

TESORO
RESOURCES



Tesoro Resources Limited

ABN 91 106 854 175

Half-Year Financial Report
for the half-year ended 31 December 2021

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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 Linton Putland
(Executive Director – Mining and Development)

Mr Geoffrey McNamara
(Non-Executive Director)

Ms Kristie Young
(Non-Executive Director)

JOINT COMPANY SECRETARIES

Ms Shannon Coates
Ms Sarah Wilson

REGISTERED OFFICE

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WEST PERTH WA 6005

AUDITORS

RSM Australia Partners
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2 The Esplanade
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 2021.

Directors

The following persons were Directors of Tesoro Resources Limited ("Tesoro" or "the Company") 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.

| | |
|----------------------|---|
| Mr John Toll | Non-Executive Chairman |
| Mr Zeffron Reeves | Managing Director |
| Mr Linton Putland | Executive Director – Mining and Development <i>(appointed 14 September 2021)</i> |
| Mr Geoffrey McNamara | Non-Executive Director |
| Ms Kristie Young | Non-Executive Director <i>(appointed 14 September 2021)</i> |

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 2021 amounted to \$2,384,258 (2020: \$2,268,179).

Review of Operations

Overview

Tesoro's focus is the El Zorro Gold Project (El Zorro) which is in Northern Chile, 140km from the city of Copiapo in Region III and approximately 800km north of the capital, Santiago. El Zorro is near established infrastructure and exploration has defined a maiden Mineral Resource Estimate (MRE) during the period of 661,000 ounces of gold (refer to ASX announcement 28 July 2021).

During the period, the Company focused on infill and extensional drilling at the Ternera Gold Deposit and initial drilling at new targets at Ternera East, Drone Hill and Toro Blanco were also completed. A significant new zone of gold mineralisation was delineated at Ternera East. Detailed metallurgical testwork from various ore types from Ternera was also completed during the period.



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

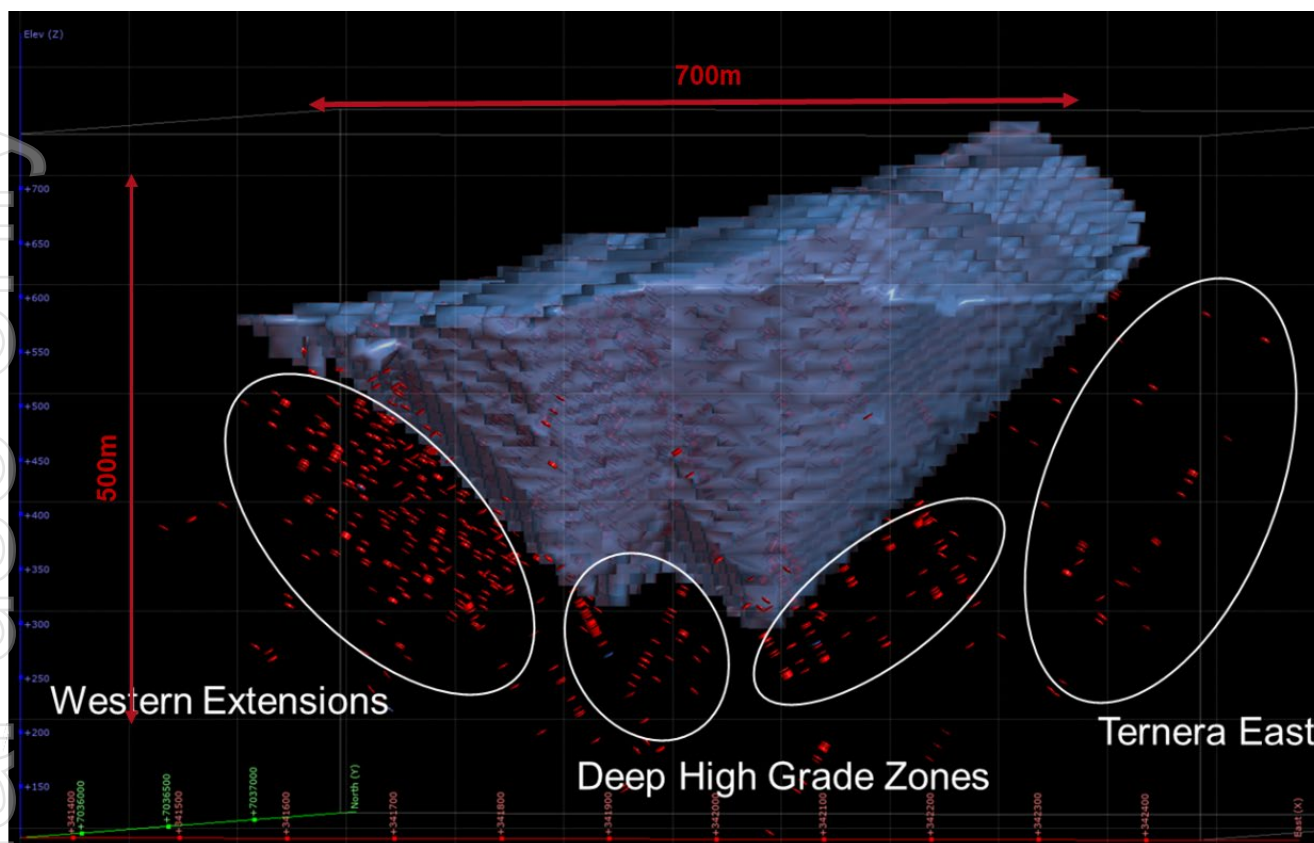
In Q1 FY21, Tesoro announced the calculation of its maiden MRE for the Ternerera Gold Deposit at El Zorro of 25.1 Mt @ 0.8g/t for 660koz of gold using a 0.3g/t Au cut-off including 15.4Mt @ 1.09g/t for 540koz using a 0.5g/t Au cut-off (Table 1)(refer to ASX announcement 28 July 2021). The maiden MRE is based on 148 diamond holes (46,937m of drilling), and as at February 1 2022 the Company has completed 292 diamond drill holes at El Zorro.

