

# **Toro Energy Ltd**

**ABN 48 117 127 590**

## **Half Year Report**

**for the half year ended 31 December 2007**

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## Directors' Report

The directors of Toro Energy Ltd submit their report for the half-year ended 31 December 2007.

The names of the company's directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Dr Ian Gould, Non Exec. Chairman	
Mr Greg Hall, Managing Director	
Mr Derek Carter, Non Exec. Director	
Dr Tim Sugden, Non Exec. Director	Appointed 30 October 2007
Ms Erica Smyth, Non Exec. Director	Appointed 30 October 2007
Mr Peter Lester, Non Exec. Director	Appointed 30 October 2007
Mr Jeff Sells, Non Exec. Director	Appointed 30 October 2007
Mr Owen Hegarty, Non Exec. Director	Retired 30 October 2007

### REVIEW OF OPERATIONS

During the six months to 31 December 2007, Toro Energy continued its strategic work of uranium exploration, resource expansion and evaluation, and project acquisition, with the aim of becoming a sustainable uranium production company supplying into the global nuclear power industry.

In August 2007 Toro announced a merger via acquisition with Nova Energy Ltd, a significant uranium exploration company with assets including a large uranium resource at its Lake Way / Centipede deposit in WA, along with exploration tenements in Australia and Africa. With this merger, Oxiana Ltd retained a 46% shareholding in Toro, and the remaining shareholder base expanded significantly.

Upon the successful completion of the Nova acquisition, a Project Development team was formed with experience in uranium operations, resource and mine planning. This team will augment the existing exploration and business development teams. The ex-Nova office in Perth has been retained to support the important projects in WA. The Board of Toro Energy was expanded in line with the significant asset growth of the company, and has the expertise now required in resource and exploration projects, environmental, indigenous and community affairs, and corporate and financial acumen.

Toro undertook a significant resource drilling program at its Napperby deposit in the NT, and continued exploration at its Warrior Project and other SA tenements. A review was carried out over prospective regions in Morocco where the Company held exploration review rights.

The second Toro Energy annual general meeting was held on 20 November 2007.

### Project Development

#### Napperby Project

Toro has an Option Agreement with Deep Yellow Ltd over the Napperby Project (150kms NW of Alice Springs) which allows 100% purchase of the project at a capped price at any stage over a three year period. Napperby's current Inferred Resource prepared in accordance with the JORC code by Deep Yellow 1.9 million tonnes at 0.036% U<sub>3</sub>O<sub>8</sub> for 670 contained tonnes of U<sub>3</sub>O<sub>8</sub>.

Resource definition drilling was undertaken from September to December 2007, and involved 332 holes for approximately 3,200m. Rigorous QA/QC procedures were implemented and are supporting the validity of the drilling, sampling and assay techniques used.

The assays received to date indicate an average grade of 559ppm (0.06%)  $U_3O_8$  calculated from half-metre assays using a 200ppm bottom cut-off. The maximum individual assay grade obtained was 2,069ppm (0.21%)  $U_3O_8$ . The data indicate consistent uranium grades and widths in the range 200 to 700ppm (0.02 to 0.07%)  $U_3O_8$  over an average width of 1.3m, at a depth of 3m to 7m depth below surface.

The Toro Project Development team is working with the exploration geologists in the analysis, interpretation and evaluation of these results, and further subsequent results as they are received. The calculation of an extended and upgraded resource will be undertaken with estimated completion in May 2008. In early 2008 the Project Team will also be commencing the outline of a planned scoping study for Napperby, including preliminary metallurgical testing, baseline environmental work, and initial groundwater and hydrogeological studies.

#### Lake Way / Centipede - Pre-feasibility Study

A heritage survey was conducted on tenement E53/1132 which contains the Lake Way resource. Approximately 80% of the area was cleared for future infill and extensional drilling of the deposit.

