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28 October 2011

Dear Shareholder

ANNUAL GENERAL MEETING

I am pleased to invite you to attend the Annual General Meeting of Toro Energy Limited to be held in Hindmarsh 4, at the Crowne Plaza Hotel, 16 Hindmarsh Square, Adelaide, South Australia on Wednesday 30 November 2011 at 11.00 am.

An electronic copy of the 2011 annual report is available to download or view on the Company's website at www.toroenergy.com.au/reports.html. The 2011 annual report has also been sent by post to those shareholders who previously elected to receive a hard copy. In addition, the Company has also enabled online voting, details of which are explained on the Proxy Form

If you are unable to attend the meeting in person, I encourage you to return the enclosed Proxy Form or alternatively nominate a Proxy online. If you nominate a proxy please carefully consider the proxy comments in the attached notice of meeting. Please complete the online nomination or forward the manual Proxy Form by post or fax to the Company's Share Registry, Computershare Investor Services, so that it may be received by 11.00 am on Monday 28 November 2011.

Yours sincerely,

A handwritten signature in black ink, appearing to read "ESM", is written over a large, faint circular watermark of the Toro Energy logo.

ERICA SMYTH
CHAIR
Encl.



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NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Shareholders of Toro Energy Limited will be held in Hindmarsh 4, at the Crowne Plaza Hotel, 16 Hindmarsh Square, Adelaide, South Australia on Wednesday 30 November 2011 at 11.00 am.

Please note that an online version of the Company's 2011 Annual Report can be downloaded or viewed at www.toroenergy.com.au/reports.html. The 2011 Annual Report has also been sent by post to those shareholders who have previously elected to receive a hard copy. You can also vote online at www.investorvote.com.au by entering your Control Number, SRN/HIN and postcode, which are shown on the first page of the enclosed Proxy Form. Overseas Shareholders are able to select their country of residence rather than entering a postcode.

Ordinary Business

To receive and consider the Financial Statements for the year ended 30 June 2011 and accompanying reports of the Directors and Auditor.

To consider and, if thought fit, to pass the following resolutions as ordinary resolutions:-

- 1] **Adoption of the Remuneration Report**
"That the Company adopt the Remuneration Report for the year ended 30 June 2011 as set out in the Company's 2011 Annual Report."
- 2] **Re-election of Andrew Coles as a Director of the Company**
"That Mr Andrew Coles having voluntarily retired in accordance with ASX Listing Rule 14.5 and clause 6.1 of the Constitution of the Company, being eligible, and having offered himself for re-election, is re-elected as a Director with effect immediately following the conclusion of the meeting."
- 3] **Re-election of John Nitschke as a Director of the Company**
"That Mr John Nitschke having voluntarily retired in accordance with ASX Listing Rule 14.5 and clause 6.1 of the Constitution of the Company, being eligible, and having offered himself for re-election, is re-elected as a Director with effect immediately following the conclusion of the meeting."

Special Business

To consider and, if thought fit, pass the following resolutions as ordinary resolutions:

- 4] **Grant of Options to Ms Erica Smyth**
"That, for the purposes of ASX Listing Rule 10.11, the Corporations Act 2001 (Cth) and all other purposes, approval be and is hereby given to the grant, allotment and issue by the Company of 1,000,000 options to Ms Erica Smyth (or her nominee) on the terms and conditions set out in the Explanatory Notes that accompany the Notice of Meeting."

- 5] **Grant of Options to Mr Derek Carter**
“That, for the purposes of ASX Listing Rule 10.11, the Corporations Act 2001 (Cth) and all other purposes, approval be and is hereby given to the grant, allotment and issue by the Company of 1,000,000 options to Mr Derek Carter (or his nominee) on the terms and conditions set out in the Explanatory Notes that accompany the Notice of Meeting.”
- 6] **Grant of Options to Mr John Nitschke**
“That, for the purposes of ASX Listing Rule 10.11, the Corporations Act 2001 (Cth) and all other purposes, approval be and is hereby given to the grant, allotment and issue by the Company of 1,000,000 options to Mr John Nitschke (or his nominee) on the terms and conditions set out in the Explanatory Notes that accompany the Notice of Meeting.”
- 7] **Grant of Options to Mr Peter Lester**
“That, for the purposes of ASX Listing Rule 10.11, the Corporations Act 2001 (Cth) and all other purposes, approval be and is hereby given to the grant, allotment and issue by the Company of 1,000,000 options to Mr Peter Lester (or his nominee) on the terms and conditions set out in the Explanatory Notes that accompany the Notice of Meeting.”
- 8] **Grant of Options to Mr Greg Hall**
“That, for the purposes of ASX Listing Rule 10.11, the Corporations Act 2001 (Cth) and all other purposes, approval be and is hereby given to the grant, allotment and issue by the Company of 2,000,000 options to Mr Greg Hall (or his nominee) on the terms and conditions set out in the Explanatory Notes that accompany the Notice of Meeting.”
- 9] **Subsequent approval of the issue of 10,000,000 Shares**
“That for the purpose of ASX Listing Rule 7.4 and for all other purposes, approval be and is hereby given to the allotment and issue by the Company of 10,000,000 fully paid ordinary shares to CITIC Nickel Australia Pty Ltd (ACN 080 410 368), Impact Minerals Limited (ACN 119 062 261), Spar Resources Pty Ltd (ACN 066 309 528), Talbot Group Investments Pty Ltd (ACN 096 001 857), John Rowntree and Teddy Tech Pty Ltd (ACN 110 481 617) on the terms and conditions described in the Explanatory Notes that accompany the Notice of meeting.”

To consider and, if thought fit, pass the following resolution as a special resolution:

- 10] **Amendment to Constitution – Payment of Dividends**
“That the Constitution of the Company be amended in the following manner –
- (a) By deleting clause 119 and substituting –
- “119 Power to Capitalise and Issue Debentures to Members**
- 119.1 The directors may, subject to the Listing Rules and the Act, resolve to capitalise profits, reserves or other amounts available for distribution to members. The capitalisation need not be accompanied by the issue of shares.”
- (b) By deleting clause 123 and substituting –
- “123 Dividends**
- 123.1 A dividend may only be paid in accordance with the Act.”
- (c) By deleting clause 124.1 and substituting –
- “124.1 Subject to this Constitution, the Act and the terms of issue of shares, the Board may:
- (1) resolve to pay any dividend it thinks appropriate; and

- (2) fix the time and method for payment.

The Board may amend or revoke a resolution made under clause 124.1 at any time before the date fixed for payment.”

