TARUGA GOLD

ACN 153 868 789

INTERIM FINANCIAL REPORT
31 DECEMBER 2013

CONTENTS

DIRECTORS' REPORT

Your directors submit the financial report of the Group for the half-year ended 31 December 2013. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

DIRECTORS

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

		In office from	In office to
Frank Terranova	Non Executive Chairman	2 September 2013	present
Bernard Aylward	Managing Director	21 October 2011	present
Peter Newcomb	Finance Director & Company Secretary	21 October 2011	present
Edmond Edwards	Non Executive Director	21 October 2011	2 September 2013

REVIEW OF OPERATIONS

Company Overview

Taruga Gold Limited ("Taruga" or "the Company") is a West African gold explorer that listed on the Australian Securities Exchange (ASX) on 7 February 2012. The Company operates exploration projects located in Niger, Mali, Cote d'Ivoire and Ghana. Taruga is targeting, subject to successful exploration, the delineation of new mineral resources and the Company's objective is to exploit economic gold resources through downstream mine development.

During the first half of the 2013/2014 year, Taruga significantly expanded its landholding through acquisitions of projects in Mali and Côte d'Ivoire. In Mali, Taruga has 835km2 of highly prospective ground in the Nangalasso, Diendio and SLAM projects; while in Cote d'Ivoire the Company has 1,200km2 of granted licence at the Mankono, Korhogo and Dabakala concessions as well as additional applications pending final grant. The landholding in Mali and Cote d'Ivoire has been targeted in proven gold mineralised areas and regions of excellent geological prospectivity with the potential for new discoveries to be delineated.

Taruga has commenced the 2013/2014 field season with exploration focused on the Nangalasso Project in Mali and the Kossa Project in Niger. In addition, the Company has commenced field reconnaissance, geological mapping and geochemical sampling of the Mankono, Korhogo and Dabakala Projects in Cote d'Ivoire – this is the first-pass exploration in these under-explored concessions that have been granted in late 2013.

Project Overview

Nangalasso Project, Mali

The Nangalasso Project consists of two options over granted concessions (Nangalasso and Sotian concessions) extending over an area of 345km2. The option agreements grant the Company exclusive access to the ground for exploration and also grant the right to purchase 100% of the concessions for an agreed amount.

Taruga commenced exploration on the Nangalasso project to follow up the gold mineralised intersections returned from wide-spaced reconnaissance drilling and extensive surface geochemical anomalism. The program consisted of field reconnaissance, trenching, mapping and geochemical sampling of the project. Highlights of the exploration completed include:

- Trench sample of 7m at 4.3g/t gold received – gold mineralisation hosted in quartz veining and alteration located 200m north of anomalous drilling (1m at 7.8g/t gold in drill hole NAAC014)
- Assays up to 2.9g/t gold from surface – vertical sampling has highlighted gold mineralisation
- Mineralisation open along strike – trench extends anomalous gold mineralisation to the north
- 18g/t gold, 3.6g/t gold and 3.54g/t gold – geochemical samples collected from extensive artisanal workings. Samples targeted the layer of mottled, angular coarse quartz clasts and clay that is the horizon mined on site.
- Extensive artisanal workings – an area of workings over 1,000m x 700m of workings has been identified within the Sotian concession, Nangalasso project. The workings are targeting a gravel horizon that is interpreted to be at the base of transported cover.
- Bedrock Mineralisation – a restricted zone of shafts which are mining residual saprolite material has been observed, and potentially indicates a bedrock source for the mineralisation.
- Trench sampling program – trench sampling continues at Nangalasso with new intersection of 2m at 1.17g/t gold from trench NNTR004. The trench is located in a new area following field reconnaissance locating prospective geology

The trenching program was designed to provide improved geological understanding of the Nangalasso project. The trenching program has targeted extensions to the previous drill intersections (trench NNTR002) as well as testing areas of prospective geology identified in the field reconnaissance. Gold mineralised intersections have been returned including 7m at 4.32g/t gold hosted in quartz veining and altered sediments in trench NNTR002 and 2m at 1.17g/t gold in trench NNTR004. Trench NNTR002 is located 200m north of the gold mineralised drill intersection of 1m at 7.8g/t gold in drill hole NAAC014 and additional sampling of the trench returned surface assay ups to 2.79g/t gold. Trench NNTR004 is located in a new area of outcropping quartz veining and geological alteration identified during field reconnaissance to the east of the existing trenching.

