Focus Minerals Ltd.

ANNUAL REPORT **2009**

ABN 56 005 470 799
ASX Code - FML

DIRECTORS

Donald Taig	Chairman
Phillip Lockyer	Non-Executive Director
Chris Hendricks	Non-Executive Director

COMPANY SECRETARY

K Jon Grygorcewicz

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AUDITORS

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BANKERS

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CHAIRMAN'S LETTER

Dear Shareholder

Amid the gloom which has emanated from the Global Financial Crisis, I am pleased to report that Focus Minerals has enjoyed a year of solid progress, marked by substantial achievements both in front of, and behind, the scenes.

At a time when many mining companies have struggled to keep their heads above the water, your Company has made the transition from explorer to producer and is now well on the way to becoming one of Australia's leading mid-tier gold producers. Focus produced 41,401 ounces of gold in the 2008-09 financial year at an average cash cost of A$603 an ounce. This has enabled the Company to record its maiden profit before interest and tax of A$15.9m.

This was an excellent result and I am sure you will join with me in thanking the staff and management at Focus for their hard work which ensured that the Company achieved these significant milestones. While much of the attention has understandably centered on the production results, there has been a great deal of "less glamorous" work taking place to position Focus for a long and profitable future.

Integral to this has been the recruitment of key personnel with the skills and experience needed to build Focus into a substantial mining house. Your Company was pleased to secure the services of Campbell Baird, who joined Focus initially as COO in January before subsequently assuming the role of CEO. Campbell is a mining engineer with more than 15 years experience in Australia and overseas. Campbell has already made his mark on the Company, providing firm leadership and clear direction.
Campbell replaced Peter Williams, who is overseeing the refurbishment of the Three Mile Hill mill in his new role as COO. I thank Peter for his significant contribution to Focus' development while he was Managing Director and his expert overseeing of the mill refurbishment project.

The push to build a world-class team at Focus also led to the appointment during the year of Brad Valiukas as Principal Mining engineer and Barend Knoetze as Mill Manager. Mr Valiukas, who previously worked for Mincor Resources, will be heavily involved in prioritising and optimising development of the Company's deposits and Mr Knoetze has a strong track record as a plant operator.

I readily acknowledge that Focus' decision to refurbish the Three Mile Hill plant while it is still in the process of proving up the required reserve base for a long-life gold operation, was a bold move. The Company opted to proceed with this approach for a number of key reasons. First, Focus already had a resource base of 1.8 million ounces at the time of making the decision and was confident that, based on what we knew and suspected, further drilling would see much of that converted to reserves.

Secondly, the team at Focus has immense confidence in the potential of the Coolgardie region. As well as being highly encouraged by the results of our exploratory drilling so far, we know that much of Coolgardie is grossly under-explored, particularly at depth. Third, the refurbishment of the mill provides a valuable opportunity to reduce operating costs compared with those being incurred in the toll treatment campaigns, not to mention the chance to process significantly higher tonnages than is currently the case and on a consistent basis.

The mill will generate substantially greater cashf ow for Focus, which can then be used to fund further exploration and to take advantage of any corporate opportunities that may present themselves.

After investing substantial time and money in laying these solid foundations, Focus is now poised to move to the next phase of its growth. I am confident this will involve significantly increased production, a bigger resource and reserve base, robust profit margins and continued exploration success. On this note, I thank all the staff at Focus for their hard work and commitment during the year. I also thank you as shareholders for your support and wish you all the best for 2009-10.

Donald Taig
Executive Chairman

Dear Shareholder

I am delighted to be writing my first annual review as Chief Executive Officer of Focus Minerals at such a pivotal and exciting time for your Company. When I joined Focus in January this year, I did so because I could clearly see the Company was underpinned by a substantial gold inventory and an undeniably robust growth strategy. But what impressed me most about Focus Minerals was the quality of its people and the clear potential of its assets.

It is important to recognise the employees of Focus and the commitment they have shown as we have successfully progressed through an extremely challenging time.

The outlook for Focus is very bright and follows a successful 12 months in which the Company was transformed from an explorer to a fully-fledged miner that produced 41,401 ounces in 2008-09 through five toll-milling campaigns.

While gold production was being ramped up, Focus raised A$28 million through an equity placement and Share Purchase Plan to refurbish the Three Mile Hill mill and commence an aggressive exploration program. We have also repaid A$11.4 million of our original A$18.6 million debt and cleared 70 per cent of our hedging at the time of writing.

The Focus tenements, which lie in the heart of Western Australia's Eastern Goldfields, contain resources of approximately 1.9 million ounces. I am confident that with the drilling programs the Company has planned for this financial year, we will succeed in converting more of those resources to economic reserves, further underpinning the Company's already solid foundations.

As this program unfolds, Focus will prepare for commissioning of the mill, which is due to take place by the end of the 2009 calendar year. The Three Mile Hill plant will be capable of processing 1.2 million tonnes a year putting the Company on track to achieve its future annualised production target of 100,000 ounces.

With an ever increasing resource base, a strong balance sheet and a nearly completed 1.2 million tonne processing plant, it has been a great year of milestones and achievements for your Company. I look forward to working with the Focus team as we continue to lift the Company through the ranks of the Australian gold producers and importantly, deliver value and growth for our shareholders into 2010 and beyond.

Campbell Baird
Chief Executive Officer

Your directors submit the annual financial report of the consolidated entity for the financial year ended 30th June 2009.

DIRECTORS

The names of directors who held office during or since the end of the year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Donald Taig – Non - Executive Chairman

Age : 52
Qualifications: B. Com., FAICD, FCPA
Appointed: 21 March 2003

Mr Taig is a Fellow of both the Australian Institute of Company Directors and the Australian Society of Certified Practising Accountants.

Mr Taig gained eleven years experience within CRA Ltd's mining businesses and with Metals Exploration Ltd. Mr Taig also has significant senior management experience particularly within the food industry where he was Managing Director of Goodman Fielder's Australian baking division and Chief Executive Officer of Bunge Cereal Foods and Chiquita Brands South Pacific.

Other Directorships: NIL

Mr Taig is a member of the Audit Committee and Remuneration Committee.

Phillip Lockyer – Non-Executive Director

Age : 65
Qualifications: AWASM, DipMetal, MSC
Appointed: 7 December 2005

Mr Lockyer has over 40 years experience in the resources industry, as a mining engineer and metallurgist particularly in gold and nickel. He commenced his career with WMC Ltd in Kambalda and progressed through various operations roles where in the early 1990s he was appointed General Manager WA operations. Further senior positions were held with Dominion Mining Ltd as Director Operations & Projects and Resolute Ltd as Director and General Manager Operations. Mr Lockyer has been operating a mining consultancy business since 1999.

During the last three years, Mr Lockyer has also served as a director of the following listed companies:

- Swick Mining Services Limited * (non-executive director: appointed February 2008)
- CGA Mining Limited * (non-executive director: appointed January 2009)
- St Barbara Limited * (non-executive director: appointed December 2006)
- Perilya Limited (non-executive director: resigned 2009)
- Jubilee Mines NL (non-executive director: resigned 2008)
- Ammtec Limited (non-executive director: resigned October 2007)

** denotes current directorships*

Mr Lockyer is Chairman of the Remuneration Committee.

Christopher Hendricks – Non-Executive Director

Aged : 33
Qualifications: CA, DipAcc, MAcc.
Appointed: 11 January 2008

Mr Hendricks is an Associate Director of Azure Capital, and has considerable experience in corporate advisory, mergers and acquisitions and equity capital markets through various financing and corporate banking roles in both Australia and South Africa. Mr Hendricks is a qualified Chartered Accountant, Finsia Graduate and holds a Masters in Accountancy. Mr Hendricks has also provided assurance advisory services to a number of multinational companies.

Other Directorships: NIL

Mr Hendricks is Chairman of the Audit Committee.

Peter Williams – Executive Director

Aged: 62
Appointed: 6 December 2004.
Resigned: 23 March 2009.

Mr Williams has an extensive career spanning more than 30 years within the mining industry. Mining experience in the extraction and treatment of copper, iron ore, salt, mineral sands and gold has been gained whilst holding senior operational and management positions within CRA Ltd (Dampier Salt), North Ltd (North Parkes and Peak Hill gold mines, Resolute Limited (Bullabulling gold mine), New Hampton Goldfields Ltd (Jubilee gold mine) and others operating in many remote parts of Australia and overseas. In particular experience has been gained in managing large mining operations (both FIFO and residential).

Other directorships: Nil

Mr Peter Williams resigned as Managing Director on 23 March 2009 and was immediately appointed Chief Operating Officer with primary responsibility to manage the refurbishment and commissioning of the Group's Three Mile Hill treatment facility.

K Jon Grygorcewicz - Company Secretary

Age: 48
Qualifications: CA. B.Bus
Appointed: 1 August 2006

Mr Grygorcewicz is a Chartered Accountant with over 25 years experience with a number of listed companies in Australia, Singapore and Malaysia. Mr Grygorcewicz has experience across exploration for and production of a range of commodities including gold, diamonds and oil. He has further gained experience with engineering and resource service companies with operations in Australia and South East Asia.

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)
Donald Taig	10,705,366	-
Phillip Lockyer	594,523	-
Christopher Hendricks	190,909	-

SHARE OPTIONS

During the year and to the date of this report no share options were granted to directors or executives of the company.

On 17 April 2009, the Company issued 20,000,000 options to subscribe for shares in the Company as payment for the provision of European investor marketing services. 10,000,000 options have an exercise price of 4.5 cents per share with an expiry date of 30 April 2010 and 10,000,000 options have an exercise price of 7 cents per share with an expiry date of 30 April 2011.

On 30 July 2008, 3,000,000 options expired unexercised.

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	Expiry Date
Focus Minerals Ltd	2,140,000	12.00	6/12/2009
	2,140,000	14.50	6/12/2009
	2,140,000	17.00	6/12/2009
	4,925,000	5.00	30/11/2010
	4,925,000	6.00	30/11/2010
	10,000,000	4.50	30/4/2010
	40,000,000	6.875	30/4/2011
	10,000,000	7.00	30/4/2011
Total Options Issued	**76,270,000**		

Options holders do not have any rights to participate in any issues of shares or other interests in the Company or any other entity.

There have been no unissued shares or interests under option of any controlled entity within the Group during or since reporting date.

PRINCIPAL ACTIVITIES

The principal activities of the entities within the consolidated entity during the year were gold, nickel and other base metal mining and exploration in Australia.
There have been no significant changes in the nature of those activities during the year.

REVIEW OF OPERATIONS

Highlights of operations during the period under review are as follows:

Mining

» Ore drive development concluded during September 2008 and stoping operations commenced at the Perseverance Deposit. With 3 ore drives developed mining extraction rates progressively increased with an average monthly mining production rate towards the end of the year achieving 50,000 per month.

» Extension drilling confirmed resource continued at depth resulting in a decision to extend underground mine development with the completion of a 4th production level at RL225, this being at a depth of approximately 200 metres below surface.

» Mining activities commenced at the Countess Deposit with a development drive constructed during January 2009. Mining of stopes commenced during March 2009 with a total of 25,000 tonnes being extracted in the period to June 2009.

- At period end a total of 103,000 tonnes of ore was stockpiled at surface awaiting processing containing estimated gold of 10,280 ozs.
- Scoping studies have commenced on a number of existing open pit resources, including Brilliant, Lindsays and Dreadnought to identify economic ore sources to complement existing high grade ore from Perseverance and Countess.

Processing

- Processing continued during the year on a campaign basis at the Greenfields Mill. A total of 6 campaigns were processed in the period treating a total of 345,000 tonnes for 41,402 ozs gold extracted with recoveries achieving an average of 93.2%.
- Total gold sold in the period was 42,500 ozs for total revenue of $44.4 million at an average gold price of A$1,048/oz.
- A total of 987 ozs gold was held by the Group at period end.

Three Mile Hill Plant Refurbishment

- On 4 May 2009 the Company awarded an Engineering, Construction Procurement and Commissioning (EPCM) contract to Como Engineers Pty Ltd to refurbish and modernise the Three Mile Hill processing plant located 5 kms north of Coolgardie WA. The contract is a specified scope fixed price contract for a total value of $16.95 million. It is expected that the plant will be commissioned during December 2009.
- At 30 June 2009 progress on the refurbishment project had achieved an estimated 47% completion with expenditure totalling $6 million.

Exploration & Resource Development

- Step out drilling continued throughout the period on the Perseverance and Countess Deposits resulting in a reserve upgrades during December 2008. Reserves were increased on the Perseverance Deposit to 690,000 tonnes at 4.5g/t for 100,000 ozs gold and a maiden reserve for the Countess Deposit of 218,000 tonnes at 4.4 g/t for 28,700 ozs contained gold. Perseverance remains open at depth and to the south and Countess remains open at depth.
- A reverse circulation drill program together with a validation program of historical data resulted in a resource upgrade for the Brilliant Deposit for an Indicated Resource of 1.927 million tonnes at 2.2 g/t for 134,400 ozs gold and an Inferred Resource of 1.146 million tonnes at 2.9 g/t for 105,700 ozs gold. The deposit remains open at depth and along strike to the north north-east.
- Drilling on the Empress Deposit located within the Tindals Mining Centre, and in the near vicinity of the Countess Deposit, returned mineralisation up to 6.44m at 10.37 g/t. Although open at depth, modelling was commenced on the latest results to bring the Empress Deposit into production in the near term. Development expenditure will be minimal as the deposit is located approximately 50 metres from the existing Countess decline.
- A 5,000m drilling campaign commenced during June 2009 targeting extensions to known deposits within the Tindals Mining Centre. The program will concentrate on the Countess, Perseverance, Empress and Tindals underground deposits to identify under explored depth extensions of the deposits.
- Planning and design work commenced on an exploration drive into the German Lode contained within the Mount Deposit. The design will also intersect a number of known but thin veined mineralised structures along the way to enable further testing to be conducted on the mineralisation.

