exposed in mine workings. Similarly the level of geological data and sampling required for a resource to be classified as Indicated is higher than for less variable mineralisation. As a consequence, some operators, including Focus, proceed to a decision to mine mineralisation that is classified as an Inferred Resource (e.g. The Mount). Under the terms of the JORC Code, Inferred Resources cannot be converted to Ore Reserves.

<sup>3</sup> Some gold mining companies routinely maintain only 2-3 years of ore reserves ahead of production. This practice occurs due to a number of factors including:

- The potential for exploration to identify additional material adjacent to existing operations;
- The potential for exploration to identify higher value material that would displace other material already classified as ore reserves;
- The cost associated with conducting mining studies to a sufficient level of confidence for ore reserves for material that may not be mined for several years in the future; or
- The rapid discovery and depletion of small deposits (sometimes an complete open pit may be mined in less than 12 months);

There are several examples of gold mining districts that have had sustained production for long periods of time despite maintaining such a low ore reserve inventory. Examples include the Norseman goldfields in Western Australia where exploration success has continued to replace mine production resulting in sustained mining operations for more than 60 years.

These methods typically result in lower valuations when compared to DCF approaches. This lower value is appropriate for the level of uncertainty and risk associated with the low confidence Inferred Resources.

## 2.2 Laverton Gold Project

Focus' Laverton operations are centred around the township of Laverton in Western Australia, 960km North-Northeast of Perth. Like Coolgardie, Laverton has a long history of gold production and is the second largest gold producing district in Australia hosting significant mineralisation at the Wallaby, Sunrise Dam and Granny Smith mines along strike from Focus' operations.

Focus is currently producing from a number of small open pit operations and is developing plans to develop more open pits and underground operations in the future. As at 30 June 2012 Focus reported a mineral resource of 26.3 million tonnes grading 1.7 g/t Au (Appendix C). Following Focus' acquisition of the Laverton mineral assets in 2011, a review of the district geology plus additional geological investigations including drilling has allowed Focus to increase the mineral resource inventory since those reported on June 30 2011. These increases are greater than the current mining production rate.

The mineral assets assessed in this report can be divided into 6 distinct mineralised zones as follows:

1. Barnicoat;
2. Burtville;
3. Central Laverton;
4. Chatterbox;
5. Jasper Hills; and
6. Lancefield.

In addition to the reported mineral resources, the Laverton district remains prospective for additional mineralisation. Following QG's review of the exploration potential at Laverton, it is considered likely that Focus will identify additional mineralisation in the future and continue to add to the mineral resource base given increased exploration expenditure.

### 2.2.1 Geology

The Laverton Greenstone Belt (LGB) is located in the North Eastern Goldfields of the

Archaean Yilgarn Craton of Western Australia. Focus' Laverton resources lie within the Laverton 1:250,000 geological mapsheet, which covers part of the Archaean Laverton-Linden Tectonic Zone and the northern margins of the Laverton Basin. Tectono-stratigraphic evolution of the LGB involves amalgamation of structural relics of sedimentary basins and continental fragments in the Burtville Terrane to the east prior to their accretion to the Kurnalpi Terrane to the west (Standing, 2008). The Kurnalpi Terrane is dominated by 2715-2700 Ma andesitic volcanoclastic rocks with erosional remnants of <2675 Ma siliciclastic sequences.

## 2.2.2 Resource Estimates

### Barnicoat

The Barnicoat resources include the Admiral Hill, Barnicoat, Bells, Black Label, Castaway, Grouse, Ida H, Lily Pond Well and Sickle deposits. Mineralisation is narrow vein and structurally controlled, associated with the Barnicoat Shear Zone. The resources occur in multiple lodes and due to the size and complexity of the mineralisation, a detailed geological and mine planning assessment is required for each lode before production.

The deposits have been drilled using a combination of techniques including RC, DD and some rotary air blast (RAB), air core (AC) and blast hole grade control holes. The drilling history is poorly reported and little to no quality assurance data is available except for the Castaway and Sickle deposits. The assay technique applied is not reported.

Each of the resource estimates are based on a similar approach. Cross-sectional interpretation was completed using a nominal 0.3 g/t Au cut-off (0.5g/t Au at Castaway). These interpretations were modelled in 3-dimensions and used to control the grade estimation process. Grade estimate was a combination of Ordinary Kriging and Inverse Distance Weighting methods. Search ranges were generally short and relatively few samples were used to estimate a block.

The majority of Barnicoat resources are classified as Indicated and Inferred. The only Measured Resource in the camp is the Sickle deposit. The classification approach is unreported except for Sickle and Castaway. In QG's opinion the approach adopted at Sickle is reasonable for the material classified as Indicated and Inferred; however, the material classified as Measured is considered optimistic. In the case of Castaway, the classification, which is based on drill hole spacing is reasonable. The classification approach for the remaining Barnicoat resources is optimistic and in QG's opinion these resources should be considered Inferred.

## **Burtville**

Assessment of the Burtville mineral resource was excluded from QG's scope under the terms of engagement provided by BDO. In determining the suitability of the Burtville resource for inclusion in the mine production schedule QG has relied on the assessment provided by Ravensgate.

## **Central Laverton**

The Central Laverton resources are narrow vein style mineralisation, structurally controlled and hosted within a complex folded sequence of mafic, 'BIF' and interflow sediments. Mineralisation is primarily hosted with the BIF units but do occur in other lithologies. The resources in the Central Laverton camp include Craggiemore, Euro, Mary Mac, Mary Mac South and West Laverton.

The resource estimates are largely based on RC drill samples with a very low proportion of DD holes. Drilling varies from 10m x 15m to 25m x 25m depending on the resource. Samples collected from the drill holes have adequate quality management information and no material bias or precision errors were noted during the drilling campaigns. The assay technique is not discussed in the resource reports provided by Focus.

The resources were estimated using 3-dimensional Ordinary Kriging. The estimates were constrained within wireframe interpretation developed on cross sections using a 0.3g/t Au or 0.5 g/t Au grade shell. Consideration was given to acceptable minimum mining widths (2m) and internal dilution (2m). The estimates were classified according to JORC (2004) as Indicated and Inferred after consideration of drill hole spacing, geological continuity and sample quality. In QG's opinion the resource estimation and classification for the Central Laverton resources is reasonable.