Comminution, leach and thickening test work was undertaken as part of the pre-feasibility, with leach optimisation tests indicate uranium extraction of between 87% and 95% at 95°C depending on  $U_3O_8$  grade. The preferred process route is Resin-in-Pulp (RIP). Ion exchange test work and resin loading commenced in December and a full report was received in February 2008. The results are being incorporated into the plant engineering and design. Baseline environmental work is continuing, with flora and fauna, and aquatic ecology studies completed with draft reports due in early 2008.

Hydrogeological work on the available groundwater resource was undertaken. Water extraction permit applications have been submitted to the Department of Water and the Department of Conservation and Environment to access the old Wiluna South bores, test water qualities and conduct pump tests over the area.

The full pre-feasibility study is expected to be completed in late April 2008.

## **Exploration**

As at 31 December 2007, the Australian exploration licences and applications held outright by Toro, or those subject to uranium access and joint venture rights, totalled more than 46,000km<sup>2</sup> in South Australia, Western Australia and the Northern Territory.

African interests include tenements in Namibia and Guinea, totalling 2,180km<sup>2</sup> and an MOU for exploration review work with the Kingdom of Morocco.

## **South Australia**

### Warrior Project

A drilling campaign comprising 251 drillholes within EL 3372 was completed. Encouraging results were received for two areas, with mineralisation defined in zones measuring 1,000m x 400m and 400m x 100m respectively. Anomalous uranium was encountered in numerous

holes, with intersections between 1 and 7 metre thickness, and grades in the 100-900ppm (0.01 to 0.09%) U<sub>3</sub>O<sub>8</sub> range.

A trial drilling campaign of four holes using the new sonic drill technique was carried out, and provided relatively undisturbed core through the mineralised zone. Consultants were engaged to commence uranium speciation and mineralogical assessment of samples of core. The mineralisation is open in several directions, with significant portions of the palaeochannel system yet to be tested and the full extent of the mineralisation yet to be defined.

Access to the prospective and untested southern portion of the Warrior palaeochannel is subject to a Part 9B Access Agreement currently being negotiated with the Far West Coast Native Title Group.

#### Ealbara Project (Kingoonya)

Follow up drilling was carried out over the Ealbara area north of Tarcoola, comprising 36 holes for a total of 2,364 metres. The best result was 444ppm (0.04%) U<sub>3</sub>O<sub>8</sub> at 46-47 metres depth. This anomalous uranium is associated with elevated zirconium and thorium values and is likely to be related to heavy mineral accumulations.

#### Labyrinth Project

A drill program comprising 31 holes for 2,085m were drilled on EL3252 Labyrinth and 14 holes for 707m were drilled on EL3024 Gosse Range. The drill holes encountered palaeochannel infill sediments including carbonaceous sands, silts and clays over weathered basement. Assay results are due in the first quarter of 2008.

#### Yaninee Project

ASTER Night Time Infrared (NTIR) data assessment was undertaken, with the data providing useful information on palaeochannel locations in uncleared land north of the tenement area, but did not provide useful information over agricultural land. A Tempest airborne electromagnetic trial survey may be undertaken during 2008 to assess its application in the area.

#### Kingoonya Project

An AEM survey in 2006 clearly identified the palaeodrainage system, a significant part which occurs within the Yellabinna Regional Reserve. A Declaration of Environmental Factors (DEF) has been submitted to the Department for Environment and Heritage as part of the process to allow access to the reserve. Negotiations with the Far West Coast Native Title Group to allow access for heritage clearances are in progress and it is anticipated that on ground exploration will proceed early in 2008.

#### Mount Woods Project

The Mt Woods project comprises Uranium Access Agreements over four Oxiana tenements and one Minotaur tenement. Both these companies undertook drilling programs during the half, targeting several IOCG targets. The drilling programs provided Toro with the opportunity to evaluate the results for uranium prospectivity, including gamma and lithological logging, and a review of analytical results which are pending. Future work in the area will depend on drill program results.

