

Letter to Shareholders regarding Annual General Meeting

Dear Shareholder

Tesoro Resources Limited (Tesoro or the Company) will be holding its annual general meeting of shareholders at 10:00am (WST) on Thursday 19 November 2020 (**Meeting**) at RSM Australia, Level 32, Exchange Tower, 2 The Esplanade Perth WA 6000.

To comply with Federal and State government restrictions on social gatherings, the Company may need to admit a limited number of persons to the Meeting. There is a risk that shareholders intending to attend the physical Meeting may not be admitted, depending on the number of Shareholders who wish to physically attend the Meeting. Therefore, the Company strongly encourages all shareholders to submit their directed proxy votes in advance of the Meeting, as detailed below.

The Company will continue to closely monitor guidance from the Federal and State Government for any impact on the proposed arrangements for the Meeting. If any changes are required, the Company will advise Shareholders by way of announcement on ASX and the details will also be made available on our website at www.tesororesources.com.au

In accordance with temporary modifications to the Corporations Act under the *Corporations (Coronavirus Economic Response) Determination (No. 3) 2020*, the Company will not be sending hard copies of the Notice of Meeting to shareholders who have not previously opted in to receiving electronic copies. Instead, the Notice of Meeting can be viewed and downloaded from the website link <https://www.tesororesources.com.au/announcement-category/asx-announcements/>

A copy of your personalised proxy form is enclosed for your convenience. Please complete and return the attached proxy form to the Company's share registry, Automic Group Pty Ltd by:

post to: Automic
 GPO Box 5193
 Sydney NSW 2001
email to: meetings@automicgroup.com.au

Proxy votes may also be lodged online using the following link:

<https://investor.automic.com.au/#/loginsah>

Your proxy voting instruction must be received by 10:00am (WST) on 17 November 2020, being not less than 48 hours before the commencement of the Meeting. Any proxy voting instructions received after that time will not be valid for the Meeting.

The Notice of Meeting is important and should be read in its entirety. If you are in doubt as to the course of action you should follow, you should consult your financial adviser, lawyer, accountant or other professional adviser. If you have any difficulties obtaining a copy of the Notice of Meeting please contact the Company's share registry, Automic Group Pty Ltd on, 1300 288 664 (within Australia) or +61 2 9698 5414 (overseas).

Authorised by the Board of Tesoro Resources Limited

For more information:

Company:

Zeff Reeves Managing Director,
Tesoro Resources Limited
+61 8 9322 1587

Investors:

Peter Taylor
NWR Communications
+61 (0) 412 036 231
peter@nwrcommunications.com.au

About Tesoro

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



TESORO RESOURCES LIMITED
ACN 106 854 175
NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Meeting will be held at:

TIME: 10:00am (WST)
DATE: 19 November 2020
PLACE: RSM Australia
Level 32
Exchange Tower,
2 The Esplanade
PERTH WA 6000

The business of the Meeting affects your shareholding and your vote is important.

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 4:00pm (WST) on 17 November 2020.

IMPORTANT INFORMATION

Time and place of Meeting

Notice is given that the Meeting will be held at RSM Australia, Level 32, Exchange Tower, 2 The Esplanade Perth WA 6000 on 19 November 2020 at 10:00am (WST).

Your vote is important

The business of the Meeting affects your shareholding and your vote is important.

Voting in person

To vote in person, Shareholders are able to attend the Meeting at the time, date and place set out above.

In light of on the status of the evolving COVID-19 situation and easing of Government restrictions on public gatherings in place at the time of the Notice and the number of Shareholders that normally attend Shareholder meetings for the Company the Directors have made a decision that Shareholders will be able to physically attend the Meeting in person and accordingly, have arranged an appropriate meeting venue. If the Government restrictions and corresponding decision of the Director's changes prior to the Meeting the Directors will update Shareholders via e-mail.

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Proxy vote if appointment specifies way to vote: Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does:**

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (ie as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on, the proxy must vote on a poll, and must vote that way (ie as directed); and
- if the proxy is not the chair, the proxy need not vote on the poll, but if the proxy is not the chair, the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (ie as directed).

