

Focused on gold production

Investment Highlights

- FML is in production with a 1.8moz resource base and following a recent placement (and SPP) is fully funded to expand to 100kozpa production from 2011 onwards. The company trades at an enterprise value (EV) of A\$31/ resource oz well below its peer group average of A\$107/oz. We believe this gap will close once meaningful production is reported throughout 2009. Our DCF valuation for FML is \$0.07/sh. We note this moves to \$0.10/sh if we assume US\$1,000/oz flat gold price and \$0.12/sh for US\$1,200/oz flat. Given the lack of production history and resource to reserve conversion needed from here to meet production budgets we rate FML a Speculative Buy.**
- Re-rating with Production Ramp UP.** FML will increase production to +100kozpa as the 1.2mtpa three mile hill (TMH) processing plant is brought back into production late in 2010. This should see FML's EV/oz produced metrics reduce from \$1000/oz to \$320/oz gaining market traction, greater earnings leverage and precipitate a re-rating.
- Funding Completed.** The refurbishment of the TMH processing plant is set to cost \$18m. In addition the company earmarked \$8.4m to be spent on resource definition and enhancement. Following a placement and SPP which together will raise \$28m (at \$0.02/sh) these projects are moving ahead. FML will receive the bulk of this funding in early-April as tranche 2 (1,300m shares to be issued) requires shareholder approval (meeting 3 April 09).
- Attractively Priced Resources.** Whilst we acknowledge the capital intensive nature of developments at Coolgardie, driven by modest grade, smaller sporadic mineralised areas, the EV/oz metrics for FML are cheap. The company trades (pro-forma, post capital raising) on \$31/oz versus peer producer average of \$107/oz. It is also attractively priced against Paterson's broader average for the sector (producers and explorers) of \$146/oz. Our DCF valuation (EV: \$140m) implies an EV/oz multiple of \$80/oz.
- Leverage.** FML has significant low grade resources at Brilliant and Lindsays. These resources form a base load throughput late in the project life on our assumptions. These ounces are unlikely to be economic at a gold price below A\$800/oz and not provide an adequate return on capital below A\$1200/oz. However these deposits provide significant valuation leverage for FML with current gold prices. A 10% change in our gold price assumptions translates to a 25% change in valuation.

Year End June 30	2008A	2009F	2010F	2011F
Reported NPAT (\$m)	(3.2)	13.2	24.3	63.1
Recurrent NPAT (\$m)	(3.2)	13.2	24.3	63.1
Recurrent EPS (cents)	(0.2)	0.5	0.9	2.5
EPS Growth (%)	na	na	83.4	159.8
PER (x)	(9.6)	4.6	2.5	1.0
EBITDA (\$m)	(0.7)	23.3	29.2	73.7
EV/EBITDA (x)	(55.9)	1.4	1.1	(0.4)
Capex (\$m)	25.5	9.7	26.6	8.3
Free Cashflow	(27.3)	4.2	0.3	63.3
FCFPS (cents)	(2.1)	0.2	0.0	2.5
PFCF (x)	(1.1)	14.5	198.2	1.0
DPS (cents)	0.0	0.0	0.0	0.0
Yield (%)	0.0	0.0	0.0	0.0
Franking (%)	0.0	0.0	0.0	0.0

15 April 2009

12mth Rating

BUY

Price	A\$	0.02
Target Price	A\$	0.07
12m Total Return	%	172.7

RIC: **FML.AX**

BBG: **FML AU**

Shares o/s	m	2496.1
Free Float	%	
Market Cap.	A\$m	59.9
Net Debt (Cash)	A\$m	7.4
Net Debt/Equity	%	22.1
3m Av. D. T'over	A\$m	0.20
52wk High/Low	A\$	0.07/0.02
2yr adj. beta		1.09

Valuation:

Methodology		DCF
Value per share	A\$	0.07

Analyst:

Alex Passmore

Phone:

