TARUGA MINERALS LIMITED

ACN 153 868 789

INTERIM FINANCIAL REPORT
31 DECEMBER 2019

CONTENTS

TARUGA

AND CONTROLLED ENTITIES

DIRECTORS' REPORT

Your directors submit the financial report of the Group for the half-year ended 31 December 2019. 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 Minerals 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	23 January 2020
Gary Steinepreis	Non-executive Director	15 July 2016	present
Sheena Eckhof	Executive Director	6 September 2017	23 January 2020
Mark Gasson	Executive Director	28 February 2018	present
Cameron Williams	Non-executive Director	23 January 2020	present
Stefan White	Non-executive Director	23 January 2020	present

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 Minerals Limited (**Taruga** or the **Company**) is a mineral exploration company which has projects located in the Democratic Republic of Congo (DRC) and Western Australia.

Democratic Republic of Congo

Copper-Cobalt Projects

Taruga has entered into an option agreement to acquire a range of highly prospective cobalt and copper projects in the DRC. The Company has since relinquished its option to acquire all projects with exception of the Kamilombe Project within the Central African Copper Belt.

In February 2018, Taruga entered into an agreement with a consortium including the Government of Lualaba Province and local construction and development company, Mint-Master, to earn a 60% interest in the high grade Kamilombe (portion of PE 11599) Cobalt-Copper project.

Finalisation of the Kamilombe licence acquisition continues to experience delays since Provincial Government or National Parliament appointments were only made on 6 September 2019 following the elections which were held in December 2018. Taruga's partners in DRC have continued discussions with current licence owners, Gecamines, and government departments for the finalisation of these agreements. Any final agreements are subject to Taruga due diligence, at its absolute discretion. In addition to the extra mining squares at Kamilombe, the new agreements, if concluded, will include additional licences which are prospective for copper and cobalt.

Kamilombe Project

Kamilombe covers a surface area of 2.37km^2 and has similar geology to bordering KCC Katanga's deposit where a 275Mt @ 3.66% Cu and 0.55% Co Measured and Indicated Resource has been defined.[1] Limited drilling conducted by Taruga confirmed similar grades of cobalt mineralisation including 50.87m at 0.49% Co from 5.8m including 13.68m at 1.21% Co from 30.47m.

Central African Copperbelt

Kamilombe is located within the Central African Copper Belt, which hosts many of the largest known copper-cobalt deposits both in the south-eastern DRC and Zambia.

The geology of the Copper Belt sequence has been well studied, and a substantial history of mining and exploration provides a strong platform for future development work. Cobalt-copper mineralisation was traditionally expected within the lower sedimentary sequences of the Lower Roan sub-group of rocks known as the Mines Group (R-2), although recent exploration has led to the discovery of several deposits in the overlying Mwashya (R-4) and Nguba Groups. The most significant example being Ivanhoe's Kamoa deposits (>25m tonnes of contained copper) hosted in the "Grand Conglomerate Formation" at the base of the Lower Kundulungu. These new discoveries have highlighted the potential for additional units with the geological formation to host major cobalt-copper mineralisation and significantly highlight large areas of prospective ground that has had little to no previous exploration.

Australia

Gold, Nickel, Copper & Cobalt Exploration

Exploration licence E51/1832 was granted on 5 October 2018. The licence is located 30km southeast of the regional centre of Meekatharra in the Murchison region of Western Australia (**Figure 1**). The Company has undertaken a review of the historic exploration and activity in the region and reviewed aeromagnetic data to prepare an updated geological model.

On 18 November 2019, the Company announced the commencement of a wide spaced (sample spacing of 80m and 500m between grid lines) auger drilling geochemical sampling program at Yagahong North. The sampling program was designed to follow up on the anomalous cobalt geochemical samples registered in historical GSWA sampling and to test for gold and base metal mineralisation in a structurally complex environment. Six gridlines running east-west were completed for a total of approximately 18-line kilometres (**Figures 2** and **3**).

A total of 277 samples (258 auger locations + 19 QAQC samples) were dispatched to ALS Laboratories in Perth, and were analysed for gold and base metals in addition to cobalt and pathfinder minerals, due to the tenement location and the presence of ultramafic units.

