

QUARTERLY ACTIVITIES REPORT

OCTOBER – DECEMBER 2013

GROUP SUMMARY

Key Points

- *Focus maintains a strong financial position with cash and equivalents at 31 December of \$99.4M. Creditors and payables have been reduced to \$1.6M at 31 Dec (30 Sept \$5.0M).*
- *The company is continuing a cost reduction program and a further nine staff were made redundant during the quarter amongst other cost saving measures.*
- *At the AGM held on 28 November the company incurred a “first strike” against the adoption of the remuneration report.*
- *Director Phil Lockyer retired after the AGM and Chairman and acting CEO Don Taig resigned on 29 November.*
- *Mr Jisheng Lu has been appointed as Chairman.*
- *The company has commenced a search for a new CEO and Executive Director Mr Wanghong Yang has been appointed Interim CEO.*
- *Production of gold at Coolgardie ceased in the previous quarter and the site and the Laverton site remain in Care and Maintenance.*
- *The company’s operations consist of exploration only while it examines options for mining and milling at its Coolgardie operations.*
- *There was limited drilling activity during the quarter.*
- *An \$8m Term Loan was repaid during the quarter using restricted cash used to secure the loan.*
- *Payments of approximately \$1.2m were made to settle contingent consideration owing on a parcel of Laverton tenements and the mining mortgages thereon were discharged in full. These payments cleared the way for the company to commence a program of rationalisation of tenements at Laverton to reduce the minimum expenditure requirements.*

Exploration Activity During the Quarter

Coolgardie

During the quarter the Exploration team drilled two RC holes and six diamond holes at Coolgardie for a total of 1,697m, marking the completion of a number of small exploration programs which commenced in September. These programs targeted potential mineralisation around historic mining areas at Brilliant, Bayleys, Hanover, Redemption, Lady Luck and north of Perseverance.

The Brilliant Deeps drilling produced the most significant results, with all holes intersecting variable widths of mineralisation and alteration at the targeted lode positions approximately 300m to 500m below surface. Five holes were drilled on three fences 500m apart to test the continuity of mineralisation at depth. Although the results were not of sufficient width of grade to support underground mining they add support for further drilling to test the Brilliant orebody below the existing resource, with potential to extend it further to the north. Given the scale of the target and the known variability of mineralised lenses, this program was intended as a proof of concept to justify further drilling at depth.

Also of interest in the Brilliant Deeps drilling was an intersection of high-grade mineralisation within the hanging-wall ultramafic, with a best result of 2m @ 35.7g/t from 232m down hole. This represents a new discovery adjacent to Brilliant. There is currently insufficient drilling to establish the significance of this result, and it will be targeted by additional holes during 2014.

Significant intersections are listed in **Table 1** below.

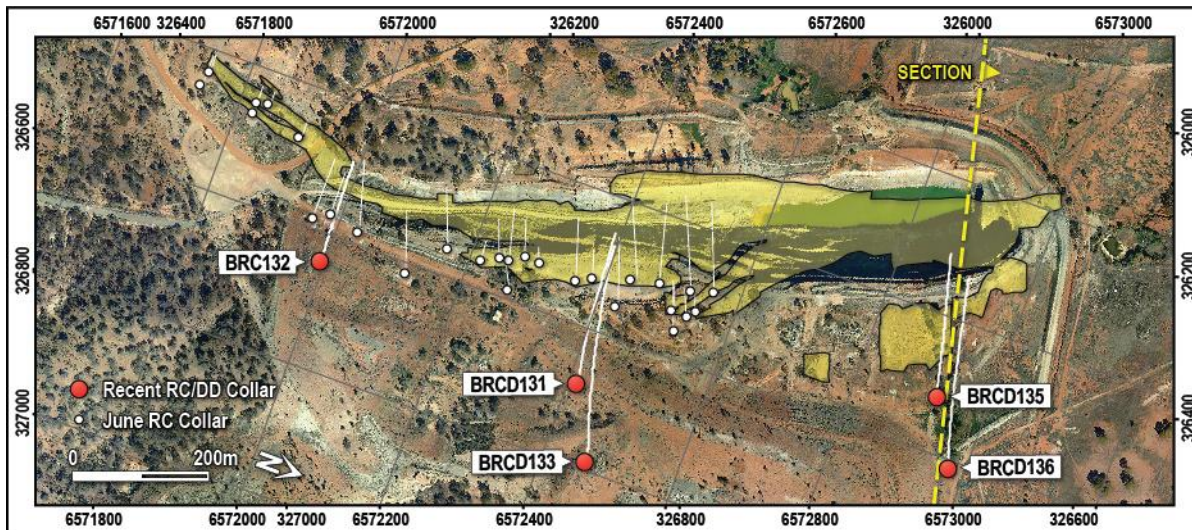


Figure 1: Brilliant Deeps collar positions.

