TORO ENERGY LIMITED

ANNUAL REPORT 2012

An emerging Australian uranium producer

Toro Energy Limited ABN 48 117 127 590

CORPORATE INFORMATION

Directors

Ms Erica Smyth *(Chairman)*
Mr Greg Hall *(Managing Director)*
Mr Derek Carter
Mr Peter Lester
Mr John Nitschke *(Retired 30 June 2012)*
Mr Andrew Coles

Company Secretaries

Mr Donald Stephens
Mr Todd Alder

Registered Office

C/- HLB Mann Judd (SA) Pty Ltd
169 Fullarton Road
Dulwich, SA 5065

Principal Place of Business

3 Boskenna Avenue
Norwood, SA 5067

Share Registry

Computershare Investor Services Pty Ltd
Level 5, 115 Grenfell Street
Adelaide, SA 5000

Legal Advisors

O'Loughlins Lawyers
Level 2, 99 Frome Street
Adelaide, SA 5000

Bankers

National Australia Bank
22 – 28 King William Street
Adelaide, SA 5000

Auditors

Grant Thornton South Australian
Partnership Chartered Accountants
Level 1, 67 Greenhill Road
Wayville, SA 5034

Securities Exchange Listing

Toro Energy Limited shares are listed on the Australian Securities Exchange Ltd (ASX Code: TOE)

91 King William Street
Adelaide, SA 5000

Contents

Competent Person - Mineral Resources

The information in this report that relates to Mineral Resources is based on information compiled by Dr Katrin Karner of Toro Energy Limited, Mr Robin Simpson and Mr Daniel Guibal of SRK Consulting (Australasia) Pty Ltd. Daniel Guibal takes overall responsibility for the Resource Estimate, and Dr Karner takes responsibility for the integrity of the drilling and bulk density results. Dr Karner, Mr Simpson and Mr Guibal are Members of the Australasian Institute of Mining and Metallurgy (AusIMM), and have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2004)'. The Competent Persons consent to the inclusion in this release of the matters based on the information in the form and context in which it appears.

Competent Person - Exploration

Information in this report relating to Exploration results is based on information compiled by Mr Mark McGeough who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr McGeough is a full-time employee of Toro Energy Limited, and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity 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'. Mr McGeough consents to the inclusion in this release of the matters based on his information in the form and context in which it appears.

Competent Person - Deconvolved Gamma Results

Information in this report relating to Deconvolved Gamma Results, is based on information compiled by Mr David Wilson BSc MSc who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Wilson is a full-time employee of 3D Exploration Ltd, a consultant to Toro Energy Limited and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity 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'. Mr Wilson consents to the inclusion in this release of the matters based on his information in the form and context in which it appears.

FROM THE Chairman AND THE Managing Director

Erica Smyth
Chairman

Through a year of continuing international economic uncertainty, difficult equity market conditions and a flat short term uranium market, Toro made further major advances in its Wiluna and Theseus projects to target future sustainable uranium production. In doing so Toro has enhanced shareholder value compared with its peers despite these challenging circumstances.

In May 2012, after a very rigorous assessment over two and a half years, the Environmental Protection Authority of Western Australia (EPA) recommended to the WA Minister for Environment the approval of the Wiluna Uranium Project. Wiluna is the first uranium project in WA to receive this recommendation. In announcing this decision, the Chairman of the EPA, Dr Paul Vogel, stated "...I can assure the public we have applied the highest level of scrutiny in our examination of its environmental acceptability".

On 19 September 2012 the Western Australian Minister for Environment made a determination on nine appeals against the EPA's approval of the Project. Following further consultation with government agencies, the Minister will make a final decision. The appeals period represented the third time that the public had the opportunity to comment on the Project during the government assessment process. The process will be completed with a Federal Government decision anticipated soon after the WA decision. The Wiluna section of this report discusses the very extensive technical, community and project evaluation work that the Wiluna Project team continued during the year in an exceptionally professional manner. Your Board congratulates them on the milestones achieved.

Toro continues to engage with potential offtake and JV partners to support the financing of the Wiluna Project and this is expected to pick up pace post the State and Federal Government decisions.

After a successful drilling program at the new Theseus discovery, our Exploration team published a significant target range for this highly prospective project. Zones of high grade uranium in roll front and other styles of mineralisation have been identified with a first resource estimate planned for the December quarter this year. Theseus appears very amenable to the much less capital intensive In-Situ Recovery (ISR) style of extraction and as such this is an important pipline project for Toro.

While the uranium price remained flat for most of the year, there were some excellent medium to long term market indicators during the second half which have continued into 2012-13. On-going demand continues to climb through new nuclear power construction and the delay in some major new uranium projects or expansions coming on-stream has tightened mid-term supply.

Greg Hall
Managing Director

This is offering opportunity to the more advanced projects. Wiluna is now one of the few projects in the world capable of near term production. The purchase of the Yeelirrie Project by Cameco, an alkaline leach project like Wiluna, was a big vote of confidence in both the long term market outlook and the future of this style of uranium development.

In our next report, we look forward to being able to discuss the achievement of more major milestones at our Wiluna and Theseus projects.

Erica Smyth
Chairman

Greg Hall
Managing Director

Strategy AND Achievements 2011-12

Wiluna Focus → PRODUCTION →

Wiluna Moves Forward to Production

- EPA recommendation for approval
- Pilot plant operation
- Wiluna Regional Resources increased to 54mlb

Theseus Focus → RESOURCE BASE →

Theseus Maiden Resource

- 16,000m drilling programme
- Improved uranium grade results

Highlights 2011-2012

10 JULY: Norilsk Deal signed for purchase of Millipede

17 JULY: Nowthanna purchase – Wiluna Regional Resource increased by 25%

25 JULY: Wiluna ERMP released for public comment

1 AUGUST: Pilot plant testwork commences

4 AUGUST: Theseus drilling starts

15-18 AUGUST: ERMP Public Information Days

29 AUGUST: Theseus expands and confirmed as major uranium discovery

21 SEPTEMBER: Wiluna Resource Update – increased by 23%

JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER

2011

23 SEPTEMBER: Millipede purchase finalised

26 SEPTEMBER: Results from Pilot Plant available. Wiluna process flowsheet confirmed

6 OCTOBER: Nowthanna purchase finalised

10 OCTOBER: Wiluna Regional Resource increased by further 32%

20 OCTOBER: Theseus Project Peak Result close to 1% eU_3O_8

18 NOVEMBER: Mt Woods Agreement Terminated. $3.75m paid to Toro

21 NOVEMBER: Wiluna Economics improved C1 cash cost US33/lb

6 DECEMBER: JV Agreement signed with Northern Minerals in Tanami Region

Wiluna Investment Decision

- Government Approval advanced
- DFS (Stage 1)
- Finance discussions advanced

Theseus Feasibility Study

- Initial bottle roll tests
- Drill core and testwork

24 JANUARY: WA Opposition Leader revises policy on uranium mining

27 FEBRUARY: Wiluna Uranium Project increases key Centipede resource by 17%

29 FEBRUARY: Uranium extraction of 95-96% in bottle roll tests for Theseus samples

12 APRIL: Joint Venture with Northern Minerals finalised

2012

JANUARY | FEBRUARY | MARCH | APRIL | MAY | JUNE

1 MAY: Drilling commences at Theseus Project to define maiden JORC

16 MAY: Theseus drilling peak results from PFN at 0.6% pU_3O_8

21 MAY: EPA recommends Approval for Wiluna Project to proceed

21 JUNE: 1% pU_3O_8 intersected at Theseus

Uranium AND Nuclear Power

After grappling with the impact of the March 2011 accident at the Fukushima Daiichi Nuclear Plant on the growth prospects in the nuclear industry, the uranium market has turned its focus to emerging supply constraints.

The spot uranium price traded in the high US$40's to low US$50's/lb U_3O_8 range over the reporting period due to the short term supply overhang from temporary Japanese reactor closures. However, long term uranium prices have remained firm above $US60/lb U_3O_8 due to concerns about future supply.

The short term price outlook will be driven by the progress made in Japan in restarting its nuclear fleet. Since the end of the reporting period there have been significant steps with the restart of Units 3 and 4 at Kansai Electric's Ohi Nuclear Power Plant and the approval of a new nuclear regulatory framework by the Japanese Parliament. Notwithstanding the current debate in Japan regarding the long term future level of nuclear power generation, the approval for the restart of more Japanese nuclear power plants is expected to continue.

Concerns about future uranium supply arise from delays and cancellations of major new uranium projects such as the Olympic Dam Expansion and Trekkopje in Namibia, the looming HEU agreement cessation and the cost of bringing new, generally lower grade mines into production.

It is widely acknowledged by market commentators that there will be a shortfall in uranium supply in the medium term (2015 onwards) as mine start-ups are deferred due to uranium prices trading well below incentive levels to commence production. This issue was recently highlighted by Cameco's comments on its Kintyre Project in Western Australia indicating Cameco needs an average price of US$67/lb U_3O_8 to justify the development of the project as it currently stands.

The demand for uranium in the medium to long term remains robust with major nuclear markets in China, USA, France, India, South Korea, Russia and the United Kingdom remaining committed to their nuclear programs and major new program start-ups in the United Arab Emirates and Saudi Arabia.

The large uranium miners and several significant nuclear utilities have used the current uncertainty in the uranium market to acquire quality uranium assets or long term sales contracts at attractive prices. This provides a strong indication from both buyers and sellers of uranium of the potential for supply constraints in coming years. The acquisitions by existing producers, Cameco, Rio Tinto and utility China Guandong Nuclear Power, of the Yeelirie, Roughrider and Husab uranium deposits respectively, are examples of this corporate activity.

Health, Safety AND Radiation

Toro maintained its comprehensive Health, Safety and Environment (HSE) Management System for all exploration and project development activities. This year the System was audited against the Standard AS/NZS 4801:2001 Occupational Health and Safety Management Systems, and improvements to adopt the latest practices and approach to safety have been integrated into all Company activities. The system identifies the HSE responsibilities of Toro's employees, contractors and visitors to our sites and aims to incorporate and manage all of the HSE obligations and legal compliance requirements covered by relevant Commonwealth, State and Territory Acts, Regulations, Standards and Codes of Practice.

The System has been audited by the Institute for Accident Prevention (IFAP) and has achieved a Gold Safety status for its structure and implementation. This formal audit will be conducted annually to demonstrate continual improvement in Health and Safety systems.

The Wiluna Project's Radiation Safety Management System was reviewed in full with the Radiation Management Plan being accepted by the WA Department of Mines and Petroleum and the WA Radiological Council for activities in the field. Toro continuously reviews radiation management under the HSE Management System to ensure compliance and best practice are equally applied, consistent with the Company's risk profile.

As there were no externally reportable Health, Safety or Environmental incidents during the year, the Lost Time Injury Frequency Rate (LTIFR) and Reportable Environmental Incidents both remained at zero. This is consistent with Toro's risk profile, which highlights most current activities that are field based are completed during short term campaigns.

All environmental obligations have been met with ongoing monitoring continuing as outlined in the Environmental Review and Management Programme (ERMP).

Wiluna Uranium Project

Further substantial progress was made on the Wiluna Uranium Project in Western Australia, and subject to statutory approvals, financing, and suitable market conditions, Toro is targeting a mid-2013 commitment to the Project.

ENVIRONMENTAL APPROVALS AND COMMUNITY

In May 2012, the EPA recommended that the Wiluna Project be approved.

This recommendation followed public exhibition of Toro's Environmental Review and Management Programme (ERMP) for a 14 week period between July and October 2011. There were 48 submissions from the public and government agencies on the ERMP raising around 300 specific issues. Toro responded to all issues in a draft Response to Submissions provided to the EPA in December.

The EPA's recommendations and report to the Minister for Environment were made public on 21 May. They were subject to a two week public appeal period which closed in early June 2012. There were nine appeals.

To consider them, the Minister for Environment appointed an Appeals Committee which visited the Project site during its deliberations before reporting to the Minister on 13 September 2012. A final decision by the WA Minister is anticipated early in the December quarter to be followed soon afterwards by the Federal Government's decision.

During the ERMP public exhibition period, Toro hosted a visit to the Project site by NGO group representatives and attended a meeting with about 45 anti-uranium demonstrators. The Company organised three site visits by Traditional Owners to discuss environmental management, radiation and protection of their cultural heritage. In March, Toro reached agreement on the full Project configuration with the Traditional Owners, and commenced a mining agreement negotiation with the Traditional Owners through their representative body, Central Desert Native Title Services.

In a media statement issued in May, a spokesman for the Senior Lawmen said: 'For the first time, a mining company has come to talk to the mob about their concerns. This is good and the old men are happy that Toro will keep away from their sites.'

Toro's interaction with the Wiluna Community also included continuing participation in the Wiluna Regional Partnership Agreement and communication with the Shire Council to keep members advised of the progress of the Project.

In the wider region, Toro maintained contact with government agencies and industry and community organisations about its Project plans.

ENGINEERING STUDIES

Water Barrier Trials

Further to the Resource Evaluation Pit work conducted in 2010, a water barrier trial was undertaken to investigate groundwater and the effectiveness of two types of barriers – HDPE and compacted clay – in controlling the flow of water into the pits. The trial demonstrated that the clay barrier was the most effective.

Metallurgical Testwork Program

Three key metallurgical testwork programs were completed during the year to support the Definitive Feasibility Engineering Study (DFS) and substantially reduce technical risks:

- 14 tonnes of ore were processed in a pilot plant over two continuous 10 day campaigns to demonstrate the technical feasibility of the preferred process;
- Operating conditions for purifying the primary uranium concentrate were developed and refined; and
- Variability testing on a range of ore samples quantified mineralogy, grinding characteristics, leach performance, solid/liquid separation and other performance data.

Definitive Feasibility Study (DFS)

In September 2011, Bateman Engineering Australia (Bateman) was awarded the engineering component of the DFS to be conducted in two phases. The first, for process engineering, has been completed and the second for engineering design and costing will be undertaken after government environmental decisions on the Project.

Wiluna Uranium Project *(cont.)*

GEOLOGY AND RESOURCE EVALUATION

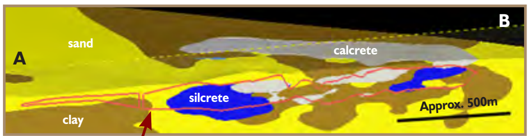
The Wiluna regional resource base was substantially increased during the year through acquisition of the Millipede and Nowthanna resources and successful completion of resource drilling.

The drilling program comprised 234 holes of air core drilling (2,632 metres of drilling) and 73 holes of sonic core drilling (657 metres). The drilling achieved a significant improvement in the confidence of the Centipede resource, and an overall increase of 7% in the total resource base compared to the previous estimate. In total, the Wiluna regional resource base increased from 39Mlb contained U_3O_8 to 53.56Mlb contained U_3O_8 at the end of June 2012.

