



Half Year Financial Report

Six Months Ended 31 December 2020

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Theta Gold Mines Limited

Corporate Directory

DIRECTORS

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

REGISTERED OFFICE

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Sydney NSW 2000
Australia
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Email: info@thetagoldmines.com

COMPANY SECRETARY

Chin Haw Lim

AUDITOR

Ernst & Young
200 George Street
Sydney NSW 2000
Australia

SHARE REGISTRY

Boardroom Pty Limited
Grosvenor Place
Level 12, 225 George Street
Sydney NSW 2000
Australia
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+61 2 9290 9600 (outside Australia)
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STOCK EXCHANGE LISTINGS

ASX: TGM
OTCQB: TGMGF

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 2020.

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	Non-Executive Chairman
Robert Peter Thomson	Non-Executive Director (Managing Director to 5 August 2020)
Bill Richie Yang	Non-Executive Director
Yang (Simon) Liu	Non-Executive Director
Guyang (Brett) Tang	Non-Executive Director
Finn Stuart Behnken	Non-Executive Director

REVIEW OF OPERATIONS

Executive Management Changes

During the half year, the Company appointed two highly experienced underground miners to head its South African management team. Mr Mitford Mundell was appointed as Chief Executive Officer - Africa and Mr Jacques du Triou as Chief Operating Officer.

Both Mr Mundell and Mr du Triou have extensive experience in the mining sector in South Africa and have worked and consulted to some of Africa's largest mining companies including Harmony Gold, De Beers Mining Corporation, Namakwa Diamonds and Anglo American.

Both executives have extensive proven track record in project development and project delivery. Mr Mundell and Mr du Triou's appointments strengthens the Company's in country operations team and their skill sets align to the Company's near term development and pending production activities.

The Managing Director, Mr Robert Thomson stepped down from executive duties with effect from 5 August 2020.

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Theta Open-Pit Project

The feasibility study on the Theta Open-Pit Project was completed in May 2019. An Optimisation Study on the project was completed in April 2020 which delivered improved economics for the development of the project (refer table below).

Real Discount Rate	Unit	US\$1 369/oz Case	US\$1 500/oz Case	US\$1 600/oz Case
NPV @ 5%	USDm	61	85	104
Internal Rate of Return (IRR)	%	92.7%	123.0%	157.2%
Total Oz Recovered	oz	234 063	234 063	234 063
Average Payback Period (From Start of Production)	Month	9	8	6
Total Capital Requirement	USDm	31.4	31.4	31.4
All In Sustaining Cost (AISC)	USD/oz	911	855	822
Return on investment	USDm	206%	350%	476%
EBITDA over LOM	USDm	108.5	150.2	181.4
Gold Price	USD/oz	1 369	1 500	1 600
Exchange Rate	ZAR/USD	14.64	16.00	17.00

The development of the Theta Open-Pit project remains subject to permitting and finance.

Whilst the relevant mining right (MR83) is permitted for underground mining, an amendment is required to conduct open-pit mining. An application for an Environmental Authorisation for open-pit mining has been lodged with the South African Department of Mineral Resources and Energy.

Underground Mines Development

Following the appointment of Mr Mundell and Mr du Triou, both experienced underground miners, the Company commenced a review of the underground mines, with the view to bringing forward the development of the underground mines for early production as part of the Company's Five-Year >160,000oz per annum production plan.

Many mines owned by the Company present opportunities to restart close to surface, predeveloped mining faces, and due to the generally good ground conditions many of the old workings are still in good accessible condition.

The Board has approved a Pre-Feasibility Study (PFS) on the potential underground mining operations covering three mines, Beta, Frankfort and Clewer Dukes Morgons (CDM). Collectively the three mines will form the TGME Underground Project. The PFS will build on the scoping study completed in May 2017 on the Rietfontein/Beta Mines. The PFS will target only existing Measured and Indicated mineral resources and is expected to produce a maiden underground mining reserve for the TGME Underground Project.

