



**Tesoro Resources Limited**

**ABN 79 618 093 306**

**Special Purpose Financial Report**  
for the period 21 March 2017, *date of incorporation*,  
to 30 June 2018

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## **CORPORATE DIRECTORY**

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Tesoro Resources Limited is an Australian public company focused on the acquisition, exploration and development of commercially significant resource projects in Chile, with a focus on gold. For more details visit [www.tesororesources.com.au](http://www.tesororesources.com.au).

The Company was incorporated in Western Australia on 21 March 2017. Current relevant information is as follows:

### **DIRECTORS**

Mr Geoffrey McNamara  
(Non-Executive Chairman)

Mr Zeffron Reeves  
(Managing Director)

Dr Leonidas Howden  
(Non-Executive Director)

Ms Shannon Coates  
(Non-Executive Director)

### **COMPANY SECRETARY**

Ms Shannon Coates

### **REGISTERED OFFICE**

Suite 5  
62 Ord Street  
WEST PERTH WA 6005

### **AUDITORS**

RSM Australia Partners  
Level 32 Exchange Tower  
2 The Esplanade  
PERTH WA 6000

## **Tesoro Resources Limited**

### **Directors' report**

I am pleased to present the Financial Report of Tesoro Resources Limited ('Tesoro Resources', 'Tesoro' or the 'Company' and together with its subsidiaries the 'Group') for the period ended 30 June 2018.

Tesoro Resources is an emerging precious metals explorer focused on Chile.

Tesoro Resources was founded on the 21st of March 2017, with a clearly defined strategy to target the Coastal Cordillera Belt of Chile for gold projects which meet the company's criteria of a defined or identified mineralising system, district scale footprint and near existing infrastructure. During 2017 the company identified the El Zorro and Espina (renamed from Esperanza) gold projects as meeting this criteria and entered into option agreements to acquire both projects.

Over the course of December 2017, an initial drilling campaign at our flagship El Zorro Project was concluded with 10 diamond core holes for 1,450 metres drilled. El Zorro is the site of historical artisanal workings and previous exploration by Coeur D'Alene Mining. The objective was to test the extent of gold mineralisation throughout the main Coquetas deposit, confirming the potential scale of the deposit.

Assay results were very encouraging with wide zones of strong gold mineralisation encountered across the Coquetas deposit. Importantly, all the holes completed (which extends over a strike length of over 550m) were mineralised, substantiating Tesoro's initial view of a potentially significant mineralised system.

Highlights from the drilling include:

- 84.30 metres @ 1.30g/t Au from 75.00 metres to 159.30 metres, including 29 metres @ 2.9g/t and 11 metres @ 4.70g/t;
- 10 metres @ 4.53g/t Au from 56.00 metres to 66.00 metres; and
- 0.35 metres @ 20.10g/t Au from 9.80 metres to 10.15 metres.

These results clearly demonstrate the potential for a large scale mineralised system occurring from surface and containing high grade gold zones. Tesoro believes there is strong potential to grow the known footprint of Coquetas and initial exploration field work indicates several targets of similar scale and analogous geological features to Coquetas. The Company believes these sites could comprise extensions of Coquetas, which would support the view that it may be part of a much larger, district scale, mineralised system.

During February and March 2018, a detailed mapping program was completed at Coquetas to better understand the controls on gold mineralisation. Additional reconnaissance was completed on the wider project area and the Company believes Coquetas could be part of a much larger mineralising system, with the host lithology identified up to 3 kilometres away, as well as favourable geological structures and the return of highly anomalous sampling from outcrops up to 1 kilometre north.

The Company engaged the services of Cube Consulting to manage its geological database and to assist with the development of a 3D model of the El Zorro Project.

A second diamond drilling program was undertaken at Coquetas to follow up and expand on the maiden drill program. This program further expanded the scale of El Zorro. An additional 6 holes were drilled for 1,605m, with all holes drilled beyond their planned target depths due to the occurrence of visible sulphide mineralisation and alteration analogous to the previously drilled mineralised zones.

All holes drilled in this program have encountered wide intercepts of alteration and sulphide. Three of the holes were drilled to 300 metre depth, these holes are the deepest ever drilled at Coquetas and extend the host lithology and alteration system to depth of 300 metres and 100 metres to the east.

An exceptional wide zone of gold mineralisation was intercepted in hole ZDDH0011 of 98.30m @ 1.58g/t Au from 176.00m, including a number of higher grade zones within this large intercept:

- 30.30 metres @ 3.03 g/t Au from 181.70 metres;
- 11.00 metres @ 4.70g/t Au or 15.60m @ 3.87 g/t Au from 196.40m;
- 9.00 metres @ 5.07 g/t Au, including 0.70m @ 21.70 g/t Au from 203.00 metres;

**Tesoro Resources Limited**  
**Directors' report**

- 5.00m @ 4.13 g/t Au from 217.00 metres; and
- 9.80m @ 2.28 g/t Au from 246.60m.

This hole was designed to test the interpreted down plunge position of the previously drilled mineralisation in hole ZDDH0010 from the first drill program (ZDDH0010 84.30m @ 1.30g/t Au). ZDDH0011 successfully demonstrated the continuity, tenor and width of the gold bearing zone, as well as the continuity of the host lithology to depth and to the east. This mineralised zone remains open to depth and along strike.

Additional significant intercepts include:

- ZDDH0012 - 58.80 metres @ 1.70g/t Au, including 20.30 metres @ 4.50g/t Au, 1.00m @ 56.20 g/t Au, 2.40 metres @ 33.35g/t Au and 6.70m @ 12.21 g/t Au; and
- ZDDH0016 - 0.32 metres @ 31.30 g/t Au.

These were exceptional results and further underpins the belief that Coquetas has the potential to host a large scale gold deposit.

Tesoro Resource's field team has continued mapping and sampling work on the El Zorro Gold project, identifying new targets to the North (Coquetas North and Toro Blanco), West (Drone Hill) and South (Buzzard) of Coquetas, growing the potential footprint of El Zorro system to over 4 kilometres of strike.

