

Half Year Financial Report

Six Months Ended 31 December 2019

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
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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
Grosvenor Place
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Sydney NSW 2000
Australia
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STOCK EXCHANGE LISTINGS

ASX: TGM, TGMO
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 2019.

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	Managing Director
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

South Africa (TGM – 74%)

Theta Hill Open-Pit Project

In May 2019, the Company completed a feasibility study on the Theta Hill Open-Pit Project which confirmed the commercial viability and technical feasibility of developing an open cut mine at the project. The Theta Hill Open-Pit Project encompasses the Columbia Hill deposit and part of the Theta Hill deposit and Browns Hill within Mining Right 83 ("MR83"). The open-cut starter project is forecast to produce a total of 200,000oz gold over a 5 year period. The feasibility study was based on an ore processing throughput of 500,000tpa which was constrained to the current permitted tailings dam capacity (2.5 Mt) and within the MR83 boundary.

The Company recognised that the project could be further expanded and the feasibility study optimised. During the half year, post feasibility study activities centred around engineering, social licence and permitting of the Theta Hill Open-Pit Project. In this connection, the Company has taken the following significant steps towards achieving its development aims -

a) The Company completed internal engineering studies to maximize use of the existing permitted plant footprint. The new metallurgical plant layout position will create the flexibility to materially increase the Company's future gold production.
b) In October 2019, the Company entered into an agreement to purchase a quality, secondhand 2.5 megawatt (MW) ball mill for the Theta Hill Open-Pit Project at a price of ZAR5,500,000 (approximately US$400,000) plus the cost of dismantling and transportation to the Company's processing plant site. The ball mill had been identified as a possible long lead item that could potentially delay the project delivery. The purchase will also provide certainty of grinding capability for the mine and, with a capacity of up to 820,000tpa, will readily accommodate future mining expansions.
c) The Company commissioned an independent plant design optimisation study (completed in January 2020) which confirmed the feasibility of increasing the ore throughput from the original 500,000tpa capacity in the feasibility study to 600,000tpa by de-constraining the current throughput constraint of the tailings dam. The 20% increase in the new plant design incorporates the 2.5MW ball mill purchased above and is expected to be achieved with less than a 1% change to the feasibility study process plant capex of US$24.85M.
d) An Environmental Impact Assessment for MR83 was submitted in February 2020 to the Department of Mineral Resources and Energy for approval in connection with the application for an amendment to MR83 to permit open-pit mining.

The Company continues to work with the local community in Pilgrim's Rest who are overall supportive of the Company's efforts to restart gold mining and processing operations in the area. The Company supports local community events and is committed to supporting the local population of less than 3,000 people through employment, local ownership and education initiatives.

Exploration

The Company has a large tenement holding of 62,000 hectares (620km2) covered by mining rights and applications for mining rights at various stages of being granted, with access to over 43 historical mines and prospect areas that can be accessed and explored. It has a large mineral resource base and aims to be able to convert it to mining reserves through further exploration.

Whilst the Company's main focus during the half year had been on the Theta Hill Open-Pit Project, it continues to evaluate the Rietfontein and Beta mines as potential sources of ore for future expansions to the Theta Hill Open-Pit Project.

As part of the renewed exploration focus, the Company commissioned CSA Global (an ERM group company) to develop a Mineral System Model (ore genesis and structural geology model) to support the Company's exploration efforts. The CSA Global Mineral System Model interpreted that east-west structures (faults and joints) provided fluid pathways for mineralising fluids from the Bushveld Complex to the Eastern Transvaal Gold Fields. Based on these new interpretations, the Company is now assessing the regional exploration potential of the wider Eastern Transvaal Basin.

Financial Result

The consolidated loss after income tax for the six months ended 31 December 2019 was US$2,699,000 (31 December 2018: US$1,896,000). The loss largely represents the consolidated entity's operating costs for the half year, including exploration expenditure, finance costs, non-cash share-based payment expense and general administration and corporate costs. A total of US$325,000 in indirect exploration cost was also expensed. Direct exploration costs of US$924,000 were capitalised.

