

Toro Energy Ltd

ABN 48 117 127 590

Half Year Report

for the half year ended 31 December 2008

Contents to Half Year Report

Directors' Report	3
Auditor's Independence Declaration	9
Consolidated Interim Income Statement	10
Consolidated Interim Balance Sheet	11
Consolidated Interim Statement of Changes in Equity	12
Consolidated Interim Cash Flow Statement	13
Notes to the Financial Statements	14
1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	14
2. SEGMENT INFORMATION	14
3. CONTINGENT LIABILITIES	14
4. EVENTS SUBSEQUENT TO REPORTING DATE	14
5. OTHER EXPENSES	15
6. CASH AND CASH EQUIVALENTS	15
7. EXPLORATION AND EVALUATION ASSETS.....	15
8. ISSUED CAPITAL	16
9. SHARE BASED PAYMENTS.....	16
Directors Declaration.....	17
Independent Review Report.....	18

Directors' Report

The directors of Toro Energy Ltd submit their report for the half-year ended 31 December 2008.

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	
Ms Erica Smyth, Non Exec. Director	
Mr Peter Lester, Non Exec. Director	
Mr Jeff Sells, Non Exec. Director	
Mr Michael Myers, Non Exec. Director	Appointed 6 November 2008

REVIEW OF OPERATIONS

Corporate

Toro Energy announced a 1-for-3.8 renounceable rights issue to shareholders on 1 October 2008, to target a capital raising up to \$26m. Due to the significant collapse of the capital markets soon after this, the Rights Issue raised \$12.2m, with OZ Minerals taking its full entitlement as per its written undertaking. OZ Minerals now holds 51.7% of Toro Energy, with a commitment in place to only vote its original 46% to 30 June 2009.

The volatility in equity markets has impacted the Company's share price, as it has with many other resource companies. However the market may also provide interest in the form of merger and consolidation opportunities. Toro anticipates that high quality resource and exploration projects will become progressively available as cash resources are stretched in low-capitalisation companies. Toro continues to monitor the market for opportunities but is currently focused on advancement of the Wiluna project and extracting additional value from that region.

Toro has commenced evaluation and exploratory discussions regarding potential Project funding for its Wiluna Project in WA.

At the end of the December 2008 quarter, the Company held cash and net receivables of \$12.5 million.

Subsequent to the end of the half-year, and prior to publication of this report, OZ Minerals advised the market that it had received an all-cash offer for the shares in OZ Minerals by China Minmetals Non-ferrous Metals Company Limited (Minmetals). Completion of this transaction is subject to regulatory approvals and other conditions.

Project Development

Lake Way / Centipede

The change of State Government in Western Australia, in September 2008, and the subsequent favourable change in policy regarding uranium mining have opened up the opportunity for Toro's Wiluna Uranium Project. Under the parameters of the Pre-feasibility Study, completed in the September quarter, the viability of the Wiluna Project (Lake Way / Centipede deposits) was verified.

Before a bankable feasibility study is undertaken Toro has resolved to complete an Optimisation Study that will clarify the resource size and the preferred processing route. The optimisation will target reductions in capital and operating costs, improved mining grade and process refinements to ensure optimal metallurgical recovery.

Key outcomes targeted by the optimisation study are:

- A significant grade improvement from additional data and geological modelling;
- Validation of selective mining through a bulk sampling exercise and an ability to convert the mineral resource to ore reserve;
- An optimal processing flow sheet from metallurgical characterisation and metallurgical testing;
- An operational and environmental management strategy for mine ground water.

Briefings have been held with senior government advisors (both WA and Federal), WA government regulators, the Wiluna Shire and traditional owner representatives regarding Toro's current and future plans for the Wiluna deposits.

Consultants have been engaged to gather community baseline information that will feed into a social impact assessment. Similarly assistance has been engaged to manage the project approvals process.

Initial discussions commenced with various parties regarding tenements surrounding the Lake Way / Centipede Project to determine the viability of adding exploration ground or resources which could add value to the Project. Currently, none of these discussions is concluded, nor advanced to the stage where any announcement is possible. The Company will keep the market fully informed as discussions materialise further.