The Company is also encouraged with its initial work at the Espina Gold Project, with widespread epithermal style gold mineralisation having been identified along two main structural trends, each with over 2 kilometres of strike length. Espina, although an early stage project, is showing signs of being a significant porphyry related system, with widespread alteration zones and gold mineralised veins having been mapped at surface over large distances.

Given the momentum generated in 2017/2018, we are very much looking forward to 2018/2019, with a busy schedule of exploration programmes planned and a listing of Tesoro Resources.

We look forward to being able to report back to you during 2019 on our developments.



Geoff McNamara  
Chairman

Tesoro Resources Limited

## **Tesoro Resources Limited**

### **Directors' report**

The Directors present their report, together with the financial statements, of the consolidated entity (referred to hereafter as the 'consolidated entity' or 'the group') consisting of Tesoro Resources Limited (referred to hereafter as the 'Company', 'Tesoro' or 'parent entity') and the entities it controlled at the end of, or during, the period commencing on the date of incorporation on 21 March 2017 and ending 30 June 2018.

#### **Directors**

The following persons were Directors of Tesoro Resources Limited during the whole of the financial period and up to the date of this report, unless otherwise stated:

Geoffrey McNamara – Non-Executive Chairman (*appointed 27 November 2017*)

Zeffron Reeves – Managing Director (*appointed 21 March 2017*)

Leonidas Howden – Non-Executive Director (*appointed 27 November 2017*)

Shannon Coates – Non-Executive Director (*appointed 17 January 2018*)

#### **Principal activities**

The principal activities of the Company and its subsidiaries are the acquisition, exploration and development of commercially significant resource projects in Chile. The Company currently holds interests in Chile, namely the El Zorro Project, prospective for gold and the Espina Project, prospective for gold and copper.

#### **Review of operations**

It has been a transformative period for Tesoro Resources Limited with the Company securing the rights to two highly prospective gold projects in Chile and establishing an in-country exploration team and office in Santiago. Significant progress has been made in the understanding of both projects with exceptional drilling results being returned from the El Zorro Gold Project, validating the Company's strategy of locating and developing prospective projects within the Coastal Cordillera of Chile.

The following is a summary of the milestones and achievements made by Tesoro Resources since its inception.

Significant advances have been made at the Company's flagship El Zorro Gold Project and the Company has also commenced systematic exploration of its district scale Espina Gold Project.

Tesoro was established with a strategy of acquiring, exploring and developing resource projects in the Coastal Cordillera region of Chile. The Coastal Cordillera region is host to multiple world class copper (Candelaria) and gold (Maricunga) mines, has well established infrastructure, service providers and an experienced mining workforce. Large areas of the Coastal Cordillera remain relatively unexplored due to the unconsolidated nature of mining concession ownership, but Tesoro, via its in-country network has been able secure rights to two district scale gold projects (El Zorro Project and Espina Project) in-line with the Company's strategy.

#### **Project Acquisition**

##### ***El Zorro Gold Project***

On 17 July 2017 Tesoro, through its 95% owned Chilean subsidiary, Tesoro Mining Chile SpA, signed an option to acquire the El Zorro Gold Project (El Zorro Project) concessions consisting of 5 concessions covering 1,100 hectares. Under the agreement, Tesoro Mining Chile SPA has the right to acquire 80% (with ability to earn 100%) of the project concessions by meeting certain expenditure commitments and vendor payments. Since entering the El Zorro Project Agreement, Tesoro has identified a large mineralising system and has subsequently expanded its ground holdings at the El Zorro Project to 5,370 Ha.

The El Zorro Project is located in Region III of Chile approximately 55km north of the port town of Caldera, 10km inland of the Pan American Highway.

Gold mineralisation at the El Zorro Project was identified during the 1980's by local artisanal miners and subsequently explored by Coeur d'Alene Mining (Coeur) in the early 1990's when extensive granite hosted gold mineralisation was delineated. Work conducted by and recent work completed by Tesoro has identified the El Zorro gold system as an Intrusive Related Gold (IRG) system with gold and gold bearing fluids associated with a suite of variably fractioned granitic intrusions.

CDE drilled over 7000m of drilling defining a mineralised zone over 400m long and 150m wide at the Coquetas target. As part of the option agreement to acquire the project Tesoro's team has been able to access some limited historical information from the Coeur programs which has assisted Tesoro's exploration work and planning of Tesoro's drilling campaigns at Coquetas.

### **Espina Gold Project**

On the 11 December 2017 Tesoro Resources, through its 95% owned Chilean subsidiary, Tesoro Mining Chile SpA, signed an option to acquire the Espina Gold project consisting of 14 concessions covering 2,631 hectares. Under the agreement Tesoro Mining Chile SPA has the right to acquire 90% (with ability to earn 100%) of the project concessions by meeting certain expenditure commitments and vendor payments. Since entering the Espina agreement Tesoro has identified further prospective areas adjoining the existing concession and has subsequently expanded its ground holdings at Espina to 5,531 Ha.

Espina is located approximately 50km south of Santiago, the capital of Chile, within the Maipo Valley and is easily accessible by sealed roads.

Gold mineralisation at Espina has been identified in epithermal style veins and alteration systems associated with strike extensive structural zones and has been historically mined on a small scale since the late 1700's. The project geology is analogous to Yamana Gold's Minera Florida operations which are located approximately 25 kilometres south of Espina.

The Espina Project has had little exploration conducted with previous work consisting of surface and prospect mapping, surface sampling (soils and rock chips) and a helicopter borne magnetic survey. Tesoro Resources gained access to the historic exploration data as part of the Espina agreement which has enabled Tesoro Resources to define targets and develop its exploration plan for the project.

The El Zorro and Espina Projects provide a highly prospective portfolio of concessions in a world class mining jurisdiction, which Tesoro Resources believes will create significant value for the Company and its shareholders. Both assets meet the Company's project selection criteria and define Tesoro as an emerging gold developer focused on the Coastal Cordillera of Chile.

