



Tesoro Resources Limited

ABN 91 106 854 175

Half-Year Financial Report
for the half-year ended 31 December 2020

TABLE OF CONTENTS

<i>Corporate Directory</i>	<i>2</i>
<i>Directors' Report</i>	<i>3</i>
<i>Auditor's Independence Declaration</i>	<i>10</i>
<i>Consolidated Statement of Profit or Loss and Other Comprehensive Income</i>	<i>11</i>
<i>Consolidated Statement of Financial Position</i>	<i>12</i>
<i>Consolidated Statement of Changes in Equity</i>	<i>13</i>
<i>Consolidated Statement of Cash Flows</i>	<i>14</i>
<i>Notes to the Financial Statements</i>	<i>15</i>
<i>Directors' Declaration</i>	<i>27</i>
<i>Independent Auditor's Review Report</i>	<i>28</i>

CORPORATE DIRECTORY

Tesoro Resources Limited is an Australian listed 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.

DIRECTORS

Mr John Toll
(Non-Executive Chairman)

Mr Zeffron Reeves
(Managing Director)

Mr Geoffrey McNamara
(Non-Executive Director)

COMPANY SECRETARY

Ms Shannon Coates

REGISTERED OFFICE

Suite 5
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WEST PERTH WA 6005

AUDITORS

RSM Australia Partners
Level 32 Exchange Tower
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PERTH WA 6000

SHARE REGISTRAR

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SECURITIES EXCHANGE LISTING

Australian Securities Exchange Limited
(Home Exchange: PERTH, Western Australia)
Code: TSO

The Directors present their report, together with the financial statements, of the Group (referred to hereafter as the “consolidated entity” or “the Group”) and the entities it controlled at the end of, or during, the half-year ended 31 December 2020.

Directors

The following persons were Directors of Tesoro Resources Limited who held office during or since the end of the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

John Toll	Non-Executive Chairman
Zeffron Reeves	Managing Director
Geoffrey McNamara	Non-Executive Director

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 Gold Project, which is prospective for gold.

Operating results

The loss, after tax, attributable to the Group for the financial half-year ended 31 December 2020, amounted to \$2,268,179 (2019: \$281,004 loss).

Control gained over entities, basis of preparation and comparative information

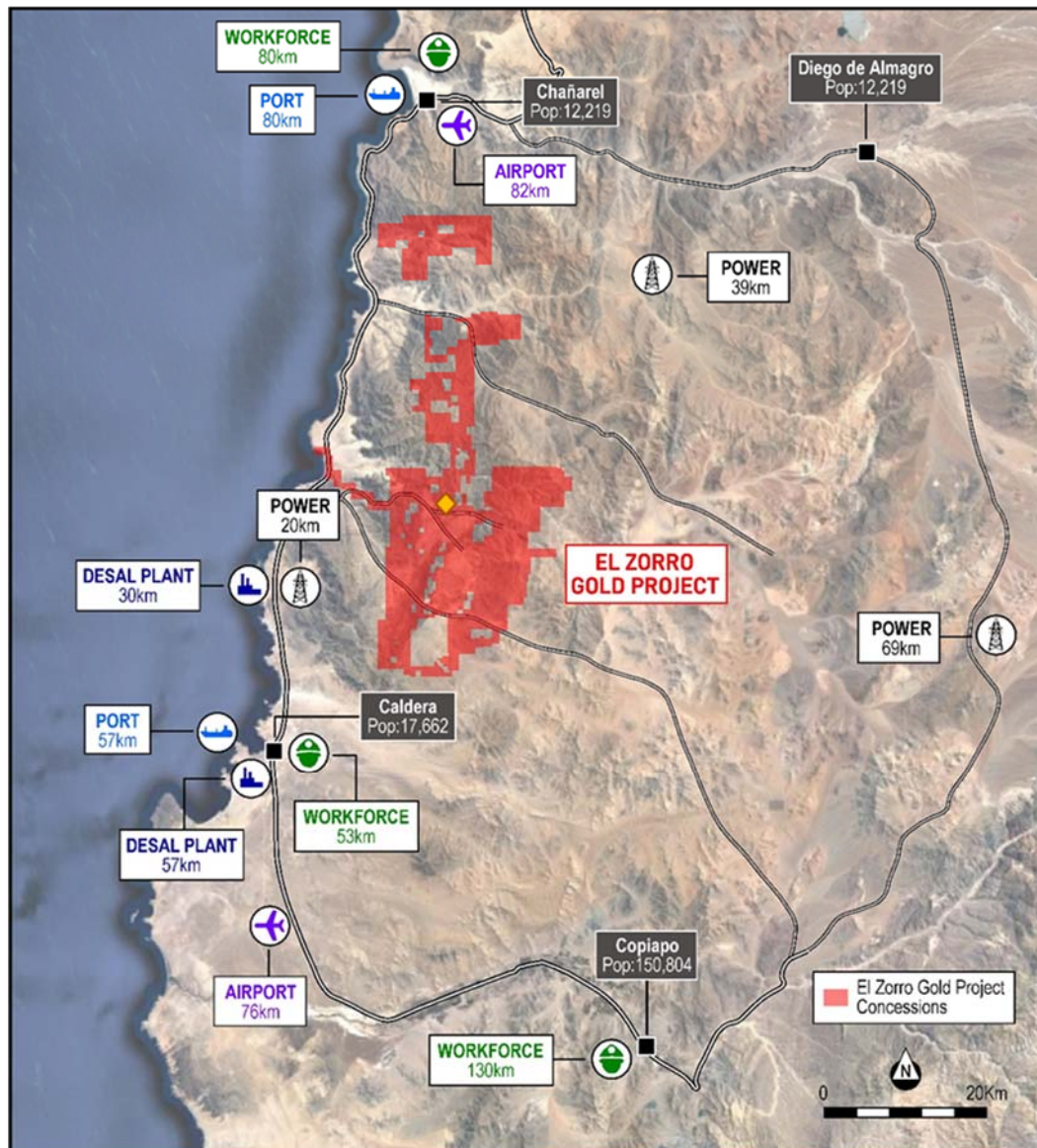
Tesoro Resources Limited (formerly Plukka Limited) completed the acquisition of Tesoro Australia Pty Ltd (formerly Tesoro Australia Limited) (“*Tesoro Subsidiary*”) on 29 January 2020 and relisted on the ASX on 7 February 2020. As a result of the acquisition, the former shareholders of Tesoro Subsidiary effectively obtained control of the combined entity. Accordingly, under the principles of the Australian Accounting Standard AASB3 Business Combinations, Tesoro Subsidiary was deemed to be the accounting acquirer in this transaction. The acquisition has been accounted for as a reverse acquisition by which Tesoro Subsidiary acquired the net assets and listing status of Tesoro Resources Limited (formerly Plukka Limited).

