



9 December 2021

ASX ANNOUNCEMENT

THETA ANNOUNCES INTENTION TO MAKE TAKEOVER BID FOR FOCUS MINERALS LIMITED

HIGHLIGHTS

- TGM offers to acquire all shares in Focus at an attractive premium to recent share prices
- The combination of TGM and Focus would create a group with >12Moz gold resources in two mining friendly jurisdictions on either side of the Indian Ocean
- The Offer provides an attractive alternative to the uncertain and highly dilutive development proposal put forward by Focus

OVERVIEW

Theta Gold Mines Limited ("Theta Gold", "TGM" or "Company") (ASX: TGM | OTCQB: TGMGF | FSE: 3LM) announces its intention to make an off-market takeover offer ("Offer") for all the issued shares in Focus Minerals Limited (ASX: FML) ("Focus").

TGM WILL OFFER 2 TGM SHARES FOR EVERY 1 FOCUS SHARE

The Offer provides Focus shareholders with an opportunity to receive an attractive premium for their shares. This contrasts with the Entitlement Offer (announced on 3 December 2021) which will likely entrench control for Shandong Gold (the largest Focus shareholder) at a significant discount and requires Focus shareholders to subscribe for further shares or risk being substantially diluted. The TGM Offer will, if accepted, allow Focus shareholders to become members of a larger, more liquid and more geographically diverse group. Should Shandong Gold accept the Offer, the resultant combined group would have a combined exploration portfolio of over 1,000km²¹ spread across the West Australian goldfields and South Africa. Should Shandong Gold not accept the Offer, TGM's Offer seeks to aggregate minority holdings in Focus and (with an increased holding and substantial management experience) would allow TGM to exercise influence to encourage the prompt development of the Focus assets.

TGM's Offer implies a value for each Focus share of approximately A\$0.36². This represents premiums of:

- (1) 41.2% to the closing price of Focus Shares on ASX of A\$0.255 on 8 December 2021;
- (2) 44.0% to the Focus Entitlement Offer price of A\$0.25;
- (3) 28.6% to the 30 day VWAP of Focus shares on ASX of A\$0.280 to 8 December 2021³; and

¹ ~450km² per Focus' Website - Coolgardie Gold Project (as at 8 December 2021); and ~620km² per TGM 19 October 2021 Investor Presentation - IMARC Mines & Money 2021.

² TGM closing price on ASX of A\$0.180 and Focus closing price of A\$0.255 on 8 December 2021.

³ Volume weighted average price (VWAP) of A\$0.2799 for the 30 days up to and including 8 December 2021.

(4) 31.1% to the 90 day VWAP of Focus Shares on ASX of A\$0.275 to 8 December 2021⁴.



OFFER DETAILS

The TGM Offer will be conditional on the Entitlement Offer **not** proceeding, for the reasons described below. The Offer will otherwise be subject to certain usual bid conditions, including there being no regulatory action, no prescribed occurrences and no material adverse change in respect of Focus. The TGM Offer **will not** be subject to a minimum acceptance condition.

A full list of the proposed bid conditions is provided in Appendix 1 of this announcement.

Further details about the TGM Offer will be contained in TGM's Bidder's Statement which will be sent to Focus shareholders in accordance with the Corporations Act. The Bidder's Statement will set out important information for Focus shareholders including how to accept the TGM Offer, the key reasons why Focus shareholders should accept the Offer and information about TGM.

Under section 631 of the Corporations Act, TGM is required to make the TGM Offer within 2 months of the date of this announcement. TGM will give further details of the timetable for the TGM Offer in its Bidder's Statement.

TRANSACTION RATIONALE

• *TGM's view of the Focus Entitlement Offer*

The Entitlement Offer is being conducted on a 1:1 basis and, if completed, will result in a significant and highly dilutive share issue (of up to 182,748,565 new Focus shares). It has been carefully structured in a manner that allows Shandong Gold (which has already committed to take up its entitlement in full) to increase its level of control. Following the Entitlement Offer, Shandong Gold's interest in Focus could increase to 66.25%⁵. Rather than pay a premium for this increased control, the Entitlement Offer permits Shandong Gold to acquire additional Focus shares at \$0.25, being a discount of approximately **12.3%** to the closing price of Focus shares on 2 December 2021, and a discount of approximately **15.4%** to the 5-day VWAP of Focus Shares up to the close of trading on 2 December 2021.

