



Half Year Financial Report
Six Months Ended 31 December 2021

Theta Gold Mines Limited

Corporate Directory

DIRECTORS

Bill Guy	Executive Chairman
Finn Behnken	Non-Executive Director
Richie Yang	Non-Executive Director
Simon Liu	Non-Executive Director
Brett Tang	Non-Executive Director
Byron Dumpleton	Non-Executive Director

REGISTERED OFFICE

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100 Barangaroo Avenue
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Australia
Tel: +61 2 8046 7584
Email: info@thetagoldmines.com

COMPANY SECRETARY

Brent Hofman

AUDITOR

Ernst & Young
200 George Street
Sydney NSW 2000
Australia

SHARE REGISTRY

Boardroom Pty Limited
Grosvenor Place
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Australia
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STOCK EXCHANGE LISTINGS

ASX: TGM
OTCQB: TGMGF

AUSTRALIAN BUSINESS NUMBER

30 131 758 177

WEBSITE

www.thetagoldmines.com

Theta Gold Mines Limited

Directors' Report

Your Directors present their report, together with the financial statements of Theta Gold Mines Limited and its controlled entities ("Consolidated Entity") for the half year ended 31 December 2021.

DIRECTORS

The names of the Directors of Theta Gold Mines Limited during the half year and up to the date of this report are:

Charles William (Bill) Guy	Executive Chairman
Robert Peter Thomson	Non-Executive Director (resigned 13 August 2021)
Bill Richie Yang	Non-Executive Director
Yang (Simon) Liu	Non-Executive Director
Guyang (Brett) Tang	Non-Executive Director
Finn Stuart Behnken	Non-Executive Director (Audit Committee Chair)
Byron Dumpleton	Non-Executive Director (appointed 10 November 2021)

REVIEW OF OPERATIONS

Executive Management Changes

During the half year, the Company appointed Mr Byron Dumpleton to the Board as a non-executive director bringing corporate and technical experience.

Mr Dumpleton has over 30 years technical and operational experience including resource estimation and has a strong operational background in underground and open pit mining in multiple commodities including gold in Australia and SE Asia. Mr Dumpleton has worked for KCGM (Kalgoorlie Super Pit), WMC (St Ives Gold Mine), Straits Resources, Newcrest (Telfer) and is currently the Chief Geologist for Red 5. With his strong technical and operational background he provides additional skills to the Theta board as it develops its "TGME Gold Project".

Mr Bill Guy moved to the position of Executive Chairman. Mr Bill Guy, who was previously Non-Executive Chairman of the Company, assumed the role of Executive Chairman on 10 November 2021.

Bill will be overseeing the Company as it moves through a transitional phase from a gold explorer towards producer status. Mr Bill Guy has served on the Board of Theta Gold since March of 2018.

Trial Mining Successfully Completed at TGME Underground Project

Theta Gold Mines Limited announced the successful completion of Trial Mining at Frankfort in December 2021. The Beta, Frankfort, and CDM mines, all of which form part of the Central Northern Area are collectively referred to as TGME Underground (UG) Project. Trial Mining was completed to demonstrate that the mechanized long hole stoping mining method was suitable to mine the narrow gold reef system

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(0.60-6.0m) and to inform the Definitive Feasibility Study (“DFS”) for the TGME Underground Project currently in progress.

The trial mining at Frankfort Mine was a success and proved that the planned mechanical longhole drilling applied to a narrow vein orebody will achieve the desired outcome and open endless possibilities within the goldfields. The reef varies greatly in thickness from 0.24m to 6m. The ability to mine at 0.6m or narrower means reduced dilution, delivery of a higher ore grade to the plant, less tailings and overall a more efficient process.

The trial mining has assisted with confirming initial costs and mine design. The reef is relatively soft in relation to the surrounding host rock, reducing anticipated drilling and explosive costs. The competence of the host sedimentary rock was again reaffirmed, the trial mining operation encountered no uncontrolled fall of ground which is also observed in other parts of the mine where excavations, mined over a hundred years ago, are still standing.

Draft scoping report for TGME underground project submitted

The environmental authorisation permitting process for the 83 MR underground project is currently nearing the end of the scoping phase.

The environmental application was submitted to the Department of Mineral Resources and Energy (DMRE) on 29 November 2021 and the draft scoping report was submitted for public review on 6 December 2021. The public review period ran until 27 January 2022.

