

## Quarterly Activities Report – 30 June 2020

Tesoro Resources Limited (ASX:TSO) (**Tesoro** or the **Company**) is pleased to provide the following activities report that outlines progress achieved during the June 2020 Quarter.

### HIGHLIGHTS

- Tesoro receives multiple wide, high-grade results from drilling at El Zorro gold project, Chile.
- Seven fault zones with gold mineralisation identified at Ternera, only two drill tested to date.
- Results from Tesoro's drill program included (refer to ASX Announcement on 10 June 2020):
  - ZDDH00018 – CC500 fault zone:
    - **34.73m @ 2.94g/t Au** from 187.27m including;
    - **15.00m @ 5.99g/t Au** from 189.00m; and
    - **2.70m @ 22.21g/t Au** from 197.00m.
  - ZDDH00021– CC500 fault zone:
    - **19.25m @ 2.86g/t Au** from 189.25m including;
    - **6.15m @ 7.37g/t Au** from 189.25m; and
    - **1.50m @ 20.82g/t Au** from 193.9m.
  - ZDDH00022– CC500 fault zone:
    - **41.17m @ 1.38g/t Au** from 78.00m including;
    - **14.17m @ 3.25g/t Au** from 105.00m; and
    - **5.32m @ 6.54g/t Au** from 105.00m.
  - ZDDH00023 – CC500 fault zone:
    - **4.30m @ 7.25g/t Au** from 146.70 including;
    - **2.30m @ 13.30g/t Au** from 146.70; and
    - **2.00m @ 1.86g/t Au** from 275.00m.
  - ZDDH00024 – CC375 Fault Zone: **14.00m @ 3.06g/t Au** from 155.00m including:
    - **5.20m @ 6.97g/t Au** from 161.80m; and
    - **1.70m @ 19.72g/t Au** from 162.20m.
  - ZDDH00025 – CC450 to CC425 Fault Zones: **121.55m @ 1.32g/t Au** from 49.00m including:
    - **10.90m @ 4.57g/t Au** from 73.10m;
    - **12.27m @ 4.98g/t Au** from 148.00m; and
    - **4.70m @ 10.69g/t Au** from 155.20m.

- ZDDH00026 - CC200 Fault Zone: **18.00m @ 1.36g/t Au** from 92.00m including:
  - **4.60m @ 4.99g/t Au** from 105.40m; and
  - **9.00m @ 1.85g/t Au** from 233.00m including **2.00m @ 7.31g/t** from 240.00m.
- 5,000m infill and extensional drilling program underway with 20 holes planned to further delineate Ternera deposit.
- 5,000m of drilling expected to be completed by early September, with first results expected during August 2020.
- Channel sampling confirms emerging gold target at Buzzard, part of a 5km gold mineralised system.
- Initial metallurgical test work results indicate Ternera material is free milling with gold recoveries up to 99% (refer ASX Announcement on 9 June 2020).
- Gold recoveries reported were 94% at 250 µm grind size and 99% at 75µm grind size (refer ASX Announcement on 9 June 2020).
- Tesoro raised \$5.98 million before costs through \$3.26 million Placement and \$2.72 million Entitlement Offer. Both the Placement and the Entitlement Offer were oversubscribed. Funds are being used for an accelerated infill and extensional drilling program, metallurgical test work and to commence a Scoping Study.

## Overview

Tesoro holds interests in a highly prospective gold exploration project located within the Coastal Cordillera of Chile, the El Zorro Gold Project (**El Zorro**), which is favourably located and demonstrates significant scale and gold grades.

Tesoro is focussed on delineating gold resources at El Zorro, where more drilling is underway following encouraging early results.

## El Zorro Gold Project

During the quarter, Tesoro's drilling at El Zorro continued, focusing on delineating gold mineralisation at the Ternera Prospect. In total 11 holes were completed for 2,855.30m's. Assays have been received for all 11 holes which all returned highly encouraging results. Wide high-grade assay results were returned from the Ternera Prospect, with multiple high-grade gold intersections associated with the CC500 fault. Refer to ASX Announcement on 10 June 2020 for recent drilling results and analysis. Results included:

ZDDH00018: **34.73m @ 2.94g/t Au** from 187.27m including;

- **15.00m @ 5.99g/t Au** from 189.00m; and
- **2.70m @ 22.21g/t Au** from 197.00m.

