



TARUGA GOLD LIMITED PROSPECTUS AND SUPPLEMENTARY PROSPECTUS

ACN 153 868 789

An offer to raise a minimum of \$5.5 million by the issue of 27,500,000 Shares at an issue price of \$0.20 per Share and a maximum of \$7.5 million by the issue of up to 37,500,000 Shares at an issue price of \$0.20 per Share (in each case, before the costs of the Offer).

Blackwood Capital Limited
Lead Manager

This is an important document. Please consult your professional adviser(s) if you have any questions. The mineral properties described in this Prospectus are at the exploration and evaluation stage and accordingly investment in the Shares offered by this Prospectus should be regarded as speculative in nature.



SUPPLEMENTARY PROSPECTUS

TARUGA GOLD LIMITED ACN 153 868 789

This Supplementary Prospectus is dated 20 December 2011 and intended to be read with the Prospectus dated 12 December 2011 relating to the Offer by Taruga Gold Limited ACN 153 868 789.

1 IMPORTANT INFORMATION

This is an important document that should be read in its entirety. Please consult your legal, financial or other professional adviser if you do not fully understand the contents.

This Supplementary Prospectus must be read together with the Prospectus. If there is a conflict between the Prospectus and this Supplementary Prospectus, this Supplementary Prospectus will prevail. Terms and abbreviations defined in the Prospectus have the same meaning in this Supplementary Prospectus.

Other than the changes set out below, all other details in relation to the Prospectus remain unchanged.

This Supplementary Prospectus will be issued with the Prospectus and an electronic version of these documents may be downloaded from the website of the Company at www.tarugagold.com.au.

2 INTRODUCTION

The effect of the Supplementary Prospectus is to notify investors of the following changes in relation to the Company:

- (a) change to the Opening Date of the Offer;
- (b) additional information on related party arrangements in the Prospectus in relation to the Consultancy Agreement and MGS Ghana Sale Agreement;
- (c) additional information on the substantial holding in the Company of: (i) Redstar Resources Limited, and; (ii) Bernard Aylward (Managing Director and Executive Chairman, a related party of the Company) together with Matlock Geological Services Pty Ltd (of which Bernard Aylward is the legal owner as trustee for the Galbraith Family Trust);
- (d) additional information on the effect of escrowed securities on other shareholders under the Offer;
- (e) further breakdown of information on use of Company funds; and
- (f) update on funding of the Niger Kossa tenement exploration.

3 CHANGE TO THE OPENING DATE

On 19 December 2011, ASIC extended the exposure period in relation to the Prospectus by two days to 21 December 2011.

On this basis, the Company has resolved to change the Opening Date of the Offer from 20 December 2011 to 22 December 2011 and the Closing Date from 16 January 2012 to 23 January 2012. Accordingly, the Opening Date will be read as 22 December 2011, and the Closing Date will be read as 23 January 2012, in the Prospectus.

As a consequence of this change, the indicative timetable for the Offer is now as follows:

Event	Date
Lodgement of Prospectus with ASIC	12 December 2011
Lodgement of Supplementary Prospectus with ASIC	20 December 2011
Opening Date of the Offer	22 December 2011
Closing Date of the Offer (5pm AEDT)	23 January 2012
Expected allotment of Shares	25 January 2012
Expected date for despatch of holding statements	27 January 2012
Expected Official Quotation of Shares on ASX	30 January 2012

The above dates are subject to change and are indicative only. The Company reserves the right to amend this indicative timetable.

4 RELATED PARTY ARRANGEMENTS

The Company refers to Section 11 (“Material Contracts”) of the Prospectus.

In relation to the Consultancy Agreement 2011 (summarised on page 132 of the Prospectus) between the Company and Matlock Geological Services Pty Ltd (Matlock) (of which Bernard Aylward is the legal owner as trustee for the Galbraith Family Trust), Matlock is to provide the Company with certain services which Matlock has nominated Bernard Aylward to perform. The Company notes that the Consultancy Agreement has been entered into on an arms-length basis as the Company considers this to be reasonable remuneration and without the need for shareholder approval.

In relation to the MGS Ghana Sale Agreement (summarised on page 133 of the Prospectus), the Company acquired from Matlock all of the issued share capital in MGS Ghana Limited which holds the rights to use and an exclusive option to exclusive option to acquire the Ducie Reconnaissance Licence, Katua Prospecting Licence, Kundunga Prospecting Licence, Sombisi Prospecting Licence, and Yala Prospecting Licence, for the exploration of gold in Ghana, from Maintenance Culture Limited, a company incorporated under the laws of Ghana. As stated previously, Matlock is an entity controlled by Bernard Aylward, the Managing Director and Executive Chairman, who is a related party of the Company. Matlock received 12,500,000 shares and 5,000,000 options to acquire shares in MGS Ghana Limited. Each share issued as consideration for the acquisition of all of the shares in MGS Ghana was issued with a deemed value of \$0.10 per share, valuing the acquisition at \$1.25 million. Considering the prospectivity of the rights held by MGS Ghana pursuant to the Option Agreement and taking into account the exploration nature and status of the rights, the Company considers that the MGS Ghana Sale Agreement is on arms-length terms, and the Company entered into the agreement without obtaining any shareholder approval. Furthermore, the acquisition of MGS Ghana is on similar terms to the other sale agreements set out in Section 11.3 of the Prospectus which were entered into with unrelated third parties.

5 SUBSTANTIAL HOLDINGS OF MAJOR SHAREHOLDERS

The Company notes that:

- (a) Redstar Resources Limited (Redstar); and
- (b) Bernard Aylward (Managing Director and Executive Chairman, a related party of the Company) as trustee for the Galbraith Family Trust together with Matlock (of which Bernard Aylward is the legal owner as trustee for the Galbraith Family Trust) (Aylward Interests), will each have a significant substantial holding in the Company (over 5% of the voting power) after completion of the Offer as set out in the table below.

Issued Share Capital	% of Shares (Minimum raise of \$5.5m)	% of Shares (Maximum raise of \$7.5m)
Shares on issue to Redstar - 20,000,000	24%	22%
Shares on issue to Aylward Interests - 20,000,000	24%	22%
Total Shares on issue at the close of the Offer	82,500,000	92,500,000

Such substantial holdings will give each of Redstar and the Aylward Interests significant influence over the Company's financial and operating policies.

6 EFFECT OF ESCROWED SECURITIES

The Company refers to Sections 1.4 and 1.11 of the Prospectus. The Company notes that a substantial number of the securities (approximately 50,000,000 of the 55,000,000 ordinary shares on issue) are likely to be escrowed by the ASX in accordance with the ASX Listing Rules for a period of two years from the date of quotation of the Shares on the ASX in relation to approximately 43 million shares and a period of 12 months from issue in relation to approximately 7 million shares. As a result of the number of securities which will be escrowed, the free float for the company will be between approximately 30 million (if only the minimum subscription amount is raised by the Company pursuant to the Offer) and approximately 40 million (if the maximum subscription amount is raised by the Company pursuant to the Offer). Accordingly, the liquidity of the Shares may be affected by the number of Shares in escrow and this may have an adverse affect on the trading of the Shares and on the price of the Shares.

7 BREAKDOWN ON USE OF FUNDS

The Company refers to the use of funds in the Investment Overview section and Section 1.3 of the Prospectus.

In relation to the administration and working capital portion of the use of funds, the Company notes that it will use working capital for the following purposes:

- (a) paying directors fees, salaries and consultancy fees;
- (b) paying for the use of its office space;
- (c) paying compliance fees such as fees for listing on the ASX and fees to ASIC;
- (d) paying advisers and the auditor in connection with the Company's business and operations and reporting obligations; and
- (e) other miscellaneous and unforeseen expenses.

8 UPDATE ON FUNDING OF THE NIGER KOSSA TENEMENT EXPLORATION

The Company refers to the Independent Solicitors Report for the Niger tenements, being the Kossa 1 and Kossa 2 Licences, at Section 5 of the Prospectus. Section 3.6 of that report sets out the statutory obligations attaching to each Licence which include a minimum spend of \$USD2,038,000 per Licence (or USD \$4,076,000 for both Licences) over a three year period on the work required, as follows:

- (a) Year 1: USD \$679,333 per Licence (or USD \$1,358,666 for both Licences)
- (b) Year 2: USD \$679,333 per Licence (or USD \$1,358,666 for both Licences)
- (c) Year 3: USD \$679,333 per Licence (or USD \$1,358,666 for both Licences)

The report indicates that the above financial targets (during the research and prospection phases) may be adjusted downwards by the Ministry of Mines and Industrial Development in Niger (Ministry) where a licence holder can show cause as to why financial targets have not been reached.

The Company acknowledges that these annual amounts are significant and notes that, should the amount raised under the Offer not be enough to satisfy the minimum expenditure requirements over the 2 year period covered by the exploration budget set out in Section 1.3 of the Prospectus, the Company intends to renegotiate the minimum spend terms with the Ministry, to access excess working capital funds and/or seek to raise further funds to meet any such requirements at a later date.

9 DIRECTORS' CONSENT

This Supplementary Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors. In accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement of this Supplementary Prospectus with ASIC.

Signed for and on behalf of the Company:



Bernard Aylward

Executive Chairman and Managing Director

Note: All other details in relation to the terms of the Offer and other matters under the Prospectus remain unchanged.

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IMPORTANT NOTICE

This Prospectus is dated 12 December 2011 and was lodged with ASIC on that date. No Shares will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

Neither ASIC nor ASX take any responsibility for the content of this Prospectus or the merits of the investment to which this Prospectus relates.

The Company will apply to the ASX for admission of the Company to the Official List of the ASX and quotation of its Securities on the ASX within 7 days of the date of this Prospectus.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of those laws. This Prospectus does not constitute an offer of Shares in any jurisdiction where, or to any person to whom, it would be unlawful to issue this Prospectus.

It is important that you read this Prospectus carefully, in its entirety and seek professional advice where necessary before deciding to invest in the Company. In particular, in considering the prospects for the Company, you should consider the risk factors that could affect the performance of the Company. The Offer does not take into account your investment objectives, financial situation and particular needs. Accordingly, you should carefully consider the risk factors in light of your personal circumstances and seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest. The Shares the subject of this Prospectus should be considered speculative.

No person is authorised to provide any information or make any representation in connection with the Offer contained in this Prospectus which is not contained in this Prospectus.

WEB SITE – ELECTRONIC PROSPECTUS

A copy of this Prospectus may be downloaded from the Company's website at www.tarugagold.com.au. Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access the Prospectus from within Australia. Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus. The information on the Company's website at www.tarugagold.com.au does not form part of this Prospectus.

The Corporations Act prohibits any persons passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. Any persons may obtain a hard copy of this Prospectus free of charge by contacting the Company by telephone on +61 (8) 9428 2980 during normal business hours.

EXPOSURE PERIOD

This Prospectus will be circulated during the Exposure Period. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. Potential investors should be aware that this examination may result in the identification of deficiencies in the Prospectus and, in those circumstances, any Application that has been received may need to be dealt with in accordance with Section 724 of the Corporations Act.

Applications for Shares under this Prospectus will not be accepted by the Company until after the expiry of the Exposure Period. No preference will be conferred on persons who lodge Applications before the expiry of the Exposure Period.

GLOSSARY

Certain terms and abbreviations used in this Prospectus have defined meanings which are explained in the Glossary at the end of the Prospectus.

COMPETENT PERSON STATEMENT

The information in this Prospectus (other than the Independent Geological Report in Section 4 of this Prospectus) that relates to exploration results and geological information is compiled by Mr Bernard Aylward. Mr Aylward is a consultant to the Company as well as being Managing Director and Executive Chairman and a member of the Australian Institute of Mining and Metallurgy. Mr Aylward has sufficient experience which is relevant to the styles of mineralisation and types of deposit under consideration and to the activities which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC Code). Mr Aylward consents to the inclusion in this Prospectus of the information based on his work in the form and context in which it appears.

The information contained in the Independent Geological Report in Section 4 of this Prospectus is compiled by Mr Michael Cantey. Mr Cantey is a full time employee of Sahara Geoservices and is a member of the Australian Institute of Geoscientists. Mr Cantey has sufficient experience which is relevant to the styles of mineralisation and types of deposit under consideration and to the activities which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC Code). Mr Cantey consents to the inclusion in this Prospectus of the information based on his work in the form and context in which it appears.

KEY DATES

Lodgement of Prospectus	12 December 2011
Opening Date of Offer	20 December 2011
Closing Date of Offer (5.00pm AEDT)	16 January 2012
Expected allotment of Shares under this Prospectus	18 January 2012
Expected date for despatch of holding statements	20 January 2012
Expected Official Quotation of Shares on ASX	23 January 2012

The above dates are indicative only and may vary. The Company reserves the right to change the key dates of the Offer without prior notice, which may have a consequential impact on other dates.



CORPORATE DIRECTORY

Directors	Bernard Aylward – Executive Chairman and Managing Director Edmond Edwards – Non-Executive Director Peter Newcomb – Executive Director
Company Secretary	Peter Newcomb
Principal Place of Business/ Registered office	63 Lindsay Street Perth WA 6000
Lead Manager	Blackwood Capital Limited Level 2, 139 Macquarie Street Sydney NSW 2000
Solicitor to the Offer	Allion Legal Level 2 50 Kings Park Road West Perth WA 6005
Independent Geologist	Sahara Geoservices Rue 13.12 – Zone du Bois – Porte 291 06 BP 10382 Ouagadougou 06 Burkina Faso
Independent Solicitor Reporting on the Niger Tenements	Gahton Kowa Avenue – OUA – Poudriere Rue C.156 MN-16 BP:11272 Niamey Niger
Independent Solicitor Reporting on the Ghanaian Tenements	Reindorf Chambers 20 Jones Nelson Road, Adabraka, Accra Ghana
Independent Solicitor Reporting on the Cote d'Ivoire Tenements	Mazars Cote d'Ivoire Immeuble Le Longchamp 2, Boulevard Roume 01 RCI Abidjan Ivory Coast
Auditor and Independent Accountant	HLB Mann Judd Level 4 130 Stirling Street Perth WA 6000
Share Registry	Computershare Investor Services Pty Ltd Level 2 45 St Georges Terrace Perth WA 6000

INVESTMENT OVERVIEW

This Investment Overview contains a summary of what the Directors consider to be key information with respect to the Company and the Offer. It is not a summary of this Prospectus.

If you are considering an investment in the Company, it is important that you read this Prospectus carefully, in its entirety and seek professional advice where necessary before deciding to invest in the Company. In particular, in considering the prospects for the Company, you should consider the risk factors that could affect the performance of the Company. The Offer does not take into account your investment objectives, financial situation and particular needs. Accordingly, you should carefully consider the risk factors in light of your personal circumstances and seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest. The Shares that are offered under this Prospectus should be considered speculative.

Introduction

Taruga Gold Limited (**Taruga** or the **Company**) is a mineral exploration company that was incorporated on 21 October 2011 to hold, or have the right to acquire, four highly prospective exploration projects located in West Africa. The objective of the Company is to provide a return to shareholders through successful exploration and the delineation of gold resources on mineral licences in Niger, Ghana and Cote d'Ivoire. The Company is targeting, subject to successful exploration, the delineation of new mineral resources and the Company's ultimate objective is to exploit economic gold resources through downstream mine development.

Taruga is the 100% shareholder of the following companies:

- (a) Gecko Gold Niger SARL ("**Gecko Gold Niger**") incorporated and registered under the laws of Niger which is the sole legal and beneficial holder of the Kossa Project, composed of two granted "Permis de Recherche" within Niger being Kossa I and Kossa II;
- (b) MGS Ghana Limited ("**MGS Ghana**") incorporated and registered under the laws of Ghana which holds rights to use and the option to acquire the Ducie Reconnaissance Licence (subject to obtaining ministerial consent in Ghana) and the, yet to be granted, Katua Prospecting Licence application, Kundunga Prospecting Licence application, Sombisi Prospecting Licence application and Yala Prospecting Licence application for the exploration of gold in Ghana once the prospecting licences are granted to the holder of, and in connection with, the Ducie Reconnaissance Licence). Although the prospecting licences are yet to be granted, the mining authorities in Ghana have communicated to the holder of the licence that the formal prospecting licences will be signed shortly. However there can be no assurances that formal licences will be granted in a timely fashion, if at all; and
- (c) Gecko Gold CI SARL ("**Gecko Gold CI**") incorporated and registered under the laws of Cote d'Ivoire has made an application for two gold exploration licences - the Mangkono and Tortiya licences in Cote d'Ivoire. Although these licences are yet to be granted, the mining authority in Cote d'Ivoire has communicated to Gecko Gold CI that the formal licences will be signed shortly. However, there can be no assurances that formal licences will be granted in a timely fashion or at all.

Gecko Gold Niger, MGS Ghana and Gecko Gold CI are collectively referred to as wholly owned foreign subsidiaries of the Company and the licences held by Gecko Gold Niger, the rights to and option over licences held by MGS Ghana, and the licence applications made by Gecko Gold CI are collectively referred to as "**Tenements**".

Gold Exploration and Mining in Niger, Ghana and Cote d'Ivoire

The gold deposits of West Africa largely lie within the Proterozoic domain of the Man Shield, the southernmost subdivision of the West African (or Guinean) Craton. The Man Shield, which underlies Niger, Ghana and Cote d'Ivoire, comprises early Proterozoic rocks, with Archaean rocks to the west. Volcano- sedimentary belts and extensive felsic plutonic rocks that are similar to granite greenstone and meta-sedimentary belts of other Precambrian shields present in both the Archaean and Early Proterozoic terrains.

The early Proterozoic volcanic and sedimentary rocks of the Man Shield are referred to as the Birimian Group and this group is broadly divided into phyllites, tuffs and greywackes of the Lower Birimian, and various basaltic to andesitic lavas and volcanoclastics of the Upper Birimian.

The Birimian Group of the Man Shield constitutes one of the world's important metallogenic provinces for gold. The spatial distribution of gold mineralisation appears to be governed by north to northeast trending belts of metavolcanic rocks, ranging from 15 to 40km in width, that are associated with the Upper Birimian. Almost without exception, the major gold deposits are located at or close to the margins of the metavolcanic belts, adjacent to the strongly deformed contacts between the Upper and Lower Birimian sequences.

In Niger, gold production and exploration activity is associated with three Birimian greenstone belts located in the Liptako Region in the southwestern parts of the country near the borders with Burkina Faso and Mali. The Kossa Project is located in the Gorouol/Kourki greenstone belt in the northwest of the Liptako area, with additional greenstone belts of the Sirba Belt to the west of Niamey, and the Tera Gassa Belt between the Gorouol and the Sirba greenstone belts. Total gold production in 2008 decreased to 2,314kg from 3,427kg in 2007. The bulk of the production was from the Samira Hill Mine, 90km west of Niamey.

Ghana is the second largest producer of gold in Africa, with production of over 2.97Mozs gold in 2010. Rich mineral resources such as gold, diamonds, manganese, limestone, bauxite, iron ore as well as various clays and granite deposits are major sources of foreign exchange for Ghana.

Gold deposits are economically the most important mineral resource in Côte d'Ivoire. There have been six major gold deposits discovered in Côte d'Ivoire in recent decades, with four of these having been brought into production. Gold exploration is still at an early level in Côte d'Ivoire and large portions of the prospective Birimian and Archaean terranes remain under-explored. Many of the proven gold mineralised belts in Mali, Burkina Faso and Ghana extend into Côte d'Ivoire demonstrating prospectivity and providing background knowledge to assist in targeting future exploration programs.

Further information on the Tenements is set out in Section 2 below. A geological report with respect to the Tenements is set out in Section 4, and legal reports from Niger, Ghana and Cote d'Ivoire counsel with respect to the Tenements are set out in Sections 5, 6 and 7.

Investment Highlights

The Birimian sequence of West Africa is one of the world's great gold regions. Based on the current West African mining industry, the region has excellent endowment and high prospectivity, with many multi-million ounce gold discoveries to date. West Africa has also been the world leader in the discovery rate and development of new mines over the last 15 years. The Company believes that its current exploration focus opens up opportunities to make discoveries in previously untested regions through the application of advanced geochemistry and detailed geophysics. Moreover, management is experienced in West African geology and community expectations.

All of the Company's projects are located within Birimian Greenstone Belts. They have been strategically selected adjacent to major structural zones and all contain identified gold mineralisation or untested artisanal workings. The Projects are summarised below, and more detailed information is outlined in Section 2 and the Independent Geological Report (**IGR**) in Section 4.

Niger – Kossa

- 970km² granted licences in developing gold district
- Adjacent to IAMGold's 5Moz Essakane Gold Mine
- Encouraging grade and width with 1km of strike to date
- Additional drilling and broad untested Geochemical anomalies
- Pro-mining country with operating gold mines and world-class Uranium deposits

Ghana – Ducie

- 1,126km² granted and yet to be granted licences in prospective gold province, in which the Company, through its wholly owned foreign subsidiary, MGS Ghana Limited, has a right to acquire
- High-tenor geochemical anomalies
- Artisanal workings, no previous drilling

Cote d'Ivoire – Mangkono & Tortiya (application for exploration licences)

- Mangkono - 1,000km² licence area - artisanal workings, no previous drilling
- Tortiya - 870km² licence area - application along strike of the Mangkono area

Experienced Board and Management

The Board and management bring together a complimentary mix of practical exploration and corporate skills, with extensive experience in the following areas:

- Significant global exploration project generation, identification and acquisition;
- Exploration program management experience in Australia and overseas;
- Building, managing and supporting exploration teams in remote/sensitive locations; and
- Capital raising, financial and economic evaluation.

The Company intends to employ personnel in Niger, Ghana and Cote d'Ivoire to ensure the successful management of field activities over the next two years. The Board is intending to appoint a senior exploration management team within a short period after the date of the prospectus to rapidly develop and advance the exploration programmes of the Projects.

Exploration Strategy and Resourcing

The Company has implemented a straightforward yet comprehensive exploration methodology for all Tenements. First-pass geochemical sampling, mapping and structural analysis will provide preliminary targets for follow-up work. These target zones will be ranked for size potential and validated through closer-spaced geochemical sampling, mapping followed by surface sampling via trenching and shallow drilling. Any subsequent target areas that indicate potential to host significant gold mineralisation will be ranked as drill targets and tested accordingly.

The exploration evaluation process is designed to focus on generating and then evaluating targets with scale potential, dropping lower ranked targets along the way. The Company considers that the key to conducting an efficient and successful exploration programme is by retaining high quality exploration personnel and support teams coupled with a disciplined ranking and review process.

KEY RISKS

You should be aware that there are risks associated with any securities investment and that the Shares offered under this Prospectus should be considered speculative. Mining exploration and development is a high-risk business. Only a small percentage of individual exploration projects result in the discovery of viable economic resources and even in those cases, there are substantial development and operational risks to overcome before a commercial mine can be established. This is especially the case for mining in developing countries where economic, political, regulatory and other risks are greater than those in developed countries.

Key risk factors that should be considered by you are set out in Section 10. Additional risks and uncertainties that the Company is unaware of, or that it currently does not consider to be material, may also become important factors that may have an adverse effect on the Company. You should specifically consider the factors contained in Section 10 and elsewhere in the Prospectus in light of your own investment objectives and financial circumstances, and should seek professional advice from your accountant, stockbroker, lawyer or other professional advisor before deciding whether to invest in Shares.

The nature of the risks is both general to the mining exploration industry and specific to the Company. The key risks include, but are not limited to:

Company's Limited Operating History and Preliminary Stage of Project Assessment

The Company was incorporated on 21 October 2011 and does not have a significant operating history. To date, no gold deposits or resources have been discovered on the Tenements which the Company, through its wholly owned foreign subsidiaries, has acquired in Niger and has applied for in Cote d'Ivoire and has a contractual right to acquire in Ghana and no, or only limited, exploration activities have occurred on these Tenements. The prospects of the Company must be considered in light of the risks, expenses and difficulties frequently encountered by companies in their early stage of development. This is particularly relevant in the mineral exploration sector, which has a high level of inherent uncertainty.

Company's Exploration and Operational Risk

There is no guarantee of exploration success. Mineral exploration activities are subject to numerous risks, many of which are beyond the Company's control. These include, but are not limited to, failure to locate or identify mineral deposits, failure to achieve predicted grades in exploration and mining, difficulties in commissioning and operating plant and equipment, and extended interruptions due to inclement or hazardous adverse weather conditions.

General economic conditions, availability of labour and machinery, movements in interest and inflation rates and current exchange rates may have an adverse effect on the Company's exploration activities, as well as on its ability to fund those activities. Currently there are no defined mineral reserves or resources on the Tenements the Company has acquired, and to which the Company has a contractual right to acquire and there can be no guarantee that the planned exploration programs will lead to positive exploration results and the discovery of a commercial deposit or further, a commercial mining operation.

Tenements in Niger, Ghana and Cote d'Ivoire	<p>In order for these Tenements which the Company, through its wholly owned foreign subsidiaries, has acquired in Niger, has applied for in Cote d'Ivoire and has a contractual right to acquire in Ghana, to be held and renewed, the Company must satisfy the mining legislation in Ghana, Niger and Cote d'Ivoire and comply with conditions on the Tenements such as minimum expenditure requirements and environmental standards. There is no assurance that the governments of the respective countries will not make material changes to the mining legislation or that Tenements approvals or renewals will be given as a matter of course or on similar economic terms. There is no guarantee that any Tenements undergoing renewal in the future will be granted. There is the additional risk that there could be changes to government policy and mining legislation in Ghana, Niger and Cote d'Ivoire that could materially and adversely affect the Company's rights and costs associated with holding those tenements.</p>
Company's Contractual Risk	<p>The Company has acquired Tenements in Niger and has applied for mining licences in Cote d'Ivoire through wholly owned foreign subsidiaries. The Company's interests in the Tenements in Ghana arise by virtue of the Company's wholly owned foreign subsidiary MGS Ghana Limited having a contractual right to acquire the Tenements from Maintenance Culture Limited (MCL) under the Option Agreement summarised in Section 6 in the Solicitors Report for Ghana. Some of the Tenements which are the subject of the Option Agreement, are yet to be granted to MCL. As in any contractual relationship, the ability of the Company to ultimately be registered as the holder of the Tenements is dependent upon the Company's ability (through MGS Ghana) to comply with its obligations, and MCL being granted certain Tenements and complying with its contractual obligations to deliver title under the Option Agreement. If MCL defaults in the performance of its obligations it may be necessary for the Company to approach a court to seek a legal remedy which may be costly and ultimately may not be granted on appropriate terms, if at all. Any disputes arising in relation to the Option Agreement shall be governed by and construed in accordance with the laws in force in and the courts of Ghana.</p>
Title Risk	<p>The Company could lose the right to explore or its interest in or its title to the Tenements, if licence conditions are not met or if insufficient funds are available to meet expenditure conditions. There is no guarantee that any Tenement applications (including in relation to the Mangkono and Tortiya Projects in Cote d'Ivoire and the prospecting licences in Ghana for the Katua, Kundunga, Sombisi and Yala areas) or conversions to mining leases in which the Company has a current or potential interest in will be granted or that the Tenement conditions, obligations and terms can be economically complied with.</p>
Company's Reliance on Key Personnel	<p>The Company's success depends to a significant extent upon its key personnel, including those employed on a contractual basis. In the event that there is a loss of key personnel, the Company may not be able to locate or employ individuals with suitable qualifications and experience to operate in Niger, Ghana or Cote d'Ivoire on acceptable terms.</p>
Company has No Alternative Sources of Revenue and Future Funding Risk	<p>Until the Company has acquired all of the Tenements and is able to realise value from them, it is likely to incur ongoing operating losses. The Company has no other means of generating income or cash flows. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its exploration programme.</p>
Legal System in Niger, Ghana and Cote d'Ivoire	<p>The legal systems in Niger, Ghana and Cote d'Ivoire are different from Australia. The commitment of local businesses, government officials and agencies and the judicial system to abide by legal requirements may be more uncertain than in developed countries. These create particular concerns with respect to licences and agreements for business. The legal requirements may be susceptible to revision or cancellation and legal redress may be uncertain or delayed. There can be no assurance that joint ventures, the Option Agreement, licences, licence applications or other legal arrangements will not be adversely affected by the actions of the government authorities or others to the detriment of the Company. The effectiveness of the enforcement of legal arrangements by the Company also cannot be assured.</p>
Community Relations and Landowners	<p>The Company's ability to undertake exploration on the Tenements will depend in part on its ability to maintain good relations with the relevant local communities. Any failure to adequately manage community expectations with respect to compensation for land access, artisanal mining activity, employment opportunities, impact on local business and any other expectations may lead to local dissatisfaction, disruptions in the exploration program and potential losses to the Company.</p>

General Market Fluctuations and Economic Conditions	The Company's financial performance and ability to execute its business strategy will be impacted by a variety of general market, political, social, stock market and business conditions beyond the Company's control. In particular, the Company is exposed to commodity price and foreign exchange risk, including the risk that the price of gold could fall. In the event that the price of gold falls significantly, the expected value of the Company's interest in the Tenements, and therefore the value of the Company, is also likely to fall. The Company also faces foreign exchange risk as a significant portion of the Company's future Tenement payments and exploration costs will be denominated in US\$ and other foreign currencies. Consequently, a fall in the value of the A\$ against the US\$ and/or other currencies would increase the costs for the Company.
Securities Investments Risks	Investors should be aware that there are risks associated with any securities investment. The prices at which the Company's Shares trade may be above or below the Offer price, and may fluctuate in response to a number of factors including general economic conditions and share market volatility unrelated to the specific performance of the Company. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.
Sovereign Risk in Niger Ghana and Cote d'Ivoire	Niger, Ghana and Cote d'Ivoire are developing countries that have some of the lowest GDP per capita figures in the world. The Company's operations in these countries are subject to numerous risks associated with operating in foreign emerging countries. These include economic, social and political instability, changes of law affecting foreign ownership, government participation, taxation, and repatriation of income or return of capital. These risks may affect the viability and profitability of the Company.
Environmental Risk	The Company intends to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws. However, the legal framework governing environmental laws is constantly changing and compliance may be difficult, costly and could result in delays to the project. As a result of exploration, operational and environmental risk, actual costs may materially differ from forecast costs. This could also adversely affect the Company's viability and profitability of the Company.

Financial information

The Company was incorporated on 21 October 2011 and, other than in relation to the acquisition of the wholly owned foreign subsidiaries and activities associated with the proposed listing of the securities of the Company on ASX, has not traded.

An independent accountants report prepared by HLB Mann Judd regarding the Company is set out in Section 8 below.

Dividend policy

The Company anticipates that significant expenditure will be incurred in the evaluation and development of the Tenements which the Company, through its wholly owned foreign subsidiaries has acquired in Niger and Cote d'Ivoire and has a contractual right to acquire in Ghana. These activities are expected to dominate the two year period following the issue of this Prospectus. Accordingly, the Company does not expect to declare any dividends during that period and can give no assurance to the extent, timing or actual payment of future dividends.

Subject to the Company achieving sustained profitability, the Directors will consider paying dividends, subject to available cash flow and as capital requirements allow.

Directors

Further information with respect to the Directors is set out in Section 3.

The Directors of the Company are as follows.

Director and position held	Summary of experience
Bernard Aylward - Executive Chairman and Managing Director BSc (Hons.), MAusIMM	<p>A geologist with over 20 years experience as a manager and exploration geologist in the mining and exploration industry across a variety of commodities. Mr Aylward's experience includes serving as the Chief Operating Officer of International Goldfields Ltd, General Manager of Azumah Resources Ltd (Ghana), and Exploration Manager for Croesus Mining NL. Mr Aylward is a director of International Goldfields Ltd and Glory Resources Ltd.</p> <p>Mr Aylward has been Involved in the discoveries and management of the Bepkong, Julie, Collette and Kunche deposits in Ghana, as well as the Deep South gold deposit, Gladstone North deposit, St Patrick's, Norseman Reef, and the Safari Bore gold deposit.</p> <p>Mr Aylward brings considerable relevant skills and experience to the Board. He is a Member of the Australasian Institute of Mining and Metallurgy.</p>
Edmond Edwards - Non-Executive Director (Independent) BCom, ACA, FAICD	<p>A Chartered Accountant with over 30 years experience in the resources sector, Mr Edwards is currently Managing Director of Athena Resources and a former director of Aztec Resources Ltd , Fox Resources Ltd , Matlock Mining NL and Scotgold Resources Limited, combining knowledge of public company capital raisings and finance with corporate compliance. He has been involved in taking mineral projects from the conceptual stage to public listing.</p> <p>Mr Edwards was a partner at Hendry Rae & Court until 1989 having joined that firm in 1975. He was the partner in charge of the Robe River Iron Ore Project audit for 8 years.</p>
Peter Newcomb - Executive Director FCA (ICAEW)	<p>A Chartered Accountant with over 30 years experience in the resources sector and other industries in a number of countries. Mr Newcomb is currently serving as Company Secretary of Athena Resources Limited and Scotgold Resources Limited.</p>

The Directors have interests in the following Shares and Options in the Company:

Director	Shares	Options
Bernard Aylward - Executive Chairman and Managing Director	20,000,000 ¹	5,000,000 ²
Edmond Edwards - Non-Executive Director (Independent)	100,000 ³	N/A
Peter Newcomb - Executive Director	100,000 ⁴	N/A

¹Bernard Aylward owns 7,500,000 Shares, issued at \$0.0001 per Share, and Matlock Geological Services Pty Ltd (of which Bernard Aylward is the legal owner as trustee for the Galbraith Family Trust) owns 12,500,000 Shares, issued in respect of the MGS Ghana Share Acquisition Agreement (summarised at section 11.3), with each Share in connection with that agreement deemed to have a value of \$0.10.

²Bernard Aylward is legal owner as trustee for the Galbraith Family Trust of the Options, issued in respect of the MGS Ghana Share Acquisition Agreement (summarised at section 11.3), with an exercise price of \$0.20 per Option, exercisable at any time on or before the date which is the fourth anniversary of the admission of Company to the official list of the ASX).

³These Shares, issued at \$0.10 per Share, are owned by Tied Nominees Pty Ltd which is 100% owned by Edmond Edwards and an associated party.

⁴These Shares, issued at \$0.10 per Share, are owned by Stonydeep Investments Pty Ltd, which is 100% owned by Peter Newcomb and an associated party.

The Company has entered into a Consultancy Agreement dated 1 November 2011 with Matlock Geological Services Pty Ltd (of which Bernard Aylward is the legal owner as trustee for the Galbraith Family Trust) for the provision of certain services for the Company to be performed by Bernard Aylward, under which the Company will pay Matlock Geological Services Pty Ltd a fee of \$22,250 (plus GST) per month.

The Offer

The Company invites investors to apply for a minimum of 27,500,000 Shares at an issue price of \$0.20 per Share to raise \$5.5 million (before costs of the Offer) and a maximum of 37,500,000 Shares at an issue price of \$0.20 per Share to raise up to \$7.5 million (before costs of the Offer). All Shares offered under this Prospectus will rank equally with existing Shares. The Company intends to use the funds raised from the Offer (as well as funds currently held) for the following purposes:

Use of funds	\$5.5M minimum subscription	\$7.5M maximum subscription
Project development/exploration	\$3,470,000	\$4,905,000
Administration	\$650,000	\$650,000
Working capital	\$1,224,250	\$1,646,250
Costs of issue	\$657,000	\$800,000
Total	\$6,001,250	\$8,001,250

Further information on the use of funds is set out in Section 1.3 below.

Application for Shares

If you are considering applying for Shares, you should read this Prospectus in its entirety to make an informed decision on the prospects of the Company and the rights attaching to the Shares. An Application for Shares must be made on the Application Form contained at the back of this Prospectus.

Completed Application Forms and accompanying cheques must be received by no later than 5.00 pm (AEDT) on the Closing Date by the Share Registry:

By Delivery to:

Computershare Investor Services Pty Ltd
Level 2, 45 St Georges Terrace
Perth WA 6000

By Post to:

Computershare Investor Services Pty Ltd
GPO Box D182
Perth WA 6840



ACN 153 868 789

63 Lindsay Street
Perth Western Australia 6000

P +61 (8) 9428 2980

F +61 (8) 9428 2910

E taruga@tarugagold.com.au

tarugagold.com.au

CHAIRMAN'S LETTER

Dear Investor,

Taruga Gold Limited

On behalf of the Board of Directors, I am pleased to present this Prospectus and the opportunity it provides to become a shareholder in Taruga Gold Limited ("Taruga" or the "Company").

Taruga is a West African focused gold explorer that has compiled, and is currently compiling, a diverse portfolio of exploration projects within the Birimian geology of West Africa. This region is at present one of the world's great gold districts and has had a significant rate of discovery and development on new gold mines over past decades. Taruga's projects have been carefully selected by the Company and are to include the Kossa Project in Niger, the Ducie Project in Northwest Ghana and the Mangkono and Tortiya projects in Cote d'Ivoire. The majority of funds raised under this Prospectus are intended to be applied to systematic exploration programs designed to delineate new mineral resources as rapidly as possible. The Kossa Project in Niger is our lead project and the Company is planning significant drilling campaigns as well as auger geochemical surveys (as detailed in the Independent Geological Report in Section 4 of this Prospectus).

Moreover, the Board brings together a diverse skill set and considerable experience in all aspects of exploration, operations, finance, corporate development and capital markets. The management of the Company has a wide range of experience in West Africa and a support team of experienced and competent professionals in the region. The Company has a network of contacts in the region with the potential to bring further opportunities for new project applications or acquisitions to the Company. On successful completion of this initial public offer the Company will be well resourced and equipped to deliver on its plans.

This Prospectus is an important document; I urge you to read it in its entirety before making a decision to invest in Taruga, pursuant to the Offer herein. I thank you for your interest and look forward to welcoming you as a shareholder of Taruga.

Bernard Aylward

Executive Chairman and Managing Director
Taruga Gold Limited

SECTION 01

DETAILS OF THE OFFER

1 DETAILS OF THE OFFER

This Prospectus invites investors to apply for a minimum of 27,500,000 Shares at an issue price of \$0.20 per Share to raise \$5.5 million (before costs of the Offer) and a maximum of 37,500,000 Shares at an issue price of \$0.20 per Share to raise up to \$7.5 million (before costs of the Offer).

All Shares offered under this Prospectus will rank equally with existing Shares.

1.1 Key Dates

Lodgement of Prospectus	12 December 2011
Opening Date	20 December 2011
Closing Date (5.00pm AEDT)	16 January 2012
Expected date for allotment of Shares under this Prospectus	18 January 2012
Expected date for despatch of holding statements	20 January 2012
Expected date for Official Quotation of Shares on ASX	23 January 2012

The above dates are indicative only and may vary. The Company reserves the right to change the key dates of the Offer without prior notice which may have a consequential impact on other dates.

1.2 Application For Shares

It is important that you read this Prospectus carefully, in its entirety and seek professional advice before deciding to invest in the Company. In particular, in considering the prospects for the Company, you should consider the risk factors that could affect the performance of the Company. The Offer does not take into account your investment objectives, financial situation and particular needs. Accordingly, you should carefully consider the risk factors in light of your personal circumstances and seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest. The Shares that are offered under this Prospectus are speculative in nature. An Application for Shares must be made on the Application Form contained at the back of this Prospectus. The Application Form must be completed in accordance with the instructions set out on the Application Form.

Applications must be for a minimum of 10,000 Shares (being minimum application monies of \$2,000), and thereafter in multiples of 1000 Shares (\$200).

The Application Form must be accompanied by a cheque in Australian dollars, for the full amount of your application monies. Cheques must be made payable to **"Taruga Gold Limited – Application Account"** and should be crossed "Not Negotiable".

Application Forms must not be circulated to prospective investors unless accompanied by a copy of this Prospectus.

Completed Application Forms and accompanying cheques must be received by no later than 5.00 pm (AEDT) on the Closing Date by the Share Registry:

By Delivery to:

Computershare Investor Services Pty Ltd
Level 2, 45 St Georges Terrace
Perth WA 6000

By Post to:

Computershare Investor Services Pty Ltd
GPO Box D182
Perth WA 6840

The Company reserves the right to extend the Offer or close the Offer early without notice.

An original, completed and lodged Application Form, together with a cheque for the application monies, constitutes a binding and irrevocable offer to subscribe for the number of Shares specified in the Application Form. The Application Form does not need to be signed to be a valid application. An Application will be deemed to have been accepted by the Company upon allotment of the Shares.

If the Application Form is not completed correctly, or if the accompanying payment of the application monies is for the wrong amount, it may still be treated as valid. The Directors' decision as to whether to treat the Application as valid and how to construe, amend or complete the Application Form is final. However, you will not be treated as having applied for more Shares than is indicated by the amount of the cheque for the application monies.

No brokerage or commission or stamp duty is payable by you in respect of Applications for Shares under this Prospectus.

1.3 Expenditure Plans and Use of Funds

The budget expenditure figures for the Company for the first two years following listing are set out below. The objective will be to raise a minimum of \$5.5 million and a maximum of \$7.5 million (in each case, before costs of the Offer) which is needed to undertake detailed geological exploration and drilling programmes planned for the Projects. The Board has elected to accept a minimum capital raising of \$5.5 million, which should be sufficient to achieve substantial progress with all the Projects.

Budget Expenditure

	\$5.5 million raising	\$7.5 million raising
Pre-float and acquisition expenses	\$299,000	\$312,000
Broker fees	\$358,000	\$488,000
Exploration budget	\$3,470,000	\$4,905,000
Administration	\$650,000	\$650,000
Working capital	\$1,224,250	\$1,646,250
Total	\$6,001,250	\$8,001,250

Exploration Budget

A comprehensive exploration budget for the next two years has been prepared, based on exploring the Projects with a particular emphasis on the Kossa Project in Niger. The Ducie Project will be the focus of extensive geochemical sampling and preliminary drilling, and the Cote d'Ivoire Project will be the focus of preliminary geological investigation and sampling. Cost inputs are based on the Company's best estimate of current rates for labour, contractors, assaying and drilling in each of Niger, Ghana and Cote d'Ivoire and are inclusive of the tenement payments.

The Independent Geological Report at Section 4 contains a more detailed breakdown of exploration costs by specific exploration activity across the nine tenements. The table below incorporates current labour, laboratory, logistics and drilling cost estimates in each of Niger, Ghana and Cote d'Ivoire using an US\$/A\$ exchange rate of 1.

Project	Year 1		Year 2	
	Minimum Subscription (\$5.5 million)	Maximum Subscription (\$7.5 million)	Minimum Subscription (\$5.5 million)	Maximum Subscription (\$7.5 million)
NIGER – KOSSA				
RC/Diamond	\$400,000	\$500,000	\$800,000	\$1,200,000
Auger Geochemical	\$200,000	\$250,000	\$150,000	\$300,000
Geology + Overheads	\$150,000	\$175,000	\$150,000	\$150,000
Geophysics - Magnetics	\$250,000	\$300,000	-	-
Sub Total	\$1,000,000	\$1,225,000	\$1,100,000	\$1,650,000
GHANA – DUCIE				
RC	-	-	-	\$200,000
RAB/AC	\$150,000	\$200,000	\$200,000	\$300,000
Auger Geochemical	\$100,000	\$150,000	\$100,000	\$100,000
Assay	\$80,000	\$80,000	\$100,000	\$100,000
Geology + Overheads	\$100,000	\$100,000	\$90,000	\$90,000
Sub Total	\$430,000	\$530,000	\$490,000	\$790,000
COTE D'IVOIRE				
RAB/AC				\$150,000
Geochem Sampling	\$100,000	\$150,000	\$150,000	\$200,000
Geology + Overheads	\$100,000	\$110,000	\$100,000	\$100,000
Sub total	\$200,000	\$260,000	\$250,000	\$450,000
TOTAL	\$1,630,000	\$2,015,000	\$1,840,000	\$2,890,000

1.4 Capital Structure

As at the date of this Prospectus, the issued share capital of the Company is 55,000,000 Shares.

The capital structure at completion of the Offer, assuming the Offer is fully subscribed, is set out below:

Issued Share Capital	Number Of Shares (Minimum raise of \$5.5m)	% of Shares (Minimum)	Number Of Shares (Maximum raise of \$7.5m)	% of Shares (Maximum)
Shares on issue as at the date of the Prospectus	55,000,000	67	55,000,000	59
Shares to be issued pursuant to the Prospectus	27,500,000	33	37,500,000	41
Total Shares on issue at the close of the Offer	82,500,000	100	92,500,000	100

The Company has also issued 10,000,000 options (with an exercise price of \$0.20 each, exercisable at any time on or before 31st January 2016) to directors and other parties, details of which are set out in Section 3 below.

1.5 Working capital adequacy

The Directors are of the opinion that if the minimum subscription of \$5.5million is raised from the Offer, the Company will have sufficient working capital to carry out its stated objectives.

1.6 Investment Risks

The business of the Company involves mining exploration and investment in mining tenements and accordingly, investments in the Shares offered by this Prospectus should be considered speculative. The key risks associated with an investment in the Company are set out in Section 10 of this Prospectus.

1.7 Lead Manager

Blackwood Capital Limited has been appointed as Lead Manager to the Offer on the terms and conditions of the mandate summarised in Section 11.1.

1.8 Allocation and Allotment of Shares

The Company reserves the right to reject your Application or to allocate to you fewer Shares than the number applied for. The Company also reserves the right to reject or aggregate multiple Applications in determining final allocations.

In the event an Application is not accepted or accepted in part only, the relevant portion of the application monies will be returned to you, without interest.

The Company reserves the right not to proceed with the Offer or any part of it at any time before the allocation of the Shares to you. If the Offer or any part of it is cancelled, all application monies, or the relevant application monies will be refunded in each case, without interest.

The Company also reserves the right to close the Offer or any part of it early, or extend the Offer or any part of it, or accept late Application Forms either generally or in particular cases.

The allotment of Shares to you will occur as soon as practicable after Application Forms and application monies have been received for the minimum subscription of Shares being offered, following which statements of shareholding will be dispatched. It is your responsibility to determine your allocation prior to trading in the Shares. If you sell Shares before you receive your statement of shareholding, you will do so at your own risk.

1.9 Minimum and Mimumum Subscription and Oversubscriptions

Under this Prospectus, the minimum subscription to be raised is \$5.5 million and the maximum subscription to be raised is \$7.5 million (in each case before the costs of the Offer). No Shares will be issued pursuant to this Prospectus until the minimum subscription has been achieved. Should the minimum subscription not be reached within 4 months after the date of this Prospectus, all applications monies will be dealt with in accordance with the Corporations Act.

The Company believes the minimum subscription is sufficient working capital to achieve its objectives as set out in this Prospectus.

Should the Company reach the maximum subscription, the Company will not accept oversubscriptions.

1.10 ASX Listing

The Company will apply to ASX within 7 days after the date of this Prospectus for admission to the Official List and for Official Quotation of the Shares, other than those existing Shares that the ASX is likely to treat as “restricted securities” (as that term is defined in ASX Listing Rules).

If the Shares are not admitted to official quotation within 3 months after the date of this Prospectus, none of the Shares offered by this Prospectus will be allotted or issued. In that circumstance, all Applications will be dealt with in accordance with the Corporations Act.

The fact that ASX may admit the Company to the Official List is not to be taken in any way as an indication of the merits of the Company or the Shares. ASX, its officers and employees, take no responsibility for the contents of this Prospectus.

1.11 Restricted Securities

ASX may classify certain existing Shares on issue in the Company (as opposed to those to be issued under this Prospectus) as being subject to the restricted securities provisions of the Listing Rules. If so classified, such Shares would be required to be held in escrow for a period determined by ASX and would not be able to be sold, mortgaged, pledged, assigned or transferred for that period without the prior approval of ASX.

1.12 Dividend Policy

The Company anticipates that significant expenditure will be incurred in the evaluation and development of the Company's projects. These activities are expected to dominate the two year period following the issue of this Prospectus. Accordingly, the Company does not expect to declare any dividends during that period.

Subject to the Company achieving sustained profitability, the Directors will consider paying dividends, subject to available cash flow and as capital requirements allow. The Directors can give no assurance as to the extent, timing or actual payment of future dividends or the availability or level of franking credits. The level of dividends payable will depend upon a number of factors including future earnings, capital requirements and the overall financial condition of the Company. The Company has not declared or paid any dividends before the issue of this Prospectus.

1.13 Expenses of the Offer

The total expenses connected with the Offer are estimated to be approximately \$657,000 for the minimum raise and up to \$800,000 for the maximum raise. These expenses will be borne by the Company.

1.14 Tax Consideration

The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in Taruga are urged to take independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, Taruga, its officers and each of their respective advisors accept no liability or responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

1.15 Application Money Held in Trust

All application monies will be deposited into a separate bank account of the Company and held in trust until the Shares are issued or application monies returned. Any interest that accrues will be retained by the Company.

1.16 Distribution of Prospectus

The Prospectus has been prepared by the Company. In preparing the Prospectus, the Company has taken reasonable steps to ensure that the information in the Prospectus is not false or misleading. In doing so, the Company has had regard to the prospectus requirements of the Corporations Act.

