

Toro Energy Limited

ACN 117 127 590

2021 Interim Financial Report



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CORPORATE INFORMATION

Directors

Richard Homsany - Executive Chairman

Richard Patricio - Non-Executive

Michel Marier - Non-Executive

Company Secretary

Katherine Garvey

Registered Office

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West Perth WA 6005

Telephone: +61 8 9214 2100

Share Registry

Advanced Share Registry Services

110 Stirling Highway

Nedlands WA 6009

Auditor

Moore Australia Audit (WA)

Level 15, Exchange Tower

2 The Esplanade

Perth WA 6000

Securities Exchange Listing

Australian Securities Exchange

ASX code: TOE

DIRECTORS' REPORT

The directors (**Directors**) of Toro Energy Limited (**Toro** or **the Company**) present their Report together with the financial statements of the Consolidated Entity, being the Company and its Controlled Entities (**the Group**) for the half-year ended 31 December 2021.

Director details

The following persons were Directors of Toro during or since the end of the financial half-year:

Mr Richard Homsany	Executive Chairman
Mr Richard Patricio	Non-Executive
Mr Michel Marier	Non-Executive

Company Secretary

Ms Katherine Garvey

Review of operations and financial results

The Company's net loss after income tax was \$1,004,553 (2020: \$4,564,899). Included in the loss were non-cash impairment expenses of \$2,335,937, which were incurred during the current period. The impairment is largely due to the current subdued uranium market. The Company continued to actively pursue the development of its Wiluna Uranium Project, with continued improvements being made to the value of the Wiluna Uranium Project (**Figure 1**) during the period through research, innovation and engineering opportunities and the successful integration of vanadium into the Lake Maitland uranium resource. During the period the Company also continued nickel exploration activities at its Dusty Nickel Project and gold exploration activities at its Yandal Gold Project, each within the area of its Lake Maitland Project (which are both located within the tenure of the Wiluna Uranium Project).

Exploration

Dusty Nickel Project

The Company's 100% owned Dusty Nickel Project is located in the Yandal Greenstone Belt, some 50km east of the world class Mt Keith Nickel Deposit (**Figure 1**). The Dusty Nickel Project is located within the same tenure as the Yandal Gold Project (but excluding the northern target area, Golden Ways) and currently consists of two main target areas, Dusty in the north and Yandal One in the south (**Figure 2**). During the period the Company continued its 2021 diamond drilling campaign on the Dusty Nickel Project.

Dusty 1

Massive nickel sulphides were first intersected at Dusty 1 by Toro in 2019 with Reverse Circulation (**RC**) drill hole TERC13 but were not confirmed until analysis of diamond drill hole TED03 in 2020, which showed that TERC13 had intersected 15cm of massive nickel sulphides (refer to the Company's ASX announcement of 13 July 2020) grading 1.86% nickel, 0.08% cobalt and 0.19% copper from 177.5m downhole (refer to the Company's ASX announcement of 1 September 2020).

To date eight (8) diamond holes and one (1) RC hole for 2,537.2m, inclusive of TERC13 and TED03 above, have been drilled at Dusty 1. All of these drill holes have intersected nickel sulphides in some form, either massive, semi-massive, as 'blebs', as 'stringers' and/or disseminated. The best intersections at Dusty 1 so far are:

- TED04, targeting the same depth as TED03, but 47m to the SE, intersected **2.6m grading 3.45% Ni, 0.18% Cu, 0.15% Co and 0.388g/t platinum and palladium (Pt+Pd)** from 184.5m downhole (**Figure 4**).
- TED07, targeting 117m down-dip to the east of TED04 intersected 9m of nickel sulphides grading **2.07% Ni from 250.9m downhole and inclusive of 4.5m cumulative of massive nickel sulphide grading 3.91% Ni, 0.34% Cu, 0.13% Co and 0.45 g/t Pt+Pd (Figure 4)**.

DIRECTORS' REPORT

All drill holes at Dusty 1 to date have intersected massive nickel sulphides of some description and thickness, and which are now spread over a local area of approximately 50m along strike horizontally and some 100m down-dip to the east along the base of the komatiite. Diamond drill holes TED21 and TED22 are the first holes drilled at Dusty 1 since TED11 in 2020 (refer to ASX announcement of 1 September 2021) and the intersections of massive nickel sulphides in TED22, down-dip of the massive nickel sulphides in TED07, and the visible nickel sulphides in TED21, along strike from the massive nickel sulphides in TED04, is further evidence that the Dusty 1 discovery is an area with a significant concentration of komatiite hosted massive nickel sulphide. The nickel sulphide zone remains open at depth and along strike to the NW. The nickel sulphides may also continue up-dip towards the base of the overlying paleochannel.

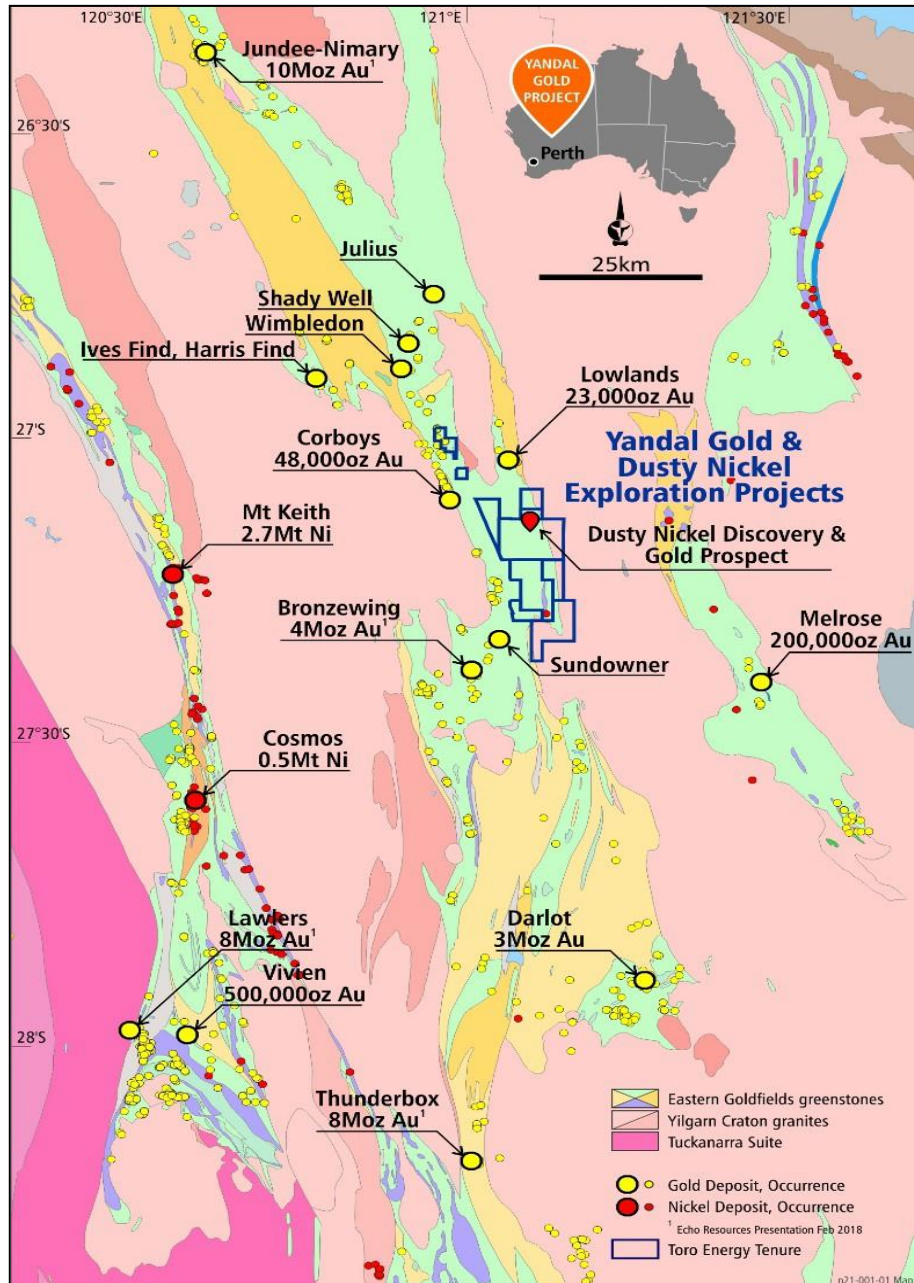


Figure 1: Location of Toro's Yandal Gold and Dusty Nickel Projects. The map shows the Yandal Greenstone Belt, the location of gold deposits and occurrences and the three major gold producing operating centres, Jundee-Nimary, Bronzewing and Darlot. The map also shows the location of the Mt Keith and Cosmos nickel deposits on the Wiluna-Agnew greenstone belt to the west