[1] Refer to Ni 43-101 Technical Report released by Katanga Mining Limited, dated 31 March 2018

The results of the auger program (announced 31 January 2020) are shown in **Figures 2** and **3**, and highlight low level gold anomalism (peak value 44ppb Au) and anomalous values that are potentially related to structures identified in the magnetic data. The tenement area is covered by alluvial sheetwash and "hardpan" transported cover that masks the bedrock geology, and is interpreted to have muted the geochemical response. In addition to the gold anomalism, a zone of coincident nickel, copper and cobalt anomalism has been defined in the north-west portion of the sampled area. The new zone remains open to the west and south and again is interpreted to relate to bedrock geological features.

Following the encouraging results, the Company plans to extend the auger sampling programme to the western boundary to ensure complete coverage of the source of the coincident Au, Ni, Co and Cu anomalies identified in this initial auger sampling programme. The Company will also undertake a future infill programme to follow up on identified anomalies and will extend the auger sampling program to cover the dominant magnetic anomaly in the south and additional interpreted structural targets.

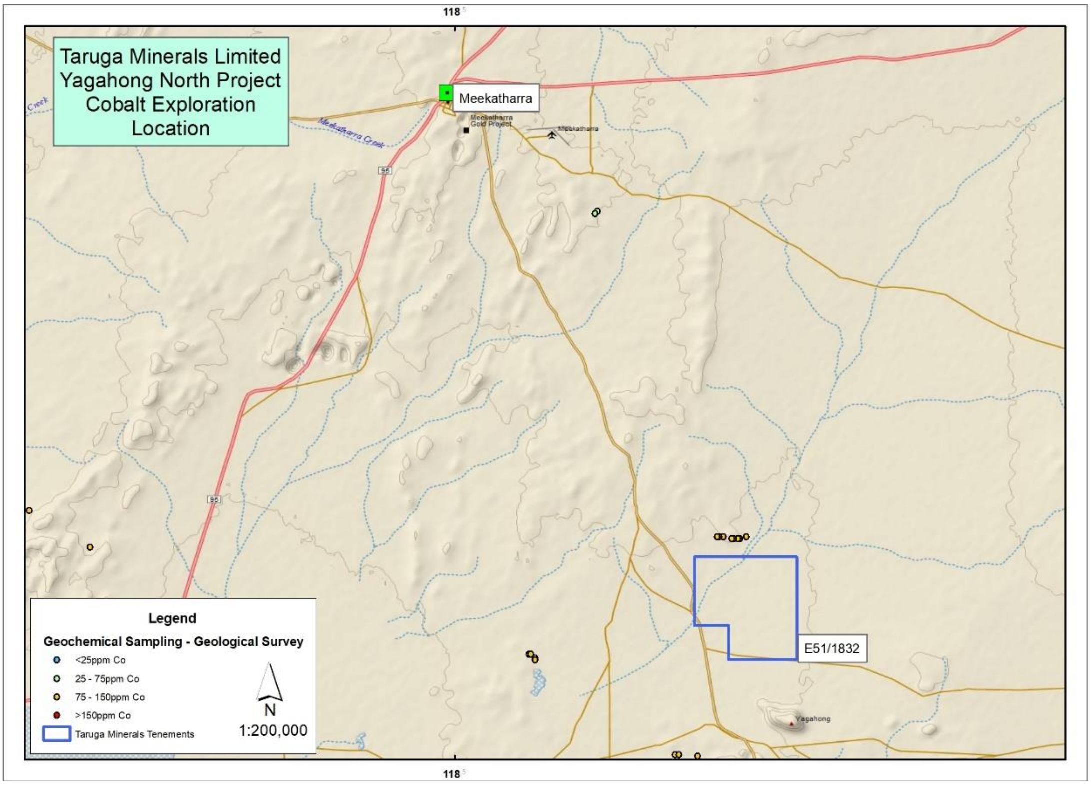

Figure 1: Yagahong North Project – E51/1832 Location plan

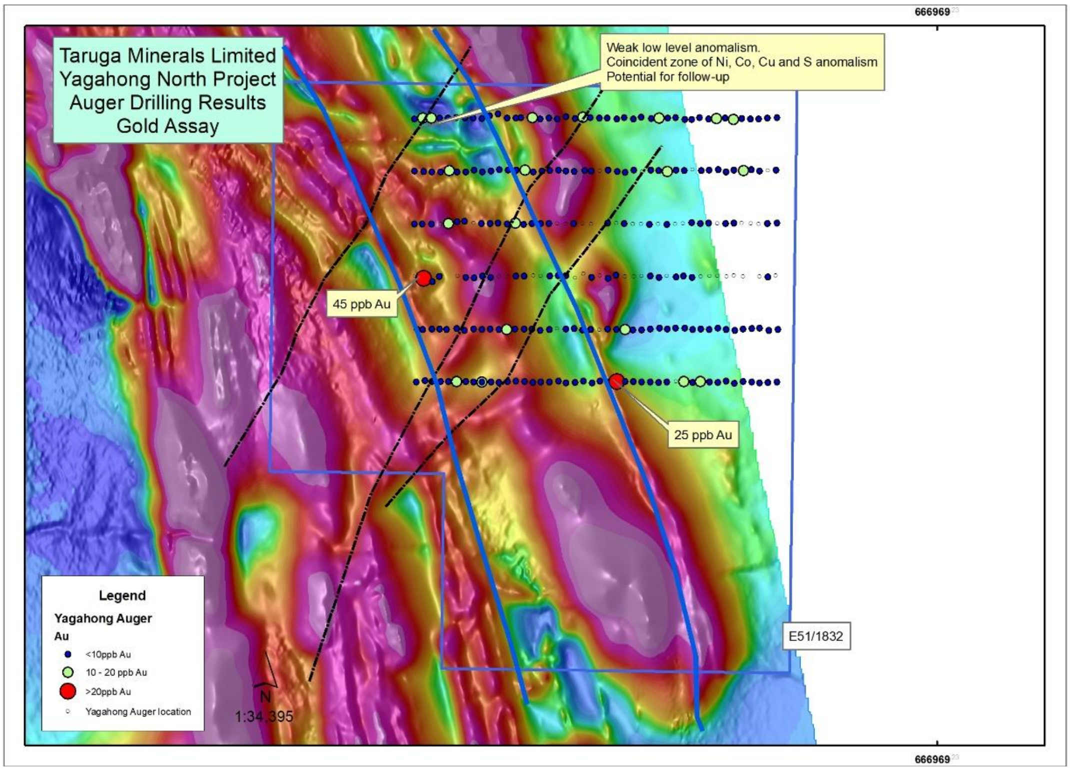

Figure 2: Gold assay results over magnetic data

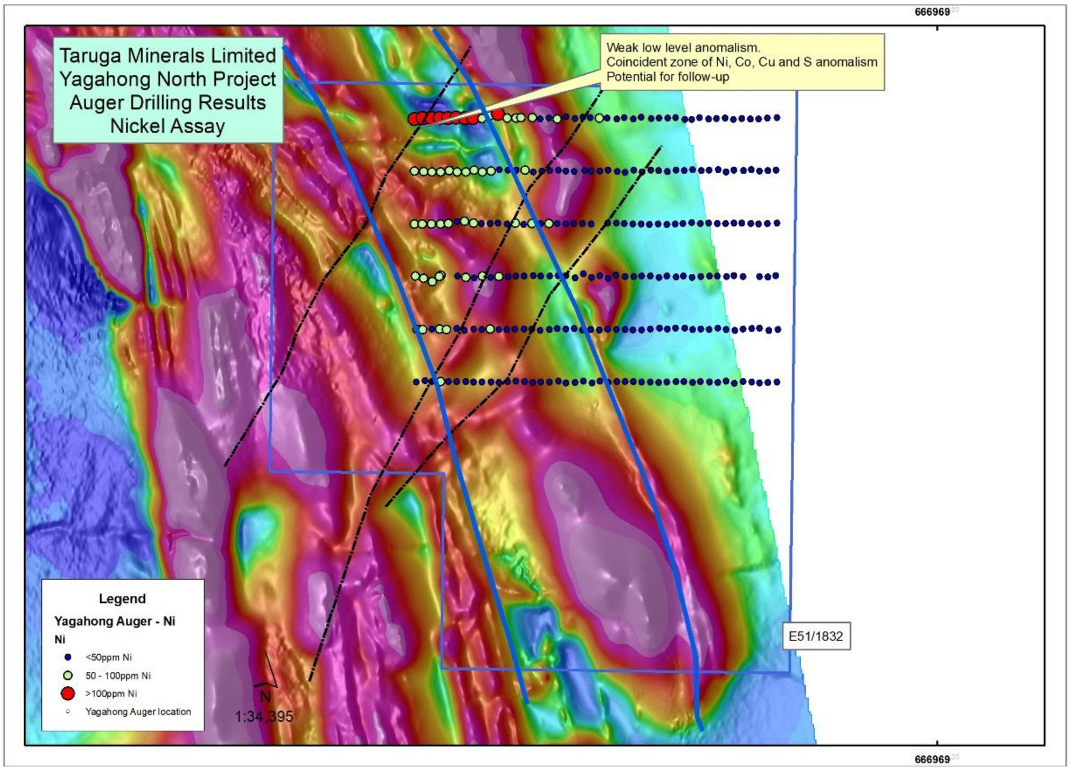

Figure 3: Nickel assay results over magnetic data

Lithium

The Company has exploration licence applications in the Greenbushes region of Western Australia pending (**Figure 4**). The licences are subject to review by the Department of Environment relating to proposed activities and licence conditions.