Ternerera Gold Deposit Maiden Resource Table

| Cut-off Au g/t | Indicated | | | Inferred | | | Total | | |
|----------------|-----------|--------|-----|----------|--------|-----|-------|--------|-----|
| | Mt | Au g/t | koz | Mt | Au g/t | koz | Mt | Au g/t | koz |
| 0.3 | 2.7 | 0.88 | 75 | 22.4 | 0.81 | 586 | 25.1 | 0.82 | 661 |
| 0.4 | 2.1 | 1.03 | 68 | 17.4 | 0.95 | 529 | 19.4 | 0.96 | 597 |
| 0.5 | 1.7 | 1.17 | 63 | 13.7 | 1.08 | 476 | 15.4 | 1.09 | 539 |
| 0.6 | 1.4 | 1.28 | 58 | 11.1 | 1.21 | 430 | 12.5 | 1.22 | 488 |
| 0.7 | 1.2 | 1.40 | 54 | 8.9 | 1.34 | 385 | 10.1 | 1.35 | 439 |
| 0.8 | 0.9 | 1.64 | 45 | 6.0 | 1.61 | 312 | 6.9 | 1.62 | 357 |

At El Zorro, a total of 90 holes were completed for 33,650m of diamond drill core drilling during the six month period. Assays were received for 89 holes, all of which returned positive gold results. Significant results were returned from drilling outside of the maiden MRE, highlighting the potential for significant resource growth at Ternera with multiple 100g/m results returned. Significant results include:

- ZDDH0154
 - 39.55m @ 1.31g/t Au from 3.45m including;
 - 5.00m @ 5.66g/t Au from 8.00m.
 - 67.00m @ 3.44g/t Au from 109.00m including;
 - 13.50m @ 15.84g/t Au from 117.50m; and
 - 8.00m @ 1.22g/t Au from 168.00m.
- ZDDH0170
 - 205.00m @ 0.96g/t Au from 9.00m including;
 - 59.00m @ 2.49g/t Au from 147.00m; and
 - 21.00m @ 5.26g/t Au from 147.00m.
- ZDDH0173
 - 76.15m @ 1.16g/t Au from 219.85m including;
 - 11.30m @ 2.60g/t Au from 265.00m; and
 - 8.00m @ 3.56g/t Au from 265.00m.
- ZDDH0198
 - 116.00m @ 0.98g/t Au from 264.00m including;
 - 35.00m @ 1.73g/t Au from 269.00m;
 - 17.00m @ 2.92g/t Au from 270.00m;
 - 23.00m @ 1.77g/t Au from 340.00m; and
 - 3.00m @ 7.16g/t Au from 356.00m.
- ZDDH0203
 - 25.00m @ 4.22g/t Au from 367.00m including;
 - 14.00m @ 6.81g/t Au from 373.00m; and
 - 1.40m @ 55.56g/t Au from 383.00 m.
- ZDDH0242 (post end of period)
 - 71.00m @ 1.58g/t Au from 225.00m including;
 - 17.10m @ 5.10g/t Au from 243.90m; and
 - 9.66m @ 7.58g/t Au from 256.00m.



Ternerera Gold Deposit looking North - USD1800/oz Au gold price optimised pit shell (blue) with drilling assays over 1g/t received after calculation of the Maiden MRE at Ternerera shown as red disks.

Metallurgy

During the period, the Company conducted a detailed metallurgical testwork program from a range of ore types from the Ternerera Gold Deposit.

Phase 2 test work was conducted on representative samples from the various mineralised zones at Ternerera over a range of grades.

