Toro Energy Limited

ABN 48 117 127 590

Financial Report

for the year ended 30 June 2013

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Corporate Information

Directors

Ms Erica Smyth (Chair)
Dr Vanessa Guthire (Managing Director)
Mr Greg Hall
Mr Peter Lester
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

35 Ventnor Ave, West Perth WA 6005

Share Registry

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

Legal Advisors

Cowell Clarke O'Loughlins Lawyers
Level 5, 63 Pirie Street, Adelaide SA 5000

Bankers

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

Auditors

Grant Thornton Audit Pty Ltd
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)

Directors' Report

Your directors submit their financial report for the year ended 30 June 2013.

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	Chair
Dr Vanessa Guthrie	Managing Director (Appointed 8 February 2013)
Mr Greg Hall	Non Executive Director (Retired as Managing Director on 8 February 2013)
Mr Derek Carter	Non Executive Director (Retired 27 November 2012)
Mr Peter Lester	Non Executive Director
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, FTSE, FAICD (Non-Executive Chair)

Ms Smyth has over 30 years experience in the mineral and petroleum industries. She was Principal Geologist for BHP Minerals Limited (including several years in uranium exploration) and BHP-Utah Minerals International's Beenup Project Manager, Manager Gas Market Development WA for BHP Petroleum and, more recently, General Manager – Corporate Affairs for Woodside Petroleum Limited. She has a Bachelor of Science from University of Western Australia and an Applied Master of Science from McGill University in Montreal, Canada. In 2008 she was awarded an Honorary Doctor of Letters from the University of Western Australia and in 2012 was elected as a Fellow of the Australian Academy of Technological Sciences and Engineering.

Ms Smyth is currently the Chair of Toro Energy Limited, the WA interactive science centre Scitech and the Diabetes Research Foundation of WA. She is also a Director of Emeco Holdings Ltd; the Australian Nuclear Science and Technology Organisation (ANSTO) and the Diabetes Research Foundation of Western Australia. The Chamber of Minerals & Energy (WA) awarded Dr Smyth a Lifetime Achievement Award in 2010 for her contribution to the industry and as part of the Women in Resources Award 2010.

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

Dr Vanessa Guthrie, BSc(Hons), PhD (geology), Dip. Nat. Res., Dip. Bus. Mgt, Dip. Comm. Res. Law, MAICD (Managing Director)

Dr Vanessa Guthrie has qualifications in geology, environment and business management which includes a Bachelor of Science with Honours, a Doctor of Philosophy (Geology), and Diplomas in Natural Resources, Business Management and Law. Dr Guthrie's doctorate was completed under an Australian Institute of

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Nuclear Science and Engineering post-graduate scholarship, and she was the recipient of a six month Fellowship with France's Commissariat a l"Energie Atomique.

Dr Guthrie is a member of the Australian Institute of Company Directors, was a former Director of uranium explorer, Nova Energy, and is currently a Non-Executive Director at Reed Resources Limited and the Water Corporation, and is on the Council of Scotch College.

She has over 25 years experience in mining operations, company strategy, sustainability, indigenous affairs and environment. She is a former mine manager for WA's Huntly bauxite mine at Dwellingup, and was head of Sustainable Development for Alcoa World Alumina Australia and then Woodside Energy for over 8 years. She has held previous roles with RGC Limited, Pasminco Limited and WMC overseeing environmental management and community relations of mining and refining operations in gold, nickel and base metals, including those in the Northern Goldfields.

Mr Greg Hall, BEng (Non-Executive Director)

Mr Hall is a Mining Engineer with 30 years' experience in the resources industry, including 23 years in the uranium industry in senior marketing, operational management and MD roles.

Mr Hall previously held senior operational management roles with WMC Resources at Olympic Dam and WMC's Nickel Operations, with Rio Tinto at ERA's Ranger Mine, and on secondment with iron ore producer LKAB Sweden. He has held commodity marketing roles for Rio Tinto in uranium, bauxite and alumina.

Mr Hall held the position of Managing Director of Toro Energy from the date the company listed in March 2006 until February 2013 and then took up his current role with Hillgrove Resources as Chief Executive Officer and Managing Director. He is a member of the Australian Institute of Company Directors.

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 and Highfield Resources 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

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Centenary Medalist and was recently honored with the President's Award from the AusIMM.

Mr Carter retired on 27 November 2012.

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

Mr Coles is the Chief Financial Officer of OZ Minerals Limited where he is responsible for sales and marketing, risk management, financial control, treasury, taxation, business planning and analysis, and information technology and strategic sourcing.

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

Mr Coles holds a Bachelor of Economics from the Australian National University and a Master of Business Administration from the University of Melbourne and is a member of the AICD and the FTA.

Mr Coles is a member of the Company's Audit and Risk Committee.

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

Mr Lester is a mining engineer with extensive experience in senior operating, development and corporate roles with Citadel Resources, OZ Minerals (and Oxiana prior), Newcrest, North, CRA and MIM. His activities have covered Australia, South East Asia, the Middle East and the Americas and includes a period in broking on both the research and corporate desks.

In addition to being a Non-Executive Director of Toro Energy, Mr Lester is a Non-Executive Director of Chesser Resources Ltd, White Rock Minerals Ltd, Nord Gold NV and Castlemaine Gold Ltd. Mr Lester is also a Director of the private Accessio Resources Pty Ltd and a Member of both the AusIMM and the AICD.

Mr Lester is the Chair of the Company's Audit and Risk Committee and member of the Company's Remuneration 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,

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Papyrus Australia Ltd , Lawson Gold Ltd, AO Energy Limited and was formerly a director of TW Holdings Ltd (resigned 14 December 2012). He is additionally Company Secretary to Minotaur Exploration Ltd, Mithril Resources Ltd, Petratherm Ltd and Musgrave Minerals Limited. He holds other public Company Secretarial positions and directorships with private companies and provides corporate advisory services to a wide range of organisations.

Mr Todd Alder, BEc (Acc), CPA ACIS

Mr Alder is a current employee of the Company and occupies the position of Chief Financial Officer. Mr Alder is a CPA and Chartered Secretary who has over 18 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:

- To advance 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 $6,886,942 (2012: $10,698,379 loss). Included in the loss was an impairment of $2,824,564 resulting from decisions to cease and /or reduce exploration activities over 24 tenements.