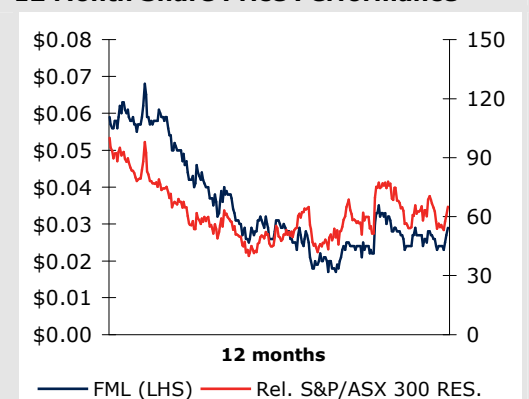
(+61 8) 9263 1111

Email:

research@psl.com.au

Disclaimer: Patersons Securities acted as broker to FML's recent placement and SPP which raised \$28m at \$0.02/share. It received a fee for this service

12 Month Share Price Performance



Performance %	1mth	3mth	12mth
Absolute	0.0	-27.3	-59.3
Rel. S&P/ASX 300	-15.2	-27.6	-40.8

Company Background

Focus Minerals Ltd (FML AU) is an Australian gold producer with operations at the Coolgardie goldfield. The company is targeting production of 45koz in 2009 and 80koz in 2010.

FML's 100% owned tenements contain gold resources of 1.8Moz and an ore reserve of 111koz with the company's current main producing asset the underground Perseverance gold mine.

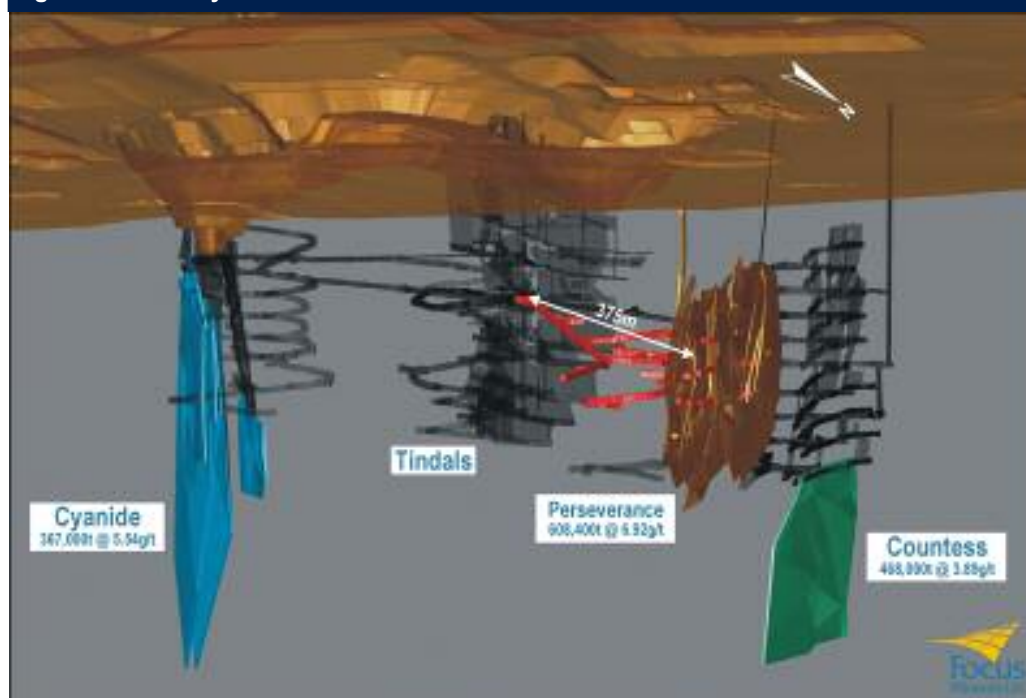
FML toll mills its ore via a toll milling arrangement at the Greenfields plant although this will be transitioning to production from its 100% owned 1.2mtpa Three Mile Hill plant once refurbishment is complete in Q1 2010.