Napperby

Toro Energy has an Option Agreement with Deep Yellow Limited (DYL) over the Napperby Uranium Project which allows for 100% purchase of the project at a capped price per resource pound (lb) basis at any stage, over a three year period.

The 2008 Napperby resource definition drilling program was completed at the end of August. Aircore and sonic drilling were undertaken, with the sonic drilling providing core samples for which all assays have now been completed. All holes were gamma logged to determine eU3O8.

The Napperby Uranium Project is presently an Inferred Resource of 4.6 million tonnes @ 305 ppm (0.031%) U3O8 for 1,420 tonnes (3.13 million pounds) of contained uranium oxide (using a 200 ppm U3O8 cut off based on 2006 and 2007 drill programmes: refer to ASX release 25 July 2008).

Quality assurance and quality control checks have been completed for the 2008 assay results which have been added to the project data base. The data base is currently with SRK Consulting, which is completing a revised mineral resource estimate with the new data.

The second round of metallurgical testing is in progress at an independent testing facility, Amdel Ltd, to build on the first set of results to determine:

- suitability of the mineralisation to beneficiation;
- the optimum conditions for alkaline leaching; and
- the applicability of heap leaching by completing column testing.

URS Australia was commissioned by Toro to undertake a Scoping Study to determine viable development options for the Napperby Uranium Project in the Northern Territory. It will draw on the new metallurgical test results and the new resource estimation for Napperby, including the 2008 drilling results.

The Scoping Study is expected to be completed around the end of the March 2009 quarter. Toro will use the outcome of the scoping study to determine the Company's development strategy for Napperby.

Prior to commissioning the Scoping Study, Toro had collected preliminary baseline environmental data and completed a preliminary social impact study. No unmanageable environmental or social impacts were identified.

Consultation continued with traditional owner groups, the Northern Territory Government and local councils to ensure all are informed of the Project status.

EXPLORATION

The Australian exploration licences and applications held by Toro, or subject to uranium access and joint venture rights, as at 31 December 2008, totalled approximately 36,805km² in South Australia, Western Australia and the Northern Territory, as shown in Figure 3. African interests now only include 3 tenements in Namibia totalling 1320km². Following a review, Toro has withdrawn its interest in Guinea.

South Australia

Warrior Project

Tarcoola Joint Venture with Range River, and Stellar Resources Joint Venture with Stellar Resources.

A heritage survey for the Warrior South prospect scheduled for mid-December was postponed until 2009. The survey is part of the Access Agreement that has been signed with the Far West Coast group. It is proposed to aircore drill the Warrior South paleochannel in the first quarter of 2009 while also testing a combined magnetic and gravity feature.

Labyrinth Project

Labyrinth Joint Venture with Dominion Gold Operations Pty Ltd

Dominion Gold Operations was advised that Toro Energy had no further interest in this project area and has subsequently withdrawn from the Labyrinth JV.

Kingoonya Project

Tunkillia Joint Venture with Helix Resources, and a Minotaur Uranium Access Agreement with Minotaur Exploration

The Kingoonya Project is located south of Tarcoola in the western Gawler Craton and covers the Kingoonya Palaeodrainage system. An AEM survey for Toro in 2006 identified the palaeodrainage system, a significant part of which occurs within the Yellabinna Regional Reserve. A review of the location of the main palaeochannel target adjacent to the Yellabinna Wilderness Reserve, combined with target prioritisation, led to Toro advising Helix Resources that they were withdrawing from the Tunkillia JV.

Minotaur Exploration was also advised concurrently that Toro rescinded its uranium rights for the Deception Hill tenement.

Mount Woods Project

Uranium Access rights with OZ Minerals Limited and Minotaur Exploration

An active exploration program for Iron Oxide Copper Gold (IOCG) deposits by OZ Minerals in the Prominent Hill area was completed in 2008. Uranium assays will be assessed in conjunction with OZ Minerals during the first quarter of 2009.

