

ASX ANNOUNCEMENT

20 September 2013

FOCUS MINERALS STRATEGIC UPDATE

The Chairman and the Board of Directors of Focus Minerals Ltd would like to provide Shareholders with an update on the company's restructuring post the suspension of its Laverton and Coolgardie operations, and its plans for growing shareholder value moving forward:

Changing Market Conditions

The resources industry has been experiencing a period of intense turmoil due to the steep fall in the price of gold and other metals in a rising cost environment. This has led to a number of major international gold producers recalibrating their Australian assets and, unfortunately, many smaller operators facing significant funding cash constraints.

Focus has acted decisively during the course of these global headwinds, taking the strategic decision to suspend mining at all operations in order to preserve cash and shareholder value. Our actions over recent months have enabled the Board and management to plan comprehensively for a profitable future rather than trying to reset the business on the run.

Focus has unique strengths; having a large bank balance and the strategic support of major international gold producer Shandong Gold as a cornerstone investor. Shandong Gold understands the industry challenges first hand and maintains its long-term view on its investment in Focus. The company is supporting Focus' need to make necessary changes and encouraging new growth opportunities.

We expect the price of gold to go through what many will interpret as signs of recovery. In Australian dollar terms, the exchange rate will also have an impact from time to time. This being said, we are of the very strong view that irrespective of what the gold price does in the next year or two, Focus needs to concentrate on the margin it makes from mining and processing its gold resource to maximise the end result for the Company and its shareholders. We have spent a considerable amount of time since my domicile in Perth, restructuring the business to achieve this aim and locking in a business model with a much lower fixed cost base and with people that can manage this new business environment.

The group's vision is for Focus to become a low cost, high value gold producer. To achieve this we are pursuing a Three Point Plan:

1. Establish a new, low cost operating structure

Focus is establishing an outsourced business model for its operations moving forward. This is possible because of our recent actions allowing us to take a clean sheet approach and restructure the business.

Importantly, we will not be outsourcing management control of the business. We have the opportunity to establish a framework that enables the company to achieve a more stable, predictable cost base, both now and moving forward.

To this end, the business has made further changes to its organisational structure to ensure it is resourced appropriately for this stage of its re-development. This recognises that the immediate future will be built on exploration and business development and we have retained a small and committed group of core leaders and technical experts who can continue to pursue these goals, whilst having the capability to gear the business for future growth.

This team will be supported by a number of outsourced functions. We have already arranged to outsource the payroll system, company secretarial function, human resources capability and investor relations. We intend to outsource as much of our operations as is logical which will include all mining services on a future return to production.

When not undertaking mining and processing activities, the biggest single expense for the business is salaries and wages and on-costs. During the mining boom, this expense grew very fast for all industry participants in an effort to both attract and retain the right staff.

We have moved to arrest this. In addition to the savings made through outsourcing, we have put in place a salary freeze, the Board has volunteered a 10% reduction in remuneration and I have volunteered a 33% reduction in my per diem rate as Acting CEO.

When I took over as Acting CEO in March, group salaries were \$22 million per annum. Suspending operations at Laverton and Coolgardie and placing them on to care and maintenance, coupled with this final restructure work in the Head Office, has resulted in Group salaries of less than \$5 million per annum. With this new model, it is my expectation that very few additions will be required in the business going forward and this cost will largely move in line with market realities.

We have also acted to ensure our balance sheet appropriately reflects the underlying values for our assets. The market has endured some significant impairment charges from major gold companies and miners this reporting season. Australia's accounting standards require Focus to undergo a similar review each year. The Company has undertaken an independent review by BDO Corporate of our carrying values, and we expect to book write-downs for the fiscal year ended June 30 2013 of \$84.9 million. The operating loss for the year will be in the region of \$67 million, plus takeover costs for the acquisition of the remaining minority interests in Laverton of circa \$4 million and shutdown and restructuring costs for the operations of \$10.5 million. This will take the full year loss to circa \$166 million (unaudited). The bulk of these profit and loss matters are non-cash. The annual audit is almost completed.

