

**Chairman's Supplementary Statement to Shareholders at the Focus Minerals Ltd.**

**Annual General Meeting 28<sup>th</sup> November, 2011**

Ladies and Gentlemen,

Since I last stood before you at our Annual General Meeting, your company has achieved a significant business transformation.

Against a mantra of "expanding into a rising gold price" we have transformed this business from a one mine operation to become one of Australia's fastest growing gold producers with four mines, across Australia's two largest gold producing regions and a targeted annual gold production for calendar 2012 of 200,000 ounces.

As detailed in our annual report, it has been an exceptionally busy period.

- We opened two new mining operations in Coolgardie: The Tindals open pits and The Mount underground;
- Continued to extend the life of the Tindals underground with increased ounces at depth and good grade;
- Took the Three Mile Hill mill to its name plate ore processing levels in its first full year of production;
- Significantly increased our targeted exploration spend;
- Acquired the Treasure Island gold project, and undertook an extensive drilling programme with encouraging results in multiple areas of the tenement package; and
- Evaluated and acted upon an opportunity to set the Company up for the future through the acquisition of Crescent Gold.

The acquisition of Crescent especially has positioned the business for significant growth in 2012.

For what will effectively be the investment of \$70 million in equity upon full completion, the Crescent acquisition has enabled us to double our targeted gold production for a fraction of the cost and time that it would have taken to achieve this organically.

Importantly, it has continued to de-risk production in the business by providing geographic diversity for the operation and it has also added resource and reserve ounces that would similarly have taken several years drilling and many millions of dollars to achieve.

We made the decision to divert the cash to underpin Crescent's operations through a \$13m interest bearing loan which would result in an early return to their positive cash flows and set them up for the same expansionary run as Focus had in mind, for its existing operations.

This has enabled the Focus and Crescent management teams to position the Laverton operations for a considerable return to form in 2012, with three new open pits having been brought into operation over the past few months to set up the Crescent operation for strong production from its first campaign in 2012 which will deliver 25,000oz of gold.

As you now know, approximately 82% of Crescent's shareholders supported the Focus acquisition supported by the strong favourable recommendations of the Crescent Board.

Stone Resources, a Chinese company domiciled in Hong Kong, purchased additional holdings in Crescent on market, to take their shareholding to approximately 14%.

It is clearly in the best interests of all shareholders and particularly Stone, who will otherwise be locked into a minority holding in a potentially unlisted vehicle, to see 100% of Crescent come under the Focus banner.

Contrary to some views I have seen expressed in industry forums, our Company had no intention when we raised capital earlier this year, to do other than use it to expand organically into the rising gold price.

When the opportunity to acquire Crescent Gold was first brought to us, we resisted because we were concerned about maintaining the focus on the strategy around our existing ground and operations.

However, over time the opportunity was seen as doable because of the attitudes of the Crescent and Focus Boards. The pricing and the development stage of the Laverton operations were attractive enough to see the strong possibility of significant upside for the Company and a related share price for our shareholders, with considerable future potential in that region as well, where there has also been a valuable gold endowment over its history.

As we have previously advised to the market, the diversion of funds to Crescent meant the new Coolgardie mines were not developed at the originally planned pace meaning those operations will deliver circa 85,000 ounces this calendar year.

Positively, this is offset by the increased production received from Laverton, and moreover significantly transformed next year with the combined operations targeting 200,000oz of gold

As most of you know, mining sees the expenditure go first and the benefits flow later – and to this end, we are clearly in a position at the end of the year where we are continuing to invest in development now to reap the rewards in production next year.

This sees a tight constraint on cash flow as we head towards the final weeks of the year but the March quarter sees production ready to crank up at both Laverton and Coolgardie which will soon begin to fill the coffers. Our balance sheet remains strong, but largely ungeared. The Board has given management the approval to establish a line of credit to further underpin the operations of the Company, which we expect will remain undrawn.

#### Proxies

One disappointing aspect of today's AGM is to have to announce to you that Focus will join the increasing ranks of Australian companies receiving a first strike vote against its remuneration report. As far as we understand this is not to do with any consideration that the remuneration report is excessive. We remain below industry averages and the Remuneration Committee operates only at the midpoint of peer salaries across positions.

In addition, proxies were received from only 22.3% of shareholders and all other resolutions were clearly overwhelmingly supported.

My view is that the Government has given an opportunity at too low a trigger to force a potential spill of Boards should the second strike be incurred.

The Board fully supports the scrutiny proposed but believes the trigger should have been set at 50% and not 25%. We hope as practical feedback is achieved that a rethink of this policy occurs.

While this has been a successful and transformative year for the Company, the best is very much still ahead and we look forward to continuing to grow the business with your support.

I now have great pleasure in asking our CEO Campbell Baird to address you further and introduce one of his project team members to give you greater insight into some of the areas I have touched upon.

Thank you sincerely for your attention and support.