Financial Position and Cashflow

The Company raised US$5,467,000 from share placements to sophisticated investors during the half year. The funds raised were applied towards exploration activities, administration and corporate costs.

At balance date, the Group had US$1,810,000 in cash.

The Company paid off the last of its legacy trade creditors in South Africa during the half year. It also settled two significant liabilities, a contingent liability with the Association of Mineworkers and Construction Union (refer 2019 Annual Report, Note 19(b)(i)) and an income tax payment under the South African tax office voluntary disclosure program (refer 2019 Annual Report, Note 19(b)(ii)).

The Company's remaining interest bearing debt is a loan from a company associated with Mr Simon Liu, a director of the Company. The loan and accrued interest is reflected in the financial statements as a current liability amounting to US$5,396,000. However the loan is subject to an unwritten arrangement which caps it at A$5,000,000 (refer Note 5(a)).

OTC Markets Listing

During the half year, the Company's shares were approved for listing on the OTCQB market in the United States under the code **TGMGF.**

The Company's primary listing continues to be the Australian Securities Exchange, with the shares now dual-listed on the OTCQB Market. Investors can find real-time quotes and market information on the OTC Markets website: (www.otcmarkets.com/stock/TGMGF/overview).

The Company is in the process of applying for Depository Trust Clearing (DTC) eligibility, which will facilitate electronic trading of securities by individual investors who use self-managed online broking accounts (such as TD Ameritrade and E-Trade).

The Board has actively promoted the Company through the quarter particularly in North America and Europe. Theta Gold has appointed New York based Porter, LeVay & Rose Inc. as its investor relations consultant in the US.

Outlook

The Company remains focused on pursuing the development of the Theta Hill Open-Pit Project as the group's starter mining operation. It will continue to work with the DMRE, the local community and other stakeholders towards securing the relevant mining permit amendments for open-pit mining. In addition to permitting, the Company will also continue to engage with potential financiers to secure the required funding for the project development.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under s 307C of the Corporations Act 2001 is set out on page 5.

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, 12 March 2020

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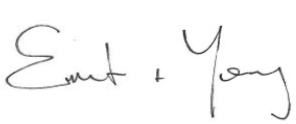
Auditor's Independence Declaration to the Directors of Theta Gold Mines Limited

As lead auditor for the review of the half-year financial report of Theta Gold Mines Limited for the half-year ended 31 December 2019, 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
12 March 2020

Theta Gold Mines Limited

Directors' Declaration

The directors declare that:

1. the financial statements and notes, as set out on pages 7 to 18, 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 2019 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, 12 March 2020

Theta Gold Mines Limited

Condensed Consolidated Statement of Financial Performance and Other Comprehensive Income for the Half Year ended 31 December 2019

	Six months ended 31 December 2019 US$'000	Six months ended 31 December 2018 US$'000
Interest income	**66**	24
Other income	**44**	28
Gain on debt settlement	**-**	198
Loss on financial liabilities	**-**	(21)
Loss on re-measurement of assets	**-**	(25)
Finance costs	**(381)**	(347)
Impairment of property	**(52)**	-
Salary expense	**(659)**	(522)
Share-based payments	**(572)**	(253)
Exploration expenses	**(325)**	(430)
Operating expenses	**(820)**	(548)
Loss before income tax expense	**(2,699)**	(1,896)
Income tax expense	**-**	-
Loss for the period	**(2,699)**	(1,896)
Other comprehensive income, net of tax		
Items that may be reclassified subsequently to profit or loss		
Exchange difference on translating foreign controlled entities	**213**	(177)
Total comprehensive loss for the period, net of income tax	**(2,486)**	(2,073)
Loss attributable to:		
Equity holders of the parent	**(2,699)**	(1,896)
Non-controlling interest	**-**	-
	(2,699)	(1,896)
Total comprehensive loss attributable to:		
Equity holders of the parent	**(2,486)**	(2,073)
Non-controlling interest	**-**	-
	(2,486)	(2,073)
Loss per share (post 10:1 share consolidation)		
Basic (cents per share)	**(1.3)**	(0.7)
Diluted (cents per share)	**(1.3)**	(0.7)

The accompanying notes form part of these financial statements.