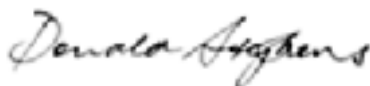
- (d) By deleting clause 125 and substituting –

“125 Power to Employ Reserves

125.1 The directors may set aside reserves out of the profits of the Company or out of other amounts available for distribution to members as permitted by law as they think proper which shall, at the discretion of the directors, be applicable for any purpose to which the profits of the Company or other amounts available for distribution to members may be properly applied and, pending any such application, may at the like discretion either be employed in the business of the Company or invested in such investments (other than shares in the Company) as the directors may from time to time think fit.”

Dated 28 October 2011

**BY ORDER OF THE BOARD
TORO ENERGY LIMITED**

A handwritten signature in cursive script, appearing to read "Donald Stephens".

**DONALD STEPHENS
COMPANY SECRETARY**

Voting

A Proxy Form is enclosed with this Notice.

Explanatory Notes

The Explanatory Notes accompanying this Notice of Annual General Meeting are incorporated in and comprise part of this Notice of Annual General Meeting, and should be read in conjunction with this Notice.

Shareholders are specifically referred to the Glossary in the Explanatory Notes which contains definitions of capitalised terms used both in this Notice of Annual General Meeting and the Explanatory Notes.

Voting Exclusion Statements

I. Resolutions 1, 4, 5, 6, 7, and 8

For the purposes of the Corporations Act, a vote on Resolutions 1, 4, 5, 6, 7 and 8 must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person described above may cast a vote on Resolutions 1, 4, 5, 6, 7 and 8 if:

- (c) the person does so as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and
- (d) the vote is not cast on behalf of a person described in paragraphs (a) or (b) above.

Please Note: In accordance with sections 250R(4) and 250R(5) of the Corporations Act, the Chair will not vote any undirected proxies in relation to any of Resolutions 1, 4, 5, 6, 7 and 8 unless the shareholder specifically authorises the Chair to vote in accordance with the Chair's stated voting intentions. **If a shareholder wishes to nominate the Chair as their proxy for the purpose of any of Resolutions 1, 4, 5, 6, 7 and 8 the shareholder must either tick the 'for', 'against' or 'abstain' box directing the Chair how to vote, or tick the box authorising the Chair to vote in accordance with his or her stated voting intentions, on the enclosed Proxy Form in order for their proxy vote to be counted.** Alternatively, shareholders can nominate as their proxy for the purpose of Resolutions 1, 4, 5, 6, 7 and 8 a proxy who is not a member of the Company's Key Management Personnel or Closely Related Party. That person would be permitted to vote undirected proxies.

The Chair intends to vote all available proxies in favour of Resolutions 1, 4, 5, 6, 7 and 8.

2. Resolutions 4, 5, 6, 7 and 8

For the purposes of the ASX Listing Rules, the Company will disregard any votes in respect of each of these Resolutions if they are cast by or on behalf of a director or an associate of a director.

However, subject always to the requirements in paragraph 1 above, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

3. Resolution 9

For the purposes of the ASX Listing Rules, the Company will disregard any votes cast on Resolution 9 by CITIC Nickel Australia Pty Ltd (ACN 080 410 368), Impact Minerals Limited (ACN 119 062 261), Spar Resources Pty Ltd (ACN 066 309 528), Talbot Group Investments Pty Ltd (ACN 096 001 857), John Rowntree and Teddy Tech Pty Ltd (ACN 110 481 617) who participated in the issue of the Shares referred to in Resolution 9 and associates of those persons.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Proxies

Please note that:

- a member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy;
- a proxy need not be a member of the Company; and
- a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The **enclosed** proxy form provides further details on appointing proxies and lodging proxy forms.

New sections 250BB and 250BC of the Corporations Act took effect on 1 August 2011 and apply to voting by proxy on or after 1 August 2011 (whether or not the proxy was appointed before, on or after that date). Shareholders and their proxies should be aware of these changes to the Corporations Act, as they will apply to this Meeting. Broadly, the changes mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

More details on these changes are provided below.

Proxy vote if appointment specifies way to vote

Section 250BB provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, if it does:

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (that is, as directed);
- if the proxy has two or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands;
- if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (that is, as directed); and
- if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (that is, as directed).

Transfer of non-chair proxy to chair in certain circumstances

Section 250BC provides that if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the company's members;
- the appointed proxy is not the chair of the meeting;
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
 - the proxy is not recorded as attending the meeting; or
 - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

“Snap-shot” Time

The Company may specify a time, not more than 48 hours before the meeting, at which a “snap-shot” of Shareholders will be taken for the purposes of determining Shareholder entitlements to vote at the meeting. The Company's directors have determined that all Shares of the Company that are quoted on ASX as at the close of business 28 November 2011 shall, for the purposes of determining voting entitlements at the Annual General Meeting, be taken to be held by the persons registered as holding the Shares at that time.

Corporate Representative

Any corporate Shareholder who has appointed a person to act as its corporate representative at the meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to the Company and/or registry in advance of the meeting or handed in at the meeting when registering as a corporate representative.



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EXPLANATORY NOTES

Introduction

These Explanatory Notes set out information in connection with the business to be considered at the Annual General Meeting of Shareholders of Toro Energy Limited to be held in Hindmarsh 4, at the Crowne Plaza Hotel, 16 Hindmarsh Square, Adelaide, South Australia on Wednesday 30 November 2011 at 11.00 am. These Explanatory Notes are to assist Shareholders in understanding the background to and the legal and other implications of the Notice and the reasons for the resolutions proposed. Both documents should be read in their entirety and in conjunction with each other.

Other than the information set out in these Explanatory Notes, the Directors believe that there is no other information that could reasonably be required by Shareholders to consider Resolutions 1, 2, 3, 4, 5, 6, 7, 8, 9 and 10.

Resolutions 1, 2, 3, 4, 5, 6, 7, 8 and 9 are ordinary resolutions. Resolution 10 is a special resolution. They are separate resolutions and in no way dependent on each other.

1. Resolution 1: Adoption of the Remuneration Report

The Annual Report for the year ended 30 June 2011 contains a Remuneration Report which sets out the remuneration policy for the Company and reports the remuneration arrangements in place for the Managing Director, specified Executives and non-executive Directors. The Remuneration Report is set out in the Directors' Report of the Annual Report.

Section 250R(2) of the Corporations Act requires that a resolution to adopt the Remuneration Report be put to the vote of the Company. Shareholders should note that the vote on Resolution 1 is advisory only and, subject to the matters outlined below, will not bind the Company or the Directors. However, the Board will take the outcome of the vote into consideration when reviewing the Company's remuneration policy.