Focus appears to have ample cash for working capital purposes and has just secured a further US\$10 million loan on commercial terms from Shandong Gold – specifically for *“the purposes of*

⁴ Volume weighted average price (VWAP) of A\$0.2745 for the 90 days up to and including 8 December 2021.

⁵ Focus Notice under Section 708AA(2)(f) of the Corporations Act 2001 of 3 December 2021, page 4.

*funding the activities contemplated by the Resumption Plan*⁶. While it may indeed wish to resume gold mining operations, its plans in this regard appear incomplete. It targets recommencing operations at Coolgardie during 2022 but *“acknowledges that this timeframe may change”*⁷. Given this uncertainty, the timing of the Entitlement Offer is questionable. The Entitlement Offer was not foreshadowed, has been structured with a short offer period, and is occurring during December – which may have contributed to the inability of Focus to secure third party underwriting (or potentially other (non-Shandong Gold) sources of capital)⁸. Seeking to raise this much equity capital now may not be necessary given Focus’ working capital position and access to additional loan funds.

Focus itself acknowledges that the Entitlement Offer may further consolidate Shandong Gold’s control over Focus. It has said that *“If Shandong Gold’s voting power were to increase above 50%, it would be able to solely determine the outcome of ordinary shareholder resolutions that it is permitted to vote on, including the issue of new shares beyond the limit set under the ASX Listing Rules, and would have greater influence over the outcome of any special shareholder resolutions, including amendments to the constitution of the Company”*⁹.

The TGM Offer represents an attractive alternative to Focus shareholders – but it is conditional on Focus determining that it will not proceed with the Entitlement Offer. Given the control effect of the Entitlement Offer, and the clear conflict of interest that the Shandong Gold nominee directors have in the consideration of this matter, TGM expects Focus to establish (and to confirm to ASX that it has established) an independent board committee excluding the Shandong Gold nominee directors to:

- (1) consider Focus’ response to the TGM Offer; and
- (2) consider Focus’ position on the continuation of the Entitlement Offer (given that this is a condition to, and has the capacity to prevent Focus shareholders from receiving, the TGM Offer).

The terms of the Entitlement Offer expressly allow Focus to cancel the Entitlement Offer without prior notice.¹⁰

- ***Ability for Focus shareholders to exit a minority position in an illiquid company for a premium***

The TGM Offer provides Focus shareholders with an opportunity to exit their shareholding in Focus for an attractive premium and to become shareholders of an ASX-listed company with a strong management team and a greater free-float. Accepting Focus shareholders will continue

⁶ Focus announcement of 3 December 2021 “Plan to resume gold mining at Coolgardie”, page 2.

⁷ Focus announcement of 3 December 2021 “Plan to resume gold mining at Coolgardie”, page 1.

⁸ Focus Offer Booklet of 3 December 2021 at paragraph 1.6 (*“...the timing of the Entitlement Offer, which would require investor commitments during the month of December, is typically a subdued period in terms of equity capital markets activity”*).

⁹ Focus Notice under Section 708AA(2)(f) of the Corporations Act 2001 of 3 December 2021 at page 4.

¹⁰ Focus Offer Booklet of 3 December 2021, page 6, below timetable.

to have access to any future increase in value in Focus through indirect ownership as a TGM shareholder.

TGM would very much welcome an acceptance of the Offer by Shandong Gold. If this were to occur, Shandong Gold would obtain a substantial interest in TGM of up to approximately 20.3% (if all Focus shareholders accept the Offer) or 25.6% (if Shandong Gold is the only Focus shareholder to accept the Offer). However, as noted above, the Offer is not subject to any minimum acceptance condition so will proceed even if Shandong Gold does not accept.

- ***TGM's strategy and plans for Focus and Focus' Coolgardie project***

In TGM's opinion, Focus' current ownership structure discourages independent investors from acquiring shares. Focus has itself noted that "*there are low levels of institutional ownership on [Focus'] current register*"; that "*[Focus'] shares are considered to have low levels of stock liquidity*"; and that these and other factors have prevented Focus from securing any broker who could secure a sufficient level of sub-underwriting commitments from investors to effect an underwriting of the Entitlement Offer¹¹. The Entitlement Offer will not cure these issues, and may make them worse.