Nonning and Pandurra Projects

Minotaur Exploration and Menninnie Metals JV with Toro
Minotaur Exploration and Trafford Resources JV with Toro

On Nonning, data from gravity and IP surveys are being assessed. Operator and Manager, Menninnie Metals, have met the minimum expenditure requirement of \$300,000 for the joint venture.

Trafford Resources are exploring EL3146 while the other two tenements are subject to review awaiting information on access to the area, after the Commonwealth becomes the lease holder over an expanded Cultana Training Area.

Roxby Acropolis Project

Minotaur Exploration and JOGMEC JV with Toro

Japan Oil, Gas and Metals National Corporation (JOGMEC) has committed to further exploration in the Roxby-Acropolis project area, for Olympic Dam style iron oxide copper-gold uranium mineralisation. Drilling commenced on two targets early in 2009.

Coober Pedy Project

Toro 100%

The four diamond core holes completed by Nova Energy as part of a PACE sponsored drilling program in 2007 have been submitted to the PIRSA core library.

Northern Territory

Reynolds Range Project

Toro 100%

A field reconnaissance visit was made to the area in October. Rock chip samples were collected from granites and other units with high uranium responses. Weakly anomalous uranium values ranged up to 29ppm.

Sandover and Plenty Projects

Toro 100%

Review of previous work and assessment of the radiometric data has commenced.

Western Australia

Lake Mackay

Toro 100%

A 100m-spaced, airborne magnetic/radiometric survey over the western and southern parts of the granted tenements was completed. Results are expected to highlight the potential for shallow uranium mineralisation and deeper iron oxide copper gold (IOCG) mineralisation

Grass Patch Project

Toro 100%

Toro Energy has relinquished these tenements following the low tenor uranium results from drilling.

Africa

A review and restructuring of African interests is almost complete with a view to providing increased shareholder value, more aggressive project advancement and allow additional focus on Toro's Australian projects which have the potential for near-term production

Namibia

Toro 100% (through Nova Energy (Namibia) Pty Ltd)

Toro is awaiting licence renewal applications submitted in August 2007 to be granted and is continuing its dialogue with the Namibian Ministry to expedite this process.

Guinea

Following a review of the cost of completing a drilling program during the dry season vs the exploration potential and the lack of joint venture interest, Toro has elected to withdraw from all tenements in Guinea. The recent change in government has slowed this process but it is expected all commitments will have been finalised by the end of the March 2009 quarter

Impairment charges

Following a review of the Exploration and Evaluation Assets, the Directors of Toro Energy have elected to write down the value of these assets by \$40.1M.

Auditor's independence declaration

The auditor's independence declaration is included on page 9 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

27 February 2009

Consolidated Interim Income Statement

FOR THE HALF YEAR ENDED 31 DECEMBER 2008

	Note	Consolidated	
		Half year ended 31 Dec 2008 \$	Half year ended 31 Dec 2007 \$
Revenue		387,330	570,372
Impairment of non-current assets	7	(40,105,885)	(17,191)
Employee benefits expense		(841,082)	(537,464)
Depreciation expense		(81,357)	(29,134)
Finance costs		-	(1,172)
Other expenses	5	(724,517)	(1,029,159)
(Loss) before income tax expense		(41,365,511)	(1,043,748)
Income tax expense		(124,504)	(313,468)
(Loss) for the period		(41,490,015)	(1,357,216)
(Loss) attributable to members of the parent entity		(41,490,015)	(1,357,216)
Earnings per share:		<i>Cents</i>	<i>Cents</i>
Basic earnings per share		(8.15)	(0.36)
Diluted earnings per share		(8.15)	(0.36)