The Chair intends to vote all available proxies in favour of Resolution 1.

2. Resolution 2 : Re-election of Mr Andrew Coles as a Director of the Company

In accordance with ASX Listing Rule 14.5 and clause 6.1 of the Constitution at every Annual General Meeting one third of the Directors for the time being (excluding those who retire under clause 9.2 of the Constitution) must retire from office and are eligible for re-election. Accordingly Mr Andrew Coles retires as a Director of the Company and, being eligible, offers himself for re-election. The Directors (other than Mr Coles) recommend that shareholders vote in favour of Resolution 2.

Resume of the candidate for re-election to the office of Director is as follows:-

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

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

3. Resolution 3 : Re-election of Mr John Nitschke as a Director of the Company

In accordance with ASX Listing Rule 14.5 and clause 6.1 of the Constitution at every Annual General Meeting one third of the Directors for the time being (excluding those who retire under clause 9.2 of the Constitution) must retire from office and are eligible for re-election. Accordingly Mr John Nitschke retires as a Director of the Company

and, being eligible, offers himself for re-election. The Directors (other than Mr Nitschke) recommend that shareholders vote in favour of Resolution 3.

Resume of the candidate for re-election to the office of Director is as follows:-

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

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

4. Resolution 4: Grant of Options to Ms Erica Smyth

4.1 Grant of Options

- (a) On 12 January 2011 the Board resolved to grant 1,000,000 options to Ms Erica Smyth (or her nominee).
- (b) The proposed options grant to Ms Smyth (or her nominee) requires the approval of shareholders pursuant to ASX Listing Rule 10.11 and Chapter 2E of the Corporations Act.

Shareholder approval is required under ASX Listing Rule 10.11 and section 208 of the Corporations Act because Ms Smyth is a director of the Company and, as such, is a related party of the Company. If shareholder approval is given under ASX Listing Rule 10.11, shareholder approval is not required under ASX Listing Rule 7.1.

- (c) For the purposes of ASX Listing Rule 10.13 and section 219 of the Corporations Act information regarding the proposed options grant is provided as follows to the extent that such information is not disclosed elsewhere in this Explanatory Memorandum:
 - (i) Subject to shareholder approval, it is proposed that Ms Smyth (or her nominee) will be granted 1,000,000 options to subscribe for new ordinary shares in the Company. It is considered appropriate to issue options to Ms Smyth as a key component of her remuneration in order to retain her services and to provide incentive linked to the performance of the Company. It is further considered the performance of Ms Smyth and the performance and value of the Company will be closely related. As such, the options to be granted will only be of benefit if Ms Smyth performs to the level whereby the value of the Company increases sufficiently to warrant exercising the options.
 - (ii) The breakdown of the options that Ms Smyth (or her nominee) will receive in accordance with Resolution 4 is highlighted in the following table:

Director	No. of Options	Exercise Price	Exercise Period	Value per Option	Total Value
Erica Smyth	1,000,000	\$0.22	from date of allotment and issue to and including 11 January 2016	\$0.045	\$45,000

- (iii) No funds will be raised by the grant of the options to Ms Smyth (or her nominee) as they are being granted for no consideration.
- (iv) Each of these options proposed to be granted to Ms Smyth (or her nominee) entitles Ms Smyth (or her nominee) to subscribe for one ordinary share in the Company at the exercise price and during the exercise period referred to above. Shares issued on exercise of the options will rank equally in all respects with existing fully paid ordinary shares in the Company.

- (d) The options will not be quoted on ASX. Further terms and conditions of the options are set out in the schedule appearing at the end of these Explanatory Notes.
- (e) A valuation of the options has been conducted and this value is included in paragraph 4.1(c)(ii). The valuation imputes a total value of the options to be issued to Ms Smyth (or her nominee) at \$45,000. The value may increase or decrease after the date of the valuation as it will depend upon the future price of shares in the Company. The valuation has applied the Black-Scholes valuation methodology together with the following assumptions:
- (i) a volatility index of 97.9% based on the historic volatility of the Company's shares;
 - (ii) the share price on the date of grant and allotment has been estimated at \$0.08, being the 30 day volume weighted average price to 12 October 2011 being the day immediately before the date this Notice was lodged with ASIC;
 - (iii) for the purposes of the valuation it is assumed that the options will not be exercised any earlier than the expiry date; and
 - (iv) a risk free rate of 4.2% has been used.

- (f) The following table demonstrates the dilution of all other shareholdings in the Company upon exercise of the options issued under Resolutions 4, 5, 6, 7 and 8, assuming that shareholders pass each of those Resolutions:

Current shares issued	975,436,676
Shares issued assuming all existing options are exercised	32,785,000
Shares issued assuming exercise of all the options referred to in Resolutions 4, 5, 6, 7 and 8	6,000,000
Total shares	1,014,221,676
Dilution effect	0.59%

- (g) The following table demonstrates the dilution of all other shareholdings in the Company upon exercise of the options issued under Resolution 4 assuming that shareholders pass that Resolution but not Resolutions 5, 6, 7 and 8:

Current shares issued	975,436,676
Shares issued assuming all existing options are exercised	32,785,000
Shares issued assuming exercise of all the options referred to in Resolution 4	1,000,000
Total shares	1,009,221,676
Dilution effect	0.10%

- (h) The market price of shares in the Company would normally determine whether or not Ms Smyth (or her nominee) will exercise the options. If the options are exercised at a price that is lower than the price at which shares are trading on ASX, there may be a perceived cost to the Company. The highest, lowest and last recorded market price of the shares quoted on ASX during the period from 13 October 2010 to 12 October 2011, being the day immediately before the date this Notice was lodged at ASIC were:

Highest	\$0.17 on 5 January 2011
Lowest	\$0.07 on 5 October 2011
Last	\$0.08 on 12 October 2011

4.2 General

- (a) In addition to the options proposed to be granted to Ms Smyth for the financial year ended 30 June 2011, Ms Smyth received a directors fee and superannuation totalling \$85,000.
- (b) The Directors are also entitled to reimbursement of all reasonable travelling, accommodation and other expenses that they properly incur in attending meetings of directors or any meetings of committees of directors, in attending meetings of shareholders or in connection with the business of the Company.
- (c) The current share and option holdings of Ms Smyth and her associates is as follows:

Director	Shares	Options
Erica Smyth	132,217	1,000,000

- (d) The share and option holdings of Ms Smyth and her associates if this Resolution is passed will be as follows:

Director	Shares	Options
Erica Smyth	132,217	2,000,000

- (e) The Directors (other than Ms Smyth) do not have an interest in the outcome of Resolution 4 and recommend that shareholders vote in favour of Resolution 4.
- (f) If Resolution 4 is passed, the options to be granted to Ms Smyth (or her nominee) will be allotted and issued not later than one month after the date of the Meeting.