## **Chatterbox**

The Chatterbox camp is comprised of the Apollo, Aurora, Calypso, Eclipse, Elation, Emerald and Liberty resources. These resources occur along the regional Chatterbox Shear and the mineralisation is typically shear/shear splay related and occurs in a range of styles. It is all narrow vein gold mineralisation with multiple lodes in each deposit with varying orientations (predominantly narrow steep easterly dipping).

There have been multiple drilling campaigns in the Chatterbox area by numerous companies. The majority of drill holes are RC with minor DD in some areas. Hole spacing is generally better than 25m x 25m. Sample quality is variable between the different drilling campaigns and different companies. In some cases sample quality has been well managed whereas in others the reported sampling methodology is questionable (e.g., spear sampling of wet RC

holes). Samples have been analysed using fire assay.

Mineralised lodes are interpreted at a 0.5g/t Au cut-off and this grade shell is used to constrain the resource estimate. All resources except for Apollo and Calypso were estimated using Inverse Distance Weighting. The Apollo and Calypso deposits were estimated using Ordinary Kriging. The search strategy and block size for Apollo and Calypso are reasonable. For the other resources in the Chatterbox camp, the search and block size are likely to have adversely impacted on the local grade estimate. Global tonnes and grade are considered likely to be acceptable.

The resources were classified on the basis of the number of sample used in the estimate and the distance to those samples. No consideration was given to data quality or geological confidence.

In QG's opinion the Apollo and Calypso resources were estimated and classified to an acceptable standard. The other Chatterbox resources are of lower quality and should be considered Inferred.

### **Jasper Hills**

The Jasper Hills camp consists of the Lord Byron and Fish resources. These two resources are hosted in shear zone associated BIF and include multiple (more than 30) lodes of varying orientations within each resource.

Drilling is dominated by RC with minor DD in some areas. There have been multiple drilling campaigns by multiple companies. Near surface the drill hole spacing is better than 20m x 20m. This extends out to 50m x 50m at depth. Some drilling campaigns were adequately monitored for sample quality whereas others were not. At Fish, a bias was identified between the pre Crescent Gold Pty Ltd (Crescent) samples and those samples collected by Crescent. This bias indicated Crescent's samples were higher than the historic results below an 8 g/t Au threshold. Above this threshold, Crescent's samples were lower grade than the historic results. Samples were assayed using fire assay techniques.

Mineralised lodes are interpreted at a 0.5g/t Au cut-off and this grade shell is used to constrain the resource estimate. QG independently checked a selection of the interpretation and the shapes appear reasonable and match the available data. In some cases however there are small lodes defined by only one or two drill holes. Grades were estimated using Ordinary Kriging with acceptable search strategies and block sizes.

The resources were classified on the basis of drill hole spacing. Indicated resources have a spacing less than 20m x 20m. Material with more broadly spaced drilling is classified as

Inferred. The classification approach does not account for data quality or geological confidence.

In QG's opinion, the resource estimation is generally robust and follows a suitable process; however, several areas are of concern most notably data quality and potential conditional bias in the estimate. There is some potential for over/under estimation of tonnes due to interpretation and estimation methodology.

## Lancefield

The Lancefield camp includes north (Crown Jewel/Telegraph), south (Odyssey/South Lancefield) and Summit (Lancefield) resources. The resources are narrow vein style mineralisation, structurally controlled and occur in inter-flow sediments or a sheared contact between ultramafic and basalt. The majority of the resource occurs at Summit (Lancefield).

The majority of drilling in the area is RC with some minor DD targeting deeper regions of the Summit resource. Like other camps in the Laverton district the drilling has occurred in multiple campaigns by multiple companies. Much of the key drilling information is not included in the available documentation. Specifically there is no discussion of drill hole spacing. There is limited sample quality information available. Samples appear to be a mixture of fire assay and cyanide-bottle roll leach with a fire assay on the leach residue. A review by Cube Consulting in 2012 highlighted the scarcity of sample quality data.

The various Lancefield resource estimates date from the mid 1990's and only limited recent work has been conducted to validate the resource estimates. Estimation was sectional-polygonal methods using a nominal 1.0g/t Au grade threshold and allowing for internal dilution and minimum mining widths. Some zones were projected more than half the drill hole spacing. The polygonal approach was not computerised and did not estimate grades into the now standard block model so now 3-dimensional representation of the mineralisation exists. In some cases polygons were formed around single drill holes.

The Lancefield resources were estimated prior to the standards outlined in the 2004 edition of JORC and may have been appropriately classified at the time they were estimated. Changing expectations and standards now, in QG's opinion, mean that the classifications should be reviewed with some resource likely to be classified as Inferred.

### 2.2.3 Mining Operations

The mining operations at Focus' Laverton Gold Project consist of small open pit mines with short lives. Currently Focus have two pits in operations; Apollo D and Fish. Mining is by conventional truck and excavator open pit mining techniques following a typical drill and blast, load and haul cycle with blast hole grade control. The mining fleet is owned and



operated by various contractors. The mined ore is hauled by road on a campaign basis for toll treatment at Barrick Gold Ltd's Granny Smith operation.

Because the pits are relatively shallow and have short lives, no major geotechnical issues occur. Mine planning is generally completed on a just-in-time basis.

In the future, Focus are considering establishing underground mining in the Laverton district. Several known resources are potentially suitable for underground mining including the Lancefield region, Fish and Mary Mac Hill. Focus has completed some preliminary planning for these resources (scoping top pre-feasibility study level).

#### **2.2.4 Assessment of Reasonableness for Inclusion in Financial Model**

The resource estimates described in 2.2.2 of this report form the basis of the tonnes and grade used for scheduling mine production and valuing the Laverton Gold Project assets. In QG's opinion most of the reported resources and ore reserves are a reasonable representation of the known mineral inventory at Laverton and are therefore appropriate for inclusion in financial modelling and valuation. The exceptions to this are parts of the Lancefield camp where the resource estimates have not been updated since the mid-1990's and the documentation of the existing estimates is poor. In QG's opinion these resources are higher risk than the other resources in the Laverton area.