Corporate

- Mr Campbell Baird was appointed as Chief Operating Officer on 14 January 2009. Management appointments were reviewed during March 2009 resulting in Mr Williams resigning as Managing Director to take up the appointment as Chief Operating Officer with primary responsibility to undertake the refurbishment of the Three Mile Hill plant. Mr Baird was appointed as Chief Executive Officer on the same date.
- Following a strategic decision to upgrade the Three Mile Hill Plant the Company completed a placement to institutional and sophisticated investors totalling $25 million. The placement was undertaken in 2 tranches. The first tranche was placed on 27 February 2009 raising $2 million via the issue of 100 million shares at an issue price of 2 cents per share.

The second tranche was completed on 6 April 2009 rising $23 million via the issue of 1,150 million shares at an issue price of 2 cents per share.

» Shareholders in General Meeting held 4 April 2009 approved the issue of shares pursuant to the placement.

» A Share Purchase Plan ("SPP") was completed on 5 May 2009 raising $3 million via the issue of 150,000,000 shares at an issue price of 2 cents per share. The SPP closed fully subscribed to existing shareholders.

» Net cashf ow from operations totalled $13.3 million allowing the Company to retire $11.5 million of borrowings. The convertible note matured on 30 April 2009 and was converted into an unsecured short term loan with $750,000 being repaid during the period. Remaining bank debt at 30 June 2009 totals $7.5 million and will be repaid in 2 instalments on 30 September and 31 December 2009. The unsecured short term debt is being repaid in monthly instalments and will be repaid in full by 30 November 2009.

» Gold deliveries under gold forward contracts totalled 22,622 ozs of gold. A total of 9,378 ozs of gold remains to be delivered into gold forward contracts during the September 2009 milling campaign.

Operating result for the year

Consolidated Net Profit for the year was $ 3,146,773 (2008: loss $(4,632,498).

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 entity to balance date:

	No of Shares	$
Issued shares at 30 June 2007	**1,246,143,210**	**68,068,793**
Placement issue at 2.0 cents	1,250,000,000	25,000,000
Share Purchase Plan at 2.0 cents	150,000,000	3,000,000
Share issue expenses	-	(1,628,557)
Issued shares at 30 June 2008	**2,646,143,210**	**94,440,236**

Significant events after balance date

On 28 July 2009 the Company announced an inaugural inferred resource at the Hillside deposit of 69,500 ozs gold and increased inferred resources at Empress/Alicia to 49,800 ozs gold, increased inferred resources at Big Blow to 50,900 ozs and increased inferred resources at Happy Jack to 10,900 ozs gold.

On 11 August 2009 the Company announced progressive results from an extension drilling program at the Perseverance deposit including 5.41m at 33.03 g/t Au.

On 12 August 2009 the Company entered into an Exclusivity Agreement with Matsa Resources Ltd ("Matsa") to exclusively negotiate the treatment of ore from Matsa's North Scotia deposit. Treatment of the ore is expected to commence during February 2010 with treatment costs being determined by a formula with reference to ore grade, recovery rates and direct processing costs. As part of the negotiations the Company agreed to take a placement in Matsa of 1,242,236 shares issued at 16.1 cents per fully paid share for a total cost of $200,000.

On 7 September 2009 the Company secured all necessary mining and environmental approvals to commence mining operations at the Mount Deposit. Construction of a decline from existing workings to the German Lode had commenced.

Significant events after balance date cont...

Other than as detailed above, 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.

Likely developments and expected results

Refurbishment of the Three Mile Hill treatment plant will continue with commissioning of the plant expected during December 2009. In addition to treating ore from the Group's mining areas, it is anticipated that ore from external parties within the vicinity of the Three Mile Hill plant will be treated during the second half of the coming financial year. The Company is expecting to produce an estimated 80,000 ozs of gold during the coming financial year.

The directors intend to continue mining operations at the Tindals Mining Centre, including the Perseverance, Countess and Empress deposits. In addition, trial mining will be conducted at the Mount deposit to identify the prospectivity of mining in particular the German Lode along with a number of the narrow veined lodes.

Active exploration programs will continue on the Group's mining tenements, in particular, on a number of high priority targets within the Tindals Mining Centre to increase existing the gold reserves. The Company will also continue a number of feasibility studies on the Group's gold resources to bring into production an open pit resource.

In the event that the price of nickel stabilises at an appropriate base, the Board will reconsider the commencement of mining operations at the Nepean Nickel mine.

Environmental legislation

The Group's operations are subject to environmental regulation in Australia. There were no breaches by the consolidated entity of any of the environmental regulations which apply to the Group's operations. The Group continues to comply with these regulations.

Indemnification and Insurance of Directors and Officers

The company has paid premiums 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 premiums for the policy totalled $23,000.

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for directors and executives of Focus Minerals Ltd ("Company") and the consolidated entity.

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. To assist in achieving this objective, the Remuneration Committee links the nature and amount of executive directors' and other officers' emoluments to the company's financial and operational performance.

The expended outcomes of the remuneration structure are:

- retention and motivation of key executives;
- attraction of high quality management to the company; and
- performance incentives that allow executives to share the success of Focus Minerals Ltd.

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors.

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 two non-executive directors.

Members of the Remuneration Committee during the year were:

- Phillip Lockyer – Committee Chairman
- Donald Taig

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 Corporate Governance, the structure of Non-Executive director and executive 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 management 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.

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.

At present the maximum aggregate remuneration of directors' fees for non-executive directors is $150,000 par annum.
The remuneration of non-executive directors for the period ended 30 June 2009 is detailed in Table 1 of this report.

Senior executive and executive director remuneration

Remuneration primarily consists of fixed and performance based remuneration where determined by the directors. The Company has not presently established an equity based scheme that will allow the executive team to share 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.

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 undue cost for the Group.

The fixed remuneration component of specified company executives is detailed in Tables 1 and 2 below.

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 KPIs 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.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the remuneration committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the group's goals and shareholder wealth, before the KPIs are set for the following year.

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.

The performance based remuneration component of specified company executives is detailed in Tables 1 and 2 below.

Contract for Services

Mr Peter Williams, the Chief Operating Officer, has a contract of employment with the Company dated 10 March 2005. The contract specifies the duties and obligations to be fulfilled by Mr Williams. The employment contract is continuous from the commencement date of 28 February 2005. Should the contract be terminated by the Company for any reason, other than misconduct, Mr Williams will be entitled to a termination payment equivalent to one year's salary which currently totals $265,000.

Details of Key Management Personnel

i. Directors

Donald Taig	Chairman (executive)
Phillip Lockyer	Director (non-executive)
Christopher Hendricks	Director (non-executive)
Peter Williams	Managing Director - resigned 23 March 2009

ii. Executives

Campbell Baird	Chief Executive Officer - appointed January 2009
Peter Williams	Chief Operating Officer - appointed March 2009
Jon Grygorcewicz	Company Secretary and Chief Financial Officer
Dr. Garry Adams	Geology Manager
Charles McCormick	Business Development Manager
Darren Gibcus	Operations Manager - resigned 31 March 2009

There were no other changes of the board or key management after the reporting date and the date this financial report was authorised for issue.

Table 1: Directors' remuneration for the year ended 30 June 2009

		Short-term Benefits		Post Employment Benefits		Total	%
		Salary & Fees	Other	Super-annuation	Bonus		Performance related
Donald Taig	2009	160,700	-	7,411	-	168,111	-
	2008	153,950	-	9,355	-	163,305	-
Phillip Lockyer	2009	30,000	-	2,700	-	32,700	-
	2008	30,000	-	2,700	-	32,700	-
Christopher Hendricks	2009	30,000	-	-	-	30,000	-
	2008	15,000	-	-	-	15,000	-
Peter Williams #	2009	178,862	17,884	16,097	40,000	252,843	12.5%
	2008	224,770	27,585	20,229	-	272,584	-
Geoff Rasmussen**	2009	-	-	-	-	-	-
	2008	15,000	-	-	-	15,000	-
Charles McCormick*	2009	-	-	-	-	-	-
	2008	13,952	807	1,255	-	16,014	-

 # Mr Williams resigned as Managing Director on 23 March 2009 and was appointed Chief Operating Officer from that date. Mr Williams' remuneration whilst an executive director is disclosed above.

**Mr McCormick resigned as an executive director on 17 August 2007. Mr McCormick continued as an employee of the Company and the balance of his remuneration is shown below.*

***Mr Rasmussen resigned as a non-executive director on 11 January 2008.*

Table 2: Remuneration of the named executives who received the highest remuneration for the year ended 30 June 2009

		Short-term Benefits		Post Employment Benefits			Total	%
		Salary & Fees	Other	Super-annuation	Equity Options	Bonus		Performance related
Campbell Baird # Chief Executive Officer	2009	91,980	-	29,713	-	-	121,693	-
Peter Williams ## Chief Operating Officer	2009	59,521		5,357	-	-	64,878	-
Charles McCormick* Business Development Manager	2009 2008	179,649 153,479	8,923 7,894	16,168 13,814	- -	- -	204,740 175,187	- -
Jon Grygorcewicz Company Secretary/ Chief Financial Officer	2009 2008	163,010 155,965	11,833 3,945	14,752 14,037	- -	20,000 -	209,595 173,947	9.5% -
Gary Adams** Geological Manager	2009 2008	158,411 31,365	14,552 -	16,927 2,823	- -	- -	189,890 34,188	- -
Darren Gibcus** Operations General Manager	2009 2008	255,540 51,860	13,321 -	20,730 4,667	- -	- -	289,591 56,527	- -

 # Mr Baird was appointed as Chief Operating Officer on 12 January 2009. He was subsequently appointed as Chief Executive Officer on 23 March 2009.

Mr Williams was an executive director until his resignation on 23 March 2009. Remuneration while in his position as executive director is included in Table 1 above.

** Mr McCormick was an executive director until his resignation on 17 August 2007. Remuneration while in his position as executive director is included above.*

*** Mr Gibcus and Mr Adams became permanent employees of the Group on 1 May 2008. Mr Gibcus resigned on 30 April 2009.*

DIRECTORS' MEETINGS

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows.

		Meeting of Committees	
	Directors Meetings	Audit	Remuneration
Number of Meetings Held	12	1	1
Donald Taig	12	1	1
Phillip Lockyer	12	-	1
Christopher Hendricks	12	1	-
Peter Williams*	9	-	-

**Mr Williams resigned as a director on 23 March 2009. Mr Williams was entitled to attend 9 meetings during his tenure.*
The Directors also approved Group activities pursuant to 5 directors' resolutions throughout the year.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

Non-Audit Services

The board of directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.
- Fees totalling $10, 092 were paid to Grant Thornton for non-audit services, principally taxation services, provided during the year ended 30 June 2009.

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2009 has been received and can be found on page 20 of this Financial Report.

This Report of the Directors', incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.

Christopher Hendricks
Non-Executive Director
14 September 2009
Perth, Western Australia

INTRODUCTION

This statement outlines the main corporate governance practices that were in place for the financial year. The Company's practices are mainly consistent with those guidelines contained within the "Corporate Governance Principals and Recommendations" established by the ASX Corporate Governance Council.

Given the size and structure of the Company, the nature of its business activities, the stage of its development and the cost of strict and detailed compliance with all of the recommendations, the Company has adopted a range of modified systems, procedures and practices which it considers will enable it to meet the principles of good corporate governance.

Where the Company's practices do not correlate with the recommendations contained within the guidelines those departures from the guidelines are detailed and explained within this statement.

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 it's shareholders and takes into account the interest of all stakeholders. This includes setting the strategic directions for the company, establishing goals for management and monitoring the achievement of these goals.

The key responsibilities of the Board are:

1. to define and set the Company's business objectives and subsequently monitor performance and achievement of those objectives.
2. to oversee the reporting on matters of compliance with corporate policies and laws, takes responsibility for risk management processes and reviews the executive management of the Company.
3. to monitor and approve financial performance and budgets.
4. to report to shareholders and stakeholders.

The Board has delegated to executive management responsibility for:

- assisting in developing and implementing corporate strategies and making recommendations where necessary;
- appointing management and staff and setting terms of appointment and evaluating performance;
- developing the annual budget and managing day-to-day operations within budget;
- maintaining risk management frameworks: and
- keeping the Board and market informed of material events.

PRINCIPLE 2: STRUCTURING THE BOARD TO ADD VALUE

Composition of the Board

The names, skills, experiences 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 with a broad base of industry, business, technical, financial and corporate skills and experience considered necessary to represent shareholders and fulfill the business objectives of the Company.

PRINCIPLE 2: STRUCTURING THE BOARD TO ADD VALUE *cont...*

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 independent view to the Board's deliberations.
- The Chairperson should ideally be independent, but in any case be Non-executive and be elected by the Board based on his/her suitability for the position. Mr Taig is presently engaged as an Executive Chairman with his executive role strictly limited to assisting with corporate development and investor relations and to assist in the transition of the Managing Director's role from Mr Williams to the Chief Executive Officer's role undertaken by Mr Baird. Mr Taig's executive duties will be re-evaluated during the coming financial year.
- The roles of Chairperson and Managing Director should not be held by the same individual.
- 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 number of Directors is maintained at a level which will enable effective spreading of workload and efficient decision making.
- The Company considers that the Board should have at least three Directors (minimum required under the Company's Constitution) and strives to have a majority of independent Directors.

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

- Does not hold an executive position:
- is not a substantial shareholder of the Company of 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 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 the Company; and
- 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.

Of the current board members, Mr Phillip Lockyer and Mr Christopher Hendricks are considered to meet these criteria as Independent Directors.

Independent Professional Advice and Access to Company Information

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.