DIRECTORS' REPORT

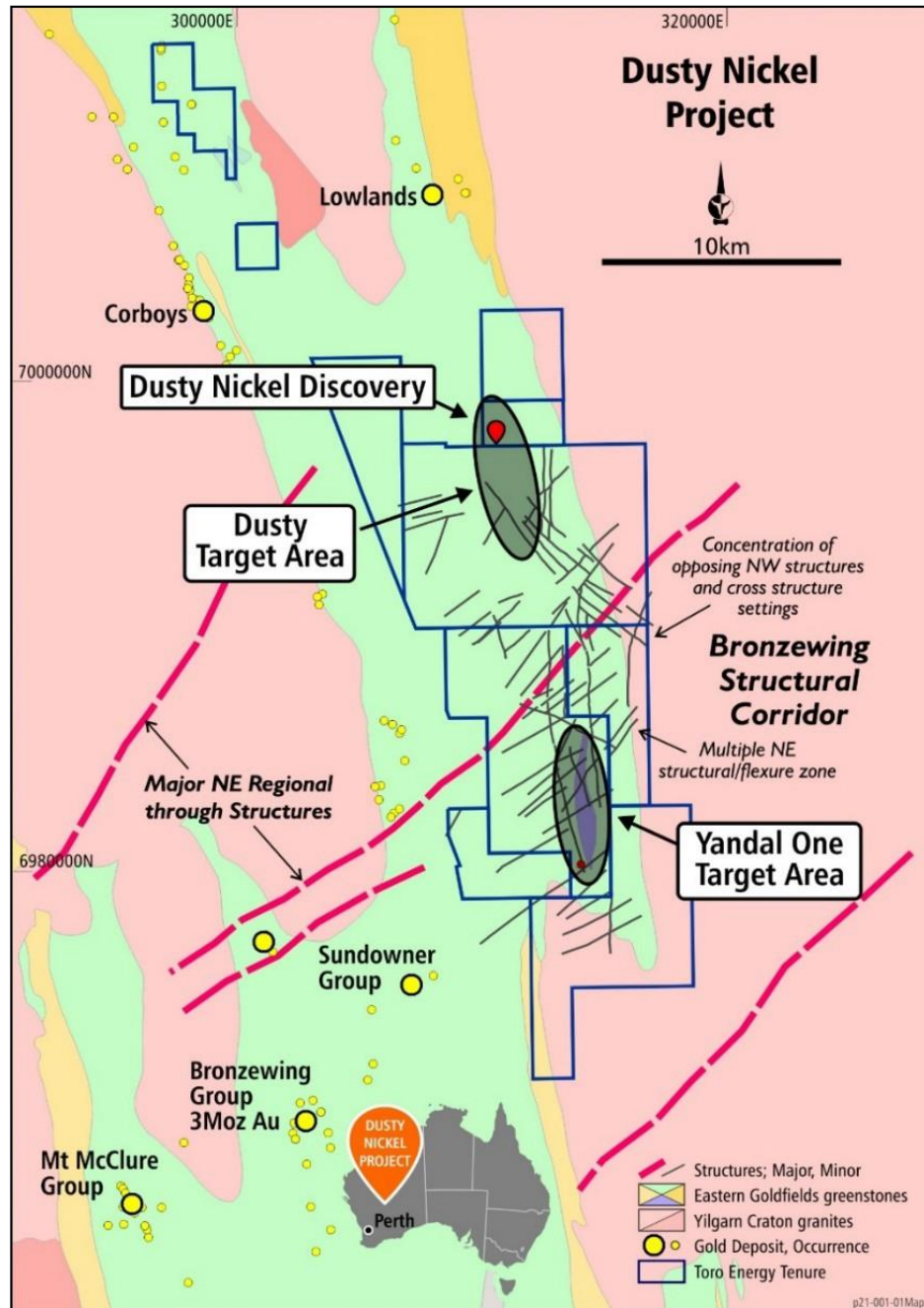


Figure 2: Location of the two main target areas within the Dusty Nickel Project, Dusty and Yandal One.