ZDDH00019: **68.52m @ 0.47g/t Au** from 21.00m including;

- **9.00m @ 1.34g/t Au** from 36.00m; and
- **5.00m @ 1.23g/t Au** from 74.00m.

ZDDH00021: **19.25m @ 2.86g/t Au** from 189.25m including:

- **6.15m @ 7.37g/t Au** from 189.25m; and
- **1.50m @ 20.82g/t Au** from 193.9m.

ZDDH00022: **41.17m @ 1.38g/t Au** from 78.00m including;

- **14.17m @ 3.25g/t Au** from 105.00m; and
- **5.32m @ 6.54g/t Au** from 105.00m.

ZDDH0023 extended high-grade mineralisation within the CC500 fault 50m to the north west.

ZDDH00023 – CC500 fault zone:

- **4.30m @ 7.25g/t Au** from 146.70 including;
- **2.30m @ 13.30g/t Au** from 146.70; and
- **2.00m @ 1.86g/t Au** from 275.00m.

ZDDH0024 and ZDDH0025 confirmed wide gold zones within the CC375, CC400 and CC450 faults.

ZDDH00024 – CC400 Fault Zone:

- **36.00m @ 0.85g/t Au** from 41.00m including:
- **4.50m @ 2.12g/t Au** from 41.00m; and
- **13.00m @ 1.21g/t Au** from 56.50m.

ZDDH00024 – CC375 Fault Zone:

- **14.00m @ 3.06g/t Au** from 155.00m including:
- **5.20m @ 6.97g/t Au** from 161.80m; and
- **1.70m @ 19.72g/t Au** from 162.20m.

ZDDH00025 – CC450 to CC425 Fault Zones

- **121.55m @ 1.32g/t Au** from 49.00m including:
- **10.90m @ 4.57g/t Au** from 73.10m;
- **12.27m @ 4.98g/t Au** from 148.00m; and
- **4.70m @ 10.69g/t Au** from 155.20m.

ZDDH00026 and ZDDH00027 confirmed mineralisation within the CC200 fault zone, establishing southern extensions and additional gold bearing fault zones at Ternera.