Prospective investors should read the full text of the Prospectus as the information contained in individual Sections is not intended to and does not provide a comprehensive review of the business and financial affairs of the Company nor the securities offered pursuant to the Prospectus.

No persons are authorised to give any information in relation to or to make any representation in connection with the Offer described in the Prospectus that is not contained in the Prospectus. Any such information or representation may not be relied upon as having been authorised by the Company in connection with the Offer.

The Prospectus provides information to assist investors in deciding whether they wish to invest in the Company and should be read in its entirety. If you have any questions about its contents or investing in the Company you should contact your stockbroker, accountant or other financial adviser.

1.17 Applicants outside Australia

The Prospectus does not constitute an offer in any country or place in which, or to any person to whom, it would not be lawful to make such an offer. The distribution of the Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons who come into possession of the Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities law. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed to enable them to subscribe for Shares.

The Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

Intending investors resident outside Australia should first consult their professional advisers as to whether or not governmental or other consents are required, or whether formalities need to be observed to enable them to invest. Intending non-resident investors should also seek advice in respect of the taxation effect of an investment in the Company and dividends that the Company may distribute in the future.

The return of a duly completed Application Form will be taken to constitute a representation and warranty that there has been no breach of such laws and that all necessary approvals and consents have been obtained.

No action has been taken to register or qualify the Shares or the Offer, or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia.

1.18 Privacy

The Application Form accompanying this Prospectus requires you to provide information that may be personal information for the purposes of the *Privacy Act 1988 (Cth) (as amended)*. The Company (and its share registry on behalf of the Company) may collect, hold and use that personal information in order to assess your Application, service your needs as a Shareholder and provide facilities and services that you request and to administer the Company.

Access to information may also be provided to the Company's agents and service providers on the basis that they deal with such information in accordance with the Company's privacy policy.

If you do not provide the information requested of you in the Application Form, the Company's share registry may not be able to process your Application or administer your holding of Shares appropriately. Under the *Privacy Act 1988 (Cth) (as amended)*, you may request access to your personal information held by (or on behalf of) the Company. You can request access to your personal information by telephoning or writing to the Company to the attention of the Privacy Officer.

1.19 CHES

The Company will apply to participate in the Clearing House Electronic Sub-register System ("**CHES**"). CHES is operated by ASX Settlement Pty Ltd ("**ASX Settlement**"), a wholly owned subsidiary of ASX, in accordance with the ASX Listing Rules and the ASX Settlement Operating Rules.

On admission to CHES, the Company will operate an electronic issuer sponsored subregister and an electronic CHES subregister. The two subregisters together will make up the Company's register of securities.

Under CHES, the Company will not issue certificates to Shareholders. Instead, Shareholders will receive a statement of their holdings in the Company. If an investor is broker sponsored, ASX Settlement will send a CHES statement.

A statement will be routinely sent to holders at the end of any calendar month during which their holding changes. A holder may request a statement at any other time however a charge may be incurred for additional statements.

The Company expects to despatch the holding statements in respect of the allocations of Shares to successful Applicants on or about 20 January 2012. Applicants who sell Shares before receiving an initial holding statement do so at their own risk.

1.20 Opening and Closing Dates and withdrawal or early close

The Offer will open on 20 December 2011, or such later date as may be prescribed by ASIC, and will remain open until 16 January 2012, subject to the right of Taruga to withdraw the Offer or either close the Offer at an earlier time and date or extend the Closing Date, in each case without prior notice. If the Offer does not proceed, Application monies will be refunded without interest to Applicants in accordance with the Corporations Act.

Applicants are encouraged to submit their Applications as early as possible.

No securities will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

SECTION 02

COMPANY AND PROJECT SUMMARY

2 COMPANY AND PROJECT SUMMARY

2.1 Corporate Overview

The Company was formed on 21 October 2011 with the objective of pursuing gold exploration and mining investment opportunities in West Africa. The Company, via its wholly owned foreign subsidiaries, has secured, or is securing, rights to the Tenements in Niger, Ghana and Cote d'Ivoire on which it intends to explore for gold. Details of the Tenements are described in Section 2.2. The Company believes that West Africa, in particular the Birimian geology, is one of the most prospective locations in the world for gold exploration. The Company is targeting, subject to successful exploration, the delineation of new mineral resources and the Company's ultimate objective is to exploit economic gold resources through downstream mine development.

The Company is led by a team with significant international exploration experience who bring together a complimentary mix of practical exploration and corporate skills. The details of the Board of Directors is set out in Section 3.1. The Company will further benefit from a strong network of contacts in the West African region with the potential to bring further opportunities for new project applications or acquisitions to the Company.

2.2 Projects Overview

Niger - Kossa Project

Taruga, via its wholly owned foreign subsidiary, Gecko Gold Niger SARL is the 100% owner of the Kossa Project consisting of the Kossa I and Kossa II Tenements covering over 970km² in Niger. Summary information on these Tenements is set out below. Detailed information on these Tenements is set out in the Independent Geological Report contained in section 4 and the Independent Solicitor's Report in Section 5.

The Kossa Project is located in northwest Niger, 230km northwest of the capital city Niamey. The eastern boundary of the Kossa Project is defined by the border with Burkina Faso and lies approximately 15km east of the Essakane Gold Mine, located in Burkina Faso. The Essakane Gold Mine is operated by IAMGold of Canada and produces approximately 350,000oz gold per annum.

The Kossa Project is a Greenfields exploration project with the completed exploration highlighting the presence of primary gold mineralisation requiring immediate follow-up drilling to determine the potential for a mineral resource to be defined. The regional prospectivity of the Project area is highlighted by the geological setting in the gold mineralised Birimian Gorouol Belt and the location of the major Essakane Gold mine which lies 15km from the Project area.

The exploration completed to date by previous explorers has defined high priority target areas for immediate drilling. Additionally, the results of the completed geochemical sampling indicate numerous target areas that have not been drilled to date. The presence of artisanal workings, major geological structural zones and associated surface geochemical anomalism have outlined targets that may be suitable for wide-spaced reconnaissance drilling or for infill auger sampling to more clearly define drill targets.

The Company is proposing an exploration program that is based on Reverse Circulation "RC" and diamond drilling in the Kossa and Fatatako prospect areas, aircore drilling of the extensions of these main prospects and the Kossa West area, as well as extensive regional aircore and auger geochemical sampling. It is also proposed to fly a low-level detailed aeromagnetic survey to assist in the geological compilation and prospect targeting. The integration of detailed aeromagnetics, auger geochemistry and geological mapping has rapidly advanced the exploration of other projects in the Birimian Grenstone belts of West Africa. Accordingly, though there is no guarantee of similar results, it is expected that this approach will be the most suitable for the Kossa Project area.

The most recent exploration on the Kossa Project was completed by TSX listed Orezone who actively explored the project between 2005 and 2008, with exploration activities including geochemical sampling, geophysical surveys, geological mapping and drill testing.

A summary of the work completed by Orezone is found below.

- Geochemical Sampling: 15,173 samples collected over 930km² of area generally on 1000m x 100m spacing, with various infills down to a minimum of 250m x 50m.
- Ground geophysics: Induced Polarization Survey – a total of 603 lines completed, 100m spacing between lines.
- Reverse Circulation drilling: 217 drill holes for 18,849m completed. 20,374 samples collected at every one meter interval down the hole and analyzed using a one kilogram LeachWell™ (accelerated) cyanide leach.
- Diamond drilling: 14 boreholes for 1,735m completed. A total of 1,622 samples collected, typically collected at one meter intervals down the hole and analyzed using a 60g aliquot by fire assay.
- Aircore drilling: 286 drill holes for 2,715m completed. A total of 1,114 samples collected at every one meter interval down the hole and analyzed using a one kilogram LeachWell™ (accelerated) cyanide leach.

The Company has compiled available information from reports submitted to the Niger government, and through extensive literature and internet research. A validated database of drilling and geochemical sampling has been generated, however additional information is continuing to be reviewed and incorporated into the geological database. The Company has continued to recover historic exploration data from the Niger Government.

The priority exploration target areas for the Kossa Project are detailed in the Independent Geological Report in Section 4 of this Prospectus and summarised here:

- (a) **Kossa Prospect** - located in the central portion of the project area, the prospect is defined by RC and diamond drilling returning gold mineralised intersections. The exploration drilling was completed by Orezone and the area was targeted due to the presence of abundant artisanal workings, strong geochemical anomaly and geology interpretation indicating favourable geology for the hosting of significant gold mineralisation.

The strike length of the prospect exceeds 8,500m, incorporating the Kossa South, KBF and Kossa prospects as previously defined by Orezone.

The Kossa prospect represents an immediate drill target for Taruga and the Company is proposing to undertake a program of infill and extension RC drilling to define the extents of gold mineralisation and allow a robust interpretation of the controls on mineralisation. In addition the Company is proposing a program of targeted diamond drilling that will be aimed at delineating the depth extensions of gold mineralisation and the possible control on the development of ore shoots.

- (b) **Fatatako Prospect** - located in the south central portion of the Kossa Project, approximately 10km to the south of the Kossa prospect. The prospect area is defined by RC drilling returning gold mineralised intersections, the presence of artisanal working and strong surface geochemical anomalism. The exploration drilling has been completed by Orezone with the geological setting interpreted to be similar to the Essakane Gold mine, the area targeted due to the presence of abundant artisanal workings, strong geochemical anomaly and geology interpretation indicating favourable geology for the hosting of significant gold mineralisation.

The strike length of the prospect exceeds 1,500m in a north-south direction; however the drilling and geochemical anomaly has an east-west extent of over 2,000m indicating the potential for multiple mineralised zones. The drilling remains open to the north and south.

The Fatatako prospect represents an immediate drill target for Taruga and the Company is proposing to undertake a program of infill and extension RC drilling to define the extent of gold mineralisation and allow a robust interpretation of the controls on mineralisation. In addition to the RC drilling, the Company is proposing to undertake a programme of Aircore drilling aimed at defining the extensions of the Fatatako prospect, and particularly targeting the zone between the Kossa prospect and the Fatatako prospect. The Company will be targeting a strike length in excess of 10km and will be exploring through areas of Aeolian sand cover that have made previous surface geochemistry ineffective.

- (c) **Kossa West Prospect** - located on the western margin of the project and is limited by the international border with Burkina Faso. The prospect is defined by surface geochemical sampling returning strong gold anomalism (>200ppb Au) and an interpreted geological setting similar to the Essakane Gold Mine. No drilling is known to have tested the prospect.

The wide-spaced geochemical sampling has defined an anomalous zone that extends for over 3km in a north-south orientation and is estimated to be approximately 800m wide. The northern and southern extensions of the prospect are covered by areas of Aeolian sand and transported cover masking the geology and limiting the effectiveness of conventional soil sampling.

- (d) **Regional Targets** - the Kossa Project is an extensive landholding, exceeding 970km² that is at an early stage of exploration. The systematic exploration completed by Orezone includes a regional geochemical sampling that has defined numerous gold anomalous zones that require follow-up exploration. Gold exploration drilling completed to date has focussed on the Kossa and Fatatako prospects with other geochemical anomalies untested – Taruga is proposing a program of systematic auger drilling, geological mapping and geophysical surveys to provide a comprehensive database for exploration targeting.

Ghana – Ducie Project

Taruga, via its wholly owned foreign subsidiary, MGS Ghana Limited, is the holder of an exclusive option to explore and purchase 100% of the Ducie Project located in the Upper West Region of Ghana, approximately 525km north-northwest of the capital city Accra. The Option Agreement is subject to Ministerial consent in Ghana, however, the company expects this to be obtained in due course. The capital of the Upper West Region is the town of Wa, with a population of approximately 50,000. The Ducie Project is located approximately 75km east of Wa.

The Ducie Project consists of the Ducie Reconnaissance Licence, and the yet to be granted Katua, Kundunga, Sombisi and Yala Prospecting Licence applications. In accordance with the Independent Solicitor's Report in Section 6, the Company expects that the prospecting licences will be granted. The Ducie Project covers an area of over 1,126km² in northwest Ghana. Summary information on these Tenements is set out below. Detailed information on these Tenements and the rights to use and acquire these Tenements is set out in the Independent Geological Report contained in Section 4 and the Independent Solicitor's Report in Section 6.

The Ducie Project is located within the Bole-Bolgatanga Greenstone Belt – a northeast trending belt of Birimian metasediments and volcanoclastics. The Bole-Bolgatanga Fault is host to significant gold mineralisation at Bolgatanga and Youga approximately 150km to the northeast.

The Ducie Project is a Greenfields exploration project. The prospectivity of the Project area is highlighted by the regional geological setting in the gold mineralised Birimian Bole-Bolgatanga Belt as well as the results of the first pass geochemical sampling completed by previous explorers.

No drilling has been completed within the Project area. The presence of artisanal workings, major geological structural zones and associated surface geochemical anomalism have outlined targets that may be suitable for wide-spaced reconnaissance drilling or for infill auger sampling to more clearly define drill targets.

The most recent exploration activity was completed by Castle Minerals Limited (ASX:CDT) ("Castle") who undertook the first systematic exploration of the project area. The activities completed by Castle include:

- Regional scale to project scale geophysical and geological interpretation.
- Field reconnaissance and validation of geological interpretation. Additional data compilation of regional historical work and data purchase.
- Wide spaced regional geochemical sampling. A total of 1003 samples were collected from 6 regionally spaced soil traverses with samples collected every 100m along the lines and reported a strongly anomalous peak value of 150ppb gold. The samples were also analysed for copper, lead, zinc, arsenic and silver to test the base metal potential of the area but reported generally low values.
- Follow-up sampling completed with 768 soil samples collected. - Four areas of follow-up sampling and two regionally spaced lines at the south west end of the licence. A peak value of 924ppb gold was reported from an area 6km east of the town of Chawuli.

No additional exploration was completed by Castle. Castle's rights to these Tenements have been relinquished.

The Company is proposing an exploration program that is based on completing geochemical sampling and commencing drilling of priority targets in year 1 and follow-up of mineralised zones in year 2 with a combination of regional drilling and detailed reverse circulation drilling.

The Project is regarded as a Greenfields exploration project with very limited historical exploration. The wide-spaced regional geochemical sampling completed by Castle in 2007 and 2008 is the first documented exploration over the Project area. This work has highlighted areas that require immediate follow-up exploration as well as confirm the prospective nature of the geological setting to host significant gold mineralisation.

Cote d'Ivoire – Mangkono Project and Tortiya Project

Taruga via its wholly owned subsidiary, Gecko Gold CI SARL has applied for the Mangkono licence, covering 1000 km² and the Tortiya licence covering 870km² in Cote d'Ivoire. Summary information on these Tenements is set out below. Detailed information on these Tenements and the application for mining licences for these Tenements is set out in the Independent Geological Report contained in section 4 and the Independent Solicitor's Report in Section 7.

Gold exploration is still at an early level in Côte d'Ivoire and large portions of the prospective Birimian and Archaean terranes remain under-explored. Many of the proven gold mineralised belts in Mali, Burkina Faso and Ghana extend into Côte d'Ivoire demonstrating prospectivity and providing background knowledge to assist in targeting future exploration programs.

The Mangkono and Tortiya projects are greenfields exploration projects. The licence application area has been reviewed from regional datasets including geological mapping, regional airborne magnetic geophysical surveys and remotely sensed satellite data. This information provides a generalised overview of the project and highlights the regional prospectivity.

For the Mangkono project area, no documented exploration history or data is available for review and attempts to recover information from the Cote d'Ivoire Ministry have not proven useful to date. Discussions with functionaries in the Kongaso sous-prefecture indicated that previous explorers have completed various activities over the Mangkono permit area including soil sampling campaigns. No evidence of drilling was observed during the field visit or indicated from discussions with officials.

The mineral occurrence map of Côte d'Ivoire indicates the presence of bedrock hosted and alluvial gold mineralisation as well as the presence of alluvial diamonds within the permit area.

Taruga is proposing a two year exploration program consisting of systematic geological mapping, review of artisanal workings and rock chip sampling. In addition, a program of wide spaced reconnaissance soil sampling is proposed to test the permits. The program of proposed exploration has been designed to rapidly assess the projects, delineate and carry out reconnaissance drill testing of priority targets and determine the potential for resource drilling.



SECTION 03

DIRECTORS

3 DIRECTORS

3.1 Profile of Directors and Management

The Board of Directors of the Company brings considerable experience in all aspects of exploration, operations, finance, corporate developments and capital markets. The directors have a wide range of experience in the resources industry and a support team of experienced and competent professionals in the region.

Bernard Aylward, the Executive Chairman and Managing Director is a geologist with over 20 years experience as a manager and exploration geologist in the mining and exploration industry. Mr Aylward, who is a member of the Australasian Institute of Mining and Metallurgy, brings considerable relevant skills to the Board and management of the Company. Mr Aylward is a director of International Goldfields Ltd and Technical Director of Glory Resources Ltd.

Edmond Edwards, Executive Director, is a Chartered Accountant with over 30 years experience in the resources sector and brings considerable knowledge and skills of public company capital raisings, finance and corporate compliance. Mr Edwards is currently Managing Director of Athena Resources Limited and has previously served as a director of several other mining companies.

Peter Newcomb, Executive Director and Company Secretary, is a Chartered Accountant with over 30 years of professional and commercial experience. The majority of Mr Newcomb's experience over the last ten years has been in the resources industry in Western Australia. Mr. Newcomb is currently Company Secretary of Athena Resources Limited and Scotgold Resources Limited.

3.2 Interests of Directors

(a) Consultancy Agreement

The Company has entered into a Consultancy Agreement dated 1 November 2011 with Matlock Geological Services Pty Ltd (of which Bernard Aylward is the legal owner as trustee for the Galbraith Family Trust) for the provision of certain services for the Company to be performed by Bernard Aylward and under which the Company will pay Matlock Geological Services Pty Ltd a fee of \$22,250 (plus GST) per month. Further details of this agreement are set out in section 11.2.

(b) Director & Officer Indemnity, Access and Insurance Deeds

The Company has entered into Director and Officer Indemnity, Access and Insurance Deeds ("**Deed**") with each Director and the Company Secretary ("**Officers**"). Under the Deed, the Company indemnifies the relevant Officer to the maximum extent permitted by law against legal proceedings, damage, loss, liability, cost, charge, exchange, outgoing or payment suffered, paid or incurred by the officer in connection with the Officer being an officer of the Company, the employment of the Officer with the Company or a breach by the Company of its obligations under the Deed.

Subject to the Company listing on the ASX, the Company is required to insure the Officers against liability arising from any claim against the Officers in their capacity as officers of the Company. The Company will pay insurance premiums in respect of the above insurance.

(c) Interests of Directors

Other than as set out below or elsewhere in this Prospectus;

- (a) no Director holds, or held at any time during the 2 years before lodgement of this Prospectus with the ASIC, any interest in:
 - (i) the formation or promotion of the Company;
 - (ii) property acquired or to be acquired by the Company in connection with:
 - its formation or promotion; or
 - the Offer; or
 - (iii) the Offer; and
- (b) no amounts, whether cash or shares or otherwise, have been paid or agreed to be paid, and no benefits have been given or agreed to be given:
 - (i) to any Director, either to induce them to become, or to qualify as, a Director of the Company; and
 - (ii) for services provided by a Director in connection with:
 - the formation or promotion of the Company; or
 - the Offer.

(d) Remuneration of Directors

In accordance with the Constitution, the remuneration of Directors is to not exceed a fixed sum per annum as may be determined by the Directors prior to the first annual general meeting of the Company, to be divided amongst themselves.

As at the date of this Prospectus, the Directors have determined such fixed sum to be \$300,000 per annum.

Payments of Director's fees will be in addition to any payments to directors in any employment capacity.

A Director may also be paid fees or other amounts as the Directors determine if a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

(e) Directors Holdings

Under the Constitution, the Directors are not required to hold any Shares in the Company.

The Directors have interests in the following Shares and Options:

Director	Shares	Options
Bernard Aylward	20,000,000 ⁶	5,000,000 ⁷
Edmond Edwards	100,000 ⁸	N/A
Peter Newcomb	100,000 ⁹	N/A

⁶Bernard Aylward owns 7,500,000 Shares, issued at \$0.0001 per Share, and Matlock Geological Services Pty Ltd (of which Bernard Aylward is the legal owner as trustee for the Galbraith Family Trust) owns 12,500,000 Shares, issued in respect of the MGS Ghana Share Acquisition Agreement (summarised at section 11.3), with each Share in connection with that agreement deemed to have a value of \$0.10.

⁷Bernard Aylward is legal owner as trustee for the Galbraith Family Trust of the Options, issued in respect of the MGS Ghana Share Acquisition Agreement (summarised at section 11.3), with an exercise price of \$0.20 per Option, exercisable at any time on or before the date which is the fourth anniversary of the admission of Company to the official list of the ASX.

⁸These Shares, issued at \$0.10 per Share, are owned by Tied Nominees Pty Ltd which is 100% owned by Edmond Edwards and an associated party.

⁹These Shares, issued at \$0.10 per Share, are owned by Stonydeep Investments Pty Ltd, which is 100% owned by Peter Newcomb and an associated party.

The options issued to Directors and vendors under the Share Acquisition Agreements total 10,000,000 and are on the following terms:

- (i) Each option will entitle the holder to subscribe for one share in Taruga at an exercise price of \$0.20 each.
- (ii) The options are exercisable at any time on or before 31 January 2016 wholly or in part by delivering a duly completed form of notice of exercise to Taruga, accompanied by payment of the exercise monies.
- (iii) All shares in Taruga allotted on exercise of the options will rank equally in all respects with Taruga's then existing Shares.
- (vi) The options are only transferable with the consent of the board of directors of Taruga.
- (v) Application will be made to the ASX for official quotation by the ASX of all shares in Taruga allotted pursuant to the exercise of options not later than 10 business days after the date of allotment.
- (vi) Holders of options may only participate in new issues of securities by Taruga to holders of shares in Taruga if options have been exercised and Taruga shares allotted in respect of such options before the record date for determining entitlements to the issue. Taruga must give at least 6 business days notice to holders of any options before the record date for determining entitlements to the issue in accordance with the Listing Rules of the ASX.
- (vii) There will be no change to the exercise price of an option or the number of Taruga shares over which that option is exercisable in the event of Taruga making a pro rata issue of shares or other securities to the holders of Taruga shares (other than for a bonus issue).
- (viii) If there is a bonus issue ("Bonus Issue") to the holders of Taruga Shares, the number of shares over which an option is exercisable will be increased by the number of Taruga shares which the holder would have received if the option had been exercised before the record date for the Bonus Issue ("Bonus Shares"). The Bonus Shares must be paid up by Taruga out of profits or reserves (as the case may be) in the same manner as was applied in the Bonus Issue and upon issue rank equally in all respects with the other Taruga shares of that class at the date of issue of the Bonus Shares.
- (ix) If, prior to the expiry of any options, there is a reorganisation of the issued capital of Taruga, the options shall be reorganised in the manner set out in the ASX Listing Rules, or if the ASX Listing Rules do not apply, as determined by the board of directors of Taruga.

SECTION

04

INDEPENDENT GEOLOGICAL REPORT

This document has been prepared for the use of Taruga Gold Limited ("Client") in a prospectus to be lodged by the Client with the Australian Securities and Investments Commission in December 2011 on the basis of instructions, information and data supplied by them. To the maximum extent permitted by law, Sahara Geoservices disclaims all liability in any way whatsoever to any person or entity in respect of the whole or any part or parts of this document, or any errors in or omissions from it, whether arising from negligence or any other basis in law whatsoever.



Sahara Geoservices

Executive Summary

This report has been prepared at the request of Taruga Gold Limited to provide an Independent Geologists Report (IGR) on four gold projects West Africa. These comprise the Kossa Project located in Niger, the Ducie Project located in Ghana and the Mankono (application) and Tortiya (application) Projects in Côte d'Ivoire. The Report has been requested to accompany a prospectus to be prepared by Taruga Gold Limited.

The gold projects are all located within the West African Birimian Group - one of the world's important metallogenic provinces for gold. Gold mineralisation in the majority of the Birimian of West Africa is found in three principal settings:

- Mesothermal lode gold deposits
- Granitoid hosted sheeted vein swarms and stockwork zones
- Banket deposits - quartz pebble conglomerate hosted

The Projects are:

(a) **Kossa Project:** is located in northwest Niger, 230km northwest of the capital city Niamey. The Kossa Project consists of two granted Exploration Permits covering an area of 970km² and is adjacent to the Burkina Faso border.

The project is at an early stage of exploration, and limited exploration has been completed on the property, however strong gold anomalism has been defined by surface geochemical sampling, and preliminary drilling of priority target areas has confirmed primary gold mineralisation.

Key prospects defined by previous exploration activity include:

- Kossa prospect is located in the central portion of the Kossa Project and is defined by RC and diamond drilling returning gold mineralised intersections.
- Fatatako prospect is located approximately 10km to the south of the Kossa prospect. The prospect area is defined by RC drilling returning gold mineralised intersections
- Kossa West is defined by surface geochemical sampling returning strong gold anomalism (>200ppb Au). No drilling is known to have tested the prospect.

The historical exploration completed at the Kossa project highlights very prospective geology, with a similar style of mineralisation and host rock to the Essakane Gold mine. Drill testing has indicated primary gold mineralisation associated with the surface geochemical anomalies and several highly prospective prospects have been defined. TGL have outlined a systematic exploration program that initially focuses on the advanced prospects at Kossa and Fatatako where the company will be looking to complete drill testing in sufficient detail to support a maiden resource estimate for the prospect if results are positive.

(b) **Ducie Project:** covers an area of approximately 1,126km² and is located in the Upper West Region of Ghana, approximately 525km north-northwest of the capital city Accra.

The Ducie project is situated in the north eastern corner of Ghana within the Bole-Bolgatanga Greenstone Belt. The Bole-Bolgatanga Fault is host to significant gold mineralisation at Bolgatanga and Youga approximately 150km to the northeast.

The Ducie Project area is at a very early stage of exploration with the project located in a very large under-explored Birimian greenstone belt bounded by major regional scale structures and as such represents a very attractive grass roots exploration target. The project is regarded as a greenfields exploration project with very limited historical exploration.

(c) **Mankono and Tortiya Projects:** consist of 2 licence applications in Côte d'Ivoire covering an area of 1,000km² for the Mankono and 870km² for the Tortiya applications. The licences are held in the name of Gecko Resources CI, a 100%-owned subsidiary of TGL registered in Côte d'Ivoire.

The Côte d'Ivoire projects are regarded as greenfields exploration projects with limited previous exploration. The proposed exploration strategy is well focused and appropriate for the exploration level of the projects, geological setting and regolith environment present

An exploration budget has been provided, with the majority of the funds allocated to exploration of the Kossa project. The exploration program is targeting the definition of a mineral resource at the advanced exploration targets within the Kossa Project and ensuring that the regional targets at Kossa, Ducie and in the Côte d'Ivoire permits are rapidly assessed. The exploration programs are based on a program of systematic auger geochemical sampling in areas of defined anomalism as well as an ongoing program geological mapping, review of artisanal workings and rock chip sampling for the broader project area. It is anticipated that a program of RC and diamond drilling will be undertaken at the Kossa and Fatatako prospects.

The proposed exploration strategy is well focused and appropriate for the exploration level of the projects, geological setting and regolith environment present. The expenditure is appropriate given the prospectivity of the area and is sufficient to achieve the stated objectives of providing sufficient geological data to rapidly assess the projects and delineate drilling targets.

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1 Introduction

1.1 Consent to be Named

Mr Michael Cantey and Sahara Geoservices consents to this Report being in the prospectus of Taruga Gold Limited in the form and context in which it appears.

1.2 Terms of Reference

This report has been prepared at the request of Taruga Gold Limited (Taruga or The Company) to provide an Independent Geological Report (IGR) on four gold projects in West Africa. These comprise the Kossa Project located in Niger, the Ducie Project located in Ghana and the Mangkono (application) and Tortiya (application) Projects in Cote d'Ivoire. The Report has been requested to accompany a prospectus to be prepared by Taruga and lodged with ASIC in or around December 2011.

This IGR has been prepared in accordance with the Code for Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports ("Valmin code (2005)") and the JORC Code (2005) as adopted by the Australian Institute of Geoscientists ('AIG') and the Australasian Institute of Mining and Metallurgy ('AusIMM').

This IGR has been prepared with all information available as at 23 October 2011. The information presented is based on technical reports provided by Taruga Gold Limited, supplemented by our own inquiries.

Taruga will be invoiced and expected to pay a fee for the preparation of this report. This fee comprises a normal, commercial daily rate plus expenses. Payment is not contingent on the results of this report or the success of any subsequent public fundraising. Except for these fees, neither the writer nor his family nor associates have any interest neither in the property reported upon nor in Taruga.

1.3 Qualifications, Experience and Independence

Sahara Geoservices SARL (Sahara Geoservices) is an exploration consulting firm, which has been providing services and advice to the international mineral industry and financial institutions since 2005. Sahara Geoservices primary focus is the West African region and operates over all countries with currently over 40 geologists and additional technical support operating in 5 separate countries.

The primary author of this report is Mr Michael Cantey who is a professional geologist with 8 years experience in the exploration, development and mining of precious metal properties internationally. Mr Cantey is the Geoservices Manager – West Africa at Sahara Geoservices and is a Member of the Australian Institute of Geoscientists (MAIG).

Neither Sahara Geoservices, nor the authors of this report have, or have had previously, any material interest in Taruga or the mineral properties in which Taruga has an interest. Our relationship with Taruga is solely one of professional association between client and independent consultant. This report is prepared in return for professional fees based upon agreed commercial rates and the payment of these fees is in no way contingent on the results of this report.

Sahara is not in a position to make direct comment on any interest the directors and promoters of Taruga may have in the company or its assets, nor is Sahara qualified to comment on or confirm this aspect.

1.4 Principal Sources of Information

The principal sources of information used to compile this report comprise technical records, along with technical reports and data variously compiled by Taruga, previous project operator's reports and announcements and government agencies, along with discussions with Taruga technical and corporate management. A listing of the principal sources of information is included in Section 7 of this report.

In addition, site visits were undertaken to the Kossa and Ducie project areas between 9th and 13th November 2011 by Mr Michael Cantey of Sahara Geoservices, and previously to the Mangkono project by Mr Michael Cantey on the 11th and 12th May 2010.

All reasonable enquiries have been made to confirm the authenticity and completeness of the technical data upon which this report is based. A final draft of this report was also provided to Taruga, along with a written request to identify any material errors or omissions.

2 Country Background

2.1 Niger

2.1.1 History

Niger is a former French colony that became independent from France in 1960 and experienced single-party and military rule until 1991. Public pressure forced multiparty elections, which resulted in a democratic government in 1993, however political infighting and military coups occurred until democratic rule was restored in 1999 with the election of Mamadou Tandja. In 2009 President Tandja attempted a constitutional amendment aimed at extending his term as President. In February 2010, a military coup deposed Tandja, immediately suspended the constitution and dissolved the Cabinet, and promised that elections would be held following a transitional period of unspecified duration. In March 2011 multi-party elections were completed resulting in the election of Mahamadou Issoufou as President and a return to democracy.

Niger is a landlocked, sub-Saharan nation that borders seven countries – Nigeria to the south, Chad to the east, Libya to the north northeast, Algeria to the north northwest, Mali to the northwest, and Burkina Faso and Benin in the southwest. Niger's climate is mainly hot and dry, with much desert area. In the extreme south there is a tropical climate on the edges of the Niger River basin. The terrain is predominantly desert plains and sand dunes, with flat to rolling plains in the south and hills in the north. Lake Chad is at the south-east corner of the country and is shared between Niger, Nigeria, Chad and Cameroon.

Niger is one of the poorest countries in the world with minimal government services and insufficient funds to develop its resource base. The country covers an area of 1.27M km² and a population of 16.5M people. The largely agrarian and subsistence-based economy is frequently disrupted by extended droughts common to the Sahel region of Africa. Niger also has sizable reserves of oil, and oil production, refining, and exports are expected to grow significantly between 2011 and 2016. Niger shares a common currency, the CFA franc, and a common central bank, the Central Bank of West African States (BCEAO), with seven other members of the West African Monetary Union.

French is the official language of Niger; however numerous local dialects are spoken by the general population.

2.1.2 Minerals Industry

Niger's mineral sector accounted for about 3% of the GDP and for about 40% of exports. According to the International Monetary Fund (IMF), a renewed interest in the generation of nuclear energy has led to increased demand for uranium, encouraged investment expansions at existing uranium mines, and promoted exploration for new deposits. Foreign direct investment in the sector from 2008 to 2012 was projected to be \$1.4 billion, which would double the country's uranium production capacity. In 2008, Niger was ranked as the world's sixth largest producer of uranium. Other mineral commodities produced in the country include cement, coal, gold, gypsum, limestone, salt, silver and tin.

Uranium production in 2008 was an estimated 3,032t. Paris-based Areva NC continued with its plans to develop the world-class Imouraren uranium deposit located about 160km north of Agadez and 80km south of Arlit. Areva received a mining permit for the deposit in early January 2009 and the mine is expected to begin production in 2012 with about 5,000tpa U.

Gold production and exploration activity is associated with three Birimian greenstone belts located in the Liptako Region in the southwestern parts of the country near the borders with Burkina Faso and Mali. Greenstone belts include the Gorouol/Kourki belt in the northwest of the Liptako area, the Sirba Belt to the west of Niamey, and the Tera Gassa Belt between the Gorouol and the Sirba greenstone belts. Total gold production in 2008 decreased to 2,314kg from 3,427kg in 2007. The bulk of the production was from the Samira Hill Mine, 90km west of Niamey.

2.1.3 Niger Mining Legislation

There are four types of licence available for companies and individuals interested in exploration and development of mineral resources in Niger.

A **Prospecting Authorisation** gives the holder the right to search for one or a number of minerals. It is non-exclusive but confers to the holder the rights to first refusal to an exclusive exploration permit within the limits and time validity of the Authorisation. Prospecting Authorisations are valid for one year, renewable indefinitely for one year periods. Surface and underground prospecting is permitted, as is the use of remote sensing techniques. The objective of the prospecting programme must be stated in the application, although there are no fees or land holding requirements.

An **Exploration Permit** is valid for three-years, renewable for two further three-year periods subject to certain land holding reduction criteria and field works. The area held under a permit cannot exceed 2,000km² in a rectangular block. An Exploration Permit confers to the holder the right to dispose of any minerals obtained during exploration and testwork, and also confers the right to a Mining Permit if a viable reserve is discovered. Applications must stipulate the minerals sought (additional minerals can be included later), and a time and expenditure schedule. A variable fee (CFAF 300,000) is tied to the permit, and holders are required to submit progress reports to the Government on their activities.

A **Mining Permit** will be granted in the case of successful exploration, subject to the right of the Government to participate in the project.

A 'small mine' permit is valid for five years, renewable three times for successive five-year periods, whereas a 'large mine' permit lasts for 20 years initially, renewable twice for successive periods of 10 years. Further extensions are possible if commercial reserves remain. Companies applying for Mining Permits must conform to Nigerien company law. The Government requires an initial 10% share in the mining project, free of all costs, which can be later increased to a maximum of 33% through share purchases. Fees for mining permits are about US\$1,400 and US\$2,000 for small and large mining permits respectively.

The fourth type of licence is the **Authorisation for Small-Scale Mining** that applies to artisanal mining.

Fiscal Regime and Commercial Legislation

The Government welcomes overseas private investment as a key to relaunching the national economy, and the new mining code contains a number of incentives for potential investors. These include income tax holidays and many exemptions (customs duty exemption, exemption in some cases from value-added tax, the right to remit dividends freely), equal opportunities for overseas and national investors, and guaranteed freedom from nationalisation or expropriation. Mining companies are subject to a number of fees and taxes.

Annual area fees are related to the licenses except to the prospecting authorisation. Mining royalties are payable at a rate of 5.5% of the final selling price of the mineral commodity produced. Royalties are, however, deductible from income tax, which is levied at a rate of 45% after the deduction of operating and production costs. Small mines enjoy a two-year income tax holiday, whereas for large mines this period extends to five years from the start of commercial production. Dividends distributed to shareholders attract a 16% capital gains tax. Other charges include stamp duty, public notary fees, value-added tax and social security contributions for employees. Customs duties are not charged on equipment imported for use for direct mining operations, or temporarily for exploration programmes. Mineral products may be exported free of duty.

2.2 Ghana

2.2.1 History

Formed from the merger of the British colony of the Gold Coast and the Togoland trust territory, Ghana, in 1957, became the first sub-Saharan country in colonial Africa to gain its independence and following a national referendum in July 1960, Ghana became a republic. Ghana endured a long series of coups before Lt. Jerry Rawlings took power in 1981 and banned political parties. In 1992 a new constitution was approved and multi-party elections were restored, with subsequent presidential elections occurring every 4 years from 1992, with the current president the Honourable John Atta-Mills elected in 2008. Ghana is a well-administered country, widely regarded as a model for political and economic reform in Africa.

Ghana is located on the Gulf of Guinea, immediately north of the equator and on the Greenwich meridian. Ghana is bordered to the north and northwest by Burkina Faso, to the east by Togo, and to the west by Cote d'Ivoire (Ivory Coast). A tropical rain forest belt extends northward from the shore. The climate is tropical, with the eastern coastal belt warm and dry, southwest corner, hot and humid, and the north, hot and dry.

Ghana has a total area of approximately 239,000 km². Its capital city is Accra, and other major centres include Kumasi, Tema, Tamale and Sekondi-Takoradi, with a population estimated at 23.9 million people. Although English is the official language, over 100 linguistic and ethnic groups have been identified in Ghana, and these groups could be classified into two major linguistic families: the Kwa and the Gur.

2.2.2 Minerals Industry

Ghana is the second largest producer of gold in Africa. Rich mineral resources such as gold, diamonds, manganese, limestone, bauxite, iron ore as well as various clays and granite deposits are major sources of foreign exchange. In 2010, Ghana produced 2.97 Moz of gold.

Ghana is well endowed with natural resources and agriculture accounts for roughly one-third of GDP and employs more than half of the workforce, mainly small landholders. The services sector accounts for 40% of GDP. Gold and cocoa production and individual remittances are major sources of foreign exchange. Oil production at Ghana's offshore Jubilee field began in mid-December, 2010, and is expected to boost economic growth. Estimated oil reserves have jumped to almost 700 million barrels.

2.2.3 Ghana Mining Legislation

The right to explore for minerals and to develop a mine are regulated by the Minister of Lands, Forestry and Mines (the "Minister") through the Minerals Commission, a governmental organization designed to promote and control the development of Ghana's minerals in accordance with the Minerals and Mining Act, 2006 (the "2006 Mining Act").

The overall legislative framework for the mining sector in Ghana is provided by the Minerals and Mining Law of 1986 (PNDC Law 153), as amended in 1994 and 2005. Under the Law, mining companies must pay royalties

The 2006 Mining Act provides that concessions granted under the predecessor legislation, the Minerals and Mining Law, 1986 (the "1986 Mining Law") would continue to be governed by that statute for a period of five years following passage of the 2006 Mining Act.

Under the laws of Ghana, mining may only be carried out by bodies corporate or partnerships registered or established under the laws of Ghana. There are three types of mining rights in Ghana: reconnaissance licences, prospecting licences and mining leases. These rights are acquired by making an application to the Minister through the Minerals Commission. Under the 2006 Mining Act the grant of these rights is discretionary, however, in practice applications are generally considered on a first-come-first-serve basis.

The types of mining rights are as follows;

- A Reconnaissance Licence
- A Prospecting Licence and
- A Mining Lease

A **Reconnaissance Licence** confers on the holder the right to search for a specific mineral (or commodity) within the licence area by geochemical and photo-geological surveys or other remote sensing techniques. Except as otherwise provided in the licence, it does not permit drilling, excavation or other sub-surface techniques.

The licence is normally granted for up to one year and may be renewed by the Minister from time to time for periods up to one year at a time upon application by the holder. The application for renewal must be made at least three months before the expiration of the licence. The size of the area over which a reconnaissance licence may be granted is limited to 5,000 contiguous blocks or 1,050km².

A **Prospecting Licence** gives the holder the exclusive right to search for specific minerals (or commodities) by conducting geological, geophysical and geochemical investigations to determine the extent and economic value of any deposit within the licence area. Drilling, excavation or other sub-surface techniques are permitted under the prospecting licence. The initial grant of the licence is limited to three years and a maximum area of 750 contiguous blocks or 157.5 km².

A prospecting licence is granted for a period not exceeding three (3) years and may be renewed for a maximum of two terms or for further periods of up to three (3) years each. The holder of a prospecting licence shall, prior to or at the expiration of the initial term, surrender not less than half the number of blocks of the prospecting area so long as a minimum of one hundred and twenty five blocks or 26.3km² remain subject to the licence and the blocks form not more than three discrete areas each consisting of either a single block, or a number of blocks each having a side in common with at least one other block in that area.

The grant of a **Mining Lease** gives the holder the right to mine, win or extract specified minerals (or commodities) within the lease area. The lease may be granted to the holder of a prospecting licence or any person who establishes to the satisfaction of the Minister that a mineral to which the lease relates exists in commercial quantities within the proposed lease area and can be mined at a profit. The lease is issued for up to thirty years subject to renewal for a further thirty-year term. The size of the area in respect of which a lease may be granted is limited to 300 contiguous blocks or 63 km² for a single grant.

A person other than the holder of a reconnaissance or prospecting licence holder may apply for a mining lease in respect of a mineral specified in the application over land that is not the subject of a mineral right for the same mineral applied for.

Government Free Carried Interest

The Government of Ghana is granted a 10% free carried interest in all mining operations and has no obligation to contribute to development or operating expenses. This 10% carried interest also entitles the Government of Ghana to a pro-rata share of future dividends.

Royalty Requirements

Under the 1986 Mining Law, the holder of a mining lease is required to pay, quarterly, a royalty of not less than 3% and not more than 12% of total mining revenues. The royalty is 3% when the operating ratio is 30% or less, and the royalty increases 0.225% for each 1% increase in operating ratio until the royalty reaches a maximum of 12% at an operating ratio of 70%.

Under the 2006 Mining Act, the holder of a mining lease is required to pay, quarterly, a royalty of not less than 3% and not more than 6% of total mining revenues. The Government of Ghana determines the royalty rate each year based on the ratio that the operating margin bears to the value of gold produced from a mining lease in that year. Based on draft regulations, the royalty is 3% when the operating ratio is 30% or less, and increases to 0.075% for each 1% increase of the operating ratio to a maximum of 6% at an operating ratio of 70%.

On November 18, 2009 the Minister of Finance and Economic Planning tabled a bill entitled Minerals and Mining (Amendment) Act, 2009, which if enacted would impose a flat mineral royalty of 6% of total revenue from mining operations. The bill is currently being considered by Parliament.

Environmental Regulations

All environmental matters in Ghana, including those related to mining, are regulated by the Environmental Protection Agency Act, 1994 and the Environmental Assessment Regulations, 1999, administered by the Ghanaian EPA and which govern environmental impact statements, mine operations and mine closures and reclamation.

Persons proposing to undertake the mining and processing of minerals are required to register their activities with the EPA and obtain an environmental permit prior to commencing such activities. Additionally, no person may commence activities in respect of an undertaking, which in the opinion of the EPA, has, or is likely to have an adverse effect on the environment or public health unless, prior to the commencement thereof, the undertaking has been registered with the EPA and an environmental permit has been issued by the EPA in respect of the undertaking.

An EIS and baseline study of the EIS must be submitted to the EPA prior to issuance by the EPA of any environmental permit where the undertaking is the mining and processing of minerals in areas if the mining lease covers a total area in excess of 10 hectares. Each environmental permit is valid for a period of 18 months from the date of issue. The EPA is required to hold a public hearing in respect of an application for an environmental permit where there is material adverse public reaction to the commencement of the proposed undertaking, the undertaking will involve the dislocation, relocation or resettlement of communities or the undertaking could have extensive and far reaching effects on the environment.

After the approval of the EIS, an environmental management plan, in respect of operations must be submitted within 18 months of commencing operations and every three years thereafter.

Failure to commence operations within the prescribed time period renders the environmental permit invalid and the applicant is required to resubmit an application to the EPA, together with reasons for the new application.

After commencing mining operations, the applicant is required to apply for an environmental certificate that may be issued subject to terms and conditions. The environmental certificate must be obtained within 24 months from the commencement of operations. An environment certificate will not be issued by the EPA until the person responsible for the application has submitted evidence or confirmation of the actual commencement of operations, acquisition of other required permits and approvals and compliance with mitigation commitments provided for in either the EIS or preliminary environmental report. Mining companies are also required to submit annual environmental reports in respect of mining operations.

2.3 Cote d'Ivoire

2.3.1 History

Cote d'Ivoire gained independence from France in 1960 and with the development of cocoa production for export, and foreign investment the country developed into one of the most prosperous of the West African states. Cote d'Ivoire maintained political stability from 1960 through to December 1999 when a military coup, the first ever in Cote d'Ivoire's history, overthrew the government. Political instability and civil war continued through to 2003 and the Ouagadougou Political Agreement was signed in 2007 aimed at re-uniting the country. Democratic elections were held in November 2010, with Alassane Ouattara defeating incumbent President Laurent Gbagbo. A 6-month stand-off ensued following the election, and in April 2011 President Gbagbo was formally removed from office. A new government under President Ouattara has formally commenced the transition process and several thousand UN troops and several hundred French remain in Cote d'Ivoire to support this transition.

Cote d'Ivoire is located in West Africa, bordering the Atlantic Ocean to the south, Ghana to the east, Burkina Faso and Mali to the north, Guinea to the northwest and Liberia to the west. Cote d'Ivoire has a total area of approximately 322,462 km² and a population is estimated to be approximately 20 million people. The capital city is Yamoussoukro; however the city of Abidjan is the commercial and administrative centre.

Cote d'Ivoire's climate is tropical along the coast and semi-arid in the far north. There are three seasons, warm and dry (November to March), hot and dry (March to May), and hot and wet (June to October).

2.3.2 Minerals Industry

Cote d'Ivoire is heavily dependent on agriculture and related activities, which engage roughly 68% of the population. Cote d'Ivoire is the world's largest producer and exporter of cocoa beans and a significant producer and exporter of coffee and palm oil. Consequently, the economy is highly sensitive to fluctuations in international prices for these products, and, to a lesser extent, in climatic conditions. Cocoa, oil, and coffee are the country's top export revenue earners, but the country is also producing gold. Since the end of the civil war in 2003, political turmoil has continued to damage the economy, resulting in the loss of foreign investment and slow economic growth. GDP grew by more than 2% in 2008 and around 4% per year in 2009-10. Per capita income has declined by 15% since 1999, but registered a slight improvement in 2009-10. Power cuts caused by a turbine failure in early 2010 slowed economic activity. Cote d'Ivoire in 2010 signed agreements to restructure its Paris Club bilateral, other bilateral, and London Club debt. Cote d'Ivoire's long term challenges include political instability and degrading infrastructure.

2.3.3 Cote d'Ivoire Mining Legislation

The right to explore for minerals and develop a mine are regulated by the Council of Ministers through Law no. 95-553 of July 18, 1995 (the "Mining Code"), decree no. 96-634 of August 9, 1996 implementing the Mining Code, ordinance no. 96-600 of August 9, 1996 relating to the mining activities, taxes and procedures of the Mining Code and the establishment of rehabilitation reserve funds. The Mining Code is administered by the Ministry of Mining and Energy (the "Minister of Mining").

Under the Mining Code, all minerals and mineral waters are the property of the State. No person, whether a national or foreign, is authorized to undertake or conduct any activity governed by the Mining Code and the related procedures relating to environmental rehabilitation reserve funds, without the appropriate permit.

Other than prospecting and reconnaissance authorizations, the Mining Code provides for two mining rights or titles: exploration permits and mining permits.

No legal entity is entitled to hold a mining title unless it is registered with the Cote d'Ivoire trade register and has not been placed in receivership or been declared bankrupt. Also, no natural person may acquire a direct or indirect interest in a mineral title or authorization unless he is in full possession of his civil rights.

A **Prospecting and Reconnaissance authorization** confers upon the holder thereof the non-exclusive right to prospect within the entire area of one or more administrative departments. A prospecting and reconnaissance authorization does not confer upon the holder thereof any particular right to obtain a mineral title, or any right to dispose of mineral substances acquired from prospecting activities, on a commercial basis. The term of a prospecting and reconnaissance authorization is one year and may be renewed. A prospecting and reconnaissance authorization may not be assigned, transferred or sublet.

An **Exploration Permit** is granted by decree of the Council of Minister upon recommendation of the Minister of Mining, on submission of an application in accordance with the applicable requirements of the Mining Code.

A holder of an exploration permit has the exclusive right to explore for minerals within the perimeter (surface and depth) of a specified area and dispose of products extracted during exploration.

The holder of an exploration permit must begin exploration activities within one year from the effective date of the permit.

