

# Annual Report

FOR THE SIX MONTHS ENDED 31 DECEMBER 2013



## **CORPORATE DIRECTORY**

**ABN 56 005 470 799**

### **Directors**

|                |                                              |
|----------------|----------------------------------------------|
| Jisheng Lu     | Chairman - Non-Executive, Non-Independent    |
| Yuhuan Ge      | Director - Non-Executive, Non-Independent    |
| Bruce McComish | Director - Non-Executive, Non-Independent    |
| Wanghong Yang  | Director – Executive                         |
| Gerry Fahey    | Director - Independent                       |
| Zaiqian Zhang  | Alternate Director to Jisheng Lu - Executive |

### **Company Secretary**

Dane Etheridge

### **Registered and Head Office**

Level 2  
159 Adelaide Terrace  
East Perth WA 6004

PO Box 3233  
East Perth WA 6892

Tel: +61 (0) 8 9215 7888  
Fax: +61 (0) 8 9215 7889

### **Share Registry**

Computershare Investor Services Pty Ltd  
Level 2 / Reserve Bank Building  
45 St Georges Terrace  
Perth WA 6000

Tel: +61 1300 557 010  
Fax: +61 8 9323 2033

### **Bankers**

National Australia Bank  
100 St Georges Terrace  
Perth WA 6000

Bank of China Perth Branch  
Ground Floor, 179 St Georges Terrace  
Perth WA 6000

### **Stock Exchange Listing**

Australian Securities Exchange (ASX)  
ASX Symbol: FML

### **Auditor**

PricewaterhouseCoopers  
125 St Georges Terrace  
Perth WA 6000

Tel: +61 8 9238 3000  
Fax: +61 8 9238 3999

### **Solicitor**

King and Wood Mallesons  
Level 30, 250 St Georges Terrace  
Perth WA 6000

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These financial statements are the consolidated financial statements of the consolidated entity consisting of Focus Minerals Ltd and its subsidiaries. The financial statements are presented in the Australian currency.

Focus Minerals Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Focus Minerals Ltd  
Level 2, 159 Adelaide Terrace  
East Perth, Western Australia 6004

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities contained in the Directors' report on pages 9 to 10 which are not part of these financial statements.

The financial statements contained within were authorised for issue by the Directors on 31 March 2014. The Directors have the power to amend and reissue the financial statements.

Through the use of the internet, we have ensured that our corporate reporting is timely and complete. All press releases, financial reports and other information is available on our website: [www.focusminerals.com.au](http://www.focusminerals.com.au)

## CHAIRMAN'S REPORT

Dear Shareholders,

It is my pleasure to present to you my first Annual Report as the Chairman of Focus Minerals Limited.

My appointment as Chairman came after a very difficult and disappointing year for the Company. Despite a massive capital injection of \$225m from our major shareholder, rising operating costs and poor grade, combined with a weaker gold price, forced the difficult but sensible decisions to shut down both of our mining operations at Coolgardie and Laverton.

Since then, the Board and senior management have led Focus Minerals transition into a well-funded and leanly run exploration company. All business functions have been adjusted to support the Company's exploration activities in a more effective and efficient manner. A key part of this adjustment process has been the restructuring of our workforce; we now have a highly efficient workforce of twenty employees with the majority working on our exploration programs. In 2014 we are supporting our exploration team with a significant investment in exploration. Further large scale investment in exploration will follow, if the initial results are as positive as we all hope they will be.

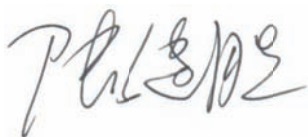
Your Board is committed to generating shareholder value by strategic reviewing of all its tenements. This is well underway, including a rationalisation via forfeiture and sale of a large number of tenements in order to reduce our minimum expenditure requirements. Exploration expenditure will be directed at the tenements with the greatest potential to produce reserves that will underpin a restart of mining operations and gold production.

Our exploration commitment indicates our emphasis on organic growth, but your Board will not ignore opportunities for to generate cash through toll treating for nearby companies nor growth through mergers and acquisitions. The Board will prioritise investment opportunities that offer significant synergies to our existing assets, further supporting Focus' organic growth.

On the road to achieving growth for the company, your Board will ensure the company executes every step of our plan with discipline, to create value for our shareholders.

Your company is in a sound financial position with significant cash reserves and large tenement holdings in two proven gold producing regions. I give you my personal assurance that the Board is committed to restoring shareholder value and is determined to make Focus Minerals once again a significant gold producer.

Yours faithfully,



Jisheng Lu  
Chairman of the Board

## OPERATIONS REVIEW

### Mining

Coolgardie mining operations were ceased during the current period and the mill was shut down after processing all available ore and retrieving all gold in circuit. The Coolgardie site is now on care and maintenance while we explore our nearby tenements. The Laverton site was placed on care and maintenance in the previous year.

### Exploration & Resource Development

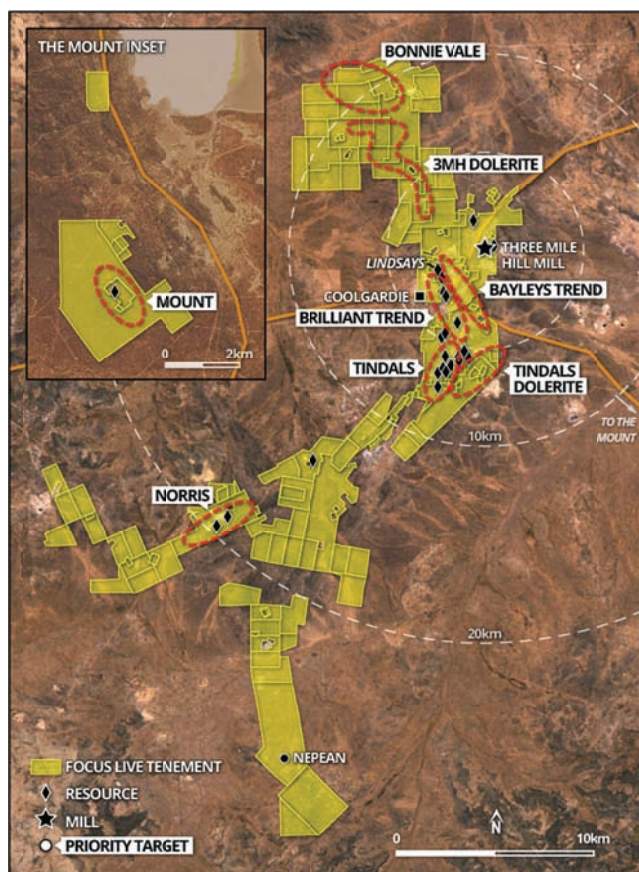
In the six months ended 31 December 2013, Focus drilled 33 RC holes and seven diamond holes for a total of 6,904m of exploration at Coolgardie (4,758m) and Laverton (2,146m). 20 RAB holes were also drilled at Laverton on a small reconnaissance program.

At Coolgardie a number of short drilling programs were completed along the Bayleys Line of workings, on two Kings Cross-style targets and also to the north of Perseverance. These programs consisted of only a small number of holes into each target, and further work is required to continue assessment of the targets' potential.

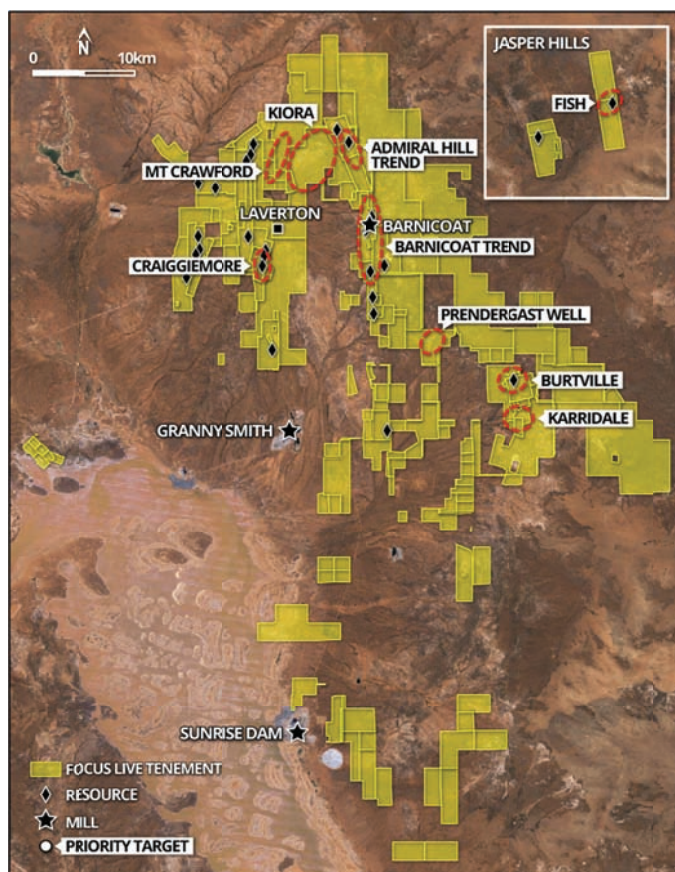
A more significant program was drilled at Brilliant, with five deep holes testing the continuity of mineralisation and structure at depths of up to 500m below surface. As discussed in the December quarterly report the results were encouraging, and more drilling has been planned to further test this area as well as strike extensions to the north.

At Laverton 13 RC holes were drilled in three broad-spaced fences across the Karridale area south of Burtville. Results were promising and further work is planned for this area as part of the ongoing Laverton exploration program. These results were discussed in the September quarterly report.

**Coolgardie Gold Project**



**Laverton Gold Project**



## Mineral Resources

|                                       | Measured Resources |                 |                | Indicated Resources |                 |                  | Inferred Resources |                 |                  | Total Resources |                 |                  |
|---------------------------------------|--------------------|-----------------|----------------|---------------------|-----------------|------------------|--------------------|-----------------|------------------|-----------------|-----------------|------------------|
|                                       | Tonnes<br>'000t    | Grade Au<br>g/t | Ounces         | Tonnes<br>'000t     | Grade Au<br>g/t | Ounces           | Tonnes<br>'000t    | Grade Au<br>g/t | Ounces           | Tonnes<br>'000t | Grade Au<br>g/t | Ounces           |
| <b>COOLGARDIE GOLD PROJECT</b>        |                    |                 |                |                     |                 |                  |                    |                 |                  |                 |                 |                  |
| <i>Tindals Project - UG</i>           | 268                | 4.5             | 39,000         | 1,717               | 3.9             | 216,000          | 309                | 3.8             | 37,500           | 2,294           | 4.0             | 292,500          |
| <i>Tindals Project - Surface</i>      |                    |                 |                | 7,802               | 2.1             | 537,500          | 3,098              | 2.2             | 216,500          | 10,900          | 2.2             | 754,000          |
| Tindals Project                       | 268                | 4.5             | 39,000         | 9,519               | 2.5             | 753,500          | 3,407              | 2.3             | 254,000          | 13,194          | 2.5             | 1,046,500        |
| Mount Project                         |                    |                 |                | 561                 | 4.6             | 83,000           | 327                | 5.0             | 53,000           | 888             | 4.7             | 136,000          |
| Lindsays-Bayleys Project              |                    |                 |                | 4,350               | 1.7             | 238,000          | 3,562              | 2.0             | 233,000          | 7,912           | 1.8             | 471,000          |
| Three Mile Hill Project               |                    |                 |                | 2,664               | 1.6             | 135,000          | 790                | 1.4             | 36,000           | 3,454           | 1.5             | 171,000          |
| Norris Project                        |                    |                 |                |                     |                 |                  | 2,440              | 2.2             | 169,000          | 2,440           | 2.2             | 169,000          |
| <b>Total Coolgardie</b>               | <b>268</b>         | <b>4.5</b>      | <b>39,000</b>  | <b>17,094</b>       | <b>2.2</b>      | <b>1,209,500</b> | <b>10,526</b>      | <b>2.2</b>      | <b>745,000</b>   | <b>27,888</b>   | <b>2.2</b>      | <b>1,993,500</b> |
| <b>LAVERTON GOLD PROJECT</b>          |                    |                 |                |                     |                 |                  |                    |                 |                  |                 |                 |                  |
| Barnicoat Project                     | 390                | 1.7             | 21,000         | 2,486               | 1.7             | 135,000          | 1,803              | 1.3             | 74,000           | 4,679           | 1.5             | 230,000          |
| Burtville Project                     |                    |                 |                | 1,207               | 1.4             | 54,000           | 708                | 1.8             | 41,500           | 1,915           | 1.5             | 95,500           |
| Central Laverton Project              |                    |                 |                | 2,749               | 2.0             | 176,500          | 642                | 1.9             | 39,500           | 3,391           | 2.0             | 216,000          |
| Chatterbox Project                    | 531                | 2.2             | 38,000         | 3,923               | 2.1             | 270,000          | 3,235              | 2.2             | 232,000          | 7,689           | 2.2             | 540,000          |
| <i>Jasper Hills Project - UG</i>      |                    |                 |                | 129                 | 4.3             | 18,000           | 100                | 4.0             | 13,000           | 229             | 4.2             | 31,000           |
| <i>Jasper Hills Project - Surface</i> | 370                | 1.9             | 22,000         | 1,326               | 1.5             | 64,000           | 743                | 1.9             | 45,000           | 2,439           | 1.7             | 131,000          |
| Jasper Hills Project                  | 370                | 1.9             | 22,000         | 1,455               | 1.7             | 82,000           | 843                | 2.1             | 58,000           | 2,668           | 1.9             | 162,000          |
| <i>Lancefield Project - UG</i>        |                    |                 |                | 2,037               | 6.5             | 427,000          | 619                | 7.1             | 141,000          | 2,656           | 6.7             | 568,000          |
| <i>Lancefield Project - Surface</i>   |                    |                 |                | 72                  | 3.9             | 9,000            | 94                 | 6.3             | 19,000           | 166             | 5.2             | 28,000           |
| Lancefield Project                    |                    |                 |                | 2,109               | 6.4             | 436,000          | 713                | 7.0             | 160,000          | 2,822           | 6.6             | 596,000          |
| <b>Total Laverton</b>                 | <b>1,291</b>       | <b>2.0</b>      | <b>81,000</b>  | <b>13,929</b>       | <b>2.6</b>      | <b>1,153,500</b> | <b>7,944</b>       | <b>2.4</b>      | <b>605,000</b>   | <b>23,164</b>   | <b>2.5</b>      | <b>1,839,500</b> |
| <b>TOTAL COMBINED RESOURCES</b>       | <b>1,559</b>       | <b>2.4</b>      | <b>120,000</b> | <b>31,023</b>       | <b>2.4</b>      | <b>2,363,000</b> | <b>18,470</b>      | <b>2.3</b>      | <b>1,350,000</b> | <b>51,052</b>   | <b>2.3</b>      | <b>3,833,000</b> |

### Competent Person's Statement

The information in this report that relates to Mineral Resources is based on information compiled by Andrew Paterson, a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy. Andrew Paterson is a full-time employee of the company. Andrew Paterson has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken 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'. Andrew Paterson consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

## Ore Reserves

|                                       | Proven Reserves |                 |          | Probable Reserves |              |                | Total Reserves  |                 |                |
|---------------------------------------|-----------------|-----------------|----------|-------------------|--------------|----------------|-----------------|-----------------|----------------|
|                                       | Tonnes<br>'000t | Grade Au<br>g/t | Ounces   | Tonnes<br>'000t   | Grade Au g/t | Ounces         | Tonnes<br>'000t | Grade Au<br>g/t | Ounces         |
| <b>COOLGARDIE GOLD PROJECT</b>        |                 |                 |          |                   |              |                |                 |                 |                |
| <i>Tindals Project - UG</i>           |                 |                 |          | 287               | 2.7          | 25,000         | 287             | 2.7             | 25,000         |
| <i>Tindals Project - Surface</i>      |                 |                 |          | 194               | 2.0          | 13,000         | 194             | 2.1             | 13,000         |
| Tindals Project                       |                 |                 |          | 481               | 2.5          | 38,000         | 481             | 2.5             | 38,000         |
| Mount Project                         |                 |                 |          | 21                | 4.9          | 3,000          | 21              | 4.4             | 3,000          |
| Lindsays-Bayleys Project              |                 |                 |          |                   |              |                | 0               | 0.0             | 0              |
| Three Mile Hill Project               |                 |                 |          | 1,155             | 1.4          | 50,000         | 1,155           | 1.3             | 50,000         |
| Stocks                                |                 |                 |          |                   |              |                | 551             | 0.7             | 12,000         |
| <b>Total Coolgardie</b>               | <b>0</b>        | <b>0.0</b>      | <b>0</b> | <b>1,658</b>      | <b>1.7</b>   | <b>91,000</b>  | <b>2,208</b>    | <b>1.5</b>      | <b>103,000</b> |
| <b>LAVERTON GOLD PROJECT</b>          |                 |                 |          |                   |              |                |                 |                 |                |
| Barnicoat Project                     |                 |                 |          | 445               | 2.4          | 34,000         | 445             | 2.4             | 34,000         |
| Burtville Project                     |                 |                 |          | 572               | 1.4          | 26,000         | 572             | 1.4             | 26,000         |
| Central Laverton Project              |                 |                 |          |                   |              |                | 0               | 0.0             | 0              |
| Chatterbox Project                    |                 |                 |          | 167               | 2.7          | 14,000         | 167             | 2.6             | 14,000         |
| <i>Jasper Hills Project - UG</i>      |                 |                 |          | 124               | 3.5          | 14,000         | 124             | 3.5             | 14,000         |
| <i>Jasper Hills Project - Surface</i> |                 |                 |          | 207               | 1.8          | 12,000         | 207             | 1.8             | 12,000         |
| Jasper Hills Project                  |                 |                 |          | 331               | 2.4          | 26,000         | 331             | 2.4             | 26,000         |
| <i>Lancefield Project - UG</i>        |                 |                 |          |                   |              |                | 0               | 0.0             | 0              |
| <i>Lancefield Project - Surface</i>   |                 |                 |          |                   |              |                | 0               | 0.0             | 0              |
| Lancefield Project                    |                 |                 |          | 0                 | 0.0          | 0              | 0               | 0.0             | 0              |
| Stocks                                |                 |                 |          |                   |              |                | 70              | 0.9             | 2,000          |
| <b>Total Laverton</b>                 | <b>0</b>        | <b>0.0</b>      | <b>0</b> | <b>1,515</b>      | <b>2.1</b>   | <b>100,000</b> | <b>1,585</b>    | <b>2.0</b>      | <b>102,000</b> |
| <b>TOTAL COMBINED RESERVES</b>        | <b>0</b>        | <b>0.0</b>      | <b>0</b> | <b>3,173</b>      | <b>1.9</b>   | <b>191,000</b> | <b>3,793</b>    | <b>1.7</b>      | <b>205,000</b> |

### Competent Person's Statement

The information in this report that relates to Ore Reserves is based on information compiled by Peter Ganza, a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy. Peter Ganza is a full-time employee of the company. Peter Ganza has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken 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'. Peter Ganza consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

## **CORPORATE GOVERNANCE STATEMENT**

### **Introduction**

This statement outlines the main corporate governance practices that were in place for the six-month period ended 31 December 2013. The Company's corporate governance practices comply with the ASX Corporate Governance Council's June 2010 amendments to the 2007 "Corporate Governance Principles and Recommendations", unless otherwise stated. As required under ASX Listing Rule 4.10.3, the company makes the following disclosures in relation to each of the Recommendations.

### **Principle 1: Laying Solid Foundations for Management and Oversight**

#### ***Role and Responsibilities of the Board***

The Board is responsible for ensuring that the Company is managed in a manner which protects and enhances the interests of its shareholders and takes into account the interests of all stakeholders. This includes setting the strategic direction for the Company, establishing goals for management and monitoring the achievement of these goals.

A summary of the key responsibilities of the Board include:

- Strategy – Providing strategic guidance for the group, including contributing to the development of and approving the corporate strategy;
- Financial performance – Approving budgets, monitoring management and performance;
- Financial reporting and audits – Monitoring financial performance including approval of the annual and half year financial reports and liaising with the external auditors through the Audit Committee;
- Leadership selection and performance – Appointment, performance assessment and removal of Chief Executive Officer. Ratifying the appointment and/or removal of other senior management including Company Secretary and other Board members through the Appointments Committee;
- Remuneration – Management of the remuneration and reward systems and structures for senior management and staff through the Remuneration Committee;
- Risk management – Ensuring appropriate risk management systems and internal controls are in place; and
- Relationships with exchanges, regulators and continuous disclosure – Ensuring the capital markets are kept informed of all relevant and material matters ensuring effective communication with shareholders and stakeholders.

The Board has delegated to executive management responsibility for developing in the first instance:

- Strategy – Assisting in developing and implementing corporate strategies and making recommendations where necessary;
- Leadership selection and performance – selecting a short list of final candidate management and staff and proposing terms of appointment and evaluating performance;
- Budgets – Developing the annual budget and managing day-to-day operations within budget;
- Risk management – Maintaining risk management frameworks with periodic review by the Risk Committee; and
- Communication – Keeping the Board, shareholders and market informed of material events.

## **Principle 2: Structuring the Board to Add Value**

### ***Composition of the Board***

The names, skills, experience and period of office of the Directors of the Company in office at the date of this Statement are set out in the Director's Report.

The composition of the Board is determined so as to provide the Company the broad base of industry, business, technical, financial and corporate skills and experience considered necessary to represent shareholders and fulfil the business objectives of the Company.

The Board composition is determined with reference to the following principles:

- Persons nominated as Non-Executive Directors shall be expected to have qualifications, experience and expertise of benefit to the Company and to bring an experienced view to the Board's deliberations.
- All Non-Executive Directors are expected to voluntarily review their membership of the Board from time-to time taking into account length of service, age, qualifications and expertise relevant to the Company's then current policy together with the other criteria considered desirable for composition of a balanced Board and the overall interest of the Company. The Board participates in Australian Institute of Company Directors courses from time to time on topics relevant to the Company and the framework within which it operates
- The number of Directors is maintained at a level which will enable effective distribution of workload and efficient decision making.
- The Company will at all times have at least three Directors.
- The Chairperson is elected by the Board based on candidate's suitability for the position.
- The roles of Chairperson and Managing Director/Chief Executive Officer are not to be held by the same individual. Focus Minerals departed from this principle in March 2013, when the Board changed its then Chief Executive Officer and asked the Company's Chairman to assume executive responsibilities, given his knowledge and expertise concerning the Company, its staff and operations. The departure was amended in November 2013 and Focus Minerals now fully complies with this principle.

The Board has accepted that an Independent Director is one who:

- Does not hold an executive position (Non-Executive Director):
- is not a substantial shareholder of the Company or an officer of, or otherwise associated, directly or indirectly, with a substantial shareholder of the Company;
- has not, within the last 3 years, been employed in an executive capacity by the Company or another group member, or been a Director after ceasing to hold any such employment;
- is not a principal of a significant professional adviser to the Company or another group member;
- is not a significant consultant, supplier or customer of the Company or another group member, or an officer of or otherwise associated, directly, with a significant consultant, supplier or customer;
- has no significant contractual relationship with the Company or another group member other than as Director of that company;

- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
- has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Of the current Board members, Mr Gerry Fahey is the only one considered to meet the criteria as an Independent Director.

During the period, following the resignations of three Shandong Gold representative Directors, Shandong Gold appointed three new representatives to the Board. Mr Philip Lockyer decided not to seek re-election and announced his retirement at the November 2013 Annual General Meeting. The Board also accepted the resignation of Mr Donald Taig as Director, Chairman and Acting CEO of the Company.

Mr Jisheng Lu was appointed as the Chairman and Mr Wanghong Yang was appointed as the Interim CEO.

### ***Independent Professional Advice and Access to Company Information***

Each Director has the right of access to all relevant Company information and to the Company's executives. Each Director is entitled to seek independent advice at the Company's expense to assist them to carry out their responsibilities, however, prior approval of the Chairman is required which is not unreasonably withheld. A copy of advice received by the Director is made available to other members of the Board.

### ***Appointments Committee / Appointment of new Directors***

The Committee's role is to review and determine the composition of the Board and senior executive management to ensure the Board and management has the appropriate mix of expertise and experience. This review is to be conducted on an annual basis.

Where a vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the Committee will determine the selection criteria for the position based on the skills deemed necessary for the Board to best fulfil its responsibilities and then appoint the most suitable candidate. Any Director appointment since the last Annual General Meeting must be nominated for re-election at the next Annual General Meeting.

Full details of all Directors are provided to shareholders in this annual report and on the Company's website.

### ***Performance of Directors and Chief Executive Officer***

The performance of all Directors is reviewed annually.

The Remuneration and Appointments Committee will conduct an annual review of the Board composition and performance of the Board as a whole, the Chief Executive Officer, Company Secretary and senior executives. This review includes:

- Determining the appropriate balance of skills and experience required to suit the Company's current and future strategies;
- Comparing the above requirements against the skills and experience of current Directors and executives;
- Assessing the independence of each Director;
- Measuring the contribution and performance of each Director;
- Assessing any education requirements or opportunities; and

- Recommending any changes to Board procedures, Committees or the Board composition.

Such a review was undertaken during the year ended 30 June 2013. Directors being reviewed were asked to leave the meeting during the review process. The next review will be in the coming Financial Year.

### ***Performance of Senior Executives***

The Board meets twice during the year to review the performance of senior executives. This review includes:

- The performance of the senior executive in supplying the Board with information in a form, timeframe and quality that enables the Board to effectively discharge its duties;
- Feedback from other senior executives;
- Any particular concerns regarding the senior executive; and
- Remuneration objectives.

This review was undertaken during the year ended 30 June 2013. The next review will be in the coming Financial Year.

### ***Term of office***

Under the Company's Constitution and Corporations Act section 201A(2), the minimum number of Directors is three. The Company's Constitution mandates that each Director must not hold office (without re-election) past the third Annual General Meeting of their appointment or three years following that Director's last election. At each Annual General Meeting one third of the Directors or a minimum of one Director (excluding the Managing Director) must resign, with Directors resigning by rotation based on their date of appointment. Directors resigning by rotation may offer themselves for re-election. The re-appointment of Directors is not automatic.

## **Principle 3: Promotion of Ethical and Responsible Decision Making**

### ***Code of Conduct***

The Company has developed a Code of Conduct (the Code) which has been fully endorsed by the Board and applies to all Directors and employees. The Code is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Company's integrity.

The Code of Conduct embraces the values of:

- Integrity;
- Excellence; and
- Commercial Discipline.

The Board encourages all stakeholders to report unlawful/unethical behaviour and provides protection for those who report potential violations in good faith.

### ***Trading in Focus Minerals Securities by Directors, Officers and Employees***

The Board has established a Share Trading Policy addressing dealings by Directors, officers and employees and other potential insiders in buying and selling the Company's securities.

The Company's Share Trading Policy is released to the ASX and is also available on the Company's website.

