



**FINANCIAL REVIEW**

**Third Quarter Ended August 31, 2011**



INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NINE MONTHS ENDED AUGUST 31, 2011

(Unaudited – Prepared by Management)

(Stated in Canadian Dollars)

**Notice to Reader of the Unaudited Interim Consolidated Financial Statements  
For the nine months ended August 31, 2011**

In accordance with National Instrument 51-102, of the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited interim consolidated financial statements.

The unaudited interim consolidated financial statements of Focus Ventures Ltd. (the "Company") for the nine month period ended August 31, 2011 ("Financial Statements") have been prepared by management. The Financial Statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended November 30, 2010, which are available at the SEDAR website at [www.sedar.com](http://www.sedar.com). The Financial Statements are stated in Canadian dollars, unless otherwise indicated, and are prepared in accordance with Canadian generally accepted accounting principles.

**FOCUS VENTURES LTD.**  
**INTERIM CONSOLIDATED BALANCE SHEETS**  
(Unaudited – Prepared by Management)  
(Stated in Canadian Dollars)

	<b>August 31, 2011</b>	<b>November 30, 2010</b>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 1,081,584	\$ 3,227,839
Prepaid expenses and deposits (Note 9)	69,835	19,937
Taxes receivable	7,197	6,585
Other receivables	3,233	6,307
Due from related parties (Note 9)	-	1,047
	<u>1,161,849</u>	<u>3,261,715</u>
<b>PROPERTY &amp; EQUIPMENT</b> (Note 5)	83,949	81,640
<b>MINERAL PROPERTIES</b> (Note 6)	429,561	285,221
	<u>\$ 1,675,359</u>	<u>\$ 3,628,576</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities (Note 9)	\$ 143,838	\$ 141,494
Due to related parties (Note 9)	37,002	21,361
	<u>180,840</u>	<u>162,855</u>
<b>SHAREHOLDERS' EQUITY</b>		
<b>SHARE CAPITAL</b> (Note 8)	17,405,791	17,353,520
<b>SHARE SUBSCRIPTIONS RECEIVED</b>	-	28,500
<b>CONTRIBUTED SURPLUS</b> (Note 8)	1,622,092	1,620,576
<b>DEFICIT</b>	(17,533,364)	(15,536,875)
	<u>1,494,519</u>	<u>3,465,721</u>
	<u>\$ 1,675,359</u>	<u>\$ 3,628,576</u>

Nature of Operations and Ability to Continue as a Going Concern – (Note 1)  
Subsequent Events – (Note 11)

**APPROVED BY THE DIRECTORS:**

"David Cass", Director  
David Cass

"Mario Szotlender", Director  
Mario Szotlender

SEE ACCOMPANYING NOTES

**FOCUS VENTURES LTD.**  
INTERIM CONSOLIDATED STATEMENTS OF LOSS, COMPREHENSIVE LOSS AND DEFICIT  
(Unaudited – Prepared by Management)  
(Stated in Canadian Dollars)

	Three months ended August 31,		Nine months ended August 31,	
	2011	2010	2011	2010
<b>EXPLORATION EXPENDITURES</b> (Note 7)	\$ 435,409	\$ 441,714	\$ 1,548,328	\$ 1,856,597
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>				
Accounting and legal	10,160	-	29,986	13,616
Amortization	5,747	1,417	15,455	5,973
Bank charges and interest	663	169	1,312	1,316
Consulting fees	-	-	8,604	13,476
Management fees (Note 9)	30,000	32,250	90,000	96,000
Office and miscellaneous (Note 9)	11,880	8,080	32,954	38,102
Property investigations	23,982	-	23,982	-
Regulatory and stock exchange fees	803	921	14,357	23,423
Rent and utilities (Note 9)	6,324	7,003	21,029	21,245
Salaries and wages (Note 9)	23,970	32,382	84,230	116,500
Shareholder communication (Note 9)	4,661	11,930	37,558	66,476
Stock-based compensation	25,287	9,671	25,287	117,244
Travel and accommodation (Note 9)	27,334	15,538	60,711	94,155
	170,811	119,361	445,465	607,526
<b>LOSS BEFORE OTHER ITEMS</b>	(606,220)	(561,075)	(1,993,793)	(2,464,123)
<b>OTHER ITEMS</b>				
Interest and other income	3,424	7,279	15,053	19,889
Foreign exchange gain (loss)	490	11,044	(17,749)	28,572
<b>NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD</b>	\$ (602,306)	\$ (542,752)	\$ (1,996,489)	\$ (2,415,662)
Deficit, beginning of period	(16,931,058)	(13,859,533)	(15,536,875)	(11,986,623)
<b>Deficit, end of period</b>	\$(17,533,364)	\$(14,402,285)	\$(17,533,364)	\$(14,402,285)
<b>Basic and diluted loss per share</b>	\$(0.02)	\$(0.02)	\$(0.07)	\$(0.08)
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING</b>	29,317,034	29,167,034	29,312,654	28,897,513

SEE ACCOMPANYING NOTES

**FOCUS VENTURES LTD.**  
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW**  
(Unaudited – Prepared by Management)  
(Stated in Canadian Dollars)

	Three months ended August 31,		Nine months ended August 31,	
	2011	2010	2011	2010
<b>OPERATING ACTIVITIES</b>				
Net loss for the period	\$ (602,306)	\$ (542,752)	\$ (1,996,489)	\$ (2,415,662)
Items not involving cash:				
Amortization	5,747	1,417	15,455	5,973
Stock-based compensation	25,287	9,671	25,287	117,244
	(571,272)	(531,664)	(1,955,747)	(2,292,445)
Changes in non-cash working capital items related to operations:				
Due from related parties	-	-	1,047	6,641
Taxes receivable	6,833	338	(612)	14,021
Prepaid expenses and deposits	(40,373)	12,912	(49,898)	(27,844)
Other receivables	742	712	3,074	(5,047)
Due to related parties	19,412	(38,495)	15,641	12,823
Accounts payable and accrued liabilities	79,627	24,360	2,344	(3,597)
	(505,031)	(531,837)	(1,984,151)	(2,295,448)
<b>FINANCING ACTIVITIES</b>				
Net proceeds from issuance of capital stock	-	-	-	294,295
Share subscriptions received	-	-	-	168,750
	-	-	-	463,045
<b>INVESTING ACTIVITIES</b>				
Purchase of property and equipment	(7,282)	1,874	(17,764)	(80,592)
Mineral property acquisitions	-	(90,638)	(144,340)	(281,174)
	(7,282)	(88,764)	(162,104)	(361,766)
<b>DECREASE IN CASH</b>	(512,313)	(620,601)	(2,146,255)	(2,194,169)
Cash, beginning of period	1,593,897	4,611,585	3,227,839	6,185,153
<b>CASH, END OF PERIOD</b>	\$ 1,081,584	\$ 3,990,984	\$ 1,081,584	\$ 3,990,984

Non-cash Transactions – Note 10

SEE ACCOMPANYING NOTES

**FOCUS VENTURES LTD.**  
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
Nine months ended August 31, 2011  
(Unaudited – Prepared by Management)  
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**1. Nature of Operations and Ability to Continue as a Going Concern**

The Company was incorporated in British Columbia and its common shares are publicly traded on the TSX Venture Exchange (“TSX-V”). The Company is engaged in the acquisition and exploration of mineral properties located primarily in Peru and Mexico.

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At August 31, 2011, the Company had not yet achieved profitable operations, has accumulated losses of \$17,533,364 since its inception and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Company’s ability to continue as a going concern. The Company’s ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due.

**2. Significant Accounting Policies**

Basis of presentation

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. They include the accounts of the Company and its wholly-owned Peruvian subsidiary, Minera Focus S.A.C. that was incorporated on August 13, 2009. All significant intercompany transactions and balances have been eliminated. The Company charges exploration expenditures net of recoveries to operations as incurred.

Operating results for the nine month period ended August 31, 2011 are not necessarily indicative of the results that may be expected for the year ending November 30, 2011. These interim consolidated financial statements do not contain all of the information required by generally accepted accounting principles for annual financial statements and therefore should be read in conjunction with the audited financial statements and accompanying notes thereto for the year ended November 30, 2010.

