



Tesoro Resources Limited

(Formerly Plukka Limited)

ABN 91 106 854 175

Annual Report

for the year ended 30 June 2020

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CORPORATE DIRECTORY

Tesoro Resources Limited (*formerly Plukka 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

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SECURITIES EXCHANGE LISTING

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

Dear Fellow Shareholder,

Welcome to the 2020 and first Annual Report for Tesoro Resources Limited (ASX: TSO), reflecting a successful first eight months as a publicly listed company. After listing on the ASX on 7 February 2020, and, raising \$4.63 million, your Company has achieved many important milestones on its path to exploring and developing its flagship El Zorro Gold Project in Chile.

The team behind Tesoro Resources has worked diligently here in Australia and on site at the El Zorro Gold Project in Chile, during one of the most challenging periods in global history and I am extremely proud of the efforts of everyone involved. The listing on ASX represented an important phase following three years of work and investment, to secure, explore and execute the exploration program that has delivered outstanding results to date and I thank all shareholders who have supported us on the journey so far. We believe there is much to come and I look forward to reporting that to you in due course.

Following the Reverse Takeover (RTO) of ASX listed Plukka Limited by Tesoro Australia and associated \$4.63m capital raising at an issue price of \$0.03 per share, the Company was fully funded to commence the second phase of exploration at the El Zorro Gold Project in Chile. The initial drilling programs which were completed pre-listing gave the Board the confidence that there was a significant gold deposit across the El Zorro concessions and the first drilling program demonstrated that potential. Early success at El Zorro allowed us to complete a subsequent capital raising via a placement and entitlement offer, raising a further \$5.89 million at an issue price 100% higher than the RTO listing price, with an expanded exploration program now well underway. Consecutive drilling programs continued to prove the Company's confidence in the region and it has now become clear that Tesoro Resources is delineating what looks like a large-scale gold deposit in the coastal Cordillera region of Chile, close to infrastructure, a major regional city, access to water and personnel.

Our 2020 exploration program has been very aggressive and the results of the drilling programs wholly support our strategy. The El Zorro Gold Project is made of five prospects namely; Ternera, Buzzard, Toro Gordo, Drone Hill and Toro Blanco. Most of the drilling to date has focused on Ternera, including drilling subsequent to the end of the financial year which has now confirmed mineralisation extends over 750m in length and more than 300m in depth. In fact, almost all drill holes to date at El Zorro's Ternera prospect have been mineralised. September 2020 drilling continues and at time of writing a wide 60m interval of visible gold was reported in ZDDH00051 at Ternera and assays remain pending.

Mineralisation at El Zorro has been confirmed as a series of broad mineralised zones, and mineralisation generally starts close to surface and extends down over 250m in most holes. Metallurgical testwork has shown the mineralised material is free milling with gold recoveries up to 99%, another positive development for the project. With such an intense and successful series of drilling programs, our geological team is beginning to understand the scale of El Zorro and we look forward to continuing to explore the Ternera extensions. With historic and recent drilling results coming together, Tesoro will likely be able to model a Maiden Resource in the first half of 2021, however as we continue to find more gold, the model remains quite dynamic.

Operating under the COVID-19 restriction umbrella has been challenging both in terms of Chilean site staff and contractors, assay logistics and reporting and domestic administration and operational work. It is testament to all our teams at Tesoro Resources that the focus has been on exploring this project and getting the job completed in a safe, compliant, and sustainable way. Our reputation for our standards of operation are very important and this will continue to influence the way in which Tesoro Resources goes about its business.

In closing, I would like to thank all shareholders for their confidence and positivity. I am sure you will all share my enthusiasm for the ongoing and future exploration and development of what we are understanding to be a significant gold project in South America and one that should continue to provide reward to shareholders through its next phases. I would also like to thank our Managing Director Zeff Reeves, for his tireless focus and our Board members and employees for their ongoing support. We look forward to another successful year ahead.



John Toll
Chairman
Tesoro Resources Limited

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 financial year ended 30 June 2020.

Directors

The following persons were Directors of Tesoro Resources Limited (*formerly Plukka Limited*) during or since the end of the financial year:

John Toll	Non-Executive Chairman
Zeffron Reeves	Managing Director (<i>appointed 29 January 2020</i>)
Geoffrey McNamara	Non-Executive Director (<i>appointed 29 January 2020</i>)
Cameron Williams	Non-Executive Director (<i>resigned 29 January 2020</i>)
Peter Ruse	Non-Executive Director (<i>resigned 29 January 2020</i>)

Information on Directors

John Toll Non-Executive Chairman

B Comm, CA

Mr Toll brings valuable experience as a partner of Azure Capital Limited, a leading corporate advisory firm based in Perth, Western Australia. Mr Toll has over 15 years' experience in corporate advisory, focusing mainly on equity financing transactions across a range of industries including mining, technology, general industrials, biotech and infrastructure. He has advised local and international clients on transactions ranging from private capital raisings for early stage companies through to strategic and transformation capital raising for established businesses. Mr Toll has a Bachelor of Commerce, has completed the Institute of Chartered Accountants CA Program and a Graduate Diploma in Applied Finance.

Zeffron Reeves Managing Director

BSc (Hons) (Applied Geology), MBA, MAIG

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

Geoffrey McNamara Non-Executive Director

BSc (Applied Geology), AusIMM, FINSIA, AICD

Mr McNamara is a geologist with over 25 years of international resource sector experience, operational roles include Project Manager, Senior Mine Geologist and Mine Geologist for Ivanhoe Mines, Lion Ore International and Western Mining Corporation. Previously he worked in Private Equity (FUM USD800 million) and as a Director of Societe General's Mining Finance team in New York. Geoffrey holds a Bachelors degree in Geology and a Graduate Diploma in Applied Finance and Investment from the Financial Services Institute of Australasia. He is a member of the Australian Institute of Company Directors (AICD) and the Australasian Institute of Mining and Metallurgy (AusIMM).

Company Secretary

Shannon Coates

LLB, BJuris, AGIA, ACIS, GAICD

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

Directorships of Other Listed Companies

Directorships of other listed companies held by Directors currently and in the 3 years immediately before the end of the financial year are as follows:

Director	Company	Period of Directorship
John Toll	-	-
Zeffron Reeves	-	-
Geoffrey McNamara	Cora Gold Ltd	09/10/2017-19/11/2019
	Alita Resources Ltd	14/12/2018 – 18/12/2019

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 in Chile, which is prospective for gold.

Operating results

The loss, after tax, attributable to the Group for the financial year ended 30 June 2020, amounted to \$4,707,766 (2019: \$510,402 loss).

Control gained over entities, basis of preparation and comparative information

Tesoro Resources Limited (formerly Plukka Limited) completed the acquisition of 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 year ended 30 June 2019 presented in the consolidated financial statements are that of Tesoro Resources Limited (formerly Plukka Limited). 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.

Dividends

No dividends were paid or declared since the start of the financial year. No recommendations for payment of dividends has been made.

Directors' Interests in Shares, Options and Performance Rights

At the date of this report, the follow represents the shares, options and performance rights holdings of the Directors of the Company:

	Ordinary shares		Performance Rights	
	Direct	Indirect	Direct	Indirect
Directors				
John Toll ¹	-	3,671,696	-	-
Zeffron Reeves ²	-	20,647,222	-	63,027,195
Geoffrey McNamara ³	-	35,594,805	-	73,812,805
Total	-	59,913,723	-	136,840,000

1. 3,671,696 fully paid ordinary shares are held by Mr John Toll as trustee for the Toll Family Discretionary Trust.
2. 20,647,222 fully paid ordinary shares and 63,027,195 performance rights are held by Mr Zeffron Charles Reeves as trustee for the Palin Trust.
3. 22,410,546 fully paid ordinary shares are held by Tanamera Resources Pte Ltd (a company registered in Singapore). Geoffrey McNamara is the sole director and shareholder of Tanamera Resources Pte Ltd. 13,184,259 fully paid ordinary shares and 73,812,805 performance rights are held by Linkwood Holdings Pte Ltd (a company registered in Singapore). Geoffrey McNamara is a director and substantial shareholder of Linkwood Holdings Pte Ltd.

Review of Operations

On the 3 October 2019, the Company announced it had entered into a Share Purchase Agreement (**SPA**) to acquire 100% of the issued capital of Tesoro Australia Limited (**Tesoro**) (previously *Tesoro Resources Limited*), a Chilean gold exploration company with a focus on its flagship El Zorro Gold Project (**El Zorro Project**).

The acquisition of Tesoro by the Company represented an opportunity to acquire an interest in a highly prospective gold exploration project located within the Coastal Cordillera of Chile, and subject to satisfaction of a number of conditions, facilitate the reinstatement of the Company to the Official List of ASX. The Company subsequently satisfied the conditions, which included a public offer raising of \$4.6 million in January 2020 and was successfully re-admitted to the Official List of ASX on 7 February 2020.

Following the Company's successful completion of the acquisition of Tesoro, the Board and management of the Company were refreshed to bolster the new phase of operations as a gold exploration company. As part of the refresh, Messrs Zeffron Reeves and Geoffrey McNamara, experienced geologists and mining executives, with a focus on international projects were appointed to the Board as Managing Director and Non-Executive Director respectively.

Under the new management, the Company has focussed its efforts on delineating gold resources at the El Zorro Project, where a comprehensive drilling program continues to demonstrate the scale and quality of the project.

El Zorro Gold Project

The El Zorro Project area consists of approximately 10,000 hectares of granted concessions and is ideally located just 130km by road from the city of Copiapo in Region III, northern Chile and 57km by road from the port town of Caldera. The Company, via its 95% owned Chilean subsidiary, Tesoro Mining Chile SpA has a 70% interest in the El Zorro Project, with the right to increase to an 80% interest subject to certain payment and project development milestones, as set out in the ASX announcement on 23 March 2020.

Tesoro has identified five highly prospective prospects at El Zorro, namely, Ternera, Buzzard, Toro Gordo, Drone Hill and Toro Blanco. Drilling has been conducted at the Ternera prospect only.

Immediately following its readmission to the ASX, the Company commenced a drilling program at the El Zorro Project with an initial 10 hole diamond drilling campaign at the Ternera Prospect. On 6 March 2020, the Company announced that exceptional wide, high-grade gold assay results had been received for part of hole ZDDH00017, the first drill hole of the initial 10 hold drilling program. Final assays

were received early March 2020 (ASX Announcement 12 March 2020) for hole ZDDH00017, which intercepted 86.45m @ 2.29g/t Au, with a higher-grade zone returning 50.50m @ 3.63 g/t Au.

Up until the end of the reporting period, the Company continued its drilling campaign at the Terner Prospect, with a total of 11 drill holes completed for 2,855.30m. Assay results were received for all 11 holes with all returning highly encouraging results. Wide high-grade assay results were returned from several drill holes, with multiple high-grade gold intersections associated with the CC500 fault.