### **El Zorro Project Exploration Activities**

Following signing of the El Zorro Project Agreement, the Company immediately commenced exploration work at the El Zorro Project to with a focus on drilling at Coquetas to validate and confirm results obtained by Coeur.

Work completed during the year included:

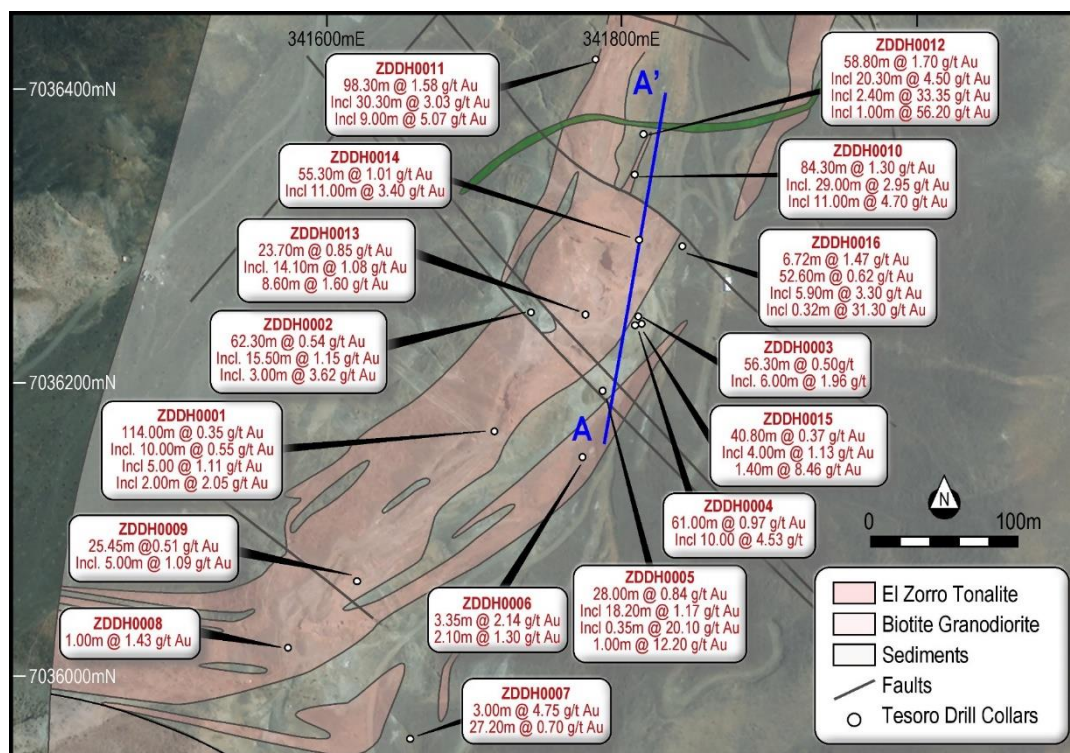
- 16 diamond drill holes for 3,085m;
- Multi element geochemistry and petrography studies to determine gold mineralising mechanisms and genesis;
- Detailed mapping at Coquetas and district scale mapping of the wider El Zorro Project;
- A drone flown aeromagnetic survey;

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- District scale surface sampling of the El Zorro host rocks;
- ASTER Satellite imagery acquisition and associated alteration mapping;
- Topographical survey of the Coquetas area;
- 3D modelling of host lithology and mineralised structures; and
- Detailed review of collected project data by Dr. Nick Oliver to develop an exploration model and strategy.

Drilling at Coquetas returned exceptional results with 15 of the 16 holes intercepting significant intervals of gold mineralisation with numerous 100g/m intercepts having been returned. Drilling also assisted classification of the mineralising system and rapidly increased Tesoro's geological knowledge at Coquetas which has resulted in the identification of a large, previously unknown gold system.

Gold at the El Zorro Project is primarily associated with a sequence of tonalitic, intrusive rocks. Tesoro Resources has expanded the foot print of these host rocks, through mapping, to an area of 3 kilometres by 2 kilometres which remains open in all directions and demonstrates the large scale potential of the El Zorro Project.



**Figure 1 – Coquetas significant intercepts defining gold mineralisation over 650m of strike and open in all directions.**



