Theta Gold Mines Limited: Takeover Bid for Focus Minerals Limited

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Sydney, Australia - Theta Gold Mines Ltd. (ASX:TGM) (FRA:3LM) (OTCMKTS:TGMGF) 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 1,000km2 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$0.36. 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 2021; and

4) 31.1% to the 90 day VWAP of Focus Shares on ASX of A$0.275 to 8 December 2021.

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%. 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 funding the activities contemplated by the Resumption Plan". 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". 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). 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".

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.

- 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 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 Offer. 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.

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.

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 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.

*To view full detail, please visit:
https://abnnewswire.net/lnk/872H7L33

About Theta Gold Mines Limited:

Theta Gold Mines Ltd. (ASX:TGM) (OTCMKTS:TGMGF) 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 Mines 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 Theta Open Pit oxide gold ore. Nearby surface and underground mines and prospects are expected to be further evaluated in the future.

The Company aims to build a solid production platform to over 100Kozpa based primarily around shallow, open-cut or adit-entry hard rock mining sources. Theta Gold Mines has access to over 43 historical mines and prospect areas that can be accessed and explored, with over 6.7Moz of historical production recorded.

Source:
Theta Gold Mines Ltd.

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