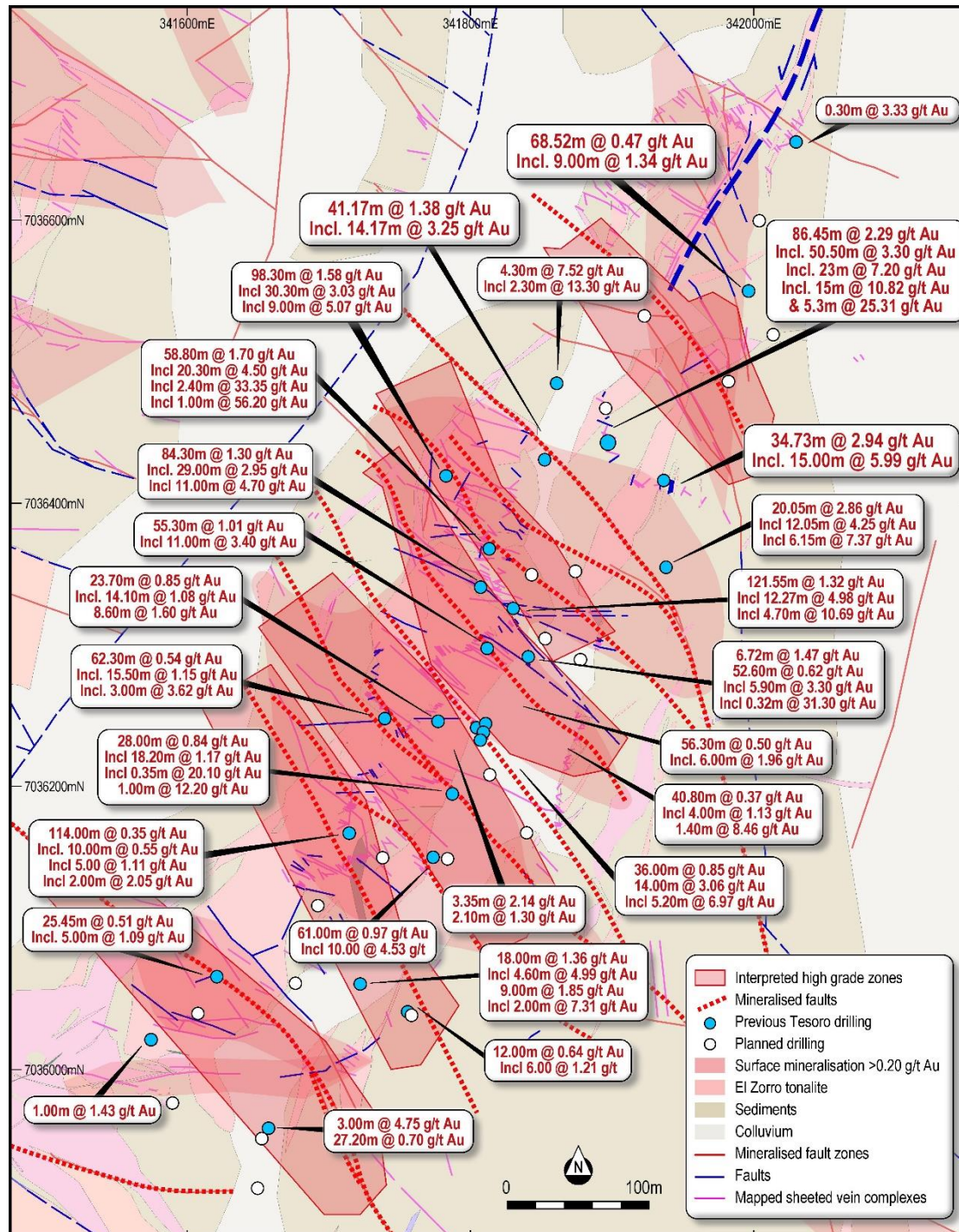


Figure 1: Terner Prospect Interpreted geology map and drilling (see ASX Announcement 10 June 2020).

The CC500 fault zone is one of several, high-grade gold bearing structures cross cutting the El Zorro Tonalite (**EZT**) controlling gold mineralisation at the Ternera Prospect. Gold mineralisation within the CC500 has been intersected in multiple diamond drill holes and has currently been defined by drilling over 180m of its strike, is typically between 20m and 80m wide, with drill intercepts within the high-grade zone ranging between 3.00g/t Au and 7.50g/t Au, with grades up to 56.20g/t having been encountered.

The high-grade mineralisation occurs within a broad lower grade envelope up to 200m wide, with gold grades between 0.50g/t and 1.50g/t defined by drilling and surface sampling.

Ternera Prospect drilling underway

Post the end of the period, the Company announced on 3 July 2020 the commencement of a further drilling program at the Ternera Prospect, with two diamond drill rigs undertaking infill and extensional drilling. Given the encouraging results from the previous drilling campaign, the Company intends to undertake the further drilling to delineate the Ternera deposit through an initial 20 holes for approximately 5,000m of drilling.

Channel Sampling Results

In May 2020, Tesoro announced additional surface assay results for controlled outcrop channel sampling at the El Zorro Project, which identified wide zones of surface gold mineralisation associated with the CC350 and CC450 faults, and confirmed and extended previous results from the Toro Gordo Prospect. The proven gold mineralisation at the Ternera and Toro Gordo Prospects now extends for over 1.5km of strike, with only approximately 700m of strike having been tested by drilling.

The results of this channel sampling significantly increase the known gold footprint at the Ternera Prospect, as well as confirm the occurrence of high-grade gold zones controlled by the CC structures.

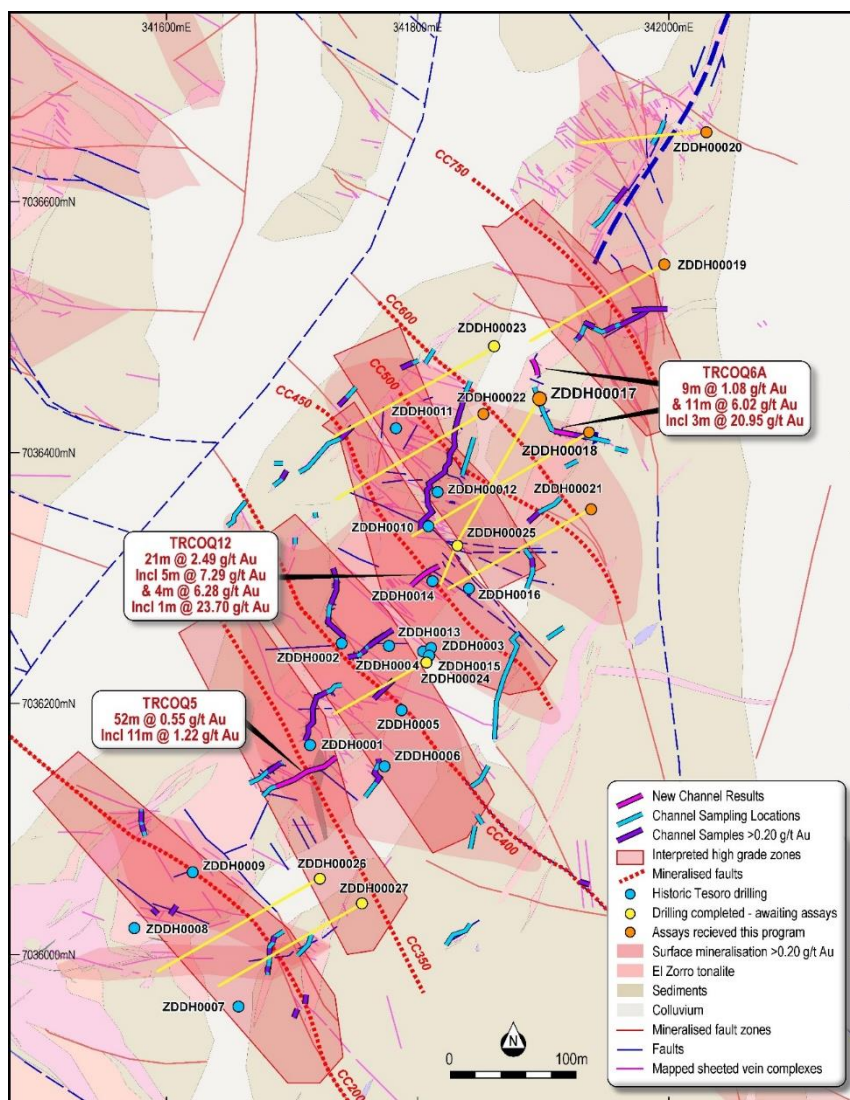


Figure 2 – Terner Channel Sampling Results (refer ASX Announcement 13 May 2020)

In late June 2020, Tesoro reported channel and rock chip sampling results from the Buzzard Prospect, 2km south of the Terner Prospect which confirms the Buzzard Prospect as an emerging new gold target and forming part of the El Zorro gold mineralised system (which incorporates the Buzzard, Toro Gordo, Terner, Drone Hill and Toro Blanco Prospects), that has now been identified for over 5km in length.

Results indicate that Buzzard is a large gold bearing vein system identified over an area approximately 1,100m long and 750m wide – open in all directions, with individual mineralised veins up to 250m long identified (Figure 3).

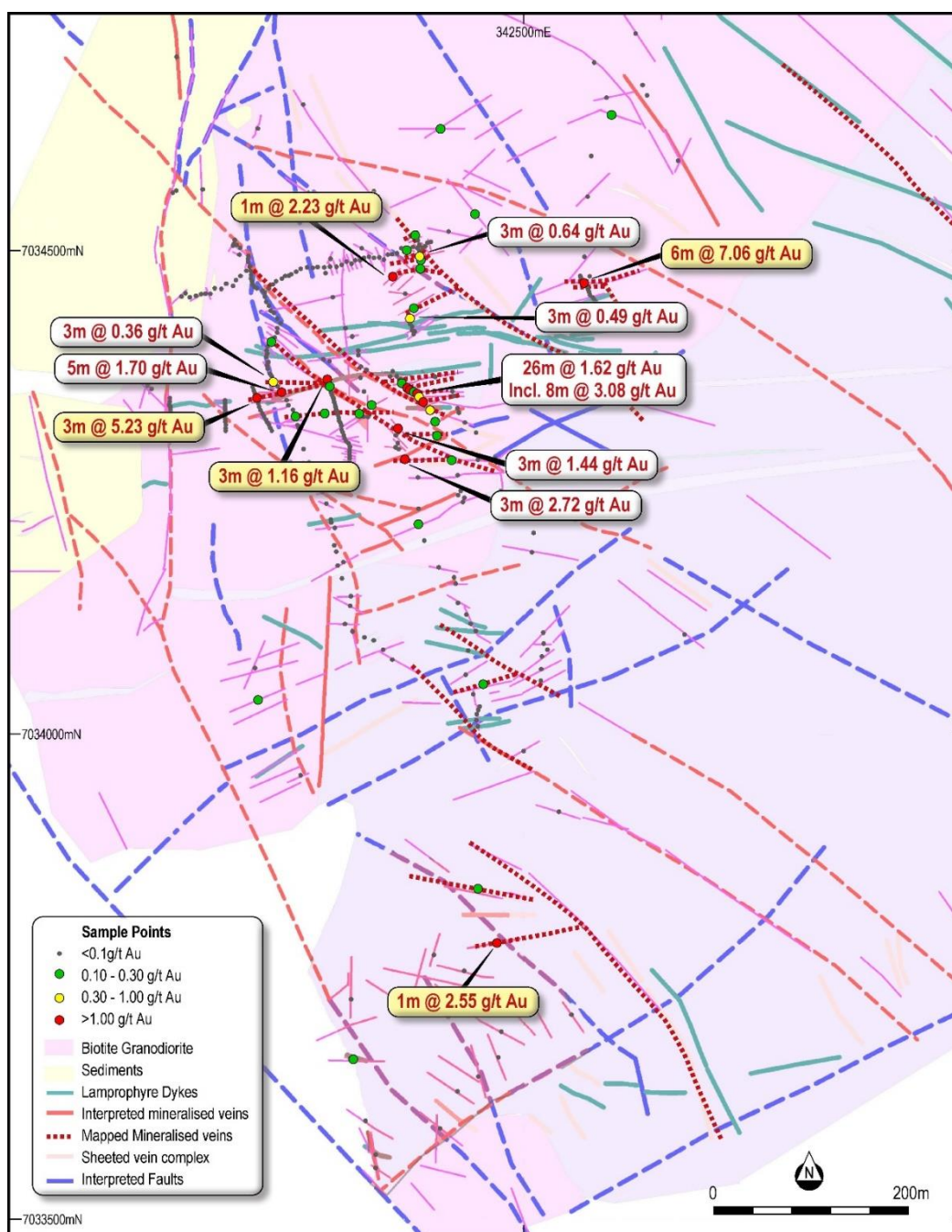


Figure 3 - Buzzard Prospect geology map, new results highlighted in gold

Metallurgical testwork results

In June 2020, Tesoro announced results of initial metallurgical testwork conducted on 50kg of mineralised, fresh rock material from the Ternerá Prospect at the El Zorro Project. The initial metallurgical testwork indicated that material was free milling with gold recoveries up to 99%.

The work completed consisted of cyanide leach tests, gravity recovery testwork and determination of bond work index (hardness) testwork. The work was carried out by ALS Laboratories Pty Ltd (Perth) and results reviewed and interpreted by Mintrex Pty Ltd.