### Pandurra Project

The south-eastern tenements in this project are subject to the possible expansion of a Department of Defence exclusion zone that will restrict access to the area. Further information is being sought from relevant authorities prior to committing to additional expenditure in this area. As a result of this, tenement EL3443 (Roopena) was renewed with an agreed reduction in area of 25%.

### Roxby Acropolis Project

Toro and Minotaur Exploration Limited finalised an Exploration Agreement with the Japan Oil, Gas and Metals National Corporation (JOGMEC) to explore the Roxby-Acropolis project area, west and north of Olympic Dam for iron oxide copper-gold uranium mineralisation. Work is continuing on the deep exploration hole within this project.

### Coober Pedy Project

A detailed ground gravity survey was completed on this tenement, consisting of 1,000m and 500m spaced gravity stations designed to infill and complement available open file government data. During the survey, a total of 559 stations were measured. The gravity data is being modelled with a view to identifying targets for drill testing.

## **Northern Territory**

### Amadeus Basin Project

A Mine Management Plan (MMP) for the Finke tenements has been submitted to the Northern Territory Government for a proposed drilling program. Currently the Central Land Council is arranging timing for required heritage surveys with the aim of commencing in March 2008.

Waterhouse has also had an MMP submitted, and a land access agreement is currently being negotiated. A RAB drill program to test for redox boundaries within sediments that were partially explored in the late 1970s and early 1980s is planned and forms part of the MMP.

ELAs 25045, 25046 and 25048 were not granted following an objection by the Central Land Council and are currently in moratorium.

### Other Areas

Toro has applied for several exploration licences in the Northern Territory covering ground that has uranium potential. It is anticipated that these applications will take at least 12 months to be granted.

## **Western Australia**

### Lake Mackay

The Lake Mackay exploration licence lies in the Lake Mackay area in north-eastern Western Australia. Negotiations with the Traditional Landowners have been successfully concluded and the access agreement is with the Western Australian Office of State Revenue for stamp duty assessment. The agreement allows the company to explore for uranium and other metals on reserve lands within and adjacent to Lake Mackay. Once the tenements have been granted by the Mines Department, the Company expects to commence on-ground activity. Toro has started planning work for the upcoming field season in anticipation that on-ground exploration will commence in the second quarter of 2008.

### Grass Patch Project

An aircore drilling program targeting airborne EM defined palaeochannels was completed in December 2007. Holes were spread across 16 lines and a total of 3,500m in 104 holes was drilled. The exploration area was found to contain some rare flora and drilling was changed in order to avoid impacting this vegetation.

The aircore drilling generally confirmed the geological interpretation based on the airborne EM survey. Lignitic siltstones and sandstones were intersected on the drill traverses with channel depths reaching 80m. Redox boundaries were found to occur between 8m and 20m depth and provide potential sites for uranium enrichment. These have elevated scintillometer counts in some holes and the highest count obtained was about 50% above background. Assay results have indicated relatively low levels of uranium up to 32ppm  $U_3O_8$  in this first pass drill program.

### Gilba Bore

An airborne magnetic and radiometric survey was completed in late November 2007. The survey covered most of the EL and primarily targeted the unconformity described above. Structures extending from the unconformity into the basement are apparent on the preliminary data. The final corrected data was obtained from the geophysical contractor in mid-January and the data is currently being processed.

## **Africa**

### Namibia

The Gawib West EPL3668 is located about 12km west of Paladin's Langer Heinrich deposit and covers part of the upper Tumas drainage. A second RC drilling of the Tumas drainage channel was successfully completed in December 2007, with a total of 1,831m in 33 holes drilled. The hole depth varied between 9m and 94m. Three, north-south oriented lines were drilled with the holes at the northern end reaching the greatest depths. One hole intersected minor calcrete with elevated gamma counts about 50% above background. The assay results of samples taken are still outstanding.