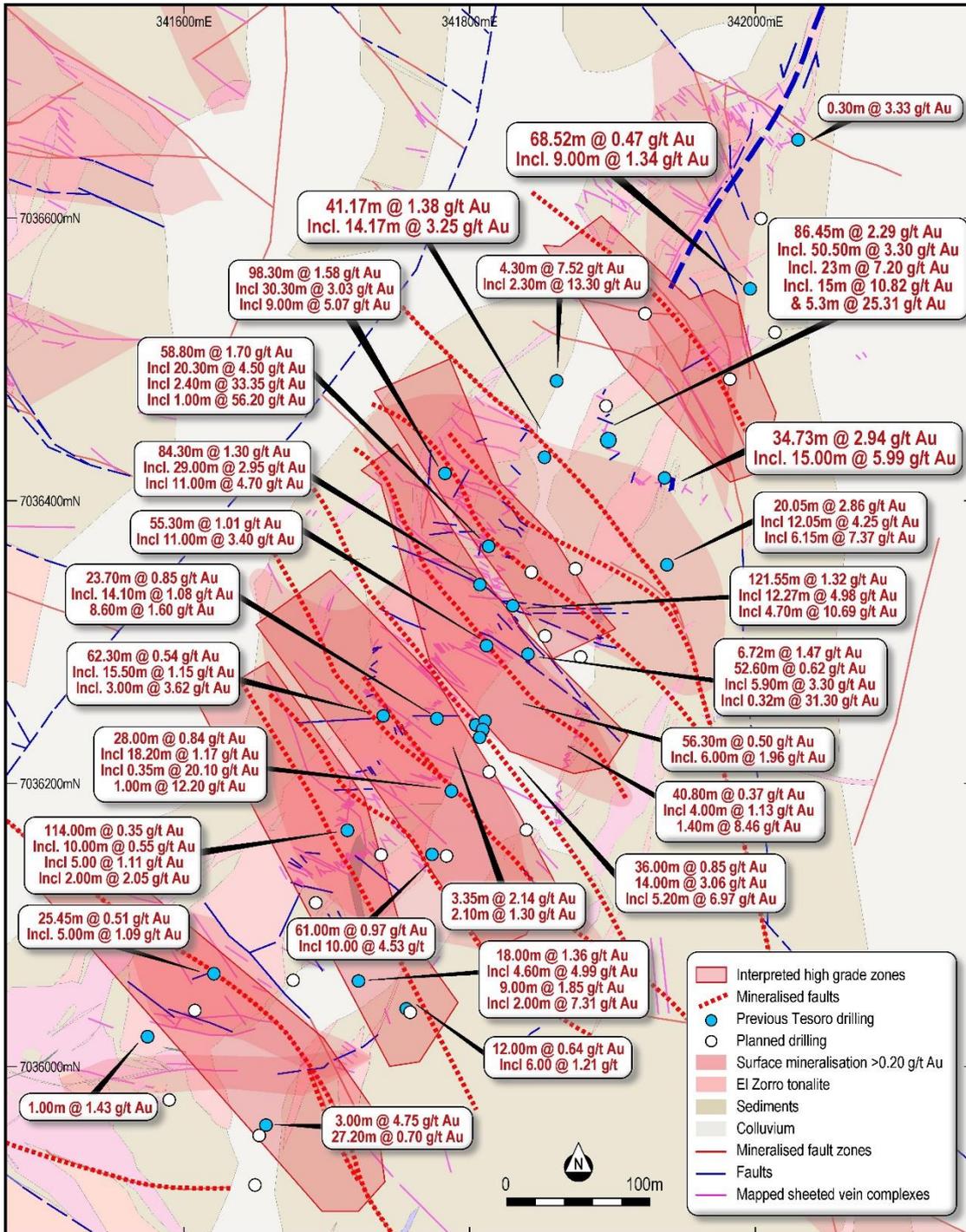
ZDDH00026:

- **18.00m @ 1.36g/t** from 92.00m including:

- **4.60m @ 4.99g/t Au** from 105.40m; and
- **9.00m @ 1.85g/t Au** from 233.00m including **2.00m @ 7.31g/t** from 240.00m.

ZDDH00027:

- 12.00m @ 0.64g/t Au from 176.00m including 6.00m @ 1.21g/t Au from 176.00m.



**Figure 1: Terner Prospect Interpreted geology map and drilling**

CC500 fault zone

The CC500 fault zone is a high-grade gold bearing zone cross cutting the El Zorro Tonalite (Ezt). The

CC500 fault zone is one of a series of NW trending fault zones controlling gold mineralisation at Ternera.

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 (shown in Figure 1).

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.

High grade gold mineralisation within the CC500 is associated with quartz veins, breccias, intense sheeted veining and lamprophyre dykes within the EZT and in some cases into the surrounding sedimentary rocks.

Several similar NW trending fault zones have been identified at Ternera and have been drilled as part of the program completed during the quarter and offer potential for repeats of the type of mineralisation delineated within CC500.

### **Ternera drilling underway**

On 3 July 2020, Tesoro announced it had commenced drilling at the Ternera Prospect, with two diamond drill rigs undertaking infill and extensional drilling. The program aims to further delineate the Ternera deposit. An initial 20 holes are planned for approximately 5,000m of drilling.

The drill program is expected to take eight to ten weeks with first results expected in late August to early September 2020.