The term of an exploration permit must not exceed ten years, consisting of four distinct terms, being an initial term of three years, two successive two year terms, and an exceptional renewal of up to three years. If the holder of the exploration permit satisfies its obligations and complies with the Mining Code during the initial term, renewals are automatically granted. Renewal may be refused if the holder of the exploration permit fails to satisfy its commitments relating to the general work program or the minimum financial expenditure. At each renewal of the exploration permit, 50% of the area held must be relinquished.

Exploration permits may be assigned, or transferred to another mining operator subject to the prior approval of the Minister of Mining and compliance with the conditions imposed by applicable regulation. Provided that the holder of the exploration permit has satisfied its obligations under the Mining Code and has submitted an application for title in conformity with the applicable regulation and meets the requirement of such regulation, the Minister of Mining's consent to transfer cannot be refused.

An exploration permit may be revoked or limited without right of indemnity or compensation upon notice requiring the holder or operator to remedy a default within 60 days, and failure of the holder to do so. Such defaults entitling service of notice of revocation are limited to matters involving worker safety and health, delay or suspension of exploration activity for a period of more than one year without valid reason, disqualification of the title holder, the failure to comply with directions of a mining engineer, unauthorized transfer or assignment of the exploration permit, the failure to pay duties or taxes, and the failure to maintain and restore the site during exploration.

A holder of a **Mining Permit** has the exclusive right to extract minerals within the perimeter, surface and underground boundaries of a specified area. The Council of Ministers on the recommendation of the Minister of Mining issues decrees granting mining permits to holders of exploration permits who have furnished evidence of existence of a mineral deposit within the area of the exploration permit and after a public inquiry. An application for a mining permit must be made within 60 days prior to the expiration of the term of the relevant exploration permit.

A mining permit holder also has the right to transport or cause to be transported mineral substances extracted, extracts and primary derivatives thereof, and metals and alloys of these substances, to storage, processing or loading sites, for disposal and/or export to local or external markets.

The initial term of a mining permit must not exceed 20 years, but application may be made to renew the permit at the end of the initial period. The Republic of Cote d'Ivoire has a 10% free carried interest in any mining venture undertaken pursuant to a mining permit for the life of the mine, which interest may not be diluted or otherwise decreased.

The holder of a mining permit must commence mining works on the deposit within two years after the date of grant. The holder may postpone mining works during a period of up to five years on the grounds of temporary unfavourable commercial conditions or a sudden decline in the market price for the relevant mineral.

The Minister of Mining may revoke a mining permit without right of indemnity or compensation upon notice requiring the holder or operator to remedy a default within 60 days, and failure of the holder to do so. Such defaults entitling service of notice of revocation are limited to matters involving worker safety and health, delay or suspension of exploration works for more than one year without valid reason, disqualification of the title holder, delay or suspension of the preliminary exploitation activities or mining for more than two years, without approval, and for reasons other than adverse market conditions. The failure to comply with directions of a mining engineer, unauthorized transfer or assignment of the mining permit, the failure to pay duties or taxes, and the failure to maintain and restore the site during mining works.

Royalty Requirements

In addition to the taxes provided for the General Taxation Code, the holder of a mineral title shall be required to pay: (i) a non-refundable fixed duty, (ii) an annual land rent, (iii) an ad-valorem or proportional tax which is based on the gross revenue from minerals produced, after deduction of transportation and refining or smelting costs, and (iv) a tax on additional profits exceeding the remuneration rate of investments after corporate income tax. The remuneration rate of investment is defined in the allotment of mining title as between two and three times LIBOR.

Environmental Regulations

A holder of a mining permit must establish a reserve fund for the rehabilitation and restoration of the site upon completion of mining activities. The amount required to be deposited annually to such fund are determined in accordance with a schedule set by the Minister of Mining and are deductible from industrial and commercial profits ascribed to the mining operation.

The Mining Code requires the periodic monitoring of mining sites to verify the health and well-being of neighbouring populations. Monitoring is performed by the mining permit holder, at its expense, within the framework of its environmental management program, as approved by the Minister of Mining. Monitoring is also performed by the Minister of Mining, and if required, by international agencies experienced in the area designated by the Minister of Mining, at the expense of the administering authority. In the event of pollution exceeding normal tolerance the costs related to inspections, future verifications and consequential fines are borne by the holder of the mining permit.

Environmental Impact Study

A complete environmental impact study and a program for environmental management must be prepared, and submitted for the approval of the mining authorities and the authorities responsible for the environment before conducting any mining operations.

3 WEST AFRICA GOLD MINERALIZATION AND GEOLOGY

3.1 Geology

The gold deposits of West Africa largely lie within the Proterozoic domain of the Man Shield, the southernmost subdivision of the West African (or Guinean) Craton. The Man shield, which underlies Niger, Ghana and Cote d'Ivoire, comprises early Proterozoic rocks, with Archaean rocks to the west. Volcano - sedimentary belts and extensive felsic plutonic rocks that are similar to granite greenstone and meta-sedimentary belts of other Precambrian shields are present in both the Archaean and Early Proterozoic terrains.

The early Proterozoic volcanic and sedimentary rocks of the Man shield are referred to as the Birimian Group and this group is broadly divided into phyllites, tuffs and greywackes of the Lower Birimian, and various basaltic to andesitic lavas and volcanoclastics of the Upper Birimian. These subdivisions are largely believed to be coeval and have been deformed and regionally metamorphosed to grades ranging from lower greenschist to lower amphibolite facies. The Birimian Group has been intruded by two distinctive granitoid types. The larger basin-type granitoids (and gneisses) are muscovite and/or biotite-rich, and are distinctly foliated and deformed, providing a pre-tectonic appearance. The smaller belt-type (arc related) granitoids (Dixcove Suite), on the other hand, are hornblende-rich, lack the characteristic foliation of the former, and are generally interpreted to be syn or post-tectonic. Despite their appearance, the belt-type granitoids are dated as being 60-90 million years older than the larger basin-type granitoids, however these dates are frequently inconsistent with field observations.

The younger Proterozoic Tarkwaian sediments, thought to unconformably overlie the Birimian Group, consist of a thick series of arenaceous and, to a lesser extent, argillaceous sediments believed to be derived from erosion of the Birimian. Economically important conglomerates and quartzites, termed the Banket Group, comprise the basal portion of the series. The Tarkwaian Series is largely confined to elongate north northeast trending basins, believed to represent intra-cratonic rifts. The margins of these basins commonly coincide with major (frequently mineralised) structures representing the contact between Upper and Lower Birimian sequences. It is conceivable that reactivation of the major structures during a period of crustal extension may have been responsible for rifting and subsequent preservation of the Tarkwaian Series.

The Birimian belt-basin development was followed at around 2.1 billion years by the Eburnean tectono-thermal event, a single-stage progressive SE-NW compressional and regional metamorphic episode, expressed by foliation and shear development oriented between 025° and 050°. Metamorphic grade is now generally lower greenschist facies with higher grade facies locally developed proximal to intrusive bodies.

3.2 Gold Mineralization

The Birimian Group of the Man Shield constitutes one of the world's important metallogenic provinces for gold. The spatial distribution of gold mineralisation appears to be governed by north to northeast trending belts of metavolcanic rocks, ranging from 15 to 40km in width, that are associated with the Upper Birimian. Almost without exception, the major gold deposits are located at or close to the margins of the metavolcanic belts, adjacent to the strongly deformed contacts between the Upper and Lower Birimian sequences.

Gold mineralisation in the majority of the Birimian of West Africa is found in three principal settings:

The typical mesothermal lode gold deposits, typified by Obuasi and Bibiana (Ghana) is the most significant of these deposit styles and are generally closely related to major structures at the Upper and Lower Birimian contact. Deposits are of numerous styles, including quartz reefs hosted within sediments (frequently carbonaceous) and

appear associated with major shear structures and subsidiary oblique faults. Lower grade mineralisation may also be present as disseminations or associated with sheeted quartz veining within sediments, tuffs and basic dykes situated in close proximity to major structures.

The second style is the granitoid hosted sheeted vein swarms and stockwork zones. These deposits are typically lower grade than reef style mineralisation and appear to be confined to the smaller belt-type or Dixcove Suite granitoids and their regional equivalents.

Banket deposits represent the third significant style of mineralisation and are hosted by quartz pebble conglomerate located towards the base of the Tarkwaian Series and are typified by the Tarkwa Mine (Ghana). The gold mineralisation is interpreted to be of detrital origin, derived from erosion of the Birimian Series upon which the Banket Group lie. Epigenetic sheeted or stockwork quartz veining is, however, being increasingly recognised within lower portions of the Tarkwaian Series.

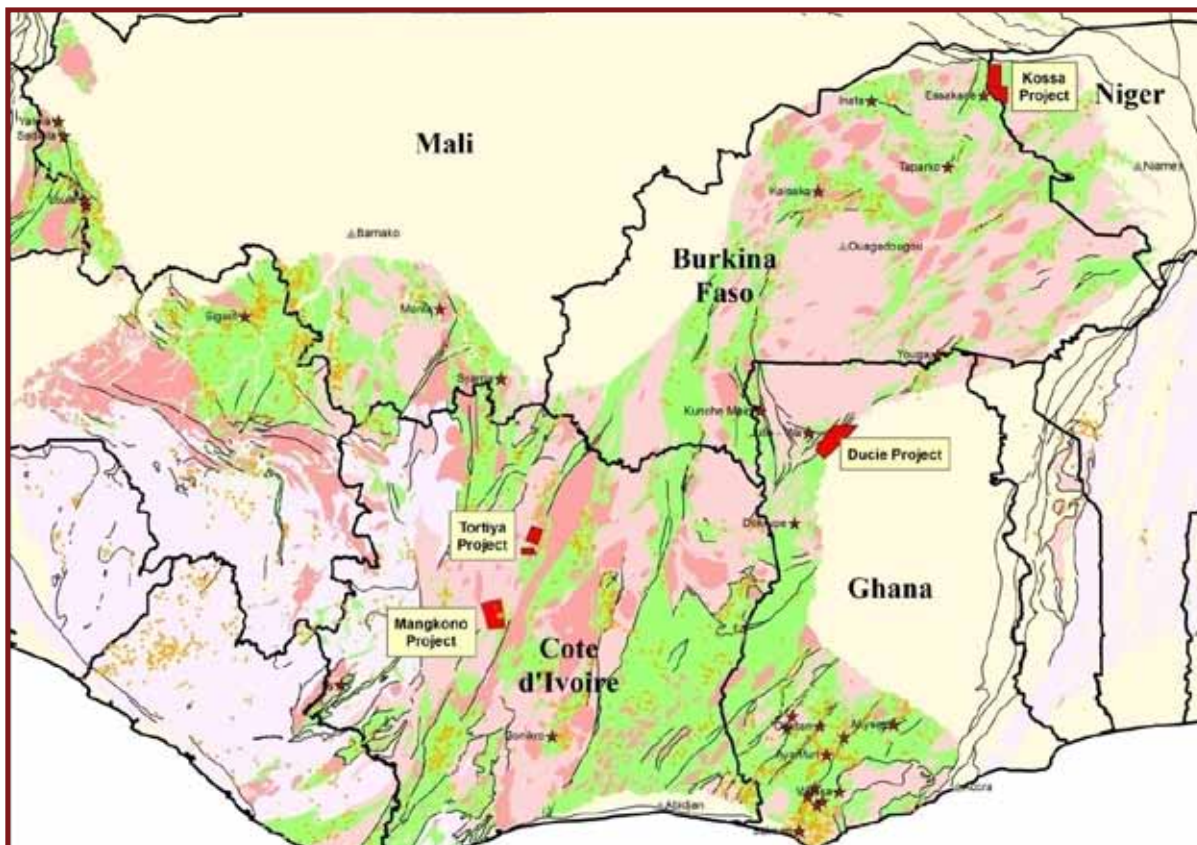


Figure 3.1_1 - Project Location and West African Geology

4 KOSSA PROJECT NIGER

4.1 Introduction

The Kossa Project is located in northwest Niger, 230km northwest of the capital city Niamey. The Kossa Project is adjacent to the Burkina Faso border and lies approximately 15km east of the Essakane Gold Mine, located in Burkina Faso. The Essakane Gold Mine is operated by IAMGold of Canada and produces approximately 350,000oz gold per annum.

The climate is typically Sahelian, and has distinct seasons. Temperature ranges from peaks in April and May, with noontime temperatures often rising above 48°C and night temperatures remain above 20°C. The mean annual rainfall is 503mm with rainfall concentrated between June and September, normally in short torrential downpours preceded by high winds and dust or sand storms. The rainy season is followed by a short period of hot, humid weather in October during which temperatures range between 15°C and 45°C. From November to March, the weather is dry and pleasant with occasional haze or dust storms caused by the "Harmattan" - a hot, dry wind carrying dust from the Sahara.

The terrain is predominantly desert plains and sand dunes, and vegetation consists mostly of light scrub and seasonal grasses.

4.2 Mineral Title

The Kossa Project consists of two granted Exploration Permits covering an area of 970km². The eastern boundary of the permits is defined as the border with Burkina Faso.

The permits are registered in the name of Gecko Gold NI, a Niger registered company that is a 100% subsidiary of Taruga.

Table 4.1_1 - Kossa Tenements Mineral Title

Licence No	Registered Holder	Type	Pillars	Long	Lat	Issue Date	Validity Date	Area (km ²)
Kossa 1								
007	Gecko Gold Niger	Exploration	A	Frontiere Niger - Burkina	14°48'46"	24-Oct-11	3 years plus 2 renewals for 3 years	474.6
			B	00°21'04"	14°48'46"			
			C	00°21'04"	14°32'04"			
			D	Frontiere Niger - Burkina	14°32'04"			
Kossa 2								
008	Gecko Gold Niger	Exploration	A	Frontiere Niger - Burkina	14°32'04"	24-Oct-11	3 years plus 2 renewals for 3 years	494.8
			B	00°21'04"	14°32'04"			
			C	00°21'04"	14°31'19"			
			D	00°26'12"	14°31'19"			
			E	00°26'12"	14°19'04"			
			F	Frontiere Niger - Burkina	14°19'04"			

4.3 Geology and Mineralisation

4.3.1 Geology

The major geological features extending over a large portion of Niger are the two major Phanerozoic sedimentary basins, the Lullemeden and Chad basins. The Birimian greenstone belts in Niger include the Gorouol Belt in the northwest, the Tera-Gassa Belt in the centre and the Sirba Belt in the southeast of Niger. Together, these belts are collectively known as the 'Liptako Region'. The Liptako Region is located to the west of Niamey, borders Burkina Faso, and forms the easternmost extremity of the Proterozoic Man Shield, which itself forms part of the West African Craton. The Birimian sequences are extensively covered by Cenozoic continental sedimentary successions and sand dunes.

The country's mineral potential is associated with the two large sedimentary basins (uranium) as well as the Precambrian formations (gold and base metal exploration).

The Kossa Project is located in the Gorouol Belt of the Liptako Region. The Liptako regional geology consists predominantly of Lower Proterozoic Birimian formations comprising volcano-sedimentary belts that have been intruded by granitoid plutons. These belts have been affected by regional deformation which produced intense northeast-southwest oriented folding.

Greenstone belts of the Liptako Region typically trend northeast and generally consist of fine-grained sedimentary and volcanic rocks. Granitoid, metasedimentary and metavolcanic rocks of the Gorouol Greenstone Belt underlie the Kossa permits. The metamorphic grade of the greenstones ranges from lower greenschist to amphibolite facies, depending on the distance from the enveloping granitoids. Contact metamorphism may also occur immediately adjacent to some of the granitoid intrusions.

The major structures in the region trend northwest-southeast, between 130° and 150°, or north-northwest to north-northeast, between 350° and 010°. Primary gold mineralisation is typically found in quartz veins occupying sub-vertical shear zones within these structures. The Libiri and Samira Hill gold deposits in the Sirba Greenstone Belt have a northwest-southeast (130°) trend.

4.4 Exploration History

The Kossa Project is located in northwest Niger, immediately adjacent to the border between Burkina Faso and Niger. The project is at an early stage of exploration, and limited exploration has been completed on the property, however strong gold anomalism has been defined by surface geochemical sampling, and preliminary drilling of priority target areas has confirmed primary gold mineralisation.

Gold exploration in Niger got its impetus during the gold rush of the mid nineties and from the publication of a Mining Convention in 1993 by the Ministry of Mines. The exploration history is summarised below:

Exploration Pre 1993

Exploration prior to 1993 has been through the “Office National de la Recherche Minière” (ONAREM) with the assistance of international development agencies such as the Canadian International Aid Agency (CIDA), the Japanese International Cooperation Agency (JICA) and the United Nations Development Program (UNDP).

Geological mapping was done by the Ministry of Mines with the assistance of the “Plan Mineral” funded by the “Fond Européen de Développement” (FED), maps are available at 1:500000 for the whole Liptako area and at 1:100000 in the Tera Belt south of latitude 14° and for the whole Sirba Belt. The Belgium Cooperation carried out in 1981 the geological mapping of the Gorouol Belt at a scale of 1:100000.

Exploration 1993 - 1998

Exploration by Etruscan Resources Inc in 1998 includes a four-frequency helicopter borne electromagnetic survey and multi-media geochemistry including stream sediment, soil and saprolite sampling. Stream sediments were collected over a large area of the concession at a grid of four samples per km² and treated using the Bulk Leach Extraction Gold/Lixiviation method (BLEG). Most of the gold anomalies are located in the central part of the concession and were not checked by trenching or drilling following the wane of the gold exploration in 1998.

In the southern portion of the project area, historic Exploration in focused on Cu-Mo mineralization in the Kourki area from 1966 to 1973, soil geochemistry and 4,600m of diamond drilling were executed by UNDP. EXP Resources and Proma Mineral have carried out gold exploration in 1998-99.



Figure 4.3_1: Kossa Project – Location and Geological setting

An airborne magnetic and spectrometry survey of 11,180 line km was flown over the area at an elevation of 60m and a line spacing of 200m, geologic and tectonic interpretation from the geophysical data and Landsat imagery was carried out. Exploration was focused on the artisan mining sites of Kourki, Dounga, Soulogou, Koweit, Tin Tabaket and Manda.

Fieldwork includes trenching over 1,980m, shallow RAB drilling (1,074 samples), rocks (225 samples), stream sediment (2,000 samples) and termite mound (3,093 samples) sampling. Shallow RAB drilling was done at grids of 50m x 200m and 25m x 200m and stream sediment sampling at a grid of 0.5 km x 1 km.

Exploration 2005 – 2008

A systematic gold exploration program covering the Kossa Project was undertaken by Canadian listed company Orezone Resources Limited in 2005. Orezone targeted the area for gold exploration as it was identified that Kossa has the same geology as Essakane Gold project, both being located in the Gorouol Belt, and the presence of extensive artisanal workings exist throughout the area.

Orezone actively explored the project between 2005 and 2008, with exploration activities including geochemical sampling, geophysical surveys, geological mapping and drill testing. A summary of the work completed by Orezone is:

- Geochemical Sampling: 15,173 samples collected over 930km² of area generally on 1000m x 100m spacing, with various infills down to a minimum of 250m x 50m.
- Ground geophysics: Induced Polarization Survey – a total of 603 lines completed, 100m spacing between lines.
- Reverse Circulation drilling: 217 drill holes for 18,849m completed. 20,374 samples collected at every one meter interval down the hole and analyzed using a one kilogram LeachWell™ (accelerated) cyanide leach.
- Diamond drilling: 14 boreholes for 1,735m completed. A total of 1,622 samples collected typically collected at one meter intervals down the hole and analyzed using a 60g aliquot by fire assay.
- Aircore drilling: 286 drill holes for 2,715m completed. A total of 1,114 samples collected at every one meter interval down the hole and analyzed using a one kilogram LeachWell™ (accelerated) cyanide leach.

Taruga have compiled all available information from reports submitted to the Niger government and by extensive literature and internet search. A validated database of drilling and geochemical sampling has been generated, however additional information is continuing to be reviewed and incorporated into the geological database. Taruga are continuing to recover historic exploration data from the Niger Government as well as negotiating with previous explorers to obtain historic databases and a full breakdown of completed exploration activities.

Geochemical Sampling

An extensive surface sampling program was carried out during 2005 and 13,646 samples were collected and assayed for gold and 5,406 samples were analysed for multi-element geochemistry. This program identified ten high priority target areas, with the best targets located on the western side of the permit, close to the border with Burkina Faso. It was interpreted that the gold-in-soil anomalies identified on the eastern boundary of the Essakane project extend across the border into Kossa.

The geochemical sampling completed at Kossa is tabled (Table 4.4_1) below:

Table 4.4_1 - Kossa Surface Sampling Completed

Year	Pisolite/Soil	Termite	Rocks	Pits	Trench	Total
2005	9,946	309	3,319	91	3	13,668
2006	793					793
2007			55	65		120
2008	592					592
Total	11,331	309	3,374	156	3	15,173

Geophysics

In 2006, gradient IP surveys were completed on a series of regional targets to better define areas of surface geochemical anomalism for initial drill testing. The IP surveys defined anomalies for preliminary drill testing, leading to the discovery of gold mineralisation hosted in metasedimentary rocks at the Fatatako, KBF and Kossa South target areas.

Drilling

The first drilling program undertaken at the Kossa Project commenced in May, 2006 with wide-spaced reconnaissance RC drilling completed targeting strong gold-in-soil anomalies, geological mapping and coincident geophysical IP anomalies. Significant gold intersections were reported for the Kossa Main prospect, Kossa South prospect, Fatatako Prospect and the KBF prospect.

A second round of drilling was initiated in the fourth quarter of 2006 to follow-up significant gold mineralisation intersected in the reconnaissance drilling. Follow up RC drilling and limited diamond drilling was completed on the Fatatako, Kossa South and Kossa targets in 2007.

A full summary of the historical drilling is provided in (Table 4.4_2) below:

Table 4.4-2 - Project Historical Drilling Completed

Type	2006	2007	2008	Total
Diamond Drilling	-	1,556m	179m	1,735m
Aircore Drilling	-	-	2,715m	2,715m
Reverse Circulation	14,925m	2,711m	1,212m	18,848m
Total	14,925m	4,267m	4,106m	23,298m

In addition to the gold exploration, Orezone also targeted a large Mo-Cu anomaly, the Kourki prospect. This prospect was identified during the 2005 regional program and is associated with a large granitic intrusion. The exploration completed at the Kourki prospect includes pit sampling, detailed mapping, ground geophysics surveys and scout diamond drilling during the last quarter of 2007. Minor drilling was completed in 2008.

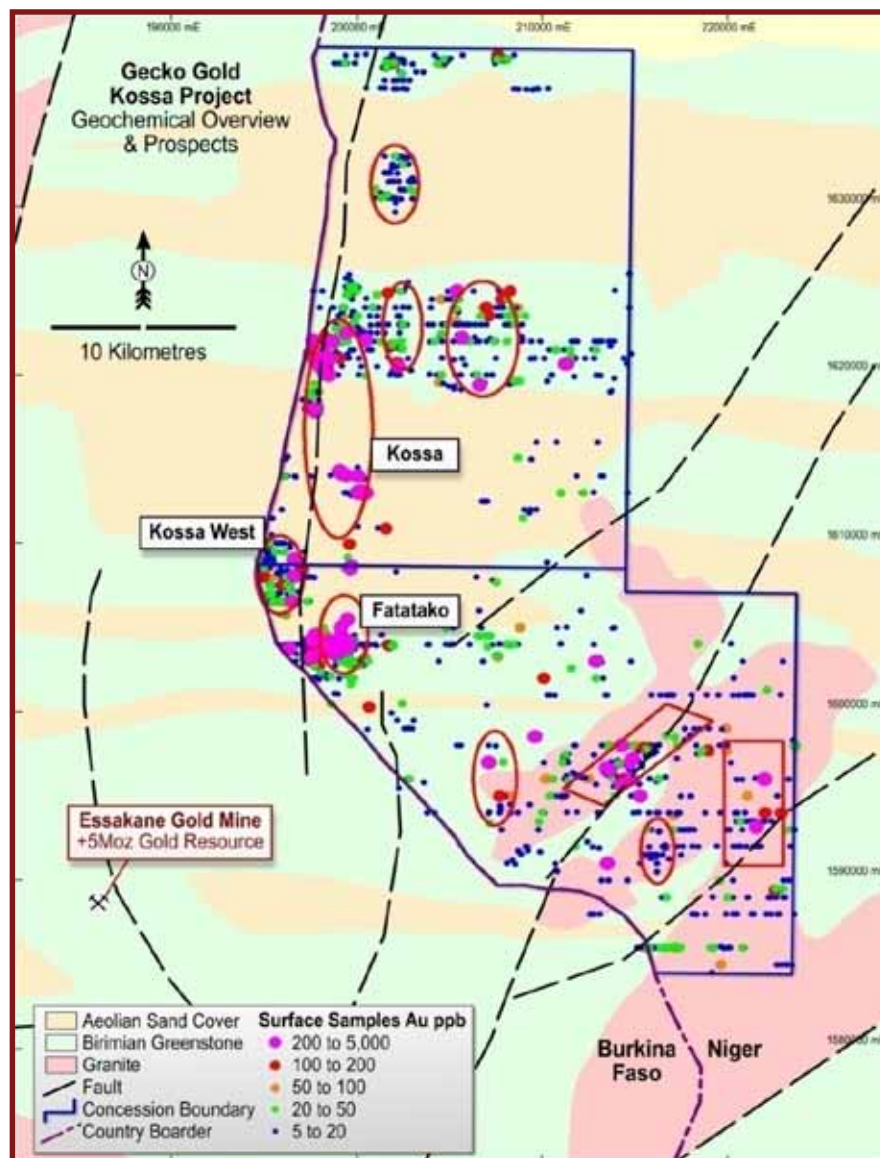


Figure 4.4_1 - Location Map of surface sampling completed

Exploration 2008 – 2010

In 2008 Orezone made a decision not to continue with any significant exploration on the property due to declining base metal prices. In 2008 and finalised in January 2009, Orezone sold the rights to any gold deposits on the Kossa permit to IAMGold pursuant to the transaction with IAMGold regarding the sale of the Esskane Gold Project. While the Kossa permit remained in Orezone Gold's name, IAMGold initially retained the right to explore the property for gold deposits. On October 27, 2009, Orezone and IAMGold mutually agreed to terminate the Kossa rights agreement. IAMGold gave formal notice of its intent to terminate the Kossa Gold rights agreement as it did not intend to pursue further exploration activities on the property given budget constraints.

Orezone formally informed the Government of the Republic of Niger of its intention to abandon the Kossa Project and filed its final report with the government during the three month period ending June 30, 2010. It should be noted that no on-ground exploration activities were completed by IAMGold, and no exploration activities have been completed by Orezone since 2008.

4.5 Exploration Prospectivity and Strategy

The Kossa Project is a Greenfields exploration project with the completed exploration highlighting the presence of primary gold mineralisation requiring immediate follow-up drilling to determine the potential for a Mineral Resource to be defined. The regional prospectivity of the project area is highlighted by the geological setting in the gold mineralised Birimian Gorouol Belt and the location of the major Essakane Gold mine just 15km from the project area.

The exploration completed to date by previous explorers has defined high priority target areas for immediate drilling as well as the results of the completed geochemical sampling indicating numerous target areas that haven't been drilled to date. The presence of artisanal workings, major geological structural zones and associated surface geochemical anomalies have outlined targets that may be suitable for wide-spaced reconnaissance drilling or for infill auger sampling to more clearly define drill targets.

Taruga is proposing an exploration program that is based on Reverse Circulation (RC) and diamond drilling in the Kossa and Fatatako prospect areas, aircore drilling of the extensions of these main prospects as well as the Kossa West area and extensive regional aircore and auger geochemical sampling. It is also proposed to fly a low-level detailed aeromagnetic survey to assist in the geological compilation and prospect targeting. The integration of detailed aeromagnetics, auger geochemistry and geological mapping has rapidly advanced the exploration of other projects in the Birimian Grenstone belts of West Africa and it is expected that this approach is the most suitable for the Kossa Project area.

4.5.1 Kossa Prospect

Kossa prospect is located in the central portion of the Kossa Project and is defined by RC and diamond drilling returning gold mineralised intersections. The exploration drilling has been completed by Orezone and the area was targeted due to the presence of abundant artisanal workings, strong geochemical anomaly and geology interpretation indicating favourable geology for the hosting of significant gold mineralisation.

The strike length of the prospect exceeds 8,500m, incorporating the Kossa South, KBF and Kossa prospects as previously defined by Orezone. The summary drilling statistics for the prospect are;

- RC Drilling: 178 drill holes for 12,491m completed (average 70m)*
- Diamond Drilling: 6 drill holes for 535m completed (average 89m)*

(* Note data compiled from all reports submitted to Niger Government as a record of exploration activity)

The drilling completed by Orezone targeted a zone of artisanal working, strong surface geochemical anomalies and an interpreted geological structure extending for over 10 strike kilometres.

The results of the RC drilling are highly encouraging with a similar style of mineralisation and host rock to the Essakane Gold mine intersected by the drilling. The mineralisation encountered is interpreted to be hosted in steeply dipping parallel lodes, with three zones intersected to date. The mineralisation remains open along strike and at depth.

- 14m at 3.79g/t gold from 28m in drill hole KSC033
- 13m at 2.43g/t gold from 20m in drill hole KSC032
- 11m at 3.86g/t gold from 39m in drill hole KSC039
- 16m at 1.13g/t gold from 50m in drill hole KSC085
- 15m at 2.12g/t gold from 53m in drill hole KSC056
- 8m at 3.83g/t gold from 50m in drill hole KSC036

A table (Table 4.5.1_1) of significant results from the RC drilling is as below.

Table 4.5.1_1 - Kossa Prospect Significant RC Drilling Intercepts

Hole ID	North	East	Hole Depth	From (m)	To (m)	Width (m)	Grade (g/t)
KBC0008	1610200.94	1,556m	75	63	65	2	1.58
KBC0012	1612999.42	200504.4	80	32	37	5	1.08
				40	44	4	0.52
KBC0018	1613000	200214	77	55	57	2	5.09
KBC0020	1613000.6	200116.3	76	3	9	6	2.82
				34	35	1	1.04
				43	44	1	0.56
				67	70	3	7.46
				75	76	1	2.82
KBC0021	1612996.98	200072.8	86	6	8	2	1.17
				13	17	4	0.81
				20	23	3	1.14
				32	36	4	7.45
KBC0031	1612972.93	200144.8	75	48	51	3	1.17
				72	74	2	8.51
KBC0032	1612999.12	200140.5	75	17	20	3	0.94
				27	29	2	1.01
KBC0036	1612996.71	200094.8	75	44	46	2	1.44
KBC0037	1612999.08	200046.8	66	9	11	2	0.82
KBC0038	1613023.51	200089.3	75	69	72	3	4.94
KRC0015	1620104.26	8	74	26	28	2	1.30
				41	44	3	0.50
KRC018	1620409.66	198339	90	12	14	2	0.96
KRC108	1619491	198204	84	66	67	1	0.51
				77	78	1	0.61
KRC109	1619510	198158	64	47	48	1	10.00
KRC110	1619528	198112	95	19	20	1	0.72
				25	26	1	0.60
KRC112	1618577	198062	87	44	45	1	1.37
KSC0014	1614217.19	199143.6	75	24	30	6	1.34
KSC0021	1614800.22	198973.8	77	6	9	3	1.97
KSC0023	1614763.28	198886.5	67	31	33	2	6.07
KSC0032	1614192.69	199155.5	75	15	17	2	1.54
KSC0032	1614192.69	199155.5	75	20	33	13	2.43
KSC0033	1614240	199131.8	75	28	42	14	3.79
KSC0034	1614173	199105	90	55	62	7	0.69
KSC0035	1614215	199071	90	58	73	15	2.15
KSC0036	1614225	199157	90	50	58	8	3.83
KSC0038	1614264	199120	75	33	37	4	1.32
				42	50	8	2.33
KSC0039	1614301	199093	75	29	33	4	3.07
				39	50	11	3.86
KSC0041	1614393	199046	72	40	44	4	0.93
KSC0043	1614485	199006	65	27	31	4	1.21
KSC0044	1614528	198984	63	24	27	3	2.21
KSC0049	1614296	199079	48	8	11	3	1.31
				14	23	9	1.42
				33	36	3	1.42

Table 4.5.1_1 - Kossa Prospect Significant RC Drilling Intercepts (continued)

Hole ID	North	East	Hole Depth	From (m)	To (m)	Width (m)	Grade (g/t)
KSC0050	1614311	199111	90	70	77	7	2.32
KSC0055	1614014	199298	78	71	77	6	2.07
KSC0056	1613960.4	199303	75	53	68	15	2.12
KSC0064	1613611.67	199500.1	87	80	86	6	1.21
KSC0066	1614180	199187	70	54	57	3	2.96
KSC0067	1614232	199117	30	10	23	13	1.92
KSC0068	1614278	199087	35	2	5	3	0.56
				9	20	11	1.84
KSC0069	1614283	199104	60	41	45	4	4.41
KSC0070	1614322	199072	50	17	20	3	1.72
				44	48	4	0.97
KSC0072	1614384.38	199038	30	2	5	3	21.17
KSC0076	1614521.63	198973.2	70	6	9	3	2.61
KSC0085	1614004.61	199282.2	75	50	66	16	1.13
KSC0087	1613956.42	199288	75	31	42	11	2.16
KSC0089	1613709.33	199480.5	60	29	35	6	1.51
KSC0091	1613594.28	199464.6	75	32	37	5	5.84
KSC0102	1613862.67	199328.5	75	24	30	6	1.33
KSC0104	1614418.65	199039.1	75	12	15	3	1.74
KSC0119	1616786	197788	75	41	42	1	0.67
				45	46	1	0.99
KSC0122	1615758	198186	75	43	44	1	0.52

Note: Intersections based on RC drilling completed by Orezone. Intersections are calculated using a 0.5g/t lower cut-off, no upper cut-off applied, with a maximum of 2m continuous internal dilution. Intersections are based on 1m sampling (as reported by Orezone)

The figure on the next page (Figure 4.5.1_1) is a location map highlighting the significant intersections

Orezone completed a limited amount of diamond drilling at the Kossa Prospect, with drill holes targeting areas of gold mineralisation confirmed by the RC drilling. The diamond drilling provides useful information on the controls on the gold mineralisation, the host rock geology and the styles of mineralisation. The diamond drilling intersected significant gold mineralisation including:

- 14m at 1.60g/t gold from 35m in drill hole KSD010
- 9m at 1.81g/t gold from 49m in drill hole KSD012
- 6m at 1.78g/t gold from 70m in drill hole KSD009



Figure 4.5.1_1 - Location Map of Significant Intersections



Figure 4.5.1_2 - RC Drill Collar KRC0023 (198216E 1621214N UTM Z31N WGS 84)



Figure 4.5.1_3 - Artisanal Site (198251E 1620444N UTM Z31N WGS 84)

Table 4.5.1_1 - Significant Diamond Drilling Intercepts

Hole ID	North	East	Hole Depth	From (m)	To (m)	Width (m)	Grade (g/t)
KDD0013	1620092	198321	94	6	7	1	0.50
				21	22	1	0.95
KDD0014	1620399	198361	85	19	20	1	1.32
				68	69	1	1.22
KSD0009	1613964	199308	100	12	13	1	0.52
				70	76	6	1.78
KSD0010	1614242	199135	74	35	49	14	1.60
				59	60	1	0.50

Note: Intersections based on Diamond drilling completed by Orezone. Intersections are calculated using a 0.5g/t lower cut-off, no upper cut-off applied, with a maximum of 2m continuous internal dilution. Intersections are based on 1m sampling or based on geological boundaries (as reported by Orezone)

In addition to the drilling, Orezone have reported a geophysical (Induced Polarisation) survey completed over the Kossa Prospect in 2005/2006 in an attempt to better define targets prior to drilling. A review of the IP survey indicated that the Kossa gold mineralisation is associated with a geophysical anomaly.

The Kossa prospect represents an immediate drill target for Taruga and the company is proposing to undertake a program of infill and extension RC drilling to define the extents of gold mineralisation and allow a robust interpretation of the controls on mineralisation. In addition the company is proposing a program of targeted diamond drilling that will be aimed at delineating the depth extensions of gold mineralisation and the possible control on the development of ore shoots.

In addition to the immediate high priority advanced drill targets the company is proposing to undertake a programme of Aircore drilling aimed at defining the extensions of the Kossa mineralised structure as well as targeting the potential for parallel zones of mineralisation. The company will be targeting a strike length in excess of 15km and will be exploring through areas of Aeolian sand cover that have made previous surface geochemistry ineffective.



Figure 4.5.1_4 - Drill Core Storage (207490E 1617067N UTM Z31N WGS 84)



Figure 4.5_2 - KDD009 70.30m - 75.0m (1.78g/t)

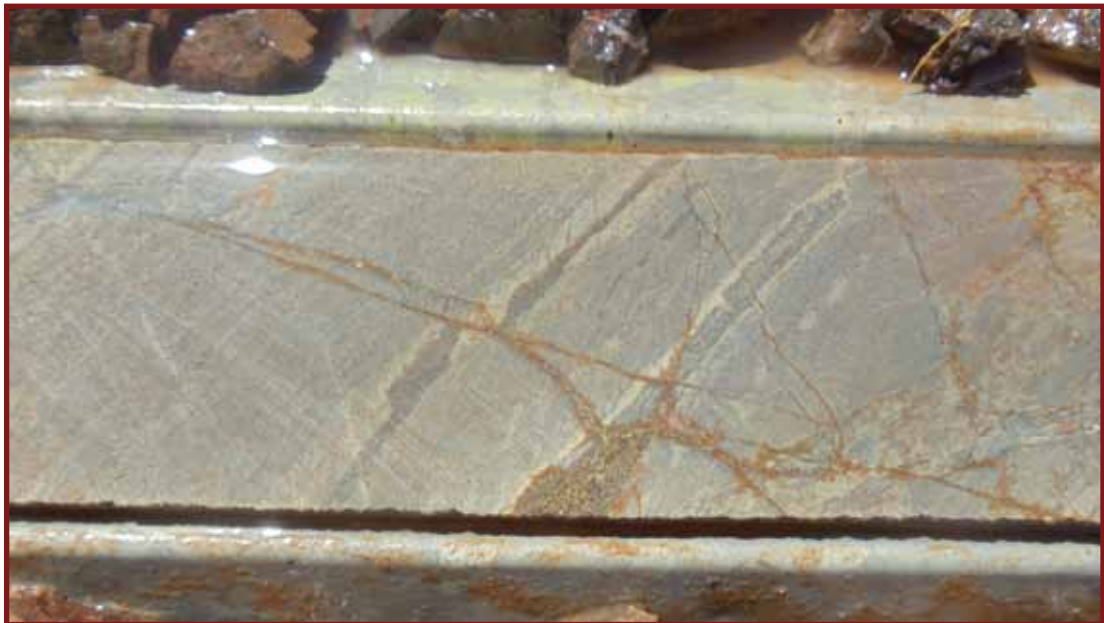


Figure 4.5_3 - Sulphide filled Veinlets (KDD009)

The Company is also planning a low-level, detailed aeromagnetic survey that will cover the entire Kossa Project and will assist in the delineation of bedrock geology and key structural zones that will be used to improve targeting of exploration drilling programs.

4.5.2 Fatatako Prospect

The Fatatako prospect is located in the south central portion of the Kossa Project, approximately 2km to the south of the Kossa prospect. The prospect area is defined by RC drilling returning gold mineralised intersections, the presence of artisanal working and strong surface geochemical anomalism. The exploration drilling has been completed by Orezone with the geological setting interpreted to be similar to the Essakane Gold mine, the area targeted due the presence of abundant artisanal workings, strong geochemical anomaly and geology interpretation indicating favourable geology for the hosting of significant gold mineralisation.

The strike length of the prospect exceeds 1,500m in a north south direction; however the drilling and geochemical anomaly has an east-west extent of over 2,000m indicating the potential for multiple mineralised zones. The drilling remains open to the north and south.

The summary drilling statistics for the prospect are:

- RC Drilling: 71 drill holes for 5,011m completed (average 70m)*

* Note data compiled from all reports submitted to Niger Government as a record of exploration activity

The drilling completed by Orezone targeted a zone of artisanal working, strong surface geochemical anomalism and an interpreted geological zone that extends for over 5km in strike and over 2km in width indicating potential for multiple mineralised zones. The northern extension of the Fatatako prospect is overlain by Aeolian dunes and transported cover that masks the geology and renders conventional surface geochemical sampling unreliable.

The results of the RC drilling are highly encouraging – several zones of gold mineralisation are indicated by the wide-spaced shallow drilling, and the target area remains open along strike to the north and south. Significant intersections from the drilling include;

- 8m at 3.06g/t gold from 17m in drill hole FKC016
- 10m at 1.52g/t gold from 64m in drill hole FKC036
- 7m at 2.74g/t gold from 11m in drill hole FKC055
- 5m at 8.43g/t gold from 76m in drill hole FKC058
- 11m at 1.47g/t gold from 23m in drill hole FKC095

Table 4.5.2_1 - Kossa Prospect Significant RC Drilling Intercepts

Hole ID	North	East	Hole Depth	From (m)	To (m)	Width (m)	Grade (g/t)
FKC0001	1603499.86	199105.6	75	45	52	7	1.46
				65	67	2	1.65
FKC0002	1603500.98	199062.8	75	8	10	2	0.66
FKC0003	1603498.66	199009	75	66	69	3	0.47
FKC0004	1603501	198963.3	75	0	1	1	1.51
FKC0016	1603750.19	199572.3	75	3	6	3	2.23
				17	25	8	3.06
				56	57	1	1.97
FKC0017	1603750.2	199522.5	82	33	34	1	0.82
				74	75	1	3.12
FKC0022	1603999.94	198285.3	37	26	27	1	0.52
FKC0025	1604249.48	199253.7	56	35	38	3	3.51
FKC0027	1604247.9	199188.2	70	65	66	1	0.57
FKC0028	1604246.65	199144.2	75	72	73	1	1.06
FKC0035	1604247.14	197696.2	83	10	11	1	0.91

Table 4.5.2_1 - Kossa Prospect Significant RC Drilling Intercepts (continued)

Hole ID	North	East	Hole Depth	From (m)	To (m)	Width (m)	Grade (g/t)
FKC0036	1604250.28	197633.8	87	6	8	2	7.23
				11	12	1	0.75
				17	19	2	0.70
				58	59	1	0.84
				64	74	10	1.52
FKC0037	1603750.03	199439.1	75	63	64	1	0.83
FKC0042	1603527.77	199106.5	75	56	60	4	2.13
FKC0043	1603721.68	199571.9	75	39	46	7	1.16
FKC0044	1603747.53	199595.4	75	20	24	4	1.66
				41	43	2	0.77
				46	51	5	1.74
FKC0046	1603773.97	199570.8	75	9	14	5	1.04
FKC0047	1604225.13	199253.4	75	16	18	2	0.99
				21	24	3	1.00
				32	34	2	3.62
FKC0051	1604226.5	197635.8	75	15	17	2	0.82
				41	45	4	0.72
FKC0052	1604248.08	197667.9	75	32	36	4	1.20
				40	42	2	1.30
FKC0055	1603525.77	199075.3	75	11	18	7	2.74
FKC0056	1603550.53	199091.2	78	47	50	3	0.74
				64	67	3	1.43
				75	78	3	7.18
FKC0058	1603752.97	199636.5	90	76	81	5	8.43
FKC0062	1604222.11	199208.2	78	46	52	6	1.16
FKC0093	1603550.87	199112	90	64	67	3	1.03
FKC0094	1603549.61	199068.6	75	11	16	5	1.05
				23	26	3	1.05
				67	71	4	0.63
FKC0095	1603548.1	199046.6	75	0	4	4	1.87
				23	34	11	1.47
				55	62	7	1.90
FKC0099	1603755.01	199615.7	80	42	45	3	2.48

Note: Intersections based on RC drilling completed by Orezone. Intersections are calculated using a 0.5g/t lower cut-off, no upper cut-off applied, with a maximum of 2m continuous internal dilution. Intersections are based on 1m sampling (as reported by Orezone)

No diamond drilling has been completed at the Fatatako prospect.

The Fatatako prospect represents an immediate drill target for Taruga and the company is proposing to undertake a program of infill and extension RC drilling to define the extents of gold mineralisation and allow a robust interpretation of the controls on mineralisation. In addition to the RC drilling, the company is proposing to undertake a programme of Aircore drilling aimed at defining the extensions of the Fatatako prospect, and particularly targeting the zone between the Kossa prospect and the Fatatako prospect. The company will be targeting a strike length in excess of 10km and will be exploring through areas of Aeolian sand cover that have made previous surface geochemistry ineffective.

A program of targeted diamond drilling to provide improved understanding of the geological controls on the mineralised structures and targeting depth extensions of gold mineralisation is anticipated following the initial RC and Aircore drilling.

The low-level, detailed aeromagnetic survey discussed above will also cover the Fatatako prospect and will assist in the delineation of bedrock geology and key structural zones that will be used to improve targeting of exploration drilling programs.

4.5.3 Kossa West Prospect

Kossa West prospect is located on the western margin of the project and is limited by the international border with Burkina Faso. The prospect is defined by surface geochemical sampling returning strong gold anomalism (>200ppb Au) and an interpreted geological setting similar to the Essakane Gold mine. No drilling is known to have tested the prospect.

The wide-spaced geochemical sampling has defined an anomalous zone that extends for over 3km in a north-south orientation and is estimated to be approximately 800m wide. The northern and southern extensions of the prospect are covered by areas of Aeolian sand and transported cover masking the geology and limiting the effectiveness of conventional soil sampling. The geological interpretation of the prospect area indicates major north-south fault zones/shear structures that extend into the areas of sand cover.

A program of Aircore drilling designed as a reconnaissance test of the Kossa West prospect is proposed. Taruga will also target the strike extensions of the prospect with a program of Auger drilling designed to target areas of Aeolian sand cover and transported material. This auger geochemical sampling will allow the definition of potential mineralised structures that have been interpreted from a regional geological overview.

The low-level, detailed aeromagnetic survey discussed above will also cover the Kossa West prospect and will assist in the delineation of bedrock geology and key structural zones that will be used to improve targeting of exploration drilling programs.

4.5.4 Regional Prospects

The Kossa Project is an extensive landholding, exceeding 940km² that is at an early stage of exploration. The systematic exploration completed by Orezone includes a regional geochemical sampling that has defined numerous gold anomalous zones that require follow-up exploration. Gold exploration drilling completed to date has focussed on the Kossa and Fatatako prospects with other geochemical anomalies untested – Taruga are proposing a program of systematic auger drilling, geological mapping and geophysical surveys to provide a comprehensive database for exploration targeting.

The auger drilling is proposed for areas of Aeolian sand and transported cover, as well as for infill of defined anomalous zones. It is anticipated that the auger drilling will define priority zones for Aircore drilling that is proposed as an initial test of the regional prospects.

The low-level, detailed aeromagnetic survey discussed above is proposed to cover the whole Kossa Project and will assist in the delineation of bedrock geology and key structural zones that will be used to improve targeting of exploration drilling programs.

4.5.5 Kourki Cu-Mo Prospect

The Kourki prospect is located in the southeast of the Project area. The Kourki prospect was identified during a 2007 regional gold exploration program using multi-element soil sampling, rock sampling and geophysical surveys. The prospect is interpreted to be a large Molybdenum (Mo) – Copper (Cu) porphyry style system, with a minimum 1km by 2km target size.

Orezone completed an eight hole, 1,200m diamond drill program that has returned anomalous Mo and Cu mineralization over large intervals. Diamond drill hole KKD0001 returned from 150.0m (from surface) 324ppm Mo (0.032%) including 7.0m (130.0 to 137.0m) 1,355ppm Mo (0.136%).

4.5 Budget

An exploration programme for the Kossa Project has been provided by Taruga covering the two year period following listing. The budget is focussed on the immediate drill targets defined at the Kossa and Fatatako prospect where the company has outline it's plan to undertake a program of RC and diamond drilling with the aim of determining the potential of defining a Mineral Resource through the targeted drilling program. The Company is also planning to undertake a program of regional auger geochemical sampling and a detailed aeromagnetic survey that will assist in the planning and targeting of additional drilling programs.

The exploration program is targeting the definition of a mineral resource at the advanced exploration targets and ensuring that the regional targets are rapidly assessed. The exploration programs are based on a program of systematic auger geochemical sampling in areas of defined anomalism as well as an ongoing program geological mapping, review of artisanal workings and rock chip sampling for the broader project area. It is anticipated that a program of RC and diamond drilling will be instituted at the Kossa and Fatatako prospects and a program of regional Aircore drilling and auger geochemical sampling will be completed in year 1 and a follow-up program of Aircore drilling and preliminary RC drilling is anticipated for year 2.

The proposed budget (Table 4.6_1) is as below.