Tumas North EPL3669 is located about 24km southwest of Swakopmund and covers part of the northern arm of the Tumas drainage system. The tenement lies to the south of Bannerman's uranium deposit and may contain bedrock alaskites and superficial calcretes, both have the potential to host uranium mineralisation. Results of a radiometric and alpha cup survey are currently being interpreted and suitable sampling targets identified.

The Chungochoab is a large EPL (3670) that covers a tract of land about 80km south-southeast of Swakopmund. Three anomalies are evident on airborne radiometric data. Two of these cover area underlain by calcrete and have been the subject of an alpha cup survey. The results from the alpha cup survey are currently being processed, and targets identified for a planned 2008 drill program.

### Guinea

Quotes were obtained to upgrade 50km of track to access the most prospective site for drilling, and work has commenced in 2008 on upgrading the track.

Historical data is fragmentary but available records show that narrow, high-grade uranium mineralisation was intersected in about eight of the holes drilled. The historic drill holes, completed in 1980/81, were spaced 800 and 1,600m apart. The Company is planning drill holes designed to confirm the historically identified mineralisation and also test for the presence of a high grade channel on a closer spaced grid.

### Morocco

A second visit to Morocco to evaluate the three uranium prospective areas was undertaken in November 2007. Following examination of available data and the field visit, the Wafagga and Sirwa areas are now considered not to be of interest to the Company. The Haute Moulouya area is considered to be of potential interest to the Company as an exploration project and discussions with the Moroccan authorities regarding future activity in the area are in progress.

## **BUSINESS DEVELOPMENT**

### **Toro Energy merger via takeover with Nova Energy**

On 6 August Toro Energy announced a merger with Nova Energy, via a friendly off-market conditional takeover of Nova by Toro. Toro offered Nova shareholders 5.5 Toro shares for every Nova share, subject to Toro shareholder approval for the acquisition of Nova shares held by Agincourt Resources, a wholly owned subsidiary of Oxiana. The bid received the recommendation of the Nova Board (subject to a superior offer emerging).

Toro shareholders passed the resolution to acquire Agincourt's Nova stake at a General Meeting on the 5 October, and the offer was declared unconditional on 18 October after receiving >80% acceptances. The offer closed on 26 October with 96.3% acceptances, and residual shareholdings were acquired under the Compulsory Acquisition process. This was completed in December 2007.

Business Development activity has been focused on finalisation of the merger and the bedding down of the integration of the two companies. The Nova office in Perth has been retained with IT and communication systems in the process of upgrade and integration into Toro's Adelaide based computer system.

The integration of accounting and logistical functions is now well advanced with Toro and Nova financial accounts being fully consolidated.

Nova is now a fully owned subsidiary of Toro Energy. The combined entity is one of Australia's leading uranium exploration and future project development companies, with a production target date of 2012, potential development projects in two states of Australia and substantial exploration activity within Australia and Africa.

### **Angela-Pamela Submission**

Toro Energy completed a re-submission for the Angela-Pamela uranium deposit near Alice Springs, however was unsuccessful in its submission. The Northern Territory Government awarded the right to the ELA's to a joint venture between Cameco and Paladin.

### **Other Business Development Activity**

Toro continues to investigate joint venture and acquisition opportunities that will further enhance the project pipeline in a value additive manner. The intention going forward is to build shareholder value and ensure Toro has the project quality and depth to remain a long term participant of the uranium exploration and mining industry.

## FINANCIAL STATEMENT PREPARATION METHODOLOGY

This transaction is one that is referred to in AASB 3 'Business Combinations' as a reverse acquisition and as such, the deemed parent on consolidation is Nova.

The financial statements of the Group have been prepared to incorporate the consolidated results of Nova Energy Ltd (Nova) and its subsidiaries for the half year ended 31 December 2007. The results of Toro Energy Ltd (Toro) the legal parent of the Group have been included in the consolidated financial statements since the acquisition date of Nova. This is because upon allotment of the shares in Toro to existing shareholders in Nova, effective control in Toro passed to the shareholders of Nova. For further details regarding the nature of the reverse acquisition, refer to note 8 to the financial statements.

