

# Focus Minerals Limited (ASX:FML) Releases Positive Analyst Report: Building Current Operations up to 100,000ozpa to 150,000ozpa for Over 5 Years

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Sydney, Australia (ABN Newswire) - Focus Minerals Limited (ASX:FML) is pleased to release a very positive analyst report from Eagle Research.

- Focus Minerals (FML) appears to be building up its current 1.3mtpa production based on the Mount (at ~25ktpm), and a mixture of open-cuts (~35ktpm) and underground sources (~50ktpm) in the Tindals Mining Centre resulting in ~100,000ozpa to ~150,000ozpa (based on our/ERA modelling by 2017). Higher treatment rates than 1.3mtpa can be achieved due to the increasing number of >2g/t ore resources (with >10mt in open-cuts, plus satellites).

- Depending on what percentage holding it can reach in its takeover of Crescent (1 FML -for- 1.18 CRE shares) FML could currently attribute ~80% of CRE's ~100,000ozpa production, resulting in FML's production possibly exceeding 200,000ozpa. We have not included the Crescent assets or acquisition in this report.

- FML has entered into a new phase through the open-cut development of the old historic workings. Having begun with Empress and Dreadnought, FML has also started mining from Big Blow, building up to ~10ktpm per open-cut, with encouraging grades that may average ~2g/t to 3g/t. After Big Blow the possible sequence may be Undaunted, Alicia, Happy Jack and perhaps CNX, with production possibly increasing to ~50ktpm.

- Although production could increase from 25ktpm at the Mount, initially focusing on the relatively uniform German Lodes and then building up to include the best lode out of the packages of Main and Fuchs, the upside potential is also what average grade is realised.

- And then there's Treasure Island, on which significant progress has been made in the past year, clearly showing the St Ives mining sequence passing over the island. There are many quartz veins containing mineralisation up to visible gold, and 6g/t to 7g/t in the 'surface quartz wash'. Some thicker widths have been intersected, with assays pending.

## OTHER KEY POINTS:

- FML has a 5%NPV of A\$0.139, and the NPV rises by ~A\$0.015 per US\$100/oz increase in the US\$ Gold Price (based on an A\$ exchange rate of 1.05US\$/A\$).

- FML is re-evaluating its satellite areas for their production capabilities, such as Bonnievale and its vicinity, Norris and Golden Web. Some of ore resources near the 3-mile plant are also being re-examined, such as the Greenfields open-cut.

- FML believe that the CRE assets contain significant upside potential once they have been reviewed and optimised.

- FML is gradually improving its life prospects to > 5years, beyond the market perceived level of 3 years (despite finding the ore it mines each year). Often FML mines outside of its M & I resources.

- FML is to be added into the S&P/ASX 300 (after 16 September 2011).

## Corporate Overview

In the year, since our previous report on Focus Minerals Limited (FML) dated 16 September 2010 at 5.4Ac, the share price is only ~20% higher, although it did attain a peak of 9.8Ac. During the year, FML raised ~\$39m at 7.6Ac in April 2011 (through a \$32m placement and \$7m SPP), increasing the number of shares on issue to 3.44bn, with 75.6m options (out-of-the-money). In June 2011, FML made an off-market takeover offer for Crescent Mining on the basis of 1 FML -for- 1.18 CRE shares, and by 7 September 2011, had acquired a 77.97% holding (being 942.3m CRE shares for 798.6m FML shares, plus 24.8m FML shares for the 51.6m 5c 31 Dec 2012 options convertible at 2.26 per 1 FML, resulting in 4.26bn FML).

The outstanding major shareholder in CRE is now the Hong Kong listed Stone Mining which had accrued a 177.9m (14.72%) shareholding by 1 Sept 2011 through buying on-market from 29 July 2011. Consequently, CRE may be delisted.

Having taken control over the Crescent operations near Laverton, FML are reviewing the assets to optimise them. Focus's operations consist of the TMC (Tindals Mining Centre) and satellites, the Mount, and Treasure Island.