Future accounting changes

*International Financial Reporting Standards (“IFRS”)*

In 2006, the Canadian Accounting Standards Board (“AcSB”) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. In 2008, the Canadian Accounting Standards Board confirmed that the transition to IFRS from Canadian GAAP will be effective for fiscal years beginning on or after January 1, 2011 for publicly accountable enterprises. The Company will therefore be required to first present IFRS financial statements for its February 29, 2012 interim consolidated financial statements. The effective date will require the restatement for comparative purposes of amounts reported by the Company for the interim periods and for the year ended November 30, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS has not yet been determined.

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**2. Significant Accounting Policies – (cont'd)**

Future accounting changes – (cont'd)

*Business Combinations, Consolidated Financial Statements and Non-Controlling Interest*

In January 2009, the CICA issued CICA Handbook Section 1582, "Business Combinations", Section 1601, "Consolidations", and Section 1602, "Non-Controlling Interests". These sections replace the former Section 1581, "Business Combinations", and Section 1600, "Consolidated Financial Statements", and establish a new section for accounting for a non-controlling interest in a subsidiary. Section 1582 establishes standards for the accounting for a business combination, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent consideration and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. It provides the Canadian equivalent to IFRS 3, Business Combinations (January 2008). The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

Sections 1601 and 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections.

**3. Capital Management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to explore new mineral property opportunities. In order to facilitate the management of its capital requirements, the Company prepares periodic budgets that are updated as necessary. The Company manages its capital structure and makes adjustments to it to effectively support the acquisition and exploration of mineral properties. The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund any future activities. In order to pay for general administrative costs, the Company will use its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the period ended August 31, 2011. The Company's investment policy is to hold cash in interest bearing bank accounts, which pay comparable interest rates to highly liquid short-term interest bearing investments with maturities of one year or less and which can be liquidated at any time without penalties. The Company is not subject to externally imposed capital requirements. The Company's capital resources as of August 31, 2011 are sufficient to cover its corporate operating costs and carry out limited exploration activities for the next twelve months. However, in order to carry out planned exploration programs and business objectives, the Company will most likely need to raise additional capital. The Company believes it will be able to raise additional equity capital as required, but recognizes the uncertainty attached thereto.

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**4. Financial Instruments and Risk Management**

As at August 31, 2011, the Company's financial instruments are comprised of cash, due from related party, other receivables, due to related parties and accounts payable and accrued liabilities.

Cash is designated as held-for-trading and therefore carried at fair value. The fair values of amounts due from or to related parties, other receivables and accounts payable and accrued liabilities approximate their book values because of the short-term nature of these instruments.

The following table provides an analysis of financial instruments grouped into levels 1, 2, or 3 based on the degree to which the fair value is observable as at August 31, 2011.

	Carrying amount	Fair value	Discount rate
<b>Level 1:</b>			
Cash	\$ 1,081,584	\$ 1,081,584	N/A

The Company did not have any financial instruments in Level 2 and 3. There were no transfers between Level 1 and 2 in the year.

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk and interest rate risk.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to fluctuations in foreign currencies through its operations in a foreign country. The Company monitors this exposure, but has no hedge positions.

The Company is exposed to currency risk through the following financial assets and liabilities denominated in currencies other than the Canadian dollar at August 31, 2011:

	August 31, 2011		November 31, 2010	
	Peru Soles (CDN equivalent)	US Dollars	Peru Soles (CDN equivalent)	US Dollars
Cash	\$ 2,408	\$ 125,030	\$ 7,710	\$ 111,127
Accounts payable and accrued liabilities	(28,037)	(115,412)	(20,424)	(85,970)
	\$ (25,629)	\$ 9,618	\$ (12,714)	\$ 25,157

Based on the above net exposures at August 31, 2011, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would result in a \$1,601 increase or decrease in the Company's after tax net earnings, respectively.

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash. The Company limits exposure to credit risk by maintaining its cash with large financial institutions.

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**4. Financial Instruments and Risk Management – (cont'd)**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures there is sufficient capital in order to meet short term business requirements, after taking into account the Company's holdings of cash and potential equity financing opportunities. The Company believes that these sources will be sufficient to cover the known short term requirements at this time but additional capital will most likely need to be raised to cover long term requirements.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the Company's cash is currently held in an interest bearing bank account, management considers the interest rate risk to be limited.

**5. Property and Equipment**

	<b>August 31, 2011</b>		
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net book value</b>
Vehicles	\$ 66,426	\$ 18,460	\$ 47,966
Computer equipment	24,433	7,278	17,155
Furniture and equipment	19,006	2,253	16,753
Website	4,500	2,425	2,075
	<b>\$ 114,365</b>	<b>\$ 30,416</b>	<b>\$ 83,949</b>

	<b>November 30, 2010</b>		
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net book value</b>
Vehicles	\$ 66,426	\$ 8,898	\$ 57,528
Computer equipment	16,206	3,335	12,871
Furniture and equipment	9,469	905	8,564
Website	4,500	1,823	2,677
	<b>\$ 96,601</b>	<b>\$ 14,961</b>	<b>\$ 81,640</b>

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**6. Mineral Properties**

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

The Company has capitalized the following acquisition costs on its mineral properties as at August 31, 2011:

	Santa Rosa Property	Minas Chanca Property	Santo Domingo Property	Machay Property	Nueva California Property	Chúcara Property	Total
Balance, November 30, 2009	\$ -	\$ 11,168	\$ -	\$ -	\$ 232,946	\$ -	\$ 244,114
Acquisition costs - cash	131,510	-	77,820	64,723	103,757	139,532	517,342
Acquisition costs - shares	-	-	-	-	-	20,530	20,530
Write-off of mineral property costs	-	-	-	-	(336,703)	(160,062)	(496,765)
Balance, November 30, 2010	131,510	11,168	77,820	64,723	-	-	285,221
Acquisition costs - cash	144,340	-	-	-	-	-	144,340
Balance, August 31, 2011	\$ 275,850	\$ 11,168	\$ 77,820	\$ 64,723	\$ -	\$ -	\$ 429,561

*Santa Rosa Property*

The Santa Rosa property comprises 551 hectares located in central Peru.

In November 2010, the Company entered into an agreement with a private Peruvian company whereby the Company can acquire 100% of the Santa Rosa Property. To fulfill the terms of the agreement, the Company must make cash payments over four years totalling US\$9,000,000 as per the following schedule:

<u>Deadline</u>	Cash payments to the owner US\$
On signing of the agreement on November 29, 2010 (paid)	100,000
6 months after signing (paid)	150,000
12 months after signing	200,000
18 months after signing	250,000
24 months after signing	300,000
30 months after signing	500,000
36 months after signing	2,500,000
48 months after signing	5,000,000
	<u>9,000,000</u>

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**6. Mineral Properties – (cont'd)**

*Santa Rosa Property – (cont'd)*

The Company is also required to pay the property owner a royalty of U.S. \$1.19 per metric ton of “Resources Measured and Indicated “ in excess of the first 5,000,000 metric tons of “Resources Measured and Indicated” and/or “Proven Probable Reserves” as defined in the Mining Claims, pursuant to the parameters of NI-43-101.

*Minas Chanca Property*

The Minas Chanca Property consists of two concessions covering 1,200 hectares in central Peru owned by the Company and two concessions comprising an additional 1,000 hectares owned by Compañía de Minas Buenaventura (“Buenaventura”).

Pursuant to a letter of intent signed in April 2010 and a definitive agreement dated December 31, 2010 (the “Effective Date”), the Company granted to Buenaventura the option to acquire a 75% interest in the Minas Chanca Property in consideration of Buenaventura:

- completing 2,000 metres of drilling within 12 months of the Effective Date, and a cumulative of 3,000 metres of drilling within 18 months of the Effective Date; and
- making exploration expenditures on the property, or cash payments to the Company (at the discretion of Buenaventura), of at least US\$1,000,000 within 18 months of the Effective Date, and a cumulative of US\$3,000,000 within 3.5 years of the Effective Date.

If Buenaventura acquires the 75% interest in the Minas Chanca Property, the Company will be entitled to a 2.0% net smelter return royalty. Buenaventura will then have the right to purchase within 5 years 50% of the royalty by paying the Company US\$500,000 and the remaining 50% of the royalty by paying the Company a further US\$500,000.