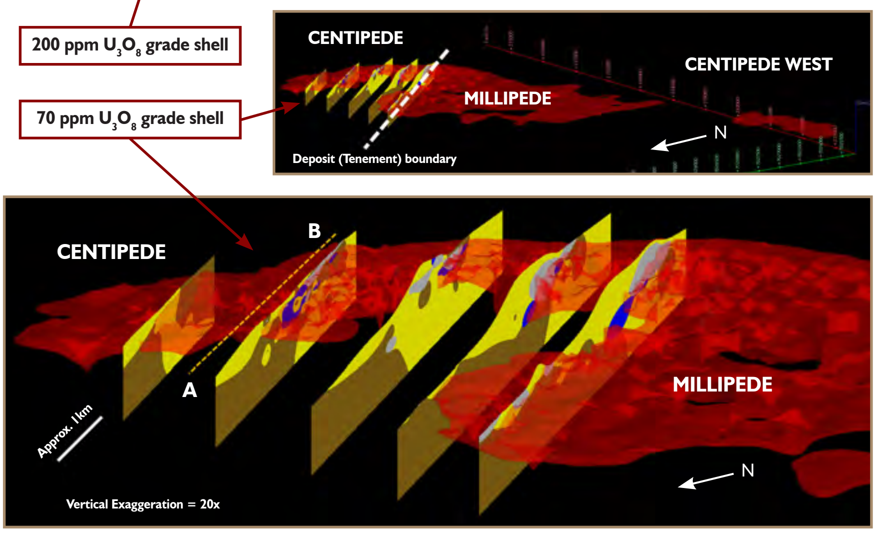
Project Name	Category	Resource M Tonnes	Grade U_3O_8	Contained U_3O_8 tonnes	Contained U_3O_8, Mlb
Centipede	Measured	3.08	552	1,703	3.75
Centipede	Indicated	7.56	555	4,197	9.25
Centipede	Inferred	2.30	272	627	1.38
Lake Way	Indicated	2.57	492	1,265	2.79
Lake Way	Inferred	7.38	544	4,015	8.85
Sub Total	**Measured & Indicated**	**13.21**	**542**	**7,165**	**15.79**
Wiluna Project	**Inferred**	**9.68**	**480**	**4,642**	**10.23**
Millipede	Indicated	1.77	412	728	1.61
Millipede	Inferred	5.51	533	2,935	6.47
Dawson Hinkler Well	Inferred	13.09	312	4,077	8.99
Nowthanna	Inferred	11.91	399	4,750	10.47
Sub Total	**Indicated**	**1.77**	**412**	**728**	**1.61**
Wiluna Regional	**Inferred**	**30.51**	**386**	**11,762**	**25.93**
Total Wiluna Resources	**Measured Indicated and Inferred**	**55.17**	**441**	**24,297**	**53.56**

CENTIPEDE / MILLIPEDE

The three dimensional geological model of the Centipede deposit, central to the proposed Wiluna mine, was also finalised in the first half of 2012, as shown in the figure at right.



Cross-section and geological slices through the 3D model of the Centipede/Millipede Deposit (200 ppm and 70 ppm U_3O_8 grade shells respectively)



Exploration

Toro continues to pursue high quality exploration targets in the Northern Territory and Western Australia.

Two major drilling campaigns were completed at the Theseus Prospect in the Lake Mackay Project located in central-eastern WA. Theseus was discovered by Toro in 2009 using reconnaissance aircore drilling. Uranium mineralisation is hosted in Tertiary age, palaeochannel style sands and silts about 100m to 120m below the surface. No previous exploration for uranium has been undertaken in the area.

Significant uranium mineralisation measured by gamma probing or prompt fission neutron methods was intersected in both programs including:

- 3.44m @ 0.13% eU_3O_8 [0.45%GT] from 111.4m in LM00052
- 3.74m @ 0.17% eU_3O_8 [0.65%GT] from 100.2m in LM00060
- 0.79m @ 1.17% pU_3O_8 [0.92%GT] from 124.32m in LM0175
- 3.34m @ 0.08% pU_3O_8 [0.27%GT] from 106.47m in LM168 (1)

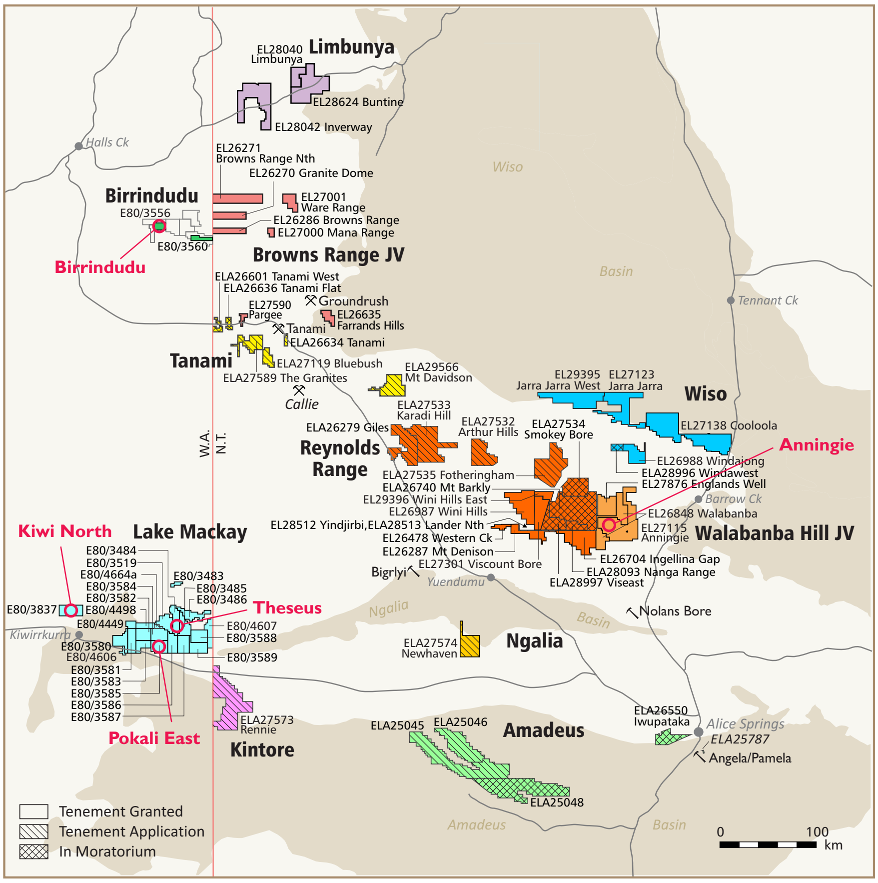
After the first round of mud rotary drilling in 2011 an exploration target range was estimated at:

20Mt to 40Mt @ approx. 400 to 500 parts per million (ppm) U_3O_8,

for 10,000t to 20,000t U_3O_8 or 22Mlb to 44Mlb U_3O_8 (2).

Three holes at Theseus were cored through mineralised intervals to obtain samples for testing of disequilibrium, porosity, permeability and the density of the host fine sands and silts.

Exploration Project	Method	Holes	Metres Drilled
Pokali, WA	aircore	103	4,517
Theseus, WA	aircore	52	6,669
Theseus, WA	mud-rotary	184	24,153
Theseus, WA	triple tube core	3	362
Lake Mackay, WA	vibracore	22	25
Birrindudu JV, WA	diamond	2	693
Reynolds Range, NT	aircore	14	2,083
TOTAL		**380**	**38,502**



Australian exploration licences and applications held by Toro Energy or subject to uranium access and joint venture rights at 30 June 2012.

Other technical studies carried out on samples from Theseus included; palynology resulting in evidence of a clear time correlation of Theseus with sediments around the Beverley deposit in South Australia; bottle roll leach trials resulting in excellent recoveries of uranium mostly in the >95% range; and disequilibrium assessments using closed canister data that showed an average positive disequilibrium factor. Completion of a resource estimate is planned for the December quarter of 2012.

To the south of Theseus at the Pokali East Prospect, shallow aircore drilling intersected anomalous nickel and cobalt associated with the weathering of mafic units. To the west of Theseus at Kiwi North, large areas of

(1) *PFN results are reported using a 300ppm cut off and designated as pU_3O_8 with Natural Gamma data using a 200ppm cut off reported as eU_3O_8. All results are reported as %. 0.1% is equal to 1000ppm U_3O_8.*

(2) *CAUTIONARY STATEMENT*
The Exploration Target Range (ETR) is conceptual in nature and there has been insufficient exploration completed to define this material as a Mineral Resource. There is no certainty that the further work referred to herein will result in the determination of a Mineral Resource.

Exploration *(cont.)*

outcropping iron were shown to be highly anomalous in a variety of rare earths, uranium and copper. On Lake Mackay a small program of vibrocore drilling at 5km spacing defined a significant accumulation of potash with similar grades to those reported previously by Reward Minerals in 2009.

Other targets drilled during the year included the Birrindudu JV in northeast WA. Two core holes tested an unconformity style uranium target at the Ventura Prospect. Drilling to 500m failed to detect anomalous uranium or alteration associated with uranium mineralisation.

A limited drilling program in the eastern Reynolds Range Project at Anningie intersected variably reduced Tertiary sands and silts with potential for hosting uranium mineralisation.

ENVIRONMENT & COMMUNITY

Toro made presentations about its proposed work programs to a number of communities located in close proximity to its exploration projects in the Northern Territory and central-eastern Western Australia. This interaction involved communities at Kiwirrkurra in conjunction with Central Desert Native Title Services, and at The Granites, Willowra, Haasts Bluff, Newhaven and Kintore with the Central Land Council. These meetings have progressed Toro's objective to be granted a number of high priority tenements on Aboriginal Land Rights Act land in the NT. Negotiation of agreements has become progressively smoother as a result of the work of Toro and the representative bodies to settle on standard deeds.

The requirement to have the support of Traditional Owners for Toro's activities is foremost in the Company's thinking and has led to the very good relationship Toro enjoys with Aboriginal communities.

Toro also hosted a visit to the Theseus Project by senior staff from the WA Department of Mines and Petroleum's Environment Division. Toro's procedures and footprint at the Theseus Project were the prime focus. The visit provided Toro with confidence that it is operating on-country with high standards, while continually looking for ways to improve our performance. During 2012 Toro undertook an independent baseline flora and fauna study at Theseus, which involved the identification of various endemic and introduced species, from grasses to small mammals. This study is crucial in taking the Project beyond an exploration play.

Business Development

Toro's Business Development activity was aimed at supporting the effort to achieve first production from the Wiluna Project, and included:

- Expansion of the Wiluna regional resource through project acquisitions so that ultimately a uranium reserve can be defined supporting a mine life approaching 20 years;
- Development of a Wiluna life-of-mine financial model based on a mine plan and optimised economic parameters that provide a framework for marketing and financial structuring; and
- Securing the finance package for Wiluna that includes an investment by a strategic joint venture partner and may include a portion of debt finance.

With technical and regulatory risks being mitigated as the Wiluna Project moves forward, attention will now turn to the financing risk. Toro was active during the 2011-12 year in establishing good relationships with key uranium markets that will support this strategy.

Resource Expansion: When the Wiluna Project was acquired by Toro in 2007 it had a resource of 19.9Mlb U_3O_8 as defined by the JORC code. After additional drilling and technical work the current Wiluna Project resource in the Centipede and Lake Way deposits is now around 26Mlbs contained U_3O_8.

Toro has also made a series of regional acquisitions which have increased the Wiluna total regional resource in a series of steps up to the current consolidated regional resource position of 53.6Mlb U_3O_8. This is an increase of 169% since the original acquisition, and has been completed at a cost estimated to be less than A$1/lb U_3O_8.

This is a compelling result when compared to a global average for exploration discovery costs of around US$3-US$4/lb (as estimated by CRU) or the implied acquisition multiples of US$9-US$10/lb in other high profile corporate transactions.

Wiluna Economics: Further optimised Wiluna Project economics were released to the ASX on 21 November 2011. Since then additional work has been undertaken on new mine planning and schedules, grade optimisation, processing design and the operating and capital cost base of the Project, and these will be applied to the financial model. Significant improvements to economic parameters are anticipated once this is completed, along with DFS completion.

Wiluna Financing Package: Toro has spent considerable time and resources establishing relationships into each of the key markets of China, South Korea and Japan. While Japan is a more difficult market post-Fukushima, China and South Korea are actively looking at uranium project opportunities internationally and appear to have a strong strategic appetite to participate in projects or even listed equity. Interest is also opening up in new markets such as India and the Middle East.

The focus for the coming financial year is on advancing these strategic relationships and concluding a financing package for the Wiluna Project. With State and Federal Government decisions on the Project imminent, an improving economic picture from the DFS and heightened strategic interest in uranium supply in the medium term, Toro is well positioned to move towards its goal of sustainable production from Wiluna.

Financial Report

for the year ended 30 June 2012

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Directors' Report

Your directors submit their financial report for the year ended 30 June 2012.

DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are;

Ms Erica Smyth	Chairman
Mr Greg Hall	Managing Director
Mr Derek Carter	Non-Executive Director
Mr Peter Lester	Non-Executive Director
Mr John Nitschke	Non-Executive Director *(Retired 30 June 2012)*
Mr Andrew Coles	Non-Executive Director

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Names, qualifications, experience and special responsibilities

Ms Erica Smyth, MSc, FAICD, FAIM *(Non-Executive Chairman)*

Ms Smyth was appointed to the Board on 30 October 2007, as Chair on 30 April 2009 and has over 37 years experience in the mineral and petroleum industries.

Ms Smyth is also the Chair of Scitech, ScreenWest and the Diabetes Research Foundation of WA. She is a Member of the Board of Emeco Holdings Ltd, the Australian Nuclear Science and Technology Organisation (ANSTO) and the Royal Flying Doctor Service (Western Operations).

Ms Smyth is a Fellow of the Australian Institute of Company Directors and the Australian Institute of Management.

Ms Smyth is the Chair of the Company's Remuneration Committee.

Mr Greg Hall, BEng *(Managing Director)*

Mr Hall is a Mining Engineer with over 30 years experience in the resources industry, including 24 years in the uranium industry in operational management, senior marketing and Managing Director roles.

Mr Hall was previously Director Sales – Bauxite and Alumina with Comalco, a member of the Rio Tinto Group, which he joined in 2004. Prior to this he held the role of Marketing Manager (North America) for ERA Ltd from 2000 to 2004, including a period of one year managing business improvement processes at ERA's Ranger project. He was Manager – Mining of ERA Ltd's Ranger and Jabiluka operations, and held a variety of senior technical and operational management roles at WMC Resources Ltd at its nickel operations and the Olympic Dam project, where he was Underground Manager and Mining Manager. He undertook a secondment to LKAB's iron ore mining operations in Sweden in 1992/93.

Mr Hall has been Managing Director of the Company since March 2006.

Mr Hall is a member of the Company's Remuneration Committee.