The Chair intends to vote all available proxies in favour of Resolution 4.

5. Resolution 5: Grant of Options to Mr Derek Carter

5.1 Grant of Options

- (a) On 12 January 2011 the Board resolved to grant 1,000,000 options to Mr Derek Carter (or his nominee).
- (b) The proposed options grant to Mr Carter (or his nominee) requires the approval of shareholders pursuant to ASX Listing Rule 10.11 and Chapter 2E of the Corporations Act.

Shareholder approval is required under ASX Listing Rule 10.11 and section 208 of the Corporations Act because Mr Carter is a director of the Company and, as such, is a related party of the Company. If shareholder approval is given under ASX Listing Rule 10.11, shareholder approval is not required under ASX Listing Rule 7.1.

- (c) For the purposes of ASX Listing Rule 10.13 and section 219 of the Corporations Act information regarding the proposed options grant is provided as follows to the extent that such information is not disclosed elsewhere in this Explanatory Memorandum:
- (i) Subject to shareholder approval, it is proposed that Mr Carter (or his nominee) will be granted 1,000,000 options to subscribe for new ordinary shares in the Company. It is considered appropriate to issue options to Mr Carter as a key component of his remuneration in order to retain his services and to provide incentive linked to the performance of the Company. It is further considered the

performance of Mr Carter and the performance and value of the Company will be closely related. As such, the options to be granted will only be of benefit if Mr Carter performs to the level whereby the value of the Company increases sufficiently to warrant exercising the options.

- (ii) The breakdown of the options that Mr Carter (or his nominee) will receive in accordance with Resolution 5 is highlighted in the following table:

Director	No. of Options	Exercise Price	Exercise Period	Value per Option	Total Value
Derek Carter	1,000,000	\$0.22	from date of allotment and issue to and including 11 January 2016	\$0.045	\$45,000

- (iii) No funds will be raised by the grant of the options to Mr Carter (or his nominee) as they are being granted for no consideration.
- (iv) Each of these options proposed to be granted to Mr Carter (or his nominee) entitles Mr Carter (or his nominee) to subscribe for one ordinary share in the Company at the exercise price and during the exercise period referred to above. Shares issued on exercise of the options will rank equally in all respects with existing fully paid ordinary shares in the Company.
- (d) The options will not be quoted on ASX. Further terms and conditions of the options are set out in the schedule appearing at the end of these Explanatory Notes.
- (e) A valuation of the options has been conducted and this value is included in paragraph 5.1(c)(ii). The valuation imputes a total value of the options to be issued to Mr Carter (or his nominee) at \$45,000. The value may increase or decrease after the date of the valuation as it will depend upon the future price of shares in the Company. The valuation has applied the Black-Scholes valuation methodology together with the following assumptions:

- (i) a volatility index of 97.9% based on the historic volatility of the Company's shares;
- (ii) the share price on the date of grant and allotment has been estimated at \$0.08, being the 30 day volume weighted average price to 12 October 2011 being the day immediately before the date this Notice was lodged with ASIC;
- (iii) for the purposes of the valuation it is assumed that the options will not be exercised any earlier than the expiry date; and
- (iv) a risk free rate of 4.2% has been used.

- (f) The following table demonstrates the dilution of all other shareholdings in the Company upon exercise of the options issued under Resolutions 4, 5, 6, 7 and 8, assuming that shareholders pass each of those Resolutions:

Current shares issued	975,436,676
Shares issued assuming all existing options are exercised	32,785,000
Shares issued assuming exercise of all the options referred to in Resolutions 4, 5, 6, 7 and 8	6,000,000
Total shares	1,014,221,676
Dilution effect	0.59%

- (g) The following table demonstrates the dilution of all other shareholdings in the Company upon exercise of the options issued under Resolution 5 assuming that shareholders pass that Resolution but not Resolutions 4, 6, 7 and 8:

Current shares issued	975,436,676
Shares issued assuming all existing options are exercised	32,785,000
Shares issued assuming exercise of all the options referred to in Resolution 5	1,000,000
Total shares	1,009,221,676
Dilution effect	0.10%

- (h) The market price of shares in the Company would normally determine whether or not Mr Carter (or his nominee) will exercise the options. If the options are exercised at a price that is lower than the price at which shares are trading on ASX, there may be a perceived cost to the Company. The highest, lowest and last recorded market price of the shares quoted on ASX during the period from 13 October 2010 to 12 October 2011, being the day immediately before the date this Notice was lodged at ASIC were:

Highest	\$0.17 on 5 January 2011
Lowest	\$0.07 on 5 October 2011
Last	\$0.08 on 12 October 2011

5.2 General

- (a) In addition to the options proposed to be granted to Mr Carter for the financial year ended 30 June 2011, Mr Carter received a directors fee and superannuation totalling \$55,000.
- (b) The Directors are also entitled to reimbursement of all reasonable travelling, accommodation and other expenses that they properly incur in attending meetings of directors or any meetings of committees of directors, in attending meetings of shareholders or in connection with the business of the Company.
- (c) The current share and option holdings of Mr Carter and his associates is as follows:

Director	Shares	Options
Derek Carter	113,333	nil

- (d) The share and option holdings of Mr Carter and his associates if this Resolution is passed will be as follows:

Director	Shares	Options
Derek Carter	113,333	1,000,000

- (e) The Directors (other than Mr Carter) do not have an interest in the outcome of Resolution 5 and recommend that shareholders vote in favour of Resolution 5.
- (f) If Resolution 5 is passed, the options to be granted to Mr Carter (or his nominee) will be allotted and issued not later than one month after the date of the Meeting.

The Chair intends to vote all available proxies in favour of Resolution 5.

6. Resolution 6: Grant of Options to Mr John Nitschke

6.1 Grant of Options

- (a) On 12 January 2011 the Board resolved to grant 1,000,000 options to Mr John Nitschke (or his nominee).
- (b) The proposed options grant to Mr Nitschke (or his nominee) requires the approval of shareholders pursuant to ASX Listing Rule 10.11 and Chapter 2E of the Corporations Act.