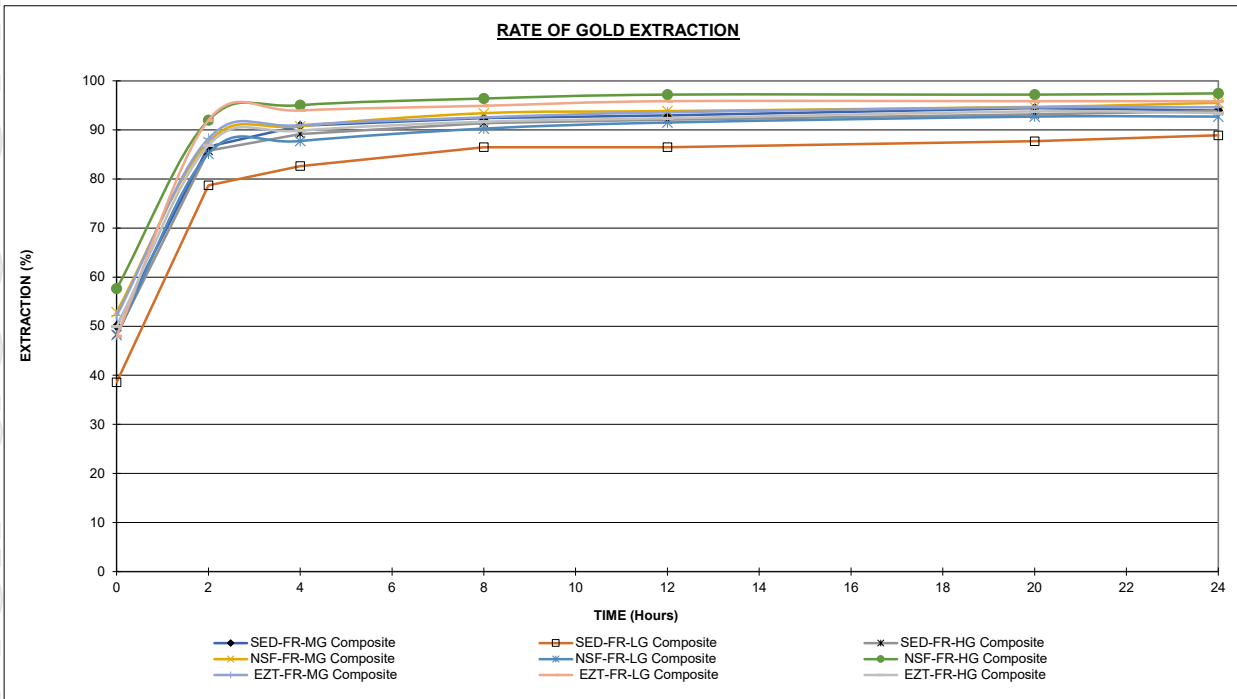
As announced on 10 December 2021, the test programme successfully determined a simple processing method for recovering gold from the Ternerera gold deposit with the optimal results being:

- Bond Ball Mill work index (BWi) = 20.4 kWh/t (from Phase 1 Test Work Program);
- A leach feed grind size distribution of P80 = 150µm;
- Cyanide consumptions of 0.5kg/t;
- Lime consumption of 4.0kg/t;
- Gravity recovery of 45%;
- Overall Au recovery of 94.5%; and
- All test work was undertaken using seawater.

The Phase 2 metallurgical results confirm high gravity and cyanide leach gold recoveries from Ternerera material using conventional gravity and CIL processes at a coarse grind size. Information was also

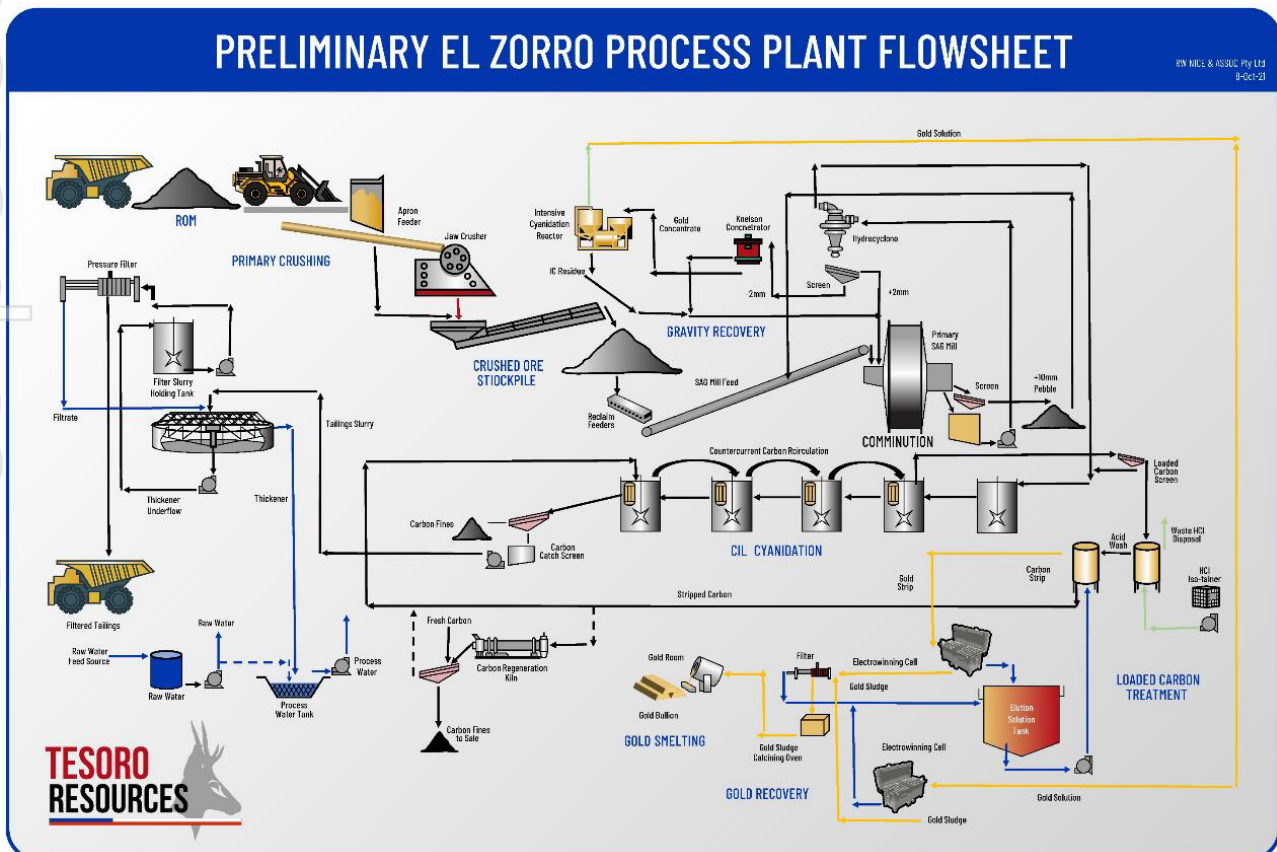
produced to provide guidance on expected reagent usage to achieve these recoveries at a level appropriate for use in a Scoping Study level of assessment for the project.

