FOCUS VENTURES LTD

TSX-V : FCV

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SHAREHOLDER

NEWSLETTER

Q2 2015

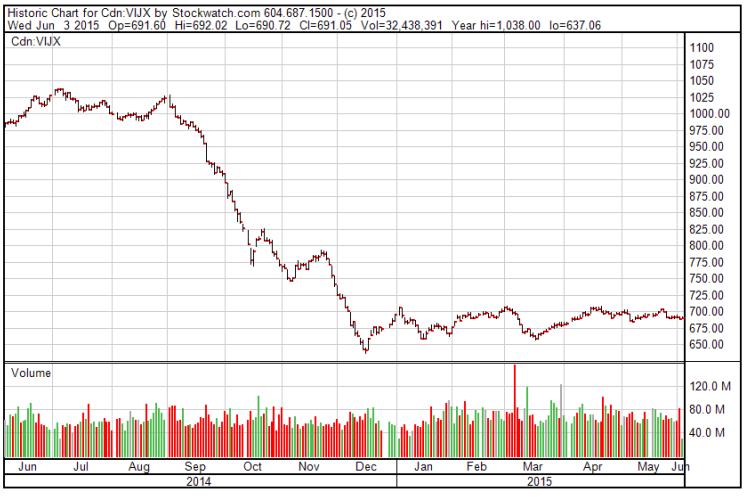
Never a Dull Moment.

Dear Shareholder,

Welcome to the 2015 Q2 shareholder update *(this month incorporating some comments on Supermodels from Tim Oliver, Director of Projects – thanks Tim).*

As usual, there's never a dull moment in the life of a junior resource company. And so it proved in Q2. Highlights this quarter include the successful closing of a C$4m private placement, the initiation of dry test work on a bulk sample of 300-400kg of phosphate rock from drill core, and completion of the second round of resource drilling at Bayovar 12.

The share price has held in fairly well, perhaps reflecting the flattening-off of the TSX-V index (finally.. see graph below), and daily volumes have averaged just under 70,000 shares a day over the last 3 months.



We've been kept pretty busy with management's time split between the technical programs, general business development and market research in South America, and the initiation of some low-key site visits to the Bayovar project by key investors and market commentators. We expect the site visits to continue as the project gathers momentum.

Private Placement

The biggest event for us this quarter was the C$3m non-brokered private placement (PP) we announced in early April. The initial PP was 15 million units at 20 cents per unit with a full warrant at 26.5 cents for two years from closing. We had hoped to raise $3m, with the aim of repaying US$1.5-million of our debt to Sprott and to provide some working capital. However, we were pleasantly surprised by the response to the capital raise and after some soul searching we decided to increase the amount raised to C$4m. Although we recognise that this creates additional dilution, we are also acutely aware that with the current state of the resource equity markets, it's wise to take what's being offered: markets can shut down extremely fast and the additional C$1m will be put to good use.

The bulk of the PP was placed through our own contacts or groups that approached us after the announcement. The PP took a while to close because the volume of paperwork required by the exchange, but we are expecting it close as I write this, around June 4th or so.

Technical Update

Phase 2 Drilling

The successful completion of our second phase drill program saw the known footprint of the phosphate mineralization expanded in all directions by a number of kilometers. We've now outlined phosphate mineralization over roughly 8km from west to east and 5km north to south, with the same sequence of phosphate beds cut by all holes. This highlights once again the remarkably consistent geology and grades of the phosphate mineralization over long distances, apparently with no faults or structures affecting the beds. We've been working on upgrading inferred tonnes to indicated, and indicated tonnes to measured where possible. A second objective has been to expand the mineralization into the area of shallowest cover on the eastern end of the drill grid.

We also drilled 8 large-diameter core holes to collect about 400kg of material to investigate the production of direct application rock (*aka*. reactive phosphate rock) using dry processing. We view this as a crucial piece of the technical puzzle for the project. We know that Bayovar phosphate rock from Sechura is one of the most reactive in the world (see this link for a fairly technical explanation of phosphate solubility), and highly marketable as a ground-rock direct application fertilizer. So, demonstrating that we can produce a commercial-grade product using what we hope will be a simple, dry processing technique has interesting implications for the potential capital expenditures and economics of the project. The work is being supervised on our behalf by a process technology consultant in the US.

Just in case you've ever wondered what 400kg of phosphate rock looks like packaged in blue plastic barrells.