Shareholder approval is required under ASX Listing Rule 10.11 and section 208 of the Corporations Act because Mr Nitschke is a director of the Company and, as such, is a related party of the Company. If shareholder approval is given under ASX Listing Rule 10.11, shareholder approval is not required under ASX Listing Rule 7.1.

- (c) For the purposes of ASX Listing Rule 10.13 and section 219 of the Corporations Act information regarding the proposed options grant is provided as follows to the extent that such information is not disclosed elsewhere in this Explanatory Memorandum:
 - (i) Subject to shareholder approval, it is proposed that Mr Nitschke (or his nominee) will be granted 1,000,000 options to subscribe for new ordinary shares in the Company. It is considered appropriate to issue options to Mr Nitschke as a key component of his remuneration in order to retain his services and to provide incentive linked to the performance of the Company. It is further considered the performance of Mr Nitschke and the performance and value of the Company will be closely related. As such, the options to be granted will only be of benefit if Mr Nitschke performs to the level whereby the value of the Company increases sufficiently to warrant exercising the options.
 - (ii) The breakdown of the options that Mr Nitschke (or his nominee) will receive in accordance with Resolution 6 is highlighted in the following table:

Director	No. of Options	Exercise Price	Exercise Period	Value per Option	Total Value
John Nitschke	1,000,000	\$0.22	from date of allotment and issue to and including 11 January 2016	\$0.045	\$45,000

- (iii) No funds will be raised by the grant of the options to Mr Nitschke (or his nominee) as they are being granted for no consideration.
- (iv) Each of these options proposed to be granted to Mr Nitschke (or his nominee) entitles Mr Nitschke (or his nominee) to subscribe for one ordinary share in the Company at the exercise price and during the exercise period referred to above. Shares issued on exercise of the options will rank equally in all respects with existing fully paid ordinary shares in the Company.
- (d) The options will not be quoted on ASX. Further terms and conditions of the options are set out in the schedule appearing at the end of these Explanatory Notes.
- (e) A valuation of the options has been conducted and this value is included in paragraph 6.1(c)(ii). The valuation imputes a total value of the options to be issued to Mr Nitschke (or his nominee) at \$45,000. The value may increase or decrease after the date of the valuation as it will depend upon the future price of shares in the Company. The valuation has applied the Black-Scholes valuation methodology together with the following assumptions:
 - (i) a volatility index of 97.9% based on the historic volatility of the Company's shares;

the share price on the date of grant and allotment has been estimated at \$0.08, being the 30 day volume weighted average price to 12 October 2011 being the day immediately before the date this Notice was lodged with ASIC;

- (ii) for the purposes of the valuation it is assumed that the options will not be exercised any earlier than the expiry date; and
 - (iii) a risk free rate of 4.2% has been used.
- (f) The following table demonstrates the dilution of all other shareholdings in the Company upon exercise of the options issued under Resolutions 4, 5, 6, 7 and 8, assuming that shareholders pass each of those Resolutions:

Current shares issued	975,436,676
Shares issued assuming all existing options are exercised	32,785,000
Shares issued assuming exercise of all the options referred to in Resolutions 4, 5, 6, 7 and 8	6,000,000
Total shares	1,014,221,676
Dilution effect	0.59%

- (g) The following table demonstrates the dilution of all other shareholdings in the Company upon exercise of the options issued under Resolution 6 assuming that shareholders pass that Resolution but not Resolutions 4, 5, 7 and 8:

Current shares issued	975,436,676
Shares issued assuming all existing options are exercised	32,785,000
Shares issued assuming exercise of all the options referred to in Resolution 6	1,000,000
Total shares	1,009,221,676
Dilution effect	0.10%

- (h) The market price of shares in the Company would normally determine whether or not Mr Nitschke (or his nominee) will exercise the options. If the options are exercised at a price that is lower than the price at which shares are trading on ASX, there may be a perceived cost to the Company. The highest, lowest and last recorded market price of the shares quoted on ASX during the period from 13 October 2010 to 12 October 2011, being the day immediately before the date this Notice was lodged at ASIC were:

Highest	\$0.17 on 5 January 2011
Lowest	\$0.07 on 5 October 2011
Last	\$0.08 on 12 October 2011

6.2 General

- (a) In addition to the options proposed to be granted to Mr Nitschke for the financial year ended 30 June 2011, Mr Nitschke received a directors fee and superannuation totalling \$62,336.

- (b) The Directors are also entitled to reimbursement of all reasonable travelling, accommodation and other expenses that they properly incur in attending meetings of directors or any meetings of committees of directors, in attending meetings of shareholders or in connection with the business of the Company.
- (c) The current share and option holdings of Mr Nitschke and his associates is as follows:

Director	Shares	Options
John Nitschke	250,000	nil

- (d) The share and option holdings of Mr Nitschke and his associates if this Resolution is passed will be as follows:

Director	Shares	Options
John Nitschke	250,000	1,000,000

- (e) The Directors (other than Mr Nitschke) do not have an interest in the outcome of Resolution 6 and recommend that shareholders vote in favour of Resolution 6.
- (f) If Resolution 6 is passed, the options to be granted to Mr Nitschke (or his nominee) will be allotted and issued not later than one month after the date of the Meeting.

The Chair intends to vote all available proxies in favour of Resolution 6.

7. Resolution 7: Grant of Options to Mr Peter Lester

7.1 Grant of Options

- (a) On 12 January 2011 the Board resolved to grant 1,000,000 options to Mr Peter Lester (or his nominee).
- (b) The proposed options grant to Mr Lester (or his nominee) requires the approval of shareholders pursuant to ASX Listing Rule 10.11 and Chapter 2E of the Corporations Act.

Shareholder approval is required under ASX Listing Rule 10.11 and section 208 of the Corporations Act because Mr Lester is a director of the Company and, as such, is a related party of the Company. If shareholder approval is given under ASX Listing Rule 10.11, shareholder approval is not required under ASX Listing Rule 7.1.