These results provide the basis for a very simple, generic, preliminary processing flowsheet for the project as shown below.



total extraction curves for the P80 = 150µm leach test work

The



Preliminary metallurgical flowsheet for the El Zorro Gold Project

Corporate

Director Appointment

On 15 September 2021, the Company announced the appointment of two Directors:

Mr Linton Putland (Executive Director – Mining and Development)

Mr Putland has more than 30 years' experience in mining operations, joint ventures and corporate management in Australia, Africa and the Americas, over a wide range of commodities.

Mr Putland is principal of LJ Putland & Associates, a private mining consultancy company which was founded in 2002, providing advisory and consultancy services in mining project and company evaluation and due diligence appraisals with a focus on corporate growth. During this period, he was Managing Director of a privately-owned exploration company with joint venture interests in Africa.

Prior to this, he held corporate and senior management roles in IAMGOLD, AurionGold, Delta Gold and Pancontinental Mining. He is a Member of AusIMM and a Graduate Member of Australian Institute of Company Directors.

Mr Putland is a Non-Executive Director of Breaker Resources Limited (ASX: BRB) and WA Kaolin Limited (ASX: WAK). Previously, he was Non-Executive Director of Pacific Energy Limited which was acquired by the Queensland Investment Corporation (QIC) for A\$422m for its global infrastructure fund.

He holds degrees in Mining Engineering (Bachelor of Engineering, Western Australian School of Mines) and a Masters in Science (Mineral Economics, Western Australian School of Mines).

Ms Kristie Young (Non-Executive Director)

Ms Young has more than 20 years' experience across a range of sectors, including technical engineering, project evaluation, strategy, business development, growth, marketing, commercial, client management, governance and human resources. She has previously held senior growth and business development director roles with leading professional services and firms PwC and EY.

Ms Young is Non-Executive Chair of ChemX Materials Ltd (ASX: CMX), Non-Executive Director of Lithium Australia NL (ASX: LIT), and sits on the Wesley College WA board. Previously, she was a Non-Executive Director of Primero Group Limited which was acquired by NRW Holdings for A\$100m in early 2021.

Ms Young holds a Bachelor of Engineering (Mining) Hons from the University of Queensland and a Postgraduate Diploma of Education (Mathematics & IT) from the University of Western Australia. She is a graduate of the Australian Institute of Company Directors and holds a Cert IV HR from the Australian HR Institute.

El Zorro Joint Venture with Wanaco SpA

On 26 August 2021, Tesoro was served notice of dispute initiated by the Company's El Zorro Joint Venture partner, Wanaco SpA (Wanaco), lodged with the 7th Civil Court de Santiago de Chile.

Wanaco is disputing the valuation and the procedure followed for the capital increase approved in the Shareholders Meeting of El Zorro SCM held on 11 February 2021. El Zorro SCM is the El Zorro Gold Project (Project) joint venture company of which Tesoro's 95% owned Chilean subsidiary, Tesoro Mining Chile SpA (Tesoro Chile) currently owns 85% (see ASX announcement on 24 March 2021).

The initial proceedings brought by Wanaco SpA were dismissed by the Civil Court as the court deemed that the proceedings were incorrectly brought and that the proceedings should be correctly brought to the appropriate court by Wanaco SpA.

A hearing was held on 2 February 2022 and parties agreed to suspend the legal process for 30 working days (6 weeks) to see if a settlement can be reached for Tesoro to acquire 100% of the Project.

If that cannot be accomplished the legal process will resume with next court hearing later in the year at a time yet to be determined.

If the parties are unsuccessful in reaching an agreement following the hearing, the timing for the matter to proceed to trial is unknown at this stage.

Capital Raising

On 27 October 2021, the Company announced a capital raising consisting of a Placement and a Share Purchase Plan (SPP).

The Placement was undertaken at \$0.085 per Share and raised approx. \$4.3m (before costs). The SPP targeted raising a further \$3m (before costs). Under the SPP, each Eligible Shareholder was entitled to subscribe for up to \$30,000 worth of new fully paid ordinary shares (Shares) at an issue price of \$0.085 per Share, without incurring brokerage or other transaction costs.

The SPP closed on 6 December 2021. The Company received valid applications for a total of 2,470,577 new Shares from Eligible Shareholders, totalling approx. \$210,000.

Pursuant to the SPP Prospectus, the Company was able to place the remaining SPP shares under the Shortfall Offer. As noted below, subsequent to period end, on 1 March 2022 the Company announced it had received a commitment of \$1 million under the Shortfall Offer and issued 11,764,706 shares at \$0.085. The Shortfall Offer Shares were issued under the Company's available ASX Listing Rule 7.1 placement capacity.

The funds raised, together with the Company's existing cash reserves, ensure the Company is funded and is focussed on delivering an expanded Mineral Resource Estimate in early CY2022, to support a Scoping Study at the El Zorro Gold Project.

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 remaining a 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

On 6 January 2022, the Company commenced trading on the OTCQB, a U.S. trading platform that is operated by OTC Markets Group Inc. in New York, United States. The Company's symbol on the OTCQB is TSORF.