Transfer of non-chair proxy to chair in certain circumstances: Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
 - the proxy is not recorded as attending the meeting; or
 - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 9322 1587.

BUSINESS OF THE MEETING

AGENDA

1. FINANCIAL STATEMENTS AND REPORTS

To receive and consider the annual financial report of the Company for the financial period ended 30 June 2020 including the declaration of the Directors, the Directors' report, the Remuneration Report and the auditor's report.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

"That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's annual financial report for the financial year ended 30 June 2020."

Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.

Voting Prohibition Statement: A vote on this Resolution must not be cast (in any capacity) by or on behalf of either of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person (the voter) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (c) the voter is the Chair and the appointment of the Chair as proxy:
 - (i) does not specify the way the proxy is to vote on this Resolution; and
 - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

Shareholders should note that the Chair intends to vote any undirected proxies in favour of Resolution 1. Shareholders may also choose to direct the Chair to vote against Resolution 1 or to abstain from voting.

If you are a member of the Key Management Personnel of the Company or a closely related party of such person (or are acting on behalf of any such person) and purport to cast a vote (other than as a proxy as permitted in the manner set out above), that vote will be disregarded by the Company (as indicated above) and you may be liable for an offence for breach of voting restrictions that apply to you under the Corporations Act.

3. RESOLUTION 2 – ELECTION OF DIRECTOR – MR ZEFFRON REEVES

To consider, and if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purpose of clause 14.4 of the Constitution and for all other purposes, Mr Zeffron Reeves, a Director who was appointed on 29 January 2020 retires, and being eligible, is elected as a Director."

4. RESOLUTION 3 – RE-ELECTION OF DIRECTOR – MR JOHN TOLL

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of clause 14.2 of the Constitution, ASX Listing Rule 14.5 and for all other purposes, Mr John Toll, a Director, retires by rotation, and being eligible, is re-elected as a Director.”

5. RESOLUTION 4 – RATIFICATION OF ISSUE OF 54,401,008 PLACEMENT SHARES (ISSUED IN ACCORDANCE WITH ASX LISTING RULE 7.1)

To consider and, if thought fit, pass the following Resolution as an **ordinary resolution**:

“That, for the purpose of Listing Rule 7.4 and all other purposes, Shareholders ratify the issue of 54,401,008 Shares at an issue price of \$0.06 per Share issued in accordance with ASX Listing Rule 7.1 on 19 June 2020, to institutional, professional and/or sophisticated investors and on the terms and conditions set out in the Explanatory Statement.

Voting Exclusion: The Company will disregard any votes cast in favour of Resolution 4 by or on behalf of Scion or any person who participated in the issue of Shares the subject of Resolution 4 or an associate of that person or those persons. However, this does not apply to a vote cast in favour of the Resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an Associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the Resolution in accordance with the directions given by the beneficiary to the holder to vote in that way.

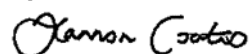
6. RESOLUTION 5 – APPROVAL OF 10% PLACEMENT CAPACITY

To consider and if thought fit, to pass the following resolution as a **special resolution**:

“That, for the purposes of Listing Rule 7.1A and for all other purposes, approval is given for the Company to issue up to that number of Equity Securities equal to 10% of the issued capital of the Company at the time of issue, calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 and otherwise on the terms and conditions set out in the Explanatory Statement.”

Dated: 20 October 2020

By order of the Board



**Shannon Coates
Company Secretary**

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

1. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Constitution, the business of the Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2020 together with the declaration of the Directors, the Directors' report, the Remuneration Report and the auditors report.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available on its website at www.tesororesources.com.au.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

2.1 General

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the company or the directors of the company. The remuneration report sets out the company's remuneration arrangements for the directors and senior management of the company. The remuneration report is part of the directors' report contained in the annual financial report of the company for a financial year. The chair of the meeting must allow a reasonable opportunity for its shareholders to ask questions about or make comments on the remuneration report at the annual general meeting.

2.2 Voting consequences

A company is required to put to its shareholders a resolution proposing the calling of another meeting of shareholders to consider the appointment of directors of the company (**Spill Resolution**) if, at consecutive annual general meetings, at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report and at the first of those annual general meetings a Spill Resolution was not put to vote. If required, the Spill Resolution must be put to vote at the second of those annual general meetings.