Effective stakeholder engagement is critical during the scoping public review period to ensure that all stakeholders understand the proposed project and project related information. Various stakeholder meetings took place during January 2022 and the submission of the final scoping report was due for submission to the DMRE on 1 February 2022, the submission of the integrated water use license application is scheduled for March 2022.

The appointed environmental specialists and engineers are actively working to finalise the work required for the submission of the integrated water use license application and for the Environmental Impact Assessment (EIA) phase that will commence once the DMRE approves the final scoping report (on the basis of all government activities proceeding according to plan estimated Late Q2 2022).

Definitive Feasibility Study (DFS) of underground project and Prefeasibility study of Rietfontein mine progressing to plan

After the conclusion of the initial PFS in April 2021, Minxcon (Pty) Ltd (“Minxcon”) was retained to advance the project to a DFS level, as well as to expand on the PFS to understand the added value from the inclusion of Rietfontein to the overall underground strategy.

The initial study focused on the easy access of 684,000 oz Au in the Measured and Indicated categories of the TGME Underground Resource for the Beta, Frankfort, and CDM areas. The TGM team achieved a conversion factor of 63% from resource to mining reserve in those areas. A further 3.5M oz Au of inferred resources is available to be upgraded to the Measured and Indicated resource category, and a portion could potentially be converted into mining reserves.

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A conservative approach was applied to the study, as Rietfontein production was only incorporated at the end of the life of the project, and throughput capacity was unchanged. Rietfontein mine, with a mine delivered grade of 6.82g/t is the highest grade of the four mines incorporated in the project, and as part of the Definitive Feasibility Study (DFS), the option of incorporating Rietfontein production earlier, as well as expanding throughput capacity is being carefully considered.

The underground gold project DFS that commenced in September 2021 is progressing well, currently at 65 % completion with the final DFS report expected in Q2, 2022¹.

FINANCIAL RESULT

The consolidated loss after income tax for the six months ended 31 December 2021 was US\$3,373,000 (31 December 2020: US\$2,733,000). The loss largely represents the consolidated entity's operating costs for the half year, including exploration expenditure, trial mining operations, finance costs, general administration and corporate costs as well as non-cash share-based payment expense.

FINANCIAL POSITION, FUNDING AND CASH BALANCE

Funding Package

The Company completed debt and equity funding for a total of A\$10.5 million (US\$7.8 million) during July 2021 to August 2021. This included a A\$6 million secured bond, A\$2.7 million Private Equity Placement and Share Purchase Plan (SPP) for A\$1.8 million (before costs).

Delphi AG and Deutsche Balaton backed investment company 2Invest AG provided a secured bond for \$A6 million and contributed with two-tranches in an equity placement for A\$2.7 million equity placement to 2Invest AG and various Australian and overseas sophisticated and professional investors, and a A\$1.8 million in a Share Purchase Plan (SPP), (before costs).

The Company issued a total of 21,266,670 new shares at A\$0.21 along with 10,371,431 unlisted options (exercisable at A\$0.26, expiry date on or before 17 December 2021)², 7,500,000 unlisted options (exercisable at A\$0.275, expiry date on or before 31 July 2023), and 18,571,433 unlisted options (exercisable at A\$0.40, expiry date on or before 30 September 2023).

The capital raised was used to fund the advance of the TGME Gold Project's including environmental and water studies, trial mining and bulk sampling programs, progress the Beta/Frankfurt/CDM mines' DFS and potentially deliver mineral reserve upgrades.

¹ Refer to ASX Announcement dated 4 March 2022 – "DFS Update and High-Grade Ore Sweepled from Gold Mine".

² Refer to ASX Announcement dated 17 December 2021 notifying that the option expired on 17 December 2021.

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Secured Bond to 2Invest AG

The secured Bond comprises of fifteen (15) 'bearer partial bonds', each of a face value of A\$400,000 with the full principal repayment due by 31 January 2023. The Secured Bond requires an annualized cash coupon rate of 20% payable half yearly in arrears. A condition of the grant of the Secured Bond is the Company issued 7,500,000 unlisted options (exercisable at A\$0.275 on or before 31 July 2023) and 8,200,000 unlisted options (exercisable at A\$0.40 on or before 30 September 2023) to 2Invest AG.