In summary the Share Trading Policy restricts dealing in the Company's securities by Directors, officers, management, consultants and employees and prohibits trading in the Company's shares, options and other securities in the following circumstances:

- If they are in possession of undisclosed price-sensitive information; and
- Speculative trading for a short term gain.

The Directors have also given undertakings to inform the Company Secretary of any trading in shares by Directors which must also be notified to the ASX.

The Code and the Company's Share Trading Policy are discussed with each new employee as part of their induction training.

The Code requires employees who are aware of unethical practices within the Company or breaches of the Company's Share Trading Policy to report these to the Company Secretary, Chief Executive Officer or Chairman. This can be done anonymously.

The Directors are satisfied that the Company has complied with its policies on ethical standards, including trading in its securities.

### ***Conflict of Interest***

In accordance with the Corporations Act 2001 and the Company's Constitution, Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the company. Where the Board believes a significant conflict exists, the Director concerned does not receive the relevant Board papers and is not present at the Board meeting whilst the item is considered. Details of Director related entity transactions with the Company and Group are set out in the related parties note in the financial statements. Prior to the commencement of all Board meetings the Chairman requires Board members to raise any items of continuous disclosure that a Director or officer deems necessary. If there is any doubt, the participants are asked to raise the matter for a resolution.

## **Principle 4: Safeguarding Integrity in Financial Reporting**

### ***Audit and Business Risk Committee - Membership and Conduct***

The Audit and Business Risk Committee meets regularly with the external auditors to discuss audit outcomes and the Company's financial statements. Each Board member has access to the external auditor at any time and the external auditor has access to each individual Board member.

The Audit and Business Risk Committee reviews the appointment of the external auditor at least annually and reviews their independence and performance in relation to the adequacy of the scope and quality of the annual statutory audit and half year review and the fees charged.

The Chief Executive Officer and the Chief Financial Officer make a statement to the Audit and Business Risk Committee that the Company's financial reports present a true and fair view in all material respects of the Company's financial condition and operational results and are in accordance with the relevant accounting standards.

The Committee also meets periodically (but no less than twice a year) with the Occupational Health and Safety operatives of the Company to review the Company's adherence to its health and safety objectives.

As an ASX300 company at the beginning of the reporting period (1 July 2013), the Audit and Business Risk Committee should be structured so that it:

- Consists only of Non-Executive Directors;
- Consists of a majority of independent Directors; Focus Minerals departed from this requirement due to the retirement of one independent Director. The committee consists of two Non-Executive, non-independent Directors and one independent Director. Focus is fully aware of the situation and has informed the ASX that the company is looking for one additional independent Director.
- Is chaired by an independent chair, who is not chair of the Board; and
- Has at least three members.

The company is committed to increasing the number of independent Directors, despite no longer being a constituent of the ASX300.

## **Principle 5: Making Timely and Balanced Disclosure**

### ***Market Disclosure Policies***

All Directors, executives and staff are required to abide with all various legal requirements and ASX obligations in relation to disclosure of information to the market. This includes specific compliance with the continuous disclosure requirements of the ASX Listing Rules.

The Company Secretary has been appointed the person responsible for overseeing and co-coordinating disclosure of information to the ASX as well as communicating with the ASX. The Company complies with its continuous disclosure obligations.

## **Principle 6: Respecting the Rights of Shareholders**

The Board places significant importance on effective communication with shareholders.

Information is communicated to shareholders through the distribution of the annual and half yearly financial reports, quarterly reports on activities and cash flows, announcements through the ASX and the media, on the Company's web site and through the Chairman's address at the Annual General Meeting.

In addition, news announcements and other information are sent by email to all persons who have requested their name to be added to the Company's email list. If requested, the Company will provide general information by email, facsimile or post.

While the Company has no formal communication policy in place for the benefit of shareholders, the Company provides continuous communication which ensures shareholders and the markets are adequately informed of substantive matters concerning the Company's activities.

The Company, wherever practicable, takes advantage of new technologies that provide greater opportunities for more effective communications with shareholders.

## **Principle 7: Recognising and Managing Risk**

The Board has expanded the scope of the Audit Committee to include monitoring the Company's business risks. The management of business risks also addresses asset, operational, regulatory compliance, personal health, safety and environmental risks.

The Audit and Business Risk Committee monitors the performance of risk management and internal control systems and reports to the Board on the extent to which it believes the risks are being managed and the adequacy and comprehensiveness of risk reporting from management.

The Board delegates day-to-day management of risk to the Chief Executive Officer, who is responsible for identifying, assessing, monitoring and managing risks. The Chief Executive Officer is also responsible for updating the Company's material business risks to reflect any material changes, with the approval of the Board.

In accordance with section 295A of the Corporations Act the Chief Executive Officer and the Chief Financial Officer also provide a declaration to the Board and have assured the Board that such a declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial risk. The annual audit process provides further input as to the adequacy of the Company's processes.

### ***Technical and Operations Committee***

The Technical and Operations Committee monitors the Mineral Resource and Ore Reserve modelling systems and controls in determining the Company's reportable resource and reserves in compliance with the "Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves" (JORC Code).

Additionally, the Committee reports to the Board on the extent to which it believes the risks are being managed and management reporting on operational risks arising from the Company's mining, processing and exploration activities. Mr Fahey is a member of the JORC Committee which aids the Company's understanding of requirements significantly.

This Committee also assists the CEO with the evaluation of exploration, mining and processing plans proposed by the management team for Board approval.

## **Principle 8: Remunerate Fairly and Responsibly**

### ***Remuneration Committee***

A Remuneration and Appointments Committee has been established to determine and review the remuneration of executives and Directors.

The maximum amount of Directors' fees is fixed by shareholders at the Annual General Meeting and can only be varied by shareholders in a similar manner. In determining the allocation of fees, the Board takes into account the time demands on each Director, together with the responsibilities undertaken by them and market practices of similar sized businesses in the mining sector.

It is the policy of the Board not to issue Directors incentive shares or options. A Board Retirement Plan is in place to recognise long term service by retiring Board members and taking into account that the Directors agreed to less than market stipends during the period that the Company transitioned from explorer to producer and this practice has continued. A full explanation of this approach is contained in the Remuneration Report section of this Directors' Report.

Payments to retiring Directors under the Board Retirement Plan are determined as follows:

- 0 – 3 years Board service – No retirement payment
- 3 – 5 years Board service – 25% of annual Director fee.
- 5 – 8 years Board service – 50% of annual Director fee.
- More than 8 years Board service – 100% of annual Director fee.

A full discussion of the company's remuneration philosophy and framework and the remuneration received by Directors and executives in the current period is included in the remuneration report contained within the Directors' Report.

## **Principle 9: Diversity**

The company recognises that an inclusive and diverse workforce supports a high performance culture and is actively seeking to enhance the diversity of the workforce, the senior management team and Board of Directors. Diversity includes, but is not limited to, diversity in gender, age, ethnicity and cultural backgrounds.

The Company is therefore committed to promoting a culture that embraces diversity.

In particular, the Company is committed to:

- creating a workplace that promotes equal opportunity and diversity;
- maintaining a workplace where all employees, potential employees, and contractors are able to perform their duties free from all forms of unlawful discrimination and harassment;
- identification of ways to promote a culture which embraces diversity, including the recruitment of employees and Board members from a diverse pool of qualified candidates;
- understanding and articulating the benefits arising from employee and Board diversity; and,
- ensuring daily activities, practices and procedures across the Company are carried out in accordance with the above points.

The Company will foster tolerance in the workplace. It will promote the prevention of unlawful discrimination on grounds including but not limited to gender, race, marital or family status, age, sexual orientation, disability, religious or political beliefs, where all of these matters are in accordance with the laws of the country in which the Company operates from time to time.

The Company recognises that the concept of diversity incorporates a number of different factors and as such focuses on a broad suite of diversity rather than focus on a specific measure such as gender.

The Company's policy applies to all Directors, employees and contractors at all of Focus' operations.

With respect to diversity, management will:

- a) develop, for approval by the Board or its relevant subcommittee, as appropriate:
  - measurable objectives concerning the strategies, initiatives and programs that support this policy.
  - targets or key performance indicators (KPIs) to verify progress towards attainment of those measurable objectives.

- b) measure performance against those targets and KPIs;
- c) report from time to time (at least annually) on the progress of the matters referred to in (a) and (b).

## DIRECTORS' REPORT

The Directors present their report on the Group comprising of Focus Minerals Limited – the parent company (referred to as “the Company”) – and its subsidiaries (together referred to as ‘the Group’ or ‘Focus’) at the end of, or during the six-month period ended 31 December 2013.

### Change of Year End and Reporting Period of Six Months

The Company has changed its financial year end from 30 June to 31 December, which enables the Company to align its financial reporting period with its major shareholder, Shandong Gold International Mining Corporation Limited. This change means the Financial Reports of the Company are transitional from 1 July 2013 to 31 December 2013. The comparatives in the various financial statements are therefore for a six-month period ended 31 December 2013 versus a twelve-month period ended 30 June 2013.

### Directors

The Directors of the Company at any time during or since the end of the six-month period are:

| Name                   | Designation & Independence Status                                                                                         |
|------------------------|---------------------------------------------------------------------------------------------------------------------------|
| <b>Jisheng Lu</b>      | Chairman - Non-Executive, Non-Independent (appointed as Director on 5 July 2013, elected as Chairman on 29 November 2013) |
| <b>Yuhuan Ge</b>       | Director - Non-Executive, Non-Independent (appointed on 5 July 2013)                                                      |
| <b>Bruce McComish</b>  | Director - Non-Executive, Non-Independent                                                                                 |
| <b>Wanghong Yang</b>   | Director – Executive, Interim CEO (appointed on 5 July 2013, became executive on 2 September 2013)                        |
| <b>Gerry Fahey</b>     | Director – Independent                                                                                                    |
| <b>Zaiqian Zhang</b>   | Alternate Director to Jisheng Lu – Executive (appointed on 5 July 2013)                                                   |
| <b>Donald Taig</b>     | Executive Chairman and Acting CEO (resigned on 29 November 2013)                                                          |
| <b>Phillip Lockyer</b> | Director – Independent (retired on 28 November 2013)                                                                      |
| <b>Zhongyi Li</b>      | Director - Non-Executive, Non-Independent (appointed on 21 December 2012 and resigned on 5 Jul 2013)                      |
| <b>Dahui Zhang</b>     | Director - Non-Executive, Non-Independent (appointed on 21 December 2012 and resigned on 5 Jul 2013)                      |
| <b>Michael Guo</b>     | Director - Non-Executive, Non-Independent (appointed on 21 December 2012 and resigned on 5 Jul 2013)                      |

Details of the Directors' qualifications, experience, special responsibilities and details of Directorships of other listed companies can be found elsewhere in this Report.

## Information on Directors, Officers and Senior Management

| Directors                                                                                                                  | Designation & Independence Status                           | Experience, Expertise & Qualifications                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|----------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Jisheng Lu</b><br><br><i>Appointed as Director on 5 July 2013</i><br><br><i>Elected as Chairman on 29 November 2013</i> | <b>Chairman</b><br><br><i>Non-Executive Non-Independent</i> | <p>Mr Lu is the Chairman of Shandong Gold International Mining Corporation Limited.</p> <p>Mr Lu has over 30 years' experience in mining with a geology background. He worked at the Yinan Gold Mine from 1985 to 2001 where he became the Division Director and Assistant General Manager. Between 2001 and 2009 he was Deputy General Manager of Qingdao Co., Ltd and Changyi Mining Co., Ltd, both are Shandong Gold Group's subsidiaries. Until December 2012 he was the Deputy General Manager of Shandong Gold Nonferrous Metal Mining Co., Ltd and General Manager of Jinhongling Mining Limited of Inner Mongolia. He then became the Vice Chairman and General Manager of Shandong Gold Non-ferrous Metals Mining Group.</p> <p>Directorships of other ASX listed companies: Nil</p> |
| <b>Yuhuan Ge</b><br><br><i>Appointed on 5 July 2013</i>                                                                    | <b>Director</b><br><br><i>Non-Executive Non-Independent</i> | <p>Mr Ge became Vice Chairman and Deputy General Manager of Shandong Gold International Mining Corporation Limited in 2010, and is also a Director of Canada's Integra Gold Corporation. Mr Ge has over 30 years' experiences in mining with a background in Engineering.</p> <p>From 1982 to 2002 he worked for the Shandong Gold Group's in a range of management roles. He has considerable international experience and from 2002 to 2010 he was the Chairman &amp; General Manager of Jinyan Corporation Limited in Venezuela and Chairman of Shandong Gold Jinwang Corporation Limited in Suriname.</p> <p>Directorships of other ASX listed companies: Nil</p>                                                                                                                         |
| <b>Bruce McComish</b><br><br><i>Appointed on 18 April 2011</i>                                                             | <b>Director</b><br><br><i>Non-Executive Non-Independent</i> | <p>Qualifications: BCA(Hons), FCA, FCPA</p> <p>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 from Victoria University of Wellington and is a Qualified Accountant.</p> <p>Directorships of other ASX listed companies: Nil</p>                                                                                     |

|                                                                    |                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|--------------------------------------------------------------------|------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Wanghong Yang</b></p> <p><i>Appointed on 5 July 2013</i></p> | <p><b>Director</b></p> <p><i>Executive Interim CEO</i></p> | <p>Mr Yang is the Interim CEO at Focus Minerals Ltd, prior to this role he worked at Shandong Gold International Mining Corporation Limited as Financial Controller. He joined Shandong Gold Group in 2008 as the Group's Senior Manager of Capital Management before becoming the Deputy General Manager of Shandong Gold International Mining Corporation Limited.</p> <p>Mr Yang began his career with the China Machinery Industry Supply and Sale Corporation, working in a number of management roles between 1986 and 1999. During this time he also spent three years based in Nigeria. In 2000, he joined Success Group Co., Ltd, to coordinate and manage the Group's investment projects in China prior to joining China Overseas Holdings Limited in 2002.</p> <p>Mr Yang has a Bachelor's degree in Accounting from Renmin University of China and a Master's degree in Applied Finance from Macquarie University.</p> <p>Directorships of other ASX listed companies: Nil</p>                                                                                                                                                                                                                                               |
| <p><b>Gerry Fahey</b></p> <p><i>Appointed on 18 April 2011</i></p> | <p><b>Director</b></p> <p><i>Independent</i></p>           | <p>Qualifications: Bsc(Hons Geology), M.AIG, M.AusIMN</p> <p>Mr Fahey is a geologist with over 39 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 resource industry consultants CSA Global Pty Ltd in 2006.</p> <p>Mr Fahey is a Fellow of the Joint Ore Reserve Committee (JORC) and a former Board Member (Federal Councillor) for the Australian Institute of Geoscientists (AIG).</p> <p>Directorships of other ASX listed companies:</p> <ul style="list-style-type: none"> <li>Prospect Resources Limited (Non-Executive Director: appointed July 2013, ongoing)</li> </ul> |
| <p><b>Zaiqian Zhang</b></p> <p><i>Appointed on 5 July 2013</i></p> | <p><b>Alternate Director</b></p> <p><i>Executive</i></p>   | <p>Qualifications: BSc (Hons), MSc</p> <p>Mr Zhang joined Focus Minerals Ltd in September 2013 as a Senior Accountant. Prior to this Mr Zhang served as the Deputy Manager, Department of Investment and Development for Shandong Gold International Mining Corporation Limited. Mr Zhang has a degree of Bachelor of Science (Hons) Accounting for Management with one year placement at Xerox as a Financial Analyst and a degree of MSc Accounting and Finance from Aston University, Birmingham, United Kingdom.</p> <p>Directorships of other ASX listed companies: Nil</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |

*Note: For Director's special responsibilities during the six months period ended 31 December 2013, please refer to the Remuneration Report*

## Senior Management

### Wanghong Yang – Interim Chief Executive Officer

Mr. Yang joined Focus Minerals Limited on 2 September 2013 as the General Manager – Finance. Following the former Chairman and Acting CEO - Donald Taig's resignation on 29 November 2013, Mr Yang was appointed as the Interim CEO by the Board of Directors.

Please refer to the Directors' section for more information about Mr Yang.

### Dane Etheridge – Company Secretary and General Manager of Business Development

Qualifications: BCom (Hons), MAppFin, PhD, CFA, F Fin  
Appointed: 25 March 2014

Dr Etheridge is a Chartered Financial Analyst charterholder, a Fellow of the Financial Services Institute of Australasia and a certificated member of Governance Institute of Australia. Dr Etheridge has a diverse professional background including finance academia, corporate advisory, Board performance reviewing and professional development, and senior management of ASX listed and not for profit organisations.

In his most recent position prior to Focus Minerals Dr Etheridge played a key role in advising Boards and senior management of large ASX listed and Government enterprises with the strategy consulting firm Chauvel Group.

### Interests in the Shares and Options of the Company and Related Bodies Corporate

At the date of this report, the direct and indirect interests of Directors in the shares and options of the Company were:

|                | Ordinary Shares | Options (Unlisted) |
|----------------|-----------------|--------------------|
| Gerry Fahey    | 641,000         | -                  |
| Bruce McComish | 250,000         | -                  |
| Jisheng Lu*    | 4,501,997,651   | -                  |
| Yuhuan Ge*     | 4,501,997,651   | -                  |
| Wanghong Yang* | 4,501,997,651   | -                  |
| Zaiqian Zhang  | -               | -                  |

\*Mr Lu, Mr Ge and Mr Yang hold indirect interest of the company through Shandong Gold International Mining Corporation Limited, for whom they are executives.

### Directors' Meetings

The number of meetings of Directors (including meetings of committees of Directors) held during the six months and the number of meetings attended by each Director was as follows:

|                          | Board |   | Audit and Risk Committee |   | Remuneration Committee |   | Technical Committee |   |
|--------------------------|-------|---|--------------------------|---|------------------------|---|---------------------|---|
|                          | A     | B | A                        | B | A                      | B | A                   | B |
| <b>Current Directors</b> |       |   |                          |   |                        |   |                     |   |
| Jisheng Lu               | 5     | 5 | -                        | - | -                      | - | 1                   | 1 |
| Yuhuan Ge                | 3     | 5 | -                        | - | -                      | - | 1                   | 1 |
| Wanghong Yang            | 5     | 5 | -                        | - | -                      | - | -                   | - |
| Gerry Fahey              | 5     | 6 | 1                        | 1 | -                      | - | 1                   | 1 |
| Bruce McComish           | 6     | 6 | 1                        | 1 | -                      | - | -                   | - |

|                         | Board |   | Audit and Risk Committee |   | Remuneration Committee |   | Technical Committee |   |
|-------------------------|-------|---|--------------------------|---|------------------------|---|---------------------|---|
|                         | A     | B | A                        | B | A                      | B | A                   | B |
| <b>Former Directors</b> |       |   |                          |   |                        |   |                     |   |
| Donald Taig             | 6     | 6 | -                        | - | -                      | - | -                   | 1 |
| Phillip Lockyer         | 6     | 6 | 1                        | 1 | -                      | - | -                   | 1 |
| Zhongyi Li              | -     | 1 | -                        | - | -                      | - | -                   | - |
| Dahui Zhang             | -     | 1 | -                        | - | -                      | - | -                   | - |
| Michael Guo             | -     | 1 | -                        | - | -                      | - | -                   | - |

A – Number of meetings attended.

B – Number of meetings held during the time the Director held office or was a member of the relevant committee during the year.

## Capital Structure

### Ordinary shares

As at the date of this report, the Company had on issue 9,137,375,877 fully paid ordinary shares.

### Share Options

#### Options Issued

There were no options issued during the current period. During the 12-month period ended 30 June 2013, the Company issued 15,000,000 unlisted options at an exercise price of five cents and an expiry date of 28 February 2016 as consideration for acquiring Focus Minerals (Laverton) Pty Ltd (formerly known as Crescent Gold Ltd). These options vested upon issue.

#### Options Exercised

There were no options exercised during the current period nor during the 6-month period ended 31 December 2013.

#### Options Lapsed

There were no options lapsed during the current period. During the 12-month period ended 30 June 2013, a total of 10,000,000 options to acquire shares at an exercise price of 12.3 cents, 14,116,923 options to acquire shares at an exercise price of 7.5 cents and 14,116,923 options to acquire shares at an exercise price of 7.8 cents lapsed on cessation of employment.

As at the date of this report, details of unissued ordinary shares under options are as follows:

| Issuing Entity         | Number of Options | Exercise Price Cents per Share | Fair Value at grant date – cents per share | Expiry Date |
|------------------------|-------------------|--------------------------------|--------------------------------------------|-------------|
| Focus Minerals Ltd     | 17,500,000        | 5.00                           | 0.40                                       | 28/02/2016  |
| Focus Minerals Ltd     | 13,500,000        | 12.30                          | 0.30                                       | 30/06/2014  |
| Total Options on issue | <b>31,000,000</b> |                                |                                            |             |

## Principal Activities

The principal activity of the Group during the six-month period was gold exploration in Western Australia.

On 17 July 2013, Focus announced to the market that the Company had decided to suspend its Coolgardie operations – being its lasting remaining producing assets; due to high production costs and a decreasing gold price.

On 20 September 2013, Focus announced that the Company had started a new set of exploration drilling programmes in Coolgardie.

## Review of Operations

Key events between 1 July 2013 and 31 December 2013 were as follows:

### Mining

Coolgardie mining operations were ceased during the current period and the mill was shut down after processing all available ore and retrieving all gold in circuit. The Coolgardie site is now on care and maintenance with exploration being the sole activity. The Laverton site was placed on care and maintenance in the previous year.

### Exploration & Resource Development

In the six months ended 31 December 2013, Focus drilled 33 RC holes and seven diamond holes for a total of 6,904m of exploration at Coolgardie (4,758m) and Laverton (2,146m). 20 RAB holes were also drilled at Laverton on a small reconnaissance program.

At Coolgardie a number of short drilling programs were completed along the Bayleys Line of workings, on two Kings Cross-style targets and also to the north of Perseverance. These programs consisted of only a small number of holes into each target, and further work is required to continue assessment of the targets' potential.

A more significant program was drilled at Brilliant, with five deep holes testing the continuity of mineralisation and structure at depths of up to 500m below surface. As discussed in the December quarterly report the results were encouraging, and more drilling has been planned to further test this area as well as strike extensions to the north.

At Laverton 13 RC holes were drilled in three broad-spaced fences across the Karridale area south of Burtville. Results were promising and further work is planned for this area as part of the ongoing Laverton exploration program. These results were discussed in the September quarterly report.

### Impairments of Mine Assets

The six months period review of Focus Minerals group asset carrying values in the context of a lower gold price environment, combined with a gold industry facing high costs and the suspension of our operations at both Coolgardie and Laverton has resulted in a further impairment of the carrying values of some assets. The impairment assessment was conducted using an independent expert firm and as a result, Focus Minerals has recorded a further impairment write off of \$113,229,000 after tax on the following items:

| <b>IMPAIRMENT<br/>\$'000s</b> | <b>Exploration</b> | <b>Mine Property</b> | <b>Property Plant<br/>&amp; Equipment</b> | <b>Total</b>   |
|-------------------------------|--------------------|----------------------|-------------------------------------------|----------------|
| Coolgardie                    | 17,935             | 26,579               | 9,086                                     | 53,601         |
| Laverton                      | 31,832             | 17,372               | 10,424                                    | 59,628         |
| <b>Total</b>                  | <b>49,767</b>      | <b>43,951</b>        | <b>19,510</b>                             | <b>113,229</b> |

### Corporate

There were no issues of capital during the six-month period ended 31 December 2013. There were no changes in the number of options on issue.

At period end the Group had \$1.2 million in Commercial Hire Purchase debt.

At period end the Group had nil ounces of gold forward selling.

Net cash outflow from operations totalled \$27 million (June 2013: \$58.6 million outflow).

At the period end the Group had \$81.239 million in Cash and Cash Equivalents (June 2013: \$114.159 million).

### Operating Result for the Year

Consolidated Net Profit for the six-month period ended 31 December 2013 was a loss of \$132.8 million (June 2013: \$171.5 million loss for the full 12 months).

## Dividends

No dividends have been paid or provided in the six-month period (prior year: nil).

## Earnings per Share

|                                          | 31 December<br>2013 | 30 June<br>2013 |
|------------------------------------------|---------------------|-----------------|
| Basic loss per share (cents per share)   | (1.45)              | (2.47)          |
| Diluted loss per share (cents per share) | (1.45)              | (2.47)          |

## Significant Changes in the State of Affairs

In conjunction with the Review of Operations section above, the following are significant changes in the state of affairs of the consolidated group to balance date:

On 30th April 2013 the company announced its Laverton operations would be placed on care and maintenance. In June 2013 the Board reviewed the Coolgardie operations profitability and determined that a closure was required and on 17 July 2013 the company announced the Coolgardie operations would be placed on care and maintenance.

During the current period, the Company repaid an \$8m term loan to Investec Bank funded by a cash deposit which was backing the loan. The Company's borrowings now consist only of commercial hire purchase agreements.

During the current period, the Company also has significantly reduced its trade payable position from \$13.7m as at 30 June 2013 to \$0.8m as at 31 December 2013 and has also paid for all the shut down and redundancy costs it previously provided for at 30 June 2013.

## Significant Events after Balance Date

Except as otherwise disclosed in this report, there has not been any matter or circumstance that has arisen after the balance date that has significantly affected, or may significantly effect, the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial periods.

## Likely Developments and Expected Results

The Company has now entered an exploration only phase and it is not possible to predict likely developments and expected results as these will be dependent upon exploration success and conversion of existing resources.

## Environmental Regulations

The Group's operations hold licences issued by the relevant regulatory authorities. These licences specify the limits and regulate the management associated with the operations of the Company. At the date of this report the Company is not aware of any breach of those environmental regulations which apply to the Group's operations. The Group continues to comply with its specified regulations.

## Indemnification and Insurance of Directors and Officers

The Company has paid premiums of \$29,000 (June 2013: \$58,000) to insure the Directors and officers of the Group against liabilities for costs and expenses incurred by them in defending legal proceedings arising out of their conduct while acting in the capacity of Director or officer of the Group, other than conduct involving a wilful breach of duty in relation to the Company.

The Company signed Deeds of Release with Mr Donald Taig and Mr Phillip Lockyer upon their resignation and retirement respectively during the six-month period ended 31 December 2013.

## REMUNERATION REPORT

This report, prepared in accordance with the *Corporations Act 2001*, contains detailed information regarding the remuneration arrangements for the Directors and Senior Executives who are the 'key management personnel' (KMP) of Focus Minerals Ltd ("Company") and the consolidated group. The Board, in consultation with industry and proxy representatives, formed the view that the three most senior people in the organisation, being the Chief Executive Officer (CEO), the Chief Operating Officer (COO) and the Chief Financial Officer (CFO)/Company Secretary are the only three executives who satisfy the "key management personnel" criteria during the period. The tables disclosing remuneration for this period and comparatives only include these KMP.