Mr Derek Carter, MSc, FAusIMM (CP) *(Non-Executive Director)*

Derek Carter has over 40 years experience in exploration and mine geology, including 18 years in management of ASX- listed exploration companies. He held senior positions in the Shell Group of Companies and Burmine Ltd before founding Minotaur in 1993. He was Managing Director of Minotaur Exploration Ltd from its inception until early 2010 when he became Chairman of that Company. He is also a director of Mithril Resources Ltd and Blackthorn Resources Ltd and Chairman of Petratherm Ltd, all of which are listed on the ASX.

He was Vice President and later, President, of the South Australian Chamber of Mines and Energy, was a director of the Australian Gold Council and Chairman of the Minerals Exploration Advisory Group, a body advising the Federal Minister on issues affecting exploration within Australia. He is a member of the South Australian Government's Resources Industry Development Board, and the Minerals and Petroleum Experts Group. He is a Board member of the Australasian Institute of Mining and Metallurgy (AusIMM).

He was awarded AMEC's Prospector of the Year Award (jointly) in 2003, is a Centenary Medalist and was recently honored with the President's Award from the AusIMM.

Mr Carter is a member of the Company's Audit Committee.

Mr John Nitschke, BE(Hons) MSc DIC FAusIMM(CP) GAICD *(Non-Executive Director)*

Mr Nitschke was appointed to the Board on 15 June 2009 and is a mining engineer with over 35 years experience in the resources industry in mining operations and project management. Most recently he had executive responsibility for the development of the Prominent Hill operation for OZ Minerals Ltd in South Australia. He is also the Chairman of TSX listed Continental Nickel, ASX listed IMX Resources Ltd and a director of ASX listed Venturex Resources Ltd.

Mr Nitschke was a member of the Company's Audit Committee up until his retirement from the Board on 30 June 2012.

Mr Andrew Coles, BEc MBA CPA MAICD *(Non-Executive Director)*

Mr Coles was appointed to the Board on 14 September 2009 and is the Chief Financial Officer of OZ Minerals Ltd and has over 30 years experience in the resources industry. He commenced his career with CRA Ltd (now Rio Tinto) where he held roles in accounting, finance and treasury in Melbourne, London and Dampier. He then joined Esso Australia where he held roles in treasury, planning and public affairs in Melbourne and Houston, including as Treasurer of ExxonMobil Australia. In 2003, he joined Pasminco Ltd during its administration as Group Treasurer then held the same role in Zinifex Ltd following its float in 2004. From 2007, he worked primarily on M&A activities, including the IPO of Nyrstar in Belgium in 2007, the merger with Oxiana in 2008 and the asset sale process in 2009. Mr Coles was appointed CFO of OZ Minerals Ltd in June 2009.

Mr Coles is a member of the Company's Remuneration Committee.

Mr Peter Lester, BEng (Mining – Hons), MAICD
(Non-Executive Director)

Mr Lester was appointed to the Board on 30 October 2007 having previously served on the Nova Energy Board. He is a mining engineer with over 40 years experience in the resources industry including senior operating, development and corporate roles with Newcrest Ltd, North Ltd, CRA Ltd and MIM Ltd. He was the Executive General Manager Corporate Development for Oxiana when Toro Energy Limited was initially floated and then OZ Minerals Ltd prior to joining Citadel Resource Group as Executive Director responsible for Corporate Development. His activities have covered Australia, South East and Central Asia, the Middle East and the Americas and include a period in broking in both the research and corporate roles. Mr Lester is a Non-Executive Director of Castlemaine Goldfields Ltd and Nord Gold N.V.

Mr Lester is the Chairman of the Company's Audit Committee.

COMPANY SECRETARIES

Mr Donald Stephens, BA (Acc), FCA

Mr Stephens is a Chartered Accountant and corporate adviser with over 25 years experience in the accounting industry, including 14 years as a partner of HLB Mann Judd (SA), a firm of Chartered Accountants. He is a director of Mithril Resources Ltd, TW Holdings Ltd and Papyrus Australia Ltd and is Company Secretary to Minotaur Exploration Ltd, Mithril Resources Ltd and Petratherm Ltd. He holds other public Company Secretarial positions and directorships with private companies and provides corporate advisory services to a wide range of organisations.

He is the secretary of the Company's Audit Committee.

Mr Todd Alder, BEc (Acc), CPA ACIS

Mr Alder is a current employee of the Company and occupies the position of General Manager – Finance and Corporate. Mr Alder is a CPA and Chartered Secretary who has over 17 years of accounting and governance experience within the mining, energy and steel manufacturing industries.

DIVIDENDS

No dividends were paid or declared since the start of the financial period. No recommendation for payment of dividends has been made.

PRINCIPAL ACTIVITIES

The principal activities of the Company during the financial year were:

- Advancing project test work, approvals and the definitive feasibility for Toro's 100% owned Wiluna uranium project;
- Exploration and assessment of the tenement portfolio of uranium and other minerals;
- Expansion and improvement of the Company's JORC Resource base; and
- Review and execution of value-adding corporate or uranium project acquisitions.

There has been no change in these activities during the year.

OPERATING RESULTS FOR THE YEAR

The Company's net loss after income tax was $10,698,379 (2011: $21,730,735 loss). Included in the loss were the following impairments, $1,803,912 resulting from decisions to cease exploration activities over 10 tenements, $4,355,800 write down of uranium rights assets and a $419,525 impairment of the investment in associate (Namibia joint venture).

OPERATIONS OVERVIEW

Corporate Activity

Corporate activity over the 2012 financial year included;

- Finalising the purchase of the Millipede uranium deposit, adjacent to the Centipede deposit, for the cash consideration of $4.5 million;
- Completing the acquisition of two Western Australian tenements covering the major portion of the Nowthanna uranium deposit for the cash consideration of $1.3 million plus 10 million ordinary Toro shares with fair value of $0.75 million;
- Raising $5.3 million through a Share Purchase Plan;
- The receipt of $3.75 million for the termination of the Mt Woods Tenement Access Agreement with OZ Minerals Ltd;
- The receipt of $0.5 million for the surrender of Toro's uranium rights over the Gawler Craton tenements EL3761, EL3762 and EL4745;
- A farm-in joint venture with Northern Minerals for non-uranium minerals over a group of tenements in the Tanami Northern Territory;
- A farm-in joint venture with TNG Ltd for non-uranium minerals over a group of tenements in Mount Peake, Northern Territory.

Wiluna Project

The Company has made significant progress towards achieving Western Australia State and Federal Environmental Approval for the Wiluna Uranium Project.

In this regard key approval milestones completed in the 2012 financial year and up to the time of printing included:

- July 2011 - The Environmental Review and Management Programme (ERMP) documentation was put on public exhibition for a 14 week period;
- July to October 2011 - During the public exhibition period, the Environmental Protection Authority of Western Australia (EPA) received 48 submissions from State and Federal Government departments and agencies, community and environmental organisations and members of the public;
- November to December 2011 - Toro completed and submitted to the EPA, responses to all 48 submissions;
- May 2012 - The EPA recommended that the Wiluna Project be approved following its assessment of the ERMP.

Directors' Report *(cont.)*

Final decisions on the Wiluna Project by the WA and Federal governments are anticipated in the December quarter 2012.

An approved project in 2012 would represent the first in Australia since the approval of the 4 Mile Uranium Project in July 2009 and the first on a stand-alone project basis since the Honeymoon Uranium Project was approved in 2001.

In addition to the environmental approvals the Company has maintained its on-going consultation with Traditional Owners and their representative body, Central Desert Native Title Services. To date the parties have agreed to the project configuration and operating footprint for the Wiluna Project and negotiations have commenced on the mining agreement.

The Company continued its technical de-risking of the project with progress on the following key activities:

- The completion of the Pilot Plant with results confirming or improving process assumptions. The agitated leach and uranium precipitation processes were proven with overall recoveries at 85%. Variability testwork with different ore types was completed and indicated consistently high uranium extraction rates. Refining testwork was completed and produced 1kg of UOC for customer evaluation and intermediate refining products for filtration testwork and equipment sizing;
- Water barrier trials were successfully completed at Centipede;
- Based on the outcomes of the Pilot Plant, Bateman Australia commenced a definitive feasibility study. While the process engineering phase of the DFS for Wiluna has been completed, the engineering design and costing phase will be delayed until after Government decisions on the project.

The project has also benefited from significant resource development. Through resource acquisition, infill drilling and improved bulk density analysis the Company improved the overall Wiluna regional resources during the financial year from 30.6 Mlbs to 53.6 Mlbs contained U_3O_8#.

With significant progress on regulatory approvals, technical studies and an increased regional resource base Toro continues to progress the Wiluna project towards production in fiscal year 2014/15.

Exploration

Drilling at the Theseus Project over the financial period included a total of 51 air-core holes for 6,666m and 186 mud rotary holes for 24,500m.

The tenor and grade of Theseus uranium results continue to impress with results such as:

- LM060: 3.74m @ 0.17% eU_3O_8 (0.65m%GT) from 100.2m;
- LM184: 0.85m @ 0.29% cU_3O_8 (0.25 m%GT) from 108.00m;
- LM185: 0.48m @ 0.21% cU_3O_8 (0.11 m%GT) from 122.70m;
- LM183: 0.90m @ 0.06% cU_3O_8 (0.06 m%GT) from 103.74m.

Where greater than 0.1% GT could be considered ore-grade for a typical ISR operation.

The mineralised envelope at Theseus, defined by greater than 0.5m thickness at 0.01% eU_3O_8 intersections, now covers a contiguous area of at least 6km by 1km that is open to the east, southeast, north and northwest.

An exploration target has been estimated for the Theseus Project in Western Australia of 20Mt to 40Mt @ approximately 400 to 500 ppm U_3O_8 for 10,000t to 20,000t U_3O_8 or 22Mlb to 44Mlb U_3O_8#.

Early extraction tests on the Theseus Project indicate very quick extractions of greater than 95% with very low acid consumption.

Theseus is developing into a major uranium discovery, potentially mineable with low cost In-Situ recovery technology.

Other exploration activity included;

- Aircore drilling program of 234 holes for 7781m at Pokali East (E80/3585) targeting IOCGU style mineralisation. Anomalous gold results up to 0.63g/t Au reported from selected Pokali East drill samples;
- A vehicle and helicopter assisted soil, rockchip and lag sampling program was carried out at E80/3837 (Kiwirrkurra). Initial results reported high grade iron results to 56% Fe, significant rare earths (REE) with up to 0.68% Ce, 0.56% La, 0.81% Ne, 0.15% Sm and 0.16% Y, along with anomalous metal values including 82ppm U_3O_8 and 639ppm Cu;
- Fixed Wing magnetic and radiometric survey of a total of 6,067 line km, covering Karns (EL27429) and Benmarra (EL28054).

Uranium Market

The demand side of the Uranium and Nuclear Power Market, post Fukushima, has received much attention and despite a slowdown in reactor development demand is still forecast to grow by 2-3% per year. On the supply side there have been several announcements on uranium project delays and technical difficulties at a number of producing uranium mines globally. As such the Company is optimistic of a recovery in the uranium market in future years.

RISK MANAGEMENT

The Company takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Company's objectives and activities are aligned with the risks and opportunities identified by the Board. The Company has established an Audit and Risk Committee to address risk management.

\# *Wiluna resource table, cautionary statements regarding the Theseus exploration target range and competency person statements included as an appendix to this report.*

The Company has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Board approval of a strategic plan, which encompasses the Company's objectives and strategy statements, designed to meet stakeholder's needs and manage business risk;
- Implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets, including the establishment and monitoring of performance indicators of both a financial and non financial nature;
- The development and operation of project risk management plans for significant projects.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

No significant changes in the state of affairs of the Company occurred during the financial year.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There have been no matters or circumstances that have arisen since the end of the financial year that have significantly affected, or may significantly affect, the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Company intends to continue to undertake appropriate exploration and evaluation expenditure thereby enabling it to maintain good title to all its prospective mineral properties until proper decisions can be made to successfully develop and exploit, sell or abandon such properties. New projects will be sought and evaluated. Provision of any further information may result in unreasonable prejudice to the Company.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company is aware of its responsibility to impact as little as possible on the environment, and where there is any disturbance, to rehabilitate sites. During the period under review the majority of work carried out was in the Northern Territory and Western Australia and the Company followed procedures and pursued objectives in line with guidelines published by the relevant State Governments. These guidelines are quite detailed and encompass the impact on owners and land users, heritage, health and safety and proper restoration practices. The entity supports this approach and is confident that it properly monitors and adheres to these objectives, and any local conditions applicable.

Environmental and Social Policy

Sustainable exploration, development and mining are attainable by carefully managed activities and processes which have little or no lasting impact on the environment. The Company is committed to minimising environmental and social impacts of its activities.

The Company's Environment and Social Policy is to:

- Understand that a commitment to best environmental and social practice is crucial to the growth and sustainability of our business;
- Comply with all applicable legislation and legal requirements in all states where we operate;
- Involve affected communities by discussing the development of work programs and communicating activities;
- Monitor and endeavor to continuously improve our environmental and social performance.

To support this policy we will adopt the following practices:

Environment

- Minimise clearing of local vegetation prior to exploration activity;
- Implement adequate controls on fuels and other chemicals used in drilling;
- Cap and make safe drill holes;
- Construct the minimum number of access tracks;
- Eliminate the transport of weeds or other exotic species between regions ;
- Apply best practical methods known and available to the Company during exploration, particularly with respect to uranium;
- Rehabilitate land affected by exploration with the aim of returning it to its previous use;
- Train employees and assist contractors to achieve the above environmental aims.

Social

- Recognise that local people have significant environmental knowledge of areas to be explored;
- Communicate with relevant local residents, farm or pastoral property owners and occupiers, Aboriginal groups and local authorities regarding access and work programs;
- Respect the rights, cultural beliefs, and relevant concerns of all parties having a legitimate interest in land proposed for exploration;
- Minimise the impacts of exploration activities wherever possible;
- Consult with land users, owners, lessees and with government authorities to ensure that statutory and other requirements are known.