Preliminary Economic Assessment (PEA)

Metallurgical test work is complete and the PEA effort is on track for completion during the third quarter of this year as scheduled. The work resulted in what we believe is a streamlined and flexible process route that can produce a ±29% P_2O_5 acidulation concentrate mainly by scrubbing with seawater and particle size classification.

Once the material has been scrubbed, about 23% of the original feed material falls within a certain particle size range that then requires flotation to eliminate the quartz minerals and achieve the desired concentrate grade. The process requires no expensive milling equipment, nor does it employ toxic chemicals reagents.

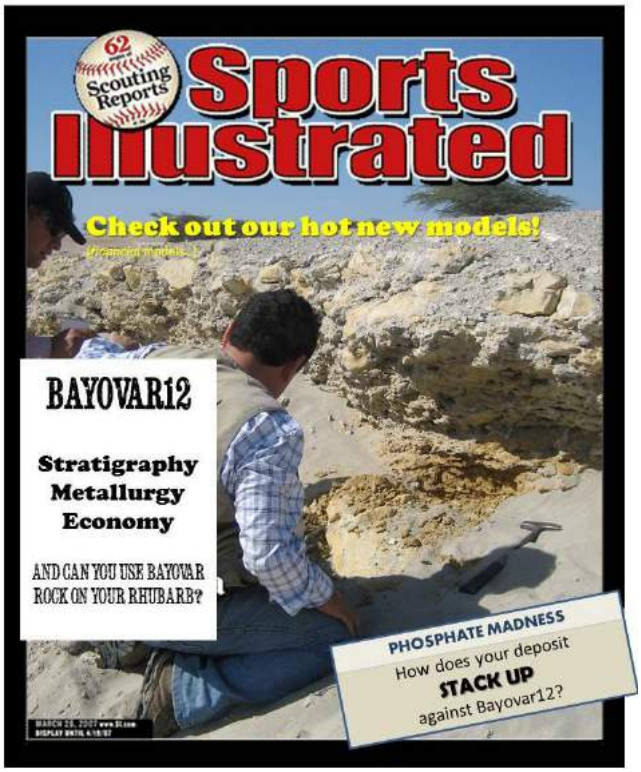
With metallurgical results in hand, the PEA team have conducted metallurgical process simulation modeling to provide process-design criteria including a material balance and design specifications used by equipment vendors to quote prices as part of the capital cost (CAPEX) and operating cost (OPEX) estimate used to model the anticipated financial performance and project net present value.

Focus' suite of consulting engineers use mine planning and design models to establish pit boundaries, slope angles, and mine waste stockpile locations for the proposed mine. They also work on the design of the process plant including locations of ancillary facilities such as shops, a desalination plant, laboratory facilities, warehouses, offices, *etc*. This design is being coordinated with mine design and environmental analysis to ensure an optimal site layout.

Other essential work includes on-site evaluations by engineers and environmental scientists to make sure that the project development is completed with the utmost regard for the local environment. The geotechnical engineers are evaluating the foundation soils and providing conceptual designs and locations for the tailings impoundment.

Focus and the Supermodels

The coastal desert at Bayovar is like a huge sandy beach extending for at least 50km inland eastwards from the Pacific Ocean. As far as we know, Sports Illustrated have yet to use it as a backdrop for their annual supermodel Swimsuit Edition (heaven only knows why they haven't.) But SI's loss is our gain, and we have some pretty sophisticated models of our own at work on the Preliminary Economic Analysis (PEA); a mine design model, a metallurgical process model, and a financial model.

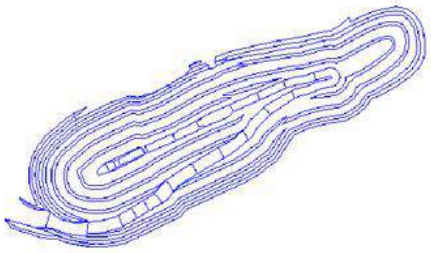


Coming soon to your local news store

For better or worse, modern mine project development relies on advanced computer models to simulate the mining and process operations. These provide the data used in the crucial financial model that predicts, iterates, optimizes and finally (hopefully) maximises the economic performance. For example, the resource model was done using "Ventyx®'s Minescape© software (Version 4.119)". Mine design is being done in "Maptek™ Vulcan (Version 9.1.2)" 3D Mine Modelling Software. Not quite the same appeal as Gisele or Claudia….