The KMP for the six-month period ended 31 December 2013 are listed in the table below:

| Current Directors          | Capacity                       | Change during the Six-Month Period |
|----------------------------|--------------------------------|------------------------------------|
| Jisheng Lu <sup>1</sup>    | Non-Executive, Non-Independent | Appointed on 5 July 2013           |
| Bruce McComish             | Non-Executive, Non-Independent | None                               |
| Yuhuan Ge                  | Non-Executive, Non-Independent | Appointed on 5 July 2013           |
| Gerry Fahey                | Independent                    | None                               |
| Wanghong Yang <sup>2</sup> | Executive, Interim CEO         | Appointed on 5 July 2013           |
| Zaiqian Zhang              | Alternate Director, Executive  | Appointed on 5 July 2013           |

| Former Directors         | Capacity                       | Change during the Six-Month Period                        |
|--------------------------|--------------------------------|-----------------------------------------------------------|
| Donald Taig <sup>3</sup> | Chairman and Acting CEO        | Resigned on 29 November 2013                              |
| Philip Lockyer           | Independent                    | Retired on 28 November 2013                               |
| Zhongyi Li <sup>4</sup>  | Non-Executive, Non-Independent | Appointed on 21 December 2012 and resigned on 5 July 2013 |
| Dahui Zhang <sup>4</sup> | Non-Executive, Non-Independent | Appointed on 21 December 2012 and resigned on 5 July 2013 |
| Michael Guo <sup>4</sup> | Non-Executive, Non-Independent | Appointed on 21 December 2012 and resigned on 5 July 2013 |

| Former Executives         | Capacity                  | Change during the Six-Month Period  |
|---------------------------|---------------------------|-------------------------------------|
| Mark Hine                 | COO                       | Made redundant on 30 September 2013 |
| Paul Fromson <sup>5</sup> | CFO and Company Secretary | See Footnote 5 for details          |

There were no other changes of the Board or key management personnel between the balance sheet date and the date this financial report was authorised for issue.

### Remuneration Objectives

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating Directors and key executives fairly and appropriately with reference to relevant employment market conditions.

The expected outcomes of the remuneration structure are:

- Retaining and motivating key executives; and
- Attracting high quality management to the Company.

<sup>1</sup> With the resignation from Mr Taig, Mr Lu was elected as the Chairman of the Board on 29 November 2013.

<sup>2</sup> With the resignation from Mr Taig, Mr Yang was appointed as the Interim CEO of the Company on 29 November 2013.

<sup>3</sup> The Board accepted Mr Taig's resignation as Director (Chairman) and Acting CEO on 29 November 2013.

<sup>4</sup> The three original Non-Executive Directors from Shandong Gold all resigned from the Board on 5 July 2013, being replaced by three new Directors from within Shandong Gold due to management changes.

<sup>5</sup> Mr Fromson was originally made redundant by the former Chairman and Acting CEO, effective from 30 November 2013. On 1 December 2013, under the instruction of the Board, Mr Fromson was asked to continue his position as the CFO and Company Secretary on a consulting basis to support the newly appointed Interim CEO. Mr Fromson was also responsible for investor relations and human resources aspects of the Company. Mr Fromson resigned from the consulting role on 25 March 2014.

## **Remuneration Committee Established**

The Board is responsible for determining and reviewing compensation arrangements for the Directors themselves and the Chief Executive Officer and executive team. The Board has established a Remuneration Committee, comprising of all the Non-Executive Directors.

Members of the Remuneration Committee during the period were:

- Gerry Fahey - Committee Chairman
- Jisheng Lu
- Bruce McComish
- Phillip Lockyer

Following Mr Lockyer's retirement on 28 November 2013, Mr Fahey was elected as the Chairman of the Committee and Mr Lu became a member of the Committee.

For details on the number of meetings of the Remuneration Committee held during the year and the attendees at those meetings, refer to the Directors' Meeting section of this Report.

## **Compensation of Key Management Personnel**

### Remuneration Structure

In accordance with best practice of the Corporate Governance Principles and Recommendations with 2010 Amendments, the structure of Non-Executive Director remuneration is separate and distinct.

### Remuneration Committee

The Remuneration Committee of the Board of Directors of the Company is responsible for determining and reviewing compensation arrangements for the Directors, the CEO and the senior executive team.

The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of Directors and senior executives on a periodic basis by reference to relevant employment market conditions with an overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team, subject to the following section relating to Non-Executive Directors.

### Non-Executive Director Remuneration

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers advice from external shareholders as well as the fees paid to Non-Executive Directors of comparable companies when undertaking the annual review process.

Each Non-Executive Director receives a fee for being a Director of the Company.

The Company introduced a Retirement Allowance in 2011 for the long term service of Director's, tied solely to their current Director's Fee at the time of retirement (Fixed Component). The application of the allowance was back dated to the time the Directors commenced in their role.

The allowance is as follows:

- 3 - 5 Years' Service – 25% of annual fees on retirement
- 5 - 8 Years' Service – 50% of annual fees on retirement
- 8+ Years' Service – 100% of annual fees on retirement

During the six-month period, the Company paid Mr Phillip Lockyer a \$25,000 retirement allowance for his seven years of service; and paid Mr Donald Taig \$80,000 upon his resignation for ten years of service.

The committees of the Board, as of the date of this report their Chair and members are presently as follows:

| <b>Board Member</b> | <b>Position</b>                                      | <b>Audit &amp; Risk</b> | <b>Technical</b> | <b>Remuneration</b> | <b>Appointments</b> |
|---------------------|------------------------------------------------------|-------------------------|------------------|---------------------|---------------------|
| Jisheng Lu          | Director<br><i>Non-Executive<br/>Non-Independent</i> | M                       | M                | M                   | M                   |
| Yuhuan Ge           | Director<br><i>Non-Executive<br/>Non-Independent</i> | -                       | M                | M                   | M                   |
| Bruce McComish      | Director<br><i>Non-Executive<br/>Non-Independent</i> | M                       | -                | C                   | M                   |
| Gerry Fahey         | Director<br><i>Independent</i>                       | C                       | C                | M                   | C                   |
| Wanghong Yang       | Director<br><i>Executive</i>                         | -                       | -                | -                   | -                   |
| Zaiqian Zhang       | Alternate Director<br><i>Executive</i>               | -                       | -                | -                   | -                   |

C=Chairman, M=Member

The following fees have applied:

- Chairman \$80,000 per annum
- Other Directors \$50,000 per annum

The technical committee representatives are paid day rates for their services which are separate to base Director fees.

The compensation provided to the Directors in these circumstances is based upon an hourly fee which represents the variable nature of the time involved and does not load the corporate overhead with another fixed component. As a result, the components of the Director's remuneration will vary as to work and time and will be made up of 1) Fixed fee for Board meetings at less than the 50<sup>th</sup> percentile established from comparable published specialist remuneration consultants and 2) a variable component based upon work load and time to chair and contribute to Board Committees.

According to the contract between Bruce McComish and Shandong Gold, Shandong Gold pays \$15,000 extra per annum for him being a Shandong Gold representative on the Board.

At present, the maximum aggregate remuneration of Directors' fees for Non-Executive Directors is \$700,000 per annum of which \$278,000 is currently paid to Directors as fees (Three Non-Executive Directors and the Chairman as per the above rates. Mr Wanghong Yang is paid a salary as an executive Director).

The remuneration of Non-Executive Directors for the six-month period ended 31 December 2013 is detailed in the remuneration table.

#### **Senior Executive and Executive Director Remuneration**

Remuneration primarily consists of fixed and performance based remuneration where determined by the Remuneration Committee. The Company had established an equity based scheme that will allow the executive team to share in the success of Focus Minerals Ltd. Any Issue of an equity component to executive Directors is subject to the approval of shareholders in general meeting and it is a policy of the current Board that Directors do not participate in equity based proposals.

### Fixed Remuneration

Fixed remuneration is reviewed annually by the Remuneration Committee. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Committee has access to external, independent advice where necessary.

Senior managers are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating additional cost for the Group.

### Performance Based Remuneration

The key performance indicators (KPIs) are set annually, with a certain level of consultation with key management personnel to ensure a common understanding. The KPI's are specifically tailored to the areas each individual is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for group expansion and profit, covering financial and non-financial as well as short and long-term goals or achievement of specific projects or tasks. The level set for each KPI is based on budgeted figures for the Group and completion of defined projects or tasks within defined timeframes. The bonuses applicable to key management personnel are a maximum of 25-50% of the base salary applicable to each executive and the final amount payable as disclosed in the remuneration table is subject to KPI achievement and Company financial performance. Maximum amount, actual amount agreed and communicated by the Remuneration Committee annually. The decision to agree and award a bonus is at the discretion of the recommendation of the CEO and approval of the Remuneration Committee.

In determining whether or not a KPI has been achieved, the Remuneration Committee bases the assessment on audited figures or on verifiable achievement of the relevant KPI. During the six-month period, it was decided to not award bonuses.

The Company has issued share options in previous years to certain key employees. The options are subject to vesting criteria related to the company's performance as follows:

Vesting of the options is subject to the Company achieving a Total Shareholder Return for the 12 month period prior to the applicable Vesting Date of at least within the 2nd quartile of Total Shareholder Returns for the Comparable Entities. Comparable Entities have been determined to be 12 gold producing companies listed on established stock exchanges and with operations predominately located within the Western Australian Eastern Goldfields region.

Total Shareholder Return is defined as the change in capital value per share of an entity over a 12 month period, plus dividends per share, expressed as a plus or minus percentage of their opening value.

No options were issued during the six-month period. At this stage, no LTI programmes are in place. It is intended to implement an appropriate LTI at a future date.

### **Key Management Personnel Contracts**

The key terms of the employment contracts for the key management personnel are summarised as follows:

#### **Wanghong Yang – Interim Chief Executive Officer<sup>6</sup>**

|              |                                               |
|--------------|-----------------------------------------------|
| Base Salary: | \$245,000 per annum plus 9.25% superannuation |
| Term:        | Four years starting from 2 September 2013     |
| Termination: | Four weeks' notice                            |

#### **Paul Fromson – Former Chief Financial Officer and Company Secretary<sup>7</sup>**

|              |                                                                                       |
|--------------|---------------------------------------------------------------------------------------|
| Rate:        | \$1,250 per diem                                                                      |
| Term:        | One year (three days per week plus extra days if agreed) starting from 1 January 2014 |
| Termination: | One month's notice                                                                    |

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<sup>6</sup> Mr Yang's remuneration as the General Manager – Finance remains unchanged after he was appointed as the Interim CEO on 29 November 2013.

<sup>7</sup> Mr Fromson was engaged on a consulting basis via his private entity and he resigned on 25 March 2014.

## Remuneration Tables

Directors' remuneration for the six-month period ended 31 December 2013.

|                              | Short-Term Benefits |            |            | Post-Employment Benefits |          |            | %                   |
|------------------------------|---------------------|------------|------------|--------------------------|----------|------------|---------------------|
| '\$000                       | Salary              | Fees       | Other      | Super-annuation          | Bonus    | Total      | Performance Related |
| <b>Current Directors</b>     |                     |            |            |                          |          |            |                     |
| Jisheng Lu <sup>8</sup>      | -                   | 39         | -          | -                        | -        | 39         | -                   |
| Yuhuan Ge <sup>8</sup>       | -                   | 25         | -          | -                        | -        | 25         | -                   |
| Wanghong Yang <sup>8</sup>   | 82                  | 25         | -          | 8                        | -        | 115        | -                   |
| Gerry Fahey                  | -                   | 25         | -          | 2                        | -        | 27         | -                   |
| Bruce McComish               | -                   | 33         | -          | 3                        | -        | 36         | -                   |
| Zaiqian Zhang                | 44                  | -          | -          | 4                        | -        | 48         | -                   |
|                              |                     |            |            |                          |          |            |                     |
| <b>Former Directors</b>      |                     |            |            |                          |          |            |                     |
| Zhongyi Li <sup>8</sup>      | -                   |            | -          | -                        | -        | -          | -                   |
| Dahui Zhang <sup>8</sup>     | -                   |            | -          | -                        | -        | -          | -                   |
| Michael Guo <sup>8</sup>     | -                   |            | -          | -                        | -        | -          | -                   |
| Phillip Lockyer <sup>9</sup> |                     | 21         | 25         | 2                        | -        | 48         | -                   |
| Donald Taig <sup>10</sup>    | 211                 | 34         | 80         | 25                       | -        | 350        | -                   |
| <b>Total</b>                 | <b>337</b>          | <b>202</b> | <b>105</b> | <b>44</b>                | <b>-</b> | <b>688</b> | <b>-</b>            |

Directors' remuneration for the 12-month period ended 30 June 2013.

|                               | Short-Term Benefits |          | Post-Employment Benefits |          |            | %                   |
|-------------------------------|---------------------|----------|--------------------------|----------|------------|---------------------|
| '\$000                        | Salary & Fees       | Other    | Super-annuation          | Bonus    | Total      | Performance Related |
| <b>Then Current Directors</b> |                     |          |                          |          |            |                     |
| Donald Taig                   | 480                 | -        | 34                       | -        | 514        | -                   |
| Phillip Lockyer               | 52                  | -        | 5                        | -        | 57         | -                   |
| Gerry Fahey                   | 60                  | -        | 5                        | -        | 65         | -                   |
| Bruce McComish                | 59                  | -        | 5                        | -        | 64         | -                   |
| Zhongyi Li <sup>8</sup>       | 32                  | -        | -                        | -        | 32         | -                   |
| Dahui Zhang <sup>8</sup>      | 32                  | -        | -                        | -        | 32         | -                   |
| Michael Guo <sup>8</sup>      | 32                  | -        | -                        | -        | 32         | -                   |
| Zaiqian Zhang                 | -                   | -        | -                        | -        | -          | -                   |
| <b>Total</b>                  | <b>747</b>          | <b>-</b> | <b>49</b>                | <b>-</b> | <b>796</b> | <b>-</b>            |

<sup>8</sup> According to their employment contracts, their Directors' fees belong to Shandong Gold.

<sup>9</sup> Pursuant to his contract and Focus policy, Mr Lockyer was paid \$25,000 on his retirement, representing fifty percent of his annual Director fees for seven years' service.

<sup>10</sup> Pursuant to his contract and Focus policy, Mr Taig was paid \$80,000 on his retirement, representing one hundred percent of his annual Director fees for ten years' service.

**Remuneration of the key management personnel for the six-month period ended 31 December 2013.**

|                            |        | Short-Term Benefits |       | Post-Employment Benefits |       |       | %                   |
|----------------------------|--------|---------------------|-------|--------------------------|-------|-------|---------------------|
| '\$000                     | Salary | Fees                | Other | Super-annuation          | Bonus | Total | Performance Related |
| <b>Former Executives</b>   |        |                     |       |                          |       |       |                     |
| Paul Fromson <sup>11</sup> | 132    | -                   | 177   | 12                       | -     | 321   | -                   |
| Mark Hine <sup>12</sup>    | 100    | -                   | 276   | 9                        | -     | 385   | -                   |

**Remuneration of the key management personnel for the 12-month period ended 30 June 2013.**

|                                | Short-Term Benefits |       | Post-Employment Benefits |       |       | %                   |
|--------------------------------|---------------------|-------|--------------------------|-------|-------|---------------------|
| '\$000                         | Salary & Fees       | Other | Super-annuation          | Bonus | Total | Performance Related |
| <b>Then Current Executives</b> |                     |       |                          |       |       |                     |
| Campbell Baird <sup>13</sup>   | 152                 | 207   | 32                       | -     | 391   | -                   |
| Mark Hine                      | 370                 | -     | 35                       | 20    | 425   | 4.7%                |
| Paul Fromson                   | 293                 | -     | 26                       | -     | 319   | -                   |

**Relationship between Remuneration and Focus Minerals' Performance**

The majority of salary is fixed while small portions of remuneration, such as bonus and share option, are linked to the Company's performance. Although there is some linkage to the Company's performance, it is not closely aligned.

The following table shows key performance indicators for the Group over the last five reporting periods:

|                                                               |       | 6 months to 31 December | 12 months to 30 June |       |       |        |
|---------------------------------------------------------------|-------|-------------------------|----------------------|-------|-------|--------|
| '\$000's                                                      |       | 2013                    | 2013                 | 2012  | 2011  | 2010   |
| Profit attributable to the owners of Focus Minerals Ltd       |       | (132,872)               | (171,523)            | 6,844 | 7,645 | 10,882 |
| Basic earnings per share                                      | (CPS) | (1.45)                  | (2.47)               | 0.15  | 0.26  | 0.39   |
| Dividend payments                                             | \$    | n/a                     | n/a                  | n/a   | n/a   | n/a    |
| Dividend payout ratio                                         |       | n/a                     | n/a                  | n/a   | n/a   | n/a    |
| Share Price as at the end of the period                       | \$    | 0.012                   | 0.014                | 0.037 | 0.070 | 0.051  |
| Increase/(Decrease) in share price                            |       | (14%)                   | (62%)                | (47%) | 37%   | 89%    |
| Total KMP incentive as percentage of profit/loss for the year | %     | -                       | -                    | 0.70% | 1.56% | 1.47%  |

**This is the end of the remuneration report.**

<sup>11</sup> Mr Fromson was made redundant on 30 November 2013. Other short-term benefits are termination benefit.

<sup>12</sup> Mr Hine was made redundant on 30 September 2013 and subsequently employed as a consultant at \$2,000 per diem for 24 days at 2 days per week by the former Chairman and Acting CEO. Other short-term benefits are termination benefit.

<sup>13</sup> Mr Baird resigned as the Chief Executive Officer in February 2013. Other short-term benefits are termination benefit.

### **Proceedings on Behalf of the Company**

Other than as disclosed in this report no person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under Section 237 of the Corporations Act 2001.

### **Non-Audit Services**

During the six months period ended 31 December 2013 no non-audit services were provided by Focus's auditors.

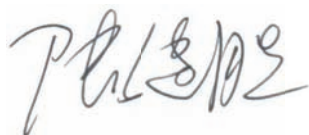
### **Auditor's Independence Declaration**

The auditor's independence declaration for the six months period ended 31 December 2013 has been received and can be found on page 30 of the Annual Report.

### **Rounding of Amounts**

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This Report of the Directors is signed in accordance with a resolution of the Board of Directors.



Jisheng Lu  
Chairman  
15 April 2014  
Jinan, China

## AUDITOR'S INDEPENDENCE DECLARATION



### Auditor's Independence Declaration

As lead auditor for the audit of Focus Minerals Ltd for the six months period ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Focus Minerals Ltd and the entities it controlled during the period.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers".

PricewaterhouseCoopers

A handwritten signature in cursive script that reads "Tim Goldsmith".

Tim Goldsmith  
Partner

Melbourne  
31 March 2014

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**PricewaterhouseCoopers, ABN 52 780 433 757**  
Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE  
VIC 3001  
T: 61 3 8603 1000, F: 61 3 8603 1999, [www.pwc.com.au](http://www.pwc.com.au)

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## FINANCIAL STATEMENTS

### STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

#### FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2013

|                                                       |       | Consolidated               |                         |
|-------------------------------------------------------|-------|----------------------------|-------------------------|
|                                                       |       | 6 months to<br>31 December | 12 months to<br>30 June |
|                                                       | Notes | 2013<br>\$'000             | 2013<br>\$'000          |
| Revenue from continuing operations                    | 2(a)  | 15,846                     | 218,749                 |
| Other Income                                          | 2(b)  | 1,517                      | 1,137                   |
| Cost of Sales                                         |       | (6,618)                    | (189,751)               |
| Changes in inventories                                |       | (6,583)                    | (16,294)                |
| Employee expenses                                     |       | (6,489)                    | (33,673)                |
| Depreciation and Amortisation Expenses                | 2(c)  | (4,158)                    | (37,056)                |
| Finance Costs                                         |       | (204)                      | (1,582)                 |
| Takeover Costs                                        |       | (43)                       | (4,030)                 |
| Impairment expense                                    | 2(c)  | (113,229)                  | (85,652)                |
| Write-off of dropped tenements and inventories        | 2(c)  | (8,695)                    | -                       |
| Care and Maintenance Costs                            |       | (593)                      | -                       |
| Shutdown costs                                        |       | -                          | (12,055)                |
| Corporate and Other Expenses                          | 2(c)  | (3,623)                    | (11,316)                |
| <b>Loss Before Income Tax</b>                         |       | <b>(132,872)</b>           | <b>(171,523)</b>        |
| Income Tax Expense                                    | 3     | -                          | -                       |
| <b>Loss After Income Tax for the Period</b>           |       | <b>(132,872)</b>           | <b>(171,523)</b>        |
| Other Comprehensive Income for the Period, Net of Tax |       | -                          | -                       |
| <b>Total Comprehensive Loss for the Period</b>        |       | <b>(132,872)</b>           | <b>(171,523)</b>        |
| Total Comprehensive Loss Attributable to:             |       |                            |                         |
| Non-Controlling Interest                              | 8(a)  | -                          | (4,989)                 |
| Owners of the Parent                                  |       | (132,872)                  | (166,534)               |
| <b>Total Comprehensive Loss for the Period</b>        |       | <b>(132,872)</b>           | <b>(171,523)</b>        |
| Earnings per Share                                    |       |                            |                         |
| Basic Loss per Share (Cents Per Share)                | 5     | (1.45)                     | (2.47)                  |
| Diluted Loss per Share (Cents Per Share)              | 5     | (1.45)                     | (2.47)                  |

The accompanying notes form part of these financial statements.

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2013**

|                                      |        | Consolidated   |                |
|--------------------------------------|--------|----------------|----------------|
|                                      |        | 31 December    | 30 June        |
|                                      | Notes  | 2013<br>\$'000 | 2013<br>\$'000 |
| <b>Assets</b>                        |        |                |                |
| <b>Current Assets</b>                |        |                |                |
| Cash and Cash Equivalents            | 6      | 81,239         | 114,159        |
| Restricted Cash                      | 6      | 166            | 8,541          |
| Trade and Other Receivables          | 7      | 813            | 2,105          |
| Inventories                          | 9      | 2,894          | 9,477          |
| Other Current Assets                 |        | -              | 138            |
| Financial Assets                     | 10     | 600            | 467            |
| <b>Total Current Assets</b>          |        | <b>85,712</b>  | <b>134,887</b> |
| <b>Non-Current Assets</b>            |        |                |                |
| Restricted Cash                      | 6      | 18,035         | 16,891         |
| Plant and Equipment                  | 12     | 12,115         | 37,423         |
| Mine Properties and Development      | 13     | 6,876          | 42,971         |
| Exploration and Evaluation Assets    | 14     | 37,059         | 91,177         |
| <b>Total Non-Current Assets</b>      |        | <b>74,085</b>  | <b>188,462</b> |
| <b>Total Assets</b>                  |        | <b>159,797</b> | <b>323,349</b> |
| <b>Liabilities</b>                   |        |                |                |
| <b>Current Liabilities</b>           |        |                |                |
| Trade and Other Payables             | 16     | 1,396          | 21,206         |
| Interest Bearing Liabilities         | 18     | 1,018          | 9,808          |
| Provisions                           | 17     | 2,136          | 7,269          |
| <b>Total Current Liabilities</b>     |        | <b>4,550</b>   | <b>38,283</b>  |
| <b>Non-Current Liabilities</b>       |        |                |                |
| Interest Bearing Liabilities         | 18     | 227            | 514            |
| Provisions                           | 17     | 25,003         | 21,664         |
| <b>Total Non-Current Liabilities</b> |        | <b>25,230</b>  | <b>22,178</b>  |
| <b>Total Liabilities</b>             |        | <b>29,780</b>  | <b>60,461</b>  |
| <b>Net Assets</b>                    |        | <b>130,017</b> | <b>262,888</b> |
| <b>Equity</b>                        |        |                |                |
| Issued Capital                       | 19 (a) | 427,167        | 427,167        |
| Reserves                             | 19 (d) | (6,995)        | (6,995)        |
| Non-Controlling Interest             | 8      | -              | -              |
| Accumulated Losses                   |        | (290,155)      | (157,283)      |
| <b>Total Equity</b>                  |        | <b>130,017</b> | <b>262,889</b> |

The accompanying notes form part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2013

|                                                                                         | Notes | Issued<br>Capital | Retained<br>Earnings /<br>(Accumulated<br>Losses) | Reserves       | Non-<br>Controlling<br>Interest | Total          |
|-----------------------------------------------------------------------------------------|-------|-------------------|---------------------------------------------------|----------------|---------------------------------|----------------|
|                                                                                         |       | \$'000            | \$'000                                            | \$'000         | \$'000                          | \$'000         |
| <b>Balance as at 30 June 2012</b>                                                       |       | <b>203,910</b>    | <b>9,251</b>                                      | <b>(1,732)</b> | <b>5,000</b>                    | <b>216,429</b> |
| Total Comprehensive Income for the year                                                 |       | -                 | (166,534)                                         | -              | (4,989)                         | (171,523)      |
| Share Option Reserve                                                                    |       | -                 | -                                                 | 60             | -                               | 60             |
| Shares Issued in the year – Placement (Net of Transaction Cost)                         |       | 217,923           | -                                                 | -              | -                               | 217,923        |
| Shares Issued in the year to Acquire Non-Controlling Interest (Net of Transaction Cost) | 8     | 5,334             | -                                                 | (5,323)        | (11)                            | -              |
| <b>Balance as at 30 June 2013</b>                                                       |       | <b>427,167</b>    | <b>(157,283)</b>                                  | <b>(6,995)</b> | <b>-</b>                        | <b>262,889</b> |
| Total Comprehensive Income for the Period                                               |       | -                 | (132,872)                                         | -              | -                               | (132,872)      |
| <b>Balance as at 31 December 2013</b>                                                   |       | <b>427,167</b>    | <b>(290,155)</b>                                  | <b>(6,995)</b> | <b>-</b>                        | <b>130,017</b> |

The accompanying notes form part of these financial statements.