Geological mapping of the trenches has highlighted a wide zone of conjugate quartz veining and strong alteration in sediments in close proximity to the granite contact. This represents a highly prospective zone for mineralisation where the anastomosing structure splays from the granite intrusive creating a structural pressure shadow area in ductile sedimentary units.

Sotian Artisanal Workings

An extensive zone of active artisanal workings within the Nanagalasso project is located within the Sotian concession. Taruga is undertaking geological reconnaissance and mapping of the area and has completed an initial phase of sampling of a series of shafts and workings. An initial 30 samples have been collected to assist in the geological review of the mineralisation. The geological reconnaissance has indicated that the main focus of the artisanal workings is a mottled, angular quartz rich clay material located at the base of transported cover. It is interpreted that this horizon represents a transported layer, however the coarse angular nature of the quartz clasts indicates a proximal source. The presence of artisanal shafts mining material in the weathered residual bedrock highlights the potential for a bedrock mineralisation to be discovered.

The assay results for the samples collected highlight the potential for high-grade gold mineralisation to be defined. A range of assay results from highs of 18.0g/t gold, 3.62g/t gold and 3.54g/t gold to low level assay results with a minimum of 1ppb gold have been returned. Typical for this style of mineralisation, the assay results exhibit poor repeatability that reflect the distribution of coarse gold within the target horizon.

SLAM Project, Mali

Taruga completed the acquisition of the highly-prospective SLAM Project located in southern Mali in November 2013. Taruga has acquired 100% of the project from Newmont Ventures Limited ("Newmont"), which had completed initial geochemical sampling that defined highly anomalous zones for first-pass drill testing.

Project highlights

- Extensive geochemical anomalies up to 6.4g/t gold with numerous +1g/t gold samples defining high-priority anomalous zones
- Artisanal mining in the area highlights prospective geology and gold mineralised structures
- SLAM project is more than 350km2 and consists of option agreements granting access over four granted concessions within 100kms of Bamako, the capital city of Mali
- Project area located in highly prospective margin of Siguiri Basin – the host to major gold deposits including Siguiri (AngloGold Ashanti – 5.2Moz gold), Lefa (NordGold – 7.8Moz gold) and Tri-K (Avocet – 4Moz gold).

The SLAM project consists of four granted concessions – Djelibani, Djelibani Sud (forming a contiguous landholding of 230km2), Balala and Kambali. The concessions are held as Option agreements with local landholders – the agreements grant Taruga exclusive access for all exploration activities upon payment of an annual option fee, and also grant the right for Taruga to purchase 100% of the concession for an agreed amount.

The project is about 100km southwest of Bamako, the capital city of Mali, and located within the Siguiri Basin – a geological terrain that hosts major gold deposits at Anglo Gold's Suguiri (5.2Moz) and Nordgold's Lefa (7.8Moz).

Newmont completed extensive regional surface geochemistry by on the project. The surface geochemistry has highlighted numerous high-priority anomalous zones within the Djelibani and Djelibani Sud concessions, with surface anomalism returning up to 6.4g/t gold. Newmont also compiled a significant baseline dataset that includes detailed aeromagnetics, satellite imagery and geological interpretation. As part of the acquisition, Taruga will receive the full geological package, including all available GIS information, geophysical data and images, geochemical data and geological information.

Acquisition terms include:

- Taruga to assume responsibility for Option Agreements
- Newmont has first right of refusal on sale or transfer to third party
- Newmont has claw-back agreement upon completion of 7,500m of RC and diamond drilling and 7,500m of aircore drilling. Clawback to maximum 51% by completing three times level of Taruga expenditure
- 1% Net Smelter Royalty on any discovery exceeding 1Moz gold in Measured and Indicated Pit Constrained JORC compliant resource

Taruga has commenced field reconnaissance and mapping. Taruga intends to undertake reconnaissance drilling to test the surface anomalous zones following a program of check sampling and infill definition. The key anomalies identified for initial exploration are located within the Djelibani and Djelibani Sud concessions.

