THETA GOLD MINES LIMITED

(Formerly Stonewall Resources Limited)

Half Year Financial Report

Six Months Ended 31 December 2018

Theta Gold Mines Limited

Corporate Directory

DIRECTORS

Bill Guy	Non-Executive Chairman
Robert Thomson	Managing Director
Finn Behnken	Non-Executive Director
Richie Yang	Non-Executive Director
Simon Liu	Non-Executive Director
Brett Tang	Non-Executive Director

REGISTERED OFFICE

Level 32, 101 Miller Street
North Sydney NSW 2060
Australia
Tel: +61 2 8912 2126
Email: info@thetagoldmines.com

COMPANY SECRETARY

Chin Haw Lim

AUDITOR

Ernst & Young
200 George Street
Sydney NSW 2000
Australia

SHARE REGISTRY

Boardroom Pty Limited
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Sydney NSW 2000
Australia
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STOCK EXCHANGE LISTING

ASX: TGM

WEBSITE

www.thetagoldmines.com

AUSTRALIAN BUSINESS NUMBER

30 131 758 177

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 2018.

DIRECTORS

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

Current Directors

Charles William (Bill) Guy	Non-Executive Chairman
Robert Peter Thomson	Managing Director
Bill Richie Yang	Non-Executive Director
Yang (Simon) Liu	Non-Executive Director
Guyang (Brett) Tang	Non-Executive Director (appointed 3 July 2018)
Finn Stuart Behnken	Non-Executive Director (appointed 19 December 2018)

Former Director

Trevor Alan Fourie (resigned 30 August 2018)

REVIEW OF OPERATIONS

South Africa (TGM – 74%)

Theta Project

The Consolidated Entity holds a range of prospective gold assets in a world-renowned South African gold mining region. These assets include several surface and near-surface high-grade gold projects which provide cost advantages relative to other gold producers in the region.

Its project is centred around the TGME processing plant, located next to the historical gold mining town of Pilgrim's Rest, in Mpumalanga Province, some 370km east of Johannesburg by road or 95km north of Nelspruit (Capital City of Mpumalanga Province).

During the 6 months ended 31 December 2018, the Consolidated Entity's continued its focus on identifying a cash generation startup project. A scoping study on the open-cut Theta Project showed it has potential to be developed as a low cost operation utilizing the existing TGME CIL plant which can be refurbished at low capital cost (refer ASX announcement on 10 October 2018).

Following the positive result from the scoping study, the Consolidated Entity initiated a feasibility study on the Theta Project. The study is well advanced including drilling to define the initial reserves, metallurgical testwork, development of the mining schedule and planned refurbishment of the Carbon-in-Leach (CIL) plant to an initial 500ktpa capacity (CIL plant is fully permitted, last operated in 2015). Associated work underway includes preparing the appropriate statutory plans required to progress the remaining open-cut mining related development approvals. The feasibility study is being prepared by South African geological/mining consultants, Minxcon, along with process/design engineers, METS South Africa.

The group also has had recent exploration successes, with high grade gold assays from drilling at Columbia Hill (refer ASX announcement 4 March 2019), which will potentially enhance the economics of the Theta Project.

The study is expected to be completed in early second quarter 2019.

Rietfontein
The Rietfontein underground mine remains a valuable project. However given the need to prioritise available capital, minimal work was carried out on the project during the half year.

Mineral Resources
During the half year, the Consolidated Entity updated its mineral resource estimate JORC (2012) to 39.15Mt @ 4.57g/t Au for 5.75Moz gold following the declaration of a maiden resource at Theta Hill.

Resource Classification	Type of Operation	Tonnage	Gold Grade	Gold Content	
		Mt	g/t	Kg	koz
Measured	Underground	0.091	5.37	489	15.7
Total Measured		**0.091**	**5.37**	**489**	**15.7**
Indicated	Underground	4.774	6.21	29,661	953.7
	Open Pit	2.722	2.44	6,644	213.6
	Tailings	5.244	0.83	4,373	140.6
Total Indicated		**12.740**	**3.19**	**40,679**	**1,307.8**
Inferred	Underground	21.452	5.22	111,880	3,597.0
	Open pit	4.719	5.40	25,472	818.9
	Tailings	0.023	0.57	13	0.4
	Rock Dump	0.121	1.64	199	6.4
Total Inferred		**26.316**	**5.23**	**137,564**	**4,422.7**
Grand Total		**39.146**	**4.57**	**178,732**	**5,746.3**

Competent Person Statement

Mineral Resources
The information in this report relating to Mineral Resources is based on, and fairly reflect, the information and supporting documentation compiled by Mr Uwe Engelmann (BSc (Zoo. & Bot.), BSc Hons (Geol.), Pr.Sci.Nat. No. 400058/08, MGSSA), a director of Minxcon (Pty) Ltd and a member of the South African Council for Natural Scientific Professions.