OPERATIONS OVERVIEW

CORPORATE ACTIVITY

Corporate activity over the 2013 financial year included;

- Toro executed a committed letter of offer for an A$12 million convertible debt finance facility from Macquarie Bank Limited in November 2012. Full legal documentation was finalised and the first tranche of A$8 million was drawn down in March 2013;
- Managing Director Greg Hall resigned and, as part of a planned succession, Dr Vanessa Guthrie was appointed MD of Toro Energy on 8 February. Mr Hall remains on the Board in a Non-Executive capacity;
- Toro drew down the second and final tranche of A$4 million from the A$12

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million convertible debt finance facility from Macquarie Bank Limited in June 2013;
- Binding heads of agreement with Rum Jungle Resources over Potash Rights on Lake Mackay completed in May 2013;
- Refer to Significant Events after the Balance Date for details on the Lake Maitland acquisition.

WILUNA PROJECT

The Company has made significant progress towards achieving the goal of constructing Western Australia's first uranium mine.

- In October 2012 Toro received the WA Government environmental approval for the Wiluna Uranium Project, completing the State Ministerial approval process;
- Phase 1 of the Definitive Feasibility Study for the Wiluna Uranium Project was completed;
- A geotechnical drilling program was completed to support the development of the tailings facility design;
- Traditional Owners participated in archaeological surveys to enable clearance of heritage issues on key tenements. Toro continued discussions with Central Desert Native Title Services, as the representative body for the Traditional Owners, on a mining agreement. Spokespeople for the Senior Lawmen continue to indicate that Toro's approach to negotiations is acceptable;
- Toro released an update on its Wiluna Project status, including updated economics. For full details on the Wiluna Project update refer to the ASX: TOE release of 28 November 2012;
- In April 2013 Toro received approval from the Federal Environment Minister for the Wiluna Project, completing all government assessments and environmental approval processes;
- In June 2013 the largest single drill program conducted at the Wiluna Project was successfully completed with 435 holes drilled for a total of 8,105 metres including access to areas previous excluded due to heritage constraints;
- In June 2013 a 28 day appeal window expired with no Federal Court appeals against the decision of the Federal Environment Minister to approve the Wiluna Project being received;
- Toro has continued to engage with potential partners interested in joint venture investment into the project, with a number of Confidentiality Agreements in place, and a data-room open for engaged partners.

EXPLORATION

- Airborne electromagnetic survey undertaken over the Wiso and Reynolds Range tenements in the Northern Territory with results indicating large palaeochannel systems similar to Lake Mackay/Theseus;
- Northern Minerals airborne radiometrics defined various anomalies for follow-up on Browns Range JV project;
- A maiden resource and updated exploration target range was published for the Theseus Project;

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Inferred Mineral Resource	(ppm)	Tonnage (Mt)	U_3O_8 (ppm)	Metal U_3O_8	
				(t)	**(Mlb)**
Grade Cut-off	**200**	**6.3**	**493**	**3,100**	**6.9**

- In addition, Toro defined an updated Exploration Target Range (ETR) for Theseus of:

  28 - 35 Million tonnes of ISR Uranium at 450-520ppm U_3O_8
  for 28Mlb to 40Mlb U_3O_8 (12,600t to 18,200t U_3O_8) #

  # **CAUTIONARY STATEMENT:** The Exploration Target Range 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.

  For full details on the resource estimation and the ETR refer to the ASX: TOE release of 5 December 2012.

  Wiluna resource category table and competent person statements for Wiluna and Theseus included as an appendix to this report.

URANIUM MARKET

At the time of reporting the spot price for uranium was US$34.50/lb U_3O_8 with the long term price holding at US$57/lb U_3O_8.

While short term market softness continues, longer term fundamentals remain encouraging. China has almost twice as many reactors under construction as it currently has in operation, United Arab Emirates and Turkey are adopting nuclear as base load power options, the elected Japanese Prime Minister, Shinzo Abe, favours nuclear power reactor re-starts to assist the recovery of that country's economy and the Indian - Australian Government bi-lateral talks on a safeguards agreement have commenced.

Longer term projections continue to point to an undersupply of uranium as more nuclear power plants are commissioned.

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.

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;

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- 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

In August 2013 the Company entered into a binding terms sheet to acquire the Lake Maitland Uranium Project in Western Australia from Mega Uranium Ltd for 415 million fully paid ordinary Toro shares.

The acquisition expands the Wiluna regional resource base by 42% from 54Mlb of U3O8 to 76Mlb and provides the opportunity to significantly reduce the operating costs and increase the operational life of the Wiluna project.

For full details on the Lake Maitland acquisition refer to the ASX: TOE release of 12 August 2013. (*Note: Wiluna Regional resource table and competency person statements included as an appendix to this report*.)

There have been no other 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. In particular, the following activities will be progressed over the 2013/14 reporting period:

- Preparation of a revised resource estimate for the Wiluna project following drilling in the first half of 2013 at Lake Way, Millipede and Dawson Hinkler;
- Pursuant to the satisfaction of all conditions precedent for the Lake Maitland acquisition, progress:
    - the strategy for completing the government assessment of mining at Lake Maitland based on the established Environmental Scoping Document;
    - mine optimization, scheduling and design studies on the combined Wiluna and Lake Maitland resources;
    - definitive feasibility study for Wiluna with the inclusion of Lake Maitland resources;

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  - discussions with IMEA (Itochu Minerals & Energy of Australia)/JAUD (Japan Australia Uranium Resources Development) on a potential expansion of their existing development interest in Lake Maitland;
  - project finance opportunities on the expectation that the enlaged Wiluna Project will significantly improve the project economics.
- Review of prospectivity and specifically drill targets across the Company's exporation tenements;
- Continue the assessment of value adding joint venture and or merger and acquisition opportunities.

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 adverse 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;

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- 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.