The Company's primary listing remains on the Australian Securities Exchange (ASX) under the symbol TSO with a secondary quotation on OTCQB under the symbol TSORF. Viriathus Capital LLC acted as the Company's OTCQB advisor and B.Riley Securities, Inc. acted as the Company's OTCQB sponsor.

Investors can access further information in relation to the Company's OTCQB quotation via <https://www.otcm Markets.com/stock/TSORF/overview>.

On 12 January 2022, the Company announced additional positive infill drill results from the Ternera Gold Deposits and initial exploration drill results from the Drone Hill and Toro Blanco targets.

On 24 January 2022, the Company announced a new discovery at the El Zorro Gold Project, a 1.5km long and up to 450m wide surface gold trend with surface samples up to 101.00g/t Au. Results were received for 309 surface channel samples over the Drone Hill Target and north-west of Drone Hill. Anomalous gold results delineated a new 1.5km long and up to 450m wide, surface gold trend

associated with a north-west trending fault system cross cutting the EZT and sedimentary rock sequences.

On 31 January 2022, the Company announced the lapse of 2,965,707 Class B and 4,942,884 Class C Performance Rights issued to Chilean employees.

On 4 and 22 February 2022, the Company announced assay results from drilling at the Ternera Gold Deposit located in the El Zorro Gold Project.

On 7 February 2022, the following securities were released from escrow:

- 102,193,612 fully paid ordinary shares
- 50,060,000 Class B Performance Rights
- 20,030,000 Class C Performance Rights
- 20,030,000 Class D Performance Rights

On 1 March 2022, the Company announced it had received a commitment of \$1 million pursuant to the Share Purchase Plan (SPP) Prospectus dated 27 October 2021, issuing 11,764,706 shares at \$0.085.

On 3 March 2022, the company announced the acquisition of an additional 22km² of concessions in the El Zorro Gold Project.

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.

Other than as discussed above, no other matter or circumstance has arisen since 31 December 2021 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.

The information in this Presentation that relates to Mineral Resources is based on information compiled by Mr Daniel Saunders, a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Saunders is a full-time employee of Cube Consulting Pty Ltd, acting as independent consultants to Tesoro Resources Limited. Mr Saunders has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration, and to the activity being undertaken 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'. The Company confirms that it is not aware of any new information or data that materially affects the Mineral Resource information included in the original announcement on 28 July 2021 and that all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed. The Company confirms that the form and context in which the applicable Competent Persons' findings are presented have not been materially modified from the original announcement.

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 327 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



Non-Executive Chairman
9 March 2022

RSM Australia Partners

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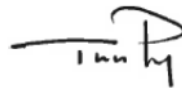
AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Tesoro Resources Limited for the half-year ended 31 December 2021, 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: 9 March 2022

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

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 2021

| | | Consolidated | |
|--|---|---------------------|--------------------|
| | | Half-Year | Half-Year |
| | | Ended | Ended |
| | | 31 December | 31 December |
| | | 2021 | 2020 |
| | | \$ | \$ |
| Interest revenue | | 640 | 1,240 |
| Other revenue | | 47,150 | 60,900 |
| Administration expenses | | (184,490) | (112,834) |
| Consultant expenses | | (85,452) | (176,089) |
| Corporate and compliance expenses | | (161,353) | (122,279) |
| Depreciation | | (53,157) | (475) |
| Employee related expenses | | (252,578) | (145,266) |
| Equity based payments | 6 | (37,669) | (1,574,101) |
| Financial expenses | | (2,604) | (251) |
| Legal and professional fees | | (348,751) | (132,815) |
| Impairment of assets | 9 | (1,367,587) | (68,155) |
| Foreign currency translation | | 61,593 | 1,946 |
| Loss before income tax from continuing operations | | (2,384,258) | (2,268,179) |
| Income tax expense | | - | - |
| Loss after tax | | (2,384,258) | (2,268,179) |
| Other comprehensive (loss)/income | | | |
| <i>Items that may be reclassified to profit or loss:</i> | | | |
| Exchange differences on translation of foreign operations | | (2,466,532) | 133,470 |
| Other comprehensive (loss)/income for the period, net of tax | | (2,466,532) | 133,470 |
| Total comprehensive loss for the period | | (4,850,790) | (2,134,709) |
| Loss attributable to: | | | |
| Non-controlling interests | | (205,138) | - |
| Members of the parent | | (2,179,120) | (2,268,179) |
| Total comprehensive loss attributable to: | | (2,384,258) | (2,268,179) |
| Non-controlling interests | | (205,138) | - |
| Members of the parent | | (4,645,652) | (2,134,709) |
| | | (4,850,790) | (2,134,709) |
| Basic and diluted loss per share attributable to members of the parent | 7 | (0.36) | (0.47) |