QG note that, like the Coolgardie Operations, only a relatively low proportion of the mineral resource has been analysed to a sufficient level for an ore reserve to be reported. This is due to a number of factors including the nature of the mineralisation<sup>4</sup> at Laverton, Focus' operating strategy<sup>5</sup>, and the recent acquisition of Crescent Gold and a backlog of mine design and planning activities associated with the acquisition. Therefore in preparing a production

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<sup>4</sup> The mineralisation in the Laverton district is highly variable and discontinuous. This variability impacts on the confidence levels of resource estimates making it unreasonable to classify some mineralisation as Measured Resource until after it has been exposed in mine workings. Similarly the level of geological data and sampling required for a resource to be classified as Indicated is higher than for less variable mineralisation. As a consequence, some operators, including Focus, proceed to a decision to mine mineralisation that is classified as an Inferred Resource and in some cases material is identified and mined in less than a 12 month period and therefore is never reported under the JORC Code. Under the terms of the JORC Code, Inferred Resources cannot be converted to Ore Reserves.

<sup>5</sup> Some gold mining companies routinely maintain only 2-3 years of ore reserves ahead of production. This practice occurs due to a number of factors including:

- The potential for exploration to identify additional material adjacent to existing operations;
- The potential for exploration to identify higher value material that would displace other material already classified as ore reserves;
- The cost associated with conducting mining studies to a sufficient level of confidence for ore reserves for material that may not be mined for several years in the future; or
- The rapid discovery and depletion of small deposits (sometimes an complete open pit may be mined in less than 12 months);

There are several examples of gold mining districts that have had sustained production for long periods of time despite maintaining such a low ore reserve inventory. Examples include the Norseman goldfields in Western Australia where exploration success has continued to replace mine production resulting in sustained mining operations for more than 60 years.

schedule only a small proportion of the known mineralisation at Laverton can be reasonably included under the framework of the VALMIN Code.

In order to assess and develop ore reserves for the additional known mineralisation, Focus will need to continue and/or accelerate exploration and resource development activities in the district. Until there is sufficient confidence in the resources for them to be classified as Measured and Indicated under the JORC Code and until appropriate mining studies have been completed, it is inappropriate to value these known Inferred Resources using a discounted cash flow (DCF) approach. Alternative valuation methodologies including:

- Similar or previous transactions;
- Multiples of exploration expenditure; or
- Heuristic or ‘rules of thumb’ valuations based on heavily discounted (typically 1%-5%) valuation of the total resource inventory.

These methods typically result in lower valuations when compared to DCF approaches. This lower value is appropriate for the level of uncertainty and risk associated with the low confidence Inferred Resources.

### 3 QG Production Schedule

As per BDO's instructions QG has assessed the model provided by Focus and assessed its technical suitability for use in valuing the Laverton Gold Project and Coolgardie Project. As a consequence of this review, QG has developed a modified production schedule for assessment of the value of the assets included in the model.

#### 3.1 Review of Focus' Model

Focus provided QG with a model outlining a production strategy for the next 10 years at both of its existing operations. The model consisted of two spreadsheets with a breakdown of mining physicals by mining operation, operating and capital costs. Additionally QG held discussions with Focus' senior mine planning personnel to gain understanding of the model and its underlying assumptions.

The model combines underground and open pit production at both Laverton and Coolgardie. Production is sourced from a combination of known ore reserves, known mineral resources and assumed exploration success. Mining costs are based on Focus' site cost history and where required, generally accepted industry standard costs and productivity rates. Mine production is treated through the existing Three Mile Hill processing plant (Coolgardie) and Focus plan to recommission the Barnicoat processing plant to treat Laverton production post 2016.

At Laverton, the Focus model results in the establishment of underground mining for a number of resources including Fish, Mary Mac Hill and Lancefield (also known as Summit). The model also provides for establishment of new open pits in the Chatterbox region. At Coolgardie the Focus model results in an increasing contribution from open pit mining as underground production declines.

Before making use of the Focus model, QG validated and verified the spreadsheet functions and formula.

In reviewing the model and considering its technical suitability for use in valuing Focus' mining operations, QG identified that the Focus model contains a high proportion of non-Ore Reserve material. The schedule includes:

- Measured and Indicated Resources that have not been subjected to mine planning analysis and consideration of the 'modifying factors' required to convert a resource to a reserve;
- Inferred Resources that are not suitable for mine planning and that cannot be

converted to ore reserves under the JORC Code; and

- Allowance for assumed exploration success in either identifying new mineralisation or successfully identifying higher grade zones within known resources making them more economically viable.

While the inclusion of these three types of material in an internal strategic production schedule is reasonable and indeed provides good focus and direction for future activities, it is not appropriate for this material to be included in an Independent Assessment of the value of mineral assets under the VALMIN Core. Inclusion of such material in an Independent Assessment would require analysis of ‘modifying factors’ including ore loss, dilution, geotechnical stability, depth of mineralisation and mine design, mining costs, mining and metallurgical recovery and other technical parameters usually assessed in scoping, prefeasibility or feasibility mining studies. In the absence of this level of study, QG has removed the non-reserve production from the Focus model for the purposes of this assessment. In some cases, for example where there is a clearly demonstrable capability for an existing operation or ore reserve to be extended into areas currently classified as resource, QG has accepted a proportion of this material for the purposes of the valuation. This additional material does not exceed 7% of the total production profile.

For the material not included in the QG production schedule, we have adopted an alternative recognised method for valuing the Indicated and Inferred resource assets. In this case we have applied the In Situ Resource valuation method (section 4.1).

### 3.2 QG Modification of Focus’ Model

QG’s review of the Focus model included consideration of all technical aspects of the schedule including the mineral resources and ore reserves used in the model, the mining methods and activities proposed for each ore source, the production rate and metallurgical performance. We also reviewed the operating and capital costs for the model. For both the production physicals and the costs we compared the assumptions in the model against Focus’ recent performance and against average industry costs for similar scale operations. Where we identified differences between the planned performance profile and our assessment of the most likely performance we adjusted the appropriate parameter for the purposes of our assessment. The modifications QG made for our assessment included:

- Depleting the production profile to 30 September 2012;
- Modifying unit operating costs for the open pit and underground operations. These modifications were made after reviewing Focus’ existing cost structure and

considering the nature of the planned operations. Most changes were minor except for:

- An increase in grade control costs for the Laverton open pits based on the actual costs reported by Focus for FY2012;
- An increase in surface haulage costs at Laverton in line with recent contractual adjustments;
- An increase in the surface haulage costs for Fish underground mine so that is it comparable with the actual rate Focus paid for surface haulage during operation of the Fish open pit;
- An increase of \$2 per tonne for treatment of the Admiral Hill pit due to increased cyanide consumption associated with cyanide soluble copper in the ore;
- An addition of \$31 per tonne of ore treated from Lancefield/Summit underground mines due to the refractory nature of the mineralisation. QG determined this cost from early estimates of the cost to restart the Lancefield underground mine which suggested that the ore would need to be treated to produce a sulphide concentrate and then transport this concentrate offsite for extraction of the contained gold;
- Inclusion of additional costs to dewater the Brilliant pit prior to open pit mining. This pit is currently used to contain water pumped from the Tindals underground mine;
- Inclusion of addition capital expenditure to enable the production model to be implemented. QG's additional capital include:
  - An increase of the capital required to restart the Lancefield underground mine from \$6 million to \$10 million;
  - An additional \$15 million to modify the Barnicoat plant to treat the refractory ore from Lancefield underground. This estimate was sourced from earlier estimates of the cost to restart the Lancefield operation;
  - An additional \$2 million for capital equipment to dewater the Brilliant pit prior to mining. Focus did not allow any capital for this purpose;
  - An additional \$0.5 million each for Norris Grosmont and Hillside pits for unforeseen needs. Focus did not allow any capital for developing new open

pits at Coolgardie;

- An additional \$7.7 million for capital works associated with establishing additional underground mining at the Tindals mining centre. Focus had allowed \$2.3 million. QG researched the capital expenditure associated with the development of the original Tindals underground mine and on the basis of this increased the capital required for future production;
- Changing the scheduled production to exclude Inferred Resources and assumed exploration success. As a result the number of production sources was reduced from 24 at Laverton and 20 at Coolgardie to 12 at Laverton and 15 at Coolgardie. The final QG base case production schedule shows Focus mining a total of 16.3 million tonnes at a grade of 2.34 g/t Au for a total of 1,225,535 contained ounces. This production is completed by FY2022. The breakdown of production by operation and from surface/underground is provided in Table 2.

Operation	Tonnes	Grade (g/t Au)	Ounces	Recovered Ounces
Laverton Open Pits	6,694,034	1.82	391,501	359,237
Laverton Underground	2,322,884	4.49	335,212	270,618
Laverton Low Grade	724,962	0.85	19,715	17,743
Coolgardie Open Pits	4,867,964	2.17	340,125	312,915
Coolgardie Underground	1,049,877	3.64	122,993	116,843
Coolgardie Low Grade	635,889	0.78	15,990	14,710
<b>Total</b>	<b>16,295,609</b>	<b>2.34</b>	<b>1,225,535</b>	<b>1,092,066</b>

**Table 2. Summary of Production in QG Schedule.**

In addition to the base case production schedule, QG also developed low case and high case alternatives. These cases were used to assess the sensitivity of the operations to changes in production profile, operating and capital costs. For each alternative (base case, low and high cases) the main constraint is the mining operations. Excess capacity exists in Focus' ore treatment plants indicating there is potential for the value of the assets to be improved if additional material can be either converted to ore reserves from known mineral resources or if there is exploration success at either Laverton or Coolgardie.

### 3.3 Discounted Cash Flow Analysis

QG consolidated the production physicals, operating costs and capital costs for the three mining cases developed (preferred case, low and high cases). The consolidated alternatives incorporated:



- Open pit mining activities at both Laverton and Coolgardie;
- Underground mining activities at both Laverton and Coolgardie;
- Ore processing at Focus' Three Mile Hill plant in Coolgardie, the Barrick plant at Granny Smith and the refurbished Barnicoat plant at Laverton (post 2016);
- Mine operating costs for both open pit and underground operations. Cost were developed from a unit cost basis and consolidated into a cost per tonne mined for further analysis;
- Surface haulage costs associated with transporting mined ore from the various open pit and underground operations back to the central ore processing facilities;
- Accommodation and messing costs for all site-based personnel and contractors;
- General and administration costs;
- Royalties;
- Capital expenditure for sustaining operations including mining, ore processing and general capital requirements; and
- Capitalised resource definition and development costs;

Based on the planned production and cost profiles QG developed an annual cash flow for the Focus mining assets. The gold price and exchange rate used to determine the sales revenue were based on the rates set by BDO (Appendix D).

## 4 Valuation of Resources Not in Production Schedule

In addition to the mineralisation included in the QG production schedule, there are a number of Indicated and Inferred resources in both the Laverton Gold and Coolgardie Projects. As instructed by BDO, QG has valued these resources. In this instance we have used the ‘in situ’ Resource valuation method.

There are a number of recognised methods for valuing lower confidence resources and exploration properties. As required by the VALMIN Code, the Specialist completing the valuation must make use of a suitable valuation method for the mineral asset under consideration. The VALMIN Code classifies mineral assets into five different categories being:

- **Exploration Areas** – properties where mineralisation may or may not have been identified, but where a Mineral or Petroleum Resource has not been identified.
- **Advanced Exploration Areas** – properties where considerable exploration has been undertaken and specific targets have been identified that warrant further detailed evaluation, usually by drill testing, trenching or some other form of detailed geological sampling. A resource estimate may or may not have been made but sufficient work will have been undertaken on at least one prospect to provide both a good understanding of the type of mineralisation present and encouragement that further work will elevate one or more of the prospects to the resource category.
- **Pre-Development Projects** – properties where Mineral or Petroleum Resources have been identified and their extent estimated (possibly incompletely) but where a decision to proceed with development has not been made. Properties at the early assessment stage, properties for which a decision has been made not to proceed with development, properties on care and maintenance and properties held on retention titles are included in this category if Mineral or Petroleum Resources have been identified, even if no further Valuation, Technical Assessment, delineation or advanced exploration is being undertaken.
- **Development Projects** – properties for which a decision has been made to proceed with construction and/or production, but which are not yet commissioned or are not yet operating at design levels.
- **Operating Mines** – mineral properties, particularly mines and processing plants that,

have been commissioned and are in production.

In QG's opinion the Inferred Resources at Laverton and Coolgardie can be considered to be a mix of pre-development projects and development projects.