Kossa Project, Niger

The Kossa Project consists of two granted exploration licences covering 970km² 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 lays approximately 15km east of the Essakane Gold Mine, located in Burkina Faso.

Exploration completed during first half of the 2013/2014 has consisted of field mapping and geological reconnaissance of the Kouriki Porhyry targets and a program of detailed auger drilling targeting the porphyry intrusions.

A total of 813 auger sample and 34 rock chip and soil sample have been collected for gold and multi-element analysis. Results are pending for this sampling.

Further work is planned for the Kossa project, with additional reverse circulation (RC) drilling planned for the Borobon prospect to follow-up previous drill intersections up to 22m at 2.0g/t gold from 108m and extend the defined gold mineralised structure. In addition, the Company is planning further work at the Pouriki Porphyry targets including reconnaissance drill testing and geophysical testwork.

Côte d'Ivoire Projects

Taruga has an extensive landholding in Cote d'Ivoire through the original applications at Mankono and Tortiya that the Company had at float and through the acquisition of additional applications in July 2013. Taruga has received final approvals and signed decrees for the highly-prospective Mankono, Korhogo and Dabakarla concessions in Côte d'Ivoire. The Company is also pursuing additional applications that are progressing to final grant.

Taruga has commenced geological reconnaissance, mapping and first-pass geochemical sampling of the granted projects. The concessions are greenfields exploration projects with very limited previous work. During the 2013/2014 field season, Taruga will continue the first-pass exploration program consisting of systematic geological mapping and rock-chip sampling and a wide-spaced soil and stream sediment sampling program covering the concession area. This will aim to provide sufficient geological data to delineate drilling targets for the determination of economic gold mineralisation.

CORPORATE

Board changes

Mr Frank Terranova was appointed as the Chairman of Taruga's Board on 2 September 2013. Mr Terranova is a senior executive with extensive experience in corporate finance and company management across sectors including mining, agriculture and manufacturing. He is a Chartered Accountant and his most recent position has been as Managing Director and CEO of Polymetals Mining Limited ("Polymetals") (ASX: PLY), where he was instrumental in the successful merger of Polymetals and Southern Cross Goldfields Limited (ASX: SXG).

As part of a Board restructure, Bernard Aylward stepped down as Executive Chairman to focus on his role as Managing Director.

Mr Ed Edwards resigned as a Non-Executive Director of Taruga on 2 September 2013.

2013 Annual General Meeting

Taruga held its 2013 Annual General Meeting in Perth on 28 November 2013.

Shareholders considered the following resolutions:

1. Adoption of Remuneration Report
2. Re-election of Director – Mr Peter Newcomb
3. Re-election of Director – Mr Frank Terranova
4. Approval of 10% Placement Facility
5. Issue of Incentive Options to Director – Mr Frank Terranova
6. Issue of Incentive Options to Director – Mr Peter Newcomb

All motions were passed.

Incentive Options have not been issued to Directors.

Release from escrow

On 2 February 2014, 45,200,000 fully paid ordinary shares were released from escrow.

Competent person's statement

The information in this report that relates to geological information and exploration results is based on information compiled by Mr Bernard Aylward. Mr Aylward is the Executive Chairman and Managing Director of Taruga Gold Limited and is a full-time employee of the company. Mr Aylward is a member of The Australasian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 20012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Aylward consents to the inclusion in the report of the matters based on information in the form and context in which it appears.

DIRECTORS' REPORT

TARUGA GOLD

AND CONTROLLED ENTITIES

AUDITORS' INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on the next page and forms part of this directors' report for the half-year ended 31 December 2013.