The mine model uses field data from drilling logs and laboratory assays to characterize the deposit not only in terms of the valuable minerals it contains, but also the geophysical and geochemical characteristics of the rock and the geotechnical properties of the surrounding rocks. Engineers determine mine-design criteria such as slope angle safety, ground water flow, faulting, and the shape of the mineral deposit. These data and criteria are fed into the mine design model which then constructs a simulated mining operation analogous to how a jet fighter manufacturer produces a flight simulator. The mine simulation tests different pit designs,

slope angles, haulage profiles, and facility locations in much the same way the flight simulator tests different combat situations, weather conditions, fuel supply, *etc*.



Check out those curves…
(PS: this is NOT Bayovar12)

The simulation model tests thousands of combinations of factors in a few minutes and selects the optimal combination. Engineers and equipment manufacturers can then match the optimal design to equipment performance specifications to develop and cost out the equipment and labor requirements.

Focus' metallurgists use a patented model called METSIM. They take the flow diagram created from lab testing to simulate the process plant. Using selected variables revealed by laboratory testing, and known performance characteristics of the unit operations, the model calculates a material balance from which the engineers select design criteria. Equipment vendors use the criteria to suggest suitable equipment and provide budgetary cost quotations. The criteria also allow estimation of utility and labor requirements, reagent and other consumable quantities and a water balance.

Finally, the economic model takes the information from the mine and process models, along with known financial parameters such as tax and labor rates, transportation costs, commodity prices, working capital and owner's costs, and incorporates them into a cash flow model to calculate net present value (NPV), internal rate of return (IRR) and payback period. Ultimately the cash flow calculations form the basis for an investment decision: Is the project go, or no-go? Welcome to the glamour of Focus's Supermodel world.

Brown paper bags: the ultimate in phosphate-chic

Reactive Phosphate Rock

The main PEA work is looking at production of a phosphate concentrate as a feed material for production of phosphoric acid in a wet chemical process known as acidulation. Most phosphate rock, roughly 85% of global mine production, is used this way to manufacture water-soluble fertilizers or food-grade chemicals, and this is the basis for the worldwide phosphate rock export market.

But, there's another market for select phosphate rock; a growing market that we believe will become increasingly important in the future. Known as **Reactive Phosphate Rock,** or **RPR**, this product requires only a simple upgrading by elimination of the selected particle size fractions that are known to contain little or no phosphate mineral. RPR can be used as a slow-release source of P continuously adding P to the soil over a longer period of time than some manufactured fertilisers.

Two types of rock stand out as the most reactive in the world: Sechura rock from the Bayovar district of Peru where our project lies, and rock from North Carolina in the US which is now pretty much mined out or totally consumed in the manufacture of phosphoric acid-based fertilizer. More information can be found at this link – a useful backgrounder on reactive rock from the International Fertilizer Industry Association.

RPR looks a bit like beach sand: fine, brownish particles of natural phosphorus minerals that can be applied directly to pasture or crops as fertilizer. The material reacts with natural acids in the soil and phosphorus is slowly released to be taken up by the crop. This contrasts with "ordinary" phosphate rock which has to be acidulated (reacted with acid) with sulphuric or other acids to make a water soluble product.

Sechura phosphate rock disguised as a large pile of brownish sand.

Not all RPRs are created equal. Variations in P content and other naturally occurring trace elements and metals –many of them necessary micronutrients such as selenium, zinc, molybdenum and calcium -all affect how the rock performs when it's applied to a crop. The agronomic performance of RPR is determined by how soluble the phosphate minerals are, which in turn is determined by their reactivity in certain chemical environments. The principal form of phosphate compound in most rock sources is some form of apatite (calcium phosphate). But apatite is generally is *not* water soluble and so its P is not available to plants. However some forms of apatite and a few other phosphorus minerals *are* reactive and their presence or absence in the rock determines whether the rock can be applied directly or not. As a general rule, apatite that is rich in carbonate (CO_2) and poor in the element fluorine will react well and give good phosphorus yields.[1]

Typically RPR is actually *less* reactive and therefore less soluble than processed phosphate fertilizer and is more slowly absorbed into the soil and taken up by plants. This can be a disadvantage from an agronomic perspective, for example for annual plants where growing seasons are relatively brief. However, these slow-release characteristics can also be *highly* beneficial, for example in the case of perennial crops where a slower uptake and dissolution of nutrient actually aids plant development.