## Treasure Island

FML has made significant progress in understanding Treasure Island in the past year, as shown by the geological plan shown in Figure 1b (see link at the bottom of the release) with the St Ives mine package passing over the island and the renowned Boulder-Lefroy fault located east of the island (under the Lake Cowan salt lake). FML has drilled a number of the quartz veins passing over the island and through the lake, almost all with very encouraging results up to ~50g/t as shown in Figure 2a (see link at the bottom of the release).

A number of the quartz veins contain visible gold or mineralised structures, and it was with some surprise that the quartz wash shown in Figure 2b (see link at the bottom of the release), that covers parts of the island assays at ~6g/t to 7g/t. Many people must have seen this quartz and said to themselves (as I did last year) - 'oh yes [groan], quartz wash, probably barren', without even properly looking at it and noticing the structures and potential mineralisation within the quartz rocks. (Note : quartz wash is common in the goldfields and is caused by heavy rainfall causing the quartz rocks to 'float' and spread out forming a 'blanket of quartz').

FML are currently step-out drilling east of the island to locate the position of the Boulder-Lefroy fault, and drilling deeper under the quartz veins. Wider sections of quartz have been encountered with assays pending, however, the gold mineralisation is not always contained within the quartz; there are gabbros, ultramafics etc.

## The Mount

Exploration and mining at the Mount has (so far) established that the German lodes appear likely to underpin the future of this prospect, due to their regularity, apparent consistency and simplicity. It does seem unusual that the German lodes were barely mined historically given their consistency, until you examine the tenement plan and notice that they were outside the original lease. Consequently, they were only minorly mined to the SE where they outcropped on the hill (or mount), with most of the historic mining and stoping occurring on the Main Lodes as shown in Figure 3a (see link at the bottom of the release).

Based on historic and current stoping, the mineralisation as shown in Figure 3a (see link at the bottom of the release) appears to only consist of a few distinct lodes, whereas there is a multiple package of lodes as shown in Figures 3b and 4a (see link at the bottom of the release), with a range of very healthy grades (mostly >5g/t) as shown on the German Lode levels of Figure 4b (see link at the bottom of the release).

The individual lodes are visually very different as shown in Figures 5a to 5c (see link at the bottom of the release). Although the initial stoping has started on the very distinctive German lodes as the production mainstay, the best lode to follow in each group within the packages of the other lodes to be mined will have to be delineated from assaying. Each lode package, for example the German Lode, consists of more than one lode - in the German lode case, it is Main and West, although the East was also showing potential promise on the lower 267 level.

Currently both the German Lode's Main and West lode were being stoped, with the East lode being developed. The stope wall conditions are very good as shown in Figures 6a and 6b (see link at the bottom of the release). The development end of the German East lode shown in Figure 6c (see link at the bottom of the release) also shows a 'cat scratch' consisting of carbonate mineralisation that has opened up within the

pillow of a pillow lava.

Diamond drillhole exploration was in progress intersecting the numerous lodes from Main to Fuchs as shown in Figure 7a (see link at the bottom of the release), with promising looking core (the presence of sulphides is often a good indicator for grade, especially if there is structural activity) yet to be cut and assayed as shown in Figure 7b (see link at the bottom of the release). FML's current production expectation from the Mount was to ramp up to 25,000tpm focusing initially on the German lodes while evaluating just what the mine can supply, with the last stated resources of ~2.1mt @ 5.5g/t for 370koz as shown in the table inset in Figure 1a.

#### The TMC (Tindals Mining Centre) and Satellites

The TMC covers the central area shown in Figure 8a, and contains a number of underground and open-cut sources of ore in Figures 8b and 8c, plus a number of satellites that are gradually being re-evaluated.

During the past year FML has been gradually increasing its open-cut production located on old workings, such as Empress and Dreadnought and has targeted the open-cuts to deliver >30,000tpm for ~30,000ozpa with the underground providing ~50,000tpm for ~55,000ozpa.

#### TMC Underground

FML's underground operations are drawn from a mix of Empress, Countess, Perseverance, and the Countess to Delta lode link through Tindals, while reopening Cyanide, which can be broadly viewed in the 3d schematic shown in Figure 9a. However, it should be recognised that each area consists of a number of different surfaces or lodes as shown in Figure 9b, and then there are high grade linking lodes too.