Directors' Report *(cont.)*

SHARE OPTIONS

Unissued Shares

For the period ending 30 June 2012, the movements in options to acquire ordinary shares in the Company were:

Issue Date	Expiry Date	Exercise Price	Balance at 1 July 2011	Net Issued/ (lapsed) during Year	Balance at 30 June 2012
27/09/2006	26/09/2011	$0.65	500,000	(500,000)	-
12/12/2006	11/12/2011	$0.88	440,000	(440,000)	-
19/02/2007	18/02/2012	$1.21	20,000	(20,000)	-
20/03/2007	19/03/2012	$1.15	200,000	(200,000)	-
02/04/2007	31/03/2012	$0.45	1,000,000	(1,000,000)	-
10/04/2007	9/04/2012	$1.21	100,000	(100,000)	-
05/07/2007	3/07/2012	$1.21	100,000	-	100,000
20/11/2007	18/11/2012	$0.73	500,000	-	500,000
21/11/2007	19/11/2012	$0.73	3,000,000	-	3,000,000
15/12/2007	13/12/2012	$0.61	760,000	-	760,000
07/08/2008	6/08/2013	$0.55	850,000	-	850,000
18/12/2008	17/12/2013	$0.25	1,665,000	-	1,665,000
09/11/2009	19/03/2014	$0.25	1,000,000	-	1,000,000
03/02/2010	2/02/2015	$0.22	5,555,000	-	5,555,000
04/01/2011	3/01/2016	$0.22	4,270,000	-	4,270,000
26/05/2011	25/05/2016	$0.15	250,000	-	250,000
26/05/2011	25/05/2016	$0.22	250,000	-	250,000
01/07/2011	30/06/2016	$0.11	-	750,000	750,000
01/07/2011	30/06/2016	$0.22	-	500,000	500,000
01/07/2011	30/06/2016	$0.25	-	750,000	750,000
01/08/2011	31/07/2016	$0.13	-	10,300,000	10,300,000
26/08/2011	25/08/2016	$0.13	-	525,000	525,000
30/11/2011	11/01/2016	$0.22	-	5,000,000	5,000,000
30/11/2011	11/01/2016	$0.30	-	1,000,000	1,000,000
			20,460,000	16,565,000	37,025,000

Shares issued as a result of the exercise of options

No shares have been issued as a result of the exercise of options throughout the year ended 30 June 2012 or after the balance date at the time of signing this report.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

To the extent permitted by law, the Company has indemnified (fully insured) each director and the secretary of the Company for a premium of $44,550. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings (that may be brought) against the officers in their capacity as officers of the Company or a related body, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company.

DIRECTORS' MEETINGS

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director was as follows:

	Directors' Meetings		Audit Committee		Remuneration Committee	
Number of meetings held	10		4		1	
Number of meetings attended:	**Eligible**	**Attended**	**Eligible**	**Attended**	**Eligible**	**Attended**
Ms Erica Smyth	10	10	-	-	1	1
Mr Greg Hall	10	10	-	-	1	1
Mr Derek Carter	10	10	1	1	-	-
Mr Peter Lester	10	10	4	4	-	-
Mr John Nitschke	10	10	4	3	-	-
Mr Andrew Coles	10	9	-	-	1	1

Members acting on the Audit & Risk Committee of the Board, during the financial year, were:

Peter Lester	Non-Executive director
John Nitschke	Non-Executive director *(Retired 30 June 2012)*
Derek Carter	Non-Executive director *(Appointed 14 December 2011)*

Note: Donald Stephens (Company Secretary) attended all Audit & Risk Committee meetings

Members acting on the Remuneration Committee of the Board, during the financial year, were:

Erica Smyth	Non-Executive Chairman
Andrew Coles	Non-Executive director
Greg Hall	Executive director

PROCEEDINGS ON BEHALF OF THE COMPANY

At the date of this report there were no leave applications or proceedings brought on behalf of the Company under section 237 of the Corporations Act 2001.

REMUNERATION REPORT (AUDITED)

Remuneration philosophy

The Board is responsible for determining remuneration policies applicable to directors and senior executives of the Company. The policy is to ensure that remuneration properly reflects the individuals' duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people with appropriate skills and experience. At the time of determining remuneration, consideration is given by the Board to the Company's financial performance.

Key management personnel remuneration, performance evaluation and equity holdings

The Remuneration Committee is responsible for reviewing and making recommendations to the Board which has ultimate responsibility for the following remuneration matters:

- Remuneration and incentive framework for the Managing Director;
- Incentive framework for all staff;
- Remuneration of Toro Group non-executive directors.

The Managing Director has the delegated authority to review and authorise the remuneration of executives, senior management and staff.

The policy is to align director, executive and senior manager objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Company's financial results. Performance against these key performance indicators is reviewed annually.

The non-executive directors and other executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Some individuals, however, may choose to sacrifice part of their salary to increase payments towards superannuation.

Directors' Report *(cont.)*

All remuneration paid to directors and executives is expensed as incurred. Executives are also entitled to participate in the Employee Share Option Plan. Options are valued at the time of issue using the Black Scholes methodology.

The Board policy is to remunerate non-executive directors at market rates based on comparable companies for time, commitment and responsibilities. The Board determines payments to non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability.

The maximum aggregate annual remuneration which may be paid to non-executive directors is $450,000. This amount cannot be increased without the approval of the Company's shareholders.

Current Senior Executives

The employment conditions of the Managing Director, Mr Greg Hall, are formalised in a contract of employment. Mr Hall commenced employment on 29 March 2006 and his gross salary, inclusive of the 9% superannuation guarantee, is $367,533 per annum. The Company may terminate the employment contract without cause by providing six months written notice or making payment in lieu of notice, based on the annual salary component. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time.

The employment conditions of the Business Development Manager, Mr Simon Mitchell, are formalised in a contract of employment. Mr Mitchell commenced employment on 26 September 2006 and his gross salary, inclusive of the 9% superannuation guarantee, is $265,024 per annum. The Company may terminate the employment contract without cause by providing three months written notice or making payment in lieu of notice, based on the annual salary component. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time.

The employment conditions of the Exploration Manager, Mr Mark McGeough, are formalised in a contract of employment. Mr McGeough commenced employment on 4 August 2008 and his gross salary, inclusive of the 9% superannuation guarantee, is $257,056 per annum. The Company may terminate the contract should performance not meet contracted requirements by providing two months written notice or making payment in lieu of notice. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time.

The employment conditions of the General Manager Finance and Corporate, Mr Todd Alder, are formalised in a contract of employment. Mr Alder commenced employment on 20 February 2008 and his gross salary, inclusive of the 9% superannuation guarantee, is $180,263 per annum. The Company may terminate the contract should performance not meet contracted requirements by providing two months written notice or making payment in lieu of notice. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time.

The employment conditions of the General Manager Marketing and Project Finance, Mr Martin Janes, are formalised in a contract of employment. Mr Janes commenced employment on 9 May 2011 and his gross salary, inclusive of the 9% superannuation guarantee, is $260,728 per annum. The Company may terminate the contract should performance not meet contracted requirements by providing two months written notice or making payment in lieu of notice. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time.

The employment conditions of the Executive General Manager, Mrs Vanessa Guthrie, are formalised in a contract of employment. Mrs Guthrie commenced employment on 1 July 2011 and her gross salary, inclusive of the 9% superannuation guarantee, is $343,349 per annum. The Company may terminate the contract should performance not meet contracted requirements by providing three months written notice or making payment in lieu of notice. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time.

Voting and comments at the Company's 2011 Annual General Meeting

The Company received more than 97% of "yes" votes on its remuneration report for the 2011 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

Remuneration consultants

The Company did not engage a remuneration consultant during the financial year.

Table 1: Directors' remuneration for the year ended 30 June 2012 and 30 June 2011

		Short Term Salary & Fees	Short Term Cash Bonus	Post Employment Superannuation	Share-based Payments* Value of options	Total $
Erica Smyth	2012	77,982	-	7,018	95,000	180,000
	2011	77,982	-	7,018	-	85,000
Gregory Hall (1)	2012	329,157	12,845	30,780	181,000	553,782
	2011	297,858	-	26,807	-	324,665
Derek Carter	2012	50,459	-	4,541	95,000	150,000
	2011	50,459	-	4,541	-	55,000
Peter Lester	2012	59,633	-	5,367	95,000	160,000
	2011	58,104	-	5,229	-	63,333
John Nitschke (2)	2012	53,333	-	0	95,000	148,333
	2011	57,189	-	5,147	-	62,336
Andrew Coles	2012	50,459	-	4,541	-	55,000
	2011	50,459	-	4,541	-	55,000

* *Estimated value of directors' options, approved at the November 2011 AGM calculated using the Black Scholes methodology – see note 12 of the Financial Report for further information.*

(1) *During the 2012 financial year the Board approved the payment of a cash bonus to Greg Hall of $12,845. The cash bonus is 3.9% of his salary or 2.3% of Mr Hall's total remuneration.The bonus was paid in respect to Mr Hall meeting a number of key performance targets in particular those relating to the Wiluna project approval process and the Wiluna project technical studies.*

(2) *During the 2012 financial year John Nitschke received fees indirectly through Josteni Pty Ltd, a Company of which he is a director.*

Table 2: Remuneration of specified executives for the year ended 30 June 2012 and 30 June 2011

		Short Term Salary & Fees	Short Term Cash Bonus (3)	Post Employment Superannuation	Share-based Payments* Value of options	Total $
Simon Mitchell	2012	232,090	-	20,888	121,000	373,978
	2011	210,991	-	19,380	51,000	281,371
Mark McGeough	2012	230,216	7,861	21,009	60,500	319,586
	2011	217,254	-	19,971	51,000	288,225
Martin Janes	2012	234,600	5,750	21,632	30,250	292,232
	2011	33,910	-	2,533	28,450	64,893
Vanessa Guthrie (1)	2012	300,576	62,000	32,632	120,483	515,691
	2011	-	-	-	-	-
Todd Alder	2012	161,441	7,875	15,238	60,500	245,054
	2011	152,352	-	13,712	51,000	217,064
Donald Stephens	2012 (2)	-	-	-	18,150	18,150
	2011	-	-	-	15,300	15,300

* *Estimated option value is calculated using the Black Scholes methodology – see note 12 of the Financial Report for further information.*

(1) *Vanessa Guthrie commenced employment on 1 July 2011.*

(2) *During the 2012 financial year Donald Stephens received fees indirectly through HLB Mann Judd (SA) Pty Ltd.*

(3) *During the 2012 financial year a number of the executives received a cash bonus in respect to meeting key performance targets. The cash bonuses paid were in the range of 2.5% to 4.8% of the respective base salary. In addition Vanessa Guthrie was paid a $50,000 sign on bonus.*

Directors' Report *(cont.)*

Options issued as part of remuneration

30 June 2012	Grant Number	Grant Date	Value per option at grant date ($)	Exercise price per option	Expiry Date	First Exercise Date	Last Exercise Date	% of Remu-neration
Executives								
Simon Mitchell	2,000,000	01/08/11	0.06	0.13	31/07/16	01/08/11	31/07/16	32%
Mark McGeough	1,000,000	01/08/11	0.06	0.13	31/07/16	01/08/11	31/07/16	19%
Martin Janes	500,000	01/08/11	0.06	0.13	31/07/16	01/08/11	31/07/16	10%
Vanessa Guthrie	750,000	01/07/11	0.05	0.11	30/06/16	01/07/11	30/06/16	8%
Vanessa Guthrie	500,000	01/07/11	0.04	0.22	30/06/16	01/07/12	30/06/16	8%
Vanessa Guthrie	750,000	01/07/11	0.04	0.25	30/06/16	01/09/12	30/06/16	8%
Todd Alder	1,000,000	01/08/11	0.06	0.13	31/07/16	01/08/11	31/07/16	25%
Donald Stephens	150,000	04/01/11	0.10	0.22	03/01/16	04/01/11	03/01/16	100%

Share holdings of key management personnel

30 June 2012	Balance at 1 July 2011	On Exercise of Options	Net Change Other	Balance at 30 June 2012
Directors				
Erica Smyth	132,217	-	93,750	225,967
Greg Hall	176,333	-	-	176,333
Derek Carter	113,333	-	62,500	175,833
John Nitschke	250,000	-	187,500	437,500
Peter Lester	-	-	153,750	153,750
Andrew Coles	-	-	-	-
	671,883	-	497,500	1,169,383
Executives				
Donald Stephens	35,000	-	-	35,000
Simon Mitchell	-	-	-	-
Mark McGeough	49,886	-	121,250	171,136
Todd Alder	-	-	-	-
Martin Janes	-	-	-	-
Vanessa Guthrie	-	-	1,083,333	1,083,333
	84,886	-	1,204,583	1,289,469

Option holdings of key management personnel

30 June 2012	Balance at 1 July 2011	Granted as remuneration	Options Exercised	Net Change Other	Balance at 30 June 2012
Directors					
Erica Smyth	1,000,000	1,000,000	-	-	2,000,000
Greg Hall	2,000,000	2,000,000	-	(1,000,000)	3,000,000
Derek Carter	-	1,000,000	-	-	1,000,000
John Nitschke	-	1,000,000	-	-	1,000,000
Peter Lester	1,000,000	1,000,000	-	-	2,000,000
Andrew Coles	-	-	-	-	-
Executives					
Donald Stephens	900,000	300,000	-	(200,000)	1,000,000
Simon Mitchell	2,500,000	2,000,000	-	(500,000)	4,000,000
Mark McGeough	1,750,000	1,000,000	-	-	2,750,000
Todd Alder	1,375,000	1,000,000	-	-	2,375,000
Martin Janes	500,000	500,000	-	-	1,000,000
Vanessa Guthrie	-	2,000,000	-	-	2,000,000
	11,025,000	12,800,000	-	(1,700,000)	22,125,000

CORPORATE GOVERNANCE STATEMENT

The Board is committed to preserving and enhancing shareholder value through adhering to the highest standards of corporate governance. Where possible and reasonable the Board ensures compliance with the ASX Corporate Governance Council's "Corporate Governance Principals and Recommendations with 2010 Amendments (2nd Edition)".

Principle 1

– Lay solid foundations for management and oversight

Recommendation 1.1:

Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

Compliant: The Company has drafted, adopted and published on its website a Board Charter which establishes the functions reserved to the Board and those delegated to senior executives.

Recommendation 1.2:

Companies should disclose the process for evaluating the performance of senior executives.

Compliant: A performance evaluation of senior executives was conducted in December 2011 in accordance with the processes outlined in the Remuneration Report. Induction procedures and materials, outlining industry information, the Company's financial position, strategy and operations, are used for new appointments.

Recommendation 1.3:

Companies should provide the information indicated in the Guide to reporting on Principle 1.

Compliant: Provision of the information indicated in the Guide to reporting on Principle 1 is made in the Annual Report and on the Company's website.

Principle 2

– Structure the Board to add value

Recommendation 2.1:

A majority of the Board should be independent directors.

Compliant: During the financial period there were six directors on the Company Board. Four of the six directors are considered to be independent by the Company.

- Ms Smyth is considered as an independent director as she has no other material relationship or association with the Company or its controlled entities other than her directorship;
- Messrs Lester, Nitschke and Carter are considered as independent directors as they have no other material relationship or association with the Company or its controlled entities other than their directorships;
- Mr Coles is employed in an executive capacity by OZ Minerals Ltd, the beneficial owner of 39.37% of the issued capital in Toro and is not considered independent with regards to the criteria established in the ASX Corporate Governance Councils Principle's and Recommendations;
- Mr Hall is employed in an executive capacity by the Company and is not considered independent with regards to the criteria established in the ASX Corporate Governance Councils Principle's and Recommendations.

Recommendation 2.2:

The Chairman should be an independent director.

Compliant: The Chairman of the Company is an independent director.

Recommendation 2.3:

The roles of the Chairman and Chief Executive Officer should not be exercised by the same individual.

Compliant: The roles of the Company Chairman and Managing Director are not exercised by the same individual.

Recommendation 2.4:

The Board should establish a nomination committee.