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

Bernard Aylward

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Bernard Aylward

Managing Director

Dated Perth 14 March 2014

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Taruga Gold Limited for the year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia
14 March 2014

N G Neill
Partner

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CONDENSED STATEMENT OF COMPREHENSIVE INCOME

TARUGA GOLD

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

AND CONTROLLED ENTITIES

	Consolidated	
	31 December 2013 $	31 December 2012 $
Revenue	18,017	80,669
Depreciation	(18,007)	(17,248)
Consultants	(162,287)	(70,771)
Professional fees	(55,847)	(21,432)
Travel and accommodation	(35,826)	(34,160)
Office and communication costs	(40,129)	(49,644)
Other expenses	(89,772)	(94,593)
	(383,851)	(207,179)
Exchange gain/(loss)	(1,492)	44,975
Loss before income tax	(385,343)	(162,204)
Income tax benefit		-
Net loss for the period	(385,343)	(162,204)
Other comprehensive income		
Items that may be reclassified to profit and loss		
Exchange gain/(loss) on translation of foreign subsidiaries	(9,545)	(25,344)
Total comprehensive loss for the period	(394,888)	(187,548)
Basic loss per share (cents per share)	0.39	0.19

The accompanying notes form part of these financial statements.

CONDENSED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

TARUGA GOLD

AND CONTROLLED ENTITIES

	Note	Consolidated 31 December 2013 $	Consolidated 30 June 2013 $
CURRENT ASSETS			
Cash and cash equivalents		1,061,832	1,217,402
Trade and other receivables		11,437	13,590
Other current assets		12,970	-
Total Current Assets		1,086,239	1,230,992
NON CURRENT ASSETS			
Property, plant and equipment		118,204	103,556
Deferred exploration and evaluation expenditure	2	9,287,047	8,265,401
Total Non Current assets		9,405,251	8,368,957
TOTAL ASSETS		10,491,490	9,599,949
CURRENT LIABILITIES			
Trade and other payables		464,198	393,224
Other current liabilities		18,835	-
Total Current Liabilities		483,033	393,224
TOTAL LIABILITIES		483,033	393,224
NET ASSETS		10,008,457	9,206,725
EQUITY			
Issued capital	3	10,412,209	9,215,589
Reserves		638,489	648,034
Accumulated losses		(1,042,241)	(656,898)
TOTAL EQUITY		10,008,457	9,206,725

The accompanying notes form part of these financial statements.

CONDENSED STATEMENT OF CHANGES IN EQUITY

	Issued Capital	Options Reserve	Accumulated Losses	Foreign Currency Translation Reserve	Total Equity
Half-year to 31 December 2012					
Balance at 1 July 2012	9,215,589	648,944	(332,343)	45,932	9,578,122
Loss for the period	-	-	(162,204)	-	(162,204)
Exchange loss on translation of foreign subsidiaries	-	-	-	(25,344)	(25,344)
As at 31 December 2012	9,215,589	648,944	(494,547)	20,588	9,390,574
Half-year to 31 December 2013					
Balance at 1 July 2013	9,215,589	648,944	(656,898)	(910)	9,206,725
Shares issued	1,200,000	-	-	-	1,200,000
Share issue costs	(3,380)	-	-	-	(3,380)
Loss for the period	-	-	(385,343)	-	(385,343)
Exchange loss on translation of foreign subsidiaries	-	-	-	(9,545)	(9,545)
As at 31 December 2013	10,412,209	648,944	(1,042,241)	(10,455)	1,008,457

The accompanying notes form part of these financial statements.

CONDENSED STATEMENT OF CASH FLOWS

	Consolidated	
	6 months to 31 December 2013 $	6 months to 31 December 2012 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(239,871)	(187,005)
Interest income received	18,017	80,669
Net cash used in operating activities	(221,854)	(106,336)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration expenditure	(810,588)	(1,524,699)
Payment for acquisition if subsidiary net of cash acquired	(121,786)	-
Net cash used in investing activities	(932,374)	(1,524,699)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	1,000,000	-
Share transaction costs	(3,380)	-
Net cash provided by financing activities	996,620	-
Net increase/(decrease) in cash held	(157,608)	(1,631,035)
Cash and cash equivalents at the beginning of the period	1,217,402	4,501,262
Effect of exchange rate fluctuations on cash held	2,038	(793)
Cash and cash equivalents at the end of the period	1,061,832	2,869,434