Cash Balance

As at 31 December 2021, the Consolidated Group held \$US 1.98 million in cash or cash equivalents.

OTC MARKETS LISTING

The Company's shares are dual listed on the OTCQB market in the United States under the code **TGMGF**. The Company's primary listing is on the Australian Securities Exchange.

The Company's application for DTC eligibility with the Depository Trust and Clearing Corporation (DTC), part of the US Federal Reserve System, was approved during the half year.

DTC eligibility facilitates electronic trading of securities by individual investors that use self-managed online broking accounts (such as TD Ameritrade and E-Trade), as opposed to restricted trading through market makers. It will enable electronic clearing and settlement of the shares traded on OTCQB, which will provide easier access for North American investors to invest in the Company.

OUTLOOK

The Company remains focused on pursuing the development of starter mining operation. The Company has considerable optionality across its vast asset base. It will continue to assess the potential underground development in parallel with the Theta Open-pit Project.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under s 307C of the Corporations Act 2001 is set out on page 8.

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ROUNDING OF AMOUNTS TO NEAREST THOUSAND DOLLARS

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191 (Rounding in Financial/Directors' Reports) and in accordance with that Instrument, amounts in the Directors' Report and the Financial Report have been rounded to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the directors.

On behalf of the Board



Charles William Guy

Chairman

Sydney, 16 March 2022



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Auditor's independence declaration to the directors of Theta Gold Mines Limited

As lead auditor for the review of the half-year financial report of Theta Gold Mines Limited for the half-year ended 31 December 2021, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b. No contraventions of any applicable code of professional conduct in relation to the review; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

This declaration is in respect of Theta Gold Mines Limited and the entities it controlled during the financial period.

Ernst & Young

Scott Jarrett
Partner
16 March 2022

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Directors' Declaration

The directors declare that:

1. the financial statements and notes, as set out on pages 10 to 23, are in accordance with the Corporations Act 2001 and:
 - a. comply with Accounting Standard AASB 134: Interim Financial Reporting; and
 - b. give a true and fair view of the financial position of the Consolidated Entity as at 31 December 2021 and of its performance for the half year ended on that date;
2. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.

On behalf of the Board



Charles William Guy
Chairman

Sydney, 16 March 2022

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**Condensed Consolidated Statement of Financial Performance
and Other Comprehensive Income
for the Half Year ended 31 December 2021**

	Six months ended 31 December 2021 US\$'000	Six months ended 31 December 2020 US\$'000
Interest income	56	31
Other income	28	71
Finance costs	(985)	(458)
Salary expense	(115)	(267)
Share-based payments	(113)	(369)
Exploration expenses	(579)	(454)
Operating expenses	(1,665)	(962)
Other expenses	-	(325)
Loss before income tax expense	(3,373)	(2,733)
Income tax expense	-	-
Loss for the period	(3,373)	(2,733)
Other comprehensive income, net of tax		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange difference on translating foreign controlled entities	(1,681)	1,255
Fair value gain on financial assets	219	-
Total comprehensive loss for the period, net of income tax	(4,835)	(1,478)
Loss attributable to:		
Equity holders of the parent	(3,373)	(2,733)
Non-controlling interest	-	-
	(3,373)	(2,733)
Total comprehensive loss attributable to:		
Equity holders of the parent	(4,835)	(1,478)
Non-controlling interest	-	-
	(4,835)	(1,478)
Loss per share		
Basic (cents per share)	(0.7)	(0.6)
Diluted (cents per share)	(0.7)	(0.6)

The accompanying notes form part of these financial statements.

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Condensed Consolidated Statement of Financial Position as at 31 December 2021

	Notes	31 December 2021 US\$'000	30 June 2021 US\$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		1,980	200
Trade and other receivables		387	180
TOTAL CURRENT ASSETS		2,367	380
NON-CURRENT ASSETS			
Receivables		39	43
Other receivable		1,429	1,563
Property, plant and equipment		1,407	1,099
Exploration expenditure	3	15,551	15,760
Other financial assets	7	1,346	525
TOTAL NON-CURRENT ASSETS		19,772	18,990
TOTAL ASSETS		22,139	19,370
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		728	952
Provisions		692	838
Borrowings	4	7,358	7,254
TOTAL CURRENT LIABILITIES		8,778	9,044
NON- CURRENT LIABILITIES			
Provisions		1,441	1,554
Borrowings	4	4,459	84
TOTAL NON- CURRENT LIABILITIES		5,900	1,638
TOTAL LIABILITIES		14,678	10,682
NET ASSETS		7,461	8,688
EQUITY			
Issued capital	5	90,734	87,881
Reserves		7,086	7,793
Accumulated losses		(90,359)	(86,986)
TOTAL EQUITY		7,461	8,688