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 2008

	Note	Consolidated	
		31 December 2008 \$	30 June 2008 \$
CURRENT ASSETS			
Cash and cash equivalents	6	12,536,099	13,385,822
Trade and other receivables		197,903	186,595
Other current assets		105,611	451,190
TOTAL CURRENT ASSETS		12,839,613	14,023,607
NON-CURRENT ASSETS			
Property, plant and equipment		542,352	601,036
Exploration and evaluation assets	7	91,390,519	128,193,923
TOTAL NON-CURRENT ASSETS		91,932,871	128,794,959
TOTAL ASSETS		104,772,484	142,818,566
CURRENT LIABILITIES			
Trade and other payables		573,003	9,386,345
Short-term borrowings		19,753	25,540
Short-term provisions		101,140	76,427
TOTAL CURRENT LIABILITIES		693,896	9,488,312
NON-CURRENT LIABILITIES			
Long-term borrowings		54,439	61,167
Long-term provisions		25,842	16,915
TOTAL NON-CURRENT LIABILITIES		80,281	78,082
TOTAL LIABILITIES		774,177	9,566,394
NET ASSETS		103,998,307	133,252,172
EQUITY			
Issued Capital	8	151,488,821	139,561,875
Retained earnings		(48,623,313)	(7,133,298)
Reserves		1,132,799	823,595
TOTAL EQUITY		103,998,307	133,252,172

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 2008

	Consolidated			
	Share Capital Ordinary	Retained Earnings	Reserves	Total
Note	\$	\$	\$	\$
Balance at 1 July 2007	34,752,312	(2,340,756)	556,597	32,968,153
Loss attributable to members of parent entity	-	(1,357,216)	-	(1,357,216)
Cost of Business Combination	98,809,563	-	-	98,809,563
Share Issue - Allarrow Pty Ltd	6,000,000	-	-	6,000,000
Toro Share option expense - December 2007	-	-	20,686	20,686
Balance at 31 December 2007	139,561,875	(3,697,972)	577,283	136,441,186
Balance at 1 July 2008	139,561,875	(7,133,298)	823,595	133,252,172
Loss attributable to members of parent entity	-	(41,490,015)	-	(41,490,015)
Rights Issue	12,217,456	-	-	12,217,456
Cost of Rights Issue (net of tax)	(290,510)	-	-	(290,510)
Toro Share option expense - December 2008	-	-	212,378	212,378
Unrealised foreign exchange gain	-	-	96,826	96,826
Balance at 31 December 2008	151,488,821	(48,623,313)	1,132,799	103,998,307

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 2008

	Consolidated	
	Half year ended 31 Dec 2008 \$	Half year ended 31 Dec 2007 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(1,352,928)	(2,824,854)
Finance costs	(2,749)	(882)
Interest received	736,572	596,244
NET CASH (USED IN) OPERATING ACTIVITIES	(619,105)	(2,229,492)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(22,674)	(109,355)
Cash acquired on acquisition of Toro Energy Ltd	-	7,484,082
Payments of Stamp Duty (Nova Acquisition)	(7,997,990)	-
Payments for exploration activities	(4,111,081)	(2,860,804)
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES	(12,131,745)	4,513,923
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	12,217,456	-
Transaction costs of issue of shares	(316,329)	-
Repayment of borrowings	-	(984)
NET CASH (USED IN) FINANCING ACTIVITIES	11,901,127	(984)
Net increase/(decrease) in cash and cash equivalents	(849,723)	2,283,447
Cash at the beginning of the reporting period	13,385,822	15,580,101
CASH AT THE END OF THE REPORTING PERIOD	12,536,099	17,863,548

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 2008

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 2008 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 2008 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, the requirements of the Corporations Act 2001, the Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

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 for the year ended 30 June 2008.

c. Significant accounting policies

The accounting policies have been consistently applied by the entities in the consolidated group and are consistent with those in the June 2008 financial report.

2. SEGMENT INFORMATION

Industry & Geographical Segment

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

3. CONTINGENT LIABILITIES

The Group is not aware of any contingent asset or liability that should be disclosed in accordance with AASB 137.