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 2021

| | | Consolidated | |
|---|---|------------------------------------|--------------------------------|
| | | As at 31 December 2021 \$ | As at 30 June 2021 \$ |
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | | 5,561,680 | 13,728,277 |
| Trade and other receivables | | 697,455 | 329,534 |
| TOTAL CURRENT ASSETS | | 6,259,135 | 14,057,811 |
| NON-CURRENT ASSETS | | | |
| Exploration and evaluation expenditure | 3 | 22,534,402 | 15,506,028 |
| Plant and equipment | | 157,554 | 75,839 |
| Right-of-use assets | | 174,151 | 218,954 |
| TOTAL NON-CURRENT ASSETS | | 22,866,107 | 15,800,821 |
| TOTAL ASSETS | | 29,125,242 | 29,858,632 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 1,573,931 | 1,726,468 |
| Provisions | | 53,587 | 35,887 |
| Lease liability | | 1,862 | 2,422 |
| TOTAL CURRENT LIABILITIES | | 1,629,380 | 1,764,777 |
| NON-CURRENT LIABILITIES | | | |
| Lease liability | | 107,587 | 108,924 |
| TOTAL NON-CURRENT LIABILITIES | | 107,587 | 108,924 |
| TOTAL LIABILITIES | | 1,736,967 | 1,873,701 |
| NET ASSETS | | 27,388,275 | 27,984,931 |
| EQUITY | | | |
| Issued capital | 4 | 42,890,402 | 37,156,675 |
| Reserves | 5 | (1,523,436) | 2,422,689 |
| Accumulated losses | | (15,908,962) | (13,729,842) |
| Equity attributable to owners of the Company | | 25,458,004 | 25,849,522 |
| Non-controlling interest | | 1,930,271 | 2,135,409 |
| TOTAL EQUITY | | 27,388,275 | 27,984,931 |

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 2021

| | Issued Capital | Accumulated Losses | Equity Based Payment Reserve | Foreign Currency Reserve | Non-Controlling Interest | Total Equity |
|---|-------------------|---------------------|------------------------------|--------------------------|--------------------------|-------------------|
| CONSOLIDATED | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 July 2021 | 37,156,675 | (13,729,842) | 2,228,337 | 194,352 | 2,135,409 | 27,984,931 |
| Loss for the period | - | (2,179,120) | - | - | (205,138) | (2,384,258) |
| Exchange differences arising on translation of foreign currency | - | - | - | (2,466,532) | - | (2,466,532) |
| Total comprehensive loss for the period | - | (2,179,120) | - | (2,466,532) | (205,138) | (4,850,790) |
| Shares issued in Placement | 4,335,001 | - | - | - | - | 4,335,001 |
| Shares issued in Share Purchase Plan | 210,000 | - | - | - | - | 210,000 |
| Conversion of Performance Rights – Class A (note 5) | 1,517,262 | - | (1,517,262) | - | - | - |
| Performance Rights vesting expense for period (note 6) | - | - | 37,669 | - | - | 37,669 |
| Capital raising costs | (328,536) | - | - | - | - | (328,536) |
| Balance at 31 December 2021 | 42,890,402 | (15,908,962) | 748,744 | (2,272,180) | 1,930,271 | 27,388,275 |

| | Issued Capital | Accumulated Losses | Equity Based Payment Reserve | Foreign Currency Reserve | Non-Controlling Interest | 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 | 380,000 | - | - | - | - | 380,000 |
| Shares issued in lieu of consultant fees | 19,787 | - | - | - | - | 19,787 |
| Shares issued in lieu of capital raising fees | 250,000 | - | - | - | - | 250,000 |
| Shares issued to director as remuneration | 633,333 | - | - | - | - | 633,333 |
| Entitlement offer | 1,581,289 | - | - | - | - | 1,581,289 |
| Placement | 18,000,000 | - | - | - | - | 18,000,000 |
| Performance Rights | - | - | 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 |

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 2021

| | Consolidated | |
|---|---|---|
| | Half-Year Ended 31 December 2021 \$ | Half-Year Ended 31 December 2020 \$ |
| Cash flows from operating activities | | |
| Interest received | 536 | 4,836 |
| Interest paid | - | (251) |
| Other revenue | 36,304 | 57,304 |
| Payments to suppliers and employees | (874,730) | (853,938) |
| Net cash flows used in operating activities | (837,890) | (792,049) |
| Cash Flows from investing activities | | |
| Payments for exploration and evaluation | (11,187,498) | (4,323,555) |
| Purchase of plant and equipment | (143,147) | (3,279) |
| Net cash flows used in investing activities | (11,330,645) | (4,326,834) |
| Cash flows from financing activities | | |
| Proceeds from share issues | 4,545,001 | 19,538,794 |
| Payments for share issue costs | (328,536) | (944,625) |
| Net cash flows from financing activities | 4,216,465 | 18,594,169 |
| Net (decrease)/increase in cash and cash equivalents | (7,952,070) | 13,475,286 |
| Cash and cash equivalents at beginning of the financial period | 13,728,277 | 5,871,130 |
| Effect of exchange rate changes on cash and cash equivalents | (214,527) | 21,996 |
| Cash and cash equivalents at end of the financial period | 5,561,680 | 19,368,412 |

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

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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 consolidated 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 2021 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.

31 December
2021
\$

31 December
2020
\$

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

-
(252,578)

57,304
(145,266)

| | 31 December 2021 \$ | 30 June 2021 \$ |
|--|---------------------------|-----------------------|
| Note 3. Exploration and evaluation expenditure | | |
| Costs carried forward in respect of areas of interests | 22,534,402 | 15,506,028 |
| <i>Movement</i> | | |
| Opening balance | 15,506,028 | 2,934,007 |
| Exploration expenditure capitalised | 9,339,453 | 11,890,574 |
| Option payment – El Zorro Project | - | 380,000 |
| Foreign currency translation | (2,311,079) | 301,447 |
| | <u>22,534,402</u> | <u>15,506,028</u> |

| | 31 December 2021 \$ | 30 June 2021 \$ |
|---|---------------------------|-----------------------|
| Note 4. Issued capital | | |
| 656,671,070 (30 June 2021: 554,997,628) issued and fully paid ordinary shares | 42,890,402 | 37,156,675 |
| | <u>42,890,402</u> | <u>37,156,675</u> |

| | 31 December 2021 Number | 31 December 2021 \$ |
|--|-------------------------------|---------------------------|
| Movement in ordinary shares on issue | | |
| Opening balance | 554,997,628 | 37,156,675 |
| Conversion of Performance Rights – Class A ¹ | 48,202,854 | 1,517,262 |
| Placement – shares issued at \$0.085 per share | 51,000,011 | 4,335,001 |
| Share Purchase Plan – shares issued at \$0.085 per share | 2,470,577 | 210,000 |
| Share issue costs | - | (328,536) |
| At 31 December 2021 | <u>656,671,070</u> | <u>42,890,402</u> |