Taruga identified the region as highly prospective for the discovery of additional lithium mineralised pegmatite bodies through review of historic data and geological mapping completed by the Geological Survey of Western Australia. The tenement areas contain identified lithium exploration targets, including the historic Tin-Tantalum-Lithium Yeraminup prospect. The geological setting is interpreted to be analogous to the setting of the Greenbushes mine, and a detailed exploration programme of mapping and sampling is proposed for the tenements when granted.

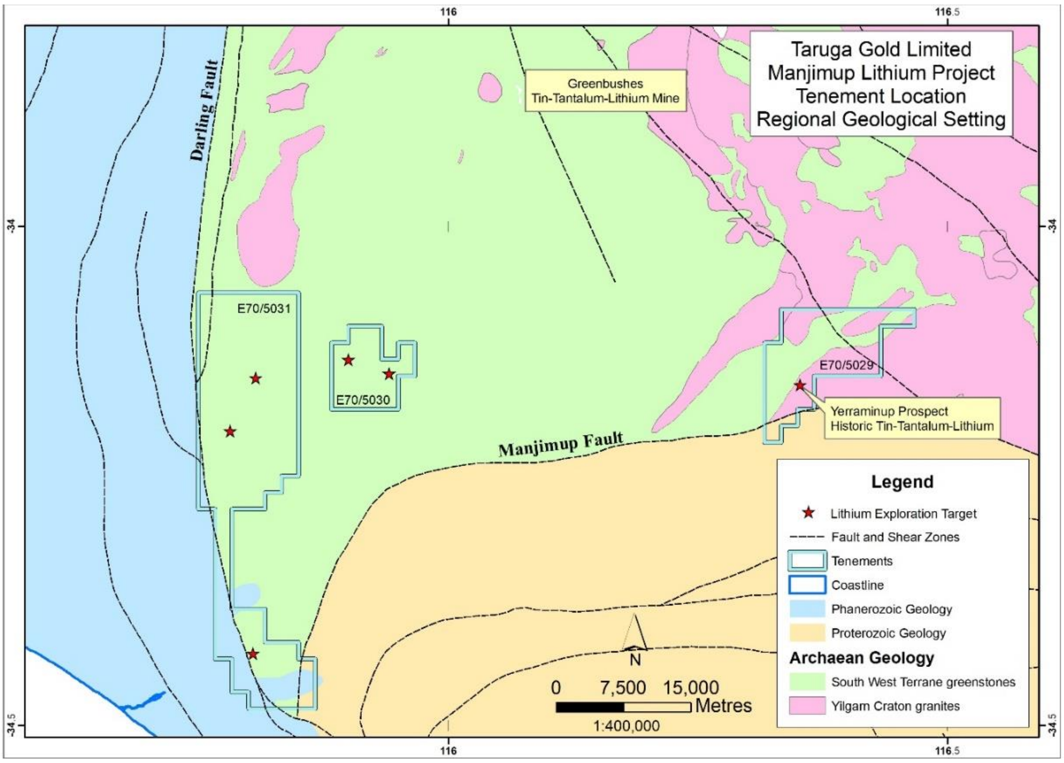

Figure 4: Taruga Minerals Limited – Tenement Application Location Plan

Evaluation of new mineral resource opportunities

The Company has allocated part of its working capital budget to the identification and evaluation of new mineral resource opportunities in Australia and overseas, undertaking a review of a range of opportunities during the December quarter. No decision to invest in any of the projects currently being reviewed has been made at this stage.