DIRECTORS' REPORT

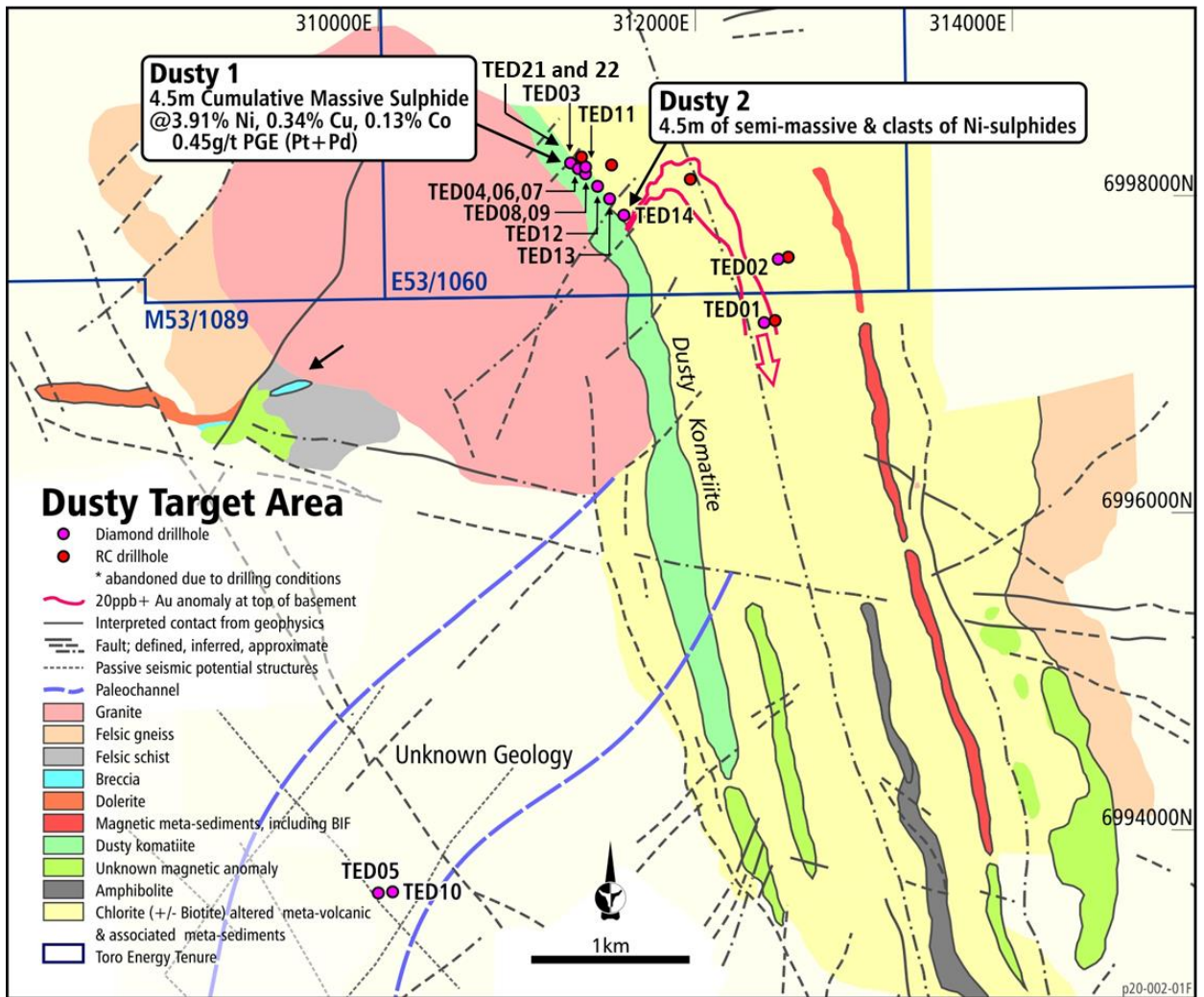


Figure 3: Location of TED21 and TED22 relative to the Dusty nickel discoveries within the Dusty Target Area. TED21 and TED22 are located proximal to TED04 and TED07 respectively, within the local area of the Dusty 1 nickel discovery.

DIRECTORS' REPORT

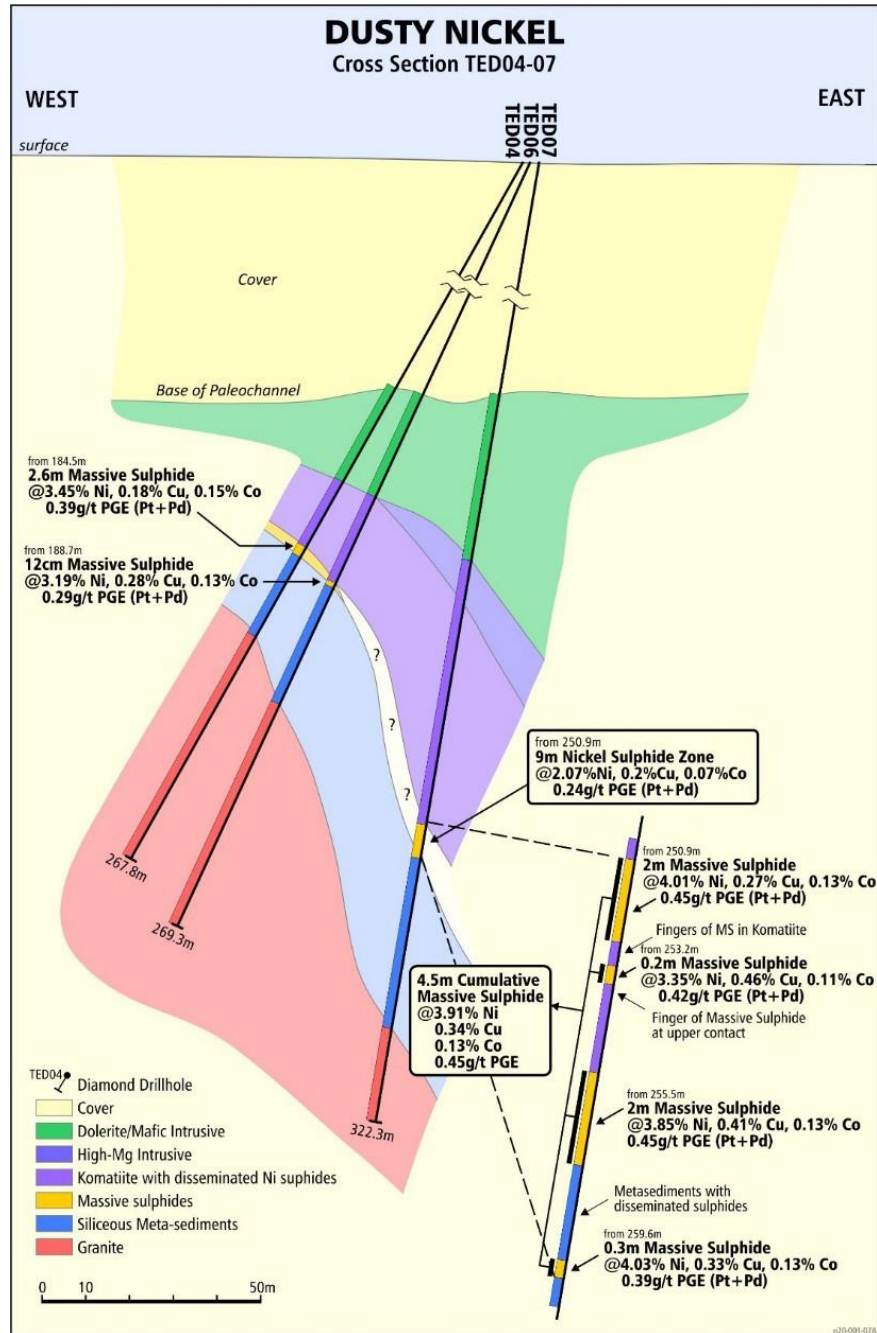


Figure 4: Geological E-W cross-section of Dusty looking north with information from drill holes TED04, 06 and 07. Inset shows the break-down of the 9m section of sulphide mineralisation intersected in TED07, which includes four intersects of massive nickel sulphide. See text for further details.

DIRECTORS' REPORT

Dusty 2

As announced by the Company on 24 August 2021, geochemical assays received during the quarter have confirmed the discovery of semi-massive nickel sulphides at Dusty 2 in diamond drill hole TED14, within the Dusty Nickel Project (**Figure 3**). No other drilling has been undertaken within the vicinity of the Dusty 2 target as yet. TED14 intersected 3.05m of semi-massive nickel sulphide from 297.75m downhole grading 1.59% nickel (Ni), 0.06% cobalt (Co), 0.07% copper (Cu) and 0.34g/t platinum and palladium (Pt+Pd). However, this included:

- 0.75m at 4.3% Ni, 0.15% Co, 0.1% Cu, 0.89g/t Pt+Pd from 297.75m downhole, which in turn included
- 0.25m at 5.85% Ni, 0.2% Co, 0.06% Cu and 0.32g/t Pt+Pd from 297.75m downhole.

Geochemistry supports the presence of low grade disseminated nickel sulphides above the semi-massive sulphide. The semi-massive nickel sulphides at Dusty 2 were intersected in the same geological position as the massive nickel sulphides discovered at Dusty 1 some 400m to the NW, at the base of the Dusty Komatiite/ultramafic unit.

Given the continued success of the diamond drilling campaign on the Dusty Nickel Prospect, the mud-rotary/diamond drilling programme was extended to 3,000m, double that originally planned. Follow-up diamond drilling was carried out at the Dusty Nickel Discovery, with 7 mud rotary/diamond holes drilled for 2,029.7m focused on testing for extension of the massive nickel sulphides already intersected by the Company at Dusty.

The evidence to date suggests that the Dusty Nickel Discovery is one of komatiite hosted massive nickel mineralisation similar to most of the massive nickel sulphide deposits exploited in the Yilgarn of Western Australia.

Yandal One Target Area

The Yandal One Target Area for nickel exploration is located some 20km south of the Dusty Discovery (refer to **Figure 2**) and incorporates a large folded Komatiite ultramafic rock unit uncovered by Toro by RC drilling a magnetic target in 2016 and interpreted from magnetics to have a folded strike length of some 8km. Whilst the original Yandal One target, a large disseminated sulphide deposit of the type found at Mt Keith, was not as yet validated, Toro concluded that the Yandal One area was still prospective for massive nickel sulphide mineralisation. There had been no further drilling at the Yandal One Target Area since Toro's 2016 RC drilling program.