Allowing for the majority of shutdown costs associated with Coolgardie having now flowed through, our cash in the bank as at 31 July 2013 was \$101 million (excluding \$15 million in DMP security deposits), which ensures a significant war chest remains in place for the business.

The business is now lean, with low capital expenditure. It has a strong, unencumbered balance sheet moving forward and the right people and support structure in place to enable us to pursue our vision of returning to production as a low cost, high grade gold producer.

2. Business Development

The second pillar in our Three Point Plan is to leverage our financial strength to pursue targeted business development opportunities.

Focus has removed all financial encumbrances from its asset base in order to have the option to offer first ranking priority on any future financing should it choose.

Our strategic partnership with Shandong Gold enhances our access to international capital markets, and Focus has a flexible remit in its business development strategy contemplating a full suite of options including acquisitions, divestments, mergers, and joint ventures.

The most important principle for any business development opportunity is that it must create sustainable value for shareholders. Over the last few years, Focus has not consistently created value. Investment timing, some internal resource allocation decisions, and the massive fall in the gold price have contributed to this.

Moving forward, I and the new management team have recommended to the Board a set of stringent criteria for assessing projects in that they must be:

- High grade assets that can be economic across a range of potential gold prices especially against the consensus view from time to time of the long term gold price and exchange rate position;
- Synergistic to Focus' existing operations – either adjacent to and releasing value in Focus' current ground, or within economic trucking distance;
- Australian assets that are in, or very close to, production outside of our immediate footprint; or
- Overseas assets that are in, or close to production.

Importantly, with a well-managed cost base and a strong balance sheet, Focus can act on opportunities with patience, not haste. Indeed, we have already reviewed a number of adjacent opportunities to our current operations. Being careful not to over-extend our financial resources, we have chosen not to acquire any of these opportunities. We remain confident that the current environment will continue to present opportunities that are capable of being value accretive in the short term.

3. Asset Development

Thirdly, Focus will leverage its capital to develop its current assets for a return to production, or for potential sale:

Coolgardie > Targeting a long term, high grade reserve to return to production

In Coolgardie we have reset our exploration goals. With the suspension of mining, we have been able to shift our focus from short-term tonnes to feed the mill, to high-grade targets on which we can build our future.

Coolgardie has a history of proven, high-grade underground mining success. We have developed a three year exploration plan goaled with building a solid, sustainable reserve base that provides at least three years of mining confidence (see Appendix 1).

Critically, we are targeting future Ore Reserves at Coolgardie that are of sufficiently high grade to safeguard the operation against future down-turns in the gold price.

Our exploration plan has been designed with a view to re-starting operations within two years.

Delivering on this would also enable us to lock in highly competitive commercial contracting arrangements before any restart is contemplated to ensure the business has a predictable, sustainable cost base going forward.

As a part of this exploration plan we are kicking off Phase One with four new programmes (approved at the August Board meeting) focusing on targets that range from resource extension to advanced greenfields (see separate ASX announcement 20 September 2013).

During this exploration phase, the Three Mile Hill mill remains a key asset that can continue to be monetised for shareholders. It is one of the only operating mills within a 100km radius around the Coolgardie/Kalgoorlie gold belt with significant spare capacity for processing, and there are a number of developers in the region who have a need to process their ore. We will explore this potential as long as it is economically viable.

Laverton > Multi-option approach: Pursuing business development opportunities in parallel with greenfields methodology to exploration

The Laverton district is one of the best gold endowed regions in Australia. Over 28 million ounces of gold have been produced in recent history and it is home to three world class producing mines.

We mined over 100,000oz of gold in Laverton last year but without full control over our processing arrangements the economics of mining in Laverton have not stacked up and were made worse by the gold price collapse.

Given the exploration potential, and sheer scale of resources in the region, we are pursuing a multi-option approach to how we can best unlock this value in the ground.