Buenaventura will also have the option for 12 months after acquiring the 75% interest to acquire the Company’s 25% participating interest by delivering to the Company a NI 43-101 compliant technical report determining the amount of mineral resources contained in the property, and based on such report, paying to the Company either US\$4.00 per silver equivalent ounce of the resources, or the sum of US\$4,000,000, whichever is greater.

*Santo Domingo Property*

In February, 2010, the Company made applications for four concessions located in southern Peru known as the Santo Domingo Property at a cost of \$77,820. All of the concessions have been granted.

*Machay Property*

In July, 2010, the Company made applications for twenty-eight concessions located in central Peru known as the Machay Property at a cost of \$64,723. Subsequent to August 31, 2011, the Company made applications for three additional concessions. Seventeen of the thirty-one total concessions have been granted, and the other fourteen are pending registration.

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**6. Mineral Properties – (cont'd)**

*Nueva California Property*

The Nueva California Property comprises 900 hectares located in north-central Peru.

In March 2009, Radius Gold Inc. (“Radius”) assigned to the Company Radius’s option (the “Option”) to earn a 100% interest in the Nueva California Property. The terms of the Option, which were amended July 6 and November 27, 2009, required exploration expenditures on the Property of US\$3,000,000 and cash payments to the property owner (a Peruvian private company) totaling US\$3,000,000, over a period of 4 years.

To May 31, 2011, a total of US\$200,000 cash had been paid to the property owner (Radius US\$50,000 and the Company US\$150,000). During the current period and prior to an option payment that was due in March 2011, the Company terminated the Option Agreement. As a result, the Company wrote off during the year ended November 30, 2010 a total of \$336,703 in acquisition costs relating to the Nueva California property.

*Chúcara Property*

The Chúcara gold-silver project comprises 700 hectares located in north-central Peru.

In March 2010, the Company was granted by a private Peruvian company the option to acquire up to 90% of the Chúcara Property. To earn an initial 70%, the Company was required to make cash payments and share issuances to the property owner (a Peruvian private company) totaling US\$4,000,000 and 500,000 shares over a period of 4 years.

In 2010, a finder’s fee of \$5,115 was included in the acquisition costs of the Chúcara mineral property.

To August 31, 2011, the Company had paid US\$130,000 cash and issued 20,000 shares having a value of \$154,947 to the property owner. During the current period and prior to an option payment that was due in March 2011, the Company decided to terminate the Option Agreement. As a result, the Company wrote off during the year ended November 30, 2010 a total of \$160,062 in acquisition costs relating to the Chúcara property.

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**7. Exploration Expenditures**

During the nine months ended August 31, 2011, the Company incurred the following exploration expenditures in Peru which were expensed as incurred:

	Chúcara	Santa Rosa	Machay	Nueva California	General	Total
Assaying	\$ 45,287	\$ 5,777	\$ 4,912	\$ 763	\$ 18,659	\$ 75,398
Communications	4,285	2,062	59	80	4,103	10,589
Community relations	7,343	21,128	-	30	9,111	37,612
Drilling	224,942	132,705	-	-	-	357,647
Geological and other consulting	26,521	116,681	1,077	14,907	148,992	308,178
Geological expenses	19,274	14,145	104	870	7,079	41,472
Legal and accounting	5	1,876	-	9	9,205	11,095
Office and administration	10,978	6,222	2,098	2,004	36,881	58,183
Salaries	48,950	84,448	12,340	18,145	215,464	379,347
Travel	41,208	38,547	4,228	4,499	42,366	130,848
Value added tax	-	-	-	-	137,959	137,959
	<b>\$428,793</b>	<b>\$423,591</b>	<b>\$ 24,818</b>	<b>\$ 41,307</b>	<b>\$ 629,819</b>	<b>\$1,548,328</b>

During the nine months ended August 31, 2010, the Company incurred the following exploration expenditures in Peru which were expensed as incurred:

	Nueva California	Chúcara	General	Total
Assaying	\$ 78,089	\$ 26,208	\$ 5,227	\$ 109,524
Communications	1,007	2,371	4,045	7,423
Community relations	3,578	2,787	-	6,365
Drilling	455,507	-	-	455,507
Field expenses	-	-	320	320
Geophysics	41,714	-	42,702	84,416
Geological and other consulting	108,959	97,015	126,028	332,002
Geological expenses	31,394	16,276	16,737	64,407
Legal and accounting	47	3,994	28,320	32,361
Licenses, rights and taxes	-	-	25,726	25,726
Office and administration	17,776	19,316	26,721	63,813
Salaries	169,007	87,757	72,724	329,488
Travel	37,754	51,134	46,026	134,914
Value added tax	6,009	751	203,571	210,331
	<b>\$ 950,841</b>	<b>\$ 307,609</b>	<b>\$ 598,147</b>	<b>\$ 1,856,597</b>

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**8. Capital Stock**

a) Authorized:

Unlimited number of common shares without par value

b) Issued:

	Number of shares	Amount	Contributed surplus
Balance, November 30, 2009	27,714,848	\$ 16,965,377	\$ 1,576,650
Shares issued for warrant exercises	1,412,634	290,495	-
Shares issued for option exercises	20,000	3,800	-
Shares issued for property acquisition	19,552	20,530	-
Transfer of contributed surplus on exercise of options	-	3,170	(3,170)
Transfer of contributed surplus on exercise of warrants	-	70,148	(70,148)
Stock-based compensation	-	-	117,244
Balance, November 30, 2010	29,167,034	17,353,520	1,620,576
Shares issued for option exercises	150,000	28,500	-
Transfer of contributed surplus on exercise of options	-	23,771	(23,771)
Stock-based compensation	-	-	25,287
Balance, August 31, 2011	29,317,034	\$ 17,405,791	\$ 1,622,092

During the nine month period ended August 31, 2011, 150,000 stock options were exercised for gross proceeds of \$28,500. The Company reallocated the fair value of these options previously recorded in the amount of \$23,771 from contributed surplus to capital stock.

c) Stock options

The Company has a stock option plan that was ratified and approved by the shareholders of the Company in December 2010 (the "Plan"). The Plan allows the Board of Directors to grant incentive stock options to the Company's officers, directors, employees and consultants. The exercise price of stock options granted is determined by the Board of Directors at the time of the grant in accordance with the terms of the Plan and the policies of the TSX-V. Options vest on the date of granting unless stated otherwise. Options granted to investor relations consultants vest in accordance with TSX-V regulation. The options are for a maximum term of ten years.

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**8. Capital Stock – (cont'd)**

c) Stock options – (cont'd)

A summary of stock option activity for the nine month period ended August 31, 2011 is as follows:

	Number of options	Weighted average exercise price
Outstanding at November 30, 2009	2,545,000	\$0.64
Granted	70,000	\$0.91
Exercised	(20,000)	\$0.19
Outstanding at November 30, 2010	2,595,000	\$0.65
Granted	230,000	\$0.30
Exercised	(150,000)	\$0.19
Cancelled	(105,000)	\$0.90
Outstanding at August 31, 2011	2,570,000	\$0.63
Exercisable at August 31, 2011	2,545,000	\$0.63

Details of stock options outstanding as of August 31, 2011 are:

Number of options	Exercise price	Expiry date	Average remaining contractual life in years
740,000	\$0.19	January 14, 2019	7.38
100,000	\$0.71	September 24, 2019	8.07
1,475,000	\$0.90	November 8, 2019	8.19
25,000	\$0.94	February 8, 2020	8.45
230,000	\$0.30	June 28, 2021	9.83
2,570,000			8.10

On June 29, 2011, the Company granted 230,000 stock options to employees of the Company at an exercise price of \$0.30 per share and expiring on June 28, 2021. Of these stock options, 205,000 are vested immediately and 25,000 become vested after four months. In conjunction with this option grant, the Company cancelled 105,000 options priced at \$0.90. The Company calculated the fair value of the options granted to be \$0.16 per share and recognized the associated stock-based compensation expense of \$34,955 for those options vested. The Company calculated the fair value of the options cancelled to be \$0.09 per share and recognized a reduction in stock-based compensation expense of \$9,668. The net offsetting amount charged to stock-based compensation was credited to contributed surplus.