Table 4.6_1 - Kossa Prospect Significant RC Drilling Intercepts

Activity	Year 1		Year 2		Total	
	\$5.5M minimum	\$7.5M maximum	\$5.5M minimum	\$7.5M maximum	\$5.5M minimum	\$7.5M maximum
RC Drilling	250,000	350,000	600,000	800,000	850,000	1,150,000
Diamond drilling	150,000	150,000	200,000	400,000	350,000	550,000
Auger Geochemical	200,000	250,000	150,000	300,000	350,000	550,000
Geophysical Survey	250,000	300,000	0	0	250,000	300,000
Geological Mapping and Review	50,000	75,000	50,000	50,000	100,000	125,000
Administration and Overheads	100,000	100,000	100,000	100,000	200,000	200,000
Total	1,000,000	1,225,000	1,100,000	1,650,000	2,100,000	2,875,000

4.7 Conclusion

The historical exploration completed at the Kossa project highlights very prospective geology, with a similar style of mineralisation and host rock to the Essakane Gold mine. Drill testing completed by Orezone has indicated primary gold mineralisation associated with the surface geochemical anomalies and several highly prospective prospects have been defined. A very large portion of the project is covered by sand dunes and recent transported cover, making conventional surface geochemical sampling ineffective.

Taruga have outlined a systematic exploration program that initially focuses on the advanced prospects at Kossa and Fatatako where the company will be looking to complete drill testing in sufficient detail to support a maiden resource estimate for the prospect if results are positive.

In addition the company has outlined a program of auger geochemistry, regional aircore drilling and detaile areomagnetics that will provide sufficient information for the company to prioritise and rank exploration targets and rapidly assess the project to determine the potential to host a significant mineral resource.

The proposed exploration strategy is well focused and appropriate for the exploration level of the projects, geological setting and regolith environment present. The expenditure is appropriate given the prospectivity of the area and is sufficient to achieve the stated objectives of providing sufficient geological data to rapidly assess the projects, delineation of drilling targets. The budget is weighted towards RC drilling and diamond drilling of the advance prospects and the auger geochemical sampling and reconnaissance drilling of regional targets as appropriate for this stage of exploration.

The following exploration methodology is recommended, and it is noted that these recommendations are consistent with the proposed exploration program:

- RC drilling and diamond drilling of the Kossa and Fatatako prospects – the potential to define a mineral resource will be defined by this drilling.
- Systematic mapping and sampling of outcrops and artisanal working to define immediate drill targets in areas of defined gold mineralisation.
- Auger geochemical sampling, with a focus on the delineation of existing gold anomalous zones and extensions of mineralised structures at the Kossa West and regional prospects
- Geochemical sampling of the broader licence area to define new areas of gold anomalism
- First pass RAB drilling of priority targets to determine potential for primary gold mineralisation
- Detailed aeromagnetic survey of the Kossa Project to allow a detailed review and geological assessment of the project and allow prioritisation of regional targets.

5 Ducie Project Ghana

5.1 Introduction

The Ducie Project covers an area of approximately 1,126km² and is located in the Upper West Region of Ghana, approximately 525km northnorthwest of the capital city Accra. The capital of the Upper West Region is the town of Wa, with a population of approximately 50,000, and the Ducie project is located approximately 75km east of the town.

Access to the Ducie project area is via good bitumen road from Accra to Wa and from Wa via good all-weather gravel road and other gravel roads of variable quality. Access within the project area is via gravel roads and numerous dirt roads (that may become impassable during wet conditions) and footpaths.

The township of Wa has an excellent all-weather airstrip suitable for chartered light aircraft. No commercial flights operate on a regular basis to Wa.

The concession area falls within the tropical humid moist savannah climatic region. Rainfall is typically in the range of 1000 to 1250mm/year with a rainy season usually from May to October with a peak in August. The concession has a relatively subdued topography. Generally, the north area is relatively flat with remnants of a dissected peneplain at about 350m ASL and most areas being about 300 - 350m ASL. The lowest elevations are along the Kulpawn River at about 180m ASL.

In the entire concession, a dendritic pattern of intermittent streams drain into the more major tributaries, which discharge into the Kulpawn, Kudage and Grogro, the major Rivers that drain the concession area. The main drainage direction is to the southeast. Quite a good number of streams exhibit NE, N-S and E-W drainage directions.

5.2 Mineral Title

The Ducie RL was granted on the 19th December 2006 to Maintenance Culture Resources Ltd and has been assigned Land Registry Number 710/2006 and Land Valuation Board Number 739/2007. An application for extension of the RL was submitted to the Minerals Commission in 2007.

In 2006 Maintenance Culture entered into an option Agreement with ASX listed Castle Mining Limited (via Ghanaian registered subsidiary company Carlie Mining Limited). Castle terminated the Option agreement in March 2009.

In September 2010 MGS Ghana, a 100% subsidiary of Taruga entered into an option agreement with Maintenance Culture Resources Limited.

In 2011 4 prospecting licences were applied for covering areas of geochemical and geological anomalism. Final Ministerial signature is required to formalise the grant of these licences. Upon grant, Taruga will be able to undertake drilling activities within the Prospecting Licence areas.

Table 5.2_1 - Granted Licenses (Taruga Resources Ghana)

Tenement Name	Type	Area km ²	Grant Date	Ghana Land Registry Number	Expenditure Commitment US\$
Ducie	RL	1125.98	19 December 06	710/2006	N/A
Yala	Application	N/A	N/A	N/A	N/A
Sombisi	PL	N/A	N/A	N/A	N/A
Katua	PL	N/A	N/A	N/A	N/A
Kundunga	PL	N/A	N/A	N/A	N/A

5.3 Geology and Mineralization

5.3.1 Geology

Ghana is underlain in the western and northern parts of the country by the Proterozoic domain of the Man Shield, the southernmost subdivision of the West African (or Guinean) Craton, while the central and western portions of the country are overlain by the Volta Basin.

Three distinct geological terranes are recognised in Ghana, these being:

- The early Proterozoic terrane (Birimian) which hosts the majority of the known economically significant gold deposits;
- A Pan-African fold belt, located in the east of the country, and separated from the Birimian terrane by a prominent topographic feature known as the Akwapim-Togo Range; and
- The late Precambrian to early Paleozoic Voltaian Basin in which is preserved the cratonic sedimentary cover of the shield.

The Ducie project is situated in the north eastern corner of Ghana within the Bole-Bolgatanga Belt. The project covers 60 kilometres of strike of Birimian metasediments and volcanoclastics along the covering the NE trending Bole-Bolgatanga Fault. The Bole- Bolgatanga Fault is host to significant gold mineralisation at Bolgatanga and Youga approximately 150km to the NE.

The Bole-Bolgatanga Belt and its margins are intensely faulted and most contacts between major lithologic units appear to be tectonic. On the southern margin of Bole-Bolgatanga Belt, the Soviet mapping (Nikoulshin and others, 1991) has delineated one major metasedimentary and volcanoclastic sequence dominated by fine- and medium-grained clastics (argillite, quartzite and wacke) with significant interbeds of volcanoclastics and persistent bands of manganese-rich sediments. According to the Soviet interpretation, these form a very broad NE trending synclinal structure with its axis just south of Seripe and at the road junction to the Dokrupe gold prospect. The southern end of the syncline includes a narrow band of mixed metasediments, volcanoclastics, and lavas/pyroclastics in the core of the syncline.

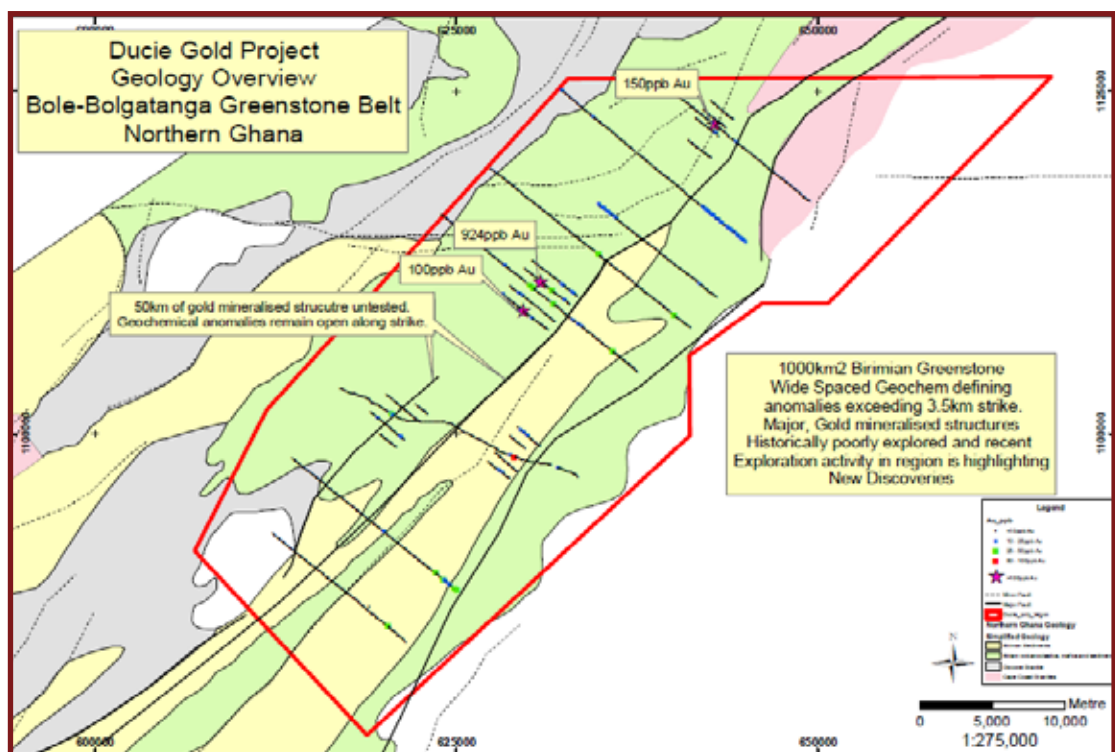


Figure 5.3.1_1 - Regional Geology and Project Location

The northern margin of the Bole-Bolgatanga Belt is largely dominated by extensive granitoid complexes however there are several areas with metasediments interpreted to represent remnants of basin sediments. One prominent area is located SW of Bole and it extends to the Black Volta. These metasediments have been classified mainly as medium-grained clastics (wacke), phyllites, and minor units with an apparent volcanoclastic (tuffs) component.

The two broad categories of basin/Cape Coast and belt/Dixcove intrusives are associated with the Bole-Bolgatanga Belt. The basin type is by far the most dominant and is widely exposed in large batholiths along the margins of the Bole Belt and in the large area to the north. The belt intrusive occurs in smaller stocks and batholiths more or less confined to the immediate belt area.

Airborne EM and magnetic data confirmed many NE trending features, which can be reasonably interpreted as major and minor faults. Many of the proposed faults correlate with stream drainage patterns and are evident in the satellite images. The most prominent fault is the one located north of Bole; this fault can be traced continuously to the Bolgatanga area and is referred to as the Bole-Bolgatanga Fault Zone.

There appears to be a few late-stage cross-cutting zones of brittle fracture which trend approximately NW to WNW and appear to correlate with fracturing along which some dolerite dikes have intruded. These cross-cutting features are also evident in airborne geophysical data; they are also recognizable on the satellite maps.

The regional metamorphic pattern is very complex and varies from lower grade zones of greenschist facies to higher-grade amphibolite and granulite facies. This pattern is further complicated in the marginal areas of the belt by extensive metamorphism along the contacts of the major batholiths.

The regional geology and the project location (Figure 5.3.1_1) is summarized in the following figure.

5.4 Exploration History

The Ducie Project area is at a very early stage of exploration. Prior to the reconnaissance geochemical sampling completed by Castle Minerals Limited in 2007 and 2008, no previous exploration is known to have occurred within the licence area. It is noted that limited sections of the project area have been previously covered by older licences, no exploration activity is recorded.



Figure 5.3.1_2 - Mafic-Volcanic Rock Exposure (627933E 1098747N UTM Z31N)

Exploration Pre - 1990

The southern margin of the Bole-Bolgatanga Belt was most likely the area for early artisanal mining prior to the gold boom of the 1930's. The area was mapped and prospected in the mid 1930s by the Gold Coast Geological Selection Trust (GCST) who had very extensive prospecting concessions around Bole. Their work resulted in a small-scale underground mining operation at Dokrupe. Approximately 4,150 ozs of gold was reported to have been recovered in 1938.

Limited programs of reconnaissance mapping and prospecting were conducted by a Russian technical team in the 1960s. The Russian regional work indicated anomalous gold in stream sediments within a large drainage area in the proposed concession. The alluvial gold is described as relatively coarse-grained and fairly well worn. The anomalous area is mainly underlain by volcanoclastics and sediments in close proximity to a major NE trending fault system which appears to correlate well with the Bole-Bolgatanga fault zone. The apparent bedrock sources for the alluvial gold are in abundant quartz veins hosted in the metavolcaniclastics and sediments. Gold mineralisation was indicated by a Russian mapping project in the 1960's at Ducie and Chasia immediately SW of the licence.

The Dokrupe area again received considerable attention of the Russians in the 1960s and their work included trenching and shallow diamond drilling. Their work recognized a broad, NE trending tectonic zone of regional extent within which the Dokrupe mineralized vein and shear systems occur.

Exploration Pre – 1990 – 2006

In the early 1990s, the Australian junior company Takoradi Gold Limited, applied for a large reconnaissance licence and prospecting concessions to cover Dokrupe and on strike extensions in the name of their Ghanaian subsidiary, Northern Goldfields. Northern Goldfields carried out a regional prospecting program and subsequently converted portions of the reconnaissance licences to prospecting concessions to cover several other prospects that were discovered.



Figure 5.3.1_3 - Meta-Sedimentary Rock Exposure (617581E 1088305N UTM Z31N)



Figure 5.3.1_4 - Meta-Sedimentary Rock overlying a Granitic Outcrop (612127E 1087721N UTM Z31N)

The area north of Dokrupe was held under a reconnaissance licence by Shea Gold Ltd, a subsidiary of Dominion Mining of Australia. Shea Gold carried out regional exploration, which outlined two main prospects, Senyon East and Senyon West that appear to occur in a NE extension of the regional structure observed at Dokrupe.

In the mid 1990s, Kenor, a small Norwegian gold producer, acquired a large reconnaissance licence over much of the central part of the Bole-Nangodi belt. Kenor's exploration work had involved interpretation and evaluation of landsat imagery and airborne geophysical data as well as regional multi-media geochemical sampling.

2006 – 2008 – Castle Minerals Limited

Exploration activities completed by Castle include:

- Regional scale to project scale geophysical and geological interpretation
- Field reconnaissance and validation of geological interpretation. Additional data compilation of regional historical work and data purchase.
- Wide spaced regional geochemical sampling. A total of 1003 samples were collected from 6 regionally spaced soil traverses with samples collected every 100m along the lines and reported a strongly anomalous peak value of 150ppb gold. The samples were also analysed for copper, lead, zinc, arsenic and silver to test the base metal potential of the area but reported generally low values.
- Follow-up sampling completed with 768 soil samples collected. - Four areas of follow-up sampling and two regionally spaced lines at the south west end of the licence. A peak value of 924ppb gold was reported from an area 6km east of the town of Chawuli.

No additional exploration was completed by Castle. The Option agreement was terminated as the parties could not agree on altered terms, and Castle focuses its exploration funding on other projects in the Upper West region.

5.5 Exploration Prospectivity and Strategy

The Ducie Project is a Greenfields exploration project. The prospectivity of the project area is highlighted by the regional geological setting in the gold mineralised Birimian Bole-Bolgatanga Belt as well as the results of the first pass geochemical sampling completed by previous explorers.

No drilling has been completed within the project area. The presence of artisanal workings, major geological structural zones and associated surface geochemical anomalism have outlined targets that may be suitable for wide-spaced reconnaissance drilling or for infill auger sampling to more clearly define drill targets.

Taruga is proposing an exploration program that is based on completing geochemical sampling and commencing drilling of priority targets in year 1 and follow-up of mineralised zones in year 2 with a combination of regional drilling and detailed reverse circulation drilling. A review of the exploration by Castle has defined three prospect areas and additional regional exploration to be completed.

5.5.1 Yala Prospect

The Yala prospect is located in the central portion of the Ducie Project and is defined wide-spaced geochemical sampling, geophysical interpretation and geological mapping. The geochemical sampling has been completed on a nominal spacing of 800m between lines and 100m between samples. An anomalous strike length of over 4.5km has been defined and this zone remains open to the north and south. The anomaly is defined by a greater than 10ppb Au cut-off, with a maximum value of 924ppb returned from the limited sampling.

The review of the airborne magnetics and regional geology indicates that then prospect is located adjacent to the Bole-Bolgantanga fault and gold anomalism may be related to a second order splay structure. The geology of the prospect includes the contact between a sequence of Birimina sediments and Birimian volcanoclastis – a geological setting known to host gold mineralisation.

The Yala prospect is located with the Yala and Kundunga Prospecting Licences that will ensure that drill testing of defined geochemical anomalies is possible. Taruga are proposing to undertake a program of infill and extension auger geochemical sampling to define the anomalous zone prior to first-pass RAB drilling.

5.5.2 Sombisi Prospect

The Sombisi prospect is located in the northern portion of the Ducie Project and is interpreted to overlie the extension of the Bole-Bolgantanga fault. Geochemical sampling has defined a 2km strike length of geochemical anomalism, with a maximum value of 150ppb Au returned. The prospect remains open to the south along the interpreted continuation of the Bole-Bolgatanga fault.

Taruga are proposing to undertake a program of infill and extension auger geochemical sampling to define the anomalous zone prior to first-pass RAB drilling. The prospect is located within the Sombisi Prospecting licence and will allow drilling of defined targets to be completed.

5.5.3 Katua prospect

The Katua prospect is located within the Katua prospecting licence in the southeast of the Ducie Project area. The prospect is defined by wide-spaced surface geochemical sampling that has defined a gold anomalous zone of over 3.5km strike length that remains open to the north and south. The prospect is adjacent to the contact zone between a sequence of Birimian sediments and Birimian volcanicalstics, and it is interpreted that the contact zone is a faulted and structurally controlled zone.

To the north of the geochemical anomaly, an intrusive body is interpreted from the airborne magnetics and this geological setting provides a good target zone for the ongoing exploration.

Taruga are proposing to undertake a program of infill and extension auger geochemical sampling to define the anomalous zone prior to first-pass RAB drilling.

5.5.4 Ducie Regional

The Ducie Project is very large, covering an area of over 1,126km². No historical exploration has been completed on the project area prior to the wide-spaced geochemical sampling completed by Castle Minerals in 2007 and 2008. Vast areas of the project remain under-explored and the geological review and interpretation of the airborne magnetic data highlights major structures and geological targets that require first-pass exploration.

Taruga is proposing to undertake a program of field mapping, rock chip sampling, review of artisanal mining and sampling and completed first pass geochemical sampling of the Ducie project area. It is anticipated that auger geochemical sampling will provide a reliable and efficient method of reconnaissance exploration for the licence. The focus will be on the extensions of the Bole-Bolgatanga fault and subsidiary splay structures.

A program of reconnaissance RAB drilling is anticipated for areas of new gold anomalism defined by the auger geochemistry.

5.6 Budget

An exploration programme for the Ducie Project has been provided by Taruga covering the two year period following listing. The budget is focussed on the rapid assessment of the geochemical anomalous prospects, delineate and reconnaissance drill testing of priority targets and determine the potential for resource drilling.

The exploration programs are based on a program of systematic auger geochemical sampling in areas of defined anomalism as well as an ongoing program geological mapping, review of artisanal workings and rock chip sampling for the broader project area. It is anticipated that a program of RAB drilling will be completed in year 1 and a follow-up program of RAB and preliminary RC drilling is anticipated for year 2.

The proposed budget (Table 5.6_1) is as below.

Table 5.6._1 - Ducie Project Exploration Budget

Activity	Year 1		Year 2		Total	
	\$5.5M minimum	\$7.5M maximum	\$5.5M minimum	\$7.5M maximum	\$5.5M minimum	\$7.5M maximum
Geological Mapping	50,000	50,000	20,000	20,000	850,000	1,200,000
Auger Geochemical	100,000	150,000	100,000	100,000	350,000	600,000
Assay	80,000	80,000	120,000	120,000	350,000	500,000
RAB/Aircore Drilling	150,000	200,000	200,000	200,000	250,000	300,000
RC Drilling	0	0	0	200,000	100,000	125,000
Administration and Overheads	50,000	50,000	70,000	70,000	200,000	200,000
Total	430,000	530,000	490,000	790,000	920,000	1,320,000

5.7 Conclusion

Ducie project is a very large under-explored Birimian greenstone belt bounded by major regional scale structures and as such represents a very attractive grass roots exploration target. The project is regarded as a greenfields exploration project with very limited historical exploration. The wide-spaced regional geochemical sampling completed by Castle Minerals Limited in 2007 and 2008 is the first documented exploration over the project area. This work has highlighted areas that require immediate follow-up exploration as well as confirm the prospective nature of the geological setting to host significant gold mineralisation.

The proposed exploration strategy is well focused and appropriate for the exploration level of the projects, geological setting and regolith environment present. The expenditure is appropriate given the prospectivity of the area and is sufficient to achieve the stated objectives of providing sufficient geological data to rapidly assess the projects, delineation of drilling targets. The budget is weighted towards auger geochemical sampling and reconnaissance drilling as appropriate for this stage of exploration. It should be noted that if encouraging results are returned and more RC drilling is required to delineate potential Mineral Resources, additional funds will be required.

The following exploration methodology is recommended, and it is noted that these recommendations are consistent with the proposed exploration program:

- Systematic mapping and sampling of outcrops.
- Auger geochemical sampling, with a focus on the delineation of existing gold anomalous zones at Yala, Sombisi and Katua
- Geochemical sampling of the broader licence area to define new areas of gold anomalism
- First pass RAB drilling of priority targets to determine potential for primary gold mineralisation
- Reconnaissance RC drilling in areas of gold mineralisation.

6 MANKONO AND TORTIYA PROJECTS COTE D'IVOIRE

6.1 Introduction

Taruga subsidiary, Gecko Resources CI, has submitted licence applications of two large projects within Cote d'Ivoire, the Mankono and Tortiya projects.

The Mankono project is located in central Côte d'Ivoire approximately 410km away from Abidjan by road through Bouaké. There is a bitumen road from the Abidjan to the village Agbao from which the remaining 59km into Mankono is via a dirt track. The town Mankono is located 5km outside the permit area.

There is an elaborate network of dirt tracks and footpaths that access various portions of the permit.

The Mankono permit was visited on the 11th and 12th of May 2010. Activities carried out over the area within the period included traversing, geological and structural observations and general observations with regards to infrastructure and all other attributes that contribute to the overall prospectivity of the permit.

Tortiya occupies an area of 870km² and is located in the northern central portion of Cote d'Ivoire, approximately 600km from Abidjan. No field visit has been made to the Tortiya permit area as the ground is in application, and no review of the permit area is provided here. A brief comment on proposed exploration following grant of the licence is provided.

The climate is sub-tropical to semi-arid with the greatest annual rainfall, about 2,000mm, along the coast and in the southwest. The coastal region has a long dry season from December to April, followed by heavy rains from May to September. Farther north, there is only one wet and one dry season, with rainfall heaviest in summer, culminating in September, and lightest in January. The country's lightest rainfall is in the northeast, averaging 109cm annually. Average temperatures along the coast range from 24° to 32°C in January and from 22° to 28°C in July. At Bouaké, in the centre of the country, minimum and maximum temperatures in November, the hottest month, average 21° and 35°C; the range is from 20° to 29°C in July, the coolest month. In the far north, temperatures range from 21° to 36°C in March and from 17° to 30°C in November.

The climate has significant bearing on the exploration season, as it affects access. Exploration activities commonly run from October to July.

6.2 Mineral Title

Taruga has submitted two licence applications in Cote d'Ivoire – the Mankono and the Tortiya applications. The licences are held in the name of Gecko Resources CI, a 100% owned subsidiary of Taruga registered in Cote d'Ivoire.

Table 6.2._1 - Gecko Resources CI - Permit details

Permit	Permit Number	Area (km ²)	Date Granted	Type
Mankono	N/A	1000	N/A	Application
Tortiya	N/A	870	N/A	Application

6.3 Cote d'Ivoire Geology and Mineralisation

6.3.1 Geology

Almost all of Côte d'Ivoire is underlain by rocks of Precambrian age (Archaean and Proterozoic), belonging to the West Africa craton. Younger sediments, mostly Cainozoic in age, are confined to the southern and southeastern coastal zone with the sedimentary sequence hosting oil and gas reserves.

The Archaean rocks of Cote d'Ivoire are located in the extreme west of the country, around Man, and are divided into the Kenema-Man domain, while the Proterozoic Baoule-Mossi domain occupies the central and eastern portions of the country. The Archaean and Proterozoic sequences are separated by the north-south trending Sassandra mylonite zone.

The Kenema-Man domain consists chiefly of Archaean migmatites and gneisses with subordinate granitoids and relic supracrustal belts, which are metamorphosed to granulite facies and include banded ironstone formations. The Archaean rocks were affected by two major, but poorly constrained, tectono-thermal events, the earlier Leonian orogeny (ca. 3,500-2,900Ma) and the subsequent Liberian orogeny (ca. 2,900-2,500Ma).

The Proterozoic terranes of the Baoule-Mossi domain in eastern Côte d'Ivoire consists mostly of northeast-southwest trending, sub parallel, volcanic belts, the same sequences as observed in Ghana, Mali and Burkina Faso. These belts contain chiefly low-metamorphic-grade tholeiitic flow rocks, minor felsic volcanoclastics, some chemical sediments and syn-volcanic granitoid intrusions, which have yielded ages between 2,190-2,150Ma. The volcano-sedimentary basins consist of isoclinally folded, predominantly dacitic volcanoclastics, greywackes and argillites.

In central Côte d'Ivoire, continuity, spacing and parallelism of the volcanic belts are less clearly developed than in neighbouring Ghana, and there are terrains in between them consisting largely of gneisses and granitoids. The volcanic belts in this central sector have yielded an age of about 2,100Ma, thus indicating two generations of volcanic belts being present in the Baoule-Mossi domain.

Sediments and minor quartz pebble conglomerates belonging to the Tarkwaian Group are found as relatively small, isolated, occurrences spatially associated with some volcanic belts, the largest one cropping out in the northeast of the country near Bondoukou.

Mankono occupies an area of 1000km² and The Tortiya application ("Tortiya") boundary coordinates are detailed below:

The Eburnean tectono-thermal event folded and metamorphosed the supracrustals and syn-volcanic granitoids at around 2,100Ma. It is responsible for the formation of high-strain zones close to the boundaries of the Birimian volcanic belts and sedimentary basins as well as major, several >100km-long, north-south trending shear zones of regional importance.

The basins and locally some belts were intruded by extensive, late-orogenic granitic plutons, which vary from tonalite to peraluminous granite. These are commonly divided into two suites, the Dixcove Suite type (sometimes referred to as "belt-type") which is located within the volcanic belts and the Cape Coast Suite (sometimes referred to as "basin-type") which is located within the flysch basins

6.3.2 Mineralisation Styles

Gold deposits are economically the most important minerals resources in Côte d'Ivoire. There have been six major gold deposits discovered in Côte d'Ivoire, with four of these have been brought into production. The mineralisation styles in general fall into 3 categories:

- Steeply dipping quartz veins with native gold in shear zones at volcanic belt/sedimentary basin boundaries;
- Disseminated sulphide bodies, spatially though not necessarily genetically in association with the shear zones and quartz veins, with auriferous sulphides as major host of gold;
- Alluvial gold concentrations in Recent and sub-Recent river gravels. Modified Palaeoplacer gold mineralization in interbedded conglomerates and quartz-sericite schists of the Tarkwaian Group has also been reported, with grades up to 3g/t.

Gold exploration is still at an early level in Côte d'Ivoire and large portions of the prospective Birimian and Archaean terranes remain under-explored. Many of the proven gold mineralised belts in Mali, Burkina Faso and Ghana extend into Côte d'Ivoire demonstrating prospectivity and providing background knowledge to assist in targeting future exploration programs.

Major deposits include:

- Ity Mine - operated by La Mancha Resources using open pit mining methods and standard CIL-processing. The Ity deposits in southwest Côte d'Ivoire.
- Bonikro Mine – operated by Lihir Gold of Australia using open pit mining methods and standard carbon-in-leach (“CIL”) processing. Commercial production commenced in August 2008.
- Angovia Mine - deposits operated by Cluff Gold using open pit mining methods and standard CIL-processing. Mineralization at Angovia is hosted by mafic metavolcanics and felsic intrusives within a Birimian greenstone belt.
- Tongon Mine – operated by RandGold the Tongon deposits are located within the Lower Proterozoic Senoufo Belt which is a 200km long, volcano-sedimentary belt of greenschist grade metamorphism bounded on either side by variably tectonised granitic gneiss terrane.
- Sissingue (Tengrela) Deposit – operated by Perseus Mining, the Sissingue deposit on the Tengrela Project is considered to be an advanced exploration project. The project is located in the far north of Côte d'Ivoire and is interpreted to close to the same major structure that is believed to control the Syama deposit in Mali.

In two of the major deposits (Bonikro and Sissingue) the bulk of the mineralization of economic interest is located with intermediate-to-felsic intrusives interpreted to be of the Dixcove Suite (belt-type). Felsic intrusives are also an important host for the Angovia deposits.

6.4 Mankono Geology and Exploration History

Mankono is underlain by Archaean basement rocks and Lower Proterozoic rocks. The Archaean rocks in Mankono are composed mainly of granitic-gneissic complexes and migmatites. The Lower Proterozoic rocks occur as undifferentiated granitoids, Flysch-type formations, felsic volcanoclastic rocks and metasediments.

The outcropping geology encountered included various sedimentary to meta-sedimentary formations such as quartzite, and thickly bedded shales with graphitic levels. These sedimentary formations were deformed at a localized scale expressed as micro folds and faults.

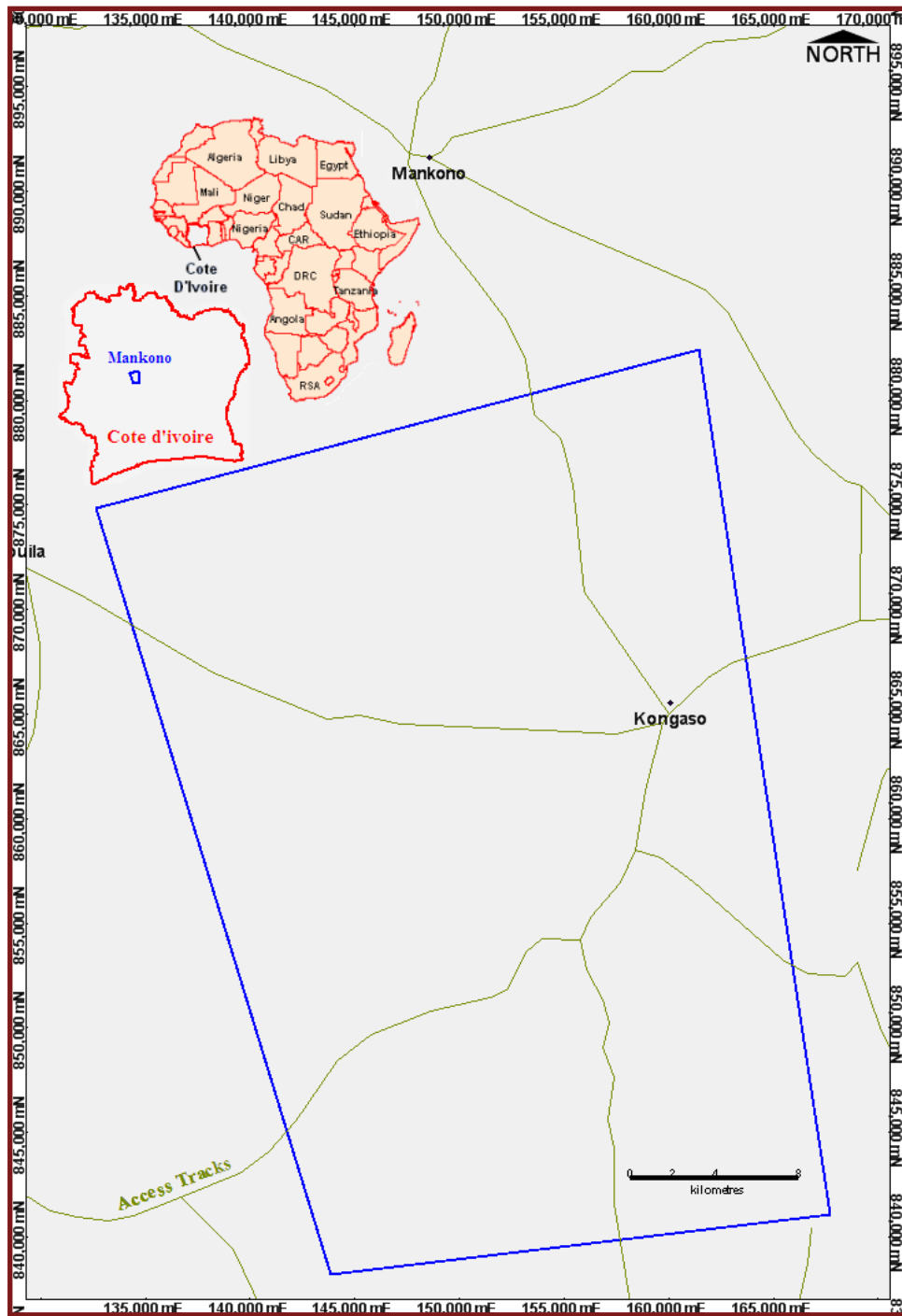


Figure 6.1_1 - Mankono Location Map

The Mangkono project area has been reviewed from regional datasets including geological mapping, regional airborne magnetic geophysical surveys and remotely sensed satellite data. This information provides a generalised overview of the project and highlights the regional prospectivity.

For the Mangkono project area, no documented exploration history or data is available for review and attempts to recover information from the Cote d'Ivoire Ministry have not proven useful to date. Discussions with functionaries in the Kongaso sous-prefecture indicated that previous explorers have completed various activities over the Mangkono permit area including soil sampling campaigns. No evidence of drilling was observed during the field visit or indicated from discussions with officials.

The mineral occurrence map of Côte d'Ivoire indicates the presence of bedrock hosted and alluvial gold mineralisation as well as the presence of alluvial diamonds within the permit area. Mapping of the prospect area indicates the presence of artisanal mine workings, however during the site visit no active workings were encountered. The presence of the Birimian greenstones and granitic porphyries are however synonymous to some known gold deposits within the sub-region such as Bonikro (approximately 70km away) which is dominated by a felsic porphyry of granitic composition.

During the field visit rhyolitic rocks were observed at locations 821280E 866042N (WGS zone 29N projection) and 822575E 865350N (WGS zone 29N projection). These rock exposures were moderately fractured and veined (Figure 5.4_3). No sulphides were identified in hand specimens of the quartz veins within the rhyolite examined.

The north-western portions of the permit area were dominated by granitic gneisses and migmatites (Figure 5.4_4). The gneisses were micaceous and foliation attitudes were generally 0350/540. Potassic alteration was dominant in these gneisses.

Highly fractured greenstones observed had foliation attitudes 2150/700. These greenstone outcrops revealed no significant shearing or alteration apart from moderate silicification.

Quartz veining was observed at various scales within the various lithologies encountered. The most significant was a milky/smoky quartz vein located at 816895E 864634N (WGS zone 29N projection) (Figure 6.4_5). It had an exposed thickness of approximately 2m and attitudes of 1300/650. Highly fractured basaltic to gabbroic rocks were also observed at 818401E, 864546N (WGS zone 29N projection)

The regolith over the Mangkono permit was mainly erosional within the moderately elevated areas and limited depositional terrain within the alluvial plains.

6.5 Exploration Prospectivity and Strategy

The Mangkono Project is regarded as a greenfields exploration project with limited previous exploration completed. The review of the regional datasets indicates that the project is located in a prospective geological setting, and mapping has identified the presence of artisanal gold workings. The Mangkono prospectivity is summarised as:

- Artisanal gold mining is identified on government mapping, however no workings were visited or noted during the site visit.
- The closest known ore deposit nearby with quite similar geology (Bonikro) is approximately 70km away and has mineralization associated with felsic porphyry intruding a sheared Birimian basaltic sequence.
- The lithologies comprise mafic-to-felsic intermediate intrusives and volcanics so there is clear potential for competency contrasts and differential deformation that might enhance the potential for mineralization.
- In most parts of the permit soil cover is thin enough for soil sampling to be effective.

6.5.1 Budget

An exploration programme for the Cote d'Ivoire Projects has been provided by Taruga covering the two year period following listing. The initial budget is focussed on the granted Mangkono licence, however funds have been allocated to the Tortiya project following grant. The program of proposed exploration has been designed to rapidly assess the projects, delineate and reconnaissance drill testing of priority targets and determine the potential for resource drilling.

At the Mangkono project, Taruga are proposing to undertake a program of systematic geological mapping, review of artisanal workings and rock chip sampling. In addition, a program of wide spaced reconnaissance soil sampling is proposed to test the permit.

The Tortiya project is currently a permit application. Taruga are proposing to undertake a program of regional mapping, rock chip sampling and wide-spaced surface geochemical sampling to assess the prospectivity of the licence.

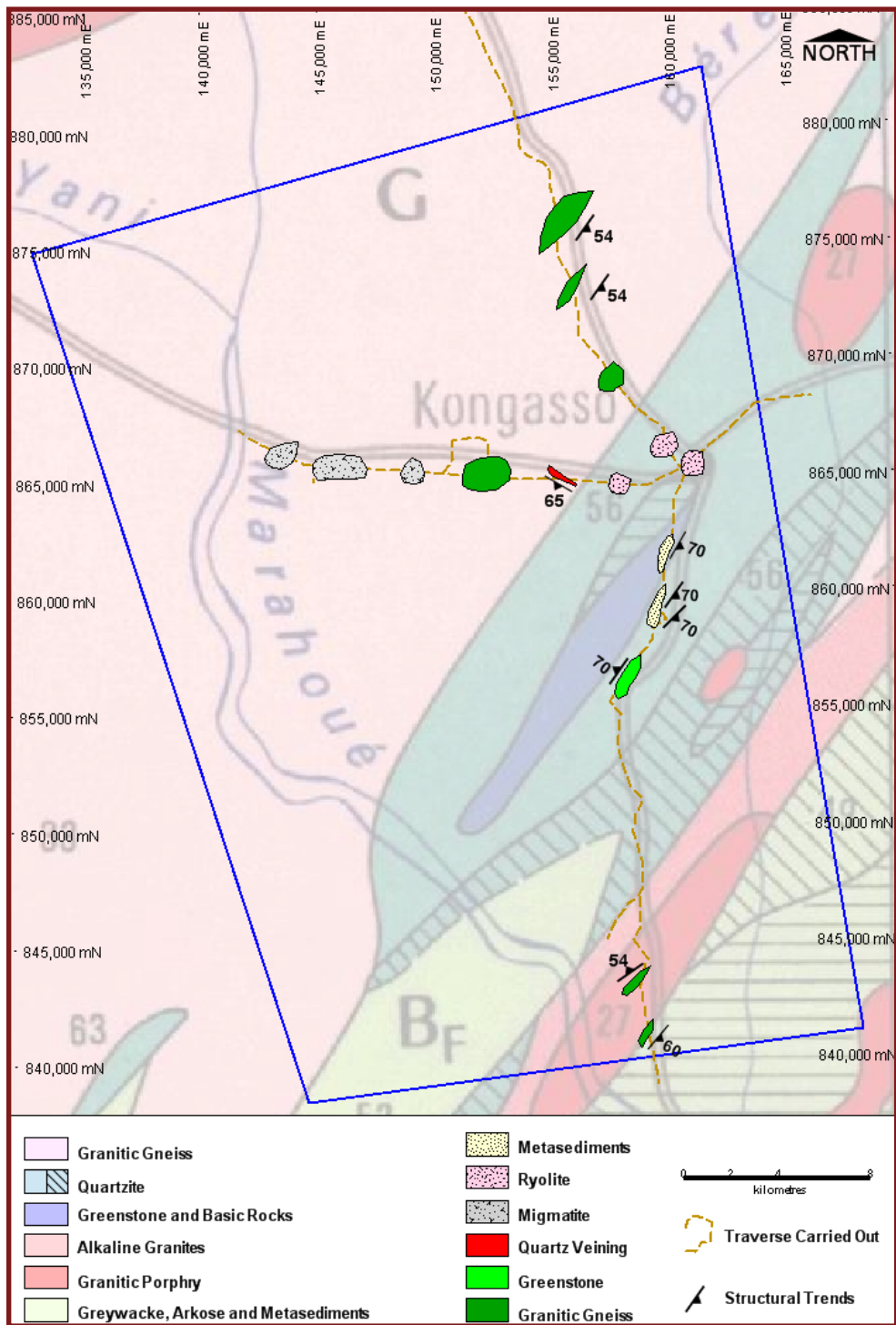


Figure 6.4_1 - Mankono Geology Outcrop Map (Base map after BRGM 1989)

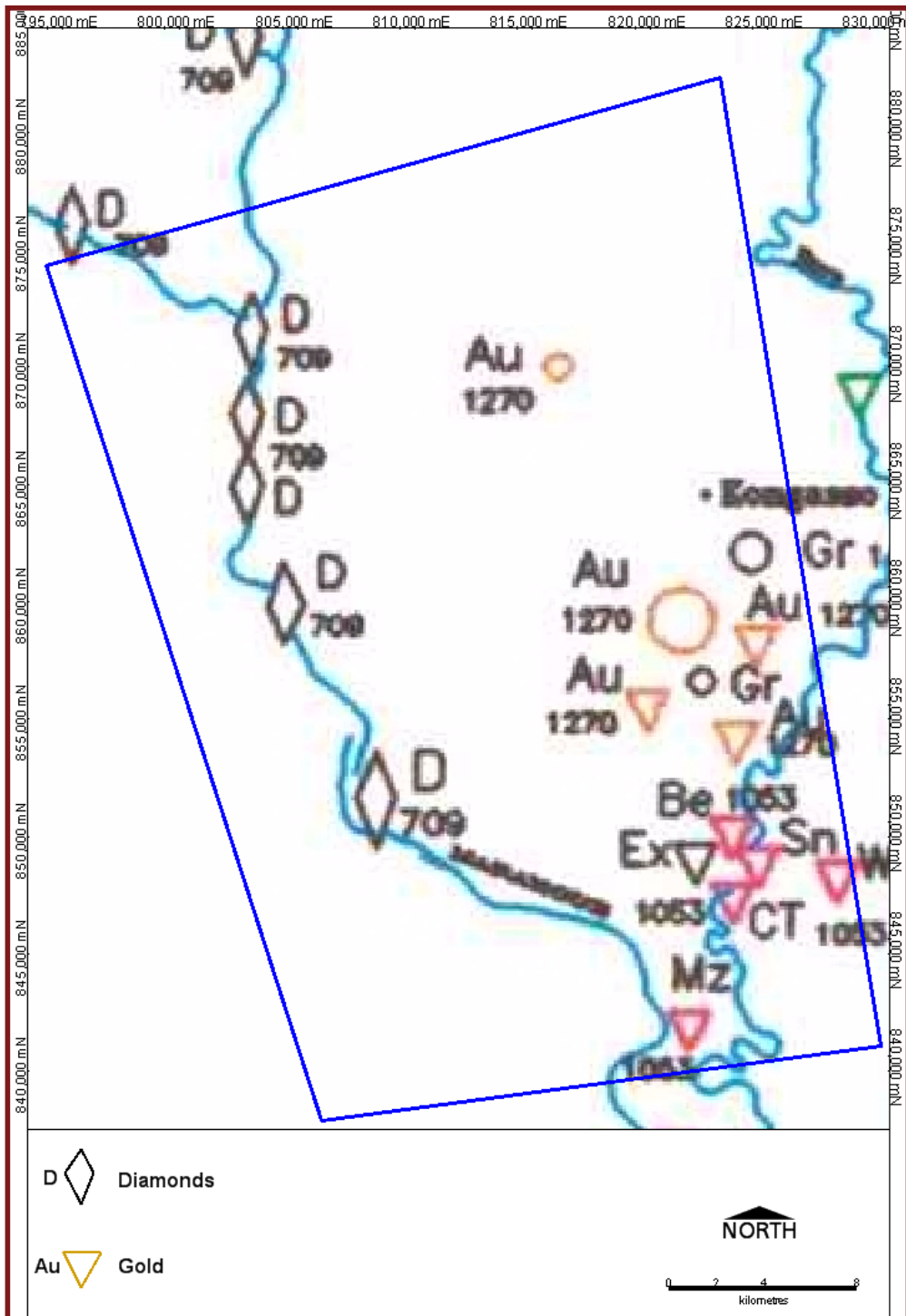


Figure 6.4_2 - Mineral Occurrence over Mankono



Figure 6.4_4 - Rhyolite Observed (821280E 866042N WGS zone 29N)



Figure 6.4_4 - A Typical Migmatite Observed (806733E 865209N WGS zone 29N)



Figure 6.4_5 - Quartz Veining

The proposed exploration budget is:

Table 6.6_1 - Cote d'Ivoire Exploration Budget

Activity	Year 1		Year 2		Total	
	\$5.5M minimum	\$7.5M maximum	\$5.5M minimum	\$7.5M maximum	\$5.5M minimum	\$7.5M maximum
Mankono Project						
Geological Mapping, Interpretation and Compilation	40,000	50,000	20,000	20,000	60,000	70,000
Geochemical Sampling and multi-element analysis	80,000	100,000	75,000	100,000	155,000	200,000
RAB/Aircore Drilling & Sampling	0	0	0	150,000	0	150,000
Tortiya Project						
Geological Mapping and Compilation	20,000	30,000	20,000	20,000	40,000	50,000
Geochemical Sampling	40,000	50,000	75,000	100,000	115,000	150,000
RAB/Aircore Drilling & Sampling	0	0	0	0	0	0
Administration and Overheads	20,000	30,000	60,000	60,000	80,000	90,000
Total	200,000	260,000	250,000	450,000	450,000	710,000

6.7 Conclusion

The Cote d'Ivoire projects are regarded as greenfields exploration projects with limited previous exploration. The proposed exploration strategy is well focused and appropriate for the exploration level of the projects, geological setting and regolith environment present. The expenditure is appropriate given the prospectivity of the area and is sufficient to achieve the stated objectives of providing sufficient geological data to rapidly assess the projects, delineation of drilling targets.

The following exploration methodology is recommended, and it is noted that these recommendations are consistent with the proposed exploration program:

- Systematic mapping and sampling of outcrops.
- Wide-spaced soil sampling (400m x 200m).

GLOSSARY

Ag	The chemical symbol for silver.
Al	The chemical symbol for aluminium.
alteration	The change in the mineral composition of a rock, commonly due to hydrothermal activity.
anticline	A fold in rocks in which strata dip in opposite directions away from the central axis.
Au	The chemical symbol for gold.
breccia	Rock comprising angular fragments enclosed in a finer grained matrix.
bulk density	The density of a rock which takes into account voids.
calcite	A mineral of composition CaCO ₃ (calcium carbonate), which is an essential constituent of limestones, marbles or a product of hydrothermal alteration.
carbonate	A rock, usually of sedimentary origin, composed primarily of calcium, magnesium or iron and CO ₃ . Essential component of limestones and marbles, but may also occur as a product of alteration.
Cenozoic (or Cainozoic)	An era of geologic time, from the beginning of the Tertiary period to the present, commencing about 65 million years ago.
chip sampling	The collection of selective or representative samples of rock fragments within a limited area for analysis.
clastic	Pertaining to a rock made up of grains, fragments or pebbles (clasts).
clast	A fragment of rock or pebble surrounded by matrix in a breccia or conglomerate.
cleavage	Close-spaced, planar fabric in a rock produced by the alignment and segregation of platy minerals during folding and shearing.
conglomerate	A rock composed predominantly of rounded pebbles, cobbles or boulders deposited by the action of water.
contact	Surface which marks the change between rocks of different type.
craton	Large, and usually ancient, stable mass of the earth's crust.
Cretaceous	The third and final Period of the Mesozoic Era, between 141 and 65 million years ago.
dip	The angle at which bedding or a geological structure is inclined from the horizontal.
discordant	At an oblique angle.
Eocene	The Period of geologic time between 54.8 and 33.7Ma.
fault	A fracture or fracture zone in the earth's crust along which displacement of opposing sides has occurred.
Fe	The chemical symbol for iron.
ferruginous	Containing or rich in iron.
fold axis	The central part of a fold, about which strata are bent.
folded	A term applied to the bending of strata or a planar feature about an axis.
grab sample	A fist-sized, selective rock sample.
gravimetric	An analytical method relying on the change in mass before and after a reaction to determine the percentage of components lost.
ha	Hectare, standard metric unit area 100m by 100m.
JORC	Joint Ore Reserves Committee of the Australian Institute of Mining and Metallurgy. Code of reporting of exploration results, mineral resources and ore reserves.