Competent Person's Statement – Exploration Results

The information in this report that relates to exploration results is based on, and fairly represents information and supporting documentation prepared by Mr Mark Gasson, a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Gasson is a Director of Taruga Minerals Limited. Mr Gasson has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resource and Ore Reserves". Mr Gasson consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

CORPORATE

Management changes

Following the reporting period, the Company announced that Ms Sheena Eckhof and Mr Bernard Aylward had resigned as directors of the Company. Mr Stefan White and Mr Cameron Williams were appointed as non-executive directors on the same day.

Capital raisings

On 7 November 2019, the Company announced that it had issued 21,175,085 ordinary shares at a price of $0.01 per share to sophisticated investors to raise $211,750 before costs.

On 20 November 2019, the Company announced that it had issued 162,342,238 ordinary shares at a price of $0.01 per share under the entitlements issue, raising $1,623,423 before costs.

After Balance Date Events

There are no matters or circumstances that have arisen since 31 December 2019 that may significantly affect operations, results or state of affairs of the Group in future financial years other than:

On 31 January 2020, the Company provided an update on the results of the auger sampling program undertake at the Company's wholly owned Yagahong North Project, Western Australia.

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 page 10 and forms part of this directors' report for the half-year ended 31 December 2019.

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.

G Steinepreis

Gary Steinepreis

Non-Executive Director

Perth, 12 March 2020

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Taruga Minerals Limited for the half-year ended 31 December 2019, 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	**M R Ohm**
12 March 2020	**Partner**

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

TARUGA

AND CONTROLLED ENTITIES

		Consolidated	
	Note	31 December 2019 $	31 December 2018 $
Revenue		178	2,264
Depreciation		(9,780)	(5,051)
Consultants		(67,000)	(166,159)
Professional fees		(54,678)	(60,455)
Share based payments	10	(385,749)	(385,749)
Travel and accommodation		(10,491)	(57,800)
Office and communication costs		(16,156)	(16,266)
Project evaluation		(164,636)	(921,194)
Other expenses		(34,156)	(120,775)
Foreign exchange gain/(loss)		140	(5,726)
Loss from continuing operations before income tax		(742,328)	(1,736,911)
Income tax expense		-	-
Net loss for the period from continuing operations		(742,328)	(1,736,911)
Loss from discontinued operations net of tax		-	(71,993)
		(742,328)	(1,808,904)
Other comprehensive income			
Items that may be reclassified to profit and loss			
Exchange differences on translation of foreign subsidiaries		(2,476)	60,759
Total comprehensive loss for the period		(744,804)	(1,748,145)
From continuing and discontinued operations			
Basic and diluted loss per share (cents per share)		(0.48)	(1.31)
From continuing operations			
Basic and diluted loss per share (cents per share)		(0.48)	(1.25)

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

TARUGA AND CONTROLLED ENTITIES

	Note	CONSOLIDATED 31 December 2019 $	30 June 2019 $
CURRENT ASSETS			
Cash and cash equivalents		1,802,560	401,763
Trade and other receivables		126,755	94,613
Other assets	2	729,207	725,608
Total Current Assets		2,658,522	1,221,984
NON CURRENT ASSETS			
Plant and equipment		79,924	89,934
Total Non-Current Assets		79,924	89,934
TOTAL ASSETS		2,738,446	1,311,918
CURRENT LIABILITIES			
Trade and other payables	3	153,863	85,819
Total Current Liabilities		153,863	85,819
TOTAL LIABILITIES		153,863	85,819
NET ASSETS		2,584,583	1,226,099
EQUITY			
Issued capital	4	21,034,771	19,531,500
Reserves	5	1,428,097	830,556
Accumulated losses		(19,878,285)	(19,135,957)
TOTAL EQUITY		2,584,583	1,226,099