FML also owns the Nepean nickel deposit and a gold resource – The Mount – in the Kambalda district south of Kalgoorlie.

FML's current market capitalisation is \$36m, the company has \$16m in debt (repayments staged over the coming 9 months) and on our estimates will have \$8.6m cash at the end of the March Q. This cash position will be bolstered with \$28m cash pending shareholder approval of a placement (tranche 2) recently completed at \$0.02/sh expected in early April 09.

Coolgardie Goldfield

Figure 1: Mine Layout



Source: FML

The Coolgardie Gold Project comprises multiple deposits with resources totaling 21.8mt at 2.48g/t Au for 1.65Moz the 1.2mtpa Three Mile Hill gold plant is fully permitted and will be refurbished in the coming 12 months which should open up satellite production opportunities for FML.

FML commenced maiden commercial gold mining at the Coolgardie Gold Project in April 2008 through ore sourced from the Company's flagship Perseverance deposit. Ore from Perseverance is currently treated through a third party mill, the nearby Greenfields gold plant.

Mining Sequence

Patersons forecasts incorporate production of 71koz from Perseverance to the end of March Q 2010. Following this mining focus will move to the Countess deposit (58.5koz at 3.89g/t Au), the Empress

deposit (46.8koz at 2.14) and the Lindsays deposit (open cut and underground – 314koz at 1.67 g/t Au).

Milling transitioning from Greenfields to Three Mile Hill

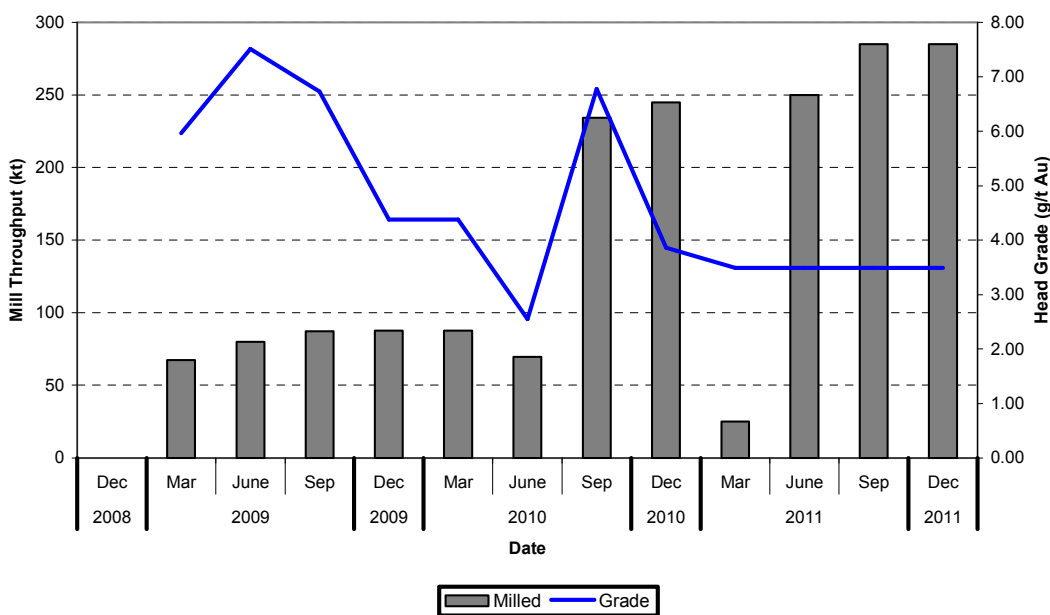
The Milling Agreement with the Greenfields Plant is based upon a priority processing position for up to 480,000 tonnes at favourable milling charges until 2010, followed by a further 7 year extension to the Agreement should FML wish to continue to use the Greenfields plant.