Gold recoveries reported were 94% at 250 µm grind size and 99% at 75µm grind size. The results also demonstrated the material is amenable to gravity concentration, with 55% to 75% of the gold reporting to the gravity concentration at various grind sizes.

Mintrex Pty Ltd who is engaged as Tesoro's metallurgical and process engineering consultant, has reviewed the results and will advise on future metallurgical testwork programs and flowsheet design. The Company intends to implement the recommendations provided by Mintrex for a detailed metallurgical testwork program testing both transitional and fresh ore types of high and low gold grade domains.

Espina Gold Project

As announced on 6 April 2020, in late 2019, prior to the Company's re-admission to the ASX, a detailed mapping and sampling program was undertaken at the Espina Gold Project (**Espina Project**) to assess previously identified gold mineralisation along the Puertelera and Infernillo structures. A total of 130 rock chip, channel samples and 441 soil samples were collected.

Results delineated zones of strong gold mineralisation along the Puertelera structure and a large gold in soil anomaly at the northern end of the Infernillo Structure at Dona Clara.

In May 2020, Tesoro made the decision to terminate the Espina Option Agreement, pursuant to which the Company's 95%-owned subsidiary, Tesoro Chile Mining SpA, had the right to earn up to a 100% interest in the Espina Project.

Exploration at the Espina Project was negatively impacted by strict lockdown restrictions in response to COVID-19, which were imposed in late March 2020 and affected the Company's ability to carry out exploration activities to meet certain Stage 1 project expenditure commitments as part of the Espina Option Agreement. The Board resolved to terminate the Espina Option Agreement to avoid incurring any further costs associated with holding the project or administering the JV while uncertainty around COVID-19 restrictions in the Santiago Metropolitan Region remained.

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.

Corporate

Prior to the completion of the acquisition of Tesoro Australia Limited in January 2020, the Company, formerly known as Plukka Limited, sought Shareholder approval at its 2019 AGM for a number of corporate transactions, including the consolidation of capital on a 15:4 basis; change of Company name to Tesoro Resources Limited (from Plukka Limited) and various share issues, to facilitate the re-admission of the Company on ASX.

The Company was successfully re-admitted to the Official List of the ASX on 7 February 2020, following completion of the acquisition and a successful public offer capital raising of \$4.63 million. Following re-

admission, the Company had approximately \$4.02 million in cash (after payment of creditors, and re-listing and capital raising costs).

Capital Raising

In June 2020, Tesoro announced a capital raising to raise up to \$5.98 million comprised of:

- placement to institutional, sophisticated and professional investors to raise up to \$3.26 million (before costs) (**Placement**);
- 1:8 accelerated pro-rata non-renounceable entitlement offer at \$0.06 per Share to raise up to an additional \$2.72 million (before costs) involving; -an accelerated offer to eligible institutional Shareholders, expected to comprise the issue of up to 18,979,357 Shares to raise up to approximately \$1.13 million (**Institutional Entitlement Offer**);
- an offer to eligible retail Shareholders, expected to comprise the issue of up to 26,354,817 Shares to raise up to approximately \$1.58 million (**Retail Entitlement Offer**).

As announced on 18 June 2020 the Placement was oversubscribed and Institutional Entitlement Offer closed oversubscribed, raising a combined total of approximately \$4.39 million (before costs).

Funds raised pursuant to the Placement and the Institutional and Retail Entitlement Offers were applied towards an accelerated infill and extensional diamond drilling program, detailed metallurgical testwork program, commencement of a Scoping Study at the Company's El Zorro Project, working capital, as well as satisfying the costs of the capital raising.

As at the end of the FY2020 the Company had \$5.871 million in cash.

Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2020 were:

	Board meetings	
	Attended	Eligible to attend
John Toll	3	3
Zeffron Reeves ²	3	3
Geoffrey McNamara ²	3	3

1. The full Board currently undertakes all nomination, remuneration, audit and risk functions.
2. Appointed 29 January 2020

The meetings of the directors was for the period between the reverse acquisition occurred on 29 January 2020 and 30 June 2020.

Shares

As at the date of this report, there are 476,293,924 fully paid ordinary shares on issue.

Options

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

During the year ended 30 June 2020, nil shares were issued upon the exercise of options.

Performance Rights

As at the date of this report, there are 146,231,405 performance rights on issue which will vest subject to meeting applicable performance criteria.

During the year ended 30 June 2020, nil performance rights vested.

Financial Position

The Group had a total issued capital of \$14,499,180 (2019: \$3,325,066) at the end of the reporting period.

During the financial year, the Group had a net increase in contributed equity of \$11,174,114 (2019: \$1,014,848) net of share issue costs as a result of the acquisition of Tesoro Australia Pty Ltd (formerly Tesoro Resources Limited.)

As at 30 June 2020, the total assets for the Group are \$9,058,789 (2019: \$2,948,699) and total liabilities (being trade creditors, borrowings and provisions) amount to \$388,496 (2019: \$730,784).

The Directors believe the Group is in a strong financial position to pursue the current operations.

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial 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 3 July 2020, the Company announced the drilling program at the Ternera Prospect, El Zorro Project in Chile had commenced.

On 3 July 2020, the Company announced the results of the General Meeting with all resolutions carried on a poll. Shareholders approved:

- The issue of 5,000,000 fully paid ordinary shares in the Company to a nominee of Sir Jose Bahamondes, the vendor of the El Zorro Gold Project, increasing the Company's holding of the El Zorro Project to 70%.
- The issue of 659,562 fully paid ordinary shares in the Company in lieu of cash consideration for corporate advisory services
- The issue of 8,333,333 fully paid ordinary shares in the Company to satisfy the Company's obligations under Mr. Zeffron Reeves' Executive Service Agreement

On 7 July 2020, the Company announced the completion of Retail Entitlement Offer of 1 new fully paid ordinary share for every 8 existing fully paid ordinary shares, as announced on 12 June 2020. The total amount raised under the Entitlement Offer was \$2,720,050 (before costs). This includes the previously announced institutional component of the Entitlement Offer, which was completed on 18 June 2020 and raised \$1,132,309 (before costs).

On 31 July 2020, the Company announced it had expanded its land position at the El Zorro Gold Project in Chile by 360% to 395km².

On 4 August 2020, the Company provided an exploration update for its current exploration program at the El Zorro Gold Project in Chile.

On 10 August 2020, the Company announced the results of the geophysical IP surveying conducted at the El Zorro Gold Project in Chile.

On 26 August and 4 September 2020, the Company announced assay results from the current drilling program at Ternera Prospect at the El Zorro Gold Project in Chile.

On 17 September 2020, the Company announced that step out drilling targeting the geophysical IP anomaly to the north and south of the Ternera mineralised zone at the Company's El Zorro Gold project in Chile has successfully intersected significant gold mineralisation.

On 23 September 2020, the Company announced that applications for an additional 188 concessions adjoining the El Zorro Gold Project, Chile, were successful. The granting of the new concession areas had increased the El Zorro concession package to cover approximately 540km² of prospective geology.

Other than as discussed above, no other matter or circumstance has arisen since 30 June 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.

Future developments, prospects and business strategies

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

Competent Persons 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 Managing 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.

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for the Key Management Personnel of the Company for the financial year ended 30 June 2020. The information provided in this remuneration report has been audited as required by Section 308(3C) of the *Corporations Act 2001*.

The remuneration report details the remuneration arrangements for Key Management Personnel who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any Director (whether executive or otherwise) of the parent company, and includes the executives in the Group receiving the higher remuneration.

Key Management Personnel

The following are classified as Key Management Personnel:

Directors

John Toll	Non-Executive Chairman
Zeffron Reeves	Managing Director (<i>appointed 29 January 2020</i>)
Geoffrey McNamara	Non-Executive Director (<i>appointed 29 January 2020</i>)
Cameron Williams	Non-Executive Director (<i>resigned 29 January 2020</i>)
Peter Ruse	Non-Executive Director (<i>resigned 29 January 2020</i>)

There are no other Key Management Personnel.

The Remuneration Report is set out under the following main headings:

- a) Principles used to determine the nature and amount of remuneration
- b) Details of remuneration
- c) Service agreements
- d) Equity-based remuneration
- e) Equity instruments issued on exercise of remuneration options
- f) Loans with Key Management Personnel
- g) Other transactions with Key Management Personnel

REMUNERATION REPORT (AUDITED) (cont.)

a) Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation; and
- transparency.

The Board is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the Group depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high-quality personnel. The Board has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Group. The remuneration framework is designed to align executive reward to shareholders' interests. The Board considers that it should seek to enhance shareholders' interests by:

- implementing coherent remuneration policies and practices to attract, motivate and retain executives and directors who will create value for shareholders and who are appropriately skilled and diverse;
- observing those remuneration policies and practices;
- fairly and responsibly rewards executives having regard to Group and individual performance; the performance of the executives and the general external pay environment; and
- integrating human capital and organisational issues into its overall business strategy.

Additionally, the remuneration framework must refer to the following principles when developing recommendations to the Board regarding executive remuneration:

- motivating management to pursue the Group's long-term growth and success;
- demonstrating a clear relationship between the Group's overall performance and the performance of individuals; and
- complying with all relevant legal and regulatory provisions.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Executive remuneration

The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which may have both fixed and variable components. In respect of executive remuneration, remuneration packages should include an appropriate balance of fixed and performance-based remuneration and may contain any or all of the following:

Fixed remuneration

Any fixed remuneration component should:

- be reasonable and fair;
- take into account the Group's legal and industrial obligations and labour market condition;
- be relative to the scale of the Group's business; and
- reflect core performance requirements and expectations.

REMUNERATION REPORT (AUDITED) (cont.)

Performance-based remuneration

Any performance-based remuneration should:

- take into account individual and corporate performance; and
- be linked to clearly-specified performance targets, which should be
- aligned to the Group's short and long-term performance objectives; and
- appropriate to its circumstances, goals and risk appetite.

Equity-based remuneration

Equity-based remuneration can include options or performance rights or shares and is especially effective when linked to hurdles that are aligned to the Group's longer-term performance objectives. However, they should be designed so that they do not lead to 'short-termism' on the part of senior executives or the taking of undue risks. The Board is of the opinion that the adoption of performance-based compensation for executives is necessary to reward executives consistent with increases in shareholder returns.

Termination payments

Termination payments should be agreed in advance, and any agreement should clearly address what will happen in the case of early termination. There should be no payment for removal for misconduct.

Non-Executive Director's Remuneration

Fees and payments to Non-Executive Directors reflect the demands and responsibilities of their role. Non-Executive Directors' fees and payments are reviewed annually by the Board. The Board may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market.

In respect of Non-Executive Director remuneration, remuneration packages could contain cash fees, superannuation contributions and non-cash benefits in lieu of fees (such as salary sacrifice into superannuation or equity) and may contain any or all of the following:

- fixed remuneration – this should reflect the time commitment and responsibilities of the role
- performance-based remuneration – non-executive directors should not receive performance-based remuneration as it may lead to bias in their decision-making and compromise their independence
- equity-based remuneration – non-executive directors can receive an initial allocation of fully-paid ordinary securities if shareholders have approved such an allocation in accordance with the ASX Listing Rules. However, non-executive directors generally should not receive performance shares as part of their remuneration as it may lead to bias in their decision-making and compromise their independence; and
- termination payments – non-executive directors should not be provided with retirement benefit other than superannuation.

ASX Listing Rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The maximum aggregate remuneration payable to Non-Executive Directors currently stands at \$500,000 per annum.

REMUNERATION REPORT (AUDITED) (cont.)

b) Details of Remuneration

Remuneration of Key Management Personnel is set out below.