The original report titled "Theta Hill Open Cut Grows JORC Resources to 5.8 Moz" was dated 26 September 2018 and was released to the Australian Securities Exchange (ASX) on that date. The Company confirms that –

- it is not aware of any new information or data that materially affects the information included in the ASX announcement; and
- all material assumptions and technical parameters underpinning the estimates in the ASX announcement continue to apply and have not materially changed.

Australia (TGM – 100%)

Lucky Draw
The tenement is situated near the township of Burraga, approximately 3 hours west of Sydney. There was no exploration activity on the tenement during the half year.

Outlook

The Consolidated Entity's immediate focus is to deliver the Theta Project feasibility study and subject to the study's findings, to commence development of a startup gold operation on a modest scale. Over the longer term, the Consolidated Entity will examine expanding drilling programs to increase the mining reserve to support a larger production profile.

Financial Result

The consolidated loss after income tax for the six months ended 31 December 2018 was $1,896,000 (31 December 2017: $1,790,000). The loss largely represents the consolidated entity's operating costs for the half year and include exploration expenditure, finance costs, share-based payment expense and general administration and corporate costs, offset by a non-cash accounting gain on the settlement of outstanding directors fees in shares and options in the Company.

Financial Position And Cashflow

The Company raised $3,352,000 from share placements during the half year. The funds raised were applied towards exploration activities, administration and corporate costs and loan repayments.

At balance date, the Group had $263,000 in cash. As discussed below, subsequent to balance date, the Company raised A$2,050,000 from a share placement pursuant to a subscription agreement entered into in November 2018. Pursuant to the subscription agreement, the investor is committed to subscribe for a further A$2,500,000 in shares in the Company. The additional subscription is expected shortly.

Total liabilities at 31 December 2018 were $8,950,000 compared to $11,457,000 at 30 June 2018. During the half year, the Company significantly reduced its borrowings and other liabilities through the following -

(a) A convertible security with The Australian Special Opportunity Fund LP was fully repaid (refer Note 4(a));
(b) A convertible note with Tasman Funds Management Pty Ltd together with accrued interest was converted into shares in the Company (refer Note 4(d));
(c) Outstanding directors fees were settled in shares and options in the Company (refer Note 9(a)).

At 31 December 2018, the Consolidated Entity had net current liabilities of US$6,928,000 (30 June 2018: US$9,026,000). Included in net current liabilities at 31 December 2018 is a loan of US$4,952,000 from a related party lender (refer Note 4(c)). Whilst the loan has been classified as a current liability, the Company has an arrangement (not formalized in writing) with the controller of the loan, Hanhong New Energy Holdings Ltd (a company associated with Mr Simon Liu), that repayment would only be made within 7 business days of the Company receiving the Arbitral award from Shandong Qixing Iron Tower Co., Ltd (now known as Northcom Group Limited) (refer Notes 4(c) and 8(a)).

As a gold exploration company with no source of revenue, the Consolidated Entity is reliant on the Company's ability to raise equity from capital markets to fund its on-going cash requirements. That in turn is dependent on the attractiveness of its gold projects in South Africa. As described in the review of operations above, the Consolidated Entity has made significant progress towards realizing the value of its gold assets, which will continue to underpin the Company's ability to raise equity funds for the Consolidated Entity's exploration and working capital. However as referred to in Note 1 of the financial statements, the Group's ability to continue as a going concern and meet its debts and commitments as they fall due are dependent upon the Company being successful in raising additional funds and receiving the ongoing support of legacy creditors and the related party lender to continue to accept deferred payment arrangements.

CORPORATE

Appointment of New Directors

The Company appointed two new directors during the half year -

Brett Tang
Mr Tang was appointed as a director of the Company on 3 July 2018.

Mr Tang holds a Bachelor of Law degree from the University of Soochow, China and an Executive MBA from the University of Nanjing. He is a qualified lawyer in China and is also registered as a Fund Manager with the Asset Management Association of China (AMAC). He is a professional investor and fund manager, experienced in and been successful in mining and mining investments.

Finn Behnken
Mr Behnken was appointed as a director of the Company on 19 December 2018.

Mr Behnken, a resident of South Africa, is a mining engineer and has South African mining operational experience as the CEO of Tshipi é Ntle Manganese Mining (Pty) Limited (during the construction and initial production phase of the major Tshipi Borwa Manganese Mine). Prior to this, he was an investment banker with South African based Nedbank and has served as non-executive director of various mining companies including, most recently, as a director of the then AIM listed Gemfields plc. Mr Behnken is currently the South African representative of Auramet International, a US based precious metals merchant and mine financier.