If more than 50% of votes cast are in favour of the Spill Resolution, the company must convene a shareholder meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the directors of the company who were in office when the directors' report (as included in the company's annual financial report for the most recent financial year) was approved, other than the managing director of the company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Following the Spill Meeting those persons whose election or re-election as directors of the company is approved will be the directors of the company.

2.3 Previous voting results

At the Company's previous annual general meeting, the votes cast against the remuneration report considered at the annual general meeting were less than 25%. Accordingly, the Spill Resolution is not relevant for this Annual General Meeting.

3. RESOLUTION 2 – ELECTION OF DIRECTOR – MR ZEFRON REEVES

3.1 General

Clause 14.4 of the Constitution allows the Directors to appoint at any time a person to be a Director either to fill a casual vacancy or as an addition to the existing Directors, but only where the total number of Directors does not at any time exceed the maximum number specified by the Constitution.

Pursuant to the Constitution and Listing Rule 14.4, any Director so appointed holds office only until the next annual general meeting and is then eligible for election by Shareholders but shall not be taken into account in determining the Directors who are to retire by rotation (if any) at that meeting.

Zeffron Reeves, having been appointed pursuant to clause 14.4 of the Constitution on 29 January 2020, will retire in accordance with the Constitution and Listing Rule 14.4 and being eligible, seeks election.

3.2 Qualifications and other material directorships

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

The Company conducts appropriate checks on the background and experience of candidates before their appointment to the Board. The Company undertook such checks prior to the appointment of Mr Reeves.

Mr Reeves is the Company's Managing Director and has a material shareholding in the Company, as well as a material number of incentive performance rights. However, the other Directors consider that these matters do not impact in a material respect his capacity to bring an independent judgement to bear on issues before the Board and to act in the best interest of the Company as a whole rather than in the interests of an individual security holder or other party.

3.3 Independence

If elected the Board does not consider Mr Reeves to be an independent director as he is employed in an executive capacity as Managing Director.

3.4 Board Recommendation

The Board (other than Mr Reeves) has reviewed Mr Reeves' performance since his appointment to the Board and considers that Mr Reeves' skills and

experience will continue to enhance the Board's ability to perform its role. Accordingly, the Board supports the election of Mr Reeves and recommends Shareholders vote in favour of Resolution 2.

4. RESOLUTION 3 – RE-ELECTION OF DIRECTOR – MR JOHN TOLL

4.1 General

ASX Listing Rule 14.5 provides that an entity which has directors must hold an election of directors at each annual general meeting.

Clause 14.2 of the Constitution and Listing Rule 14.4 sets out the requirements for determining which Directors are to retire by rotation at an annual general meeting.

Mr John Toll, who has served as a Director since 3 October 2017, and was last re-elected on 1 November 2019, retires by rotation and seeks re-election.

4.2 Qualifications and other material directorships

Mr Toll brings valuable experience to the Company as a partner of Azure Capital Limited, a corporate advisory firm based in Perth, Western Australia. Mr Toll has over 10 years' experience in corporate advisory, focusing mainly on equity financing transactions across a range of industries including mining, technology, general industrials, biotech and infrastructure. He has advised local and clients on transactions ranging from private capital raisings for early stage companies through to strategic and transformation capital raising for established businesses.

4.3 Independence

If re-elected the Board considers Mr Toll will be an independent Director.

4.4 Board Recommendation

The Board (other than Mr Toll) has reviewed Mr Toll's performance since his appointment to the Board and considers that Mr Toll's skills and experience will continue to enhance the Board's ability to perform its role. Accordingly, the Board supports the re-election of Mr Toll and recommends Shareholders vote in favour of Resolution 3.

5. RESOLUTION 4 – RATIFICATION OF ISSUE OF 54,401,008 PLACEMENT SHARES (ISSUED IN ACCORDANCE WITH ASX LISTING RULE 7.1)

5.1 Background

As announced on 18 June 2020, the Company undertook a placement to existing shareholders and institutional, professional and/or sophisticated investors at an issue price of \$0.06 per Share (being a 13% discount to the last closing price for Shares on 11 June 2020) to raise a total of \$3,264,060 million (before costs) (**Placement**).