SHARE OPTIONS

Unissued Shares

For the period ending 30 June 2013, the movements in options to acquire ordinary shares in the Company were:

Issue Date	Expiry Date	Exercise Price	Balance at 1 July 2012	Net Issued/ (lapsed) during Year	Balance at 30 June 2013
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
02/11/2012	1/11/2015	$0.12	-	24,390,244	24,390,244
06/03/2013	4/03/2016	$0.14	-	42,253,521	42,253,521
27/06/2013	26/05/2016	$0.08	-	35,714,286	35,714,286
			37,025,000	97,998,051	135,023,051

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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 2013 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 $45,000. 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	15		3		1	
Number of meetings attended:	Eligible	Attended	Eligible	Attended	Eligible	Attended
Ms Erica Smyth	15	15	-	-	1	1
Dr Vanessa Guthrie	7	7	-	-	-	-
Mr Greg Hall	15	15	-	-	1	1
Mr Derek Carter	7	5	1	1	-	-
Mr Peter Lester	15	12	3	3	-	-
Mr Andrew Coles	15	13	2	2	1	1

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

Peter Lester	Non-executive director
Andrew Coles	Non-executive director (Appointed 27 November 2012)
Derek Carter	Non-executive director (Retired 27 November 2012)

Note: Donald Stephens (Company Secretary) and Todd Alder (Chief Financial Officer & 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
Greg Hall	Non-executive director
Peter Lester	Non-executive director (Appointed 27 November 2012)
Andrew Coles	Non-executive director (Retired 27 November 2012)

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.

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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.

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 share price and financial position. Performance against these key performance indicators is reviewed annually by the Remuneration Committee.

The non-executive directors and other executives receive a superannuation guarantee contribution required by the government, which for 2012/13 was 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.

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, Dr Vanessa Guthrie, are formalised in a contract of employment. Dr Guthrie commenced employment on 1 July 2011 and her gross salary, inclusive of the 9.25% superannuation guarantee, is $363,366 per annum.

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In addition to the fixed base salary Dr Guthrie's employment contract includes short and long term incentives.

The short term incentive package is subject to certain Key Performance Indicators and has a maximum award of 15% of the base annual salary. In addition to this a further 10% is payable at the discretion of the Board subject to a Final Investment Decision occurring for the Wiluna Project before 31 December 2013.

The long term incentive package is in the form of 12,503,238 Performance Share Rights with a three and a half year vesting term, half of which will vest subject to the Company's relative Total Shareholder Returns and the other half will vest subject to Key Performance Indicators. One third of the shares will be available for award each year with the first package awarded relative to performance up to 30 June 2014. The long term incentive package is considered to be a cost effective and efficient reward to appropriately incentivize the continued performance of Dr Guthrie in line with the strategic goals and targets of the Company. The issue of performance share rights is subject to shareholder approval.

The Company may terminate the employment contract without cause by providing four 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 Chief Financial Officer, 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 9.25% superannuation guarantee, is $202,113 per annum. The Company may terminate the contract should performance not meet contracted requirements by providing four 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 2012 Annual General Meeting

The Company received more than 96% of "yes" votes on its remuneration report for the 2012 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.

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Table 1: Directors' remuneration for the year ended 30 June 2013 and 30 June 2012

	Short Term	Short Term	Post [4] Employment	Share-based Payments*	Total
	Salary & Fees	Cash Bonus	Superannuation	Value of options	$
Erica Smyth					
2013	77,982	-	7,018	-	**85,000**
2012	77,982	-	7,018	95,000	**180,000**
Vanessa Guthrie [1]					
2013	334,870	-	16,474	-	**351,344**
2012	300,576	62,000	32,632	120,483	**515,691**
Gregory Hall [2]					
2013	260,968	-	15,326	-	**276,294**
2012	329,157	12,845	30,780	181,000	**553,782**
Derek Carter [3]					
2013	21,024	-	1,892	-	**22,916**
2012	50,459	-	4,541	95,000	**150,000**
Peter Lester					
2013	59,633	-	5,367	-	**65,000**
2012	59,633	-	5,367	95,000	**160,000**
Andrew Coles					
2013	50,459	-	4,541	-	**55,000**
2012	50,459	-	4,541	-	**55,000**

(1) Vanessa Guthrie appointed Managing Director on 8 February 2013.
(2) This includes Gregory Hall's salary as Managing Director up to and including 7 February 2013 and as Non-Executive Director from this date.
(3) Retired 27 November 2012.
(4) Superannuation Guarantee paid at 9% throughout the financial period ending 30 June 2013.

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

Directors' Report

Table 2: Remuneration of specified executives for the year ended 30 June 2013 and 30 June 2012

	Short Term	Short Term	Post [5] Employment	Share-based Payments*	Total
	Salary & Fees	Cash Bonus	Superannuation	Value of options/shares	$
Simon Mitchell [1]					
2013	146,908	-	12,764	-	**159,672**
2012	232,090	-	20,888	121,000	**373,978**
Mark McGeough [2]					
2013	291,997	-	17,687	-	**309,684**
2012	230,216	7,861	21,009	60,500	**319,586**
Martin Janes [3]					
2013	118,940	-	6,210	-	**125,150**
2012	234,600	5,750	21,632	30,250	**286,482**
Todd Alder					
2013	173,555	-	15,620	-	**189,175**
2012	161,441	7,875	15,238	60,500	**245,054**
Donald Stephens [4]					
2013	-	-	-	-	-
2012	-	-	-	18,150	**18,150**

(1) *Resigned 31 January 2013.*
(2) *Position made redundant on 28 February 2013.*
(3) *Position made redundant on 28 September 2012.*
(4) *During the 2012 financial year Donald Stephens received fees indirectly through HLB Mann Judd (SA) Pty Ltd.*
(5) *Superannuation Guarantee paid at 9% throughout the financial period ending 30 June 2013.*

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

Directors' Report

Options issued as part of remuneration

30 June 2013	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
Directors								
Nil								
Executives								
Nil								

30 Jun 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
Directors								
Nil								
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	0.102	0.22	03/01/16	04/01/11	03/01/16	100%

Share holdings of key management personnel

30 June 2013	Balance at 1 July 2012	On Exercise of Options	Net Change Other	Balance 30 June 2013
Directors				
Erica Smyth	225,967	-	-	225,967
Vanessa Guthrie	1,083,333	-	-	1,083,333
Greg Hall	176,333	-	-	176,333
Derek Carter	175,833	-	-	175,833
Peter Lester	153,750	-	-	153,750
Andrew Coles	-	-	-	-
	1,815,216	-	-	1,815,216
Executives				
Donald Stephens	35,000	-	-	35,000
Simon Mitchell	-	-	-	-
Mark McGeough	171,136	-	(157,500)	13,636
Todd Alder	-	-	-	-
Martin Janes	-	-	-	-
	206,136	-	(157,500)	48,636

Directors' Report

Option holdings of key management personnel

30 June 2013	Balance at 1 July 2012	Granted as remuneration	Options Exercised	Net change other	Balance at 30 June 2013
Directors					
Erica Smyth	2,000,000	-	-	(1,000,000)	1,000,000
Vanessa Guthrie	2,000,000	-	-	-	2,000,000
Greg Hall	3,000,000	-	-	-	3,000,000
Derek Carter	1,000,000	-	-	-	1,000,000
John Nitschke	1,000,000	-	-	-	1,000,000
Peter Lester	2,000,000	-	-	(1,000,000)	1,000,000
Andrew Coles	-	-	-	-	-
Executives					
Donald Stephens	1,000,000	-	-	-	1,000,000
Simon Mitchell	4,000,000	-	-	-	4,000,000
Mark McGeough	2,750,000	-	-	-	2,750,000
Todd Alder	2,375,000	-	-	-	2,375,000
Martin Janes	1,000,000	-	-	-	1,000,000
	22,125,000	-	-	(2,000,000)	20,125,000

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 2012 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.

