



TARUGA GOLD

ACN 153 868 789

**INTERIM FINANCIAL REPORT
31 DECEMBER 2016**

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TARUGA GOLD

AND CONTROLLED ENTITIES

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DIRECTORS' REPORT



TARUGA GOLD

AND CONTROLLED ENTITIES

DIRECTORS' REPORT

Your directors submit the financial report of the Group for the half-year ended 31 December 2016. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

DIRECTORS

The following persons were Directors of Taruga Gold Limited during the half-year and up to the date of this report unless otherwise stated:

		In office from	In office to
Bernard Aylward	Non-executive Director	21 October 2011	present
Dan Smith	Non-executive Director	29 August 2014	present
Gary Steinepreis	Non-executive Director	15 July 2016	present
Frank Terranova	Non-executive Chairman	2 September 2013	15 July 2016
Myles Campion	Non-executive Director	29 August 2014	15 July 2016

Mr Aylward's role changed from managing director to non-executive director on 15 July 2016.

COMPANY SECRETARIES

		In office from	In office to
Dan Smith	Company Secretary	29 August 2014	present
Sylvia Foong	Company Secretary	2 June 2016	present

REVIEW OF OPERATIONS

Project Overview

Taruga Gold Limited (**Taruga** or the **Company**) has concessions located in Cote d'Ivoire and Niger.

Niger

During the reporting period, Taruga maintained a field camp at the Kossa project and a geologist supervising the project and liaising with Government officials. On site, geological mapping of the Kossa-Borobon trend continued, and it was noted several new artisanal mining sites had commenced and the areas were inspected by our geological team.

Taruga is continuing to review the Borobon Inferred Resource area to determine the potential for further drilling to significantly expand the current resource, as well as assess the strongly gold anomalous Kossa-Borobon trend.

In addition, the regional geochemical anomalies within the project area were reviewed to prioritise areas for further infill sampling.

The Kossa project is highly prospective, and the Company is maintaining the concessions while all available exploration information is compiled, a full geological review of the concession area is completed and targets prioritised for future exploration.

DIRECTORS' REPORT



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COTE D'IVOIRE

Taruga holds the Mankono concession in south-central Cote d'Ivoire. The concession is located within an extensive Birimian greenstone belt, close to major structures and geologically complex zones. Taruga has previously completed geochemical sampling on the project that identified new gold anomalous zones, however the western portion of the concession was inaccessible due to large sugar cane plantations. The gold anomalies remain open along strike to the south and are interpreted to relate to major structures on the margin of a granodiorite intrusion. The completed geochemical sampling is on a reconnaissance spacing of 1km lines x 200m samples, and the gold anomalies identified require infill sampling for confirmation and definition.

The Mankono concession has passed its initial three year term and the Company is in discussions with the Ivorian Government regarding the renewal. In addition, the Company has assessed the regional geology in the Mankono area and has identified areas for further application that will complement the Mankono concession, and these have also been discussed with the Government and applications prepared.

CORPORATE

Board Appointments

During the reporting period the Company announced the appointment of Gary Steinepreis as a non-executive director of the Company.

Mr Steinepreis has in excess of 20 years' experience with ASX-listing rules, corporate governance and equity capital raisings. Mr Steinepreis is a Chartered Accountant and holds a Bachelor of Commerce from UWA.

At the time of Mr Steinepreis' appointment, Messrs Terranova and Campion resigned from the Board.

Capital Raising

During the reporting period, Taruga completed the allotment of the Rights Issue Shortfall (**Shortfall Placement**), placing 8,885,885 shares at \$0.03 per new share to raise \$266,577 before costs.

The Shortfall Placement followed the announcement made on 7 June 2016, regarding a Rights Entitlement Issue seeking to raise up to \$500,000 (before issue costs) on the basis of 2 New Shares for every 3 Existing Shares held by Eligible Shareholders, at an issue price of \$ 0.03 per share.

After Balance Date Events

No other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of these operations, or the state of affairs in future financial years other than:

- On 16 February 2017 the Company announced a placement of 25,700,000 ordinary shares to new and existing shareholders at an issue price of \$0.035 per share, to raise \$899,500 (Placement). The second tranche of the Placement, being 6,200,000 ordinary shares, is subject to shareholder approval. The funds from the Placement are for project evaluation and general working capital purposes.

DIRECTORS' REPORT



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- On 2 March 2017, the Company despatched a Notice of Meeting to shareholders to consider resolutions relating to the ratification of Tranche 1 of the Placement, approval for Tranche 2 of the Placement and the participation of Daniel Smith and Gary Steinepreis in the Placement.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on the next page and forms part of this directors' report for the half-year ended 31 December 2016.