The industry recognizes that different valuation methods are more suitable for different asset classes. In some instances a particular property may include assets that comprise one or more of these categories and therefore different appropriate valuation methods must be applied to suit the maturity of the asset in question. There are a number of accepted methods available to the valuer when for different assets and different situations. In most instances one or more of the following three techniques are deemed suitable:

1. The Multiple of Exploration Expenditure method. This method is suitable for exploration areas and advanced exploration areas where the cost and performance of recent exploration is known or can be reasonably estimated. The method involves applying a factor (either a premium or discount) to the exploration expenditure. The factor applied is dependent on the impact of the exploration activity (specifically termed a "Prospectivity Enhancement Multiplier" or PEM). Where the exploration activity has enhanced the future potential of the property the PEM is positive. Conversely where the activity has had consistently negative results the PEM is likewise negative on the value of the property. The accepted convention in assessing the PEM is:
  - PEM = 1. Exploration activities and evaluation of mineralisation potential justifies continuing exploration;
  - PEM = 2. Exploration activities and evaluation of mineralisation potential has identified encouraging drill intersections or anomalies, with targets of noteworthy interest generated; and
  - PEM = 3. Exploration activities and evaluation of mineralisation potential has identified significant grade intersections and mineralisation continuity.

In QG's opinion the Multiple of Exploration Expenditure is not suitable for valuing the Indicated and Inferred Resources at Laverton or Coolgardie. The combination of a long and difficult to assess exploration history and the presence of higher quality resources on the same tenement packages invalidates the approach;

2. Comparable Transactions method. This method can be applied where sale transactions and joint venture terms for mineral assets that are comparable in terms of location, timing, mineralisation style and commodity are available. To be suitable the sale of

joint venture must be at “arm’s length” in accordance with the VALMIN Code. Where acceptable transactions exist, they can be used as a guide for valuing similar assets.

In QG’s opinion no suitable comparable transactions are available to value the Laverton and Coolgardie Inferred Resources. A comparable transaction must be similar in terms of mineralisation style and location, in particular location in respect of existing infrastructure and existing mineral resources. While some transactions for individual properties may be similar to individual resources at Laverton and Coolgardie there are no recent transactions consisting of a similar package of resources in conjunction with similar infrastructure and assets.

3. The In Situ Resource method. This method is based on applying a direct dollar value to resource identified on a property. It is particularly useful for valuing Indicated and Inferred Resources (that are not in Reserve). Resources in the Inferred category cannot be included in ore reserve estimates under the terms of the JORC Code and therefore applying a more conventional DCF valuation method (Section 3) is not appropriate. The technique involves applying a discounted value to the total in situ metal in the stated resource. The discount is extreme, reflecting the uncertainty in the resource classification and the lack of supporting mine planning evaluations. The level of discount applied typically varies depending on a number of factors including:

- The location of the resource and its proximity to existing infrastructure;
- The quality of the resource, specifically the grade or recoverable grade of the saleable metal or commodity; and
- The presence of absence of any potential impediments to eventual mining such as deleterious materials, government regulations, environmental issues and/or sterilisation by previous mining activities.

As a general guideline the discount factor applied ranges between 1% and 5% of the in situ value of the metal or commodity in the mineral resource.

In QG’s opinion this method is the most suitable for valuing the Inferred Resources at Laverton and Coolgardie.

#### **4.1 Application of In Situ Resource Valuation Methodology**

QG has applied the In Situ Resource valuation methodology to those Indicated and Inferred Resources at Laverton and Coolgardie that are excluded from our DFC valuation of the mineral assets. Our approach to the valuation is as follows:

1. Identify and value the known ore reserves using a DCF methodology by constructing a mining schedule and applying appropriate operating and capital costs to the schedule (Section 3);
2. Consider the remaining Measured and Indicated Resources and their likelihood of being converted to ore reserves in the future. Where it is likely these resources will be converted to ore reserves following an appropriate mining study or incorporation in to adjacent ore reserves extracted in an existing or planned mine, allow for a proportion of these resources to be included in the mining schedule at a cost structure similar to the adjacent ore reserves. Where required, incorporate an allowance for additional capital expenditure to allow these resources to be exploited;
3. Identify the remaining Inferred Resources and un-mined Indicated Resources on the properties. For each resource, assess the potential for the mineralisation to be mined in the future. Issues considered include:
  - a. The location of the resource with respect to previous mining activities. Resource that exist as narrow skins around existing pits or as remnant pillars in underground operations were considered to have no value;
  - b. The grade of the mineralisation. Higher grade mineralisation was generally assigned a high value compared to equivalent lower grade mineralisation;
  - c. The depth of the mineralisation and the mineralisation style. These factors affect the likely future mining potential and the nature of that mining (underground or open pit); and
  - d. The extent to which the mineralisation has been closed out by exploration activities. In particular whether the mineralisation remains open along strike or down dip.
4. Depending on the assessment completed in step 3, assign an appropriate factor in the range of 1% to 5% of the forecast gold price supplied by BDO (Section 3).
5. Tabulate and accumulate the total value of all Inferred Resources.

## 4.2 Laverton Additional Resources

The additional resources valued using the In Situ Resource method are tabulated below (Table 3). QG excluded resources at Ida H, Mary Mac and Mary Mac South, considering them to be effectively sterilised by earlier mining activities. The remaining resources are valued between

\$26.6 million and \$38.5 million with a preferred value of \$32.4 million.

Resource Name	Contained Ounces				Sterilised	Value (\$ million)		
	Measured	Indicated	Inferred	Total		Low	Preferred	High
Bells		38,004	1,667	39,671	no	2.2	2.9	3.6
Black Label			19,612	19,612	no	-	-	-
Castaway		12,309	1,620	13,929	no	0.5	0.7	1.0
Grouse		24,288	1,155	25,442	no	0.9	1.4	1.8
Ida H			28,222	28,222	yes	-	-	-
Lily Pond Well			15,431	15,431	no	0.3	0.3	0.3
Craggiemore		39,931	9,955	49,886	no	2.8	3.5	4.3
Euro		13,855	17,162	31,017	no	1.2	1.4	1.7
Mary Mac		16,442	481	16,923	yes	-	0.3	0.6
Mary Mac South		22,237	5,237	27,474	yes	-	0.4	0.8
West Laverton	2,505	71,920	14,612	89,036	no	3.3	4.5	5.9
Aurora		16,783	28,100	44,882	no	2.5	2.8	3.1
Eclipse	1,680	3,568	8,298	13,546	no	0.8	0.7	0.8
Elation		2,624	6,327	8,951	no	0.3	0.4	0.4
Emerald			71,568	71,568	no	4.0	4.0	4.0
Liberty		53,042	53,563	106,605	no	5.9	6.9	7.9
Crown Jewel			17,554	17,554	no	1.3	1.3	1.3
Odyssey		9,259	482	9,742	no	0.7	0.9	1.1
<b>Total</b>	<b>4,185</b>	<b>324,261</b>	<b>301,046</b>	<b>629,492</b>		<b>26.6</b>	<b>32.4</b>	<b>38.5</b>

Table 3. Valuation of Additional Laverton Resources.