Directors' Report

Non-Compliant: At the time of reporting there were five directors on the Company Board. Two of the five directors are considered to be independent with regards to the criteria established in the ASX Corporate Governance Councils Principle's and Recommendations. Due to the experience and historical conduct of the Board the Company believes the current structure of the Board complies with spirit and intent of Principle 2.1.

- 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;
- Mr Lester is considered as an independent director as he has no other material relationship or association with the Company or its controlled entities other than his directorship;
- 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, as a recently retired MD, is not considered independent with regards to the criteria established in the ASX Corporate Governance Councils Principle's and Recommendations. In all other respects Mr Hall meets the independence criteria;
- Dr Guthrie 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.

Directors' Report

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.

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 12 staff, of which 6 were female. The Board of directors consists of 4 male directors, 1 female Managing Director and 1 female Chair.

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.

Directors' Report

Non-Compliant: At the time of reporting the Company's audit committee consists of 2 members from the Board, an independent non-executive director as chair and a non-independent non-executive director and both Company Secretaries. The Company is reviewing the composition of the committee and although the Company Secretaries are not considered members under the guidelines, the Company considers the skill set and experience of the current composition to be the most appropriate mix to deliver on the spirit and intent of Principle 4.

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

Directors' Report

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.

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

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.

Directors' Report

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

Grant Thornton Audit Pty Ltd, 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 2013 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.

Dr Vanessa Guthrie
Managing Director

16th September 2013

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 2013, 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 AUDIT PTY LTD
Chartered Accountants

J L Humphrey
Director – Audit & Assurance

Adelaide, 16 September 2013

Consolidated Statement of Profit or Loss and Other Comprehensive Income
FOR THE YEAR ENDED 30 JUNE 2013

		Consolidated	
		2013	2012
	Note	$	$
Other income	3 (a)	345,612	936,988
Impairment of exploration and evaluation assets	3 (b)	(2,824,564)	(5,659,712)
Impairment of investment in associate	3 (b)	-	(419,525)
Employee benefits expense	3 (c)	(1,580,448)	(3,056,610)
Depreciation expense	3 (b)	(494,753)	(701,369)
Finance costs	3 (b)	(638,642)	-
Other expenses	3 (d)	(1,694,147)	(1,762,525)
(Loss) before income tax expense		(6,886,942)	(10,662,753)
Income tax expense	4	-	(35,626)
(Loss) for the year		(6,886,942)	(10,698,379)
Other comprehensive (loss)			
Other comprehensive loss for the year (net of tax)		-	-
Total comprehensive (loss) for the year		(6,886,942)	(10,698,379)
(Loss) attributable to:			
Owners of the Company		(6,886,942)	(10,698,379)
		(6,886,942)	(10,698,379)
Total comprehensive (loss) attributable to :			
Owners of the Company		(6,886,942)	(10,698,379)
		(6,886,942)	(10,698,379)
Earnings per share		*Cents*	*Cents*
From continuing operations:			
Basic earnings per share	5	(0.66)	(1.08)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position
AS AT 30 JUNE 2013

	Note	Consolidated 2013 $	Consolidated 2012 $
CURRENT ASSETS			
Cash and bank equivalents	6	11,244,118	12,808,887
Trade and other receivables	7	496,239	281,569
Other current assets	8	102,527	150,305
TOTAL CURRENT ASSETS		11,842,884	13,240,761
NON-CURRENT ASSETS			
Investments in associates	9	-	-
Property, plant and equipment	10	1,482,673	2,061,343
Exploration and evaluation assets	11	88,709,872	83,714,760
TOTAL NON-CURRENT ASSETS		90,192,545	85,776,103
TOTAL ASSETS		102,035,429	99,016,864
CURRENT LIABILITIES			
Trade and other payables	13	1,351,602	3,184,359
Short-term provisions	14	150,934	210,809
TOTAL CURRENT LIABILITIES		1,502,536	3,395,168
NON-CURRENT LIABILITIES			
Borrowings	15	7,824,460	-
Long-term provisions	14	83,435	183,109
TOTAL NON-CURRENT LIABILITIES		7,907,895	183,109
TOTAL LIABILITIES		9,410,431	3,578,277
NET ASSETS		92,624,998	95,438,587
EQUITY			
Issued Capital	16	217,588,796	217,588,796
Reserves	17	6,822,418	3,327,664
Accumulated Losses		(131,786,215)	(125,477,873)
Equity attributable to owners of the Company		92,624,999	95,438,587
TOTAL EQUITY		92,624,999	95,438,587

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

	Note	Issued capital $	Share option reserve $	Accumulated losses $	Attributable to owners of the parent $
		Consolidated			
Balance at 1 July 2011		211,564,891	2,319,084	(115,075,914)	98,808,061
Profit or (loss) for the year				(10,698,379)	(10,698,379)
Other comprehensive income for the year				-	-
Total comprehensive income for the year				(10,698,379)	(10,698,379)
Share purchase plan		5,320,000	-	-	5,320,000
Costs of share purchase plan (net of tax)		(86,095)	-	-	(86,095)
Expired Employee share-based payments		-	(296,420)	296,420	-
Employee share-based payments		-	1,305,000	-	1,305,000
Share Capital Issued to employee as a sign on bonus		40,000	-	-	40,000
Share Capital Issued for purchase of Nowthanna tenements		750,000	-	-	750,000
Balance at 30 June 2012		217,588,796	3,327,664	(125,477,873)	95,438,587
Profit or (loss) for the year				(6,886,942)	(6,886,942)
Other comprehensive income (loss) for the year				-	-
Total comprehensive income for the year				(6,886,942)	(6,886,942)
Employee share-based payments		-	4,249	-	4,249
Expired Employee share-based payments		-	(578,600)	578,600	-
Macquarie Bank Limited debt Facility share options		-	4,069,105	-	4,069,105
Balance at 30 June 2013	**16**	217,588,796	6,822,418	(131,786,215)	92,624,999

