FOCUS Ventures Ltd.

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SHAREHOLDER

NEWSLETTER

Q1 2016

Results of Prefeasibility Study Announced

Dear Shareholder,

A Happy New Year to you from all of us here at Focus.

As you've no doubt already seen, 2016 didn't start well for us. After yesterday's release of the Pre-feasilbility study (PFS) results we were hit by a wave of selling and lost over 35% of our market capitalization. Unfortunately, the selling continued today and we've seen further erosion of your Company's valuation.

The reaction –or overreaction- to the news took us by a bit by surprise. Of course we're aware that the results are not stellar: we'd have loved to see an internal rate of return percentage in the 30s with a shorter payback period. But the simple fact is, despite whatever misgivings yesterday's sellers may have about the project, the PFS has delivered a good first-pass base case study that shows that the project is viable with a Net Present Value (NPV) that is many times the value of the Company. Interestingly, our agri-business contacts in the banking industry had a totally different take on the PFS and were unanimously positive about the results, particularly the London-based institutions.

Why would so many shareholders decide to sell? A good question.

We spent most of yesterday answering phone calls and e-mails, and reading the initial takes on the PFS from some of the newsletter and industry writers who have been following us. It's clear to us now that despite our best efforts we must have done a poor job of communicating what we have at Bayovar, and what it is we are trying to do with it. So before we dig into the study itself, we'd like to outline why we think the Bayovar12 phosphate deposit is so valuable,

not simply in dollar terms but also in terms of its efficacy as a natural organic fertlizer and the associated environmental benefits.

Over 90% of phosphate rock that's mined around the world is shipped to acidulation plants and mixed with sulphuric acid to make phosphoric acid. Phosphoric acid is the chemical foundation of most modern, high-priced water soluble NPK fertilizers. There are 2 reasons for converting the rock to phosphoric acid. Firstly, most of the world's phosphate rock is not very reactive and can't be used directly as fertilizer. It *has* to be converted to a more soluble form before plants can use the phosphorus. In contrast, Bayovar rock is very reactive and an ideal natural fertilizer. Secondly, the profit margins in selling high-end water soluble fertilizers are much higher for the manufaturers.

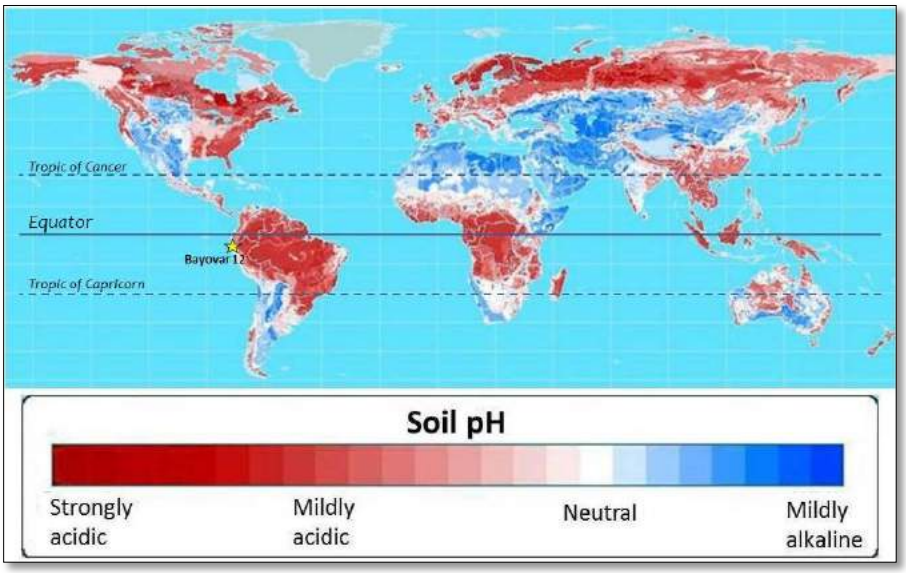
But there are some significant negatives that accompany the acidulation process. Each tonne of acid produced creates 4.5-5.5 tonnes of an unwanted by-product known as phosphogypsum (PG). PG mops up many of the natural contaminants within the phosphate rock which –unfortunately for people living near phosphoric acid plants- include radioactive elements and minerals including uranium and radium. The net result is, many of the world's phosphoric acid production centres are littered with enormous, slightly-radioactive piles of PG waste. The residents of these areas are increasingly agitating against the acid manufacturers to reduce the dumping of PG. In the southern US, PG can't legally be used to make commercial products such as construction wallboard because of the radioactivity so the piles get bigger and bigger.