Director and other KMP	Year	Short-term employee benefits			Post-employment benefits	Share-based payments	Total	Performance based % of remuneration
		Cash salary and fees	Other fees	Non-monetary benefits	Superannuation	Performance Rights		
Non-Executive Chairman								
John Toll	2020	18,854	-	-	1,980	-	20,834	-
	2019	37,500	-	-	-	15,452	52,952	29%
Managing Director								
Zeffron Reeves ⁱ	2020	100,000	50,000 ^{iv}	-	9,500	144,838	304,338	47.6%
	2019	-	-	-	-	-	-	-
Non-Executive Directors								
Geoffrey McNamara ^{i, iii}	2020	18,854	-	-	1,980	231,449	252,283	91.7%
	2019	-	-	-	-	-	-	-
Cameron Williams ⁱⁱ	2020	-	-	-	-	-	-	-
	2019	24,000	-	-	-	-	24,000	-
Peter Ruse ⁱⁱ	2020	-	-	-	-	-	-	-
	2019	24,000	-	-	-	-	24,000	-
Total	2020	137,708	50,000 ^{iv}	-	13,460	376,287	577,455	
	2019	85,500	-	-	-	15,452	100,952	

i. Appointed as of 29 January 2020

ii. Resigned as of 29 January 2020

iii. During the year, Geoffrey McNamara was paid \$50,000 as an advance of director fees to April 2021, repayable of any un-earned portion of the advanced fee to the Company. \$29,167 remains as an advance at 30 June 2020.

iv. At completion of the RTO, Mr Zeffron Reeves was given a bonus of \$50,000.

The remuneration of the directors was for the period between 29 January 2020 and 30 June 2020.

The comparative remuneration of the directors was for the legal parent, Tesoro Resources Limited (formerly Plukka Limited) for the 2019 financial year.

Performance income as a proportion of total income

Performance income as a proportion of total income for Key Management Personnel is disclosed in this the Remuneration Report. The MD's performance related income comprised 47.6% of his total income for FY2020. The performance related component resulted from the vesting period value ascribed to performance rights issued during the year.

Equity holdings

All equity dealings with directors have been entered into with terms and conditions no more favourable than those that the Company would have adopted if dealing at arms' length. The relevant interests of each director in share capital at the date of this report are as follows:

REMUNERATION REPORT (AUDITED) (cont.)

Fully Paid ordinary Shares Movement in shareholdings of key management personnel

	Opening balance	At appointment /resignation	Granted as remuneration	On Exercise of Options	Other changes	Balance at 30-06-20
Directors						
John Toll ¹	3,263,729	-	-	-	-	3,263,729
Zefferon Reeves ²	-	12,963,889 ⁱ	-	-	-	12,963,889
Geoffrey McNamara ³	-	37,094,805 ⁱⁱ	-	-	500,000	37,594,805
Total	3,263,729	50,058,694	-	-	500,000	53,822,423

- i. Zefferon Reeves was appointed as a director on 29 January 2020.
ii. Geoffrey McNamara was appointed as a director on 29 January 2020.

Performance Rights Movement in Performance Rights of key management personnel

Performance Rights

	Opening balance	Granted	Converted	Balance at 30-06-2020	Total vested at 30-06-20
Directors					
John Toll	-	-	-	-	-
Zefferon Reeves ²	-	63,027,195	-	63,027,195	-
Geoffrey McNamara ³	-	73,812,805	-	73,812,805	-
Total	-	136,840,000	-	136,840,000	-

- 3,263,729 fully paid ordinary shares are held by Mr John Toll as trustee for the Toll Family Discretionary Trust.
- 12,963,889 fully paid ordinary shares and 63,027,195 performance rights are held by Mr Zefferon Charles Reeves as trustee for the Palin Trust.
- 22,410,546 fully paid ordinary shares are held by Tanamera Resources Pte Ltd (a company registered in Singapore). Geoffrey McNamara is the sole director and shareholder of Tanamera Resources Pte Ltd. 15,184,259 fully paid ordinary shares and 73,812,805 performance rights are held by Linkwood Holdings Pte Ltd (a company registered in Singapore). Geoffrey McNamara is a director and substantial shareholder of Linkwood Holdings Pte Ltd.

c) Service agreements

Key Management Personnel employment terms are formalised in a service agreement, a summary of which is set out below.

Name	Base Salary/Fees	Terms of Agreement	Termination Notice Period
Mr Zefferon Reeves (Managing Director)	\$240,000 per annum plus superannuation	Until terminated	3 months written notice
Mr John Toll (Non- executive Chairman)	\$50,000 per annum inclusive of superannuation	Until terminated	None
Mr Geoffrey McNamara	\$50,000 per annum inclusive of superannuation	Until terminated	None

REMUNERATION REPORT (AUDITED) (cont.)

Non-Executive Directors

All non-executive Directors were appointed by a letter of appointment. Directors can retire in writing as set out in the Constitution.

d) Equity-based remuneration

The Company rewards Directors for their performance and aligns their remuneration with the creation of shareholder wealth by issuing share options. Equity-based remuneration is at the discretion of the Board and no individual has a contractual right to receive any guaranteed benefits.

During the year, the following performance rights were granted to Directors or other KMP.

During the year, the Company issued 136,840,000 Performance Rights to Messrs Reeves and McNamara in connection with the Vendors' nominees being appointed to the board of Directors as part of the reverse acquisition of Tesoro Australia Limited. The vesting conditions are as follows:

Tranche	Key Management Personnel	No. of Performance Rights	Total Value	Vesting conditions	Expiry Date
Class A	Zeffron Reeves	15,782,575	\$ 355,108	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
	Geoffrey McNamara	30,937,425	\$ 696,092		
Class B	Zeffron Reeves	28,794,620	\$ 259,152	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
	Geoffrey McNamara	21,265,380	\$ 191,388		
Class C	Zeffron Reeves	9,225,000	\$ 41,513	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
	Geoffrey McNamara	10,805,000	\$ 48,623		
Class D	Zeffron Reeves	9,225,000	\$ 83,025	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
	Geoffrey McNamara	10,805,000	\$ 97,245		

REMUNERATION REPORT (AUDITED) (cont.)

The Performance Rights are issued for nil consideration each and no consideration is payable upon vesting of which each Performance Right will convert to one fully paid ordinary share in the Company. Refer Note 14 for details.

e) Equity instruments issued on exercise of remuneration options

No remuneration options were exercised during the financial year.

f) Loans to/from Key Management Personnel

On 1 May 2020, the Board agreed to pay in advance director fees to Geoffrey McNamara of \$50,000 for representing the period of 1 May 2020 to 30 April 2021 (\$29,167 remains as an advance at 30 June 2020) with any un-earned portion of the advanced fee be repayable to the Company within 7 days of ceasing to be a Director, on a pro-rata basis.

On 11 July 2018, the Company entered into a Loan Agreement with Tanamera Resources Pte Ltd ("Tanamera"), an entity, in which Mr McNamara is a director, by which Tanamera would make available up to A\$100,000 by way of an unsecured loan for a period of 12 months. This loan was fully paid upon conversion to 12,400,367 fully paid shares at \$0.03 per share in the Company and a cash payment of \$75,000 on 30 January 2020.

On 15 November 2018, the Company entered into a Financing Agreement with Linkwood Holdings Pte Ltd ("Linkwood"), in which Mr McNamara is a director, by which Linkwood would make available up to A\$500,000 by way of an unsecured loan for a period of 12 months. \$35,000 was received during the year ended 30 June 2020. This loan was fully paid with cash payments of \$15,000 on 20 August 2019 and \$42,812 on 12 February 2020, including \$2,812 interest payment.

Other than as stated above, no loans were made to key management personnel of the Company during the financial year or the prior corresponding period.

g) Other transactions with key management personnel

A company associated with Geoffrey McNamara, a director, Tanamera Resources Pte Ltd was paid \$47,201 (2019: Nil) in consulting fees.

During the year, the Company issued 36,658,327 fully paid ordinary shares to Messrs Reeves and McNamara as vendor consideration shares in connection with the reverse acquisition of Tesoro Australia Limited.

END OF REMUNERATION REPORT

Voting and Comments at the Company's 2019 Annual General Meeting

The adoption of the Remuneration Report for the financial year ended 30 June 2019 was put to the shareholders of the Company at the Annual General Meeting held on 7 November 2019. The Company received 98.7% of the vote, of those shareholders who exercised their right to vote, in favour of the remuneration report for the 2019 financial year. The resolution was passed without amendment on a show of hands. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration policies.

Diversity

The Company believes that the promotion of diversity on its Board and within the organisation generally is good practice and is committed to managing diversity as a means of enhancing the Company's performance. There are currently no women on the Company's Board or filling senior management positions within the Company, however both the contract Company Secretary and CFO are female.

The Company as set out in the Diversity Policy, (accessible from the Company's website) will focus on participation of women on its Board and within senior management and intends to set measurable objectives for achieving gender diversity which will be adhered to once the size and scale of the Company increases sufficiently to permit further additions to the Board or senior management.

Environmental regulation

The Directors have considered the National Greenhouse and Energy Reporting Act 2007 (the NGER Act) which introduces a single national reporting framework for the reporting and dissemination of information about the greenhouse gas emissions, greenhouse gas projects, and energy use and production of corporations. At the current stage of development, the Directors have determined that the NGER Act will have no effect on the Company for the current or subsequent financial year. The Directors will reassess this position as and when the need arises.

Unissued shares under option

There are currently no unissued shares under option of the Company.

Indemnifying officers or auditor

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

The Group has a Directors and Officers insurance policy in place.

Proceedings on behalf of the company

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

Non-Audit Services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the group are important.

Details of the amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 25 to the financial statements.

The Board of Directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditors, as set out below, did not compromise the auditor independent requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Board of Directors to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to the auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

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 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors



John Toll
Non-Executive Chairman
30 September 2020

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Tesoro Resources Limited for the year ended 30 June 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.



RSM AUSTRALIA PARTNERS



TUTU PHONG
Partner

Perth, WA
Dated: 30 September 2020

Tesoro Resources Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2020

		Consolidated	
		30 June 2020 \$	30 June 2019 \$
Interest revenue		31	197
ATO Cashflow Boost		28,652	-
Administration expenses		(71,260)	(8,227)
Corporate and compliance expenses		(152,879)	(69,231)
Depreciation		(328)	(266)
Employee related expenses		(161,219)	(181,183)
Equity based payment		(410,550)	(40,000)
Impairment of assets		(103,521)	(31,922)
Interest and finance expenses		(61,935)	(22,995)
Legal expenses		(213,847)	(66,751)
Consultants expenses		(204,602)	-
Other expenses		(24,354)	(90,016)
Non-recurring items relating to acquisition	26	(2,319,023)	-
Espina project impairment		(1,013,052)	-
Foreign currency translation		121	(8)
Loss before income tax from continuing operations		(4,707,766)	(510,402)
Income tax expense	11	-	-
Loss after tax		(4,707,766)	(510,402)
Other comprehensive income/(loss)			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		(424,520)	(14,701)
Other comprehensive income/(loss) for the year, net of tax		(424,520)	(14,701)
Total comprehensive loss for the year		(5,132,286)	(525,103)
Basic loss per share	17	(3.05)	(0.46)

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

Tesoro Resources Limited
Consolidated Statement of Financial Position
As at 30 June 2020

		Consolidated	
		As at 30 June 2020 \$	As at 30 June 2019 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	5,871,130	20,636
Trade and other receivables	4	252,332	56,340
TOTAL CURRENT ASSETS		6,123,462	76,976
NON-CURRENT ASSETS			
Exploration and evaluation expenditure	5	2,934,007	2,870,423
Plant and equipment	6	1,320	1,300
TOTAL NON-CURRENT ASSETS		2,935,327	2,871,723
TOTAL ASSETS		9,058,789	2,948,699
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	7	388,496	263,773
Borrowings	8	-	467,011
TOTAL CURRENT LIABILITIES		388,496	730,784
TOTAL LIABILITIES		388,496	730,784
NET ASSETS		8,670,293	2,217,915
EQUITY			
Issued capital	9	14,499,180	3,325,066
Reserves	10	194,760	208,730
Accumulated losses		(6,023,647)	(1,315,881)
TOTAL EQUITY		8,670,293	2,217,915