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

	Note	Consolidated 2013 $	Consolidated 2012 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(3,061,846)	(3,387,466)
Interest received		395,413	1,140,212
NET CASH (USED IN) OPERATING ACTIVITIES	6	(2,666,433)	(2,247,254)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		36,581	-
Purchase of property, plant and equipment		(93,042)	(118,073)
Purchase of exploration and evaluation tenements		-	(5,800,000)
Proceeds from sale of exploration assets		-	4,250,000
Payment of stamp duty		-	(340,048)
Payments for exploration & evaluation activities		(10,351,890)	(17,799,929)
NET CASH PROVIDED (USED IN) / PROVIDED BY INVESTING ACTIVITIES		(10,408,351)	(19,808,050)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	5,320,000
Transaction costs of issue of shares		-	(118,752)
Proceeds from borrowings		12,000,000	-
Transaction costs of borrowings		(489,985)	-
NET CASH PROVIDED BY / (USED IN) FINANCING ACTIVITIES		11,510,015	5,201,248
Net (decrease)/increase in cash and cash equivalents		(1,564,769)	(16,854,056)
Cash at the beginning of the financial year		12,808,887	29,662,943
CASH AT THE END OF THE FINANCIAL YEAR	6	11,244,118	12,808,887

The accompanying notes form part of these financial statements.

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

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 it's controlled entities ('the Company').

The financial report of the Company for the year ended 30 June 2013 was authorised for issue in accordance with a resolution of the directors on 16 September 2013. 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 2013, 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

AASB 10: "Consolidated Financial Statements" was issued by the Australian Accounting Standards Board (AASB) in May 2011 and replaces both the existing AASB 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

AASB 11: "Joint Arrangements" was also issued by the AASB in 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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

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
AASB 12: "Disclosure of Interests in other Entities" was issued by the AASB 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 AASB 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
AASB 13: "Fair Value Measurement" was issued by the AASB in 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.

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 20 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 Profit or Loss and 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. Borrowings

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.

Borrowings are recognised initially at fair value, net of transaction costs incurred. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between cost and redemption being recognised in the Statement of Profit or Loss and Other Comprehensive Income over the period of the borrowings on an effective interest basis. Fees paid on the establishment of loan facilities which are not an incremental cost relating to the actual drawdown of the facility, are recognised as a reduction in borrowings and amortised on a straightline basis over the term of the facility.

All other borrowing costs are recognised in the Statement of Profit or Loss and Other 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.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

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 Profit or Loss and Other 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. 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

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at 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 Limited 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.

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

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 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 Profit or Loss and Other 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 Profit or Loss and Other 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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

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 Profit or Loss and Other 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 Profit or Loss and Other Comprehensive Income.

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 Profit or Loss and Other 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 Statement of Profit or Loss and Other Comprehensive Income 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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

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 Profit or Loss and Other 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.

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

Key Estimates — Exploration and evaluation

The Company's policy for exploration and evaluation is discussed in note I. 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 Profit or Loss and Other 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.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

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 Admininistration $	Revenue & loss for the year $
30-Jun-13				
Segment Revenue	-	-	345,612	345,612
Segment Impairment Expense	-	(2,824,564)	-	(2,824,564)
Segment Depreciation Expense	(357,683)	(52,729)	(84,341)	(494,753)
Segment Result before tax	(357,683)	(2,877,293)	(3,651,966)	(6,886,942)
Income Tax expense	-	-	-	-
Segment loss for the period	(357,683)	(2,877,293)	(3,651,966)	(6,886,942)
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)

The revenue reported above represents revenue generated from interest received.

There were no intersegment sales during the year.

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-13	76,533,013	13,511,242	11,991,174	102,035,429
30-Jun-12	71,281,945	14,226,756	13,508,163	99,016,864

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

3. REVENUE AND EXPENSES

	Consolidated 2013 $	Consolidated 2012 $
(a) Other income		
Bank interest received or receivable	342,363	936,988
Net gain on disposal of equipment	3,249	-
Net gain on disposal of subsidiary	-	-
	345,612	936,988
(b) Expenses		
Impairment of non-current assets		
Impairment of exploration expenditure[1]	2,824,564	6,159,712
Impairment of investment in associate	-	419,525
Reversal of previously impaired asset	-	(500,000)
Total impairment of non-current assets	2,824,564	6,079,237

1. *Includes the surrender of 24 tenements (2012: 10 tenements).*

	Consolidated 2013 $	Consolidated 2012 $
Depreciation of non-current assets		
Leasehold Property	222,039	334,430
Buildings	13,354	14,479
Plant and equipment	214,582	291,287
Motor vehicles	44,778	61,173
Total depreciation	494,753	701,369
Finance expenses		
Borrowing costs - Amortisation of Macqarie transaction Facility Costs	383,550	-
Interest expense - Macquarie Debt Facility	255,092	-
Interest applicable to hire-purchase liabilities	-	-
Total borrowing costs	638,642	-
(c) Employees benefits expense		
Wages, salaries, directors fees and other remuneration expenses	2,902,763	4,156,885
Workers' compensation levies	59,179	66,001
Superannuation costs	257,004	381,475
Payroll Tax	143,523	209,169
Redundancies	297,281	-
Transfer to annual leave provision	192,067	276,559
Transfer to long service leave provision	(99,674)	67,284
Share-based payments expense	4,249	1,305,000
Transfer to capitalised tenements	(2,175,944)	(3,405,763)
	1,580,448	3,056,610

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

	Consolidated 2013 $	Consolidated 2012 $
(d) Other expenses from ordinary activities		
Promotion and advertising	89,187	173,464
Recruitment expenses	54,568	107,634
Travelling expenses	126,045	155,564
Securities exchange and share registry fees	178,557	172,573
Audit fees	32,350	30,020
Accounting and secretarial support	65,156	107,451
Conference expenses	58,931	110,791
Insurance costs	99,894	152,586
Consulting fees	311,494	160,343
Legal fees	79,793	83,539
Subscriptions	55,221	94,438
Rent and utility expenses	205,846	207,581
AGM, EGM and annual report expenses	52,793	73,170
Net loss on disposal of property, plant & equipment	133,631	-
Other expenses	150,681	133,371
	1,694,147	1,762,525

