

28 November 2013

The Company Announcements Office
Australian Stock Exchange Limited
Exchange Centre
Level 4, 20 Bridge St
Sydney NSW 2000

Dear Sirs

AGM Address

Please find attached a copy of the Focus Minerals Chairman's AGM Address.

Please note that this Address advises that the Chairman and Acting CEO has indicated that he will offer his resignation to the Board.

Yours sincerely



PAUL FROMSON
Company Secretary & CFO





Focus Minerals Ltd. 2013 AGM

Supplementary Address

Don Taig, Chairman & Acting CEO

Fellow shareholders,

I acknowledge that we all continue to experience different emotions concerning the performance of Focus Minerals. Plainly, it was a very disappointing year under review.

The following address is not about making excuses for this performance by any stretch of the imagination. It is about explaining to you the context in which the company and its management were working, the responses actioned and the pathway forward.

When we were just a Coolgardie based explorer, we attracted investors who liked to follow exploration companies and when we found and developed the Perseverance deposit and set about refurbishing the Three Mile Hill mill, we attracted a different group of shareholders, who followed producers. Regardless of which category you believe you best belong to, performance has not lived up to the expectations you, or the company had.

Once we moved into gold production, management were keen to exploit the rising gold price of the period to produce as many ounces as they could. All gold producers were doing it, but the stronger ones were doing so on the back of strong reserves, and attractive mine life. In addition, these companies also largely had higher grade material developed for their future processing and could therefore more easily manage the issue of rising operating costs.

Focus had significant amounts of land – potentially too much probably to fit the junior explorer scenario – where land acquired is usually developed on a project basis, through to economic feasibility. Although Focus possessed all of this land with significant holding costs, unlocking the potential required more money to be spent at a time when the almost depleted reserves and the resultant declining grade at Perseverance, which had supported the rest of the business for a good three years almost, meant that financial outcomes and timing, impacted resource development required to fill the void.

The extended mining boom that the industry had been through, also brought with it the rising costs of mining, processing and administration that building structures for the good times seem to encourage. No companies were exempt from this. Grade and tonnage shielded many companies from the consequences for some time, which continued to encourage mining companies to pursue ounces. Many of you will remember, as I do, the predictions of many analysts and commentators, that we would see a \$US 2000/oz gold price by December 2011 as a result of the \$US1900/oz price at the time. Now these same commentators talk about pricing from anywhere between the current price and \$US1000/oz.

During this same period, Focus took the view that purchasing mineable ounces could reduce the company's development time. Once again, many other companies had successfully done the same thing with their own development.

The potential impediment to this strategy at the time though, was that the industry was still moving in an upward motion, resulting in high priced resource ounces and there were not many companies with any concern for their ability to raise funds in the current market, that they were necessarily attracted toward selling their operations to, us or anyone else.

Crescent Gold was brought to us as a possible opportunity. Legal and technical due diligence was performed on our behalf and evaluated by management, who in addition, had many discussions with Crescent managers about their mines and resources. Like all such ventures, a calculated risk assessment was made on costs and ounces, in particular, with a view that a strong gold market would provide the time to make the necessary changes to achieve Focus's aims.

Subsequent work by the combined Focus and former Crescent management team, certainly indicated that operating costs could be reduced with some \$A350/oz permanently removed, a mining programme that produced 100k+ ounces of gold per annum and an exploration programme that was focussing on high grade material, in the Laverton region.

Coolgardie continued along profitably, generating cash to provide investment at Laverton for planned cost reduction and exploration, the development of the high grade underground The Mount deposit at Widgiemooltha and targeted exploration to identify near term, open pittable resources in the Coolgardie tenements, along with mapping and drilling work at the Treasure Island tenements.

The company was actually growing on many fronts and basically backing a continuation of the rising gold price. However, there were ever increasing costs, the effects of the Ore Purchase Agreement with Barrick and Barrick Granny Smith's inability to maintain agreed processing days through their mill. This meant that the company was carrying the cost of mining, but unable to process at the required rate to provide the income to continue to cover all of the associated costs, whilst returning short term cash advanced by Focus, to Focus's other operations for their development and fund growing working capital needs.