The Company's 2021 diamond drilling campaign on its Dusty Nickel Project included a single diamond drill hole at the Yandal One Target Area (TED17). The drill hole targeted the base of the Yandal One komatiite-ultramafic rock unit at depth to test for prospectivity for komatiite hosted massive nickel sulphides. Although very difficult ground conditions hindered drilling, the hole was completed, successfully reaching the target. Toro awaits the return of geochemical assays to make an assessment on the prospectivity of the komatiite for nickel sulphides.

Yandal Gold Project

During the reporting period the Company undertook analysis of diamond drill hole TED10, located within its Yandal Gold Project and some 4.5km SW of the Dusty Nickel Discovery in an area now known as Lake Maitland Central (**LMC**). This analysis confirmed the geology of the Yandal Gold Project to be highly prospective for Volcanic Hosted Massive Sulphide (**VHMS**) related gold and base metal mineralisation. TED10 was drilled to investigate the previously unknown geology in the vicinity of bore hole TED05, which intersected breccia beneath the paleochannel with up to 0.2m at 1.51g/t gold, 0.73% copper, 0.38% zinc, 22.5g/t silver and 8.6% sulphur from 156.3m downhole (true depth) (refer to ASX announcement of 6 August 2020) (see **Figure 5**).

TED10 intersected favourable VHMS host geology from the base of the paleochannel to the end of hole at 364.5m (downhole) including a thick sequence of intermediate volcanics and related igneous intrusions with evidence of hydraulic fracturing/brecciation, veining and hydrothermal textures. Pervasive carbonate alteration and disseminated pyrite, often associated with VHMS deposits, were observed throughout the entire drill hole including 8m averaging 2.7% carbonate and 1.61% sulphur from 194m downhole. Fracturing, brecciation and hydrothermal textures were often associated with anomalous base metals, gold and pathfinder elements including 0.35m grading 1.95% lead, 0.86% zinc, 0.12% copper, 15.5g/t silver, 145g/t cadmium, 10.2g/t antimony, 0.08g/t gold and 6.4% carbonate from 286.2m downhole (refer to Figure 8). Although such extensive and pervasive carbonate alteration has not been well documented in the VHMS mineralisation so far discovered in the Yilgarn it has been documented as a clear large-scale feature surrounding the VHMS deposits in Tasmania and in other locations around the world.

Toro will now further investigate the existing geophysics over LMC to aid in planning the next drill holes, which are intended to test the immediate and adjacent areas.

DIRECTORS' REPORT

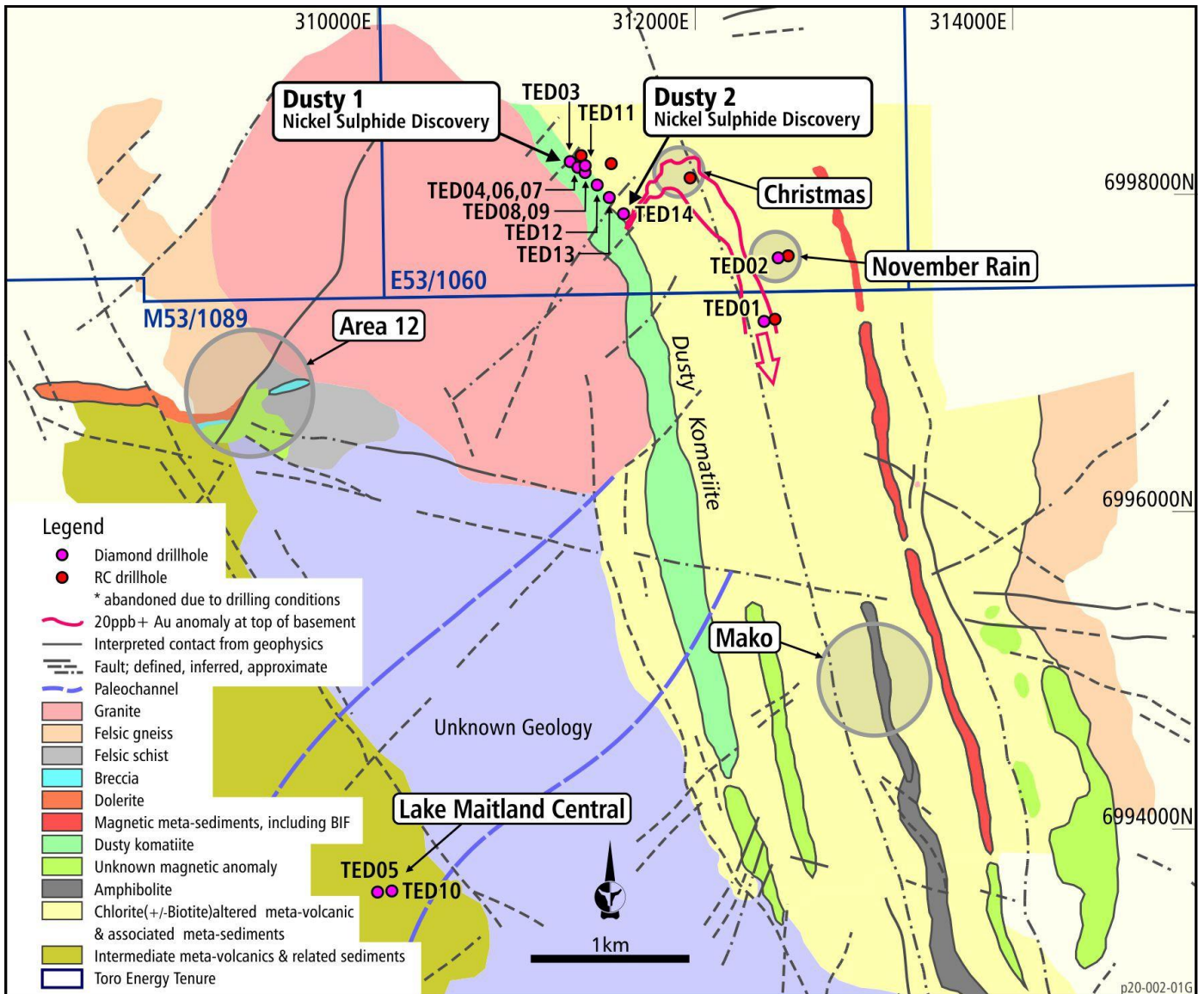


Figure 5: Location of TED10 and TED05 drill holes in the area now known as Lake Maitland Central relative to other areas of current exploration activity in the Yandal Gold Project.

DIRECTORS' REPORT

Wiluna Uranium Project

During the reporting period the Company has continued to improve the value of its Wiluna Uranium Project (**Figure 6**) through research, innovation and engineering opportunities. The Company's efforts in this regard include proposed changes to the processing flowsheet design which have resulted in potential improvements in the capital and operating costs of the Wiluna Uranium Project as well as a potential improvement in overall uranium recovery from the plant. The changes have resulted from the opportunities highlighted by the test work completed as part of the Beneficiation and Process Design studies (**Studies**) that have been ongoing since completion of the 2016 Scoping Study (please refer to the Company's ASX announcement of 5 December 2016).

On 14 December 2021 the Company announced that the integration of vanadium into the Lake Maitland uranium resource had been completed successfully. The resulting U_3O_8 - V_2O_5 resource is now with mining engineers SRK Consulting for the re-optimisation of the proposed Lake Maitland mine based on a stand-alone operation producing V_2O_5 as a by-product. The Lake Maitland uranium resource is part of Toro's Wiluna Uranium Project in Western Australia (refer to **Figure 6**).