- (c) For the purposes of ASX Listing Rule 10.13 and section 219 of the Corporations Act information regarding the proposed options grant is provided as follows to the extent that such information is not disclosed elsewhere in this Explanatory Memorandum:
- (i) Subject to shareholder approval, it is proposed that Mr Lester (or his nominee) will be granted 1,000,000 options to subscribe for new ordinary shares in the Company. It is considered appropriate to issue options to Mr Lester as a key component of his remuneration in order to retain his services and to provide incentive linked to the performance of the Company. It is further considered the performance of Mr Lester and the performance and value of the Company will be closely related. As such, the options to be granted will only be of benefit if Mr Lester performs to the level whereby the value of the Company increases sufficiently to warrant exercising the options.
- (ii) The breakdown of the options that Mr Lester (or his nominee) will receive in accordance with Resolution 7 is highlighted in the following table:

Director	No. of Options	Exercise Price	Exercise Period	Value per Option	Total Value
Peter Lester	1,000,000	\$0.22	from date of allotment and issue to and including 11 January 2016	\$0.045	\$45,000

- (iii) No funds will be raised by the grant of the options to Mr Lester (or his nominee) as they are being granted for no consideration.
- (iv) Each of these options proposed to be granted to Mr Lester (or his nominee) entitles Mr Lester (or his nominee) to subscribe for one ordinary share in the Company at the exercise price and during the exercise period referred to above. Shares issued on exercise of the options will rank equally in all respects with existing fully paid ordinary shares in the Company.
- (d) The options will not be quoted on ASX. Further terms and conditions of the options are set out in the schedule appearing at the end of these Explanatory Notes.
- (e) A valuation of the options has been conducted and this value is included in paragraph 7.1(c)(ii). The valuation imputes a total value of the options to be issued to Mr Lester (or his nominee) at \$45,000. The value may increase or decrease after the date of the valuation as it will depend upon the future price of shares in the Company. The valuation has applied the Black-Scholes valuation methodology together with the following assumptions:
- (i) a volatility index of 97.9% based on the historic volatility of the Company's shares;
- (ii) the share price on the date of grant and allotment has been estimated at \$0.08, being the 30 day volume weighted average price to 12 October 2011 being the day immediately before the date this Notice was lodged with ASIC;
- (iii) for the purposes of the valuation it is assumed that the options will not be exercised any earlier than the expiry date; and
- (iv) a risk free rate of 4.2% has been used.
- (f) The following table demonstrates the dilution of all other shareholdings in the Company upon exercise of the options issued under Resolutions 4, 5, 6, 7 and 8, assuming that shareholders pass each of those Resolutions:

Current shares issued	975,436,676
Shares issued assuming all existing options are exercised	32,785,000
Shares issued assuming exercise of all the options referred to in Resolutions 4, 5, 6, 7 and 8	6,000,000
Total shares	1,014,221,676
Dilution effect	0.59%

- (g) The following table demonstrates the dilution of all other shareholdings in the Company upon exercise of the options issued under Resolution 7 assuming that shareholders pass that Resolution but not Resolutions 4, 5, 6 and 8:

Current shares issued	975,436,676
Shares issued assuming all existing options are exercised	32,785,000



Shares issued assuming exercise of all the options referred to in Resolution 7	1,000,000
Total shares	1,009,221,676
Dilution effect	0.10%

- (h) The market price of shares in the Company would normally determine whether or not Mr Lester (or his nominee) will exercise the options. If the options are exercised at a price that is lower than the price at which shares are trading on ASX, there may be a perceived cost to the Company. The highest, lowest and last recorded market price of the shares quoted on ASX during the period from 13 October 2010 to 12 October 2011, being the day immediately before the date this Notice was lodged at ASIC were:

Highest	\$0.17 on 5 January 2011
Lowest	\$0.07 on 5 October 2011
Last	\$0.08 on 12 October 2011

7.2 General

- (a) In addition to the options proposed to be granted to Mr Lester for the financial year ended 30 June 2011, Mr Lester received a directors fee and superannuation totalling \$63,333.
- (b) The Directors are also entitled to reimbursement of all reasonable travelling, accommodation and other expenses that they properly incur in attending meetings of directors or any meetings of committees of directors, in attending meetings of shareholders or in connection with the business of the Company.
- (c) The current share and option holdings of Mr Lester and his associates is as follows:

Director	Shares	Options
Peter Lester	Nil	1,000,000

- (d) The share and option holdings of Mr Lester and his associates if this Resolution is passed will be as follows:

Director	Shares	Options
Peter Lester	Nil	2,000,000

- (e) The Directors (other than Mr Lester) do not have an interest in the outcome of Resolution 7 and recommend that shareholders vote in favour of Resolution 7.
- (f) If Resolution 7 is passed, the options to be granted to Mr Lester (or his nominee) will be allotted and issued not later than one month after the date of the Meeting.

The Chair intends to vote all available proxies in favour of Resolution 7.

8. Resolution 8: Grant of Options to Mr Greg Hall

8.1 Grant of Options

- (a) On 12 January 2011 the Board resolved to grant 2,000,000 options to Mr Greg Hall (or his nominee).

- (b) The proposed options grant to Mr Hall (or his nominee) requires the approval of shareholders pursuant to ASX Listing Rule 10.11 and Chapter 2E of the Corporations Act.

Shareholder approval is required under ASX Listing Rule 10.11 and section 208 of the Corporations Act because Mr Hall is a director of the Company and, as such, is a related party of the Company. If shareholder approval is given under ASX Listing Rule 10.11, shareholder approval is not required under ASX Listing Rule 7.1.

- (c) For the purposes of ASX Listing Rule 10.13 and section 219 of the Corporations Act information regarding the proposed options grant is provided as follows to the extent that such information is not disclosed elsewhere in this Explanatory Memorandum:

- (i) Subject to shareholder approval, it is proposed that Mr Hall (or his nominee) will be granted 2,000,000 options to subscribe for new ordinary shares in the Company. It is considered appropriate to issue options to Mr Hall as a key component of his remuneration in order to retain his services and to provide incentive linked to the performance of the Company. It is further considered the performance of Mr Hall and the performance and value of the Company will be closely related. As such, the options to be granted will only be of benefit if Mr Hall performs to the level whereby the value of the Company increases sufficiently to warrant exercising the options.
- (ii) The breakdown of the options that Mr Hall (or his nominee) will receive in accordance with Resolution 8 is highlighted in the following table:

Director	No. of Options	Exercise Price	Exercise Period	Value per Option	Total Value
1. Greg Hall	1,000,000	\$0.22	from date of allotment and issue to and including 11 January 2016	\$0.045	\$45,000
2. Greg Hall	1,000,000	\$0.30	from date of allotment and issue to and including 11 January 2016	\$0.040	\$40,000