Have you seen my phosphogypsum? I know it's here somewhere…

The use of natural phosphate rock fertilizers avoids this problem. Bayovar rock is particularly well suited for use as an organic source of phosphorus without the need to covnert it to phosphoric acid. It can be dug up, washed, concentrated slightly and used directly on farms, on plantations and on gardens. We have collected many scientific papers on Bayovar rock, its high reactivity and excellent agronomic effectiveness. Very briefly, in areas with high rain fall and acid soils (*i.e.* the Tropics) Bayovar rock outperforms expensive high-end soluble fertilizers which tend to get washed away by the high tropical rainfall. The natural Bayovar rock stays in the soil gradually supplying phosporus and building up an inventory of phosphate nutrient in the soil. We'll shortly be posting a list of these papers on our website for your reading pleasure.

Phosphogypsum. Not in my back yard.

The map below, courtesy of the University of Wisconsin-Madison shows the distribution of acid soils globally (in red). Note the project's location on the edge of the enormous expanse of South American acid soils, and within the high rainfall tropics.



All you need is acid soils and rain.

So that's what we have in Bayovar12. A perfect natural product, located close to tidewater in a stable jurisdiction within an established phosphate mining district, and on the doorstep a large and rapidly growing markets for natural plant-ready rock fertilizer.

The rock's naturally high reactivity means it can be used effectively across most of South and Central America and the tropical regions of Southeast Asia, without the need for processing in a capital-heavy floatation circuit and conversion to phosphoric acid. We can instead use a simple process to produce a simple, natural organic fertilizer.

Project Summary

Is the project viable? Yes – the PFS numbers demonstrate positive economics for the project. This will be essentially a bulk materials handling operation, so if we can improve on the handling costs and reduce the distances the material and waste has to be moved, the project economics can be further improved.

As you've no doubt seen from the release, the highlights of the study are as follows:

- Production of 18.5 Mt of Reactive Phosphate Rock (RPR) concentrate from 52.3 Mt of ore over a 20 year mine life
- Two RPR product lines producing +24% and +28% P_2O_5 concentrate by a simple, proven beneficiation process involving washing to remove fines
- Post-Tax Internal Rate of Return ("IRR") of 17.2% and NPV of $252.9 million at a 7.5% Discount Rate (base case)
- After-tax cash flow of $847 million over the mine life
- Payback of 6.6 years
- Proven and Probable open-pittable Reserves of 54.7 Mt of ROM ("Run-of-Mine") ore Substantial mineral resources remain in inventory to extend mine life past 20 years. *The reader is cautioned that mineral resources that are not mineral reserves do not have demostrated economic viability.*
- Initial capital costs of $127 million including pre-production stripping, process plant, tailings storage, water pipeline and powerline, owner's costs and contingency
- Several opportunities identified to improve project economics via optimization studies including review of mine schedule, infrastructure requirements and extension of mine life

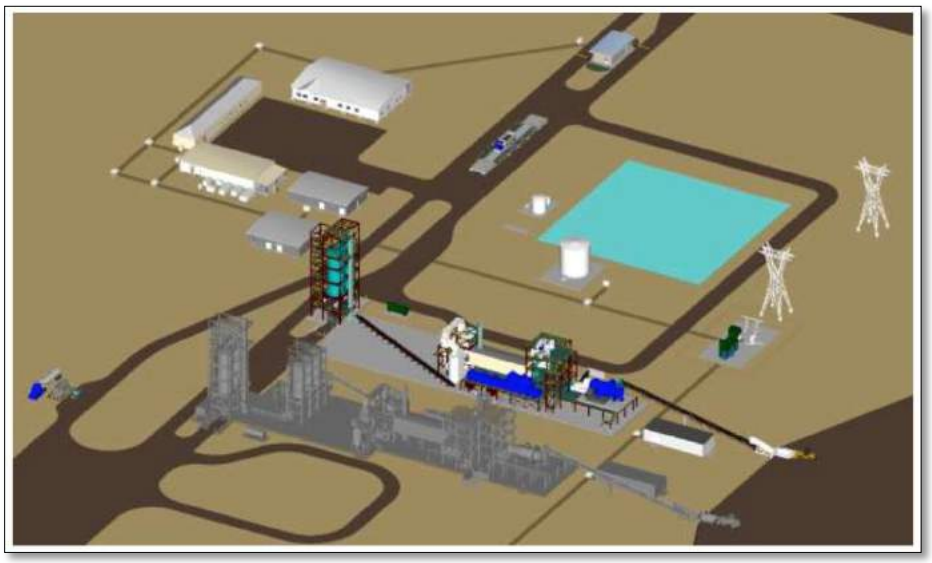
The PFS considers two process plant lines, Line 1 and Line 2, which will beneficiate the Bayovar 12 ore. Each Line is capable of producing 1,370 tonnes of RPR concentrate per day at 85% plant availability. Line 1 will produce approximately 300,000 tpy in Year 1 of concentrate with a grade of +24% P_2O_5, ramping up to 400,000 tpy in Year 3 and 500,000 tpy from Year 4 onwards. Line 2 commences production of concentrate in Year 3 with a grade of +28% P_2O_5 at 500,000 tpy and continues at this rate for the Life of Mine.