**STATEMENT OF CASHFLOWS****FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2013**

|                                                              | Notes | Consolidated                                 |                                           |
|--------------------------------------------------------------|-------|----------------------------------------------|-------------------------------------------|
|                                                              |       | 6 months to<br>31 December<br>2013<br>'\$000 | 12 months to<br>30 June<br>2013<br>'\$000 |
| <b>Cash Flows from Operating Activities</b>                  |       |                                              |                                           |
| Receipts from Customers (Including GST)                      |       | 16,408                                       | 241,119                                   |
| Payments to Suppliers and Employees (Including GST)          |       | (43,915)                                     | (273,991)                                 |
| Royalties Paid                                               |       | (2,350)                                      | (23,406)                                  |
| Other Income                                                 |       | 995                                          | 600                                       |
| Takeover Costs                                               |       | (43)                                         | (4,037)                                   |
| Shutdown Costs                                               |       | -                                            | (2,189)                                   |
| Interest Received                                            |       | 2,104                                        | 3,581                                     |
| Finance Costs                                                |       | (204)                                        | (286)                                     |
| <b>Net Cash (Outflow) / Inflow from Operating Activities</b> | 6(ii) | <b>(27,005)</b>                              | <b>(58,609)</b>                           |
| <b>Cash Flows from Investing Activities</b>                  |       |                                              |                                           |
| Proceeds from Sale of Non-Current Assets                     |       | 514                                          | 850                                       |
| Acquisition of Plant and Equipment                           |       | (158)                                        | (2,300)                                   |
| Mine Development Expenditure                                 |       | (1,265)                                      | (18,907)                                  |
| Exploration Expenditure                                      |       | (4,238)                                      | (15,236)                                  |
| <b>Net Cash Outflow from Investing Activities</b>            |       | <b>(5,147)</b>                               | <b>(35,593)</b>                           |
| <b>Cash flows from Financing Activities</b>                  |       |                                              |                                           |
| Proceeds from Issue of Shares (Net of Transaction Cost)      |       | -                                            | 217,923                                   |
| Repayment of Loan                                            |       | (8,000)                                      | -                                         |
| Drawn down of deposit relating to Loan Offset Facility       |       | 8,000                                        | -                                         |
| Payment for Loan Offset Facility                             |       | -                                            | (8,000)                                   |
| Net payments for Performance Bonds                           |       | (769)                                        | (4,166)                                   |
| <b>Net Cash (Outflow)/Inflow from Financing Activities</b>   |       | <b>(769)</b>                                 | <b>205,757</b>                            |
| Net (Decrease) / Increase in Cash and Cash Equivalents       |       | <b>(32,920)</b>                              | 111,555                                   |
| Cash and Cash Equivalents at the Beginning of the Period     |       | <b>114,159</b>                               | 2,604                                     |
| <b>Cash and Cash Equivalents at the Ending of the Period</b> | 6(i)  | <b>81,239</b>                                | 114,159                                   |

The accompanying notes form part of these financial statements.

## **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Focus Minerals Ltd ('the parent entity') and its subsidiaries (the 'Group').

### *(a) Basis of Preparation*

The financial report is a general-purpose financial report, which has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The parent entity has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial statements and Directors' report have been rounded off to the nearest \$1,000.

The consolidated financial statements are presented in Australian dollars (AUD), which is also the functional currency of the parent company.

The financial report covers the consolidated financial statements of Focus Minerals Ltd and controlled entities. Focus Minerals Ltd is a for-profit, listed public company, incorporated and domiciled in Australia.

The financial report of Focus Minerals Ltd and controlled entities comply with Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial report has been prepared on an accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected financial assets.

The financial information for the parent entity, Focus Minerals Ltd, disclosed in note 23 has been prepared on the same basis as the consolidated financial statements.

The Company has changed its financial year end from 30 June to 31 December, which enables the Company to align its financial reporting period with its major shareholder, Shandong Gold International Mining Corporation Limited. This change means the Financial Report of the Company is transitional from 1 July 2013 to 31 December 2013. The comparatives in the various financial statements are therefore for a six month period ended 31 December 2013 versus a twelve month period ended 30 June 2013.

### *(b) Segment Reporting*

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

### *(c) Principles of Consolidation*

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Focus Minerals Ltd at the end of the reporting period and from time to time during the year. A controlled entity is any entity over which Focus Minerals Limited has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 22 to the financial statements.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 1(e)).

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the Equity section of the consolidated Statement of Financial Position and Statement of Comprehensive Income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Focus Minerals Ltd. When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associated, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate. If the ownership interest in a jointly-controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

*(d) Revenue Recognition*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognised:

**Gold and Silver Sales:** Revenue from the production of gold and silver is recognised when the Group has passed control and risk to the buyer.

**Rendering of Services:** Revenue from the rendering of services provided is recognised when the service is provided charged on the per unit rate as agreed in contracts of service.

**Interest Income:** Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

**Dividends:** Revenue is recognised when the Group's right to receive the payment is established.

**Rental Income:** Rental income from mining leases is accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the periods in which it is earned.

*(e) Business Combinations*

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

*(f) Leases*

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at their fair value or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the general policy on borrowing costs.

Finance leased assets are depreciated on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

*(g) Cash and Cash Equivalents*

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short term, highly liquid deposits with an original maturity of three months or less. For the purposes of the Statement of Cashflows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

*(h) Trade and Other Receivables*

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for doubtful debts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is not material.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

*(i) Inventories*

Raw materials and stores, ore stockpiles and work in progress and finished gold stocks are physically measured or estimated and valued at the lower of cost and net realisable value. Net realisable value less costs to sell is assessed annually based on the amount estimated to be obtained from sale of the item of inventory in the normal course of business, less any anticipated costs to be incurred prior to its sale.

Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure and depreciation and amortisation relating to mining activities, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventories of consumable supplies and spare parts expected to be used in production are valued at the lower of weighted average cost, which includes the cost of purchase as well as transportation and statutory charges, or net realisable value. Any provision for obsolescence is determined by reference to specific stock items identified.

During the exploration and development phase, where the cost of extracting the ore exceeds the likely recoverable amount, work in progress inventory is written down to net realisable value.

*(j) Impairment of Financial Assets*

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Financial Assets Carried at Amortised Cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account.

The amount of the loss is recognised in profit or loss. The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Financial Assets Carried at Cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

*(k) Income Tax*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets attributable to income tax losses are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profits will be available to allow the deferred tax asset to be recovered.

Determination of future taxable profits requires estimates and assumptions as to future events and outcomes, in particular, whether successful development and commercial exploitation, or alternatively sale, of the respective areas of interest will be achieved. This includes estimates and judgements about commodity prices, ore resources, exchange rates, future capital requirements, future operational performance and the timing of estimated cash flows. Changes in these estimates and assumptions could impact on the amount and probability of estimated taxable profits and accordingly the recoverability of deferred tax assets.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Focus Minerals Ltd and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

## *(l) Financial Instruments*

### Recognition and Initial Measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is the trade-date, the date on which the Company commits itself to either the purchase or sale of the asset.

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

### Classification and Subsequent Measurement

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties.

Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised Cost is calculated as:

- the amount at which the financial asset or financial liability is measured at initial recognition;
- less principal repayments;

- plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the Effective Interest Method; and
- less any reduction for impairment.

The Effective Interest Method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

- Financial Assets at Fair Value through Profit or Loss

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

- Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

- Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

#### Fair Value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

#### Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the income statement.

#### De-recognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

*(m) Goods and Services Tax*

Revenues, expenses and assets are recognised net of the amount of GST except:

- When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

*(n) Plant and Equipment*

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Depreciation

Depreciation on mobile plant is calculated on a straight-line basis over the estimated useful life of the assets being 5-15 years.

Depreciation of underground assets is calculated on a unit of production basis over the period of the life of mine plan.

Depreciation of the mill treatment assets is calculated on a diminishing value basis over the estimated useful life of the assets, being 10 years.

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at the end of each reporting period.

Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

Impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the statement of profit or loss and other comprehensive income.

## De-Recognition and Disposal

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

### *(o) Exploration and Evaluation Expenditure*

Exploration and evaluation expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest. Such expenditure comprises direct costs and does not include general overheads or administrative expenditure not having a specific nexus with a particular area of interest.

Exploration expenditure for each area of interest is carried forward as an asset provided the rights to tenure of the area of interest are current and one of the following conditions is met:

- The exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or
- Exploration and evaluation activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interests are continuing.

Exploration expenditure is written off when it fails to meet at least one of the conditions outlined above or an area of interest is abandoned.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount, or when the cash generating unit that exploration expenditure assets are a part of are tested for impairment. When facts and circumstances suggest that the carrying amount exceeds the recoverable amount the impairment loss will be measured and disclosed in accordance with AASB 136 Impairment of Assets.

When a decision is made to develop an area of interest, all carried forward exploration expenditure in relation to the area of interest is transferred to Mine Properties and Development.

### *(p) Mine Properties and Development*

Development expenditure represents the accumulated exploration, evaluation, land and development expenditure incurred by or on behalf of the Group in relation to areas of interest in which mining of a mineral resource has commenced.

When further development expenditure is incurred in respect of a mine property after commencement of production, such expenditure is carried forward as part of the mine property only when substantial future economic benefits are thereby established, otherwise such expenditure is classified as part of the cost of production.

In some circumstances, where conversion of resources into reserves is expected, some resources may be included. Development and land expenditure still to be incurred in relation to the current reserves are included in the amortisation calculation. Where the life of the assets are shorter than the mine life their costs are amortised based on the useful life of the assets.

The estimated recoverable reserves and life of the mine and the remaining useful life of each class of asset is reassessed at least annually. Where there is a change in the reserves/resources amortisation rates are correspondingly adjusted.

### *Stripping Costs in the Production Phase of a Surface Mine*

Production stripping costs (also known as deferred mining costs) are to be capitalised as part of an asset if:

- There is a probable future economic benefits will be realised;
- The costs can be reliably measured; and
- The component of an ore body for which access has been improved can be identified.

The stripping activity asset shall be amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity.

#### *(q) Trade and Other Payables*

Trade and other payables are recognised originally at fair value and subsequently measured at amortised cost using the effective interest rate method. Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of each reporting period that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date.

#### *(r) Interest Bearing Loans and Borrowings*

All loans and borrowings are initially recognised at cost, being fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the income statement when the liabilities are derecognised and as well as through the amortisation process.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting periods.

#### *(s) Provisions*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

#### *(t) Employee Benefits*

##### Wages, Salaries and Annual Leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

##### Long Service Leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and period of service.

Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

## Termination Benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

### *(u) Share-Based Payment Transactions*

#### Equity Settled Transactions

The Group provides benefits to certain third parties and employees (including senior executives) of the Group in the form of share-based payments. Third parties and employees render services to the Group in exchange for shares or rights over shares ("equity-settled transaction").

The cost of these equity-settled transactions with third parties and employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black Scholes model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Focus Minerals Ltd (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant beneficiary becomes fully entitled to the award ("vesting date").

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see Note 5).

### *(v) Share Capital*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### *(w) Restoration and Rehabilitation Costs*

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. The mining, extraction and processing activities of the Group give rise to obligations for site restoration and rehabilitation. Restoration and rehabilitation obligations can include facility decommissioning and dismantling, removal or treatment of waste materials, land rehabilitation and site restoration. Provisions for the cost of each rehabilitation program are recognised at the time that environmental disturbance occurs.

Restoration and rehabilitation provisions are initially measured at the expected value of future cash flows required to rehabilitate the relevant site, discounted to their present value. The judgements and estimates applied for the estimation of the rehabilitation provisions are discussed in note 1(z).

When provisions for restoration and rehabilitation are initially recognised, the corresponding cost is capitalised into the cost of the related assets and is amortised using the units of production method over the life of the mine. The value of the provision is progressively increased over time as the effect of discounting unwinds, creating an expense recognised in finance costs.

At each reporting date the restoration and rehabilitation liability is re-measured to account for any new disturbance, updated cost estimates, inflation, changes to the estimated reserves and lives of operations, new regulatory requirements, environmental policies and revised discount rates. Changes to the restoration and rehabilitation liability are added to or deducted from the related rehabilitation asset and amortised accordingly.

(x) *Earnings per Share*

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share are calculated as net profit attributable to members of the parent, adjusted for:

- Costs of servicing equity (other than dividends) and preference share dividends;
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(y) *Comparative Figures*

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(z) *Critical Accounting Estimates and Judgements*

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

- **Reserves and Resources**

In order to calculate ore reserves and mineral resources, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates. The consolidated entity estimates its ore reserves and mineral resources based on information compiled by Competent Persons (as defined in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves as revised in December 2004 (the JORC code)).

As economic assumptions used to estimate reserves change and as additional geological data is generated during the course of operations, estimates of reserves and mineral resources may vary from period to period. Changes in reported reserves and mineral resources may affect the Group's financial results and financial position in a number of ways, including the following:

Asset carrying values may be affected due to changes in estimated future cash flows;

Depreciation and amortisation charges in profit and loss may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change; and

Restoration and rehabilitation provision may be affected due to changes in the magnitude of future restoration and rehabilitation expenditure.

- Exploration and Evaluation Expenditure

The Group's accounting policy for exploration and evaluation expenditure results in expenditure being capitalised for an area of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. This policy requires management to make certain estimates as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised the expenditure under the policy, a judgement is made that recovery of the expenditure is unlikely, the relevant capitalised amount will be written off to profit and loss.

- Mine Properties and Development

Development activities commence after commercial viability and technical feasibility of the project is established. Judgement is applied by management in determining when a project is commercially viable and technically feasible. In exercising this judgement, management is required to make certain estimates and assumptions as to the future events. If, after having commenced the development activity, a judgement is made that a development asset is impaired, the relevant capitalised amount will be written off to profit and loss.

- Restoration and Rehabilitation Provision

The Group's accounting policy for the recognition of restoration and rehabilitation provisions requires significant estimates including the magnitude of possible works required for the removal of infrastructure and of rehabilitation works, future cost of performing the work, the inflation and discount rates and the timing of cash flows. These uncertainties may result in future actual expenditure differing from the amounts currently provided. When these factors change or become known in the future, such differences will impact the mine rehabilitation provision in the period in which they change or become known.

- Impairment of Assets

The Group assesses each Cash-Generating Unit (CGU) as listed in Note 11, at least annually, to determine whether there is any indication of impairment or reversal. Where an indicator of impairment or reversal exists, a formal estimate of the recoverable amount is made, which is deemed as being the higher of the fair value less costs to sell and value in use calculated in accordance with accounting policy Note 1(n). These assessments require the use of estimates and assumptions such as discount rates, exchange rate, commodity prices, gold multiple values, future operating development and sustaining capital requirements and operating performance (including the magnitude and timing of related cash flow).

- Income Taxes

Judgement is required in assessing whether deferred tax assets and liabilities are recognised on the statement of financial position. Deferred tax assets, including those arising from temporary differences, are recognised only when it is considered more likely than not that they will be recovered, which is dependent on the generation of future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised. Refer to Note 3 for details of the judgement applied in the current period in relation to income taxes.

(aa) *New Accounting Standards and Interpretations*

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2013 reporting period. The Group's assessment of the impact of these new standards and interpretations is set out below.

**AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010), AASB 2012-6 Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures and AASB 2013-9 Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments** (effective for annual reporting periods beginning on or after 1 January 2017)

AASB 9 *Financial Instruments* addresses the classification, measurement and de-recognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2017 but is available for early adoption. There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated as at fair value through profit or loss and the group does not have any such liabilities. The de-recognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed. The group has not yet decided when to adopt AASB 9.

The new hedging rules align hedge accounting more closely with the entity's risk management. As a general rule, it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation. There will be no impact on group's accounting as the group does not have any hedge instruments.

**AASB Interpretation 21 Levies** (effective 1 January 2014)

Interpretation 21 was issued by the AASB in June 2013. It sets out the accounting for an obligation to pay a levy imposed by a government in accordance with legislation. The interpretation clarifies that a liability must be recognised when the obligating event occurs, being the event that triggers the obligation to pay the levy. The group has reviewed the levies it is currently paying and determined that the accounting for these levies will not be affected by the interpretation. No adjustments will therefore be necessary to any of the amounts recognised in the financial statements. The group will apply the interpretation from 1 January 2014.

**AASB 2013-3 Amendments to AASB 136 Recoverable Amount Disclosures for Non-Financial Assets** (effective 1 January 2014)

The AASB has made small changes to some of the disclosures that are required under AASB 136 *Impairment of Assets*. These may result in additional disclosures if the group recognises an impairment loss or the reversal of an impairment loss during the period. They will not affect any of the amounts recognised in the financial statements. The group intends to apply the amendment from 1 January 2014.

**Annual Improvements to IFRSs 2010-2012 and 2011-2013 cycles** (effective 1 July 2014)

In December 2013, the IASB approved a number of amendments to International Financial Reporting Standards as a result of the annual improvements project. While the AASB has not yet made equivalent amendments to the Australian Accounting Standards, they are expected to be issued in the first quarter of 2014. See below for a summary of the amendments. The group does not expect that any adjustments will be necessary as the result of applying the revised rules.

| Standard                                                                       | Amendment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|--------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| IFRS 1 <i>First-time adoption of IFRS</i>                                      | The basis for conclusion is amended to clarify that where a new version of a standard is not yet mandatory but is available for early adoption, a first-time adopter can use either the old or the new version. However, the same standard must be applied to all periods presented.                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| IFRS 2 <i>Share-based payment</i>                                              | The amendment clarifies the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'.<br><br>It applies to share-based payment transactions for which the grant date is on or after 1 July 2014.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| IFRS 3 <i>Business combinations</i>                                            | An obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or equity based on the definitions in IAS 32 <i>Financial Instruments: Presentation</i> .<br><br>All non-equity contingent consideration (financial and non-financial) must be measured at fair value at each reporting date with changes in fair value recognised in profit or loss.<br><br>The amendment is effective for business combinations where the acquisition date is on or after 1 July 2014.                                                                                                                                                                                                    |
|                                                                                | The amendment clarifies that IFRS 3 does not apply to the accounting for the formation of any joint arrangement under IFRS 11. However, the exemption only applies in the financial statements of the joint arrangement itself.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| IFRS 8 <i>Operating Segments</i>                                               | The revised standard requires disclosure of the judgements made by management in aggregating operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics.<br><br>A reconciliation of segment assets to the entity's assets is only required if segment assets are regularly disclosed to the entity's chief operating decision maker.                                                                                                                                                                                                                                          |
| IFRS 13 <i>Fair value measurement</i>                                          | IFRS 13 is amended to clarify that short-term receivables and payables can continue to be measured at invoice amounts where the impact of discounting is immaterial.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|                                                                                | The portfolio exception in IFRS 13 (which allows an entity to measure the fair value of a group of financial assets and liabilities on a net basis) can be applied to all contracts within the scope of IAS 39 or IFRS 9.<br><br>The amendment applies prospectively from the beginning of the first annual period in which IFRS 13 is applied.                                                                                                                                                                                                                                                                                                                                                                                                       |
| IAS 16 <i>Property, plant and equipment</i><br>IAS 38 <i>Intangible assets</i> | The amendments clarify how the gross carrying amount and accumulated depreciation are treated where an entity uses the revaluation model. Entities can either :<br><ul style="list-style-type: none"> <li>restate the gross carrying amount in a manner consistent with the revaluation of the carrying amount, and adjust the accumulated depreciation to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses, or</li> <li>eliminate the accumulated depreciation against the gross carrying amount of the asset.</li> </ul> The amendments must be retrospectively applied to the immediately preceding annual period, but earlier periods can also be restated. |
| IAS 24 <i>Related party disclosure</i>                                         | A management entity that provides key management personnel services to the reporting entity is explicitly identified as related party.<br><br>The reporting entity is <ul style="list-style-type: none"> <li>not required to disclose the compensation paid by the management entity to the management entity's employees or Directors, but</li> <li>required to disclose the amounts paid to the management entity for services provided.</li> </ul>                                                                                                                                                                                                                                                                                                 |
| IAS 40 <i>Investment property</i>                                              | IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 helps preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination.<br><br>The amendment is effective for annual periods beginning on or after 1 July 2013 but can be applied to individual acquisitions of investment property before that date if, and only if, the information necessary to apply the amendment is available.                                                                                                                                                                            |

## NOTE 2: REVENUES AND EXPENSES

|                                                       | Consolidated                                 |                                           |
|-------------------------------------------------------|----------------------------------------------|-------------------------------------------|
|                                                       | 6 months to<br>31 December<br>2013<br>\$'000 | 12 months to<br>30 June<br>2013<br>\$'000 |
| <b>(a) Revenue from continuing operations</b>         |                                              |                                           |
| Gold sales                                            | 13,698                                       | 214,080                                   |
| Silver sales                                          | 44                                           | 715                                       |
| Interest income                                       | 2,104                                        | 3,855                                     |
| Rental revenue                                        | -                                            | 99                                        |
| Total revenue from continuing operations              | 15,846                                       | 218,749                                   |
| <b>(b) Other income</b>                               |                                              |                                           |
| Sundry income                                         | 995                                          | 501                                       |
| Finance income                                        | 389                                          | -                                         |
| Change in fair value of financial assets              | 133                                          | -                                         |
| Realised gold forward contracts                       | -                                            | 636                                       |
| Total Other income                                    | 1,517                                        | 1,137                                     |
| <b>(c) Expenses</b>                                   |                                              |                                           |
| <i>Depreciation &amp; Amortisation Expenses</i>       |                                              |                                           |
| Depreciation                                          | 3,252                                        | 7,733                                     |
| Amortisation                                          | 906                                          | 29,323                                    |
| Total depreciation and amortisation                   | 4,158                                        | 37,056                                    |
| <i>Corporate and other expenses</i>                   |                                              |                                           |
| Legal fees                                            | 219                                          | 1,323                                     |
| Option expense                                        | -                                            | 60                                        |
| Corporate expense                                     | 2,922                                        | 9,087                                     |
| Office lease costs                                    | 482                                          | 554                                       |
| Other costs                                           | -                                            | 292                                       |
| Total corporate and other expenses                    | 3,623                                        | 11,316                                    |
| <i>Write-off of dropped tenements and inventories</i> |                                              |                                           |
| Exploration costs written off                         | 8,102                                        | -                                         |
| Inventories written off                               | 593                                          | -                                         |
| Total exploration costs and inventories written off   | 8,695                                        | -                                         |
| <i>Impairment expense</i>                             |                                              |                                           |
| Impairment – mining assets (Note 11)                  | 113,229                                      | 84,952                                    |
| Impairment – financial assets                         | -                                            | 700                                       |
| Total impairment expense                              | 113,229                                      | 85,652                                    |

### NOTE 3: INCOME TAX

|                                                                                                                                                                                                                                                                            | Consolidated                        |                                |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|--------------------------------|
|                                                                                                                                                                                                                                                                            | 12 months to<br>31 December<br>2013 | 6 months to<br>30 June<br>2013 |
| Major components of income tax expense for the periods ended 31 December 2013 and 30 June 2013 are:                                                                                                                                                                        |                                     |                                |
| Income Statement                                                                                                                                                                                                                                                           |                                     |                                |
| <i>Current income</i>                                                                                                                                                                                                                                                      |                                     |                                |
| Current income tax charge                                                                                                                                                                                                                                                  | -                                   | -                              |
| Deferred tax assets relating to tax losses                                                                                                                                                                                                                                 | -                                   | -                              |
| <i>Deferred income tax</i>                                                                                                                                                                                                                                                 |                                     |                                |
| Relating to origination and reversal of temporary differences                                                                                                                                                                                                              | -                                   | -                              |
| Temporary differences recognised in equity                                                                                                                                                                                                                                 |                                     |                                |
| Current year tax loss not recognised in current period                                                                                                                                                                                                                     | -                                   | -                              |
| Income tax expense (benefit) reported in income statement                                                                                                                                                                                                                  | -                                   | -                              |
| Statement of changes in equity                                                                                                                                                                                                                                             |                                     |                                |
| <i>Deferred income tax</i>                                                                                                                                                                                                                                                 |                                     |                                |
| Capital raising costs                                                                                                                                                                                                                                                      | -                                   | -                              |
| Income tax expense reported in equity                                                                                                                                                                                                                                      | -                                   | -                              |
| A reconciliation of income tax expense (benefit) applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate for the periods ended 31 December 2013 and 30 June 2013 is as follows |                                     |                                |
| Accounting profit (loss) before tax from continuing operations                                                                                                                                                                                                             | (132,872)                           | (171,523)                      |
| Loss before tax from discontinued operations                                                                                                                                                                                                                               |                                     | -                              |
| Accounting profit (loss) before income tax                                                                                                                                                                                                                                 | (132,872)                           | (171,523)                      |
| Tax at the statutory income tax rate of 30%                                                                                                                                                                                                                                | (39,862)                            | (51,457)                       |
| Add:                                                                                                                                                                                                                                                                       |                                     |                                |
| Non-deductible expenses                                                                                                                                                                                                                                                    | 2,585                               | 969                            |
| Temporary differences not recognised                                                                                                                                                                                                                                       | 12,400                              | 7,129                          |
| Tax loss not brought to account as a deferred tax asset                                                                                                                                                                                                                    | 24,887                              | 43,359                         |
| Non-assessable income                                                                                                                                                                                                                                                      |                                     |                                |
| Realisation of prior tax losses not previously recognised                                                                                                                                                                                                                  | -                                   | -                              |
| Income tax expense reported in income statement                                                                                                                                                                                                                            | -                                   | -                              |
| Income tax attributable to discontinued operation                                                                                                                                                                                                                          | -                                   | -                              |

#### Tax Consolidation

The company and its 100% owned controlled entities have formed a tax consolidated group. Members of the Consolidated Entity have entered into a tax sharing arrangement with effect from 30 June 2013 in order to allocate income tax expense to the wholly owned controlled entities on a pro-rate basis. The agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At balance date, the possibility of default is remote. The head entity of the tax consolidated group is Focus Minerals Limited.

#### Tax Effect Accounting by Members of the Tax Consolidated Group

Members of the tax consolidated group have entered into a tax funding agreement with effect from 30 June 2013. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated group. Deferred taxes are allocated to members of the tax consolidated group in accordance with a group allocation approach which is consistent with the principles of AASB 112 Income Taxes. The allocation of taxes under the tax funding agreement is recognised as an increase/decrease in the controlled entities intercompany accounts with the tax consolidated group head company, Focus Minerals Limited.