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

TARUGA

AND CONTROLLED ENTITIES

	Issued Capital $	Accumulated Losses $	Share Based Payments Reserve $	Foreign Currency Translation Reserve $	Total Equity $
Half-year to 31 December 2018					
Balance at 1 July 2018	18,531,500	(16,168,177)	64,292	(58,227)	2,369,388
Issue of shares	1,000,000	-	-	-	1,000,000
Share based payments – Performance Rights	-	-	385,749	-	385,749
Loss for the period	-	(1,808,904)	-	-	(1,808,904)
Other comprehensive income	-	-	-	60,759	60,759
Total comprehensive loss for period	-	(1,808,904)	-	60,759	(1,748,145)
As at 31 December 2018	19,531,500	(17,977,081)	450,041	2,532	2,006,992
Half-year to 31 December 2019					
Balance at 1 July 2019	19,531,500	(19,135,957)	835,792	(5,236)	1,226,099
Issue of shares net of costs	1,503,571	-	214,268	-	1,717,539
Share based payments – Performance Rights	-	-	385,749	-	385,749
Loss for the period	-	(742,328)	-	-	(742,328)
Other comprehensive loss	-	-	-	(2,476)	(2,476)
Total comprehensive loss for the period	-	(742,328)	-	(2,476)	(744,804)
As at 31 December 2019	21,034,771	(19,878,285)	1,435,809	(7,712)	2,584,583

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Consolidated	
	31 December 2019 $	31 December 2018 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(156,628)	(352,725)
Payments for project evaluation	(199,641)	(1,690,344)
Interest income received	171	2,264
Net cash used in operating activities	(356,098)	(2,040,805)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for motor vehicles purchased	-	(77,269)
Net cash used in investing activities	-	(77,269)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	1,829,089	1,000,000
Share transaction costs	(66,092)	(13,107)
Net cash provided by financing activities	1,762,997	986,893
Net increase/(decrease) in cash held	1,406,899	(1,131,181)
Cash and cash equivalents at the beginning of the period	401,763	2,487,913
Effect of exchange rate fluctuations on cash held	(6,102)	7,335
Cash and cash equivalents at the end of the period	1,802,560	1,364,067

The accompanying notes form part of these financial statements.

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. The interim financial report was authorised for issue on 13 March 2020.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2019 and any public announcements made by Taruga Minerals 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 statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

Notwithstanding the fact that the Group incurred an operating loss of $742,328 for the period ended 31 December 2019, and a net cash outflow from operating activities amounting to $356,098, the Directors are of the opinion that the Company is a going concern. Once the Kamilombe and Mwilu licences have been finalised the Company has 4 weeks to complete its due diligence. On completion of the due diligence and should the Company wish to continue, the Company will make a further payment of US$2,000,000. The Directors will be seeking to raise additional funds during the coming period in relation to future planned expenditure.

The Directors are satisfied that the Group will have access to sufficient cash as and when required to enable it to fund administrative and other committed expenditure. The Directors are satisfied that they will be able to raise additional funds by debt and/or equity raisings.

However, should the above equity raisings not be completed, there is a material uncertainty that may cast significant doubt as to whether the Company will continue as a going concern and realise its assets and extinguish its 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 2019.

Adoption of new and revised Accounting Standards

Standards and Interpretations applicable to 31 December 2019
In the half-year ended 31 December 2019 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 2019.

AASB 16 Leases
AASB Leases supersedes AASB 117 Leases. The Group has adopted AASB 16 from 1 July 2019 which has resulted in changes in the classification, measurement and recognition of leases. The changes result in almost all leases where the Group is the lessee being recognised in the Statement of Financial Position and removes the former 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 Condensed Statement of Financial Position on 1 July 2019. Under this approach, there is no initial impact on accumulated losses, and comparatives have not been restated.

Impact on adoption of AASB 16
All Group leases have a term of less than 12 months or relate to low value assets and 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.

Therefore, the adoption of AASB 16 resulted in the recognition of right-of-use assets of $nil and lease liabilities of $nil in respect of all operating leases.

The net impact on accumulated losses on 1 July 2019 was $nil.

Standards and Interpretations in issue not yet adopted
The Directors have also reviewed all new Standards and Interpretations in issue not yet adopted for the half-year ended 31 December 2019. As a result of this the Directors have determined that there is no impact, material or otherwise, of the standards and interpretations in issue not yet adopted on the Group's business and, therefore, no change is necessary to the Group's accounting policies.

NOTE 2 – OTHER CURRENT ASSETS

	Consolidated	
	Half-year to 31 December 2019 $	Year to 30 June 2019 $
Prepaid acquisition consideration[1]	729,207	725,608

[1] Prepaid acquisition consideration totalling US $510,000 towards due diligence costs, and the acquisition of the Kamilombe project and adjacent tenure in the DRC. In the event of the acquisition of Kamilombe does not proceed, there is provision for the repayment of the consideration to the Company.