The Placement was completed on 19 June 2020 and the Company issued 54,401,008 Shares pursuant to the Company's 15% annual placement capacity under ASX Listing Rule 7.1 (**Placement Shares**).

The Placement Shares were issued under firm commitment letters entered into by the Company with each recipient of Placement Shares. The material terms of

these agreements (being the terms of the Placement) are set out above. These agreements otherwise contain customary provisions for agreements of this nature (including representations and warranties).

Resolution 4 seeks Shareholder ratification pursuant to ASX Listing Rule 7.1 for the issue of the Placement Shares (**Ratification**).

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary securities it had on issue at the start of that 12 month period.

The issue of the Placement Shares does not fit within any of the exceptions set out in Listing Rule 7.2 and, as it has not yet been approved by Shareholders, it effectively used up part of the 15% limit in Listing Rule 7.1, reducing the Company's capacity to issue further equity securities without Shareholder approval under Listing Rule 7.1 for the 12 month period following the date of issue of the Placement Shares.

Listing Rule 7.4 allows the shareholders of a listed company to approve an issue of equity securities after it has been made or agreed to be made. If they do, the issue is taken to have been approved under Listing Rule 7.1 and so does not reduce the company's capacity to issue further equity securities without shareholder approval under that rule.

The Company wishes to retain as much flexibility as possible to issue additional equity securities in the future without having to obtain Shareholder approval for such issues under Listing Rule 7.1. Accordingly, the Company is seeking Shareholder ratification pursuant to Listing Rule 7.4 for the issue of the Placement Shares.

Resolution 4 seeks Shareholder ratification pursuant to Listing Rule 7.4 for the issue of the Placement Shares.

5.2 Technical information required by ASX Listing Rule 14.1A

If Resolution 4 is passed, the Placement Shares will be excluded in calculating the Company's 15% limit in Listing Rule 7.1, effectively increasing the number of equity securities the Company can issue without Shareholder approval over the 12 month period following the date of issue of the Placement Shares.

If Resolution 4 is not passed, the Placement Shares will be included in calculating the Company's 15% limit in Listing Rule 7.1, effectively decreasing the number of equity securities that the Company can issue without Shareholder approval over the 12 month period following the date of issue of the Placement Shares.

5.3 Technical information required by ASX Listing Rule 7.5

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Ratification:

- (a) the Placement Shares were issued to existing shareholders and new institutional, professional and/or sophisticated investors who are clients of PAC Partners Securities Pty Limited (**PAC Partners**), none of whom are related parties of the Company, a member of Key Management Personnel, a substantial holder in the Company, an adviser to the Company or an associate of any such person. The recipients of the Placement Shares were identified through a bookbuild process, which

involved PAC Partners seeking expressions of interest to participate in the Placement from non-related parties of the Company;

- (b) Scion HDG SPA (**Scion**), a substantial shareholder in the Company, received 11,657,421 Placement Shares under the Placement (representing more than 1% of the issued capital in the Company at the date of issue);
- (c) other than Scion, none of the recipients of the Placement Shares was:
 - (i) a related party of the Company;
 - (ii) a member of Key Management Personnel of the Company;
 - (iii) a substantial holder in the Company;
 - (iv) an adviser to the Company; or
 - (v) an associate of any of these parties,
- (d) and issued more than 1% of the Company's issued capital at the time of issue; 54,401,008 Shares were issued pursuant to the Placement;
- (e) the Placement Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (f) the Placement Shares were issued on 19 June 2020;
- (g) the issue price of the Placement Shares was \$0.06 per Share. The Company has not and will not receive any other consideration for the issue of the Placement Shares;
- (h) the funds raised from the issue of the Placement Shares will be used to fund an accelerated exploration program and general working capital purposes;
- (i) the Placement Shares were issued under firm commitment letters entered into by the Company with each recipient of Placement Shares. The material terms of these agreements (being the terms of the Placement) are summarised in 5.1 above; and
- (j) a voting exclusion statement has been included for the purpose of Resolution 4.