On the exploration front, this has seen us return to first principles in the area. We have developed a conceptual model based on the regional stratigraphy, geology and past mapping to develop a set of priority targets where our exploration geologists believe there are the best opportunities for discovering large scale, high-grade deposits.

As a part of this work, we have determined to rationalise our tenement holding. We have, over recent months, removed a lot of the encumbrances that we inherited across some of our Laverton tenements and this has in turn allowed us to drop a number of unprospective tenements to rationalise our minimum expenditure commitments.

This now means we are in a position to steadily pursue nine priority target areas in Laverton that are not exposed to extraneous royalty constraints and, we believe, are highly prospective for discovery (Appendix 2).

In parallel, we are continuing to pursue an active business development path looking to the potential for either pursuing strategic acquisitions in the region, or entering into ventures that would enable us to unlock the value we have in our assets across Laverton.

The Board is pleased with the progress being made so far on this Three Point Plan to set the business up to drive to become a low cost, high value gold producer. The Board has asked me to commit to continue to lead these changes beyond the original date of September 2013 in an unchanged capacity. Accordingly I have given my commitment to the Board and the team to remain in the dual role of Chairman and Acting CEO based in Perth until we have delivered the foundations for the changes we are driving towards as a team and re-established the path for value and growth for our shareholders.

I have discussed with the Board the impact this extension could have upon our Corporate Governance principles. Whilst I know how to handle the two roles and which hat is being worn at different times, we must also be seen to be doing the correct thing as well.

As a result, we have made significant changes to our Committee structure (Appendix 3) which underpins the board's Governance activities in order to improve the transparency – especially in the key area of Audit and Risk – of this approach. Included as an appendix is the Board structure for your information and the Committee Structure supporting the Board and the responsibilities of each.

With a low cost operating model moving forward, some smart acquisitions, a high-grade focus at Coolgardie, multiple options around our Laverton business, a strong cash balance and the support of our corner stone investor, Focus is well positioned to pursue its vision of returning to production as a low cost, high value gold producer.