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 year ended 30 June 2020

	Issued Capital	Accumulated Losses	Equity Based Payment Reserve	Foreign Currency Reserve	Total Equity
CONSOLIDATED	\$	\$	\$	\$	\$
Balance at 1 July 2019	3,325,066	(1,315,881)	-	208,730	2,217,915
Loss for the year	-	(4,707,766)	-	-	(4,707,766)
Exchange differences arising on translation of foreign currency	-	-	-	(424,520)	(424,520)
Total comprehensive loss for the year	-	(4,707,766)	-	(424,520)	(5,132,286)
Consideration shares – RTO (Note 13)	1,404,282	-	-	-	1,404,282
Placement – RTO	4,633,601	-	-	-	4,633,601
Lead manager facilitation shares - RTO	575,000	-	-	-	575,000
Shares issued for conversion of convertible loan	300,000	-	-	-	300,000
Shares issued for conversion of director loan	372,011	-	-	-	372,011
Shares issued in lieu of fees	132,738	-	-	-	132,738
Lead manager facilitation shares – Convertible loan	18,750	-	-	-	18,750
Accelerated offer	1,132,309	-	-	-	1,132,309
Placement	3,264,060	-	-	-	3,264,060
Equity based payments	-	-	410,550	-	410,550
Capital raising costs	(658,637)	-	-	-	(658,637)
Balance at 30 June 2020	14,499,180	(6,023,647)	410,550	(215,790)	8,670,293

	Issued Capital	Accumulated Losses	Equity Based Payment Reserve	Foreign Currency Reserve	Total Equity
CONSOLIDATED	\$	\$	\$	\$	\$
Balance at 1 July 2018	2,310,218	(805,479)	-	223,431	1,728,170
Loss for the year	-	(510,402)	-	-	(510,402)
Exchange differences arising on translation of foreign currency	-	-	-	(14,701)	(14,701)
Total comprehensive loss for the year	-	(510,402)	-	(14,701)	(525,103)
Shares issued on El Zorro options exercise	20,531	-	-	-	20,531
Shares issued on repayment of loan	137,777	-	-	-	137,777
Equity based payments	40,000	-	-	-	40,000
Share issues (net of costs)	816,540	-	-	-	816,540
Balance at 30 June 2019	3,325,066	(1,315,881)	-	208,730	2,217,915

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 year ended 30 June 2020

	Year ended 30 June 2020 \$	Year ended 30 June 2019 \$
Cash flows from operating activities		
Interest received	16	197
Interest paid	-	(1,687)
ATO cash flow boost received	28,652	-
Payments to suppliers and employees	(1,217,116)	(392,433)
Net cash flows used in operating activities	(1,188,448)	(393,923)
Cash Flows from investing activities		
Payments for exploration and evaluation	(1,604,436)	(1,119,938)
Purchase of plant and equipment	-	(1,184)
Cash acquired on acquisition of Tesoro Australia Limited	79,011	-
Net cash flows used in investing activities	(1,525,425)	(1,121,122)
Cash flows from financing activities		
Proceeds from share issue	8,362,178	816,540
Proceeds from convertible note	300,000	-
Proceeds from borrowings	145,000	583,480
Repayment of borrowings	(242,812)	-
Net cash flows from financing activities	8,564,366	1,400,020
Net increase/(decrease) in cash and cash equivalents	5,850,494	(115,025)
Cash and cash equivalents at beginning of the financial year/period	20,636	135,661
Effect of exchange rate changes on cash and cash equivalents	-	-
Cash and cash equivalents at end of the financial year	5,871,130	20,636

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

Note 1. Statement of significant accounting policies

This financial report includes the financial statements and notes of Tesoro Resources Limited (formerly Plukka Limited) and controlled entities ("Consolidated Entity" or the "Group"). The separate financial statements and notes of Tesoro Resources Limited as an individual parent entity ("Company") have not been presented within this financial report as permitted by the *Corporations Act 2001*.

Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Accounting Standards and Interpretations and complies with other requirements of the law.

The financial report has also been prepared on an accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The Company is an ASX listed public company, incorporated in Australia and operating in Australia and Chile.

The Group's principal activities are mineral exploration.

The financial report is presented in Australian dollars.

Statement of Compliance

The financial report was authorised for issue on 30 September 2020.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

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 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 30 June 2020 statement of profit or loss and other comprehensive income comprise 12 months of Tesoro Subsidiary and 153 days of Tesoro Resources Limited.
- The 30 June 2019 comparative statement of profit or loss and other comprehensive income comprise 12 months of Tesoro Subsidiary.

Statement of Financial Position

- The statement of financial position as at 30 June 2020 represents both Tesoro Resources Limited and Tesoro Subsidiary.
- The comparative statement of financial position at 30 June 2019 represents Tesoro Subsidiary.

Statement of Changes in Equity

- The 30 June 2020 statement of changes in equity comprises Tesoro Subsidiary's equity balance at 1 July 2019, its loss for the period and transactions with equity holders for the 12 months. It also comprises Tesoro Resources Limited's transactions with equity holders in the past 153 days from the acquisition date and the equity balances of Tesoro Resources Limited and Tesoro Subsidiary as at 30 June 2020.
- The 30 June 2019 comparative statement of changes in equity comprises 12 months of Tesoro Subsidiary.

Statement of Cash Flows

- The 30 June 2020 statement of cash flows comprise 12 months of Tesoro Subsidiary and 153 days of Tesoro Resources Limited.
- The 30 June 2019 comparative statement of cash flows comprise 12 months of Tesoro Subsidiary.

New or amended Accounting Standards and Interpretations adopted

The Group 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.

Adoption of new and revised standards

Changes in accounting policies on initial application of Accounting Standards

In the year ended 30 June 2020, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current annual reporting period. As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Group and, therefore, no material change is necessary to Group accounting policies.

The following Accounting Standards and Interpretations are most relevant to the Group:

AASB 16 Leases

AASB 16 Leases supersedes AASB 117 Leases. The Group has adopted AASB 16 from 1 July 2019 which results in changes in the classification, measurement and recognition of leases. The changes removes the distinction between 'operating and 'finance' leases. The new standard requires recognition of a right-of-use asset (the leased item) and a financial liability (to pay rentals). The exceptions are short-term leases and leases of low value assets.

The Group has adopted AASB 16 using the modified retrospective approach under which the reclassifications and the adjustments arising from the new leasing rules are recognised in the opening Statement of Financial Position on 1 July 2019. Under this approach, there is no initial impact on retained earnings, and comparatives have not been restated.

From 1 July 2019, the Group recognises a right-of-use asset and a corresponding liability at the date which the lease asset is available for use by the Group (i.e. commencement date). Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a consistent period rate of interest on the remaining balance of the liability for each period.

Where leases have a term of less than 12 months or relate to low value assets, the Group has applied the optional exemptions to not capitalise these leases and instead account for the lease expense on a straight-line basis over the lease term.

Impact on adoption of AASB 16

The adoption of AASB 16 has not resulted in any changes in respect of all operating leases, as there is no existing lease agreement for the year end 30 June 2020.

The net impact on retained earnings on 1 July 2019 was \$nil.

Historical cost convention

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

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all Standards and Interpretations in issue not yet adopted for the year ended 30 June 2020. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Company and, therefore, no change is necessary to Group accounting policies.

Comparative figures

The comparative financial information presented as of and for the twelve months ended 30 June 2019 is for Tesoro Australia Limited and its controlled entity.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Tesoro Resources Limited ("Company" or "parent entity") as at 30 June 2020 and the results of all subsidiaries for the period then ended. Tesoro Resources Limited and its subsidiaries together are referred to in these financial statements as the "consolidated entity" or "Group".

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

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

The acquisition of subsidiaries has been accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition. Accordingly, the consolidated financial statements include the results of subsidiaries for the period from their acquisition.

Foreign currency translation

The financial statements are presented in Australian dollars, which is the Group's functional and presentation currency.

Foreign currency transactions

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

Foreign operations

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

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

Note 2. Significant accounting estimates and judgements

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Exploration and evaluation expenditure:

The Directors have conducted a review of the Group's capitalised exploration expenditure to determine the existence of any indicators of impairment. Based upon this review, the Directors have determined that in response to the COVID-19 pandemic as a result of strict lockdown restrictions prohibiting unauthorised movements of personnel and activities deemed non-essential and the uncertainty that restrictions will end, the Board has agreed to terminate the Espina Option Agreement and fully impair the project recognising a charge to profit or loss of \$1,013,052 as at 30 June 2020.

Share-based payment transactions:

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using an appropriate valuation model.

The fair value is expensed over the vesting period.

	30 June 2020	30 June 2019
	\$	\$
Note 3. Cash and cash equivalent		
Cash at bank	5,871,130	20,636

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above. Cash at bank earns interest at floating rates based on daily bank deposit rates.

	30 June 2020	30 June 2019
	\$	\$
Note 4. Trade and other receivables		
Advances to external parties	54,322	22,570
GST receivable	32,183	1,534
Prepayments	136,660	7,035
Advances to related parties	29,167	-
Other receivables	-	25,201
	<u>252,332</u>	<u>56,340</u>

Current trade receivables are non-interest bearing and are normally settled on 60-day terms. This balance is current receivables incurred on a day to day operational basis and considered unimpaired.

Expected credit losses

The Group applies the AASB 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

Where applicable, in measuring the expected credit losses, the trade receivables are assessed on a collective basis as they possess shared credit risk characteristics. They are grouped based on the days past due and also according to the geographical location of customers.

The expected loss rates are based on the payment profile for sales over the past 48 months before 30 June 2020 and 30 June 2019 respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding.

Trade receivables are written off when there is no reasonable expectation of recovery. Failure to make payments within 180 days from the invoice date and failure to engage with the Group on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery.

Note 5. Exploration and evaluation expenditure

	30 June 2020 \$	30 June 2019 \$
Costs carried forward in respect of areas of interests:	2,870,423	1,754,495
Exploration expenditure capitalised	1,604,436	1,102,314
Espina project writedown	(1,013,052)	-
Foreign currency translation	(527,800)	13,614
	<u>2,934,007</u>	<u>2,870,423</u>

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases are dependent on the successful development and commercial exploitation or sale of the respective areas.

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

- the rights to tenure of the area of interest are current; and
- at least one of the following conditions is also met:
 - (i) the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or
 - (ii) exploration and evaluation activities in the area of interest have not at the balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching, assaying, sampling and associated activities and an allocation of depreciation and amortised of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to a mine development asset.

Note 6. Plant and Equipment

	30 June 2020 \$	30 June 2019 \$
<i>Plant and equipment</i>		
At cost	933	933
Accumulated depreciation	(611)	(453)
Total Plant and equipment	<u>322</u>	<u>480</u>
<i>Office equipment</i>		
Beginning of period	1,153	820
Accumulated depreciation	(155)	-
Total Plant and equipment	<u>998</u>	<u>820</u>
Movements in plant and equipment		
Beginning of period	480	383
Additions	-	363
Depreciation	(158)	(266)
Balance at end of period	<u>322</u>	<u>480</u>
Movements in office equipment		
Beginning of period	820	-
Additions	453	820
Depreciation	(170)	-
Foreign current translation	78	-
Balance at end of period	<u>998</u>	<u>820</u>
Total Plant and equipment	<u>1,320</u>	<u>1,300</u>

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated over the estimated useful life of the assets as follows:

Plant and equipment – over 5 to 15 years (diminishing value)

Computer equipment – 3 years (diminishing value)

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount with the impairment loss recognised in profit or loss.

Derecognition and disposal

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Note 6. Plant and Equipment (cont.)

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

30 June 2020	30 June 2019
\$	\$

Note 7. Trade and Other Payables

Trade payables ⁽ⁱ⁾	202,707	104,771
Other payables	143,317	159,002
Share application monies received in advance	42,472	-
	<u>388,496</u>	<u>263,773</u>

(i) Trade payables are non-interest bearing and are normally settled on 30 day terms.

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

30 June 2020	30 June 2019
\$	\$

Note 8. Borrowings

Loan – Tanamera Resources Pte Ltd	-	447,011
Loan – Linkwood Holdings Pte Ltd	-	20,000
	<u>-</u>	<u>467,011</u>

On 11 July 2018, the Company entered into a Loan Agreement with Tanamera Resources Pte Ltd ("Tanamera"), an entity, in which Mr McNamara is a director, by which Tanamera would make available up to A\$100,000 by way of an unsecured loan for a period of 12 months. This loan was fully paid upon conversion to 12,400,367 fully paid shares at \$0.03 per share in the Company and a cash payment of \$75,000 on 30 January 2020.