### **Channel Sampling results**

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

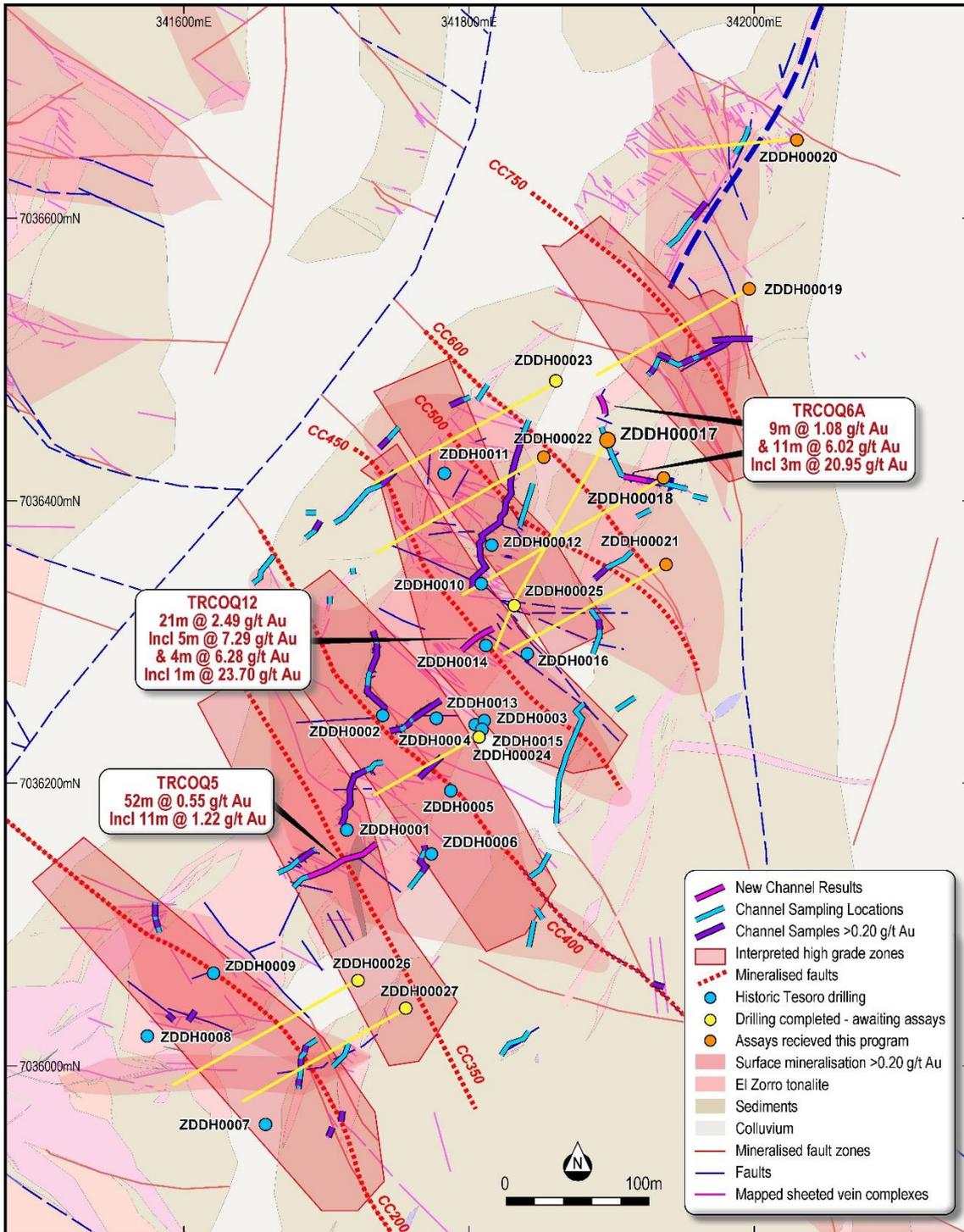
Tesoro's previously announced surface sampling results (ASX Announcements 17 and 22 April 2020) identified significant at-surface gold mineralisation at the Ternera Prospect. Additional results have now been received for continuous channel sampling across the CC350 and CC450 faults and of a gold bearing vein system discovered at Toro Gordo.

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

The Ternera results extended previously announced channel results, as well as new high-grade results from the CC450 and CC350 faults, including:

- 21.00m @ 2.49g/t Au from 0.00m including;
- 5.00m @ 7.29g/t Au from 13.00m; and
- 1.00m @ 23.70g/t Au from 43.00m.
- 52.00m @ 0.55g/t Au from 15.00m including;

- 11.00m @ 1.22g/t Au from 26.00m; and
- 9.00m @ 1.08g/t Au from 7.00m.