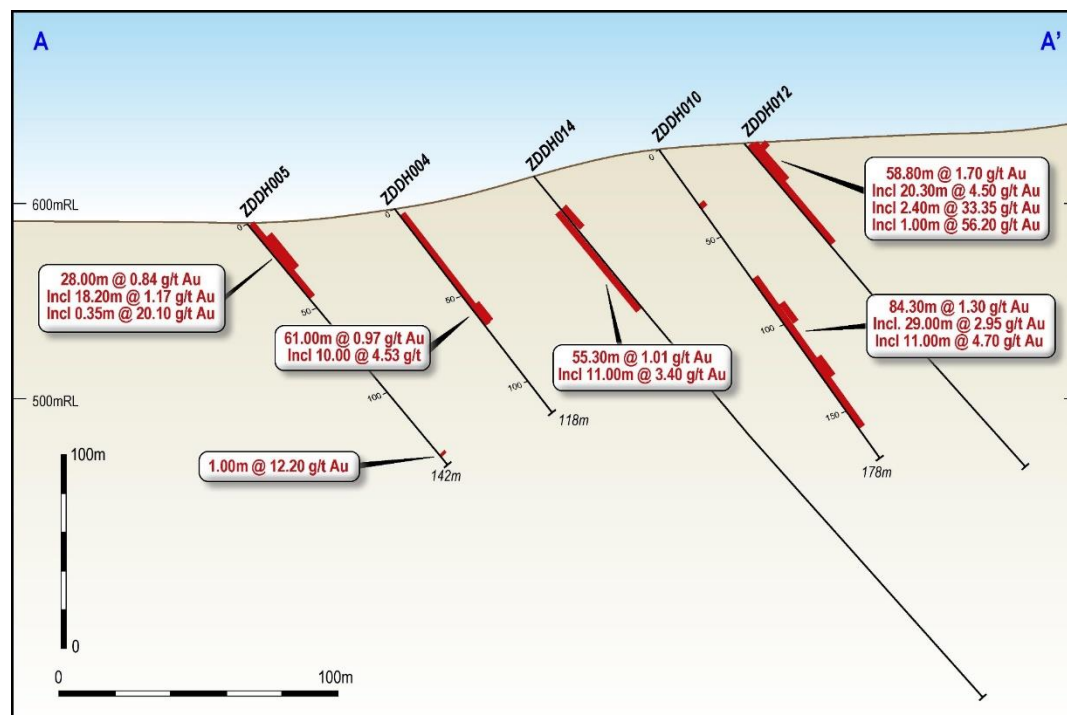


Figure 2 – Coquetas section showing thick high-grade gold intercepts

Hole_ID	From (m)	To (m)	Interval	Au (g/t)	Comments	Hole_ID	From (m)	To (m)	Interval	Au (g/t)	Comments
ZDDH0001	33.64	39.00	5.36	0.97		ZDDH0010	75.00	159.30	84.30	1.30	
ZDDH0001	107.00	112.00	5.00	1.11		ZDDH0010	75.00	104.00	29.00	2.95	including
ZDDH0001	117.00	119.00	2.00	2.05		ZDDH0010	82.50	86.45	3.95	4.97	including
ZDDH0002	8.80	24.30	15.50	1.15	including	ZDDH0010	91.00	102.00	11.00	4.70	including
ZDDH0002	8.80	14.00	5.20	1.96	including	ZDDH0010	93.00	97.00	4.00	8.50	including
ZDDH0002	51.70	68.00	16.30	0.78	including	ZDDH0011	176.00	274.30	98.30	1.58	
ZDDH0002	58.00	60.33	2.33	3.62	including	ZDDH0011	181.70	212.00	30.30	3.03	including
ZDDH0003	21.00	77.30	56.30	0.50		ZDDH0011	196.40	212.00	15.60	3.87	including
ZDDH0003	21.00	27.00	6.00	1.96	including	ZDDH0011	203.00	203.70	0.70	21.70	including
ZDDH0003	21.00	22.83	1.83	5.24	including	ZDDH0011	203.00	212.00	9.00	5.07	including
ZDDH0003	37.20	43.00	5.80	1.27	including	ZDDH0012	0.00	58.80	58.80	1.70	
ZDDH0004	5.00	66.00	61.00	0.97		ZDDH0012	1.70	22.00	20.30	4.50	including
ZDDH0004	56.00	66.00	10.00	4.53	including	ZDDH0012	1.70	8.40	6.70	12.21	including
ZDDH0004	57.00	61.00	4.00	9.60	including	ZDDH0012	3.00	4.00	1.00	56.20	including
ZDDH0005	4.00	42.65	38.65	0.65		ZDDH0012	2.30	4.70	2.40	33.35	including
ZDDH0005	9.80	28.00	18.20	1.17	including	ZDDH0013	46.30	70.00	23.70	0.85	
ZDDH0005	9.80	10.15	0.35	20.10	including	ZDDH0013	51.25	65.35	14.10	1.08	including
ZDDH0005	72.00	73.00	1.00	4.32	including	ZDDH0014	15.30	70.60	55.30	1.01	
ZDDH0005	135.80	136.80	1.00	12.20		ZDDH0014	15.30	34.00	18.70	2.19	including
ZDDH0006	22.60	25.95	3.35	2.14		ZDDH0014	15.30	26.30	11.00	3.40	including
ZDDH0006	24.00	25.00	1.00	6.10	including	ZDDH0015	112.00	116.00	4.00	1.13	
ZDDH0007	1.00	4.00	3.00	4.75		ZDDH0015	240.60	242.00	1.40	8.46	
ZDDH0007	39.00	66.20	27.20	0.70		ZDDH0016	152.00	204.60	52.60	0.62	
ZDDH0007	39.00	58.00	19.00	0.80	including	ZDDH0016	188.10	194.00	5.90	3.30	including
ZDDH0009	12.55	38.00	25.45	0.51		ZDDH0016	188.58	188.90	0.32	31.30	including
ZDDH0009	21.00	26.00	5.00	1.09	including						

Table 1 – Coquetas significant diamond drilling intercepts table – full results published on the company's website [www.tesororesources.com.au](http://www.tesororesources.com.au)

### Espina Project Exploration Activities

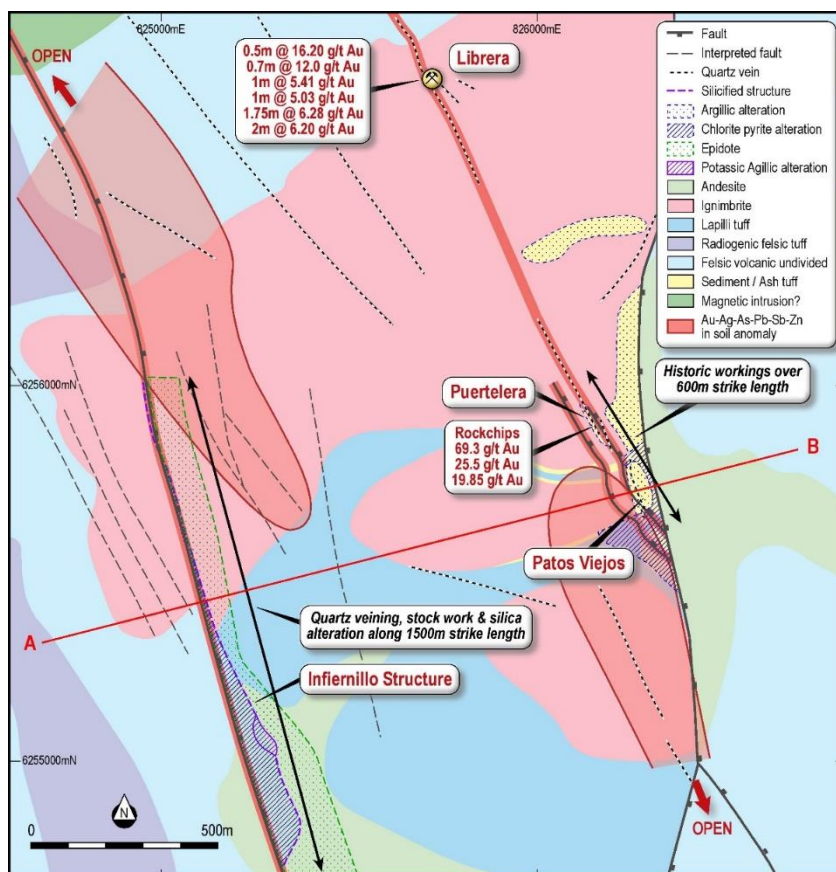
Upon entering into the Espina agreement the Company commenced low impact exploration works to identify and rank prospective targets.