These factors all potentially result in the market value of Focus not reflecting its underlying resource base. In TGM's opinion, a combination of TGM and Focus would (if TGM secured sufficient acceptances) result in a larger group with a significant resource base and a less concentrated ownership structure (see further detail below). This in turn would likely lead to a market re-rating and a more open share register – which should itself attract greater interest from third party investors, analysts and financiers.

TGM has a plan to develop Focus' assets (and in particular Focus' Coolgardie project) in a more certain fashion and with less dilution to shareholders. TGM believes that (if it is able to combine TGM and Focus) it would be able to readily access funding that would allow it to achieve this.

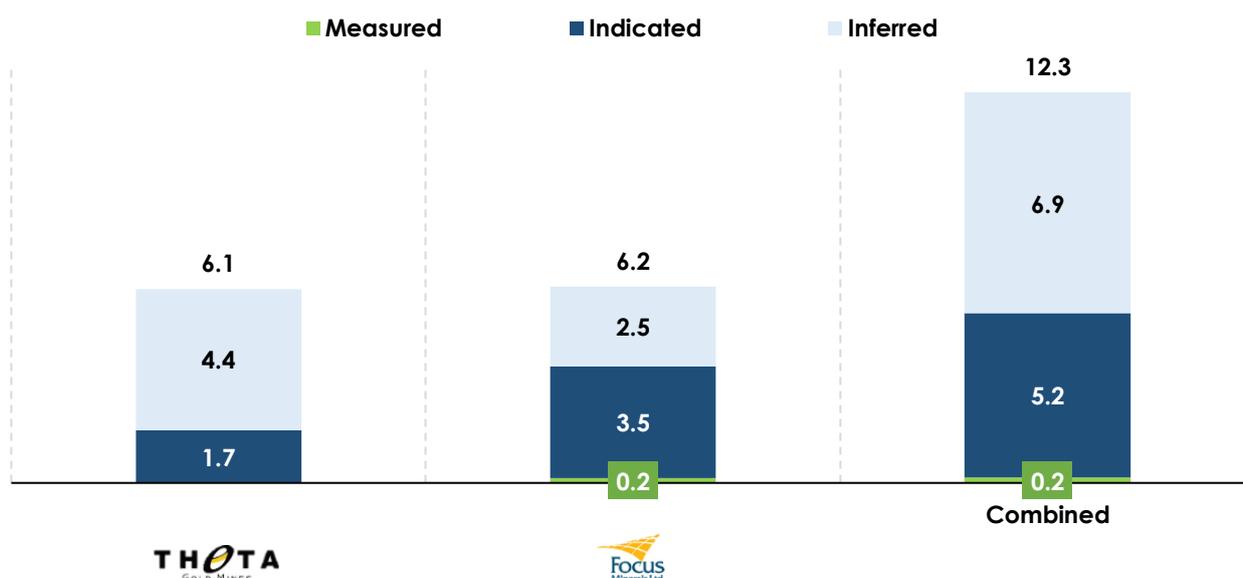
Even in circumstances where Shandong Gold does not accept TGM's Offer, acceptance by minority shareholders of Focus could result in TGM acquiring a significant stake in Focus, which would give TGM greater influence in relation to Focus than individual minority shareholders are likely to have at present. This would, again, allow TGM to seek to exercise influence over Focus in a manner which seeks to enhance value for all shareholders of Focus and of TGM.

- ***A logical combination of complementary assets***

An acceptance of the TGM Offer by Shandong Gold would more easily permit a full combination of the Focus and TGM operations. The combination of TGM and Focus is logical and would create a combined group with a JORC compliant Mineral Resource of >12.3Moz¹², placing it towards the top end of its ASX listed peers.

¹¹ See generally the Focus Offer Booklet of 3 December 2021 at paragraph 1.6.