Theta Gold Mines Limited

Condensed Consolidated Statement of Financial Position as at 31 December 2019

	Notes	31 December 2019 US$'000	30 June 2019 US$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		**1,810**	489
Trade and other receivables		**127**	111
Other financial assets	3	**204**	-
		2,141	600
Non-current assets held for sale		**-**	64
TOTAL CURRENT ASSETS		**2,141**	664
NON-CURRENT ASSETS			
Receivables		**43**	44
Rehabilitation investment fund		**1,481**	1,408
Property, plant and equipment		**914**	534
Exploration expenditure	4	**13,299**	12,375
TOTAL NON-CURRENT ASSETS		**15,737**	14,361
TOTAL ASSETS		**17,878**	15,025
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		**1,164**	1,685
Provisions		**191**	411
Borrowings	5	**5,647**	5,267
TOTAL CURRENT LIABILITIES		**7,002**	7,363
NON- CURRENT LIABILITIES			
Provisions		**1,733**	1,688
Borrowings	5	**169**	178
TOTAL NON- CURRENT LIABILITIES		**1,902**	1,866
TOTAL LIABILITIES		**8,904**	9,229
NET ASSETS		**8,974**	5,796
EQUITY			
Issued capital	6	**80,751**	75,629
Reserves		**8,056**	7,301
Accumulated losses		**(79,833)**	(77,134)
TOTAL EQUITY		**8,974**	5,796

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 2019

	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 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**
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

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 2019

	Six months ended 31 December 2019	Six months ended 31 December 2018
	US$'000	US$'000
Cash flows from operating activities		
Payments to suppliers and employees	**(1,755)**	(1,129)
Payments for exploration expenditure	**(325)**	(430)
Interest received	**6**	2
Interest and other cost of finance paid	**(15)**	(43)
Income taxes paid	**(204)**	-
Net operating cash flows	**(2,293)**	(1,600)
Cash flows from investing activities		
Payments for property, plant and equipment	**(392)**	(1)
Payments for exploration expenditure	**(1,137)**	(1,249)
Payments for loan	**(52)**	-
Proceeds from disposal of property, plant and equipment	**62**	79
Net investing cash flows	**(1,519)**	(1,171)
Cash flows from financing activities		
Proceeds from issues of shares	**5,467**	3,252
Payments for share issue expenses	**(334)**	(63)
Proceeds from borrowings	**63**	180
Repayment of borrowings	**(63)**	(531)
Net financing cash flows	**5,133**	2,838
Net decrease in cash and cash equivalents	**1,321**	67
Cash and cash equivalents at beginning of the period	**489**	196
Cash and cash equivalents at end of the period	**1,810**	263

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 2019

Note 1: Basis of Preparation

These general purpose financial statements for the half year reporting period ended 31 December 2019 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 2019 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$2,699,000 for the half year (31 December 2018: US$1,896,000 loss), with net cash outflows from operating activities of US$2,293,000 (31 December 2018: US$1,600,000). At 31 December 2019, the Consolidated Entity had net current liabilities of US$4,861,000 (30 June 2019: US$6,699,000).

The above matters indicate material uncertainty that may cast doubt on the Company's and 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. Net current liabilities at 31 December 2019 included a loan from Australian Private Capital Investment Group (International) Ltd ("APCIG"), a company associated with Mr Simon Liu, a director of the Company. The loan and accrued interest amounted to US$5,396,000 (30 June 2019: US$5,040,000).