On 15 November 2018, the Company entered into a Financing Agreement with Linkwood Holdings Pte Ltd ("Linkwood"), by which Linkwood would make available up to A\$500,000 by way of an unsecured loan for a period of 12 months. \$35,000 was received during the year ended 30 June 2020. This loan was fully paid with cash payments of \$15,000 on 20 August 2019 and \$42,812 on 12 February 2020, including \$2,812 interest payment.

	30 June 2020 \$	30 June 2019 \$
Note 9. Issued capital		
435,946,211 (2019: 73,105,603) issued and fully paid ordinary shares	14,499,180	3,325,066
	<u>14,499,180</u>	<u>3,325,066</u>
	30 June 2019 #	30 June 2019 \$
Movement in ordinary shares on issue		
Opening balance	66,340,771	2,310,218
Shares issued on partial option exercise El Zorro project	136,054	20,531
Shares issued on repayment of Tanamera loan	918,513	137,777
Placement – Sept 2018 - \$0.15 per share	5,443,598	816,540
Shares issued to Director as remuneration	266,667	40,000
At 30 June 2019	73,105,603	3,325,066
	30 June 2020 #	30 June 2020 \$
Movement in ordinary shares on issue		
Opening balance	73,105,603	3,325,066
Eliminate existing legal acquiree shares	(73,105,603)	-
Share of legal acquirer at acquisition date	46,809,228	-
Consideration shares – RTO (Note 13) ¹	112,294,158	1,404,282
Placement – RTO ²	154,453,373	4,633,601
Lead manager facilitation shares – RTO ³	19,166,667	575,000
Shares issued for conversion of convertible loan ⁴	12,499,994	300,000
Lead manager facilitation shares – Convertible loan	625,000	18,750
Shares issued on conversion of director loan ⁵	12,400,367	372,011
Shares issued in lieu of fees	4,424,600	132,738
Accelerated Offer ⁶	18,871,816	1,132,309
Placement ⁷	54,401,008	3,264,060
Share issue costs	-	(658,637)
At 30 June 2020	435,946,211	14,499,180

¹ 112,294,158 fully paid ordinary shares valued at acquisition date.

² 154,453,373 fully paid ordinary shares issued at \$0.03 per share.

³ 19,166,667 fully paid ordinary shares issued at \$0.03 per share.

⁴ 12,499,994 fully paid ordinary shares issued at \$0.03 per share.

⁵ 12,400,367 fully paid ordinary shares issued at \$0.03 per share.

⁶ 18,871,816 fully paid ordinary shares issued at \$0.06 per share.

⁷ 54,401,008 fully paid ordinary shares issued at \$0.06 per share.

Terms of Ordinary Shares

Voting Rights

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held and in proportion to the amount paid up on the shares held.

Note 9. Issued capital (cont.)

At shareholders meetings, each ordinary share is entitled to one vote in proportion to the paid-up amount of the share when a poll is called, otherwise each shareholder has one vote on a show of hands.

30 June 2020 \$	30 June 2019 \$
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Note 10. Reserves

Equity based payment	410,550	-
Foreign currency translation	(215,790)	208,730
Balance at end of the year	<u>194,760</u>	<u>208,730</u>

Movement in Equity based payment Reserve

Opening balance	-	-
Equity based payments	410,550	-
Balance at end of the year	<u>410,550</u>	<u>-</u>

Movement in Foreign Currency Reserve

Opening balance	208,730	223,431
Foreign currency translation movement	(424,520)	(14,701)
Balance at end of the year	<u>(215,790)</u>	<u>208,730</u>

Equity Based Payments Reserve:

This reserve is used to record the value of equity benefits provided to directors as part of their remuneration. Refer to Note 14.

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 11. Income tax

a. The components of tax (benefit) comprise:

	30 June 2020 \$	30 June 2019 \$
Current tax	-	-
Deferred tax	-	-
Income tax benefit reported in Statement of Profit or Loss and Other Comprehensive Income	-	-

b. The prima facie tax benefit on loss from ordinary activities before income tax is reconciled to the income tax as follows:

Prima facie tax benefit on loss from ordinary activities before income tax at 30% (2019: 30%)	(1,412,330)	(153,121)
Add tax effect of:		
- Revenue losses not recognised	414,330	82,166
- Other non-allowable items	1,068,158	76,153
- Other deferred tax balances not recognised	(61,562)	(5,198)
- Other non-allowable items	(8,596)	-
Income tax expense/(benefit) reported in the consolidated statement of profit or loss and other comprehensive income from ordinary operations	-	-

c. Deferred tax recognised at 30% (2019:30%)¹:

Deferred tax liabilities:

- Prepayments	-	(2,111)
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Deferred tax assets:

- Carry forward revenue losses	-	2,111
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Net deferred tax	-	-
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d. Unrecognised deferred tax assets at 30% (2019: 30%)¹:

Carry forward revenue losses	1,669,234	166,667
Carry forward capital losses	73,900	-
Capital raising costs	96,765	20,658
Borrowing costs	32,703	-
Provisions and accruals	7,539	3,750
	1,880,141	191,075

The tax benefits of the above deferred tax assets will only be obtained if:

- the company derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;
- the company continues to comply with the conditions for deductibility imposed by law; and
- no changes in income tax legislation adversely affect the company in utilising the benefits.

¹ The corporate tax rate for eligible companies will reduce from 30% to 25% by 30 June 2022 providing certain turnover thresholds and other criteria are met. Deferred tax assets and liabilities are required to be measured at the tax rate that is expected to apply in the future income year when the asset is realised or the liability is settled. The Directors have determined that the deferred tax balances be measured at the tax rates stated.

Note 12. Key Management Personnel Disclosures

Details of key management personnel:

The following persons were key management personnel of Tesoro Resources Limited during the financial year:

John Toll – Non-Executive Chairman
 Zeffron Reeves – Managing Director (*appointed 29 January 2020*)
 Geoffrey McNamara – Non-Executive Director (*appointed 29 January 2020*)
 Cameron Williams – Non-Executive Director (*resigned 29 January 2020*)
 Peter Ruse – Non-Executive Director (*resigned 29 January 2020*)

The aggregate compensation made to the directors and other key management personnel or the Group is set out below:

	2020	2019
	\$	\$
Short-term benefits	137,708	85,500
Other fees	50,000	-
Post-employment benefits	13,460	-
Share-based payments	376,287	15,452
	577,455	100,952

During the year, Geoffrey McNamara was paid \$50,000 as an advance of director fees to April 2021 repayable of any un-earned portion of the advanced fee to the Company. \$29,167 remains as an advance at 30 June 2020 as disclosed in the Statement of Financial Position.

At completion of the RTO, Mr Zeffron Reeves was given a bonus of \$50,000.

Note 13. 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 Limited ("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.

As the activities of Tesoro Resources Limited would not constitute a business based on the requirements of AASB 3, the transaction has been accounted for as a share-based payment under AASB 2. The excess of the deemed consideration over the fair value of Tesoro Resources Limited, as calculated in accordance with the reverse acquisition accounting principles and with AASB 2, is considered to be a payment for a group restructure and has been expensed.

Note 13. Reverse Acquisition Accounting (cont.)

Tesoro Resources Limited is the legal acquirer of Tesoro Subsidiary in this transaction and the consideration for the acquisition was the issue by Tesoro Resources Limited of:

- 112,294,158 fully paid ordinary shares in Tesoro Resources Limited. In accordance with reverse asset acquisition accounting principles the consideration is deemed to have been incurred by Tesoro Subsidiary in the form of equity instruments issued to Tesoro Resources Limited shareholders. The acquisition date fair value of this consideration has been determined with reference to the fair value of the issued shares of Tesoro Resources Limited immediately prior to the acquisition and has been determined to be \$1,404,282.

As Tesoro Resources Limited is deemed to be the acquiree for accounting purposes, the carrying values of its assets and liabilities are required to be recorded at fair value for the purposes of the acquisition. No adjustments were required to the historical values to effect this change.

	\$
Consideration	
112,294,158 fully paid ordinary vendor shares	1,404,282
Total value of consideration	<u>1,404,282</u>
Fair Value of Tesoro Resources Limited at acquisition:	
Cash	79,011
Trade and other receivables	22,850
Other current assets	288,433
Trade and other payables	<u>(645,035)</u>
Fair value of net liabilities	<u>(254,741)</u>
Excess of consideration provided over the fair value of net liabilities at the date of acquisition expensed, being group restructuring and relisting costs	<u><u>1,659,023</u></u>

Note 14. Equity Based Payments

During the year, 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. Incentive Performance Rights were issued to Chilean employees under the Performance Rights and Options Plan ("Plan").

Equity based payments expensed are detailed below:

	30 June 2020 \$	30 June 2019 \$
Opening balance	-	-
Performance Rights	410,550	-
Balance at end of the year	<u>410,550</u>	<u>-</u>

Note 14. Equity Based Payments (cont.)

Director Performance Rights

During the year ended 30 June 2020, the Company issued 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.

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	75%	30%	15%	30%
Vesting period	18 months	36 months	48 months	60 months
Indicative value per Director Performance Right	\$0.0225	\$0.009	\$0.0045	\$0.009
Number of performance rights	46,720,000	50,060,000	20,030,000	20,030,000
Total Value of Performance Rights	1,051,200	450,540	90,136	180,270
Amount recognised as equity-based payment expense for the year ended 30 June 2020	289,920	62,129	9,322	14,915

Note 14. Equity Based Payments (cont.)

As at 30 June 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 bought to account over their vesting periods.

Chilean Employee Performance Rights

During the year ended 30 June 2020, the Company issued 9,391,405 Performance Rights to Messrs Uribe and Cahuana, Tesoro Mining 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	100%	100%	100%
Vesting period	1.68 years	1.68 years	1.68 years
Indicative value per Employee Performance Right	\$0.078	\$0.078	\$0.078
Number of performance rights	1,482,854	2,965,707	4,942,844
Total Value of Performance Rights	94,903	189,805	316,342
Amount recognised as equity-based payment expense for the year ended 30 June 2020	5,410	10,820	18,034

Note 14. Equity Based Payments (cont.)

As at 30 June 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 bought to account over their vesting periods.

Note 15. Related Party Disclosures

Key Management Personnel and transactions with other related parties

Disclosures relating to Key Management Personnel are set out in Note 12 and the Remuneration Report included in the Directors' Report.

a) Transactions with Key Management Personnel and their related parties

A company associated with Geoffrey McNamara, a director, Tanamera Resources Pte Ltd was paid \$47,201 (2019: Nil) in consulting fees.

During the year, the Company issued 36,658,327 fully paid ordinary shares to Messrs Reeves and McNamara as vendor consideration shares in connection with the reverse acquisition of Tesoro Australia Limited.

b) Outstanding balances arising from sales/purchases of goods and services, transactions

No outstanding balances with related parties during the year ended 30 June 2020 (2019: Nil).

c) Loans to Key Management Personnel and their related parties

No outstanding loans to Key Management Personnel and their related parties during the year ended 30 June 2020.

On 11 July 2018, the Company into a Loan Agreement with Tanamera Resources Pte Ltd ("Tanamera"), an entity, in which Mr McNamara is a director, by which Tanamera would make available up to A\$100,000 by way of an unsecured loan for a period of 12 months. This loan was fully paid upon conversion to 12,400,367 fully paid shares at \$0.03 per share in the Company and a cash payment of \$75,000 on 30 January 2020.

On 15 November 2018, the Company entered into a Financing Agreement with Linkwood Holdings Pte Ltd ("Linkwood"), by which Linkwood would make available up to A\$500,000 by way of an unsecured loan for a period of 12 months. \$35,000 was received during the year ended 30 June 2020. This loan was fully paid with cash payments of \$15,000 on 20 August 2019 and \$42,812 on 12 February 2020, including \$2,812 interest payment.

Note 16. Financial Risk Management Objectives and Policies

The main risks arising from the Group's financial instruments are market risk, currency risk and interest rate risk.