The accompanying notes form part of these financial statements

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Condensed Consolidated Statement of Changes in Equity for the Half Year ended 31 December 2021

	Issued Capital US\$'000	Equity Reserve US\$'000	Asset Revaluation reserve	Option Premium reserve US\$'000	Share-based Payment Reserve US\$'000	Foreign Currency Translation Reserve US\$'000	Accumulated Losses US\$'000	Attributable to Owners of the Parent US\$'000	Non- Controlling Interest US\$'000	Total US\$'000
Balance 1 July 2021	87,881	7,552	-	586	3,744	(4,089)	(86,986)	8,688	-	8,688
Loss for the period	-	-	-	-	-	-	(3,373)	(3,373)	-	(3,373)
Other comprehensive income for the period, Net of income tax	-	219	-	-	-	(1,681)	-	(1,462)	-	(1,462)
Total comprehensive income for the period	-	219	-	-	-	(1,681)	(3,373)	(4,835)	-	(4,835)
Issue of shares	3,196	-	-	-	-	-	-	3,196	-	3,196
Issue of options	-	-	-	641	-	-	-	641	-	641
Share issue expenses	(343)	-	-	-	-	-	-	(343)	-	(343)
Recognition of share-based payments	-	-	-	-	114	-	-	114	-	114
Balance 31 December 2021	90,734	7,771	-	1,227	3,858	(5,770)	(90,359)	7,461	-	7,461
Balance 1 July 2020	81,349	7,552	-	198	3,603	(5,980)	(82,624)	4,098	-	4,098
Loss for the period	-	-	-	-	-	-	(2,733)	(2,733)	-	(2,733)
Other comprehensive income for the period, net of income tax	-	-	-	-	-	1,255	-	1,255	-	1,255
Total comprehensive income for the period	-	-	-	-	-	1,255	(2,733)	(1,478)	-	(1,478)
Issue of shares	3,212	-	-	-	-	-	-	3,212	-	3,212
Issue of options	-	-	-	401	-	-	-	401	-	401
Share issue expenses	(238)	-	-	-	-	-	-	(238)	-	(238)
Recognition of share-based payments	-	-	-	-	369	-	-	369	-	369
Reversal of asset revaluation reserve	-	-	-	-	-	-	-	-	-	-
Balance 31 December 2020	84,323	7,552	-	599	3,972	(4,725)	(85,357)	6,364	-	6,364

The accompanying notes form part of these financial statements.

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**Condensed Consolidated Statement of Cash Flows
for the Half Year ended 31 December 2021**

	Six months ended 31 December 2021 US\$'000	Six months ended 31 December 2020 US\$'000
Cash flows from operating activities		
Payments to suppliers and employees	(2,214)	(1,389)
Payments for exploration expenditure	(579)	(454)
Interest received	29	2
Interest and other cost of finance paid	(18)	(7)
Income taxes paid	-	-
Net operating cash flows	<u>(2,782)</u>	<u>(1,848)</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(467)	(32)
Payments for exploration expenditure	(1,446)	(1,052)
Payments for investments	(602)	-
Payments for loan	-	-
Proceeds from disposal of property, plant and equipment	21	39
Net investing cash flows	<u>(2,494)</u>	<u>(1,045)</u>
Cash flows from financing activities		
Proceeds from issues of shares	3,021	3,211
Payments for share issue expenses	(343)	(313)
Proceeds from borrowings	4,446	319
Repayment of borrowings	(68)	(83)
Net financing cash flows	<u>7,056</u>	<u>3,134</u>
Net decrease in cash and cash equivalents	1,780	241
Cash and cash equivalents at beginning of the period	<u>200</u>	<u>147</u>
Cash and cash equivalents at end of the period	<u>1,980</u>	<u>388</u>

The accompanying notes form part of these financial statements.