The Board now comprises –

Mr Bill Guy	Chairman
Mr Robert Thomson	Managing Director
Mr Finn Behnken	Non-Executive Director
Mr Richie Yang	Non-Executive Director
Mr Brett Tang	Non-Executive Director
Mr Simon Liu	Non-Executive Director

Change of Name and Constitution

At the 2018 Annual General Meeting ("AGM") on 30 November 2018, shareholders approved the company's change of name to Theta Gold Mines Limited and a new constitution.

Consolidation of Share Capital

At the 2018 AGM, shareholders also approved a 10:1 consolidation of share capital. The capital structure of the Company at the date of this report is as follows –

	Number
Fully paid ordinary shares (ASX: TGM)	356,696,568
Listed options exercisable at $0.30 each on or before 31 October 2020 (ASX: TGMO)	31,429,663
Unlisted options and performance rights	35,743,304

EVENTS AFTER BALANCE DATE

Share Issues

On 31 January 2019, the Company completed a share placement of 22,777,777 fully paid ordinary shares at A$0.09 per share to raise A$2,050,000 before costs. The placement was made pursuant to subscription agreements entered into in November 2018. Pursuant to the subscription agreement, the investor is committed to subscribe for a further A$2,500,000 in shares in the Company, A$500,000 at an issue price of A$0.09 per share and the balance (A$2,000,000) at a price equal to the 20 days VWAP (Volume Weighted Average Price) immediately before the allotment of the shares.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under s 307C of the Corporations Act 2001 is set out on page 7.

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, 14 March 2019

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Auditor's Independence Declaration to the Directors of Theta Gold Mines Limited

As lead auditor for the review of Theta Gold Mines Limited for the half year ended 31 December 2018, 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.

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

Ernst & Young

Scott Jarrett
Partner
14 March 2019

Theta Gold Mines Limited

Directors' Declaration

The directors declare that:

1. the financial statements and notes, as set out on pages 9 to 24, 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 2018 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, 14 March 2019

Condensed Consolidated Statement of Financial Performance and Other Comprehensive Income for the half year ended 31 December 2018

	Notes	Six months ended 31 December 2018 US$'000	Six months ended 31 December 2017 US$'000
Interest income		**24**	28
Other income		**28**	47
Gain on debt settlement		**198**	-
(Loss) / Gain on financial liabilities		**(21)**	471
(Loss) / Gain on re-measurement of assets		**(25)**	53
Finance costs		**(347)**	(480)
Impairment of property	3	**-**	(100)
Share-based payments		**(253)**	(255)
Exploration expenses		**(430)**	(400)
Operating expenses		**(1,070)**	(1,154)
Loss before income tax expense		**(1,896)**	(1,790)
Income tax expense		**-**	-
Loss for the period		**(1,896)**	(1,790)
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss			
Exchange difference on translating foreign controlled entities		**(177)**	566
Total comprehensive loss for the period, net of income tax		**(2,073)**	(1,224)
Loss attributable to:			
Equity holders of the parent		**(1,896)**	(1,790)
Non-controlling interest		**-**	-
		(1,896)	(1,790)
Total comprehensive loss attributable to:			
Equity holders of the parent		**(2,073)**	(1,224)
Non-controlling interest		**-**	-
		(2,073)	(1,224)
Loss per share (post 10:1 share consolidation)			
Basic (cents per share)		**(0.7)**	(1.7)
Diluted (cents per share)		**(0.7)**	(1.7)

The accompanying notes form part of these financial statements.

Theta Gold Mines Limited

Condensed Consolidated Statement of Financial Position as at 31 December 2018

	Notes	31 December 2018 US$'000	30 June 2018 US$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		**263**	196
Trade and other receivables		**110**	154
		373	350
Non-current assets held for sale	3	**133**	507
TOTAL CURRENT ASSETS		**506**	857
NON-CURRENT ASSETS			
Receivables		**48**	43
Property, plant and equipment		**648**	418
Exploration expenditure		**11,655**	10,771
Rehabilitation investment fund		**1,298**	1,378
TOTAL NON-CURRENT ASSETS		**13,649**	12,610
TOTAL ASSETS		**14,155**	13,467
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		**1,994**	2,537
Borrowings	4	**5,050**	7,002
Provisions		**390**	344
TOTAL CURRENT LIABILITIES		**7,434**	9,883
NON- CURRENT LIABILITIES			
Borrowings	4	**189**	211
Provisions		**1,327**	1,363
TOTAL NON- CURRENT LIABILITIES		**1,516**	1,574
TOTAL LIABILITIES		**8,950**	11,457
NET ASSETS		**5,205**	2,010
EQUITY			
Issued capital	5	**72,275**	67,316
Reserves		**6,787**	6,655
Accumulated losses		**(73,857)**	(71,961)
TOTAL EQUITY		**5,205**	2,010