Accordingly, the consolidated financial statements of Tesoro Resources Limited have been prepared as a continuation of the business and operations of Tesoro Subsidiary. As the deemed acquirer, Tesoro Subsidiary has accounted for the acquisition of Tesoro Resources Limited from 29 January 2020. The comparative information (pcp) for the half-year ended 31 December 2019 presented in the consolidated financial statements are that of Tesoro Subsidiary. Where necessary, comparative information has been reclassified and repositioned for consistency with current period disclosures. Most of the accounting policies have changed from those of the former Plukka Limited to those of the Tesoro Subsidiary.

Review of Operations

Overview

Tesoro's focus is the El Zorro Gold Project (El Zorro) which is located in Northern Chile, 140km from the city of Copiapo in Region III and approximately 800km north of the capital, Santiago. El Zorro is located in close proximity to established infrastructure and has demonstrated promising results, both in terms of the scale and grade of the emerging Ternerá Gold Deposit that the Company has delineated since first becoming involved in the project in mid-2017.



Location Map for the El Zorro Gold Project showing proximity to existing infrastructure and population centres.

In Q1 FY21, Tesoro expanded its landholding from approximately 110km² to 540km² following a regional review, which identified prospective geology for which Tesoro made successful applications.

At the Ternerá Gold Deposit, a total of 30 holes were completed for 8,065m of diamond drill core drilling. Assays were received for five holes, all of which returned positive gold results.

In Q2 FY21, drilling continued at El Zorro focused on Ternera, with 26 holes completed for 8,524m. Assays were received for 33 holes, all returning significant gold intercepts. Results received significantly increased the scale of the Ternera gold deposit, more than doubling the previously defined mineralised footprint.

In late December 2020, Hole ZDDH00069 returned a wide, well mineralised intercept with a thick high-grade zone of 33.00m @ 5.09g/t Au. This hole was particularly significant as it confirmed the continuity of mineralisation along the eastern sector of the Ternera deposit, over 500m of strike and added to the previously reported gold intercepts (see ASX Announcements - 24 November 2020 and 16 December 2020).

In mid-January 2021, drilling activity continued and assays were received for five holes, resulting in an expansion of gold mineralisation at Ternera to the north-east and south (see ASX Announcement - 11 January 2021). The consistency of mineralisation being drilled at Ternera demonstrates the potential scale of the entire El Zorro Gold System and the Company has scheduled a significant infill and extensional drill program for H1 of CY2021 to define gold resources at Ternera.

Scoping Study activities for the Ternera deposit commenced during January 2021, with long lead activities and data collection to support the development of the project underway.

Subsequent to the reporting period end, in February 2021, Tesoro reported further step out drilling results which extended gold mineralisation 200m to the east of the Ternera deposit, with hole ZDDH00080 returning 13.00m @ 1.17g/t Au from 108.00m including 4.50m @ 3.08g/t Au from 115.50m (see ASX Announcement - 19 February 2021).

These results increased the Ternera gold mineralised zone confirmed by drilling over 950m of strike, 450m wide, over 400m deep and remains open in all directions. To date the drilled Ternera gold mineralised surface expression is 1,500m of strike, up to 600m wide and remains open in all directions, with Tesoro's drilling campaign ongoing, using four rigs working 24/7.

Gradient Array Induced Polarisation (GAIP) Survey Extension

During the period Tesoro completed GAIP surveying expanding the previously surveyed area (see ASX Announcement - 10 August 2020) by 700m to the south east and also 700m to the north-west. An additional 30 lines of GAIP surveying using 50m spaced survey lines and 25m station spacing were completed along north-east south-west oriented survey lines.

Results from the survey were correlated to existing drilling results and geological mapping, which indicates that IP surveying is effective in targeting potential gold bearing structures at El Zorro and the mineralised host rock, the El Zorro Tonalite. The GAIP survey has also assisted in identifying additional prospective fault zones which may host gold mineralisation similar to Ternera, where Tesoro is currently drilling. In addition, potential for Ternera style repeats to the east-south-east of Ternera have been identified (**Figure 1**).