Non-Compliant: A nomination committee has not been established. At the Board's current size the Company considers that efficiencies of a nomination committee, reviewing the nomination practices of the Board, would not be derived. Board processes are in place to cover issues otherwise considered by the nomination committee. The Company's constitution provides that at every Annual General Meeting, one third of the directors shall retire from office but may stand for re-election.

Recommendation 2.5:

Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.

Compliant: A Board performance review was conducted during the reporting period. The review involved a detailed self-assessment by each director of Board and committee performance. Directors were specifically asked to comment on the composition and diversity of the current Board. The results of the self-assessment were considered by the Board as a whole. The process was then supplemented by one-on-one discussions between each director and the Chairman, which provided an opportunity for the consideration of individual contributions and issues particular to a director. The actions agreed by the Board in response to the performance review have been documented and the completion of these items is monitored by the Board.

Recommendation 2.6:

Companies should provide the information indicated in the Guide to reporting on Principle 2.

Non-Compliant: The Company has complied with all information disclosures indicated in Recommendation 2.6 with the exception of making the nomination committee charter publicly available. As the Company does not have a nomination committee it is unable to publically disclose a committee charter or summary of the roles, rights, responsibilities and membership requirements for that committee.

Principle 3

Promote ethical and responsible decision making

Recommendation 3.1:

Companies should establish a code of conduct and disclose the code.

Compliant: The Company has an established code of conduct which outlines the practices necessary to maintain confidence in the Company's integrity, the practices necessary to take into account its legal obligations and the reasonable expectations of its stakeholders and the responsibilities of individuals for reporting and investigating reports of unethical practices.

Directors' Report *(cont.)*

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.

Non-Compliant: Whilst the Company has established a diversity policy and published that policy on its website, it has not established any measurable objectives to achieve gender diversity. The Company is highly aware of the positive impacts that diversity may bring to an organisation and as such the Company continues to assess all staff and Board appointments on their merits with consideration to diversity as a driver in decision making. The Company continues to strive towards achieving objectives to maintain and where possible improve gender diversity. At the time of reporting the Company employed 18 staff, of which 8 were female. The Board of directors consists of 5 male directors and 1 female Chairman.

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.

Non-Compliant: The Company has not established any measurable objectives to achieve gender diversity. The Company continues to strive towards achieving objectives to maintain and where possible improve gender diversity.

Recommendation 3.4:
Companies should disclose in each annual report the proportion of women employees in the whole organization, women in senior executive positions and women on the Board.

Compliant: The Company has disclosed the information suggested in Recommendation 3.4 in its annual report.

Recommendation 3.5:
Companies should provide the information indicated in the Guide to reporting on Principle 3.

Compliant: Provision of the information indicated in the Guide to reporting on Principle 3 is made in the Annual Report and or the Company's website.

Principle 4

Safeguard integrity in financial reporting

Recommendation 4.1:
The Board should establish an audit committee.

Compliant: The Company has an established 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 director who is not Chairman of the Board and should have at least 3 members.

Non-Compliant: With the resignation of John Nitschke on 30 June 2012, the Company's audit committee consists of 2 independent directors and the Company Secretary. The Company is reviewing the composition of the committee and although the Company Secretary is not considered a member under the guidelines the Company considers the skill set and experience of the Company Secretary to add value to the audit committee and is in the spirit of the recommendations.

Recommendation 4.3:
The audit committee should have a formal charter.

Compliant: The audit committee has a formal charter that sets out its role and responsibilities, composition, structure and membership requirements.

Recommendation 4.4:
Companies should provide the information indicated in the Guide to reporting on Principle 4.

Compliant: Provision of the information indicated in the Guide to reporting on Principle 4 is made in the Annual Report and or the Company's website.

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.

Compliant: The Company has an established continuous disclosure policy that articulates the type of information that needs disclosure, the process of internal notification, the roles and responsibilities in the disclosure process, the process of promoting an understanding of disclosure requirements and media and analysts communication protocols.

Recommendation 5.2:
Companies should provide the information indicated in the Guide to reporting on Principle 5.

Compliant:

The Continuous Disclosure Policy has been posted to the Company's website.

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 the policy.

Compliant: The Company has an established Communications Policy that articulates how the Company will communicate with its shareholders. The Communications Policy has been posted to the Company's website.

Recommendation 6.2:
Companies should provide the information indicated in the Guide to reporting on Principle 6.

Compliant: The Communications Policy has been posted to the Company's website.

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.

Compliant: The Company has established policies for the oversight and management of material business risk and a summary of those policies are disclosed in the Annual Report.

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.

Compliant: The identification, monitoring and, where appropriate, the reduction of significant risk to Toro is the responsibility of the Managing Director and the Board. The Board has also established the Audit and Risk Committee which addresses the risk of the Company. Management and the Board monitor the Company's material business risks and reports are considered at regular meetings where it has been established that the internal control system is operating effectively in all material aspects.

Recommendation 7.3:

The Board should disclose 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 effectively in all material respects in relation to financial reporting risks.

Compliant: The Managing Director and GM Finance have stated in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results are in accordance with relevant accounting standards. Included in this statement was the confirmation that the Company's risk management and internal controls are operating efficiently and effectively.

Recommendation 7.4:

Companies should provide the information indicated in the Guide to reporting on Principle 7.

Compliant: Provision of the information indicated in the Guide to reporting on Principle 7 is made in the Annual Report.

Principle 8

Remunerate fairly and responsibly

Recommendation 8.1:

The Board should establish a remuneration committee.

Compliant: The Company has an established 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 director and has at least 3 members.

Non-Compliant: The Company's remuneration committee consists of 1 independent director and 2 non-independent directors. The remuneration committee is chaired by an independent director. The Company is reviewing the composition of the committee.

Recommendation 8.3:

Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

Compliant: The Company has a clearly distinguished structure of non-executive directors' remuneration from that of executive directors and senior executives. The Chairman and the non-executive directors are entitled to draw director's fees and receive reimbursement of reasonable expenses for attendance at meetings. The Company is required to disclose in its annual report details of remuneration to directors. Please refer to the remuneration report for details regarding the remuneration structure of the Managing Director and senior executives.

Recommendation 8.4:

Companies should provide the information indicated in the Guide to reporting on Principle 8.

Compliant: Provision of the information indicated in the Guide to reporting on Principle 8 is made in the Directors and Remuneration Report sections of the Annual Report and or the Company's website.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

Grant Thornton South Australian Partnership, in its capacity as auditor for Toro Energy Limited, has not provided any non-audit services throughout the reporting period. The auditor's independence declaration for the year ended 30 June 2012 as required under section 307C of the Corporations Act 2001 has been received and can be found on the following page.

Signed in accordance with a resolution of the directors.

Mr Greg Hall
Managing Director

26th September 2012

Auditor's Independence Declaration

Grant Thornton

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AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF TORO ENERGY LIMITED

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Toro Energy Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP
Chartered Accountants

J L Humphrey
Partner

Adelaide, 26 September 2012

Consolidated Statement of Comprehensive Income

For the Year Ended 30 June 2012

	Note	Consolidated 2012 $	2011 $
Other income	3 (a)	**936,988**	2,432,429
Impairment of exploration & evaluation assets	3 (b)	**(5,659,712)**	(18,969,429)
Impairment of investment in associate	3 (b)	**(419,525)**	(1,109,255)
Employee benefits expense	3 (c)	**(3,056,610)**	(1,952,923)
Depreciation expense	3 (b)	**(701,369)**	(554,945)
Finance costs	3 (b)	-	(926)
Other expenses	3 (d)	**(1,762,525)**	(1,575,686)
(Loss) before income tax expense		**(10,662,753)**	(21,730,735)
Income tax expense	4	**(35,626)**	**-**
(Loss) for the year		**(10,698,379)**	**(21,730,735)**
Other comprehensive (loss)			
Exchange differences arising on translation of foreign operations		**-**	**(111,899)**
Other comprehensive loss for the year (net of tax)		**-**	**(111,899)**
Total comprehensive (loss) for the year		**(10,698,379)**	**(21,842,634)**
(Loss) attributable to:			
Owners of the Company		**(10,698,379)**	(21,730,735)
Non-controlling interests		**-**	**-**
		(10,698,379)	**(21,730,735)**
Total comprehensive (loss) attributable to :			
Owners of the Company		**(10,698,379)**	**(21,842,634)**
Non-controlling interests		**-**	**-**
		(10,698,379)	(21,842,634)
Earnings per share		**Cents**	**Cents**
From continuing operations:			
Basic earnings per share	5	**(1.08)**	(2.25)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As at 30 June 2012

		Consolidated	
		2012	**2011**
	Note	**$**	**$**
CURRENT ASSETS			
Cash and bank equivalents	*6*	**12,808,887**	29,662,943
Trade and other receivables	*7*	**281,569**	289,579
Other current assets	*8*	**150,305**	338,756
TOTAL CURRENT ASSETS		**13,240,761**	30,291,278
NON-CURRENT ASSETS			
Investments in associates	*9*	**-**	-
Property, plant and equipment	*10*	**2,061,343**	2,644,639
Exploration and evaluation assets	*11*	**83,714,760**	67,403,197
TOTAL NON-CURRENT ASSETS		**85,776,103**	70,047,836
TOTAL ASSETS		**99,016,864**	100,339,114
CURRENT LIABILITIES			
Trade and other payables	*13*	**3,184,359**	1,190,115
Short-term provisions	*14*	**210,809**	225,113
TOTAL CURRENT LIABILITIES		**3,395,168**	1,415,228
NON-CURRENT LIABILITIES			
Long-term provisions	*14*	**183,109**	115,825
TOTAL NON-CURRENT LIABILITIES		**183,109**	115,825
TOTAL LIABILITIES		**3,578,277**	1,531,053
NET ASSETS		**95,438,587**	98,808,061
EQUITY			
Issued Capital	*15*	**217,588,796**	211,564,891
Reserves	*16*	**3,327,664**	2,319,084
Accumulated Losses		**(125,477,873)**	(115,075,914)
Equity attributable to owners of the Company		**95,438,587**	98,808,061
Non-controlling interests		**-**	-
TOTAL EQUITY		**95,438,587**	98,808,061

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the Financial Year Ended 30 June 2012

		Consolidated						
	Note	**Issued capital $**	**Employee share option reserve $**	**Foreign currency translation reserve $**	**Accumulated losses $**	**Attributable to owners of the parent $**	**Non-controlling interests $**	**Total $**
Balance at 1 July 2010		**211,564,891**	**1,944,186**	**111,899**	**(93,459,679)**	**120,161,297**	**(307)**	**120,160,990**
Profit or (loss) for the year		-	-	-	(21,730,735)	(21,730,735)	-	(21,730,735)
Other comprehensive income for the year		-	-	(111,899)	-	(111,899)	307	(111,592)
Total comprehensive income for the year				(111,899)	(21,730,735)	(21,842,634)	307	(21,842,327)
Expired Employee share-based payments		-	(114,500)	-	114,500	-	-	-
Transaction costs (net of tax)	*18*	-	-		-	-		-
Employee share-based payment options		-	489,398	-	-	489,398	-	489,398
Balance at 30 June 2011		**211,564,891**	**2,319,084**	**-**	**(115,075,914)**	**98,808,061**	**-**	**98,808,061**
Profit or (loss) for the year		-	-	-	(10,698,379)	(10,698,379)	-	(10,698,379)
Other comprehensive income (loss) for the year		-	-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	(10,698,379)	(10,698,379)	-	(10,698,379)
Share purchase plan	*15*	5,320,000	-	-	-	5,320,000	-	5,320,000
Cost of share purchase plan (net of tax)	*15*	(86,095)	-	-	-	(86,095)	-	(86,095)
Expired Employee share-based payments		-	(296,420)	-	296,420	-	-	-
Employee share-based payments		-	1,305,000	-	-	1,305,000	-	1,305,000
Share Capital Issued to employee as sign on bonus		40,000	-	-	-	40,000	-	40,000
Share Capital Issued for purchase of Nowthanna tenements		750,000	-			750,000	-	750,000
Balance at 30 June 2012	*16*	**217,588,796**	**3,327,664**	**-**	**(125,477,873)**	**95,438,587**	**-**	**95,438,587**

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the Financial Year Ended 30 June 2012

		Consolidated	
	Note	**2012** **$**	**2011** **$**
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		**(3,387,466)**	(2,836,208)
Finance costs		**-**	(926)
Interest received		**1,140,212**	3,342,543
NET CASH (USED IN) OPERATING ACTIVITIES	6	**(2,247,254)**	505,409
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		**-**	15,000
Purchase of property, plant and equipment		**(118,073)**	(2,061,841)
Purchase of exploration and evaluation tenements		**(5,800,000)**	(7,300,000)
Proceeds from sale of exploration assets		**4,250,000**	-
Payment of Stamp Duty		**(340,049)**	(447,149)
Payments for exploration & evaluation activities		**(17,799,929)**	(15,521,482)
NET CASH PROVIDED (USED IN) / PROVIDED BY INVESTING ACTIVITIES		**(19,808,050)**	(25,315,472)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		**-**	(38,437)
Proceeds from issue of shares		**5,320,000**	-
Transaction costs of issue of shares		**(118,752)**	-
NET CASH PROVIDED BY / (USED IN) FINANCING ACTIVITIES		**5,201,248**	(38,437)
Net (decrease)/increase in cash and cash equivalents		**(16,854,056)**	(24,848,500)
Cash at the beginning of the financial year		**29,662,943**	54,511,443
CASH AT THE END OF THE FINANCIAL YEAR	6	**12,808,887**	29,662,943

The accompanying notes form part of these financial statements.

Notes to the Financial Statements *for the Financial Year Ended 30 June 2012*

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general-purpose financial report, which has been prepared in accordance with Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

This financial report includes the consolidated financial statements and notes of Toro Energy Limited and controlled entities ('the Company').

The financial report of the Company for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the directors on 26 September 2012. Toro Energy Limited is a Company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange.

Basis of preparation

The financial report has been prepared on an accrual basis and is based on historical costs, modified, where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Statement of Compliance

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

Recently issued accounting standards to be applied in future reporting periods

The accounting standards that have not been early adopted for the year ended 30 June 2012, but will be applicable to the Company in future reporting periods, are detailed below. Apart from these standards, we have considered other accounting standards that will be applicable in future periods, however they have been considered insignificant to the Company.

Consolidated Financial Statements

IFRS 10: "Consolidated Financial Statements" was issued by the IASB in May 2011 and replaces both the existing IAS 27:"Consolidated and Separate Financial Statements" and SIC 12: "Consolidation - Special Purpose Entities". This new standard revises the definition of control and related application guidance so that a single control model can be applied to all entities. This standard will apply to the Company from 1 July 2013 and it is believed there will be insignificant impact for the Company.

Joint Arrangements

IFRS 11: "Joint Arrangements" was also issued by the IASB in May 2011 and provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. This standard is applicable from 1 July 2013, with early adoption permitted. Management is assessing the impact on the Company but at this stage it is believed there will be insignificant impact on the Company.