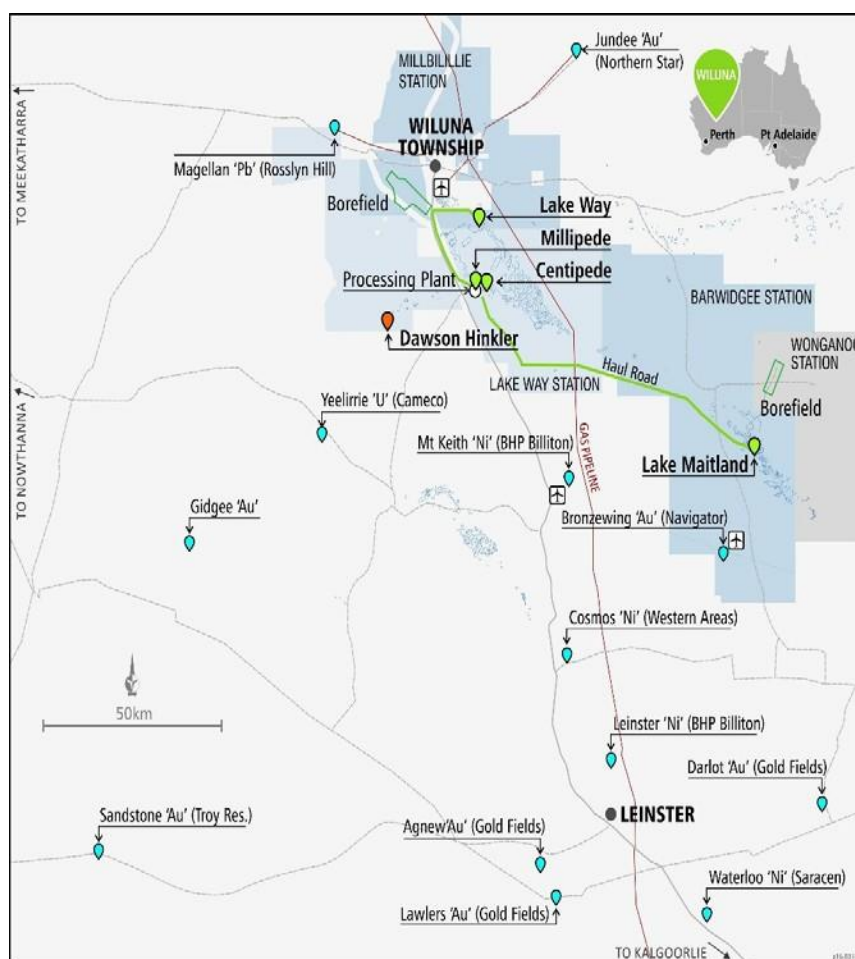


Figure 6: Location of the Wiluna Uranium Project. This map also shows the location of the Dawson Hinkler Deposit relative to the deposits of the Wiluna Uranium Project.

DIRECTORS' REPORT

As a result of the integration, the new $U_3O_8 - V_2O_5$ resource at Lake Maitland is now estimated to hold 22.02 Mt grading 545 ppm U_3O_8 and 288 ppm V_2O_5 for a total of 26.4 Mlbs of U_3O_8 and 14 Mlbs of V_2O_5 contained oxide at a 200ppm U_3O_8 cut-off. The estimation for V_2O_5 is Inferred status according to JORC 2012 criteria and the existing U_3O_8 resource, as stated previously (refer to ASX announcement of 1 February 2016), is Measured and Indicated status (JORC 2012). The difference in status results from the fact that there is one third the available data for vanadium that there is in respect of uranium. This is due to the ability to use cost effective down-hole gamma probing to obtain uranium concentrations during drilling with limited laboratory assays needed to confirm/calibrate the gamma probe results. All the drill holes containing vanadium concentrations derived by geochemical assay and that were used in this estimation of V_2O_5 inside the U_3O_8 estimation panels, and the JORC Table 1 for the V_2O_5 estimation, are presented in Appendix 1 and Appendix 2 respectively to the Company's ASX release of 16 December 2021. All information related to the existing U_3O_8 estimation for the Lake Maitland resource can be found in the Company's ASX announcement of 1 February 2016.

As announced by the Company on 30 November 2021, during the period the Company initiated an assessment of its entire Australia uranium asset portfolio to identify opportunities to optimise and add further value to its current resource base on 90.9 Mlbs of contained U_3O_8 . This internal review will include a focus on the three (3) significant assets containing JORC resources outside the Wiluna Uranium Project, namely the Dawson Hinkler Deposit, the Nowthanna Deposit and the Theseus Deposit.

Some of the potential areas of opportunity to be assessed include:

1. Improving Toro's resource base both from inside and outside the Wiluna Uranium Project, inclusive of exploration potential.
2. Evaluating potential work programmes on uranium assets outside the Wiluna Uranium Project.
3. Further metallurgical and engineering opportunities with the potential to continue to optimise both CAPEX and OPEX.
4. The potential to integrate the key findings from the metallurgical test-work, new processing plant design and engineering studies (still to be completed) at the Lake Maitland Uranium Deposit across the entire Wiluna Uranium Project.

After the end of the period the date for the substantial commencement condition contained in the State environmental approval for the Wiluna Uranium Project, granted pursuant to Ministerial Statement 1051 (**MS 1051**) passed. Toro considers, and has sought advice to confirm, that the environmental approval granted by MS 1051 will remain valid notwithstanding that substantial commencement did not occur by the date specified in MS 1051, and that it will be open to the Company to apply under the Environmental Protection Act 1986 (WA) for an extension of time for that condition at a later time during the life of the approval. It is also envisaged that favourable results from the Lake Maitland Engineering Study may necessitate an amendment to the proposal the subject of each environmental approval received.

The Company continues to progress the Wiluna Uranium Project so that it is capable of being financed and brought into production as and when economic conditions justify the development.

The Company remains focused on the long-term feasibility of uranium production for its shareholders from the Wiluna Uranium Project, from which it is permitted to mine up to 62 million pounds of measured or indicated uranium resources (JORC 2012). Please see the Competent Person's Statement at the end of this report for information about the reporting of the resource.

Corporate

During the reporting period, on 28 July 2021, Toro issued 291,304,348 Shares, and paid the remaining \$3,300,000 amount owing in cash to Sentient, in full and final discharge and settlement of all amounts owing by the Company and its related bodies corporate to Sentient under the December 2014 Unitisation Deed with the Sentient Group, under which the Sentient Group had provided Toro with free funding totaling \$10,000,000 to be used for research and development activities to advance and improve the value of the Wiluna Uranium Project and pursuant to which Toro granted Sentient the right to receive a unitisation fee valued at 2.5% of the gross proceeds from the production of uranium from the Wiluna Uranium Project.

The satisfaction of all amounts owing under the Unitisation Deed resulted in the Company being debt free, strengthening the Company's balance sheet significantly and positioning the Company well to maximise shareholder value from the Company's current and planned exploration, evaluation and development activities.

DIRECTORS' REPORT

Significant events after the balance date

After the balance date the Company issued 220,000,000 options to subscribe for Shares at an issue price of \$0.03335 on or before 21 January 2027 to directors, employees and key consultants of the Company as approved at the Company's Annual General Meeting of 28 January 2022. No other matters or circumstances have arisen since the end of the half year which significantly affect or may significantly affect the operations of the Group, the results of those operations, or the state of affairs in future years.

Auditor independence

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is included on page 14 of this financial report and forms part of this Directors' Report.

Signed in accordance with a resolution of the Directors.

A handwritten signature in dark ink, appearing to read 'Richard Homsany', with a stylized flourish at the end.

Richard Homsany
Executive Chairman
15 March 2022

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF TORO ENERGY LIMITED**

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2021, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.