1. Refer Note 6 for share based payment details.

Note 5. Reserves

| | 31 December 2021 \$ | 30 June 2021 \$ |
|--|---------------------------|-----------------------|
| Equity based payment | 748,744 | 2,228,337 |
| Foreign currency translation | (2,272,180) | 194,352 |
| Balance at end of the period/year | <u>(1,523,436)</u> | <u>2,422,689</u> |
| <i>Movement in Equity based payment Reserve</i> | | |
| Opening balance | 2,228,337 | 410,550 |
| Conversion of Performance Rights – Class A | (1,517,262) | - |
| Equity based payments recognised in profit or loss | 37,669 | 1,817,787 |
| Balance at end of the period/year | <u>748,744</u> | <u>2,228,337</u> |
| <i>Movement in Foreign Currency Reserve</i> | | |
| Opening balance | 194,352 | (215,790) |
| Foreign currency translation movement | (2,466,532) | 410,142 |
| Balance at end of the period/year | <u>(2,272,180)</u> | <u>194,352</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 Pesos) into presentation currency at balance date.

Note 6. Equity Based Payments

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

| | 31 December 2021 \$ |
|---|---------------------------|
| Performance rights and share issued included in profit or loss as equity based payments expense | |
| Vesting period expense - performance rights (Directors) ¹ | 253,546 |
| Vesting period expense - performance rights (employees) ² | (215,877) |
| Total included in profit or loss as equity based payments expense | <u>37,669</u> |

1. Director Performance Rights

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.

Note 6. Equity Based Payments (cont.)

At 31 December 2021, the Company had on issue 90,120,000 Performance Rights to Messrs Reeves and McNamara (30 June 2021: 136,840,000). On 5 August 2021, 46,720,000 Class A Performance Rights converted to fully paid ordinary shares on a 1:1 basis.

As at 31 December 2021, 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 payment expenditure of \$253,546 (30 June 2021: \$1,520,510) has been included in the statement of profit or loss for the period.

2. Incentive Performance Rights - Chilean Employees

On 26 May 2020, the Company issued Incentive Performance Rights to Chilean employees under the Company's Performance Rights and Options Plan ("Plan").

At 31 December 2021, the Company had on issue 7,908,551 Incentive Performance Rights (30 June 2021: 9,391,405). On 5 August 2021, 1,482,854 Class A Performance Rights converted to fully paid ordinary shares on a 1:1 basis.

As at 31 December 2021, 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 payment expense of (\$215,877) (30 June 2021: \$297,277) have been included in the profit or loss for the period. The reversal of the previously recognised expense is the result of the probability of Class B and Class C performance rights vesting being reassessed to 0% at 31 December 2021. These performance rights subsequently lapsed on 31 January 2022 (refer to Note 12).

Note 7. Earnings Per Share

| | 31 December 2021 \$ | 31 December 2020 \$ |
|---|---------------------------|---------------------------|
| Loss after income tax | (2,384,258) | (2,268,179) |
| Non-controlling interest | 205,138 | - |
| Loss after income tax attributable to the owners of the parent used in the calculation of basic and diluted loss per share | (2,179,120) | (2,268,179) |
| | 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: | 611,473,135 | 481,281,197 |
| Basic and diluted loss per share (cents per share) | (0.36) | (0.47) |

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 trade and other receivables are reported in this segment.

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.

Note 8. Segment Reporting (cont.)

31 December 2021

Segment performance

Segment revenue

Segment results

Included within segment results:

- Depreciation
- Interest revenue
- Other revenue

Segment assets

Intersegment eliminations

Total assets

Segment liabilities

Intersegment eliminations

Total liabilities

| | Corporate | Exploration and Evaluation | Total |
|----------------------------------|------------|----------------------------|--------------|
| | \$ | \$ | \$ |
| Segment revenue | 45,916 | 1,874 | 47,790 |
| Segment results | (727,018) | (1,657,240) | (2,384,258) |
| Included within segment results: | | | |
| • Depreciation | (37,448) | (15,709) | (53,157) |
| • Interest revenue | 313 | 327 | 640 |
| • Other revenue | 45,603 | 1,547 | 47,150 |
| Segment assets | 33,328,195 | 24,895,445 | 58,223,640 |
| Intersegment eliminations | | | (29,098,398) |
| Total assets | | | 29,125,242 |
| Segment liabilities | (390,509) | (31,263,648) | (31,654,157) |
| Intersegment eliminations | | | 29,917,190 |
| Total liabilities | | | (1,736,967) |

31 December 2020

Segment performance

Segment revenue

Segment results

Included within segment results:

- Depreciation
- Interest revenue
- ATO Cashflow Boost – COVID 19

Segment assets

Intersegment eliminations

Total assets

Segment liabilities

Intersegment eliminations

Total liabilities

| | Corporate | Exploration and Evaluation | Total |
|----------------------------------|-------------|----------------------------|--------------|
| | \$ | \$ | \$ |
| 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) |

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Note 8. Segment Reporting (cont.)