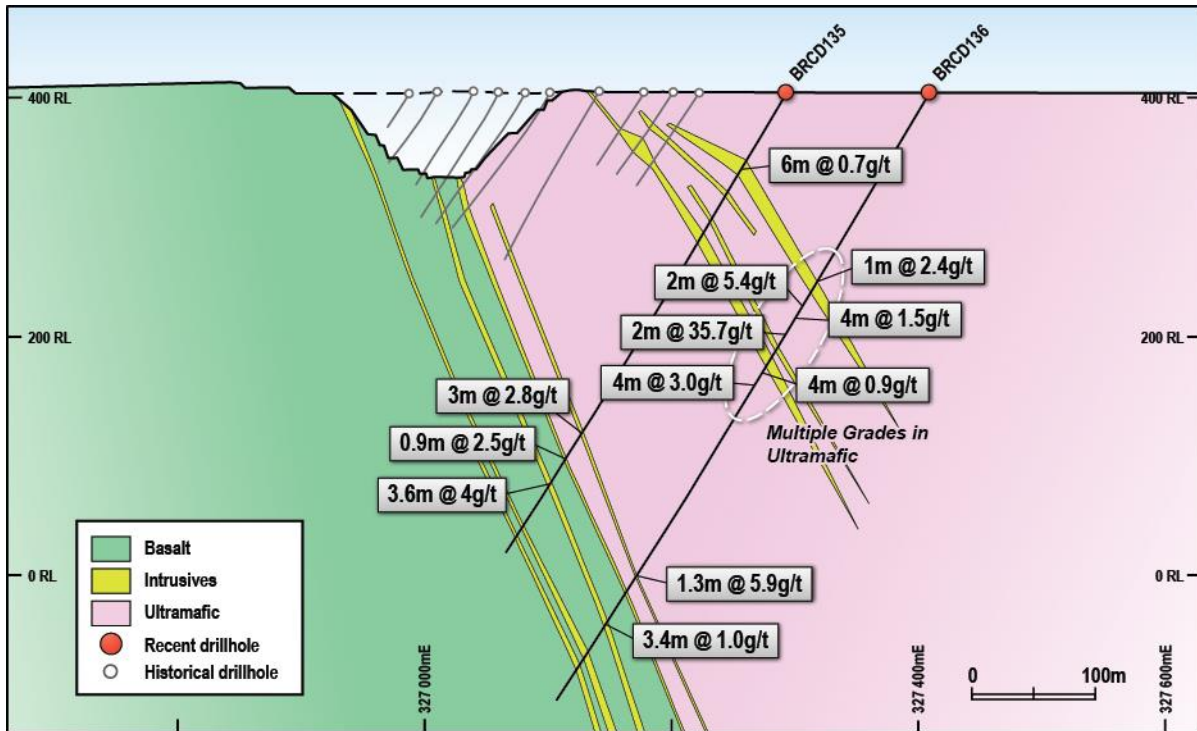


Figure 2: Cross-section through the northern end of Brilliant.

Hole ID	Northing	Easting	RL	Dip	Azimuth	From	To	Interval	Au ppm
BRC132	6571994.5	326644.8	425	-58	263	172	175	3	0.86
						191	193	2	1.71
						233	236	3	1.58
BRC131	6572416	326684.4	427.7	-62	258	298.90	304.97	6.07	1.10
						338.32	338.84	0.52	4.69
						456.97	460.50	3.53	1.60
BRC133	6572467.5	326785.7	431.4	-59	252	465.16	466.00	0.84	2.70
						568.16	569.66	1.50	3.81
BRC135	6572924.4	326517.6	406.1	-61	258	73	79	6	0.65
						325.58	328.62	3.04	2.82
						352.45	353.30	0.85	2.50
						374.51	378.11	3.60	3.96
BRC136	6572976.7	326612.3	405.8	-60	251	182	183	1	2.38
						202	204	2	5.35
						214	218	4	1.53
						232	234	2	35.74
						262	266	4	0.91
						267	271	4	3.04
						276	277	1	3.77
						464.68	465.95	1.27	5.90
502.03	505.40	3.37	1.09						

Table 1: Brilliant significant intersections

All samples were assayed by Bureau Veritas laboratories in Kalgoorlie using a 40g fire assay charge. RC samples were taken in 1m intervals using a cone splitter. Diamond samples are NQ core.