NEIL PACE
PARTNER



MOORE AUSTRALIA AUDIT (WA)
CHARTERED ACCOUNTANTS

Signed at Perth this 15th day of March 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2021

		CONSOLIDATED	
	Note	31 DECEMBER 2021 \$	31 DECEMBER 2020 \$
Other income	3 (a)	621,785	139,906
Gain on shares at FVTPL		1,231,017	336,961
Impairment of exploration and evaluation assets	7	(2,335,937)	(2,948,428)
Employee benefits expense	3 (b)	(134,693)	(1,619,980)
Depreciation expense		(37,013)	(42,582)
Finance costs	3 (b)	-	(212,603)
Other expenses	3 (b)	(349,712)	(218,173)
Loss before income tax expense		(1,004,553)	(4,564,899)
Income tax benefit		-	-
Loss for the year		(1,004,553)	(4,564,899)
Other comprehensive income			
Other comprehensive income for the year (net of tax)		-	-
Total comprehensive income for the year		(1,004,553)	(4,564,899)
Loss attributable to:			
Owners of the Company		(1,004,553)	(4,564,899)
		(1,004,553)	(4,564,899)
Total comprehensive income attributable to: Owners of the Company		(1,004,553)	(4,564,899)
		(1,004,553)	(4,564,899)
Loss per share		Cents	Cents
From continuing operations:			
Basic and diluted earnings per share	4	(0.03)	(0.16)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

		CONSOLIDATED	
	Note	31 DECEMBER 2021 \$	30 JUNE 2021 \$
CURRENT ASSETS			
Cash and cash equivalents	5	4,027,796	10,379,707
Trade and other receivables	6	131,745	222,948
Other current assets		15,612	10,017
Financial Assets		4,165,374	2,005,621
Total current assets		8,340,527	12,618,293
NON CURRENT ASSETS			
Property, plant and equipment		639,489	534,429
Exploration and evaluation assets	7	18,000,000	18,000,000
Other non-current assets		5,000	5,000
Total non-current assets		18,644,489	18,539,429
Total assets		26,985,016	31,157,722
CURRENT LIABILITIES			
Trade and other payables	9	821,297	685,096
Borrowings	10	-	10,000,000
Provisions		162,982	152,531
Total current liabilities		984,279	10,837,627
NON CURRENT LIABILITIES			
Provisions		8,079	5,824
Total non current liabilities		8,079	5,824
Total liabilities		992,358	10,843,451
Net assets		25,992,658	20,314,271
EQUITY			
Issued capital	11	327,562,336	320,879,396
Reserves		2,178,909	2,178,909
Accumulated losses		(303,748,587)	(302,744,034)
Equity attributable to owners of the Company		25,992,658	20,314,271
Total equity		25,992,658	20,314,271

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2021

CONSOLIDATED				
	Issued capital	Share reserve	Accumulated losses	Attributable to owners of the parent
Note	\$	\$	\$	\$
Balance at 1 July 2020	302,077,074	554,290	(296,236,628)	6,394,736
Loss for the year	-	-	(4,564,899)	(4,564,899)
Total comprehensive loss for the year			(4,564,899)	(4,564,899)
Options issued to Directors/Employees/Consultants	-	1,479,745	-	1,479,745
Proceeds from shares issued	2,635,000	-	-	2,635,000
Balance at 31 December 2020	304,712,074	2,034,035	(300,801,527)	5,944,582
Balance at 1 July 2021	320,879,396	2,178,909	(302,744,034)	20,314,271
Loss for the year	-	-	(1,004,553)	(1,004,553)
Total comprehensive loss for the year			(1,004,553)	(1,004,553)
Shares issued to Sentient	6,700,000	-	-	6,700,000
Transaction costs – share issue	(17,060)	-	-	(17,060)
Balance at 31 December 2021	327,562,336	2,178,909	(303,748,587)	25,992,658

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2021

		CONSOLIDATED	
	Note	31 DECEMBER 2021 \$	31 DECEMBER 2020 \$
Cash flows from operating activities			
Payments to suppliers and employees		(249,759)	(583,062)
Interest received		12,108	12,133
Insurance proceeds		42,093	-
Government grants		567,453	130,221
Net cash used in operating activities		371,895	(440,708)
Cash flows from investing activities			
Purchase of property, plant and equipment		(142,073)	(15,810)
Purchase of equity investments		(928,736)	(189,776)
Payments for exploration & evaluation activities		(2,335,937)	(2,948,428)
Net cash used in investing activities		(3,406,746)	(3,154,014)
Cash flows from financing activities			
Proceeds from issue of shares		-	2,635,000
Transaction costs of issue of shares		(17,060)	-
Repayment of Sentient Unitisation Deed		(3,300,000)	-
Net cash provided by financing activities		(3,317,060)	2,635,000
Net increase/(decrease) in cash and cash equivalents		(6,351,911)	(959,722)
Cash at the beginning of the financial year		10,379,707	3,410,913
Cash at the end of the financial year	5	4,027,796	2,451,191

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2021

1 Statement of significant accounting policies

The half year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* (Cth) and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. The half year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report as at and for the year ended 30 June 2021.

The interim financial statements were authorised for issue by the Directors on 15 March 2022.

Basis of preparation

The condensed financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars.

Accounting policies adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the Group's annual financial report for the financial year ended 30 June 2021 except as described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Application of New and Revised Accounting Standards

The Group has considered the implications of new or amended Accounting Standards which have become applicable for the current financial reporting period and has determined that their application to the financial statements is either not relevant or not material.

Going Concern

The consolidated financial statements have been prepared using the significant accounting policies and measurement bases summarised below.

The consolidated financial statements have been prepared on the going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the normal course of business.

The Group incurred a net loss for the half year ended 31 December 2021 of \$1,004,553 (2020: \$4,564,899), has current assets of \$8,340,527 and current liabilities of \$984,279.

The Company has determined that it will be able to settle its other debts as and when they fall due through a combination of research and development grants received from government and prudent cash management. Notwithstanding this, the ability of the Group to continue as a going concern is dependent upon the Group being able to raise additional funds as required from time to time to meet exploration and evaluation programs on its mining interests and for working capital. The Directors believe that the Group will be able to raise additional capital as required based on its track record of doing so in the past, the underlying value attributable to the Group's main undertaking in the Wiluna Uranium Project, the Company's strong shareholder base, the Directors' medium to long term views of the uranium markets and the competitive advantage the Wiluna Uranium Project has amongst development stage properties in Australia.

2 Segment information

The Consolidated Group has adopted AASB 8 Operating Segments with effect from 1 July 2009. AASB 8 which requires operating segments to be identified on the basis of internal reports about components of the Consolidated Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The Consolidated Group operates in one operating segment and one geographical segment, being mineral exploration in Australia. This is the basis on which internal reports are provided to the Directors for assessing performance and determining the allocation of resources within the Consolidated Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2021

3 Revenue and expenses

CONSOLIDATED		
	31 DECEMBER 2021 \$	31 DECEMBER 2020 \$
(a) Other income		
Bank interest received or receivable	12,239	9,685
Government grants income	567,453	130,221
Insurance refund	42,093	-
	621,785	139,906
(b) Expenses		
Finance expenses		
Pro-rata accrued interest on \$5m Sentient Loan	-	212,603
Total finance expenses	-	212,603
Employee benefits expense		
Wages, salaries, directors fees and other remuneration expenses	317,928	343,990
Share based payments expense	-	1,479,744
Transfer to capitalised tenements	(183,235)	(203,754)
Total employee benefits expenses	134,693	1,619,980
Other expenses		
Conferences	-	7,713
Promotion and advertising	2,500	24,000
Subscriptions	927	490
Travelling expenses	6,323	5,046
Accounting, secretarial support and audit fees	41,537	38,719
Consulting fees	96,963	22,066
Legal fees	20,381	10,296
Rent and utility expenses	14,501	12,675
Insurance costs	(5,463)	20,563
AGM, annual report, ASX and share registry	100,016	57,382
Other expenses	72,027	19,223
Total other expenses	349,712	218,173

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2021

4 Loss per share

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

CONSOLIDATED		
	31 DECEMBER 2021	31 DECEMBER 2020
Net loss attributable to ordinary equity holders of the Company	(\$1,004,553)	(\$4,564,899)
Weighted average number of ordinary shares for basic earnings per share	3,853,013,257	2,851,124,789
Loss per share	(0.03c)	(0.16c)

5 Cash and cash equivalents

CONSOLIDATED		
	31 DECEMBER 2021 \$	30 JUNE 2021 \$
Cash at bank and in hand	2,027,796	8,379,707
Short term deposits	2,000,000	2,000,000
	4,027,796	10,379,707

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.