PRINCIPLE 2: STRUCTURING THE BOARD TO ADD VALUE *cont...*

Nomination Committee / Appointment of new Directors

Because of the size of the Company and the size of the Board, the Directors do not believe it is appropriate to establish a separate Nomination Committee. The Board has taken a view that the full Board will hold special meetings or sessions as required. The board is confident that this process for selection and review is stringent and full details of all Directors are provided to shareholders in the annual report and on the web.
The composition of the Board is reviewed on an annual basis to ensure the Board has the appropriate mix of expertise and experience. The Board does not believe at this point of the Company's development that it is necessary to appoint additional directors.

Performance of Directors and Chief Executive Officer

The performance of all Directors, the Board as a whole and the Chief Executive Officer is reviewed annually.

The Board meets once a year with the specific purpose of conducting a review of its composition and performance. 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 2009.

Performance of Senior Executives

The Board meets at least annually to review the performance of senior Executives, considerations include the following:

- » 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: and
- » Any particular concerns regarding the senior Executive.

A review was undertaken during the year ended 30 June 2009.

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 ref ects 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
- Commercial Discipline

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

Trading in Focus Minerals Securities by Directors, Officers and Employees

The Board has adopted a specific policy in relation to Directors and officers, employees and other potential insiders buying and selling shares.

Directors, officers, consultants, management and other employees are prohibited from trading in the Company's shares, options and other securities in the following circumstances:

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

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

The Code and the Company's 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 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 compiled with its policies on ethical standards, including trading in securities.

Conflict of Interest

Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conf ict with those of the company. Where the Board believes a significant conf ict 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 Directors related entity transactions with the Company and Group are set out in the related parties note in the financial statements.

PRINCIPLE 4: SAFEGUARDING INTEGRITY IN FINANCIAL REPORTING

Audit Committee- Membership and Conduct

An Audit Committee has been established consisting of Mr Christopher Hendricks, an Independent Director who is appointed Committee Chairman, and Mr Donald Taig, the company's Executive Chairman. The Executive Chairman has no active role in the daily affairs of the Company other than corporate development and is considered to be suitably independant of the operations to be a qualified member of the Committee.

The 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 Committee reviews the appointment of the external auditor at least annually reviewing the external auditor in terms of 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 Committee that he 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.
A director, in accordance with a resolution of the Directors, makes a statement to the shareholders 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.

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 Listing Rule 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.

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 cashf ows, announcements through the Australian Securities Exchange 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 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 the Company's activities.

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

PRINCIPLE 7: RECOGNISING AND MANAGING RISK

The Board is conscious of the need to continually maintain systems of risk management and internal controls to manage all the assets and affairs of the Company.

As an ordinary part of the Company's business is dealing in assets denominated by reference to international currencies other than the Australian dollar in particular the value of gold produced by the Company. The Directors are sensitive to the need to manage this currency risk and f uctuations in the value of gold. In addition, the risk management includes asset risk, operational risk, personal health and safety risk amongst others.

The Company identifies, manages and reports to the Board on those risks regularly.

Given the nature and size of the Company, its business interests and the involvement of all Directors it has not been considered necessary to establish a specific risk management policy. However, the risk management principles are adopted where it is deemed necessary and prudent and it is a standing item on the Board's meeting agenda and is discussed at each Board meeting.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Remuneration Committee

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

The maximum amount of remuneration for all directors is fixed by shareholders in General Meeting and can only be varied by shareholders in similar manner. In determining the allocation of fees, the Board takes into account the time demands on Directors together with the responsibilities undertaken by them.

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.

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14 September 2009

Auditor's Independence Declaration
To The Directors Of Focus Minerals Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Focus Minerals Limited for the year ended 30 June 2009, 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.

Grant Thornton (WA) Partnership

GRANT THORNTON (WA) PARTNERSHIP
Chartered Accountants

P. Warr.

P W Warr
Partner – Audit & Assurance Services

Perth, 14 September 2009

		Consolidated		Parent	
	Notes	2009 $	2008 $	2009 $	2008 $
Revenue	2(a)	43,618,178	3,305,638	20,460,778	1,852,743
Cost of sales		(20,665,979)	(1,385,620)	(10,332,989)	(953,082)
Gross Profit		**22,952,199**	**1,920,018**	**10,127,789**	**899,661**
Other income	2(b)	92,215	22,530	29,598	21,899
Depreciation and amortisation expense	2(c)	(10,386,028)	(1,412,395)	(5,252,531)	(737,412)
Finance costs	2(c)	(2,360,212)	(1,142,216)	(2,353,742)	(1,136,980)
Rental expenses		(124,281)	(87,088)	(124,281)	(87,088)
Loan impairment expense	2(c)	-	-	-	(255,707)
Other expenses	2(c)	(7,027,120)	(3,933,347)	(5,620,255)	(3,618,498)
Profit/(loss) before income tax expense		**3,146,773**	**(4,632,498)**	**(3,193,422)**	**(4,914,125)**
Income tax benefit	3	-	-	-	-
Net Profit/(loss) for the period		**3,146,773**	**(4,632,498)**	**(3,193,422)**	**(4,914,125)**
Basic profit (loss) per share (cents per share)	5	0.002	(0.53)		
Diluted profit (loss) per share (cents per share)	5	0.002	(0.53)		

The accompanying notes form part of these financial statements.

		Consolidated		Parent	
	Notes	2009 $	2008 $	2009 $	2008 $
Assets					
Current Assets					
Cash and cash equivalents	6	21,277,800	7,412,033	18,419,184	6,736,203
Trade and other receivables	7	223,811	131,803	100,238	49,764
Inventories	8	8,886,345	5,117,137	4,443,172	2,558,569
Other	9	144,405	334,753	106,527	321,325
Other financial assets	10	69,827	-	69,827	-
Total Current Assets		30,602,188	12,995,726	23,138,948	9,665,861
Non-Current Assets					
Other financial assets	10	-	-	42,035,114	40,560,527
Plant and equipment	11	11,565,476	4,007,900	5,869,933	2,087,591
Development expenditure	12(b)	5,252,682	22,779,536	1,236,524	3,256,659
Deferred exploration expenditure	12(a)	51,475,157	32,761,580	17,223,582	14,146,119
Total Non-Current Assets		68,293,315	59,549,016	66,365,153	60,050,896
Total Assets		98,895,503	72,544,742	89,504,101	69,716,757
Liabilities					
Current Liabilities					
Trade and other payables	14	7,193,707	5,546,497	5,439,907	3,977,806
Financial liabilities	16	9,362,854	14,242,402	9,332,532	14,237,970
Total current liabilities		16,556,561	19,788,899	14,772,439	18,215,776
Non-current liabilities					
Other payables	14	20,000	40,000	-	-
Provisions	15	1,749,608	1,749,608	874,804	874,804
Financial liabilities	16	101,414	59,883	54,775	45,467
Total Non-Current Liabilities		1,871,022	1,849,491	929,579	920,271
Total Liabilities		18,427,583	21,638,390	15,702,018	19,136,047
Net Assets		80,467,920	50,906,352	73,802,083	50,580,710
Equity					
Issued capital	17	94,440,236	68,068,793	94,440,236	68,068,793
Reserves	17	2,018,449	1,975,097	2,018,449	1,975,097
Retained earnings		(15,990,765)	(19,137,538)	(22,656,602)	(19,463,180)
Total Equity		80,467,920	50,906,352	73,802,083	50,580,710

The accompanying notes form part of these financial statements.

Consolidated	Notes	Ordinary Shares $	Retained Earnings $	Option Reserve $	Total $
Balance as at 30 June 2007		**44,606,832**	**(14,505,042)**	**561,007**	**30,662,797**
Loss attributable to members of the parent entity		-	(4,632,496)	-	(4,632,496)
Shares issued in the period		24,610,500	-	-	24,610,500
Option reserve on recognition of equity based payments		-	-	1,414,090	1,414,090
Share issue expense		(1,148,539)	-	-	(1,148,539)
Balance as at 30 June 2008		**68,068,793**	**(19,137,538)**	**1,975,097**	**50,906,352**
Profit attributable to members of the parent entity		-	3,146,773	-	3,146,773
Shares issued in the period		28,000,000	-	-	28,000,000
Option reserve on recognition of equity based payments		-	-	43,352	43,352
Share issue expense		(1,628,557)	-	-	(1,628,557)
Balance as at 30 June 2009		**94,440,236**	**(15,990,765)**	**2,018,449**	**80,467,920**

Parent	Notes	Ordinary Shares $	Retained Earnings $	Option Reserve $	Total $
Balance as at 30 June 2007		**44,606,832**	**(14,549,055)**	**561,007**	**30,618,784**
Loss attributable to members of the parent entity		-	(4,914,125)	-	(4,914,125)
Shares issued in the period		24,610,500	-	-	24,610,500
Option reserve on recognition of equity based payments		-	-	1,414,090	1,414,090
Share issue expense		(1,148,539)	-	-	(1,148,539)
Balance as at 30 June 2008		**68,068,793**	**(19,463,180)**	**1,975,097**	**50,580,710**
Loss attributable to members of the parent entity		-	(3,193,422)	-	(3,193,422)
Shares issued in the period		28,000,000	-	-	28,000,000
Option reserve on recognition of equity based payments		-	-	43,352	43,352
Share issue expense		(1,628,557)	-	-	(1,628,557)
Balance as at 30 June 2009		**94,440,236**	**(22,656,602)**	**2,018,449**	**73,802,083**

The accompanying notes form part of these financial statements.

	Notes	Consolidated 2009 $	Consolidated 2008 $	Parent 2009 $	Parent 2008 $
		Inflows/(Outflows)		Inflows/(Outflows)	
Cash flows from operating activities					
Receipts from customers		44,381,330	3,029,778	20,684,584	1,706,029
Payments to suppliers and employees		(28,707,797)	(5,082,241)	(15,217,337)	(4,180,035)
Royalties paid		(1,215,013)	-	(607,506)	-
Other income		100,877	85,175	38,260	27,059
Interest received		309,853	695,583	283,226	629,576
Finance costs		(1,524,866)	(241,196)	(1,518,396)	(235,960)
Net cash provided by/(used in) operating activities	**6(iii)**	**13,344,384**	**(1,512,901)**	**3,662,831**	**(2,053,331)**
Cash flows from investing activities					
Proceeds from sale on non-current assets		2,614	494,932	2,614	-
Purchase of non-current assets		(13,805,856)	(4,327,973)	(6,982,030)	(1,826,663)
Secured short term deposits		1,015,429	(82,877)	997,749	(65,197)
Purchase of investments		(69,827)	-	(69,827)	(5,096,391)
Loans to related entities		-	-	(1,474,587)	(19,573,598)
Net cash inf ow on acquisition of subsidiary	6(iv)	-	271,826	-	-
Purchase of mining tenements		(75,000)	(21,812,782)	(75,000)	(5,000)
Exploration expenditure		(5,151,991)	(9,117,779)	(3,002,463)	(8,071,396)
Net cash provided by/(used in) investing activities		**(18,084,631)**	**(34,574,653)**	**(10,603,544)**	**(34,638,245)**
Cash flows from financing activities					
Proceeds from issue of shares		28,000,000	18,002,500	28,000,000	18,002,500
Share issue expenses		(1,628,557)	(1,148,539)	(1,628,557)	(1,148,539)
Proceeds from borrowings		4,750,000	13,250,000	4,750,000	13,250,000
Borrowing costs		-	(532,127)	-	(532,127)
Repayment of borrowings		(11,500,000)	-	(11,500,000)	-
Net cash provided by/(used in) financing activities		**19,621,443**	**29,571,834**	**19,621,443**	**29,571,834**
Net increase (decrease) in cash and cash equivalents		14,881,196	(6,515,720)	12,680,730	(7,119,742)
Cash and cash equivalents at 1 July		5,634,646	12,150,366	5,003,496	12,123,238
Cash and cash equivalents at 30 June	**6(i)**	**20,515,842**	**5,634,646**	**17,684,226**	**5,003,496**

The accompanying notes form part of these financial statements.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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 Corporations Act 2001.

The financial report covers the consolidated financial statements of Focus Minerals Ltd and controlled entities and Focus Minerals Ltd as an individual entity. Focus Minerals Ltd is a listed public company, incorporated and domiciled in Australia.

The financial report of Focus Minerals Ltd and controlled entities and Focus Minerals Ltd as an individual entity parent entity comply with Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

b. Reporting Basis and Conventions

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 non-current assets, financial assets and financial liabilities.

c. Basis of Consolidation

The consolidated financial statements comprise the financial statements of Focus Minerals Ltd and its controlled entities as at 30 June each year (the Group).

The financial statements of the controlled entities are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full. Controlled entities are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

d. Business Combinations

Business combinations occur when control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for by applying the purchase method.

The purchase method requires an acquirer of the business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined as at acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate.

Goodwill is recognised initially at the excess of cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. Goodwill on acquisition has been recognised in deferred development expenditure. If the fair value of the acquirer's interest is greater than cost, the surplus is immediately recognised in profit or loss.

e. Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will f ow to the Group and the revenue can be reliably measured. 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 is recognised by reference to the stage of completion of the contract with losses recognised immediately.

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.

f. Borrowing Costs

Borrowing costs, including loan establishment costs, are recognised as an asset an amortised over the life of the loan period.

g. 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.

h. Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

i. Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

j. 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.

k. 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.

Available-for-sale investments

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in the income statement. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

l. Impairment of non-financial assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use i.e. discounted cash flows, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

m. Interest in a jointly controlled operation

The Parent has an interest in a joint venture that is a jointly controlled operation. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled operation involves use of assets and other resources of the venturers rather than establishment of a separate entity. The Parent recognises its interest in the jointly controlled operation by recognising the assets that it controls and the liabilities that it incurs. The Parent also recognises the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the jointly controlled operation.

n. 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.

o. Income tax cont'd

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 are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.\

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.

p. 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 equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

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:

(a) the amount at which the financial asset or financial liability is measured at initial recognition;

(b) less principal repayments;

(c) 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

(d) less any reduction for impairment.

p. Financial Instruments cont'd

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 f ows 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.

i. 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 shortterm 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.

ii. Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an activemarket and are subsequently measured at amortised cost.

iii. Financial liabilities
Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

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.