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Notes to and forming part of the Financial Statements
for the Half Year ended 31 December 2021

Note 1: Basis of Preparation

These general purpose financial statements for the half year reporting period ended 31 December 2021 have been prepared in accordance with the requirements of the *Corporations Act 2001* and AASB 134: Interim Financial Reporting. Compliance with AASB 134 ensures that the financial statements and notes also comply with International Financial Reporting Standard IAS 34: Interim Financial Reporting.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the financial report for the year ended 30 June 2021 and any public announcements made by Theta Gold Mines Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements except for new standards that became effective during the period and were adopted by the Consolidated Entity. These are discussed in more detail below.

Going Concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realization of assets and discharge of liabilities in the normal course of business.

The Consolidated Entity made a loss of US\$3,373,000 for the half year (2020: US\$2,733,000), with net cash outflows from operating activities of US\$2,782,000 (2020: US\$1,848,000). At 31 December 2021, the Consolidated Entity had net current liabilities of US\$6,411,000 (30 Jun 2021: US\$8,664,000).

Net current liabilities includes loan from Australian Private Capital Investment Group (International) Ltd ("APCIG"), a company associated with Mr Simon Liu, a director of the Company. At 31 December 2021, the loan and accrued interest amounted to US\$7,304,000 (30 Jun 2021: US\$7,061,930). As explained in Note 4(a), the Company has formalised an agreement with Hanhong Private Equity Management Company Ltd ("Hanhong") and its subsidiary, Asia Field Enterprises Limited ("AFE") (companies associated with Mr Simon Liu), under which the parties agreed:

- (i) That Hanhong and AFE agree to continue to procure the novation of the APCIG loan, replacing APCIG with AFE or Hanhong's nominee as lender;
- (ii) That the amount owing under the APCIG loan is A\$4,920,000 and upon novation of the APCIG loan;
- (iii) The amount of A\$4,920,000 is to be paid in the following manner following the novation of the APCIG loan:
 - a. The sum of A\$3,280,000 by cash payments ("Cash Payments") to AFE, Hanhong or Hanhong's nominee; and

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- b. The sum of A\$1,640,000 by the issue of shares in the capital of the Company to AFE, Hanhong or Hanhong's nominee ("Share Payment").
- (iv) If the Company repays or is ordered to repay APCIG, AFE and Hanhong shall indemnify the Company for any amount it pays to or is ordered to pay to APCIG in excess of A\$4,920,000.

At the date of the financial statements, the loan is yet to be novated to AFE or Hanhong's nominee as lender and the loan continues to be recorded at its full value and classified as a current liability.

The Company raised US\$3,396,084 before issue expenses during the half year through share placements and the exercise of options and continues to be able to raise new funds to support its activities. In addition the Company received a further US\$4,721,000 (A\$6,000,000) via a secured Bond with 2Invest AG.

The Company has the ability to raise further funding either through a placement of shares or us of debt to raise additional funding to sustain working capital for the operations of the Company.

The Company continues to proactively manage its cash flow requirements to ensure that funds are available, including from capital raisings, as and when required to meeting its working capital requirements.

The ability of the Consolidated Entity to continue as a going concern and meet its debts and commitments as they fall due is dependent upon the Company being successful in raising additional funds and receiving the ongoing financial support of the related party lender. In the event the Consolidated Entity is unsuccessful in achieving the above, there is material uncertainty that may cast significant doubt as to whether the Consolidated Entity will continue as a going concern and, therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial report.

The Directors believe that the Company will be successful in the above matters and, accordingly, have prepared the financial report on a going concern basis. At this time, the Directors are of the opinion that no asset is likely to be realized for an amount less than the amount at which it is recorded in the financial report at 31 December 2021. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

New or Amended Accounting Standards and Interpretations adopted

The Consolidated Entity has adopted all new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Consolidated Entity.

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Accounting Standards and Interpretations issued but not yet effective

The Consolidated Entity has considered the new Australian Accounting Standards and Interpretations that have been issued (and considered applicable to the Company) but are not yet mandatory and which have not been early adopted by the Company for the half year reporting period ended 31 December 2021. The new standards that are not yet effective are not expected to have any material impact on the Consolidated Entity in the current or future reporting periods.

Rounding of Amounts to Nearest Thousand Dollars

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191 (Rounding in Financial/Directors' Reports) and in accordance with that Instrument, amounts in the Directors' Report and the Financial Report have been rounded to the nearest thousand dollars, unless otherwise stated.