Disclosure of Interests in Other Entities

IFRS 12: "Disclosure of Interests in other Entities" was issued by the IASB in May 2011 and is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. This standard is applicable from 1 July 2013 and management is currently assessing the impacts of the standard, which will be limited to disclosure impacts only. There have also been consequential amendments to IAS 28:"Investment in Associates" as a result of the above new standard. These amendments are applicable from 1 July 2013 and at this stage it is believed there will be no impact on the Company.

Fair Value Measurement

IFRS 13: "Fair Value Measurement" was issued by the IASB in May 2011 and provides a precise definition of a fair value is a single source of fair value measurement and prescribes disclosure requirements for use across IFRS. The requirements do not extend the use of fair value accounting, but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. The standard will apply to the Company from 1 July 2013 and at this stage it is believed there will be no impact on the Company.

Other

AASB 124: "Related Party Disclosures";

AASB 2009-12: "Amendments to Australian Accounting Standards";

AASB 2010-4: "Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project";

AASB 2010-5: "Amendments to Australian Accounting Standards";

AASB 2010-8: "Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets"; and

AASB 2011-4 "Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements".

We do not expect these accounting standards to materially impact our financial results upon adoption.

Notes to the Financial Statements *for the Financial Year Ended 30 June 2012 (cont.)*

1. STATEMENT OF SIGNIFICANT ACCOUTING POLICIES *(cont.)*

Third statement of financial position

Two comparative periods are presented for the statement of financial position when the Company:

i Applies an accounting policy retrospectively;

ii Makes a retrospective restatement of items in its financial statements; or

iii Reclassifies items in the financial statements.

We have determined that only one comparative period for the statement of financial position was required for the current reporting period.

a. Principles of consolidation

A controlled entity is any entity that Toro Energy Limited has the power to control the financial and operating policies of that entity so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

The consolidated financial statements comprise the financial statements of Toro Energy Limited and its controlled entities as at 30 June (the Company). A list of controlled entities is contained in note 19 to the financial statements. All controlled entities have a June financial year-end.

The financial statements of the controlled entities are prepared for the same reporting period and use consistent accounting policies as those of the parent.

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.

Controlled entities are fully consolidated from the date on which control is transferred to the Company and cease to be consolidated from the date on which control is transferred out of the Company.

Where relevant non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the Equity section of the consolidated Statement of Financial Position and Statement of Comprehensive Income.

b. 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.

All revenue is stated net of the amount of goods and services tax (GST).

Interest income

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Sale of Goods

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Provision of services

Revenue relating to the provision of services is determined with reference to the stage of completion of the transaction at reporting date and where the outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

c. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use of sale.

All other borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

d. Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the Company are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

e. Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank, cash in hand and short term deposits with an original maturity of one year or less.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

f. Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made when there is objective evidence that the Company will not be able to collect the debts. Bad debts are written off when identified.

g. Financial Instruments

Initial recognition and measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instrument classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Effective interest rate method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

Classification and subsequent measurement

Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Held-to-maturity investments

These investments have fixed maturities, and it is the Company's intention to hold these investments to maturity. Held-to-maturity investments held by the Company are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments. They are held at fair value with changes in fair value taken through the financial assets reserve directly to other comprehensive income.

Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment of financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

The carrying amount of financial assets including uncollectible trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in the financial assets reserve in other comprehensive income.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire.

Notes to the Financial Statements *for the Financial Year Ended 30 June 2012 (cont.)*

1. STATEMENT OF SIGNIFICANT ACCOUTING POLICIES *(cont.)*

The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed is recognised in profit or loss.

h. 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 sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet 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 sheet 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 sheet 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 the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

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.

Tax consolidation

The parent entity and its Australian wholly-owned entities are part of a tax-consolidated group under Australian taxation law. The head entity within the tax-consolidation group for the purposes of the tax consolidation system is Toro Energy Limited.

Toro Energy Ltd and each of its own wholly-owned controlled entities recognise the current and deferred tax assets and deferred tax liabilities applicable to the transactions undertaken by it, after elimination of intra-group transactions. Toro Energy Limited recognises the entire tax-consolidated group's retained tax losses.

i. Goods and Service Tax

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

j. Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred.

Depreciation is calculated on a straight-line and diminishing value basis over the estimated useful life of the assets. The useful life of the assets for 2012 is as follows:

Buildings – 20 years
Plant and equipment – 2.5 – 20 years
Motor vehicles – 8 years
Leasehold property – 4.5 years

Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their recent 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.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. For plant and equipment, impairment losses are recognised in the Statement of Comprehensive Income.

k. Impairment of Non-Financial Assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. 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 for which the estimates of future cash flows have not been adjusted.

Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Impairment testing is performed annually for goodwill, intangible assets with indefinite lives and intangible assets not yet available for use. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

l. Exploration and Evaluation Expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable 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 that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

m. Interest in jointly controlled operation

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled operation involves use of assets and other resources of the venturers rather that establishment of a separate entity. The Company recognises its interest in the jointly controlled operation by recognising the assets that is controls and the liabilities that it incurs. The Company also recognises the expenses that it incurs and the sale of goods or services by the jointly controlled operation.

n. Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in other comprehensive income as a qualifying cash flow or net investment hedge.

Exchange difference arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the gain or loss is directly recognised in other comprehensive income, otherwise the exchange difference is recognised in the statement of comprehensive income.

Notes to the Financial Statements *for the Financial Year Ended 30 June 2012 (cont.)*

1. STATEMENT OF SIGNIFICANT ACCOUTING POLICIES *(cont.)*

Group companies

The financial results and position of foreign operations whose functional currency is different from the Company's presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- Income and expenses are translated at average exchange rates for the period, where this approximates the rate at the transaction date;
- Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Company's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of comprehensive income in the period in which the operation is disposed.

o. Trade and other payables

Trade and other payables are carried at cost and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services.

p. 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 income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pretax rate that reflects the risks specific to the liability.

q. Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

r. Share-based payment transactions

The Company provides benefits to employees of the Company in the form of share-based payments, whereby employees receive options incentives (equity-settled transactions).

The Company has established the ESOP which provides benefits to employees.

The cost of these equity-settled transactions with employees are measured by reference to the fair value at the date at which they are granted. The fair value is determined using the Black-Scholes option pricing model using the assumptions detailed in note 12.

The cost of equity-settled transactions is recognised as an expense in the Statement of Comprehensive Income, together with a corresponding increase in the share option reserve, when the options are issued. However, where options have vesting terms attached, the cost of the transaction is amortised over the vesting period.

Upon the exercise of options, the balance of share based payments reserve relating to those options is transferred to share capital.

s. Contributed equity

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.

t. Adoption of new and revised accounting standards

In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current annual reporting period.

u. Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent divided by the weighted average number of ordinary shares and dilutive potential ordinary shares.

v. Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Key Estimates — Exploration and evaluation

The Company's policy for exploration and evaluation is discussed in note l. The application of this policy requires management to make certain assumptions as to future events and circumstances.

Any such estimates and assumptions may change as new information becomes available. If, after having capitalised exploration and evaluation expenditure, management concludes that the capitalised expenditure is unlikely to be recovered by future sale or exploration, then the relevant capitalised amount will be written off through the Statement of Comprehensive Income.

w. Comparative figures

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation in the current financial year.

x. Carbon Tax

At the date of this report the carbon tax legislation has passed through parliament, and the commencement date for the scheme is 1 July 2012. As the Group will not fall within the 'Top 500 Australian Polluters', the impact of the Carbon Scheme will be through indirect effects of increased prices on many production inputs and general business expenses as suppliers subject to the carbon pricing mechanism are likely to pass on their carbon price burden to their customers in the form of increased prices. Directors expect that this will not have a significant impact upon the operating costs within the business, and therefore will not have an impact upon the valuation of assets and/or going concern of the business.

2. SEGMENT INFORMATION

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision maker, the Company's Managing Director, in order to allocate resources to the segments and to assess its performance.

The Company's reportable segments under AASB 8 are as follows:

- Project Evaluation;
- Exploration; and
- Corporate and Administration.

Information regarding these segments is presented below. The accounting policies of the reportable segments are the same as the Company's accounting policies.

	Continuing Operations			Consolidated
	Evaluation $	Exploration $	Corporate & Admin $	Revenue & loss for the period $
30-Jun-12				
Segment Revenue	-	-	936,988	936,988
Segment Impairment Expense	-	(6,079,237)	-	(6,079,237)
Segment Depreciation Expense	(507,369)	(93,768)	(100,232)	(701,369)
Segment Result before tax	(507,369)	(6,173,005)	(3,982,379)	(10,662,753)
Income Tax expense	-	-	(35,626)	(35,626)
Segment loss for the period	(507,369)	(6,173,005)	(4,018,005)	(10,698,379)
30-Jun-11				
Segment Revenue	-	-	2,432,429	2,432,429
Segment Impairment Expense	-	(20,078,684)	-	(20,078,684)
Segment Depreciation Expense	(351,637)	(99,763)	(103,545)	(554,945)
Segment Result before tax	(351,637)	(20,178,447)	(1,200,651)	(21,730,735)
Income Tax expense	-	-	-	-
Segment loss for the period	(351,637)	(20,178,447)	(1,200,651)	(21,730,735)

The revenue reported above represents revenue generated from external customers. There were no intersegment sales during the period.

Notes to the Financial Statements *for the Financial Year Ended 30 June 2012 (cont.)*

2. SEGMENT INFORMATION *(cont.)*

The following is an analysis of the Company's assets by reportable operating segment:

	Continuing Operations			Consolidated
	Evaluation $	Exploration $	Corporate & Admin $	Total assets $
30-Jun-12	71,281,945	14,226,756	13,508,163	99,016,864
30-Jun-11	51,645,600	18,057,748	30,635,766	100,339,114

3. REVENUE AND EXPENSES

	Consolidated 2012 $	Consolidated 2011 $
(a) Other income		
Bank interest received or receivable	**936,988**	2,410,600
Net gain on disposal of subsidiary	**-**	21,829
	936,988	2,432,429
(b) Expenses		
Impairment of non-current assets		
Impairment of exploration expenditure [1]	**6,159,712**	18,969,429
Impairment of investment in associate [2]	**419,525**	1,109,255
Reversal of previously impaired asset [3]	**(500,000)**	-
Total impairment of non-current assets	**6,079,237**	20,078,684
Depreciation of non-current assets		
Leasehold Property	**334,430**	199,452
Buildings	**14,479**	7,479
Plant and equipment	**291,287**	276,110
Motor vehicles	**61,173**	71,904
Total depreciation	**701,369**	554,945
Finance expenses		
Interest applicable to hire-purchase liabilities	**-**	926
Total borrowing costs	**-**	926

1. *Includes the surrender of 10 tenements ($1.8m) and the impairment of the uranium rights over the Mt Woods tenements ($4.4m)*
2. *Impairment of 25% interest in Namibia JV company - Investment in Associate*
3. *Write back of previously impaired Roxby Downs Uraniums rights*

	Consolidated 2012 $	Consolidated 2011 $
(c) Employees benefits expense		
Wages, salaries, directors fees and other remuneration expenses	**4,156,885**	3,678,018
Workers' compensation levies	**66,001**	78,656
Superannuation costs	**381,475**	346,413
Payroll Tax	**209,169**	180,665
Transfer to annual leave provision	**276,559**	244,971
Transfer to long service leave provision	**67,284**	49,867
Share-based payments expense	**1,305,000**	489,398
Transfer to capitalised tenements	**(3,405,763)**	(3,115,065)
	3,056,610	1,952,923
(d) Other expenses from ordinary activities		
Promotion and advertising	**173,464**	78,662
Recruitment expenses	**107,634**	97,806
Travelling expenses	**155,564**	191,758
Securities exchange and share registry fees	**172,573**	159,807
Audit fees	**30,020**	34,500
Accounting and secretarial support	**107,451**	50,708
Conference expenses	**110,791**	91,972
Insurance costs	**152,586**	69,677
Consulting fees	**160,343**	162,120
Legal fees	**83,539**	205,875
Subscriptions	**94,438**	74,519
Rent and utility expenses	**207,581**	160,017
AGM, EGM and annual report expenses	**73,170**	46,712
Other expenses	**133,372**	151,553
	1,762,525	1,575,686

4. INCOME TAX

The major components of income tax expense are:

	Consolidated 2012 $	2011 $
Current income tax		
Current income tax charge	**35,626**	-
Income tax expense reported in the income statement	**35,626**	-

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:		
Accounting profit before income tax	**10,662,753**	(21,730,735)
At the Group's statutory income tax rate of 30% (2011:30%)	**(3,198,826)**	(6,519,220)
Immediate write off of capital expenditure	**(7,839,240)**	(6,883,821)
Sale of Tenements	**1,275,000**	-
Expenditure not allowable for income tax purposes	**2,221,345**	6,174,313
Reseacrh and Development Tax Offset	**(209,247)**	-
Other deductible items	**(771,309)**	(764,184)
Tax losses not recognised due to not meeting recognition criteria	**8,348,556**	7,632,480
Reversal of temporary differences	**209,347**	360,433
Total income tax expense	**35,626**	-

The Group has tax losses arising in Australia of $95,034,357 (2011: $86,685,801) that are available indefinitely (subject to certain conditions) for offset against future taxable profits of the companies in which the losses arose.

Tax consolidation

Toro Energy Limited and its 100% owned Australian resident controlled entities have formed a tax consolidated group with effect from 16 March 2006. Toro Energy Limited is the head entity of the tax consolidated group.

5. EARNINGS PER SHARE

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	Consolidated 2012 $	2011 $
Net loss attributable to ordinary equity holders of the Company	**(10,698,379)**	(21,730,735)
Weighted average number of ordinary shares for basic earnings per share	**992,064,073**	964,936,676

In accordance with AASB 133 'Earnings per Share', as potential ordinary shares may result in a situation where their conversion results in an increase in loss per share or decrease in profit per share from continuing operations, no dilutive effect has been taken into account in 2012.

Notes to the Financial Statements *for the Financial Year Ended 30 June 2012 (cont.)*

6. CASH AND CASH EQUIVALENTS

	Consolidated 2012 $	2011 $
Cash at bank and in hand	**2,588,887**	748,370
Short-term deposits	**10,220,000**	28,914,573
	12,808,887	29,662,943

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and six months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates. Refer Note 20.