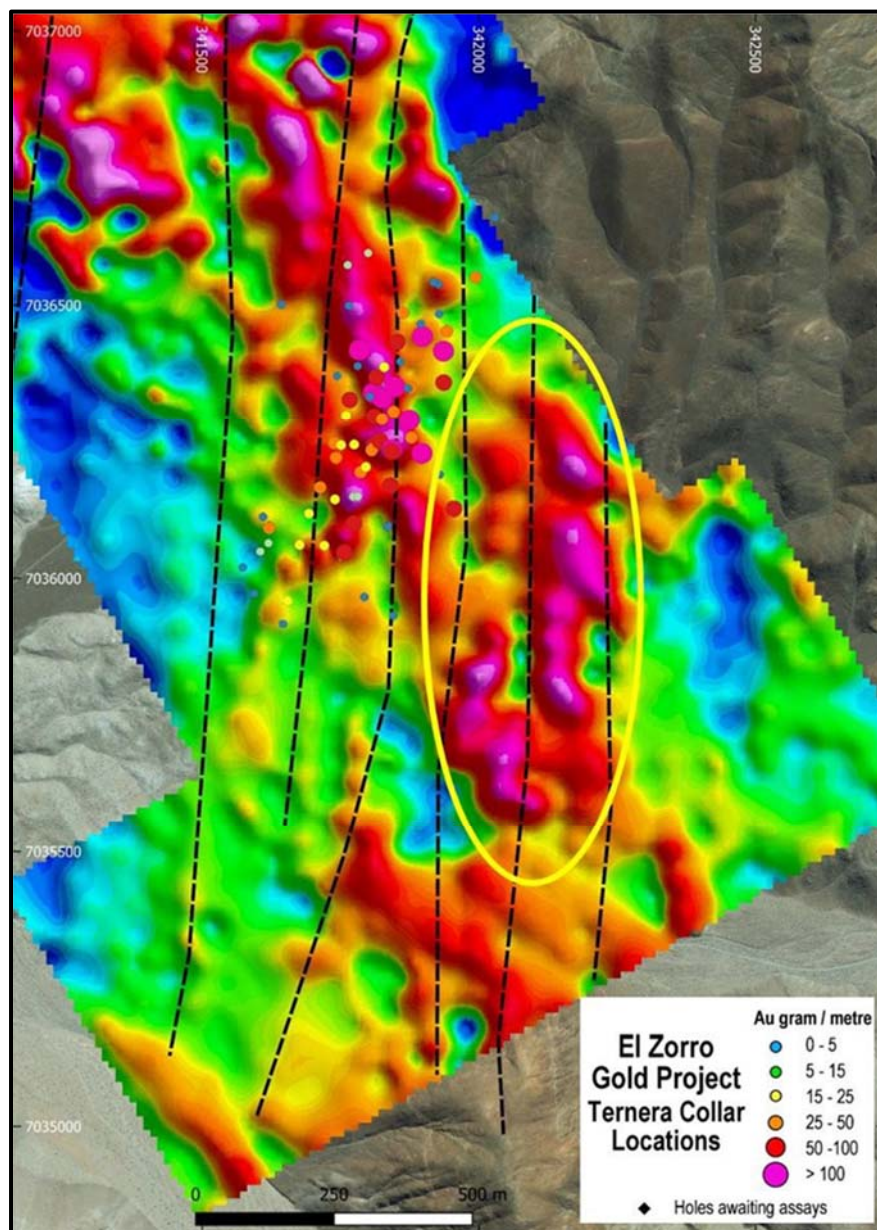


Figure 1 - The Ternerera prospect showing the GAIP chargeability response with a half vertical derivative filter, where high chargeability is represented by warm colours. The Ternerera drill collars are colour coded to gram-metre intercepts. North trending master faults are shown as dashed black lines. A prospective GAIP anomaly trend having a very similar, repeat pattern to Ternerera is highlighted as a new target area (yellow outline).

Toro Gordo Prospect

A surface channel sampling program at the Toro Gordo prospect during Q2 FY21 identified extensive, vein hosted, surface gold mineralisation, defined over an area of 650m by 500m immediately south of the Ternerera gold deposit.

Significant trench sampling results during Q2 FY21 included:

- 17.00m @ 1.48g/t Au, including 1.00m @ 22.30g/t Au;
- 23.00m @ 2.16g/t Au, including 1.00m @ 42.70g/t Au;
- 40.00m @ 1.23g/t Au, including 8.00m @ 3.14g/t Au;
- 5.00m @ 1.26g/t Au, including 5.00m @ 1.08g/t Au;
- 26.00m @ 0.92g/t Au, including 5.00m @ 1.97g/t Au; and
- 18.00m @ 1.23g/t Au, including 4.00m @ 3.97g/t Au.

Surface gold mineralisation at Toro Gordo has now been delineated over an area covering approximately 650m by 500m, with mineralisation appearing to be continuous between the Ternerá deposit and Toro Gordo.

At Toro Gordo, a large gold mineralised alteration zone adjoins the southern part of the Ternerá gold deposit, however, it is hosted in granodiorite lithology, whereas the Ternerá dominant host lithology is the El Zorro Tonalite. This is encouraging, as it demonstrates the potential for gold mineralisation to occur in multiple lithologies within the El Zorro Project area. Initial drilling was completed during December 2020 and January 2021, with assay results remaining outstanding.

Tesoro has four diamond drill rigs drilling 24 hour per day at the Project to define the Ternerá Deposit. Tesoro has increased its resourcing at El Zorro with 27 direct employees and approximately 40 contractor personnel supporting the project.