6 Trade and other receivables

CONSOLIDATED		
	31 DECEMBER 2021 \$	30 JUNE 2021 \$
Senior secured loan - Strateco	3,250,202	3,250,202
Provision for impairment - loan	(3,250,202)	(3,250,202)
Convertible Note - Strateco	15,291,482	15,291,482
Provision for impairment - note	(15,291,482)	(15,291,482)
Goods and services tax receivable	131,745	222,948
	131,745	222,948

Senior Secured Loan Strateco

On 22 December 2014, Toro acquired from the Sentient Group (**Sentient**) a C\$3M senior secured loan receivable from Strateco. Consistent with the requirements of AASB 9 the loan has been recorded at its fair value plus acquisition costs.

Subsequently the loan was tested for impairment and due to the current financial standing of Strateco a provision to impair the full amount of the receivable has been taken to account.

It is noted however that the C\$3M loan is secured over the Strateco company and assets, namely the Matoush Uranium project located in Quebec, Canada.

During the period the Company received notification that a sale process would be initiated for Strateco, which is expected to return a nil or marginal value. As such Toro does not expect to receive any funds in respect of the Strateco investment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2021

Convertible Note Strateco

As part of the Sentient transaction Toro also acquired C\$14.1M of convertible notes in Strateco that matured on 27 February 2016.

At the time of acquisition the C\$14.1m convertible notes were accounted for under AASB 139 as a loan and receivable.

In line with AASB 9 the receivable was tested for impairment and due to the current financial standing of Strateco a provision to impair the full amount receivable has been taken to account.

As mentioned above for the loan, the C\$14.1M convertible note is also secured over the Strateco company and assets.

During the period the Company received notification that a sale process would be initiated for Strateco, which is expected to return a nil or marginal value. As such Toro does not expect to receive any funds in respect of the Strateco investment.

7 Exploration and evaluation assets

	CONSOLIDATED	
	31 DECEMBER	30 JUNE
	2021	2021
	\$	\$
Balance at beginning of financial year	18,000,000	18,000,000
Impairment of exploration expenditure ⁽ⁱ⁾	(2,335,937)	(4,889,315)
Other expenditure during the year	2,335,937	4,889,315
	18,000,000	18,000,000

⁽ⁱ⁾ Impairment as a result of expenditure on exploration tenements or surrendered tenements. Due to the current subdued uranium market, the Company has taken a conservative approach in impairing its exploration and evaluation assets.

8 Share based payments

Toro Energy Limited Securities Incentive Plan

The Company adopted, by shareholder resolution at the Company's 2020 Annual General Meeting, the Toro Energy Limited Securities Incentive Plan (**Plan**). A summary of the rules of the Plan are set out below.

- Employees (whether full time, part time or casual and including executive directors), non executive directors, contractors and such other persons as the Board determines, are eligible to participate in the Plan from time to time.
- The Board may from time to time determine that an eligible participant may participate in the Plan and make an invitation to that eligible participant to apply for securities in the Company on such terms and conditions as the Board decides.
- On receipt of an invitation an eligible participant may apply for the securities the subject of the invitation in whole or in part.
- The Board may determine that convertible securities issued under the Plan are subject to vesting conditions, which will be set out in the invitation and which may be waived by the Board.
- Where a person who holds convertible securities issued under the Plan ceases to be an eligible participant or becomes insolvent, all unvested convertible securities held by that person will automatically be forfeited, unless the Board otherwise determines in its discretion to permit some or all of the convertible securities to vest.
- If a change of control event occurs in relation to the Company, or the Board determines that such an event is likely to occur, the Board may in its discretion determine the manner in which any or all of the participant's convertible securities issued under the Plan will be dealt with, including, without limitation, in a manner that allows the participant to participate in and/or benefit from any transaction arising from or in connection with the change of control event.
- All Toro shares issued under the Plan, or issued or transferred to a participant upon the valid exercise of a convertible security issued under the Plan (**Plan Shares**) will rank pari passu in all respects with the Shares of the same class. A participant will be entitled to any dividends declared and distributed by the Company on the Plan Shares and may participate in any dividend reinvestment plan operated by the Company in respect of Plan Shares. A participant may exercise any voting rights attaching to Plan Shares.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2021

8 Share based payments (continued)

- If there is a reorganisation of the issued share capital of the Company (including any subdivision, consolidation, reduction, return or cancellation of such issued capital of the Company), the rights of each participant holding convertible securities issued under the Plan will be changed to the extent necessary to comply with the Listing Rules applicable to a reorganisation of capital at the time of the reorganisation.
- If Shares are issued by the Company by way of bonus issue (other than an issue in lieu of dividends or by way of dividend reinvestment), the holder of convertible securities issued under the Plan is entitled, upon exercise of the convertible securities, to receive an allotment of as many additional Shares as would have been issued to the holder if the holder held Shares equal in number to the Shares in respect of which the convertible securities are exercised.
- Unless otherwise determined by the Board, a holder of convertible securities issued under the Plan does not have the right to participate in a pro rata issue of Shares made by the Company or sell renounceable rights.
- There are no participation rights or entitlements inherent in the convertible securities issued under the Plan and holders are not entitled to participate in any new issue of Shares of the Company during the currency of the convertible securities issued under the Plan without exercising the convertible securities.

Upon adoption of the Plan the Company ceased to rely on its previous Employee Share Option Plan. Details of securities issued under the new Plan are set out below.

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(b).

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

	31 DECEMBER 2021 No.	31 DECEMBER 2021 WAEP	30 JUNE 2021 No.	30 JUNE 2021 WAEP
Outstanding at the beginning of the year	226,000,000	\$0.02	42,750,000	\$0.05
Granted during the year	-	-	196,000,000	\$0.02
Lapsed / expired during the year	-	-	(12,750,000)	\$0.045
Outstanding at the end of the year	226,000,000	\$0.02	226,000,000	\$0.02
Exercisable at the end of the year	226,000,000	\$0.02	226,000,000	\$0.02

The weighted average remaining contractual life for the share options outstanding as at 31 December 2021 is 3.44 years (June 2021: 3.94 years).

The exercise price for options outstanding at the end of the period was \$0.02 (June 2021: \$0.02).

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 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.

There were no options issued during the period. 220,000,000 options exercisable at \$0.03335 on or before 21 January 2027 were issued after the end of the reporting period, as approved by the Company's shareholders at its annual general meeting of 28 January 2022.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2021

9 Trade and other payables

	CONSOLIDATED	
	31 DECEMBER 2021 \$	30 JUNE 2021 \$
Trade payables (i)	757,423	413,701
Other payables (ii)	47,874	261,395
Accrued expenses	16,000	10,000
	821,297	685,096

(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.