Whilst the loan has been classified as a current liability, as explained in Note 4, the Company has an unwritten agreement with the controller of the loan as follows:

(a) 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.
(b) 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 19(a) of 2019 Annual Report) as follows:

    (i) A$3,330,000 in cash; and

(ii) A$1,670,000 in shares in the Company issued at a discount of 5 percent to the prevailing market price.

The Company raised US$5,467,000 before issue expenses during the half year from share placements to sophisticated investors and its prospective gold projects is expected to underpin its ability to continue to raise new funds to support its activities. 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 realised for an amount less than the amount at which it is recorded in the financial report at 31 December 2019. 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 16 *Leases*.

The Consolidated Entity adopted AASB 16 *Leases* from 1 July 2019, however there is no financial impact as leases held by the Consolidated Entity are short-term and low value asset leases and the group applied the practical expedients under the standard.

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 2019. 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 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 2019 TGME US$'000	Six months ended 31 December 2019 Total US$'000	Six months ended 31 December 2018 Total US$'000
Continuing operations			
Exploration expenses	**(325)**	**(325)**	(430)
Segment gross loss	**(325)**	**(325)**	(430)
Unallocated items:			
Interest income		**66**	24
Other income		**44**	28
Gain on debt settlement		**-**	198
		110	250
Reconciliation of segment result to group net loss before tax			
Unallocated items:			
Operating expenses		**(1,479)**	(1,070)
Finance costs		**(381)**	(347)
Other expenses		**(624)**	(299)
Net loss before tax		**(2,699)**	(1,896)

(ii) Segment assets

	31 December 2019 TGME US$'000	31 December 2019 Total US$'000	30 June 2019 Total US$'000
Segment assets	**16,144**	**16,144**	14,519
Unallocated assets		**1,734**	506
		17,878	15,025

Note 3: Other Financial Asset

Other financial asset represents an amount held in a solicitor's trust account for the payment of the balance of consideration for a ball mill acquired during the half year.

Note 4: Exploration expenditure

	31 December 2019 US$'000	30 June 2019 US$'000
Exploration expenditure	**13,299**	12,375
Movements:		
Opening net book value	**12,375**	10,771
Additions	**830**	2,854
Impairment	**-**	(946)
Exchange rate effect	**94**	(304)
Closing net book value	**13,299**	12,375

Following completion of the Theta Project feasibility study in May 2019, expenditure on exploration during the half year was incurred on follow-on activities which included -

a) the permitting process (approval for open-cut mining), which including submission of an Environmental Impact Assessment (EIA). The EIA was submitted in February 2020;
b) optimising the feasibility study and evaluating increasing the processing rates for future expansions;
c) preparing tender specifications and negotiating the mining contract; and
d) preparing tender specifications for the plant construction.

Note 5: Borrowings

		31 December 2019 US$'000	30 June 2019 US$'000
Current			
Secured			
Vendor finance		**130**	104
		130	104
Unsecured			
Loan – related party	(a)	**5,396**	5,057
Loan – unrelated party		**105**	106
Other		**16**	-
		5,517	5,163
		5,647	5,267
Non-Current			
Secured			
Vendor finance		**169**	178
		169	178
Total		**5,816**	5,373

(a) Loan from related party - US$5,396,000 (30 June 2019: US$5,040,000)

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 and 15% per annum on overdue principal and interest;
(ii) The loan is unsecured;
(iii) The Company has an unwritten agreement 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 19(a) of 2019 Annual Report) 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 letter of demand was received in late December 2019. In relation to both statutory demands (issued in December 2015 and in May 2017, the courts issued orders by consent that the statutory demands be set aside. The Company's view was, and remains, that these claims are without foundation and are otherwise considered frivolous and vexatious.