CORPORATE

Capital Raising

In December 2020, Tesoro announced an \$18 million Placement and \$3 million Share Purchase Plan (SPP) to raise up to \$21 million (before costs).

The Placement comprised the issue of 66,666,667 new Shares at an issue price of \$0.27 per share.

The issue price under the Placement represented a 9.3% discount to the last closing price and a 14.6% discount to the 5-trading day and 15-trading day volume weighted average price (VWAP) for shares in the Company up to and including Friday, 4 December 2020.

A further 925,926 new Shares were issued to Tribeca in lieu of fees for capital raising services. PAC Partners Securities Pty Ltd was Lead Manager to the Placement.

The SPP aimed to raise \$3 million (before costs) and opened on 11 December, giving eligible Shareholders the opportunity to apply for up to \$30,000 of new fully paid ordinary shares in the Company without incurring brokerage or other transaction costs. The issue price of Shares to be issued under the SPP (SPP Shares) was \$0.27 per share, the same as the Placement.

Post the end of the period, the Company announced it had received valid applications for a total of 16,836,932 new Shares from Eligible Shareholders, totalling \$4,546,000 and exceeding the targeted \$3,000,000. The Company conducted a pro-rata scale back of applications received in excess of \$3,000,000, in accordance with the terms of the SPP. Eligible Shareholders received approximately 66% of SPP Shares subscribed for.

Tesoro has and will use funds raised for its planned 30,000m resource definition and extensional drill program at the El Zorro Gold Project, a detailed metallurgical testwork program and the commencement of a Scoping Study at the Company's El Zorro Gold Project in early FY2021, and for general working capital purposes, including the costs of the capital raising.

Post the end of the period, on 1 March 2021, the Company announced it had modified the terms of its acquisition of El Zorro, as the project, and the Ternera Deposit, are now materially larger than contemplated by the existing Purchase Option Agreement. Currently, Tesoro's 95% owned Chilean subsidiary, Tesoro Mining Chile owns 70% of El Zorro S.C.M., the holder of the El Zorro concessions (the JV Company). Under the Purchase Option Agreement, in order to reach 80% ownership, Tesoro was required to make a final USD50,000 Stage 4 project payment by 17 January 2022 and deliver a feasibility study. The Purchase Option Agreement has now been terminated, meaning that the JV Company will now be operated under normal Chilean company regulations, which includes that all shareholders must be given the opportunity to contribute proportionally to the JV Company's capital requirements. If a shareholder elects not to contribute to a capital raising, then their ownership will be diluted.

This change means that any future capital requirements for the JV Company will be subject to a contribute or dilute mechanism. Tesoro will be able to increase its participating interest in the El Zorro Gold Project by contributing to exploration and development expenditure if the minority shareholder elects not to contribute.

COVID-19 impact

All the Company's staff and contractors, including those on site at the El Zorro Project in Chile are safe. The Company has implemented procedures to ensure all staff and contractors remain safe and healthy during the COVID-19 pandemic, including regular testing, altered rosters and strict quarantining procedures. As at the date of this report, the Company's operations at the El Zorro Project have not been directly affected by COVID-19 restrictions in Chile, however the Company continues to monitor this closely with the health and wellbeing of all staff and contractors priority.

Significant changes in the state of affairs

There were no other significant changes in the state of affairs of the Group during the half-year.

Matters subsequent to the end of the half-year

As the impact of the Coronavirus (COVID-19) pandemic is ongoing, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

On 11 and 27 January 2021, the Company announced assays results from the drilling program at the Ternera Prospect, El Zorro Project in Chile.

On 13 January 2021, the Company announced the completion to the SPP announced 9 December 2020, issuing 11,111,111 fully paid ordinary shares raising \$3 million (before costs).

On 1 March 2021, the Company announced that it had modified the terms and structure of its acquisition of the El Zorro Gold Project to now be a fully contributing Joint Venture (JV). The existing Purchase Option Agreement has been terminated and the JV will now be operated as a fully contributing JV. Tesoro's ownership interest in the El Zorro Gold Project is currently 70% (through a 70% shareholding in El Zorro S.C.M., the company which holds the El Zorro concessions). Tesoro has the potential to increase its ownership by contributing to current exploration and development expenditures immediately, if the 30% minority holder does not contribute.

On 5 March 2021, the Company announced the first assay results from the Toro Gordo prospect and additional assay results for holes from the Ternera deposit at the Company's El Zorro Gold Project (El Zorro) in Chile.

Other than as discussed above, no other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Competent Person 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 Director and major shareholder of 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.

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.

Auditors

RSM Australia Partners continues in office in accordance with section 307C of the Corporations Act 2001.

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the Directors



John Toll
Non-Executive Chairman
12 March 2021

RSM Australia Partners

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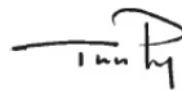
AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Tesoro Resources Limited for the half-year ended 31 December 2020, 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.