**Figure 2 – Terner Channel Sampling Results**

A 680m long strike (open) extensive vein system discovered at Toro Gordo, building on previous results, extended the Terner mineralised footprint by approximately 750m to the south. The Terner Prospect now has a total strike length of 1.5km of proven gold mineralisation. Best vein results from Toro Gordo include:

- 0.60m @ 4.65g/t Au;

- 0.90m @ 4.16g/t Au;
- 0.70m @ 2.98g/t Au; and
- 2.10m @ 2.48g/t Au.

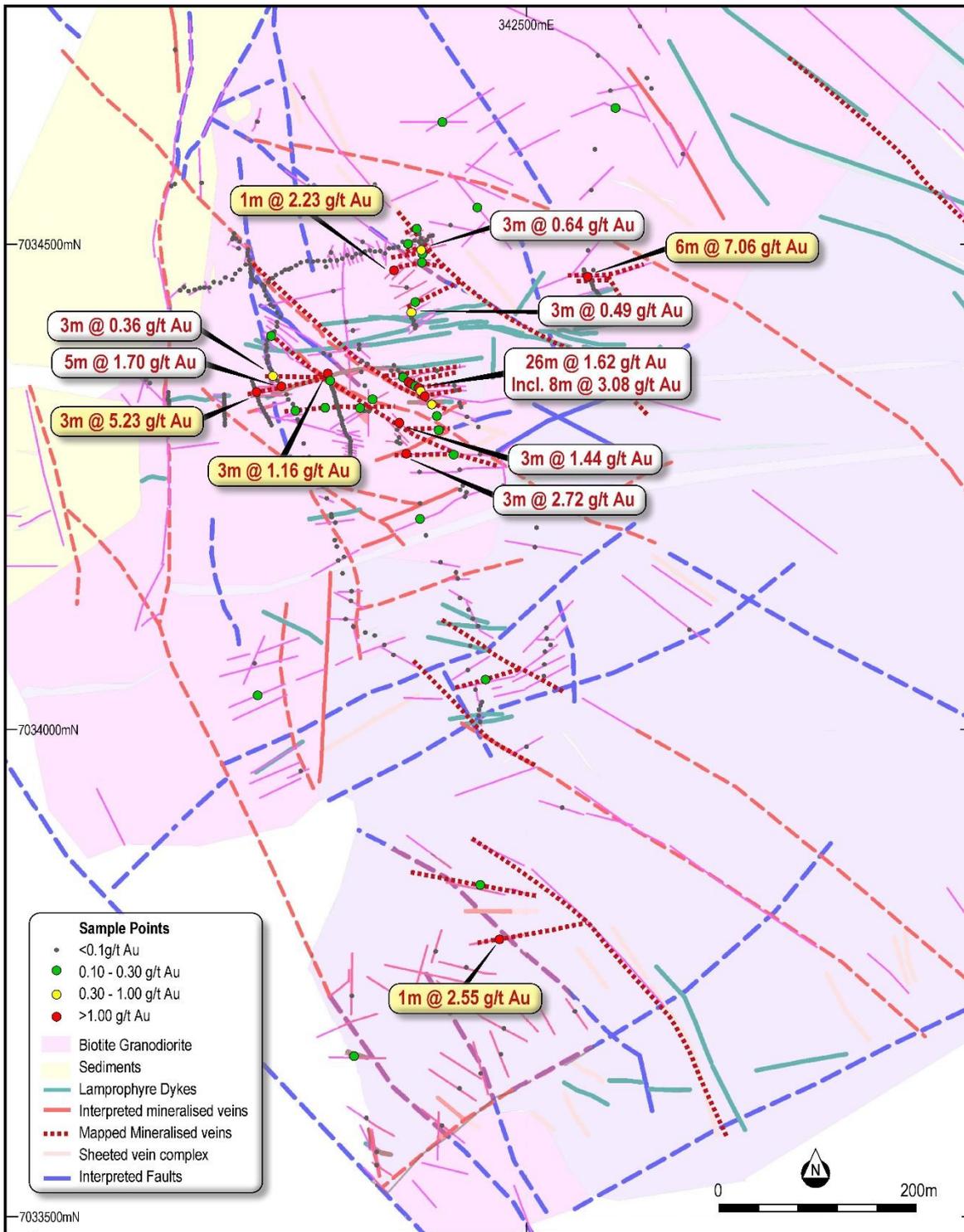
As at the end of the quarter, Tesoro had identified seven fault zones at Ternera which contain significant gold mineralisation, only two of these faults have been drill tested to date.