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**8. Capital Stock – (cont'd)**

c) Stock options – (cont'd)

The fair value of the stock options granted during the current period were estimated using the Black-Scholes option pricing model with the following assumptions: risk-free interest rates in the range of 2.10% to 2.30%, dividend yield of 0%, expected life ranging from 3.5 to 5 years and a range of volatility factors of 84% to 92%.

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

d) Share purchase warrants

During the nine month period ended August 31, 2011 there was no share purchase warrants activity.

	Number of warrants	Weighted average exercise price
Balance, November 28, 2009	9,792,879	\$0.63
Exercised	(1,412,634)	\$0.21
Balance, November 30, 2010 and August 31, 2011	8,380,245	\$0.70

As at August 31, 2011, the following warrants were outstanding:

<u>Expiry date</u>	Number of warrants	Exercise price
November 25, 2011	4,754,245	\$1.00
September 21, 2012	3,626,000	\$0.30
	8,380,245	

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**9. Related Party Transactions**

Related party transactions for the nine month period ended August 31, 2011 comprise the following:

- a) The Company was charged management fees of \$90,000 (2010: \$96,000) and geological consulting fees of \$38,750 (2010: \$26,500) by the President of the Company. These charges were measured by the exchange amount, which is the amount agreed upon by the transacting parties.
- b) The Company was charged geological consulting fees of \$75,864 (2010: \$102,788) by the former Vice President of Exploration of the Company. These charges were measured by the exchange amount, which is the amount agreed upon by the transacting parties.
- c) The Company reimbursed a company with common directors and officers \$165,811 (2010: \$222,697) for shared general and administrative costs, consisting of \$23,625 (2010: \$31,269) for office and miscellaneous, \$84,230 (2010: \$115,495) for salaries and wages, \$21,029 (2010: \$21,245) for rent and utilities, \$10,889 (2010: \$18,424) for travel and accommodation, \$20,668 (2010: \$23,104) for shareholder communication, \$1,565 (2010: \$5,607) for exploration expenditures and \$3,805 (2010: \$7,553) for regulatory and stock exchange fees.
- d) Amounts due from related parties of \$Nil (November 30, 2010: \$1,047) was owed from a company with common directors for that company's portion of shared expenses. The amount was unsecured, non-interest bearing and are due on demand.
- e) Amounts due to related parties of \$37,002 (November 30, 2010: \$21,361) are amounts owing to a company and a subsidiary of that company with common directors for shared general and administrative costs and exploration expenses paid on behalf of the Company. These amounts are unsecured, non-interest bearing and are payable on demand.
- f) Prepaid expenses and deposits includes an amount of \$1,295 (November 30, 2010: \$1,909) paid to a company with common directors for shared general and administrative charges.
- g) Accounts payable and accrued liabilities includes \$Nil (November 30, 2010: \$11,356) owing to the Vice President of Exploration of the Company for geological consulting fees and \$Nil (November 30, 2010: \$11,092) owing to the President of the Company for management or geological fees and expense reimbursements.

**10. Supplemental Cash Flow Information**

	Three months ended August 31,		Nine months ended August 31,	
	2011	2010	2011	2010
Supplemental disclosure of cash flow information:				
Cash paid for interest	\$ -	\$ -	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -	\$ -	\$ -

*Non-cash Transactions*

During the nine month period ended August 31, 2011, the Company issued 150,000 shares for stock option exercises. As a result, the Company transferred \$23,771 from contributed surplus to share capital.

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**11. Subsequent Events**

Subsequent to the period end, the following events which have not been disclosed elsewhere in these financial statements have occurred:

- i) The expiry date of 3,626,000 outstanding share purchase warrants with an exercise price of \$0.30 was extended by one year to September 21, 2012 and, subject to TSX-V approval, the expiry date of 4,000,005 outstanding share purchase warrants with an exercise price of \$1.00 will be extended by one year to November 25, 2012.
- ii) 175,000 outstanding stock options exercisable at a price of \$0.90 per share expired and 25,000 outstanding stock options exercisable at a price of \$0.30 per share were cancelled.
- iii) In October 2011, the Company signed an agreement to acquire an interest in the Santa Cruz Project located in the State of Durango, Mexico. Under the terms of the agreement, the Company has the option to acquire an 80% interest in the property by defining 15Moz of Silver Equivalent resources in the Inferred Category within four years, and by paying the owner of the property a total of US\$20 million cash, of which US\$40,000 was paid on signing of the agreement and US\$20,000 is payable every six months while the option is outstanding. Upon exercise of the option, the Company must pay the owner the remaining cash balance owing and grant the owner a 3% NSR on future production. The agreement also grants the Company right of first preference to the historic Santa Cruz and Zambranena mines located in the west and central parts of the Santa Cruz Project. A finders' fee was also paid consisting of US\$15,000 cash and the issuance of 3.0 million warrants, exercisable at a price of \$0.30 for a period of five years. The majority of the warrants may not be exercised until the Company has exercised its option to acquire the property. The sale of certain of the shares which may be acquired on exercise of the warrants are subject to vesting restrictions.
- iv) The Company sold its right to a minority interest in certain concessions in Peru to an unrelated third party for US\$400,000.



(the "Company")

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Third Quarter Report – August 31, 2011**

**General**

This Management's Discussion and Analysis ("MD&A") supplements, but does not form part of, the unaudited interim consolidated financial statements of the Company for the nine months ended August 31, 2011. The following information, prepared as of October 28, 2011, should be read in conjunction with the August 31, 2011 interim consolidated financial statements, which have been prepared in accordance with Canadian generally accepted accounting principles. All amounts are expressed in Canadian dollars unless otherwise indicated. The August 31, 2011 interim consolidated financial statements have not been reviewed by the Company's auditors.

**Business of the Company**

The Company is engaged in the discovery and definition of quality mineral resources in Peru and Mexico and is developing a diversified portfolio of quality projects in several commodities including gold, silver, zinc and phosphates that show potential to become new mines. The Company recently established itself in Mexico with the acquisition of the Santa Cruz property which will broaden the Company's geographical presence into another of the world's most fertile gold and silver geological belts.

**Santa Cruz Property, Mexico**

In October 2011, the Company announced the signing of an agreement to acquire an 80% interest in the Santa Cruz Project located in the State of Durango, Mexico. The agreement covers 13,350 hectares of mining claims over a system of robust and high-grade epithermal silver veins and breccias that occur within a corridor 9km long and 2km wide. The historic Santa Cruz Mine, which exploited similar veins and breccias, dates back to the late 1700's, although the region remains relatively unexplored with very limited modern exploration and drilling.

Recent discoveries of high grade silver veins in the eastern part of the Project have highlighted major potential for additional discoveries, where vein zones such as the San Pablo – La Fragua – Orozco trend can be traced for over 3km along strike, including widths of individual zones up to 30m on surface. Underground sampling by the Company at the newly discovered El Padre vein located some 2.2km further east returned grades from trace to 1,440 g/t Ag and 1 g/t Au over 0.9m within broad zones of epithermal breccias up to 8m wide.

The Santa Cruz project lies within the Silver Lake Trend, a polymetallic belt that hosts several operating and past producing gold and silver mines. Goldcorp's San Dimas epithermal gold-silver mine is one of the most significant precious metal deposits in Mexico. District-wide historical production is estimated at 655 million ounces (Moz) of silver and 9.33Moz of gold, confirming it as a world-class epithermal mining province. Fresnillo Plc's Ciénega mine, which produced an estimated 1.2Moz of silver in 2010\*, is approximately 50km northwest of Santa Cruz. The Metates deposit (Chesapeake Gold Corp, TSX:CKG) is located 25km northwest of Santa Cruz and is one of the world's largest undeveloped gold-silver

resources with 24.5Moz of gold equivalent ounces in the measured and indicated resources, and 3.6Moz in the inferred category.\*\*

### *The Transaction*

Under the terms of the Agreement with a local Mexican mining company, the Company has the option to acquire 80% of the Santa Cruz Project by defining 15Moz of Silver Equivalent resources in the Inferred Category within 4 years, and by paying the owner a total of \$20,000,000 cash, of which \$40,000 is payable on signing of the agreement (paid), and \$20,000 is payable every 6 months while the option is outstanding. Upon exercise of the option, the Company must pay the owner the remaining cash balance owing and grant the owner a 3% NSR on future production. The Agreement also grants the Company right of first preference to the historic Santa Cruz and Zambrana mines (201 hectares) located in the west and central parts of the Santa Cruz Project.