	Consolidated 2012 $	2011 $
Reconciliation of net loss after tax to net cash flows from operations		
Net loss	**(10,698,379)**	(21,730,735)
Adjustments for non-cash items:		
Depreciation	**701,369**	554,945
Impairment of non-current assets	**6,079,237**	20,078,684
Tax expenses recognised in profit & loss	**35,626**	-
Exploration activities expensed	**13,786**	17,045
Gain on loss of control of subsidiary	**-**	(21,829)
Share based payments	**1,345,000**	489,398
Changes in assets and liabilities		
(Increase)/Decrease in trade and other receivables	**5,042**	191,311
(Increase)/Decrease in accrued interest	**203,224**	931,943
(Increase)/Decrease in prepayments	**(14,774)**	(6,369)
Increase/(Decrease) in trade and other payables	**1,994,245**	(303,297)
Increase/(Decrease) in employee provisions	**52,980**	88,559
Movement in trade payables treated as investing activities	**(1,964,609)**	215,754
Net cash (outflow) from operating activities	**(2,247,253)**	505,409

7. TRADE AND OTHER RECEIVABLES

	Consolidated 2012 $	2011 $
Sundry receivables [(i)]	**-**	57,671
Goods and services tax receivable	**281,569**	231,908
	281,569	289,579

(i). Sundry receivables are non-interest bearing and generally have 30-90 day payment terms. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired. As at 30 June 2012 the Company did not have any trade receivables which were outside normal trading terms (past due but not impaired).

Information regarding the credit risk of current receivables is set out in note 20.

8. OTHER CURRENT ASSETS

	Consolidated 2012 $	2011 $
Prepayments	**70,767**	55,994
Accrued income	**79,538**	282,762
	150,305	338,756

9. INVESTMENT IN ASSOCIATE

	Consolidated 2012 $	2011 $
Investment in Associate	**1,528,780**	1,109,255
Impairment of Investment in Associate	**(1,528,780)**	(1,109,255)
-	**-**	

In line with AASB 128 and AASB 139 an impairment of $0.4m was processed against Nova Energy (Namibia) Pty Ltd. The impairment reflects the Company's view of reduced prospectivity for uranium across these tenements considering the results of the completed drill campaign this financial year.

10. PROPERTY PLANT & EQUIPMENT

	Consolidated				
	Plant & equipment $	Motor Vehicles $	Leasehold Property $	Buildings $	Total $
30 JUNE 2012					
At Cost					
1 July - opening	1,882,641	503,605	1,200,000	200,000	3,786,246
Additions	118,073	-	-	-	118,073
Disposals	-	-	-	-	-
30 June - closing	2,000,714	503,605	1,200,000	200,000	3,904,319
Accumulated Depreciation					
1 July - opening	(780,775)	(153,900)	(199,452)	(7,479)	(1,141,606)
Disposals	-	-	-	-	-
Depreciation expense	(291,287)	(61,173)	(334,430)	(14,479)	(701,369)
30 June - closing	(1,072,063)	(215,073)	(533,882)	(21,958)	(1,842,976)
Property Plant & Equipment					
At Cost	2,000,714	503,605	1,200,000	200,000	3,904,319
Accumulated depreciation	(1,072,063)	(215,073)	(533,882)	(21,958)	(1,842,976)
Net carrying amount	928,651	288,532	666,118	178,042	2,061,343
30 JUNE 2011					
At Cost					
1 July - opening	1,284,370	440,035	-	-	1,724,405
Additions	598,271	63,570	1,200,000	200,000	2,061,841
Disposals	-	-	-	-	-
30 June - closing	1,882,641	503,605	1,200,000	200,000	3,786,246
Accumulated Depreciation					
1 July - opening	(504,665)	(81,996)	-	-	(586,661)
Disposals	-	-	-	-	-
Depreciation expense	(276,110)	(71,904)	(199,452)	(7,479)	(554,945)
30 June - closing	(780,775)	(153,900)	(199,452)	(7,479)	(1,141,606)
Property Plant & Equipment					
At Cost	1,882,641	503,605	1,200,000	200,000	3,786,246
Accumulated depreciation	(780,775)	(153,900)	(199,452)	(7,479)	(1,141,606)
Net carrying amount	1,101,865	349,705	1,000,548	192,521	2,644,639

Leasehold property represents a pastoral lease acquired by the Company during the 2010-2011 financial year. The existing lease expires on June 2015. The purchase price is being amortised over the existing lease period.

Notes to the Financial Statements *for the Financial Year Ended 30 June 2012 (cont.)*

11. EXPLORATION AND EVALUATION ASSETS

	Consolidated 2012 $	2011 $
Balance at beginning of financial year	**67,403,197**	64,535,810
Share acquisition - Nowthanna (1)	**750,000**	-
Cash acquisition - Nowthanna (1)	**1,300,000**	-
Cash acquisition - Millipede (2)	**4,500,000**	-
Cash acquisition - MMG Tenements	**-**	1,100,000
Cash acquisition - Dawson & Hinkler	**-**	6,200,000
Impairment of exploration expenditure (3)	**(6,159,712)**	(18,969,429)
Sale of Mt Woods tenements	**(3,750,000)**	-
Sale of Roxby Downs tenements	**(500,000)**	-
Reversal of previously booked impairments (4)	**500,000**	-
Other Expenditure during the year	**19,671,275**	15,718,283
Nova Energy Namibia - loss of control	**-**	(1,181,467)
	83,714,760	67,403,197

1. *Value attributed to the Nowthanna tenement acquisitions.*
2. *Value attributed to the Millipede tenement acquisitions*
3. *Impairment as a result of surrendered or fair value tests on exploration tenements.*
4. *Write back of previously impaired Roxby Downs Uranium Rights.*

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective mining areas.

12. SHARE-BASED PAYMENTS

Employee Share Option Plan (ESOP)

The Company has an established ESOP and a summary of the Rules of the Plan are set out below:

- All employees (full and part time) will be eligible to participate in the Plan after a qualifying period of 12 months employment by a member of the Company, although the Board may waive this requirement;
- Options are granted under the Plan at the discretion of the Board and if permitted by the Board, may be issued to an employee's nominee;
- Each option is to subscribe for one fully paid ordinary share in the Company and will expire 5 years from its date of issue. An option is exercisable at any time from its date of issue subject to any vesting or escrow conditions applicable. Options will be issued free. The exercise price of options will be determined by the Board, subject to a minimum price equal to the market value of the Company's shares at the time the Board resolves to offer those options. The total number of shares the subject of options issued under the Plan, when aggregated with issues during the previous 5 years pursuant to the Plan and any other employee share plan, must not exceed 5% of the Company's issued share capital;
- If, prior to the expiry date of options, a person ceases to be an employee of a Group Company for any reason other than retirement at age 60 or more (or such earlier age as the Board permits), permanent disability, redundancy or death, the options held by that person (or that person's nominee) automatically lapse on the first to occur of a) the expiry of the period of 1 month from the date of such occurrence, and b) the expiry date. If a person dies, the options held by that person will be exercisable by that person's legal personal representative;
- Options cannot be transferred other than to the legal personal representative of a deceased option holder;
- The Company will not apply for official quotation of any options;
- Shares issued as a result of the exercise of options will rank equally with the Company's previously issued shares;
- Option holders may only participate in new issues of securities by first exercising their options.

The Board may amend the Plan Rules subject to the requirements of the Australian Securities Exchange Listing Rules.

The expense recognised in the Statement of Comprehensive Income in relation to share-based payments is disclosed in note 3(c).

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) and movements in share options issued during the year:

	2012 No.	2012 WAEP	2011 No.	2011 WAEP
Outstanding at the beginning of the year	**20,460,000**	**0.42**	21,690,000	0.45
Granted during the year	**18,825,000**	**0.17**	4,770,000	0.22
Cancelled during the year	**(2,260,000)**	**0.68**	(6,000,000)	0.38
Outstanding at the end of the year	**37,025,000**	**0.28**	20,460,000	0.42
Exercisable at the end of the year	**35,775,000**	**0.20**	20,210,000	0.40

The outstanding balance as at 30 June 2012 is represented by:

Issue Date	Vesting Date	Expiry Date	Strike Price	Number
4/07/2007	4/07/2008	3/07/2012	1.21	100,000
19/11/2007	19/11/2008	18/11/2012	0.73	500,000
20/11/2007	1/12/2008	19/11/2012	0.73	3,000,000
14/12/2007	14/12/2008	13/12/2012	0.61	760,000
6/08/2008	7/08/2009	6/08/2013	0.55	425,000
6/08/2008	7/08/2010	6/08/2013	0.55	425,000
17/12/2008	18/12/2009	17/12/2013	0.25	1,665,000
19/03/2009	20/03/2010	19/03/2014	0.25	1,000,000
2/02/2010	3/02/2010	2/02/2015	0.22	4,965,000
2/02/2010	3/02/2010	2/02/2015	0.22	590,000
3/01/2011	4/01/2011	3/01/2016	0.22	4,270,000
26/05/2011	26/05/2011	25/05/2016	0.15	250,000
26/05/2011	26/05/2012	25/05/2016	0.22	250,000
1/07/2011	1/07/2011	30/06/2016	0.11	750,000
1/07/2011	1/07/2012	30/06/2016	0.22	500,000
1/07/2011	1/09/2012	30/06/2016	0.25	750,000
1/08/2011	1/08/2011	31/07/2016	0.13	10,300,000
26/08/2011	26/08/2011	25/08/2016	0.13	525,000
30/11/2011	30/11/2011	11/01/2016	0.22	5,000,000
30/11/2011	30/11/2011	11/01/2016	0.30	1,000,000

The weighted average remaining contractual life for the share options outstanding as at 30 June 2012 is 3.02 years (2011: 2.82 years). The range of exercise prices for options outstanding at the end of the year was \$0.11 - \$1.21 (2011: \$0.15 - \$1.21). The weighted average fair value of options granted during the year was \$0.17 (2011: \$0.22).

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

The following table lists the weighted average of inputs to the model used for the years ended 30 June 2012 and 30 June 2011:

	2012	2011
Volatility (%)	**89.06%**	84.26%
Risk-free interest rate (%)	**4.72%**	5.33%
Expected life of option (years)	**5.00**	5.00

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

Notes to the Financial Statements *for the Financial Year Ended 30 June 2012 (cont.)*

12. SHARE-BASED PAYMENTS *(cont.)*

Acquisition of Exploration & Evaluation Assets

During the financial period the Company completed the acquisition of two Western Australian tenements (E51/1072 and E51/1075) covering the major portion of the Nowthanna uranium deposit. Consideration for the acquisition included cash of $1.3 million plus 10 million ordinary Toro shares at $0.075 per share for a total share value of $750,000.

13. TRADE AND OTHER PAYABLES (CURRENT)

	Consolidated 2012 $	2011 $
Trade payables (i)	**1,853,817**	302,563
Other payables (ii)	**106,505**	105,134
Accrued Expenses	**1,224,037**	782,418
	3,184,359	1,190,115

(i) Trade payables are non-interest bearing and are normally settled on 30-day terms.

(ii) Other payables are non-interest bearing and are normally settled within 30 – 90 days.

Information regarding the credit risk of current payables is set out in note 20.

14. PROVISIONS

	Consolidated 2012 $	2011 $
Short-term provisions		
Annual leave provision:		
Opening Balance	**225,113**	186,421
Movement during year	**(14,304)**	38,692
Closing Balance 30 June	**210,809**	225,113
Long-term provisions		
Long Service Leave:		
Opening Balance	**115,825**	65,958
Movement during year	**67,284**	49,867
Closing Balance 30 June	**183,109**	115,825

15. ISSUED CAPITAL

	Consolidated 2012 $	2011 $
Ordinary Shares	**217,588,796**	211,564,891
	217,588,796	211,564,891

	Number*	$
Ordinary shares		
Balance at beginning of financial year	**62,610,410**	211,564,891
Share Capital Issued to employee as sign on bonus	**500,000**	40,000
Share placement for Nowthanna tenement purchase - 7 Oct 2011 10,000,000 @ 7.5c	**10,000,000**	750,000
Share Purchase Plan - 14 Mar 2012 66,500,000 @ 8c	**66,500,000**	5,320,000
Costs of capital raising (net of tax)	**-**	(86,095)
Balance at end of year	**139,610,410**	217,588,796

	Legal Parent Entity 2012 Number	$
Ordinary shares		
Balance at beginning of financial year	**964,936,676**	351,345,066
Share Capital Issued to employee as sign on bonus	**500,000**	40,000
Share placement for Nowthanna tenement purchase - 7 Oct 2011 10,000,000 @ 7.5c	**10,000,000**	750,000
Share Purchase Plan - 14 Mar 2012 66,500,000 @ 8c	**66,500,000**	5,320,000
Costs of capital raising (net of tax)	**-**	(86,095)
Balance at end of year	**1,041,936,676**	357,368,971

Fully paid ordinary shares carry one vote per share and carry the right to dividends (in the event such a dividend was declared).

* *Under AASB 3 the acquisition of Nova Energy Ltd in 2007 was deemed a 'reverse acquisition' and Toro Energy's legal subsidiary Nova Energy Pty Ltd is considered the parent for accounting consolidation purposes. As shares in Nova Energy are not listed or publically traded the consolidated view does not detail the volume of shares relative to transactions subsequent to the acquisition. The legal parent entity Toro Energy Limited has been included to provide details of the volume of shares on issue at 30 June 2012.*

16. RESERVES

	Consolidated 2012 $	2011 $
Reserves		
Share Option Reserve	**3,327,664**	2,319,084
	3,327,664	2,319,084

Nature and purpose of reserves

Share-option Reserve

This reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration. Refer to note 12.

17. COMMITMENTS

	Consolidated 2012 $	2011 $
Operating leases		
Not longer than 1 year	**468,237**	422,992
Longer than 1 year and not longer than 5 years	**277,866**	668,349
	746,103	1,091,341

Terms of lease arrangements

The Company has operating leases in place for its principal place of business in Adelaide which expires 31 October 2013 and project office in Perth which expires 28 February 2014. The remaining Company property leases are for terms of 1 year or less.

The Company has a bank guarantee totalling $153,318 at 30 June 2012 which acts as bond for the Perth office lease agreement.

Exploration leases

As at 30 June 2012 the Company held Exploration Licences over 94 tenements. The rental, rates and statutory expenditure commitments required for these tenements are $6,642,185 within 1 year and $31,749,319 between 2 and 5 years.

The Company has various bank guarantees totalling $1,248,027 at 30 June 2012 which act as collateral over tenements which the Company operates.

18. AUDITORS REMUNERATION

	Consolidated 2012 $	2011 $
Audit or review of the financial report	**30,020**	34,500
Other services	**-**	-
	30,020	34,500

19. CONTROLLED ENTITIES

Name of Company	Country of incorporation	Ownership interest 2012 %	2011 %
Parent entity			
Toro Energy Ltd (i)	Australia		
Subsidiaries			
Minotaur Uranium Pty Ltd (ii)	Australia	**100**	100
Oxiana Energy Pty Ltd (ii)	Australia	**100**	100
Nova Energy Pty Ltd (ii)	Australia	**100**	100
Nova Energy (Africa) Pty Ltd (ii)	Namibia	**100**	100

i. Toro Energy Limited is the head entity within the tax-consolidated group.

ii. These companies are members of the tax-consolidated group.

Notes to the Financial Statements *for the Financial Year Ended 30 June 2012 (cont.)*

20. FINANCIAL RISK MANAGEMENT

Financial risk management policies

The Board of directors are responsible for monitoring and managing financial risk exposures of the Company.

