

17 February 2022

Release of Second Supplementary Target's Statement

In accordance with section 647(3)(b) of the Corporations Act 2001 (Cth), Focus Minerals Limited (**Focus**) attaches its second supplementary target's statement (**Second Supplementary Target's Statement**) in relation to the off-market takeover offer by Theta Gold Mines Limited (**TGM**), for certain of the fully paid ordinary shares of Focus¹ (**Offer**).

The Second Supplementary Target's Statement relates to and supplements Focus' Target's Statement dated 28 January 2022 (**Target's Statement**) and Focus' Supplementary Target's Statement dated 9 February 2022 (**First Supplementary Target's Statement**) and should be read together with those documents. Despite the increased consideration under the Offer, the Second Supplementary Target's Statement sets out the Focus Board's reasons for continuing to unanimously recommend that Focus shareholders **REJECT** the Offer.

The Second Supplementary Target's Statement has or will be sent to TGM and lodged with the Australian Securities and Investments Commission today.

An electronic copy of the Target's Statement, the First Supplementary Target's Statement, the Second Supplementary Target's Statement and updates in relation to the Offer will be made available on Focus' website (<https://www.focusminerals.com.au/>) and we encourage shareholders to call the Focus Information Line on 1300 308 375 (for callers within Australia) or +61 8 6314 6300 (for callers outside of Australia) Monday to Friday between 9.00am and 5.30pm (Perth time) to address any queries.

The release of this ASX announcement was authorised by
the Board of Focus Minerals Ltd.

**For further information
please contact:**

Nicholas Ong
Company Secretary
Focus Minerals Ltd.
Phone: +61 8 9215 7888
Email: info@focusminerals.com.au

**For media and investor enquiries
please contact:**

Peter Klinger
Director, Investor Relations
Cannings Purple
Phone: +61 411 251 540
Email: pklinger@canningspurple.com.au

¹ TGM's Offer applies only to those Focus shares that existed as at 21 December 2021, and therefore does not relate to the 103,810,080 new Focus shares that were issued on 31 December 2021 pursuant to Focus' recently completed non-renounceable entitlement offer.

About Focus Minerals Limited (ASX: FML)

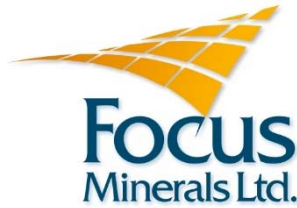
Focus Minerals is a Perth-based, ASX-listed gold exploration company focused on delivering shareholder value from its 100%-owned Coolgardie Gold Project and Laverton Gold Project, in Western Australia's Goldfields.

Focus is committed to delivering shareholder value from the Coolgardie Gold Project, a 138km² tenement holding that includes the 1.4Mtpa processing plant at Three Mile Hill (on care and maintenance), by continuing exploration and value-enhancing activities. An updated PFS in September 2020 highlighted the potential for a low capital cost, fast-tracked return to mining at Coolgardie and delivered an NPV_{7.5%} of \$183 million. The Company's efforts are now focused on increasing production-ready Mineral Resources at Coolgardie and delivering the approvals and permits required for a resumption of gold-mining operations.

The Laverton Gold Project covers 362km² area of highly prospective ground that includes the historic Lancefield and Chatterbox Trend mines. Focus' priority target is to confirm sufficient gold mineralisation at the Beasley Shear Zone, Lancefield-Wedge Thrust, Karridale and Burtville to support a Stage 1 production restart at Laverton. In parallel, Focus is working to advance key Laverton resource growth targets including Sickle, Ida-H and Burtville South. Focus has delivered first results from a progressive Pre-Feasibility Study (Pre-Tax NPV_{5.0%} A \$132M) and is advancing study work utilising Laverton's expanded Mineral Resource position.

ASX Listing Rule 5.19.2

Focus confirms that all material assumptions underpinning the production target or the forecast financial information derived from the Coolgardie 2020 PFS announced in September 2020 continue to apply and have not materially changed.



Focus Minerals Limited ACN 005 470 799

SECOND SUPPLEMENTARY TARGET'S STATEMENT

***YOUR DIRECTORS CONTINUE TO UNANIMOUSLY
RECOMMEND THAT YOU
REJECT TGM'S OFFER***

To **REJECT** TGM's Offer
DO NOTHING. IGNORE ALL DOCUMENTS FROM TGM.