Coolgardie Development

Coolgardie will be progressively developed with ore treated at Three Mile Hill; commencing with the broader Tindals Mining Centre surrounding the Perseverance deposit. Work is continuing at Tindals at the Countess, Empress and Cyanide (Tindals East) deposits, in order to fast-track further delineation and development of the broader area.

Gold production totaled 4.8koz ounces in FY08 (reflecting start-up production from Perseverance from April 2008) and on our forecasts will increase to 45koz in FY09 and 46koz in FY10. Production will peak in 2011 on current assumptions with a combination of underground and open cut ore.

Figure 2: FML Production Profile



Source: Patersons Estimates

Expansions pending

FML is set to re-furbish the existing Three Mile Hill gold plant. This plant has a capacity of 1.2mtpa and will significantly reduce operating costs. FML currently toll mills for circa \$30/t ore at Greenfields whereas we expect FML milling costs to reduce to \$21/t once Three Mile Hill is commissioned.

Production at Three Mile Hill will allow the company to develop additional nearby deposits and consider other opportunities such as toll milling for third parties (CAZ, DIO) in close proximity.

We have not included the Mount in our production assumptions for the TMH. The deposit is located in the Widgiemooltha district south of Kalgoorlie and requires haulage of circa 50km to the TMH. With a resource base of 370koz at 5.5g/t Au the project is likely economically viable at current gold prices.

Resource to 'Mineable Inventory' Conversion. Paterson's production assumptions for FML assume a 40% resource to reserve or 'mineable inventory' conversion. It is unlikely each deposit will be converted to reserve with drilling and appraisal costs precluding, for small deposits. However we believe FML's mining plan which will ultimately capture 40% of the ounces held in resources is achievable.

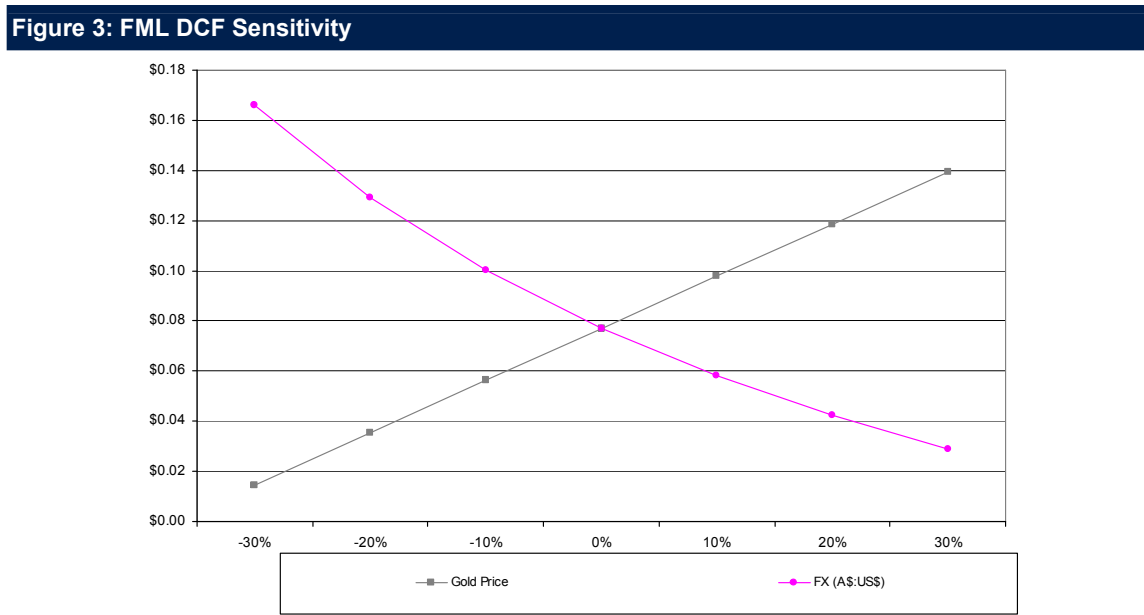
Capital Raising

FML recently finalised a \$28m capital raising (\$25m placement, \$3m share purchase plan) at \$0.02/share. Funds will be used for:

- Plant refurbishment A\$18.0 million
- Resource development A\$4.6 million
- Advanced exploration and definition A\$3.8 million
- Capital Raising Costs A\$1.6 million

Valuation

Our valuation for FML is \$0.07/share which is fully diluted for the recent raising.