INVESTMENT IN BULLION ASSET MANAGEMENT

As announced on 20 January 2021, the Company has taken an equity investment in Bullion Asset Management Services Pte Ltd ("BAM"), a Singapore-based technology company focused on financing, tokenization of physical gold bullion and precious metals trading. The investment brings to Theta Gold a strategic partner in Asia that is at the forefront of bullion and precious metals trading and financing.

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The Company has subscribed for A\$700,000 worth of shares in BAM at an issue price of US\$1.00 per share. In consideration, the Company has issued 2,087,682 Theta Gold shares to BAM at an issue price of \$0.33 per share. The Theta Gold shares are subject to 6 months voluntary escrow. This initial investment makes Theta Gold a top 5 shareholder in BAM, holding approximately 5% of the total issued capital of BAM, alongside the 3 largest shareholders, founding shareholder Decentralised Capital Pte Ltd, Jaggards Trading Pty Ltd and DigitalX Ltd (ASX: DCC).

As part of the transaction, the Company has the option to:

- acquire a further 10% of BAM on or before 17 January 2022, taking its shareholding in BAM to approximately 15%
 - First Option – the Company has the option to subscribe for a further A\$700,000 worth of BAM shares, on or before 17 April 2021, at an issue price of US\$1.00 per share in consideration for the issue of further Theta Gold shares at an issue price equal to the 30-days-VWAP prior to the issue date. The Theta Gold shares issued under the First Option will be subject to 9 months voluntary escrow.
 - Second Option - Subject to the Company exercising the First Option, it has been granted a second option to subscribe for a further A\$700,000 worth of BAM shares, on or before 17 January 2022, at an issue price of US\$1.25 per share in consideration for the issue of further Theta Gold shares at an issue price equal to the 30-days-VWAP prior to the issue date.
- appoint a non Australian resident director to the board of BAM after 17 January 2023 if its shareholding in BAM exceeds 10% at that time;
- co-invest in up to 50% of any future gold mining asset acquisitions (advance gold projects or operating mines) by BAM before 31 December 2025.

FINANCIAL RESULT

The consolidated loss after income tax for the six months ended 31 December 2020 was US\$2,733,000 (31 December 2019: US\$2,699,000). The loss largely represents the consolidated entity's operating costs for the half year, including exploration expenditure, finance costs, general administration and corporate costs, non-cash share-based payment expense and option premium expense arising from the extension of the escrow period on certain shares.

FINANCIAL POSITION AND CASHFLOW

The Company raised US\$3,211,000 before issue expenses during the half year through share placements and the exercise of options. As stated in Note 4(b), a shareholder has provided the Company with a A\$1,000,000 short term loan facility, of which US\$270,000 (A\$350,000) was drawn in December 2020. The funds raised were applied towards exploration activities, administration and corporate costs.

At balance date, the Group had US\$388,000 in cash.

The Company's only material interest-bearing debt is a loan from a company associated with Mr Simon Liu, a director of the Company. The loan and accrued interest are reflected in the financial statements as a current liability amounting to US\$6,794,000. However, the loan is subject to a written arrangement with the controller of the loan which caps it at A\$4,920,000 (refer Note 4(a)).

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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 6.

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

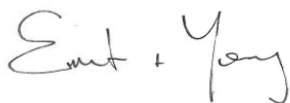
Sydney, 15 March 2021

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 2020, 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
15 March 2021

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Directors' Declaration

The directors declare that:

1. the financial statements and notes, as set out on pages 8 to 19, 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 2020 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, 15 March 2021

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Condensed Consolidated Statement of Financial Performance and Other Comprehensive Income for the Half Year ended 31 December 2020