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to how to deal with this document, please contact your legal, financial, taxation or other professional adviser. If you have any questions about the Offer or this document, please call the Focus Shareholder Information Line on 1300 308 375 (for callers within Australia) or +61 8 6314 6300 (for callers outside of Australia) Monday to Friday between 9.00am and 5.30pm (Perth time)

Legal Adviser

MinterEllison

Financial Adviser

 **Azure Capital**

For personal use only

1. Introduction

This is the second supplementary target's statement (**Second Supplementary Target's Statement**) of Focus Minerals Limited ACN 005 470 799 (**Focus**) under section 644 of the Corporations Act 2001 (Cth) (**Corporations Act**).

This Second Supplementary Target's Statement supplements Focus' Target's Statement dated 28 January 2022 (**Target's Statement**) and Focus' Supplementary Target's Statement dated 9 February 2022 (**First Supplementary Target's Statement**), and should be read together with those documents.

Unless the context otherwise requires, terms defined in the Target's Statement have the same meaning in this Second Supplementary Target's Statement. To the extent there is any inconsistency between the Target's Statement or the First Supplementary Target's Statement and this Second Supplementary Target's Statement, this Second Supplementary Target's Statement will prevail.

A copy of this Second Supplementary Target's Statement was lodged with ASIC and provided to ASX on 17 February 2022. Neither ASIC, ASX, nor any of their respective officers takes any responsibility as to the contents of this Second Supplementary Target's Statement.

This Second Supplementary Target Statement is an important document and requires your immediate attention. You should seek independent legal, financial, taxation or other professional advice before making a decision as to whether or not to accept the Offer.

If you have recently sold all of your Focus Offer Shares, please disregard this document.

2. Focus Directors continue to recommend that you REJECT the TGM Offer

On 14 February 2022, TGM issued its fourth supplementary bidder's statement pursuant to which:

- TGM increased the consideration under its Offer from 2 TGM shares for each Focus Offer Share you hold, to 5 TGM Shares for every 2 Focus Offer Shares you hold.

IMPORTANT: Applying a consistent description to that originally used by TGM, the TGM Offer now equates to 2.5 TGM Shares for each Focus Offer Share you hold

- TGM declared its Offer Consideration best and final in the absence of a competing proposal.

IMPORTANT: This means that TGM will not increase its Offer consideration further but TGM reserves the right to do so if a competing proposal for Focus is publicly announced.

- TGM has extended the closing date of its Offer from 7.00pm (Sydney time) on 21 February 2022 to 7.00pm (Sydney time) on 2 March 2022.

Despite the increase in the Offer Consideration, Shandong Gold has reaffirmed its intention to reject the Offer in its current form.¹ As a consequence, the maximum interest that TGM could theoretically acquire in Focus Shares under the Offer is up to 32.65%.

Having regard to the structure and terms of the revised TGM Offer and to Shandong Gold's stated intention not to accept the Offer in its best and final form, if you accept the Offer you will be substituting your current investment in Focus for an investment in TGM, a company with no prospect of acquiring control of Focus or its operations, and only a limited exposure to Focus' assets.

Your Directors have assessed the increased Offer Consideration and reiterate their previous recommendation that Focus Shareholders should **REJECT** TGM's Offer for the following reasons:

- **The Offer Consideration, comprising only TGM Shares, remains FUNDAMENTALLY UNATTRACTIVE**

As outlined in Focus' Target's Statement:

- TGM has a lower Mineral Resource and Ore Reserve inventory position than Focus.
- TGM is exposed to higher jurisdictional and business risks than Focus.
- TGM is in a weaker financial position than Focus.

¹ Focus ASX announcement titled 'Update Regarding Shandong Gold Intention to Reject TGM Offer' dated 15 February 2022.

- TGM will require additional funding to meet its short term financial commitments and substantial capital to fund any project development.
- TGM Shares have recently provided lower liquidity than Focus Offer Shares.

The increase in the Offer Consideration does not improve the attractiveness of TGM Shares as Offer Consideration or mitigate the risks that you will be exposed to as a TGM Shareholder if you accept the Offer. Indeed, the increased Offer Consideration will result in greater dilution of TGM Shares, which may place downward pressure on the market price of TGM Shares.

In addition, in TGM's recent quarterly report and the Fourth Supplementary Bidder's Statement, as at 31 December 2021, TGM has only US\$1.98 million (A\$2.45 million) in cash and cash equivalents.² This figure is likely to fall further once TGM's Offer advisory costs of approximately \$500,000 (as referenced in the Fourth Supplementary Bidder's Statement) are paid. This significant deterioration in TGM's cash position only reinforces your Directors' view that TGM Shareholders are exposed to the risk of material dilution of their TGM Shareholding in the future, and that TGM Shares are fundamentally unattractive.