### **Auditor's independence declaration**

The auditor's independence declaration is included on page 10 of the half year report.

Signed in accordance with a resolution of directors made pursuant to section 306(3) of the Corporations Act 2001.

On behalf of the Directors



Greg Hall  
Managing Director

11 March 2008

**Grant Thornton South Australian  
Partnership**

ABN: 27 244 906 724

Level 1,

67 Greenhill Rd

Wayville SA 5034

GPO Box 1270

Adelaide SA 5001

DX 275 Adelaide

T 6188372666

F 61883726677

E [info@gtsa.com.au](mailto:info@gtsa.com.au)

W [www.granthornton.com.au](http://www.granthornton.com.au)

**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 review of Toro Energy Limited for the half-year ended 31 December 2007, 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 review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.

GRANT THORNTON  
South Australian Partnership  
Chartered Accountants



S J Gray  
Partner

Signed in Adelaide on this 11<sup>th</sup> day of March 2008

## Consolidated Interim Income Statement

### FOR THE HALF YEAR ENDED 31 DECEMBER 2007

	Note	Consolidated	
		Half year ended 31 Dec 2007 \$	Half year ended 31 Dec 2006 \$
Revenue from ordinary activities		570,372	87,697
Impairment of non-current assets		(17,191)	(188)
Employee benefits expense		(537,464)	(234,814)
Depreciation expense		(29,134)	(10,644)
Finance costs		(1,172)	-
Other expenses	4	(1,029,159)	(269,187)
<b>(Loss) before income tax expense</b>		<b>(1,043,748)</b>	<b>(427,136)</b>
Income tax expense		(313,468)	-
<b>(Loss) for the period</b>		<b>(1,357,216)</b>	<b>(427,136)</b>
<b>(Loss) attributable to members of the parent entity</b>		<b>(1,357,216)</b>	<b>(427,136)</b>
<b>Earnings per share:</b>		<i>Cents</i>	<i>Cents</i>
Basic earnings per share		(0.36)	(0.12)
Diluted earnings per share		(0.36)	(0.12)

The income statement is to be read in conjunction with the notes to the consolidated interim financial report.

## Consolidated Interim Balance Sheet

### AS AT 31 DECEMBER 2007

	Note	Consolidated	
		31 December 2007 \$	30 June 2007 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	17,863,548	15,580,101
Trade and other receivables		460,964	113,348
Other current assets		154,071	24,336
<b>TOTAL CURRENT ASSETS</b>		<b>18,478,583</b>	<b>15,717,785</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		550,085	59,852
Exploration and evaluation assets	6	122,920,513	17,626,704
<b>TOTAL NON-CURRENT ASSETS</b>		<b>123,470,598</b>	<b>17,686,556</b>
<b>TOTAL ASSETS</b>		<b>141,949,181</b>	<b>33,404,341</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		5,396,498	401,641
Short-term borrowings		12,341	-
Short-term provisions		61,496	34,547
<b>TOTAL CURRENT LIABILITIES</b>		<b>5,470,335</b>	<b>436,188</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term borrowings		29,465	-
Long-term provisions		8,195	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>37,660</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>5,507,995</b>	<b>436,188</b>
<b>NET ASSETS</b>		<b>136,441,186</b>	<b>32,968,153</b>
<b>EQUITY</b>			
Contributed equity	7	139,561,875	34,752,312
Retained earnings		(3,697,972)	(2,340,756)
Reserves		577,283	556,597
<b>TOTAL EQUITY</b>		<b>136,441,186</b>	<b>32,968,153</b>

The balance sheet is to be read in conjunction with the notes to the consolidated interim financial report.