The work completed during the period included:

- Reprocessing and interpretation of aeromagnetic data;
- Detailed surface geological and structural mapping over the Infernillo and Puertelera trends;
- Collection and multielement assay of 1060 soil samples on a 50m x 50m grid; and
- Rock chip sampling on exposed veins.

Mapping and soil sampling results have delineated two major prospective trends, Infernillo and Puertelera, both over 2.5 kilometres long. Both trends are defined by the presence of outcropping, mineralised gold quartz veins, displaying epithermal vein textures. Rock chip samples returned up to 69.30 g/t Au and two large soil anomalies were defined by coincident anomalism of Au, Ag, As, Pb, Sb and An, element all associated with epithermal gold mineralisation.

The work completed to date has highlighted the highly prospective nature and large scale of the Espina Project epithermal system and the Company is planning further work to generate drill targets in the coming year.



**Figure 3 - Geology and sampling of the Infernillo and Puertalera vein systems. Strike extensive gold and base metal soil anomalies shown in red.**

In conjunction with the technical work carried out at Espina ongoing community engagement was conducted throughout the period, engaging the local landowners and other community stakeholders who may be impacted by activities at the Espina Project.

## **Corporate Activities**

During the reporting period the Company raised a total of \$1,907,488 at an issued share price of \$0.15 per share, issuing 12,716,585 shares .

2,273,318 shares were issued in consideration for capital raising fees.

Subsequent to period end, 136,054 were issued in consideration for part payment of option fees on the El Zorro agreement.

## **Competent Person's Statement**

The information in this report that relates to Exploration Results is based on information compiled by Mr Zeffron Reeves (B App Sc (Hons) Applied Geology) MBA, MAIG). Mr Reeves is a member of the Australian Institute of Geoscientists and a Consultant to the Company. Mr Reeves has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Reeves consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.

## **Information on Directors**

**Geoffrey McNamara** Non-Executive Chairman  
**BSc (Applied Geology), AusIMM, FINSIA, AICD**

Mr McNamara is a geologist with over 25 years' experience in the resource sector, covering operational roles including Project Manager, Senior Mine Geologist and Mine Geologist for Ivanhoe Mines, LionOre International and Western Mining Corporation. A Partner at investment manager and advisor Medea Capital Partners, he was previously an owner and Investment Director of private equity firm Pacific Road Capital. Prior to this he was a Director of Société Generale's Mining Finance group in New York. He currently holds a number of Non-Executive Director roles including Non-Executive Chairman of UK listed Cora Gold Limited. Mr McNamara holds a Bachelor degree in Geology and a Graduate Diploma in Applied Finance and Investment from the Financial Services Institute of Australasia. He is a member of the Australian Institute of Company Directors (AICD) and the Australasian Institute of Mining and Metallurgy (AusIMM).

**Zeffron Reeves** Managing Director  
**BSc (Hons) (Applied Geology), MBA, MAIG**

Mr Reeves is a geologist with over 20 years' experience in the resources sector working on projects from greenfields exploration, discovery, definition and feasibility, construction, production to closure. Zeffron was most recently Managing Director of ASX listed Metallum Ltd, which had a number of development and operational projects in Chile. He has also held senior management positions with Cleveland Mining Ltd and Ashburton Minerals Ltd, developing projects in Brazil. Zeffron has a Bachelor of Applied Geology (Honours), a Masters of Business Administration from Curtin University and is a member of the Australia Institute of Geoscientists.

**Leonidas Howden** Non-Executive Director  
**B.Eng, Ph.D**

Dr Howden is a finance professional with over 10 years' experience in the natural resources industry. A Partner at Medea Capital Partners, he has worked on a broad range of projects covering precious and base metals and has extensive expertise in debt structuring, mergers and acquisitions, asset valuation and principal investing. Prior to joining Medea Capital Partners, he was an Associate Director for WestLB AG in London, working as an originator in the structured commodity finance team. Leonidas holds a Doctorate in Mechanical Engineering from the University of Nottingham, UK.

**Shannon Coates** Non-Executive Director  
**LLB, BJuris, AGIA, ACIS, GAICD**

Ms Coates is a qualified lawyer with over 20 years' experience in corporate law and compliance. She is currently non-executive director of ASX listed companies Vmoto Limited and Kopore Metals Limited and company secretary to a number of public unlisted and ASX listed companies. She has significant experience in a wide range of corporate and commercial matters, including strategy, remuneration, mergers and acquisitions, debt and equity capital markets, risk management and compliance, regulation and corporate governance, both in Australia and internationally. Shannon holds a Bachelor of Laws from Murdoch University, is a Chartered Secretary and a graduate of the AICD's Company Directors course. She is a past recipient of the West Australian Women in Mining scholarship and was selected for the AICD Chairman's Mentoring Program.

**Company Secretary**  
**Ms Shannon Coates**

Refer Director information above.

**Meetings of Directors**

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2018, and the number of meetings attended by each Director were:

	<b>Board meetings</b>		<b>Audit Committee</b>		<b>Remuneration Committee</b>	
	<b>Attended</b>	<b>Eligible to attend</b>	<b>Attended</b>	<b>Eligible to attend</b>	<b>Attended</b>	<b>Eligible to attend</b>
Geoffrey McNamara	5	5	-	-	-	-
Zeffron Reeves	5	5	-	-	-	-
Leonidas Howden	5	5	-	-	-	-
Shannon Coates	5	5	-	-	-	-

**Shares**

As at the date of this report, there are 71,920,423 fully paid ordinary shares on issue.