## Recognised Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are attributable to the following:

|                                           | Assets                           |                           | Liabilities                      |                           | Net                              |                           |
|-------------------------------------------|----------------------------------|---------------------------|----------------------------------|---------------------------|----------------------------------|---------------------------|
|                                           | 31<br>December<br>2013<br>\$'000 | 30 June<br>2013<br>\$'000 | 31<br>December<br>2013<br>\$'000 | 30 June<br>2013<br>\$'000 | 31<br>December<br>2013<br>\$'000 | 30 June<br>2013<br>\$'000 |
| <b>CONSOLIDATED</b>                       |                                  |                           |                                  |                           |                                  |                           |
| Cash and Cash Equivalents                 | -                                | -                         | -                                | -                         | -                                | -                         |
| Trade and other receivables               | -                                | -                         | -                                | -                         | -                                | -                         |
| Inventories and other CA                  | -                                | (160)                     | 14                               | 41                        | 14                               | (119)                     |
| Property, Plant and Equipment             | -                                | -                         | (5,206)                          | (1,686)                   | (5,206)                          | (1,686)                   |
| Mine Property                             | (645)                            | -                         | (372)                            | 14,095                    | (1,017)                          | 14,095                    |
| Exploration                               | -                                | -                         | 7,653                            | 13,505                    | 7,653                            | 13,505                    |
| Investment in Subsidiaries & Intercompany | -                                | -                         | -                                | -                         | -                                | -                         |
| Trade and other payables                  | (4)                              | (266)                     | -                                | -                         | (4)                              | (266)                     |
| Employee benefits                         | (18)                             | (373)                     | -                                | -                         | (18)                             | (373)                     |
| Loans and Borrowings                      | -                                | -                         | -                                | -                         | -                                | -                         |
| Provisions                                | (560)                            | (1,782)                   | -                                | -                         | (560)                            | (1,782)                   |
| Rehabilitation Provision                  | -                                | (5,175)                   | -                                | -                         | -                                | (5,175)                   |
| Provisions                                | (831)                            | (1,177)                   | -                                | -                         | (831)                            | (1,177)                   |
| Loans and Borrowings                      | -                                | -                         | -                                | -                         | -                                | -                         |
| Other Non-current liabilities             | (29)                             | (146)                     | -                                | -                         | (29)                             | (146)                     |
| Tax Losses                                | -                                | (16,874)                  | -                                | -                         | -                                | (16,874)                  |
| <i>Tax (assets) liabilities</i>           | <b>(2,089)</b>                   | <b>(25,956)</b>           | <b>2,089</b>                     | <b>25,956</b>             | <b>-</b>                         | <b>-</b>                  |
| Set off of tax                            | <b>2,089</b>                     | <b>25,956</b>             | <b>(2,089)</b>                   | <b>(25,956)</b>           | <b>-</b>                         | <b>-</b>                  |
| <i>Net tax (assets) liabilities</i>       | <b>-</b>                         | <b>-</b>                  | <b>-</b>                         | <b>-</b>                  | <b>-</b>                         | <b>-</b>                  |

## Movement in Temporary Differences

| During the six months period ended 31<br>December 2013 | Balance<br>30 June 2013<br>\$'000 | Recognised in<br>Income<br>\$'000 | Recognised<br>in Equity<br>\$'000 | Balance<br>31 December<br>2013<br>\$'000 |
|--------------------------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|------------------------------------------|
| Inventories and other CA                               | (119)                             | 133                               | -                                 | 14                                       |
| Property, Plant and Equipment                          | (1,686)                           | (3,520)                           | -                                 | (5,206)                                  |
| Exploration                                            | 14,095                            | (6,442)                           | -                                 | 7,653                                    |
| Mine Property                                          | 13,505                            | (14,523)                          | -                                 | (1,017)                                  |
| Trade and other payables                               | (266)                             | 262                               | -                                 | (4)                                      |
| Employee benefits                                      | (373)                             | 355                               | -                                 | (17)                                     |
| Loans and Borrowings                                   | -                                 | -                                 | -                                 | -                                        |
| Provisions                                             | (1,782)                           | 1,222                             | -                                 | (560)                                    |
| Rehabilitation Provision                               | (5,175)                           | 5,175                             | -                                 | -                                        |
| Provisions                                             | (1,177)                           | 345                               | -                                 | (831)                                    |
| Other Non-current liabilities                          | (146)                             | 116                               | -                                 | (30)                                     |
| Tax Losses                                             | (16,874)                          | 16,874                            | -                                 | -                                        |
|                                                        | -                                 | -                                 | -                                 | -                                        |

| During the twelve months period ended<br>30 June 2013 | Balance<br>1 July 2012 | Recognised in<br>Income | Recognised<br>in Equity | Balance<br>30 June 2013 |
|-------------------------------------------------------|------------------------|-------------------------|-------------------------|-------------------------|
|                                                       | \$'000                 | \$'000                  | \$'000                  | \$'000                  |
| Inventories and other CA                              | 104                    | (223)                   | -                       | (119)                   |
| Property, Plant and Equipment                         | 4,605                  | (6,291)                 | -                       | (1,686)                 |
| Exploration                                           | 2,353                  | 11,742                  | -                       | 14,095                  |
| Mine Property                                         | 30,987                 | (17,482)                | -                       | 13,505                  |
| Investment in Subsidiaries & Intercompany             | -                      | -                       | -                       | -                       |
| Trade and other payables                              | (22)                   | (244)                   | -                       | (266)                   |
| Employee benefits                                     | (692)                  | 318                     | -                       | (373)                   |
| Loans and Borrowings                                  | -                      | -                       | -                       | -                       |
| Provisions                                            | -                      | (1,782)                 | -                       | (1,782)                 |
| Rehabilitation Provision                              | (2,451)                | (2,723)                 | -                       | (5,175)                 |
| Provisions                                            | (9)                    | (1,168)                 | -                       | (1,177)                 |
| Loans and Borrowings                                  | -                      | -                       | -                       | -                       |
| Other Non-current liabilities                         | (58)                   | (88)                    | -                       | (149)                   |
| Tax Losses                                            | (34,815)               | 17,941                  | -                       | (16,874)                |
|                                                       | -                      | -                       | -                       | -                       |

#### Unrecognised Deferred Tax Assets

|                                                                                       | Consolidated<br>31 December 2013 | 30 June 2013  |
|---------------------------------------------------------------------------------------|----------------------------------|---------------|
|                                                                                       | \$'000                           | \$'000        |
| <b>Deferred tax assets have not been recognised in respect of the following items</b> |                                  |               |
| Deferred tax assets - other                                                           | 12,433                           | 33            |
| Tax Losses                                                                            | 108,719                          | 72,604        |
| Capital Losses                                                                        | 4,310                            | 3,939         |
| <b>Total</b>                                                                          | <b>125,462</b>                   | <b>76,576</b> |

The tax losses do not expire under current legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilise the benefits.

#### NOTE 4: SEGMENT REPORTING

With the completion of acquiring the remaining 18.43% of Focus Minerals Laverton Ltd during the year ended 30 June 2013, Focus Minerals Limited owns 100% of all its subsidiaries. The Group has three reportable segments, as described below, which are the Group's strategic business units. The business units are managed separately as they require differing processes and skills. The Chief Executive Officer reviews internal management reports on a monthly basis. Gold produced is sold through agents at spot pricing. Segment Financial Information for the six months ended 31 December 2013 is presented below:

|                                    | 6 months to<br>31 December<br>2013<br>Coolgardie<br>\$'000 | 6 months to<br>31 December<br>2013<br>Laverton<br>\$'000 | 6 months to<br>31 December<br>2013<br>Corporate<br>\$'000 | 6 months to<br>31 December<br>2013<br>Consolidated<br>\$'000 |
|------------------------------------|------------------------------------------------------------|----------------------------------------------------------|-----------------------------------------------------------|--------------------------------------------------------------|
| Revenue from continuing operations | 14,335                                                     | -                                                        | 1,511                                                     | 15,846                                                       |
| Cost of Sales                      | (6,618)                                                    | -                                                        | -                                                         | (6,618)                                                      |
| Amortisation & Depreciation        | (2,921)                                                    | (1,158)                                                  | (79)                                                      | (4,158)                                                      |
| Changes of inventories             | (6,391)                                                    | (192)                                                    | -                                                         | (6,583)                                                      |
| Employee expenses                  | (2,520)                                                    | (591)                                                    | (3,377)                                                   | (6,490)                                                      |
| Finance cost                       | 228                                                        | (239)                                                    | (193)                                                     | (204)                                                        |
| Other income                       | (8)                                                        | 1,134                                                    | 391                                                       | 1,517                                                        |
| Takeover costs                     | -                                                          | -                                                        | (43)                                                      | (43)                                                         |
| Care and Maintenance Costs         | (43)                                                       | (549)                                                    | -                                                         | (593)                                                        |
| Impairment                         | (53,601)                                                   | (59,628)                                                 | -                                                         | (113,229)                                                    |
| Write off                          | (1,781)                                                    | (6,260)                                                  | (654)                                                     | (8,695)                                                      |
| Other expenses                     | -                                                          | (44)                                                     | (3,579)                                                   | (3,623)                                                      |
| SEGMENTED LOSS BEFORE TAX          | (59,320)                                                   | (67,527)                                                 | (6,024)                                                   | (132,872)                                                    |
| Income taxes                       | -                                                          | -                                                        | -                                                         | -                                                            |
| Non-controlling interest           | -                                                          | -                                                        | -                                                         | -                                                            |
| <b>SEGMENTED PROFIT / (LOSS)</b>   | <b>(59,320)</b>                                            | <b>(67,527)</b>                                          | <b>(6,024)</b>                                            | <b>(132,868)</b>                                             |
| Current Assets                     | 4,493                                                      | 635                                                      | 80,584                                                    | 85,712                                                       |
| Non-Current Assets                 |                                                            |                                                          |                                                           |                                                              |
| - Restricted Cash                  | 751                                                        | 7,818                                                    | 9,466                                                     | 18,035                                                       |
| - Property, Plant & Equipment      | 11,793                                                     | -                                                        | 322                                                       | 12,115                                                       |
| - Mine Property and Development    | 6,876                                                      | -                                                        | -                                                         | 6,876                                                        |
| - Exploration and Evaluation       | 25,273                                                     | 11,786                                                   | -                                                         | 37,059                                                       |
| TOTAL ASSETS                       | 49,186                                                     | 20,239                                                   | 90,372                                                    | 159,797                                                      |
| Current Liabilities                | 2,344                                                      | 452                                                      | 1,754                                                     | 4,550                                                        |
| Other Non-Current Liabilities      | 12,852                                                     | 11,818                                                   | 561                                                       | 25,231                                                       |
| TOTAL LIABILITIES                  | 15,196                                                     | 12,270                                                   | 2,315                                                     | 29,781                                                       |
| <b>NET ASSETS</b>                  | <b>33,990</b>                                              | <b>7,969</b>                                             | <b>88,057</b>                                             | <b>130,017</b>                                               |
| Capital Expenditures               | 1,923                                                      | 3,669                                                    | 69                                                        | 5,661                                                        |

Segment Financial Information for the 12 months ended 30 June 2013 is presented below:

|                                    | 12 months to<br>30 June<br>2013<br>Coolgardie<br>\$'000 | 12 months<br>to 30 June<br>2013<br>Laverton<br>\$'000 | 12 months<br>to 30 June<br>2013<br>Corporate<br>\$'000 | 12 months to<br>30 June<br>2013<br>Consolidated<br>\$'000 |
|------------------------------------|---------------------------------------------------------|-------------------------------------------------------|--------------------------------------------------------|-----------------------------------------------------------|
| Revenue from continuing operations | 90,258                                                  | 124,537                                               | 3,955                                                  | 214,795                                                   |
| Cost of Sales                      | (84,230)                                                | (105,521)                                             | -                                                      | (189,751)                                                 |
| Changes of inventories             | (445)                                                   | (15,849)                                              |                                                        | (16,294)                                                  |
| Employee expenses                  | (15,935)                                                | (11,094)                                              | (6,644)                                                | (33,673)                                                  |
| Amortisation & Depreciation        | (14,235)                                                | (22,734)                                              | (87)                                                   | (37,056)                                                  |
| Interest and financing fees        | (380)                                                   | (929)                                                 | (273)                                                  | (1,582)                                                   |
| Other income                       | 133                                                     | 862                                                   | 142                                                    | 1,137                                                     |
| Takeover costs                     | -                                                       | -                                                     | (4,030)                                                | (4,030)                                                   |
| Shutdown costs                     | (10,505)                                                | (1,550)                                               | -                                                      | (12,055)                                                  |
| Impairment                         | (74,461)                                                | (10,491)                                              | (700)                                                  | (85,652)                                                  |
| Other expenses                     | (245)                                                   | (4,747)                                               | (6,325)                                                | (11,316)                                                  |
| SEGMENTED LOSS BEFORE TAX          | (110,045)                                               | (47,516)                                              | (13,962)                                               | (171,522)                                                 |
| Income taxes                       | -                                                       | -                                                     | -                                                      | -                                                         |
| Non-controlling interest           | -                                                       | 4,989                                                 | -                                                      | 4,989                                                     |
| <b>SEGMENTED LOSS</b>              | <b>(110,045)</b>                                        | <b>(42,527)</b>                                       | <b>(13,962)</b>                                        | <b>(166,533)</b>                                          |
| Current Assets                     | 10,513                                                  | 2,533                                                 | 121,840                                                | 134,886                                                   |
| Non-Current Assets                 |                                                         |                                                       |                                                        |                                                           |
| - Restricted Cash                  | 751                                                     | 12,642                                                | 3,498                                                  | 16,891                                                    |
| - Property, Plant & Equipment      | 24,539                                                  | 12,390                                                | 494                                                    | 37,423                                                    |
| - Mine Property and Development    | 31,787                                                  | 11,184                                                | -                                                      | 42,971                                                    |
| - Exploration and Evaluation       | 43,536                                                  | 47,641                                                | -                                                      | 91,177                                                    |
| TOTAL ASSETS                       | 111,126                                                 | 86,390                                                | 125,832                                                | 323,348                                                   |
| Current Liabilities                | 19,697                                                  | 3,242                                                 | 15,343                                                 | 38,282                                                    |
| Other Non-Current Liabilities      | 13,814                                                  | 7,462                                                 | 901                                                    | 22,177                                                    |
| TOTAL LIABILITIES                  | 33,511                                                  | 10,704                                                | 16,244                                                 | 60,459                                                    |
| <b>NET ASSETS</b>                  | <b>77,615</b>                                           | <b>75,686</b>                                         | <b>109,588</b>                                         | <b>262,889</b>                                            |
| Capital Expenditures               | 19,621                                                  | 20,793                                                | 874                                                    | 41,288                                                    |

## NOTE 5: EARNINGS PER SHARE

|                                                                                           | Consolidated<br>6 months to<br>31 December<br>2013<br>Cents per Share | 12 months to<br>30 June<br>2013<br>Cents per Share |
|-------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|----------------------------------------------------|
| <i>Basic earnings per share:</i>                                                          |                                                                       |                                                    |
| Total Basic EPS                                                                           | (1.45)                                                                | (2.47)                                             |
| <i>Diluted earnings per share</i>                                                         |                                                                       |                                                    |
| Total Diluted EPS                                                                         | (1.45)                                                                | (2.47)                                             |
| <i>Basic Earnings per share</i>                                                           | \$000                                                                 | '\$000                                             |
| The earnings used in the calculation of basic earnings per share                          | (132,872)                                                             | (166,534)                                          |
| Weighted average number of ordinary shares for the purposes of basic earnings per share   | 9,137,375,877                                                         | 6,747,733,150                                      |
| <i>Diluted Earnings per share</i>                                                         | '\$000                                                                | '\$000                                             |
| The earnings used in the calculation of diluted earnings per share                        | (132,872)                                                             | (166,534)                                          |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | 9,165,875,877                                                         | 6,752,787,945                                      |

## NOTE 6: CASH, CASH EQUIVALENTS & RESTRICTED CASH

|                                | Consolidated<br>6 months to<br>31 December<br>2013<br>\$'000 | 12 months to<br>30 June<br>2013<br>\$'000 |
|--------------------------------|--------------------------------------------------------------|-------------------------------------------|
| Cash and cash equivalents      | 81,239                                                       | 114,159                                   |
| Current - Restricted cash      | 166                                                          | 8,541                                     |
|                                | 81,405                                                       | 122,700                                   |
| Non- current – restricted cash | 18,035                                                       | 16,891                                    |

Cash at bank earns interest at floating rates based on daily deposit rates.

Short-term deposits are made for varying periods up to three months, depending on the immediate cash requirements of the Group, and earn interest at the respective commercial short-term deposit rates.

Performance bonds have been issued by a bank on behalf of the Group in respect of Western Australian mining tenements. The Group has indemnified the bank against any loss arising from the performance bonds and the indemnity is secured against cash deposits. Those are classified as restricted cash.

**(i) Reconciliation to Cash Flow Statement**

For the purposes of the Statement of Cash Flow, cash and cash equivalents comprise cash on hand and at bank and short term deposits, net of secured short term deposits. Cash and cash equivalents as shown in the Statement of Cash Flow is:

|                                                         | Consolidated               |                        |
|---------------------------------------------------------|----------------------------|------------------------|
|                                                         | December<br>2013<br>\$'000 | June<br>2013<br>\$'000 |
| Cash, cash equivalents and restricted cash              | 99,440                     | 139,591                |
| Less: Restricted cash not available for use             | (18,201)                   | (25,432)               |
| Cash and cash equivalents as per statement of cash flow | 81,239                     | 114,159                |

**(ii) Reconciliation of Profit for the Year to Net Cash Flows from Operating Activities**

|                                              | Consolidated                                 |                                           |
|----------------------------------------------|----------------------------------------------|-------------------------------------------|
|                                              | 6 months to<br>31 December<br>2013<br>\$'000 | 12 months to<br>30 June<br>2013<br>\$'000 |
| Net loss for the period                      | (132,872)                                    | (171,523)                                 |
| Proceeds from sale of non-current assets     | -                                            | 292                                       |
| Depreciation expense                         | 3,252                                        | 7,733                                     |
| Amortisation expense                         | 906                                          | 29,323                                    |
| Impairment of mining assets                  | 113,229                                      | 84,952                                    |
| Exploration write off                        | 8,695                                        | -                                         |
| Finance income                               | (582)                                        | -                                         |
| Option expense                               | -                                            | 60                                        |
| Change in fair value of financial assets     | (133)                                        | -                                         |
| Impairment of financial assets               | -                                            | 700                                       |
| <i>(Increase)/decrease in assets:</i>        |                                              |                                           |
| Current receivables                          | 1,292                                        | 4,404                                     |
| Inventories                                  | 6,583                                        | 14,190                                    |
| Other current assets                         | 138                                          | 485                                       |
| <i>Increase/(decrease) in liabilities</i>    |                                              |                                           |
| Current payables                             | (20,096)                                     | (38,008)                                  |
| Other liabilities                            | (2,284)                                      | (1,083)                                   |
| Provisions                                   | (5,133)                                      | 9,866                                     |
| Net cash from/(used in) operating activities | (27,005)                                     | (58,609)                                  |

**(iii) Non Cash Financing and Investing Activities Transactions**

**6 Months to 31 December 2013**

- The Company did not have any transactions in this category during the six months period.

**12 Months to 30 June 2013**

- The Company issued 324,604,525 Focus Minerals Ltd shares with a market value at the time of issue of \$5,334,000 (average price per share 1.64 cents) to acquire the remaining minority interest in Focus Minerals (Laverton) Pty Ltd.

**NOTE 7: CURRENT TRADE AND OTHER RECEIVABLES**

|                   | Consolidated                                 |                                           |
|-------------------|----------------------------------------------|-------------------------------------------|
|                   | 6 months to<br>31 December<br>2013<br>\$'000 | 12 months to<br>30 June<br>2013<br>\$'000 |
| Trade receivables | 72                                           | 654                                       |
| Other receivables | 741                                          | 1,451                                     |
|                   | 813                                          | 2,105                                     |

An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired. No provision is considered as at 31 December 2013.

**NOTE 8: BUSINESS COMBINATION****(a) NON CONTROLLING INTEREST**

|                                                     | Consolidated                                 |                                           |
|-----------------------------------------------------|----------------------------------------------|-------------------------------------------|
|                                                     | 6 months to<br>31 December<br>2013<br>\$'000 | 12 months to<br>30 June<br>2013<br>\$'000 |
| Opening balance                                     | -                                            | 5,000                                     |
| Non-controlling interest share of loss for the year | -                                            | (4,989)                                   |
| Non-controlling interest acquired                   | -                                            | (11)                                      |
| Closing balance                                     | -                                            | -                                         |

The Company acquired all the remaining shares in Focus Minerals (Laverton) Ltd on 24 April 2013 and 13 May 2013. The minority interest in Focus Minerals (Laverton) Pty Ltd (formerly Crescent Gold Ltd) at the time of acquisition was \$11,000 being the opening balance less a share of current year losses in that entity. The minority interest was acquired by the issue of 324,604,525 Focus Minerals Ltd shares with a market value at time of issue of \$5,334,000 (average price per share 1.64 cents). The fair value of the shares exceeded the fair value of the non-controlling interest acquired and was recognised in reserve Merger Reserve of \$5,323,000 in accordance with the Group accounting policy (Note 19(d)).

**NOTE 9: INVENTORIES**

|                 | Consolidated                                 |                                           |
|-----------------|----------------------------------------------|-------------------------------------------|
|                 | 6 months to<br>31 December<br>2013<br>\$'000 | 12 months to<br>30 June<br>2013<br>\$'000 |
| Consumables     | 2,894                                        | 3,277                                     |
| Ore stockpiles  | -                                            | 1,547                                     |
| Gold in circuit | -                                            | 2,783                                     |
| Finished goods  | -                                            | 1,870                                     |
|                 | 2,894                                        | 9,477                                     |

Inventory is valued at the lower of cost and net realisable value. An impairment adjustment of \$518,000 was made to carrying values of inventories at 31 December 2013 (30 June 2013: \$1,892,000).

**NOTE 10: FINANCIAL ASSETS**

|                                                             | <b>Consolidated</b> |               |
|-------------------------------------------------------------|---------------------|---------------|
|                                                             | <b>6 months to</b>  | 12 months to  |
|                                                             | <b>31 December</b>  | 30 June       |
|                                                             | <b>2013</b>         | 2013          |
|                                                             | <b>\$'000</b>       | <b>\$'000</b> |
| <b>Current</b>                                              |                     |               |
| Investments in listed entities – at fair value <sup>a</sup> | <b>600</b>          | 467           |
|                                                             | <b>600</b>          | 467           |

a. Investment in the listed entity – Macphersons Resources Limited ("MRL") was made for an amount of \$1,000,000.

**NOTE 11: IMPAIRMENT OF MINING ASSETS**

The full year review of Focus Minerals Ltd group asset carrying values in the context of lower gold price environment, combined with a gold industry facing rising costs and the suspension of our operations at both Coolgardie and Laverton has resulted in the impairment of the carrying values of some assets. The Board of Directors obtained an independent experts report prepared by a recognised resources consultant firm to assist in the assessment of the carrying values at 31 December 2013. Focus Minerals Ltd has booked an impairment write off of \$113.229m after tax on the following items:

| <b>IMPAIRMENT<br/>\$'000s</b> | <b>Exploration</b> | <b>Mine Property</b> | <b>Property Plant<br/>&amp; Equipment</b> | <b>Total</b>   |
|-------------------------------|--------------------|----------------------|-------------------------------------------|----------------|
| Coolgardie                    | 17,935             | 26,579               | 9,086                                     | 53,601         |
| Laverton                      | 31,832             | 17,372               | 10,424                                    | 59,628         |
| <b>Total</b>                  | <b>49,767</b>      | <b>43,951</b>        | <b>19,510</b>                             | <b>113,229</b> |

*Impairment methodology*

Impairment is recognised when the carrying value exceeds the recoverable amount. The recoverable amount of each cash-generating unit ("CGU") has been determined on its fair value less costs to sell ('Fair Value'). The costs to sell have been estimated by management based on prevailing market conditions.

Fair value of Mine property is estimated based on discounted cash flows using market based commodity price and exchange assumptions, estimated quantities of recoverable minerals, production levels, operating costs and capital requirements, based on CGU life-of-mine ("LOM") plans. When LOM plans do not fully utilise the existing mineral resource for a CGU, and options exist for the future extraction and processing of all or part of those resources, an estimate of the value of the unmined resources, in addition to an estimate of value of exploration potential, is included in the determination of Fair Value of Exploration and Evaluation Assets.

The Board engaged an independent expert experienced in valuations to conduct valuations of its two CGU's being Coolgardie and Laverton. There review was based on the Groups LOM plan and recent independent technical reports used when the Group acquired the remaining minority interest in Focus Minerals (Laverton) Pty Ltd in March and April 2013. The independent expert provided a range of values for the two CGU's and the Board stayed within these range of values in making its assessment of impairments and carrying values.

Significant judgements and assumptions are required in making estimates of Fair Value. This is particularly so in the assessment of long life assets. It should be noted that the CGU valuations are subject to variability in key assumptions including, but not limited to, long-term gold prices, currency exchange rates, discount rates, CGU specific gold multiples, production and operating costs. An adverse change in one or more of these assumptions used to estimate fair value could result in a reduction in a CGU's Fair Value.

### Key Assumptions

The table below summarises the key assumptions used in the 31 December 2013 end of period carrying value assessments. Gold and commodity price assumptions were based on recognised industry experts.

|              | AUD: USD<br>exchange rate | Gold - \$US<br>per ounce |
|--------------|---------------------------|--------------------------|
| 2014         | 0.88                      | 1,265                    |
| 2015         | 0.85                      | 1,300                    |
| 2016         | 0.83                      | 1,310                    |
| 2017         | 0.81                      | 1,300                    |
| 2018         | 0.80                      | 1,285                    |
| 2019 onwards | 0.80                      | 1,325                    |

A discount rate of 9.6% was used.

Production at the Coolgardie and Laverton operations are forecast to recommence in May 2015.

Operating cost and expenses is estimated in line or slightly below historical cost.

Resources outside of the mine plans at each mine were valued by applying a percentage of the spot gold price as at 31 December 2013, which was US\$1,202 and the year end foreign exchange rate of AUD/USD 0.89. The valuation range applied was 2% to 2.5% of the spot gold price.

It is estimated that a 6% increase / (decrease) in the assumed gold price would result in an increase / (decrease) in the fair value of Coolgardie of \$20.3/ (\$20.3) million and Laverton of \$1 / (\$1) million. The Coolgardie and Laverton CGU's include both mining assets and exploration assets.

The Laverton discounted cash flow from production is in fact a negative result and the value attributed to carrying value from this component is therefore zero. The entire carrying value of the Laverton assets is attributed to the value of additional resources not included in the discounted cash flow.