The accompanying notes form part of these financial statements

Theta Gold Mines Limited

Condensed Consolidated Statement of Changes in Equity for the half year ended 31 December 2018

	Issued Capital	Equity Reserve	Asset Revaluation Reserve	Option Premium reserve	Share -based Payment Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Attributable to Owners of the Parent	Non-controlling Interest	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance 1 July 2018	**67,316**	**7,552**	**30**	**198**	**2,572**	**(3,697)**	**(71,961)**	**2,010**	**-**	**2,010**
Loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**(1,896)**	**(1,896)**	**-**	**(1,896)**
Other comprehensive Income for the period, net of income tax	**-**	**-**	**-**	**-**	**-**	**(177)**	**-**	**(177)**	**-**	**(177)**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**(177)**	**(1,896)**	**(2,073)**	**-**	**(2,073)**
Issue of shares	**5,151**	**-**	**-**	**-**	**-**	**-**	**-**	**5,151**	**-**	**5,151**
Issue of options	**-**	**-**	**-**	**56**	**-**	**-**	**-**	**56**	**-**	**56**
Share issue expenses	**(192)**	**-**	**-**	**-**	**-**	**-**	**-**	**(192)**	**-**	**(192)**
Recognition of share-based payments	**-**	**-**	**-**	**-**	**253**	**-**	**-**	**253**	**-**	**253**
Balance 31 December 2018	**72,275**	**7,552**	**30**	**254**	**2,825**	**(3,874)**	**(73,857)**	**5,205**	**-**	**5,205**
Balance 1 July 2017	61,997	7,552	30	198	1,878	(3,342)	(67,833)	480	-	480
Loss for the period	-	-	-	-	-	-	(1,790)	(1,790)	-	(1,790)
Other comprehensive Income for the period, net of income tax	-	-	-	-	-	566	-	566	-	566
Total comprehensive income for the period	-	-	-	-	-	566	(1,790)	(1,224)	-	(1,224)
Issue of shares	2,292	-	-	-	-	-	-	2,292	-	2,292
Share issue expenses	(381)	-	-	-	-	-	-	(381)	-	(381)
Recognition of share-based payments	-	-	-	-	255	-	-	255	-	255
Balance 31 December 2017	63,908	7,552	30	198	2,133	(2,776)	(69,623)	1,422	-	1,422

The accompanying notes form part of these financial statements.

Theta Gold Mines Limited

Condensed Consolidated Statement of Cash Flows for the half year ended 31 December 2018

	Notes	Six months ended 31 December 2018 US$'000	Six months ended 31 December 2017 US$'000
Cash flows from operating activities			
Payments to suppliers and employees		**(1,129)**	(1,570)
Interest received		**2**	1
Interest and other cost of finance paid		**(43)**	(42)
Net operating cash flows		**(1,170)**	(1,611)
Cash flows from investing activities			
Payments for property, plant and equipment		**(1)**	(9)
Payments for exploration expenditure		**(1,679)**	(868)
Proceeds from disposal of property, plant and equipment		**79**	1
Proceeds from disposal of equity instruments		**-**	190
Net investing cash flows		**(1,601)**	(686)
Cash flows from financing activities			
Proceeds from issues of shares		**3,252**	2,051
Payments for share issue expenses		**(63)**	(147)
Proceeds from borrowings		**180**	187
Repayment of borrowings		**(531)**	(560)
Payments for finance lease		**-**	(12)
Net financing cash flows		**2,838**	1,519
Net decrease in cash and cash equivalents		**67**	(778)
Cash and cash equivalents at beginning of the period		**196**	1,055
Exchange rate adjustment		**-**	1
Cash and cash equivalents at end of the period		**263**	278

The accompanying notes form part of these financial statements.

Notes to and forming part of the Financial Statements for the half year ended 31 December 2018

Note 1: Basis of Preparation

These general purpose financial statements for the half year reporting period ended 31 December 2018 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 2018 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$1,896,000 for the half year (31 December 2017: US$1,790,000), with net cash outflows from operating activities of US$1,170,000 (31 December 2017: US$1,611,000). At 31 December 2018, the Consolidated Entity had net current liabilities of US$6,928,000 (30 June 2018: US$9,026,000).

The above matters indicate material uncertainty that may cast doubt on the Consolidated Entity's ability to continue as a going concern and whether the entity will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The company has significantly reduced its net current liabilities during the half year. Included in net current liabilities at 31 December 2018 is a loan of US$4,952,000 from a related party. Whilst the loan has been classified as a current liability, the Company has an arrangement (not formalised in writing) with the controller of the loan, Hanhong New Energy Holdings Ltd (a company associated with Mr Simon Liu), that repayment would only be made within 7 business days of the Company receiving the Arbitral award from Shandong Qixing Iron Tower Co., Ltd (now known as Northcom Group Limited) (refer Notes 4(c) and 8(a)).