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

4. INCOME TAX

The major components of income tax expense are:

	Consolidated	
	2013 $	2012 $
Current income tax		
Current income tax charge	-	35,626
Income tax expense	-	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/(loss) before income tax	(6,886,942)	(10,662,753)
At the Group's statutory income tax rate of 30% (2012: 30%)	(2,066,083)	(3,198,826)
Immediate write off of capital expenditure	(2,345,903)	(7,839,240)
Sale of Tenements	-	1,275,000
Expenditure not allowable for income tax purposes	1,528,208	2,221,345
Research and Development Tax Offset	-	(209,247)
Other deductible items	(137,142)	(771,309)
Tax losses not recognised due to not meeting recognition criteria	2,773,871	8,348,556
Reversal of temporary differences	247,049	209,347
Total income tax expense	-	35,626

The Group has tax losses arising in Australia of $97,808,228 (2012: $95,034,357) 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.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

5. EARNINGS PER SHARE

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

	Consolidated	
	2013 $	2012 $
Net loss attributable to ordinary equity holders of the Company	(6,886,942)	(10,698,379)
Weighted average number of ordinary shares for basic earnings per share	1,041,936,676	992,064,073

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 2013.

6. CASH AND CASH EQUIVALENTS

	Consolidated	
	2013 $	2012 $
Cash at bank and in hand	844,118	2,588,887
Short-term deposits	10,400,000	10,220,000
	11,244,118	12,808,887

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 21.

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

	Consolidated 2013 $	Consolidated 2012 $
Reconciliation of net loss after tax to net cash flows		
Net loss	(6,886,942)	(10,698,379)
Adjustments for non-cash items:		
Depreciation	494,753	701,369
Amortisation of Macquarie options	383,550	-
Impairment of non-current assets	2,824,564	6,079,237
Net (profit)/loss on disposal of property, plant and equipment	139,028	-
Tax expenses recognised in profit & loss	-	35,626
Exploration activities expensed	110,118	13,786
Share based payments	4,249	1,345,000
Changes in assets and liabilities		
(Increase)/Decrease in trade and other receivables	(213,298)	5,042
(Increase)/Decrease in accrued income	53,050	203,224
(Increase)/Decrease in prepayments	(5,271)	(14,774)
Increase/(Decrease) in trade and other payables	(1,832,784)	1,994,245
Increase/(Decrease) in employee provisions	(159,549)	52,980
Movement in trade payables treated as investing activities	2,422,099	(1,964,609)
Net cash (outflow) from operating activities	(2,666,433)	(2,247,254)

7. TRADE AND OTHER RECEIVABLES

	Consolidated 2013 $	Consolidated 2012 $
Sundry receivables (i)	298,281	-
Goods and services tax receivable	197,958	281,569
	496,239	281,569

(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 2013 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 21.

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

8. OTHER CURRENT ASSETS

	Consolidated	
	2013	2012
	$	$
Prepayments	76,039	70,767
Accrued income	26,488	79,538
	102,527	150,305

9. INVESTMENT IN ASSOCIATE

	Consolidated	
	2013	2012
	$	$
Investment in Associate	1,528,780	1,528,780
Impairment of Investment in Associate	(1,528,780)	(1,528,780)
	-	-

In line with AASB 128 and AASB 139 the investment in associate has been fully impaired. This reflects the Company's view of reduced prospectivity for uranium across the Nova Energy (Namibia) Pty Ltd tenements.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

10. PROPERTY PLANT & EQUIPMENT

	Consolidated				
30 JUNE 2013	**Plant & equipment**	**Motor Vehicles**	**Leasehold Property**	**Buildings**	**Total**
At Cost	**$**	**$**	**$**	**$**	**$**
1 July - opening	2,000,713	503,605	1,200,000	200,000	3,904,318
Additions	93,041	-	-	-	93,041
Disposals	(422,966)	(182,082)	-	-	(605,048)
30 June - closing	1,670,788	321,523	1,200,000	200,000	3,392,311
Accumulated Depreciation					
1 July - opening	(1,072,062)	(215,073)	(533,882)	(21,958)	(1,842,975)
Disposals	324,479	103,611	-	-	428,090
Depreciation expense	(214,582)	(44,778)	(222,039)	(13,354)	(494,753)
30 June - closing	(962,165)	(156,240)	(755,921)	(35,312)	(1,909,638)
Property Plant & Equipment					
At Cost	1,670,788	321,523	1,200,000	200,000	3,392,311
Accumulated depreciation	(962,165)	(156,240)	(755,921)	(35,312)	(1,909,638)
Net carrying amount	708,623	165,283	444,079	164,688	1,482,673

30 JUNE 2012					
At Cost	**$**	**$**	**$**	**$**	**$**
1 July - opening	1,882,641	503,605	1,200,000	200,000	3,786,246
Additions	118,072	-	-	-	118,072
Disposals	-	-	-	-	-
30 June - closing	2,000,713	503,605	1,200,000	200,000	3,904,318
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	(1,072,062)	(215,073)	(533,882)	(21,958)	(1,842,975)
Property Plant & Equipment					
At Cost	2,000,713	503,605	1,200,000	200,000	3,904,318
Accumulated depreciation	(1,072,062)	(215,073)	(533,882)	(21,958)	(1,842,975)
Net carrying amount	928,650	288,532	666,118	178,042	2,061,343

Leasehold property represents a pastoral lease acquired by the Company during the 2010/11 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 2013

11. EXPLORATION AND EVALUATION ASSETS

	Consolidated	
	2013	2012
	$	$
Balance at beginning of financial year	83,714,760	67,403,197
Share acquisition - Nowthanna [1]	-	750,000
Cash acquisition - Nowthanna [1]	-	1,300,000
Cash acquisition - Millipede [2]	-	4,500,000
Impairment of exploration expenditure [3]	(2,824,564)	(6,159,712)
Sale of Mt Woods U_3O_8 Rights	-	(3,750,000)
Sale of Roxby Downs U_3O_8 Rights	-	(500,000)
Reversal of previously booked impairments [4]	-	500,000
Other Expenditure during the year	7,819,676	19,671,275
Nova Energy Namibia - loss of control	-	-
	88,709,872	83,714,760

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

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

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 Profit or Loss and Other Comprehensive Income in relation to share-based payments is disclosed in note 3(c).