5.4 Board Recommendation

The Board recommends Shareholders vote in favour of Resolution 4.

6. RESOLUTION 5 – APPROVAL OF 10% PLACEMENT CAPACITY

6.1 General

Listing Rule 7.1 is summarised at Section 5.1 above.

Under Listing Rule 7.1A, an eligible entity may seek shareholder approval by way of a special resolution passed at its annual general meeting to increase this 15% limit by an extra 10% to 25% (**7.1A Mandate**).

An 'eligible entity' is one that, as at the date of the relevant annual general meeting:

- (a) is not included in the S&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

Resolution 5 seeks Shareholder approval by way of special resolution for the Company to have the additional 10% placement capacity provided for in Listing Rule 7.1A to issue Equity Securities without Shareholder approval.

If Resolution 5 is passed, the Company will be able to issue Equity Securities up to the combined 25% limit in Listing Rules 7.1 and 7.1A without any further Shareholder approval.

If Resolution 5 is not passed, the Company will not be able to access the additional 10% capacity to issue Equity Securities without Shareholder approval under Listing Rule 7.1A, and will remain subject to the 15% limit on issuing Equity Securities without Shareholder approval set out in Listing Rule 7.1.

6.2 Technical information required by ASX Listing Rule 7.1A

Pursuant to and in accordance with ASX Listing Rule 7.3A, the information below is provided in relation to this Resolution 5:

(a) Period for which the 7.1A Mandate is valid

The 7.1A Mandate will commence on the date of the Meeting and expire on the first to occur of the following:

- (i) the date that is 12 months after the date of this Meeting;
- (ii) the time and date of the Company's next annual general meeting; and
- (iii) the time and date of approval by Shareholders of any transaction under Listing Rule 11.1.2 (a significant change in the nature or scale of activities) or Listing Rule 11.2 (disposal of the main undertaking).

(b) Minimum Price

Any Equity Securities issued under the 7.1A Mandate must be in an existing quoted class of Equity Securities and be issued at a minimum price of 75% of the volume weighted average price of Equity Securities in that class, calculated over the 15 trading days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed by the entity and the recipient of the Equity Securities; or
- (ii) if the Equity Securities are not issued within 10 trading days of the date in Section 6.2(b)(i), the date on which the Equity Securities are issued.

(c) **Use of funds raised under the 7.1A Mandate**

The Company intends to use funds raised from issues of Equity Securities under the 7.1A Mandate for advancing the Company's existing operations including the acquisition of new investments (including expenses associated with such an acquisition), market analysis and investigation of investment opportunities, and the meeting of objectives under the Company's investment mandate and general working capital.

(d) **Risk of Economic and Voting Dilution**

Any issue of Equity Securities under the 7.1A Mandate will dilute the interests of Shareholders who do not receive any Shares under the issue.

If Resolution 5 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 7.1A Mandate, the economic and voting dilution of existing Shares would be as shown in the table below.

The table below shows the dilution of existing Shareholders calculated in accordance with the formula outlined in Listing Rule 7.1A.2, on the basis of the closing market price of Shares and the number of Equity Securities on issue as at 17 August 2020.

The table also shows the voting dilution impact where the number of Shares on issue (Variable A in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued under the 7.1A Mandate.

Number of Shares on Issue (Variable A in ASX Listing Rule 7.1A.2)		Shares issued – 10% voting dilution	Dilution		
			Issue Price		
			\$0.090	\$0.180	\$0.27
			50% decrease	Issue Price	50% increase
Funds Raised					
Current	476,293,924	47,629,392	\$4,286,645	\$8,573,290	\$12,859,935
50% increase	714,440,886	71,444,088	\$6,429,967	\$12,859,935	\$19,289,903
100% increase	952,587,848	95,258,784	\$8,573,290	\$17,146,581	\$25,719,871

*The number of Shares on issue (Variable A in the formula) could increase as a result of the issue of Shares that do not require Shareholder approval (such as under a pro-rata rights issue or scrip issued under a takeover offer) or that are issued with Shareholder approval under Listing Rule 7.1.