The Company raised US$3,252,000 during the half year from share placements to sophisticated investors and continues to be able to raise new funds to support its activities as required.

In November 2018, the Company entered into two subscription agreements to raise a total of A$6,000,000. The first subscription agreement, for A$1,500,000, was completed on 23 November 2018. The second subscription agreement is for A$4,500,000, of which A$2,000,000 was received on 30 January 2019 (refer Note 10). The balance of A$2,500,000 under the second subscription agreement is expected shortly. Pursuant to the subscription agreement, A$500,000 will be subscribed at an issue price of A$0.09 per share and the balance (A$2,000,000) at a price equal to the 20 days VWAP (Volume Weighted Average Price) immediately before the allotment of the shares.

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

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 support of legacy creditors and the related party lender to continue to accept deferred payment arrangements. 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 realised for an amount less than the amount at which it is recorded in the financial report at 31 December 2018. 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, the most relevant being AASB 9 as explained below.

AASB 9 Financial Instruments

The standard replaces all previous versions of AASB 9 and IAS 39 (Financial Instruments: Recognition and Measurement). AASB 9 introduces new classification and measurement models for financial assets. New hedge accounting requirements are intended to more closely align the accounting treatment with an entity's risk management activities, although hedge accounting is not applicable to the Consolidated Entity.

AASB 9 has changed the assumptions for the Consolidated Entity's accounting for impairment of financial assets by replacing the incurred approach with a forward-looking expected credit loss ("ECL") approach.

Except for derivative financial instruments, the Consolidated Entity initially recognizes a financial asset, including trade receivables, at fair value and subsequently measures these at amortised costs, with the exception of the rehabilitation investment fund which is measured at fair value through profit or loss (FVPL). The trade receivables are held to collect contractual cash flows and the cash flows represent solely payments of principal and interest.

The Consolidated Entity assesses ECL for each category of receivables. The adoption of AASB 9 has no material impact and no adjustments were required.

The accounting for the Consolidated Entity's financial liabilities remains largely unchanged under AASB 9.

The Consolidated Entity's accounting policy on Financial Instruments under AASB 9 is set out below.

(a) Classification and measurement

Except for certain trade receivables, under AASB 9, the Consolidated Entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under AASB 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Consolidated Entity's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

The new classification and measurement of the Consolidated Entity's financial assets are, as follows:

- Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Consolidated Entity's Trade and other receivables,

Other financial assets are classified and subsequently measured, as follows:

- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Consolidated Entity intends to hold for the foreseeable future and which the Consolidated Entity has irrevocably elected to so classify upon initial recognition or transition.

- Financial assets at FVPL comprise derivative instruments, environmental investment fund and quoted equity instruments which the Consolidated Entity had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

Under AASB 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on their contractual terms and the Consolidated Entity's business model.

The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed from that required by IAS 39.

(b) Impairment

The adoption of AASB 9 has fundamentally changed the Consolidated Entity's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

AASB 9 requires the Consolidated Entity to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Consolidated Entity expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For Contract assets and Trade and other receivables, the Consolidated Entity applies the standard's simplified approach and calculates ECLs based on lifetime expected credit losses.

For other debt financial assets (i.e., loans and debt securities at FVOCI), the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The Consolidated Entity considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Consolidated Entity may also consider a financial asset to be in default when internal or external information indicates that the Consolidated Entity is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Consolidated Entity.

Accounting Standards and Interpretations issued but not yet effective

The table below sets out 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 2018.

The Company is in the process of assessing the impact of the new standard.

Standard	Title	Application date of standard	Application date for Group
AASB 16	Leases	1 January 2019	1 July 2019

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 subsidiaries, Transvaal Gold Mining Estates Limited (TGME) and Sabie Mines (Proprietary) Ltd. The entire gold project is centred around the TGME processing plant and accordingly it has only one operating segment.