RSM AUSTRALIA PARTNERS



TUTU PHONG
Partner

Perth, WA
Dated: 12 March 2021

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RSM Australia Partners ABN 36 965 185 036

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Tesoro Resources Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half-year ended 31 December 2020

		Consolidated	
		Half-Year Ended 31 December 2020 \$	Half-Year Ended 31 December 2019 \$
Interest revenue		1,240	8
Other revenue		60,900	-
Administration expenses		(112,834)	(49,718)
Consultants expenses		(176,089)	(5,340)
Corporate and compliance expenses		(122,279)	(25,982)
Depreciation		(475)	(189)
Employee related expenses		(145,266)	(130,544)
Equity based payments	6	(1,574,101)	-
Financial expenses		(251)	(52,079)
Legal and professional fees		(132,815)	(27,170)
Impairment of assets		(68,155)	10,010
Foreign currency translation		1,946	-
Loss before income tax from continuing operations		(2,268,179)	(281,004)
Income tax expense		-	-
Loss after tax		(2,268,179)	(281,004)
Other comprehensive income/(loss)			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		133,470	(284,216)
Other comprehensive income/(loss) for the period, net of tax		133,470	(284,216)
Total comprehensive loss for the period		(2,134,709)	(565,220)
Basic loss per share	7	(0.47)	(0.25)

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 31 December 2020

		Consolidated	
		As at 31 December 2020 \$	As at 30 June 2020 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		19,368,412	5,871,130
Trade and other receivables		264,017	252,332
TOTAL CURRENT ASSETS		19,632,429	6,123,462
NON-CURRENT ASSETS			
Exploration and evaluation expenditure	3	7,841,212	2,934,007
Plant and equipment		4,140	1,320
TOTAL NON-CURRENT ASSETS		7,845,352	2,935,327
TOTAL ASSETS		27,477,781	9,058,789
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		317,510	388,496
TOTAL CURRENT LIABILITIES		317,510	388,496
TOTAL LIABILITIES		317,510	388,496
NET ASSETS		27,160,271	8,670,293
EQUITY			
Issued capital	4	34,177,295	14,499,180
Reserves	5	1,274,802	194,760
Accumulated losses		(8,291,826)	(6,023,647)
TOTAL EQUITY		27,160,271	8,670,293

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 half-year ended 31 December 2020

	Issued Capital	Accumulated Losses	Equity Based Payment Reserve	Foreign Currency Reserve	Total Equity
CONSOLIDATED	\$	\$	\$	\$	\$
Balance at 1 July 2020	14,499,180	(6,023,647)	410,550	(215,790)	8,670,293
Loss for the period	-	(2,268,179)	-	-	(2,268,179)
Exchange differences arising on translation of foreign currency	-	-	-	133,470	133,470
Total comprehensive loss for the period	-	(2,268,179)	-	133,470	(2,134,709)
Shares issued for acceleration of El Zorro Option agreement (note 6)	380,000	-	-	-	380,000
Shares issued in lieu of consultant fees (note 6)	19,787	-	-	-	19,787
Shares issued in lieu of capital raising fees (note 6)	250,000	-	-	-	250,000
Shares issued to director as remuneration (note 6)	633,333	-	-	-	633,333
Entitlement offer	1,581,289	-	-	-	1,581,289
Placement	18,000,000	-	-	-	18,000,000
Performance Rights (note 6)	-	-	946,572	-	946,572
Capital raising costs	(1,186,294)	-	-	-	(1,186,294)
Balance at 31 December 2020	34,177,295	(8,291,826)	1,357,122	(82,320)	27,160,271
	Issued Capital	Accumulated Losses	Equity Based Payment Reserve	Foreign Currency Reserve	Total Equity
CONSOLIDATED	\$	\$	\$	\$	\$
Balance at 1 July 2019	3,325,066	(1,315,908)	-	208,703	2,217,861
Loss for the period	-	(281,004)	-	-	(281,004)
Exchange differences arising on translation of foreign currency	-	-	-	(284,216)	(284,216)
Total comprehensive loss for the period	-	(281,004)	-	(284,216)	(565,220)
Balance at 31 December 2019	3,325,066	(1,596,912)	-	(75,513)	1,652,641

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 half-year ended 31 December 2020

	Half-Year Ended 31 December 2020 \$	Half-Year Ended 31 December 2019 \$
Cash flows from operating activities		
Interest received	4,836	8
Interest paid	(251)	(28,030)
Government cash flow boost received	57,304	-
Payments to suppliers and employees	(853,938)	(217,527)
Net cash flows used in operating activities	(792,049)	(245,549)
Cash Flows from investing activities		
Payments for exploration and evaluation	(4,323,555)	(163,357)
Purchase of plant and equipment	(3,279)	-
Net cash flows used in investing activities	(4,326,834)	(163,357)
Cash flows from financing activities		
Proceeds from share issue	19,538,794	-
Payments for share issue costs	(944,625)	-
Proceeds from convertible note	-	300,000
Proceeds from borrowings	-	115,000
Repayment of borrowings	-	(15,000)
Net cash flows from financing activities	18,594,169	400,000
Net increase/(decrease) in cash and cash equivalents	13,475,286	(8,906)
Cash and cash equivalents at beginning of the financial period	5,871,130	20,636
Effect of exchange rate changes on cash and cash equivalents	21,996	-
Cash and cash equivalents at end of the financial period	19,368,412	11,730

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

Note 1. Statement of Significant Accounting Policies

Statement of compliance

The half-year consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134: Interim Financial Reporting, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

The condensed half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2020 and any public announcements made by Tesoro Resources Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and ASX Listing Rules.

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

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.

Reverse Acquisition Accounting

On 29 January 2020, Tesoro Resources Limited (formerly Plukka Limited), the legal parent and legal acquirer, completed the acquisition of Tesoro Australia Pty Ltd (formerly Tesoro Australia Limited) and its controlled entity ("Tesoro Subsidiary"). The acquisition did not meet the definition of a business combination in accordance with AASB 3 Business Combinations. Instead the acquisition has been treated as a group recapitalisation, using the principles of reverse acquisition accounting in AASB 3 Business Combinations given the substance of the transaction is that Tesoro Subsidiary has effectively been recapitalised. Accordingly, the consolidated financial statements have been prepared as if Tesoro Subsidiary has acquired Tesoro Resources Limited, not vice versa as represented by the legal position. The recapitalisation is measured at the fair value of the equity instruments that would have been given by Tesoro Subsidiary to have exactly the same percentage holding in the new structure at the date of the transaction.