Jurassic	The middle division of the Mesozoic Era from 206.2 to 144.2Ma.
K	The chemical symbol for potassium
kg	Kilogram, a standard metric unit for weight.
kg/t	Kilograms per tonne, a standard mass unit for demonstrating the concentration.
km	Kilometre, a standard metric unit measure of distance.
ktpa	Thousands of tonnes per annum
kVA	Kilo-Volt Amperes (KVA) - a measure of electrical power
kW	Kilowatt, a standard metric unit of power.
l	Litre, a standard metric unit measure of liquid volume.
limb	The side or flank of a fold structure.
m	Metre, a standard metric unit measure of distance.
M	Million.
m²	Square metre, a standard metric unit measure of area.
Ma	Millions of years before the present (geologic time).
masl	Metres above sea level.
Measured Mineral Resource	That part of a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence.
Mesozoic	The Era of geologic time between approximately 250Ma and 65Ma, following the Palaeozoic and preceding the Cainozoic Era.
metallurgical testwork	The testing of representative ore samples in order to define the physical properties and metallurgical characteristics of the ore.
Mg	The chemical symbol for magnesium.
Mineral Resource	A concentration of material of economic interest in or on the earth's crust in such form, quality and quantity that there are reasonable and realistic prospects for eventual economic extraction.
Miocene	The Series of geologic time between 22.9 and 5.33Ma.
mm	Millimetre, a standard metric unit measure of distance or rainfall.
Mn	The chemical symbol for manganese.
Moz	Million ounces
Mtpa	Million tonnes per annum.
MW	A standard metric unit measure of power, equivalent to one million watts.
Na	The chemical symbol for sodium
Neogene	The Period of geologic time between 22.9 and 1.8Ma.
O	The chemical symbol for oxygen
pa	Per annum.
Palaeogene	The Period of geologic time between 65 and 22.9Ma
Palaeozoic	An Era of geologic time spanning the period from 544 million years ago to 248 million years ago.
Pliocene	The Series of geologic time between 5.33 and 1.78Ma
pyrite	An iron sulphide mineral, FeS ₂ .
quartz	A mineral composed of silicon dioxide, SiO ₂ .
Quaternary	That period of time between 1.8 million years before present and the present day.
S	The chemical symbol for sulphur.

sandstone	A sedimentary rock composed of cemented or compacted detrital minerals, principally quartz grains.
shale	A fine grained, laminated sedimentary rock formed from clay, mud and silt.
shear zone	A zone in which shearing has occurred on a large scale, such that the rock is deformed in a dominantly ductile manner.
Si	The chemical symbol for silicon.
siliceous	Containing silica.
silicification	Replacement by, or introduction of, appreciable quantities of silica, via hydrothermal alteration.
siltstone	A rock intermediate in character between shale and sandstone, composed of silt-sized grains.
strike	Horizontal direction or trend of a geological structure.
strike length	The horizontal distance along the long axis of a structural surface, mineral deposit or geochemical anomaly.
sulphide	A metallic mineral containing sulphur, usually comprising or associated with mineralisation.
syncline	A fold in rocks in which the strata dip inward from both sides towards the axis.
t	Tonne, a standard metric unit of weight.
t/m³	Tonnes per cubic metre.
tpa	Tonnes per annum
Tertiary	Subdivision of geological time covering the period from 65 million years to 1.8 million years ago.
Triassic	Subdivision of geological time covering the period from 248 million years to 206 million years ago.
U	The chemical symbol for uranium
unconformably	Having the relation of uniformity to the underlying rocks; not succeeding the underlying strata in immediate order of age or parallel position.
US\$	United States of America dollars.
weathering	The effect on rocks and ore minerals of prolonged exposure to atmospheric elements such as water and oxygen.
XRF	X Ray Fluorescence, a common analytical method for determining the chemical composition of rocks and minerals.

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INDEPENDENT SOLICITOR'S REPORT
NIGER TENEMENTS

The Firm: **GAHTAN KOWA**
 Rue C.156 MN-16 Avenue OUA – Poudrière
 BP: 11272 Niamey – Niger
 Tél: 00 227 96276708
lirwana_ab@yahoo.fr

**FOREIGN LEGAL COUNSEL**

1 December 2011
 The Directors
 Taruga Gold Limited
 45 Matlock Street
 Mount Hawthorn WA 6016

Dear Sirs,

1 Solicitor's Report on Niger Tenements**1.1 Introduction and Scope Background and purpose of report**

This report (**Report**) is prepared for inclusion in a prospectus (**Prospectus**) to be issued by Taruga Gold Limited (**Taruga**) in December 2011 offering for subscription up to 40 million fully paid ordinary shares at AUD\$0.20 each to raise up to AUD\$8 million.

This Report relates to the **KOSSA 1** Licence and **KOSSA 2** Licence in **NIGER** identified in **Section 2** of this Report (each a **Licence**, together the **Tenements**). Under a share sale agreement dated 21 first November 2011 (**Acquisition Agreement**), Taruga acquired 100% of the issued share capital of Gecko Gold Niger SARL (**Gecko Gold NI or the Company**) a company incorporated according to the laws of NIGER. Gecko Gold NI is the sole legal and beneficial holder of the Tenements.

We have acted on the instructions of Gecko Gold NI and have been requested to provide a title opinion on the Tenements and the conditions attached to the Tenements that may impact on the exploration, mining or transfer of such Tenements. We have also been requested to provide a brief overview of Niger's mining legal framework and the risk factors specific to mining operations in NIGER.

An overview of the Tenements is contained in **Schedule 1** which is attached to and, together with the notes to **Schedule 1**, forms part of this Report.

1.2 Laws and documents reviewed and enquiries made

In preparing this report we have reviewed copies of the following documents:

- (a) **KOSSA 1**, no 007/MM/DI/DGMG/DM registered in the name of Gecko Gold NI dated 24 October 2011 in respect of the Tillaberi region in Niger;
- (b) **KOSSA 2**, no 008/MM/DI/DGMG/DM registered in the name of Gecko Gold NI dated 24 October 2011 in respect of the Tillaberi region in Niger;
- (c) **DECREE N° 2011-196/ PRN/ MM/E and DECREE N° 2011-196/ PRN/ MM/E**. A copy of these Decrees is set out at **Schedule 2** to this Report;
- (d) Receipt of fixed fee and receipt of signature bonus from Ministry of Mines and Industrial Development amount paid of USD\$5,000 for each of the Tenements.
- (e) **AN OFFICIAL CERTIFIED COPY OF THE ORIGINAL SIGNED CONVENTION BETWEEN THE STATE MINISTER, MINISTRY OF MINES AND INDUSTRIAL DEVELOPEMENT AND GECKO GOLD NI**,

(The above documents are collectively referred to in this Report as the **Documents**).

This Report is limited to the NIGER laws of general application at the date of this opinion and is given on the basis that it will be governed by, and construed in accordance with, the laws of NIGER. We have made no investigation of, and do not express or imply any views on, the laws of any other country or jurisdiction other than those of NIGER.

We have not conducted physical due diligence on the Tenements.

1.3 Assumptions and qualifications

In issuing this opinion:

- (a) We have made all appropriate searches of the relevant registries including **MINISTRY OF MINES AND INDUSTRIAL DEVELOPMENT** (the *Ministry*) and **RCCM-NI-NIA-2010-B-2625** for **Gecko Gold NI** and inspected all relevant documents but not examined any corporate records of any governmental authorisations or orders, certificates of public officials or of representatives of the parties or any other documents not stated above, and our opinion is qualified in that regard.
- (b) Insofar as we examined originals, we assume that the signatures are genuine and in respect of copies of such originals we assume that such copies are true and accurate copies of the original documents.
- (c) After due enquiry, we are not aware of any material adverse change has taken place since the execution of the documents listed in this opinion, which would affect, undermine or otherwise alter their validity.
- (d) Where indicated in the Report, “to the best of our knowledge” indicates that no independent sources of information were reviewed or came to our attention indicating a contrary finding.

1.4 Summary of results

Based on our review of the Documents examined and subject to the statements set out herein, we confirm that at the date of this opinion:

- (a) The Tenements are correctly registered at **MINISTRY OF MINES AND INDUSTRIAL DEVELOPEMENT** in the name of Gecko Gold NI and that Gecko Gold NI is able to exploit them freely without reference to any other party.
- (b) That Gecko Gold NI's title to the Tenements will not be affected by any change to its parent company's shareholding.
- (c) All of the Tenements are in good standing and have no current or pending threat of revocation.
- (d) **AS INDICATED IN THE DECREES 2011/007 and 2011/008 section 5, the Kossa 1 Licence and Kossa 2 Licence have been granted for a period of three (3) years and, in accordance with section 25 of the mining Convention law, may be renewed twice for a period of three (3) years each.**
- (e) **MINISTRY OF MINES AND INDUSTRIAL DEVELOPEMENT** has the exclusive authority to grant exploration permits. The holders of the Tenements have therefore an undisputable right of access to the Tenements, as they wish, and do not require any other administrative authorisation or prior application to access the Tenements for the duration of the exploration permits.
- (f) Gecko Gold NI has the exclusive right to do any act or thing in respect of the Tenements and exercise all rights as holders and beneficial owners of the Tenements.
- (g) To the best of our knowledge, there is no actual or pending serious dispute on any of the Tenements. All possible or pending litigation has been checked at the legal division of the Ministry of Mines and Industrial Development.
- (h) The Schedule to this Report sets out the details of the Tenements, including the terms, expenditure, obligations, rent, area and other associated matters, which are the subject of this Report.
- (i) Taruga is registered as the sole legal and beneficial owner of 100% of the issued share capital of Gecko Gold NI with the Companies Registry and no further formalities (including payment of any stamp duty and receipt of regulatory approvals such as foreign ownership approvals) are required to effect Taruga's ownership pursuant to the Acquisition Agreement under the laws of Niger.

2 REVIEW OF THE TENEMENTS

Refer to **Schedule 1** for a summary of the material terms of the Tenements and **Schedule 2** for a copy of the **DECREE N° 2011-196/ PRN/ MM/E and DECREE N° 2011-196/ PRN/ MM/E**.

The Tenements have been allocated, by the **MINISTRY OF MINES AND INDUSTRIAL DEVELOPMENT**, development numbers **007/MM/DI/DGMG/DM and 008/MM/DI/DGMG/DM** specifying that respectively, **Kossa 1 and Kossa 2 are registered under number 281 in the Direction of Mines registry**. The register of the direction of the mines (**Register Cadastral**) numerates perimeters on the basis of the total mining land register. Thus, kossa is numbered 281 meaning that already 280 sites were granted. This number is key and allows sites holders, legal, etc. to retrieve all information about a particular site.

3 AN OVERVIEW OF THE LEGAL SYSTEM IN NIGER IN RELATION TO MINING

3.1 Mining Law in Niger

The following laws and regulations govern mining in Niger (this list is not exhaustive):

- (a) 1993 Mining Code
- (b) Niger Government Decrees in relation to the Mining Code

3.2 Types of Mining Permits

The following types of mineral rights are available in Niger: prospecting authorisation, exploration permit, mining permit and small scale artisanal mining licence.

(a) Prospecting Authorisation

A prospecting authorisation gives the holder the right to search for one or a number of minerals. It is non-exclusive but confers to the holder the rights of first refusal to an exclusive exploration permit within the limits and time validity of the authorisation. Prospecting authorisations are valid for one year, renewable indefinitely for one year periods. Surface and underground prospecting is permitted, as is the use of remote sensing techniques. The objective of the prospecting programme must be stated in the application, although there are no fees or land holding requirements.

(b) Exploration Permit

An exploration permit is valid for three years from the date of the Ministerial decree granting it. It can be legitimately renewed for two consecutive periods of three years, subject to the holder complying with all rights and obligations provided for by the mining regulations. For technical reasons related to the completion of a feasibility study or if a marginal deposit has been proven, an extension of the term, not exceeding one year may be granted to the holder (Article 23 2006/26 of 9th August 2006 amending Order No. 93/16, 2nd March 1993 and Article 20 of Decree 2006/265 of 18th August 2006 Mining Code).

An exploration permit grants its holder, within the granted perimeter, above ground or at depth, the exclusive right to explore the substances indicated in the application, as well as the right to dispose of the extracted products for exploration purposes. It can obtain, upon request, an extension of the exploration permit to other mineral substances in the perimeter (Section 21 Order 93-16 of 2nd March 1993 Mining Code).

During its term of validity an exploration permit also grants its holder the exclusive right to apply, at any time, for an exploitation permit, if one or several deposits are discovered in the exploration permit area or on other exploration permits held by the same holder, if the identified deposit occupies parts of the area of those other exploration permits (Article 21 of Ordinance 93-16 of 2nd March 1993 Mining Code).

(c) Mining Permit

A mining permit is granted by the Minister of Mines and Energy. (Article 33 2006/26 of 9th August 2006 amending Order No. 93/16, 2nd March 1993). The State automatically obtains an initial 10% interest in the venture, free of charge, which can be later increased to a maximum of 33% through share purchases. (Article 8 2006/26 of 9th August 2006 amending Order No. 93/16, 2nd March 1993 Mining Code).

(d) Small - Scale Artisanal Mining

The fourth type of licence is the Authorisation for Small-Scale Mining that applies to artisanal mining.

The **KOSSA 1** Licence and **KOSSA 2** Licence are Exploration Permits.

3.3 Authority

The granting of exploration and mining permits falls under the jurisdiction of the Minister of Mines and Energy following an examination of the application file in accordance with the provisions of Law No. 2006/26 of 9th August 2006, amending Order No. 93/16, 2nd March 1993 Mining Code supplemented by Ordinance No. 99/48 of 5th November 1999 and Decree 2006/265/PRN of 18th August 2006.

3.4 Government warranty of stability

Under Section 21 of the Mining Code, the State warrants to the Company and its operating Company (the Operating Company) the stability of the general, legal, administrative, customs and excise, economic, financial and fiscal conditions provided for in the Licences.

Throughout the term of the Licences, the rates as specified in the Licences, the tax base and the rules for the collection of duties and taxes shall remain as on the date of execution, unless in the intervening time the rates shall have lowered, in which case the Company and the Operating Company shall, upon their request, benefit from the new rates.

The State warrants to the Company, to the Operating Company and to their sub-contractors and to their personnel that:

- they will never in any way become the object of any unfavourable legal or administrative discrimination in fact or in law
- all the authorisations and administrative measures necessary to facilitate the performance of the exploration and mining work will be granted and taken respectively as expeditiously as possible subject to legislative and regulatory provisions in force; and
- all administrative authorisations will be issued as expeditiously as possible to facilitate the marketing of the Products.

It remains understood that the Operating Company may negotiate the marketing of the Products with a specialist company. However, it remains the sole party responsible for this operation vis-à-vis the State and shall submit to the State any prospective sales contract.

3.5 Financial Obligations for Exploration Permits

(a) Fixed Fees

Fixed fees will be paid by an exploration permit applicant for the application, renewal or transfer of permit for an inclusive amount as indicated below:

Grant 1.000.000 FCFA

First Renewal 1.000.000 FCFA

Second Renewal 1.000.000 FCFA

Transfer 1.500.000 FCFA

Extension 2.000.000 FCFA

AUD to FCFA exchange rate = AUD1.0 = FCFA 490 (as at 1 December 2011)

(Article 82 2006/26 of 9th August 2006 amending Order No. 93/16, 2nd March 1993 Mining Code)

(b) Taxes

Proportionate duties are constituted from proportionate surface area taxes and royalties. Surface area taxes are based on the surface area occupied and are payable once a year. Surface area taxes for exploration permits apply as follows:

First year 1,000 FCFA/Km²/year

Second year 2,000 FCFA/Km²/year

Third year 3,000 FCFA/Km²/year

Extension 5,000 FCFA/Km²/year

AUD to FCFA exchange rate = AUD1.0 = FCFA 490 (as at 1 December 2011)

(Article 83 2006/26 of 9th August 2006 amending Order No. 93/16, 2nd March 1993 Mining Code)

(c) Royalties

The mining royalty is to be paid by all holders of mining titles including permits which are also mining titles. The rate is set at 5.5% (Article 85 2006/26 of 9th August 2006 amending Order No. 93/16, 2nd March 1993 Mining Code).

(d) Tax Benefits

Customs and tax benefits are granted to holders of mining titles during its duration depending on the nature of the title and according to the stages progress of work with regards to the nature of the operations (Articles 88, 92, 93, 94 & 96 2006/26 of 9th August 2006 amending Order No. 93/16, 2nd March 1993 Mining Code).

3.6 Statutory conditions attached to the grant of mineral rights

The holder of an exploration permit is required to undertake the exploration program presented to the Nigerian Mines Administration at the beginning of each year. The Nigerian Mines Administration is required to be notified by the holder of the exploration permit of any failure to comply with the program (Articles 27 of the ordinance Order No. 93/16, 2nd March 1993 and 13 of Decree 2006/265 of 18th August 2006 of Mining Code and Article 10 of the project of mining convention attached to the ordinance n No. 93/16).

Gecko Gold NI has the following obligations in respect of each Licence:

1. To fix the geographical limits in a period of three (3) months
2. Start the prospection works in a period of six (6) month
3. Spend a minimum amount of \$USD 2,038,000 for each concession on the performance of the said work, as follows:
 - a. Year 1: USD \$ 679,333
 - b. Year 2: USD \$ 679,333
 - c. Year 3: USD \$ 679,334

These financial targets during the research and prospection phases may be adjusted downwards by the Ministry of Mines and Industrial Development where a licence holder can show cause why financial targets have not been reached.

3.7 Withdrawal of Permits

The exploration permit can be withdrawn in the following cases:

- When research activity is delayed or suspended for more than one year or if it is severely limited without just cause and manner prejudicial to the public interest;
- When the feasibility study produced shows the existence of a commercially exploitable deposit within the perimeter of the exploration permit without being followed within one year of an application for a permit to operate;
- For breach of any provision of the ordinance on the Mining Code;
- For non-compliance with the rules of hygiene and safety;
- For obstacle to the administrative supervision and control exercised by engineers and sworn officers of the Directorate of Mines or any other commissioned officer for this purpose;
- For non-payment of duties and taxes covered by this order as well as any penalties that might occur in case of late payment;
- For non-compliance relating to the preservation of the environment;
- For non-compliance with contractual commitments.

The withdrawal can only take place two months after a formal notice is given to the permit holder by the Minister of Mines and Energy, which is not acted upon (Article 59 2006/26 of 9th August 2006 amending Order No. 93/16, 2nd March 1993 Mining Code).

3.8 Transfer of Mineral Rights and Change in Control

(a) Transfer of Permits

Under Section 29 of the Mining Code, the Company or the Operating Company may, with the written authorisation of the State, assign to other bodies corporate its rights and obligations under as well as its exploration and mining permits, subject to the provisions of the Mining Code.

The State's consent will be granted if its interests are not compromised. In that case, the transferees shall take on all the rights and obligations of the transferor arising from the Licences, as well as those derived from the exploration and mining permits.

At the time of transfer by the Company or the Operating Company of all the rights and obligations acquired under the Licences and/or the exploration and/or mining permits, the proceeds of the transaction shall be determined for taxation purposes in accordance with generally recognised financial techniques, and shall be taxed, if appropriate, at the time of the transaction, in accordance with fiscal legislation in effect in Niger.

(b) Change of control of Mining Company

The State's consent will need to be obtained for a shareholder in the Operating Company to sell, assign or transfer to a Third Party all or some of the shares of the authorised capital of the Operating Company. The State's consent shall be granted if its interests are not compromised.

Once this consent is obtained, the proceeds of the transaction shall be determined for taxation purposes in accordance with generally recognised financial techniques, and shall be taxed, if appropriate, at the time of the transaction, in accordance with fiscal legislation in effect in Niger.

The State shall have the pre-emptive right over any potential acquirer to acquire the shares in the Operating Company which a shareholder wishes to sell, at the same price, terms and conditions. This pre-emptive right can be exercised by the State and the transaction concluded within a period of sixty (60) days from the date of receipt of a written notice from the Operating Company to the effect that one of its shareholders wishes to dispose of its shares. If, within this period of sixty (60) days, no response has been given by the State, or no transaction has been concluded, the pre-emptive right of the State in respect of such transaction shall be null and void.

The Company or the Operating Company shall have the same pre-emptive right as that of the State, for the purchase of shares in the event that the State should decide to sell all or part of its holding.

Notwithstanding, the State's shares or holdings may be assigned or transferred, without restriction, on a priority basis to companies of Niger in which the State holds an interest, or to nationals of Niger or companies incorporated under the laws of Niger and controlled by the citizens of Niger.

These change of control provisions do not apply to a change in control of the holding company of the Company or Operating Company and there is no restriction on a change in control of the holding Company of the Company or Operating Company.

3.9 Native Land Rights

The land owner can carry out traditional activities within the permit and claim compensation when deprived from conducting activities by more than one year. (Article 111 of the Order 93-16 of March 02, 1993 Mining Law). If, after the completion of exploration or mining activities the land is no longer suitable for agriculture, the holder of permits may be required to pay further compensation (section 116 ord.93-16 of March 02, 1993 Mining Law). In the event of a dispute between the exploration permit holder and the land owner regarding compensation, fair value is determined by a Civil Court or Arbitration Tribunal using experts reports from the Mines Administration. (Article 129 2006/26 of 9th August 2006 amending Order No. 93/16, 2nd March 1993 Mining Code)

3.10 Environmental Law

Under Section 27 of the Mining Code, the Company and/or the Operating Company must:

- to the fullest extent possible, preserve the infrastructure used. Any deterioration of the public infrastructure in excess of that caused by normal use and which is clearly attributable to the Company or to the Operating Company shall be repaired;
- take all necessary steps to protect the environment;
- undertake a study to identify the local topographical and climatic conditions before production;
- carry out, throughout the mining period, periodic tests of quality of the water, soil and air within the working perimeter and in adjoining areas;
- dispose of overburden in such a way as to control, within acceptable limits, slippage or subsidence of land, diversion and sedimentation of the beds of water courses, the formation of accumulations of noxious water and the deterioration of surrounding soils and vegetation;
- avoid any discharge into the soil of solutions contaminated beyond the standards in effect in Niger or failing that, the standards deemed acceptable by the industry. Furthermore, heavy metals contained in such solutions shall precipitated, recovered and stored in suitable tanks for subsequent destruction in suitable site selected by mutual agreements with the public body responsible for the protection of the environment;
- control, within the limits in effect in Niger or failing that, those deemed acceptable by the industry, any discharge of solutions, toxic chemical products or noxious substances into the soil, the air and the water.
- neutralise and control waste material in an efficient manner so as not to affect the climatic conditions and the water resources of the area;
- carry out all Mining Operations in accordance with accepted mining industry standards;
- rehabilitate the mined area in such a way as to provide a reasonable topography according to standards in effect in Niger or, failing that, deemed acceptable in the mining industry;
- control and maintain within the limits in effect in Niger or deemed acceptable in the industry, the effects of mining activities on the environment during a period of at least two (2) years after operations.

Any damage to the environment or to conditions of health and security, attributable to the Company or to the Operating Company shall be cause for liability. Rehabilitation shall be understood to mean the landscaping of the areas disturbed and their re-planting with forest and fruit trees of species suitable for the protection of these areas and appropriate to their micro-climatic conditions.

3.11 Foreign Investment law

Under Section 24 of the Mining Code, subject to the exchange regulations in effect in Niger, the State guarantees to the Company, the Operating Company and their sub-contractors, throughout the duration of the Licences:

- Free conversion and transfer of funds intended for the settlement of all debts (principal and interest) associated with the Mining Operations in Niger, in favour of foreign creditors;
- Free conversion and transfer of net profits to be distributed to foreign shareholders, after payment of all applicable taxes and levies;
- Free conversion and transfer of proceeds from the sale of assets, after payment of applicable taxes, duties and levies.

The Company, the Operating Company and their sub-contractors are authorised to open a foreign currency bank account in Niger. The State also guarantees the free conversion and transfer overseas of the savings made on their salaries or the proceeds from the winding-up of any investments in Niger, or from the sale of personal effects in Niger, by the expatriate personnel of the Company, the Operating Company and its sub-contractors.

3.12 Local Products/Employment

Throughout the term of the Licences, the Company and the Operating Company must:

- Give hiring priority to personnel of the Niger so as to allow them access to all jobs of which they are capable, at whatever levels;
- In consultation with the appropriate State services, set up a training and promotion programme for personnel of the Niger;
- Gradually replace qualified expatriate personnel by nationals who have acquired the same qualifications on the job;
- Provide accommodation for workers employed on the site in conditions of health and hygiene which would comply with the current or future regulations;
- Comply with health legislation and regulations as provided for by current or future texts;
- Comply with current or future labour legislation and regulations texts, particularly with respect to general working conditions, pay plan, prevention and remedy of labour-related accidents and occupational diseases, as well as to professional associations and unions; and
- Contribute to the training of personnel in the Administration of Mines and Geology, by making available to the Ministry the sum of ten Thousand Dollars (USD \$ 10 000) each year. The first payment is to be made thirty (30) days following the effective date of the Licence and is to be repeated each year on its anniversary date throughout the term of validity of the exploration permit.

3.13 Dispute resolution

Under Section 8 of the Mining Code, parties must attempt to settle any dispute or litigation arising from the interpretation or application of Licences by mutual consent in Niger.

The parties are to submit all disputes or litigation relating exclusively to technical matters and which cannot be settled by mutual consent, to an expert of a nationality other than those of the parties, known for his/her technical expertise and selected jointly by the parties.

Any dispute or litigation relating to the Licences which cannot be otherwise settled is to be settled by arbitration in accordance with the Arbitration Convention. The place of arbitration is chosen in accordance with the provisions of the Arbitration Convention.

Arbitration is to be carried out in French with a translation into another language if required by the Company or the Operating Company.

In the event that, for any reason, the International Centre for Settlement of Investment Disputes declares itself incompetent or refuses to arbitrate, the dispute shall be settled with prejudice in accordance with the arbitration rules of the International Chamber of Commerce. The arbitration shall be made by a single arbitrator designated by agreement between the parties. This arbitrator shall be of a nationality other than those of the parties and shall have confirmed experience in mining matters. In the event that the parties cannot agree on the choice of an arbitrator, arbitration shall be made by three (3) arbitrators named in accordance with the arbitration rules of the International Chamber of Commerce.

The parties are to perform the award handed down by the arbitrators without delay and waive all means of recourse. Confirmation of the award for enforcement purposes can be obtained from any competent court upon application, as per **Section 8 of the Mining Code. 8.4 and 8.5.**

4 Impending Legislative Changes

There are no impending Legislative Changes.

5 Litigation – Results of searches undertaken

Searches undertaken reveal no litigation has been undertaken against Gecko Gold NI.

6 Risk Factors

Specific risk factors associated with operating in Niger which could materially and adversely affect Taruga or the Company includes:

Regulation of mineral rights: The holding of mineral rights in Niger is subject to statutory control. Applications are required to be made for their grant and for their renewals. A failure to obtain the requisite mineral right or its renewal may result in a material adverse effect on the operations of a Niger company and its ability to carry on mining activities.

Illegal mining: The presence of illegal miners on a mining concession is a general issue for miners in Niger. Illegal miners generally use unsafe mining practices which can result in environmental damage or personal injury and death. Illegal mining could have an adverse effect on the operations and consequently the financial condition of a mining company in Niger.

Taxes and royalties: Niger law imposes obligations to make certain payments by way of taxes, royalties and fees. Any changes in the level of such taxes, royalties and fees or the introduction of new taxes may impose significant increases in the cost of mining.

Labour laws: Niger law imposes requirements that mining companies institute a localization policy providing the company's proposals for training and recruiting Nigeriens. There are also provisions requiring the holder of a mineral right to give preference to materials and products made in Niger and to service companies. It is possible that new laws may be enacted imposing further obligations under Niger's labour and local participation laws which may have a material adverse effect on the business and operations of the company.

Environmental and health laws: Mining operations face risks of environmental and other health hazards. The occurrence of any of these dangers could delay or halt operations, increase operation costs and result in liability for the company. In particular, the environmental and health authorities have the power to require a shutdown of operations or to impose burdensome procedures for certain violations.

7 Consent and qualification

We consent to the inclusion of this Report in the Prospectus and published in the form the Taruga considers appropriate for the purpose mentioned in Section 1 of this Report.

This Report is furnished exclusively to Taruga for inclusion in the Prospectus and is not otherwise meant for distribution. It must not be relied upon by any other person or entity without the express consent of Taruga.

Yours faithfully,



Me LIRWANA Abdourahamane

Schedule 1 – Summary of Tenements

Tenement	Registered Holder(s)	Proportion of ownership	Tenement No	Tenement Type/mineral	Tenement Area (km ²)	Annual rent, expenditure payable ¹	Grant Date	Expiry Date	Option for renewal	Encumbrance
KOSSA 1	Gecko Gold NI	100%	007/MM/DI/DGMG/DM	Exploration: gold	474,6	1,474,600	24 October 2011	23 October 2014	Twice, for a period of 3 years per renewal	N/A
KOSSA 2	Gecko Gold NI	100%	008/MM/DI/DGMG/DM	Exploration: gold	495,1	1,494,800	24 October 2011	23 October 2014	Twice, for a period of 3 years per renewal	N/A

¹ This is in FCFA. As at 1 December 2011, the exchange rate of 1 AUD to F CFA was 490.

REPUBLIQUE DU NIGER
MINISTRE DES MINES ET DU
DEVELOPPEMENT INDUSTRIEL

N° -- 007
ARRETE N°...../MM/DI/DGMG/DM

du 24 OCT 2011

Accordant à la société Gecko Gold-Niger un permis de recherches dit permis «Kossa I» pour or et métaux de base dans la Région de Tillabéri, Département de Téra.

LE MINISTRE D'ETAT, MINISTRE DES MINES ET DU DEVELOPPEMENT INDUSTRIEL,

- VU la Constitution du 25 novembre 2010;
- VU l'Ordonnance N°93-016/PM/MME/I/A du 02 mars 1993, portant Loi Minière, complétée par l'Ordonnance N° 99-48 du 05 novembre 1999 et modifiée par la Loi 2006-26 du 9 août 2006;
- VU le Décret N°2006-265/PRN/MME du 18 août 2006, fixant les modalités d'application de la Loi Minière;
- VU le Décret N°2010-640/PCSRD/MME du 26 Août 2010, portant organisation des Directions Générales et des Directions Nationales du Ministère des Mines et de l'Energie et déterminant les attributions de leurs responsables;
- VU le Décret N°2011-001/PRN du 7 avril 2011, portant nomination du Premier Ministre;
- VU le Décret N°2011-015/PRN du 21 avril 2011, portant nomination des membres du Gouvernement et les textes modificatifs subséquents;
- VU le Décret N°2011-196/ PRN/MME du 13 juillet 2011, portant approbation de la Convention Minière entre la République du Niger et la société Gecko Gold-Niger pour le permis « Kossa I » ;
- VU le Décret N°2011-483/PRN/MM/DI du 05 octobre 2011, déterminant les attributions du Ministre d'Etat, Ministre des Mines et du Développement Industriel ;
- VU le Décret N°2011-484/PRN/MM/DI du 05 octobre 2011, portant organisation du Ministère des Mines et du Développement Industriel ;
- VU l'Arrêté N°103/MME/DM du 07 décembre 1995 fixant le contenu des rapports trimestriels et annuels de recherches;
- VU l'Arrêté N°041/MME/DM du 02 mai 2007, portant application de l'article 58 de l'Ordonnance 93-16 du 02 mars 1993 portant Loi Minière;
- VU la lettre en date du 22 novembre 2010 de la société Gecko Gold-Niger demandant le permis de recherches «Kossa I»;
- Sur Proposition du Directeur des Mines

ARRETE:

ARTICLE PREMIER : Il est accordé à la société Gecko Gold-Niger, conformément à l'article 22 de l'ordonnance n° 93-016/PM/MME/I/A du 02 mars 1993, portant Loi Minière et sous réserve des droits des tiers, un permis de recherches dit permis «Kossa I» valable pour or et métaux de base.

ARTICLE 2 : Le permis couvre une superficie de 474,6 km² et est situé dans la Région de Tillabéri, Département de Téra.

ARTICLE 3 : La définition des limites du périmètre du permis accordé telle qu'elle ressort de la carte au

1/200 000ème annexée à la convention Minière, est la suivante :

Points	Longitude Est	Latitude Nord
A	Frontière Niger-Burkina	14° 32' 04"
B	00° 21' 04"	14° 32' 04"
C	00° 21' 04"	14° 31' 19"
D	00° 26' 12"	14° 31' 19"
E	00° 26' 12"	14° 19' 04"
F	Frontière Niger-Burkina	14° 19' 04"

ARTICLE 4 : Le permis « **Kossa 2** » est enregistré sur le registre de la Direction des Mines sous le numéro 281

ARTICLE 5 : Le permis « **Kossa 2** » est accordé pour une période de trois (3) ans. Il peut être, conformément à l'article 25 de la Loi Minière, renouvelé deux (2) fois par période de trois (3) ans chacune.

ARTICLE 6 : La Société Gecko Gold-Niger doit procéder, à ses frais, au bornage du périmètre attribué, dans un délai de trois (3) mois à compter de la date d'octroi du permis de recherches, conformément aux articles 58 et 59 du Décret n° 2006-265/PRN/MME du 18 août 2006.

ARTICLE 7 : La société Gecko Gold-Niger est tenue, conformément à l'article 27 de la Loi minière, de commencer les travaux de recherches dans les six (6) mois à compter de la date d'émission du permis et d'en informer le Directeur des Mines..

ARTICLE 8 : La société Gecko Gold-Niger est tenue de fournir au Directeur des Mines comme prescrit à l'article 86 du décret n°2006-265/PRN/MME du 18 Août 2006 un rapport trimestriel, annuel, un rapport de fin de campagne (technique et financier) et le programme annuel de recherches.

ARTICLE 9 : La société Gecko Gold-Niger est tenue de respecter toutes les dispositions de la Loi Minière, des textes pris pour son application, de la Convention Minière pour le permis « **Kossa 2** » et tout autre accord y relatif passé avec l'État du Niger.

ARTICLE 10 : La société Gecko Gold-Niger s'engage à dépenser un montant minimum égal à deux millions trente huit mille dollars US (**2 038 000 SUS**) au cours de la première période de validité du permis.

ARTICLE 11 : Le Directeur Général des Mines et de la Géologie et le Directeur des Mines sont chargés de l'application du présent Arrêté qui sera publié au Journal Officiel de la République du Niger.



AMPLIATIONS :

CAB/MM/DI	1
SG/MM/DI	1
IGS	1
DGMG	1
DM	2
DGéo	1
D.Législation	1
DRME/Tillabéri	1
MI/SP/D/AR	1
MH/E	1
Gouvernorat/Tillabéri	1
Préfecture de Téra	1
Gecko Gold-Niger	1(original)
SGG	1
J.O.R.N	1
ARCH NAT	1

du 24 OCT 2011

Accordant à la société Gecko Gold-Niger un permis de recherches dit permis «Kossa 2» pour or et métaux de base dans la Région de Tillabéri, Département de Téra.

LE MINISTRE D'ETAT, MINISTRE DES MINES ET DU DEVELOPPEMENT INDUSTRIEL,

- VU la Constitution du 25 novembre 2010;
- VU l'Ordonnance N°93-016/PM/MME/I/A du 02 mars 1993, portant Loi Minière, complétée par l'Ordonnance N° 99-48 du 05 novembre 1999 et modifiée par la Loi 2006-26 du 9 août 2006;
- VU le Décret N°2006-265/PRN/MME du 18 août 2006, fixant les modalités d'application de la Loi Minière;
- VU le Décret N°2010-640/PCSRD/MME du 26 Août 2010, portant organisation des Directions Générales et des Directions Nationales du Ministère des Mines et de l'Énergie et déterminant les attributions de leurs responsables;
- VU le Décret N°2011-001/PRN du 7 avril 2011, portant nomination du Premier Ministre;
- VU le Décret N°2011-015/PRN du 21 avril 2011, portant nomination des membres du Gouvernement et les textes modificatifs subséquents;
- VU le Décret N°2011-197/PRN/MME du 13 juillet 2011, portant approbation de la Convention Minière entre la République du Niger et la société Gecko Gold-Niger pour le permis « Kossa 2 » ;
- VU le Décret N°2011-483/PRN/MM/DI du 05 octobre 2011, déterminant les attributions du Ministre d'Etat, Ministre des Mines et du Développement Industriel ;
- VU le Décret N°2011-484/ PRN/MM/DI du 05 octobre 2011, portant organisation du Ministère des Mines et du Développement Industriel ;
- VU l'Arrêté N°103/MME/DM du 07 décembre 1995 fixant le contenu des rapports trimestriels et annuels de recherches;
- VU l'Arrêté N°041/MME/DM du 02 mai 2007, portant application de l'article 58 de l'Ordonnance 93-16 du 02 mars 1993 portant Loi Minière;
- VU la lettre en date du 22 novembre 2010 de la société Gecko Gold-Niger demandant le permis de recherches «Kossa 2» ;
- Sur Proposition du Directeur des Mines

ARRETE:

ARTICLE PREMIER : Il est accordé à la société Gecko Gold-Niger, conformément à l'article 22 de l'ordonnance n° 93-016/PM/MME/I/A du 02 mars 1993, portant Loi Minière et sous réserve des droits des tiers, un permis de recherches dit permis «Kossa 2» valable pour or et métaux de base.

ARTICLE 2 : Le permis couvre une superficie de 494,8 km² et est situé dans la Région de Tillabéri, Département de Téra.

ARTICLE 3 : La définition des limites du périmètre du permis accordé telle qu'elle ressort de la carte au

1/200 000ème annexée à la convention Minière, est la suivante :

Points	Longitude Est	Latitude Nord
A	Frontière Niger-Burkina	14° 48' 46"
B	00° 21' 04"	14° 48' 46"
C	00° 21' 04"	14° 32' 04"
D	Frontière Niger-Burkina	14° 32' 04"

ARTICLE 4 : Le permis « **Kossa 1** » est enregistré sur le registre de la Direction des Mines sous le numéro 281.

ARTICLE 5 : Le permis « **Kossa 1** » est accordé pour une période de trois (3) ans. Il peut être, conformément à l'article 25 de la Loi Minière, renouvelé deux (2) fois par période de trois (3) ans chacune.

ARTICLE 6 : La Société Gecko Gold-Niger doit procéder, à ses frais, au bornage du périmètre attribué, dans un délai de trois (3) mois à compter de la date d'octroi du permis de recherches, conformément aux articles 58 et 59 du Décret n° 2006-265/PRN/MME du 18 août 2006.

ARTICLE 7 : La société Gecko Gold-Niger est tenue, conformément à l'article 27 de la Loi Minière, de commencer les travaux de recherches dans les six (6) mois à compter de la date d'émission du permis et d'en informer le Directeur des Mines.

ARTICLE 8 : La société Gecko Gold-Niger est tenue de fournir au Directeur des Mines comme prescrit à l'article 86 du décret n°2006-265/PRN/MME du 18 Août 2006 un rapport trimestriel, annuel, un rapport de fin de campagne (technique et financier) et le programme annuel de recherches.

ARTICLE 9 : La société Gecko Gold-Niger est tenue de respecter toutes les dispositions de la Loi Minière, des textes pris pour son application, de la Convention Minière pour le permis « **Kossa 1** » et tout autre accord y relatif passé avec l'État du Niger.

ARTICLE 10 : La société Gecko Gold-Niger s'engage à dépenser un montant minimum égal à deux millions trente huit mille dollars US (2 038 000 \$US) au cours de la première période de validité du permis.

ARTICLE 11 : Le Directeur Général des Mines et de la Géologie et le Directeur des Mines sont chargés de l'application du présent Arrêté qui sera publié au Journal Officiel de la République du Niger.



AMPLIATIONS :

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DM	2
DGéo	1
D.Législation	1
DRME/Tillabéri	1
MI/SP/D/AR	1
MH/E	1
Gouvernorat/Tillabéri	1
Préfecture de Téra	1
Gecko Gold-Niger	1(original)
SGG	1
J.O.R.N	1
ARCH NAT	1

INDEPENDENT SOLICITOR'S REPORT
GHANA TENEMENTS**REINDORF
CHAMBERS**
LEGAL PRACTITIONERS

PARTNERS : Fui S. Tsikata • Doe Tsikata • Ekua Hayfron-Benjamin • Kizzita Mensah

Reindorf Chambers
20 Jones Nelson Road, Adabraka, Accra
P. O. Box 821, AccraT +233 (0)30 2225674 / 2249564
F +233 (0)30 2220218
E reichamb@ghana.com
E reindorf@africaonline.com.gh
E reindorf@4u.com.gh

8 December 2011

The Directors
Taruga Gold Limited
45 Matlock Street
Mount Hawthorn WA 6016

Dear Sirs,

1 SOLICITOR'S REPORT ON GHANAIAI TENEMENTS**1.1 Introduction and Scope Background and purpose of report**

This report (**Report**) is prepared for inclusion in a prospectus (**Prospectus**) to be issued by Taruga Gold Limited (**Taruga** or the **Company**) in December 2011 offering for subscription up to 37,500,000 fully paid ordinary shares at A\$0.20 each to raise up to A\$7.5 million.

This Report relates to the granted Ducie Reconnaissance Licence and the recommended Katua, Sombisi and Yala Prospecting Licences in Ghana identified in **Section 1.2** of this Report (**Tenements**). Under an undated share sale agreement (**Acquisition Agreement**), the Company acquired 100% of the issued share capital of MGS Ghana Limited (MGS Ghana), a company incorporated according to the laws of Ghana. MGS Ghana entered into an option to purchase the Tenements under an option agreement with Maintenance Culture Limited in September 2010 (**Option Agreement**). Upon exercise of the option in accordance with the Option Agreement and the formal transfer by Maintenance Culture Limited of the Tenements to MGS Ghana, MGS Ghana will be the sole legal and beneficial holder of the Tenements.

We have acted on the instructions of MGS Ghana and have been requested to provide a title opinion on the Tenements and the conditions attached to the Tenements that may impact on the exploration, mining or transfer of the Tenements. We have also been requested to provide a brief overview of Ghana's mining legal framework and the risk factors specific to mining operations in Ghana.

An overview of the Tenements is contained in **Schedule 1** which is attached to and, together with the notes to **Schedule 1**, forms part of this Report.

A summary of the material terms of the Option Agreement are contained in **Schedule 2** which is attached to and forms part of this Report.

1.2 Laws and documents reviewed and enquiries made

In preparing this report we have reviewed copies of the following documents:

- (a) Ducie Reconnaissance Licence, land register number 710/2006, LVB 739/07 registered in the name of Maintenance Culture Limited dated 19 December 2006 in respect of the Northern and Upper Regions of Ghana (**Ducie Reconnaissance Licence**).

- (b) A letter dated 28 April 2011 from the Minerals Commission to Maintenance Culture Limited informing it that it has recommended the grant of a prospecting licence to Maintenance Culture Limited in respect of the Katua area of the Northern and Upper West Regions of Ghana.
 - (c) A letter dated 20 April 2011 from the Minerals Commission to Maintenance Culture Limited informing it that it has recommended the grant of a prospecting licence to Maintenance Culture Limited in respect of the Sombisi area of the Northern and Upper West Regions of Ghana.
 - (d) A letter dated 28 April 2011 from the Minerals Commission to Maintenance Culture Limited informing it that it has recommended the grant of a prospecting licence to Maintenance Culture Limited in respect of the Yala area of the Northern and Upper West Regions of Ghana.
 - (e) We have received oral confirmation from the Minerals Commission that it has recommended the grant of the Katua Prospecting Licence, Sombisi Prospecting Licence and Yala Prospecting Licence to Maintenance Culture Limited and that no conditions exist that would prevent the Minister from granting the said Prospecting Licences.
 - (f) A search report of the Minerals Commission dated 5 December 2011;
 - (g) A copy of the Option Agreement executed by MGS Ghana.
 - (h) The Receipts listed in Schedule 4 hereof for mining and other fees in respect of the Tenements.
- (the above documents are collectively referred to in this Report as the **Documents**).

This Report is limited to the Ghanaian laws of general application at the date of this opinion and is given on the basis that it will be governed by, and construed in accordance with, the laws of Ghana. We have made no investigation of, and do not express or imply any views on, the laws of any other country or jurisdiction other than those of Ghana.

We have not conducted physical due diligence on the Tenements.

1.3 Assumptions

In issuing this opinion:

- (a) We have made all appropriate searches of the relevant registries including the Minerals Commission¹, the various courts stipulated in schedule 3 hereof, the Registrar General's Department and inspected all relevant documents but not examined any records of any governmental authorisations or orders, certificates of public officials or of representatives of the parties or any other documents not stated above, and our opinion is qualified in that regard.
- (b) Insofar as we examined originals, we assume that the signatures are genuine and in respect of copies of such originals we assume that such copies are true and accurate copies of the original documents.
- (c) We assume Maintenance Culture Limited has duly authorised and executed the Option Agreement.
- (d) After due enquiry, we are not aware of any material adverse change has taken place since the execution of the documents listed in this opinion, which would affect, undermine or otherwise alter their validity.
- (e) Where indicated in the Report, "to the best of our knowledge" indicates that no independent sources of information were reviewed or came to our attention indicating a contrary finding.

1.4 Qualifications

- (a) The obligations of the parties to any contractual document to which Taruga or MGS Ghana is a party will not necessarily be enforceable and/or enforced by the courts in all circumstances in accordance with its terms and/or additional terms may be imposed by the courts.
- (b) We have not investigated and, except as expressly stated in this report, make no comment in relation to Taruga, Maintenance Culture Limited and MGS Ghana Limited in connection with accounting or financial matters, intellectual property and IT matters and company secretarial or administrative matters.
- (c) We have at all times during the course of our investigations relied on the material provided by Maintenance Culture Limited and MGS Ghana Limited and their advisors and from our searches and enquiries detailed in 1.3 (a) above. Except to the extent expressly stated in this report, we have not been able to verify and have not verified any information provided by Maintenance Culture Limited (in particular its shareholding and directors) and MGS Ghana Limited or their advisors.
- (d) The Option Agreement is required to be stamped. Furthermore, we have not been provided a copy of the Option Agreement signed by Maintenance Culture Limited. This opinion is given on the assumption that Maintenance Culture Limited has duly authorised and executed the Option Agreement and agreed to the amendments as set out in schedule 2 hereof.
- (e) The consent of the Minister responsible for mines is required for the Option Agreement.

1.5 Summary of results

Based on our review of the Documents examined, the oral confirmations received from the Minerals Commission and subject to the qualifications set out herein, we confirm that at the date of this opinion:

- (a) The Ducie Reconnaissance Licence is registered at the Minerals Commission in the name of Maintenance Culture Limited and that Maintenance Culture Limited is able to exercise its rights thereunder freely without reference to any other party. Schedule 1 to this Report sets out the details of the Ducie Reconnaissance Licence, including the terms, expenditure, obligations, rent, area and other associated matters which are the subject of this Report.
- (b) The Ducie Reconnaissance Licence is in good standing and has no current or pending threat of revocation or cancellation.
- (c) The Katua, Yala, and Sombisi areas, in respect of which the Minerals Commission has recommended the grant of prospecting licences, form part of the area currently covered by the Ducie Reconnaissance Licence. The Minerals and Mining Act, 2006 (Act 703) requires the Minister to, where the “holder of a reconnaissance licence applies for a prospecting licence over all or part of the land and for a mineral the subject of the reconnaissance licence and the holder has materially complied with the obligations imposed by this Act with respect to (a) the holding of the licence, and (b) the activities to be conducted under the licence,” within sixty days of the application, subject to the permits and other obligations required by law having been complied with, grant the applicant the prospecting licence on the conditions that shall be specified in the licence”.
- (d) The Minerals Commission has in accordance with section 100(2) of the Minerals and Mining Act, 2006 (Act 703) favourably recommended to the Minister the grant of prospecting licences to Maintenance Culture Limited in respect of the Sombisi, Yala, Katua areas of the Northern and Upper West Regions of Ghana.
- (e) Maintenance Culture Limited has paid, within the time limited for so doing, all the fees required to be paid by it for the grant of the prospecting licences in respect of these areas. We have been told by the Minerals Commission that Maintenance Culture Limited is in material compliance of its obligations under the Ducie Reconnaissance Licence and under applicable law and that no circumstances currently exist that would prevent the execution and issue of the prospecting licences. An application has been made for the renewal of the Ducie Reconnaissance Licence in respect of the remaining areas (after the issue of the Prospecting Licences) which application is currently being considered by the Minerals Commission.
- (f) The Minister responsible for mines has the exclusive authority, on the recommendation of the Minerals Commission, to grant mineral rights pursuant to the provisions of the Minerals and Mining Act, 2006 (Act 703). The holder of the Tenements, Maintenance Culture Limited, is entitled to enter the land in respect of which the mineral right has been granted, subject to the payment of compensation where applicable to the land owner or occupier and as agreed between Maintenance Culture Limited and the land owner or occupier or as determined by the Minister responsible for mines.
- (g) On the execution and issue of prospecting licences in respect of the Katua, Sombisi and Yala areas, Maintenance Culture Limited will have the exclusive right to conduct the activities permitted by those Tenements and to exercise all rights as the holder and beneficial owner of the Tenements subject to the rights granted to MGS Ghana by Maintenance Culture Limited under the Option Agreement (following the approval by the Minister responsible for mines to the Option Agreement).
- (h) To the best of our knowledge, there is no actual or pending material dispute on any of the Tenements, which may result in the cancellation or suspension of the Tenements.
- (i) Subject to obtaining the consent of the Minister for mines therefor, the Option Agreement in respect of MGS Ghana’s rights to use and to acquire the Tenements is valid and legally binding under the laws of Ghana and does not breach any terms or conditions of the Tenements.
- (j) Stamp duty is payable in respect of a transfer of the prospecting licences from Maintenance Culture Limited to MGS Ghana Limited. The actual amounts payable will be assessed by the Land Valuation Board on the basis of the provisions of the Stamp Duty Act, 2005 (Act 689). Act 689 prescribes the following stamp duty rates for a conveyance on sale of property calculated on the value of consideration:
 - (1) Where the amount of the value of consideration for the sale does not exceed GHS10,000² 0.25%
 - (2) Where the amount of the value of consideration exceeds GHS10,000 but does not exceed GHS50,000 0.5%
 - (3) Where the amount of the value of consideration exceeds GHS50,000 1%
- (k) Taruga is registered as the sole legal and beneficial owner of 100% of the issued share capital of MGS Ghana with the Companies registry of Ghana and no further formalities (including payment of any stamp duty and receipt of regulatory approvals such as foreign ownership approvals) are required to effect Taruga’s ownership pursuant to the Acquisition Agreement under the laws of Ghana.
- (l) In the event that MGS Ghana acquires title to the Tenements pursuant to the Option Agreement, its title to the Tenements will not be affected by any change to its parent company’s shareholding. However in some cases the approval of the Minister for mines would be required for such a change – see clause 3.11(b) hereof.