Derecognition
Financial assets are derecognised where the contractual rights to receipt of cash f ows 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 either 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.

q. 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 inthe balance sheet.

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

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

r. 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 areplacement only if it is eligible for capitalisation.

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 units of production basis.

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

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 f ows are discounted to their present value using a pre-tax discount rate that ref ects 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 inf ows, recoverable amount is determined for the cashgenerating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value. An 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 income statement.

Derecognition 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 derecognition 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.

s. 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; and

› 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 interest are continuing.

s. Exploration and Evaluation Expenditure cont'd

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. 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 development expenditure..

t. Development Expenditure

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.

Amortisation of costs is provided on the unit-of-production method with separate calculations being made for each mineral resource. The unit-of-production basis results in an amortisation charge proportional to the depletion of the estimated recoverable reserves. In some circumstances, where conversion of resources into reserves is expected, some elements of 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.

u. Trade and other payables

Trade and other payables are carried at the fair value of the consideration to be paid in the future. Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of goods and services.

v. 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.

w. 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 outf ow 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 ref ects 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.

x. Employee leave 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 outf ows.

y. 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 transactions).

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, further details of which are given in Note 13.

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 (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date ref ects (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 ref ected as additional share dilution in the computation of earnings per share (see Note 5).

z. Issued 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.

aa. Restoration, rehabilitation and environmental Costs

Restoration, rehabilitation and environmental costs necessitated by exploration and evaluation activities are accrued at the time of those activities and treated as exploration and evaluation expenditure.

Restoration, rehabilitation and environmental obligations recognised include the costs of reclamation and subsequent monitoring of the environment.

Costs are estimated on the basis of current assessed costs, current legal requirements and current technology, which are discounted to their present value. Estimates are reassessed at least annually. Changes in estimates are dealt with prospectively, with any amounts that would have been written off or provided against under accounting policy for exploration and evaluation immediately written off.

ab. 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 is 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.

ac. Comparative figures

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

ad. 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.

Key Estimates

Determining ore reserves and remaining mine life

The consolidated entity estimates its ore reserves and mineral resources based on information complied by Competent Persons (as defined in accordance with the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves as revised in December 2004 (the JORC code). Reserves determined in this way are taken into account in the calculation of depreciation, amortisation, impairment, deferred mining costs, rehabilitation and environmental expenditure.

In estimating the remaining life of the mine for the purpose of amortisation and depreciation calculations, due regard is given, not only to the amount of remaining recoverable gold ounces contained in proved and probable reserves, but also to limitations which could arise from the potential changes in technology, demand and other issues which are inherently difficult to estimate over a lengthy time frame.

Where a change in estimated recoverable gold ounces contained in proved and probable ore reserves are made, depreciation and amortisation is accounted for prospectively.

The determination of ore reserves and remaining mine life affects the carrying value of a number of the Consolidated Entity's assets and liabilities including deferred mining costs and the provision for rehabilitation.

Share based payments

The consolidated entity measures the cost of equity settled transactions with directors, employees and third parties with reference to the fair value of equity instruments at the date at which they are granted. The fair value is determined by using the Black Scholes Model with the assumptions in Note 13. The accounting estimates and assumptions relating to equity settled based payments may impact on the income, expenses and liabilities within the next annual reporting period.

Impairment of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the consolidated entity decides to exploit the related lease itself, or if not, whether it successfully recovers the related exploration and evaluation asset through sale.

To the extent that capitalised exploration expenditure is determined not to be made recoverable in future, profits and net assets will be reduced in the period in which the determination is made.

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent it is determined in the future that this capitalised expenditure should be written off, profits and net assets will be reduced in the period in which this determination is made.

ae. New Standards and Interpretations not yet adopted

The AASB has issued new, revised and amended standards and interpretations that have mandatory application dates for future reporting periods. The Group had decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

› AASB 8: Operating Segments and AASB 2007-3: Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038] (applicable for annual reporting periods commencing from 1 January 2009). AASB 8 replaces AASB 114 and requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Group's Board for the purposes of decision making. While the impact of this standard cannon be assessed at this stage, there is the potential for more segments to be identified. Given the lower economic levels at which segments may be defined, and the fact that cash generating units cannot be bigger than operating segments, impairment calculations may be affected. Management does not presently believe impairment will result however.

› AASB 101: Presentation of Financial Statements, AASB 2007-8: Amendments to Australian Accounting Standards arising from AASB 101, and AASB 2007-10: Further Amendments to Australian Accounting Standards arising from AASB 101 (all applicable to annual reporting periods commencing from 1 January 2009). The revised AASB 101 and amendments supersede the previous AASB 101 and redefines the composition of financial statements including the inclusion of a statement of comprehensive income. There will be no measurement or recognition impact on the Group

  If an entity has made a prior period adjustment or reclassification, a third balance sheet as at the beginning of the comparative period will be required.

› AASB 2008-1: Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations [AASB 2] (applicable for annual reporting periods commencing form January 2009). This amendment to AASB 2 clarifies that vesting conditions consist of service and performance conditions only. Other elements of a share-based payment transaction should therefore be considered for the purposes of determining fair value. Cancellations are also required to be treated in the same manner whether cancelled by the entity or by another party.

  The Group does not anticipate early adoption of any of the above reporting requirements and does not expect these requirements to have any material effect on the Group's financial statements.

The Financial Report was authorised for issue on 14 September 2009 by the Board of Directors.

NOTE 2: REVENUES AND EXPENSES

	Consolidated		Parent	
	2009 $	2008 $	2009 $	2008 $
(a) Revenue				
Gold sales	44,442,796	2,330,910	20,719,787	1,167,537
Silver sales	30,542	11,259	15,271	5,630
Royalty expense	(1,215,013)	-	(607,506)	-
Rental revenue	50,000	50,000	50,000	50,000
Services revenue	-	217,886	-	-
Interest received	309,853	695,583	283,226	629,576
	43,618,178	**3,305,638**	**20,460,778**	**1,852,743**
(b) Other income				
Net gains (loss) on disposal of plant and equipment	(8,662)	(62,645)	(8,662)	(5,160)
Other	100,877	85,175	38,260	27,059
	92,215	**22,530**	**29,598**	**21,899**
(c) Expenses				
Finance costs				
Finance charges payable under finance leases and hire purchase contracts	13,754	8,872	7,284	3,636
Interest expense	1,511,112	232,324	1,511,112	232,324
Gold put options expired	227,190	-	227,190	-
Unrealised gold forward contracts mark to market expense	608,156	901,020	608,156	901,020
Total finance charges	**2,360,212**	**1,142,216**	**2,353,742**	**1,136,980**
Depreciation & Amortisation Expense				
Depreciation of non-current assets	1,963,389	216,618	1,041,211	139,524
Amortisation of development expenditure	4,040,268	825,827	2,191,185	412,913
Amortisation of mine development	4,382,371	369,950	2,020,135	184,975
Total amortisation and depreciation	**10,386,028**	**1,412,395**	**5,252,531**	**737,412**
Operating lease rental expense	124,281	87,088	124,281	87,088
Loan impairment expense	**-**	**-**	**-**	**255,707**
Other expenses				
Legal fees	88,888	57,088	88,888	57,088
Bank charges and borrowing costs	1,493,875	266,188	1,493,405	266,008
Site Administration costs	1,313,193	654,015	656,597	495,219
Option expense	43,352	-	43,352	-
Employee benefit expense	2,668,956	1,225,984	1,920,877	1,070,512
Other	1,418,856	1,730,072	1,417,136	1,729,671
	7,027,120	**3,933,347**	**5,620,255**	**3,618,498**

NOTE 3: INCOME TAX

	Consolidated		Parent	
	2009 $	2008 $	2009 $	2008 $
Income tax recognised in profit and loss				
The prima facie income tax expense on pre-tax accounting from operations reconciles to the income tax expense in the financial statements as follows:				
Accounting profit (loss) before income tax	3,146,772	(4,632,498)	(3,193,422)	(4,914,125)
Income tax expense				
Income tax expense calculated at statutory income tax rate of 30%	944,031	(1,389,749)	(958,027)	(1,474,237)
Sundry non-deductible expenses	328,463	86,981	328,444	86,947
Deferred tax asset relating to tax losses not brought to account	(1,272,495)	1,302,768	629,583	1,387,291
Income tax benefit	-	-	-	-
Income Statement				
Current Tax				
Deferred tax asset relating to tax losses	1,272,495	(1,302,768)	(629,583)	(1,387,291)
Deferred Income Tax	-	-	-	-
Temporary differences recognised in equity	(245,941)	(148,227)	(245,941)	(148,227)
Relating to origination and reversal on temporary differences	(1,219,066)	474,596	(770,099)	473,650
Current year tax losses not recognised in the current period	192,512	976,399	1,645,623	1,061,868
Income tax benefit reported in the income statement	-	-	-	-
Unrecognised Deferred Tax Balances				
Unrecognised deferred tax asset losses	12,251,120	10,665,220	11,515,406	8,362,464
Unrecognised deferred tax asset other	1,794,636	616,692	1,666,875	652,982
Unrecognised deferred tax liabilities	(7,975,136)	(5,106,839)	(5,538,032)	(2,832,818)
Net unrecognised deferred tax assets	6,070,620	6,175,073	7,644,249	6,182,928

The deferred tax asset arising from the tax losses has not been recognised as an asset in the balance sheet because the recovery is not probable.

The tax benefit of losses not brought to account will only be obtained if:

a. assessable income is derived of a nature and amount sufficient to enable the benefits to be realised

b. conditions for deductibility imposed by the law are complied with, and

c. no changes in the tax legislation adversely affect the realisation of the benefit from the deductions.

Tax Consolidation
Focus Minerals Ltd and its 100% owned Australian resident subsidiaries have not formed a tax consolidated group.

NOTE 4: SEGMENT REPORTING

The Group's business segment is the mining and exploration of gold and other minerals and operates in one geographical segment being Western Australia. The business segment is based on the Group's management and internal reporting structure.

NOTE 5: EARNINGS PER SHARE

	Consolidated	
	2009 Cents per Share	2008 Cents per Share
Basic earnings per share:		
Total Basic EPS	0.002	(0.53)
Diluted earnings per share		
Total Diluted EPS	**0.002**	**(0.53)**
Basic Earnings per share		
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share is as follows:	3,146,773	(4,632,498)
Weighted average number of ordinary shares for the purposes of basic earnings per share	**1,587,513,073**	**866,746,745**
Diluted Earnings per share		
The earnings and weighted average number of ordinary shares used in the calculation of diluted earnings per share:	3,146,773	(4,632,498)
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**1,638,821,484**	**925,526,089**

NOTE 6: CASH AND CASH EQUIVALENTS

	Consolidated		Parent	
	2009 $	2008 $	2009 $	2008 $
Cash at bank and on hand	753,850	1,426,631	386,763	795,481
Short-term deposits - secured	761,958	1,777,387	734,958	1,732,707
Short-term deposits - unsecured	19,761,992	4,208,015	17,297,463	4,208,015
	21,277,800	**7,412,033**	**18,419,184**	**6,736,203**

Cash at bank earns interest at f oating rates based on daily deposit rates.

Short-term deposits are made for varying periods of between one day and six months, depending on the immediate cash requirements of the Group, and earn interest at the respective 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.

Secured performance bonds, secured by cash deposits, comprise $761,958 (2008: $1,777,387) attributable to the Group for its 100% directly held mining tenements in the Coolgardie Gold Project. Under the Bank Facility detailed in note 17, the Bank has provided further performance bonds totalling $1,179,500 (2008: $nil). These bonds are secured under the terms of the Bank Facility.

	Consolidated		Parent	
	2009 $	2008 $	2009 $	2008 $
(i) Reconciliation to Cash Flow Statement				
For the purposes of the cash f ow statement, 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 cash f ow statement is:				
Cash at bank and short term deposits	21,277,800	7,412,033	18,419,184	6,736,203
Short term deposit - secured	(761,958)	(1,777,387)	(734,958)	(1,732,707)
Cash and cash equivalents	**20,515,842**	**5,634,646**	**17,684,226**	**5,003,496**
(ii) Cash balances not available for use				
Short term deposits lodged as security	**761,958**	**1,777,387**	**734,958**	**1,732,707**
(iii) Reconciliation of profit (loss) for the year to net cash flows from operating activities				
Profit/(Loss) for the year	3,146,773	(4,632,496)	(3,193,422)	(4,914,125)
(Gain)/loss on sale or disposal of non-current assets	8,662	61,150	8,662	5,161
Loan impairment expense	-	-	-	255,707
Depreciation expense	1,963,578	619,649	1,041,307	346,403
Amortisation expense	8,409,136	825,827	4,204,569	412,913
Borrowing cost expensed	1,216,385	-	1,216,385	-
Option cost	43,352	-	43,352	-
Unrealised gold forward loss	600,156	901,020	600,156	901,020
(Increase)/decrease in assets:				
Current receivables	(92,008)	412,682	(50,474)	433,098
Inventories	(3,769,208)	(4,874,110)	(1,884,603)	(2,315,542)
Other current assets	190,348	(320,218)	214,798	(313,458)
Increase/(decrease) in liabilities				
Current payables	3,012,885	1,653,484	2,091,412	990,016
Other current liabilities	(1,507,183)	2,080,202	(705,172)	1,301,609
Rehabilitation costs	-	1,638,608	-	763,804
Employee benefits	141,508	160,051	75,861	98,813
Deferred revenue	-	(18,750)	-	(18,750)
Non-current payables	(20,000)	(20,000)	-	-
Net cash from operating activities	**13,344,384**	**(1,512,901)**	**3,662,831**	**(2,053,331)**

NOTE 6: CASH AND CASH EQUIVALENTS *cont...*

	Consolidated		Parent	
	2009 $	2008 $	2009 $	2008 $
(iv) Net cash on acquisition of subsidiary				
During the prior year 100% of the issued capital of Redemption Management Pty Ltd was acquired. The details of the transaction was:				
Consideration paid		30,126,692		
Cash consideration		20,000,000		
Costs of acquisition		1,518,592		
Cash and bank balances acquired		(271,826)		
Cash outflow		**(21,246,766)**		
Assets and liabilities held at acquisition date				
Cash and bank balances		271,826		
Short term deposit – secured		886,703		
Trade and other debtors		59,583		
Inventories		307,764		
Plant and equipment		436,445		
Deferred exploration expenditure		30,143,956		
Trade and other payables		(1,449,517)		
Financial liabilities		(530,068)		
Net Identifiable assets		**30,126,692**		

(v) Non Cash Financing and Investing Activities Transactions

2009

» Expenses during the period include the value of issued options for an amount of $43,352. The options were issued in consideration for investor promotional activities and were issued for no cash consideration.