## Consolidated Interim Statement of Changes in Equity

### FOR THE HALF YEAR ENDED 31 DECEMBER 2007

	Note	Consolidated			Total \$
		Share Capital Ordinary \$	Retained Earnings \$	Reserves \$	
<b>Balance at 1 July 2006</b>		19,799,763	(729,959)	-	19,069,804
Profit attributable to members of the parent entity		-	(427,136)	-	(427,136)
Issue of employee options		-	-	42,508	42,508
<b>Balance at 31 December 2006</b>		19,799,763	(1,157,095)	42,508	18,685,176
<b>Balance at 1 July 2007</b>		34,752,312	(2,340,756)	556,597	32,968,153
Profit attributable to members of the parent entity		-	(1,357,216)	-	(1,357,216)
Cost of Business Combination	8	98,809,563	-	-	98,809,563
Share Issue - Allarrow Pty Ltd	7	6,000,000	-	-	6,000,000
Toro Share option expense - December 2007		-	-	20,686	20,686
<b>Balance at 31 December 2007</b>		139,561,875	(3,697,972)	577,283	136,441,186

The statement of changes in equity is to be read in conjunction with the notes to the consolidated interim financial report.

## Consolidated Interim Cash Flow Statement

### FOR THE HALF YEAR ENDED 31 DECEMBER 2007

	Consolidated	
	Half year ended 31 Dec 2007 \$	Half year ended 31 Dec 2006 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Payments to suppliers and employees	(2,824,854)	(403,198)
Finance costs	(882)	-
Interest received	596,244	87,697
<b>NET CASH (USED IN) OPERATING ACTIVITIES</b>	<b>(2,229,492)</b>	<b>(315,501)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(109,355)	(1,136)
Cash acquired on the acquisition of Toro Energy Ltd	7,484,082	-
Payments for exploration activities	(2,860,804)	(800,846)
<b>NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES</b>	<b>4,513,923</b>	<b>(801,982)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of borrowings	(984)	-
<b>NET CASH (USED IN) FINANCING ACTIVITIES</b>	<b>(984)</b>	<b>-</b>
Net increase/(decrease) in cash and cash equivalents	2,283,447	(1,117,483)
Cash at the beginning of the reporting period	15,580,101	3,282,170
<b>CASH AT THE END OF THE REPORTING PERIOD</b>	<b>17,863,548</b>	<b>2,164,687</b>

The cash flow statement is to be read in conjunction with the notes to the consolidated interim financial report.

# Notes to the Financial Statements

## FOR THE HALF YEAR ENDED 31 DECEMBER 2007

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a. Reporting entity

Toro Energy Ltd (the "Company") is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2007 comprises the Company and its subsidiaries (the "consolidated entity").

The consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2007 is available upon request from the Company's registered office.

#### b. Statement of compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134: Interim Financial Reporting and the Corporations Act.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2007.

#### c. Significant accounting policies

The accounting policies applied by the consolidated entity in this consolidated interim financial report are the same as those applied by the consolidated entity in its consolidated financial report as at and for the year ended 30 June 2007.

#### d. Business Combinations

The acquisition of Nova Energy Ltd, detailed in note 8, has been treated as a reverse acquisition in accordance with AASB 3 - Business Combinations. In accordance with the requirements of this standard, the consolidated financial statements represent the financial statements of Nova Energy Ltd as the accounting parent entity.

The results incorporate the consolidated position of Nova Energy Ltd (Nova) and its subsidiaries for the half year ended 31 December 2007. The results of Toro Energy Ltd (Toro) the legal parent of the Group have been included in the consolidated financial statements since the acquisition date of Nova. This is because upon allotment of the shares in Toro to existing shareholders in Nova, effective control in Toro passes to the shareholders of Nova.

### 2. SEGMENT INFORMATION

#### Industry & Geographical Segment

The Group operates primarily in the mining exploration sector in Australia.