Source: Patersons Estimates

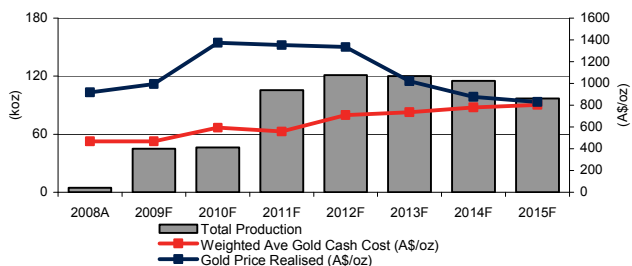
Focus Minerals Ltd	\$0.02	
Valuation	A\$m	A\$/sh
Three Mile Hill	116	0.05
Forwards	(0)	(0.00)
Unpaid Capital	0	0.00
Corporate	0	0.00
Exploration	30	0.01
Cash	38	0.01
Debt (inc CN)	(16)	(0.01)
Price Target (NPV)	167	0.07

Hedging	koz	1-Year	3-years	% Reserves
	0.0	0.0	0.0	0.0

Valuation Summary of Operating Assets



Gold Production Summary



Reserves & Resources

Reserves	Mt	Au g/t	Au koz
			111
Resources	Mt	Au g/t	Au koz
	22.0	2.5	2692
Total	22.0	2.5	2692

Directors

Name	Position
Donald Taig	Exec Chairman
Campbell Baird	CEO
Chris Hendricks	Non-Executive Director
Phil Lockyer	Non-Executive Director

Substantial Shareholders

Shares (m)	%
Matador Mining Pty Ltd	140.00 5.61

Commodity Assumptions	2008A	2009F	2010F	2011F
A\$:US\$	0.90	0.72	0.68	0.70
Gold Price (US\$/oz)	824	874	933	947
Gold Price (A\$/oz)	918	1220	1373	1353

Production Summary	2008A	2009F	2010F	2011F
Production (kt)				
Three Mile Hill	4	45	46	106
Total Production	4	45	46	106

Cost Summary	2008A	2009F	2010F	2011F
Weighted Ave Gold Cash Cost (A\$/oz)	467	467	594	557
Weighted Ave Gold Total Cost (A\$/oz)	514	534	808	722
Gold Price Realised (A\$/oz)	918	996	1374	1353

Profit & Loss (A\$m)	2008A	2009F	2010F	2011F
Sales Revenue	3.3	58.0	64.3	142.5
Other Income	0.0	0.1	2.4	0.0
Operating Costs	1.4	21.1	27.5	58.8
Exploration Exp.	0.0	1.0	2.0	2.0
Corporate/Admin	4.0	6.4	8.0	8.0
Unrealised loss/(gain) on hedging	0.0	6.4	0.0	0.0
EBITDA	(2.1)	23.3	29.2	73.7
Depn & Amort	1.4	8.7	4.6	10.6
EBIT	(3.5)	14.6	24.5	63.2
Interest	1.1	1.3	0.3	0.1
Operating Profit	(4.6)	13.2	24.3	63.1
Tax expense	0.0	0.0	0.0	0.0
Abnormal Losses / Minorities	0.0	0.0	0.0	0.0
NPAT	(4.6)	13.2	24.3	63.1