The impact of the group restructure on each of the primary statements is as follows:

Statement of Profit or Loss and Other Comprehensive Income

- The 31 December 2020 statement of profit or loss and other comprehensive income comprise 6 months of both Tesoro Resources Limited and Tesoro Subsidiary.
- The 31 December 2019 comparative statement of profit or loss and other comprehensive income comprise 6 months of Tesoro Subsidiary.

Statement of Financial Position

- The statement of financial position as at 31 December 2020 represents both Tesoro Resources Limited and Tesoro Subsidiary.
- The comparative statement of financial position at 30 June 2020 represents both Tesoro Resources Limited and Tesoro Subsidiary.

Statement of Changes in Equity

- The 31 December 2020 statement of changes in equity comprises both Tesoro Resources Limited and Tesoro Subsidiary.
- The 31 December 2019 comparative statement of changes in equity comprises 6 months of Tesoro Subsidiary.

Statement of Cash Flows

- The 31 December 2020 statement of cash flows comprise 6 months of both Tesoro Resources Limited and Tesoro Subsidiary.
- The 31 December 2019 comparative statement of cash flows comprise 6 months of Tesoro Subsidiary.

Note 2. Loss for the Period

The following items are relevant in explaining the financial performance for the period:

ATO Cashflow Boost - COVID 19
Employee related expense

31 December 2020 \$	31 December 2019 \$
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57,304	-
(145,266)	(130,544)

Note 3. Exploration and evaluation expenditure

Costs carried forward in respect of areas of interests:

Exploration expenditure capitalised
Option payment – El Zorro Project
Espina project writedown
Foreign currency translation

31 December 2020 \$	30 June 2020 \$
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2,934,007	2,870,423
4,323,555	1,604,436
380,000	-
-	(1,013,052)
203,650	(527,800)
7,841,212	2,934,007

31 December 2020 \$	30 June 2020 \$
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Note 4. Issued capital

543,886,516 (30 June 2020: 435,946,211) issued and fully paid ordinary shares

34,177,295	14,499,180
34,177,295	14,499,180

Movement in ordinary shares on issue
Opening balance
Shares issued on acceleration of option exercise El Zorro project¹
Shares issued in lieu of advisory services²
Shares issued to Director as remuneration³
Accelerated Offer – Retail component⁴
Accelerated Offer – Shortfall component⁵
Placement⁶
Shares issued in lieu of capital raising fees⁷
Share issue costs

31 December 2020 Number	31 December 2020 \$
435,946,211	14,499,180
5,000,000	380,000
659,562	19,787
8,333,333	633,333
13,000,281	780,017
13,354,536	801,272
66,666,667	18,000,000
925,926	250,000
-	(1,186,294)
543,886,516	34,177,295

At 31 December 2020

Refer Note 6 for share based payment details.

¹ 5,000,000 fully paid ordinary shares issued at \$0.076 per share.

² 659,562 fully paid ordinary shares issued at \$0.03 per share.

³ 8,333,333 fully paid ordinary shares issued at \$0.076 per share.

⁴ 13,000,281 fully paid ordinary shares issued at \$0.06 per share.

⁵ 13,354,536 fully paid ordinary shares issued at \$0.06 per share.

⁶ 66,666,667 fully paid ordinary shares issued at \$0.27 per share.

⁷ 925,926 fully paid ordinary shares issued at \$0.27 per share.

Note 5. Reserves

	31 December 2020 \$	30 June 2020 \$
Equity based payment	1,357,122	410,550
Foreign currency translation	(82,320)	(215,790)
Balance at end of the period/year	<u>1,274,802</u>	<u>194,760</u>
<i>Movement in Equity based payment Reserve</i>		
Opening balance	410,550	-
Equity based payments recognised in profit or loss	940,768	410,550
Foreign exchange translation difference on equity based payments	5,804	-
Balance at end of the period/year	<u>1,357,122</u>	<u>410,550</u>
<i>Movement in Foreign Currency Reserve</i>		
Opening balance	(215,790)	208,730
Foreign currency translation movement	133,470	(424,520)
Balance at end of the period/year	<u>(82,320)</u>	<u>(215,790)</u>

Equity Based Payments Reserve:

This reserve is used to record the value of equity benefits provided to directors and employees as part of their remuneration. Refer to Note 6.

Foreign Currency Translation Reserve:

Foreign currency translation reserve records exchange differences arising on translation of the subsidiaries' functional currency (Chilean Dollars) into presentation currency at balance date.

Note 6. Equity Based Payments

Equity based payments included in the Statement of Financial Position for the half-year are as follows:

	31 December 2020 \$
Shares issued to the vendor of the El Zorro project included in exploration and evaluation expenditure	380,000
Shares issued in lieu of capital raising fees	250,000

Equity based payments included in the Statement of Profit or Loss and Other Comprehensive Income for the period are detailed below:

	31 December 2020 \$
Shares issued to consultant included in profit or loss as legal and professional fees	19,787
Performance rights and share issued included in profit or loss as equity based payments expense	
Shares issued as remuneration to a director ¹	633,333
Vesting period expense - performance rights ^{2,3}	940,768
Total included in profit or loss as equity based payments expense	<u>1,574,101</u>

1. On 3 July 2020, pursuant to the Executive Services Agreement between the Company and Mr Zeffron Reeves, the Company issued 8,333,333 fully paid ordinary shares at a deemed issue price of \$0.03 per share.
2. On 31 January 2020, the Company issued Performance Rights to the Company's Managing Director and Non-executive Director in connection with their appointments as directors upon the reverse acquisition of Tesoro Australia Limited completed 29 January 2020.
3. On 26 May 2020, the Company issued Incentive Performance Rights to Chilean employees under the Company's Performance Rights and Options Plan ("Plan").