The main risks the Company are exposed to involve credit risk, capital risk, interest rate risk and liquidity risk.

Categories of financial instruments

The Company's financial instruments consist mainly of deposits with banks, accounts receivable and payable and leases.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Consolidated	
	2012	2011
	$	$
FINANCIAL ASSETS		
Cash and cash equivalents	**12,808,887**	29,662,943
Trade and other receivables	**281,569**	289,579
FINANCIAL LIABILITIES		
Trade and other payables	**3,184,359**	1,190,115
Obligations under hire purchase	**-**	-

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from activities.

The Company does not have any significant credit risk exposure to any single counterparty or any Company of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk.

Capital risk management

The Company manages its capital to ensure that entities in the Company will be able to continue as a going concern while maximising the return to stakeholders.

The capital structure of the Company consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated losses as disclosed in the statement of changes in equity.

Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at reporting date whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

At reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Company's:

- Net profit would increase or decrease by $88,297 (2011: $199,218) which is attributable to the Company's exposure to interest rates on its variable bank deposits.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of directors, who have built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves and investing surplus cash only in major financial institutions.

Liquidity and interest risk tables

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

	CONSOLIDATED			
	< 1year $	> 1 - < 5 years $	Non-interest bearing $	Total $
Year ended 30 June 2012				
FINANCIAL LIABILITIES				
Fixed rate	-	-	1,960,322	1,960,322
Weighted average effective interest rate	-	-		
Year ended 30 June 2011				
FINANCIAL LIABILITIES				
Fixed rate	-	-	407,697	407,697
Weighted average effective interest rate	-	-		

The following table details the Company's expected maturity for its non-derivative financial assets. The table below has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Company anticipates that the cash flow will occur in a different period.

	CONSOLIDATED			
	< 1year $	> 1 - < 5 years $	Non-interest bearing $	Total $
Year ended 30 June 2012				
FINANCIAL ASSETS				
Fixed rate	10,220,000	-	281,569	10,501,569
Weighted average effective interest rate	5.35%			
Floating rate				
Cash assets	2,588,887	-	-	2,588,887
Weighted average effective interest rate	3.50%			
Year ended 30 June 2011				
FINANCIAL ASSETS				
Fixed rate	28,914,573	-	289,579	29,204,152
Weighted average effective interest rate	6.00%			
Floating rate				
Cash assets	748,371	-	-	748,371
Weighted average effective interest rate	4.75%			

Notes to the Financial Statements *for the Financial Year Ended 30 June 2011 (cont.)*

21. RELATED PARTY DISCLOSURE AND KEY MANAGEMENT PERSONNEL REMUNERATION

Details of key management personnel's remuneration can be found under the remuneration report.

a) Controlled entities

Loans

At 30 June 2012 the Group consisted of Toro Energy Limited and its controlled entities Nova Energy Pty Ltd, Nova Energy (Africa) Pty Ltd, Minotaur Uranium Pty Ltd and Oxiana Energy Pty Ltd. Ownership interests in these controlled entities are set out in note 19. Transactions between Toro Energy Limited and other entities in the Group during the year consisted of loans advanced by Toro Energy Limited to fund exploration and investment activities. The closing value of all loan amounts to wholly owned members of the Group is contained within the statement of financial position under non-current assets at note 22.

b) Other related party transactions

The Company rented accommodation premises from a direct relative of Mr Derek Carter. The total sum paid to the direct relative of Mr Derek Carter through the year ended 30 June 2012 was $24,786 (2011: $24,613). This transaction was conducted on commercial terms and at arms length.

Josteni Pty Ltd has received professional fees for director services provided during the year. John Nitschke, a Company Director, is a director of Josteni Pty Ltd. A total of $56,543 has been paid or is to be paid to Josteni Pty Ltd, on commercial terms, for services rendered in 2012 (2011: $27,755).

22. PARENT ENTITY INFORMATION

Financial statements and notes for Toro Energy Limited, the legal parent entity, are provided below;

	Parent 2012 $	2011 $
Financial position		
Current assets	**13,240,758**	30,291,276
Non-current assets	**85,631,066**	70,047,840
Total assets	**98,871,824**	100,339,115
Current liabilities	**3,395,169**	1,415,229
Total liabilities	**3,578,278**	1,531,054
Shareholders equity		
Issued capital	**357,368,972**	351,345,064
Reserves	**3,192,517**	2,183,937
Accumulated losses	**(265,267,942)**	(254,720,940)
Total equity	**95,293,547**	98,808,061
Financial performance		
Loss for the year	**(10,843,420)**	(21,842,326)
Other comprehensive income/(loss)	**-**	-
Total comprehensive loss	**(10,843,420)**	(21,842,326)

* *Included in the loss for the year is an impairment expense of $4,366,423 to reduce the book value of the investments in controlled entities. Whilst this impairment is required under Australian Accounting Standards (AASB 136), it does not impact the consolidated results and does not reflect any change in the underlying value of the consolidated exploration and development assets.*

Guarantees entered into by the parent entity in relation to the debts of its controlled entities

Toro Energy has a $1,600,000 term deposit which acts as a cross guarantee for Nova Energy Pty Ltd's bank guaranteed tenement bonds.

Contingent liabilities of the parent entity

As at 30 June 2012 the legal Parent Entity, Toro Energy Limited held exploration Licenses over 32 tenements. The rental rates and statutory expenditure commitments required for these tenements are $1,450,818 within one year and $8,700,499 between two and five years.

Commitments for the acquisition of property, plant and equipment by the parent entity

	Parent 2012 $	2011 $
Operating leases		
Not longer than 1 year	**468,237**	422,992
Longer than 1 year and not longer than 5 years	**277,866**	668,349
	746,103	1,091,341

23. EVENTS AFTER THE BALANCE SHEET DATE

There have been no matters or circumstances that have arisen since the end of the financial year, that have significantly affected, or may significantly affect, the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial years.

Directors' Declaration

In accordance with a resolution of the directors of Toro Energy Limited, I state that:

1. In the opinion of the directors:
   a. the financial statements and notes of the Company and of the consolidated entity are in accordance with the Corporations Act 2001, including:
      i. giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2012 and of their performance for the year ended on that date; and
      ii. complying with Accounting Standards and Corporations Regulations 2001 and other mandatory professional reporting requirements; and
      iii. Complies with International Financial Reporting Standards as disclosed in note 1; and
   b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
   c. the audited remuneration disclosures set out in the remuneration report of the directors' report comply with Accounting Standard AASB 124 Related Party disclosures.
2. the Managing Director and General Manager Finance has declared that:
   a. the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
   b. the financial statements and notes for the financial year comply with the Accounting Standards; and
   c. the financial statements and notes for the financial year five a true and fair view;
3. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial period ending 30 June 2012.

On behalf of the Board

Mr Greg Hall
Managing Director

Signed this 26th day of September 2012

Independent Auditor's Report

Grant Thornton

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF TORO ENERGY LIMITED

Report on the financial report

We have audited the accompanying financial report of Toro Energy Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors responsibility for the financial report

The Directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Grant Thornton

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Auditor's opinion
In our opinion:

a the financial report of Toro Energy Limited is in accordance with the Corporations Act 2001, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report
We have audited the remuneration report included in the directors' report for the year ended 30 June 2012. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report
In our opinion, the remuneration report of Toro Energy Limited for the year ended 30 June 2012, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP
Chartered Accountants

J L Humphrey
Partner

Adelaide, 26 September 2012

Tenement Status *as at 30 June 2012*

Locality	Tenement	Tenement Name	Area km^2
AMADEUS Project			
NT	EL25045 (A)	EL25045 [1]	1491
NT	EL25046 (A)	EL25046 [1]	773
NT	EL25048 (A)	EL25048 [1]	1459
NT	EL25787 (A)	Pamela	3
NT	EL26550 (A)	Iwupataka	303
			4029
BENMARA Project			
NT	EL29476 (A)	Seigal	445
NT	EL28054	Benmara	147
NT	EL28750	Coanjula	160
NT	EL28751	Cresswell	128
NT	EL28752	Pandanus	82
NT	EL28806	Murphy	235
NT	EL28840	Murphy East	422
			1619
BROWNS RANGE – JV, Tanami Project			
NT	EL26270	Granite Dome	260
NT	EL26271	Browns Range North	488
NT	EL26286	Browns Range	195
NT	EL26635	Farrands Hills	139
NT	EL27000	Mana Range	58
NT	EL27001	Ware Range	208
NT	EL27590	Pargee	55
			1403
KINTORE Project			
NT	EL27573 (A)	Rennie	1314
			1314
LIMBUNYA, Tanami Project			
NT	EL28040	Limbunya	249
NT	EL28042	Inverway	998
NT	EL28624	Buntine	935
			2182
McARTHUR Project			
NT	EL26861 (A)	Coast Range	14
NT	EL27588 (A)	Kukulak	232
NT	EL27429	Karns	497
NT	EL28567	Running Creek	108
NT	EL28806	Murphy	235
			1086
NGALIA Project			
NT	EL27574 (A)	Newhaven	477
			477
REYNOLDS RANGE Project			
NT	EL26279 (A)	Giles	769
NT	EL26740 (A)	Mount Barkly	1372
NT	EL27532 (A)	Arthur Hills	554
NT	EL27533 (A)	Karadi Hill	1039
NT	EL27534 (A)	Smokey Bore	466
NT	EL27535 (A)	Fotheringham	933
NT	EL28093 (A)	Nanga Range	169
NT	EL28513 (A)	Lander North	18
NT	EL28997 (A)	Viseast	349
NT	EL26287	Mount Denison	254
NT	EL26478	Western Creek	75
NT	EL26704	Ingellina Gap	654
NT	EL28512	Yindjirbi	15
NT	EL26987	Wini Hills	696
NT	EL27301	Viscount Bore	379
NT	EL29396	Wini Hills East	128
			7870

Locality	Tenement	Tenement Name	Area km^2
TANAMI			
NT	EL26601 (A)	Tanami West	80
NT	EL26634 (A)	Tanami	42
NT	EL26636 (A)	Tanami Flat	65
NT	EL27119 (A)	Bluebush	170
NT	EL27589 (A)	The Granites	355
NT	EL29566 (A)	Mt Davidson	489
			1201
WALABANBA HILLS - JV, Reynolds Range Project			
NT	EL26848	Walabanba	573
NT	EL27115	Anningie	1071
NT	EL27876	Englands Well	384
			2028
WISO Project			
NT	EL28996 (A)	Windawest	84
NT	EL26988	Windajong	327
NT	EL27123	Jarra Jarra	796
NT	EL27138	Cooloola	1525
NT	EL29395	Jarra Jarra West	789
			3521
BIRRINDUDU Project			
WA	E80/3556	Tanami Desert	91
WA	E80/3560	Mt Brophy Spring	101
			192
LAKE MACKAY Project			
WA	E80/4664 (A)	Wanman 2	25
WA	E80/3483	E 8003483	41
WA	E80/3484	E 8003484	219
WA	E80/3485	E 8003485	219
WA	E80/3486	E 8003486	219
WA	E80/3519	E 8003519	222
WA	E80/3580	E 8003580	218
WA	E80/3581	E 8003581	222
WA	E80/3582	E 8003582	199
WA	E80/3583	E 8003583	142
WA	E80/3584	E 8003584	215
WA	E80/3585	E 8003585	215
WA	E80/3586	E 8003586	206
WA	E80/3587	E 8003587	221
WA	E80/3588	E 8003588	222
WA	E80/3589	E 8003589	221
WA	E80/3837	E 8003837	266
WA	E80/4449	E 8004449	73
WA	E80/4498	Wanman	104
WA	E80/4606	Angus	25
WA	E80/4607	Wanman	177
			3671
NAMIBIA, Namib Naukluft National Park Project			
Erongo Namibia	EPL3668 [2]	Gawib West	247
Erongo Namibia	EPL3669 [2]	Tumas North	218
Erongo Namibia	EPL3670 [2]	Chungochoab	858
			1323

Note: Tenements have a Granted status unless signified with "(A)", indicating the tenement is Under Application.

Holding company for all tenements is Toro Energy Limited, unless indicated otherwise.

1. *Tenement holder - Nova Energy Pty Limited.*
2. *Tenement holder - Nova Energy (Namibia) Pty Ltd (Toro).*

ASX Additional Information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 27 September 2012.

Use of cash and cash equivalents

The Company has used all cash and cash equivalents for the purpose of carrying out its stated business objectives.

Distribution of equity securities

Ordinary share capital

1,041,936,676 fully paid ordinary shares are held by 10,322 individual shareholders.

All issued ordinary shares carry one vote per share.

Options

37,025,000 unlisted options are held by 45 individual option holders.

The number of shareholders, by size of holding, in each class are:

	Fully paid ordinary shares	Unquoted Options
1 - 1,000	1,029	-
1,001 - 5,000	1,885	-
5,001 - 10,000	1,887	-
10,001 - 100,000	4,512	8
100,001 and over	1,009	37
	10,322	45

Holding less than a marketable parcel – 3,302

Substantial shareholders

Ordinary shareholders

	Fully paid Number	Percentage
OZ Minerals Ltd	410,259,378	39.37%
J P Morgan Nominees	30,215,390	2.90%
	440,474,768	42.27%

Optionholders >20%

	Unquoted Options Number	Percentage
Nil	Nil	Nil

Twenty largest holders of quoted equity securities

	Ordinary Fully Paid Shares Units	% of issued Capital
OZ Minerals Limited	410,259,378	39.37
J P Morgan Nominees Australia Limited <Cash Income A/C>	30,215,390	2.90
HSBC Custody Nominees (Australia) Limited	20,448,215	1.96
Citicorp Nominees Pty Limited	18,329,675	1.76
DMG & Partners Securities Pte Ltd <Clients A/C>	14,197,022	1.36
Allarrow Pty Ltd	9,923,602	0.95
Mr Antonius Clemens Maria Bohnenn	7,607,882	0.73
Mr William Thomas John	6,500,000	0.62
Bell Potter Nominees Ltd <BB Nominees A/c>	4,787,500	0.46
National Nominees Limited	4,622,714	0.44
TE & CG McMahon Nominees Pty Ltd <McMahon Super Fund No2 A/C>	4,597,728	0.44
Mrs Christina Gail McMahon	4,558,333	0.44
J P Morgan Nominees Australia Limited	4,555,952	0.44
Mr Terence Edwin McMahon	4,158,333	0.40
Yarraandoo Pty Ltd <Yarraandoo Super Fund A/C>	3,606,000	0.35
Arredo Pty Ltd	3,407,394	0.33
Citic Nickel Australia Pty Ltd	3,386,025	0.32
Deep Yellow Ltd	3,066,667	0.29
Dr Leon Eugene Pretorius	3,000,000	0.29
Saggio Investments Pty Ltd <Saggio Investment A/C>	3,000,000	0.29
Total Top 20 Shareholders	**564,227,810**	**54.15**
Total Remaining Holders Balance	**477,708,866**	**45.85**

Toro Energy Limited
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