2 REVIEW OF THE TENEMENTS

Refer to Schedule 1 for a summary of the material terms of the Ducie Reconnaissance Licence.

2.1 The Ducie Reconnaissance Licence

(a) Re-entry by the Government

Pursuant to clause 14 of the Ducie Reconnaissance Licence, if due to the fault of Maintenance Culture Limited, operations detailed in its reconnaissance programme cease before they are completed, the Government may on notice to Maintenance Culture Limited, re-enter the concession area and take possession of all buildings, erections, plants and materials thereon without compensation and the licence will terminate.

(b) Termination

Clause 15 of this Licence allows the Government to terminate it on the following grounds: (i) failure to make any of the payments required by Act 703 on the payment date; (ii) contravention or non-compliance by Maintenance Culture Limited with any of the other conditions of the Licence; (iii) insolvency or entry by Maintenance Culture Limited into a composition with creditors; or (iv) Maintenance Culture Limited knowingly submits any false statement to the Government in connection with the Licence.

Prior to any termination, the Government is required to give Maintenance Culture Limited notice setting out the grounds and allowing the Company 21 days to remedy the default. The Minister may give a longer period. We also note that Act 703 provides that the period to remedy in respect of the holder of a mineral right other than a mining lease must be not less than 60 days. In this regard, we are of the view that the provisions of the Act prevail.

The Ducie Reconnaissance Licence further provides that “no delay or omission or course of dealing by the Government” shall, inter alia, impair any of its rights to terminate or constitute a waiver.

(c) Foreign Exchange

Maintenance Culture Limited is permitted to for as long as it does not derive revenue from its operations, finance its operations by: (i) converting sufficient foreign currency to Ghana currency to meet its Ghana currency operating expenses; (ii) purchasing or hiring abroad as necessary for the conduct of operations and “importing to and/or using in Ghana freely and without restrictions such machinery equipment materials and services....”

The Licence provides that rentals and fees due to the Government may be required to be paid in dollars or other freely convertible currency.

(d) Assets on termination or expiration

On the termination or expiration of the Licence, Maintenance Culture Limited has 60 days within which to remove “any structures and installations erected and any movables placed on the concession area, failing which any such structures etc become the property of the Government without charge.

(e) Force Majeure provisions of the Licence

The Licence is not liable to cancellation or suspension if it can be established that any breach was due to force majeure. The Licence provides that force majeure includes the following events: acts of God, war, insurrection, earthquake, storm, flood or other adverse weather condition. Any events arising as a result of the failure of Maintenance Culture Limited to observe good mining industry practice or any negligence by it or any of its employees or contractors shall not constitute force majeure.

The period of the Licence is required to be extended to take account of any period of time during which Maintenance Culture Limited is affected by an event of force majeure. Such period may not exceed 6 months in the aggregate.

2.2 The Prospecting Licences

Maintenance Culture Limited has applied for prospecting licences in respect of certain areas covered by its Ducie Reconnaissance Licence. These areas are Katua, Yala, Kundunga and Sombisi. The Minerals Commission has in accordance with section 100(2)³ of the Minerals and Mining Act, 2006 (Act 703) favourably recommended to the Minister the grant of prospecting licences to Maintenance Culture Limited in respect of the Sombisi, Yala and Katua areas of the Northern and Upper West Regions of Ghana. Maintenance Culture Limited has paid, within the time limited for so doing, all the fees required to be paid by it for the grant of the Sombisi, Yala and Katua prospecting licences in respect of these areas.

The Minerals and Mining Act, 2006 (Act 703) requires the Minister to, where the “holder of a reconnaissance licence applies for a prospecting licence over all or part of the land and for a mineral the subject of the reconnaissance licence and the holder has materially complied with the obligations imposed by this Act with respect to (a) the holding of the licence, and (b) the activities to be conducted under the licence,” within sixty days of the application, subject to the permits and other obligations required by law having been complied with, grant the applicant the prospecting licence on the conditions that shall be specified in the licence”.

We have been told by the Minerals Commission that Maintenance Culture Limited is in material compliance of its obligations under the Ducie Reconnaissance Licence and under applicable law and that no circumstances currently exist that would prevent the execution and issue of the prospecting licences.

3 AN OVERVIEW OF THE LEGAL SYSTEM IN GHANA AS IT APPLIES TO MINING ACTIVITIES

3.1 Background

The laws of Ghana include the Constitution of the Republic of Ghana, 1992 (Constitution), which is expressed to be “ the supreme law of Ghana”, laws passed by Parliament, rules and regulations made by persons authorised by the Constitution and the common law. The common law is made up of the rules of law known as the common law and the doctrines of equity as well as the customary law of Ghana, the latter being laws that are applicable to ethnic communities in Ghana. Customary rules and practices generally govern land ownership, family matters and husband and wife as well as chieftaincy.

Any law that is inconsistent with the provisions of the Constitution is void.

The Constitution guarantees certain fundamental human rights to every person irrespective of, among other things, his place of origin. Among the rights so guaranteed are the right to own property and the right not to be deprived of such property by the State unless the taking of such property is in the public interest and effected under a law which makes provision for the prompt payment of fair and adequate compensation.

3.2 Mining Law in Ghana

In Ghana, the ownership of land on which there are mineral deposits is separate from the ownership of minerals. All minerals in their natural state in or upon any land or water are, under Ghanaian law, the property of the Republic of Ghana and vested in the President on behalf of the people of Ghana. Any transaction which involves the granting of rights for the exploitation of minerals requires Parliamentary ratification. Upon recommendation of the Minerals Commission, Parliament may however authorise other government agencies to approve the grant of rights to exploit minerals. We are not aware that Parliament has indeed exercised this power.

All stool land that is, land attributable to a chieftaincy and representing the collective property of the people ruled by the Chief in question, are vested in the appropriate stool on behalf of, and in trust for, the community presided over by the chief in accordance with customary law. Pursuant to the provisions of the Constitution, the development of any stool land is not permitted unless the Regional Lands Commission has certified that the proposal is consistent with the development plan drawn up by the local District Assembly. There are also provisions in the Constitution governing the payment of revenues and royalties generated from stool lands and the general administration and development of such lands.

3.3 Laws and Regulations

The following laws and regulations govern mining in Ghana (this list is not exhaustive):

- a. The Constitution of the Republic of Ghana, 1992
- b. Minerals and Mining Act, 2006 (Act 703) as amended by the Minerals and Mining (Amendment) Act, 2010 (Act 794)
- c. The Internal Revenue Act, 2000 (Act 592) as amended from time to time;
- d. The Minerals Commission Act, 1993 (Act 450)
- e. The Environmental Protection Agency Act, 1994 (Act 490);
- f. Mining Regulations 1970, (LI 665); and
- g. The Environmental Assessment Regulations, 1999 (L.I.1652).

The Minerals and Mining Act, 2006 empowers the Minister generally to make Regulations “for the purpose of giving effect” to the Act and expressly allows him to make Regulations, among other things, specifying criteria on which, if satisfied by the applicant, he is bound to approve an application.

3.4 Types of Mineral Rights

The following types of mineral rights are available in Ghana: reconnaissance licence, prospecting licence and mining lease.

(a) Reconnaissance Licence

This licence entitles the holder to search for specified minerals by geochemical, geophysical and geological means. It does not permit drilling, excavation or other physical activities on the land, except where such activity is specifically permitted by the licence (ground disturbance requires approval). It may not be granted for a period exceeding twelve months and may be renewed, if the Minister responsible for mines is satisfied that it is in the public interest to do so, for periods not exceeding twelve months at a time. An application for renewal must be made not later than three months before the expiration of the term.

Pursuant to Act 703 the reconnaissance licence confers on the holder the exclusive rights to carry on reconnaissance in the area in respect of a mineral. The holder of a reconnaissance licence may apply for a mining lease once it establishes that minerals exist in the area in commercial quantities. Where such an application has been made by a holder who has exclusive rights a mining lease may not be granted over that area in respect of the same mineral.

(b) Prospecting Licence

This licence entitles the holder to search for specified minerals for a maximum of three years for an area not exceeding 750 contiguous blocks. A prospecting licence is renewable for a period not exceeding three years with a reduction in area of half the initial area at the end of the initial period and at the end of any further period of renewal, of half the remaining area. However an area of 125 blocks which “form not more than three discrete areas” remain subject to the licence. The holder may apply to the Minister for relief from the obligation to surrender any land if it can show any delay by a governmental institution or agency in the issue of a permit or carrying any other of its lawful activities resulted in a delay by the holder in carrying out its own obligations.

A prospecting licence may not be granted over any area subject to a mining lease or in respect of which another prospecting licence has been granted for the same mineral.

The holder of a prospecting licence must commence prospecting operations within three months from the date of the issue of the licence, or at a time specified by the Minister.

(c) Mining Lease

A mining lease entitles the holder to extract minerals. A holder of a reconnaissance licence or a prospecting licence may, prior to the expiration of the licence, apply for one or more mining leases in respect of all or any of the minerals the subject of the licence and in respect of all or any one or more of the blocks which constitutes the reconnaissance or prospecting area. A mining lease is granted for a period not exceeding thirty years. The area in respect of which a mining lease may be granted must not be less than one block or more than three hundred contiguous blocks each having a side in common with at least one other block the subject of the grant. The limits regarding the area of the mining lease may be exceeded where the Government considers that it is in the national interest to do so.

Act 703 provides that unless otherwise provided under the act, a mineral right shall not be granted to a person unless the person is a body incorporated under the Companies Code 1963 (Act 179), a partnership under the Incorporated Private Partnerships Act 1962 (Act 152) or authorised under an enactment in force. However, section 79 of Act 703 states that a person who is not a citizen may apply for a mineral right in respect of industrial minerals provided the proposed investment in the mineral operations is US\$10,000,000 or above.

3.5 Financial Obligations

(a) Annual Rent

Pursuant to section 23 of Act 703, the holder of a mineral right must pay an annual ground rent as may be prescribed by the Ministry of Land and Natural Resources. The payment is made to the owner of the land or successors and assigns of the owner except in the case of annual ground rent in respect of mineral rights over stool lands, which shall be paid to the Office of the Administrator of Stool Lands. Where applicable, the fee must be in accordance with the Office of the Administrator of Stool Lands Act 1994 (Act 481).

The amount of such annual rent is specified in the relevant licence or lease.

(b) Fees

According to section 24 of Act 703, an applicant for a mineral right is liable to pay an annual fee to the Minerals Commission. We understand from the Minerals Commission that this provision is not currently being enforced however this may change in the future.

(c) Royalties

Section 25 of Act 703 as amended by the Minerals and Mining (Amendment) Act 2010, Act 794 stipulates a flat rate of 5% of the total revenue earned from minerals obtained by the holder of a mining lease.

(d) Foreign Exchange

Under section 30 of Act 703, the holder of a mining lease which earns foreign currency may be permitted by the Bank of Ghana to retain a portion of its foreign currency earnings in an external account and where the net earnings of the holder are in foreign exchange it may be permitted by the Minister responsible for finance to retain not less than 25% of foreign earnings in an external account to make certain capital expenditure, debt servicing and dividend payments.

Payments in foreign currency to or from Ghana between non resident persons and resident persons must be made through a bank.

Residents are permitted by Bank of Ghana notices to hold and operate “foreign currency accounts” into which they are permitted to receive transfers in foreign currency from abroad. They are also permitted to hold and operate “foreign exchange accounts”.

The Bank of Ghana in its notice titled Operational Guidelines for the Foreign Exchange Act, 2006 (Act 723) states as follows: “Under the Minerals and Mining Act 2006, the Bank of Ghana may permit the owner of a mining lease (for specified purposes) to retain in an account, a portion of the foreign exchange earned. Such export proceeds may be held in Foreign Exchange Accounts or Foreign Currency Accounts at local banks”.

Foreign Currency Accounts

Residents and non-residents may open and hold foreign currency accounts with any authorised dealer bank in Ghana. They may open deposit and/or current accounts with capital transfers and foreign exchange earned from sources abroad or other foreign currency accounts. The operation of the foreign currency accounts are declared by the Bank of Ghana free from any restrictions and transfers out of Ghana from these accounts and payments from the accounts may be made freely by the authorised dealer banks in convertible currencies.

Foreign Exchange Accounts

The Bank of Ghana permits residents to maintain interest bearing foreign exchange accounts with any authorised dealer bank in Ghana. These accounts may be credited with foreign exchange obtained locally and foreign exchange not converted into cedis. Save for certain amounts, there are restrictions on making transfers from these accounts without documentation supporting the underlying transaction. A resident may transfer out up to US\$10,000 per annum without documentation. Importers are permitted up to US\$25,000 per annum without documentation.

(e) Corporate Tax

Corporate tax is currently 25%. Capital expenditures may be written-off, up to 80% in the first year and 50% off the declining balance in subsequent years.

(f) Withholding Tax

Resident companies must pay withholding tax of 8 % on:

- Dividends paid to shareholders, whether they be resident or non-resident (no further Ghanaian tax is payable on dividends received);
- Management and technical services fees paid; and
- Interest paid to non- resident persons.

(g) Capital Gains

According to section 95 of the Internal Revenue Act, 2000, Act 592, capital gains tax is payable by a person at the rate of 10% of capital gains accruing to or derived by that person from the realisation of a chargeable asset owned by that person. This is the excess of the consideration gained by that person from the realisation over the cost base at the time of realisation.

Capital gains is chargeable on assets ("chargeable assets") such as permanent or temporary buildings situated in Ghana; business and business assets, including goodwill, of a permanent establishment situated in Ghana; land situated in Ghana; shares of a resident company; part of, or any right or interest in, to or over any of the assets referred to above. However, "chargeable assets" do not include mineral exploration and production rights; certain assets in respect of mineral exploration and development costs; buildings, structures and works of a permanent nature "which are likely to be of little or no value when the rights are exhausted or the exploration or development ends" and plant and machinery used in mining operations.

(h) Customs Duties

Section 29 of Act 703 provides that the holder of a mineral right may be granted exemption from payment of customs import duty in respect of plant, machinery, equipment and accessories imported specifically and exclusively for mineral operations.

(i) Value Added Tax and National Health Insurance Levy

Mining companies are exempted, pursuant to Schedule 1 of the Value Added Tax, 1998, (Act 548) and Schedule 1 of National Health Insurance Act, 2003, (Act 650), from paying value added tax and national health insurance levy on machinery, apparatus, appliances and parts designed for use in mining as specified in the Mining List. ⁴

(j) National Stabilization Fiscal Levy, 2009

National Stabilization Fiscal Levy, 2009, (Act 785) imposes a levy of 5% for national fiscal stabilization on the profits before tax of the certain companies, including mining companies. This levy applies despite statutory provisions to the contrary in any enactment relating to a tax holiday or exemption from applicable direct or indirect tax. The levy is payable quarterly to the Internal Revenue Service starting from the end of September 2009 up to 31 December 2011.

(k) Compensation for resettlement and relocation

Section 74 of Act 703 provides that the owner or lawful occupier of any land subject to a mineral right is entitled to and may claim from the holder of the mineral right compensation for the disturbance of the rights of the owner or occupier. The amount of compensation payable is to be determined by agreement between the parties, however, failing that, the matter shall be referred to the Minister who, in consultation with the Government agency responsible for land valuation, shall determine the compensation payable by the holder of the mineral right. The compensation to which an owner or lawful occupier may be entitled, may include compensation for, deprivation of the use or a particular use of the natural surface of the land or part of the land, loss of or damage to immovable properties, in the case of land under cultivation, loss of earnings or sustenance suffered by the owner or lawful occupier. having due regard to the nature of their interest in the land.

(l) Minimum expenditure

As stated above, section 79 of Act 703 allows a person who is not a citizen to apply for a mineral right in respect of industrial minerals so long as the proposed investment in the mineral operations is US\$10,000,000 or above. Furthermore, the holder of an industrial mineral right must within the period of time specified in the holder's programme of mineral operations or further time permitted by the Minister expend an amount equal to or greater than US\$10,000,000 or the Minister may suspend or cancel the mineral right.

3.6 Acquisition of Shares by the Government

Free carried interest

Pursuant to section 43 of the Minerals and Mining Act, 2006, Act 703, "Where a mineral right is for mining or exploitation the Government is entitled to acquire a ten percent free carried interest in the rights and obligations of the mineral operations.....". Although this provision is not expressed as a right to shares, in practice the holder of the mining right issues shares amounting to 10% of its issued share capital to the Government. The view of the Government is that its rights to this interest arise from the time the mining lease is granted.

Special Share

Pursuant to section 60 of Act 703 the Minister may by notice in writing to a mining company require the mining company to issue to the Republic of Ghana a special share.

The special share constitutes a separate class of shares whose rights are agreed between the Minister and the company. If no agreement is reached as to the rights of the shares, the law states that the special share is a preference share that carries no right to vote but the holder is entitled to receive notice of and to attend and speak at a general meeting of the members of the company or a separate meeting of the holders of a class of shares in the company. The special share may only be held by or transferred to the President, the Minister or another person acting on behalf of the Republic of Ghana.

This share does not allow the right to participate in the dividends, profits or assets of the company or a return of assets in a winding up or liquidation of the company. The holder of the special share may require the company to redeem the special share at any time for no consideration or for a consideration determined by the company and payable to the holder on behalf of the Republic of Ghana. The mining company must comply with this requirement within two months of notice or it commits an offence which if found liable on summary conviction is subject to a fine not more than the cedi equivalent of US\$10,000.

3.7 Stability Agreement

The Minister may enter into a stability agreement with the holder of the mining lease to ensure that the holder of the mining lease will not, for a period not exceeding fifteen years from the date of the agreement, be adversely affected by a new enactment, order, instrument or other action made under a new enactment or changes to an enactment, order, instrument that existed at the time of the stability agreement that have the effect of imposing obligations upon the holder or applicant of the mining lease and cause an adverse affect.

A stability agreement is subject to the ratification of Parliament.

3.8 Development Agreement

On the advice of the Minerals Commission, the Minister may enter into a development agreement under a mining lease with a person where the proposed investment by the person will exceed US\$ five hundred million subject to the ratification of Parliament. A development agreement may address mineral rights or operations to be conducted under the mining lease, environmental issues and settlement of disputes and may provide for the stability terms allowable under a stability agreement.

3.9 Statutory conditions attached to the grant of a Mineral Right

Pursuant to section 7 of Act 703, the Minister has the right of pre-emption of all minerals raised, won or obtained in Ghana including any area covered by territorial waters, the exclusive economic zone or the continental shelf and products derived from the refining or treatment of these minerals.

Section 10 of Act 703 requires that unless otherwise provided, a mineral right shall not be granted to a person unless the person is a body incorporated under the Companies Code 1963 (Act 179), under the Incorporated Private Partnerships Act 1962 (Act 152) or under an enactment in force.

Section 13 of Act 703 prohibits the holder of a mineral right from removing or destroying a mineral obtained by the holder in the course of mineral operations without the permission in writing of the head of the Inspectorate Division of the Minerals Commission.

Under section 16 of Act 703, the obligations of the mineral rights holder include that the holder of a mineral right shall at all times appoint a manager with the requisite qualification and experience to be in charge of that holder's mineral operations and the holder of a mineral right shall notify the Head of the Inspectorate Division of the Minerals Commission in writing of the appointment of a manager and on each change of the manager.

3.10 Environmental Law

Environmental obligations under Ghanaian law are governed primarily by the Environmental Protection Agency Act, 1994 (Act 490) and the Environmental Assessment Regulations, 1999 (L.I 1652). Furthermore, Act 703 provides that, prior to undertaking an activity or operation under a mineral right, the holder of the mineral right must obtain the necessary approvals and permits required from the Forestry Commission and the Environmental Protection Agency for the protection of natural resources, public health and the environment.

Mining companies are required under Ghana's environmental laws to obtain an environmental permit before commencing mining operations and an environmental certificate within 24 months after commencing mining operations. These laws also require a mining company to rehabilitate land disturbed as a result of their mining operations pursuant to an environmental reclamation plan agreed with the Ghanaian environmental authorities and to submit an environmental management plan every three years during its operations. Any default of its obligations to reclaim disturbed land is secured by posting reclamation bonds.

3.11 Transfer of Mineral Rights and Change in Control

(a) Assignment of mineral rights

Section 14 of Act 703 provides that a mineral right shall not in whole or in part be transferred, assigned, mortgaged or otherwise encumbered or dealt in, in a manner without the prior approval in writing of the Minister.

(b) Change of control of Mining Company

Section 52 of Act 703 provides that a person may become a controller of a mining company⁵ if the person serves on the Minister notice in writing stating the intention to become a controller of the company and the Minister has, before the end of a period of two months, notified the person in writing that there is no objection to the person becoming a controller of the mining company or that period has elapsed without the Minister having served on the person a written notice of objection to the person becoming a controller of the mining company.

Furthermore, pursuant to section 57, a mining company must give written notice to the Minister of the fact that a person has become or ceased to be a controller of the company within fourteen days of the mining company becoming aware of the fact. Failure to give notice will attract a fine of US\$1000 (one thousand United States dollars) or the Cedi equivalent payable to the Minerals Commission.

3.12 Foreign Investment law

The main law governing investment in Ghana generally is the Ghana Investment Promotion Centre Act, 1998 (Act 478). This law does not apply to mining or petroleum enterprises. It prescribes certain minimum capital requirements for companies involving foreign ownership and requires an enterprise with foreign ownership to register with the Ghana Investment Promotion Centre.

The law also provides certain guarantees against nationalisation and expropriation and states that "no person who owns, whether wholly or in part, the capital of an enterprise shall be compelled by law to cede his interest in the capital to any other person". The compulsory acquisition of any investment is not permitted unless it is in the national interest and effected under a law which makes provision for the payment of fair and adequate compensation and "a right of access to the High Court for the determination of the investor's interest or right and the amount of compensation to which he is entitled".

As indicated in 3.4 (c) above, a mineral right may not be granted to a person unless the person is a body incorporated under the Companies Code 1963 (Act 179), a partnership under the Incorporated Private Partnerships Act 1962 (Act 152) or authorised under an enactment in force.

There are certain areas from which foreign investment or ownership is restricted. Pursuant to the terms of the Constitution, persons who are not citizens of Ghana may not own more than a 50 year leasehold in land. Act 478 reserves certain businesses for Ghanaians only and a licence to undertake small scale mining may not be granted to a person who is not a citizen of Ghana.

3.13 Corporate Law

The main law regulating companies incorporated or registered in Ghana is the Companies Act, 1963 (Act 179) as amended. The following companies are recognised and each may be private or public: companies with limited liability, unlimited companies and companies limited by guarantee.

Act 179 contains a number of provisions protecting minority rights including the requirement that a company may not amend its Regulations without a special resolution of the shareholders. A special resolution is a resolution that is passed by not less than three-fourths of the votes cast by such members of the company as, being entitled so to do, vote in person.

Act 179 also contains provisions limiting the powers of the directors of a company. In that regard, the directors may not without an ordinary resolution of the Company sell or dispose of the whole or substantially the whole of the undertaking of the company and they may not exercise the company's powers of borrowing without an ordinary resolution of the shareholders if the borrowing will exceed the amount of stated capital of the company.

Furthermore, unless the prior approval of an ordinary resolution of the shareholders has been obtained, no new or unissued shares, other than treasury shares, in the company may be issued unless the same shall first have been offered on the same terms and conditions to all the existing shareholders or to all the holders of the shares of the class or classes being issued in proportion as nearly as may be to their existing holdings.

3.14 Local Products/Employment

It is a requirement under Act 703 that the holder of a mineral right must in “the conduct of mineral operations, and in the purchase, construction and installation of facilities, give preference to materials and products made in Ghana, service agencies located in the country and owned by citizens, companies or partnership registered under the Companies Code 1963 (Act 179) or the Incorporated Private Partnerships Act, 1962”.

Section 50 of Act 703 states that each holder of a mining lease must submit to the Minerals Commission a detailed programme for the recruitment and training of Ghanaian personnel. The submission of this programme is a condition for the grant of a mining lease.

Furthermore, Ghana's labour laws provide for the right of every worker to form or join a trade union of his or her choice. These laws which govern working hours and conditions provide for maximum hours of work and overtime periods.

3.15 Suspension or cancellation of a mineral right

Section 68 of Act 703 provides that a mineral right may be suspended or cancelled on the following grounds: (i) failure to make any of the payments required by the Act on the payment date; (ii) insolvency or entry by the holder into a composition with creditors; (iii) the holder knowingly submits any materially false statement to the Government in connection with the mineral right or submits such statement when it ought to have known that it was materially false; or (iv) the holder becomes ineligible to apply for a mineral right.

Prior to any suspension or cancellation, the Government is required to give the holder notice setting out the grounds and allowing the holder not less than 120 days in the case of a mining lease and 60 days in the case of any other mineral right to remedy the default. Where the breach is incapable of remedy, the holder may show cause to the Minister why the right should not be canceled.

A mining lease is also liable to suspension or cancellation if the holder fails to carry out any or a material part of its programme or mineral operations for a period of 2 years or more. The right will not be suspended or cancelled if the holder can show good cause why such operations have not been carried out.

3.16 Dispute resolution

Court System

Ghana's court system consists of the Superior Courts of Judicature including the Supreme Court (which is the highest court in the land and the final court of appeal), the Court of Appeal and the High Court. The court system also includes the lower courts such as district and circuit courts.

The judiciary is deemed by the Constitution to be independent.

The Constitution recognises chieftaincy and provides that that institution is guaranteed by the Constitution.

Arbitration generally

Section 59 of the Alternative Dispute Resolution Act, 2010, (Act 798) provides that a foreign arbitral award shall be enforced by the High Court of Ghana if it is satisfied that:

- (a) the award was made by a competent authority under the laws of the country in which the award was made;
- (b) a reciprocal arrangement exists between the Republic of Ghana and the country in which the award was made; or
- (c) the award was made under the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards or under any other international convention on arbitration ratified by Parliament; and
- (d) the party that seeks to enforce the award has produced, inter alia the original award”.

Pursuant to section 57 of Act 798, an award may, by leave of the High Court, be enforced in the same manner as a judgment or order of the court to the same effect. Where leave is granted by the court, judgment may be entered in terms of the award. However, an action may be brought on the award under common law.

Australia is not one of the countries which are recognized as reciprocal states for the purposes of enforcing an arbitration award in the summary manner contemplated by Act 798. However if the award in an arbitration held in Australia was made under the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards then it would be enforceable in the manner provided in Act 798.

Dispute Resolution between the holder of a mineral right and the Republic of Ghana

Act 703 prescribes mechanisms for the resolution of disputes between the Republic of Ghana and the holder of a mineral right. These provisions require the parties to first attempt settlement by mutual discussion failing which the dispute may be referred to arbitration under the Alternative Dispute Resolution Act, 2010 (Act 798).

Where the holder of the mineral right is not a citizen of Ghana the dispute may be submitted to arbitration (i) in accordance with an international machinery for the resolution of investment disputes as agreed to by the parties; or (ii) in accordance with (a) the framework of a bilateral or multilateral agreement on investment protection to which the Republic of Ghana and the country of which the holder is a national, are parties, or (b) if no bilateral or multilateral agreement exists, under the rules of procedure for arbitration of the United Nations Commission on International Trade Law.

Each mineral right is required to contain dispute resolution provisions.

4 IMPENDING LEGISLATIVE CHANGES

Enquiries of the Minerals Commission indicate that a proposed draft Regulations on the Minerals Mining Act is currently under review. We understand that the proposed legislation may address issues such as farmland availability, blasting standards and the use and handling of chemicals, particularly cyanide.

The Minister responsible for finance in the Budget Statement and Economic Policy of the Government of Ghana for the 2012 Financial Year (the 2012 Budget) has proposed: (i) an increase to the corporate tax rate for mining companies from 25 per cent to 35 per cent (ii) a windfall profit tax of 10 per cent; and (iii) a uniform regime for capital allowance of 20 per cent for five years.

The Minister has also in the 2012 Budget proposed introducing legislation to restrict the setting-off of costs in respect of one contract area or site against profits from another in determining the chargeable income for tax purposes of companies in the mining industry.

5 LITIGATION – RESULTS OF SEARCHES UNDERTAKEN

We have conducted the searches of the Courts as listed in Schedule 4 and no litigation involving Maintenance Culture Limited or MGS Ghana Limited was reported.

6 RISK FACTORS

Specific risk factors associated with operating in Ghana include:

Regulation of mineral rights

The holding of mineral rights in Ghana is subject to statutory control. Applications are required to be made for their grant and for their renewals. A failure to obtain the requisite mineral right or its renewal may result in a material adverse effect on the operations of a Ghana company and its ability to carry on mining activities.

Illegal mining

The presence of illegal miners on a mining concession is a general issue for miners in Ghana. Illegal miners generally use unsafe mining practices which can result in environmental damage or personal injury and death. Illegal mining could have an adverse effect on the operations and consequently the financial condition of a mining company in Ghana.

Taxes and royalties

Ghanaian law imposes obligations to make certain payments by way of taxes, royalties and fees (including payment of withholding tax on dividends paid to foreign shareholders). Any changes in the level of such taxes, royalties and fees or the introduction of new taxes may impose significant increases in the cost of mining.

Labour laws

Ghanaian law imposes requirements that mining companies institute a localization policy providing the company's proposals for training and recruiting Ghanaians. There are also provisions requiring the holder of a mineral right to give preference to materials and products made in Ghana and to service companies. It is possible that new laws may be enacted imposing further obligations under Ghana's labour and local participation laws which may have a material adverse effect on the business and operations of the company.

Exchange control laws

Ghana's exchange control laws currently permit a mining company to retain a portion of its foreign currency earnings in an external account out of which certain payments including dividends to shareholders may be paid. The company may in the future be subject to exchange control laws that further restrict its ability to retain its foreign currency earnings abroad.

Compensation and resettlement

Act 703 requires the holder of a mineral right to compensate the owner or lawful occupier of any land subject to the holder's mineral right for the disturbance of the rights of the owner or occupier. The amount of compensation payable is to be determined by agreement between the parties but if the parties are unable to reach an agreement as to the amount of compensation, the matter shall be referred by either party to the Minister who, in consultation with the Government agency responsible for land valuation shall, determine the compensation payable by the holder of the mineral right. To the extent that the Company may be required to pay any claims for compensation, this could impose additional costs and burdens.

Environmental and health laws

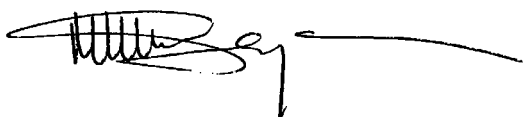
Mining operations face risks of environmental and other health hazards. The occurrence of any of these dangers could delay or halt operations, increase operation costs and result in liability for the company. In particular, the environmental and health authorities have the power to require a shutdown of operations or to impose burdensome procedures for certain violations.

7 CONSENT AND QUALIFICATIONS

We consent to the inclusion of this Report in the Prospectus and published in the form the Company considers appropriate for the purpose mentioned in Section 1 of this Report.

This Report is furnished exclusively to Taruga for inclusion in the Prospectus and is not otherwise meant for distribution. It must not be relied upon by any other person or entity without the express consent of Taruga.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Reindorf Chambers', with a long horizontal line extending to the right.

REINDORF CHAMBERS

Schedule 1 – Summary of Ducie Reconnaissance Licence

Tenement	Registered Holder(s)	Proportion of ownership	Tenement No	Tenement Type/mineral	Tenement Area (km ²)	Annual rent, expenditure payable ¹	Grant Date	Expiry Date	Option for renewal	Encumbrance
Ducie Reconnaissance Licence	Maintenance Culture Limited	100%	Land Registry No 710/2006	Reconnaissance: gold	434.74 Sq. MI or 1125.98 Sq. Km	GHS225.20 ⁸	19 December 2006	Application to renew remaining areas of the Licence currently being considered by the Minerals Commission	Renewable for 1 year periods by approval from minister	None disclosed

¹MGS Ghana has rights to use and to acquire the Ducie Reconnaissance Licence (and the Katua Prospecting Licence, Sombisi Prospecting Licence and Yala Prospecting Licence, once granted) under the Option Agreement.

Schedule 2 – Summary of the Option Agreement

- The option agreement dated in September 2010 (as agreed to be amended) (Option Agreement) between MGS Ghana Limited (Purchaser) and Maintenance Culture Limited (MCL) sets out the terms and conditions on which MCL has granted to the Purchaser certain rights to further develop an exclusive option to acquire the following licences in respect of land located in Ghana, West Africa:
 - Ducie Reconnaissance Licence, land registry number 710/2006;
 - Katua Prospecting Licence, when granted in connection with the Ducie Reconnaissance Licence;
 - Kundunga Prospecting Licence, when granted in connection with the Ducie Reconnaissance Licence;
 - Sombisi Prospecting Licence, when granted in connection with the Ducie Reconnaissance Licence; and
 - Yala Prospecting Licence, when granted in connection with the Ducie Reconnaissance Licence, (together, the Tenements).
- MCL represents and warrants that it is the registered holder of the Tenements and has full and unencumbered right and title to the Tenements (subject to the Governments of Ghana's entitlement to acquire a ten per cent free carried interest in the rights and obligations of the mineral operations at the time a mining lease is granted in respect of the Tenements).

Option terms

- MCL has granted to the Purchaser the sole and exclusive right to peaceably and quietly occupy the area the subject of the Tenements and to conduct exploration activities thereon without interference or obstruction from MCL or any party claiming by, through or under MCL.
- The Purchaser must make the following payments to MCL under the Option Agreement:
 - \$USD15,000 - within 5 days of execution of the Option Agreement;
 - \$USD17,500 - 12 months after the Commencement Date;
 - \$USD25,000 - 18 months after the Commencement Date; and
 - \$USD120,000 - 36 months after the Commencement Date (at which point the Purchaser is entitled to call for the transfer of 90% of MCL's legal and beneficial interest in the Tenements),

where the Commencement Date is the date at which the Option Agreement, including the transfer of the Tenements from MCL to the Purchaser, has been given Ministerial approval and has been approved by ordinary resolution of the shareholders, and the directors, of MCL.
- The Purchaser has the right to purchase MCL's entire legal and beneficial interest in the Tenements for \$US250,000 at any time prior to termination of the Option Agreement. If this payment is made prior to any of the payments that must be made under the Option Agreement (as noted above at paragraph 4), then no further payment will be required to be made by the Purchaser to MCL for the transfer of MCL's entire legal and beneficial interest in the Tenements.
- If the Purchaser is entitled to have Tenements transferred to it, MCL must deliver to the Purchaser a transfer of the Tenements in registrable form duly executed by MCL, as normally used for transfers of mining tenements in Ghana, within 5 days of receipt of written notice from the Purchaser calling for such transfer. Risk in and title to Tenements will pass to the Purchaser upon such transfer.

Termination

- 7 The Purchaser may terminate the Option Agreement at any time by giving notice in writing to MCL.
- 8 If the Purchaser fails to make payment by the date(s) required, MCL may give the Purchaser written notice and 60 days to remedy the noted condition. Should the Purchaser fail to do so, excepting force majeure or causes arising out of any act not within its control (excluding lack of funds), MCL may at its discretion terminate the Option Agreement and all of the Purchaser's rights and privileges will cease upon receipt of a second notice from MCL after a further 30 days.
- 9 In the event of termination of the Option Agreement, other than following a transfer of Tenements to the Purchaser, the Purchaser will:
 - (a) leave the Tenements in good standing, free of liens, charges and encumbrances arising from its operations, and in a condition in compliance with all rules and orders of governmental authorities with respect to reclamation and rehabilitation of all disturbances resulting from the Purchaser's use and occupancy of the Tenements;
 - (b) deliver to MCL within 60 days, a report on all work carried out by the Purchaser including copies of certain technical data compiled by the Purchaser with respect to the Tenements; and
 - (c) remove from the Tenements within 12 months of the effective date of termination, all facilities erected, installed or brought upon the Tenements by or at the instance of the Purchaser, failing which such facilities will become the property of MCL.

Rights and obligations relating to Tenements

10. The Purchaser will incur all direct expenses on the Tenements to keep in good standing with the mining law of the Republic of Ghana.
11. The Purchaser, its employees, agents and independent contractors, will, have the right to enter the licensed area, do such prospecting, exploration, development or other mining work as the Purchaser in its sole discretion may consider advisable and remove from the Tenements and sell or otherwise dispose of mineral products, but only for the purpose of testing and in accordance with the rules and regulations of the governmental authorities overseeing the activities of Gold Mining in Ghana. MCL:
 - (a) will not purposely do any act which would adversely affect the rights of the Purchaser;
 - (b) will make available to the Purchaser and its representatives all records and files in its possession relating to the Tenements and permit making copies of such documents at their own expense; and
 - (c) promptly provide the Purchaser with any and all notices and correspondence from government agencies in respect of the Tenements.
12. MCL covenants not to transfer or assign, make an application to the Minister responsible for mines to transfer or assign, or otherwise deal with, each Licence, except in accordance with this agreement.
13. The Purchaser may assign all or part of its interests in the Option Agreement without the need for any approval or consent from MCL. MCL may not assign any part of its interests in the Option Agreement without written approval from the Purchaser.

Miscellaneous provisions

14. MCL and the Purchaser agree to execute such additional documents as may be reasonably requested by the Purchaser to ensure that notice of the rights granted to the Purchaser are properly registered with such Ghanaian or other local authorities as appropriate.
15. No variation of the Option Agreement is effective unless in writing and signed by MCL and the Purchaser.
16. The Option Agreement is subject to all necessary regulatory approvals which MCL and the Purchaser will diligently seek to obtain.
17. The Option Agreement is to be interpreted and is governed according to the laws of Ghana.

SCHEDULE 3 – COURT SEARCHES

Maintenance Culture Limited: Search report

- a. dated 8 November 2011 of the High Court, Tamale
- b. dated 24 November 2011 of the High Court, Accra
- c. dated 15 November 2011 of the High Court (Commercial Division), Accra
- d. 17 November 2011 of the High Court (Commercial Division) Tamale

MGS Ghana Limited: Search report

- e. dated 8 November 2011 of the High Court, Tamale
- f. dated 24 November 2011 of the High Court, Accra
- g. dated 15 November 2011 of the High Court (Commercial Division), Accra
- h. 17 November 2011 of the High Court (Commercial Division) Tamale

SCHEDULE 4 – RECEIPTS

1. of the Minerals Commission dated 21 June 2011 in the sum of GHS1000 issued to Maintenance Culture Limited
2. of the Minerals Commission undated in the sum of GHS1000 issued to Maintenance Culture Limited in respect of PL8/29
3. of the Minerals Commission 21 June 2011 in the sum of GHS1000 issued to Maintenance Culture Limited in respect of PL8/31
4. of the Administrator of Stool Lands dated 21 June 2011 in the sum of GHS30 in respect of annual rent for the Sombisi area
5. of the Administrator of Stool Lands dated 21 June 2011 in the sum of GHS30 in respect of annual rent for the Yala area
6. of the Administrator of Stool Lands dated 21 June 2011 in the sum of GHS30 in respect of annual rent for the Katua area

Footnotes

- 1 The currency code for the Ghanaian Cedi is GHS. As at December 2011, GHS1 averaged the equivalent of approximately USD0.61.

SECTION 07

INDEPENDENT SOLICITOR'S REPORT COTE D'IVOIRE TENEMENTS

21 November 2011
The Directors
Taruga Resources Limited
45 Matlock Street
Mount Hawthorn WA 6016



Dear Sirs,

1 SOLICITOR'S REPORT ON GECKO GOLD SARL MINING TITLES/LICENSES AND ON IVORIAN REGULATION

1.1 Introduction and Scope Background and purpose of report

This report (**Report**) is prepared for inclusion in a prospectus (**Prospectus**) to be issued by Taruga Gold Limited (**Taruga** or the **Company**) in December 2011 offering for subscription up to 40 million fully paid ordinary shares at AUD\$0.20 each to raise up to AUD\$8 million.

Under a share sale agreement dated on 21 November 2011 (**Acquisition Agreement**), the Company acquired 100% of the issued share capital of Gecko Gold SARL (**Gecko Gold**) a company incorporated according to the laws of Cote d'Ivoire.

We have acted on the instructions of Gecko Gold and have been requested to provide an opinion relating to Gecko Gold's application for the Mankono and Tortiya mining titles/licenses and the conditions attached to these titles/licenses that may impact on the exploration, mining or transfer of such titles/licenses. We have also been requested to provide a brief overview of Cote d'Ivoire's mining legal framework and the risk factors specific to mining operations in Cote d'Ivoire.

1.2 Laws and documents reviewed and enquiries made

In preparing this report we have reviewed copies of the following documents:

- (a) Letters dated on 20 November 2010 and 14 December 2010 from the Director of Gecko Gold to the "Direction Generale des Mines et de la Geologie" requesting for the obtention of Mining title;
- (b) An extract from the Mining Registry at "Direction Generale des Mines et de la Geologie";
- (c) By-laws of Gecko Gold;
- (d) Legal registration of Gecko Gold from the Commercial Registry at Clerk's Court;
- (e) Ivorian Mining Act and all relevant Ivorian laws;

(the above documents are collectively referred to in this Report as the Documents).

This Report is limited to the Cote d'Ivoire laws of general application at the date of this opinion and is given on the basis that it will be governed by, and constructed in accordance with, the laws of Cote d'Ivoire. We have made no investigation of, and do not express or imply any views on, the laws of any other country or jurisdiction other than those of Cote d'Ivoire.

1.3 Assumptions and qualifications

In issuing this opinion:

- (a) We have made all appropriate searches of the relevant registries including "Direction Generale des Mines et de la Geologie" and inspected all relevant documents but not examined any corporate records of any governmental authorisations or orders, certificates of public officials or of representatives of the parties or any other documents not stated above, and our opinion is qualified in that regard.

- (b) Insofar as we examined originals, we assume that the signatures are genuine and in respect of copies of such originals we assume that such copies are true and accurate copies of the original documents.
- (c) After due enquiry, we are not aware of any material adverse change has taken place since the execution of the documents listed in this opinion, which would affect, undermine or otherwise alter their validity.
- (d) Where indicated in the Report, “to the best of our knowledge” indicates that no independent sources of information were reviewed or came to our attention indicating a contrary finding.

1.4 Summary of results

Based on our review of the Documents examined and subject to the statement set out herein, we confirm that at the date of this opinion:

- a) Taruga is registered as the sole legal and beneficial owner of 100% of the issued share capital of Gecko Gold CI with Commercial Registry at Clerk’s Court and no further formalities (including payment of any stamp duty and receipt of regulatory approvals such as foreign ownership approvals) are required to effect Taruga’s ownership pursuant to the Acquisition Agreement under the laws of Cote d’Ivoire;
- b) Gecko Gold CI has submitted a request to Mining Authorities to obtain a mining title/license for Mankono and Tortiya respectively and the Mining Authorities have confirmed in writing the receipt of this request;
- c) Gecko Gold has no formal mining title/license, all formalities have now been completed by Gecko Gold to obtain the mining title/license for Mankono and Tortiya other than receipt of Ministerial approval (being the receipt of the Minister’s signature on the relevant documents) for the grant of the mining title/license for Mankono and Tortiya ;
- d) The Mining Authorities have assured Gecko Gold CI orally that Ministerial approval should take place in the following days or weeks; and
- e) Gecko Gold’s title to the mining title/licenses for Mankono and Tortiya (that it is to acquire following Ministerial approval) will not be affected by any change to its parent company’s shareholding.

2 REVIEW OF THE MINING TITLE/LICENSE

As indicated above, Gecko Gold has no formal mining title/license for Mankono and Tortiya at the date of this opinion.

However, as indicated to us orally by Mining Authorities, Gecko Gold should be granted the mining title/license for Mankono and Tortiya by Mining Authorities in the following days or weeks.

We will come back to you in an additional report to give you the results of the review of the mining titles/licenses and the content of these titles/licenses.

3 AN OVERVIEW OF THE LEGAL SYSTEM IN COTE D’IVOIRE

3.1 Background

Since 1995, efforts to develop long neglected mineral resources have been accelerated. Ivory Coast Authorities are now actively involved in enhancing the country’s mineral wealth. Numerous exploration permits have already been granted to private companies.

Many discoveries of Iron, Gold, nickel, manganese, phosphate, bauxite, cobalt have been done.

The Mining Code of 1995 that concern all investors, individuals and legal entities, Ivorian or not, resident or not, is characterized by:

- A simplification of the procedures;
- An optimization of the mining exploitation;
- Granting of tax incentives;
- Freedom of money transfer abroad.

3.2 Mining Law in Cote d’ivoire

A Mining Act governs mining activities in Cote d’ivoire.

The following laws and regulations govern mining activities in Cote d’ivoire (this list is not exhaustive):

- a. Law n°95-553 dated 18 July 1995 relating to Mining Code;
- b. Decree n096-634 of 9 August 1996 relating to application of the mining law
- c. Ordinance n096-600 dated 9 August 1996 relating to duties, taxes.
- d. General Code of Taxation;
- e. Customs Code;
- f. Uniform Act on Commercial Companies in force since 1998 (and being reviewed);
- g. Law n° 95-15 dated 12 January 1995 amended by Law n°97-400 dated 11 July 1997 relating to Labor Code (and its application decree)
- h. Inter professional Collective Convention of Work dated 19 July 1977.

3.3 Types of Mineral Rights

The following types of mineral rights are available in Cote d'Ivoire:

- Reconnaissance and Prospecting Authorizations;
- Exploration and exploitation Permit;
- Quarry exploitation Authorization;
- Exploitation authorizations of small scale mining tenements;
- Authorization for artisanal mining.

Only the 2 first ones can be granted to Gecko Gold.

Prospecting Authorization is non-exclusive prospecting right to work on the surface for a maximum area not specified in the regulation. Its duration is 1 year. It can be renewed. It is granted by application to the "Direction Generale des Mines et Geologie" a Department of Minister of Mines.

Reconnaissance Authorization is a non-exclusive right to explore for all minerals in a maximum area of 5,000 km². Its duration is 1 year. Renewals intervene in exceptional situations. It is granted by application to the "Direction Generale des Mines et Geologie" a Department of Minister of Mines.

Exploration permit is an exclusive right to explore minerals in a maximum area of 1,000 km². The duration is 3 years. Renewals can be given twice for 2-year periods. It is granted by application and it is granted by the Decree.

Exploitation permit is an exclusive right to explore mine, process, transport, and export minerals. Maximum area is not specified. It is granted for a 20-year period. Renewal is given on the lifetime of the mine. It is granted by Decree.

3.4 Transfer of Mineral Rights and Change in Control

(a) Transfer of Permits

Transfer of permits (mining title) is subject to prior authorization of Authorities. This is not yet applicable to Gecko Gold that has no formal mining title.

(b) Change of control of Mining Company

Change of control of a mining company (with mining title) is subject to prior approval of Government.

As Gecko has no formal mining title, this is not yet applicable.

Change of control of the parent company of a mining company (with mining title/license) is not restricted and does not require approvals.

3.5 Financial Obligations

(a) Annual Rent, Fees and Royalties

Mining companies are subject to payment of annual rent, fees and royalties. They can be lump-sum, ad valorem or superficiary rights.