	Six months ended 31 December 2020 US\$'000	Six months ended 31 December 2019 US\$'000
Interest income	31	66
Other income	71	44
Finance costs	(458)	(381)
Impairment of property	-	(52)
Salary expense	(267)	(444)
Share-based payments	(369)	(572)
Exploration expenses	(454)	(325)
Operating expenses	(962)	(1,035)
Other expenses	(325)	-
Loss before income tax expense	(2,733)	(2,699)
Income tax expense	-	-
Loss for the period	(2,733)	(2,699)
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	1,255	213
Total comprehensive loss for the period, net of income tax	(1,478)	(2,486)
Loss attributable to:		
Equity holders of the parent	(2,733)	(2,699)
Non-controlling interest	-	-
	(2,733)	(2,699)
Total comprehensive loss attributable to:		
Equity holders of the parent	(1,478)	(2,486)
Non-controlling interest	-	-
	(1,478)	(2,486)
Loss per share		
Basic (cents per share)	(0.6)	(1.3)
Diluted (cents per share)	(0.6)	(1.3)

The accompanying notes form part of these financial statements.

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Condensed Consolidated Statement of Financial Position as at 31 December 2020

	Notes	31 December 2020 US\$'000	30 June 2020 US\$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		388	147
Trade and other receivables		168	172
TOTAL CURRENT ASSETS		556	319
NON-CURRENT ASSETS			
Receivables		40	34
Other receivable		1,496	1,235
Property, plant and equipment		1,090	916
Exploration expenditure	3	14,491	11,379
TOTAL NON-CURRENT ASSETS		17,117	13,564
TOTAL ASSETS		17,673	13,883
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		1,140	1,498
Provisions		922	828
Borrowings	4	7,242	5,775
TOTAL CURRENT LIABILITIES		9,304	8,101
NON- CURRENT LIABILITIES			
Provisions		1,901	1,578
Borrowings	4	104	106
TOTAL NON- CURRENT LIABILITIES		2,005	1,684
TOTAL LIABILITIES		11,309	9,785
NET ASSETS		6,364	4,098
EQUITY			
Issued capital	5	84,323	81,349
Reserves		7,398	5,373
Accumulated losses		(85,357)	(82,624)
TOTAL EQUITY		6,364	4,098

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 2020

	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 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
Balance 31 December 2020	84,323	7,552	-	599	3,972	(4,725)	(85,357)	6,364	-	6,364
Balance 1 July 2019	75,629	7,552	30	198	3,214	(3,693)	(77,134)	5,796	-	5,796
Loss for the period	-	-	-	-	-	-	(2,699)	(2,699)	-	(2,699)
Other comprehensive income for the period, net of income tax	-	-	-	-	-	213	-	213	-	213
Total comprehensive income for the period	-	-	-	-	-	213	(2,699)	(2,486)	-	(2,486)
Issue of shares	5,467	-	-	-	-	-	-	5,467	-	5,467
Share issue expenses	(345)	-	-	-	-	-	-	(345)	-	(345)
Recognition of share-based payments	-	-	-	-	572	-	-	572	-	572
Reversal of asset revaluation reserve	-	-	(30)	-	-	-	-	(30)	-	(30)
Balance 31 December 2019	80,751	7,552	-	198	3,786	(3,480)	(79,833)	8,974	-	8,974

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 2020

	Six months ended 31 December 2020 US\$'000	Six months ended 31 December 2019 US\$'000
Cash flows from operating activities		
Payments to suppliers and employees	(1,389)	(1,755)
Payments for exploration expenditure	(454)	(325)
Interest received	2	6
Interest and other cost of finance paid	(7)	(15)
Income taxes paid	-	(204)
Net operating cash flows	(1,848)	(2,293)
Cash flows from investing activities		
Payments for property, plant and equipment	(32)	(392)
Payments for exploration expenditure	(1,052)	(1,137)
Payments for loan	-	(52)
Proceeds from disposal of property, plant and equipment	39	62
Net investing cash flows	(1,045)	(1,519)
Cash flows from financing activities		
Proceeds from issues of shares	3,211	5,467
Payments for share issue expenses	(313)	(334)
Proceeds from borrowings	319	63
Repayment of borrowings	(83)	(63)
Net financing cash flows	3,134	5,133
Net decrease in cash and cash equivalents	241	1,321
Cash and cash equivalents at beginning of the period	147	489
Cash and cash equivalents at end of the period	388	1,810