A simple beneficiation process, similar to that used in adjacent operations, has been developed by Jacobs Engineering consisting of desliming and dewatering using drum and attrition scrubbing, size classification, hydraulic classification, filtering, and finally drying to 4% moisture. The two process plant lines are essentially identical. The higher grade 28% P_2O_5 Line 2 product is achieved simply by coarsening the final desliming cut-point to reject lower-grade near-size material.

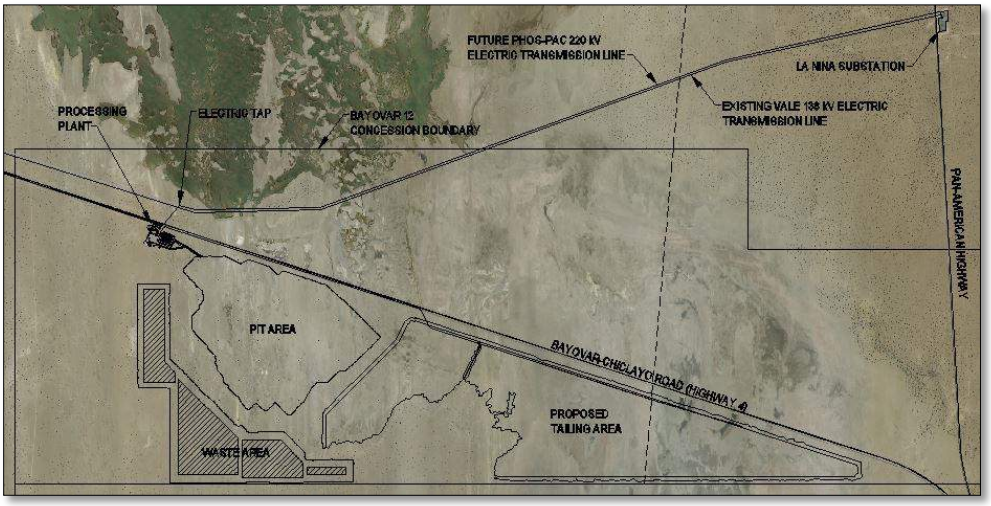
The concentrate will be hauled 43 kilometers to tidewater and port facilities using 35-tonne end-dumping trailers. Infrastructure requirements include; site access, power transmission line, a seawater pipeline for process water supply, ancillary building facilities, a reverse osmosis water treatment plant for potable water, fire protection and sanitary septic facilities, site communications, and the Tailings Storage Facility (TSF).

Initial capital cost estimates includes the construction of a phosphate process plant capable of producing 500ktpy tonnes of RPR concentrate (dry basis) from a single process line at full production. Capital requirements associated with ore production include purchasing mobile mine equipment for stripping interburden material and to mine phosphorite beds. Contractor overburden waste stripping is also capitalized in the preproduction period, as are the construction of berms and lifts for the TSF. The initial capital requirement is estimated at $127 million including owner's costs.

Illustrations of the schematic layout of the plant and mine are shown below:



Schematic plant layout



Schematic mine site layout

At this point it's worth briefly reviewing what happened during December, as we approached our 31st Dec deadline for the delivery of the Study to our JV partners. We did meet that deadline and avoided a half million dollar penalty payment, but it proved to be a challenge, which meant everything had to fall together at the last minute.

We received the first draft of the discounted cash flow (DCF) model in early December; the initial numbers indicated an IRR percentage in the 20s and a payback of about 5 years. However, cost inputs were still being revised and omissions in the DCF model were still being ironed out as late as mid-December, all which had the effect of bringing the final numbers in the model down (rather than up) with no time for optimization studies. Although the DCF model numbers demonstrate a viable project, the Study recommends several areas of opportunity to improve the project economics.

What Is The Project Most Sensitive To?

The DCF model highlighted a number of areas of sensitivity, particularly waste haulage distances – this is a bulk materials operation and as such it's very sensitive to the cost of moving tons of material. The Opex and Capex costs are influenced by the amount of pre-stripping and waste haulage distances.