### 4.3 Coolgardie Additional Resources

The additional resources valued using the In Situ Resource method are tabulated below (Table 4). QG excluded resources at Perseverance and Tindals Pit, considering them to be effectively sterilised by earlier mining activities. The remaining resources are valued between \$30.7 million and \$38.5 million with a preferred value of \$33.5 million.

Resource Name	Contained Ounces				Sterilised	Value (\$ million)		
	Measured	Indicated	Inferred	Total		Low	Preferred	High
Big Blow		48,972	7,139	56,111	no	4.2	<b>5.1</b>	6.0
Bird in Hand		13,226	6,754	19,980	no	1.1	<b>1.4</b>	1.6
Cyanide		2,352	9,748	12,100	no	0.7	<b>0.7</b>	0.8
Empress		8,102	883	8,985	no	0.5	<b>0.6</b>	0.8
Friendship			4,610	4,610	no	0.1	<b>0.1</b>	0.1
Griffiths			9,178	9,178	no	0.5	<b>0.5</b>	0.5
Happy Jack		16,254	9,901	26,155	no	1.5	<b>1.8</b>	2.1



Lady Charlotte		7,224	16,690	23,914	no	0.9	<b>1.0</b>	1.2
Perseverance			4,172	4,172	yes	-	-	-
Tindals Pit		22,339	21,846	44,184	yes	-	<b>0.4</b>	0.8
Undaunted		11,891	7,837	19,728	no	1.1	<b>1.3</b>	1.5
King Solomon			90,022	90,022	no	5.0	<b>5.0</b>	5.0
Lord Bob			42,182	42,182	no	1.6	<b>1.6</b>	1.6
Bird in Hand UG		27,805	7,985	35,790	no	2.0	<b>2.5</b>	3.0
Countess	26,343	13,141	359	39,843	no	2.9	<b>1.3</b>	1.5
Cyanide UG		77,119	13,624	90,743	no	6.7	<b>8.1</b>	9.6
Empress UG	1,992	19,118	3,113	24,223	no	1.8	<b>2.0</b>	2.4
Griffiths UG			3,534	3,534	no	0.2	<b>0.2</b>	0.2
<b>Total</b>	<b>28,335</b>	<b>267,542</b>	<b>259,577</b>	<b>555,454</b>		<b>30.7</b>	<b>33.5</b>	<b>38.5</b>

**Table 4. Valuation of Additional Coolgardie Resources.**

## 5 Conclusions

QG has assessed the technical aspects of Focus' mining assets and additional mineral resources not included in Focus' production profile. As per the scope of work requested by BDO and based on this assessment we have developed a technical valuation of:

- The mining assets from a model of mining physicals, operating costs and capital costs; and
- The resources additional to the mining physicals in our model.

As stated under the terms of our engagement this assessment excludes Focus' Treasure Island asset and we have relied on Ravensgate's assessment of the Burtville asset with respect to our inclusion of this material in the QG production schedule.

Our valuation is based on the assets dated 30 September 2012. The results of our technical assessment are set out in Table 5. We include a preferred case, low and high cases.

	Low Case (\$ millions)	Preferred Case (\$ millions)	High Case (\$ millions)
Laverton Resources	26.6	<b>32.4</b>	38.5
Coolgardie Resources	30.7	<b>33.5</b>	38.5
Total of Valued Assets	169.4	<b>184.5</b>	211.9

**Table 5. QG Assessment of Focus Assets.**

## 6 References

JORC, 2004. Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (JORC) Effective December 2004 Mineral Resources and Ore Reserves Reporting of Exploration Results, ~ The JORC Code ~ 2004 Edition.

VALMIN, 2005. VALMIN Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and the Mineral Industry Consultants Association. Effective April 2005. Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports, ~ The VALMIN Code ~ 2005 Edition.

## Appendix A Letter of Engagement



resources & reserves  
reconciliation  
strategic mine planning  
risk analysis  
geometallurgy  
audit  
training & mentoring  
project evaluation

Sherif Andrawes  
BDO Corporate Finance (WA) Pty Ltd  
38 Station Street  
Subiaco, WA, 6008

23 October 2012

Dear Mr Andrawes

**Re: Focus Minerals' Laverton Gold Project and Coolgardie Project**

As per your instructions dated 24 September 2012, Quantitative Group Pty Ltd (QG) has completed an assessment of the reasonableness of the resources used in the preparation of the financial model used to value Focus Minerals Limited's Laverton Gold Project and Coolgardie Project. As requested, we have also assessed the mining physicals, operating costs and capital costs for the two projects and provided a valuation for the mineral resources not included in our mining physicals plan.


QG understand you will rely on our assessments in your valuation and Independent Experts Report and a copy of our findings will be included in your Report.