### NOTE 12: PLANT & EQUIPMENT

| Non-current                            | Furniture & fittings<br>\$'000 | Plant & Equipment<br>\$'000 | Mill assets<br>\$'000 | Construction in progress<br>\$'000 | Motor Vehicles<br>\$'000 | Total<br>\$'000 |
|----------------------------------------|--------------------------------|-----------------------------|-----------------------|------------------------------------|--------------------------|-----------------|
| <b>At 30 June 2013</b>                 |                                |                             |                       |                                    |                          |                 |
| Cost or fair value                     | 2,154                          | 18,589                      | 39,872                | 8,000                              | 1,115                    | 69,730          |
| Accumulated depreciation               | (1,437)                        | (5,411)                     | (18,851)              | -                                  | (736)                    | (26,435)        |
| Impairment loss                        | -                              | (5,872)                     | -                     | -                                  | -                        | (5,872)         |
| Net book amount                        | 717                            | 7,306                       | 21,021                | 8,000                              | 379                      | 37,423          |
| <b>6 months ended 31 December 2013</b> |                                |                             |                       |                                    |                          |                 |
| Opening net book amount                | 717                            | 7,306                       | 21,021                | 8,000                              | 379                      | 37,423          |
| Additions                              | -                              | -                           | -                     | 101                                | 57                       | 158             |
| Transfer from Construction in progress | 74                             | (2,444)                     | -                     | -                                  | -                        | (2,370)         |
| Depreciation additions                 | (59)                           | (909)                       | (2,146)               | -                                  | (58)                     | (3,172)         |
| Disposals – at cost                    | (94)                           | (118)                       | (61)                  | (101)                              | (621)                    | (991)           |
| Depreciation disposals                 | -                              | 87                          | 30                    | -                                  | 464                      | 581             |
| Impairment loss                        | -                              | -                           | (11,510)              | (8,000)                            | -                        | (19,510)        |
| Closing book amount                    | 638                            | 3,922                       | 7,334                 | -                                  | 221                      | 12,115          |
| <b>At 31 December 2013</b>             |                                |                             |                       |                                    |                          |                 |
| Cost or fair value                     | 2,138                          | 16,027                      | 39,811                | 8,000                              | 551                      | 66,527          |
| Accumulated depreciation               | (1,500)                        | (6,233)                     | (20,967)              | -                                  | (330)                    | (29,030)        |
| Impairment loss                        | -                              | (5,872)                     | (11,510)              | (8,000)                            | -                        | (25,382)        |
| Net book amount                        | 638                            | 3,922                       | 7,334                 | -                                  | 221                      | 12,115          |

| Non-current                    | Furniture & fittings<br>\$'000 | Plant & Equipment<br>\$'000 | Mill assets<br>\$'000 | Constructi<br>on in<br>progress<br>\$'000 | Motor<br>Vehicles<br>\$'000 | Total<br>\$'000 |
|--------------------------------|--------------------------------|-----------------------------|-----------------------|-------------------------------------------|-----------------------------|-----------------|
| <b>At 1 July 2012</b>          |                                |                             |                       |                                           |                             |                 |
| Cost or fair value             | 1,917                          | 19,482                      | 38,689                | 8,000                                     | 1,144                       | 69,232          |
| Accumulated depreciation       | (990)                          | (2,966)                     | (15,020)              | -                                         | (584)                       | (19,560)        |
| Net book amount                | 927                            | 16,516                      | 23,669                | 8,000                                     | 560                         | 49,672          |
| <b>Year ended 30 June 2013</b> |                                |                             |                       |                                           |                             |                 |
| Opening net book amount        | 927                            | 16,516                      | 23,669                | 8,000                                     | 560                         | 49,672          |
| Additions                      | 250                            | 443                         | 926                   | 873                                       | -                           | 2,492           |
| Disposals - cost               | (13)                           | (1,684)                     | (269)                 | -                                         | (29)                        | (1,994)         |
| Depreciation additions         | (460)                          | (3,181)                     | (3,890)               | -                                         | (178)                       | (7,709)         |
| Depreciation disposals         | 13                             | 736                         | 59                    | -                                         | 25                          | 834             |
| Impairment loss                | -                              | (5,872)                     | -                     | -                                         | -                           | (5,872)         |
| Closing book amount            | 717                            | 7,306                       | 21,021                | 8,000                                     | 379                         | 37,423          |
| <b>At 30 June 2013</b>         |                                |                             |                       |                                           |                             |                 |
| Cost or fair value             | 2,154                          | 18,589                      | 39,872                | 8,000                                     | 1,115                       | 69,730          |
| Accumulated depreciation       | (1,437)                        | (5,411)                     | (18,851)              | -                                         | (736)                       | (26,435)        |
| Impairment loss                | -                              | (5,872)                     | -                     | -                                         | -                           | (5,872)         |
| Net book amount                | 717                            | 7,306                       | 21,021                | 8,000                                     | 379                         | 37,423          |

Plant and equipment and motor vehicles include the following amounts where the group is a lessee under a finance lease:

|                                | Consolidated<br>6 months to<br>31 December<br>2013<br>\$'000 | 12 months to<br>30 June<br>2013<br>\$'000 |
|--------------------------------|--------------------------------------------------------------|-------------------------------------------|
| At Cost                        | 5,036                                                        | 6,015                                     |
| Less: Accumulated depreciation | (3,317)                                                      | (4,021)                                   |
| Net Book Value                 | 1,719                                                        | 1,994                                     |

#### NOTE 13: MINE PROPERTIES AND DEVELOPMENT

|                                                      | Consolidated<br>6 months to<br>31 December<br>2013<br>\$'000 | 12 months to<br>30 June<br>2013<br>\$'000 |
|------------------------------------------------------|--------------------------------------------------------------|-------------------------------------------|
| At Cost                                              | 163,706                                                      | 154,944                                   |
| Less: Accumulated amortisation                       | (93,102)                                                     | (92,196)                                  |
| Less: Accumulated Impairment                         | (63,728)                                                     | (19,777)                                  |
| Net Book Value                                       | 6,876                                                        | 42,971                                    |
| <b>Movement Summary:</b>                             |                                                              |                                           |
| <i>Net Book Value</i>                                |                                                              |                                           |
| Opening balance                                      | 42,971                                                       | 58,919                                    |
| Additions                                            | 1,265                                                        | 18,900                                    |
| Transfers from CWIP                                  | 2,369                                                        |                                           |
| Changes in restoration and rehabilitation obligation | 5,128                                                        | 14,427                                    |
| Disposals                                            | -                                                            | (175)                                     |
| Impairment expense                                   | (43,951)                                                     | (19,777)                                  |
| Amortisation expense                                 | (906)                                                        | (29,323)                                  |
| Closing balance                                      | 6,876                                                        | 42,971                                    |

**NOTE 14: EXPLORATION AND EVALUATION ASSETS**

|                                                                                     | Consolidated                                 |                                           |
|-------------------------------------------------------------------------------------|----------------------------------------------|-------------------------------------------|
|                                                                                     | 6 months to<br>31 December<br>2013<br>\$'000 | 12 months to<br>30 June<br>2013<br>\$'000 |
| <b>Exploration and Evaluation Expenditure:</b>                                      |                                              |                                           |
| At Cost                                                                             | 144,237                                      | 148,587                                   |
| Less: Accumulated Impairment                                                        | (107,178)                                    | (57,411)                                  |
| Net Book Value                                                                      | 37,059                                       | 91,176                                    |
| <b>Movement Summary:</b>                                                            |                                              |                                           |
| Carrying amount at beginning of the year                                            | 91,176                                       | 139,715                                   |
| plus – exploration expenditure                                                      | 4,238                                        | 14,657                                    |
| plus – tenements acquired                                                           | -                                            | 860                                       |
| less – write off of tenements allowed to lapse or dropped                           | (8,588)                                      | -                                         |
| less - reclassification of rehabilitation assets to mine properties and development | -                                            | (6,645)                                   |
| less - Impairment <sup>(a)</sup>                                                    | (49,767)                                     | (57,411)                                  |
| Carrying amount at end of year                                                      | 37,059                                       | 91,176                                    |

(a) Details of impairment charges recognised against capitalised exploration and evaluation expenditure are disclosed in note 11.

The value of the Group's interest in exploration expenditure is dependent upon:

- the continuance of the Group's rights to tenure of the areas of interest;
- the results of future exploration;
- the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale; and
- no significant changes in laws and regulations that greatly impact the Group's ability to maintain tenure.

**NOTE 15: SHARE BASED PAYMENTS****Options****Options Issued**

During the 12-month period ended 30 June 2013, the Company issued 15,000,000 options at an exercise price of 5 cents with an expiry date of 28<sup>th</sup> February 2016. No options were issued in the six months to 31 December 2013.

As at 31 December 2013, the exercisable options are as follow:

|                              | Balance at<br>Beginning<br>Of period<br>1/7/2013 | Issued<br>during<br>period | Options<br>Exercised/<br>lapsed | Balance at<br>End of<br>Period<br>31/12/2013 | Vested as at 31 December 2013 |           |               |
|------------------------------|--------------------------------------------------|----------------------------|---------------------------------|----------------------------------------------|-------------------------------|-----------|---------------|
|                              |                                                  |                            |                                 |                                              | Total                         | Vested    | Not<br>Vested |
|                              | 'millions                                        | 'millions                  | 'millions                       | 'millions                                    | 'millions                     | 'millions | 'millions     |
| exercisable at<br>12.3 cents | 13.5                                             | -                          | -                               | 13.5                                         | 13.5                          | -         | 13.5          |
| exercisable at<br>5.0 cents  | 15                                               | -                          | -                               | 15                                           | 15                            | 15        | -             |
| Total                        | 28.5                                             | -                          | -                               | 28.5                                         | 28.5                          | 15        | 13.5          |

**Options Exercised**

There were no options exercised during the period.

**Options Lapsed**

There were no options lapsed during the period.

### Options Outstanding

As at 31 December 2013, details of unissued ordinary shares under options are as follows:

| Issuing Entity         | Grant date    | Number of Options | Exercise Price Cents per Share | Expiry Date |
|------------------------|---------------|-------------------|--------------------------------|-------------|
| Focus Minerals Ltd     | 8 April 2013  | 15,000,000        | 5.00                           | 28/02/2016  |
| Focus Minerals Ltd     | 31 March 2011 | 13,500,000        | 12.30                          | 30/06/2014  |
| Total Options on issue |               | <u>28,500,000</u> |                                |             |

### NOTE 16: TRADE AND OTHER PAYABLES

|                                       | Consolidated |               |
|---------------------------------------|--------------|---------------|
|                                       | 31 December  | 30 June       |
|                                       | 2013         | 2013          |
|                                       | \$'000       | \$'000        |
| Current                               |              |               |
| Trade payables                        | 779          | 13,743        |
| Sundry creditors and accrued expenses | 341          | 7,300         |
| Employee benefits                     | 275          | 163           |
|                                       | <u>1,395</u> | <u>21,206</u> |

Trade payables are non-interest bearing and are normally settled on 15-45 day terms.

### NOTE 17: PROVISIONS

|                                                   | Consolidated |              |
|---------------------------------------------------|--------------|--------------|
|                                                   | 6 months to  | 12 months to |
|                                                   | 31 December  | 30 June      |
|                                                   | 2013         | 2013         |
|                                                   | \$'000       | \$'000       |
| <b>Current</b>                                    |              |              |
| Employee benefits                                 |              |              |
| Balance at the beginning of the period            | 1,329        | 2,339        |
| Decrease in the period                            | (1,059)      | (1,010)      |
| Balance at the period end                         | <u>270</u>   | <u>1,329</u> |
| Provision for redundancy and other shutdown costs |              |              |
| Balance at the beginning of the period            | 5,940        | -            |
| (Decrease) / Increase in the period               | (4,074)      | 5,940        |
| Balance at the period end                         | <u>1,866</u> | <u>5,940</u> |
|                                                   | <u>2,136</u> | <u>7,269</u> |

|                                                   | Consolidated                                 |                                           |
|---------------------------------------------------|----------------------------------------------|-------------------------------------------|
|                                                   | 6 months to<br>31 December<br>2013<br>\$'000 | 12 months to<br>30 June<br>2013<br>\$'000 |
| <b>Non-current</b>                                |                                              |                                           |
| Employee benefits                                 |                                              |                                           |
| Balance at the beginning of the period            | 487                                          | 225                                       |
| (Decrease) / Increase in the period               | (54)                                         | 262                                       |
| Balance at the period end                         | 433                                          | 487                                       |
| Provision for redundancy and other shutdown costs |                                              |                                           |
| Balance at the beginning of the period            | 3,926                                        | -                                         |
| (Decrease) / Increase in the period               | (1,153)                                      | 3,926                                     |
| Balance at the period end                         | 2,773                                        | 3,926                                     |
| Asset Retirement Obligation ("ARO")               |                                              |                                           |
| Balance at the beginning of the period            | 17,251                                       | 8,172                                     |
| Increase in the period                            | 4,546                                        | 9,079                                     |
| Balance at the period end                         | 21,797                                       | 17,251                                    |
|                                                   | 25,003                                       | 21,664                                    |

#### Provision for ARO

A provision has been recognised for the costs expected to be incurred for the restoration and rehabilitation of mining and prospecting leases used for the production and exploration of gold and nickel. A discount rate used was 4.32% (June 2013: 3.76%).

#### NOTE 18: FINANCIAL LIABILITIES

|                               | Consolidated                  |                           |
|-------------------------------|-------------------------------|---------------------------|
|                               | 31 December<br>2013<br>\$'000 | 30 June<br>2013<br>\$'000 |
| <b>Current</b>                |                               |                           |
| Bank loans                    | -                             | 8,000                     |
| Finance lease – refer note 21 | 1,018                         | 1,808                     |
|                               | 1,018                         | 9,808                     |
| <b>Non – current</b>          |                               |                           |
| Finance lease – refer note 21 | 227                           | 514                       |

The term loan was paid during the period. There is a contingent instrument facility of \$9m of which \$7.4m is utilised as at 31 December 2013.

## NOTE 19: ISSUED CAPITAL AND RESERVES

### Authorised Capital

The Company does not have an Authorised Capital and there is no par value for ordinary shares.

|                                                      | 6 months to<br>31 December<br>2013<br>\$'000 |               | 12 months to<br>30 June<br>2013<br>\$'000 |               |
|------------------------------------------------------|----------------------------------------------|---------------|-------------------------------------------|---------------|
| (a) Ordinary shares                                  |                                              |               |                                           |               |
| Issued capital                                       |                                              | 427,167       |                                           | 427,167       |
|                                                      | <b>No. of shares</b>                         | <b>\$'000</b> | <b>No. of shares</b>                      | <b>\$'000</b> |
| Shares on issue at the beginning of reporting period | 9,137,375,877                                | 427,167       | 4,320,773,701                             | 203,910       |
| Shares issued during the year                        |                                              |               |                                           |               |
| 21 December 2012                                     |                                              |               | 4,501,997,651                             | 225,100       |
| 23 April 2013                                        |                                              |               | 300,694,977                               | 5,111         |
| 10 May 2013                                          |                                              |               | 13,909,548                                | 223           |
| Less: Transaction cost                               |                                              |               |                                           | (7,177)       |
| Shares on issue at reporting date                    | 9,137,375,877                                | 427,167       | 9,137,375,877                             | 427,167       |

### Share Issue Details

On the 21<sup>st</sup> of December 2012, the Company placed 4,501,997,651 shares at 5 cents per share to Shandong Gold International Mining Corporation Ltd. On the 23<sup>rd</sup> of April and 10<sup>th</sup> of May 2013 the Company issued shares to complete the acquisition of the minority interest in Focus Minerals (Laverton) Ltd.

### Voting Entitlements

At each shareholder's meeting each ordinary share is entitled to one vote on the calling of a poll, otherwise each shareholder is entitled to one vote on a show of hands.

### (b) Options

There were no movements in options on issue during the period.

| Issuing Entity         | Number of Options | Exercise Price<br>Cents per Share | Expiry Date |
|------------------------|-------------------|-----------------------------------|-------------|
| Total options on issue | 13,500,000        | 12.30                             | 30/06/2014  |
|                        | 15,000,000        | 5.00                              | 28/02/2016  |
| Total Options on issue | 28,500,000        |                                   |             |

### (c) Capital Management

Management controls the capital of the Group in order to ensure the Group can fund its operations; continue as a going concern and ensuring compliance with banking covenants. The Group's debt and capital includes ordinary share capital and financial liabilities supported by financial assets and cash and cash equivalents. There are no externally imposed capital requirements. Management effectively manages the Group's capital by assessing the Group's financial risks, adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

The gearing ratios for the Group are as follows:

|                                                  | Consolidated                                 |                                           |
|--------------------------------------------------|----------------------------------------------|-------------------------------------------|
|                                                  | 6 months to<br>31 December<br>2013<br>\$'000 | 12 months to<br>30 June<br>2013<br>\$'000 |
| Total borrowings                                 | 1,246                                        | 10,322                                    |
| Less: cash and cash equivalents                  | (81,239)                                     | (114,159)                                 |
| Net cash                                         | (79,993)                                     | (103,837)                                 |
| Total equity                                     | 138,002                                      | 262,889                                   |
| Total capital                                    | 58,009                                       | 159,052                                   |
| Gearing ratio (net of cash and cash equivalents) | -                                            | -                                         |

(d) Reserves

Movements in the acquisition reserve raised from acquisition of Focus Minerals (Laverton) Pty Ltd and the option reserve as a result of equity settled transactions were as follows:

|                                           | Acquisition reserve<br>\$'000 | Consolidated<br>Reserve – share<br>option<br>\$'000 | Total<br>\$'000 |
|-------------------------------------------|-------------------------------|-----------------------------------------------------|-----------------|
| Balance at 1 July 2012                    | (1,855)                       | 123                                                 | (1,732)         |
| Acquire remaining NCI                     | (5,323)                       | -                                                   | (5,323)         |
| Options issue to acquire tenements        | -                             | 60                                                  | 60              |
| Balance 30 June 2013 and 31 December 2013 | (7,178)                       | 183                                                 | (6,995)         |

The share option reserve arises on the grant of share options. Amounts are transferred out of the reserve and into issued capital when the options are exercised.

Refer Note 19 (b) for movement of issued options.

(e) Dividends

No dividends have been paid or provided for during the six months period ended 31 December 2013 (for the year ended 30 June 2013: Nil).

## NOTE 20: FINANCIAL INSTRUMENTS

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, and short-term investments, accounts receivable and payable, loans to and from subsidiaries, leases, convertible notes and derivatives.

The main purpose of non-derivative financial instruments is to raise finance for group operations.

Derivatives are used by the Group from time to time for hedging purposes such as forward gold sales agreements. The Group does not speculate in the trading of derivative instruments.

### *Treasury Risk Management*

Risks are reviewed by the Audit and Business Risk Committee which consists of Non-Executive Directors and senior staff by invitation. This includes the analysis of financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

The committee's overall risk management strategy seeks to assist the consolidated group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

The finance committee operates under policies approved by the Board of Directors. Risk management policies are reviewed and approved by the Board on a regular basis. These include the use of hedging derivative instruments, credit policies and future cash flow requirements.

### *Financial Risk Exposures and Management*

The main risks the Group is exposed to through its financial instruments are market risk (including interest rate risk and price risk), credit risk and liquidity risk.

#### *Interest Rate Risk*

Interest rate risk is managed with a mixture of fixed and floating rate debt. As at 31 December 2013, 100% of group debt is fixed.

#### *Credit Risk*

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

Credit risk is managed on a group basis and reviewed regularly by the finance committee. It arises from exposures to approved customers as well as deposits with financial institutions.

The Audit and Business Risk Committee monitors credit risk by actively assessing the rating quality and liquidity of counter parties:

- only approved banks and financial are utilised;
- all potential customers are rated for credit worthiness taking into account their size, market position and financial standing.

The Group currently holds its cash and cash equivalents with various financial institutions, all of which hold a credit rating of AA. The Group believes the credit risk exposure to these counterparties is manageable.

Credit risk for derivative financial instruments arises from the potential failure by counter-parties to the contract to meet their obligations.

#### *Liquidity Risk*

The Group manages liquidity risk by monitoring forecast project and operating cash flows and ensuring that a minimum level of uncommitted cash is available for immediate use and consists of cash on deposit and/or utilised borrowing facilities. At the end of the period the Group held deposits at call of \$81.2m (June 2013: \$114.2) that are expected to readily generate cash inflows for managing liquidity risk.

#### *Financing Arrangements*

The bank \$8m term loan was repaid during the period.

#### *Maturities of Financial Liabilities*

The table below analyses the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for:

- All non-derivative financial liabilities
- Net and gross derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

| <b>Contractual maturities of financial liabilities</b> | <b>Less than 6 months</b> | <b>6-12 months</b> | <b>Between 1 and 2 years</b> | <b>Between 2 and 5 years</b> | <b>Over 5 years</b> | <b>Total contractual cash flow</b> | <b>Carrying amount</b> |
|--------------------------------------------------------|---------------------------|--------------------|------------------------------|------------------------------|---------------------|------------------------------------|------------------------|
|                                                        | \$'000                    | \$'000             | \$'000                       | \$'000                       | \$'000              | \$'000                             | \$'000                 |
| <b>At 31 December 2013</b>                             |                           |                    |                              |                              |                     |                                    |                        |
| <b>Non-derivatives</b>                                 |                           |                    |                              |                              |                     |                                    |                        |
| Trade payables                                         | 1,396                     | -                  | -                            | -                            | -                   | 1,396                              | 1,396                  |
| Interest bearing liabilities                           | 835                       | 243                | 233                          | -                            | -                   | 1,311                              | 1,246                  |
| <b>At 30 June 2013</b>                                 |                           |                    |                              |                              |                     |                                    |                        |
| <b>Non-derivatives</b>                                 |                           |                    |                              |                              |                     |                                    |                        |
| Trade payables                                         | 21,206                    | -                  | -                            | -                            | -                   | 21,206                             | 21,206                 |
| Interest bearing liabilities                           | 1,085                     | 9,088              | 540                          | -                            | -                   | 10,713                             | 10,322                 |

#### *Fair Value Measurements*

The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes. The disclosure in the table below is based on the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1),
- Inputs other than quoted prices included within level that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3)

The following table presents the Group's assets and liabilities measured and recognised at fair value as at 31 December 2013 and 30 June 2013:

| <b>At 31 December 2013</b> | <b>Level 1<br/>\$000</b> | <b>Level 2<br/>\$000</b> | <b>Level 3<br/>\$000</b> | <b>Total<br/>\$000</b> |
|----------------------------|--------------------------|--------------------------|--------------------------|------------------------|
| <b>Assets</b>              |                          |                          |                          |                        |
| Equity securities          | 600                      | -                        | -                        | 600                    |
| <b>Total Assets</b>        | 600                      | -                        | -                        | 600                    |
|                            |                          |                          |                          |                        |
| <b>Liabilities</b>         |                          |                          |                          |                        |
| Finance lease liabilities  | -                        | 1,246                    | -                        | 1,246                  |
| <b>Total liabilities</b>   | -                        | 1,246                    | -                        | 1,246                  |

| <b>At 30 June 2013</b>    | <b>Level 1<br/>\$000</b> | <b>Level 2<br/>\$000</b> | <b>Level 3<br/>\$000</b> | <b>Total<br/>\$000</b> |
|---------------------------|--------------------------|--------------------------|--------------------------|------------------------|
| <b>Assets</b>             |                          |                          |                          |                        |
| Equity securities         | 467                      | -                        | -                        | 467                    |
| <b>Total Assets</b>       | 467                      | -                        | -                        | 467                    |
|                           |                          |                          |                          |                        |
| <b>Liabilities</b>        |                          |                          |                          |                        |
| Finance lease liabilities | -                        | 2,322                    | -                        | 2,322                  |
| Borrowings                | -                        | 8,000                    | -                        | 8,000                  |
| <b>Total liabilities</b>  | -                        | 10,322                   | -                        | 10,322                 |

Aggregate fair values and carrying values of financial assets and financial liabilities at balance date.

|                                        | <b>31 December 2013</b>               |                                      | <b>30 June 2013</b>                   |                                      |
|----------------------------------------|---------------------------------------|--------------------------------------|---------------------------------------|--------------------------------------|
| Consolidated                           | <b>Carrying<br/>Amount<br/>\$'000</b> | <b>Net<br/>Fair Value<br/>\$'000</b> | <b>Carrying<br/>Amount<br/>\$'000</b> | <b>Net<br/>Fair Value<br/>\$'000</b> |
| <b>Financial assets</b>                |                                       |                                      |                                       |                                      |
| Cash and cash equivalents              | 81,239                                | 81,239                               | 114,159                               | 114,159                              |
| Restricted cash                        | 18,201                                | 18,201                               | 25,432                                | 25,432                               |
| Other financial assets                 | 600                                   | 600                                  | 467                                   | 467                                  |
| Loans and receivables                  | 813                                   | 813                                  | 2,105                                 | 2,105                                |
| <b>Total</b>                           | <b>100,853</b>                        | <b>100,853</b>                       | <b>142,163</b>                        | <b>142,163</b>                       |
|                                        |                                       |                                      |                                       |                                      |
| Trade and other payables               | 1,395                                 | 1,395                                | 21,206                                | 21,206                               |
| Interest bearing liabilities – note 18 | 1,245                                 | 1,245                                | 10,322                                | 10,322                               |
|                                        | 2,640                                 | 2,640                                | 31,528                                | 31,528                               |

#### **Sensitivity Analysis**

##### *Interest Rate Analysis*

At 31 December 2013, the Group had \$18.201m invested in security deposits and performance bonds and \$81.239m cash and cash equivalents. A 1% increase / (decrease) in the interest rate would impact the interest earned by \$994,400 / (\$994,400) respectively.

##### *Investment in Listed Shares*

The Group holds 3,333,333 shares in McPhersons Reward Ltd. A 10% increase / (decrease) in the share price would result in an increase / (decrease) in the value of the investment by \$60,000 / (\$60,000).

**NOTE 21: COMMITMENTS AND CONTINGENCIES***Operating Lease Commitments – Group as Lessee*

The Group has entered into commercial leases on certain office and regional residential accommodation. These leases have a life of one to five year with renewal options included in some lease contracts. Future minimum rentals payable under non-cancellable operating leases as at 31 December 2013 are as follows:

|                                             | <b>Consolidated</b> |                |
|---------------------------------------------|---------------------|----------------|
|                                             | <b>31 December</b>  | <b>30 June</b> |
|                                             | <b>2013</b>         | <b>2013</b>    |
|                                             | <b>\$'000</b>       | <b>\$'000</b>  |
| Office Accommodation                        |                     |                |
| Within one year                             | <b>265</b>          | 687            |
| After one year but not more than five years | <b>861</b>          | 1,766          |
| More than five years                        | -                   | -              |
| Total                                       | <b>1,126</b>        | 2,453          |

*Finance Lease and Hire Purchase Commitments – Group as Lessee*

The Group has finance leases for various items of plant and machinery. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

|                                             | <b>31 December 2013</b>                  |                                                   | <b>30 June 2013</b>                      |                                                   |
|---------------------------------------------|------------------------------------------|---------------------------------------------------|------------------------------------------|---------------------------------------------------|
|                                             | <b>Minimum lease payments<br/>\$'000</b> | <b>Present value of lease payments<br/>\$'000</b> | <b>Minimum lease payments<br/>\$'000</b> | <b>Present value of lease payments<br/>\$'000</b> |
| <b>CONSOLIDATED</b>                         |                                          |                                                   |                                          |                                                   |
| Within one year                             | 1,078                                    | 1,018                                             | 1,946                                    | 1,808                                             |
| After one year but not more than five years | 233                                      | 228                                               | 540                                      | 514                                               |
| Total minimum lease payments                | 1,311                                    | 1,246                                             | 2,486                                    | 2,322                                             |
| Less amounts representing finance charges   | (65)                                     | -                                                 | (164)                                    | -                                                 |
| Present value of minimum lease payments     | 1,246                                    | 1,246                                             | 2,322                                    | 2,322                                             |

The weighted average interest rate impact on the leases for both the Group and the Parent at 31 December 2013 is 8.9% (at 30 June 2013: 8.9 %).