**Options**

At the date of this report, there are nil unissued ordinary shares of Tesoro Resources Limited under option.

During the period ended 30 June 2018, nil shares were issued upon the exercise of options.

**Significant changes in the state of affairs**

The following summary of events marks significant milestones in the state of affairs of the Company during the financial period:

1. 10,000 ordinary shares at \$0.01 each was issued on incorporation of the Company, on 21 March 2017 in Western Australia. On 21 November 2017, the Company sub-divided the 10,000 fully paid shares and converted into 23,335,000 fully paid ordinary shares.
2. On 27 June 2017, the Company entered into a Funding Proposal Agreement (Loan) with Medea Capital Partners to provide the Company with funding up to \$150,000, amended to \$200,000 on 27 October 2017. On 30 November 2017, the Company issued 26,665,000 fully paid ordinary shares as full satisfaction of the loan payable.
3. On 5 October 2017, the Company changed its name from Stockholm Holdings Pty Ltd to Tesoro Resources Pty Ltd.

4. On 17 July 2017, the Company entered into an option agreement to acquire the mining concessions of the El Zorro Project.
5. On 13 December 2017, the Company entered into an option agreement to acquire the mining concessions of the Espina Project.
6. On 23 January 2018, the Company completed a placement to professional and sophisticated investors of 12,716,585 shares at an issue price of \$0.15 per share to raise \$1,907,488 (before costs). On 28 February 2018, a further 2,273,318 shares were issued in the Company in part consideration for capital raising services provided in relation to the placement.
7. On 29 January 2018, the Company issued 1,350,868 fully paid ordinary shares on conversion of a \$200,000 loan plus interest from Director related entity, Tanamera Resources Pte Ltd.
8. On 9 February 2018, the Company changed its company status from Pty Ltd to Limited.
9. On 9 March 2018, El Zorro SCM was incorporated, a Chilean joint venture company, which holds the rights to the concessions subject to the El Zorro option agreement. As at the end of the reporting period Tesoro Mining Chile SpA had earned 10% of El Zorro SCM.

There were no other significant changes in the state of affairs of the consolidated entity during the financial period.

#### **Matters subsequent to the end of the financial period**

On 2 August 2018 amendments were made to the El Zorro SCM JV and Tesoro Mining Chile has currently earned 51% of El Zorro SCM.

On 24 August 2018, 136,054 shares were issued to the vendor of El Zorro at a deemed issue price of \$0.15 in part consideration for the stage 2 payment pursuant to the El Zorro Option Agreement.

On 4 September 2018 and 24 September 2018, 4,534,986 and 908,612 shares respectively were issued to a cornerstone investor at an issue price of \$0.15 per share.

Other than as discussed above, no other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial periods.

#### **Future developments, prospects and business strategies**

The consolidated entity intends to continue with the advancement of exploration at its current projects located in Chile and seek out further exploration, acquisition and development gold projects in Chile.

#### **Environmental regulation**

The consolidated entity is aware of its environmental obligations with regards to its exploration activities and ensures that it complies with all regulations when carrying out any exploration work. The Directors of the consolidated entity are not aware of any breach of environmental regulations for the period under review.

#### **Indemnifying officers or auditor**

In accordance with the constitution, except as may be prohibited by the Corporations Act 2001 every officer, auditor or agent of the Company shall be indemnified out of the property of the Company against any liability incurred by him in his capacity as officer, auditor or agent of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal.

The consolidated entity has a Directors and Officers insurance policy in place.

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**Directors' report**

**Proceedings on behalf of the company**

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors' report.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors



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Geoffrey McNamara Non-  
Executive Chairman  
31 October 2018

**RSM Australia Partners**

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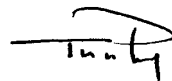
**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of the financial report of Tesoro Resources Limited for the financial period 21 March 2017 to 30 June 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.



RSM AUSTRALIA PARTNERS



TUTU PHONG  
Partner

Perth, WA  
Dated: 31 October 2018

**Tesoro Resources Limited**  
**Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
**For the period ended 30 June 2018**

	<b>CONSOLIDATED</b>
	<b>21 March 2017 to 30 June 2018 \$</b>
Interest revenue	1,577
Administration expenses	(24,266)
Consultancy expense	(77,402)
Corporate and compliance expenses	(101,623)
Depreciation	(187)
Employee related expenses	(206,816)
Impairment of assets	(130,749)
Interest and finance expenses	(4,082)
Legal expenses	(125,622)
Other expenses	(135,339)
Foreign currency translation	(970)
<b>Loss before income tax</b>	<b>(805,479)</b>
<b>Income tax expense</b>	<b>-</b>
<b>Loss after tax</b>	<b>(805,479)</b>
<b>Other comprehensive income/(expense)</b>	
<i>Items that may be reclassified to profit or loss:</i>	
Exchange differences on translation of foreign operations	223,431
<b>Other comprehensive income/(loss) for the period, net of tax</b>	<b>223,431</b>
<b>Total comprehensive loss for the period</b>	<b>(582,048)</b>

*The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*



**Tesoro Resources Limited**  
**Consolidated Statement of Financial Position**  
**As at 30 June 2018**

		<b>CONSOLIDATED</b>
	<b>Note</b>	<b>As at 30 June 2018 \$</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents		135,661
Trade and other receivables	3	133,542
<b>TOTAL CURRENT ASSETS</b>		<b>269,203</b>
<b>NON-CURRENT ASSETS</b>		
Exploration and evaluation expenditure	4	1,754,495
Plant and equipment		382
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,754,877</b>
<b>TOTAL ASSETS</b>		<b>2,024,080</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Trade and other payables	5	295,910
<b>TOTAL CURRENT LIABILITIES</b>		<b>295,910</b>
<b>TOTAL LIABILITIES</b>		<b>295,910</b>
<b>NET ASSETS</b>		<b>1,728,170</b>
<b>EQUITY</b>		
Issued capital	6	2,310,218
Reserves	7	223,431
Accumulated losses		(805,479)
<b>TOTAL EQUITY</b>		<b>1,728,170</b>