Yours faithfully,



Scott Dunham  
Principal Consultant / Director

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resources & reserves | reconciliation | strategic mine planning | risk analysis | geometallurgy | audit | training & mentoring

## Appendix B Reported Coolgardie Mineral Resources as at 30 June 2012

Prospect	Classification	Tonnes	Grade (g/t)	Ounces
<b>Coolgardie Surface</b>				
<b>Tindals Project</b>				
Alicia	Indicated	466,000	2.0	29,000
	Inferred	307,000	2.0	20,000
Big Blow	Indicated	484,000	3.1	49,000
	Inferred	67,000	3.3	7,000
Bird in Hand	Indicated	210,000	2.0	13,500
	Inferred	107,000	2.0	6,500
Brilliant	Indicated	3,611,000	2.0	236,000
	Inferred	874,000	2.3	65,000
Cookes	Indicated	120,000	2.4	9,000
	Inferred	47,000	3.3	5,000
Cyanide	Indicated	34,000	2.2	2,500
	Inferred	144,000	2.1	9,500
Dreadnought	Indicated	2,902,000	2.1	191,500
	Inferred	426,000	1.8	24,500
Empress	Indicated	128,000	2.0	8,000
	Inferred	12,000	2.3	1,000
Friendship	Inferred	100,000	1.4	4,500
Griffiths	Inferred	104,000	2.7	9,000
Happy Jack	Indicated	249,000	2.0	16,000
	Inferred	99,000	3.1	10,000
Lady Charlotte	Indicated	137,000	1.6	7,000
	Inferred	346,000	1.5	17,000
Perseverance	Inferred	53,000	2.4	4,000
Tindals Pit	Indicated	257,000	2.7	22,500
	Inferred	288,000	2.4	22,000
Undaunted	Indicated	187,000	2.0	12,000
	Inferred	126,000	1.9	8,000
	Measured	0	0.0	0
	Indicated	8,785,000	2.1	596,000
	Inferred	3,100,000	2.1	213,000
<b>Total Tindals Project</b>		<b>11,885,000</b>	<b>2.1</b>	<b>809,000</b>
<b>Three Mile Hill Project</b>				
Greenfields	Indicated	1,976,000	1.6	98,000
	Inferred	714,000	1.5	34,000
CNX	Indicated	470,000	1.6	25,000
	Inferred	460,000	1.6	23,000
	Measured	0	0.0	0
	Indicated	2,446,000	1.6	123,000
	Inferred	1,174,000	1.5	57,000
<b>Total Three Mile Hill Project</b>		<b>3,620,000</b>	<b>1.5</b>	<b>180,000</b>

Lindsays-Bayleys Project				
Hillside	Inferred	672,000	3.1	66,000
Lindsays	Indicated	4,350,000	1.7	238,000
	Inferred	1,490,000	1.6	77,000
King Solomon/Queen Sheba	Inferred	1,400,000	2.0	90,000
	Measured	0	0.0	0
	Indicated	4,350,000	1.7	238,000
	Inferred	3,562,000	2.0	233,000
<b>Total Lindsays-Bayleys Project</b>		<b>7,912,000</b>	<b>1.9</b>	<b>471,000</b>
Norris Project				
Lord Bob	Inferred	820,000	1.6	42,000
Norris - Grosmont	Inferred	1,620,000	2.4	127,000
	Measured		0.0	0
	Indicated	0	0.0	0
	Inferred	2,440,000	2.2	169,000
<b>Total Norris Project</b>		<b>2,440,000</b>	<b>2.2</b>	<b>169,000</b>
	Measured	0	0.0	0
	Indicated	15,581,000	1.9	957,000
	Inferred	10,276,000	2.0	672,000
<b>Total Coolgardie Surface</b>		<b>25,857,000</b>	<b>2.0</b>	<b>1,629,000</b>

Coolgardie Underground				
Tindals Project				
Bird in Hand	Indicated	282,000	3.1	28,000
	Inferred	90,000	2.8	8,000
Countess	Measured	173,000	4.8	26,500
	Indicated	145,000	2.8	13,000
	Inferred	4,000	2.5	500
Cyanide	Indicated	516,000	4.7	77,000
	Inferred	77,000	5.5	13,500
Empress	Measured	16,000	3.9	2,000
	Indicated	172,000	3.5	19,000
	Inferred	13,000	7.5	3,000
Griffiths	Inferred	39,000	2.8	4,000
Perseverance	Measured	142,000	5.4	24,500
	Indicated	462,000	4.4	66,000
	Inferred	13,000	4.8	2,000
Tindals	Measured	85,000	3.5	9,000
	Indicated	415,000	2.8	38,000
	Inferred	73,000	3.1	7,000
	Measured	416,000	4.6	62,000
	Indicated	1,992,000	3.8	241,000
	Inferred	309,000	3.8	38,000
<b>Total Tindals Project</b>		<b>2,717,000</b>	<b>3.9</b>	<b>341,000</b>
Mount Project				
The Mount	Measured	131,000	7.8	33,000
	Indicated	588,000	5.2	98,000

	Inferred	576,000	5.2	97,000
<b>Total Mount Project</b>		<b>1,295,000</b>	<b>5.5</b>	<b>228,000</b>
	Measured	547,000	5.4	95,000
	Indicated	2,580,000	4.1	339,000
	Inferred	885,000	4.7	135,000
<b>Total Coolgardie Underground</b>		<b>4,012,000</b>	<b>4.4</b>	<b>569,000</b>

<b>Total Measured Resource</b>		<b>547,000</b>	<b>5.4</b>	<b>95,000</b>
<b>Total Indicated Resource</b>		<b>18,161,000</b>	<b>2.2</b>	<b>1,296,000</b>
<b>Total Inferred Resource</b>		<b>11,161,000</b>	<b>2.2</b>	<b>807,000</b>
<b>TOTAL COOLGARDIE</b>		<b>29,869,000</b>	<b>2.3</b>	<b>2,198,000</b>