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

Results identified Buzzard as a large gold bearing vein system identified over an area of approximately 1,100m long and 750m wide – open in all directions, with individual mineralised veins up to 250m long identified (Figure 2).

Significant results included:

- 3.00m @ 5.23g/t Au;
- 6.00m @ 7.06g/t Au;
- 1.00m @ 2.55g/t Au;
- 1.00m @ 2.23g/t Au; and
- 3.00m @ 1.16g/t Au.



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

Approximately 200 controlled, outcrop, channel samples were collected at Buzzard. Buzzard gold mineralisation is characterised by strike extensive north west to east-west trending vein systems, hosted within granodiorite intrusive lithology.

Additional work is required to further delineate surface gold mineralisation at Buzzard which will include follow up mapping, sampling, and trenching in order to delineate potential drill targets.

## Metallurgical testwork results

In June 2020, Tesoro announced results of initial metallurgical testwork conducted on 50kg of mineralised, fresh rock material from the Ternera deposit at El Zorro, which indicated Ternera material is 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. 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.

Ternera material is classified as hard to very hard with an initial bond work index of 20.4kWh/t, and initial testwork indicates the potential to use a gold processing circuit consisting of conventional gravity concentration with CIL. Results indicated that treatment at coarser grind sizes had favourable recoveries.

Mintrex Pty Ltd who is engaged as Tesoro's metallurgical and process engineering consultant, has reviewed results and will advise on future metallurgical testwork programs and flowsheet design.

The Company intends to implement recommendations provided by Mintrex for a detailed metallurgical testwork program testing both transitional and fresh ore types of high and low gold grade domains. Testwork will consist of comminution (including High Pressure Grinding Roll), gravity, grind establishment and leaching characteristics to provide detailed inputs for future plant design during scoping and/or feasibility studies. This work is expected to commence during Q4 CY2020.

## COVID-19 impact

All the Company's staff and contractors on site at El Zorro are safe. The Company has implemented procedures to ensure all staff and contractors remain safe and healthy during the COVID-19 Pandemic.

The Company's operations have so far not been affected by COVID-19 restrictions in Chile and all activities at EL Zorro continued as normal during the quarter.

## Espina

In May 2020, Tesoro advised it had resolved to provide notice to Inversiones Cabo de Esperanza Limitada and Colonial Resources S.C.M. (Espina JV Partners) to terminate the Espina Option Agreement, pursuant to which the Company's 95%-owned subsidiary, Tesoro Chile, had the right to earn up to a 100% interest in the Espina Gold Project (**EGP**).

Exploration at Espina was impacted by strict lockdown restrictions in response to COVID-19, which had been in place since late March and affected Tesoro's ability to carry out exploration activities in a timely manner at Espina and to meet certain Stage 1 project expenditure commitments as part of the Espina Option Agreement. Tesoro negotiated with partners to extend terms of the agreement; these negotiations were unsuccessful.

The Board resolved to terminate the Espina Option Agreement as soon as possible so as not to incur any further costs associated with holding the project or administering the JV while uncertainty around COVID-19 restrictions in the Santiago Metropolitan Region remains.

Tesoro is diverting funding previously allocated to the EGP to its El Zorro Gold Project for ongoing field work including mapping, sampling, and Phase 2 drilling.

## Corporate

### Capital Raising

In June 2020, Tesoro announced a Placement and Accelerated Non-Renounceable Pro-Rata Entitlement Offer to raise up to \$5.98 million.