(ii) Revenue by geographical region

There was no revenue attributable to external customers for the half-year ended 31 December 2021 (2020: Nil).

(iii) Assets by geographical region

Non-current assets by geographical region are as follows.

| | 31 December 2021 | 31 December 2020 |
|-----------|---------------------------------|---------------------------------|
| | \$ | \$ |
| Australia | 211,584 | 24,169 |
| Chile | 22,654,523 | 7,821,183 |
| | <u>22,866,107</u> | <u>7,845,352</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. As at 30 June 2021, El Zorro S.C.M. had applied for a VAT benefit.

As at 31 December 2021, El Zorro S.C.M. carries a cumulative IVA tax receivable of \$2,628,028 (30 June 2021: \$1,302,351). IVA tax amount of \$1,367,587 was incurred for the half-year ended 31 December 2021 (31 December 2020: \$68,155). The contingent asset has not been recognised as a receivable at 31 December 2021 as the receipt of the amount is dependent upon El Zorro S.C.M. meeting the IVA refund conditions stipulated by the relevant taxation authorities in Chile.

Note 10. Contingent liabilities

On 26 August 2021, Tesoro advised it had been served notice of dispute initiated by the Company's El Zorro Joint Venture partner, Wanaco SpA (Wanaco), lodged with the 7th Civil Court de Santiago de Chile.

Wanaco is disputing the valuation and the procedure followed for the capital increase approved in the Shareholders Meeting of El Zorro SCM held on 11 February 2021. El Zorro SCM is the El Zorro Gold Project joint venture company of which Tesoro's 95% owned Chilean subsidiary, Tesoro Mining Chile SpA (Tesoro Chile) currently owns 85% (see ASX announcement on 24 March 2021).

The initial proceedings brought by Wanaco SpA were dismissed by the Civil Court as the court deemed that the proceedings were incorrectly brought and that the proceedings should be correctly brought to the appropriate court by Wanaco SpA.

A hearing was held on 2 February 2022 and parties agreed to suspend the legal process for 30 working days (6 weeks) to see if a settlement can be reached for Tesoro to acquire 100% of the Project.

If that can not be accomplished the legal process will resume with next court hearing later in the year at a time yet to be determined.

If the parties are unsuccessful in reaching an agreement following the hearing, the timing for the matter to proceed to trial is unknown at this stage.

There are no other contingent liabilities as at 31 December 2021.

Note 11. Commitments for expenditure

| | 31 December 2021 \$ | 30 June 2021 \$ |
|---|---------------------------|-----------------------|
| The exploration commitments are as follows: | | |
| Not longer than 1 year | 203,111 | 147,676 |
| Longer than 1 but not longer than 5 years | 6,406 | - |
| Longer than 5 years | - | - |
| Total | <u>209,517</u> | <u>147,676</u> |

Exploration commitments consist of annual rents payable on mineral concessions.

Note 12. Events after reporting period

On 6 January 2022, the Company commenced trading on the OTCQB, a U.S. trading platform that is operated by OTC Markets Group Inc. in New York, United States. The Company's symbol on the OTCQB is TSORF.

The Company's primary listing remains on the Australian Securities Exchange (ASX) under the symbol TSO with a secondary quotation on OTCQB under the symbol TSORF. Viriathus Capital LLC acted as the Company's OTCQB advisor and B.Riley Securities, Inc. acted as the Company's OTCQB sponsor.

Investors can access further information in relation to the Company's OTCQB quotation via <https://www.otcmarts.com/stock/TSORF/overview>.

On 12 January 2022 the Company announced additional positive infill drill results from the Ternera Gold Deposits and initial exploration drill results from the Drone Hill and Toro Blanco targets.

On 24 January 2022 the Company announced a new discovery at the El Zorro Gold Project, a 1.5km long and up to 450m wide surface gold trend with surface samples up to 101.00g/t Au. Results were received for 309 surface channel samples over the Drone Hill Target and north-west of Drone Hill. Anomalous gold results delineated a new 1.5km long and up to 450m wide, surface gold trend associated with a north-west trending fault system cross cutting the EZT and sedimentary rock sequences.

On 31 January 2022, the Company announced the lapse of 2,965,707 Class B and 4,942,884 Class C Performance Rights issued to Chilean employees.

On 4 and 22 February 2022, the Company announced assay results from drilling at the Ternera Gold Deposit located in the El Zorro Gold Project.

Note 12. Events after reporting period (cont.)

On 7 February 2022, the following securities were released from escrow:

- 102,193,612 fully paid ordinary shares
- 50,060,000 Class B Performance Rights
- 20,030,000 Class C Performance Rights
- 20,030,000 Class D Performance Rights

On 1 March 2022, the Company announced it had received a commitment of \$1 million pursuant to the Share Purchase Plan (SPP) Prospectus dated 27 October 2021, issuing 11,764,706 shares at \$0.085.

On 3 March 2022, the company announced the acquisition of an additional 22km² of concessions in the El Zorro Gold Project.

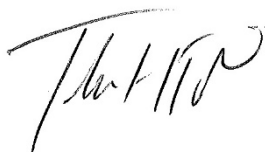
As the impact of the Coronavirus (COVID-19) pandemic is ongoing, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining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

Other than as discussed above and Note 10, no other matter or circumstance has arisen since 31 December 2021 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 2021 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
9 March 2022

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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 2021, 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 2021 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 2021 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: 9 March 2022

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