Note 2: Operating Segments

The Consolidated Entity's operations are located in Australia where it has its corporate office and in South Africa where it is involved in gold exploration.

The gold exploration activity is conducted through a subsidiary, Transvaal Gold Mining Estates Limited (TGME). The entire gold project is centered around the TGME processing plant and accordingly it has only one operating segment.

Note 3: Exploration expenditure

	31 December 2021 US\$'000	30 June 2021 US\$'000
Exploration expenditure	15,551	15,760
Movements:		
Opening net book value	15,760	11,379
Additions	1,488	1,849
Impairment	-	-
Exchange rate effect	(1,697)	2,532
Closing net book value	15,551	15,760

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Note 4: Borrowings

	Note	31 December 2021 US\$'000	30 June 2021 US\$'000
Current			
<u>Secured</u>			
Vendor finance		40	80
Premium funding		14	
		54	80
<u>Unsecured</u>			
Loan – related party	(a)	7,304	7,061
Loan – unrelated party		-	113
Other		-	-
		7,304	7,174
		7,358	7,254
Non-Current			
<u>Secured</u>			
Vendor finance		56	84
Loan – unrelated party	(b)	4,403	
Total non-current borrowings		4,459	84
Total		11,817	7,338

- (a) Loan from related party - US\$7,304,000 (30 June 2021: US\$7,061,000)

In 2013, the Company entered into a loan agreement with Australian Private Capital Investment Group (International) Ltd (“APCIG Loan”), a company associated with Mr Simon Liu, a director of the Company, whereby APCIG lent the Company A\$4,000,000. The key terms of the loan are –

- (i) Interest accrues at the rate of 10% per annum and 15% per annum on overdue principal and interest;
- (ii) The loan is unsecured;

As previously announced, certain individuals purporting to represent the loan provider, APCIG, have threatened the Company with various claims, including issuing statutory demands on the Company on two occasions, the most recent in May 2017. On both occasions, the courts have issued orders that the statutory demands be set aside.

The Company’s view was, and remains, that the claims were without foundation and were otherwise considered frivolous and vexatious. The Company’s position was that the parties purporting to represent APCIG sought to establish their entitlement by commencing legal proceedings. If the confusion continues, the Company will seek direction from a court of competent jurisdiction to reach a determination as to who the Company should in fact repay and so direct the Company to do so.

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The Company previously formalised an agreement with the controller of the APCIG Loan, Hanhong Private Equity Management Company Ltd (“Hanhong”) and its subsidiary, Asia Field Enterprises Limited (“AFE”) (companies associated with Mr Simon Liu), under which the parties agreed:

- (i) That Hanhong and AFE agree to continue to procure the novation of the APCIG Loan, replacing APCIG with AFE or Hanhong’s nominee as lender;
- (ii) That the amount owing under the APCIG Loan is A\$4,920,000 and upon novation of the APCIG Loan;
- (iii) The amount of A\$4,920,000 is to be repaid in the following manner:
 - a. The sum of A\$3,280,000 by cash payments (**Cash Payments**) to AFE, Hanhong or Hanhong’s nominee; and
 - b. The sum of A\$1,640,000 by the issue of shares in the capital of the Company to AFE, Hanhong or Hanhong’s nominee (**Share Payment**).
- (iv) The Cash Payments will comprise four (4) equal instalments paid every six calendar months, commencing on the last day of the sixth month following confirmation that Transvaal Gold Mining Estates Limited, a subsidiary of the Company, has achieved gold production at an annualised rate of 40,000 ounces of gold over a consecutive period of three (3) months;
- (v) The Share Payment will be made one month after novation of the APCIG Loan to AFE or Hanhong’s nominee;
- (vi) If the Company repays or is ordered to repay APCIG, AFE and Hanhong shall indemnify the Company for any amount it pays to or is ordered to pay to APCIG in excess of A\$4,920,000.

Until the loan is novated to AFE or Hanhong’s nominee as lender, interest will continue to accrue in accordance with the loan agreement and the full amount will continue to be classified as a current liability.