(i) Segment performance

	Six months ended 31 December 2018 TGME US$'000	Six months ended 31 December 2018 Total US$'000	Six months ended 31 December 2017 Total US$'000
Continuing operations			
Exploration expenditure	**(430)**	**(430)**	(400)
Segment gross loss	**(430)**	**(430)**	(400)

Reconciliation of segment result to group net loss before tax

Unallocated items:		
Interest income	**24**	28
Other income	**28**	47
Gain on debt settlement	**198**	-
(Loss)/Gain on financial liabilities	**(21)**	471
(Loss)/Gain on re-measurement of assets	**(25)**	53
Finance costs	**(347)**	(480)
Impairment of property	**-**	(100)
Share-based payment expenses	**(253)**	(255)
Operating expenses	**(1,070)**	(1,154)
Net loss before tax	**(1,896)**	(1,790)

(ii) Segment assets

	31 December 2018 TGME US$'000	30 June 2018 TGME US$'000
Segment assets	**10,852**	10,081
Unallocated assets	**3,303**	3,386
Total assets	**14,155**	13,467

Note 3: Non-current asset held for sale

	31 December 2018 US$'000	30 June 2018 US$'000
Land and buildings	**133**	507

The Consolidated Entity owns certain land and buildings in South Africa which are no longer required for its operations. The properties are being marketed for sale and are classified accordingly in the balance sheet. An impairment charge of US$100,000 was recognized during the previous half year.

A property included in asset held for sale at 30 June 2018 has been re-classified back to property, plant and equipment as it no longer satisfy the criteria for assets held for sale under the accounting standards.

Note 4: Borrowings

		31 December 2018 USD'000	30 June 2018 USD'000
Current			
Secured			
Convertible security	(a),(b)	**-**	348
Bank overdraft	(a)	**-**	67
Vendor finance	(a)	**78**	30
		78	445
Unsecured			
Loan – related party	(a),(c)	**4,952**	4,886
Loan – unrelated party	(a)	**20**	21
Convertible note	(a),(d)	**-**	1,650
		4,972	6,557
		5,050	7,002
Non-Current			
Secured			
Vendor finance	(a)	**189**	211
		189	211
Total		**5,239**	7,213

(a) Details of loans

	31 Dec 2018 US$'000	30 Jun 2018 US$'000	Repayment terms	Interest rate pa
Convertible security	**-**	348	Refer Note 4(b)	
Bank overdraft	**-**	67	At call	11.5%
Vendor finance	**267**	241	Repayable over 10 years from August 2014	South African prime rate +2%
Loan – related party	**4,952**	4,794	Refer Note 4(c)	10%
Loan – related party	**-**	92	At call	12.0%
Loans – unrelated parties	**20**	21	At call	24%
Convertible note	**-**	1,650	Refer Note 4(d)	12.0%
Total	**5,239**	7,213		

(b) Convertible security

In January 2017, the Company entered into a Convertible Security Funding Agreement with The Australian Special Opportunity Fund, LP ("ASOF"), an entity managed by Lind Partners, LLC, for a loan facility of A$2,600,000.

The loan was fully repaid during the half year.

A summary of the material terms and conditions of the Convertible Security Funding Agreement is set out in Note 16(b) of the Company's 2018 Annual Report.

(c) Loan – related party

In 2013, the Company entered into a loan agreement with Australian Private Capital Investment Group (International) Ltd ("APCIG"), 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;
(ii) The loan is unsecured;
(iii) The loan matured on 31 January 2017, however APCIG was a party to a standstill agreement with ASOF (refer Note 4(a)) until the ASOF loan was repaid and the Company has agreed to an arrangement with the controller of the loan, Hanhong New Energy Holdings Ltd (a company associated with Mr Simon Liu), as follows:

- Under the loan agreement with APCIG, it undertook to provide a loan of A$5,000,000, however APCIG failed to honour its undertaking and only advanced A$4,000,000. Consequently, the Company and APCIG agreed that interest would accrue at the funding rate (10% per annum) but payment of interest would be suspended and total principal and interest would accrue up to a limit of A$5,000,000;
- That repayment would be made within 7 business days of the Company receiving the Arbitral award from Shandong Qixing Iron Tower Co., Ltd (now known as Northcom Group Limited) (refer Note 8(a)) as follows:

- A$3,330,000 in cash; and
- A$1,670,000 in shares in the Company issued at a discount of 5 percent to the prevailing market price.

The above arrangement is not formalised in writing. Pending its formalization, the Company has not reflected the agreement in the accounts and has classified the loan as a current liability.

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.

(d) Convertible note

In 2015, the Company entered into a Convertible Note (as varied) for the amount of A$1,650,000 with Tasman Funds Management Pty Ltd, a company associated with directors of the Company, Mr Brett Tang (appointed 3 July 2018) and Mr Eric Zhang (resigned 13 June 2018). The key terms of the convertible note are –

(i) Interest accrues at the rate of 12% per annum (varied to 10% per annum from 1 January 2018);
(ii) The Note is unsecured;
(iii) The Note may be converted into shares in the Company at Tasman's election, at a conversion price of A$0.009 per share;

The Note and accrued interest were converted into shares in the Company on 5 September 2018.