Finally, it is important for Focus Shareholders to appreciate that if they accept the Offer, the only change to the current profile of TGM's assets will be the acquisition of that number of Focus Offer Shares accepted into the TGM Offer. Noting that Shandong Gold has reaffirmed its previously expressed intention to reject the Offer, the maximum theoretical acceptance level that TGM can achieve under the Offer is an interest of 32.65% in Focus. Even if that maximum interest is achieved (which would require all holders of Focus Offer Shares other than Shandong Gold to accept the Offer), TGM's interest in Focus Shares would still represent only a passive equity position. TGM would have no capacity to control or direct, and no meaningful capacity to influence, the strategic direction or management of Focus. Simply put, any Focus Shareholder who is considering accepting the Offer should appreciate that the only potential change to the current asset profile of TGM arising from the Offer is TGM acquiring a passive equity investment in Focus of up to a maximum of 32.65%.

- **Focus has a STRONG PLATFORM and IS EXECUTING ON ITS STRATEGY by progressing initiatives to drive value creation**

As outlined in its Target's Statement and First Supplementary Target's Statement, Focus has substantial funding and is already executing its Resumption Plan and implementing the actions necessary to advance the development of its Coolgardie project.

- **Despite the increase in the Offer Consideration, it remains INADEQUATE and DOES NOT appropriately reflect the underlying value of Focus' strategic asset portfolio**

For the reasons set out in Section 1.2 of the Target's Statement, your Directors continue to unanimously consider that:

- your Focus Shares are worth substantially more than both the Implied Offer Value of \$0.413³ per Focus Offer Share as at 14 February 2022 (being the date that the increase to the Offer Consideration was announced) and the Implied Offer Value of \$0.375⁴ per Focus Offer Share as at the close of trading on 16 February 2022; and
- the Offer is otherwise inadequate and does not reflect fair value for your Focus Offer Shares.

Considering all the factors set out in Section 1.2 of the Target's Statement, your Directors remain optimistic about Focus' prospects and consider that continuing to hold your Focus Shares should deliver superior value over the medium to long-term when compared to accepting the Offer and becoming a TGM Shareholder.

As previously noted in the Target's Statement, the Focus Board considers that:

- TGM recognises the attractive medium to long-term prospects of an investment in Focus; and

² TGM ASX announcement titled 'Quarterly Activities and Cash Flow Report 31 December 21' dated 28 January 2022.

³ Established from the TGM closing price of \$0.165 as at 14 February 2022, applying an exchange ratio of 2.5 (Source: S&P Capital IQ, included without S&P Capital IQ consent in reliance on ASIC Corporations (Consents to Statements) Instrument 2016/72).

⁴ Established from the TGM closing price of \$0.150 as at 16 February 2022, applying an exchange ratio of 2.5 (Source: S&P Capital IQ, included without S&P Capital IQ consent in reliance on ASIC Corporations (Consents to Statements) Instrument 2016/72).

For personal use only

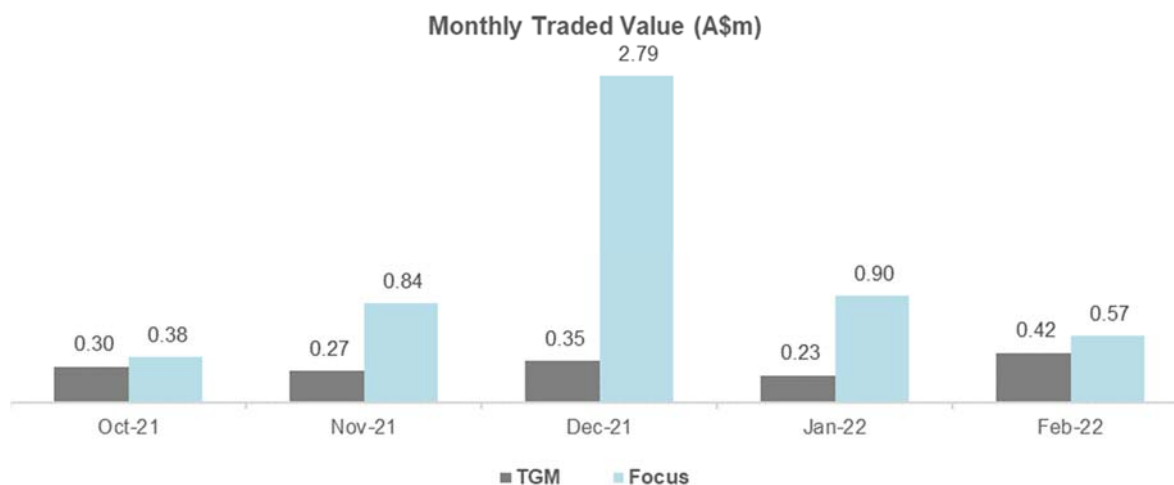
- the Offer has been structured in an opportunistic manner to provide an avenue for TGM to acquire a material minority stake in Focus, without expending any cash resources for the Offer Consideration.