TGM, Focus and combined Pro Forma Mineral Resource Estimates (Moz)¹²



The combined group would have a larger holding of diversified assets (in both the Western Australian goldfields and in South Africa) at a similar pre-definitive feasibility study stage and the opportunity to benefit from the capabilities and experience of a combined management team. The combined group may also have an opportunity for cost synergies resulting from the sharing of resources including personnel and corporate functions.

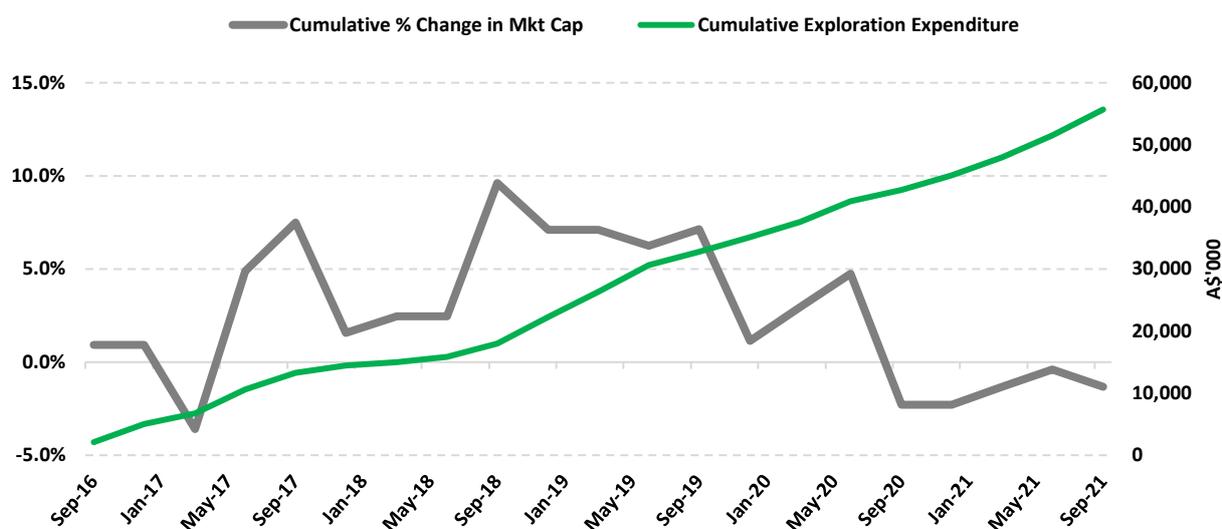
- ***TGM management expertise and experience***

TGM has a highly skilled and credentialed management team with experience gained in the top tier mining jurisdictions of Australia and South Africa. This team has a proven history of successfully taking projects from exploration through to production. TGM believes that this team could provide additional project execution skills and modern day exploration and operating techniques to assist with the restart of Focus' projects in a timely and cost-efficient manner.

As indicated in the diagram below, Focus' historical capital expenditure on exploration over the five-year period to September 2021 has resulted in limited returns to Focus shareholders on their investment - TGM considers it is well placed to address this and bridge the opportunity gap.

¹² Focus Mineral Resource estimate extracted from Focus' 2020 Annual Report announced to ASX on 31 March 2021 and Focus ASX announcement dated 6 December 2021 "Maiden 45,600oz Mineral Resource for Green Light". TGM Mineral Resource estimate extracted from TGM's ASX announcement dated 8 April 2021 "Initial Maiden Underground Mining Reserve", page 4.

Comparison of Focus' Cumulative Exploration Expenditure (A\$'000) to Cumulative Change in Market Cap¹³



Should Shandong Gold not accept the Offer, TGM considers that it can add value as a Focus shareholder. This would be via a combination of its Focus shareholding (which, as noted above, may give it more influence than any existing minority shareholder in Focus, assuming a strong level of acceptances from minority Focus shareholders) and the management and project development experience of its senior team. TGM could also offer to provide operational resources to Focus (which may assist in a tight labour market).

Commenting on the Offer, TGM Chairman Mr Bill Guy said:

“Theta Gold believes that the Offer presents a compelling opportunity to Focus shareholders to realise value for their shareholding while continuing to have an indirect interest in the Focus assets.