*The above consolidated statement of financial position should be read in conjunction with the accompanying notes*

**Tesoro Resources Limited**  
**Consolidated Statement of Changes in Equity**  
**For the period ended 30 June 2018**

<b>CONSOLIDATED</b>	<b>Issued Capital \$</b>	<b>Accumulated Losses \$</b>	<b>Reserves \$</b>	<b>Total Equity \$</b>
<b>Balance at incorporation, 21 March 2017</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>100</b>
Loss for the period	-	(805,479)	-	(805,479)
Exchange differences arising on translation of foreign currency	-	-	223,431	223,431
<b>Total comprehensive (loss) for the period</b>	<b>-</b>	<b>(805,479)</b>	<b>223,431</b>	<b>(582,048)</b>
Shares issued on repayment of loan	402,630	-	-	402,630
Share issues (net of costs)	1,907,488	-	-	1,907,488
<b>Balance at 30 June 2018</b>	<b>2,310,218</b>	<b>(805,479)</b>	<b>223,431</b>	<b>1,728,170</b>

*The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes*

**Tesoro Resources Limited**  
**Consolidated Statement of Cash Flows**  
**For the period ended 30 June 2018**

**Cash flows from operating activities**

Interest received

1,577

Payments to suppliers and employees

(490,442)

**Net cash flows (used in) operating activities**

**(488,865)**

**Cash Flows from investing activities**

Payments for exploration and evaluation

(1,681,523)

Purchase of plant and equipment

(570)

**Net cash flows (used in) investing activities**

**(1,682,093)**

**Cash flows from financing activities**

Proceeds from share issue

1,907,588

Proceeds from borrowings

400,000

**Net cash flows provided by financing activities**

**2,307,588**

**Net increase in cash and cash equivalents**

136,630

Foreign currency translation

(969)

Cash and cash equivalents at incorporation

-

**Cash and cash equivalents at 30 June 2018**

**135,661**

**21 March 2017  
to  
30 June 2018  
\$**

*The above consolidated statement of cash flows should be read in conjunction with the accompanying notes*

**Note 1. Significant accounting policies**

The principal accounting policies adopted in the preparation of the financial statements are set out below.

**New or amended Accounting Standards and Interpretations adopted**

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

**Basis of preparation**

In the Directors' opinion, the consolidated entity is not a reporting entity because there are no users dependent on general purpose financial statements.

These are special purpose financial statements that have been prepared for the purposes of complying with the Corporations Act 2001 requirements to prepare and distribute financial statements to the owners of Tesoro Resources Limited. The Directors have determined that the accounting policies adopted are appropriate to meet the needs of the owners of Tesoro Resources Limited.

These financial statements have been prepared in accordance with the recognition and measurement requirements specified by the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the disclosure requirements of AASB 101 'Presentation of Financial Statements', AASB 107 'Statement of Cash Flows', AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors', AASB 1048 'Interpretation of Standards' and AASB 1054 'Australian Additional Disclosures', as appropriate for for-profit oriented entities.

*Historical cost convention*

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

*Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

**Parent entity information**

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only.

**Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Tesoro Resources Limited ('Company' or 'parent entity') as at 30 June 2018 and the results of all subsidiaries for the period then ended. Tesoro Resources Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

### **Principles of consolidation (continued)**

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

### **Foreign currency translation**

The financial statements are presented in Australian dollars, which is Tesoro Resources Limited's functional and presentation currency.

#### *Foreign currency transactions*

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

#### *Foreign operations*

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

### **Income tax**

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

### **Income tax (continued)**

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

### **Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

### **Revenue recognition**

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

### **Interest**

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

### **Other revenue**

Other revenue is recognised when it is received or when the right to receive payment is established.

### **Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the consolidated statement of financial position.

### **Trade and other receivables**

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

### **Plant and equipment**

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment over their expected useful lives as follows:

Plant and equipment	3-7 years
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The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

### **Trade and other payables**

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial period and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

### **Fair value measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

### **Exploration and evaluation expenditure**

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Accumulated costs in relation to an abandoned area are written off in full against profit in the period in which the decision to abandon the area is made. When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

### **Issued capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### **Goods and Services Tax ('GST') and other similar taxes**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the consolidated statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

### **Comparatives**

There is no comparative information as the Company was only incorporated on 21 March 2017.

### **New Accounting Standards and Interpretations not yet mandatory or early adopted**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the reporting period ended 30 June 2018. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.



**Note 2. Critical accounting judgements, estimates and assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial period are discussed below.

*Provision for impairment of receivables*

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

*Exploration and evaluation expenditure*

Exploration and evaluation costs have been capitalised on the basis that the activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised.

**21 March 2017  
to  
30 June 2018  
\$**

**Note 3. Trade and other receivables**

Advances to external parties	96,214
GST receivable	14,863
Prepayments	22,465
	<u>133,542</u>

**Note 4. Exploration and evaluation expenditure**

Costs carried forward in respect of areas of interests:	
Option payment of Espina project	58,158
Option payment of El Zorro project	127,859
Exploration expenditure capitalised	1,568,478
	<u>1,754,495</u>

**Note 5. Trade and other payables**

Trade payables	280,271
Other payables	14,770
Provisions for employee benefits	869
	<u>295,910</u>

**21 March 2017  
to  
30 June 2018  
\$**

**Note 6. Issued capital**

66,340,771 issued and fully paid ordinary shares	2,310,218
	<u>2,310,218</u>

	<b>Period ended 30 June 2018 Number</b>	<b>Period ended 30 June 2018 \$</b>
<i>Movement in ordinary shares on issue</i>		
Shares issued at incorporation	10,000	100
Share reconstruction	(10,000)	-
Shares issued post reconstruction	23,335,000	-
Shares issued on repayment of Medea loan	26,665,000	200,000
Placement – Jan 2018 - \$0.15 per share	12,716,585	1,907,488
Shares issued on repayment of Tanamera loan	1,350,868	202,630
Incentive shares issued to brokers	2,273,318	340,998
Capital raising costs	-	(340,998)
At 30 June 2018	<u>66,340,771</u>	<u>2,310,218</u>

**Note 7. Reserves**

Opening balance	-
Foreign currency translation	223,431
Balance at end of the period	<u>223,431</u>

**Note 8. Commitments for expenditure**

**Exploration commitments**

The Company's exploration commitments are as follows:

Not longer than 1 year	52,069
Longer than 1 but not longer than 5 years	-
Longer than 5 years	-
Balance at end of the period	<u>52,069</u>

Exploration commitments consist of annual rents payable on mineral concessions.