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 2020

Note 1: Basis of Preparation

These general purpose financial statements for the half year reporting period ended 31 December 2020 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 2020 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\$2,733,000 for the half year (2019: US\$2,699,000), with net cash outflows from operating activities of US\$1,848,000 (2019: US\$2,293,000). At 31 December 2020, the Consolidated Entity had net current liabilities of US\$8,748,000 (30 Jun 2020: US\$7,782,000).

Net current liabilities include a 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 2020, the loan and accrued interest amounted to US\$6,794,000 (30 Jun 2020: US\$5,610,000). 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:

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- 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) 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\$3,211,000 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. As disclosed in Note 8, subsequent to balance date, the Company received firm commitments for a share placement of 11,391,455 fully paid ordinary shares at A\$0.275 per share to raise A\$3,132,650 before costs. The share placement is scheduled to be completed on 23 March 2021.

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 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 2020. 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.

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

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2020. 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 centred around the TGME processing plant and accordingly it has only one operating segment.

Note 3: Exploration expenditure

	31 December 2020 US\$'000	30 June 2020 US\$'000
Exploration expenditure	14,491	11,379
Movements:		
Opening net book value	11,379	13,299
Additions	906	632
Impairment	-	-
Exchange rate effect	2,206	(2,552)
Closing net book value	14,491	11,379

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Note 4: Borrowings

	Note	31 December 2020 US\$'000	30 June 2020 US\$'000
Current			
<u>Secured</u>			
Vendor finance		46	62
		46	62
<u>Unsecured</u>			
Loan – related party	(a)	6,794	5,610
Loan – unrelated party	(b)	386	103
Other		16	-
		7,196	5,713
		7,242	5,775
Non-Current			
<u>Secured</u>			
Vendor finance		104	106
		104	106
Total		7,346	5,881

- (a) Loan from related party - US\$6,794,000 (30 June 2020: US\$5,610,000)

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.

During the half year, the Company formalised an agreement with the controller of the APCIG Loan,

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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 loans are provided by two shareholders of the Company.

In December 2020, a shareholder provided the Company with a A\$1,000,000 short term loan facility, of which US\$270,000 (A\$350,000) was drawn in December 2020 and the balance in January 2021. The facility is unsecured, interest free and will be settled in full on 23 March 2021 by the issue of 3,636,364 fully paid ordinary shares in the Company at an issue price of A\$0.275 per share.

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Note 5: Issued Capital

	31 December 2020 US\$'000	30 June 2020 US\$'000
Issued and paid up shares	<u>84,323</u>	81,349

	31 December 2020 No.'000	US\$'000	30 June 2020 No.'000	US\$'000
Movement:				
Balance at beginning of period	441,657	81,349	436,707	80,751
Add: Shares issued during the period				
- Share placements	16,667	2,872	4,650	609
- Options exercised	1,814	340	300	39
Less: Share issue expenses	-	(238)	-	(50)
Balance at end of period	<u>460,138</u>	<u>84,323</u>	441,657	81,349

Note 6: Options and Performance Rights

	31 December 2020 No.'000	30 June 2020 No.'000
Options and performance rights		
Listed options (ASX: TGMO)	-	33,755
Unlisted options	12,798	3,329
Unlisted performance rights	21,320	25,200
	<u>34,118</u>	<u>62,284</u>

Movement:

Balance at beginning of period	62,284	60,362
Add: Options and performance rights issued during the period	12,393	4,650
Less: Listed options exercised	(1,219)	-
Listed options lapsed	(32,536)	-
Unlisted options exercised	(596)	(300)
Unlisted options lapsed	(408)	(2,428)
Performance rights lapsed	(5,800)	-
Balance at end of period	<u>34,118</u>	<u>62,284</u>

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

Theta Gold Mines Limited

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

Issue date	31 December 2020 No.'000	30 June 2020 No.'000	Expiry date	Exercise price
Unlisted Options				
20 Jul 2017	-	200	19 Jul 2022	A\$0.35
20 Jul 2017	-	200	19 Jul 2022	A\$0.40
14 Aug 2018	-	604	13 Aug 2020	A\$0.19
29 Apr 2020	2,325	2,325	27 Apr 2022	A\$0.40
02 Oct 2020	800	-	30 Sep 2022	A\$0.30
30 Nov 2020	833	-	27 Apr 2022	A\$0.40
30 Nov 2020	3,200	-	30 Sep 2025	A\$0.40
30 Nov 2020	640	-	30 Sep 2025	A\$0.50
21 Dec 2020	5,000	-	30 Jun 2022	A\$0.50
	12,798	3,329		
Performance Rights				
28 Jun 2019	18,900	24,700	27 Jun 2024	na
26 Sep 2019	500	500	27 Jun 2024	na
30 Nov 2020	1,920	-	30 Sep 2025	na
	21,320	25,200		

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%

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Note 7: Related party transactions

- (a) 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 2020 US\$	30 June 2020 US\$
Bill Guy	69,447	47,553
Robert Thomson	37,541	28,550
Richie Yang	140,160	105,116
Simon Liu	32,136	31,408
Brett Tang	28,713	22,161
Finn Behnken	9,641	11,421
Total	317,638	246,209

- (b) An amount of US\$62,082 (A\$80,500) (30 Jun 2020: US\$55,159 (A\$80,500)) is owing to Tasman Funds Management Pty Ltd, a company associated with Mr Brett Tang, for commission due in connection with a capital raising prior to Mr Tang's appointment as a director.

Note 8: Events after balance date

- (a) Share Placement

On 15 March 2021, the Company announced that it had received firm commitments for a share placement of 11,391,455 fully paid ordinary shares at A\$0.275 per share to raise A\$3,132,650 before costs. The share placement is scheduled to be completed on 23 March 2021.

- (b) Investment in Bullion Asset Management Services Pte Ltd

As announced on 20 January 2021, the Company has taken an equity investment in Bullion Asset Management Services Pte Ltd ("BAM"), a Singapore-based technology company focused on financing, tokenization of physical gold bullion and precious metals trading.

Theta Gold has subscribed for A\$700,000 worth of shares in BAM at an issue price of US\$1.00 per share in consideration for the issue of 2,087,682 Theta Gold shares to BAM at an issue price of \$0.33 per share. The Theta Gold shares are subject to 6 months voluntary escrow.

As part of the transaction, the Company has the option to acquire further shares in BAM in two tranches -

- First Option – the Company has the option to subscribe for a further A\$700,000 worth of BAM shares, on or before 17 April 2021, at an issue price of US\$1.00 per share in consideration for the issue of further Theta Gold shares at an issue price equal to the 30-days-VWAP prior to the issue date. The Theta Gold shares issued under the First Option will be subject to 9 months voluntary escrow.
- Second Option - subject to the Company exercising the First Option, it has been granted a second option to subscribe for a further A\$700,000 worth of BAM shares, on or before 17 January 2022, at an issue price of US\$1.25 per share in consideration for the issue of further Theta Gold shares at an issue price equal to the 30-days-VWAP prior to the issue date.

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 2020, the condensed statement of financial performance and other 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 statement 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 2020 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*.

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' 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.

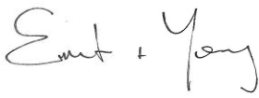
Auditor's responsibility

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 2020 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 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
15 March 2021