TGM is proceeding with its Offer even though TGM can at best only acquire a passive, minority equity stake in Focus, without any prospect of acquiring control or material influence over management of Focus. Therefore, it is readily open to infer that the only plausible commercial rationale for TGM pursuing this strategy is that TGM recognises the attractive medium to long-term prospects of a passive equity investment in Focus.

Indeed, despite TGM's constrained cash position as at 31 December 2021, TGM has incurred material cash costs (approximately \$500,000 according to its Fourth Supplementary Bidder's Statement), to make the Offer (presumably) as a pathway for TGM securing an equity position in Focus without expending any cash resources for the Offer Consideration. Having regard to these considerations, your Directors unanimously consider that Focus Shareholders who accept the Offer:

- will be surrendering to TGM the attractive medium to long term prospects of a direct investment in Focus; and
- will receive TGM Shares, the current value and prospective future realisable value of which, does not in your Director's unanimous view, adequately compensate you for the loss of a direct investment in Focus.

In addition, despite the improved premium implied by TGM's Offer, your Directors consider that the continuing low levels of liquidity in TGM Shares means there is no guarantee that accepting Focus Shareholders will be able to realise any such premium. Given the low level of liquidity in TGM Shares, it is reasonable to expect that it will take longer to sell TGM Shares than Focus Shares. If a large number of accepting Focus Shareholders seek to sell their TGM Shares to realise the current premium implied by TGM's Offer, this has the potential to place downward pressure on the TGM share price. Focus Shareholders who accept the Offer and who also seek to realise the cash value of their TGM Shares by selling them on market, may be unable to realise the current Implied Offer Value. In other words, the realisable value Focus Shareholders could actually receive after they are issued their TGM Shares and sell them on market may be less than the current Implied Offer Value. Lower levels of liquidity in TGM Shares is demonstrated in the following graph, which outlines the monthly traded value of Focus and TGM Shares in recent months:



Source: S&P Capital IQ as at 16 February 2022, included without S&P Capital IQ consent in reliance on ASIC Corporations (Consents to Statements) Instrument 2016/72.

- **Despite the Offer now being unconditional, there may be ADVERSE TAX CONSEQUENCES if you accept the Offer.**

As described in Section 7 of the Target's Statement, scrip-for-scrip rollover relief is not available for those Focus Shareholders who accept the Offer. Accordingly, Focus Shareholders who accept the Offer will potentially incur a capital gains tax liability arising from the disposal of their Focus Offer Shares.

In addition, Focus Shareholders who accept the Offer and then seek to sell their new TGM Shares on market will potentially incur a second, separate, capital gains tax liability arising from the disposal of those TGM Shares.

Given the possibility that Focus Shareholders who accept the Offer could potentially incur capital gains tax liability as a result of:

- first, disposing of their Focus Offer Shares by accepting the Offer (noting that this first potential capital gains tax liability will not be able to be funded by any cash proceeds from accepting the Offer, as the Offer Consideration comprises solely TGM Shares); and
- second, subsequently disposing of their TGM Shares,

your Directors recommend that you seek independent professional advice regarding the taxation consequences of:

- accepting the Offer (and thereby disposing of your Focus Offer Shares); and
- any proposed disposal of the TGM Shares you acquire from acceptance of the Offer.

You should take any such taxation consequences into account when assessing the realisable premium implied by the Offer, in deciding whether or not to accept the Offer and, if you do accept the Offer, whether to sell the TGM Shares issued to you as Offer Consideration.

3. Reliance on ASIC class orders

As permitted by ASIC Class Order 13/521, this Second Supplementary Target's Statement contains statements which are made, or based on statements made, in documents lodged with ASIC or given to ASX. In accordance with this class order, the consent of TGM or the ASX (respectively) is not required for the inclusion of such statements in this Second Supplementary Target's Statement. Any Focus Shareholder who would like to receive a copy of any of those documents may obtain a copy (free of charge) during the Offer Period by contacting Focus.

4. Shareholder enquiries

If you have any questions about the Offer, the Target's Statement or this Second Supplementary Target's Statement, please contact the Focus Shareholder Information Line on 1300 308 375 (for callers within Australia) or +61 8 6314 6300 (for callers outside of Australia) Monday to Friday between 9.00am and 5.30pm (Perth time).

5. Approval

This Second Supplementary Target's Statement has been approved by resolution passed by the directors of Focus under section 645(3)(a) of the Corporations Act.

This Second Supplementary Target's Statement is dated 17 February 2022.

Signed for and on behalf of Focus Minerals Limited by:



Wanghong Yang
Executive Chairman

Date: 17 February 2022