2008

» The Company issued 140,000,000 ordinary shares at a value of $6,608,000 and a convertible note for a face value of $2,000,000 as part consideration for the acquisition of Redemption Management Pty Ltd.

» Borrowing costs include the value of issued options for an amount of $1,404,090. The options were issued for no consideration.

NOTE 7: CURRENT TRADE AND OTHER RECEIVABLES

	Consolidated		Parent	
	2009 $	2008 $	2009 $	2008 $
Other receivables	223,811	131,803	100,238	49,764

An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired. The amount of the allowance/impairment loss has been measured as the difference between the carrying amount of the trade receivables and the estimated future cash f ows expected to be received from the relevant debtors.

NOTE 8: INVENTORIES

	$	$	$	$
At cost				
Spare parts	274,756	486,054	137,378	243,027
Gold bullion	1,162,579	2,025,758	581,290	1,012,879
Mined ore	7,449,010	2,605,325	3,724,504	1,302,663
	8,886,345	**5,117,137**	**4,443,172**	**2,558,569**

NOTE 9: OTHER CURRENT ASSETS

	$	$	$	$
Other assets	-	295,838	-	295,838
Prepaid expenses	144,405	38,915	106,527	25,487
	144,405	**334,753**	**106,527**	**321,325**

NOTE 10: OTHER FINANCIAL ASSETS (NON-CURRENT)

	$	$	$	$
Investments in listed entities	**69,827**	-	**69,827**	-
Investments in controlled entities – note 1	-	-	**17,005,669**	**17,005,669**
Amounts receivable from controlled entities – note 2	-	-	25,329,445	23,854,858
Impairment expense	-	-	(300,000)	(300,000)
	-	-	**25,029,445**	**23,554,858**
	-	-	**42,035,114**	**40,560,527**

NOTE 10: OTHER FINANCIAL ASSETS (NON-CURRENT) *cont...*

Note 1

On 6 March 2008, being the date of effective change of control, the Company acquired a direct 100% interest in Redemption Management Pty Ltd ("Redemption"). On acquisition, Redemption held a direct 50% interest in Underground Drilling Services Pty Ltd. On 11 June 2008, Redemption changed its name to Focus Operations Pty Ltd ("Focus Operations").

Business Combination

Acquisition of Redemption Management Pty Ltd

The Company) announced on 6 March 2008 that it had entered into an agreement with the shareholders of Redemption Management Pty Ltd (Redemption) to purchase all of the issued capital of Redemption. Redemption held a direct 50% joint venture interest in the Redemption Plant and Equipment joint venture and a direct 50% joint venture interest in the Redemption Exploration joint venture and a direct 50% in the issued capital of Underground Drilling Services Pty Ltd.
Focus shareholders, in General Meeting held 14 April 2008, approved the acquisition by authorising the issue of Focus shares and a convertible note.

On 30 April 2008 the Company settled the transaction with the shareholders of Redemption and full ownership was assumed from that date. The effective date of the acquisition was 6 March 2008.

The total cost of the combination was $30.1 million comprising 140 million Focus shares (fair value 5.9 cents per share at a 20% discount for escrow period restriction = 4.72 cents per share), an 8.25% redeemable convertible note with a face value of $2 million and $20 million in cash. Other transaction costs on the transaction totalled $1.52 million.

Note 1 cont...

The fair value of identifiable assets and liabilities of Redemption as at the date of acquisition were:

	Recognised on acquisition $	Carrying Value $
Cash and cash equivalents	271,826	271,826
Secured deposits	886,703	886,703
Receivables	31,917	31,917
Inventories	307,764	307,764
Property, plant and equipment	436,446	436,446
Deferred exploration expenditure	13,877,733	13,877,733
Other assets	27,665	27,665
	15,840,054	**15,840,054**
Payables	(1,298,336)	(1,298,336)
Financial liabilities	(530,068)	(530,068)
Provisions	(40,181)	(40,181)
Rehabilitation costs	(111,000)	(111,000)
	(1,979,585)	**(1,979,585)**
Fair value on identifiable net assets	13,860,469	
Goodwill on acquisition	16,266,223	
	30,126,692	
Cost of combination		
Shares issued at fair value		
Convertible note	6,608,000	
Cash paid	2,000,000	
Direct costs of the acquisition	20,000,000	
Total cost of the combination	1,518,692	
	30,126,692	
The cash outf ow on acquisition is as follows:		
Net cash acquired with the subsidiary	271,826	
Direct costs of the acquisition	(1,518,692)	
Cash paid	(20,000,000)	
Net cash outflow	**(21,246,866)**	

The goodwill arising on the Redemption transaction pertains to the Directors' assessment of the commercial benefit to be obtained from the commercial development of the Perseverance Project. Goodwill has been recognised in Deferred Development expenditure.

Under Australian Accounting Standard AASB 3 "Business Combinations" the Group has a period of up to twelve months from the acquisition date to complete the initial accounting for the business combination, including the assessment of the fair values of any tangible or intangible assets acquired. Intangible assets of $16,265,233 were initially allocated to the Development Costs at acquisition date. The Directors have subsequently re-assessed the allocation and have determined an amount of $13,486,586 be transferred from development Costs to Deferred Exploration and Evaluation Costs (Note 12).

NOTE 10: OTHER FINANCIAL ASSETS (NON-CURRENT) *cont...*

Note 2

The ultimate recoverability of the amounts receivable from controlled entities is dependant on the successful and commercial exploitation and or sale of the controlled entity's mining tenements at amounts at least equal to the book value.

*As there is no current intention for the loans to controlled entities to be repaid in the near future, the amounts receivable from controlled entities are treated as investment in controlled entities, for accounting purposes.

NOTE 11: PLANT AND EQUIPMENT

	Consolidated		Parent	
	2009 $	2008 $	2009 $	2008 $
Mining & Milling plant and equipment				
At cost	19,092,778	5,219,618	9,798,238	2,806,921
Less accumulated depreciation	(7,527,302)	(1,211,718)	(3,928,305)	(719,330)
	11,565,476	**4,007,900**	**5,869,933**	**2,087,591**
Movements in carrying amounts				
Balance at 1 July	4,007,900	802,775	2,087,591	541,858
Additions	13,901,298	3,944,410	7,019,359	1,897,297
Acquired on acquisition of subsidiary company	-	436,446	-	-
Disposals	(11,276)	(556,082)	(11,276)	(5,161)
Depreciation expense	(6,332,446)	(619,649)	(3,225,741)	(346,403)
Balance at 30 June	**11,565,476**	**4,007,900**	**5,869,933**	**2,087,591**

The useful life of the mining plant and equipment was estimated as follows for both 2008 and 2009:

- Mobile plant and equipment - 5 to 15 years
- Underground assets - units of production basis

NOTE 12: DEFERRED EXPENDITURE

	Consolidated		Parent	
	2009 $	2008 $	2009 $	2008 $
a) DEFERRED EXPLORATION EXPENDITURE – at cost				
Exploration and Evaluation Expenditure:				
At Cost	51,475,157	32,761,580	17,223,582	14,146,119
Less – accumulated amortisation	-	-	-	-
Net Exploration and Evaluation Expenditure	51,475,157	32,761,580	17,223,582	14,146,119
Development Expenditure:				
At cost	10,118,994	23,605,363	3,669,572	3,669,572
Less – accumulated amortisation	(4,866,095)	(825,827)	(2,433,048)	(412,913)
Net Exploration and Evaluation Expenditure	5,252,899	22,779,536	1,236,524	3,256,659

Reconciliations:

Exploration and Evaluation Expenditure

Carrying amount at beginning of the year	32,761,580	17,100,208	14,146,119	9,739,294
plus – exploration expenditure	5,226,991	9,122,779	3,077,463	8,076,397
plus – acquired on acquisition of controlled entity	-	30,143,956	-	-
plus - Transfer (to)/from Exploration Expenditure – (Note 10)	13,486,586	(23,605,363)	-	-
less: expenditure written off	-	-	-	(3,669,572)
Carrying amount at end of year	51,475,157	32,761,580	17,223,582	14,146,119

Development Expenditure

Carrying amount at beginning of the year	22,779,536	-	3,256,659	-
plus – costs incurred	-	-	-	3,669,572
plus - Transfer (to)/from Exploration Expenditure – (Note 10)	(13,486,586)	23,605,363	-	-
less: amortisation expense	(4,040,268)	(825,827)	(2,020,135)	(412,913)
Carrying amount at end of year	5,252,682	22,779,536	1,236,524	3,256,659

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases are dependent on the discovery of commercially viable mineral or other natural resource deposits and their successful development and commercial exploitation or sale of the respective areas.

During the year the Company increased its JORC compliant resources to 1,880,540 ounces (2008: 1,780,046 ounces). As at 30 June 2009, 48.0% of total development expenditure has been amortised. The remaining amortisation period is dependent upon future production levels and any revision to resources.

NOTE 13: SHARE BASED PAYMENTS

During the year, the Company issued 20,000,000 (2008 : 40,000,000) options as consideration for the provision of investor promotional activities.

The fair value of the equity settled share options granted is estimated as at the date of grant using the Black-Scholes Option pricing model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used for the year ended 30 June 2009.

	2009	2008
Volatility (%)	65%	79%
Risk free interest rate (%)	3.9%	7.0%
Expected life of option (years)	1 – 2 years	3 yrs
Exercise price (cents)	4.5 & 7.0	6.875
Weighted average share price at grant date (cents)	2.6	6.5
Imputed value of issued options	**$43,352**	**$1,414,090**

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility ref ects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

NOTE 14: TRADE AND OTHER PAYABLES

	Consolidated		Parent	
	2009 $	2008 $	2009 $	2008 $
Current				
Trade payables (i)	5,184,671	2,171,786	3,585,351	1,490,939
Sundry creditors and accrued expenses	1,672,937	3,180,120	1,645,342	2,353,514
Employee benefits	336,099	194,591	209,214	133,353
	7,193,707	**5,546,497**	**5,439,907**	**3,977,806**
Non Current				
Other parties	**20,000**	**40,000**	-	-

(i) Trade payables are non-interest bearing and are normally settled on 15-30 day terms.
Information regarding the credit risk of current payables is set out in Note 18.

NOTE 15: PROVISIONS

	Consolidated		Parent	
	2009 $	2008 $	2009 $	2008 $
Non-Current				
Rehabilitation costs				
Balance at 1 July	1,749,608	111,000	874,804	111,000
Increase in the period	-	1,638,608	-	763,804
Balance at 30 June	**1,749,608**	**1,749,608**	**874,804**	**874,804**

Provision for Mine Restoration

A provision has been recognised for the costs to be incurred for the restoration of mining and prospecting leases used for the production and exploration of gold and nickel. A discount rate adjusted to reflect the risk inherent in the mining operation has been applied

NOTE 16: FINANCIAL LIABILITIES

	Consolidated		Parent	
	2009 $	2008 $	2009 $	2008 $
Current				
Bank loans – note a)	7,250,000	13,250,000	7,250,000	13,250,000
Less borrowing costs				
› Facility establishment costs	(775,405)	(775,405)	(775,405)	(775,405)
› Share option expense – refer Note 13	(1,414,090)	(1,414,090)	(1,414,090)	(1,414,090)
	(2,189,495)	**(2,189,495)**	**(2,189,495)**	**(2,189,495)**
› Borrowing costs expensed	1,459,663	243,278	1,459,663	243,278
› Net borrowing costs	(729,832)	(1,946,217)	(729,832)	(1,946,217)
Net Bank loans	**6,520,168**	**11,303,783**	**6,520,168**	**11,303,783**
Gold forward sales payable	1,509,176	909,020	1,509,176	909,020
Finance lease – refer note 20	83,510	29,599	53,188	25,167
Unsecured loan	1,250,000	-	1,250,000	-
Convertible note – note b)	-	2,000,000	-	2,000,000
	9,362,854	**14,242,402**	**9,332,532**	**14,237,970**
Non – current				
Finance lease	**101,414**	**59,883**	**54,775**	**45,467**

NOTE 16: FINANCIAL LIABILITIES (CONTINUED)

Note a) Bank Loan

At 30 June 2008, the Group had established borrowing facilities with Investec Bank (Australia) Limited. The facility commenced on 1 May 2008 and originally expires on 31 October 2009. During the year the Company restructured the Facility with the expiry date extended to 31 December 2009.

The Facility provided working capital for the Company and in particular, the development costs of the Perseverance Gold Project.