This 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:
  - o 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**);
  - o 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**).

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

The Retail Entitlement Offer opened on 23 June 2020, open to eligible shareholders in Australia and New Zealand as of 18 June 2020 and closed on 2 July 2020 with applications from eligible shareholders being received for 13,000,281 shares. The shortfall offer of 13,354,536 shares was oversubscribed with all of the shortfall shares being subscribed for by eligible shareholders.

Funds raised pursuant to the Placement and Entitlement Offer will be used to fund an accelerated infill and extensional drilling program, a detailed metallurgical testwork program, commencement of a Scoping Study at the Company's El Zorro, working capital, as well as satisfying the costs of the capital raising.

As at the end of the quarter the Company had \$5.715 million in cash.

### General Meeting

Tesoro held a general meeting of shareholders on 3 July 2020. All resolutions were carried on a poll:

Resolution 1: Approval of Variation to El Zorro Option Agreement;

Resolution 2: Issue of 5,000,000 Shares to Sr Jose Agustin Bahamondes Amestica;

Resolution 3: Issue of 659,562 Shares to Corporate Advisor Mulina Overseas Corporation; and

Resolution 4: Issue of 8,333,333 Shares to Director – Mr Zeffron Reeves.

The Company confirms that during the quarter ended 30 June 2020, it has used the funds raised pursuant to the Company's Prospectus dated 30 October 2019 and Supplementary Prospectus' dated 10 December 2019 and 29 January 2020 consistently with the "use of funds" statement in the Prospectus. A comparison of actual expenditure since the Company's re-listing on ASX follows:

	<b>Prospectus (24 month period) \$</b>	<b>Actual Q4 FY20 \$</b>	<b>Actual TOTAL \$</b>
El Zorro Exploration	2,175,000	728,300	1,268,300
Espina Exploration and Earn-in Expenditure	850,000	15,900	55,900
Project Payments	295,000	-	210,000
Partial repayment of Director Loan to entities associated with Geoffrey McNamara	75,000	-	75,000
Costs of the Offer	485,990	-	557,358
Corporate overheads and administration costs	830,000	281,900	489,542
Administration costs and working capital	189,010	-	-
<b>Total</b>	<b>4,900,000</b>	<b>1,026,100</b>	<b>2,656,100</b>

### Payments to Related Parties

As outlined in the Appendix 5B for the quarter ending 30 June 2020 (section 6.1), during the quarter approximately \$106,000 in payments were made to related parties and/or their associates as repayment of borrowings, remuneration for the Managing Director, Non-Executive Director fees and superannuation.

Authorised by the Board of Tesoro Resources Limited.

### For more information:

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### About Tesoro

Tesoro Resources Limited was established with a strategy of acquiring, exploring and developing mining projects in the Coastal Cordillera region of Chile. The Coastal Cordillera region is host to multiple world class copper and gold mines, has well established infrastructure, service providers and an experienced mining workforce. Large areas of the Coastal Cordillera remain unexplored due to the unconsolidated nature of mining concession ownership, but Tesoro, via its in-country network and experience has been able secure rights to a district scale gold project in-line with the Company's strategy. Tesoro currently owns 70% and has rights to acquire up to 80% of the El Zorro Gold Project.



## 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.

## Future Performance

This announcement may contain certain forward-looking statements and opinion. Forward-looking statements, including projections, forecasts and estimates, are provided as a general guide only and should not be relied on as an indication or guarantee of future performance and involve known and unknown risks, uncertainties, assumptions, contingencies and other important factors, many of which are outside the control of the Company and which are subject to change without notice and could cause the actual results, performance or achievements of the Company to be materially different from the future results, performance or achievements expressed or implied by such statements. Past performance is not necessarily a guide to future performance and no representation or warranty is made as to the likelihood of achievement or reasonableness of any forward-looking statements or other forecast. Nothing contained in this announcement nor any information made available to you is, or and shall be relied upon as, a promise, representation, warranty or guarantee as to the past, present or the future performance of Tesoro.

## CONCESSION 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

Name	First Term Expiry date	Area (ha)	Type
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

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

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