NOTE 3 - TRADE AND OTHER PAYABLES

	Consolidated	
	31 December 2019 $	30 June 2019 $
Trade creditors	143,221	67,050
Other payables	10,642	18,769
	153,863	85,819

NOTE 4 - ISSUED CAPITAL

	Consolidated	
Ordinary Shares	31 December 2019 $	30 June 2019 $
Issued and fully paid	21,034,771	19,531,500

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

Year to 30 June 2019

		Number of shares	$
Opening balance at 1 July 2018		136,405,334	18,531,500
19-Sept-18	Placement – Tranche 2	2,380,952	500,000
09-Nov-18	Placement – Tranche 2	2,380,952	500,000
Closing balance at 30 June 2019		141,167,238	19,531,500

Half-year to 31 December 2019

		Number of shares	$
Opening balance at 1 July 2019		141,167,238	19,531,500
17-Dec-19	Placement	21,175,000	211,750
19-Dec-19	Rights Issue	162,192,600[1]	1,621,926
Issue costs		-	(330,405)
Closing balance at 31 December 2019		324,534,838	21,034,771

[1] Includes $50,000 received from proposed director Stefan White. These shares have been issued following the Company receiving shareholder approval.

NOTE 4 - ISSUED CAPITAL (CONTINUED)

Movements in options were as follows:

		Consolidated	
Year to 30 June 2019		Number of Options	$
Opening balance at 1 July 2018		6,988,095	-
19-Sept-18	Unlisted free attaching Options Placement – Tranche 2	2,380,952	-
09-Nov-18	Unlisted free attaching Options Placement – Tranche 2	2,380,952	-
Closing balance at 30 June 2019		11,749,999	-
Half-year to 31 December 2019		Number of Options	$
Opening balance at 1 July 2019		11,749,999	-
19-Dec-19	Broker Options	35,000,000	214,268
Closing balance at 31 December 2019		46,749,999	214,068

NOTE 5 – RESERVES	Half-year to 31 December 2019	Year to 30 June 2019
		$
Share-based Payments Reserve	1,435,809	835,792
Foreign Currency Translation Reserve	(7,712)	(5,326)
	1,428,097	830,466

Share-based Payment Reserve

Balance at beginning of the period	835,792	64,292
Reserve arising on share-based payments expensed	600,017	771,500
Balance at end of the period	1,435,809	835,792

Foreign Currency Translation Reserve

Balance at beginning of the period	(5,236)	(58,227)
Transfer of exchange gain/(loss) on discontinued operations	-	34,865
Reserve arising on translation of foreign subsidiaries	(2,476)	18,126
Balance at end of the period	(7,712)	(5,236)

NOTE 5 – RESERVES AND ACCUMULATED LOSSES (CONTINUED)

Nature and purpose of Reserves

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. It is also used to record the effect of hedging net investments in foreign operations.

This share-based payments reserve is used to record the value of equity benefits provided to employees, Directors and consultants as part of their remuneration.

NOTE 6 - CONTINGENT LIABILITIES

Taruga Minerals Limited and its controlled entities have no known material contingent liabilities as at 31 December 2019.

NOTE 7 – SEGMENT INFORMATION

AASB 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker in order to allocate resources to the segment and to assess its performance.

The Group's operating segments have been determined with reference to the monthly management accounts used by the Chief Operating Decision maker to make decisions regarding the Group's operations and allocation of working capital. Due to the size and nature of the Group, the Board as a whole has been determined as the Chief Operating Decision Maker.

Based on the quantitative thresholds included in AASB 8, there is only two reportable segments, being the exploration of minerals in the Democratic Republic of Congo (DRC) and Australia.

The accounting policies of the reportable segments are the same as Group accounting policies.