The base case payback period of 6.6 years is influenced by higher Opex costs in the initial years as the project ramps up to full production; the current mine plan was designed around a staged production schedule. This means the unit cost per product tonne in years 1 and 2 is higher as less revenue is available until full plant capacity is achieved. This scenario may be improved by getting the project up to full capacity in a quicker timeframe, something that we'll be examining. Of course the payback period, NPV and IRR from the DCF model completely ignore any production beyond the 20 year life of mine (LOM) which would extend cash flows and revenues over a longer period.

Factors Affecting The Capex

One of the larger CAPEX items is the cost of the seawater pipeline which came in at about $20m. Another large-ish item is the tailings storage facility. The tailings are quite liquid and require a large area of pond to evaporate adequately. That requires a long containment berm to dam the pond which means hauling waste. Relocating the road to the north of the mine site would allow a redesign of the TSF to reduce haul distances.

For the plant itself, the study quotes all new equipment and materials with roughly a 50% mark up on the total capex for labor, materials, construction, contingency *etc*. This is an obvious area where costs could be reduced by sourcing used equipment.

In general phosphate projects tend to come in around $150-250m capex per million tonnes of product. Ours is at the lower end of that scale.

Can You Sell 1 Million Tonnes Per Year of DAPR?

We'll only be certain that we can sell the full capacity of the project once we sign off-take agreements. We believe the market is large enough and the product quality from Bayovar is superior. Sales prices in the region, both in Peru and Central America, support the price assumptions for DAPR used bearing in mind our product will be cleaner and higher quality than existing sales from our smaller neighbors. In particular we'll be targeting the growth in the palm oil

plantation sector across central and South America. We'll also be examining options in the next step of feasibility for blending the product with other nutrients, targeting specific crops, producing a higher value product.

What Are The Next Steps?

The first step will be to examine the mine schedule to see what options exist to achieve nameplate production in both Line 1 and Line 2 sooner. We'd also like to review the staged development of the open pit to try reduce haulage distances for waste and maximize use in-pit backfill earlier in the mine life.

In the longer term we would like to advance the Project to Feasibility Study (FS) preferably with the support or backing of an industry partner. The partner could be from the mining industry or from the fertilizer business but based on our networking to date, we believe interest is most likely to come from the fertilizer consumers or manufacturers. The PFS forms the base case for us to build an investment case.

Future work towards a FS will emphasise optimization of the mine plan and equipment selection, earlier achievement of nameplate capacity in the process plant, pilot plant testing and definitive marketing studies.

Upcoming Events

We will have a couple of representatives at the upcoming Fertilizer Latino Americano conference in Cartagena in Colombia at the end of January. This is the leading fertilizer event in this region bringing together senior decision makers from the biggest fertilizer buyers and manufacturers in Latin America. This leading annual industry event previously attracted 600+ delegates from over 50 countries (representing over 300 organizations) and continues to offer a major networking platform to those involved in the Latin American fertilizer industry. Our aim in attending is to develop our network and spread the word about Bayovar 12 RPR amongst DAPR consumers in Latin America.

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 *Certain statements contained in this Update constitute forward-looking statements within the meaning of Canadian securities legislation. All statements included herein, other than statements of historical fact, are forward-looking statements and include, without limitation, statements about the Company's Bayovar 12 project including details from the prefeasibility study prepared on the project. Often, but not always, these forward looking statements can be identified by the use of words such as "estimate", "estimates", "estimated", "potential", "open", "future", "assumed", "projected", "used", "detailed", "has been", "gain", "upgraded", "offset", "limited", "contained", "reflecting", "containing", "remaining", "to be", "periodically", or statements that events, "could" or "should" occur or be achieved and similar expressions, including negative variations.*

Forward-looking Statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any results, performance or achievements expressed or implied by forward-looking statements. Such uncertainties and factors relate to, among other things, information contained in the prefeasibility study prepared for the Bayovar 12 project; changes in general economic conditions and financial markets; the Company or any joint venture partner not having the financial ability to meet its exploration and development goals; risks associated with the results of exploration and development activities, estimation of mineral resources and the geology, grade and continuity of mineral deposits; unanticipated costs and expenses; and such other risks detailed from time to time in the Company's quarterly and annual filings with securities regulators and available under the Company's profile on SEDAR at www.sedar.com. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended.

Forward-looking statements contained herein are based on the assumptions, beliefs, expectations and opinions of management, including but not limited to: that the Company's stated goals for the Bayovar 12 project will be achieved; that a feasibility study will be completed for the project; and that there will be no material adverse change affecting the Company or its properties; and such other assumptions as set out herein. Forward-looking statements are made as of the date hereof and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise, except as required by law. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, investors should not place undue reliance on forward-looking statements.

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.*