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

A handwritten signature in dark ink, appearing to read 'Bernard Aylward', written over a light grey rectangular background.

.....
Bernard Aylward

Non-Executive Director

Dated Perth 14 March 2017

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Taruga Gold Limited for the half-year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia
14 March 2017



M R W Ohm
Partner

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME



FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

AND CONTROLLED ENTITIES

	Consolidated	
	31 December 2016 \$	31 December 2015 \$
Revenue	919	140,856
Depreciation	(6,203)	(12,612)
Consultants	(79,170)	(206,343)
Professional fees	(36,270)	(31,699)
Travel and accommodation	-	(26,935)
Office and communication costs	(15,000)	(15,911)
Other expenses	(30,421)	(47,672)
Foreign exchange loss	(531)	(19,483)
Loss before income tax	(166,676)	(219,799)
Income tax expense	-	-
Net loss for the period	(166,676)	(219,799)
Other comprehensive income		
<i>Items that may be reclassified to profit and loss</i>		
Exchange differences on translation of foreign subsidiaries	(10,528)	(1,959)
Total comprehensive loss for the period	(177,204)	(221,758)
Basic and diluted loss per share (cents per share)	(0.21)	(0.22)

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION



AS AT 31 DECEMBER 2016

AND CONTROLLED ENTITIES

		Consolidated	
	Note	31 December 2016 \$	30 June 2016 \$
CURRENT ASSETS			
Cash and cash equivalents		1,075,038	848,735
Trade and other receivables		16,346	18,513
Total Current Assets		1,091,384	867,248
NON CURRENT ASSETS			
Property, plant and equipment		31,523	50,242
Mineral exploration and evaluation	2	7,038,339	7,029,813
Total Non Current Assets		7,069,862	7,080,055
TOTAL ASSETS		8,161,246	7,947,303
CURRENT LIABILITIES			
Trade and other payables		49,747	135,129
Total Current Liabilities		49,747	135,129
TOTAL LIABILITIES		49,747	135,129
NET ASSETS		8,111,499	7,812,174
EQUITY			
Issued capital	3	12,984,825	12,508,296
Reserves		(76,293)	(33,365)
Accumulated losses		(4,797,033)	(4,662,757)
TOTAL EQUITY		8,111,499	7,812,174

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY



FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

AND CONTROLLED ENTITIES

	Issued Capital	Options Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
	\$	\$	\$	\$	\$
Half-year to 31 December 2015					
Balance at 1 July 2015	11,767,286	681,344	(83,304)	(3,896,645)	8,468,681
Shares issued	802,228	2,640	-	-	804,868
Share issue costs	(61,722)	-	-	-	(61,722)
Loss for the period	-	-	-	(219,799)	(219,799)
Exchange differences on translation of foreign subsidiaries	-	-	(1,959)	-	(1,959)
As at 31 December 2015	12,507,792	683,984	(85,263)	(4,116,444)	8,990,069
Half-year to 31 December 2016					
Balance at 1 July 2016	12,508,296	35,040	(68,405)	(4,662,757)	7,812,174
Shares issued	501,407	-	-	-	501,407
Share issue costs	(24,878)	-	-	-	(24,878)
Loss for the period	-	-	-	(166,676)	(166,676)
Exchange differences on translation of foreign subsidiaries	-	-	(10,528)	-	(10,528)
Lapse of Options	-	(32,400)	-	32,400	-
As at 31 December 2016	12,984,825	2,640	(78,933)	(4,797,033)	8,111,499

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS



FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

AND CONTROLLED ENTITIES

	Consolidated	
	31 December 2016 \$	31 December 2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(224,937)	(174,672)
Interest income received	919	1,354
Net cash used in operating activities	<u>(224,018)</u>	<u>(173,318)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration expenditure	<u>(8,852)</u>	<u>(506,978)</u>
Net cash used in investing activities	<u>(8,852)</u>	<u>(506,978)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	501,407	154,375
Share transaction costs	<u>(42,234)</u>	<u>(67,825)</u>
Net cash provided by financing activities	<u>459,173</u>	<u>86,550</u>
Net (decrease)/increase in cash held	226,303	(593,746)
Cash and cash equivalents at the beginning of the period	848,735	830,111
Effect of exchange rate fluctuations on cash held	<u>-</u>	<u>(8,498)</u>
Cash and cash equivalents at the end of the period	<u><u>1,075,038</u></u>	<u><u>227,867</u></u>

The accompanying notes form part of these financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

AND CONTROLLED ENTITIES

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

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

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2016 and any public announcements made by Taruga Gold Limited and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

Basis of preparation

The interim report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. The Company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the interim report, the half-year has been treated as a discrete reporting period.