In addition, a finder's fee is payable consisting of US\$15,000 cash and the issuance of up to 3.0 million warrants exercisable at a price of CAD\$0.30 for a period of 5 years. The majority of the warrants may not be exercised until the Company has exercised its option to acquire the property. Shares acquired on exercise of the warrants may be sold only on the basis of a maximum of 25% every 6 months following the date of exercise.

### *Santa Cruz – New Discoveries*

The Santa Cruz Project is located in the western flank of the Sierra Madre Occidental Volcanic Province. Mineralization consists of veins and breccias (intermediate and low sulphidation) extending over a strike length of at least 9km, historically termed the West, Central and Eastern Districts. Precious metal mineralization is typically hosted in banded and smoky quartz veins and breccias associated with mainly argentite, electrum and sulphosalts.

Recently discovered high grade silver veins have highlighted the potential in the Eastern District to discover new veins by surface exploration and drilling. This part of the Santa Cruz Project will be the main focus of the initial work program by the Company.

The El Padre, Don Blas and Renata veins were discovered within the last year in the Eastern District, along trend from the San Pablo – La Fragua – Orozco structure. The El Padre vein has been traced for 500m on surface and is now undergoing small scale, artisanal production by the claim owners, a local Mexican mining company. Underground sampling by the Company at El Padre returned high grade assays from trace to 1,460 g/t Ag and trace to 2.2 g/t Au within broader zones of low grade quartz breccias and stockworks up to 8m wide.

Highlights of this sampling include 775 g/t Ag + 0.2 g/t Au over 1.1m, 733 g/t Ag + 0.7 g/t Au over 1.8m, and 591 g/t Ag + 1.1 g/t Au over 2.3m. The El Padre structure is open along strike and at depth.

The San Pablo – La Fragua – Orozco trend consists of 8 known veins and splays located along a major silicified shear associated with at least two parallel fault zones. Past production at La Fragua of direct-shipping high grade silver, gold and copper ore saw grades of 3,200 g/t Ag, 27 g/t Au and 33% Cu, similar to those mined historically in the Santa Cruz Mine located in the Western District. Through surface exploration and drilling, there is excellent potential to define resources along the La Fragua – Orozco structure and also through the discovery of new parallel veins similar to El Padre.

Limited previous drilling in 2005 along the La Fragua – Orozco structure appears to have tested for disseminated mineralization. Four holes were drilled at wide spacings over a strike distance of 1.7km. All holes intersected mineralization, including narrow, high grade and wider, low grade disseminated intervals. e.g. 464 g/t Ag + 0.12 g/t Au + 2.71% Zn over 3.0m in Hole SC-2, (112m-115m), and 76 g/t Ag + 1.07% Zn over 19m in Hole SC-5 (101m – 120m).

The near surface mineralization at Santa Cruz is typically silver rich and hosted by breccias, indicating a high level in the epithermal system. Evident in the historic Santa Cruz Mine and other nearby epithermal

districts such as Ciénega, high silver grades in the upper part of the system often give way to high gold grades at depth along with sulphide content and improved vein continuity.

The planned work program at Santa Cruz will commence immediately and comprise systematic soil and rock chip sampling, trenching and alteration studies. This Stage 1 program is designed to identify new mineralized veins and better define the extensions of the known mineralized structures, controls on grade distribution, and the location of high-grade bonanza shoots. This information will be used to design a 10,000m drill program planned for Stage 2 in 2012.

\* <http://www.fresnilloplc.com/operations.aspx>

\*\* Refer to Sedar: June 4, 2010 Technical Report NI 43-101, compliant resource estimate prepared by Independent Mining Consultants of Tucson, Arizona). Equivalent Gold= Gold+Silver/65 Measured Resource: 216, 199 ktonnes @0.923 g/t Eq Au; Indicated Resource: 719,938 ktonnes @ 0.775 g/t Eq Au; Inferred Resource: 135,315 ktonnes @ 0.821 g/t Eq Au.

### Santa Rosa Property, Peru

The Company holds an option to acquire a 100% interest in the Santa Rosa Mine, a 551 hectare high-grade Ag-Zn-Pb deposit situated at an altitude of between 4,000m and 4,500m above sea level within the prolific Central Peru Polymetallic Belt, which hosts a number of world class silver, lead and zinc deposits such as Iscay Cruz, Uchucchagua and Cerro de Pasco. The Mine is 100km north of the Peruvian capital, Lima, and 70km southeast of the Company's Minas Chanca silver project.

#### *Drill Targets*

The Company's targets for drilling include the high grade underground mineralization at Santa Rosa and Milagros-Sally, plus other targets as defined by geophysics, surface sampling and mapping.

The high-grade Ag-Pb-Zn mineralization observed in the underground workings, despite being only 50m below the surface at Milagros-Sally, does not outcrop at surface and is believed to be due to the almost-complete preservation of the epithermal system. Strongly altered surface outcrops on the property represent distinct targets and include Santa Rosa Sur, a large area of silica alteration situated 300m south of the Santa Rosa mine, and Zona Oxidos, located some 400m northwest respectively. Anomalous rock chip geochemistry in Ag, Pb, Zn and Mn at both targets is believed to be good indicators of the upper parts of the mineralized system. Other targets include Huallay and Huallay Norte approximately 500m to the west of the underground workings.

The Company commenced a 2,000m diamond drill program in July 2011, with the initial series of holes designed to test beneath the Ag-Zn-Pb mineralization exposed in the Santa Rosa and Milagros-Sally underground workings. In October 2011, the Company reported assay results from the first three holes. Holes SR DDH-11-01 and SR DDH-11-02 were drilled from the same platform and were angled underneath the Santa Rosa and Milagros areas respectively. Hole DDH-11-03 was drilled on a separate platform 70m to the northeast and tested underneath the Santa Rosa workings.

Drilling cut intervals of massive, high grade replacement-style mineralization (best interval 10.8m grading 169 g/t Ag + 7.8% Zn + 8.3% Pb in hole DDH-11-03), and significant intervals of disseminated/fracture-controlled mineralization (43m grading 1.5% Zn + 0.2% Pb + 7.7 g/t Ag in hole DDH-11-02). Mineralization is hosted in a sequence of brecciated quartzites and fine grained clayey sediments belonging to the Cretaceous-aged Chimu Formation. The sulphide mineralogy is simple, with sphalerite and galena accompanied by pyrite, and associated with quartz and minor chalcopyrite.

## Drill results

Hole #	From (m)	To (m)	Length (m)	Zn %	Pb %	Ag g/t	
SR DDH-11-01	38.1	39.5	1.40	8.4	0.5	20.0	
	144.8	147.7	2.9	4.4	0.4	14.6	
	147.7	151.9	4.2	No recovery – old workings			
	159.5	161.3	1.8	2.9	4.9	113.4	
SR DDH-11-02	30.8	32.0	1.2	5.3	2.1	25.5	
	53.0	53.6	0.6	3.6	0.1	9.8	
	79.0	122.0*	43.0	1.5	0.2	7.7	
	<i>Including</i>	84.3	108.5	24.2	2.2	0.4	11.7
	<i>and</i>	98.2	108.5	10.3	3.7	0.1	12.1
SR DDH-11-03	155.5	156.7	1.2	4.0	0.49	17.7	
	161.9	172.7**	10.8	7.8	8.3	168.6	
	<i>including</i>	169.9	172.7	2.8	0.2	28.3	526.0

\* Broken Zone from 108.0 -113.9m (43% recovery)

\*\* Poor recovery from 168.4m – 169.9m (69%), and 170.9m – 172.7m (52%)

Mineralization is as yet poorly constrained and open to depth in both Santa Rosa and Milagros-Sally.

The high grade, massive sphalerite-galena mineralization drilled in DDH-11-03 at Santa Rosa occurs within the hangingwall of a northeast trending fault which forms a wider splay to the southwest dominated by stockwork mineralization over an area of approximately 30m x 40m. The zone has been mined almost to surface and is open at depth. Thick intervals of brecciated quartzites, drilled in all three holes, are the best host rocks for mineralization. Drilling from surface at Santa Rosa is challenging due to the nature of the host rocks and the underground workings, and further evaluation should be by underground drilling.