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board has overall responsibility for the establishment and oversight of the risk management framework. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

The Group's principal financial instruments comprise cash and short term deposits. The main purpose of the financial instruments is to earn the maximum amount of interest at a low risk to the Group. The Group also has other financial instruments such as trade debtors and creditors which arise directly from its operations.

(a) *Market Risk*

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

The Group is exposed to movements in market interest rates on short term deposits. The policy is to monitor the interest rate yield curve out to 120 days to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. The Group does not have short or long term debt, and therefore this risk is minimal.

(b) *Currency Risk*

Foreign exchange risk arises from future commitments, assets and liabilities that are denominated in a currency that is not the functional currency of the Group. The Group deposits are denominated in both Chilean Peso, US dollar and Australian dollars. At the

year end the majority of deposits were held in Australian dollars. Currently, there are no foreign exchange programs in place. Based upon the above, the impact of reasonably possible changes in foreign exchange rates for the Group is not material.

(c) *Interest Rate Risk*

The table below reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts might not reconcile to the statement of financial position.

Note 16. Financial Risk Management Objectives and Policies (cont.)

	Weighted Average Effective Interest Rate %	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Total
		\$	\$	\$	\$	\$
30 June 2020						
FINANCIAL ASSETS						
Non-interest bearing		290,284	-	-	-	290,284
Variable interest rate instruments		-	-	-	-	-
Fixed interest rate instruments	0.02%	5,580,846	-	-	-	5,580,846
		5,871,130	-	-	-	5,871,130
FINANCIAL LIABILITIES						
Non-interest bearing		(261,508)	-	-	(84,516)	(346,024)
NET FINANCIAL ASSETS		5,609,622	-	-	(84,516)	5,525,106

	Weighted Average Effective Interest Rate %	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Total
		\$	\$	\$	\$	\$
30 June 2019						
FINANCIAL ASSETS						
Non-interest bearing		20,636	-	-	-	20,636
Variable interest rate instruments		-	-	-	-	-
Fixed interest rate instruments	-	-	-	-	-	-
		20,636	-	-	-	20,636
FINANCIAL LIABILITIES						
Non-interest bearing		(263,773)	-	-	-	(263,773)
Borrowings	5%	-	-	(467,011)	-	(467,011)
NET FINANCIAL LIABILITIES		(243,137)	-	(467,011)	-	(710,148)

Net fair value of financial assets and liabilities

The carrying amount of cash and cash equivalents approximates fair value because of their short-term maturity.

(d) Interest Rate Sensitivity Analysis

At 30 June 2020, the effect on loss and equity as a result of changes in the interest rate, with all other variable remaining constant would have immaterial effect.

(e) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults.

Note 16. Financial Risk Management Objectives and Policies (cont.)

The Group operates in the mining exploration sector; it therefore does not supply products and have trade receivables and is not exposed to credit risk in relation to trade receivables. The Group does not have any significant credit risk exposure to any single counterparty or any Company of counterparties having similar characteristics.

The Group's maximum exposure to credit risk at each balance date in relation to each class of recognised financial assets is the carrying amount, net of any allowance for doubtful debts, of those assets as indicated in the statement of financial position. The maximum credit risk exposure of the Group at 30 June 2020 is nil (2019: nil). There are no impaired receivables at 30 June 2020 (2019: Nil).

(f) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by monitoring forecast cash flows on a rolling monthly basis and entering into supply contracts which can be cancelled within a short timeframe. The Group does not have any significant liquidity risk as the Group does not have any collateral debts.

(g) Capital Management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so it may continue to provide returns for shareholders and benefits for other stakeholders.

Due to the nature of the Group's activities, being mineral exploration, it does not have ready access to credit facilities and therefore is not subject to any externally imposed capital requirements, with the primary sources of project funding to date being raising funds from equity markets. Accordingly, the objective of the Group's capital risk management is to balance the current working capital position against the requirements to meet progressing exploration and evaluation work, project related costs and corporate overheads. Going forward, operations budget and cashflow forecasts are monitored to ensure sufficient funding to meet expenditure.

The directors consider that the carrying value of the financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair value.

Note 16. Financial Risk Management Objectives and Policies (cont.)

30 June 2020 \$	30 June 2019 \$
-----------------------	-----------------------

Note 17. Earnings Per Share

Loss used in the calculation of basic earnings per share	(4,707,766)	(510,402)
	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:	154,433,246	109,923,657
Basic and diluted loss per share (cents per share)	(3.05)	(0.46)

Basic earnings per share is calculated as net profit or loss attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit or loss attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

Note 18. 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.

Note 18. Segment Reporting (Continued)

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.

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.

30 June 2020

Corporate	Exploration and Evaluation	Total
\$	\$	\$

(i) Segment performance

Segment revenue	28,683	-	28,683
Segment results	(3,097,138)	(1,610,628)	(4,707,766)

Included within segment results:

• Depreciation	-	(328)	(328)
• Interest revenue	31	-	31
• ATO Cashboost – COVID 19	28,652	-	28,652
• Exploration impairment		(1,013,052)	(1,013,052)

Segment assets	5,859,813	3,198,976	9,058,789
Segment liabilities	(344,984)	(43,512)	(388,496)

Note 18. Segment Reporting (Continued)

30 June 2019

Corporate	Exploration and Evaluation	Total
\$	\$	\$

(i) Segment performance

Segment revenue	126	71	197
Segment results	(367,416)	(142,986)	(510,402)

Included within segment results:

• Depreciation	(266)	-	(266)
• Interest revenue	126	71	197

Segment assets	55,784	2,892,915	2,948,699
Segment liabilities	(93,892)	(636,892)	(730,784)

(ii) Revenue by geographical region

There was no revenue attributable to external customers for the year ended 30 June 2020 (2019: Nil).

(iii) Assets by geographical region

Non-current assets by geographical region are as follows.

	30 June 2020	30 June 2019
	\$	\$
Australia	21,307	21,010
Chile	2,914,020	2,850,713

Note 19. Commitments for expenditure

Year ended 30 June 2020	Year ended 30 June 2019
\$	\$

The exploration commitments are as follows:

Not longer than 1 year	15,147	39,577
Longer than 1 but not longer than 5 years	-	-
Longer than 5 years	-	-
Total	15,147	39,577

Exploration commitments consist of annual rents payable on mineral concessions.

Note 20. 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 (2019: \$166,488). The contingent asset has not been recognised as a receivable at 30 June 2020 and 30 June 2019 as receipt of the amount is dependent upon the Company meeting the IVA refund conditions stipulated by the relevant taxation authorities in Chile.

Note 21. Contingent liabilities

There are no contingent liabilities as at 30 June 2020 and 30 June 2019.

Note 22. Interest in subsidiaries

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

Name	Country of incorporation	Ownership %	
		2020	2019
Tesoro Mining Chile SPA	Chile	95	-
Tesoro Australia Limited	Australia	100	-
The Food Box Asia Limited	Hong Kong	100	100
Plukka (HK) Limited	Hong Kong	100	100
Plukka (USA) Inc	USA	100	100

Note 23. Cash flow information

	Year ended 30 June 2020 \$	Year ended 30 June 2019 \$
Reconciliation of cash:		
Cash balances	5,871,130	20,636
	5,871,130	20,636

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

Net loss	(4,707,766)	(510,402)
Non-cash items		
Share based payments	410,550	40,000
Impairment of VAT receivable	103,521	31,922
Depreciation	328	266
Interest expense	-	21,308
Espina project writedown	1,013,052	-
Director fees settled by issue of shares	52,500	-
Write-off of liabilities	(90,301)	-
Listing fee	1,659,023	-
RTO related expenses	80,238	-
Exchange difference	(30,308)	(22,136)
Changes in assets and liabilities		
Receivables and other assets	195,992	77,202
Payables and accruals	124,723	(32,083)
Net cash flows used in operating activities	(1,188,448)	(393,923)

Note 24. Parent Entity Disclosures

	Year ended 30 June 2020 \$	Year ended 30 June 2019 \$
(a) Financial position		
Assets		
Current assets	5,859,407	451,527
Non-current assets	453	-
Total Assets	5,859,860	451,527
Liabilities		
Current liabilities	(343,173)	(243,505)
Non-current liabilities	(774,621)	-
Total Liabilities	(1,117,794)	(243,505)
Equity		
Issued capital	14,499,180	21,770,206
Accumulated losses	(10,167,664)	(21,078,105)
Reserves	410,550	(484,079)
Total Equity	4,742,066	208,022

	Year ended 30 June 2020 \$	Year ended 30 June 2019 \$
(b) Financial performance		
Loss for the year	(13,184,940)	(540,540)
Other comprehensive income	-	7,111
Total comprehensive loss	(13,184,940)	(533,429)

(c) Contingent liabilities

As at 30 June 2020 (2019: nil), the Company had no contingent liabilities.

(d) Contractual Commitments

As at 30 June 2020 (2019: nil), the Company had no contractual commitments.

(e) Guarantees entered into by parent entity

As at 30 June 2020 and 2019, the Company had not entered into any guarantees.

The financial information for the parent entity, Tesoro Resources Limited, has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost, less any impairment, in the parent entity. Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 25. Remuneration of auditors

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

	Year ended 30 June 2020 \$	Year ended 30 June 2019 \$
Audit services	50,250	12,500
Investigating Accountant's Report	13,750	-
	<u>64,000</u>	<u>12,500</u>

Note 26. Non-recurring Items Relating to Acquisition

	Year ended 30 June 2020 \$	Year ended 30 June 2019 \$
Group restructuring and relisting costs (Note 13)	1,659,023	-
Lead Manager shares (Note 9)	575,000	-
Director bonus (Note 12)	50,000	-
Other RTO-related costs	35,000	-
	<u>2,319,023</u>	<u>-</u>

Note 27. Events after reporting period

As the impact of the Coronavirus (COVID-19) pandemic is ongoing, it is not practicable to estimate 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 3 July 2020, the Company announced the drilling program at the Ternera Prospect, El Zorro Project in Chile had commenced.

On 3 July 2020, the Company announced the results of the General Meeting with all resolutions carried on a poll. Shareholders approved:

- The issue of 5,000,000 fully paid ordinary shares in the Company to a nominee of Sir Jose Bahamondes, the vendor of the El Zorro Gold Project, increasing the Company's holding of the El Zorro Project to 70%.
- The issue of 659,562 fully paid ordinary shares in the Company in lieu of cash consideration for corporate advisory services
- The issue of 8,333,333 fully paid ordinary shares in the Company to satisfy the Company's obligations under Mr. Zeffron Reeves' Executive Service Agreement

On 7 July 2020, the Company announced the completion of Retail Entitlement Offer of 1 new fully paid ordinary share for every 8 existing fully paid ordinary shares, as announced on 12 June 2020. The total amount raised under the Entitlement Offer was \$2,720,050 (before costs). This includes the previously

announced institutional component of the Entitlement Offer, which was completed on 18 June 2020 and raised \$1,132,309 (before costs).

On 31 July 2020, the Company announced it had expanded its land position at the El Zorro Gold Project in Chile by 360% to 395km².

On 4 August 2020, the Company provided an exploration update for its current exploration program at the El Zorro Gold Project in Chile.

On 10 August 2020, the Company announced the results of the geophysical IP surveying conducted at the El Zorro Gold Project in Chile.

On 26 August and 4 September 2020, the Company announced assay results from the current drilling program at Ternera Prospect at the El Zorro Gold Project in Chile.

On 17 September 2020, the Company announced that step out drilling targeting the geophysical IP anomaly to the north and south of the Ternera mineralised zone at the Company's El Zorro Gold project in Chile has successfully intersected significant gold mineralisation.

On 23 September 2020, the Company announced that applications for an additional 188 concessions adjoining the El Zorro Gold Project, Chile, were successful. The granting of the new concession areas had increased the El Zorro concession package to cover approximately 540km² of prospective geology.

Other than as discussed above, no other matter or circumstance has arisen since 30 June 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'):

- a. the financial statements, notes and the additional disclosures are in accordance with the Corporations Act 2001 including:
 - I. giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the year then ended; and
 - II. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

This declaration has been made after reviewing the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2020.

Signed in accordance with a resolution of the Board of Directors.