*Contingent Liability*

There are no contingent liabilities.

**NOTE 22: CONTROLLED ENTITIES**

The consolidated financial statements include the financial statements of Focus Minerals Ltd and the subsidiaries listed below:

| <i>Name</i>                                    | <i>Country of<br/>Incorporation</i> | <i>% Equity Interest</i> |                     |
|------------------------------------------------|-------------------------------------|--------------------------|---------------------|
|                                                |                                     | <b>31 December 2013</b>  | <b>30 June 2013</b> |
| Austminex Pty Ltd                              | Australia                           | 100%                     | 100%                |
| Focus Operation Pty Ltd                        | Australia                           | 100%                     | 100%                |
| Underground Drilling Services Pty Ltd          | Australia                           | 100%                     | 100%                |
| Focus Minerals (Laverton) Pty Ltd <sup>1</sup> | Australia                           | 100%                     | 100%                |
| Laverton Nickel Pty Ltd                        | Australia                           | 100%                     | 100%                |
| Uranium West Ltd                               | Australia                           | 100%                     | 100%                |

1. Focus Minerals (Laverton) Ltd changed its name and status on 4th July 2013 to Focus Minerals (Laverton) Pty Ltd.

## NOTE 23: PARENT ENTITY

The parent company throughout the period ended 31 December 2013 was Focus Minerals Limited.

|                                                          | <b>Parent Entity</b>                                   |                                                     |
|----------------------------------------------------------|--------------------------------------------------------|-----------------------------------------------------|
|                                                          | <b>6 months to<br/>31 December<br/>2013<br/>\$'000</b> | <b>12 months to<br/>30 June<br/>2013<br/>\$'000</b> |
| <b>Results of the parent entity</b>                      |                                                        |                                                     |
| Loss for the period                                      | (132,792)                                              | (158,503)                                           |
| Other comprehensive income                               | -                                                      | -                                                   |
| Total comprehensive loss for the period                  | (132,792)                                              | (158,503)                                           |
| <b>Financial position of parent entity at period end</b> |                                                        |                                                     |
| Current assets                                           | 80,585                                                 | 121,840                                             |
| Total assets                                             | 94,064                                                 | 240,865                                             |
| Current Liabilities                                      | 1,754                                                  | 15,343                                              |
| Total liabilities                                        | 2,315                                                  | 16,244                                              |
| <b>Total equity of parent entity comprising of:</b>      |                                                        |                                                     |
| Share capital                                            | 427,167                                                | 427,167                                             |
| Option reserve                                           | 182                                                    | 182                                                 |
| Accumulative losses                                      | (335,601)                                              | (202,728)                                           |
| <b>Total equity</b>                                      | <b>91,749</b>                                          | <b>224,621</b>                                      |

### *Ultimate Controlling Entity*

The ultimate controlling entity is Shandong Gold Group Co., Ltd.

### *Financial Support for controlled entities.*

The parent entity Focus Minerals Ltd is providing and will continue to provide financial support to all its controlled entities. The amounts owing for intercompany loans are detailed in the segment note and will not be called upon whilst the respective entities are controlled entities.

## NOTE 24: RELATED PARTY DISCLOSURE

### *Subsidiaries*

Interests in subsidiaries are set out in note 22.

### *Key Management Personnel*

Disclosures relating to key management personnel are set out in note 26.

### *Terms and Conditions of Transactions with Related Parties*

Sales to and purchases from related parties are made in arm's length transactions both at normal market prices and on normal commercial terms.

Loan balances outstanding at year-end are unsecured, interest free and settlement occurs in cash.

For the period ended 31 December 2013, the Group has not made any allowance for doubtful debts relating to amounts owed by related parties due to solid payment history (June 2013: \$nil). An impairment assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates to determine whether there is objective evidence that a related party receivable is impaired. When such objective evidence exists, the Group recognises an allowance for the impairment loss.

### *Transactions and Balances with Related Parties*

Mr Fahey is a Director of CSA Global which provided technical consulting services to the Group. Technical services provided by CSA Global for the period totalled \$nil (June 2013:\$111,000).

## NOTE 25: AUDITORS' REMUNERATION

The auditors of Focus Minerals Limited are PricewaterhouseCoopers.

|                                                                                                                | 6 months to<br>31 December<br>2013<br>\$'000 | 12 months to<br>30 June<br>2013<br>\$'000 |
|----------------------------------------------------------------------------------------------------------------|----------------------------------------------|-------------------------------------------|
| Amounts received or due and receivable by PricewaterhouseCoopers                                               |                                              |                                           |
| <i>An audit or review of the financial report of the entity and any other entity in the consolidated group</i> | 132                                          | 275                                       |
| Other services in relation to the entity and any other entity in the consolidated group:                       |                                              |                                           |
| <i>Taxation services</i>                                                                                       | -                                            | -                                         |
| <i>Other services</i>                                                                                          | -                                            | 5                                         |
| <i>Due diligence services</i>                                                                                  | -                                            | 309                                       |
|                                                                                                                | 132                                          | 589                                       |

## NOTE 26: DIRECTORS' AND EXECUTIVE DISCLOSURES

### (a) Remuneration of the key management personnel for the six months ended 31 December 2013

| '\$000                        | Short-Term Benefits |            |            | Post-Employment Benefits |          | Total        | %        |
|-------------------------------|---------------------|------------|------------|--------------------------|----------|--------------|----------|
|                               | Salary              | Fees       | Other      | Super-annuation          | Bonus    |              |          |
| <b>Current Directors</b>      |                     |            |            |                          |          |              |          |
| Jisheng Lu <sup>14</sup>      | -                   | 39         | -          | -                        | -        | 39           | -        |
| Yuhuan Ge <sup>14</sup>       | -                   | 25         | -          | -                        | -        | 25           | -        |
| Wanghong Yang <sup>14</sup>   | 82                  | 25         | -          | 9                        | -        | 116          | -        |
| Gerry Fahey                   | -                   | 25         | -          | 2                        | -        | 27           | -        |
| Bruce McComish                | -                   | 33         | -          | 3                        | -        | 36           | -        |
| Zaiqian Zhang                 | 44                  | -          | -          | 4                        | -        | 48           | -        |
| <b>Former Directors</b>       |                     |            |            |                          |          |              |          |
| Zhongyi Li <sup>14</sup>      | -                   | -          | -          | -                        | -        | -            | -        |
| Dahui Zhang <sup>14</sup>     | -                   | -          | -          | -                        | -        | -            | -        |
| Michael Guo <sup>14</sup>     | -                   | -          | -          | -                        | -        | -            | -        |
| Phillip Lockyer <sup>15</sup> |                     | 21         | 25         | 2                        | -        | 48           | -        |
| Donald Taig <sup>16</sup>     | 211                 | 34         | 80         | 25                       | -        | 350          | -        |
| <b>Current Executives</b>     |                     |            |            |                          |          |              |          |
| Paul Fromson                  | 132                 | -          | 177        | 12                       | -        | 321          | -        |
| <b>Total</b>                  | <b>469</b>          | <b>202</b> | <b>282</b> | <b>57</b>                | <b>-</b> | <b>1,010</b> | <b>-</b> |

<sup>14</sup> According to their employment contracts, their Director fees belong to Shandong Gold

<sup>15</sup> Pursuant to his contract and Focus policy, Mr Lockyer was paid \$25,000 on his retirement, representing fifty percent of his annual Director fees for seven years' service.

<sup>16</sup> Pursuant to his contract and Focus policy, Mr Taig was paid \$80,000 on his retirement, representing one hundred percent of his annual Director fees for ten years' service.

Remuneration of the key management personnel for the twelve months ended 30 June 2013

| '\$000                         | Short-Term Benefits |            | Post-Employment Benefits |           | Total        | % Performance Related |
|--------------------------------|---------------------|------------|--------------------------|-----------|--------------|-----------------------|
|                                | Salary & Fees       | Other      | Super-annuation          | Bonus     |              |                       |
| <b>Then Current Directors</b>  |                     |            |                          |           |              |                       |
| Donald Taig                    | 480                 | -          | 34                       | -         | 514          | -                     |
| Phillip Lockyer                | 52                  | -          | 5                        | -         | 57           | -                     |
| Gerry Fahey                    | 60                  | -          | 5                        | -         | 65           | -                     |
| Bruce McComish                 | 59                  | -          | 5                        | -         | 64           | -                     |
| Zhongyi Li                     | 32                  | -          | -                        | -         | 32           | -                     |
| Dahui Zhang                    | 32                  | -          | -                        | -         | 32           | -                     |
| Michael Guo                    | 32                  | -          | -                        | -         | 32           | -                     |
| Zaiqian Zhang                  | -                   | -          | -                        | -         | -            | -                     |
|                                |                     |            |                          |           |              |                       |
| <b>Then Current Executives</b> |                     |            |                          |           |              |                       |
| Mark Hine                      | 370                 | -          | 35                       | 20        | 425          | 4.7%                  |
| Paul Fromson                   | 293                 | -          | 26                       | -         | 319          | -                     |
|                                |                     |            |                          |           |              |                       |
| <b>Former Executives</b>       |                     |            |                          |           |              |                       |
| Campbell Baird                 | 152                 | 207        | 32                       | -         | 392          | -                     |
| <b>Total</b>                   | <b>1,562</b>        | <b>207</b> | <b>142</b>               | <b>20</b> | <b>1,932</b> | <b>-</b>              |

**(b) Compensation options:**

No share options have been granted to the Non-Executive members of the Board of Directors.

*Options holdings of Key Management Personnel*

At beginning, during and end of the six months period ended 31 December 2013, no key management personnel held any options.

There were no options held by Key Management Personnel.

(c) Shareholdings of Key Management Personnel

|                     | Balance<br>30 June 2013 |          | Granted as<br>remuneration |          | Purchases |          | Balance<br>31 December 2013 |          |
|---------------------|-------------------------|----------|----------------------------|----------|-----------|----------|-----------------------------|----------|
| 31 December<br>2013 | Shares                  | Options  | Shares                     | Options  | Shares    | Options  | Shares                      | Options  |
| Directors           |                         |          |                            |          |           |          |                             |          |
| Jisheng Lu          | -                       | -        | -                          | -        | -         | -        | -                           | -        |
| Yuhuan Ge           | -                       | -        | -                          | -        | -         | -        | -                           | -        |
| Wanghong Yang       | -                       | -        | -                          | -        | -         | -        | -                           | -        |
| Gerry Fahey         | 641,000                 | -        | -                          | -        | -         | -        | 641,000                     | -        |
| Bruce McComish      | 250,000                 | -        | -                          | -        | -         | -        | 250,000                     | -        |
| Zaiqian Zhang       | -                       | -        | -                          | -        | -         | -        | -                           | -        |
| Management          |                         |          |                            |          |           |          |                             |          |
| Paul Fromson        | 500,000                 | -        | -                          | -        | -         | -        | 500,000                     | -        |
| <b>Total</b>        | <b>1,391,000</b>        | <b>-</b> | <b>-</b>                   | <b>-</b> | <b>-</b>  | <b>-</b> | <b>1,391,000</b>            | <b>-</b> |

There are no movements of shareholdings of former Key Management Personnel during the time they were Key Management Personnel.

|                 | Balance<br>1 July 2012 |          | Granted as<br>remuneration |          | Purchases        |          | Balance<br>30 June 2013 |          |
|-----------------|------------------------|----------|----------------------------|----------|------------------|----------|-------------------------|----------|
| 30 June 2013    | Shares                 | Options  | Shares                     | Options  | Shares           | Options  | Shares                  | Options  |
| Directors       |                        |          |                            |          |                  |          |                         |          |
| Donald Taig     | 11,963,259             | -        | -                          | -        | 2,000,000        | -        | 13,963,259              | -        |
| Phillip Lockyer | 594,523                | -        | -                          | -        | 255,000          | -        | 849,523                 | -        |
| Gerry Fahey     | -                      | -        | -                          | -        | 641,000          | -        | 641,000                 | -        |
| Bruce McComish  | -                      | -        | -                          | -        | 250,000          | -        | 250,000                 | -        |
| Management      |                        |          |                            |          |                  |          |                         |          |
| Paul Fromson    | 500,000                | -        | -                          | -        | -                | -        | 500,000                 | -        |
| Mark Hine       | -                      | -        | -                          | -        | -                | -        | -                       | -        |
| <b>Total</b>    | <b>13,057,782</b>      | <b>-</b> | <b>-</b>                   | <b>-</b> | <b>3,146,000</b> | <b>-</b> | <b>16,203,782</b>       | <b>-</b> |

As at 31 December 2013, certain Directors are employees and representatives of Shandong Gold International Mining Corporation Limited. Shandong Gold International Mining Corporation Limited holds 4,501,997,651 shares in Focus Minerals Limited.

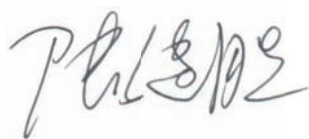
**NOTE 27: SIGNIFICANT EVENTS AFTER BALANCE DATE**

There has not been any matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial periods.

## DIRECTORS' DECLARATION

1. In the opinion of the Directors of Focus Minerals Limited (the "Company"):
  - (a) the financial statements and notes set out on pages 31 to 72 and the remuneration disclosures that are contained in pages 23 to 28 of the Remuneration Report in the Directors' Report, are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of the Group's financial position as at 31 December 2013 and of their performance, for the six month period ended on that date;
    - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
    - (iii) complying with International Financial Reporting Standards as disclosed in Note 1.
  - (b) the remuneration disclosures that are contained in page 23 to 28 of the Remuneration Report in the Directors' Report comply with Australian Accounting Standard AASB 124 Related Party Disclosures and
  - (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the six month period ended 31 December 2013.

Signed in accordance with a resolution of the Directors:



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**Jisheng Lu**

Chairman

31 March 2014



## **Independent auditor's report to the members of Focus Minerals Ltd**

### ***Report on the financial report***

We have audited the accompanying financial report of Focus Minerals Ltd (the company), which comprises the statement of financial position as at 31 December 2013, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the period 1 July 2013 to 31 December 2013, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Focus Minerals Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the period's end or from time to time during the financial period.

### ***Directors' responsibility for the financial report***

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

### ***Auditor's responsibility***

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Independence***

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

---

PricewaterhouseCoopers, ABN 52 780 433 757  
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Liability limited by a scheme approved under Professional Standards Legislation.



#### *Auditor's opinion*

In our opinion:

- (a) the financial report of Focus Minerals Ltd is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the six months period ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

#### *Report on the Remuneration Report*

We have audited the remuneration report included in pages 23 to 28 of the directors' report for the period ended 31 December 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

#### *Auditor's opinion*

In our opinion, the remuneration report of Focus Minerals Ltd for the period ended 31 December 2013 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

Tim Goldsmith  
Partner

Melbourne  
31 March 2014

## SHAREHOLDER INFORMATION

Additional information required by the Australian Securities Exchange Listing Rules and not disclosed elsewhere in this report. The information was prepared based on share registry information processed up to the 24<sup>th</sup> of March 2014.

### Spread of Holders

| Spread of Holdings      |                    | Shareholders  |
|-------------------------|--------------------|---------------|
|                         | 1 - 1,000          | 362           |
|                         | 1,001 - 5,000      | 512           |
|                         | 5,001 - 10,000     | 1,068         |
|                         | 10,001 - 100,000   | 5,580         |
|                         | 100,001 - and over | 3,379         |
| Total Number of Holders |                    | <u>10,901</u> |

Number of shareholders holding less than a marketable parcel: 4,045 shareholders each hold less than 29,412 ordinary shares.

### Substantial Shareholders

As at 2 April 2014 the following had notified the Company as being substantial shareholders:

|                                                        |                               |
|--------------------------------------------------------|-------------------------------|
| Shandong Gold International Mining Corporation Limited | 4,525,997,651 ordinary shares |
| Van Eck Associates Corporation                         | 472,162,078 ordinary shares   |

### Voting Rights

All ordinary shares carry one vote per share without restriction. Options for ordinary shares do not carry any voting rights.

### Statement of Quoted Securities

Quoted on the Australian Securities Exchange are 9,137,375,877 ordinary shares.

**Twenty Largest Shareholders of Each Class of Quoted Securities  
Ordinary Fully Paid Shares at 24 March 2014**

| <b>No.</b> | <b>Shareholder Name</b>                                             | <b>Number of<br/>Shares</b> | <b>Percentage<br/>of Capital</b> |
|------------|---------------------------------------------------------------------|-----------------------------|----------------------------------|
| 1          | SHANDONG GOLD INTERNATIONAL MINING CORPORATION LIMITED              | 4,501,997,651               | 49.27                            |
| 2          | JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>              | 707,912,634                 | 7.75                             |
| 3          | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED                           | 546,249,694                 | 5.98                             |
| 4          | NATIONAL NOMINEES LIMITED                                           | 528,350,839                 | 5.78                             |
| 5          | NATIONAL AUSTRALIA TRUSTEES LIMITED <12849500 A/C>                  | 246,047,887                 | 2.69                             |
| 6          | CITICORP NOMINEES PTY LIMITED                                       | 184,044,317                 | 2.01                             |
| 7          | J P MORGAN NOMINEES AUSTRALIA LIMITED                               | 44,825,775                  | 0.49                             |
| 8          | MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED                      | 40,165,387                  | 0.44                             |
| 9          | PETER ERMAN PTY LIMITED <SUPERANNUATION FUND A/C>                   | 24,527,182                  | 0.27                             |
| 10         | MRS RITA MAY GODFREY                                                | 22,966,000                  | 0.25                             |
| 11         | MR GRAHAM EDWARD DUNJEY +<br>MRS LINDA MARY DUNJEY <DUNJEY S/F A/C> | 19,516,266                  | 0.21                             |
| 12         | BROADARROW GOLDMINES PTY LTD                                        | 18,116,224                  | 0.20                             |
| 13         | GEARED INVESTMENTS PTY LTD <INVESTMENT A/C>                         | 18,000,000                  | 0.20                             |
| 14         | CR INVESTMENTS PTY LTD                                              | 17,145,966                  | 0.19                             |
| 15         | MRS ETERNALINA ELLIS                                                | 16,000,000                  | 0.18                             |
| 16         | MR GRAHAM PAUL ELLIS                                                | 16,000,000                  | 0.18                             |
| 17         | KAHUNA CLOTHING AND TRADING CO PTY LTD<br><UTTLEYMOORE S/F A/C>     | 15,000,000                  | 0.16                             |
| 18         | LUJETA PTY LTD <THE MARGARET ACCOUNT>                               | 15,000,000                  | 0.16                             |
| 19         | EAU ROUGE PTY LIMITED <BECCAIO A/C>                                 | 12,388,888                  | 0.14                             |
| 20         | MR DAVID TEOH                                                       | 10,925,048                  | 0.12                             |
|            | Total                                                               | 7,005,179,758               | 76.67                            |

**Holders of Securities of an Unquoted Class  
Options**

| <b>Option Holder Name</b> | <b>Options Expiring<br/>30/06/2014</b> | <b>Options Expiring<br/>28/02/2016</b> |
|---------------------------|----------------------------------------|----------------------------------------|
| Charles McCormick         | 2,500,000                              | 2,500,000                              |
| Dean Goodwin              | 5,000,000                              |                                        |
| Neil LeFebvre             | 5,000,000                              |                                        |
| Mark Rigby                | 1,000,000                              |                                        |
| Semro Pty Ltd             |                                        | 15,000,000                             |
| Total                     | 13,500,000                             | 17,500,000                             |

## INTEREST IN MINING TENEMENTS

Coolgardie Gold Project - Focus Minerals Ltd and its 100% subsidiaries

| State | Project     | Tenement | Status  | Interest | State | Project    | Tenement | Status  | Interest |
|-------|-------------|----------|---------|----------|-------|------------|----------|---------|----------|
| WA    | Bayleys     | G15/7    | Live    | 100%     | WA    | Gunga      | L15/283  | Live    | 100%     |
| WA    | Bayleys     | M15/630  | Live    | 100%     | WA    | Lake Cowan | E15/986  | Live    | 100%     |
| WA    | Bayleys     | M15/1433 | Live    | 100%     | WA    | Lake Cowan | E15/1224 | Live    | 100%     |
| WA    | Bayleys     | M15/1788 | Live    | 100%     | WA    | Lord Bob   | M15/385  | Live    | 100%     |
| WA    | Bayleys     | P15/4912 | Live    | 100%     | WA    | Lord Bob   | M15/664  | Live    | 100%     |
| WA    | Bayleys     | P15/5717 | Live    | 100%     | WA    | Lord Bob   | M15/1789 | Live    | 100%     |
| WA    | Bayleys     | L15/34   | Live    | 100%     | WA    | Lord Bob   | P15/4829 | Live    | 100%     |
| WA    | Bayleys     | L15/122  | Live    | 100%     | WA    | Lord Bob   | P15/4916 | Live    | 100%     |
| WA    | Bayleys     | L15/161  | Live    | 100%     | WA    | Lord Bob   | P15/4917 | Live    | 100%     |
| WA    | Bayleys     | L15/164  | Live    | 100%     | WA    | Lord Bob   | P15/4950 | Live    | 100%     |
| WA    | Bayleys     | L15/186  | Live    | 100%     | WA    | Lord Bob   | P15/4951 | Live    | 100%     |
| WA    | Bonnie Vale | M15/277  | Live    | 100%     | WA    | Lord Bob   | P15/4952 | Live    | 100%     |
| WA    | Bonnie Vale | M15/365  | Live    | 100%     | WA    | Lord Bob   | P15/4953 | Live    | 100%     |
| WA    | Bonnie Vale | M15/595  | Live    | 100%     | WA    | Lord Bob   | P15/4956 | Live    | 100%     |
| WA    | Bonnie Vale | M15/662  | Live    | 100%     | WA    | Lord Bob   | P15/5227 | Live    | 100%     |
| WA    | Bonnie Vale | M15/711  | Live    | 100%     | WA    | Lord Bob   | P15/5550 | Live    | 100%     |
| WA    | Bonnie Vale | M15/770  | Live    | 100%     | WA    | Lord Bob   | P15/5712 | Pending | 100%     |
| WA    | Bonnie Vale | M15/852  | Live    | 100%     | WA    | Lord Bob   | P15/5731 | Live    | 100%     |
| WA    | Bonnie Vale | M15/857  | Live    | 100%     | WA    | Lord Bob   | P15/5733 | Live    | 100%     |
| WA    | Bonnie Vale | M15/877  | Live    | 100%     | WA    | Lord Bob   | P15/5735 | Live    | 100%     |
| WA    | Bonnie Vale | M15/981  | Live    | 100%     | WA    | Lord Bob   | L15/51   | Live    | 100%     |
| WA    | Bonnie Vale | M15/1384 | Live    | 100%     | WA    | Lord Bob   | L15/59   | Live    | 100%     |
| WA    | Bonnie Vale | M15/1444 | Live    | 100%     | WA    | Lord Bob   | L15/63   | Live    | 100%     |
| WA    | Bonnie Vale | M15/1760 | Live    | 100%     | WA    | Lord Bob   | L15/77   | Live    | 100%     |
| WA    | Bonnie Vale | P15/5155 | Live    | 100%     | WA    | Lord Bob   | L15/78   | Live    | 100%     |
| WA    | Bonnie Vale | P15/5156 | Live    | 100%     | WA    | Mount      | M15/30   | Live    | 100%     |
| WA    | Bonnie Vale | P15/5158 | Live    | 100%     | WA    | Mount      | M15/1423 | Live    | 100%     |
| WA    | Bonnie Vale | P15/5159 | Live    | 100%     | WA    | Mount      | M15/1431 | Live    | 100%     |
| WA    | Bonnie Vale | P15/5190 | Live    | 100%     | WA    | Mount      | P15/4906 | Live    | 100%     |
| WA    | Bonnie Vale | P15/5238 | Live    | 100%     | WA    | Mount      | P15/4907 | Live    | 100%     |
| WA    | Bonnie Vale | P15/5253 | Live    | 100%     | WA    | Mount      | P15/5495 | Live    | 100%     |
| WA    | Bonnie Vale | P15/5254 | Live    | 100%     | WA    | Mount      | P15/5500 | Live    | 100%     |
| WA    | Bonnie Vale | P15/5255 | Live    | 100%     | WA    | Mount      | P15/5501 | Live    | 100%     |
| WA    | Bonnie Vale | P15/5704 | Pending | 100%     | WA    | Mount      | P15/5716 | Live    | 100%     |
| WA    | Bonnie Vale | P15/5713 | Live    | 100%     | WA    | Mount      | L15/325  | Live    | 100%     |
| WA    | Bonnie Vale | P15/5714 | Live    | 100%     | WA    | Mount      | L15/327  | Pending | 100%     |
| WA    | Bonnie Vale | L15/126  | Live    | 100%     | WA    | Mount      | L15/338  | Live    | 100%     |
| WA    | Bonnie Vale | L15/127  | Live    | 100%     | WA    | Mount      | L15/343  | Pending | 100%     |
| WA    | Bonnie Vale | L15/130  | Live    | 100%     | WA    | Nepean     | M15/709  | Live    | 100%     |
| WA    | Bonnie Vale | L15/200  | Live    | 100%     | WA    | Nepean     | M15/1809 | Live    | 100%     |
| WA    | Bonnie Vale | L15/211  | Live    | 100%     | WA    | Nepean     | P15/5248 | Live    | 100%     |
| WA    | Gunga       | M15/1341 | Live    | 100%     | WA    | Nepean     | P15/5519 | Live    | 100%     |
| WA    | Gunga       | M15/1357 | Live    | 100%     | WA    | Nepean     | P15/5574 | Live    | 100%     |
| WA    | Gunga       | M15/1358 | Live    | 100%     | WA    | Nepean     | P15/5575 | Live    | 100%     |
| WA    | Gunga       | M15/1359 | Live    | 100%     | WA    | Nepean     | P15/5576 | Live    | 100%     |
| WA    | Gunga       | P15/5256 | Live    | 100%     | WA    | Nepean     | P15/5625 | Live    | 100%     |
| WA    | Gunga       | P15/5702 | Pending | 100%     | WA    | Nepean     | P15/5626 | Live    | 100%     |
| WA    | Gunga       | P15/5703 | Pending | 100%     | WA    | Nepean     | P15/5629 | Live    | 100%     |
| WA    | Gunga       | L15/88   | Live    | 100%     | WA    | Nepean     | P15/5738 | Live    | 100%     |
| WA    | Gunga       | L15/90   | Live    | 100%     | WA    | Nepean     | P15/5739 | Live    | 100%     |
| WA    | Gunga       | L15/95   | Live    | 100%     | WA    | Nepean     | P15/5740 | Live    | 100%     |
| WA    | Gunga       | L15/96   | Live    | 100%     | WA    | Nepean     | P15/5741 | Live    | 100%     |
| WA    | Gunga       | L15/114  | Live    | 100%     | WA    | Nepean     | P15/5742 | Live    | 100%     |
| WA    | Gunga       | L15/116  | Live    | 100%     | WA    | Nepean     | P15/5743 | Live    | 100%     |
| WA    | Gunga       | L15/119  | Live    | 100%     | WA    | Nepean     | P15/5749 | Live    | 100%     |

