

ASX ANNOUNCEMENT

30 April 2013

## **FOCUS STARTS TRANSITION TO LOW COST, HIGH VALUE GOLD PRODUCER; CEASES OPERATIONS IN LAVERTON DUE TO RISING COSTS AND REDUCING MARGINS**

### *Key points:*

- *Strong balance sheet after successful share Placement to China's Shandong Gold*
- *Strong cash position will drive transition to low cost, high value producer to boost shareholder value*
- *Rising processing costs for Laverton toll processing arrangement make current and longer-term campaign processing commercially unviable*
- *Focus currently evaluating moving Laverton operations to exploration only to rebuild reserves and drill highly prospective green fields targets in readiness for gold price recovery*
- *Group has undertaken a ground up review of operations implementing major leadership changes at its Coolgardie site*
- *Business to evaluate a number of synergistic opportunities available to it in the region*
- *To that end business has removed a number of encumbrances during the quarter to ensure it is able to offer first ranking priority on any future financing.*

Focus Minerals Ltd. (ASX: FML) said today that, as part of its strategic review of operations initiated two months ago, it will cease mining at its Laverton Gold operations for the immediate future due to the increasing costs it is incurring and the significant effect on revenue from the dramatic fall in the gold price.

These costs have also made the existing campaign processing arrangement commercially unviable.

Focus' Chairman and Acting CEO, Don Taig, said the Board is currently evaluating options around moving the operations to an exploration only focus to rebuild reserves and drill a number of its highly prospective green fields targets, as well as exploring a number of other synergistic opportunities that are available to it in the region given the Company's very strong cash balance and cornerstone shareholder.

"The long-term outlook for the gold price, campaign nature of processing, and the escalating processing costs we have been faced with over the past six months at the Granny Smith mill made this a necessary decision for us in protecting the value of the Laverton assets for all shareholders," said Mr Taig.

"We have a significant, highly prospective landholding in the Laverton region surrounding four major mines with over 20Moz between them. We are not about to deplete our current reserves base just to break even.

"The high cost base in the Australian mining industry and rising mining inflation of the past few years has seen all of the reductions and operational improvements we have been delivering continue to be consumed. These are pressures that are being felt right across the industry and impacting the competitiveness of Australian mining. A sharp fall in commodity prices always provides a clear lens for the industry on just how bad this has become. The high Australian dollar is not assisting business either and it is my view that unless all industry participants – capital, labour and government work quickly and earnestly together – the industry is in for a lean time."

### **A New Direction to Boost Shareholder Wealth**

Mr Taig said despite the Group's disappointment in having to cease operations in Laverton he believes the business is in a strategically strong position.

"We have one of the largest bank balances of any gold miner on the ASX and the backing of a major world gold producer in Shandong Gold," said Mr Taig.

"To that end we have invested in removing a number of encumbrances during the quarter to ensure we are able to offer first ranking priority on any future financing.

"Our collective goal is to ensure we deliver on the most efficient use of capital and that we can leverage our strong financial position in a market which is already presenting growth opportunities for Focus to evaluate. Burning cash in a negative margin environment is not sensible and the Company must look at all options available to exploit the Group's strong cash position to create long-term wealth for its shareholders.

"Our strategic review is ongoing and the remit of this is such that we are exploring opportunities for continued organic growth through exploration on our assets, and opportunities for acquisitions that could underpin and improve the existing operations and enable Focus to move to a lower cost base with improved scale and productivity.

"A framework for this review is our drive to focusing on opportunities for larger scale, higher grade ore bodies where we have full control over mining, and processing and the ability to deliver significant mine life and sustainable reinvestment in our tenement holdings in good gold bearing addresses."

### **Group Operational Restructure & Dealing with Rising Costs**

Mr Taig said that on his stepping into the role of Acting CEO at the beginning of February, the team commenced a review of the business both at an operational and strategic level with a goal of optimising current operations, and ensuring the business could use its strong cash position to transition Focus into being the lowest cost, highest value producer it can be.

"Earlier in the March Quarter, in addition to the decisions we have now reached at Laverton, we implemented a group-wide restructuring to right size the workforce, change the role and remit of some departmental areas, and change the leadership at our Coolgardie operation. The Laverton decision has added further to this restructuring.

"We have also prioritised our energies into increased resource definition to help improve our mid-term planning and to identify future mineable reserves to enable us to make the right decisions

on future plant expansion and commissioning. This has always been a clearly stated opportunity through the investment from Shandong Gold.”

### **Coolgardie Operational Focus**

Mr Taig said the March quarter in Coolgardie had been an aberration in terms of production and costs and compounded by the effects of the gold price fall. “This has been a very disappointing Quarter for Coolgardie and we have taken strong actions to rectify production,” said Mr Taig.

“Our strategic review is continuing in order to determine our best path forward in driving value from this asset for shareholders. The opportunity we have at Coolgardie is to determine the best economic outcomes for our operations in this current environment and that may mean changes in how we use the processing plant and where we focus our resources.

“In the immediate term we now have a new Resident Manager, Mining Manager and Chief Mine Geologist. We have performed a detailed review of operations through an independent consultancy group and that has helped us highlight significant areas for improvements and we are gathering resources to commence an eight week programme to improve the operational planning and workflow with the goal of increasing recovery and output, whilst also improving cost efficiencies.

“We believe we will be able to get Coolgardie back on track providing the existing operations deliver the further productivity improvements required. We have already invested in mine development, pre-strip and tailings dam expansion projects in order to exploit our planned mining activities and we therefore believe it could sub-optimize the outcome for the business if we did not give these changes a chance to deliver their results.

“As part of this process we are looking to achieve a 20% improvement in productivity in the medium term, translating to fundamental savings at an operating cost level. The Strategic review therefore at Coolgardie is less black and white compared to Laverton and will be best reviewed in phases to ensure we maximise the outcome with a mind’s eye to our ongoing cash position as a priority focus for the business overall,” Mr Taig said.

**Competent Person’s Statement** - The information in this announcement that relates to Exploration Results and Minerals Resources is based on information compiled by Andrew Paterson who is a member of the Australian Institute of Mining and Metallurgy. Mr Paterson is employed by Focus Minerals and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”. Mr Paterson consents to the inclusion in this announcement of the matters based on the information compiled by him in the form and context in which it appears.

**Focus Minerals Limited** - Focus operates two significant production centres in Western Australia’s Eastern Goldfields. The company is the largest landholder in the Coolgardie Gold Belt, 35km west of ‘Super Pit’ in Kalgoorlie, where it runs two open pit and one underground operation, processing through its own 1.2Mtpa processing plant, Three Mile Hill, which is adjacent to the town of Coolgardie. 250km to the northeast Focus has 100% controlling interest in the Laverton Gold Project which comprises a significant portfolio of large scale open pit mines, with ore being processed under an OPA at the nearby Barrick Granny Smith mill.

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