John Toll
Non-Executive Chairman
30 September 2020

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

Opinion

We have audited the financial report of Tesoro Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
- (ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

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

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

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

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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed this matter
Exploration and Evaluation Expenditure Refer to Note 5 in the financial statements	
The Group has capitalised exploration and evaluation expenditure with a carrying value of \$2,934,007 as at 30 June 2020. We considered this to be a key audit matter due to the significant management judgments involved in assessing the carrying value of the asset including: • Determination of whether the expenditure can be associated with finding specific mineral resources, and the basis on which that expenditure is allocated to an area of interest; • Determination of whether exploration activities have progressed to the stage at which the existence of an economically recoverable mineral reserve may be assessed; and • Assessing whether any indicators of impairment are present, and if so, judgments applied to determine and quantify any impairment loss.	Our audit procedures included: • Ensuring that the right to tenure of each area of interest is current; • Agreeing a sample of additions to supporting documentation and ensuring the amounts are capital in nature and relate to the area of interest; • Assessing and evaluating management's assessment of the impairment loss recognised for the area of interest where the rights to tenure have been relinquished; • Assessing and evaluating management's assessment that no indicators of impairment existed at the reporting date on the area of interest where the rights to tenure are current; • Enquiring with management and reviewing budgets and other supporting documentation as evidence that active and significant operations in, or relation to, the area of interest will be continued in the future; and • Through discussions with the management and reviewing relevant supporting documentation, assessing management's determination that exploration and evaluation activities have not yet reached a stage where the existence or otherwise of economically recoverable reserves may be reasonably determined.
Acquisition of Tesoro Australia Limited Refer to Note 13 in the financial statements	
On 29 January 2020, Tesoro Resources Limited (formerly Plukka Limited), completed the acquisition of Tesoro Australia Limited for a consideration of 112,294,158 fully paid ordinary shares, which were fair valued at \$1,404,282. Accounting for this acquisition is a key audit matter as it involves management judgements in determining the acquisition accounting treatment, the acquisition date, the fair value of net assets acquired and the fair value of the purchase consideration.	Our audit procedures included: • Reviewing the share purchase agreement to obtain an understanding of the transaction and the related accounting considerations; • Critically evaluating management's determination that Tesoro Australia Limited was the acquiring entity and that the acquired entity, Tesoro Resources Limited (formerly Plukka Limited), did not meet the definition of a business; • Evaluating the appropriateness of the acquisition accounting treatment; • Assessing management's determination of the purchase consideration; and • Assessing the disclosures in the financial statements to ensure compliance with the requirements of Australian Accounting Standards.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report*Opinion on the Remuneration Report*

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2020.

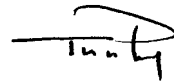
In our opinion, the Remuneration Report of Tesoro Resources Limited, for the year ended 30 June 2020, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



RSM AUSTRALIA PARTNERS



TUTU PHONG
Partner

Perth, WA
Dated: 30 September 2020

TESORO RESOURCES LIMITED

ABN 91 106 854 175

ANNUAL REPORT 30 JUNE 2020

Additional information for ASX listed public companies

The following additional information is required by the Australian Securities Exchange in respect of ASX listed public companies and is current as at 23 September 2020.

Fully Paid Ordinary Shares

The Company has 476,293,924 ordinary fully paid shares on issue, held by 2,313 shareholders. Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Distribution of Shareholders

Category (size of holding)	Total Holders	Number Ordinary	% Held of Issued Ordinary Capital
1 – 1,000	167	65,808	0.01
1,001 – 5,000	384	1,202,263	0.25
5,001 – 10,000	313	2,470,612	0.52
10,001 – 100,000	993	36,791,131	7.72
100,001 – and over	456	435,764,110	91.49
	2,313	476,293,924	100.00

Unmarketable Parcels

Number of Shares	Holders
111,398	202

As at 23 September 2020, there were 202 shareholders holding less than a marketable parcel of shares.

Performance Rights

The Company has 146,231,405 Performance Rights on issue. Performance Rights do not entitle the holders to vote in respect of that performance right, nor participate in dividends, when declared, until such time as the performance rights vest and are subsequently registered as ordinary shares.

Distribution of Class A Performance Rights

Category (size of holding)	Total Holders	Units	% Held
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
100,001 – and over	2 ¹	46,720,000	100.00
	2	46,720,000	100.00

1. Linkwood Holdings Pte Ltd holds 30,937,425 performance rights comprising 66% of this class; Mr Zeffron Reeves <The Palin A/C> holds 15,782,575 performance rights comprising 34% of this class.

Distribution of Class B Performance Rights

Category (size of holding)	Total Holders	Units	% Held
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
100,001 – and over	2 ¹	50,060,000	100.00
	2	50,060,000	100.00

1. Mr Zeffron Reeves <The Palin A/C> holds 28,794,620 performance rights comprising 58% of this class; Linkwood Holdings Pte Ltd holds 21,265,380 performance rights comprising 42% of this class.

Additional information for ASX listed public companies

Distribution of Class C Performance Rights

Category (size of holding)	Total Holders	Units	% Held
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
100,001 – and over	2 ¹	20,030,000	100.00
	2	20,030,000	100.00

1. Linkwood Holdings Pte Ltd holds 10,805,000 performance rights comprising 54% of this class; Mr Zeffron Reeves <The Palin A/C> holds 9,225,000 performance rights comprising 46% of this class

Distribution of Class D Performance Rights

Category (size of holding)	Total Holders	Units	% Held
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
100,001 – and over	2 ¹	20,030,000	100.00
	2	20,030,000	100.00

1. Linkwood Holdings Pte Ltd holds 10,805,000 performance rights comprising 54% of this class; Mr Zeffron Reeves <The Palin A/C> holds 9,225,000 performance rights comprising 46% of this class

Distribution of Employee Performance Rights

Category (size of holding)	Total Holders	Units	% Held
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
100,001 – and over	2 ¹	9,391,405	100.00
	2	9,391,405	100.00

1. Sergio Valdes Uribe holds 6,811,518 performance rights comprising 73% of this class; Ruben Angel Cahuana Ari holds 2,579,887 performance rights comprising 27% of this class

Restricted Securities

TESORO RESOURCES LIMITED

ABN 91 106 854 175

ANNUAL REPORT 30 JUNE 2020

Additional information for ASX listed public companies

The Company has the following restricted securities on issue:

Class	Number of Securities	Escrow Period
Fully Paid Ordinary Shares	55,473,613	Until 7 February 2022
Class A Performance Rights	46,720,000	Until 7 February 2022
Class B Performance Rights	50,060,000	Until 7 February 2022
Class C Performance Rights	20,030,000	Until 7 February 2022
Class D Performance Rights	20,030,000	Until 7 February 2022

Substantial Shareholders as at 23 September 2020

	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
SCION HDG SPA ¹	28,663,619	6.01%

1. As submitted to ASX on 28 July 2020.

20 Largest Shareholders — Ordinary Shares as at 23 September 2020

Rank / Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1. SCION HDG SPA	28,663,619	6.02%
2. MR KENNETH JOSEPH HALL <HALL PARK A/C>	21,833,333	4.58%
3. TANAMERA RESOURCES PTE LTD	21,299,455	4.47%
4. BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	18,780,833	3.94%
5. J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	17,274,966	3.63%
6. ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	16,506,015	3.47%
7. LINKWOOD HOLDINGS PTE LTD	13,184,259	2.77%
8. MR ZEFRON CHARLES REEVES <THE PALIN A/C>	12,963,889	2.72%
9. WALZ SUPER PTY LTD <WALZ SUPER FUND A/C>	11,850,000	2.49%
10. CITICORP NOMINEES PTY LIMITED	10,142,830	2.13%
11. MR ANDREW DOUGLAS GLASS	8,340,000	1.75%
12. PAC PARTNERS SECURITIES PTY LTD	8,016,575	1.68%
13. MR ZEFRON CHARLES REEVES <THE PALIN A/C>	7,683,333	1.61%
14. WANACO SPA	5,510,203	1.16%
15. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,240,715	1.10%
16. DEBUSCEY PTY LTD	4,698,865	0.99%
17. MR RORY EAMONN OSCAR KEANE	4,367,933	0.92%
18. MR SIMON QUAN	4,011,468	0.84%
19. ASR NOMINEES PTY LTD <HOMEWARD BOUND S/F A/C>	4,000,255	0.84%
20. MR JOHN TOLL <TOLL FAMILY DISCRETIONARY AC>	3,671,696	0.77%
TOTAL	228,040,242	47.88%

On-market Buy-Back

There is no current on-market buy-back.

Additional information for ASX listed public companies

Corporate Governance Statement

The Company's Corporate Governance Statement for the 2020 financial year is available from the Company's website at <https://www.tesororesources.com.au/about/corporate-governance/>

Use of Funds

The Company was re-admitted to the official list of ASX on 7 February 2020 following completion of an IPO raising \$4.7 million. The Company has used the cash and assets readily convertible to cash that it had at the time of re-admission in a way consistent with its business objectives.

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TESORO RESOURCES LIMITED

ABN 91 106 854 175

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Tenements Schedule

El Zorro Gold Project Exploration Concessions (70% Tesoro, option to earn up to 80%)

Name	First Term Expiry date	Area (ha)	Type
ZORRO 1A	Application	200	Exploration
ZORRO 2A	Application	200	Exploration
ZORRO 3A	Application	200	Exploration
ZORRO 4A	Application	100	Exploration
ZORRO 5A	Application	200	Exploration
ZORRO 6A	Application	200	Exploration
Bloody Good Shot 10	2/Aug/2020	300	Exploration
Bloody Good Shot 9	2/Aug/2020	300	Exploration
Bloody Good Shot 8	2/Aug/2020	200	Exploration
Bloody Good Shot 7	2/Aug/2020	100	Exploration
Bloody Good Shot 6	3/Aug/2020	200	Exploration
Bloody Good Shot 5	3/Aug/2020	200	Exploration
Bloody Good Shot 4	3/Aug/2020	300	Exploration
Bloody Good Shot 3	3/Aug/2020	300	Exploration
Bloody Good Shot 2	3/Aug/2020	300	Exploration
Bloody Good Shot 1	3/Aug/2020	300	Exploration
Bloody Good Shot 11	22/Oct/2020	200	Exploration
Bloody Good Shot 12	22/Oct/2020	200	Exploration
Bloody Good Shot 13	22/Oct/2020	200	Exploration
Punta de Diamante 1	14/Feb/2021	200	Exploration
Punta de Diamante 2	14/Feb/2021	300	Exploration
Punta de Diamante 3	14/Feb/2021	300	Exploration
La Negra Coja 19	14/Feb/2021	200	Exploration
La Negra Coja 18	14/Feb/2021	300	Exploration
La Negra Coja 17	14/Feb/2021	300	Exploration
La Negra Coja 16	18/Feb/2021	200	Exploration
La Negra Coja 15	18/Feb/2021	300	Exploration
La Negra Coja 14	20/Feb/2021	300	Exploration
La Negra Coja 13	20/Feb/2021	300	Exploration
La Negra Coja 12	20/Feb/2021	200	Exploration
La Negra Coja 11	20/Feb/2021	300	Exploration
La Negra Coja 10	20/Feb/2021	300	Exploration
La Negra Coja 9	22/Feb/2021	200	Exploration
La Negra Coja 8	22/Feb/2021	300	Exploration
La Negra Coja 7	22/Feb/2021	8300	Exploration
La Negra Coja 6	22/Feb/2021	200	Exploration
La Negra Coja 5	1/Mar/2021	300	Exploration
La Negra Coja 4	1/Mar/2021	200	Exploration
La Negra Coja 3	5/Mar/2021	300	Exploration
La Negra Coja 2	5/Mar/2021	300	Exploration
La Negra Coja 1	7/Mar/2021	200	Exploration

Name	Status	Area (ha)	
LAS COQUETAS 1/10	Granted	140	Exploitation
PATON UNO, 1/29	Granted	240	Exploitation
PATON DOS, 1/29	Granted	230	Exploitation
LEON DOS 1-30	Granted	100	Exploitation
LEON UNO 1-30	Granted	200	Exploitation