The disseminated/fracture-controlled quartzite-hosted zinc mineralization drilled at Milagros-Sally is unusual in the District and indicates potential for low-grade, bulk tonnage mineralization. The mineralization is blind at surface due to overlying Tertiary-age andesites of the Calipuy Formation, and is open to the south and west. The potential to find additional bulk tonnage mineralization is believed to be high. Mineralization which is as yet poorly constrained and open to depth in both Santa Rosa and Milagros-Sally.

### Minas Chanca Project

The Minas Chanca Project is prospective for silver and base metals, and includes the historic Minas Chanca silver mine located in the central Peru mineral belt, 20km northwest of the Uchucchacua Mine owned by Compañía de Minas Buenaventura (“Buenaventura”), Pursuant to a letter of intent signed in April 2010 and a definitive option agreement dated effective December 31, 2010, the Company has granted to Buenaventura an initial option to acquire up to a 75% interest in the Minas Chanca claims by spending US\$3 million in exploration and development over a period of 3.5 years.

The property comprises 1,200 hectares acquired by Focus in 2009 by direct staking, and two adjacent claims covering an additional 1,000 hectares subsequently acquired by Buenaventura and included in the option agreement. References to mining at Minas Chanca date back to 1712 during Colonial times. Past mining took place over approximately 300 vertical meters via a system of galleries, cross-cuts and drives that exploited a number of veins and splays that cross-cut lower Calipuy andesites and volcanic breccias. The majority of silver-lead and zinc ore came from 3 principal veins, Candelaria, Tarazca and Santo

Toribio, where early production reportedly yielded grades of 50 to 75 oz Ag/t. Other veins included the Prescilda, Shirley and Yanacelli veins.

The underground workings are currently inaccessible, and Buenaventura's work program will test for depth and strike extensions to the mined veins and explore for new mineralized structures. Work will comprise access to site, rehabilitation and sampling of underground adits, tunneling, geological mapping, sampling and drilling.

Any success in delineating future resources at Minas Chanca will have operational synergies with Buenaventura's existing mining operations and projects close to the property, notably the Uchucchacua Ag Mine 20km south-east, and the Mallay project to the south. Buenaventura has completed construction of a 17km access road from its Mallay project to the Minas Chanca property.

Buenaventura is conducting an 8,000m drill program around the historic mine and recently added a second surface drill rig and two underground rigs to expand the program. Buenaventura has also rehabilitated over 960m of tunnels over 6 levels of the old mine, with rails to handle mining equipment installed to Level 500.

Three surface diamond drill holes have been completed to date, which gave the following intercepts:

- Hole CAN11-03 1,153 g/t Ag (37 oz/t) + 0.2% Pb + 0.3% Zn over 1.85m from 10.75m downhole (new vein)
- Hole CAN11-02 204 g/t Ag (6.6 oz/t) + 0.04% Pb + 0.09% Zn over 1.05m from 210.4m downhole (Santa Toribio Vein )

A program of 2,300 underground surface and channel sampling has been completed including 818 underground and 1,144 surface samples. Work is focussing in the northern part of the mine, on the Santo Toribio and Prescilda veins where a development drive is in progress to allow underground drilling of the extensions of the structure. Underground channel sampling on various mining levels, representing nearly 300m vertical extent of the Santo Toribio vein, has returned some selected results of up to several kilos per tonne Ag with appreciable gold and base metals, including:

Sample ID	Level	Width (m)	Ag g/t	Au g/t	Pb%	Zn%
CANCM681	500	2.05	242	0.20	0.4	0.3
CANCM544	620	0.40	3,410	4.15	0.2	0.2
CANCM553	620	1.35	2,290	3.20	1.4	2.3
CANCM582	620	0.55	1,480	0.66	0.2	0.2
CANCM827	660	0.65	462	11.80	0.1	0.2
CANCM735	922	0.65	665	0.20	3.8	5.3
CANCM734	922	0.40	440	0.18	3.0	4.7

Mineralization is associated with milky quartz veins with ruby silver and argentite. Additional drill results will be announced when available.

### Southern Peru Slate Belt

The Company recently staked 6,700 hectares in two separate areas within the Southern Peru Slate Belt, an emerging gold district that extends south into Bolivia.

The Katenwill claims cover 5,500 hectares located in the Province of Carabaya, Department of Puno, and are contiguous with claims that cover Lupaka Gold Corp's (TSX:LPK) Crucero discovery. Lupaka has defined an Indicated Resource of 814,638 oz gold grading 1.16 g/t and an Inferred Resource of 443,772 oz gold grading 1.02 g/t\*. Gold mineralization at Crucero occurs as finely banded sulphide laminations

composed of pyrite, pyrrhotite, arsenopyrite, stibnite, chalcopyrite and gold hosted in a sequence of deformed slates and siltstones.

The Pippa claims cover 1,200 hectares located approximately 70km to the northwest of the Katenwill claims and roughly 4 km east of Minera IRL's Ollachea deposit (TSX:IRL) which contains 2.6 Moz Au in Indicated and Inferred Resources\*\*.

The regional geology consists of deformed slates and sandstones of Palaeozoic age that are associated with intrusive rocks. The claims were staked on the basis of prospective geology and stream sediment geochemistry. Focus is targeting orogenic-type gold deposits which are typically hosted in deformed metamorphic rocks. Work on the properties will commence once the appropriate permits and community permissions have been received.

A map showing the claim locations is available on the Company's website at [www.focusventuresltd.com](http://www.focusventuresltd.com).

\* Lupaka Gold Corp Company Website

\*\* IRL Press Release 7 September 2011

### Machay Phosphate Project, Peru

In October 2011, the Company announced that preliminary reconnaissance exploration on its 100% owned Machay Project has confirmed the presence of phosphate-bearing sandstone units on its claims (see press release June 6, 2011). Focus's 17,000 hectares are located in the La Oroya–Tarma region roughly 200km east of Lima, central Peru.

Focus has identified poorly exposed areas of weathered sandstone, with many samples containing visible pellets of francolite ( $\text{Ca}_5\text{PO}_4\text{CO}_3$ , a variety of the phosphorous mineral, Apatite). A total of 49 out of 131 reconnaissance samples have returned assays exceeding 1%  $\text{P}_2\text{O}_5$ , with the majority ranging between 1 - 4%  $\text{P}_2\text{O}_5$ . Significantly higher assays of up to 11.4%  $\text{P}_2\text{O}_5$  were sampled on the eastern claims from a sub-cropping phosphatic sandy limestone unit exposed in a road cut.

Focus geologists have made site visits to approximately 60% of the claims to date and several additional claim applications have since been made. Several claims were subject to a visual inspection by the Regional Department of Agriculture and are pending registration.

Considering the strong surface weathering that has occurred, these early results are encouraging. Further evaluation work is planned and will include trenching to test phosphate grades below the zone of surface weathering.

The phosphate-bearing beds are associated with medium-grained fossiliferous sandstones that are typically yellowy-grey in colour and can reach up to 30m in thickness. The units are hosted in the upper parts of the Aramachay Formation, a Jurassic-aged marine sedimentary unit and known host to phosphate occurrences. Stonegate Agricom's (TSX: ST) Mantaro deposit, located approximately 50km south of Focus's claims and hosted by the same geological unit, has a measured and indicated resource of 39.5Mt @ 10%  $\text{P}_2\text{O}_5$  and inferred resource of 376.3Mt @ 9%  $\text{P}_2\text{O}_5$ .\*

Approximately 75% of global phosphate resources are from marine sedimentary phosphate deposits. As these deposits are syngenetic, formed by the accumulation of organic debris on an ancient sea floor, they tend to cover large areas and are relatively consistent in grade and thickness. Similar rocks are known to host phosphate deposits in the United States, and this type of mineralization is typically amenable to beneficiation with good recoveries to produce marketable concentrate grades. As well, the shallow dips of the phosphorite beds on several of Focus's concessions appear favourable for large scale open pit operations, as is the generally low level of agricultural activity.