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

Reporting Basis and Conventions

The financial report has been prepared on the basis of accounting principles applicable to a going concern, which assumes the commercial realisation of the future potential of the Company's and Group's assets and the discharge of their liabilities in the normal course of business.

Significant accounting judgements and key estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2016.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

AND CONTROLLED ENTITIES

Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2016, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group's operations and effective for annual reporting periods beginning on or after 1 July 2016.

It has been determined by the Directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group and, therefore, no change is necessary to Group accounting policies.

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2016. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group and, therefore, no change is necessary to Group accounting policies.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

AND CONTROLLED ENTITIES

NOTE 2 – MINERAL EXPLORATION AND EVALUATION

	Consolidated	
	Half-year to 31 December 2016	Year to 30 June 2016
	\$	\$
Balance at beginning of period	7,029,813	8,508,993
Expenditure incurred during the period	7,543	534,242
Disposal of subsidiaries	-	(2,022,553)
Foreign exchange movement	983	9,131
Total deferred exploration and evaluation expenditure	<u>7,038,339</u>	<u>7,029,813</u>

The Company also incurred exploration costs which were written off and are included within the condensed consolidated statement of comprehensive income.

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

NOTE 3 - ISSUED CAPITAL

	Consolidated	
	31 December 2016	30 June 2016
Ordinary Shares	\$	\$
Issued and fully paid	<u>12,984,825</u>	<u>12,508,296</u>

Movements in ordinary share capital of the Company were as follows:

Half-year to 31 December 2015

	Number of shares	\$
Opening balance at July 2015	447,821,877	11,767,286
Share based payment 10 July 2015	15,777,775	71,000
Placement 17 July 2015	139,157,847	626,210
Partial placement of SPP Shortfall 17 July 2015	2,222,222	10,000
Share issued in lieu of accrued directors' fees 17 July 2015	19,333,332	87,000
Consolidation 1:25 29 July 2015	(599,340,483)	-
Shares issued to advisor in lieu of cash 16 October 2015	97,777	8,018
Share issue costs		(61,722)
Closing balance at 31 December 2015	<u>25,070,347</u>	<u>12,507,792</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

AND CONTROLLED ENTITIES

Half-year to 31 December 2016

	Number of shares	\$
Opening balance at July 2016	61,503,674	12,508,296
Allotment of Rights Issue	7,827,680	234,830
Placement of Rights Issue Shortfall	8,885,885	266,577
Share issue costs		(24,878)
Closing balance at 31 December 2016	<u>78,217,239</u>	<u>12,984,825</u>

Movements in options were as follows:

Half-year to 31 December 2015

	Number of shares	\$
Opening balance at 1 July 2015	67,250,000	681,344
Free attaching options 17 July 2015	240,222,219	-
Consolidation 1:25 29 July 2015	(295,173,320)	-
Options issued to advisor in lieu of cash 16 October 2015	97,777	2,640
Closing balance at 31 December 2015	<u>12,396,676</u>	<u>683,984</u>

Half-year to 31 December 2016

	Number of shares	\$
Opening balance at 1 July 2016	11,796,676	35,040
Lapse of unlisted options	(2,090,001)	(32,400)
Closing balance at 31 December 2016	<u>9,706,675</u>	<u>2,640</u>

The above options are exercisable as follows:
9,706,675 at \$0.15 each on or before 31/05/17

NOTE 4 - CONTINGENT LIABILITIES

Taruga Gold Limited and its controlled entities have no known material contingent liabilities as at 31 December 2016.

NOTE 5 - SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Taruga Gold Limited. The Company operates in one operating segment therefore disclosures are consistent with the financial reports.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

AND CONTROLLED ENTITIES

NOTE 6 – EVENTS SUBSEQUENT TO BALANCE DATE

On 23 February 2017, the Company issued 19,500,000 fully paid ordinary shares to professional and sophisticated investors at \$0.035 per share, raising \$682,500 under Tranche 1 of the previously advised Placement.

No other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of these operations, or the state of affairs in future financial years.

DIRECTORS DECLARATION



FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

AND CONTROLLED ENTITIES

In the opinion of the directors of Taruga Gold Limited ("the Company"):

- 1) The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
 - (a) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (b) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the half-year then ended; and
- 2) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

.....
Bernard Aylward

Non-Executive Director

Dated Perth 14 March 2017

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Taruga Gold Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Taruga Gold Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2016, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

HLB Mann Judd

**HLB Mann Judd
Chartered Accountants**



**M R W Ohm
Partner**

**Perth, Western Australia
14 March 2017**