A combination of Theta Gold and Focus would create a group with a significant presence on the ASX, operating bases in South Africa and WA, and over 12 Moz of gold resources under management. Focus also has numerous old mine sites in the Eastern Goldfields with good grades and potential at depth and Theta Gold believes its experienced underground mining management team could add value to any consideration of these assets.

In essence, Theta Gold considers that its Offer is a more attractive proposition to Focus shareholders (including Shandong Gold) than the uncertain and highly dilutive development proposal put forward by Focus.”

TGM encourages the Focus Board (and its shareholders) to carefully consider TGM’s announced intention to make the TGM Offer (conditional on the Entitlement Offer not proceeding) and

¹³ Exploration expenditure sourced from Focus Quarterly Cashflow Reports (the aggregate value of “exploration and evaluation” in both operating and investing activities) over the period from September 2016 to September 2021. Market capitalisation sourced from ASX and Focus Annual Reports from 2017 - 2021.

requests that the Focus Board permit Focus shareholders to receive the opportunity and the premium that the TGM Offer represents.

TGM's financial advisor is Kamara Group and its legal advisor is Johnson Winter & Slattery.

This announcement was authorised for release by Mr Bill Guy, Chairman.

For more information:

Bill Guy, Chairman
Theta Gold Mines Limited
T: + 61 2 8046 7584 E: billg@thetagoldmines.com

Webpage: www.thetagoldmines.com



<https://twitter.com/ThetaGoldMines>



<https://www.linkedin.com/company/thetagoldmines/>

TGM MINERAL RESOURCES – COMPLIANCE STATEMENT

The information in this announcement that relates to TGM's Mineral Resources is extracted from TGM's ASX announcement dated 8 April 2021 (Initial Maiden Underground Mining Reserve) available to view at www.asx.com.au, and was prepared in accordance with the guidelines of the JORC Code (2012). TGM confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the Mineral Resources estimates in the relevant market announcement continue to apply and have not materially changed other than as disclosed in TGM's ASX announcement dated 25 October 2021 regarding the TGME permitting update. TGM confirms that the form and content in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

SUMMARY INFORMATION

The following disclaimer applies to this announcement and any information contained in it. The information in this announcement is of general background and does not purport to be complete. It should be read in conjunction with the Company's other periodic and continuous disclosure announcements lodged with ASX Limited, which are available at www.asx.com.au. You are advised to read this disclaimer carefully before reading or making any other use of this announcement or any information contained in this announcement. In accepting this announcement, you agree to be bound by the following terms and conditions including any modifications to them.

FORWARD LOOKING STATEMENTS

This announcement includes forward-looking statements. These statements relate to the Company's expectations, beliefs, intentions or strategies regarding the future. These statements can be identified by the use of words like "will", "progress", "anticipate", "intend", "expect", "may", "seek", "towards", "enable" and similar words or expressions containing same.

The forward-looking statements reflect the Company's views and assumptions with respect to future events as of the date of this announcement and are subject to a variety of unpredictable risks, uncertainties, and other unknowns. Actual and future results and trends could differ materially from those set forth in such statements due to various factors, many of

which are beyond our ability to control or predict. Given these uncertainties, no one should place undue reliance on any forward looking statements attributable to the Company, or any of its affiliates or persons acting on its behalf. The Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Neither the Company nor any other person, gives any representation, warranty, assurance, nor will guarantee that the occurrence of the events expressed or implied in any forward-looking statement will actually occur. To the maximum extent permitted by law, the Company and each of its advisors, affiliates, related bodies corporate, directors, officers, partners, employees and agents disclaim any responsibility for the accuracy or completeness of any forward-looking statements whether as a result of new information, future events or results or otherwise.

ABOUT THETA GOLD MINES LIMITED

Theta Gold Mines Limited (ASX: TGM | OTCQB: TGMGF | FSE: 3LM) is a gold development company that 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.

Theta Gold's core project is located next to the historical gold mining town of Pilgrim's Rest, in Mpumalanga Province, some 370km northeast of Johannesburg by road or 95km north of Nelspruit (Capital City of Mpumalanga Province). Following small scale production from 2011 – 2015, the Company is currently focussing on the construction of a new gold processing plant within its approved footprint at the TGME plant, and for the processing of the initial ore reserves.