A report by L.T. Grose, written in 1966 for Cerro de Pasco Corporation, highlighted sample assays of up to 29%  $\text{P}_2\text{O}_5$  in the La Oroya–Tarma region. Focus's findings are significant as the phosphate beds in this region of Peru can now be confirmed over at least 90km of strike of the Aramachay Formation.

Phosphates are used mainly in the production of chemical fertilizers. The current price of phosphate rock concentrate is approximately \$200/t, and prices have risen by approximately 55% over the last year, reflecting growing world demand for fertilizer as a result of the current global food crisis.

(\*) "Technical Report on Mantaro Phosphate Deposit, Junin District, Peru, March 2, 2010" of Stonegate on [www.sedar.com](http://www.sedar.com).

*Qualified Person: Mr. David Cass, the Company's President, is a member of the Association of Professional Engineers and Geoscientists of British Columbia and the Company's Qualified Person as defined by National Instrument 43-101, and is responsible for the accuracy of the technical information in this MD&A.*

### **Quarterly Information**

The following table provides information for the eight fiscal quarters ended August 31, 2011:

	Third Quarter ended Aug. 31, 2011 (\$)	Second Quarter ended May 31, 2011 (\$)	First Quarter ended Feb. 28, 2011 (\$)	Fourth Quarter ended Nov. 30, 2010 (\$)	Third Quarter ended Aug. 31, 2010 (\$)	Second Quarter ended May 31, 2010 (\$)	First Quarter ended Feb. 28, 2010 (\$)	Fourth Quarter ended Nov. 30, 2009 (\$)
Total interest income	3,424	4,969	6,660	8,682	7,279	5,699	6,911	3,235
Exploration expenditures	435,409	444,413	668,506	489,131	441,714	776,835	638,048	285,545
Net loss	(602,306)	(580,895)	(813,288)	(1,134,590)	(542,752)	(991,188)	(881,722)	(1,680,790)
Basic and diluted Loss per share	(0.021)	(0.020)	(0.028)	(0.039)	(0.019)	(0.034)	(0.031)	(0.120)

Exploration costs have been higher since the quarter ended February 28, 2010 as drilling programs have taken place on the Nueva California, Chúcara, and most recently, Santa Rosa properties. The net loss for the quarter ended November 30, 2009 was the greatest of all the quarters due to a stock-based compensation charge of \$1,166,322. The net loss for the quarter ended November 30, 2010 was also significant due to write-offs of mineral property acquisition costs totalling \$496,765 during that quarter.

### **Results of Operations**

For the three month period ended August 31, 2011, the Company had a net loss of \$602,306 compared to a net loss of \$542,752 for the three month period ended August 31, 2010, an increase of \$59,554. Exploration expenditures charged during the current quarter were \$435,409 compared to \$441,714 in the comparative quarter, a decrease of \$6,305. On the other hand, general and administrative expenses increased during the current quarter as they totalled \$170,811 compared to \$119,361 for the comparative quarter, a difference of \$51,450. Most significant cost increases, excluding stock-based compensation which is a non-cash item, were in travel and accommodation and accounting and legal fees. The current quarter also included \$23,982 in property investigation costs whereas the comparative quarter did not include any such cost. These increases were slightly offset by decreases in shareholder communication, salaries and wages, and management fees.

For the nine month period ended August 31, 2011, the Company had a net loss of \$1,996,489 compared to a net loss of \$2,415,662 for the nine month period ended August 31, 2010, a decrease of \$419,173. The current year-to-date period shows a lower net loss because of a decrease in exploration expenditures and general and administrative requirements. Exploration costs for the current period were \$1,548,328 compared to \$1,856,597 for the comparative period. The decrease of \$308,269 is due to the Minas Chanca property being optioned out to Buenaventura and the Nueva California and Chúcara properties being dropped.

General and administrative expenses during the nine month period ended August 31, 2011 were \$445,465 compared to \$607,526 for the comparative period, a decrease of \$162,061. However, the comparative period recorded a stock-based compensation cost of \$117,244 compared to \$25,287 in the current period. Excluding the non-cash stock-based compensation charges, general and administrative expenses decreased by \$70,104. Most significant cost decreases involved travel and accommodation, salaries and wages, and shareholder communications while the only significant cost increases were in accounting and legal fees and amortization. As was the situation in the quarterly comparison, the current period recorded property investigation costs whereas the comparative period did not.

### **Mineral Property Expenditures**

During the period ended August 31, 2011, the Company incurred exploration costs totalling \$1,548,328 in Peru, including \$629,819 on general exploration and new property investigation, \$428,793 on the Chúcara property, \$423,591 on the Santa Rosa property, \$41,307 on the Nueva California property, and \$24,818 on the Machay property. The most significant costs were \$379,347 for salaries, \$357,647 for drilling, \$308,178 for geological and other consulting fees, and \$130,848 for travel. Exploration costs also include a Peruvian value added tax amount of \$137,959 which is treated as an expense due to the unlikelihood of the Company having it refunded. The Company incurred \$144,340 in acquisition costs during the current period which was for the second scheduled option payment on the Santa Rosa property.

During the current period and prior to the next option payment due in March 2011, the Company terminated the option agreements for both the Nueva California Property and the Chúcara Property. As a result, the Company had written off during the year ended November 30, 2010, \$336,703 in acquisition costs relating to the Nueva California property and \$160,062 relating to the Chúcara property.

### **Liquidity and Capital Resources**

The Company's cash resources decreased from \$3.23 million at November 30, 2010 to \$1.08 million as of August 31, 2011. The Company had working capital of \$981,009 million at August 31, 2011 compared to working capital of \$3.1 million at November 30, 2010. During the period ended August 31, 2011, there were 150,000 stock options exercised but the Company received the proceeds of \$28,500 prior to November 30, 2010. Subsequent to August 31, 2011, the Company received US\$400,000 from the sale of its right to a minority interest in certain concessions in Peru to an unrelated third party. Cash on hand will be used for exploration expenditures and for general working capital for the Company.

Management expects that the Company's current capital resources are sufficient to cover its corporate operating costs and carry out limited exploration activities for the next twelve months. However, in order to carry out planned exploration programs and business objectives, the Company will most likely need to raise additional capital. Actual funding requirements may vary from those planned due to a number of factors, including the progress of property acquisition and exploration activity. Management believes it will be able to raise equity capital as required, but recognizes the uncertainty attached thereto.

### **Capital Management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to explore new mineral property opportunities. In order to facilitate the management of its capital requirements, the Company prepares periodic budgets that are updated as necessary. The Company manages its capital structure and makes adjustments to it to effectively support the acquisition and exploration of mineral properties. The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund any future activities. In order to pay for general administrative costs, the Company will use its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the period ended August 31, 2011. The Company's investment policy is to hold cash in interest bearing bank accounts, which pay comparable interest rates to highly liquid short-term interest bearing investments with maturities of one year or less and which can be liquidated at any time without penalties. The Company is not subject to externally imposed capital requirements.

### **Financial Instruments**

All financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets, or other financial liabilities. All financial instruments and derivatives are measured on the trade date at fair value upon initial recognition. Subsequent measurement depends on the initial classification of the instrument. Held-for-trading financial assets are measured at fair value, with changes in fair value recorded in net income. Available for-sale financial assets are measured at fair value, with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired. Loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost. All derivative instruments, including embedded derivatives, are recorded on the balance sheet at fair value unless they qualify for the normal sales and purchases exemption. Changes in the fair value of derivatives that are not exempt are recorded in the statement of operations. Transaction costs on the acquisition of financial assets and liabilities that are classified as other than held-for trading are expensed.

The Company has made the following designations of its financial instruments: cash as held-for-trading; due from related party and other receivables as loans and receivables; and accounts payable and accrued liabilities and due to related parties as other financial liabilities.

The classification of fair value measurements is based upon a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The level within which the fair value measurement is categorized is based upon the lowest level of input that is significant to the measurement. The Company categorizes all of its financial instruments which are measured at fair value as Level 1. Level inputs are as follows:

Level 1 – quoted prices in active markets for identical securities

Level 2 – significant observable inputs other than quoted prices included in Level 1

Level 3 – significant unobservable inputs

### **Financial Risk Management**

As at August 31, 2011, the Company's financial instruments are comprised of cash, due from related party, other receivables, due to related parties and accounts payable and accrued liabilities.