The Facility is secured by:

- fixed and f oating charge over all the assets and undertakings of the Company, Austminex Pty Ltd and Focus Operations Pty Ltd,
- an equitable mortgage over the issued shares owned by the Company in Austminex Pty Ltd and Focus Operations Pty Ltd, and
- a mining mortgage over specified mining leases owned by the Company, in Austminex Pty Ltd and Focus Operations Pty Ltd.

The facility is comprised of the following:

	30 June 2009		
	Drawn	Undrawn	Facility Limit
Cash Facility	4,500,000	-	4,500,000
Convertible Facility	2,750,000	-	2,750,000
Contingent Instruments	1,179,500	470,500	1,650,000
Total Facility	**8,429,500**	**470,500**	**8,900,000**

The Facility Agreement requires that the Company must comply with certain financial covenants including the following:

Historic Debt Service Cover Ratio	exceeds 1.25
Forward Debt Service Cover Ratio	exceeds 1.25
Loan Life Ratio	exceeds 1.40
Project Life Ratio	exceeds 1.80
Cash Flow Tail Ratio	exceeds 15%.

There were no breaches of financial covenants during the period.

Note b) Convertible Note

As part consideration for the acquisition of Redemption Management Pty Ltd, the Company issued a redeemable 8.25% convertible note at a face value of $2,000,000 Interest was payable on the convertible note at the rate of 8.25% pa payable on the maturity date, 30 April 2009.

The convertible note matured on 30 April 2009 and by mutual consent, was converted into an unsecured loan repayable in monthly instalments with final repayment due on 30 November 2009.

NOTE 17: ISSUED CAPITAL AND RESERVES

Authorised Capital

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

(a) Ordinary shares

	Consolidated Group		Parent Entity	
	2009 $000	2008 $000	2009 $000	2008 $000
2,646,143,210 (2008 – 1,246,143,210) fully paid ordinary shares	**94,440,236**	**68,068,793**	**94,440,236**	**68,068,793**
On issue at the beginning of reporting period	1,246,143,210	778,824,986	1,246,143,210	778,824,986
Shares issued during the year				
› 27 February 2009	100,000,000	-	100,000,000	-
› 6 April 2009	1,150,000,000	-	1,150,000,000	-
› 5 May 2009	150,000,000	-	150,000,000	-
› 17 April 2008	-	254,545,454	-	254,545,454
› 24 April 2008	-	72,772,770	-	72,772,770
› 30 April 2008	-	140,000,000	-	140,000,000
On issue at reporting date	**2,646,143,210**	**1,246,143,210**	**2,646,143,210**	**1,246,143,210**

On 27 February 2009 the Company issued 100,000,000 ordinary shares at 2.0 cents per share under a placement of shares This issue of shares was subsequently ratified by shareholders in a General Meeting held on 3 April 2009.

On 6 April 2009 the Company issued 1,150,000,000 ordinary shares at 2.0 cents per share under a placement of shares as approved by shareholders in a General Meeting held on 3 April 2009.

On 5 May 2009 the Company issued 150,000,000 ordinary shares at 2.0 cents per share under a Share Purchase Plan.

Share issue costs totalling $1,628,557 were incurred in the issue of shares by placement and the Share Purchase Plan.

Net funds totalling $26,371,443 from the above issues are to be used as follows:

» $18,000,000 in the refurbishment and modernisation of the Company's Three Mile Hill treatment plant; and

» $8,371,443 for the advancement of resource development and exploration within the Coolgardie Gold Project.

At each shareholders' 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.

NOTE 17: ISSUED CAPITAL AND RESERVES (CONTINUED)

(b) Options

The Company has issued options to acquire fully paid shares by defined expiry dtaes. The following are outstanding options at 30 June 2009:

Issuing Entity	Number of Options	Exercise Price Cents per Share	Expiry Date
Focus Minerals Ltd	2,140,000	12.00	6/12/2009
	2,140,000	14.50	6/12/2009
	2,140,000	17.00	6/12/2009
	4,925,000	5.00	30/11/2010
	4,925,000	6.00	30/11/2010
	40,000,000	6.875	30/4/2011
	10,000,000	4.50	30/4/2010
	10,000,000	7.00	30/4/2011
Total Options issued	**76,270,000**		

(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. As required under the banking facilities provided, the Group monitors monthly and reports quarterly on the compliance of financial covenants as listed in Note 16. The group's debt and capital includes ordinary share capital and financial liabilities supported by financial assets. 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 group has entered into a finance facility with Investec Bank (Australia) Limited to fund the development of the Perseverance Project and bring it into commercial production. The gearing ratios for the group are as follows:

	Consolidated		Parent	
	2009 $	2008 $	2009 $	2008 $
Total borrowings	18,427,583	21,638,390	15,702,018	19,136,045
Less cash and cash equivalents	(20,515,842)	(5,634,646)	(17,684,226)	(5,003,496)
Net debt/(net cash)	**(2,088,259)**	**16,003,744**	**(1,982,208)**	**14,132,549**
Total equity	80,467,920	50,906,352	73,802,083	50,580,711
Total capital	**78,379,661**	**66,910,096**	**71,819,875**	**64,713,260**
Gearing ratio	n/a	24%	n/a	22%

(d) Reserves

Option Reserve

Movements in the option reserve as a result of equity settled transactions were as follows:

	Consolidated		Parent	
	2009 $	2008 $	2009 $	2008 $
Balance 1 July	**1,975,097**	**561,007**	**1,975,097**	**561,007**
Employee share options issued	-	-	-	-
Other options issued	43,352	1,414,090	43,352	1,414,090
Balance 30 June	2,018,449	1,975,097	2,018,449	1,975,097

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. On 31 July 2008 3,000,000 options at an exercise price of 5.04 cents per share lapsed unexercised. These options incurred an expense of $34,789 when issued during September 2005. At 30 June 2009, $337,893 remains within the Option Reserve attributable to options which have lapsed unexercised.

NOTE 18: FINANCIAL INSTRUMENTS

a. Financial Risk Management Policies

The group's financial instruments consist mainly of deposits with banks, local money market instruments, 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 for hedging purposes such as forward gold sales agreements. The group does not speculate in the trading of derivative instruments.

i. Treasury Risk Management

A finance committee consisting of a non-executive director and the Chief Financial Officer meet on a regular basis to analyse 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 f ow requirements.

ii. Financial Risk Exposures and Management

The main risks the group is exposed to through its financial instruments are interest rate risk, liquidity risk, credit risk and gold price risk.

Interest rate risk

Interest rate risk is managed with a mixture of fixed and f oating rate debt. At 30 June 2009 approximately 100% of group debt is fixed. It is the policy of the group to keep between 75% and 100% of debt on fixed interest rates for short term periods up to 180 days.

NOTE 18: FINANCIAL INSTRUMENTS CONT...

Liquidity Risk
The group manages liquidity risk by monitoring forecast project and operating cash f ows 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.

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.

In respect of the parent entity, credit risk also incorporates the exposure of Focus Minerals Ltd to the liabilities of all members of the closed group.

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 finance 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.

Credit risk for derivative financial instruments arises from the potential failure by counter-parties to the contract to meet their obligations. The credit risk exposure to forward gold sale contracts is the net fair value of these contracts as disclosed in Note 18 (b).

The consolidated group has a material credit risk exposure to Investec Bank (Australia) Limited under financial instruments entered into by the consolidated group. The total exposure is detailed in Note 18 (b) below.

Price Risk
The group is exposed to gold price risk through its gold mining operations. The group has entered into gold forward sales contracts and put option contracts for delivery of specified quantities of gold on specific dates at fixed prices.

b. Financial Instruments

i. Derivative Financial Instruments
Derivative financial instruments are used by the consolidated group to hedge exposure to gold price risk. Transactions for hedging purposes are undertaken without the use of collateral as only reputable institutions with sound financial positions are dealt with.

Forward Gold Contracts
The group has entered into forward exchange contracts to sell specified amounts of gold in the future at fixed gold prices. The objective in entering the forward gold contracts is to protect the group against unfavourable price movements for the contracted future sales of gold. The group has also purchased the gold put options to secure a f oor price for a portion of the group's project gold production. The forward gold contracts are at varying fixed prices for deliveries at fixed delivery dates. The put options are at a fixed rate of $850 per oz gold.

The accounting policy in regard to forward gold contracts is detailed in Note 1.

At balance date, details of outstanding forward gold sale contracts are:

					Average Gold Price A$/oz			
	Consolidated Group		Parent Entity		Consolidated Group		Parent Entity	
	2009 $000	2008 $000	2009 $000	2008 $000	2009 $	2008 $	2009 $	2008 $
Sell Gold								
Settlement								
Less than 6 months	9,318,695	5,431,207	9,318,695	5,431,207	994	966	994	966
6 months to 1 year	-	19,091,187	-	19,091,187	-	985	-	985
1 – 2 years	-	7,053,727	-	7,053,727	-	1,007	-	1,007
	9,318,695	**31,576,121**	**9,318,695**	**31,576,121**	**994**	**986**	**994**	**986**

					Average Gold Price A$/oz			
	Consolidated Group		Parent Entity		Consolidated Group		Parent Entity	
	2009 $000	2008 $000	2009 $000	2008 $000	2009 $	2008 $	2009 $	2008 $
Gold Put Options								
Less than 6 months	1,989,000	5,121,250	1,989,000	5,121,250	850	850	850	850
6 months to 1 year	-	6,022,250	-	6,022,250	-	850	-	850
1 – 2 years	-	1,989,000	-	1,989,000	-	850	-	850
	1,989,000	**13,132,500**	**1,989,000**	**13,132,500**	**850**	**850**	**850**	**850**

At 30 June 2009 the group has outstanding forward gold contracts for a total of 9,378 ozs (2008: 32,000 ozs) gold and 2,340 ozs (2008: 15,450 ozs) of gold put options.

NOTE 18: FINANCIAL INSTRUMENTS CONT...

ii. Maturity Analysis

	Average Effective Interest Rate %	Floating Interest Rate $	Fixed Interest Rate $	Non Interest Bearing $	Total $
Consolidated 30 June 2009			**Payable within 1 year**		
Financial assets					
Cash and cash equivalents	2.9%	21,048,610	228,190	1,000	21,277,800
Forward contracts - Note 16	-	-	-	1,509,176	1,509,176
Trade receivables	-	-	-	223,811	223,811
Total financial assets		**21,048,610**	**228,190**	**1,733,987**	**23,010,787**
Financial liabilities					
Trade payables and other payables	-	-	-	7,193,707	7,193,707
Bank loan – Note 16	8.7%	-	7,250,000	-	7,250,000
Unsecured loan - Note 16	16.0%	-	1,250,000	-	1,250,000
Lease liabilities - Note 16	9.1%	184,924	-	-	184,924
Total financial liabilities		**184,924**	**8,500,000**	**7,193,707**	**15,878,631**
Consolidated 30 June 2008					
Financial assets					
Cash and cash equivalents	6.28%	7,178,298	232,435	1,300	7,412,033
Trade receivables	-	-	-	131,803	131,803
Total financial assets		**7,178,298**	**232,435**	**133,103**	**7,543,836**
Financial liabilities					
Trade payables and other payables	-	-	-	8,249,125	8,249,125
Bank loan	8.7%	-	13,250,000	-	13,250,000
Unsecured loan	16.0%	-	2,000,000	-	2,000,000
Lease liabilities	9.1%	-	89,482	-	89,482
Total financial liabilities		**-**	**15,339,482**	**8,249,125**	**23,588,607**

NOTE 18: FINANCIAL INSTRUMENTS CONT...

	Average Effective Interest Rate %	Floating Interest Rate $	Fixed Interest Rate $	Non Interest Bearing $	Total $
Parent 30 June 2009			**Payable within 1 year**		
Financial assets					
Cash	2.3%	18,217,245	201,189	750	18,419,184
Forward Contracts	-	-	-	1,509,176	1,509,176
Trade receivables	-	-	-	100,238	100,238
Total financial assets		18,217,245	201,189	1,610,164	20,028,598
Financial liabilities					
Trade payables and other payables	-	-	-	5,439,907	5,439,907
Bank loan - Note 16	8.7%	-	7,250,000	-	7,250,000
Unsecured loan - Note 16	16.0%	-	1,250,000	-	1,250,000
Lease liabilities - Note 16	9.6%	89,482	-	-	89,482
Total financial liabilities		89,482	8,500,000	5,439,907	14,029,389

Parent 30 June 2008					
Financial assets					
Cash	6.26%	6,547,398	187,755	1,050	6,736,203
Trade receivables	-	-	-	49,764	49,764
Total financial assets		6,547,398	187,755	50,814	6,785,967
Financial liabilities					
Trade payables and other payables	-	-	-	5,761,628	5,761,628
Bank loan	11.5%	-	13,250,000	-	13,250,000
Convertible note	8.25%	-	2,000,000	-	2,000,000
Lease liabilities	9.65%	-	70,634	-	70,634
Total financial liabilities		-	15,320,634	5,761,628	21,082,262

NOTE 18: FINANCIAL INSTRUMENTS CONT...