Normalised NPAT	2008A	2009F	2010F	2011F
	(3.2)	9.3	17.0	63.1

Cash Flow (A\$m)	2008A	2009F	2010F	2011F
Adjusted Net Profit	(4.6)	13.2	24.3	15.8
+ Interest/Tax/Expl Exp	0.0	2.3	2.3	0.5
- Interest/Tax/Expl Inc	9.1	6.7	4.3	4.1
+ Depn/Amort	1.4	8.7	4.6	10.6
+/- Other	0.0	0.0	0.0	0.0
Operating Cashflow	(12.3)	17.6	26.9	22.7
- Capex (+asset sales)	25.5	9.7	26.6	8.3
- Working Capital Increase	0.0	6.0	0.0	0.0
- Other Investing	0.0	0.0	0.0	0.0
Free Cashflow	(37.8)	1.8	0.3	14.4
- Dividends (ords & pref)	0.0	0.0	0.0	0.0
+ Equity raised	18.0	25.0	0.0	0.0
+ Debt drawdown (repaid)	13.3	(6.0)	(7.3)	0.0
Net Change in Cash	(6.5)	20.8	(6.9)	63.3
Cash at End Period	7.4	37.7	30.7	94.1
Net Cash/(Debt)	7.4	28.7	29.0	92.3

Balance Sheet (A\$m)	2008A	2009F	2010F	2011F
Cash/Bullion	7.4	37.7	30.7	94.1
Total Assets	92.8	132.1	144.3	207.4
Total Debt	0.0	9.0	1.8	1.8
Total Liabilities	59.3	60.4	48.3	48.3
Shareholders Funds	33.4	71.7	96.0	159.0

Ratios	2008A	2009F	2010F	2011F
Net Debt/Equity (%)	na	na	na	na
Interest Cover (x)	(3.1)	11.0	90.0	595.7
Return on Equity (%)	na	18.5	25.3	39.7

Research

Mark Simpson – Head of Research Phone: (+61 8) 9263 1678 Email: msimpson@psl.com.au
Andrew Quin – Research Strategy Coordinator Phone: (+61 8) 9263 1152 Email: aquin@psl.com.au

Resources

Andrew Harrington – Coal Analyst Phone: (+61 2) 8238 6214 Email: aharrington@psl.com.au
Alex Passmore – Head of Metals & Mining Phone: (+61 8) 9263 1239 Email: apassmore@psl.com.au
Scott Simpson – Oil & Gas Analyst Phone: (+61 8) 9263 1679 Email: ssimpson@psl.com.au
Levi Spry – Resources Analyst Phone: (+61 8) 9263 1610 Email: lspry@psl.com.au
Josh Welch – Resources Analyst Phone: (+61 8) 9263 1668 Email: jwelch@psl.com.au

Industrials

Allan Franklin – Assistant Analyst Phone: (+61 8) 9263 1151 Email: afranklin@psl.com.au
Anita Lofthouse – Industrial Analyst Phone: (+61 3) 9224 4410 Email: alofthouse@psl.com.au
Ben Kakoschke – Materials Analyst Phone: (+61 3) 9242 4181 Email: bkakoschke@psl.com.au
David Gibson – Industrial Analyst Phone: (+61 8) 9263 1664 Email: dgibson@psl.com.au
George Galanopoulos – Industrial Analyst Phone: (+61 3) 9242 4172 Email: ggalanopoulos@psl.com.au
Graeme Carson – Industrial Analyst Phone: (+61 3) 9242 4176 Email: gcarson@psl.com.au
Jonathan Kriska – Diversified Financials & REIT Analyst Phone: (+61 2) 8238 6245 Email: jkriska@psl.com.au
Kien Trinh – Quantitative Analyst Phone: (+61 3) 9242 4027 Email: ktrinh@psl.com.au
Mark Barsdell – Quantitative Analyst Phone: (+61 3) 9242 4187 Email: mbarsdell@psl.com.au
Russell Wright – Retail Analyst Phone: (+61 2) 8238 6219 Email: rwright@psl.com.au