(b) Foreign Exchange

The holder of mining title/license is subject to Exchange Control Regulation but can open bank account in Ivory Coast or abroad in foreign currencies, freely transfer the dividend abroad, receipt money of the foreign bank account.

(c) Tax Implications

In accordance with the General Tax Code and provisions of the mining Code, the following tax treatment applies to mining activities:

Exploration phase: During the exploration period, mining activities are exempt from:

- Payroll tax;
- VAT on goods and services;
- Additional tax on importations and purchase (AIRSI);
- All import duties and taxes, including VAT on materials, machines and equipment used in research activities;
- Half of registration duties applicable to contributions in kind or in cash to share capital.

Production phase: During production period, mining activities are exempt from corporate income tax during 5 years.

Companies benefit from relief from all import duties and taxes, including VAT upon the realization of the investment required for mining operations.

In addition, mining companies may benefit from the temporary admission regime, which exists to promote research and exploitation programs in Ivory Coast involving machines and equipment for a short period of time in Ivory Coast. An additional tax levied on profit is applicable as soon as investments funds are recovered.

3.6 Acquisition of Shares by the Government

Government retains 10 % of a free-carried equity interest to any deposits, when the exploitation permit is granted.

3.7 Statutory conditions attached to the grant of a Mineral Right

Any holder of mining title (individual or legal entity) should be resident of Ivory Coast and have all its civic rights.

It must be registered at the Registrar of Commerce and must not be in bankruptcy.

3.8 Indigenous rights

Ivorian land may be subject to indigenous rights of local communities. Where that is the case, compensation may need to be paid to these local communities in order that mining activities can be undertaken on such land.

3.9 Environmental law

Any holder of mining title/license must respect the provisions of Environment Code.

A complete study on environmental impact of the mining operations must be approved by the mining authorities and environmental authorities.

Any change in the program of environmental management is submitted to prior authorizations of authorities.

Controls are performed to ensure that health and welfare of neighboring population are guaranteed.

3.10 Foreign Investment law

No specific country's law controlling investment in the country, assets or entities by foreign owned corporation or foreign individuals.

3.11 Local Products/Employment

Priority is given to local staff for competence that can be found in Ivory Coast. The same requirement exists for products that can be found in Ivory Coast with same quality of those to be imported.

Tax exemption on imported equipment is not granted for equipment that can be bought locally.

3.12 Corporate law

Uniform Law relating to Corporate Law, in force since 1998, obliges commercial companies to be registered.

Two main types of companies: private liability company and public liability company.

The first one is directed by a director when the second one can be directed either by a general manager or by a managing director and a board of directors.

Branch of foreign companies can be set up for a period not more than 2 years, under reserve authorization of extension by the Ministry of Commerce.

3.13 Dispute resolution

Disputes are resolved before a three-judge court that is competent for civil, commercial, administrative and fiscal litigation. Specific commercial Courts are envisaged. The parties have the possibility after the first judgment to make an appeal before the Appeal Court.

The Supreme Court is competent to insure that Laws have been respected by the Court of Appeal.

Note that for dispute resolution, parties have the possibility to use alternative dispute resolution such arbitration, conciliation, mediation.

4 IMPENDING LEGISLATIVE CHANGES

New government of Cote d'Ivoire envisages enacting a new mining Code. In the information we have, this new Code will be in force before in one or two years.

Uniform act on Corporate law is being amended.

5 LITIGATION - RESULTS OF SEARCHES UNDERTAKEN

Searches undertaken revealed no litigation involving Gecko Gold.

6 RISK FACTORS

Specific risk factors associated with operating in Cote D'Ivoire, which could materially and adversely affect the Company, include:

SOVEREIGN RISK AND RECENT CHANGE IN IVORIAN GOVERNMENT: Cote d'Ivoire is a developing country and the Company's operations in Cote d'Ivoire are subject to numerous risks associated with developing countries including economic, social and political instability, changes of government, significant and unpredictable changes in government policies and law, renegotiation of mining contracts, war and civil conflict, illegal mining activities, lack of law enforcement and labour unrest. In April 2011 President Laurent Gbagbo was formally removed from office (following democratic elections held in November 2010) and a new government under President Alassane Ouattara has now formally commenced the transition process. Several thousand UN troops and several hundred French troops remain in Cote d'Ivoire supporting this transition.

REGULATION OF MINERAL RIGHTS: The holding of mineral rights in Cote D'Ivoire is subject to statutory control. Applications are required to be made for their grant and for their renewals. There is no assurance that the government will not make material changes to the mining legislation or that approvals or renewals for mineral rights will be given as a matter of course or on similar economic terms. As noted above, the new Ivorian Government envisages introducing a new Mining Code in 1 or 2 years which could materially and adversely affect the Company's rights and costs associated with holding tenements.

TAXES AND ROYALTIES: Ivorian law imposes obligations to make certain payments by way of taxes, royalties and fees (including payment of withholding tax on dividends). Any changes in the level of such taxes, royalties and fees or the introduction of new taxes may impose significant increases in the cost of mining. It cannot be ruled out that the new Government of Cote d'Ivoire may adopt substantially different laws, policies and conditions relating to foreign investment and taxation. The Company may also be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity.

COMPENSATION AND INDIGENOUS RIGHTS: A company operating in Cote D'Ivoire may be required to pay compensation to local owners or occupiers of land in the event of disturbance to the land. It is not possible to predict what such compensation, if any, will be. To the extent that the Company may be required to pay any claims for compensation, this could impose additional costs and burdens.

ENVIRONMENTAL LAWS: Mining operations face risks of environmental and other health hazards. The occurrence of any of these dangers could delay or halt operations, increase operation costs and result in liability for the Company.

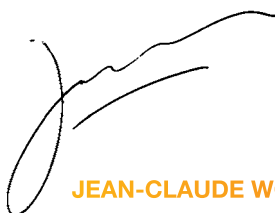
ILLEGAL MINING: The presence of illegal miners on a mining concession is a general issue for miners in Cote D'Ivoire. Illegal miners generally use unsafe mining practices which can result in environmental damage or personal injury and death. Illegal mining could have an adverse effect on the operations and consequently the financial condition of a mining company in Cote D'Ivoire.

7 CONSENT AND QUALIFICATION

We consent to the inclusion of this Report in the Prospectus and published in the form the Company considers appropriate for the purpose mentioned in section 1 of this Report.

This Report is furnished exclusively to Taruga for inclusion in the Prospectus and is not meant for distribution. It must not be relied upon by any other person or entity without the express consent of Taruga.

Yours faithfully,



JEAN-CLAUDE WOGNIN

Tax and Legal Counsel

INVESTIGATING ACCOUNTANT'S REPORT



Accountants | Business and Financial Advisers

Dear Sirs

INVESTIGATING ACCOUNTANT'S REPORT**Introduction**

This Investigating Accountant's Report ("Report") has been prepared for inclusion in a prospectus to be dated on or about 9 December 2011 ("Prospectus") for the issue by Taruga Gold Limited ("Taruga" or the "Company") of up to 37,500,000 ordinary shares at an issue price of 20 cents each to raise a total of up to \$7,500,000 before the expenses of the issue. The minimum subscription under the Prospectus is \$5,500,000.

This Report has been included in the Prospectus to assist potential investors and their financial advisers to make an assessment of the financial position and performance of Taruga Gold Limited.

Structure of Report

This Report has been divided into the following sections:

1. Background information;
2. Scope of Report;
3. Financial information;
4. Subsequent events;
5. Statements; and
6. Declaration.


1 BACKGROUND INFORMATION

The Company was registered in Australia on 21 October 2011. The current directors of the Company are Mr Bernard Aylward, Mr Edmond Edwards and Mr Peter Newcomb. Mr Peter Newcomb also acts as the Company Secretary.

Taruga hold (through its subsidiary companies), the right to acquire four highly prospective exploration projects located in West Africa. The objective of the Company is to provide a return to shareholders through successful exploration and the delineation of gold resources on mineral licences in Niger, Ghana and Cote d'Ivoire. The Company is targeting, subject to successful exploration, the delineation of new mineral resources and the Company's ultimate objective is to exploit economic gold resources through downstream mine development.

As at the date of this Report, the issued share capital of the Company is 55,000,000 ordinary fully paid shares. The following table summarises share capital movements since registration.

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 4, 130 Stirling Street Perth WA 6000. PO Box 8124 Perth BC 6849 Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.
Email: hlb@hlbwa.com.au. Website: <http://www.hlb.com.au>
Liability limited by a scheme approved under Professional Standards Legislation.

HLB Mann Judd (WA Partnership) is a member of  International, a worldwide organisation of accounting firms and business advisers.

Date		Number issued	Issue price	\$
21 October 2011	Issued on registration	12,500,000	\$0.0001	1,250
6 December 2011	Seed capital	5,000,000	\$0.10	500,000
6 December 2011	Vendor capital	37,500,000	\$0.10	3,750,000
Shares on issue at the date of this Report		55,000,000		4,251,250

The Company has the following options on issue at the date of this Report:

Issue Date	Expiry Date	Number issued	Exercise price
6 December 2011	31 January 2016	10,000,000	\$0.20
Options on issue at the date of this Report		10,000,000	

The Company's main objectives are the:

- exploration and development of its Projects; and
- actively pursue further acquisitions which complement its initial Projects.

2 SCOPE OF REPORT

You have requested HLB Mann Judd ("HLB") to prepare this Report presenting the following information:

- the historical financial information of the Company, comprising the historical Statement of Financial Position as at 7 December 2011 and the historical Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the period from registration to 7 December 2011 as set out in Appendix 1 to this Report; and
- the proforma financial information for the Company, comprising the proforma Statement of Financial Position as at 7 December 2011 and the proforma Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the period then ended. This information is presented under the following two scenarios:
 - \$5,500,000 capital raising (minimum subscription), and
 - \$7,500,000 capital raising (full subscription).

The Directors have prepared and are responsible for the historical and proforma information. We disclaim any responsibility for any reliance on this Report or on the financial information to which it relates for any purposes other than that for which it was prepared. This Report should be read in conjunction with the full Prospectus.

We performed a review of the historical financial information and the proforma financial information of the Company as at 7 December 2011 in order to ensure consistency in the application of applicable Accounting Standards and other mandatory professional reporting requirements. Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements.

Our review of the historical financial information and the proforma information of the Company was carried out in accordance with Australian Auditing Standard ASRE 2410 "Review of an Interim Financial Report performed by the Independent Auditor of the Entity" and included such enquiries and procedures which we considered necessary for the purposes of this Report. The review procedures undertaken by HLB in our role as Investigating Accountants were substantially less in scope than that of an audit examination conducted in accordance with generally accepted auditing standards. Our review was limited primarily to an examination of the historical financial information and the proforma information, analytical review procedures and discussions with senior management. A review of this nature provides less assurance than an audit and, accordingly, this Report does not express an audit opinion on the historical financial information and proforma information included in this Report or elsewhere in the Prospectus.

In relation to the information presented in this Report:

- support by another person, corporation or an unrelated entity has not been assumed;
- the amounts shown in respect of assets do not purport to be the amounts that would have been realised if the assets were sold at the date of this Report; and
- the going concern basis of accounting has been adopted.

3 FINANCIAL INFORMATION

Set out in Appendix 1 (attached) are:

- a) The Statement of Financial Position of the Company as at 7 December 2011, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the period then ended; and
- b) The proforma Statement of Financial Position of the Company as at 7 December 2011 and proforma Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the period then ended as they would appear after incorporating the following significant events and proposed transactions by the Company subsequent to 30 June 2011:
 - i) the issue by the Company pursuant to the Prospectus of 37,500,000 ordinary shares at an issue price of 20 cents each, raising \$7,500,000 (full subscription), together with a comparison on the basis of the minimum subscription noted below;
 - ii) the issue by the Company pursuant to the Prospectus of 5,000,000 options exercisable at 20 cents, expiring 4 years from the date of listing at a deemed value of \$382,000 (refer Appendix 2); and
 - iii) the write off to the issued capital account of the cash costs of the Prospectus being an estimated \$800,000, as detailed below based on achieving the full subscription, of which \$118,000 are shown as prepaid as at 7 December 2011:

	Minimum Subscription (\$)	Full Subscription (\$)
ASIC Fees	2,000	2,000
ASX Listing Fee	37,000	37,000
Broker Commissions	358,000	488,000
Legal Fees – Australia	100,000	100,000
Geologist Legal Fees – Overseas	50,000	50,000
Investigating Accountant's Fees	7,000	7,000
GST on Financial Services	60,000	73,000
Printing Costs	30,000	30,000
Road show Expenses	13,000	13,000
Total Cost of the Prospectus	657,000	800,000

This information is presented under the following two scenarios:

- \$5,500,000 capital raising (minimum subscription) – on this basis the total costs of the Prospectus will decrease by \$143,000 to \$657,000.
- \$7,500,000 capital raising (full subscription).

- c) Notes to the historical financial information and proforma information.

4 SUBSEQUENT EVENTS

In our opinion, there have been no material items, transactions or events subsequent to 7 December 2011 not otherwise disclosed in the Prospectus that have come to our attention during the course of our review that would require comment in, or adjustment to, the content of this Report or which would cause such information included in this Report to be misleading.

5 STATEMENTS

Based on our review, which was not an audit, we have not become aware of any matter that causes us to believe that:

- a) the historical financial information of Taruga Gold Limited as at 7 December 2011 as set out in Appendix 1 of this Report, does not present fairly the financial position of the Company as at that date in accordance with the measurement and recognition requirements (but not all of the disclosure requirements) of applicable Accounting Standards and other mandatory reporting requirements in Australia and its performance as represented by its results of its operations and its cash flows for the period then ended; and
- b) the proforma information of Taruga Gold Limited as at 7 December 2011 as set out in Appendix 1 of this Report, does not present fairly the financial position of the Company as at that date in accordance with the measurement and recognition requirements (but not all of the disclosure requirements) of applicable Accounting Standards and other mandatory reporting requirements in Australia and its performance as represented by its results of its operations and its

cash flows for the period then ended, as if the transactions referred to in Section 3 (b) of this Report had occurred during that period.

6 DECLARATION

- a) HLB will be paid its usual professional fees based on time involvement, for the preparation of this Report and review of the financial information, at our normal professional rates (expected to be \$7,000).
- b) Apart from the aforementioned fee, neither HLB, nor any of its associates will receive any other benefits, either directly or indirectly, for or in connection with the preparation of this Report.
- c) Neither HLB, nor any of its employees or associated persons has any interest in Taruga Gold Limited or the promotion of the Company.
- d) Unless specifically referred to in this Report, or elsewhere in the Prospectus, HLB was not involved in the preparation of any other part of the Prospectus and did not cause the issue of any other part of the Prospectus. Accordingly, HLB makes no representations or warranties as to the completeness or accuracy of the information contained in any other part of the Prospectus.
- e) HLB has consented to the inclusion of this Report in the Prospectus in the form and context in which it appears. The inclusion of this Report should not be taken as an endorsement of the Company or a recommendation by HLB of any participation in the Company by an intending subscriber.

Yours faithfully

HLB MANN JUDD

N G NEILL

Partner

TARUGA GOLD LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 7 DECEMBER 2011

		Reviewed	Proforma	
	Notes	\$	\$5.5M raising	\$7.5M raising
		\$	\$	\$
CURRENT ASSETS				
Cash and cash equivalents	2	501,307	5,344,307	7,201,307
Trade and other receivables	3	122,573	4,573	4,573
TOTAL CURRENT ASSETS		<u>623,880</u>	<u>5,348,880</u>	<u>7,205,880</u>
NON CURRENT ASSETS				
Deferred exploration and acquisition expenditure	4	4,016,701	4,016,701	4,016,701
TOTAL NON-CURRENT ASSETS		<u>4,016,701</u>	<u>4,016,701</u>	<u>4,016,701</u>
TOTAL ASSETS		<u>4,640,581</u>	<u>9,365,581</u>	<u>11,222,581</u>
CURRENT LIABILITIES				
Trade and other creditors	5	177,047	59,047	59,047
TOTAL CURRENT LIABILITIES		<u>177,047</u>	<u>59,047</u>	<u>59,047</u>
TOTAL LIABILITIES		<u>177,047</u>	<u>59,047</u>	<u>59,047</u>
NET ASSETS		<u>4,463,534</u>	<u>9,306,534</u>	<u>11,163,534</u>
EQUITY				
Issued capital	6	4,242,494	8,703,494	10,560,494
Reserves	7	266,701	648,701	648,701
Accumulated losses		(45,661)	(45,661)	(45,661)
TOTAL EQUITY		<u>4,463,534</u>	<u>9,306,534</u>	<u>11,163,534</u>

This statement should be read in conjunction with the accompanying notes.

TARUGA GOLD LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD FROM REGISTRATION TO 7 DECEMBER 2011

	Reviewed	Proforma	
		\$5.5M raising	\$7.5M raising
	\$	\$	\$
Income from ordinary activities	-	-	-
Other expenses	(45,661)	(45,661)	(45,661)
Other income	-	-	-
Profit/(loss) from ordinary activities	(45,661)	(45,661)	(45,661)
Other comprehensive income	-	-	-
Total comprehensive loss for the period	(45,661)	(45,661)	(45,661)

This statement should be read in conjunction with the accompanying notes.

TARUGA GOLD LIMITED

STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM REGISTRATION TO 7 DECEMBER 2011

	Reviewed	Proforma	
		\$5.5M raising	\$7.5M raising
	\$	\$	\$
<i>Cash Flows From Operating Activities</i>			
Payments in the course of operations	-	-	-
<i>Net Cash Used In Operating Activities</i>	-	-	-
<i>Cash Flows From Investing Activities</i>			
Exploration and evaluation expenditure	-	-	-
<i>Net Cash Used In Investing Activities</i>	-	-	-
<i>Cash Flows From Financing Activities</i>			
Proceeds from issue of shares	501,307	6,001,307	8,001,307
Issue costs paid	-	(657,000)	(800,000)
<i>Net Cash Provided By Financing Activities</i>	501,307	5,344,307	7,201,307
Net increase in cash held	501,307	5,344,307	7,201,307
Cash at the beginning of the financial period	-	-	-
<i>Cash At The End Of The Financial Period</i>	501,307	5,344,307	7,201,307

This statement should be read in conjunction with the accompanying notes.

TARUGA GOLD LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM REGISTRATION TO 7 DECEMBER 2011

	Issued capital \$	Option Re- serve \$	Accumulated losses \$	Total \$
Shares issued during the period	4,251,250	-	-	4,251,250
Share issue expenses	(8,756)	-	-	(8,756)
Options issued during the period	-	266,701	-	266,701
Comprehensive loss for the period	-	-	(45,661)	(45,661)
As at 7 December 2011	4,242,494	266,701	(45,661)	4,463,534
 \$5.5M raising Proforma adjustments:				
Shares issued pursuant to Prospectus	5,500,000	-	-	5,500,000
Issue expenses – cash	(539,000)	-	-	(539,000)
Issue expenses – prepaid	(118,000)	-	-	(118,000)
Options – lead manager	(382,000)	382,000	-	-
\$5.5M raising Proforma total	8,703,494	648,701	(45,661)	9,306,534
 \$7.5M raising Proforma adjustments:				
Increased number of shares issued pursuant to Prospectus	2,000,000	-	-	2,000,000
Increased issue expenses – cash	(143,000)	-	-	(143,000)
\$7.5M raising Proforma total	10,560,494	648,701	(45,661)	11,163,534

This statement should be read in conjunction with the accompanying notes

TARUGA GOLD LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM REGISTRATION TO 7 DECEMBER 2011

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been adopted in the preparation of the historical and proforma financial information reported under Australian Equivalents to International Financial Reporting Standards (“AIFRS”) are shown below.

(a) Basis of preparation

The financial statements have been prepared in accordance with the measurement requirements (but not all of the disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements in Australia using the accrual basis of accounting, including the historical cost convention.

TARUGA GOLD LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM REGISTRATION TO 7 DECEMBER 2011

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compliance with IFRS

The financial information complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ("AIFRS"). Compliance with AIFRS ensures that the financial information, comprising the financial statements and notes thereto, comply with measurement requirements but not all of the disclosure requirements of the International Financial Reporting Standards.

Historical cost convention

These financial statements have been prepared under the historical cost convention.

(b) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Taruga Gold Limited as at 7 December 2011 and the results of all subsidiaries for the period then ended. Taruga Gold Limited and its subsidiaries are referred to in this financial report as the Group.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing when the Group controls another entity.

Business combinations have been accounted for using the acquisition method of accounting. Unrealised gains or transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates.

Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Foreign currency translation

Both the functional and presentation currency of the Company and its Australian subsidiaries is Australian dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date.

All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

As at the balance date the assets and liabilities of these subsidiaries are translated into the presentation currency of the Company at the rate of exchange ruling at the balance date and their statements of comprehensive income are translated at the weighted average exchange rate for the year.

The exchange differences arising on the translation are taken directly to a separate component of equity, being recognised in the foreign currency translation reserve.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

(d) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of financial performance.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(e) Exploration Expenditure and Mining Tenements

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Company has obtained the legal rights to explore an area are recognised in the income statement.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

- (i) the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
- (ii) activities in the area of interest have not at the reporting 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 assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability, and facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment accounting policy 1(f)).

For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from intangible assets to mining property and development assets within property, plant and equipment.

(f) Impairment of assets

The Company assesses at each balance date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

Exploration, evaluation and development expenditure incurred is accumulated in respect of each area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

(g) Trade and other Receivables

Trade receivables are recognised initially at the transaction price (ie cost) and are subsequently measured at cost less provision for impairment.

At the end of each reporting period, carrying amounts of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

(h) Trade Payables

Trade payables are recognised at their transaction price. Trade payables are obligations on the basis of normal credit terms and do not bear interest.

(i) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

(j) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the ATO. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

(k) Critical accounting judgements and key sources of estimation uncertainty

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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(l) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Interest income

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(m) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

(n) Share-based payment transactions

The Company provides benefits to employees (including senior executives) of the Company in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Taruga Gold Limited (market conditions) if applicable.

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Company's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

The Statement of Comprehensive Income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

Cash settled transactions:

The Company also provides benefits to employees in its electronics segment in the form of cash-settled share-based payments, whereby employees render services in exchange for cash, the amounts of which are determined by reference to movements in the price of the shares of Taruga Gold Limited.

The cost of cash-settled transactions is measured initially at fair value at the grant date using the Black-Scholes formula taking into account the terms and conditions upon which the instruments were granted. This fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is re-measured to fair value at each Statement of Financial Position date up to and including the settlement date with changes in fair value recognised in profit or loss.

(o) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(p) Proforma transactions

The proforma Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows have been derived from the historical financial information as at 7 December 2011 adjusted to give effect to the following actual or proposed significant events and transactions by the Company subsequent to 30 June 2011:

- i) the issue by the Company pursuant to the Prospectus of 37,500,000 ordinary shares at an issue price of 20 cents each, raising \$7,500,000 (full subscription), together with a comparison on the basis of the minimum subscription noted below;
- ii) the issue by the Company pursuant to the Prospectus of 5,000,000 options exercisable at 20 cents expiring 4 years from the date of listing at a deemed value of \$382,000 (refer Appendix 2); and
- iii) the write off to the issued capital account of the cash costs of the Prospectus being an estimated \$800,000 based on achieving the full subscription, of which \$118,000 are shown as prepaid as at 7 December 2011:

This information is presented under the following two scenarios:

- \$5,500,000 capital raising (minimum subscription) – on this basis the total costs of the Prospectus will decrease by \$143,000 to \$657,000.
- \$7,500,000 capital raising (full subscription).

2 CASH AND CASH EQUIVALENTS

	Reviewed	Proforma	
	\$	\$5.5M raising	\$7.5M raising
	\$	\$	\$
Balance as at 7 December 2011	501,307	501,307	501,307
Cash raised pursuant to Prospectus	-	5,500,000	7,500,000
Share issue costs	-	(657,000)	(800,000)
	<u>501,307</u>	<u>5,462,307</u>	<u>7,319,307</u>

3 TRADE AND OTHER RECEIVABLES

Balance as at 7 December 2011	122,573	122,573	122,573
Prepaid costs of issue transferred to issued capital	-	(118,000)	(118,000)
	<u>122,573</u>	<u>4,573</u>	<u>4,573</u>

TARUGA GOLD LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM REGISTRATION TO 7 DECEMBER 2011

	Reviewed	Proforma	
	\$	\$5.5M raising	\$7.5M raising
	\$	\$	\$
4 DEFERRED EXPLORATION AND ACQUISITION EXPENDITURE			
Acquisition costs	4,016,701	4,016,701	4,016,701
	<u>4,016,701</u>	<u>4,016,701</u>	<u>4,016,701</u>
5 TRADE AND OTHER PAYABLES			
	177,047	177,047	177,047
	-	(118,000)	(118,000)
Balance at 7 December 2011 payment of share issue costs	<u>177,047</u>	<u>59,047</u>	<u>59,047</u>
6 ISSUED CAPITAL			
Issued and paid up share capital			
Shares issued during the period	4,242,494	4,242,494	4,242,494
Prospectus issue	-	5,500,000	7,500,000
Share issue costs - cash	-	(539,000)	(682,000)
Share Issue costs - prepaid	-	(118,000)	(118,000)
Lead manager options – share issue costs	-	(382,000)	(382,000)
Balance at end of period	<u>4,242,494</u>	<u>8,703,494</u>	<u>10,560,494</u>

	\$5.5M raising		\$7.5M Raising	
	Number	\$	Number	\$
Movements in number of fully paid ordinary shares since 7 December 2011:				
Shares on issue at 7 December 2011	55,000,000	4,242,494	55,000,000	4,242,494
Proforma adjustments:				
Prospectus issue	27,500,000	5,500,000	32,500,000	7,500,000
Share issue costs - cash	-	(539,000)	-	(682,000)
Share Issue costs - prepaid	-	(118,000)	-	(118,000)
Lead manager options – share issue costs	-	(382,000)	-	(382,000)
Proforma total	<u>82,500,000</u>	<u>8,703,494</u>	<u>87,500,000</u>	<u>10,560,494</u>

TARUGA GOLD LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM REGISTRATION TO 7 DECEMBER 2011

	Reviewed	Proforma	
	\$	\$5.5M raising \$	\$7.5M raising \$
7 RESERVES			
Options issued over ordinary shares of the Company			
10,000,000 options issued, exercisable at 20 cents on or before 31 January 2016, as part consideration of deferred exploration and acquisition expenditure	266,701	266,701	266,701
5,000,000 lead manager options exercisable at 20 cents on or before 4 years from date of listing	-	382,000	382,000
Balance at end of period	266,701	648,701	648,701

8 CONTINGENCIES AND COMMITMENTS

Details of planned expenditure commitments are outlined in the Prospectus and include commitments in relation to:

Tenement/License	<1 Year	2-5 Years	>5 years
Kossa 1 (1)	227	454	-
Kossa 2 (1)	3,052	6,104	-
Ducie Reconnaissance License option fee (2)	24,450	117,359	-

(1) These commitments converted from FCFA. As at 7 December 2011, the exchange rate for 1 AUD to 1 FFCA was 489.801.

(2) These commitments converted from USD. As at 7 December 2011, the exchange rate for 1 AUD to 1 USD was 1.0225.

As noted in the section of the Prospectus titled 'Material Contracts', the Company has entered into a Consultancy agreement with Matlock Geological Services Pty Ltd. The contract as no specified end date, however the directors will assess the agreement at a maximum of 12 month intervals. The yearly expense of the agreement is \$267,000.

The Directors are not aware of any other contingencies.

9 RELATED PARTY TRANSACTIONS

Details of Directors' interests in the Company's issued capital and transactions with the Company are included in the section of the Prospectus titled 'Investment Overview'.

APPENDIX 2

The indicative value for the options as outlined in Section 3 has been determined using the Black and Scholes Option Pricing Model. The model describes the value of an option as being a function of five variables:

- (i) Value of the underlying share;
- (ii) The risk free rate of return;
- (iii) The variance (or volatility) of the share price;
- (iv) The exercise price of the option; and
- (v) The remaining time to maturity.

a) Options proposed to be issued

Set out below is our understanding of the options proposed to be issued. The options are not transferable and no application will be made to the ASX for quotation of the options.

Total Number of Options:	5,000,000
Exercise Price:	20 cents
Expiry Date:	4 years from date of listing

b) Valuation Calculation

The calculation of the value of each option has been performed based on the following assumptions:

- (i) The underlying value of each share in the Company on the fair market value per share determined for this purpose to be the offer price – 20 cents;
- (ii) Risk free rate of return – 3.1% (estimated, based on the 3 year bond indicator rate); and
- (iii) A volatility of the share price of 70%.

c) Valuation

Based on the above factors, the Black and Scholes Option Pricing Model attributes a theoretical value to each option of 10.92 cents. After factoring in a discount for early exercise and non-negotiability, the options have an indicative value of 7.64 cents per option.

The value of the options is determined to be:

Options to be issued – 5,000,000 at 7.64 cents	\$382,000
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SECTION 09

CORPORATE GOVERNANCE

9 CORPORATE GOVERNANCE

The Company has adopted systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs. To the extent they are applicable, the Company has adopted the Corporate Governance Principles and Best Practice Recommendations with 2010 Amendments (2nd Edition) ("Recommendations" or "Guide") as published by ASX Corporate Governance Council.

The following corporate governance charters, codes and policies have been implemented and are available on the Company's website at www.tarugagold.com.au:

- Board Charter
- Corporate Code of Conduct
- Diversity, Nomination and Remuneration Committee Charter
- Audit and Risk Committee Charter
- Shareholder Communication Guidelines and Policy
- Disclosure Policy
- Securities Trading Policy

For ease of comparison to the Recommendations, this Section addresses each of the Corporate Governance Principles and, where the Company has not followed a Recommendation, has explained the reasons for not following the Recommendation. This disclosure is in accordance with ASX Listing Rule 4.10.3. The Company was incorporated on 21 October 2011 and has not yet produced an Annual Report. Going forward, the Company will include a Corporate Governance Statement in its Annual Reports disclosing the extent to which it has followed the Recommendations in the reporting period.

As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance structures will be reviewed and amended as required.

PRINCIPLE 1 – LAY SOLID FOUNDATION FOR MANAGEMENT AND OVERSIGHT

Recommendation 1.1: Companies should establish those functions reserved to the board and those delegated to senior executives and disclose those functions.

The Board is accountable to Shareholders for the performance of the Company. The Board operates under the Board Charter that details the Board's functions, responsibilities and powers, as well as those delegated to management. Broadly the key responsibilities of the Board are:

1. reviewing, ratifying and monitoring the Company's compliance with its corporate policies and protocols consistent with the Recommendations;
2. reviewing, ratifying and monitoring the Company's operations in relation to, and in compliance with, relevant regulatory requirements;
3. considering the extent and types of risk that are acceptable for the Company to bear;
4. actively and regularly participating in and overseeing strategic planning and implementation of strategy based on the identification of opportunities and the full range of business risks;
5. reviewing, ratifying and monitoring management systems and processes for managing the business risks the Company is exposed to, or may become exposed to, including financial controls and systems, risk management and internal control, codes of conduct and legal compliance;
6. establish and review the roles and responsibilities of the Board and Management, evaluate the performance and remuneration of individual directors and the Board as a whole;
7. appointing, monitoring, managing the performance of, and if necessary, terminating the employment of, the Managing Director of the Company;

8. ratifying the appointment of senior management, including in relation to the terms of equity remuneration;
9. approving and monitoring the progress of major capital expenditure, capital management and all major corporate transactions, including the issue of any securities in the Company and ensuring appropriate resources are available to senior executives;
10. reporting to and communicating with shareholders; and
11. approving, monitoring and overseeing financial and other reporting.

All directors and key executives of the Company have entered into formal appointment agreements or executive service agreements outlining key terms and conditions of their appointment.

Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives.

As at the date of this Prospectus, the Company has employed only two senior executives, the Executive Director and Managing Director and the Company Secretary, who have been employed for less than one month. Going forward, the Board (in the absence of the Executive Chairman and Managing Director) will formerly assess the performance of the Executive Chairman and Managing Director at least once in each financial year. The other non-executive directors will meet with the Executive Chairman and Managing Director to provide the Executive Chairman and Managing Director with feedback on the Board's assessment

Induction procedures to provide new senior executives with good information on the Company and industry are in place. Going forward, the Board and Managing Director will monitor the performance of senior executives on a regular basis. The Managing Director will conduct an annual evaluation of each senior executive's performance, at which the senior executive's performance during the previous 12 months will be assessed against relevant performance indicators, and role expectations and goals will be set for the following year.

Recommendation 1.3: Companies should provide the information indicated in the Guide to reporting on Principle 1.

This Section provides the information required under Principle 1. The Company's Board Charter is available from the Corporate Governance Section of its website and the Company will include the disclosure required by Recommendation 1.3 in its future annual reports.

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

Recommendation 2.1: A majority of the board should be independent directors.

The structure of the Board does not comply with Recommendation 2.1 as the majority of directors are not independent. Currently out of the three directors, only one is independent: Mr Edmonds. Mr Aylward and Mr Newcomb are not independent due to their executive roles.

The Board believes that Board composition is acceptable and appropriate given the small size of the Board and the early stage of the Company's development. Details of each Board member's experience, expertise and qualifications are set out in Section 3.1 of the Prospectus. All the Directors have the expertise and skills to make quality and independent judgements in the best interests of the Company. Further, each Director is entitled to seek independent professional advice (including but not limited to legal, accounting and financial advice) at the Company's expense on any matter connected with the discharge of his or her responsibilities, and non-executive directors are encouraged to meet without management on a regular basis in accordance with the procedures and subject to the conditions set out in the Board Charter.

Board structure and composition will be reviewed as and when the Company's scale, strategic directions and activities change. The Company will only recommend the appointment of additional Directors to your Board where it believes the expertise and value added outweighs the additional cost.

Recommendation 2.2: The chair should be an independent director.

The structure of the Board does not comply with Recommendation 2.2.

Recommendation 2.3: The roles of chair and chief executive officer should not be exercised by the same individual.

The roles of Chairman and Managing Director are exercised by the same individual. The Board considers that this is appropriate given the current size and composition of the Board, and given the Company's stage of development. The Board Charter summarises the roles and responsibilities of the Chairman and the the Managing Director.

Recommendation 2.4: The board should establish a nomination committee.

The Company does not comply with Recommendation 2.4. Given the current size and composition of the Board, and given the Company's stage of development, it has been decided that there are no efficiencies to be gained and it is not practicable to form a separate nomination committee. The Board considers that it is more appropriate to set aside time at Board meetings to specifically address matters that would ordinarily fall to a nomination committee.

Recommendation 2.5: Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.

The Board will have access to and receive all the information necessary to discharge its responsibilities effectively as provided in the Board Charter.

The Chairman will conduct an informal evaluation of each Board member's performance at least once each financial year. The review process will include a combination of qualitative and quantitative assessments, the results of which shall be discussed with the individual Director and the Board. The Board (excluding the Chairman) will conduct the review of the Chairman.

Before each annual general meeting, the Board reviews the performance of each director retiring in accordance with the Company's constitution before determining its recommendation to Shareholders on the re-election of the director (in the absence of the director involved). Induction procedures are in place to provide new directors with information on the Company and Industry, to allow them to participate fully and actively in Board decision-making at the earliest opportunity.

All directors will have access to the Company Secretary. The Company Secretary is accountable to the Board, through the Chair, on all governance matters. The appointment and removal of the Company Secretary is a matter for decision by the Board as a whole.

Recommendation 2.6: Companies should provide the information indicated in the Guide to reporting on Principle 2.

This Section provides the information required under Principle 2. The Company's Board Charter is available from the Corporate Governance section of its website and the Company will include the disclosure required by Recommendation 2.6 in its future annual reports.

PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

Recommendation 3.1: Companies should establish a code of conduct and disclose the code or a summary of the code as to:

- **the practices necessary to maintain confidence in the company's integrity;**
- **the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and**
- **the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.**

The Board has established a Corporate Code of Conduct that states the Company's core values, responsibilities to and expectations of shareholders, employees, customers, suppliers, creditors, consumers and the broader community. The key requirements of the Corporate Code of Conduct are:

1. the treatment of each other and outside parties with honesty, fairness and integrity, and without engaging in deceptive practices;
2. respect for the law and acting accordingly;
3. procedures of dealing with real and apparent conflicts of interest;
4. promotion of ethical behaviour and procedures of dealing with the reporting of unlawful or unethical behaviour;
5. protection of the Company's assets and confidential information;
6. employment practises to maintain a safe workplace; and
7. responsibility to the individual and to the community.

Recommendation 3.2: Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.

The Board has adopted a Diversity, Nomination and Remuneration Committee Charter which sets out the Company's diversity policy. It has been decided not to establish a separate diversity, nomination and remuneration committee due to the current size and composition of the board and the functions that would otherwise be undertaken by a separate diversity, nomination and remuneration committee would be carried out by the current Board. The objectives of Company's diversity policy are to:

1. attract, employ and retain a diverse pool of candidates for all positions, including the Board and senior management and to develop measurable objectives to monitor the Company's performance in this area;
2. to ensure that the Company's recruitment and employment procedures encourage, promote and develop diversity and comply with relevant legislative and regulatory requirements for the benefit of the Company and its employees;

3. to ensure that the Company's remuneration is appropriate and is not inequitable to any proportion of personnel who are employed by the Company;
4. to ensure that the Company's succession plan encourages, promotes and develops diversity within the Company and that there are appropriate personnel with the relevant skills, experience and capability to be able to manage the Company's business strategies and objectives, ongoing operations, future growth and development; and
5. to formulate and develop appropriate strategies and procedures to manage the Company's diversity including to prepare measurable objectives and develop and implement appropriate education, training and mentoring programs.

The Executive Chairman and Managing Director will monitor and report to the Board on the progress of the development and implementation of the Company's diversity policy and associated programs as required and the Board will review the Company's diversity policy on an annual basis and assess how the Company is meeting its diversity objectives.

Recommendation 3.3: Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.

The Company will include the disclosure required by Recommendation 3.3 in its future annual reports.

Recommendation 3.4: Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.

The Company will include the disclosure required by Recommendation 3.4 in its future Annual Reports.

Recommendation 3.5: Companies should provide the information indicated in the Guide to reporting on Principle 3.

This Section provides the information required under Principle 3. The Company's Corporate Code of Conduct and Diversity, Nomination and Remuneration Committee Charter are available from the Corporate Governance Section of its website.

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Recommendation 4.1: The board should establish an audit committee

Recommendation 4.2: The audit committee should be structured so that it:

- consists only of non-executive Directors;
- consists of a majority of independent directors;
- is chaired by an independent chair who is not chair of the board; and
- has at least 3 members.

The Company does not comply with Recommendations 4.1 and 4.2 in that there is no separate audit committee. Given the current size and composition of the Board, and given the Company's stage of development, it has been decided that there are no efficiencies to be gained and it is not practicable to form a separate audit committee. The Board considers that it is more appropriate to set aside time at Board meetings to specifically address matters that would ordinarily fall to an audit committee.

Recommendation 4.3: The audit committee should have a formal committee charter.

The role of an audit committee is taken by the Board as a whole. The Board has adopted a formal Audit and Risk Committee Charter that sets out the roles and responsibilities of the Board with respect to audit and risk management, and contains information on the procedures for the selection and rotation of the external auditor. When considering financial matters, the Board functions in accordance with this policy.

Recommendation 4.4: Companies should provide the information indicated in the Guide to reporting on Principle 4.

This Section provides the information required under Principle 4. The Company's Audit and Risk Committee Charter is available from the Corporate Governance Section of its website. The Company will include the disclosure required by Recommendation 4.4 in its future annual reports.

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

The Board has established a Shareholder Communication Guidelines and Policy and a Disclosure Policy outlining procedures for compliance with ASX continuous disclosure requirements and the Corporations Act, and to ensure accountability at a senior executive level for that compliance.

Recommendation 5.2: Companies should provide the information indicated in the Guide to reporting on Principle 5.

This Section provides the information required under Principle 5. The Company's Shareholder Communication Guidelines and Policy, and Disclosure Policy are available from the Corporate Governance Section of its website. The Company will include the disclosure required by Recommendation 5.2 in its future annual reports.

PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS

Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

The Board has established a Shareholder Communication Guidelines and Policy and Disclosure Policy outlining the procedures for ensuring timely disclosures and the various ways the Company will communicate with shareholders and encourage shareholders to attend general meetings. All information disclosed to the ASX is to be posted on the Company's website as soon as it is disclosed to the ASX. When analysts are briefed on aspects of the Company's operations, the material used in the presentation will be released to the ASX and posted on the company's website. Procedures are in place to determine where price sensitive information has been inadvertently disclosed, and if so, this information is released to the ASX.

Recommendation 6.2: Companies should provide the information indicated in the Guide to reporting on Principle 6.

This Section provides the information required under Principle 6. The Company's Shareholder Communication Guidelines and Policy, and Disclosure Policy are available from the Corporate Governance Section of its website and the Company will include the disclosure required by Recommendation 6.2 in its future annual reports.

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

Recommendation 7.2: The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.

The Board has adopted a formal Audit and Risk Committee Charter that sets out the roles and responsibilities of the Board with respect to risk management including identifying, managing and monitoring material business risks. The Board is responsible for approving and reviewing the Company's risk management strategy and policy. Management is responsible for ensuring that appropriate processes and controls are in place to effectively manage risk, and reporting to the Board on whether risks are being managed effectively. The Board believes that it has a thorough understanding of the Company's key risks and is managing them appropriately.

Recommendation 7.3: The board should discuss whether it has received assurance from the Chief Executive Officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating efficiently in all material respects in relation to financial reporting risks.

The integrity of the Company's financial reporting relies upon a sound system of risk management and control. Accordingly, the persons performing the functions of Managing Director and Chief Financial Officer (or equivalent) will be asked to confirm that any declaration they provide in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating efficiently in all respects in relation to financial reporting risks.

Recommendation 7.4: Companies should provide the information indicated in the Guide to reporting on Principle 7.

This Section provides the information required under Principle 7. The Company's Audit and Risk Committee Charter is available from the Corporate Governance section of its website and the Company will include the disclosure required by Recommendation 7.4 in its future annual reports.

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

Recommendation 8.1: The board should establish a remuneration committee.

Recommendation 8.2: The remuneration committee should be structured so that it:

- **consists of a majority of independent directors**
- **is chaired by an independent chair**
- **has at least three members.**

The Company does not comply with Recommendation 8.1. Given the current size and composition of the Board, and given the Company's stage of development, it has been decided that there are no efficiencies to be gained and it is not practicable to form a separate remuneration committee. The Board considers that it is more appropriate to set aside time at Board meetings to specifically address matters that would ordinarily fall to a remuneration committee.

The Board has adopted a formal Diversity, Nomination and Remuneration Committee Charter. The current Board members will, considering matters within the ambit of the Diversity, Nomination and Remuneration Committee Charter, be guided by and, to the extent practicable, act in accordance with that Charter.

Recommendation 8.3: Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

The structure of non-executive directors' remuneration is clearly distinguished from that of executive directors and senior executives. Remuneration for non-executive directors is fixed. The total remuneration for all non-executive directors is not to exceed \$300,000 per annum unless approved by Shareholders at the Company's Annual General Meeting.

Neither the non-executive directors nor the executives of the Company receive any retirement benefits, other than superannuation. The Executive Chairman and Managing Director has been engaged pursuant to a consultancy agreement that Matlock Geological Services Pty Ltd has entered into with the Company for the provision of certain services which is summarised in Section 11.2 of this Prospectus.

Recommendation 8.3: Companies should provide the information indicated in the Guide to reporting on Principle 8.

This Section provides the information required under Principle 8.

Securities Trading Policy

The Board has adopted a formal Securities Trading Policy that complies with ASX Listing Rule 12.12. Under the Securities Trading Policy, Directors and certain key management personnel are prevented from trading in the Company's shares during the period of 28 days prior to the announcement of quarterly, half year and full year reports. This is a restriction over and above the requirement to not trade in the Company's securities when in possession of inside information which applies to all Directors, executives and employees of the Company. The Board may, in exceptional circumstances only, approve any member of key management personnel (or his or her associated parties) trading in the Company's securities during a restricted period. An exemption will not however be granted by the Board if it considers there is information that is not generally available, but if it were, would be likely to "materially affect" the price of the Company's securities.

In accordance with the provisions of the Corporations Act and ASX Listing Rules, the Company, on behalf of the Directors, must advise ASX of any transactions conducted by Director's in the Company's securities.

SECTION 10

RISK FACTORS

10 RISK FACTORS

10.1 Introduction

There are a number of risks and uncertainties, both specific to the Company and of a general nature, which may, either individually or in combination, affect the future operating and financial performance of the Company, its prospects, and/or the value of its securities. In particular, the Company is subject to risks relating to the exploration and development of mineral properties which are not generally associated with other businesses. Many of the circumstances giving rise to these risks are beyond the control of the Company, its Directors and management.

This section describes key risks associated with an investment in the Company. It is not an exhaustive list of the risks and should be considered in conjunction with other information disclosed in this Prospectus. Additional risks and uncertainties that the Company is unaware of, or that it currently does not consider to be material, may also become important factors that may have an adverse effect on the Company. Investors should specifically consider the factors contained in this section and elsewhere in the Prospectus in light of their own investment objectives and financial circumstances, and should seek professional advice from their accountant, stockbroker, lawyer or other professional advisor before deciding whether to invest in Shares.

10.2 Mining and Mineral Exploration Industry Risks

(a) Exploration and Development Risk

There is no guarantee of exploration and development success. Exploration is a high risk activity that requires large amounts of expenditure over extended periods of time. Currently there are no defined mineral reserves on the Tenements which the Company, through its wholly owned foreign subsidiaries has acquired in Niger, applied for in Cote d'Ivoire and has a contractual right to acquire in Ghana and there can be no guarantee that the planned exploration programs will lead to positive exploration results and the discovery of a commercial deposit or further, a commercial mining operation.

There is no assurance that exploration and development of the Tenements by the Company, or any other Tenements that may be acquired by the Company in the future can be profitably exploited.

(b) Operational Risk

Mineral exploration activities are subject to numerous risks, many of which are beyond the Company's control, including failure to locate or identify mineral deposits, failure to achieve predicted grades in exploration and mining, operational and technical difficulties encountered in mining, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated metallurgical problems which may affect extraction costs, extended interruptions due to inclement or hazardous adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment. The operational risk is likely to be higher in developing countries such as Niger, Ghana and Cote d'Ivoire due to limited access to services, skilled staff and infrastructure relative to developed countries.

While the Company intends to maintain insurance within ranges of coverage consistent with exploration industry practice, no assurance can be given that the Company will be able to obtain such insurance coverage at reasonable rates (or at all), or that any coverage it obtains will be adequate and available to cover any such claims.

The occurrence of operating risks leading to the curtailment, delay or cancellation of the Company's operations may result in the Company incurring significant financial costs. This may have a material adverse effect on the profitability of the Company and ultimately the value of the company and its securities.

(c) Title Risk

The Tenements which the Company, through its wholly owned foreign subsidiaries, has acquired in Niger, applied for in Cote d'Ivoire and has a contractual right to acquire in Ghana, are subject to various local laws and regulations. Failure to comply with these conditions may render the Tenements liable to forfeiture. There is no guarantee that any Tenement applications (including in relation to the Mangkono and Tortiya Projects in Cote d'Ivoire) or conversions in which the Company has a current or potential interest will be granted or that the Tenement conditions, obligations and terms can be economically complied with. All of the Tenements will be subject to application for renewal from time to time. Renewal of the term of each Tenement is subject to applicable legislation. If Tenement approval or renewal is delayed or denied for any reason, the Company may suffer significant damage through loss of the opportunity to develop and discover any mineral resources on that Tenement.

(d) Commodity Price Risk

The value of the Company is highly dependent on the expected value of potential gold resources on its Tenements. The price of gold fluctuates and is affected by many factors beyond the control of the Company. Such factors include international gold supply and demand fluctuations, technological advancements, forward selling activities, inflation, interest rates and other macroeconomic factors. In the event that the price of gold falls significantly, the value of the Company is also likely to fall significantly.

(e) Exchange Rate Risk

A substantial portion of exploration expenditures and future income will be denominated in foreign currency which exposes the Company to exchange rate risks. Exchange rates fluctuate and are affected by many factors beyond the control of the Company including macroeconomic and global market conditions. Consequently, a fall in the value of the Australian dollar against such other currencies would increase the costs for the Company.

The Company will appropriately monitor and assess such risks and may from time to time implement measures, such as foreign exchange currency hedging, to manage these risks. However, the implementation of such measures cannot be assured of eliminating all such risks and the measures themselves may expose the Company to related risks.

(f) Environmental Risk

As with most exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. It is the Company's intention to conduct its activities to the highest environmental standard, complying with all environmental laws. However, the legal framework governing environmental laws is constantly changing and compliance may be difficult, costly and result in delays to the Company's project activities.