10 Borrowings

	CONSOLIDATED	
	31 DECEMBER 2021 \$	30 JUNE 2021 \$
BORROWINGS		
Current		
A\$10m Unitisation Deed (refer to Note 10(i))	10,000,000	10,000,000
Less: Present value discount of Unitisation Agreement	(2,882,198)	(2,882,198)
Add: Unwinding of present value discount	2,882,198	2,882,198
Less: Transaction costs	(114,098)	(114,098)
Add: Amortised transaction costs	114,098	114,098
Unitisation Deed repayment	(10,000,000)	-
Total current borrowings	-	10,000,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2021

10 Borrowings (continued)

	31 DECEMBER 2021 \$	30 JUNE 2021 \$
BORROWINGS		
Non current		
A\$5m Sentient Group Loan (refer to Note 10(ii))	-	5,000,000
Less: Present value discount of Sentient Group Loan	-	(1,729,318)
Add: Unwinding of present value discount	-	1,729,318
Less: Transaction costs	-	(1,607,958)
Add: Amortised transaction costs	-	1,607,958
Loan repayment	-	(5,000,000)
Total Non current borrowings	-	-

(i) Unitisation Deed

In December 2014 the Company entered into a Unitisation Deed with the Sentient Group. Sentient provided Toro with interest free funding totaling \$10,000,000 to be used for research and development activities to advance and improve the value of the Wiluna Uranium Project. Toro granted Sentient the right to receive a unitisation fee valued at 2.5% of the gross proceeds from the production of uranium from the Wiluna Uranium Project.

The Unitisation Deed could be terminated by either party at any point in time after three years (or earlier in certain circumstances, including a change in control of Toro). Upon termination, the unitisation fee was to be bought back by Toro at the higher of \$10,000,000 less amounts paid under the Unitisation Deed and the independently assessed fair market value of the unitisation fee at or around the time of termination. Toro was entitled to elect at its discretion to satisfy the consideration payable on termination in cash or Toro Shares irrespective of which party terminates the Unitisation Deed. Where consideration is paid in shares the share price was to be determined by a 7.5% discount to a 30 day volume weighted average price.

During the reporting period on 28 July 2021, Toro issued 291,304,348 Shares, and paid the remaining \$3,300,000 amount owing in cash to Sentient, in full and final discharge and settlement of all amounts owing by the Company and its related bodies corporate to Sentient under the Unitisation Deed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2021

11 Issued capital

	CONSOLIDATED	
	31 DECEMBER 2021 \$	30 JUNE 2021 \$
Ordinary Shares	327,562,336	320,879,396

	Number*	\$
Ordinary shares		
Balance at beginning of financial year	3,606,037,832	320,879,396
Share payment to Sentient for loan repayment at \$0.023	291,304,348	6,700,000
Costs of capital raising	-	(17,060)
Balance at end of period	3,897,342,180	327,562,336

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 publicly traded the consolidated view does not detail the volume of shares relative to transactions subsequent to the acquisition. The legal parent entity of ToroEnergy Limited has been included to provide details of the volume of shares on issue at 31 December 2021.

12 Events after the balance sheet date

After the balance date the Company issued 220,000,000 options to subscribe for Shares at an issue price of \$0.03335 on or before 21 January 2027 to directors, employees and key consultants of the Company as approved at the Company's Annual General Meeting of 28 January 2022. No other matters or circumstances have arisen since the end of the half year which significantly affect or may significantly affect the operations of the Group, the results of those operations, or the state of affairs in future years.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 15 to 26 are in accordance with the *Corporations Act 2001* (Cth), including:
 - a. Giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and the performance for the half year ended on that date; and
 - b. Complying with the Accounting Standard AASB 134: Interim Financial Reporting, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts and when they fall due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

A handwritten signature in dark ink, appearing to read 'Richard Homsany', with a stylized flourish at the end.

Richard Homsany
Executive Chairman

Signed this 15th day of March 2022

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF TORO ENERGY LIMITED****Report on the Half-Year Financial Report****Conclusion**

We have reviewed the accompanying half-year financial report of Toro Energy Limited (the Company) and its controlled entities (the consolidated entity or group), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity, the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

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

- i. giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- ii. complying with Accounting Standard *AASB 134: Interim Financial Reporting and the Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with Auditing Standards on Review Engagements *ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the Directors for the Half-Year Financial Report

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

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF TORO ENERGY LIMITED (CONTINUED)**

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the financial report based on our review. ASRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial report is not in accordance with the *Corporations Act 2001* including:

- i. giving a true and fair view of the Company's financial position as at 31 December 2021 and its performance for the half-year ended on that date; and
- ii. complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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



NEIL PACE
PARTNER



MOORE AUSTRALIA AUDIT (WA)
CHARTERED ACCOUNTANTS

Signed at Perth this 15th day of March 2022.

APPENDIX 1

Wiluna Uranium Project Resources Table (JORC 2012)

At 200ppm cut-offs inside U₃O₈ resource envelopes for each deposit - Proposed Mine Only

		Measured		Indicated		Inferred		Total	
		U ₃ O ₈	V ₂ O ₅	U ₃ O ₈	V ₂ O ₅	U ₃ O ₈	V ₂ O ₅	U ₃ O ₈	V ₂ O ₅
Centipede / Millipede	Ore Mt	4.9	-	12.1	-	2.7	53.6	19.7	53.6
	Grade ppm	579	-	582	-	382	327	553	327
	Oxide MIb	6.2	-	15.5	-	2.3	38.6	24	38.6
Lake Maitland	Ore Mt	-	-	22	-	-	27	22	27
	Grade ppm	-	-	545	-	-	303	545	303
	Oxide MIb	-	-	26.4	-	-	18	26.4	18
Lake Way	Ore Mt	-	-	10.3	-	-	15.7	10.3	15.7
	Grade ppm	-	-	545	-	-	335	545	335
	Oxide MIb	-	-	12.3	-	-	11.6	12.3	11.6
Total	Ore Mt	4.9	-	44.3	-	2.7	96.3	52	96.3
	Grade ppm	579	-	555	-	382	322	548	322
	MIb	6.2	-	54.2	-	2.3	68.3	62.7	68.3

Competent Persons' Statements

Competent Persons' Statement

Wiluna Project Mineral Resources – 2012 JORC Code Compliant Resource Estimates – U₃O₈ for Centipede-Millipede, Lake Way and Lake Maitland – V₂O₅ inside the U₃O₈ estimation panels for Lake Maitland only.

The information presented here that relates to U₃O₈ mineral resources of the Centipede-Millipede, Lake Way and Lake Maitland deposits as well as the V₂O₅ mineral resources estimated within the U₃O₈ mineral resource estimation panels for Lake Maitland, is based on information compiled by Dr Greg Shirliff of Toro Energy Limited and Mr Daniel Guibal, currently of Condor Geostats Services Pty Ltd. Mr Guibal takes overall responsibility for the Resource Estimate, and Dr Shirliff takes responsibility for the integrity of the data supplied for the estimation. Dr Shirliff is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM) and Mr Guibal is a Fellow of the AusIMM 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 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2012)'. The Competent Persons consent to the inclusion in this release of the matters based on the information in the form and context in which it appears.

Competent Person's Statement

Theseus Uranium Project Mineral Resources – 2012 JORC Code Compliant Resource Estimates

The information presented here that relates to Mineral Resources of the Theseus Uranium Project is based on work supervised by Michael Andrew, who is a member of the Australian Institute of Mining and Metallurgy of 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 deposits under consideration and to the activity he is undertaking to qualify as a Competent Persons 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.

Competent Person's Statement

The information in this document that relates to geology and exploration was authorised by Dr Greg Shirliff, who is a full time employee of Toro Energy Limited. Dr Shirliff is a Member of the Australian Institute of Mining and Metallurgy and has sufficient experience of relevance to the tasks with which they were employed to qualify as a Competent Person as defined in the 2012 Edition of the Joint Ore reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Dr Shirliff consents to the inclusion in the report of matters based on information in the form and context in which it appears.