Geographic Information	**Australia**	**DRC**	**Consolidated**
31 December 2019	**$**	**$**	**$**
Revenues from external customers	-	-	-
Total loss after tax	(577,316)	(165,012)	(742,328)
Current assets	1,830,840	827,682	2,658,522
Non-current assets	23,807	56,117	79,924
Total assets	1,854,647	883,799	2,738,446
Current liabilities	126,147	27,716	153,863
Total liabilities	126,417	27,716	153,863
Net assets	1,728,500	856,083	2,584,583

NOTE 7 – SEGMENT INFORMATION (CONTINUED)

Geographic Information 31 December 2018	**Australia $**	**DRC $**	**Consolidated $**
Revenues from external customers	-	-	-
Total loss after tax	(877,523)	(859,388)	(1,736,911)
Current assets	1,369,729	628,748	1,998,477
Non-current assets	30,896	72,117	103,013
Total assets	1,400,625	700,865	2,101,490
Current liabilities	53,042	41,456	94,498
Total liabilities	53,042	41,456	94,498
Net assets	1,347,583	659,409	2,006,992

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 Minerals Limited. The Company operates in one operating segment therefore disclosures are consistent with the financial reports.

NOTE 8 – EVENTS SUBSEQUENT TO BALANCE DATE

On 31 January 2020, the Company provided an update on the results of the auger sampling program undertake at the Company's wholly owned Yagahong North Project, Western Australia.

On 23 January 2020, the Company announced the appointment of Mr Stefan White and Mr Cameron Williams as non-executive directors of the Company. Mr Bernard Aylward and Ms Sheena Eckhof resigned on the same day.

NOTE 9 – FINANCIAL INSTRUMENTS

The methods and techniques used for the purpose of measuring fair value are unchanged from the previous reporting period.

The carrying amount of financial assets and financial liabilities approximates their fair values.

NOTE 10 – SHARE-BASED PAYMENTS

Performance Rights Valuation
The following performance rights were granted to directors on 1 June 2018 and have been valued using the inputs noted below:

Item	Tranche A	Tranche B	Tranche C
Value of underlying security	$0.22	$0.22	$0.22
Exercise price	nil	nil	nil
Valuation date	1 June 2018	1 June 2018	1 June 2018
10-Day VWAP barrier	$0.30	$0.40	$0.50
Life of the Rights (years)	3.00	3.00	3.00
Volatility	60%	60%	60%
Risk-free rate	2.12%	2.12%	2.12%
Dividend yield	nil	nil	nil
Vesting Conditions	Note [1]	Note [2]	Note [3]
Number of Rights	8,500,000	2,500,000	2,500,000
Value per Right	$0.19	$0.16	$0.13
Value per Tranche	$1,589,500	$392,500	$332,500

[1] The Tranche A Rights will vest upon the 10-day volume weighted average price (**'10-Day VWAP'**) of shares traded on the Australian Securities Exchange (**'ASX'**) being at $0.30 or greater.
[2] The Tranche B Rights will vest upon the 10-Day VWAP of shares traded on the ASX being at $0.40 or greater.
[3] The Tranche C Rights will vest upon the 10-Day VWAP of shares traded on the ASX being at $0.50 or greater.

The above tranches of performance rights are expensed over the life of the rights (3 years). The expense included in the reporting period to 31 December 2019 was $385,749 (31 December 2018: $385,749).

Option Valuation

The following options were issued to brokers during the period:

Number	Grant Date	Expiry Date	Exercise Price $	Fair Value at grant date $	Vesting date
35,000,000	20/12/19	20/12/23	0.025	214,268	20/12/19

The fair value of the equity-settled share options is estimated as at the date of grant using the Black-scholes model taking into account the terms and conditions upon which the options were granted.

NOTE 10 – SHARE-BASED PAYMENTS (CONTINUED)

Value of underlying security	$0.011
Exercise price	$0.025
Valuation date	20/12/19
Life of the Rights (years)	4.00
Volatility	100%
Risk-free rate	2.00%
Dividend yield	nil
Value per Option	$0.006

In the opinion of the directors of Taruga Minerals 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 2019 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.

G Steinepreis

Gary Steinepreis

Non-Executive Director

Perth, 12 March 2020

HLB MANN JUDD
ADVISORY AND ACCOUNTING

INDEPENDENT AUDITOR'S REVIEW REPORT
To the members of Taruga Minerals Limited

Report on the Condensed Interim Financial Report

Conclusion

We have reviewed the accompanying interim financial report of Taruga Minerals Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2019, 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.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Taruga Minerals 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 2019 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*.

Material uncertainty related to going concern

We draw attention to Note 1 in the interim financial report, which indicates that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the interim financial report

The directors of the Group are responsible for the preparation of the interim 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 interim 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 interim 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 interim 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 2019 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 Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim 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*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

M R Ohm
Partner

Perth, Western Australia
12 March 2020