10.3 Company Specific Risks

(a) Limited operational history of Taruga Gold Limited

The Company was incorporated on 21 October 2011 and does not have a significant operating history. To date, only limited exploration activity has occurred and no gold deposits or resources have been discovered on the Tenements which the Company, through its wholly owned foreign subsidiaries, has acquired in Niger, applied for in Cote d'Ivoire and has a contractual right to acquire in Ghana. The prospects of the Company must be considered in light of the risks, expenses and difficulties frequently encountered by companies in their early stage of development, particularly in the mineral exploration sector, which has a high level of inherent uncertainty. Although the Company's Directors and management have substantial experience in the mining industry, there can be no assurance that the Company will achieve results similar to those achieved by other companies or projects in which its Directors and management have been involved in the past. No assurances can be given that the Company will achieve commercial viability through the successful exploration and/or mining of the Tenements.

(b) No alternative source of revenue

The Company's only business is the exploration and investment in mining Tenements in Niger, Ghana and Cote d'Ivoire. Until the Company is able to realise value from the Tenements, it is likely to incur ongoing operating losses. The Company has no other means of generating income (apart from interest) or cash flows. If the Tenements are not explored on schedule, at budgeted costs and in the manner anticipated, there could be a material adverse effect on the Company's financial condition.

(c) Tenements in Niger, Ghana and Cote d'Ivoire

The Company, through its wholly owned foreign subsidiaries, has acquired in Niger, applied for in Cote d'Ivoire and has a contractual right in Ghana to acquire, the Tenements.

In order for future or existing Tenements to be granted (including in relation to the Tenements in Cote d'Ivoire) or renewed, the Company must satisfy the mining legislation in Niger, Ghana and Cote d'Ivoire and comply with Tenement conditions such as minimum expenditure requirements and environmental standards. There is no assurance that the government will not make material changes to the mining legislation or the terms of the Tenement or that Tenement approvals or renewals will be given as a matter of course or on similar economic terms.

There is the additional risk that there could be changes to government policy and mining legislation in Niger, Ghana and Cote d'Ivoire that could materially and adversely affect the Company's rights and costs associated with holding those Tenements.

A detailed discussion of the Tenements is provided in the independent solicitors report on the Tenements in Sections 5, 6 and 7.

(d) Contractual Risk - Ghana

The Company's interests in the Tenements in Ghana arise by virtue of the Company's wholly owned foreign subsidiary, MGS Ghana Limited, having a contractual right to acquire such Tenements from Maintenance Culture Limited (MCL), a company incorporated and registered in Ghana, under the Option Agreement. A summary of the terms of the Option Agreement is set out in Schedule 3 to the Solicitor's Report on the Ghanaian Tenements. As in any contractual relationship, the ability of the Company to ultimately be registered as the holder of the Tenements in Ghana is dependent upon the Company's ability to comply with its obligations (including its payment obligations), and MCL complying with its contractual obligations (including to deliver free and clear title to the Tenements in Ghana) under the Option Agreement. If MCL defaults in the performance of its obligations it may be necessary for the Company to approach a court to seek a legal remedy which may be costly and ultimately may not be granted on appropriate terms, if at all. Any disputes arising in relation to the Option Agreement shall be governed by and construed in accordance with the laws in force in and the courts of Ghana.

The transfer of the Tenements from MCL to the Company will be subject to Ministerial approval which the Company expects will be forthcoming should the Company exercise part or all of the option under the Option Agreement. Notwithstanding, the Company cannot guarantee that the Tenements will be transferred in whole or in part or without undue delay or onerous conditions or if at all.

(e) Timing of Exploration and operating costs

The exploration costs of the Company described in Section 1.3 above are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect the Company's viability.

(f) Sovereign Risk

Niger, Ghana and Cote d'Ivoire are developing countries that have some of the lowest GDP per capita figures in the world. The Company's operations in Niger, Ghana and Cote d'Ivoire are subject to the risks associated in operating in foreign emerging countries. These risks may include economic, social or political instability or change, hyperinflation, or instability and changes of law affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, exploration licensing, export duties, repatriation of income or return of capital, environmental protection, mine safety, labour relations as well as government control over mineral properties or government regulations that require the employment of local staff or contractors or require other benefits to be provided to local residents. In addition, local tribal authorities in West Africa exercise significant influence with respect to local land use, land labour and local security. No assurances can be given that the co-operation of such authorities, if sought by the Company, will be obtained, and if obtained, maintained.

Other risks and uncertainties to which the Company is exposed to by reason of operating in Niger, Ghana and Cote d'Ivoire include, but are not limited to, terrorism, hostage taking, military repression and operations, wars, coups, civil conflict, illegal mining and loss due to diseases and other potential endemic health issues.

In particular, Cote D'Ivoire and Niger have each had a long history of political instability, significant and unpredictable changes in government policies and laws, war and civil conflict, illegal mining activities, lack of law enforcement and labour unrest. Cote d'Ivoire gained independence from France in 1960 and maintained relative political stability from 1960 through to December 1999 when a military coup overthrew the government. Political instability and civil war continued through to 2003 and the Ouagadougou Political Agreement was signed in 2007 aimed at reuniting the country. Democratic elections were held in November 2010, with Alassane Ouattara defeating incumbent President Laurent Gbagbo. A 6 month standoff ensued following the election, and in April 2011 President Gbagbo was formally removed from office. A new government under President Ouattara has formally commenced the transition process and several thousand UN troops and several hundred French troops remain in Cote d'Ivoire to support this transition.

Niger is a former French colony that became independent from France in 1960 and experienced single-party and military rule until 1991. Public pressure forced multiparty elections, which resulted in a democratic government in 1993, however political infighting and military coups occurred until democratic rule was restored in 1999 with the election of Mamadou Tandja. In 2009 President Tandja attempted to pass a constitutional amendment aimed at extending his term as President. In February 2010, a military coup deposed Tandja, immediately suspended the constitution and dissolved the Cabinet, and promised that elections would be held following a transitional period of unspecified duration. In March 2011 multi-party elections were completed resulting in the election of Mahamadou Issoufou as President and a return to democracy.

The presence of any of these sovereign risk factors or combination of them may materially and adversely affect the viability, profitability and operations of the Company.

A number of specific risks associated with operating in each of Niger, Ghana and Cote d'Ivoire have also been respectively provided in each Independent Solicitor's Reports in Sections 5, 6 and 7.

(g) Current policy in Ghana, Niger and Cote d'Ivoire on foreign investment

It cannot be ruled out that the governments of Niger, Ghana and Cote d'Ivoire may adopt substantially different laws, policies and conditions relating to foreign investment and taxation. The Company may also be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity.

Any future material adverse changes in government policies or legislation in Niger, Ghana and Cote d'Ivoire that affect foreign investment and ownership, mineral exploration, development or mining activities, may affect the viability and profitability of the Company and its projects. For example, the government in Ghana recently announced that it would increase the tax rate chargeable to mining companies in Ghana from 25% to 35%.

(h) Community Relations and Landowners

The Company's ability to undertake exploration on the Tenements will depend in part on its ability to maintain good relations with the relevant local communities. Any failure to adequately manage community and social expectations with respect to compensation for land access, employment opportunities, impact on local business and other expectations may lead to local dissatisfaction with the Company, which in turn may lead to disruptions in the exploration program on the Tenements and potential losses.

Under legislation in Niger, Ghana and Cote d'Ivoire, the Company may be required to pay compensation to local owners or occupiers of land in the event of disturbance to the land. It is not possible for the Company to predict what such compensation, if any, will be (for further details see the Independent Solicitors Reports on the Tenements in Sections 5, 6 and 7).

(i) Artisanal Mining

Artisanal miners are likely to be active on the Tenements which may have many material adverse affects including delays and/or impediments to the Company's exploration activities and schedule, potential loss of gold and exposure to safety, security, environmental and social liabilities and losses.

(j) Legal systems in Niger, Ghana and Cote d'Ivoire

The legal systems in Niger, Ghana and Cote d'Ivoire are different from Australia, which may result in risks such as:

- political difficulties in obtaining effective legal redress in the courts whether in respect of a breach of law or regulation, or in an ownership dispute;
- a higher degree of discretion on the part of governmental agencies;
- the lack of political or administrative guidance on implementing applicable rules and regulations including, in particular, as regards local taxation and property rights;
- inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; or
- relative inexperience of the judiciary and court in such matters.

The commitment to local business people, government officials and agencies, and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to licences and agreements for business. These may be susceptible to revision or cancellation and legal redress may be uncertain or delayed. There can be no assurance that joint ventures, licences, licence applications or other legal arrangements will not be adversely affected by the actions of the government authorities or others, and the effectiveness of and enforcement of such arrangements cannot be assured. For further details see the Independent Solicitors Reports on the Tenements in Section 5, 6 and 7.

(k) Reliance on Key Personnel

The Company's success depends to a significant extent upon its key management personnel, as well as other management and technical personnel including those employed on a contractual basis. The loss of the services of such personnel could have an adverse effect on the performance of the Company. In the event that there is a loss of key personnel, the Company may not be able to locate or employ executives with suitable qualifications and experience to operate in Ghana, Niger and Cote d'Ivoire on acceptable terms.

(l) Directors Involvement in Other Mining Interests

Certain directors of the Company are, and may continue to be, involved in the mining and mineral exploration industry through their direct and indirect participation in corporations, partnerships, or joint ventures which are potential competitors of the Company. Situations may arise in connection with potential acquisitions in investments where the other interest of these directors and officers may conflict with the interests of the Company. Directors and officers of the Company with conflicts of interest will be subject to and will follow the procedures set out in applicable corporate and securities legislation, regulations, rules and policies.

(m) Third Party Risks

The operations of the Company will require the involvement of number of third parties, including suppliers, contractors and customers. Financial failure, default or contractual non-compliance on the part of such third parties may have a material adverse impact on the Company's operations and performance. It is not possible for the Company to predict or protect itself against all such risks.

(n) Repatriation of Earnings

The Company conducts its operations through wholly owned foreign subsidiaries and holds substantially all of its assets in such subsidiaries. Accordingly, any limitation on the transfer of cash or other assets between the Company and its subsidiaries could restrict the Company's ability to fund its operations efficiently. Any such limitations, or the perception that such limitations may exist now or in the future, could have an adverse impact on the Company's valuation and stock price. Moreover, there is no assurance that Niger, Ghana or Cote d'Ivoire will not impose such restrictions (or increase such restrictions as are already in place) on the repatriation of earnings to foreign entities which may have a material adverse effect on the Company.

For further details see the Independent Solicitors Reports in Sections 5, 6 and 7.

(o) Future Funding

The Company believes its available cash and the net proceeds of this Offer will be adequate to fund its exploration program and other objectives in the short term as stated in this Prospectus. However, should additional funds be required, there is no assurance that the funding will be available on acceptable terms, or at all. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its exploration program as the case may be.

(p) Litigation Risks

The Company may become party to litigation or other adversary proceedings, with or without merit, in a number of jurisdictions including in Niger, Ghana and Cote d'Ivoire in which the Company operates. The cost of defending such claims may take away from management time and effort and if determined adversely to the Company, may have a material and adverse effect on its cash flows, results of operation and financial condition.

10.4 Investment and Market Risks

(a) Securities Investments

Investors should be aware that there are risks associated with any securities investment. The prices at which the Company's Shares trade, may be above or below the Offer price, and may fluctuate in response to a number of factors including the risk factors identified in this section as well as securities market factors such as limited liquidity of the Shares and large share price movements due to trading by major shareholders.

(b) Issue of Additional Securities

In certain circumstances, the Directors may issue equity securities without any vote or action by Shareholders. If the Company were to issue any equity securities the percentage ownership of existing Shareholders may be reduced and diluted.

(c) Share Market Fluctuations and Economic Conditions

The Company's financial performance and ability to execute its business strategy will be impacted by a variety of general market, political, social, stock market and business conditions beyond the Company's control. Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors including but not limited to:

- general economic outlook;
- interest rates and inflation rates;
- currency fluctuations;
- changes in investor sentiment toward particular market sectors;
- the demand for, and supply of, capital;
- political and environmental events; and
- wars, terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general, and resource exploration stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

10.5 Speculative Nature of Investment

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially and adversely affect the financial performance of the Company and the value of the securities offered under this Prospectus. Therefore, the securities to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those securities.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for securities pursuant to this Prospectus.

MATERIAL CONTRACTS

11 MATERIAL CONTRACTS

The Board considers that certain agreements relating to the Company are significant to the Offer, the operations of the Company, or may be relevant to investors. A summary of the material contracts is set out below.

11.1 Lead Manager Agreement

On 26 October 2011, the Company and Blackwood Capital Limited (**Blackwood**) entered into an agreement, pursuant to which Blackwood has agreed to act as exclusive equity placement agent to the Company, and to procure subscribers on a best endeavours basis (**Lead Manager Agreement**).

Blackwood will be paid 6.5% plus GST of gross proceeds raised from the Offer and be reimbursed for reasonable out-of-pocket expenses. Blackwood (or its nominees) will further receive 5,000,000 options over ordinary shares in the Company exercisable at \$0.20 per share on a one for one basis with an exercise period of at least four years from the date of admission of the Company to the official list of the ASX. The terms of the options issued to Blackwood are set out in Section 3.2(e) (other than in relation to the exercise period referred to above).

The Lead Manager Agreement is governed by the laws of New South Wales, and may be terminated by either party if the Company has not obtained ASX listing approval by 31 January 2012.

Otherwise, the terms of the Lead Manager Agreement are on customary commercial terms for a transaction of this type.

11.2 Consultancy Agreement

The Company has entered into a Consultancy Agreement dated 1 November 2011 with Matlock Geological Services Pty Ltd (of which Bernard Aylward is the legal owner as trustee for the Galbraith Family Trust) (**Matlock**) for the provision of certain services to the Company. Matlock has nominated and the Company has accepted Mr Bernard Aylward as the person to perform the services for no less than 20 business days in any 1 month period. Services include but are not limited to:

- (a) direct, manage, coordinate and supervise the exploration operations of the Company subject to the directions and policies set down from time to time by its Board;
- (b) prepare exploration budgets and programs for submission to the Board;
- (c) assist in the conduct, administration and management and control of exploration and mining of the Company;
- (d) make recommendations to the Board as to the engagement, supervision and control of exploration consultants, contractors and employees of the Company and to ensure performance of their respective obligations in an efficient and workmanlike manner;
- (e) make recommendations to the Company on the acquisition of exploration materials, supplies, machinery, plant and equipment; and
- (f) ensure the Company's business is conducted in an ethical and professional manner.

Matlock will be paid \$22,250.00 plus GST per calendar month or as otherwise may be agreed from 1 November 2011 until terminated in accordance with the agreement.

Matlock is an independent contractor and is responsible for tax deductions and payments, superannuation and workers' compensation for its employees and directors (where appropriate).

11.3 Share Acquisition Agreements

The Company has entered into share acquisition agreements, to acquire 100% of the issued share capital, with the shareholders of each of the following entities, subsequent to which the entities have become wholly owned subsidiaries of the Company.

(a) Gecko Gold Niger SARL (Gecko Gold Niger)

On 6 December 2011 the Company entered into a share acquisition agreement with the shareholders of Gecko Gold Niger (**Niger Vendors**), a company incorporated under the laws of Niger (**Niger Agreement**). Under the Niger Agreement, the Company agreed to purchase from the Niger Vendors all of the issued share capital of Gecko Gold Niger, which is the sole and beneficial owner of the Kossa 1 and Kossa 2 gold exploration licences in Niger (**Niger Licences**).

The Niger Vendors agreed to sell their legal and beneficial interest in Gecko Gold Niger (being 500 issued shares in the capital of Gecko Gold Niger) for 12,500,000 fully paid ordinary shares in the capital of the Company (**Niger Consideration Shares**) and 2,500,000 options to acquire ordinary shares in the capital of the Company (**Niger Consideration Options**) (Full details of the options are set out in section 3.2(e) .

The shareholders and consideration received are as follows:

- Redstar Resources Limited - 10,000,000 Niger Consideration Shares and 2,000,000 Niger Consideration Options for 400 Gecko Gold Niger shares
- Berringer Limited - 1,875,000 Niger Consideration Shares and 325,000 Niger Consideration Options for 75 Gecko Gold Niger shares
- Ousmane Sidiem - 625,000 Niger Consideration Shares and 125,000 Niger Consideration Options for 25 Gecko Gold Niger shares

The Niger Vendors provided warranties in the Niger Agreement that Gecko Gold Niger is the sole legal and beneficial holder of the Niger Licences free of encumbrances, and the Niger Licences are in full force and effect, in good standing, not liable to be forfeited or cancelled, and not the subject of any current objections or third party claims. Upon execution, the Niger Vendors waived any pre-emption rights or other restrictions on transfer which may exist in respect of the shares in Gecko Gold Niger. The Niger Agreement contains further customary warranties and indemnities relating to Gecko Gold Niger's business, tenements and operations. The Niger Agreement is governed by the laws of Western Australia.

(b) MGS Ghana Limited (MGS Ghana)

On 6 December 2011 the Company entered into a share acquisition agreement with Matlock Geological Services Pty Ltd (**Ghana Vendor**), 100% shareholder of MGS Ghana, a company incorporated under the laws of Ghana (**Ghana Agreement**). Under the Ghana Agreement, the Company agreed to purchase from the Ghana Vendor all of the issued share capital of MGS Ghana. MGS Ghana holds rights to use and an exclusive option to acquire the Ducie Reconnaissance Licence, Katua Prospecting Licence, Kundunga Prospecting Licence, Sambisi Prospecting Licence, and Yala Prospecting Licence, for the exploration of gold in Ghana, from Maintenance Culture Limited, a company incorporated under the laws of Ghana. (**Option Agreement**). A summary of the Option Agreement is also included as an appendix in the Independent Solicitor's Report in Section 6 of the Prospectus.

The Ghana Vendor has agreed to sell its legal and beneficial interest in MGS Ghana, for 12,500,000 fully paid ordinary shares and 5,000,000 options to acquire ordinary shares in the capital of the Company. Full details of the options are set out in Section 3.2(e).

The Ghana Vendor provided warranties in the Ghana Agreement that MGS Ghana is the sole legal and beneficial holder of the Ducie Reconnaissance Licence, free of encumbrances and that the Ducie Reconnaissance Licence, which MGS Ghana has the rights to use and the option to acquire, is in full force and effect, in good standing, not liable to be forfeited or cancelled, and not the subject of any current objections or third party claims. The Ghana Vendor has provided further warranties that the Option Agreement is in full force and effect and binding on MGS Ghana; neither MGS Ghana or the grantor of the Option Agreement have defaulted under or breached a material term of the Option Agreement; no notice of termination of the Option Agreement has been received or served by MGS Ghana and there are no grounds for determination, rescission, avoidance, repudiation or a material change in the terms of the Option Agreement; and a change of control of MGS Ghana will not result in termination of or material effect on the Option Agreement. Upon execution, the Ghana Vendor waived any pre-emption rights or other restrictions on transfer which may exist in respect of the shares in MGS Ghana. The Ghana Agreement contains further customary warranties and indemnities relating to MGS Ghana's business, tenements and operations, and is governed by the laws of Western Australia.

It is noted that Bernard Aylward, Executive Chairman and Managing Director of the Company is a related party of the Ghana Vendor being the legal owner of the Ghana Vendor as trustee for the Galbraith Family Trust.

(c) Gecko Gold CI SARL (Gecko Gold CI)

On 6 December 2011 the Company entered into an share acquisition agreement with the shareholders of Gecko Gold CI (**Cote d'Ivoire Vendors**), a company incorporated under the laws of Cote d'Ivoire (**Cote d'Ivoire Agreement**). Under the Cote d'Ivoire Agreement, the Company agreed to purchase from the Cote d'Ivoire Vendors all of the issued share capital of Gecko Gold CI, which has made an application for two gold exploration licences - the Mangkono and Tortiya gold exploration licences (**Cote d'Ivoire Licences**).

The Cote d'Ivoire Vendors have agreed to sell their legal and beneficial interest in Gecko Gold CI (being 500 issued shares in the capital of Gecko Gold CI), for 12,500,000 fully paid ordinary shares (**Cote d'Ivoire Consideration Shares**) and 2,500,000 options to acquire ordinary shares (**Cote d'Ivoire Consideration Options**) in the capital of the Company (Full details of the options are set out in section 3.2(e)).

The shareholders and consideration received are as follows:

- Redstar Resources Limited - 10,000,000 Cote d'Ivoire Consideration Shares and 2,000,000 Cote d'Ivoire Consideration Options for 400 Gecko Gold CI shares
- Berringer Limited - 1,250,000 Cote d'Ivoire Consideration Shares and 250,000 Cote d'Ivoire Consideration Options for 50 Gecko Gold CI shares
- Alexandre Ake Atcho - 1,250,000 Cote d'Ivoire Consideration Shares and 250,000 Cote d'Ivoire Consideration Options for 50 shares in Gecko Gold CI shares

Upon execution, the Cote d'Ivoire Vendors waived any pre-emption rights or other restrictions on transfer which may exist in respect of the shares in Gecko Gold CI. The Cote d'Ivoire Agreement contains further customary warranties and indemnities relating to Gecko Gold CI's business, tenements and operations, and is governed by the laws of Western Australia.

11.4 Solicitor's Report on the Niger, Ghanaian and Cote d'Ivoire Tenements

A summary of material contracts with respect to the Tenements, are referred to and summarised in the relevant Independent Solicitors' Reports on the Niger, Ghanaian and Cote d'Ivoire Tenements contained in Sections 5, 6 and 7 of this Prospectus respectively.

ADDITIONAL INFORMATION

12 ADDITIONAL INFORMATION**12.1 Rights Attaching To Shares****(a) General**

The Shares to be issued pursuant to this Prospectus are ordinary shares and will as from their allotment rank equally in all respects with all ordinary fully paid shares in the Company.

The rights attaching to the Shares arise from a combination of the Company's Constitution, the Corporations Act, the ASX Listing Rules and general law. A copy of the Company's Constitution is available for inspection during business hours at its registered office.

A summary of the more significant rights is set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of the Company's shareholders. To obtain such a statement, persons should seek independent legal advice.

(b) Voting Rights

Subject to the Constitution of the Company and any rights or restrictions at the time being attached to a class of shares, at a general meeting of the Company every Shareholder present in person, or by proxy, attorney or representative has one vote on a show of hands, and upon a poll, one vote for each Share held by the Shareholder and for each partly paid share held, a fraction of one vote equal to the proportion which the amount paid up bears to the amounts paid or payable on that share. In the case of an equality of votes, the chairperson has a casting vote.

(c) Dividends

Subject to the Corporations Act, the ASX Listing Rules and any rights or restrictions attached to a class of shares, the Company may pay dividends as the Directors resolve. The Directors may determine the method and time for payment of the dividend.

(d) Winding up

Subject to Corporations Act, the ASX Listing Rules and the rights of holders of shares issued with any special or preferential rights, if the Company is wound up, the liquidator may with the sanction of a special resolution, divide among the shareholders in specie or in kind the whole or any part of the property of the Company and for that purpose may set such value as the liquidator deems fair on any property and may determine how the division is to be carried out as between shareholders or different classes of shareholders.

(e) Transfer of Shares

Generally, shares are freely transferable, subject to satisfying the requirements of the ASX Listing Rules, ASX Settlement Operating Rules, the ASX Clear Operating Rules and the Corporations Act. The Directors may decline to register any transfer of Shares but only where permitted to do so by the Corporations Act, the ASX Listing Rules, the ASX Settlement Operating Rules, the ASX Clear Operating Rules or under the Company's Constitution.

(f) Directors

The Board of Directors is responsible for the overall corporate governance of the Company, including establishing its strategic direction, establishing goals for management and monitoring the achievement of these goals.

The minimum number of Directors is three. Shareholders may vary the number by resolution in general meeting. The Constitution provides that at each annual general meeting, any Director who has held office:

- without re-election for in excess of three years;
- past the third annual general meeting following that Director's last appointment or election; or
- pursuant to an appointment by the Directors to fill a casual vacancy in the preceding year; or
- if none of the above apply, the Director who has served office the longest without re-election,

must retire from office. The Managing Director is exempted from retirement by rotation. A retiring Director is eligible for re-election.

(g) Calls on Shares

Subject to the Corporations Act and the terms of issue of a share, the Company may, at any time, make calls on the shareholders of a share for all, or any part of, the amount unpaid on the share. If a shareholder fails to pay a call or instalment of a call, the Company may, subject to the Corporations Act and ASX Listing Rules, commence legal action for all, or part of the amount due, enforce a lien on the share in respect of which the call was made or forfeit the share in respect of which the call was made.

(h) Further Increases in Capital

Subject to the Corporations Act, the ASX Listing Rules, the ASX Settlement Operating Rules and the ASX Clear Operating Rules and any rights attached to a class of shares, the Company (under the control of the Directors) may allot and issue shares and grant options over shares, on any terms, at any time and for any consideration, as the Directors resolve.

(i) Variation of Rights Attaching to Shares

Subject to the Corporations Act, the ASX Listing Rules, the ASX Settlement Operating Rules and the ASX Clear Operating Rules and the terms of issue of shares in a particular class, the Company may vary or cancel rights attached to shares in that class by either special resolution passed at a general meeting of the holders of the shares in that class, or with the written consent of the holders of at least 75% of the votes in that class.

(j) General Meeting

Each Shareholder will be entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive notices, accounts and other documents required to be furnished to Shareholders under the Company's Constitution, the Corporations Act and the ASX Listing Rules.

12.2 Employee Share Option Plan

Under the terms of the Company's employee share option plan (*Plan*), the Board may offer free options to persons (*Eligible Persons*) who are:

- (i) full-time or part-time employees; or
- (ii) Directors.

of the Company or any subsidiary based on a number of criteria including contribution to the Company, period of employment, potential contribution to the Company in the future and other factors the Board considers relevant.

Upon receipt of such an offer, the Eligible Person may nominate an associate to be issued with the options.

Number of options

The maximum number of options issued under the Plan at any one time is 5% of the total number of Shares on issue in the Company provided that the Board may increase this percentage, subject to the Corporations Act and the Listing Rules.

Terms of options

Each option entitles the holder, on exercise, to one ordinary fully paid share in the Company.

There is no issue price for the options. The exercise price for the options will be such price as determined by the Board (in its discretion) on or before the date of issue provided that in no event shall the exercise price be less than the weighted average sale price of Shares sold on ASX during the five Business Days prior to the date of issue or such other period as determined by the Board (in its discretion).

Shares issued on exercise of options will rank equally with other ordinary shares of the Company.

Options may not be transferred other than to an associate of the holder. Quotation of options on ASX will not be sought. However, the Company will apply to ASX for official quotation of Shares issued on the exercise of options.

An option may only be exercised after that option has vested and any other conditions imposed by the Board on exercise satisfied. The Board may determine the vesting period (if any). An option will lapse upon the first to occur of the expiry date, the holder acting fraudulently or dishonestly in relation to the Company, the employee ceasing to be employed by the Company or on certain conditions associated with a party acquiring a 90% interest in the Shares of the Company.

If, in the opinion of the Board any of the following has occurred or is likely to occur, the Company entering into a scheme of arrangement, the commencement of a takeover bid for the Company's Shares, or a party acquiring a sufficient interest in the Company to enable them to replace the Board, the Board may declare an option to be free of any conditions of exercise. Options which are so declared may, subject to the lapsing conditions set out above, be exercised at any time on or before their expiry date and in any number.

Future Issues of Shares

New Issues

There are no participating rights or entitlements inherent in the options and optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the options. However, the Company will ensure that the record date for determining entitlements to any such issue will be at least 6 Business Days after the issue is announced. Optionholders shall be afforded the opportunity to exercise all options which they are entitled to exercise pursuant to the Plan prior to the date for determining entitlements to participate in any such issue.

Bonus Issues

If the Company makes an issue of Shares to Shareholders by way of capitalisation of profits or reserves ("**Bonus Issue**"), each optionholder holding any options which have not expired at the time of the record date for determining entitlements to the Bonus Issue shall be entitled to have issued to him upon exercise of any of those options the number of Shares which would have been issued under the Bonus Issue ("**Bonus Shares**") to a person registered as holding the same number of Shares as that number of Shares to which the optionholder may subscribe pursuant to the exercise of those options immediately before the record date determining entitlements under the Bonus Issue (in addition to the Shares which he or she is otherwise entitled to have issued to him or her upon such exercise). The Bonus Shares will be paid by the Company out of profits or reserves (as the case may be) in the same manner as was applied in relation to the Bonus Issue and upon issue rank pari passu in all respects with the other Shares issued upon exercise of the options.

Reconstruction of Capital

In the event of any reconstruction (including a consolidation, subdivision, reduction or return) of the issued capital of the Company prior to the expiry of any options, the number of options to which each optionholder is entitled or the exercise price of his or her options or both or any other terms will be reconstructed in a manner determined by the Board which complies with the provisions of the Listing Rules.

Taxation

Under current taxation laws any taxation liability in relation to the options, or the Shares issued on exercise of the options, will fall on the participants. The Company will not be liable to fringe benefits tax in relation to options or Shares issued under the Plan.

Participation by Directors

Although Directors are eligible to be offered options under the Plan, this first requires specific Shareholder approval due to the requirements of the ASX Listing Rules and the Corporations Act.

12.3 Performance Share Plan Rules

Under the terms of the Company's Performance Share Plan rules ("**Performance Share Plan**"), the Board may from time to time offer entitlements to Shares ("**Performance Rights**") subject to the satisfaction of performance conditions ("**Performance Conditions**"), for no consideration, to persons ("**Eligible Employees**") who are:

- (a) employees;
- (b) senior executives; or
- (c) directors

of the Company or any subsidiary based on a number of criteria including contribution to the Company, period of employment, potential contribution to the Company in the future and other factors the Board considers relevant.

Upon receipt of such a grant, the Eligible Employee may nominate an associate to be granted the Performance Rights.

Maximum Number of Performance Rights

The maximum number of Performance Rights issued under the Performance Share Plan at any one time is 5% of the total number of Shares on issue in the Company provided that the Board may increase this percentage, subject to the Corporations Act and the Listing Rules.

Terms of Performance Rights

The material terms of the Performance Rights granted under the Performance Share Plan are summarised as follows:

- (a) each Performance Right entitles the holder, on exercise, to one ordinary fully paid share in the Company;
- (b) Shares issued on exercise of the Performance Rights will rank equally with the existing Shares of the Company;
- (c) Performance Rights may not be transferred other than with the consent of the Board or by force of law;
- (d) quotation of Performance Rights on ASX will not be sought. However, the Company will apply to ASX for official quotation of Shares issued on the exercise of Performance Rights; and
- (e) Shares issued on the exercise of vested Performance Rights will be subject to any transfer restrictions determined by the Board at the time of grant to apply to those Shares.

Vesting of Performance Rights

A Performance Right granted under the Performance Share Plan will vest upon satisfaction of the applicable Performance Conditions, the extent of satisfaction to be determined by the Board in its absolute discretion.

Lapse of Performance Rights

A Performance Right will lapse upon the first to occur of:

- (a) Performance Conditions not being satisfied prior to its expiry date;
- (b) a transfer or purported transfer of the Performance Right in breach of the Performance Share Plan;
- (c) the Eligible Employee's employment with the Company or subsidiary being terminated on the basis of fraud, dishonesty or otherwise for cause;
- (d) 30 days after the Eligible Employee voluntarily resigns or otherwise ceases to be employed by the Company or a subsidiary without cause; or
- (e) 6 months after a change of control event occurs.

Change of Control Event

Subject to the lapsing conditions set out above, the Board may declare that all or a specified number of unvested Performance Rights granted to an Eligible Employee immediately vest if a change of control events occurs, or in the opinion of the Board is likely to occur. A change of control event includes the following events:

- (a) a person has a relevant interest in more than 90% of the Company's Shares;
- (b) an offeror under a takeover bid obtains voting power of more than 50% in the Company's Shares;
- (c) the court approves a compromise or arrangement pursuant to section 411(4)(b) of the Corporations Act;
- (d) the Company passes a resolution or an order is made for the winding up of the Company;
- (e) the Company passes a resolution in accordance with ASX Listing Rule 11.2 to dispose of its main undertaking; or
- (f) a person obtains voting power in the Company sufficient to control the composition of the Board.

Future Issues of Shares

A Performance Right does not entitle the holder to participate in any new issues of securities to holders of Shares unless before the record date for determining entitlements to securities under the new issue, that Performance Right has vested and been exercised, and a Share has been issued to the Eligible Employee in respect of that Performance Right. The Company will give notice of any new issues of securities to Eligible Employees who hold Performance Rights which have vested no less than 6 Business Days before the record date for determining entitlements to securities under the new issue.

Reconstruction of Capital

In the event of any reconstruction (including a consolidation, subdivision, reduction or return) of the issued capital of the Company prior to the vesting of any Performance Rights, the number of Shares to which each Eligible Employee is entitled upon exercise of the Performance Rights, or any amount payable on exercise of the Performance Rights, or both as appropriate, will be adjusted in the manner determined by the Board and which complies with the Listing Rules to ensure that no advantage or disadvantage accrues to the Eligible Employee as a result of such corporate actions.

12.4 Consents

Each of the parties referred to in this Section:

- (a) does not make, or purport to make any statement in this Prospectus other than those referred to in this Section; and
- (b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

Blackwood Capital Limited has given and has not, before lodgement of this Prospectus, withdrawn its consent to being named as lead manager of the Offer in the form and context in which it is named.

Allion Legal has given and has not, before lodgement of this Prospectus, withdrawn its consent to being named as solicitor to the Offer in the form and context in which it is named.

Sahara Geoservices has given and has not, before lodgement of this Prospectus, withdrawn its consent to being named as the independent geologist in the form and context in which it is named and to the inclusion of the Independent Geological Report included in Section 4 of the Prospectus in the form and context in which it is included.

Gahton Kowa has given and has not, before lodgement of this Prospectus, withdrawn its consent to being named as the independent solicitor reporting on the Niger Tenements in the form and context in which it is named and to the inclusion of the Independent Solicitor's Report included in Section 5 of the Prospectus in the form and context in which it is included.

Reindorf Chambers has given and has not, before lodgement of this Prospectus, withdrawn its consent to being named as the independent solicitor reporting on the Ghanaian Tenements in the form and context in which it is named and to the inclusion of the Independent Solicitor's Report included in Section 6 of the Prospectus in the form and context in which it is included.

Mazars has given and has not, before lodgement of this Prospectus, withdrawn its consent to being named as the independent solicitor reporting on the Cote d'Ivoire Tenements in the form and context in which it is named and to the inclusion of the Independent Solicitor's Report included in Section 7 of the Prospectus in the form and context in which it is included.

HLB Mann Judd has given and has not, before lodgement of this Prospectus, withdrawn its consent to being named as the investigating accountant and auditor of the Company in the form and context in which it is named and to the inclusion of the Investigating Accountant's Report included in Section 8 of the Prospectus in the form and context in which it is included.

HLB Mann Judd has given and has not, before lodgement of this Prospectus, withdrawn its consent to being named as auditor of the Company in the form and context in which it is named.

Computershare has given and has not, before lodgement of this Prospectus, withdrawn its consent to being named as the share registrar of the Company in the form and context in which it is named.

12.5 Interests Of Experts And Advisers

Other than as set out below or elsewhere in this Prospectus:

- (a) no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of the Prospectus, any promoter of the Company or broker to the Issue, holds, or held at any time during the 2 years before lodgment of this Prospectus with the ASIC, any interest in:
 - (i) the formation or promotion of the Company;
 - (ii) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the Offer; or
 - (iii) the Offer; and
- (b) no amounts have been paid or agreed to be paid, and no benefits have been given or agreed to be given, to any of those persons in connection with the formation or promotion of the Company or the Offer.

Blackwood Capital Limited has acted as lead manager of the Offer and is entitled to receive the amounts set out in Section 11.1 above.

Allion Legal has acted as solicitor to the Offer and provided advice and assistance in relation to certain aspects of this Prospectus, the Company's due diligence regime and enquiries and in relation to its application and admission to ASX. In respect of these services, Allion Legal will be paid \$100,000 (plus GST) in respect of these services.

Sahara Geoservices has acted as the independent geologist and has prepared the Independent Geological Report included in Section 4 of this Prospectus. Sahara Geoservices will be paid \$15,000 (plus GST) in respect of these services.

Gahton Kowa has acted as the independent solicitor reporting on tenements and has prepared the Independent Solicitor's Report in relation to the Niger Tenements included in Section 5 of this Prospectus. Gahton Kowa will be paid \$10,000 (plus GST) in respect of these services.

Reindorf Chambers has acted as the independent solicitor reporting on tenements and has prepared the Independent Solicitor's Report in relation to the Ghanaian Tenements included in Section 7 of this Prospectus. Reindorf Chambers will be paid \$15,000 (plus GST) in respect of these services.

Mazars has acted as the independent solicitor reporting on tenements and has prepared the Independent Solicitor's Report in relation to the Cote d'Ivoire Tenements included in Section 6 of this Prospectus. Mazars will be paid \$10,000 (plus GST) in respect of these services.

HLB Mann Judd has acted as the independent account to the Offer and prepared the Independent Accountant's Report included in Section 8 of this Prospectus. HLB Mann Judd will be paid \$7,000 (plus GST) in respect of these services.

HLB Mann Judd has agreed to act as auditor to the Company.

Computershare has agreed to act as share registrar to the Company.

12.6 Litigation

Legal proceedings may arise from time to time in the course of the Company's business. As at the date of this Prospectus, litigation searches confirm that the Company is not involved in any legal proceedings, nor so far as the Directors are aware, are any legal proceedings pending or threatened against the Company the outcome of which will have a material adverse effect on the business or financial position of the Company.

SECTION 13

DIRECTORS' STATEMENTS

The Directors state that they have made all reasonable enquiries and on that basis have reasonable grounds to believe that any statements made by the Directors in this Prospectus are not misleading or deceptive and that in respect to other statements made in the Prospectus by persons other than Directors, the Directors have made reasonable enquiries and on that basis have reasonable grounds to believe that persons making the statement or statements were competent to make such statements, those persons have given their consent to the statements being included in this Prospectus in the form and context in which they are included and have not withdrawn that consent before lodgement of this Prospectus with ASIC, or to the Directors knowledge, before any issue of Shares pursuant to this Prospectus.

This Prospectus is used by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC and has not withdrawn that consent.

Dated: 12 December 2011



Bernard Aylward
Chairman
For and on behalf of
Taruga Gold Limited

SECTION 14

GLOSSARY

The following defined terms apply throughout this Prospectus unless the context requires otherwise:

\$	Australian dollars unless otherwise specified
A\$	Australian dollars
AEDT	Australian Eastern Daylight Time
ASX Clear Operating Rules	the operating rules of ASX Clear Pty Ltd ACN 001 314 503
Applicant	person who submits an Application
Application	an application for Shares pursuant to this Prospectus
Application Form	the application form attached to this Prospectus
Application Monies	amounts received in dollars by the Company from Applicants for Shares under this Prospectus
ASIC	the Australian Securities & Investments Commission
ASX	ASX Limited ACN 008 624 691
ASX Corporate Governance Council	Corporate Governance Council established by ASX on 1 August 2002
ASX Listing Rules	the Listing Rules of ASX as amended from time to time
ASX Settlement Operating Rules	the settlement rules of ASX Settlement Pty Ltd ACN 008 504 532
Auditor	HLB Mann Judd of Ground Floor, 15 Rheola Street, West Perth WA 6005
Blackwood	Blackwood Capital Limited
Business Day	Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day
Chairman	the Executive Chairman and Managing Director, Mr Bernard Aylward
CHESS	Clearing House Electronic Subregister System, operated by ASX Settlement Pty Ltd, effects the exchange and registration of securities
Closing Date	the last date on which Application Forms may be submitted being 16 December 2012
Company or Taruga	Taruga Gold Limited ACN 153 868 789
Constitution	the Constitution of the Company
Corporations Act	the Corporations Act 2001 (Cth)
Directors or Board	the directors of the Company as at the date of this Prospectus
Exposure Period	the period of 7 days after the date of lodgement of this Prospectus with ASIC, which period may be extended by the ASIC by not more than 7 days pursuant to Section 727(3) of the Corporations Act
GDP	Gross Domestic Product

IGR	Independent Geological Report included in Section 4 of this Prospectus
Independent Geologist	Sahara Geoservices of Rue 13.12 – Zone du Bois – Porte 291
Independent Solicitors	Gahtan Kowa in Niger, Reindorf Chambers in Ghana and Mazars in Cote d'Ivoire reporting on the Tenements
Investigating Accountant	HLB Mann Judd of Level 4, 130 Stirling Street, Perth, 6000
Issue	the issue of up to 37,500,000 Shares under this Prospectus
km	kilometre(s)
km²	square kilometre(s)
Lead Manager	Blackwood Capital Limited
Offer	the offer of Shares pursuant to this Prospectus
Official List	the official list of entities admitted by the ASX
Official Quotation	quotation of the Shares on the ASX
Opening Date	the first date on which Applications can be accepted by the company being 20 December 2011
Option Agreement	the agreement relating to the rights to use and the option to acquire, held by MGS Ghana, a wholly owned subsidiary of the Company, the Ducie Reconnaissance Licence, Katua Prospecting Licence, Kundunga Prospecting Licence, Sambisi Prospecting Licence and Yala Prospecting Licence for the exploration of gold in Ghana
Options	a legal right but not the obligation to acquire a fully paid ordinary share in the capital of the Company
Optionholder	a person who has been granted an Option
Projects	the Kossa, Ducie, Mangkono and Tortiya projects which comprise the Tenements
Prospectus	this prospectus dated 12 December 2011
Share(s)	fully paid ordinary shares in the capital of the Company
Shareholder	a holder of a Share(s)
Share Acquisition Agreements	Agreements entered into by the Company and vendors to acquire 100% of the shares of the Gecko Gold Niger, MGS Ghana Limited and Gecko Gold CI SARL
Share Registry	Computershare Investor Services Pty Ltd of Level 2, 45 St Georges Terrace, Perth WA 6000
Tenements	The Kossa I and Kossa II licences in Niger; the rights to use and the option to acquire the Ducie Reconnaissance Licence, Katua Prospecting Licence, Kundunga Prospecting Licence, Sambisi Prospecting Licence and Yala Prospecting Licence for the exploration of gold in Ghana; and the application for two gold exploration licences, the Mangkono and Tortiya licences in Cote d'Ivoire.
US\$	US dollars
Wholly owned foreign subsidiaries	Gecko Gold Niger SARL, MSG Ghana Limited and Gecko Gold CI SARL, being the wholly owned subsidiaries of the Company, each acquired under the relevant Share Acquisition Agreement as summarised in Section 11.3 of this Prospectus.



Application Form

BROKER'S REFERENCE STAMP ONLY

APPLICATION NUMBER

BROKER'S REFERENCE

Taruga Gold Limited

ACN 153 868 789

Before completing this Application Form, you should read the Prospectus dated 12 December 2011, the Supplementary Prospectus dated 20 December 2011 and the instructions overleaf. No Shares will be issued pursuant to the Prospectus later than 13 months after the date of the Prospectus **Please read carefully all Instructions on the reverse of this Form**



I/We apply for

This Application Form is for persons who wish to apply for Shares. The minimum Application is for 10,000 Shares and thereafter in multiples of 1,000 Shares.

Shares in **Taruga Gold Limited** at 20 cents per Share or such lesser number of Shares which may be allocated to me/us by the Directors.

I/We lodge full application monies of

\$

First Name (Please print)

Surname (Please print)

Joint Application #2 or <designated account>

Joint Application #3 or <designated account>

Postal Address (Please print)

Street Number	<input type="text"/>	Street	<input type="text"/>
Suburb/Town	<input type="text"/>	State	<input type="text"/>
Contact Name	<input type="text"/>	Tel (Business hrs)	<input type="text"/>
Contact Name	<input type="text"/>	Tel (Business hrs)	<input type="text"/>
CHESS HIN (where applicable)	<input type="text"/>	Email	<input type="text"/>

Tax File Number of Exemption

Applicant #2

Applicant #3

Cheque Details

Drawer

Bank

BSB

Amount of cheque

Cheques should be marked 'Not Negotiable' and made payable to "Taruga Gold Limited - Application Account"

This Application Form does not need to be signed. By lodging this application form and a cheque for the Application Money the Applicant hereby:

- 1) applies for the number of Shares as specified in the application form or such lesser number as may be allocated by the Directors
- 2) declares that this application is completed and lodged according to the declarations/ appropriate statements on the reverse of this form and agrees to be bound by the Constitution of the Company and the terms of this Prospectus and Supplementary Prospectus and that all statements made are complete and accurate, notwithstanding that the applicant's signature does not appear on this form.
- 3) authorises the Directors to complete or amend this Application Form where necessary to correct any error or omissions.

Application

This Application Form is for persons who wish to apply for Shares. The minimum Application is for 10,000 Shares and thereafter in multiples of 1,000 Shares.

Important Notice – Use of Application Form

Shares will only be issued on receipt of an Application Form that was issued with the Prospectus and Supplementary Prospectus dated 20 December 2011.

You must not give anyone access to this Application Form unless you also give access to the Prospectus and any supplementary prospectus at the same time and by the same means. During the Offer period, the Company will send on request and free of charge, paper copies of the Prospectus, any supplementary document and the Application Form. Electronic copies of the Prospectus and Application Form can be downloaded from the Company's website at www.tarugagold.com.au

If any person downloads the Application Form and gives a copy of it to another person or sends it by mail or some electronic means to another person, they must at the same time and by the same means, give a copy, or access to the Prospectus (and any supplementary prospectus).

The Prospectus contains important information about the Shares and you should read the entire Prospectus carefully before completing the Application Form. Words defined in the Glossary of the Prospectus have the same meaning in the Application Form. You must not complete this form unless it was included in a complete paper or electronic copy of the Prospectus dated 12 December 2011 when you received it and no supplementary or replacement prospectus has been issued. You must use the form distributed with the supplementary or replacement prospectus if such prospectus has been issued. If you have registered a contact address with the Company, any supplementary or replacement prospectus will be sent to that address. You can check whether a supplementary or replacement prospectus has been issued by calling Peter Newcomb on (08) 9428 2980.

Instructions

Please complete all relevant sections of the Application Form. If you have any questions on how to complete this Application Form please telephone the Company on (08) 9428 2980.

Please deliver or post the completed Application Form together with your cheque to:

By delivery to:

Taruga Gold Limited
c/- Computershare Investor Services Pty Ltd
Level 2, 45 St Georges Terrace
Perth WA 6000

or

By Post to:

Taruga Gold Limited
c/- Computershare Investor Services Pty Ltd
GPO Box D182
Perth WA 6840

Application forms must be received no later than 5.00pm (WST) on 23 January 2012.

CHESS

The Company participates in CHESS. If the applicant is already a participant in this system, the Applicant may complete this section or forward an application form to the Applicant's sponsoring broker for completion prior to lodgement. Otherwise leave the section blank and the Applicant will receive an issuer sponsored statement.

Payment for Shares

The price for each Share is payable in full on acceptance by a payment of \$0.20 per Share.

Payment will be accepted only in Australian dollars by cheque or bank draft drawn on, and payable at any Australian bank. Cheques or drafts should be made payable to "Taruga Gold Limited - Application Account" and crossed "not negotiable". Receipts for payments will not be issued.

Correct Forms of Registrable Title

Note that only legal entities are allowed to hold Shares. The Application must be in the name(s) of a natural person(s), companies or other legal entities acceptable to Taruga Gold. At least one full given name and the surname are required for each natural person. The name of the beneficiary or any other non-registrable name may be included by the way of an account designation if completed exactly as described in the examples of correct forms of registrable titles below.

Type of Investor	Correct Form of Registrable Title	Incorrect Form of Registrable Title
Trusts	Mr John David Smith (Smith Family Account)	John Smith Family Account
Deceased Estates	Mr John David Smith (Michael Smith Account)	Michael Smith (Deceased)
Partnerships	Mr John David Smith and Mr Michael Peter Smith (John Smith & Son A/C)	John Smith & Son
Clubs/Unincorporated Bodies	Mr John David Smith (Smith Investment Club A/C)	Smith Investment Club
Superannuation Funds	John Smith Pty Ltd (Superannuation Fund A/C)	John Smith Pty Ltd Superannuation fund

Application

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The Prospectus contains important information about the Shares and you should read the entire Prospectus carefully before completing the Application Form. Words defined in the Glossary of the Prospectus have the same meaning in the Application Form. You must not complete this form unless it was included in a complete paper or electronic copy of the Prospectus dated 12 December 2011 when you received it and no supplementary or replacement prospectus has been issued. You must use the form distributed with the supplementary or replacement prospectus if such prospectus has been issued. If you have registered a contact address with the Company, any supplementary or replacement prospectus will be sent to that address. You can check whether a supplementary or replacement prospectus has been issued by calling Peter Newcomb on (08) 9428 2980.

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Superannuation Funds	John Smith Pty Ltd (Superannuation Fund A/C)	John Smith Pty Ltd Superannuation fund





63 Lindsay Street
Perth
Western Australia
6000

P +61 (8) 9428 2980

F +61 (8) 9428 2910

E taruga@tarugagold.com.au

w tarugagold.com.au