- (iii) No funds will be raised by the grant of the options to Mr Hall (or his nominee) as they are being granted for no consideration.
- (iv) Each of these options proposed to be granted to Mr Hall (or his nominee) entitles Mr Hall (or his nominee) to subscribe for one ordinary share in the Company at the exercise price and during the exercise period referred to above. Shares issued on exercise of the options will rank equally in all respects with existing fully paid ordinary shares in the Company.
- (d) The options will not be quoted on ASX. Further terms and conditions of the options are set out in the schedule appearing at the end of these Explanatory Notes.
- (e) A valuation of the options has been conducted and this value is included in paragraph 8.1(c)(ii). The valuation imputes a total value of the options to be issued to Mr Hall (or his nominee) at \$85,000. The value may increase or decrease after the date of the valuation as it will depend upon the future price of shares in the Company. The valuation has applied the Black-Scholes valuation methodology together with the following assumptions:
- (i) a volatility index of 97.9% based on the historic volatility of the Company's shares;
- (ii) the share price on the date of grant and allotment has been estimated at \$ 0.08, being the 30 day volume weighted average price to 12 October 2011 being the day immediately before the date this Notice was lodged with ASIC;

- (iii) for the purposes of the valuation it is assumed that the options will not be exercised any earlier than the expiry date; and
 - (iv) a risk free rate of 4.2% has been used.
- (f) The following table demonstrates the dilution of all other shareholdings in the Company upon exercise of the options issued under Resolutions 4, 5, 6, 7 and 8, assuming that shareholders pass each of those Resolutions:

Current shares issued	975,436,676
Shares issued assuming all existing options are exercised	32,785,000
Shares issued assuming exercise of all the options referred to in Resolutions 4, 5, 6, 7 and 8	6,000,000
Total shares	1,014,221,676
Dilution effect	0.59%

- (g) The following table demonstrates the dilution of all other shareholdings in the Company upon exercise of the options issued under Resolution 8 assuming that shareholders pass that Resolution but not Resolutions 4, 5, 6 and 7:

Current shares issued	975,436,676
Shares issued assuming all existing options are exercised	32,785,000
Shares issued assuming exercise of all the options referred to in Resolution 8	2,000,000
Total shares	1,010,221,676
Dilution effect	0.10%

- (h) The market price of shares in the Company would normally determine whether or not Mr Hall (or his nominee) will exercise the options. If the options are exercised at a price that is lower than the price at which shares are trading on ASX, there may be a perceived cost to the Company. The highest, lowest and last recorded market price of the shares quoted on ASX during the period from 13 October 2010 to 12 October 2011, being the day immediately before the date this Notice was lodged at ASIC were:

Highest	\$0.17 on 5 January 2011
Lowest	\$0.07 on 5 October 2011
Last	\$0.08 on 12 October 2011

8.2 General

- (a) In addition to the options proposed to be granted to Mr Hall for the financial year ended 30 June 2011, Mr Hall received a salary and superannuation totalling \$324,665.
- (b) The Directors are also entitled to reimbursement of all reasonable travelling, accommodation and other expenses that they properly incur in attending meetings of directors or any meetings of committees of directors, in attending meetings of shareholders or in connection with the business of the Company.

- (c) The current share and option holdings of Mr Hall and his associates is as follows:

Director	Shares	Options
Greg Hall	176,333	2,000,000

- (d) The share and option holdings of Mr Hall and his associates if this Resolution is passed will be as follows:

Director	Shares	Options
Greg Hall	176,333	4,000,000

- (e) The Directors (other than Mr Hall) do not have an interest in the outcome of Resolution 8 and recommend that shareholders vote in favour of Resolution 8.
- (f) If Resolution 8 is passed, the options to be granted to Mr Hall (or his nominee) will be allotted and issued not later than one month after the date of the Meeting.

The Chair intends to vote all available proxies in favour of Resolution 8.

9. **Resolution 9: Subsequent approval of the issue of 10,000,000 Shares**

On 18 July 2011, the Company announced the proposed issue of 10,000,000 Shares (**New Shares**), at a deemed issue price of \$0.15 a share, as part consideration for its acquisition of two exploration tenements near Meekatharra in Western Australia. Completion of the transaction took place on 6 October 2011.

The New Shares, which fall within the 15% limit set by the ASX under ASX Listing Rule 7.1, were issued on 6 October 2011. The purpose of Resolution 9 is to obtain shareholder approval for the issue of the New Shares for the purpose of ASX Listing Rule 7.4 and for all other purposes.

The resolution is an ordinary resolution.

ASX Listing Rule 7.1 provides, in summary, that a listed company may not issue equity securities in any 12 month period which exceeds 15% of the number of issued securities of the company on issue at the beginning of the 12 month period, except with the prior approval of shareholders of the company in general meeting, unless an exception in ASX Listing Rule 7.2 applies.

However, ASX Listing Rule 7.4 provides that an issue of equity securities made without shareholder approval under ASX Listing Rule 7.1 is treated as having been made with shareholder approval for the purpose of ASX Listing Rule 7.1 if:

- the issue did not breach ASX Listing Rule 7.1; and
- holders of ordinary securities subsequently approve it.

The issue of the New Shares did not result in the Company breaching the 15% limit referred to in ASX Listing Rule 7.1. The issue of the New Shares did not therefore depend on Shareholders passing Resolution 9.

The purpose of Resolution 9 is to obtain Shareholder approval for the purpose of ASX Listing Rule 7.4 and for all other purposes. If Shareholders approve the issue of the New Shares for the purpose of ASX Listing Rule 7.4, the issue of the New Shares will not count towards determining the number of equity securities which the Company can issue in any 12 month period. However, if Shareholders do not approve the issue of the New Shares for the purpose of ASX Listing Rule 7.4, the issue of the New Shares will count towards the number of equity securities which the Company can issue in any 12 month period.

For the purpose of ASX Listing Rule 7.5, information regarding the New Shares is provided as follows:

- 10,000,000 New Shares have been allotted.
- The New Shares were not issued for cash but rather in part consideration for the transfer to the Company of two exploration tenements.

Accordingly, there were no funds raised from the issue of the New Shares.

- The terms of the New Shares are the same as the terms of already issued fully paid ordinary shares in the Company.
- The names of the allottees of the New Shares are:

CITIC Nickel Australia Pty Ltd ACN 080 410 368	3,386,025 Shares
Impact Minerals Limited ACN 119 062 261	5,485,299 Shares
Spar Resources Pty Ltd ACN 066 309 528 as trustee for the Spar Superannuation Fund	282,169 Shares
Talbot Group Investments Pty Ltd ACN 096 001 857	282,169 Shares
John Rowntree	282,169 Shares
Teddy Tech Pty Ltd ACN 110 481 617 as trustee for the YB Investment Trust	282,169 Shares

The Directors recommend that shareholders vote in favour of Resolution 9.

10. **Resolution 10: Amendment to Constitution – Payment of Dividends**

Resolution 10 seeks approval to the proposed amendment to the Company's Constitution to remove the restriction to pay future dividends only from the Company's profits.