Note 5: Issued Capital

	31 December 2018 US$'000	**30 June 2018 US$'000**
Issued and paid up shares		
(Post 10:1 share consolidation)	**72,275**	67,316

At the 2018 Annual General Meeting ("AGM") held on 30 November 2018, shareholders approved a 10:1 consolidation of share capital. The issued capital of the Company was consolidated on the basis that:

(a) every ten (10) Shares was consolidated into one (1) Share;
(b) every ten (10) Options was consolidated into one (1) Option, with the exercise price amended in the inverse proportion to that ratio; and
(c) every ten (10) Performance Rights was consolidated into one (1) Performance Right,

(**Consolidation**) and, where the number of Shares, Options or Performance Rights held as a result of the Consolidation includes a fraction of a Share, Option or Performance Right, that fraction was rounded up to the nearest whole number of Shares, Options or Performance Rights.

Theta Gold Mines Limited

	31 December 2018		30 June 2018	
	No. '000	**US$'000**	**No. '000**	**US$'000**
Movement:				
Balance at beginning of period	**256,155**	**67,316**	225,071	64,045
Add: Shares issued during the period				
- Share placements	**48,788**	**3,252**	29,341	3,212
- Shares in settlement of directors fees/salaries	**3,832**	**276**	1,743	250
- Conversion of convertible note	**25,144**	**1,623**	-	-
Less: Share issue expenses	**-**	**(192)**	-	(191)
Balance at end of period	**333,919**	**72,275**	256,155	67,316

Note 6: Options and Performance Rights

	31 December 2018 No. '000	30 June 2018 No. '000
Options and performance rights		
(Post 10:1 share consolidation)		
Listed options	**31,430**	27,598
Unlisted options and performance rights	**36,743**	39,766
	68,173	67,364
Movement:		
Balance at beginning of period	**67,364**	54,334
Add: Options and performance rights issued during the period		
Listed options	**3,832**	12,902
Unlisted options	**604**	728
Performance rights	**-**	-
Less: Options lapsed	**(3,627)**	(600)
Balance at end of period	**68,173**	67,364

Listed options (ASX: TGMO) are exercisable at A$0.30 per share and expire on 31 October 2020.

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

Grant date	31 December 2018 Number '000	30 June 2018 Number '000	Expiry date	Exercise price
Unlisted Options				
02 Nov 2015	**-**	2,327	21 Oct 2018	A$0.11
04 Jan 2016	**1,000**	1,000	03 Jan 2019	A$0.15
22 Mar 2016	**2,000**	2,000	22 Mar 2019	A$0.15
19 Oct 2016	**1,050**	1,050	12 Oct 2019	A$0.15
19 Oct 2016	**3,500**	3,500	12 Oct 2019	A$0.20
19 Oct 2016	**4,000**	4,000	12 Oct 2019	A$0.40
18 Jan 2017	**1,000**	1,000	18 Jan 2020	A$0.25
18 Jan 2017	**1,000**	1,000	18 Jan 2020	A$0.30
22 Feb 2017	**222**	222	15 Aug 2019	A$0.30
22 Feb 2017	**615**	615	21 Aug 2019	A$0.30
22 Feb 2017	**274**	274	01 Sep 2019	A$0.30
20 Jul 2017	**1,000**	1,000	22 Aug 2019	A$0.30
20 Jul 2017*	**3,500**	3,500	30 Apr 2020	A$0.20
20 Jul 2017	**5,000**	5,500	19 Jul 2022	A$0.25
20 Jul 2017	**4,450**	4,450	19 Jul 2022	A$0.30
20 Jul 2017	**2,350**	2,750	19 Jul 2022	A$0.35
20 Jul 2017	**2,350**	2,750	19 Jul 2022	A$0.40
16 Jan 2018	**728**	728	15 Jan 2020	A$0.19
14 Aug 2018	**604**	-	13 Aug 2020	A$0.19
	34,643	37,666		
Performance Rights				
20 Jul 2017	**2,100**	2,100	19 Jul 2022	na
Total	**36,743**	39,766		

Note 7: Fair value measurements

Fair value of the Consolidated Entity's financial assets and financial liabilities that are measured at fair value on a recurring basis

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

Financial assets/liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)
	31 December 2018 US$'000	**30 June 2018 US$'000**		
Environmental investment fund	**1,298**	1,378	Level 2	Market value
Convertible security	**-**	348	Level 2	Discounted cash flow, at a rate that reflects the credit risk of various counterparties

Note 8: Contingent Asset and Liabilities

(a) Contingent Asset

On 1 September 2016, the Tribunal of the Hong Kong International Arbitration Centre delivered the Arbitral Award in favour of the Company in its damages claim against Shandong Qixing Iron Tower Co. Ltd (now known as Northcom Group Limited) ("Northcom"), arising from the non-completion by Northcom of an agreement to acquire the South African subsidiary of the Company.