## Appendix C Reported Laverton Mineral Resources as at 30 June 2012

Prospect	Classification	Tonnes	Grade (g/t)	Contained Ounces
<b>Laverton Surface</b>				
<b>Barnicoat Project</b>				
<b>Admiral Hill</b>	Indicated	660,000	1.4	30,000
	Inferred	1,310,000	1.1	46,000
<b>Barnicoat</b>	Indicated	340,000	1.3	14,000
	Inferred	250,000	1.0	8,000
<b>Bells</b>	Indicated	594,000	2.0	38,000
	Inferred	36,000	1.4	2,000
<b>Black Label</b>	Inferred	610,000	1.0	20,000
<b>Castaway</b>	Indicated	247,000	1.6	13,000
	Inferred	28,000	1.8	2,000
<b>Grouse</b>	Indicated	447,000	1.7	24,000
	Inferred	27,000	1.3	1,000
<b>Ida H</b>	Inferred	627,000	1.4	28,000
<b>Lily Pond Well</b>	Inferred	338,000	1.4	15,000
<b>Sickle</b>	Measured	390,000	1.7	21,000
	Indicated	198,000	2.6	16,000
	Inferred	152,000	3.1	15,000
	Measured	390,000	1.7	21,000
	Indicated	2,486,000	1.7	135,000
	Inferred	3,378,000	1.3	137,000
<b>Total Barnicoat Project</b>		<b>6,254,000</b>	<b>1.5</b>	<b>293,000</b>
<b>Burtville Project</b>				
<b>Burtville</b>	Indicated	1,573,000	1.3	65,000
	Inferred	4,146,000	1.3	170,000
	Measured	0	0.0	0
	Indicated	1,573,000	1.3	65,000
	Inferred	4,146,000	1.3	170,000
<b>Total Burtville Project</b>		<b>5,719,000</b>	<b>1.3</b>	<b>235,000</b>
<b>Central Laverton Project</b>				
<b>Craggiemore</b>	Indicated	575,000	2.2	40,000
	Inferred	113,000	2.7	10,000
<b>Euro</b>	Indicated	255,000	1.7	14,000
	Inferred	314,000	1.7	17,000
<b>Mary Mac</b>	Indicated	232,000	2.2	16,000
	Inferred	9,000	1.6	1,000
<b>Mary Mac South</b>	Indicated	435,000	1.6	22,000
	Inferred	90,000	1.8	5,000
<b>West Laverton</b>	Measured	41,000	1.9	2,000
	Indicated	1,271,000	1.8	72,000
	Inferred	299,000	1.5	15,000
	Measured	41,000	1.5	2,000

	Indicated	2,768,000	1.8	164,000
	Inferred	825,000	1.8	48,000
<b>Total Central Laverton Project</b>		<b>3,634,000</b>	<b>1.8</b>	<b>214,000</b>
<b>Chatterbox Project</b>				
<b>Apollo</b>	Measured	929,000	2.3	70,000
	Indicated	973,000	2.0	63,000
	Inferred	560,000	3.0	54,000
<b>Aurora (Inuendo)</b>	Indicated	180,000	2.9	17,000
	Inferred	380,000	2.3	28,000
<b>Calypso (Beasley Creek South)</b>	Indicated	316,000	2.6	26,000
	Inferred	78,000	2.2	5,000
<b>Eclipse (Garden Well)</b>	Measured	19,000	2.7	2,000
	Indicated	63,000	1.8	4,000
	Inferred	152,000	1.7	8,000
<b>Elation (Gladiator North)</b>	Indicated	48,000	1.7	3,000
	Inferred	123,000	1.6	6,000
<b>Emerald (Rumor)</b>	Indicated	1,590,000	2.1	107,000
	Inferred	1,060,000	2.1	72,000
<b>Liberty (Beasley Creek)</b>	Indicated	797,000	2.1	53,000
	Inferred	833,000	2.0	54,000
	Measured	948,000	2.4	72,000
	Indicated	3,967,000	2.1	273,000
	Inferred	3,186,000	2.2	227,000
<b>Total Chatterbox Shear Project</b>		<b>8,101,000</b>	<b>2.2</b>	<b>572,000</b>
<b>Jasper Hills Project</b>				
<b>Lord Byron</b>	Measured	370,000	1.9	22,000
	Indicated	1,326,000	1.5	64,000
	Inferred	743,000	1.9	45,000
	Measured	370,000	1.8	22,000
	Indicated	1,326,000	1.5	64,000
	Inferred	743,000	1.9	45,000
<b>Total Jasper Hills Project</b>		<b>2,439,000</b>	<b>1.7</b>	<b>131,000</b>
<b>Lancefield Project</b>				
<b>Crown Jewel (Telegraph)</b>	Inferred	91,000	6.0	18,000
<b>Odyssey (South Lancefield)</b>	Indicated	72,000	4.0	9,000
	Inferred	3,000	5.0	1,000
	Measured	0	0.0	0
	Indicated	72,000	3.9	9,000
	Inferred	94,000	6.3	19,000
<b>Total Lancefield Project</b>		<b>166,000</b>	<b>5.2</b>	<b>28,000</b>
	Measured	1,749,000	2.1	117,000
	Indicated	12,192,000	1.8	710,000
	Inferred	12,372,000	1.6	646,000
<b>Total Laverton Surface</b>		<b>26,313,000</b>	<b>1.7</b>	<b>1,473,000</b>

<b>Laverton Underground</b>				
<b>Jasper Hills Project</b>				
<b>Fish</b>	Indicated	129,000	4.4	18,000
	Inferred	100,000	4.0	13,000
	Measured	0	0.0	0
	Indicated	129,000	4.3	18,000
	Inferred	100,000	4.0	13,000
<b>Total Jasper Hills Project</b>		<b>229,000</b>	<b>4.2</b>	<b>31,000</b>
<b>Lancefield Project</b>				
<b>Summit (Lancefield)</b>	Indicated	2,037,000	6.5	427,000
	Inferred	619,000	7.1	141,000
	Measured	0	0.0	0
	Indicated	2,037,000	6.5	427,000
	Inferred	619,000	7.1	141,000
<b>Total Lancefield Project</b>		<b>2,656,000</b>	<b>6.7</b>	<b>568,000</b>
	Measured	0	0.0	0
	Indicated	2,166,000	6.4	445,000
	Inferred	719,000	6.7	154,000
<b>Total Laverton Underground</b>		<b>2,885,000</b>	<b>6.5</b>	<b>599,000</b>

<b>Total Measured Resource</b>		<b>1,749,000</b>	<b>2.1</b>	<b>117,000</b>
<b>Total Indicated Resource</b>		<b>14,358,000</b>	<b>2.5</b>	<b>1,155,000</b>
<b>Total Inferred Resource</b>		<b>13,091,000</b>	<b>1.9</b>	<b>800,000</b>
<b>TOTAL LAVERTON</b>		<b>29,198,000</b>	<b>2.2</b>	<b>2,072,000</b>

## Appendix D Gold Price and Exchange Rate Supplied by BDO

Financial Year	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Nominal Gold Price (US\$/oz)	1,850	1,575	1,450	1,400	1,325	1,325	1,325	1,325	1,325	1,325
Exchange Rate (AUD/USD)	1.00	0.95	0.92	0.90	0.89	0.89	0.89	0.89	0.89	0.89
Nominal Gold Price (A\$/oz)	1,850	1,658	1,576	1,564	1,492	1,492	1,492	1,492	1,492	1,492

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