The Company aims to build a solid production platform to over 160kozpa based primarily around shallow, open-pit or adit-entry shallow underground hard rock mining sources. Theta Gold has access to over 43 historical mines and prospect areas that can be accessed and explored, with over 6.7Moz of historical production recorded.

Theta Gold holds 100% issued capital of its South African subsidiary, Theta Gold (SA) Pty Ltd ("TGSA"). TGSA holds a 74% shareholding in both Transvaal Gold Mining Estates Limited ("TGME") and Sabie Mines (Pty) Ltd ("Sabie Mines"). The balance of shareholding is held by Black Economic Empowerment ("BEE") entities as part of the country's ESG initiatives. The BEE shareholding in TGME and Sabie Mines is comprised of a combination of local community trusts, an employee trust and a strategic entrepreneurial partner.



Appendix 1 – Bid Conditions

The Offer and any contract resulting from acceptance of the Offer is subject to satisfaction or waiver of the following conditions before the end of the Offer Period:

- (a) **(Entitlement Offer does not proceed)** prior to the end of the Offer Period, Focus announces that the Entitlement Offer will not proceed (and the Entitlement Offer does not proceed);
- (b) **(no prescribed occurrences)** during the Offer Period, none of the following events occur:
 - (i) Focus converts all or any of its shares into a larger or smaller number of shares under section 254H of the Corporations Act;
 - (ii) Focus or a Subsidiary of Focus resolves to reduce its share capital in any way;
 - (iii) Focus or a Subsidiary of Focus enters into a buy-back agreement or resolves to approve the terms of a buy-back agreement under section 257C(1) or 257D(1) of the Corporations Act;
 - (iv) Focus or a Subsidiary of Focus issues shares or grants an option over its shares, or agrees to make such an issue or grant such an option;
 - (v) Focus or a Subsidiary of Focus issues, or agrees to issue, convertible notes;
 - (vi) Focus or a Subsidiary of Focus disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
 - (vii) Focus or a Subsidiary of Focus charges, or agrees to charge, the whole, or a substantial part, of its business or property;
 - (viii) Focus or a Subsidiary of Focus resolves to be wound up;
 - (ix) a liquidator or provisional liquidator of Focus or of a Subsidiary of Focus is appointed;
 - (x) a court makes an order for the winding up of Focus or of a Subsidiary of Focus;
 - (xi) an administrator of Focus or of a Subsidiary of Focus is appointed under section 436A, 436B or 436C of the Corporations Act;
 - (xii) Focus or a Subsidiary of Focus executes a deed of company arrangement; or
 - (xiii) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of Focus or a Subsidiary of Focus,provided that a prescribed occurrence will not include any matter, the undertaking of which, TGM has previously approved in writing;
- (c) **(no prescribed occurrences between the Announcement Date and date of the Bidder's Statement)** during the period from the Announcement Date to the date that is the day

before the start of the Offer Period (each inclusive), none of the events listed in subparagraphs (i) to (xiii) of paragraph (b) happen;

- (d) **(no Focus Material Adverse Change)** between the Announcement Date and the end of the Offer Period, no Focus Material Adverse Change occurs;
- (e) **(no litigation)** between the Announcement Date and the end of the Offer Period (each inclusive), no litigation against any member of the Focus Group, which may reasonably result in judgment of \$2,500,000 or more is commenced, threatened to be commenced, announced or made known to TGM;
- (f) **(no material acquisitions, disposals or new commitments)** except with the prior written consent of TGM, none of the following events occurs during the period from the Announcement Date to the end of the Offer Period:
 - (i) a member of the Focus Group acquires, offers to acquire or agrees to acquire one or more companies, businesses or assets (or any interest in one or more companies, businesses or assets) for an amount in aggregate greater than \$5,000,000 or makes an announcement in relation to such an acquisition, offer or agreement;
 - (ii) a member of the Focus Group disposes of, offers to dispose of or agrees to dispose of one or more companies, businesses or assets (or any interest in one or more companies, businesses or assets) for an amount, or in respect of which the book value is, in aggregate, greater than \$5,000,000 or makes an announcement in relation to such a disposition, offer or agreement;
 - (iii) a member of the Focus Group enters into, or offers to enter into or agrees to enter into, any agreement, joint venture, partnership, management agreement or commitment which would require expenditure, or the foregoing of revenue, by a member of the Focus Group of an amount which is, in aggregate, more than \$2,500,000, other than in the ordinary course of business, or makes an announcement in relation to such an entry, offer or agreement;
- (g) **(non-existence of certain rights)** that no person has any right (whether subject to conditions or not) as a result of TGM acquiring Focus Shares to:
 - (i) acquire, or require Focus or a Subsidiary of Focus to dispose of, or offer to dispose of, any material asset of Focus or a Subsidiary of Focus; or
 - (i) terminate or vary or exercise any right under any material agreement with Focus or a Subsidiary of Focus,other than a right in respect of which a written, enforceable, irrevocable and unconditional waiver has been obtained and disclosed to the ASX; and
- (h) **(no restraints)** that between the Announcement Date and the end of the Offer Period:
 - (i) there is not in effect any preliminary or final decision, order or decree issued by a Public Authority; and