All of the orebodies have continued to extend at depth, with the depth extent simply a function of exploration drilling as inferred from Figure 10a. Perseverance has continued to look visually spectacular (due to the pyrrhotite mineralisation), along with a number of >20g/t grades ranging up to a high of 81.3g/t as shown on 145 Level Main South in Figure 10b.

Drilling was in progress under this level to extend these higher grades further, as they clearly can have a significant impact on the annual production achieved by Focus. Our modelling uses an average grade of 3.3g/t from underground (which is about the area it has been for the past year to June 2011 [~3.2g/t to 3.6g/t]), resulting in production of ~60,000ozpa. However, the TMC underground grade could occasionally easily average ~5g/t or higher. The 'what is the upside grade potential question ?' in fact applies to all of Focus' operations of the Mount, TMC underground, TMC surface pits and the satellites.

Underground conditions appeared reasonably good given the size of the Countess folded 'nose' position on 1085 Level with the 1025 Countess East Lode showing the more common diorite mineralisation, while the Delta lodes appeared to be more erratic. The lodes are very variable, Countess West Lode - South was disappointing on 1025 Level (such that a pump station has been installed in front of it), but one level down on 1005 Level it displays width, length & classic higher grade 'cross-veined' diorite mineralisation.

#### TMC Open-cuts

The initial focus of the open-cuts has been on Empress (above the old Empress workings) and the wide ore zone shown in Figure 11a, and Dreadnought North as shown in Figure 11b. Dreadnought was renowned for having complex geology, however, by mining its very profitable >2g/t grades (in places up to ~5g/t), the geology should become simpler by examination of the floor and walls of the open-cut or illustrate the folded, possibly rolling nature of the mineralised orebody. It is expected that a number of the open-cuts could have declines and become underground mining areas.

Preparation was in progress to start mining Big Blow and hence mine a third open-cut at ~10ktpm. Big Blow consists of a number of lodes which can be tracked on surface by lining up the stopes and old shafts in Figures 12a and 12b, and can be seen more clearly in the 3d schematic of Figure 12c (see link at the bottom of the release).

#### Satellites

We visited a number of FML's regional exploration prospects which are expected to be evaluated and drilled during the coming year to June 2012. They all have old workings on them, some with small open-cuts, some even have extensive underground workings, such as Bonnievale (due North of the TMC). Little appears to have happened to the original Westralia mine at Bonnievale after Varischetti was saved in March 1907 after it flooded. Most of the field had closed by 1909, with official production recorded to 1911 of ~340kt for ~177koz. There are many old workings and surface stopes, including an area to the south with no drillholes. FML also intend to review Golden Web and Norris (SW of TMC).

## The Plant

FML's 3-mile hill plant has a rated capacity of 1.2mtpa, which has gradually increased to 1.3mtpa. With minor modifications it is expected to increase the plant up to 1.5mtpa, however, to increase it to the 3-stage crushing circuit's capacity of 2mtpa does not appear simple, although possibly a regrind mill and leach tank could increase it to 1.7mtpa to 1.8mtpa. FML has advanced significantly in the past year, such that there does not appear to be a shortage of ore resources, if anything, there potentially appears to be too many for the current plant. Tailings dam walls are to be constructed in the coming year around the 3-mile pit to extend its current storage life beyond 5 years.

## Financial Considerations

With increasing profit margins at current gold prices, Focus appears to be generating sufficient funds to meet its exploration requirements and be able to modify its plant, without needing further finance. FML currently intends (if necessary) to internally finance any requirements to optimise the Crescent assets once they have been fully re-evaluated, however, Crescent is cashflow positive at current (Sept 2011) gold prices. We have provided our usual sensitivities to the gold price, grades, etc in Table 2.

The Crescent assets and acquisition have not been included in this report (although we do have some knowledge of them from previous regional visits and our report dated April 2006 on our website [www.eagleres.com.au](http://www.eagleres.com.au), under 'Reports').

FML does appear to be capable of producing at higher grades than expected at most of its operations. At some stage, FML ideally needs to consolidate its shares (possibly on a 10-for-1) to move up well beyond 10c per share and away from the significant day trading. It should be recognised that this production scenario is an ERA scenario, and is just one of a number of possible scenarios that could occur.