| State | Project         | Tenement | Status | Interest |
|-------|-----------------|----------|--------|----------|
| WA    | Nepean          | P15/5750 | Live   | 100%     |
| WA    | Nepean          | L15/27   | Live   | 100%     |
| WA    | Nepean          | L15/28   | Live   | 100%     |
| WA    | Nepean          | L15/179  | Live   | 100%     |
| WA    | Nepean          | L15/193  | Live   | 100%     |
| WA    | Nepean          | L15/194  | Live   | 100%     |
| WA    | Nepean          | L15/294  | Live   | 100%     |
| WA    | Norris          | M15/384  | Live   | 100%     |
| WA    | Norris          | M15/391  | Live   | 100%     |
| WA    | Norris          | M15/515  | Live   | 100%     |
| WA    | Norris          | M15/761  | Live   | 100%     |
| WA    | Norris          | M15/791  | Live   | 100%     |
| WA    | Norris          | M15/871  | Live   | 100%     |
| WA    | Norris          | M15/1153 | Live   | 100%     |
| WA    | Norris          | M15/1422 | Live   | 100%     |
| WA    | Norris          | M15/1793 | Live   | 100%     |
| WA    | Norris          | P15/5241 | Live   | 100%     |
| WA    | Norris          | P15/5522 | Live   | 100%     |
| WA    | Norris          | P15/5527 | Live   | 100%     |
| WA    | Norris          | P15/5528 | Live   | 100%     |
| WA    | Norris          | P15/5729 | Live   | 100%     |
| WA    | Norris          | P15/5730 | Live   | 100%     |
| WA    | Norris          | P15/5732 | Live   | 100%     |
| WA    | Norris          | P15/5734 | Live   | 100%     |
| WA    | Norris          | P15/5736 | Live   | 100%     |
| WA    | Norris          | P15/5756 | Live   | 100%     |
| WA    | Norris          | P15/5807 | Live   | 100%     |
| WA    | Norris          | L15/71   | Live   | 100%     |
| WA    | Norris          | L15/168  | Live   | 100%     |
| WA    | Norris          | L15/169  | Live   | 100%     |
| WA    | Norris          | L15/170  | Live   | 100%     |
| WA    | Norris          | L15/171  | Live   | 100%     |
| WA    | Norris          | L15/172  | Live   | 100%     |
| WA    | Norris          | L15/173  | Live   | 100%     |
| WA    | Norris          | L15/174  | Live   | 100%     |
| WA    | Norris          | L15/175  | Live   | 100%     |
| WA    | Three Mile Hill | M15/150  | Live   | 100%     |
| WA    | Three Mile Hill | M15/154  | Live   | 100%     |
| WA    | Three Mile Hill | M15/636  | Live   | 100%     |

| State | Project         | Tenement | Status | Interest |
|-------|-----------------|----------|--------|----------|
| WA    | Three Mile Hill | M15/645  | Live   | 100%     |
| WA    | Three Mile Hill | M15/781  | Live   | 100%     |
| WA    | Three Mile Hill | M15/827  | Live   | 100%     |
| WA    | Three Mile Hill | M15/1432 | Live   | 100%     |
| WA    | Three Mile Hill | M15/1434 | Live   | 100%     |
| WA    | Three Mile Hill | P15/4913 | Live   | 100%     |
| WA    | Three Mile Hill | P15/4926 | Live   | 100%     |
| WA    | Three Mile Hill | L15/42   | Live   | 100%     |
| WA    | Three Mile Hill | L15/123  | Live   | 100%     |
| WA    | Three Mile Hill | L15/177  | Live   | 100%     |
| WA    | Tindals         | M15/23   | Live   | 100%     |
| WA    | Tindals         | M15/237  | Live   | 100%     |
| WA    | Tindals         | M15/410  | Live   | 100%     |
| WA    | Tindals         | M15/411  | Live   | 100%     |
| WA    | Tindals         | M15/412  | Live   | 100%     |
| WA    | Tindals         | M15/646  | Live   | 100%     |
| WA    | Tindals         | M15/660  | Live   | 100%     |
| WA    | Tindals         | M15/675  | Live   | 100%     |
| WA    | Tindals         | M15/958  | Live   | 100%     |
| WA    | Tindals         | M15/966  | Live   | 100%     |
| WA    | Tindals         | M15/1114 | Live   | 100%     |
| WA    | Tindals         | M15/1262 | Live   | 100%     |
| WA    | Tindals         | M15/1293 | Live   | 100%     |
| WA    | Tindals         | M15/1294 | Live   | 100%     |
| WA    | Tindals         | M15/1461 | Live   | 100%     |
| WA    | Tindals         | P15/4810 | Live   | 100%     |
| WA    | Tindals         | P15/4933 | Live   | 100%     |
| WA    | Tindals         | P15/4934 | Live   | 100%     |
| WA    | Tindals         | P15/4935 | Live   | 100%     |
| WA    | Tindals         | P15/4941 | Live   | 100%     |
| WA    | Tindals         | P15/4943 | Live   | 100%     |
| WA    | Tindals         | P15/4945 | Live   | 100%     |
| WA    | Tindals         | P15/4947 | Live   | 100%     |
| WA    | Tindals         | P15/5046 | Live   | 100%     |
| WA    | Tindals         | P15/5048 | Live   | 100%     |
| WA    | Tindals         | P15/5209 | Live   | 100%     |
| WA    | Tindals         | P15/5464 | Live   | 100%     |
| WA    | Tindals         | L15/213  | Live   | 100%     |

# Laverton Gold Project - Focus Minerals (Laverton) Ltd

| State | Project          | Tenement  | Status  | Interest |
|-------|------------------|-----------|---------|----------|
| WA    | Barnicoat        | M38/264   | Live    | 100%     |
| WA    | Barnicoat        | M38/318   | Live    | 100%     |
| WA    | Barnicoat        | M38/376   | Live    | 100%     |
| WA    | Barnicoat        | M38/377   | Live    | 100%     |
| WA    | Barnicoat        | M38/387   | Live    | 100%     |
| WA    | Barnicoat        | M38/401   | Live    | 100%     |
| WA    | Barnicoat        | M38/507   | Live    | 100%     |
| WA    | Barnicoat        | M38/1032  | Live    | 100%     |
| WA    | Barnicoat        | M38/1042  | Live    | 100%     |
| WA    | Burtville        | E38/1642  | Live    | 100%     |
| WA    | Burtville        | E38/2032  | Live    | 100%     |
| WA    | Burtville        | M38/8     | Live    | 100%     |
| WA    | Burtville        | M38/73    | Live    | 56%      |
| WA    | Burtville        | M38/89    | Live    | 56%      |
| WA    | Burtville        | M38/261   | Live    | 100%     |
| WA    | Burtville        | M38/459   | Live    | 100%     |
| WA    | Burtville        | P38/3612  | Live    | 100%     |
| WA    | Burtville        | P38/3667  | Live    | 100%     |
| WA    | Burtville        | P38/3675  | Live    | 100%     |
| WA    | Burtville        | P38/3676  | Live    | 100%     |
| WA    | Burtville        | P38/3693  | Live    | 100%     |
| WA    | Burtville        | P38/3694  | Live    | 100%     |
| WA    | Burtville        | P38/3695  | Live    | 100%     |
| WA    | Central Laverton | E38/1349  | Live    | 100%     |
| WA    | Central Laverton | E38/1878  | Live    | 100%     |
| WA    | Central Laverton | E38/1886  | Live    | 100%     |
| WA    | Central Laverton | E38/1896  | Live    | 100%     |
| WA    | Central Laverton | E38/1966  | Live    | 100%     |
| WA    | Central Laverton | E38/2143  | Live    | 100%     |
| WA    | Central Laverton | E38/2203  | Live    | 100%     |
| WA    | Central Laverton | E38/2862* | Pending | 100%     |
| WA    | Central Laverton | M38/38    | Live    | 100%     |
| WA    | Central Laverton | M38/39    | Live    | 100%     |
| WA    | Central Laverton | M38/52    | Live    | 100%     |
| WA    | Central Laverton | M38/143   | Live    | 100%     |
| WA    | Central Laverton | M38/236   | Live    | 100%     |
| WA    | Central Laverton | M38/270   | Live    | 100%     |
| WA    | Central Laverton | M38/342   | Live    | 100%     |
| WA    | Central Laverton | M38/345   | Live    | 100%     |
| WA    | Central Laverton | M38/358   | Live    | 100%     |
| WA    | Central Laverton | M38/363   | Live    | 100%     |
| WA    | Central Laverton | M38/364   | Live    | 100%     |
| WA    | Central Laverton | M38/547*  | Live    | 100%     |
| WA    | Central Laverton | M38/1129  | Live    | 100%     |
| WA    | Central Laverton | M38/1133  | Live    | 100%     |
| WA    | Central Laverton | M38/1187  | Live    | 100%     |
| WA    | Central Laverton | P38/3327  | Live    | 100%     |
| WA    | Central Laverton | P38/3488  | Live    | 100%     |
| WA    | Central Laverton | P38/3489  | Live    | 100%     |
| WA    | Central Laverton | P38/3490  | Live    | 100%     |
| WA    | Central Laverton | P38/3491  | Live    | 100%     |
| WA    | Central Laverton | P38/3492  | Live    | 100%     |
| WA    | Central Laverton | P38/3495  | Live    | 100%     |

| State | Project          | Tenement  | Status | Interest |
|-------|------------------|-----------|--------|----------|
| WA    | Central Laverton | P38/3503  | Live   | 100%     |
| WA    | Central Laverton | P38/3504* | Live   | 100%     |
| WA    | Central Laverton | P38/3505* | Live   | 100%     |
| WA    | Central Laverton | P38/3506* | Live   | 100%     |
| WA    | Central Laverton | P38/3691  | Live   | 100%     |
| WA    | Central Laverton | P38/3822  | Live   | 100%     |
| WA    | Central Laverton | P38/3862  | Live   | 100%     |
| WA    | Central Laverton | P38/3863  | Live   | 100%     |
| WA    | Central Laverton | P38/3865  | Live   | 100%     |
| WA    | Central Laverton | P38/3974* | Live   | 100%     |
| WA    | Central Laverton | P38/3975* | Live   | 100%     |
| WA    | Central Laverton | P38/3976* | Live   | 100%     |
| WA    | Chatterbox       | M38/40    | Live   | 100%     |
| WA    | Chatterbox       | M38/48    | Live   | 100%     |
| WA    | Chatterbox       | M38/49    | Live   | 100%     |
| WA    | Chatterbox       | M38/101   | Live   | 100%     |
| WA    | Chatterbox       | M38/535   | Live   | 100%     |
| WA    | Chatterbox       | M38/693   | Live   | 100%     |
| WA    | East Laverton    | E38/1559  | Live   | 100%     |
| WA    | East Laverton    | E38/1670  | Live   | 100%     |
| WA    | East Laverton    | E38/1860  | Live   | 100%     |
| WA    | East Laverton    | E38/1864  | Live   | 100%     |
| WA    | East Laverton    | E38/1867  | Live   | 100%     |
| WA    | East Laverton    | E38/1869  | Live   | 64%      |
| WA    | East Laverton    | E38/2059  | Live   | 100%     |
| WA    | East Laverton    | E38/2130  | Live   | 100%     |
| WA    | East Laverton    | E38/2169  | Live   | 100%     |
| WA    | East Laverton    | M38/392   | Live   | 100%     |
| WA    | East Laverton    | M38/393   | Live   | 100%     |
| WA    | East Laverton    | P38/3608  | Live   | 64%      |
| WA    | East Laverton    | P38/3610  | Live   | 100%     |
| WA    | East Laverton    | P38/3615  | Live   | 100%     |
| WA    | East Laverton    | P38/3671  | Live   | 100%     |
| WA    | East Laverton    | P38/3692  | Live   | 100%     |
| WA    | East Laverton    | P38/3700  | Live   | 100%     |
| WA    | East Laverton    | P38/3823  | Live   | 100%     |
| WA    | Infrastructure   | G38/20    | Live   | 100%     |
| WA    | Infrastructure   | G38/24    | Live   | 100%     |
| WA    | Infrastructure   | G38/25    | Live   | 100%     |
| WA    | Infrastructure   | G38/33    | Live   | 100%     |
| WA    | Infrastructure   | L38/34    | Live   | 100%     |
| WA    | Infrastructure   | L38/52    | Live   | 100%     |
| WA    | Infrastructure   | L38/53    | Live   | 100%     |
| WA    | Infrastructure   | L38/54    | Live   | 100%     |
| WA    | Infrastructure   | L38/55    | Live   | 100%     |
| WA    | Infrastructure   | L38/56    | Live   | 100%     |
| WA    | Infrastructure   | L38/57    | Live   | 100%     |
| WA    | Infrastructure   | L38/63    | Live   | 100%     |
| WA    | Infrastructure   | L38/75    | Live   | 100%     |
| WA    | Infrastructure   | L38/76    | Live   | 100%     |
| WA    | Infrastructure   | L38/78    | Live   | 100%     |
| WA    | Infrastructure   | L38/92    | Live   | 100%     |
| WA    | Infrastructure   | L38/101   | Live   | 100%     |

| State | Project        | Tenement  | Status  | Interest |
|-------|----------------|-----------|---------|----------|
| WA    | Infrastructure | L38/231   | Live    | 100%     |
| WA    | Infrastructure | L38/108   | Live    | 100%     |
| WA    | Infrastructure | L38/120   | Live    | 100%     |
| WA    | Infrastructure | L38/152   | Live    | 100%     |
| WA    | Infrastructure | L38/153   | Live    | 100%     |
| WA    | Infrastructure | L38/160   | Live    | 100%     |
| WA    | Infrastructure | L38/163   | Live    | 100%     |
| WA    | Infrastructure | L38/164   | Live    | 100%     |
| WA    | Infrastructure | L38/165   | Live    | 100%     |
| WA    | Infrastructure | L38/166   | Live    | 100%     |
| WA    | Infrastructure | L38/173   | Live    | 100%     |
| WA    | Infrastructure | L38/177   | Live    | 100%     |
| WA    | Infrastructure | L38/178   | Live    | 100%     |
| WA    | Infrastructure | L38/179   | Live    | 100%     |
| WA    | Infrastructure | L38/183   | Live    | 100%     |
| WA    | Infrastructure | L39/124   | Live    | 100%     |
| WA    | Infrastructure | L39/214   | Live    | 100%     |
| WA    | Jasper Hills   | M39/138   | Live    | 100%     |
| WA    | Jasper Hills   | M39/139   | Live    | 100%     |
| WA    | Jasper Hills   | M39/185   | Live    | 100%     |
| WA    | Jasper Hills   | M39/262   | Live    | 100%     |
| WA    | Lancefield     | M38/37    | Live    | 100%     |
| WA    | Mount Weld     | E38/812   | Live    | 100%     |
| WA    | Mount Weld     | E38/1725  | Live    | 100%     |
| WA    | Mount Weld     | E38/1865  | Live    | 100%     |
| WA    | Mount Weld     | E38/2028  | Live    | 100%     |
| WA    | Mount Weld     | E38/2030  | Live    | 100%     |
| WA    | Mount Weld     | E38/2388  | Live    | 100%     |
| WA    | Mount Weld     | E38/2873* | Pending | 100%     |
| WA    | Mount Weld     | M38/390   | Live    | 100%     |
| WA    | Mount Weld     | M38/403   | Live    | 100%     |
| WA    | Mount Weld     | M38/749   | Live    | 100%     |
| WA    | Mount Weld     | M38/846   | Live    | 100%     |
| WA    | Mount Weld     | M38/881   | Live    | 100%     |
| WA    | Mount Weld     | M38/915   | Live    | 100%     |
| WA    | Mount Weld     | M38/953   | Live    | 100%     |
| WA    | Mount Weld     | M38/954   | Live    | 100%     |
| WA    | Mount Weld     | M38/1047  | Live    | 100%     |
| WA    | Mount Weld     | M38/1048  | Live    | 100%     |
| WA    | Mount Weld     | M38/1049  | Live    | 100%     |
| WA    | Mount Weld     | M38/1149  | Live    | 100%     |
| WA    | Mount Weld     | P38/3122  | Live    | 100%     |
| WA    | Mount Weld     | P38/3609  | Live    | 100%     |
| WA    | Mount Weld     | P38/3611  | Live    | 100%     |
| WA    | Mount Weld     | P38/3617  | Live    | 100%     |
| WA    | Mount Weld     | P38/3656  | Live    | 100%     |
| WA    | Mount Weld     | P38/3657  | Live    | 100%     |
| WA    | Mount Weld     | P38/3658  | Live    | 100%     |
| WA    | Mount Weld     | P38/3659  | Live    | 100%     |
| WA    | Mount Weld     | P38/3660  | Live    | 100%     |
| WA    | Mount Weld     | P38/3661  | Live    | 100%     |
| WA    | Mount Weld     | P38/3662  | Live    | 100%     |
| WA    | Mount Weld     | P38/3663  | Live    | 100%     |

| State | Project       | Tenement  | Status  | Interest |
|-------|---------------|-----------|---------|----------|
| WA    | Mount Weld    | P38/3664  | Live    | 100%     |
| WA    | Mount Weld    | P38/3665  | Live    | 100%     |
| WA    | Mount Weld    | P38/3674  | Live    | 100%     |
| WA    | Mount Weld    | P38/3701  | Live    | 100%     |
| WA    | Mount Weld    | P38/3706  | Live    | 100%     |
| WA    | Mount Weld    | P38/3707  | Live    | 100%     |
| WA    | Mount Weld    | P38/3710  | Live    | 100%     |
| WA    | Mount Weld    | P38/3711  | Live    | 100%     |
| WA    | Mount Weld    | P38/3712  | Live    | 100%     |
| WA    | Mount Weld    | P38/3713  | Live    | 100%     |
| WA    | Mount Weld    | P38/3714  | Live    | 100%     |
| WA    | Mount Weld    | P38/3715  | Live    | 100%     |
| WA    | Mount Weld    | P38/3716  | Live    | 100%     |
| WA    | Mount Weld    | P38/3756  | Live    | 100%     |
| WA    | Mount Weld    | P38/4091* | Pending | 100%     |
| WA    | Mt Crawford   | E38/1861  | Live    | 100%     |
| WA    | Mt Crawford   | E38/2321  | Live    | 100%     |
| WA    | Mt Crawford   | M38/159   | Live    | 100%     |
| WA    | Mt Crawford   | P38/3500  | Live    | 100%     |
| WA    | Mt Crawford   | P38/3501  | Live    | 100%     |
| WA    | Mt Crawford   | P38/3864  | Live    | 100%     |
| WA    | Mt Margaret   | P39/4783  | Live    | 100%     |
| WA    | Mt Margaret   | P39/4784  | Live    | 100%     |
| WA    | Mt Margaret   | P39/4785  | Live    | 100%     |
| WA    | Mt Margaret   | P39/4786  | Live    | 100%     |
| WA    | Mt Margaret   | P39/4787  | Live    | 100%     |
| WA    | Mt Margaret   | P39/4788  | Live    | 100%     |
| WA    | Single        | M38/544   | Live    | 100%     |
| WA    | Single        | M38/989   | Live    | 100%     |
| WA    | Sunrise       | E38/1652  | Live    | 100%     |
| WA    | Sunrise       | E38/2872* | Pending | 100%     |
| WA    | Sunrise       | M39/520   | Live    | 100%     |
| WA    | Sunrise       | M39/653   | Live    | 100%     |
| WA    | Sunrise       | M39/654   | Live    | 100%     |
| WA    | Sunrise       | M39/655   | Live    | 100%     |
| WA    | Sunrise       | M39/664   | Live    | 100%     |
| WA    | Sunrise       | M39/667   | Live    | 100%     |
| WA    | Sunrise       | M39/668   | Live    | 100%     |
| WA    | Sunrise       | M39/669   | Live    | 100%     |
| WA    | Sunrise       | M39/670   | Live    | 100%     |
| WA    | Sunrise       | M39/742   | Live    | 100%     |
| WA    | Sunrise       | M39/743   | Live    | 100%     |
| WA    | Sunrise       | M39/849   | Live    | 100%     |
| WA    | Sunrise       | M39/862   | Live    | 100%     |
| WA    | Sunrise       | M39/904   | Live    | 100%     |
| WA    | Sunrise       | M39/951   | Live    | 100%     |
| WA    | Sunrise       | P39/4797  | Live    | 100%     |
| WA    | Sunrise       | P38/4099* | Pending | 100%     |
| WA    | Sunrise       | P38/4100* | Pending | 100%     |
| WA    | Sunrise       | P38/4102* | Pending | 100%     |
| WA    | West Laverton | M38/46    | Live    | 100%     |
| WA    | West Laverton | M38/1134  | Live    | 100%     |

Tenement Abbreviations:

|    |   |                         |
|----|---|-------------------------|
| E  | = | Exploration Licence     |
| EL | = | Exploration Licence     |
| P  | = | Prospecting Licence     |
| M  | = | Mining Lease            |
| L  | = | Miscellaneous Licence   |
| G  | = | General Purpose Licence |

## ROYALTY AGREEMENTS

### Coolgardie Gold Project

The Parent Entity has entered into the following deeds of assignment for royalty agreements relating to the Coolgardie Gold Project. The material terms of these royalty agreements are set out in the table below:

| <b>Tenements</b>                                                                                       | <b>Royalty</b>                                                                             |
|--------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|
| M15/645 (portion of)                                                                                   | \$1.00/tonne crushed and treated                                                           |
| M15/646, M15/660, M15/1114, P15/4933, P15/4934, M15/1262, P15/4947 & P15/4935                          | \$0.25/tonne mined and treated (after 2,500,000 tonnes of ore have been mined and treated) |
| P15/4913 (portion of)                                                                                  | \$1.00/tonne mined and treated                                                             |
| P15/646 (portion of)                                                                                   | 2% of all future gold production                                                           |
| M15/781 & M15/827                                                                                      | 0.5% NSR                                                                                   |
| M15/770, P15/5155, P15/5156, M15/852, M15/857, M15/981, M15/1760, M15/365, M15/662, M15/711 & M15/1384 | 2.5% NSR                                                                                   |
| M15/958, M15/1114, M15/646 (portion of) & M15/660 (portion of)                                         | \$10/ounce gold produced(after first 100,000 ounces produced) & 3% NSR on all other metals |
| M15/958 (portion of)                                                                                   | \$0.75/dry tonne mined and treated                                                         |
| M15/1423                                                                                               | \$1/tonne mined and treated                                                                |
| M15/1357 & M15/1358                                                                                    | 1.5% NSR on gold & 1% NSR on all other metals                                              |
| M15/675                                                                                                | \$1/tonne mined and treated                                                                |
| M15/958 (portion of)                                                                                   | \$1.50/tonne mined and treated                                                             |
| M15/237, P15/5209 & P15/5464                                                                           | 1.5% NSR                                                                                   |
| M15/1341 & M15/1359                                                                                    | 2.5% NSR on gold & 1% NSR on all other metals                                              |
| P15/4907 & M15/1461                                                                                    | \$1.00/tonne mined and treated                                                             |
| E15/986                                                                                                | 2.5% NSR                                                                                   |

## ROYALTY AGREEMENTS Continued

### Laverton Gold Project

The Parent Entity has entered into the following deeds of assignment for royalty agreements relating to the Laverton Gold Project. The material terms of these royalty agreements are set out in the table below:

| Tenements                                                                                                                                                                       | Royalty                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| M38/376 & M38/377<br>M38/143                                                                                                                                                    | \$1.50/BCM of ore mined between 100,000BCM and 850,000BCM<br>\$10/ounce gold produced (after the first 50,000 ounces)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| All tenements at Laverton owned by Focus Minerals (Laverton) Ltd ( <i>all tenements are listed in the "Interest in Mining Tenements" section above except those with an *</i> ) | 2% NSR                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| M38/37, M38/38, M38/39, M38/40, M38/46, M38/48, M38/49, M38/52, E38/1966 (portion of), M38/101, M38/358, M38/535, P38/3488, P38/3489, P38/3490, P38/3491, P38/3492              | \$1.00/tonne mined and treated from open cut and \$1.50/tonne mined and treated from underground (assuming spot gold price is fixed by the Perth Mint (SGP) is \$525 (Base Price)).<br>Each quarter the royalty is to be varied by:<br>(i) calculating the average daily \$ SGP during the quarter;<br>(ii) subject to (iii), for each \$10 that the average SGP for the quarter varies from the Base Price, there will be an increase or a reduction in the royalty of \$0.10/tonne of mined and treated;<br>(iii) the minimum royalty payable for open cut and underground will be \$0.75 and \$1.25 respectively                                                                                                                                                                                                                                                                                           |
| M38/1042                                                                                                                                                                        | \$1.50/tonne of ore mined and treated after 100,000 tonnes<br>Plus \$0.58/tonne ore mined and milled for first 500,000 tonnes,<br>\$0.05/tonne of ore mined and milled thereafter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| M38/544                                                                                                                                                                         | 4% of gold produced up to 100,000 ounces, then 2.5% of gold produced thereafter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| M38/73                                                                                                                                                                          | 3% of the gross value of gold recovered                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| P38/3500 & P38/3501                                                                                                                                                             | 1.5% NSR                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| M38/693                                                                                                                                                                         | \$0.75/tonne ore mined                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| P38/3667                                                                                                                                                                        | 1% gross value of gold produced                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| M39/664, M39/742, M39/743, M39/862 & M39/904                                                                                                                                    | 1% of gross revenue received from mining operations on the tenements                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| P38/3610, P38/3615 (portion of), P38/3693, P38/3694, P38/3695, E38/1860 (portion of), E38/1867 (portion of, E38/2059 (portion of)                                               | \$1/BCM of ore mined and treated                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| All tenements within a 50km radius of Laverton township.                                                                                                                        | A quarterly fee equal to the greater of 1.25% of annual DMP tenement fees or \$2,500.<br><br>A quarterly mining fee relating to gold production from the tenements in a calendar year, of: <ul style="list-style-type: none"> <li>• 0 – 50,000oz Au: 0.20% of total gross proceeds of the relevant quarter;</li> <li>• 50,001 – 100,000oz Au: 0.24% of the total gross proceeds of the relevant quarter;</li> <li>• 100,001 – 150,000oz Au: 0.28% of total gross proceeds of the relevant quarter;</li> <li>• 150,001 – 200,000oz Au: 0.33% of total gross proceeds of the relevant quarter;</li> <li>• &gt;200,000oz Au: 0.40% of total gross proceeds of the relevant quarter.</li> </ul> Scholarship funds payable each calendar year in the amount of \$10,000 where the total annual gold production is less than 100,000oz, and \$20,000 if the total annual gold production is greater than 100,000oz. |

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