### 3. CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

## Notes to the Financial Statements

### FOR THE HALF YEAR ENDED 31 DECEMBER 2007

#### 4. OTHER EXPENSES

	Consolidated	
	As at 31 Dec 07 \$	As at 31 Dec 06 \$
Audit/Accounting Fees	99,330	13,425
ASX/ASIC Compliance Fees	59,122	11,286
Consultants	370,734	45,474
Legal Fees	220,611	34,473
Management Fee	66,250	81,700
Share Registry Fees	50,217	7,134
Travel & Accommodation	94,421	55,033
Other Expenses	68,474	20,662
	1,029,159	269,187

#### 5. CASH AND CASH EQUIVALENTS

	Consolidated	
	As at 31 Dec 07 \$	As at 30 Jun 07 \$
Cash at bank and in hand	13,863,548	15,580,101
Term deposits	4,000,000	-
	17,863,548	15,580,101

#### 6. EXPLORATION AND EVALUATION ASSETS

	Consolidated	
	As at 31 Dec 07 \$	As at 30 Jun 07 \$
Balance at beginning of financial year	17,626,704	15,918,542
Expenditure during the half-year	1,614,477	1,769,309
Acquisition through share issue (1)	6,000,000	-
Exploration expenditure written off	(17,191)	(61,147)
Toro Energy carrying value at acquisition date	26,083,306	-
Fair Value assigned on merger (2)	71,613,217	-
Balance at end of period	122,920,513	17,626,704

(1) On the 6 August 2007 1.5 Million ordinary shares were issued to Allarrow Pty Ltd as purchase consideration for an exploration licence.

(2) Refer to note 8 - Business Combinations.

# Notes to the Financial Statements

## FOR THE HALF YEAR ENDED 31 DECEMBER 2007

### 7. ISSUED CAPITAL

	<b>Consolidated</b>	
	<b>As at 31 Dec 07</b>	<b>As at 30 Jun 07</b>
	<b>\$</b>	<b>\$</b>
Fully paid ordinary shares	139,561,875	34,752,312
	<u>139,561,875</u>	<u>34,752,312</u>

#### Reconciliation:

	<b>Consolidated Half year ended 31 Dec 07</b>
	<b>\$</b>
Balance at beginning of financial year	34,752,312
Issue to Allarrow Pty Ltd	6,000,000
Issue to Toro shareholders under reverse acquisition (refer note 8)	98,809,563
Balance at end of the half year	<u>139,561,875</u>

#### Ordinary shares

	<b>Parent Half year ended 31 Dec 07</b>
	<b>No.</b>
Number of shares at beginning of financial year	145,502,000
Issue to Deep Yellow Ltd - Napperby Option agreement	3,066,667
Issue to shareholders of Nova Energy Ltd	
- 1st tranche (25 Oct 2007)	297,436,507
- 2nd tranche (2 Nov 2007)	36,140,086
- 3rd tranche (14 Dec 2007)	12,525,260
Number of shares at the end of the half year	<u>494,670,520</u>

### 8. BUSINESS COMBINATIONS

On the 5 November 2007, Toro's bid for Nova Energy preceded to the compulsory acquisition stage, allowing the acquisition of 100% of the voting shares of Nova Energy Ltd which was completed in December 2007.

Toro issued 346,101,853 shares in total for all the issued capital and options of Nova Energy Ltd through a 'three-stage' allotment process. Following the issue of shares to Nova shareholders, those shareholders hold approximately 70% of the share capital of Toro.

Under AASB 3, the acquisition of Nova Energy Ltd is referred to as a reverse acquisition. In accordance with the standard, the cost of the business combination is deemed to have been incurred by the legal subsidiary (Nova Energy Ltd). The cost is \$105,279,510, which is the theoretical cost for accounting purposes of Nova Energy Ltd issuing 26,876,323 shares to Toro shareholders (see reconciliation below).

# Notes to the Financial Statements

## FOR THE HALF YEAR ENDED 31 DECEMBER 2007

From the date of acquisition, Toro has contributed \$200,728 to the net loss of the Group.

If the combination had taken place at the beginning of the year, the loss for the Group would have been \$3,397,618.