## Management

### Board of Directors

Don Taig - Chairman since 2003. Don is an Accountant and was a founder of Focus Minerals. Don has held Managing Director and CEO positions in other listed companies.

Phil Lockyer - Non-Executive Director since 2005. Phil has over 40 years experience in the resources industry, as a mining engineer and metallurgist particularly in gold and nickel. Phil commenced his career with WMC Ltd in Kambalda, & held senior operational management positions with Dominion & Resolute.

Bruce McComish - Non-executive Director since 2011. Bruce is a qualified accountant who has held a number of senior financial positions around the world with Unilever, North and the NAB. Bruce holds and has held a number of non-executive and Chairman positions in listed and private companies.

Gerry Fahey - Non-executive Director since 2011. Gerry is a Geologist with over 35 years' extensive experience who was the Chief Geologist for Delta Gold from 1992 to 2002 covering a period of discovery through to production on a number of mines, and has mostly been in mining consultancy since then.

Jon Grygorcewicz - Company Secretary and CFO since 2006. Jon is a Chartered Accountant with over 25 years' experience with a number of listed companies in Australia, Singapore and Malaysia. Jon has experience across a range of different commodities including gold, diamonds and oil.

### Senior Management

Campbell Baird - CEO since 2009. Campbell is a mining engineer with over 18 years of operational and management experience in gold, iron ore, copper and other base metals. Campbell has held senior positions at SRK Consulting and was previously general manager operations of Vulcan (now Altona) Resources for 4 years.

Brad Valiukas - Chief Operating Officer since 2009. Brad is a Mining Engineer with 16 years mining experience in gold and base metals predominately in Australia. Before Focus, Brad was Deputy Chief Mining Engineer at Mincor Resources.

Dr Garry Adams - Group Geologist since 2007. Garry is a Geologist with over 13 years experience in WA and has been involved in a number of gold discoveries. Garry has worked in resource evaluation, mine exploration, regional exploration and open pit roles for Newmont, Normandy, Sons of Gwalia and Centaur Mining and Exploration.

Chuck McCormick - Business Development Manager since 2003. Chuck has over 30 years' experience in

the mining industry in Australia, Canada, USA, the Middle East and Africa. Since 1979 Chuck has lived and worked in Kalgoorlie during which time he discovered & defined a number of gold mines in the region. Chuck was a founder of Focus Minerals.

Chay-Kee Tan - Business Analyst since 2011. Chay-Kee is a CFA with more than 15 years' experience in diversified international business and was Group Financial Controller for Petra Foods. Chay-Kee has been involved in strategic planning and acquisitions, fund raising and overall business optimisation.

Neil Le Febvre - Investor Relations Manager since 2010. Neil has over 20 years' experience in the marketing and communications industry. Prior to joining Focus, Neil was the Group Marketing Director for the international Thinksmart Ltd financial services company, and has been the driving force behind Focus' innovative new (free) iPad app.

Mr Barend Knoetze - Resident Manager - Coolgardie Operations since 2009. Barend has over 20 years experience in the mining industry in South Africa and has a strong track record of improving plant throughput and optimising the running costs of operating plants. Prior to joining Focus, Barend held senior metallurgical positions in Norilsk and LionOre, and managed a gold mining operation in Central Asia for a number of years.

For the complete Focus Minerals Limited announcement including figures and tables, please view the following link:

<http://media.abnnewswire.net/media/en/docs/69548-fml14sep11v2.pdf>

#### About Focus Minerals Ltd:

Focus Minerals Limited (ASX:FML) is a gold producer based in Western Australia's Eastern Goldfields. The company holds the mineral rights to 449km<sup>2</sup> of tenements and is the largest landholder in the Coolgardie Gold Belt located 560km east of Perth and 35km west of the 'Super Pit' in Kalgoorlie-Boulder. Focus is currently in production from underground and open pit operations at its flagship Tindals Mining Centre in Coolgardie, adjacent to its 1.2Mtpa Three Mile Hill processing plant. In March 2011 it opened The Mount, a new high-grade underground mine, located 85km to the south of the processing plant. In addition Focus recently acquired 100% ownership in the highly prospective Treasure Island Gold Project, situated at Lake Cowan at the southern end of the Boulder-Lefroy fault.

#### Source:

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