(ii) no application is made to any Public Authority, or action or investigation is announced, threatened or commenced by a Public Authority in consequence of or in connection with the Offer,

(other than an application to or a determination by ASIC or the Takeovers Panel in the exercise of the powers and discretions conferred by the Corporations Act), which restrains, impedes or prohibits (or if granted could restrain, impede or prohibit), or otherwise materially adversely impacts upon, the making of the Offer or the completion of any transaction contemplated by the Offer (whether subject to conditions or not) or the rights of TGM in respect of Focus and the Focus Shares to be acquired under the Offer or requires the divestiture by TGM of any Focus Shares, or the divestiture of any assets of the Focus Group, the TGM Group, or otherwise.

Definitions

Capitalised terms not otherwise defined in this announcement have the meaning given below.

Announcement Date means 9 December 2021, being the date of this announcement.

ASIC means Australian Securities and Investments Commission.

Bidder's Statement means the statement to be prepared by TGM under Part 6.5 Division 2 of the Corporations Act relating to the Offer.

Corporations Act means the *Corporations Act 2001* (Cth).

Disclosed means Fairly Disclosed in any announcement made by the Company on ASX prior to the Announcement Date.

Entitlement Offer means the 1 for 1 non-renounceable entitlement offer announced by Focus on 3 December 2021 (and includes any replacement of, or variation to, that entitlement offer or any other capital raising initiative of Focus that involves an issue of shares or convertible securities).

Fairly Disclosed means disclosed in sufficient detail so as to enable a reasonable and sophisticated person to identify the nature and scope of the relevant matter, event or circumstance.

Focus Group means Focus and each of its Subsidiaries.

Focus Material Adverse Change means any event or circumstance occurring, or being discovered or becoming public which has or could reasonably be expected to have, either individually or when aggregated with any events of a similar kind or category, the effect of a diminution in the consolidated net assets of the Focus Group (taken as a whole) by \$5,000,000 or more, but does not include an event, matter or change in circumstance:

- (a) relating to any change in taxation, interest rates or general economic conditions which impact on Focus and TGM in a similar manner;
- (b) in or relating to any change in accounting policy required by law;
- (c) that was Disclosed by Focus;
- (d) directly or indirectly as a result of any adoption, implementation or change in applicable law or any interpretation of applicable law by a Regulatory Authority;
- (e) occurring directly or indirectly as a result of any act of God, lightning, storm, flood, earthquake, cyclone, tidal wave or landslide; or
- (f) in respect of which a member of the Focus Group is entitled to recover under any applicable insurance contract.

Offer Period means the period that the Offer is open for acceptance.

Public Authority means any governmental, semi-governmental, administrative, fiscal, judicial or quasi-judicial body, department, commission, authority, tribunal, agency or entity.

Regulatory Authority includes:

- (a) ASX and ASIC;
- (b) a government or governmental, semi-governmental or judicial entity or authority;
- (c) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; and
- (d) any regulatory organisation established under statute.

Shandong Gold means Shandong Gold International Mining Corporation Limited, the largest shareholder in Focus, with an interest of approximately 49.53% in Focus at the Announcement Date.

Subsidiary means a subsidiary as that term is defined in the Corporations Act.