(b) Loans from unrelated party

The Company entered into a secured Bond with Delphi AG and Deutsche Balaton backed investment company 2Invest AG in July 2021 to provide a secured bond for \$A6 million, (US\$4,722). The secured Bond comprises of fifteen (15) ‘bearer partial bonds’, each of a face value of A\$400,000 with the full principal repayment due by 31 January 2023. The Secured Bond requires an annualized cash coupon rate of 20% payable half yearly in arrears.

Following a fair value assessment of free attaching options issued to 2Invest AG at the time the secured bond was issued, the fair value of the secured bond was adjusted to \$A5.6m, (US\$4.4m) to reflect the cost of those options issued.

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Note 5: Issued Capital

	31 December 2021 US\$'000	30 June 2021 US\$'000
Issued and paid up shares	<u>90,734</u>	<u>87,881</u>

	31 December 2021 No.'000	US\$'000	30 June 2021 No.'000	US\$'000
Movement:				
Balance at beginning of period	503,246	87,881	441,657	81,349
Add: Shares issued during the period				
- Share placements	21,267	3,396	57,474	6,514
- Options / Rights exercised	920	(200)	4,115	339
Less: Share issue expenses	-	(343)	-	(321)
Balance at end of period	525,432	90,734	503,246	87,881

Note 6: Options and Performance Rights

	31 December 2021 No.'000	30 June 2021 No.'000
Options and performance rights		
Listed options (ASX: TGMO)	-	-
Unlisted options	41,170	15,098
Unlisted performance rights	12,420	18,640
	<u>53,590</u>	<u>33,738</u>

Movement:

Balance at beginning of period	33,738	62,284
Add: Options and performance rights issued during the period	36,443	14,693
Less: Listed options exercised	-	(1,219)
Listed options lapsed	-	(32,536)
Unlisted options exercised	-	(596)
Unlisted options lapsed	(10,371)	(408)
Performance rights exercised	(920)	(2,300)
Performance rights lapsed	(5,300)	(6,180)
Balance at end of period	53,590	33,738

The exercise prices and expiry dates of unlisted options and performance rights are set out in the table below.

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Issue date	31 December 2021 No.'000	30 June 2021 No.'000	Expiry date	Exercise price
<u>Unlisted Options</u>				
29 Apr 2020	2,325	2,325	27 Apr 2022	A\$0.40
01 Oct 2020	800	800	30 Sep 2022	A\$0.30
01 Oct 2020	3,200	3,200	30 Sep 2025	A\$0.40
01 Oct 2020	640	640	30 Sep 2025	A\$0.50
30 Nov 2020	833	833	27 Aug 2022	A\$0.40
18 Dec 2020	5,000	5,000	30 Jun 2022	A\$0.50
01 Jan 2021	400	400	31 Dec 2022	A\$0.30
01 Jan 2021	1,900	1,900	31 Dec 2025	A\$0.50
11 Aug 2021	7,500	-	31 Jul 2023	A\$0.275
1 Oct 2021	2,929	-	30 Sept 2023	A\$0.40
4 Oct 2021	1,190	-	30 Sept 2023	A\$0.40
6 Oct 2021	6,253	-	30 Sept 2023	A\$0.40
11 Aug 2021	8,200	-	30 Sep 2023	A\$0.40
	41,170	15,098		
<u>Performance Rights</u>				
28 Jun 2019	10,300	16,220	27 Jun 2024	na
26 Sep 2019	200	500	27 Jun 2024	na
01 Oct 2020	1,920	1,920	30 Sep 2025	na
	12,420	18,640		

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Fair value

The fair value of options and performance rights granted during the half year were estimated based on the following assumptions –

Grant date	Number '000	Expiry date	Exercise price	Share price at grant date	Risk free rate	Volatility
01 Oct 2020	800	30 Sep 2022	A\$0.30	A\$0.25	0.13%	85%
27 Jul 2020	833	27 Apr 2022	A\$0.40	A\$0.27	0.09%	85%
1 Oct 2020	3,200	30 Sep 2025	A\$0.40	A\$0.25	0.13%	85%
1 Oct 2020	640	30 Sep 2025	A\$0.50	A\$0.25	0.13%	85%
1 Oct 2020	1,920	30 Sep 2025	-	A\$0.25	0.13%	85%
15 Dec 2020	5,000	30 Jun 2022	A\$0.50	A\$0.325	0.09%	85%
6 Jan 2021	400	31 Dec 2022	A\$0.30	A\$0.33	0.095%	85%
11 Aug 2021	7,500	31 Jul 2023	A\$0.275	A\$0.20	0.095%	61.8%
11 Aug 2021	8,200	30 Sep 2023	A\$0.40	A\$0.20	0.095%	61.8%
1 October 2021	2,929	30 Sep 2023	A\$0.40	A\$0.19	0.095%	61.8%
4 October 2021	1,191	30 Sep 2023	A\$0.40	A\$0.175	0.095%	61.8%
6 October 2021	6,252	30 Sep 2023	A\$0.40	A\$0.20	0.095%	61.8%