Director Performance Rights

At 31 December 2020, the Company had on issue 136,840,000 Performance Rights to Messrs Reeves and McNamara in connection with their appointments as directors upon the reverse acquisition of Tesoro Australia Limited completed 29 January 2020 with vesting conditions detailed below.

Note 6. Equity Based Payments (cont.)

The vesting conditions are based on the earlier of the following:

Tranche	No. of Performance Rights	Vesting conditions	Expiry Date	No. Vested
Class A	46,720,000	TSO establishing an Inferred Resource of equal or greater than 250,000 ounces equivalent at a gold grade of 1 gram per tonne or greater, as defined by the JORC Code at the El Zorro Project.	29/07/2021	-
Class B	50,060,000	TSO establishing an Inferred Resource of equal or greater than 1 million ounces equivalent, at a gold grade of 1 gram per tonne or greater, as defined by the JORC Code at the El Zorro Project.	29/01/2023	-
Class C	20,030,000	TSO establishing an Inferred Resource of equal or greater than 2 million ounces equivalent, at a gold grade of 1 gram per tonne or greater, as defined by the JORC Code at the El Zorro Project.	29/01/2024	-
Class D	20,030,000	TSO completing either a Bankable Feasibility Study or a Definitive Feasibility Study in relation to any resource (as defined by the JORC Code) at the El Zorro Project confirming the relevant project is commercially viable.	29/01/2025	-

The fair value of the Performance Rights granted are estimated at the date of grant based on the assumptions set out below:

	Class A	Class B	Class C	Class D
Assumptions:				
Grant date	29/11/2019	29/11/2019	29/11/2019	29/11/2019
Issue date	29/01/2020	29/01/2020	29/01/2020	29/01/2020
Expiry date	29/07/2021	29/01/2023	29/01/2024	29/01/2025
Share price at grant date	\$0.03	\$0.03	\$0.03	\$0.03
Probability	90%	60%	15%	50%
Vesting period	18 months	36 months	48 months	60 months
Indicative value per Director Performance Right	\$0.027	\$0.018	\$0.0045	\$0.015
Number of performance rights	46,720,000	50,060,000	20,030,000	20,030,000
Total Value of Performance Rights	\$1,261,440	\$901,080	\$90,135	\$300,450

As at 31 December 2020 management has provided the best estimate of the probability of performance rights expected to vest. The performance rights have been valued in accordance with AASB 2 Share Based Payments and are brought to account over their vesting periods. Equity based expenditure of \$747,059 (30 June 2020: \$376,286) has been included in the profit or loss for the period.

Note 6. Equity Based Payments (cont.)

Incentive Performance Rights - Chilean Employees

On 26 May 2020, the Company issued 9,391,405 Incentive Performance Rights to Messrs Uribe and Cahuana, Tesoro Mining Chile SpA employees, as a reward and incentive with vesting conditions as detailed below:

Tranche	Basis of Valuation	Vesting conditions	Expiry Date	No. Vested
1	30% of annual base salary	Upon the company defining a 250koz Au Mineral Resources (any classification of combination thereof) in compliance with JORC 2012 at any of the Company's current or future projects.	30/01/2022	-
2	60% of annual base salary	Upon defining a 750koz Au Mineral Resources (any classification of combination thereof) in compliance with JORC 2012 at any of the Company's current or future projects.	30/01/2022	-
3	100% of annual base salary	Upon defining a 1 million oz Au Mineral Resources (any classification of combination thereof) in compliance with JORC 2012 at any of the Company's current or future projects.	30/01/2022	-

The fair value of the Performance Rights granted are estimated at the date of grant based on the assumptions set out below:

	Tranche 1	Tranche 2	Tranche 3
Assumptions:			
Grant date	26/05/2020	26/05/2020	26/05/2020
Issue date	26/05/2020	26/05/2020	26/05/2020
Expiry date	30/01/2022	30/01/2022	30/01/2022
Share price at grant date	\$0.078	\$0.078	\$0.078
Probability	90%	70%	60%
Vesting period	1.68 years	1.68 years	1.68 years
Indicative value per Employee Performance Right	\$0.0702	\$0.0546	\$0.0468
Number of performance rights	1,482,854	2,965,707	4,942,844
Total Value of Performance Rights	\$104,096	\$161,928	\$231,325

As at 31 December 2020, management has provided the best estimate of the probability of performance rights expected to vest. The performance rights have been valued in accordance with AASB 2 Share Based Payments and are brought to account over their vesting periods. Equity based expenditure of \$193,708 (30 June 2020: \$34,264) and foreign exchange translation difference of \$5,804 (30 June 2020: nil) have been included in the profit or loss for the period.

	31 December 2020 \$	31 December 2019 \$
Note 7. Earnings Per Share		
Loss used in the calculation of basic earnings per share	(2,268,179)	(281,004)
	Number of Shares	Number of Shares
(a) Weighted average number of ordinary shares outstanding during the reporting period used in calculation of basic earnings per share:	481,281,197	112,294,158
Basic and diluted loss per share (cents per share)	(0.47)	(0.25)

Note 8. Segment Reporting

Tesoro Resources Limited operates predominantly in one industry being the mining exploration and evaluation industry in Chile, with its corporate function located in Australia.