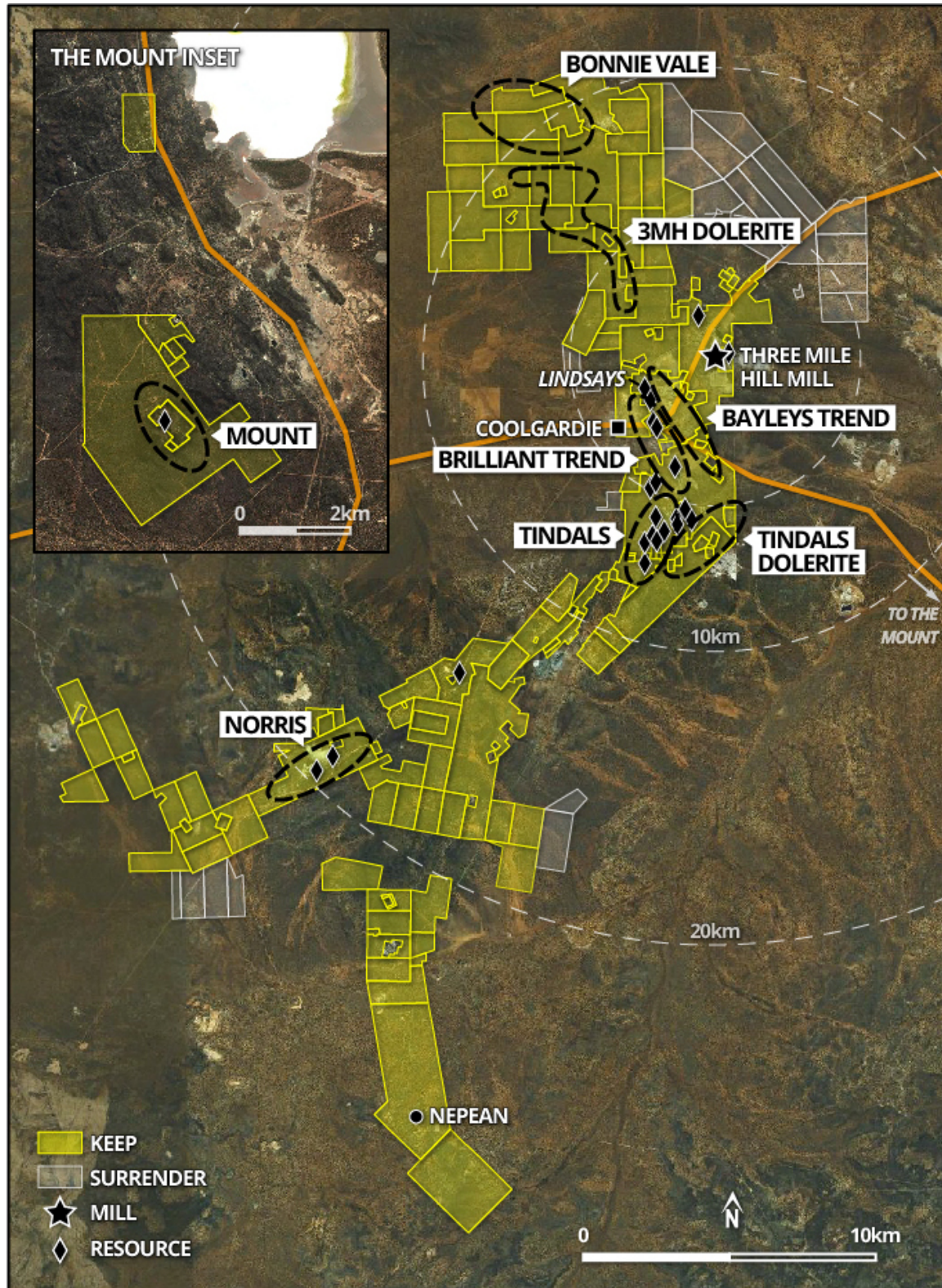
The road ahead will still be influenced by market volatility, but we have put the company in the best possible state to seize opportunities that will arise. We are clearly focussed on building a strong and stable platform for future growth. I know this has been a concerning time for shareholders, but the Company remains very sound, well-funded, and well supported through Shandong Gold. The Board thanks its staff, shareholders and partners for their patience, understanding and support.