Institutional Dealing

Phil Schofield Phone: (+61 2) 8238 6223 Email: pschofield@psl.com.au
Michael Brindal Phone: (+61 2) 8238 6274 Email: mbrindal@psl.com.au
Dan Bahen Phone: (+61 2) 8238 6237 Email: dbahen@psl.com.au
Paul Doherty Phone: (+61 3) 8803 0108 Email: pdoherty@psl.com.au
Trent Foxe Phone: (+61 2) 8238 6265 Email: tfoxe@psl.com.au
Andrew Frazer Phone: (+61 8) 9263 1241 Email: afrazer@psl.com.au
Jason Lal Phone: (+61 2) 8238 6276 Email: jlal@psl.com.au
Ben McIlvrde Phone: (+61 2) 8238 6253 Email: bmcilvrde@psl.com.au
Jeremy Nugara Phone: (+61 3) 8803 0166 Email: jnugara@psl.com.au
Trevor Pike Phone: (+61 3) 8803 0110 Email: tpike@psl.com.au
Nicholas Whiteley Phone: (+61 2) 8238 6244 Email: nwhiteley@psl.com.au
Sandy Wylie Phone: (+61 8) 9263 1232 Email: swylie@psl.com.au

Important Notice: Copyright 2009. The contents contained in this report are owned by Patersons Securities Limited ("Patersons") and are protected by the Copyright Act 1968 and the copyright laws of other countries. The material contained in this report may not be copied, reproduced, republished, posted, transmitted or distributed in any way without prior written permission from Patersons. Modification of the materials or use of the materials for any other purpose is a violation of the copyrights and other proprietary rights of Patersons.

Disclaimer: Patersons believes that the information or advice (including any financial product advice) contained in this report has been obtained from sources that are accurate at the time of issue, but it has not independently checked or verified that information and as such does not warrant its accuracy or reliability. Except to the extent that liability cannot be excluded, Patersons accepts no liability or responsibility for any direct or indirect loss or damage caused by any error in or omission from this report. You should make and rely on your own independent inquiries.

If not specifically disclosed otherwise, investors should assume that Patersons is seeking or will seek corporate finance business from the companies disclosed in this report.

Warning: This report is intended to provide general securities advice, and does not purport to make any recommendation that any securities transaction is appropriate to your particular investment objectives, financial situation or particular needs. Prior to making any investment decision, you should assess, or seek advice from your adviser, on whether any relevant part of this report is appropriate to your individual financial circumstances and investment objectives.

Disclosure: Patersons, its director and/or employees may earn brokerage, fees, commissions and other benefits as a result of a transaction arising from any advice mentioned in this report. Patersons as principal, its directors and/or employees and their associates may hold securities in the companies the subject of this report, as at the date of publication. These interests did not influence Patersons in giving the advice contained in this report. Details of any interests may be obtained from your adviser. Patersons as principal, its directors and/or employees and their associates may trade in these securities in a manner which may be contrary to recommendations given by an authorised representative of Patersons to clients. They may sell shares the subject of a general "Buy" recommendation, or buy shares the subject of a general "Sell" recommendation.

Stock recommendations: Investment ratings are a function of Patersons expectation of total return (forecast price appreciation plus dividend yield) within the next 12 months. The investment ratings are Buy (expected total return of 10% or more), Hold (> 5% to +5% total return) and Sell (> 5% negative total return). In addition we have a Speculative Buy rating covering higher risk stocks that may not be of investment grade due to low market capitalisation, high debt levels, or significant risks in the business model. Investment ratings are determined at the time of initiation of coverage, or a change in target price. At other times the expected total return may fall outside of these ranges because of price movements and/or volatility. Such interim deviations from specified ranges will be permitted but will become subject to review by Research Management. This Document is not to be passed on to any third party without our prior written consent.