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

	2009		2008	
Consolidated	Carrying Amount $	Net Fair Value $	Carrying Amount $	Net Fair Value $
Financial assets				
Other financial assets	69,827	69,827	-	-
Loans and receivables	223,811	223,811	131,803	131,803
	293,638	**293,638**	**131,803**	**131,803**
Financial liabilities – at amortised cost (Note 16)				
Bank loans	7,250,000	7,250,000	13,250,000	13,250,000
Gold forward contract payable	1,509,176	1,509,176	909,020	909,020
Finance leases	204,506	204,506	101,615	101,615
Unsecured loan	1,250,000	1,250,000	-	-
Convertible note	-	-	2,000,000	2,000,000
	10,213,682	**10,213,682**	**16,260,635**	**16,260,635**

Parent	Carrying Amount $	Net Fair Value $	Carrying Amount $	Net Fair Value $
Financial assets				
Other financial assets	69,827	69,827	-	-
Loans and receivables	100,238	100,238	49,764	49,764
	170,065	**170,065**	**49,764**	**49,764**
Financial liabilities – at amortised cost (Note 16)				
Bank loans	7,250,000	7,250,000	13,250,000	13,250,000
Gold forward contract payable	1,509,176	1,509,176	909,020	909,020
Finance leases	118,856	118,856	79,863	79,863
Unsecured loan	1,250,000	1,250,000	-	-
Convertible note	-	-	2,000,000	2,000,000
	10,128,032	**10,128,032**	**16,238,883**	**16,238,883**

iii. Sensitivity Analysis

Interest Rate Risk, Gold Price Risk

The group has performed a sensitivity analysis relating to its exposure to interest rate risk, foreign currency risk and price risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

NOTE 18: FINANCIAL INSTRUMENTS CONT...

Interest Rate Sensitivity Analysis

At 30 June 2009, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	Consolidated Group		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Change in profit				
› Increase in interest rate by 2%	(145,000)	(39,945)	(145,000)	(39,945)
› Decrease in interest rate by 2%	145,000	39,945	145,000	39,945
Change in equity				
› Increase in interest rate by 2%	(145,000)	(39,945)	(145,000)	(39,945)
› Decrease in interest rate by 2%	145,000	39,945	145,000	39,945

Gold price risk

Gold price risk is the risk that fluctuations in the price of gold will have an adverse effect on current or future earnings. The consolidated entity may use derivative financial instruments to hedge some of its exposure to fluctuations in gold prices. In order to protect against the impact of falling gold prices, the consolidated entity enters into hedging transactions which provide a minimum price to cover non-discretionary operating expenses, repayments due under the consolidated entity's financing facilities and sustaining capital. The majority of the consolidated entity's forecast production is unhedged, allowing it to take advantage of increases in gold prices. Call and put options are used by the consolidated entity to manage the gold price risk. As the consolidated entity does not enter into financial instruments for trading purposes, the risks inherent in the financial instruments used are offset by the underlying risk being hedged. The consolidated entity ensures that the level of hedge cover does not exceed the anticipated sales in future periods, that the term of the financial instruments does not exceed the mine life and that no basis risk exists.

The marked to market value of all derivatives making up the hedge position as at 30 June 2009 was a net loss of $1,509,176 (2008: $909,020) based on a gold price of A$1,149. The consolidated entity had the net forward gold contract deliveries outstanding against future production as at 30 June 2009 of A$9,318,695 (2008: $31,576,121)

NOTE 19: COMMITMENTS AND CONTINGENCIES

Mill Refurbishment Contract commitments

On 1 May 2009 the Company contracted Como Engineers Pty Ltd under an EPCM contract to refurbish and modernise the Three Mile Hill treatment plant. The contract is a fixed price fixed scope contract for a total value of $16,965,400. As at 30 June 2009 the Company had paid progress payments totalling $6,000,000 with the remaining amount of $11,000,000 remaining to be paid in monthly progress claims. The contract works are scheduled to conclude 4 November 2009 excluding approved extensions of time.

NOTE 19: COMMITMENTS AND CONTINGENCIES (CONTINUED)

Operating lease commitments – Group as lessee

The Group has entered into commercial leases on certain office accommodation. These leases have an average life of two years with no renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	Consolidated		Parent	
Office Accommodation	2009 $	2008 $	2009 $	2008 $
Within one year	101,848	101,848	101,848	101,848
After one year but not more than five years	-	70,000	-	70,000
More than five years	-	-	-	-
	101,848	**171,848**	**101,848**	**171,848**

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:

	2009		2008	
	Minimum lease payments $	Present value of lease payments $	Minimum lease payments $	Present value of lease payments $
CONSOLIDATED				
Within one year	96,882	83,510	38,636	29,599
After one year but not more than five years	**107,624**	**101,414**	**62,979**	**59,883**
Total minimum lease payments	204,506	184,924	101,615	89,482
Less amounts representing finance charges	(19,582)	-	(12,133)	-
Present value of minimum lease payments	**184,924**	**184,924**	**89,482**	**89,482**

NOTE 19: COMMITMENTS AND CONTINGENCIES (CONTINUED)

	2009		2008	
	Minimum lease payments $	Present value of lease payments $	Minimum lease payments $	Present value of lease payments $
PARENT				
Within one year	60,893	53,188	31,770	25,167
After one year but not more than five years	57,963	54,775	48,093	45,467
Total minimum lease payments	118,856	107,963	79,863	70,634
Less amounts representing finance charges	(10,893)	-	(9,229)	-
Present value of minimum lease payments	107,963	107,963	70,634	70,634

The weighted average interest rate impact on the leases for both the Group and the Parent at 30 June 2009 is 9.10% (2008: 9.65%).

Mining tenement expenditure commitments and contingencies

The Consolidated Entities and Company have minimum statutory expenditure, including tenement rentals, as conditions of tenure of certain mining tenements.

To secure certain performance obligations attaching to certain mining and exploration tenements, the Consolidated Entity and the Company has lodged bank bonds totalling $1,777,387 (2008: $1,777,387) with the Department of Industry and Resources.

	Consolidated		Parent	
	2009 $	2008 $	2009 $	2008 $
Mining tenement expenditure				
Within one year	1,645,360	1,582,420	1,645,360	1,582,420
After one year but not more than five years	-	-	-	-
More than five years	-	-	-	-
	1,645,360	1,582,420	1,645,360	1,582,420

NOTE 20: INTEREST IN JOINTLY CONTROLLED OPERATION

a. Joint venture – Coolgardie Gold Project

The Group has a 100% (2008: 100%) interest in the Coolgardie Gold Project, which is involved in the mining and exploration of mining tenements located in the vicinity of Coolgardie, Western Australia. The Coolgardie Gold Project is a jointly owned by the Company and its wholly owned entity, Focus Operations Pty Ltd.

The share of the assets, liabilities, revenue and expenses of the jointly controlled operations, which are included in the parent entity's financial statements, are as follows:

	Consolidated		Parent	
	2009 $	2008 $	2009 $	2008 $
Current assets				
Cash and cash equivalents	-	-	334,357	560,589
Trade and other receivables	-	-	113,876	28,551
Inventories	-	-	4,443,172	2,558,568
Total current assets	-	-	**4,891,405**	**3,147,708**
Non-current assets				
Property, plant & equipment	-	-	5,615,265	1,839,771
Deferred Exploration Expenditure	-	-	5,735,963	5,607,475
Total Non-current assets	-	-	**11,351,228**	**7,447,246**
Current liabilities				
Trade and other payables	-	-	2,241,047	5,468,117
Financial liabilities	-	-	30,321	8,865
Total current liabilities	-	-	**2,271,368**	**5,476,982**
Non-current liabilities				
Financial liabilities	-	-	46,640	28,832
Rehabilitation cost	-	-	111,000	111,000
Total Non-current liabilities	-	-	**157,640**	**139,832**

NOTE 20: INTEREST IN JOINTLY CONTROLLED OPERATION CONT...

	Consolidated		Parent	
	2009 $	2008 $	2009 $	2008 $
Revenue	-	-	20,203,380	1,287,237
Cost of sales	-	-	(10,332,989)	(953,082)
Depreciation and Amortisation	-	-	(5,133,235)	(673,232)
Administrative expenses	-	-	(656,597)	(561,756)
Loan impairment	-	-	-	(255,707)
Finance cost	-	-	(6,470)	(298)
Profit before income tax	**-**	**-**	**4,074,089**	**(1,156,838)**
Income tax expense	-	-	-	-
Net Profit	**-**	**-**	**4,074,089**	**(1,156,838)**

Refer to Note 19 for details on capital commitments and guarantees. There were no impairment losses in the jointly controlled operation.

NOTE 21: CONTROLLED ENTITIES

The consolidated financial statements include the financial statements of Focus Minerals Ltd and the subsidiaries listed in the following table:

Name	Country of Incorporation	% Equity Interest		Investment	
		2009	2008	2009 $	2008 $
Austminex Pty Ltd	Australia	100%	100%	3,301,276	3,301,276
Focus Operations Pty Ltd	Australia	100%	100%	13,704,391	13,704,391
Underground Drilling Services Pty Ltd	Australia	100%	100%	2	2
				17,005,669	**17,005,669**

On 30 April 2008, the Company acquired a controlling interest in Redemption Management Pty Ltd. (refer business combinations Note 10).

On 11 June 2008, this company changed its name to Focus Operations Pty Ltd.

NOTE 22: RELATED PARTY DISCLOSURE

The following table provides the total amount of transactions that were entered into with related parties in the relevant financial year (for information regarding outstanding balances at year-end, refer to note 10 and note 20):

		Sales to Related Parties $	Purchases from Related Parties $	Amounts Owed by Related Parties $	Amounts Owed to Related Parties $
Consolidated					
Related party					
Joint ventures in which the parent is a venturer:					
› Redemption joint venture	2009	-	-	-	-
	2008	50,304	-	-	-
› Being recharges of salaries and expenses provided to the joint venture					
Parent					
Related party					
› Austminex Pty Ltd	2009	-	-	4,340,003	-
	2008	-	-	4,320,003	-
› Underground Drilling Services Pty Ltd	2009	-	-	60,136	-
	2008	-	-	60,136	-
› Focus Operations Pty Ltd	2009	-	-	26,935,268	-
	2008	-	-	15,494,913	-

Joint venture in which the entity is a venturer
The Group has a 100% interest in the assets, liabilities and output of the Coolgardie Gold Project (2008: 100%)

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.

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

For the year ended 30 June 2009, the Group has not made any allowance for doubtful debts relating to amounts owed by related parties due to solid payment history (2008: $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.

Azure Capital Pty Ltd

Mr Hendricks is an Associate Director of Azure Capital Pty Ltd (Azure) which acted as lead manager to the capital raising undertaken during March 2009 and April 2008. For these services Azure received a retainer and underwriting fees totalling $1,520,067 (2008: $924,000). In addition, Azure acted as lead manager in arranging the finance facilities provided by Investec Bank (Australia) Limited. For these services Azure received a fee totalling 2009: nil (2008: $139,875).

NOTE 23: AUDITORS' REMUNERATION

The auditors of Focus Minerals Ltd are Grant Thornton (WA) Partnership.

	Consolidated		Parent	
	2009 $	2008 $	2009 $	2008 $
Amounts received or due and receivable by Grant Thornton (WA) Partnership for:				
An audit or review of the financial report of the entity and any other entity in the consolidated group	80,000	28,453	80,000	28,453
Other services in relation to the entity and any other entity in the consolidated group:				
Taxation services	10,092	11,995	10,092	11,995
	90,092	**40,448**	**90,092**	**40,448**

NOTE 24: DIRECTORS' AND EXECUTIVE DISCLOSURES

Director and key management remuneration has been included in the Remuneration Section of the Directors' Report.

a. Compensation options: Granted and vested during the year

During the financial years ended 30 June 2009 and 2008, no share options were granted as equity compensation benefits to management personnel. No share options have been granted to the non-executive members of the Board of Directors.

b. Options holdings of Key Management Personnel

30 June 2009

	Balance at Beginning Of period 1/7/08	Granted as remuneration	Options exercised	Balance at End of Period 30/06/09	Vested as at 30 June 2009		
					Total	Exercisable	Not Exercisable
30 June 2009							
Directors							
Donald Taig	-	-	-	-	-	-	-
Peter Williams	6,950,000	-	-	6,950,000	6,950,000	6,950,000	-
Phillip Lockyer	-	-	-	-	-	-	-
Christopher Hendricks	-	-	-	-	-	-	-
Campbell Baird	-	-	-	-	-	-	-
Jon Grygorcewicz	-	-	-	-	-	-	-
Charles McCormick	5,900,000			5,900,000	5,900,000	5,900,000	-
Darren Gibcus	-	-	-	-	-	-	-
Dr Garry Adams	-	-	-	-	-	-	-
Total	12,850,000	-	-	12,850,000	12,850,000	12,850,000	-

 # Includes forfeitures

NOTE 24: DIRECTORS' AND EXECUTIVE DISCLOSURES CONT...

30 June 2008

	Balance at Beginning Of period 1/7/07	Granted as remuneration	Options exercised	Balance at End of Period 30/06/08	Vested as at 30 June 2008		
					Total	Exercise-able	Not Exercisable
30 June 2008							
Directors							
Donald Taig	-	-	-	-	-	-	-
Phillip Lockyer	-	-	-	-	-	-	-
Christopher Hendricks	-	-	-	-	-	-	-
Peter Williams	6,950,000	-	-	6,950,000	6,950,000	3,475,000	3,475,000
Jon Grygorcewicz	-	-	-	-	-	-	-
Charles McCormick	5,900,000			5,900,000	5,900,000	3,450,000	2,450,000
Darren Gibcus	-	-	-	-	-	-	-
Dr Garry Adams	-	-	-	-	-	-	-
Total	**12,850,000**	**-**	**-**	**12,850,000**	**12,850,000**	**6,925,000**	**5,925,000**

c. Shareholdings of Key Management Personnel

	Balance 1 July 2008		Granted as remuneration		Purchases		Balance 30 June 2009	
30 June 2009	Ord	Options	Ord	Options	Ord	Options	Ord	Options
Directors								
Donald Taig*	8,955,366	-	-	-	1,750,000	-	10,705,366	-
Phillip Lockyer	344,523	-	-	-	250,000	-	594,523	-
Christopher Hendricks	190.909	-	-	-	-	-	190,909	-
Campbell Baird	-	-	-	-	2,800,000	-	2,800,000	-
Peter Williams	864,523	6,950,000	-	-	572,500	-	1,437,023	6,950,000
Jon Grygorcewicz	1,462,705	-	-	-	500,000	-	1,962,705	-
Charles McCormick**	22,324,839	5,900,000	-	-	-	-	22,324,839	5,900,000
Darren Gibcus	-	-	-	-	-	-	-	-
Dr Garry Adams	-	-	-	-	-	-	-	-
Total	**34,142,865**	**12,850,000**	**-**	**-**	**5,872,500**	**-**	**40,015,365**	**12,850,000**

**Mr Taig is a director of Tizon Pty Ltd and Lugano Enterprises Pty Ltd and accordingly has an indirect interest in the shares.*
**Mr McCormick is a director and shareholder of Broadarrow Goldmines Pty Ltd and accordingly has a direct interest in the shares.*

NOTE 24: DIRECTORS AND EXECUTIVE DISCLOSURES CONT...