In fact, the high water solubility of some manufactured fertilizers is a problem in some environments. The fertilizers are so soluble that they are not retained by the soil for very long and repeated applications are needed to maintain P levels. In these environments, crushed rock can provide fairly constant P yields over a 2-3 year period at less than half the cost of repeat applications of manufactured fertilizers.

Business Development and Marketing

Conferences

David Cass presented at ProExplo2015 in Lima. His presentation was a technical overview of the work completed to date at the Bayovar12 phosphate project.

Ralph Rushton attended the Bank of Montreal Farm to Market conference in New York during May. The 2 day conference included presentations by most of the major fertilizer companies. The consensus seemed to be one of cautious optimism for phosphate prices. Although additional P-rock capacity is coming on stream in the next few years, most of the new production is targeted at India or at captive fertilizer plants. The South American demand for rock is strong and still growing, led by Brazil, on the back of increased biofuel crop farming. Interestingly, one CEO commented that Brazil has close to 40-million hectares of essentially dead or infertile grazing land that's been over grazed by cattle farmers. Bringing this back into production by applying nutrients such as phosphate is vital.

[1] *Direct application phosphate rock market study for Focus Ventures, Integer Research Ltd, 2015, unpublished.*

Website

We're starting to think about developing a new website to reflect what we believe to be the impending transition to production of phosphate rock. Our objective is to provide investors with a full overview of the Company, but also provide potential customers with an overview of the technical specifications of our potential product(s). We also plan to duplicate the website in Spanish for our South American audience. ETA for the new site is sometime in Q3 2015. Watch this space.

Phosphate Rock Price

The price for Moroccan phosphate rock, FOB Morocco, has stabilized this year and is still sitting at around $115/t. Stability and/or rising prices are usually good news for resource companies, whereas highly volatile prices are not as they don't allow for accurate revenue predictions.

Focus is looking long and hard at production of reactive phosphate rock (RPR), or Direct Application rock because we believe that a substantial market exists for quality RPR in Latin America, primarily in Brazil, Argentina & Central America. A reminder: RPR is rock that's reactive enough to be used as a fertilizer directly with no chemical processing.

Interestingly, what we're seeing in recent sales across the Americas is that, despite less processing and lower P_2O_5 grades, direct application RPR usually sells for higher prices than the higher-grade phosphate concentrate used to make phosphoric acid. (Again, for comparison, 32-33 P_2O_5 phosphate rock FOB Morocco for acidulation currently sells for US$115/t). Recent transactions include:

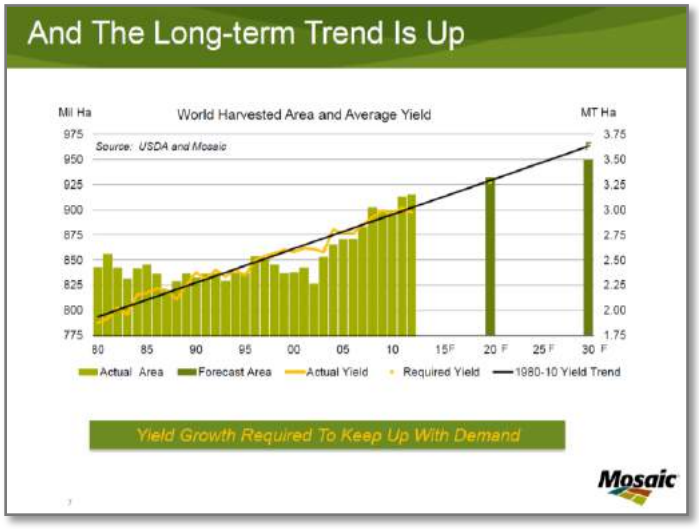
- 20% P_2O_5 Thermophosphate in Brazil sold by B&A Mineracao = US$185/t
- 22-24% P_2O_5 Sechura RPR sold by Focus' neighbor, Fosyeiki = US$170/t
- 18% P_2O_5 Brazilian RPR sold by Dusolo = US$110/t
- 20-22% P_2O_5 Canadian RPR sold by Fertoz = US$165/t (ca. C$200/t)

The Growing Impact of Biofuels

One of the major drivers behind the increase phosphate consumption in Latin America is farming of corn, sugarcane and soybeans for the manufacture of biofuels. Corn and sugarcane are the main feedstocks for ethanol production. Ethanol is added to gasoline –as much as 15% of the gas you put into your car is ethanol. Soybean oil is the main feedstock for biodiesel production. Both markets are large and growing fast. Global production of bioethanol was 93 Billion litres in 2014, worth roughly $40B dollars. Biodiesel production was 35 Billion litres worth US$60-70B making biofuels a $100B+ industry. Land allocated to biofuel crops in 2008 was about 36 million hectares worldwide (roughly the area of Germany), and is set to grow to 80 million hectares by 2020.