### **Note 9. Contingent assets**

All purchases in Chile are subject to the payment of the Impuesto al Valor Agregado ("IVA") which is a Value Added Tax. Tesoro Resources is entitled to claim back the IVA tax it has paid on all Chilean purchases. As at 30 June 2018, the IVA tax receivable is approximately \$130,749. The contingent asset has not been recognised as a receivable at 30 June 2018 as receipt of the amount is dependent upon the Company meeting the IVA refund conditions stipulated by the relevant taxation authorities in Chile.

### **Note 10. Contingent liabilities**

As consideration for assistance to the Company as it needs to undertake an Initial Public Offering ("IPO") or Reverse Take Over ("RTO") to list the Company's shares on a recognised exchange, the Company shall:

- Issue JAWAF Enterprises Pty Ltd and Bentley Capital Limited with 1,000,000 shares in the Company on the completion of such RTO or IPO subject to the value being paid for the Company being at least \$14 million.
- In accordance with an Advisory Agreement dated 8 February 2018, a success fee shall be payable to Medea Natural Resources as per the following terms:
  - Cash fee of 2% of the Transaction value in the case of an M&A transaction;
  - Cash fee of 4% of funds raised by way of equity, convertibles, equity-linked instruments or the Transaction Value paid by and investor, where Medea has introduced such investors;
  - Cash fee of 2% of funds raised by way of equity, convertibles, equity-linked instruments or the Transaction Value paid by an investor, where Medea has been involved in structuring the transaction but has not introduced such investors;
  - A cash fee of 2% of funds raised by way of debt instruments from any debt investor.
  - A Corporate Finance Fee of AUD 150,000 plus any applicable VAT shall be payable upon in the event that the shares of the Company are priced at AUD 22.5/share at the UPO or an RTO then a n additional payment of AUD 50,000 plus any applicable VAT shall be payable.

There are no other contingent liabilities as at 30 June 2018.

### **Note 11. Interest in subsidiaries**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary in accordance with the accounting policy described in note 1:

<b>Name</b>	<b>Country of incorporation</b>	<b>Ownership %</b>
Tesoro Mining Chile SPA	Chile	95

**Note 12. Cash flow information**

*Reconciliation of net loss after tax to the net cash flows from operations:*

	<b>21 March 2017 to 30 June 2018 \$</b>
<b>Net loss</b>	<b>(805,479)</b>
<b>Non-cash items</b>	
Impairment of VAT receivable	130,749
Depreciation	187
Repayment of interest via shares	2,630
<b>Changes in assets and liabilities</b>	
Receivables and other assets	(112,862)
Payables and accruals	295,910
<b>Net cash flows (used in) operating activities</b>	<b>(488,865)</b>
<b>Reconciliation of cash:</b>	
<i>Cash balances</i>	<i>135,661</i>
	<b>135,661</b>

**Note 13. Remuneration of auditors**

During the financial period the following fees were paid or payable for services provided by RSM Australia Partners, the auditor of the company:

	<b>21 March 2017 to 30 June 2018 \$</b>
Audit services	25,000
Taxation services	20,000
Other taxation services	380
	<b>45,380</b>

**Note 14. Events after reporting period**

On 2 August 2018 amendments were made to the El Zorro SCM JV and Tesoro Mining Chile has currently earned 51% of El Zorro SCM.

On 24 August 2018, 136,054 shares were issued to the vendor of El Zorro at a deemed issue price of \$0.15 in part consideration for the stage 2 payment pursuant to the El Zorro Option Agreement.

On 4 September 2018 and 24 September 2018, 4,534,986 and 908,612 shares respectively were issued to a cornerstone investor at an issue price of \$0.15 per share.

Other as discussed above, no other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial periods.

**Tesoro Resources Limited**  
**Directors' declaration**

In the Directors' opinion:

- the consolidated entity is not a reporting entity because there are no users dependent on general purpose financial statements. Accordingly, as described in note 1 to the financial statements, the attached special purpose financial statements have been prepared for the purposes of complying with the Corporations Act 2001 requirements to prepare and distribute financial statements to the owners of Tesoro Resources Limited;
- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards to the extent as described in note 1 to the financial statements, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the financial period 21 March 2017 to 30 June 2018; and
- 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 Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors



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Geoffrey McNamara  
Non-Executive Chairman  
31 October 2018

**RSM Australia Partners**

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**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
TESORO RESOURCES LIMITED**

**Opinion**

We have audited the financial report of Tesoro Resources Limited (the Company) and its subsidiary (the Group), which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the financial period 21 March 2017 to 30 June 2018, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the financial period 21 March 2017 to 30 June 2018; and
- (ii) complying with Australian Accounting Standards to the extent described in Note 1 and the *Corporations Regulations 2001*.

**Basis for Opinion**

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Basis of Accounting**

We draw attention to Note 1, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

**THE POWER OF BEING UNDERSTOOD**  
**AUDIT | TAX | CONSULTING**

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RSM Australia Partners ABN 36 965 185 036

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## **Other Information**

The directors are responsible for the other information. The other information comprises the corporate directory and directors' report, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of the Directors for the Financial Report**

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

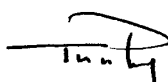
## **Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This description forms part of our auditor's report.



RSM AUSTRALIA PARTNERS



TUTU PHONG  
Partner

Perth, WA  
Dated: 31 October 2018