	Balance 1 July 2007		Granted as remuneration		Purchases		Balance 30 June 2008	
30 June 2008								
Directors								
Donald Taig*	8,591,730	-	-	-	363,636	-	8,955,366	-
Peter Williams	503,614	6,950,000	-	-	360,909	-	864,523	6,950,000
Phillip Lockyer	253,614	-	-	-	90,909	-	344,523	-
Christopher Hendricks	-	-	-	-	190,909	-	190.909	-
Jon Grygorcewicz	553,614	-	-	-	909,091	-	1,462,705	-
Charles McCormick**	20,506,657	5,900,000	-	-	1,818,182	-	22,324,839	5,900,000
Darren Gibcus	-	-	-	-	-	-	-	-
Dr Garry Adams	-	-	-	-	-	-	-	-
Total	**30,409,229**	**12,850,000**	**-**	**-**	**3,733,636**	**-**	**34,142,865**	**12,850,000**

**Mr Taig is a director of Tizon Pty Ltd and Lugano Enterprises Pty Ltd and accordingly has an indirect interest in the shares.*
**Mr McCormick is a director and shareholder of Broadarrow Goldmines Pty Ltd and accordingly has a direct interest in the shares.*

NOTE 25: SIGNIFICANT EVENTS AFTER BALANCE DATE

a. On 28 July 2009 the Company announced an inaugural inferred resource at the Hillside deposit of 69,500 ozs gold and increased inferred resources at Empress/Alicia to 49,800 ozs gold, increased inferred resources at Big Blow to 50,900 ozs and increased inferred resources at Happy Jack to 10,900 ozs gold.

b. On 11 August 2009 the Company announced progressive results from an extension drilling program at the Perseverance deposit including 5.41m at 33.03 g/t Au.

c. On 12 August 2009 the Company entered into an Exclusivity Agreement with Matsa Resources Ltd (“Matsa”) to exclusively negotiate the treatment of ore from Matsa’s North Scotia deposit. Treatment of the ore is expected to commence during February 2010 with treatment costs being determined by a formula with reference to ore grade, recovery rates and direct processing costs. As part of these negotiations,the Company agreed to take a placement in Matsa of 1,242,236 shares issued at 16.1 cents per fully paid share for a total cost of $200,000.

d. On 7 September 2009 the Company secured all necessary mining and environmental approvals to commence mining operations at the Mount Deposit. Construction of a decline from existing workings to the German Lode had commenced.

Other than as detailed above, 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.

1. *In the opinion of the directors:*

a. the financial statements and notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001 including:

i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year then ended; and

ii. complying with Accounting Standards and Corporations Regulations 2001; and

b. 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. *This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2009.*

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

Christopher Hendricks
Director
Dated 14 September 2009

Grant Thornton

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Independent Auditor's Report
To the Members of Focus Minerals Limited

Report on the Financial Report

We have audited the accompanying financial report of Focus Mineral Limited, (the company) which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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. These Auditing 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 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 opinions.

Independence

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

Auditor's opinion

In our opinion:

a the financial report of Focus Minerals Limited is in accordance with the Corporations Act 2001, including:

i giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 13 of the directors' report for the year ended 30 June 2009. 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 Limited for the year ended 30 June 2009, complies with section 300A of the Corporations Act 2001.

Grant Thornton (WA) Partnership

GRANT THORNTON (WA) PARTNERSHIP
Chartered Accountants

P. Warr.

P W Warr
Partner – Audit & Assurance Services

Perth, 14 September 2009

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report. The information was prepared based on share registry information processed up to 10 September 2009.

SPREAD OF HOLDERS

Spread of Holdings			Shareholders
1	-	1,000	90
1,001	-	5,000	128
5,001	-	10,000	467
10,001	-	100,000	3,138
100,001	-	and over	2,404
Total Number of Holders			6,227

Number of shareholders holding less than a marketable parcel: 924 shareholders each hold less than 16,130 ordinary shares.

SUBSTANTIAL SHAREHOLDERS

At 30 June 2009 the substantial shareholder disclosed to the Company was:

Registered Holder	Beneficial Holder/s	Number of shares	Percentage of Issued Shares
HSBC Custody Nominees (Australia) Ltd & National Nominees Ltd	Baker Steel Capital Managers LLP	265,000,000	10.01%

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 Stock Exchange are 2,646,143,210 ordinary shares.

TWENTY LARGEST SHAREHOLDERS OF EACH CLASS OF QUOTED SECURITIES

ORDINARY FULLY PAID SHARES AT 10 SEPTEMBER 2009

No.	Shareholder Name	Number of Shares	Percentage of Capital
1	ANZ Nominees Limited – (Cash Income A/C)	319,582,502	12.06%
2	National Nominees Limited	252,220,000	9.52%
3	HSBC Custody Nominees (Australia) Limited	193,354,500	7.31%
4	HSBC Custody Nominees (Australia) Limited – GSCO ECA	70,000,000	2.65%
5	Mr Gul Chandiram Mahtani + Mr Aveen Gul Mahtani + Mrs Manjit Kaur	64,480,000	2.44%
6	Citicorp Nominees Pty Limited	60,632,231	2.29%
7	Matador Mining Pty Ltd	59,204,515	2.24%
8	Nefco Nominees Pty Ltd	38,279,468	1.45%
9	Berne No 132 Nominees Pty Ltd (376804 A/c)	36,400,000	1.38%
10	Dr Salim Cassim	26,651,162	1.01%
11	Surfboard Pty Ltd – (ARW Super Fund No. 1 A/C)	21,029,115	0.79%
12	Comsec Nominees Pty Limited	16,431,472	0.62%
13	Ramsa Pty Ltd – (The Bailey Superfund A/C)	14,813,636	0.56%
14	Detail Nominees Pty Ltd (Settle A/c)	13,000,000	0.49%
15	Ms Yong Mei Tan	12,690,000	0.49%
16	Ramsa Pty Ltd – (The Bailey Superfund A/C)	12,200,000	0.46%
17	Peter Erman Pty Limited – (Superannuation Fund A/C)	12,000,000	0.45%
18	Broadarrow Goldmines Pty Ltd	11,644,332	0.44%
19	Paticoa Nominees Pty Ltd	10,117,218	0.38%
20	Mr GCB Davies & Mrs CA Davies (The Davies Super Fund A/c)	9,500,000	0.36%
		1,254,230,151	**47.40%**

HOLDERS OF SECURITIES OF AN UNQUOTED CLASS

OPTIONS

Option Holder Name	Options Expiring 6/12/2009	Options Expiring 30/11/2010	Options Expiring 30/4/2010	Options Expiring 30/4/2011
Broadarrow Goldmines Pty Ltd	3,000,000	-		-
Catherine Hobbs	3,000,000	-		-
Jaguar Enterprises Pty Ltd	210,000	-		-
Susan Ruth Panza	210,000	-		-
Azure Capital Pty Ltd	-	-		-
Peter Arthur Williams	-	6,950,000		-
Charles McCormick	-	2,900,000		-
Ludger Kohmascher			10,000,000	10,000,000
Investec Bank (Australia) Limited	-	-		40,000,000
	6,420,000	**9,850,000**	**10,000,000**	**50,000,000**

INTEREST IN MINING TENEMENTS

Focus Minerals Ltd – 100% interest

The Mount
M15/30*4
M15/1423
M15/1431

Dreadnought
M15/958*4
M15/1114*4
L15/213

Boundary
M15/411

Burbanks
P15/4054
P15/4347

Almina
P15/4920
P15/4921

Big Red
P15/4919

Central Gibralter
M15/384
M15/1422

Garden Gully
M15/675

Golden Web
M15/761
M15/791
M15/871
M15/1153

Norris
M15/391
M15/632
M15/1302
M15/1115
M15/1374
M15/1778
P15/4960
P15/4961
P15/4954
P15/4958
P15/4959

Norris ctd..
P15/5044
L15/71
L15/168
L15/169
L15/170
L15/171
L15/172
L15/173
L15/174
L15/175
L15/193
L15/194

Kangaroo Hills
P15/2665
P15/2666
P15/2667
P15/2668
P15/2669
P15/2670

Londonderry
P15/4914
P15/4915
P15/4922
P15/4923
P15/4924
P15/4925

Lord Bob
M15/631
P15/2987
P15/2988
P15/4957
P15/4918
P15/4908
P15/5042
M15/1789
M15/1253

Malaga
M15/515

Nepean
M15/576
L15/179
M15/709
P15/5026

Nepean ctd..
P15/5027
P15/5028
P15/5029
P15/5030
P15/5031
P15/5032
P15/5033
P15/5035

North Miriam
M15/385

Sala
P15/3426*
P15/3252
P15/3253
P15/5157
P15/5043

Buldania
M63/177*4
P63/1503*4

Tindals
M15/23
M15/412
P15/3170*3
P15/3172*3
P15/3173*3
P15/3174*3
M15/746
P15/4197

Widgiemooltha
P15/4906
P15/4907
P15/4473
P15/4477
P15/4478

Bonnievale
M15/277
M15/595
M15/877
P15/2741
P15/2890
P15/2921
P15/3000

Bonnievale ctd..
P15/3011
P15/3012
P15/4942
P15/4910

Camel Paddock
P15/4131
P15/4132
P15/4133
P15/4134
P15/4135
P15/4136
P15/4137
P15/4138
P15/4139
P15/4140
P14/4141
P15/4142

Coolgardie
M15/73
M15/121
M15/150
M15/151
M15/152
M15/153
M15/154
M15/156
M15/176
M15/299
M15/410
M15/491
M15/545
M15/594
M15/630
M15/636
M15/645*
M15/646*
M15/647
M15/660
M15/677
M15/725
M15/1293
M15/1294
M15/1433
M15/1434
M15/1484
P15/2474

Coolgardie ctd..
P15/3118
P15/3462
P15/3484
P15/3543
P15/3630
P15/3699
P15/3700
P15/3721
P15/3849
P15/4126
L15/27
L15/28
L15/34
L15/42
L15/51
L15/59
L15/63
L15/77
L15/78
L15/88
L15/90
L15/95
L15/96
L15/114
L15/116
L15/119
L15/122
L15/123
L15/126
L15/127
L15/130
L15/161
L15/164
L15/177
L15/186
L15/200
L15/211
L15/283

Gunga
P15/2870
P15/2871
P15/2872
P15/2873
P15/2874

Mistery Mint
M15/365*4

Mistery Mint ctd..
M15/662*4
M15/711*4
M15/1384
M15/770
M15/1760*4
P15/2774*4
P15/2775*4
P15/2943*4
P15/2955*4
P15/3200*4
P15/32014

Rainbow
P15/2869*4
P15/2919*4
P15/2920*4

Tycho
M15/40
M15/148
P15/2886
P15/3235*4
P15/3325
P15/3394

INTEREST IN MINING TENEMENTS CONTD...

All of the above tenements are situated in Western Australia. Group Entity percentage interest is 100% unless otherwise stated.

Abbreviations:

*1	=	Contractual interest in part only
*2	=	95% only and subject to royalty payment
*3	=	90% only
*4	=	Subject to royalty payment

Tenement Abbreviations:

E	=	Exploration Licence
P	=	Prospecting Licence
M	=	Mining Lease
L	=	Miscellaneous Licence

INTEREST IN MINING TENEMENTS CONT...

Coolgardie Gold Project

Royalty Agreements

The Parent Entity has entered into seven 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:

Tenements	Royalty
M15/645	$1.00/tonne crushed and treated
M15/645	$1.50/tonne mined (after 85,000 tonnes mined)
M15/646 M15/660 P15/3118 P15/3235 P15/3630 P15/3699 P15/3700 MLA15/928 MLA15/1051 MLA15/1262 MLA15/1277 MLA15/1278	$0.25/tonne mined and treated (after 2,500,000 tonnes of ore have been mined and treated)
P/153462	$1.00/tonne mined and treated
M15/646 (portion of)	2% of all future gold produced from area of M15/270, M15/173, M15/297 and GML 15/6507 (which converted into part of M15/646)

INTEREST IN MINING TENEMENTS CONT...

Royalty Agreements Cont...

Tenements	Royalty
P15/2617 P15/2774 P15/2775 P15/2943 P15/2955 P15/3200 P15/3201 M15/365 M5/662 M15/711 M15/1384 MLA15/769 MLA15/770 MLA15/852 MLA15/857 MLA15/981 GML15/6897	2.50% of the value of the sales received or deemed to have been received by The Parent Entity for the sale of gold, silver, other minerals, ores, concentrates or other product mined from the tenements (royalty is payable within 30 days of the expiry of the proceeding calendar quarter after the commencement of production from the tenements).
P15/2869 P15/2919 P15/2920 MLA15/781 MLA15/827	0.50% of the value of sales received or deemed to have been received by The Parent Entity for the sale of gold, silver, other minerals, ores, concentrates or other product mined from the tenements (royalty is payable within 30 days of the expiry of the proceeding calendar quarter after the commencement of production from the tenements).

Focus Minerals Ltd.

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