The table above uses the following assumptions:

- There are currently 476,293,924 Shares on issue comprising:
 - 420,820,311 Ordinary Fully Paid Shares; and
 - 55,473,613 TSOAA Restricted Ordinary Fully Paid Shares.
- There are currently 146,231,405 Performance Rights on issue comprising:
 - 9,391,405 Performance Rights; and
 - 136,840,000 TSOAB Restricted Performance Rights.

3. The issue price set out above is the closing market price of the Shares on the ASX on 17 July 2020.
4. The Company issues the maximum possible number of Equity Securities under the 7.1A Mandate.
5. The Company has not issued any Equity Securities in the 12 months prior to the Meeting that were not issued under an exception in Listing Rule 7.2 or with approval under Listing Rule 7.1.
6. The issue of Equity Securities under the 7.1A Mandate consists only of Shares. It is assumed that no Options are exercised into Shares before the date of issue of the Equity Securities.
7. The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.
8. This table does not set out any dilution pursuant to approvals under Listing Rule 7.1 unless otherwise disclosed.
9. The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
10. The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 7.1A mandate, based on that Shareholder's holding at the date of the Meeting.

Shareholders should note that there is a risk that:

- (i) the market price for the Company's Shares may be significantly lower on the issue date than on the date of the Meeting; and
- (ii) the Shares may be issued at a price that is at a discount to the market price for those Shares on the date of issue.

(e) **Allocation policy under the 7.1A Mandate**

The recipients of the Equity Securities to be issued under the 7.1A Mandate have not yet been determined. However, the recipients of Equity Securities could consist of current Shareholders or new investors (or both), none of whom will be related parties of the Company.

The Company will determine the recipients at the time of the issue under the 7.1A Mandate, having regard to the following factors:

- (i) the purpose of the issue;
- (ii) alternative methods for raising funds available to the Company at that time, including, but not limited to, an entitlement issue, share purchase plan, placement or other offer where existing Shareholders may participate;
- (iii) the effect of the issue of the Equity Securities on the control of the Company;
- (iv) the circumstances of the Company, including, but not limited to, the financial position and solvency of the Company;
- (v) prevailing market conditions; and
- (vi) advice from corporate, financial and broking advisers (if applicable).

(f) Previous approval under Listing Rule 7.1A

6.3 The Company did not obtain approval under Listing Rule 7.1A at its annual general meeting held on 7 November 2019. Accordingly, the Company has not issued any Equity Securities under Listing Rule 7.1A.2 in the twelve months preceding the date of the Meeting.

6.4 Voting Exclusion

As at the date of this Notice, the Company is not proposing to make an issue of Equity Securities under ASX Listing Rule 7.1A. Accordingly, a voting exclusion statement is not included in this Notice.

6.5 Board Recommendation

The Board recommends Shareholders vote in favour of Resolution 5.

GLOSSARY

\$ means Australian dollars.

10% Placement Capacity has the meaning given in Section 6.1.

Annual General Meeting or **Meeting** means the meeting convened by the Notice, and any other **Article** means an article of the Constitution.

ASX means ASX Limited (ACN 008 624 691).

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day or a day that ASX declares is not a business day.

Chair means the chair of the Meeting.

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the *Corporations Regulations 2001 (Cth)* for the purposes of the definition of 'closely related party' in the Corporations Act.

Company means Tesoro Resources Limited (ACN 106 854 175).

Constitution means the Company's constitution.

Corporations Act means the *Corporations Act 2001 (Cth)*.

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice.

Equity Securities includes a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as an Equity Security.

Key Management Personnel has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

Notice or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

PAC Partners Securities Pty Limited or **PAC Partners** means PAC Partners Securities Pty Limited (AFSL No. 335 374).

Placement has the meaning set out in Section 5.1.

Proxy Form means the proxy form accompanying the Notice.

Ratification has the meaning set out in Section 5.1.

Remuneration Report means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 30 June 2020.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

Section means a section of the Explanatory Statement.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a registered holder of a Share.

Spill Meeting has the meaning given in Section 2.2.

Spill Resolution has the meaning given in Section 2.2.

Variable A means "A" as set out in the formula in ASX Listing Rule 7.1A(2).

WST means Western Standard Time as observed in Perth, Western Australia.