Macquarie Bank Ltd Debt Facility

The Company has issued options to Macquarie Bank Limited in consideration for the arrangement of the A$12m Debt Facility. The number of options issued to Macquarie Bank Limited were:

Issue Date	Number	Exercise Price	Expiry Date	Fair Value
02/11/2012	24,390,244	$0.123	01/11/2015	$0.0546
06/03/2013	42,253,521	$0.142	07/03/2016	$0.0386
26/06/2013	35,714,286	$0.084	07/03/2016	$0.0310

The fair value of the options issued to Macquarie Bank Limited were calculated using the Black Scholes pricing model.

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

	2013 No.	2013 WAEP	2012 No.	2012 WAEP
Outstanding at the beginning of the year	37,025,000	0.28	20,460,000	0.42
Granted during the year	102,358,051	0.12	18,825,000	0.17
Cancelled during the year	(4,360,000)	0.72	(2,260,000)	0.68
Outstanding at the end of the year	135,023,051	0.14	37,025,000	0.28
Exercisable at the end of the year	135,023,051	0.14	35,775,000	0.20

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

The outstanding balance as at 30 June 2013 is represented by:

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
02/11/2012	1/11/2015	$0.12	-	24,390,244	24,390,244
06/03/2013	4/03/2016	$0.14	-	42,253,521	42,253,521
27/06/2013	26/05/2016	$0.08	-	35,714,286	35,714,286
			37,025,000	97,998,051	135,023,051

The weighted average remaining contractual life for the share options outstanding as at 30 June 2013 is 2.60 years (2012: 3.02 years). The range of exercise prices for options outstanding at the end of the year was $0.08 - $0.55 (2012: $0.11 - $1.21). The weighted average fair value of options granted during the year was $0.04 (2012: $0.07).

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 2013 and 30 June 2012:

	2013	2012
Volatility (%)	60.72%	89.06%
Risk-free interest rate (%)	3.41%	4.72%
Expected life of option (years)	3.00	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 2013

13. TRADE AND OTHER PAYABLES (CURRENT)

	Consolidated 2013 $	Consolidated 2012 $
Trade payables (i)	756,933	1,853,817
Other payables (ii)	87,629	106,505
Accrued Expenses	251,947	1,224,037
Interest payable (iii)	255,093	-
	1,351,602	3,184,359

(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.
(iii) Interest payable relates to the Macquarie Debt Facility

Information regarding the credit risk of current payables is set out in note 21.

14. PROVISIONS

	Consolidated 2013 $	Consolidated 2012 $
Short-term provisions		
Annual leave provision		
Opening Balance	210,809	225,113
Movement during year	(59,875)	(14,304)
Closing Balance 30 June	150,934	210,809
Long-term provisions		
Long Service Leave:		
Opening Balance	183,109	115,825
Movement during year	(99,674)	67,284
Closing Balance 30 June	83,435	183,109

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

15. BORROWINGS

	Effective Interest Rate	Maturity	Consolidated 2013 $	2012 $
BORROWINGS				
Non-current				
Other loans:				
A$12m Macquarie Debt Facility	8.35%	1-Mar-16	12,000,000	-
Less: Transaction costs			(4,559,090)	-
Add : Ammortised transaction costs			383,550	-
			7,824,460	-

The principals used to account for the Macquarie Debt Facility are consistent with AASB 139 ‘Financial Instruments: Recognition and Measurement’, and are referred to within the Statement of Significant Accounting Policies at note 1 paragraph c.

The $12,000,000 Macquarie Debt Facility is a secured loan with a term of three years. Toro is obliged to repay the loan in full on or before March 2016 (the three year expiry date), in the event of a sale of its interest in the Wiluna Project or when it undertakes a loan drawdown in respect of any project funding of the Wiluna Project. The interest rate applicable to the loan is at the Australian bank bill rate plus a fixed margin.

In line with the terms of the Facility, Toro issued 3 tranches of 3 year options to Macquarie at an exercise price at a 20% premium to Toro’s 30 day volume weighted average share price (“30 day VWAP”) at the time of each tranche issued. Should all the options be exercised, the funds raised would be equivalent to the A$12m face value of the facility. Under the terms of the Facility, any proceeds from the exercise of the options must be directed towards the repayment of the outstanding loan balance.

In respect of any other asset sales, Toro is obliged to direct 50% of any cash proceeds towards loan repayment when the asset sale has a value greater than A$2.0 million.

Refer to the Statement of Significant Accounting Policies, ‘Borrowings’ at Note 1(c), for a description of the accounting treatment of the Macquarie Debt Facility.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

16. ISSUED CAPITAL

	Consolidated 2013 $	Consolidated 2012 $
Ordinary Shares	217,588,796	217,588,796
	217,588,796	217,588,796

Ordinary shares	Number*	$
Balance at beginning of financial year	139,610,410	217,588,796
Share Capital Issued	-	-
Balance at end of year	139,610,410	217,588,796

Ordinary shares	Legal Parent Entity 2013 Number	Legal Parent Entity 2013 $
Balance at beginning of financial year	1,041,936,676	357,455,066
Share Capital Issued	-	-
Balance at end of year	1,041,936,676	357,455,066

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 2013.*

17. RESERVES

	Consolidated 2013 $	Consolidated 2012 $
Reserves		
Share Option Reserve	6,822,418	3,327,664
	6,822,418	3,327,664

Nature and purpose of reserves

Share-option Reserve

This reserve is used to record the value of equity benefits provided to either employees, directors or third parties as part remuneration or other transaction consideration. Refer to note 12.

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

18. COMMITMENTS

	Consolidated 2013 $	Consolidated 2012 $
Operating leases		
Not longer than 1 year	272,538	468,237
Longer than 1 year and not longer than 5 years	21,480	277,866
	294,018	746,103

Terms of lease arrangements
The Company has operating leases in place for its principal place of business in Adelaide which expires on 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 2013 which acts as bond for the Perth office lease agreement.

Exploration leases
As at 30 June 2013 the Company held Exploration Licences over 94 tenements. The rental, rates and statutory expenditure commitments required for these tenements are $5,067,092 within 1 year and $36,289,346 between 2 and 5 years.