The changes proposed to the Constitution result from amendments to the Corporations Act on 28 June 2010, which govern the circumstances in which companies may pay dividends. Previously, a company could only pay dividends out of profits (commonly known as the "profits test"). Section 254T of the Corporations Act now operates to prohibit the payment of dividends unless the following three new tests are satisfied:

- assets exceed liabilities immediately before the dividend is declared and the excess covers the dividend; and
- the payment is fair and reasonable to shareholders as a whole; and
- the payment does not materially prejudice the company's ability to pay its creditors.

The Constitution contains provisions which largely mirror or complement the former statutory profits test in relation to the payment of dividends.

The purpose of this proposed amendment is to align the Constitution with the new provisions of the Corporations Act, and to enable the Company to take advantage of the flexibility to pay future dividends out of amounts other than profits under the new solvency based regime.

Shareholders are asked to pass this resolution as a special resolution pursuant to section 136 of the Corporations Act.

The Directors recommend that shareholders vote in favour of Resolution 10.

Glossary

In these Explanatory Notes and the Notice of Annual General Meeting the following expressions have the following meanings unless stated otherwise or unless the context otherwise requires:

ASIC means Australian Securities and Investments Commission;

ASX means ASX Limited ACN 008 624 691;

ASX Listing Rules means the official listing rules of ASX;

Board means the board of Directors;

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependant of the member or of the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the *Corporations Regulations 2001* (Cth);

Company means Toro Energy Limited ACN 117 127 590;

Constitution means the constitution of the Company;

Corporations Act means *Corporations Act 2001* (Cth);

Director means a director of the Company;

Key Management Personnel has the same meaning as in the accounting standards (so the term broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director, whether executive or otherwise, of the Company);

Meeting means the meeting of Shareholders convened by the Notice;

Notice means the Notice of Annual General Meeting to which these Explanatory Notes are attached;

Share means a fully paid ordinary share in the capital of the Company; and

Shareholder means a holder of a Share.



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PO Box 584
West Perth WA 6872
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SCHEDULE

TERMS AND CONDITIONS OF OPTIONS

- The options held by the optionholder are exercisable in whole or in part at any time during the period from the date of their allotment and issue to and including 11 January 2016 (**Exercise Period**). Options not exercised before the expiry of the Exercise Period will lapse.
- Options are exercisable by notice in writing to the Board delivered to the registered office of the Company and payment of the exercise price in cleared funds.
- The Company will not apply for official quotation on ASX of the options. The Company will make application for official quotation on ASX of new shares allotted on exercise of the options. Those shares will participate equally in all respects with existing issued ordinary shares, and in particular new shares allotted on exercise of the options will qualify for dividends declared after the date of their allotment.
- Options can only be transferred with Board approval, except that if at any time before expiry of the Exercise Period the optionholder dies, the legal personal representative of the deceased optionholder may:
 - (i) elect to be registered as the new holder of the options;
 - (ii) whether or not he becomes so registered, exercise those options in accordance with the terms and conditions on which they were granted; and
 - (iii) if the deceased has already exercised options, pay the exercise price in respect of those options.
- An optionholder may only participate in new issues of securities to holders of ordinary shares in the Company if the option has been exercised and shares allotted in respect of the option before the record date for determining entitlements to the issue. The Company must give prior notice to the optionholder of any new issue before the record date for determining entitlements to the issue in accordance with the ASX Listing Rules.
- If there is a bonus issue to the holders of ordinary shares in the capital of the Company, the number of ordinary shares over which the option is exercisable will be increased by the number of ordinary shares which the holder of the option would have received if the option had been exercised before the record date for the bonus issue.
- If the Company makes a rights issue (other than a bonus issue), the exercise price of options on issue will be reduced according to the following formula:

$$A = O - \frac{E [P - (S + D)]}{(N + 1)}$$

Where:

A = the new exercise price of the option;

O = the old exercise price of the option;

E = the number of underlying ordinary shares into which one option is exercisable;

P = the average closing sale price per ordinary share (weighted by reference to volume) recorded on the stockmarket of ASX during the five trading days immediately preceding the ex rights date or ex entitlements date (excluding special crossings and overnight sales and exchange traded option exercises);


S = the subscription price for a security under the pro rata issue;


D = the dividend due but not yet paid on existing underlying securities (except those to be issued under the pro rata issue); and

N = the number of securities with rights or entitlements that must be held to receive a right to one new security.

- If, during the currency of the options the issued capital of the Company is reorganised, those options will be reorganised to the extent necessary to comply with ASX Listing Rules.

Lodge your vote:

 **Online:**
www.investorvote.com.au



 **By Mail:**
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:
(within Australia) 1300 556 161
(outside Australia) +61 3 9415 4000

Proxy Form

 Vote online or view the annual report, 24 hours a day, 7 days a week: www.investorvote.com.au	
<input checked="" type="checkbox"/> Cast your proxy vote <input checked="" type="checkbox"/> Access the annual report <input checked="" type="checkbox"/> Review and update your securityholding	<p><i>Your secure access information is:</i></p> <p> PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.</p>

 **For your vote to be effective it must be received by 11:00am (Adelaide time) Monday 28 November 2011**

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the information tab, "Downloadable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form** →



3 Boskenna Avenue
NORWOOD SA 5067
Australia

Dear Securityholder,

We have been trying to contact you in connection with your securityholding in Toro Energy Limited. Unfortunately, our correspondence has been returned to us marked "Unknown at the current address". For security reasons we have flagged this against your securityholding which will exclude you from future mailings, other than notices of meeting.

Please note if you have previously elected to receive a hard copy Annual Report (including the financial report, directors' report and auditor's report) the dispatch of that report to you has been suspended but will be resumed on receipt of instructions from you to do so.

We value you as a securityholder and request that you supply your current address so that we can keep you informed about our Company. Where the correspondence has been returned to us in error we request that you advise us of this so that we may correct our records.

You are requested to include the following;

- > Securityholder Reference Number (SRN);
- > ASX trading code;
- > Name of company in which security is held;
- > Old address; and
- > New address.

Please ensure that the notification is signed by all holders and forwarded to our Share Registry at:

Computershare Investor Services Pty Limited
GPO Box 2975
Melbourne Victoria 3001
Australia

Note: If your holding is sponsored within the CHESSE environment you need to advise your sponsoring participant (in most cases this would be your broker) of your change of address so that your records with CHESSE are also updated.

Yours sincerely

Donald Stephens
Company Secretary