It was very clear to the Board that a high risk/ high reward strategy would place the company's cash resources and working capital under potential strain if any of the elements of the strategy – cost control, grade, mine life extension, or the gold price, failed in any material way.

The Board decided to seek a partner to develop the company's future. One that was from the industry and understood the nuances of the market, preferably were in gold mining themselves and could play, not only a financial support role, but add further value through their own expertise and experience. To my pleasant surprise, a number of candidates were identified and we reached a point where it was necessary for the Focus Board to choose the partner who, on balance, we felt could add the most overall value to the company.

As you know, Shandong Gold International Mining Corporation (SDG) was chosen which culminated in their investment and your approval for them to own and control half of the company in December of last year.

The leadership of SDG that completed the investment transaction with FML are no longer involved with Focus and since June 2013, we have had new directors and executives to work with. The top management in Shandong Gold Group has also changed. These are new dynamics that we have continued to work with and I personally believe that the new members of SDG's team, have approached their involvement with Focus with a view to working with the company and the board to see the investment reach its potential. This is good for all shareholders.

The disappointing aspect for us all though, has been the enormous drop in the gold price within a short time after Shandong Gold made their investment.

There wouldn't be anyone on this planet who would not be disappointed as a result, watching the share price go from 5 cents to under 2 cents which I extend these comments to all of the company's shareholders.

So what have we done to learn from the past and react to market realities:-?

- We restructured and changed certain senior and operational management of the business
- I relocated to Perth to review in depth the business and chart the turnaround strategy and provide leadership
- We shifted the office to cheaper premises
- Immediate action was taken at Laverton to suspend mining and place the area under care and maintenance and not renew the Ore Purchase Agreement with Barrick
- Subsequently, mining and processing operations were also suspended at Coolgardie and the operations also placed on care and maintenance
- Sadly for the people involved, redundancies had to be instituted which saw the direct salaries bill reduce from \$25m to \$8m from the first review and restructure, with a 6 month payback.
- We began shifting the administrative side of the business to an outsourced model on a progressive basis in order to ensure that we did not jeopardise continuity and business knowledge. This has resulted in an additional round of redundancies and direct salary savings of a further \$2m and is running live over all areas selected, at the end of November this year.
- The market, whilst disappointed, approved of these actions on the basis of economic prudence as did a large number of shareholders
- We invested in a new person in the Head Office to run Business Improvement and Development, responsible for challenging the existing managers on the financial aspects of the areas of the business they control and to lead the team to evaluate potential corporate transactions, before decisions are made to engage any external

experts and incur costs, as well as ensuring that the company's restart is soundly based and in line with strategy

- Numerous corporate issues surrounding royalties, joint ventures, contracts, deferred liabilities and the like, have been negotiated or close to finalisation, improving the future outcome for the economics of the Focus business.
- Earnest discussions have begun with third parties interested in providing mining and processing services to certain agreed service levels and within certain cost parameters, allowing Focus to have a lower cost model than before and just as importantly, one that is flexible, if the market turns down in the future
- We released to the market our 3 point turnaround strategy which involves monetising any of our existing assets to generate cash, establish the outsourced model and apply it where possible to our exploration effort and search for and evaluate corporate transactions that are in line with our vision of "low cost and high future value".
- In line with the 3 point strategy, we have looked at and seriously evaluated some corporate transactions already, but none have successfully proceeded, or met the criteria that we released to the market for evaluating such opportunities in the first place.
- All Laverton tenements have been reviewed in order to rationalise our holding costs and decisions made to relinquish, or trade where possible, tenements that are not considered valuable to the business, now, or in the future. Coolgardie tenements are also currently being reviewed for the same outcomes.
- Tenement holding costs and care and maintenance expenditure are now the two main sources of cash outflows in the business and our current approach is under further review to ensure our model is correct for the existing circumstances.
- Focus has commenced serious and targeted exploration once more with regards to identifying projects in Laverton and Coolgardie, which meet the criteria of near term mining potential, higher grade, low cost and mine life extension.
- In addition, we are in discussions with other companies that are seriously considering the opportunity of processing their ore through the strategically positioned Three Mile Hill processing plant. If that proceeds, it will provide the base load for restarting the mill – potentially during the second quarter of the next calendar year, whilst reserving capacity for Focus's own ore, producing further cash income to add to the process of business renewal, which existing major cost reduction and outsourcing programmes, have also done.