The accompanying notes form part of these financial statements.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

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

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2013 and any public announcements made by Taruga Gold Limited and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

Basis of preparation

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

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

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

Reporting Basis and Conventions

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

The Board considers that the Company is a going concern and recognises that additional funding is required to ensure that the Company can continue to fund its and the consolidated entity's operations and further develop their mineral exploration and evaluation assets during the twelve month period from the date of this financial report. Such additional funding can be derived from either one or a combination of the following:

- The placement of securities under the ASX Listing Rule 7.1 or otherwise;
- An excluded offer pursuant to the Corporations Act 2001; or
- The sale of assets.

Accordingly, the Directors believe the Company will obtain sufficient funding to enable it and the consolidated entity to continue as going concerns and that it is appropriate to adopt that basis of accounting in the preparation of the financial report. While the Directors are confident of the Group's ability to raise additional funding, should the Group be unable to do so, there exists a material uncertainty that the Group will continue to be a going concern and be able to realise its assets and extinguish its liabilities in the normal course of business.

The financial report has also been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Significant accounting judgements and key estimates

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

In preparing this interim report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2013.

Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2013, the Directors have reviewed all of the new and revised Standards and interpretations issued by the AASB that are relevant to the Group's operations and effective for annual reporting periods beginning on or after 1 July 2013.

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

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2013. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group and, therefore, no change is necessary to Group accounting policies.

NOTE 2 - DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	Half-year to 31 December 2013 $	Year to 30 June 2013 $
Balance at beginning of period	8,265,401	5,738,108
Acquisition cost	323,277	-
Expenditure incurred during the period	698,369	2,527,293
Total deferred exploration and evaluation expenditure	9,287,047	8,265,401

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

NOTE 3 - ISSUED CAPITAL

	Consolidated	
Ordinary Shares	31 December 2013 $	30 June 2013 $
Issued and fully paid	10,412,209	9,215,589

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

Half-year to 31 December 2012

	Shares	$
Opening balance at July 2012	85,616,000	9,215,589
Closing balance at 31 December 2012	85,616,000	9,215,589

Half-year to 31 December 2013

	Shares	$
Opening balance at July 2013	85,616,000	9,215,589
Acquisition of International Goldfields Limited 28 August 2013	12,500,000	200,000
Placement 22 October 2013	62,500,000	1,000,000
Share issue costs		(3,380)
Closing balance at 31 December 2013	160,616,000	10,412,209

Movements in options were as follows:

Half-year to 31 December 2012

Opening balance at July 1 2012	15,000,000	648,944
Closing balance at 31 December 2012	15,000,000	648,944

Half-year to 31 December 2013

Opening balance at July 1 2013	15,000,000	648,944
Closing balance at 31 December 2013	15,000,000	648,944

(1) Exercisable at $0.20 on or before 31 January 2016

NOTE 4 - CONTINGENT LIABILITIES

Taruga Gold Limited and its controlled entities have no known material contingent liabilities as at 31 December 2013.

NOTE 5 - SEGMENT INFORMATION

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

NOTE 6 – EVENTS SUBSEQUENT TO BALANCE DATE

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

DIRECTORS DECLARATION

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

1) The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:

   (a) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

   (b) giving a true and fair view of the Group's financial position as at 31 December 2013 and of its performance for the half-year then ended; and

2) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

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Bernard Aylward

Managing Director

Dated Perth 14 March 2014

HLB Mann Judd

Accountants | Business and Financial Advisers

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

Report on the Interim Financial Report

We have reviewed the accompanying half-year financial report of Taruga Gold Limited ("the company") which comprises the condensed statement of financial position as at 31 December 2013, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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HLB Mann Judd

Accountants | Business and Financial Advisers

Independence

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

Conclusion

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

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 1 in the financial report, which indicates that additional funding is required. Should the additional funding not be raised, there is a material uncertainty that may cast significant doubt as to whether the company will be able to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Norman Glad

N G Neill
Partner

Perth, Western Australia
14 March 2014