Cash is designated as held-for-trading and therefore carried at fair value. The fair values of amounts due from or to related parties, other receivables and accounts payable and accrued liabilities approximate their book values because of the short-term nature of these instruments.

The following table provides an analysis of financial instruments grouped into levels 1, 2, or 3 based on the degree to which the fair value is observable as at May 31, 2011.

	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Discount Rate</b>
<b>Level 1:</b>			
Cash	\$ 1,081,584	\$ 1,081,584	N/A

The Company did not have any financial instruments in Level 2 and 3. There were no transfers between Level 1 and 2 in the period.

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk and interest rate risk.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to fluctuations in foreign currencies through its operations in a foreign country. The Company monitors this exposure, but has no hedge positions.

The Company is exposed to currency risk through the following financial assets and liabilities denominated in currencies other than the Canadian dollar at August 31, 2011:

	<b>August 31, 2011</b>		<b>November 31, 2010</b>	
	Peru Soles (CDN equivalent)	US Dollars	Peru Soles (CDN equivalent)	US Dollars
Cash	\$ 2,408	\$ 125,030	\$ 7,710	\$ 111,127
Accounts payable and accrued liabilities	(28,037)	(115,412)	(20,424)	(85,970)
	<b>\$ (25,629)</b>	<b>\$ 9,618</b>	<b>\$ (12,714)</b>	<b>\$ 25,157</b>

Based on the above net exposures at August 31, 2011, a 10% depreciation or appreciation of the above currencies against the Canadian dollar would result in a \$1,601 increase or decrease in the Company's after tax net earnings, respectively.

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash. The Company limits exposure to credit risk by maintaining its cash with large financial institutions.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures there is sufficient capital in order to meet short term business requirements, after taking into account the Company's holdings of cash and potential equity financing opportunities. The Company manages liquidity risk through the management of its capital resources as outlined in the "Liquidity and Capital Resources" section above.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the Company's cash is currently held in an interest bearing bank account, management considers the interest rate risk to be limited.

### **Related Party Transactions**

Related party transactions for the nine month period ended August 31, 2011 comprise the following:

- The Company was charged management fees of \$90,000 (2010: \$96,000) and geological consulting fees of \$38,750 (2010: \$26,500) by the President of the Company. These charges were measured by the exchange amount, which is the amount agreed upon by the transacting parties.
- The Company was charged geological consulting fees of \$75,864 (2010: \$102,788) by the former Vice President of Exploration of the Company. These charges were measured by the exchange amount, which is the amount agreed upon by the transacting parties.
- The Company reimbursed a company with common directors and officers \$165,811 (2010: \$222,697) for shared general and administrative costs, consisting of \$23,625 (2010: \$31,269) for office and miscellaneous, \$84,230 (2010: \$115,495) for salaries and wages, \$21,029 (2010: \$21,245) for rent and utilities, \$10,889 (2010: \$18,424) for travel and accommodation, \$20,668 (2010: \$23,104) for shareholder communication, \$1,565 (2010: \$5,607) for exploration expenditures and \$3,805 (2010: \$7,553) for regulatory and stock exchange fees.

- d) Amounts due from related parties of \$Nil (November 30, 2010: \$1,047) was owed from a company with common directors for that company's portion of shared expenses. The amount was unsecured, non-interest bearing and are due on demand.
- e) Amounts due to related parties of \$37,002 (November 30, 2010: \$21,361) are amounts owing to a company and a subsidiary of that company with common directors for shared general and administrative costs and exploration expenses paid on behalf of the Company. These amounts are unsecured, non-interest bearing and are payable on demand.
- f) Prepaid expenses and deposits includes an amount of \$1,295 (November 30, 2010: \$1,909) paid to a company with common directors for shared general and administrative charges.
- g) Accounts payable and accrued liabilities includes \$Nil (November 30, 2010: \$11,356) owing to the Vice President of Exploration of the Company for geological consulting fees and \$Nil (November 30, 2010: \$11,092) owing to the President of the Company for management or geological fees and expense reimbursements.

### **Other Data**

Additional information related to the Company is available for viewing at [www.sedar.com](http://www.sedar.com).

### **Share Position and Outstanding Warrants and Options**

The Company's outstanding share position as at October 28, 2011 is 29,317,034 common shares and the following share purchase warrants and incentive stock options are currently outstanding:

<u>No. of Warrants</u>	<b><u>WARRANTS</u></b>	
	<u>Exercise Price</u>	<u>Expiry Date</u>
4,754,245	\$1.00	November 25, 2011
3,626,000	\$0.30	September 21, 2012
<u>3,000,000</u>	\$0.30	October 20, 2016
11,380,245		

<u>No. of Options</u>	<b><u>STOCK OPTIONS</u></b>	
	<u>Exercise Price</u>	<u>Expiry Date</u>
740,000	\$0.19	January 14, 2019
100,000	\$0.71	September 24, 2019
1,300,000	\$0.90	November 8, 2019
25,000	\$0.94	February 8, 2020
45,000	\$0.90	May 13, 2020
<u>205,000</u>	\$0.30	June 28, 2021
2,370,000		

### **Critical Accounting Estimates**

The preparation of financial statements requires the Company to select from possible alternative accounting principles, and to make estimates and assumptions that determine the reported amounts of assets and liabilities at the balance sheet date and reported costs and expenditures during the reporting period. Estimates and assumptions may be revised as new information is obtained, and are subject to change. The Company's accounting policies and estimates used in preparation of the consolidated financial statements are consistent with those set forth in note 2 of the consolidated financial statements for the year ended November 30, 2010. They are considered appropriate in the circumstances, but are subject to judgments and uncertainties inherent in the financial reporting process.

## **Future Accounting and Reporting Changes**

### International Financial Reporting Standards (“IFRS”)

In 2006, the Canadian Accounting Standards Board (“AcSB”) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. In 2008, the Canadian Accounting Standards Board confirmed that the transition to IFRS from Canadian GAAP will be effective for fiscal years beginning on or after January 1, 2011 for publicly accountable enterprises. The Company will therefore be required to first present IFRS financial statements for its February 29, 2012 interim consolidated financial statements. The effective date will require the restatement for comparative purposes of amounts reported by the Company for the interim periods and for the year ended November 30, 2011.

In response to these requirements, the Company has developed an IFRS transition project plan. The Company’s plan includes three phases: Scoping and Diagnostics, Analysis and Development, and Implementation and Review. The Company has engaged the services of an independent consultant and is currently analysing its current accounting policies, the elections available under IFRS 1, and determining the functional currencies for the parent company and subsidiary in preparation of its December 1, 2010 opening IFRS balance sheet. The Company has assessed the impact on internal controls and disclosure controls and evaluated what additional resources will be necessary to complete the transition. At this point in the project, the Company is not able to reasonably estimate the financial reporting impact of the transition to IFRS.

### Business Combinations, Consolidated Financial Statements and Non-Controlling Interest

In January 2009, the CICA issued CICA Handbook Section 1582, “Business Combinations”, Section 1601, “Consolidations”, and Section 1602, “Non-Controlling Interests”. These sections replace the former Section 1581, “Business Combinations”, and Section 1600, “Consolidated Financial Statements”, and establish a new section for accounting for a non-controlling interest in a subsidiary. Section 1582 establishes standards for the accounting for a business combination, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent consideration and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. It provides the Canadian equivalent to IFRS 3, Business Combinations (January 2008). The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

Sections 1601 and 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections.

## **Forward Looking Information**

Certain statements contained in this MD&A and elsewhere constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to materially differ from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set forth below.

## **Risks and Uncertainties**

The business of mineral exploration and extraction involves a high degree of risk. Few properties that are explored ultimately become producing mines. At present, none of the Company’s properties has a known

commercial ore deposit. The Company's mineral properties are also located in emerging nations and consequently may be subject to a higher level of risk compared to developed countries. Operations, the status of mineral property rights, title to the properties and the recoverability of amounts shown for mineral properties in emerging nations can be affected by changing economic, regulatory and political situations. Other risks facing the mineral exploration industry include competition, environmental and insurance risks, fluctuations in metal prices, share price volatility and uncertainty of additional financing.