Segment Information

Identification of reportable segments

The Company has identified its operating segments based on the internal reports that are reviewed and used by the chief operating decision maker (being the Board of Directors) in assessing performance and determining the allocation of resources.

The Company is managed primarily on the basis of evaluation of its gold and copper exploration tenements in Chile and its corporate activities. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics.

Types of reportable segments

(i) Exploration and evaluation

Segment assets, including acquisition cost of exploration licenses and all expenses related to the licenses in Chile are reported in this segment.

(ii) Corporate

Corporate, including treasury, corporate and regulatory expenses arising from operating an ASX listed entity. Segment assets, including cash and cash equivalents, and investments in financial assets are reported in this segment.

Note 8. Segment Reporting (cont.)

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief operating decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Company.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Segment liabilities include trade and other payables.

31 December 2020

Corporate	Exploration and Evaluation	Total
\$	\$	\$

(i) Segment performance

Segment revenue	62,034	106	62,140
Segment results	(1,808,667)	(459,512)	(2,268,179)

Included within segment results:

• Depreciation	(363)	(112)	(475)
• Interest revenue	1,134	106	1,240
• ATO Cashflow Boost – COVID 19	57,304	-	57,304

Segment assets	36,764,517	9,032,208	45,796,725
Intersegment eliminations			(18,318,944)
Total assets			27,477,781
Segment liabilities	(9,386,157)	(9,184,340)	(18,570,497)
Intersegment eliminations			18,252,987
Total liabilities			(317,510)

Note 8. Segment Reporting (cont.)

31 December 2019

Corporate	Exploration and Evaluation	Total
\$	\$	\$

(i) Segment performance

Segment revenue	8	-	8
Segment results	(183,618)	(97,386)	(281,004)

Included within segment results:

• Depreciation	(79)	(110)	(189)
• Interest revenue	8	-	8

Segment assets	3,475,085	2,884,979	6,360,064
Intersegment eliminations			(3,365,040)
Total assets			2,995,024

Segment liabilities	(1,187,529)	(3,320,474)	(4,508,003)
Intersegment eliminations			3,165,619
Total liabilities			(1,342,384)

(ii) Revenue by geographical region

There was no revenue attributable to external customers for the half-year ended 31 December 2020 (2019: Nil).

(iii) Assets by geographical region

Non-current assets by geographical region are as follows.

	31 December 2020	31 December 2019
	\$	\$
Australia	24,169	20,931
Chile	7,821,183	2,833,552
	<u>7,845,352</u>	<u>2,854,483</u>

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 2020, the IVA tax receivable is approximately \$275,380. The contingent asset was not recognised as a receivable at 30 June 2020 as receipt of the amount is dependent upon the Company meeting the IVA refund conditions stipulated by the relevant taxation authorities in Chile.

As at 31 December 2020, the IVA tax receivable is no longer expected to be refundable, as the nature of the company in Chile will not meet the IVA refund conditions and therefore Tesoro will not be able to claim back the IVA tax it has paid on all Chilean purchases.

Note 10. Contingent liabilities

There are no contingent liabilities as at 31 December 2020 and 30 June 2020.

Note 11. Commitments for expenditure

	31 December 2020 \$	30 June 2020 \$
The exploration commitments are as follows:		
Not longer than 1 year	157,016	15,147
Longer than 1 but not longer than 5 years	143,035	-
Longer than 5 years	-	-
Total	<u>300,051</u>	<u>15,147</u>

Exploration commitments consist of annual rents payable on mineral concessions.

Note 12. Events after reporting period

As the impact of the Coronavirus (COVID-19) pandemic is ongoing, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

On 11 and 27 January 2021, the Company announced assays results from the drilling program at the Ternerá Prospect, El Zorro Project in Chile.

On 13 January 2021, the Company announced the completion to the SPP announced 9 December 2020, issuing 11,111,111 fully paid ordinary shares raising \$3 million (before costs).

On 1 March 2021, the Company announced that it had modified the terms and structure of its acquisition of the El Zorro Gold Project to now be a fully contributing Joint Venture (JV). The existing Purchase Option Agreement has been terminated and the JV will now be operated as a fully contributing JV. Tesoro's ownership interest in the El Zorro Gold Project is currently 70% (through a 70% shareholding in El Zorro S.C.M., the company which holds the El Zorro concessions). Tesoro has the potential to increase its ownership by contributing to current exploration and development expenditures immediately, if the 30% minority holder does not contribute.

On 5 March 2021, the Company announced the first assay results from the Toro Gordo prospect and additional assay results for holes from the Ternerá deposit at the Company's El Zorro Gold Project (El Zorro) in Chile.

Other than as discussed above, no other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

In the opinion of the Directors of Tesoro Resources Limited ("the Company"):

1. the attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
 - a) complying with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b) giving true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year then ended; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5)(a) of the Corporations Act 2001.



John Toll
Non-Executive Chairman
12 March 2021

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Tesoro Resources Limited which comprises the statement of financial position as at 31 December 2020, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Tesoro Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Tesoro Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

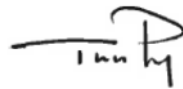
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Tesoro Resources Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



RSM AUSTRALIA PARTNERS



TUTU PHONG
Partner

Perth, WA
Dated: 12 March 2021