During my period as Acting CEO, I have been very well supported by your new management team and the Board and I am grateful for this support. No one is saying that what we have put in place has been easy, and some difficult decisions have been made, but they have been decisions which were necessary. The business now has a sound foundation to build upon and one which is unlikely to experience the disappointing swings of the past. I have always believed in our potential and I certainly still do. We have had to deal with the imperatives of increasing costs and a major correction to the gold price. The responses we

have made so far are beginning to have a positive effect and I believe that in a full year of their operation, there is a good prospect that they will become completely apparent. The true improvement in performance will come from the exploitation of the new operating model, monetising the Three Mile Hill facility with outside ore and some of our own, exploration success – which our major shareholder enthusiastically supports - including possible Joint Venturing with near neighbours and corporate transactions which meet the requirements of our strategy and improve the flexibility of the business to deal with external difficulties which may arise. The benefits of hindsight are there for us all to learn from and improve upon for the future.

You will by now have learnt that Phil Lockyer has decided to retire and therefore not to seek re-election to the board. He retires at the conclusion of this AGM and as you know has sent his apologies to today's meeting. He has been the second longest serving director of the company and has decided that as he counts down the days to his 70th birthday, he has reflected on his current workload and has opted for more family focussed days. I thank him sincerely on behalf of the company for his genuine contribution during these years and wish him all the very best in retirement.

I also thank the many shareholders who have contacted me during my time as Acting CEO, to both express the disappointment they were feeling, but to also express their thanks and support for identifying the issues and putting a plan together for their resolution.

My thanks are returned.

All this being said and actions taken to improve future performance, still requires shareholders to have trust in these changes and be patient a while longer.

I also know I have asked this of you before.

We will shortly move into the formal business part of the meeting and the Resolution which causes much interest for shareholders of public companies is the one concerning the Remuneration Report.

This will be no different for FML shareholders this year.

A small number of external shareholders have voted NO to the resolution, but this year, the company's major shareholder – Shandong Gold - has also indicated, that they have instructed their proxy to register a protest vote for the past performance of the business to show shareholders they share the concern. This will result in a first strike and put the company on notice for the next AGM, which, by virtue of the change in financial year end, will be held within a shorter period of elapsed time, by the end of May 2014.

As a director, your Chairman and corporate head of the business at the time of the downturn in performance, I believe it only appropriate that I announce to you before the commencement of the formal business, that, assuming the voting on the remuneration

report resolution reflects the proxies received, I intend to offer my resignation to the current board, as both Acting CEO and Chairman and as a director of the company.

I want to reassure shareholders and staff, that if the board accepts my resignation, I am taking this course of action to demonstrate that I hear the concerns of the shareholders and wish to do the right thing for the benefit of the company and all of its owners and as a result, let someone else try to do the job you seek, through the expressions of protest and concern.

I know I leave a sound base upon which to build. I have never believed in hanging around to get in the way of new thinkers, hence why I would step down from the board as well. I will however be available to provide past knowledge and assistance if required, because I want not only to see Focus succeed, but for the partnership between Shandong Gold and Focus to be a shining example for others, of a model for success.

I will continue to chart the fortunes of FML and wish it and its people to succeed, but from the sidelines instead. My personal shareholding also wants to see the success we all covet.

Thank you.

Before I begin the formal business, are there any questions on the accounts, director's reports, auditors' report or my supplementary statement?

Begin Formal Business

Given that there is such a wide difference between shareholdings and the proxy position regarding Resolution 2, I do not think it will be fair that I declare resolutions on a show of hands. I have therefore decided to conduct a poll, but rather than doing so and declaring the result for each individual resolution, we will proceed on the basis of a poll for all the resolutions, which will then not detain shareholders unreasonably with the business before the meeting. To ensure complete independence, the company secretary has asked the auditors from PriceWaterhouseCoopers to conduct the poll on our behalf and the company secretary will declare the results at the poll's conclusion.