4. EVENTS SUBSEQUENT TO REPORTING DATE

There has been no material event subsequent to the half year ended 31 December 2008.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2008

5. OTHER EXPENSES

	Consolidated	
	As at	As at
	31 Dec 08	31 Dec 07
	\$	\$
Audit/Accounting Fees	43,554	99,330
ASX/ASIC Compliance Fees	49,767	59,122
Consultants	48,125	370,734
Legal Fees	54,814	220,611
Management Fee	-	66,250
Share Registry Fees	108,455	50,217
Travel & Accommodation	46,138	94,421
Office & Warehouse Rentals	51,231	-
AGM Report & Meeting Expenses	55,883	
Professional & Industry Memberships	38,090	-
Other Expenses	228,460	68,474
	724,517	1,029,159

6. CASH AND CASH EQUIVALENTS

	Consolidated	
	As at	As at
	31 Dec 08	30 Jun 08
	\$	\$
Cash at bank and in hand	536,099	385,822
Term deposits	12,000,000	13,000,000
	12,536,099	13,385,822

7. EXPLORATION AND EVALUATION ASSETS

	Consolidated	
	As at	As at
	31 Dec 08	30 Jun 08
	\$	\$
Balance at beginning of financial year	128,193,923	17,626,704
Expenditure during the half-year	3,302,481	6,371,231
Acquisition through share issue	-	6,000,000
Exploration expenditure written off *	(40,105,885)	(1,926,393)
Toro Energy carrying value at acquisition date	-	26,083,306
Fair Value assigned on merger	-	74,039,075
Balance at end of period	91,390,519	128,193,923

(*) Following a review of the Exploration and Evaluation Assets, the Directors of Toro Energy have elected to write down the value of these assets by \$40.1M.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2008

8. ISSUED CAPITAL

	Consolidated	
	As at 31 Dec 08 \$	As at 30 Jun 08 \$
Fully paid ordinary shares	151,488,821	139,561,875
	<u>151,488,821</u>	<u>139,561,875</u>
Reconciliation:	Consolidated	
	Half year ended	
	31 Dec 08	
	\$	
Ordinary shares		
Balance at beginning of financial year	139,561,875	
Rights Issue	12,217,456	
Cost of Rights Issue (net of tax)	(290,510)	
Balance at end of the half year	<u>151,488,821</u>	
	Parent	
	Half year ended	
	31 Dec 08	
	No.	
Ordinary shares		
Number at beginning of financial year	494,670,520	
Rights Issue	61,087,275	
Number of shares at end of half year	<u>555,757,795</u>	

9. SHARE BASED PAYMENTS

In November and December 2008, grants were made to officers & key management personal. The terms and conditions of the grants made during the six months ended 31 December 2008 are as follows:

Grant date	Number of Instruments	Vesting conditions	Contractual life of options
1. 19 November 2008*	3,000,000	Not Applicable	5 Years
2. 17 December 2008	1,665,000	One year of service	5 Years
* Issue date			
1. Fair value at grant date			\$0.043
Share Price			\$0.130
Exercise price			\$0.730
Expected volatility			86.0%
Risk-free interest rate			4.3%
2. Fair value at grant date			\$0.042
Share Price			\$0.095
Exercise price			\$0.250
Expected volatility			86.0%
Risk-free interest rate			4.3%

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, as set out on pages 10 to 16:
 - (i) give a true and fair view of the financial position as at 31 December 2008 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

27 February 2009



Grant Thornton

**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 61 8 8372 6666
F 61 8 8372 6677
E info@gtsa.com.au
W www.grantthornton.com.au

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

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Toro Energy Ltd (the Company) and consolidated entity, which comprises the balance sheet as at 31 December 2008 and 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, other selected explanatory notes and the directors' declaration. The consolidated entity comprises both the Company and the entities it controlled at the half-year's end or from time to time during that half-year.

Directors' responsibility for the half-year financial report

The directors of the Company 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 consolidated 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 and Other Financial Reports 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 2008 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.



Grant Thornton

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

Auditor's responsibility (Cont)

As the auditor of Toro Energy Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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 Ltd 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 2008 and of its performance for the half-year ended on that date; and
- 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 at Wayville on this 27 day of February 2009