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Note 7: Fair Value of Financial Instruments

This note provides information about how the Company determines the fair value of financial assets and liabilities.

7.1 Fair value of financial assets that are measured at fair value on a recurring basis

All of the Company's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of those financial assets are determined (in particular, the valuation technique(s) and inputs used).

The following table provides the fair value measurement hierarchy of the Company financial assets as at 31 December 2021:

		Fair Value Hierarchy	Fair value measurement using	31 Dec 21 US\$'000	30 Jun 21 US\$'000
Financial assets at fair value					
Non-current					
Investment in Focus Minerals Limited	Level 1		Quoted prices in active Markets	838	-
Bullion Asset Management Services	Level 3		Significant unobservable inputs	508	525
Fair Value of Assets				1,346	525

There were no transfers between Level 1 and Level 2 fair value measurements during the period, and no transfers into or out of Level 3 fair value measurements during the six months ended 31 December 2021.

7.2 Fair value hierarchy

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

7.2 Fair value of financial assets and liabilities that are not measured at fair value (but fair value disclosures are required)

The directors consider that the carrying amounts of financial assets and liabilities recognised in the consolidated financial statements approximate their fair values.

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Note 8: Events after balance date

(a) Theta Gold Mines Off-Market Takeover Offer for Focus Minerals Limited

On 9 December 2021, TGM announced its intention to make an off-market takeover offer (“Offer”) for all the issued fully paid ordinary shares in Focus Minerals Limited (ASX:FML) (“Focus”) that existed on the Register Date of 21 December 2021. The Offer is a scrip transaction originally offering 2 TGM Shares for every 1 Focus Share made under a Replacement Bidder’s Statement dated 4 January 2022 (Bidder’s Statement) as further supplemented by a second supplementary bidder’s statement dated 18 January 2022.

All Offers were dispatched to Focus shareholders on 20 January 2022 and remained open until 7:00pm Sydney time on 21 February 2022.

The Bidder’s Statement sets out detailed reasons as to why Focus shareholders should accept the Offer and contains disclosures and other information relevant to holders of Focus shares (including the effect of the Offer on TGM).

The Offer was originally subject to a condition that Focus would not proceed with its 1 for 1 non-renounceable entitlement offer announced by Focus on 3 December 2021 (Focus Entitlement Offer). Notwithstanding the concerns expressed by TGM (including that the Focus Entitlement Offer would likely entrench control for Shandong Gold at a significant discount), Focus proceeded with the Entitlement Offer which closed on 23 December 2021. TGM subsequently waived its condition in relation to the Focus Entitlement Offer so that the Offer could proceed.

On the 14 February 2022, TGM announced that it had increased the Offer Price for FML shares to 5 TGM Shares for every 2 Focus Shares made under a Fourth Supplementary Bidder’s Statement dated 14 February 2022. At the same time TGM announced that it had extended the Closing Date for the Offer to 2 March 2022 (previously 28 February 2022).

(b) Issue of New TGM Shares under the TGM Off Market Offer

As at 2 March 2022, the Closing Date of the TGM off market offer, TGM had received a total of 4,977,984 acceptances. As a result, TGM has issued 12,445,001 New TGM shares as consideration under the 5 for 2 scrip for script takeover offer.

At 16 March 2022, TGM held 2.85% of the issued fully paid ordinary shares in FML.

Independent auditor's review report to the members of Theta Gold Mines Limited

Conclusion

We have reviewed the accompanying half-year financial report of Theta Gold Mines Limited (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 31 December 2021, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report which describes the principal conditions that raise doubts about the Group's ability to continue as a going concern. These conditions along with other matters disclosed in Note 1 indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibilities for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the



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half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Ernst & Young

Scott Jarrett
Partner
Sydney
16 March 2022