Patersons Securities Limited ABN 69 008 896 311 AFSL No. 239 052
Participant of ASX Group
Securities & Derivatives Industry Association Principal Member
Financial Planning Association Principal Member



Western Australia

Perth - Head Office: Level 23, Exchange Plaza, 2 The Esplanade, Perth, Western Australia 6000
Ph: (+61 8) 9263 1111 Fax: (+61 8) 9325 6452 Email: patersons@psl.com.au
West Perth Office: Level 2, 34 Colin Street, West Perth Western Australia 6005
Ph: (+61 8) 9482 0900 Fax: (+61 8) 9482 0999 Email: patersons@psl.com.au

Albany Office: Level 2, Middleton Centre, 184 Aberdeen Street, Albany, Western Australia 6330
Ph: (+61 8) 9842 4700 Fax: (+61 8) 9841 4211 Email: albanypsl.com.au

Bunbury Office: Unit 3, 53 Victoria Street Bunbury Western Australia 6230
Ph: (+61 8) 707 2000 Fax: (+61 8) 9721 1840 Email: bunbury@psl.com.au

Busselton Office: Suite 1, 72 Duchess Street, Busselton Western Australia 6280
Ph: (+61 8) 9754 0700 Fax: (+61 8) 9754 4333 Email: busselton@psl.com.au

Kalgoorlie Office: 63 Hannan Street, Kalgoorlie Western Australia 6430
Ph: (+61 8) 9021 1422 Fax: (+61 8) 9021 8133 Email: kalgoorlie@psl.com.au

Geraldton Office: 70 Forrest Street, Geraldton Western Australia 6530
Ph: (+61 8) 9964 3800 Fax: (+61 8) 9964 5811 Email: geraldton@psl.com.au

New South Wales

Sydney Office: Level 27, 264 George Street, Sydney New South Wales 2000
Ph: (+61 2) 8238 6222 Fax: (+61 2) 8238 6266 Email: sydney@psl.com.au

Lismore Office: Suite 1, The Professional Centre, 105 Molesworth Street, Lismore New South Wales 2480
Ph: (+61 2) 6623 3300 Fax: (+61 2) 6623 3399 Email: lismore@psl.com.au

Victoria

Melbourne Office: Level 18, 90 Collins Street, Melbourne Victoria 3000
Ph: (+61 3) 8803 0100 Fax: (+61 3) 8803 0199 Email: melbourne@psl.com.au

Mt Waverley Office: 284 Stephenson Road, Mt Waverley Victoria 3149
Ph: (+61 3) 9831 5000 Fax: (+61 3) 9809 5746 Email: mtwaverly@psl.com.au

Queensland

Brisbane Office: Level 37, 123 Eagle Street, Brisbane Queensland 4000
Ph: (+61 7) 3737 8000 Fax: (+61 7) 3737 8100 Email: brisbane@psl.com.au

Gold Coast Office: Suite 2, Ground Level, Gold Coast Financial Centre, 128 Bundall Road, Bundall Queensland 4217
Ph: (+61 7) 5631 2300 Fax: (+61 7) 5631 2399 Email: goldcoast@psl.com

Cairns Office: Suite 5, 188 Mulgrave Road, Wescourt, Cairns Queensland 4870
Ph: (+61 7) 4046 0200 Fax: (+61 7) 4046 0220 Email: cairns@psl.com.au

Gladstone Office: 136 Goonoon Street, Gladstone Queensland 4680
Ph: (+61 7) 4973 1000 Fax: (+61 7) 4973 1010 Email: gladstone@psl.com.au

Sunshine Coast Office: Level 3, Bryant House, 26 Duporth Avenue, Maroochydowne Queensland 4558
Ph: (+61 7) 5409 6100 Fax: (+61 7) 5409 6199 Email: sunshinecoast@psl.com.au

Adelaide

Adelaide Office: Level 20, 25 Grenfell Street, Adelaide South Australia 5000
Ph: (+61 8) 8407 5700 Fax: (+61 8) 8407 5717 Email: adelaide@psl.com.au

ACT

Canberra Office: Level 4, 53 Blackall Street, Barton ACT 2600
Ph: (+61 2) 6120 2222 Fax: (+61 2) 6273 3433 Email: canberra@psl.com.au