Biofuel crop production puts pressure on the area of land available for food production. Most biofuels crops

are grown on existing farm land, which means less land available for food crop production. To maintain the same level of food production either the available farm land must increase, or crop yields have to go up, or both. The slide below is from a presentation given recently by the head of US agribusiness Mosaic, illustrating their take on the area and yield of harvested crops worldwide from 1980 out to 2030: a compelling case for fertilizer demand growth long term.



We like graphs that go bottom left to top right

Some of the statistics are seriously eye-opening. Take, for example, the production of ethanol in the US. One liter of ethanol needs about 2.5kg of corn to produce, plus or minus. In 2000, the amount of ethanol added to US gas was 6 billion liters, needing roughly 15 million tonnes of corn. In the year 2014, those figures were 49 billion liters and 122 million tonnes of corn respectively: an 800% increase in the amount of ethanol used. But, during roughly the same time period, US corn production rose from about 250 million tonnes to 360 million tonnes: up only 43%. Interestingly, US government stats indicate that the amount of available farmland actually decreased by about 2-3% over the same period. So, almost a third of US corn production is now going to bioethanol production compared to 6% in 2000, with less land available.

A corn to bioethanol plant in Argentina. $C_6H_{12}O_6 \rightarrow 2\ C_2H_5OH + 2\ CO_2 + heat$

Brazil is another huge biofuel producer. Its production of ethanol increased by 7.5% in 2014, sugar cane by 6.3%, and the use of P_2O_5 increased by 7.3% over the same period.

To be fair, these stats are somewhat simplified (we'd need to look at the breakdown of farmland type and how that has changed over the same period) but the broader point remains valid, that maintaining food production with a growing population and increased biofuel agriculture on less land requires improved yields. Yields can be improved via better nutrition, GMO crops and/or better irrigation.

The upshot is we see a growing impact from the biofuel business on imports of P_2O_5 into the Americas. And as more and more governments set minimum limits on the amount of ethanol in gas (running at about 10% worldwide in those countries that currently mandate its use) production of biofuel feed crops will increase. With the global population growing at 75 million people per year, all needing food, and biofuel use expanding at pace too, we believe the fertilizer feedstock business will be a good one to be in for many years to come.

Corporate

The most recent share structure, incorporating shares issued in the latest financing, will be avaialble on our website shrotly. We regularly update our share structure on our website to keep pace with warrant exercising or new private placements. Please check here for updates.

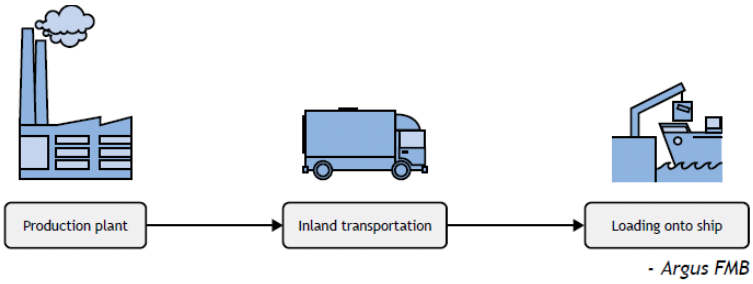
And Finally…

With Focus advancing steadily towards a production decision on its key Bayovar12 property, it's worth quickly discussing the 2 main types of price quote for bulk commodities so you'll be a bit clearer on what we mean once we start negotiating off-take agreements. There are some key distinctions between pricing methods for bulk commodities: you may have heard the acronyms FOB or CFR used by companies in regard to coal, or iron ore or fertilizers. (there are others, such as CIF, which we will go into in future newsletters.) But what exactly do these terms mean? The industry loves acronyms (TILA) and we tend to forget that many shareholders have probably never had them explained, so here's a brief explanation of the 2 main ones courtesy of the Argus Fertilizer Manual, published by Argus Media. Additional explanations can be found here and here.