Note 6: Issued Capital

	31 December 2019 US$'000	30 June 2019 US$'000
Issued and paid up shares	**80,751**	75,629

	31 December 2019		30 June 2019	
	No.'000	**US$'000**	No.'000	US$'000
Movement:				
Balance at beginning of period	**383,279**	**75,629**	333,919	72,275
Add: Shares issued during the period				
- Share placements	**53,428**	**5,467**	49,088	3,379
- Shares in settlement of debt	**-**	**-**	272	20
- Collateral shares sold	**-**	**-**	-	158
Less: Share issue expenses	**-**	**(345)**	-	(203)
Balance at end of period	**436,707**	**80,751**	383,279	75,629

Note 7: Options and Performance Rights

	31 December 2019 No.'000	30 June 2019 No.'000
Options and performance rights		
Listed options (ASX: TGMO)	**31,430**	31,430
Unlisted options	**3,732**	13,893
Unlisted performance rights	**25,200**	24,700
	60,362	70,023
Movement:		
Balance at beginning of period	**70,023**	68,173
Add: Options and performance rights issued during the period	**500**	24,700
Less: Unlisted Options lapsed	**(10,161)**	(3,000)
Unlisted options cancelled	**-**	(17,750)
Performance rights cancelled	**-**	(2,100)
Balance at end of period	**60,362**	70,023

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 2019 No.'000	30 June 2019 No.'000	Expiry date	Exercise price
Unlisted Options				
19 Oct 2016	**-**	1,050	12 Oct 2019	A$0.15
19 Oct 2016	**-**	3,000	12 Oct 2019	A$0.20
19 Oct 2016	**-**	3,500	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	15 Aug 2019	A$0.30
22 Feb 2017	**-**	615	21 Aug 2019	A$0.30
22 Feb 2017	**-**	274	01 Sep 2019	A$0.30
20 Jul 2017	**-**	500	19 Jul 2019	A$0.25
20 Jul 2017	**-**	1,000	22 Aug 2019	A$0.30
20 Jul 2017	**200**	200	19 Jul 2022	A$0.35
20 Jul 2017	**200**	200	19 Jul 2022	A$0.40
16 Jan 2018	**728**	728	15 Jan 2020	A$0.19
14 Aug 2018	**604**	604	13 Aug 2020	A$0.19
	3,732	13,893		
Performance Rights				
28 Jun 2019	**24,700**	24,700	27 Jun 2024	na
26 Sep 2019	**500**	-	27 Jun 2024	na
	25,200	24,700		
Total	**28,932**	38,593		

(a) The fair value of the performance rights granted on 26 September 2019 was determined to be A$0.155 per right. The performance rights are subject to the same performance conditions as those granted on 28 June 2019 (as disclosed in the 2019 Annual Report), and the following additional performance condition: "All systems, licences, insurances, regulatory and statutory compliance in place to meet South Africa Mining regulations, laws, Mining Charter 111, commercial contracts (Mine ready)".

Note 8: Related party transactions

(a) The Company rents office space from an entity associated with Mr Bill Richie Yang, for which the Company paid US$Nil (31 Dec 2018: US$10,900) during the half year. The rental arrangement ceased on 5 February 2019.

(b) 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 2019 US$	30 June 2019 US$
Bill Guy	12,788	13,816
Robert Thomson	14,598	17,990
Richie Yang	97,568	92,684
Simon Liu	23,359	37,990
Brett Tang	19,997	14,423
Finn Behnken	2,920	5,845
Total	**171,230**	**182,748**

(c) An amount of US$56,000 (30 Jun 2019: US$56,000) is owing to Tasman Funds Management Pty Ltd, a company associated with Mr Brett Tang, for commission due in connection with a capital raising in a period prior to Mr Tang's appointment as a director.

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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 2019, 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 2019 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 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. 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.

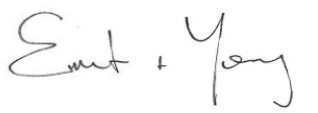
Auditor's Responsibility

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 2019 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.

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
12 March 2020