DON TAIG
Chairman & Acting CEO

APPENDIX

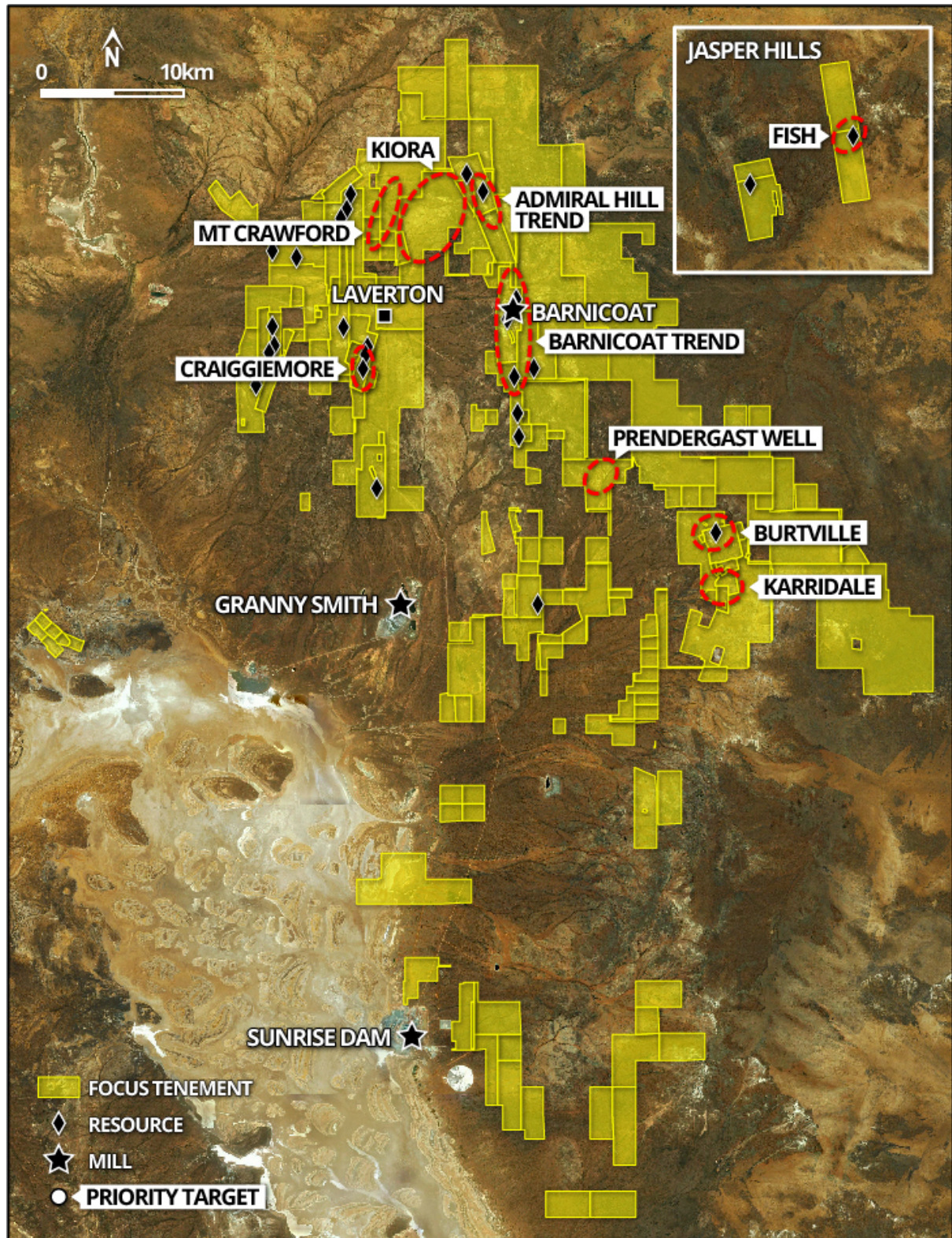
1. Coolgardie Three Year Exploration Plan

Focusing on eight regional structures over a three year exploration period goaled with establishing a high grade, three year reserve upon which the business can return to production. The first phase of exploration will focus on the Bayleys and Brilliant trends (see ASX Announcement 20 September 2013)



2. Laverton Three Year Exploration Plan

A first principles regional review has enabled us to identify what we believe to be the most prospective targets for discovering high grade, large scale deposits. This has also enabled the business to rationalise its tenement holdings and drop a number of unprospective tenements thereby reducing the minimum expenditure commitment in the region. The business is now focused on nine priority targets with drilling already underway at Karridale.



3. Committees

Board Member	Position	Committee			
		Audit & Risk	Technical	Remuneration	Appointments
Don Taig	Chairman & Acting CEO		M		
Jisheng Lu	Director, Non-Executive			M	M
Phil Lockyer	Director, Independent Non-Executive	M	C	M	C
Yuhuan Ge	Director, Non-Executive		M	M	M
Bruce McComish	Director, Non-Executive	M		C	M
Gerry Fahey	Director, Independent Non-Executive	C	M	M	M
Wanghong Yang	Director, Executive				
Zaiqian Zhang	Alternate Director, Executive				

C =Chairman; M= Member

Management Team

Don Taig	Chairman & Acting CEO
Paul Fromson	Company Secretary
Peter Ganza	General Manager – Operations & Technical Services
Andrew Paterson	General Manager - Exploration & Resource Development
Wanghong Yang	General Manager - Finance
Dane Etheridge	General Manager – Business Development & Improvement