Free on Board (FOB) and Cost and Freight (CFR) are International Commercial Terms: a standardised set of trade terms published by the International Chamber of Commerce. They aim to make clear to all parties involved in a deal where their responsibilities, costs and risk lie. In general, FOB refers to the price at the port of origin, while CFR is the price in the end-user market (the port of destination).

FOB (named port of shipment)

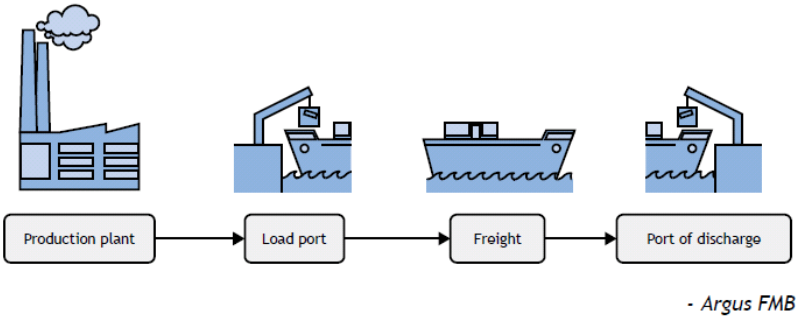
This requires the seller to deliver the cargo onto the named vessel. The seller clears the cargo for export and is responsible for the cost of transportation to the loading port and loading costs. The buyer is responsible for everything from this point onwards — marine freight transportation, insurance, unloading and transportation costs from the arrival port to destination. The risk of transportation transfers to the buyer at the port of loading. Typically, you will see FOB prices that use key loading points for particular products, such as DAP fertilizer quoted as FOB Tampa. So if Focus in the future quotes a price of $150/t FOB Bayovar, it means we would oversee delivery to the ship at Bayovar port and loading on to the ship. The counterparty on the contract would then assume responsibility for everything else to get the rock to the place that it's needed.



Above. The FOB quotation

CFR Cost and Freight

CFR pricing takes into account that the seller is responsible for all steps –with the exception of insurance- up to the delivery of the goods at the named port of destination, not the port of loading. The buyer is responsible for unloading, import duties, storage at the destination *etc*. However, the insurance risk transfers to the buyer at the port of loading.



Above. The CFR quotation

15,000 tonnes of RPR? Certainly Sir. Will that be FOB or CFR?

Contact Us

Unable to attend the shows and have questions? Please feel free to contact us. We'd be happy to answer shareholder questions or address any comments you may have.

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Focus is also active on Twitter and Facebook. Our Twitter account is part of the broader Gold Group Twitter feed, which can be followed at @TheGoldGroup. Our new Facebook page is Focus Ventures Ltd, under Mining/Metals. We'll be regularly posting articles of interest, photos and some additional background on the Bayovar 12 project.

Forward Looking Statements *This Newsletter may contain forward-looking statements including, but not limited to, comments regarding the timing and content of upcoming work programs, geological interpretations, receipt of property titles, potential mineral recovery processes, and other related matters. Forward-looking statements address future events and conditions and therefore involve inherent risks and uncertainties. Focus Ventures Ltd.'s projects are at an early stage and all estimates and projections are based on limited and possibly incomplete data. More work is required before the mineralization and the projects' economic aspects can be confidently modeled. Actual results may differ materially from those currently anticipated in this presentation. No representation or prediction is intended as to the results of future work, nor can there be any promise that the estimates and projections herein will be sustained in future work or that the project will otherwise prove to be economic.*

Qualified Person *Mr. David Cass* B.Sc., M.Sc., P.Geo., *President of Focus Ventures, is a member of the Association of Professional Engineers and Geoscientists of British Columbia, and a "Qualified Person" in accordance with National Instrument 43-101. He has reviewed the technical information contained in this newsletter. Mr. Cass has an MSc degree in Mineral Exploration and Mining Geology from the United Kingdom, and 25 years international exploration and mining industry experience. He has worked in many countries including the America's, Australia, Turkey, Iran, South Africa and Eastern Europe. His career to date has included 15 years with Anglo American, one of the world's largest mining companies, including 6 years as Anglo's Exploration Manager for North America, and 4 years managing exploration programs for gold and base metals in Peru.*