The initial accounting for the business combination has been determined on a provisional basis at the end of the period as permitted under AASB 3 - Business Combinations. Due to the limited timeframe since acquisition date, the Company is only in the process of finalising the purchase price allocation and will finalise the allocations within 12 months of acquisition as prescribed by the standard.

	Principal activity	Date of acquisition	Proportion of shares acquired %	Cost of acquisition \$
<b>Name of business acquired</b>				
Nova Energy Ltd	Exploration	14/12/2007	100%	105,279,510
<b>Consolidated</b>				
<b>Recognised on acquisition</b>				
<b>\$</b>				
Cash and cash equivalents				7,484,082
Trade and other receivables				373,446
Other current assets				42,202
Property, plant and equipment				410,012
Exploration and evaluation assets				97,696,523
<b>Total Assets</b>				<b>106,006,265</b>
Trade and other payables				617,553
Short-term borrowings				12,258
Short-term provisions				58,217
Long-term borrowings				30,532
Long-term provisions				8,196
<b>Total Liabilities</b>				<b>726,755</b>
<b>Fair Value of Identifiable Net Assets</b>				<b>105,279,510</b>
<b>Consolidated</b>				
<b>Recognised on acquisition</b>				
<b>No.</b>				
<b>\$</b>				
<b>Cost of the Business Combination:</b>				
<u>Shares issued under reverse acquisition</u>				
Tranche 1: Issued 25 Oct 2007 at the fair value \$3.70				23,097,246
Tranche 2: Issued 2 Nov 2007 at the fair value \$3.88				2,806,436
Tranche 3: Issued 14 Dec 2007 at the fair value \$2.53				972,641
				<b>26,876,323</b>
Costs associated with the acquisition				6,469,947
<b>Total cost of the combination</b>				<b>105,279,510</b>

## Notes to the Financial Statements

### FOR THE HALF YEAR ENDED 31 DECEMBER 2007

#### Reconciliation of shares issued under reverse acquisition

##### Toro shares on issue

Balance of Toro shares on issue (prior to merger)  
 Shares issued to Nova shareholders

<u>No.</u>	<u>%</u>
148,568,667	30.03
346,101,853	69.97
<u>494,670,520</u>	<u>100.00</u>

##### Nova theoretical equivalent share issue to Toro shareholders

Nova shares on issue (prior to merger)  
 Shares issued to Toro shareholders under reverse acquisition

<u>No.</u>	<u>%</u>
62,610,410	69.97
26,876,323	30.03
<u>89,486,733</u>	<u>100.00</u>

#### Cash Inflow on acquisition

The cash inflow on acquisition is as follows:

Net cash acquired with the subsidiary

7,484,082

## Directors' Declaration

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

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001 , including:
  - (i) give a true and fair view of the financial position as at 31 December 2007 and the performance for the half-year ended on that date of the consolidated entity; and
  - (ii) comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; 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.

On behalf of the Board



Greg Hall  
Managing Director

11 March 2008

## **INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF TORO ENERGY LIMITED AND CONTROLLED ENTITIES**

### **Report on the half-year financial report**

We have reviewed the accompanying half-year financial report of Toro Energy Limited (the Company) and the entities it controlled (the consolidated entity), which comprises the balance sheet as at 31 December 2007, the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies, and other selected explanatory notes.

### **Directors' responsibility for the half-year financial report**

The directors of the consolidated entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards including the Australian Accounting Interpretations and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditor's responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagement ASRE 2410: *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the Corporations Regulations 2001. As the auditor of Toro Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE MEMBERS OF TORO ENERGY LIMITED AND CONTROLLED  
ENTITIES (cont)**

**Auditor's responsibility (cont)**

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

**Independence**

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

**Conclusion**

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

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date.
- b complying with Accounting Standard AASB 134: *Interim Financial Reporting* and Corporations Regulations 2001.

GRANT THORNTON  
South Australian Partnership  
Chartered Accountants



S J Gray  
Partner

Signed in Adelaide on this 11<sup>th</sup> day of March 2008