The current value of the award, costs plus interest at 31 December 2018 was US$18,866,000 (30 June 2018: US$18,200,000). The Company had entered into a funding agreement with a consortium which is entitled to 45% of the award plus reimbursement of the costs they have funded.

The Company continues to work with its legal advisers on enforcing the award.

(b) Contingent Liabilities

Dispute with AMCU

As reported in previous years, a subsidiary of the Company was in dispute with the Association of Mineworkers and Construction Union (AMCU) in South Africa relating to an allegation of unfair dismissal. The employees are claiming re-instatement with back pay to their date of dismissal or 12 months' salary as compensation for their alleged unfair dismissal. The matter was heard in the Labour Court of South Africa in March 2018 and the Court ruled in the Company's favour. AMCU has been granted leave to appeal the decision.

On the worst case scenario where each employee is re-instated with back pay to their date of dismissal, the total amount is estimated at US$1,980,000 (30 June 2018: US$1,071,000). The Directors believe the Consolidated Entity has a strong case and have not provided for any potential liability.

Environmental Trust Fund

The Consolidated Entity has a potential liability resulting from an Environmental Trust having applied some of its cash for a purpose other than rehabilitation, which constitutes a contravention of the income tax law in the jurisdiction in which it operates. A provision for tax of US$193,000 (30 June 2018: US$194,000) has been made in the accounts and the Trust and the entity concerned have also submitted an application for voluntary disclosure relief under a voluntary disclosure program ("VDP") pursuant to which, if successful, will relief the entity of all penalty tax and interest arising from the breach. The Consolidated Entity has received independent tax advice that the Trust and the entity qualify for the VDP application and it is more likely than not to succeed and that the penalties and related interest will be waived. In the event the Consolidated Entity is unsuccessful, the potential liability is estimated at US$367,000 (30 June 2018: US$349,000).

Note 9: Related party transactions

Director and director-related entities

(a) In August 2018, the following directors and former director and director-related entities were issued shares (each with a free attaching option) in satisfaction of outstanding director fees, consulting fees and salary following approval by shareholders at the general meeting held on 10 August 2018. The shares were issued at A$0.019 per share (pre-share consolidation), each with a free attaching listed option exercisable at A$0.030 per share (pre-share consolidation) on or before 31 October 2020.

Name	Fees and salary US$	Shares (ASX: TGM)	Options (ASX: TGMO)
Bill Guy	49,060	3,550,736	3,550,736
Trevor Fourie	206,598	14,952,631	14,952,631
Robert Thomson	25,452	1,842,105	1,842,105
Richie Yang	73,084	5,289,473	5,289,473
Simon Liu	135,332	9,794,736	9,794,736
Total	**489,526**	**35,429,681**	**35,429,681**

(b) During the half year, the Company issued 251,434,703 fully paid ordinary shares to Tasman Funds Management Pty Ltd, a company associated with Mr Brett Tang, on conversion of a convertible note and accrued interest totalling A$2,263,000.

(c) The Company rents office space from an entity associated with Mr Bill Richie Yang, for which the Company paid US$10,900 (31 Dec 2017: US$11,700) during the half year.

(d) Director and consulting fees and salaries accrued and owing to the directors and their related entities at the end of the period were as follows –

Name	31 December 2018 US$	30 June 2018 US$
Bill Guy	40,271	49,862
Robert Thomson	135,872	135,714
Richie Yang	115,469	172,904
Simon Liu	35,328	156,025
Brett Tang	17,474	-
Finn Behnken	1,234	-
Trevor Fourie	-	233,075
Eric Zhang	-	69,231
Total	**345,648**	**816,811**

Note 10: Events After Balance Date

(a) Share Placement

On 31 January 2019, the Company completed a share placement of 22,777,777 fully paid ordinary shares at A$0.09 per share to raise A$2,050,000 before costs. The placement was made pursuant to subscription agreements entered into in November 2018. Pursuant to the subscription agreement, the investor is committed to subscribe for a further A$2,500,000 in shares in the Company, A$500,000 at an issue price of A$0.09 per share and the balance (A$2,000,000) at a price equal to the 20 days VWAP (Volume Weighted Average Price) immediately before the allotment of the shares.

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Independent Auditor's Review Report to the Members of Theta Gold Mines Limited

Report on the Half-Year Financial Report

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 condensed statement of financial position as at 31 December 2018, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed 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, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance 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 2018 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*.

Emphasis of Matter – Material Uncertainty Related to Going Concern

Without qualifying our conclusion, we draw attention to Note 1 in the financial report which describes the principal conditions that raise doubts about the entity'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 entity's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Directors' Responsibility 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 is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to 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 consolidated financial position as at 31 December 2018 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

Scott Jarrett
Partner
Sydney
14 March 2019