The Company has various bank guarantees totalling $1,232,847 at 30 June 2013 which act as collateral over tenements which the Company operates.

19. AUDITORS REMUNERATION

	Consolidated 2013 $	Consolidated 2012 $
Audit or review of the financial report	32,350	34,500
Other services	-	-
	32,350	34,500

20. CONTROLLED ENTITIES

Name of company	Country of incorporation	Ownership interest 2013 %	Ownership interest 2012 %
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)	Australia	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 2013

21. 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	
	2013	2012
	$	$
FINANCIAL ASSETS		
Cash and cash equivalents	11,244,118	12,808,887
Trade and other receivables	496,239	281,569
FINANCIAL LIABILITIES		
Trade and other payables	1,351,602	3,184,359
Obligations under hire purchase	-	-
Borrowings	12,000,000	-

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, borrowings 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

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

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 $70,531 (2012: $88,297) which is attributable to the Company's exposure to interest rates on its variable bank deposits and the Macquarie Debt Facility.

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 2013	**$**	**$**	**$**	**$**
FINANCIAL LIABILITIES				
Fixed rate	-	7,824,460	844,562	8,669,021
Weighted average effective interest rate	-	**8.35%**		
Year ended 30 June 2012				
FINANCIAL LIABILITIES				
Fixed rate	-	-	1,960,322	1,960,322
Weighted average effective interest rate	-	-		

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

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 2013	**$**	**$**	**$**	**$**
FINANCIAL ASSETS				
Fixed rate	10,400,000	-	496,239	10,896,239
Weighted average effective interest rate	**3.99%**			
Floating rate				
Cash assets	844,118	-	-	844,118
Weighted average effective interest rate	**2.60%**			
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%**			

22. 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 2013 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 20. 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 23.

b) Other related party transactions

The Company ceased renting 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 2013 was $0 (2012: $24,786). These transactions were conducted on commercial terms and at arms length.

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

23. PARENT ENTITY INFORMATION

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

	Parent	
	2013	2012
	$	$
Financial position		
Current assets	11,842,882	13,240,758
Non-current assets	90,192,546	85,631,067
Total assets	**102,035,428**	**98,871,824**
Current liabilities	1,502,535	3,395,169
Non-current liabilities	7,907,895	183,109
Total liabilities	**9,410,430**	**3,578,278**
Shareholders equity		
Issued capital	357,368,972	357,368,970
Reserves	6,687,271	3,192,517
Accumulated losses	(271,431,244)	(265,267,940)
Total equity	**92,624,999**	**95,293,547**
Financial performance		
Loss for the year	(6,741,902)	(10,843,420)
Other comprehensive income/(loss)	-	-
Total comprehensive loss	**(6,741,902)**	**(10,843,420)**

**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 guarantee facility. At the time of reporting Nova Energy Pty Ltd was using $1,232,847 of this facility to secure tenement bonds at Wiluna and Lake Mackay.

Contingent liabilities of the parent entity

As at 30 June 2013 the legal Parent Entity, Toro Energy Limited held exploration Licenses over 27 tenements. The rental rates and statutory expenditure commitments required for these tenements are $1,375,378 within one year and $13,568,620 between two and five years.

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

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

	Parent	
	2013	2012
	$	$
Operating leases		
Not longer than 1 year	272,538	422,992
Longer than 1 year and not longer than 5 years	21,480	668,349
Longer than 5 years	-	-
	294,018	1,091,341
Hire purchase commitments		
Not longer than 1 year	-	-
Longer than 1 year and not longer than 5 years	-	-
	-	-
Less: future finance charges	-	-
	-	-

24. EVENTS AFTER THE BALANCE SHEET DATE

In August 2013 the Company entered into a binding terms sheet to acquire the Lake Maitland Uranium Project in Western Australia from Mega Uranium Ltd for 415 million fully paid ordinary Toro shares.

The acquisition expands the Wiluna regional resource base by 42% from 54Mlb of U_3O_8 to 76Mlb and provides the opportunity to significantly reduce the operating costs and increase the operational life of the Wiluna project.

For full details on the Lake Maitland acquisition refer to the ASX: TOE release of 12 August 2013. (*Note: Wiluna Regional resource table and competency person statements included as an appendix to this report.*)

There have been no other 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 20133 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 Chief Financial Officer have 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 give 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 2013.

On behalf of the Board

Dr Vanessa Guthrie
Managing Director

Signed this 16th day of September 2013

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 2013, the consolidated statement of profit or loss and other 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 The Directors' responsibility also includes 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 Dirctors 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. 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 2013 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 2013. 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 2013, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J L Humphrey
Director – Audit & Assurance

Adelaide, 16 September 2013

APPENDIX 1

Wiluna Project and Wiluna Regional Resource Table

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 Wiluna Project	***Measured & Indicated*** ***Inferred***	***13.21*** ***9.68***	***542*** ***480***	***7,165*** ***4,642***	***15.79*** ***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 Wiluna Regional	***Indicated*** ***Inferred***	***1.77*** ***30.51***	***412*** ***386***	***728*** ***11,762***	***1.61*** ***25.93***
Total Wiluna Resources	***Measured Indicated and Inferred***	***55.17***	***441***	***24,297***	***53.56***

COMPETENT PERSONS STATEMENTS

The information presented here that relates to Mineral Resources of the Wiluna Uranium Project (inclusive of the Centipede, Lake Way, Millipede, Dawson Hinkler and Nowthanna uranium deposits) 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. Mr Guibal takes overall responsibility for the Resource Estimate, and Dr Karner takes responsibility for the integrity of the data supplied for the estimation. Dr Karner, and Mr Guibal are Members of the Australasian Institute of Mining and Metallurgy (AusIMM), Mr Simpson is a Member of the Australian Institute of Geoscientists (AIG) and they 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.

Information in this report relating to the Theseus Resource Estimate is based on work supervised by Michael Andrew, who is a Member of the Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists. Mr Andrew is a full-time employee of Optiro, 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 Andrew consents to the inclusion in this release of the matters based on his information in the form and context in which it appears.

Information in this report relating to the Theseus Exploration Target Range and Exploration Results is based on information compiled by Dr David Rawlings, who is a Member of the Australasian Institute of Mining and Metallurgy. Dr Rawlings is a full-time employee of Toro, 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'. Dr Rawlings consents to the inclusion in this release of the matters based on his information in the form and context in which it appears.