Laverton

There was no drilling at the Laverton project during the quarter. Exploration work focused on assessment of results from geochemical auger sampling programs completed during the September quarter and a re-assessment of old diamond core from the Fish deposit.

Re-logging and assaying of the core has led to a new geological interpretation of the BIF-hosted Fish orebody at depth. If the new interpretation is correct the BIF lode is folded to the west at depth rather than cut off, as previously thought. This has the potential to improve the continuity of mineralisation beneath the old Fish open pit, and provides volume for additional ounces. The new theory will be tested by additional drilling during 2014.

CORPORATE

Focus remains in a strong financial position with \$99.4M in cash and equivalents at 31 December (30 Sept \$116.3M) and \$1.6M in creditors and payables (Sept \$5.0M). The company is continuing with a cost reduction program and a further 9 staff were made redundant during the quarter. Full time staff have now been reduced to 21 with the majority of those in the exploration department. Other cost saving measures were achieved at both sites and also at the corporate level.

Cash

At 31 December 2013, the Focus Group held cash, deposits and bullion comprising:

Cash at Bank and Deposits	\$81.2M
Bullion on Hand	Nil
Cash held on bond – ^{note 1}	\$18.2M
Total Cash and Equivalents	\$99.4M

Note 1 – there was a significant reduction in “Cash held on bond” with \$8m of these funds used to repay a Term Loan secured by these monies.

The Company has commenced the process to replace its environmental bonds with an annual fee in line with the proposed changes by DMP. It is expected that this process will be completed by September 2014 for both Coolgardie and Laverton and this will free up in excess of \$15m cash from the above “Cash held on bond”.

Revenue

Gold production has ceased and revenue consisted of interest only apart from some minor gold revenue from clean out of the gold in circuit at Coolgardie following shut down of the mill.

Expenditure

Net Operating Cash flows for the quarter were an outflow of \$8.3M and included the following major expenditure items:

Coolgardie closure & Care and Maintenance	\$4.1M
Exploration	\$1.7M
Payment of contingent consideration for tenements	\$1.2M

AGM

The company's AGM was held on 28th November. The company incurred a “first strike” on its resolution to approve the remuneration report with a major shareholder voting against adoption of the report.

Following the AGM Mr Phil Lockyer retired as a director and on 29th November Mr Don Taig resigned as Chairman, Director and acting CEO.

An existing non-executive director Mr Jisheng Lu has been appointed Non-Executive Chairman and existing executive director Mr Wanghong Yang has been appointed interim CEO. A search has commenced for a CEO. The Board is also considering appointing another independent director in order to have fair representation on the Board and its committees.

Change of Financial Year End

A change of financial year end to 31 December has been recorded by ASIC and the company will now prepare a full Annual Report for the 6 months ended 31 December and then from 1 January will report annually for the years ended 31 December. As part of the change-over process the company will hold an AGM in May 2014.

Repayment of Term Loan and Reduction in Bond Facility

The company repaid a term loan of \$8m during the quarter and cancelled the \$10m facility from which it was drawn. The repayment was made from a restricted deposit used to secure the loan. The company also reduced a bond facility limit from \$18m to \$9m during the quarter as the extra capacity was not required.

Payments for Contingent Consideration on Laverton Tenement Package

The company made payments totalling approximately \$1.2m as full and final early settlement on a \$3m contingent consideration liability owing on a package of Laverton tenements. The payments allowed mining mortgages over the tenements to be discharged in full and this will allow the company to initiate a program of rationalising tenements in the Laverton area. The company aims to reduce its significant minimum expenditure requirements of almost \$6m pa in the Laverton area.

ENDS

Competent Person's Statement

The information in this announcement that relates to Exploration Results is based on information compiled by Andrew Paterson who is a member of the Australia Institute of Mining and Metallurgy. Mr Paterson is employed by Focus Minerals Limited 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 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Paterson consents to the inclusion in this announcement of the matters based on the information compiled by him in the form and context in which it appears.