TORO ENERGY LIMITED

Annual Report 2007

This annual report covers both Toro Energy Limited (ABN 48 117 127 590) as an individual entity and the consolidated entity comprising Toro Energy Limited and its subsidiaries. The Group's functional and presentation currency is AUD ($).

A description of the Group's operations and of its principal activities is included in the review of operations and activities in the directors' report on pages 34 to 36. The Directors' Report is not part of the financial report.

CORPORATE DIRECTORY

Directors

Dr Ian Gould (Chairman)
Mr Greg Hall (Managing Director)
Mr Owen Hegarty
Mr Derek Carter

Company Secretary

Mr Donald Stephens

Registered Office

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NORWOOD SA 5067

Principal place of business

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Banker

National Australia Bank
22 – 28 King William Street
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Auditor

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Chartered Accountants
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WAYVILLE SA 5034

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ASX Code: TOE

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1: LETTER FROM THE CHAIRMAN

It is our pleasure to present to you Toro Energy Limited's second annual report.

I am very pleased to be able to report to shareholders on the progress made during the year by Toro Energy Limited towards achieving its strategy of successfully exploring for or acquiring uranium projects, which can be ultimately brought into production to supply the expanding global nuclear power market. In this time Toro Energy has built an expert team, carried out exploration in the field, acquired additional uranium tenements and laid the foundations to acquire more, been recognised as a respected member of the emerging uranium exploration sector in Australia, extended its geographic diversity and added to its portfolio an option to acquire an established uranium resource.

Subsequent to the end of the financial year, the company has reinforced this progress through its proposed merger by takeover with Nova Energy Limited, which would, amongst other benefits add a substantial uranium resource in Western Australia to our assets. The details of these important moves are included elsewhere in this report.

The global uranium market continues to be characterised by increasing demand for, and gradually increasing new mine supply of, uranium. Current and future demand remains strong, driven by maximum utilisation of existing nuclear plants combined with increasing construction and plans for new reactors. Significantly, many countries around the world have changed, or are considering changing, their previous stance on nuclear power, to enable it to be a potential part of their future energy mix. This is being driven by energy demand, along with requirements for reliable base-load power and concerns over greenhouse gas emissions from other power sources.

During the year, spot price for U_3O_8 peaked at over US$135 per lb in June 2007, before settling back to its current level of US$85 per lb. The rapid price run-up earlier this year was related largely to production issues at existing mines, and has been corrected by lower seasonal demand, with the spot price now more in line with current long term prices. The market projections that underwrote the formation of Toro Energy are still well and truly in place.

Closer to home, the Federal ALP in April this year voted to abolish its no new uranium mines policy. We welcome this decision as a significant and realistic step in the right direction. Immediately following this decision, the governments of South Australia and the Northern Territory affirmed their intention to allow new uranium mines which satisfy their approval and regulatory requirements. As Toro Energy has major exploration and project assets within these two regions, this bodes well for our future activities. Unfortunately the current state governments of Western Australia and Queensland have yet to change their no-uranium mining policies.

Toro Energy has been an active participant in the debate around uranium and nuclear power both globally and within Australia. We are pleased to see that there is an increasing willingness to discuss the realistic benefits and issues surrounding this industry and an improvement in the levels of understanding of how it functions.

During the past year, under the enthusiastic and experienced leadership of Greg Hall, Toro has continued to build a specialist, skilled team with the capacity of achieving our corporate objectives. At the same time, we continue to enjoy close relationships with our key founding stakeholders, Oxiana Ltd and Minotaur Exploration Ltd, with whom we share significant land access within South Australia.

Some promising exploration results have already been achieved in South Australia. Due to its encouraging political environment, and its 27 years experience with a modern uranium mining industry, the State remains a premier location for uranium exploration and development within Australia.

One of our most significant acquisition opportunities in the past year has been set in

another favourable jurisdiction, the Northern Territory, where Toro has finalised a purchase option agreement with Deep Yellow Ltd for the rights to evaluate and, if desired, to acquire 100% of the Napperby Project, north-west of Alice Springs. This project, discovered and evaluated by Uranerz Exploration in the 1970s with some additional work by Deep Yellow in 2006, provides Toro Energy with its first resources under the JORC code, and the ability to expand these resources substantially with further drilling work. Toro Energy has completed all requirements for this option and at time of writing was engaged in its initial resource extension drilling campaign.

A further significant new project has been offshore, in Morocco, where Toro has obtained exclusive exploration review rights for six months to approximately 4,000 square kilometres of uranium prospective land through a Memorandum of Understanding (MoU) with Morocco's *Office National des Hydrocarbures et des Mines* (ONHYM).

As previously mentioned, in a major boost for the future of our Company, Toro Energy and Nova Energy announced in August their intention to merge via a takeover of Nova by Toro. Toro and Nova have complimentary exploration assets in South Australia, the Northern Territory and Africa, and Nova bring one of the more significant known uranium resources (under JORC definitions) in their Lake Way / Centipede project in Western Australia. Once complete, this merger will result in Toro Energy becoming one of the largest uranium explorers and potential mine developers among listed Australian uranium juniors.

Upon successful completion of the merger, the Board of Toro Energy will be enlarged in response to the increased size, scope and geographic diversity of the Company, and the move into resource and project development issues that this will require. Oxiana will retain an approximate 46% interest in the new Toro Energy, lending weight to our credentials as a potential emerging uranium mine developer.

In conclusion, I sincerely thank our Managing Director, Greg Hall, and all our employees, consultants and contractors for their efforts over the past year. Under Greg's stewardship we have continued to fulfill our strategy, enhanced the business and remained on track to successfully explore, acquire and develop in the future.

Yours sincerely,

Dr Ian Gould
Chairman

2: MANAGING DIRECTOR'S REPORT

The founding year of Toro Energy in 2006 was a year of building a team, commencing initial exploration programs, reviewing data history of tenements and some tenement expansion. The Company progressed its Board-approved strategy of targeted exploration for, or acquisition of, developable uranium projects which can add value to our enterprise, with the intention to take those projects through resource definition, development and into production.

Although the uranium spot price has retreated in mid 2007, the long term market fundamentals of the industry remain strong towards new mine supply. The industry was impacted by two significant uranium supply issues in early 2007;

- The flooding of the developing Cigar Lake underground mine in Saskatchewan, which has resulted in a delay to production start-up from 2008 to 2010 or 2011, and
- A significant rainfall event at the Ranger open pit operations in the Northern Territory which impacted production this year, and may do so next year.

Along with these events, other uranium supply centres failed to produce their targeted production. As a result the short term uranium spot price was impacted, increasing to over US$135 per lb in late June. From July a seasonal reduction in short term demand from North American purchasers, along with ongoing availability of small parcels of uranium for sale has seen the spot price reduce to US$85 per lb. This drop was also influenced by the US Department of Energy (DOE) which released around 520,000 lbs uranium in different forms for market bids during July and August.

The current long term price (the price at which term contracts could be achieved) has remained relatively stable at around US$95 per lb. Toro Energy's Business Development strategy is to ensure that projects it acquires or considers remain economic well within this long term price.

As stated last year, the Toro Energy structure was set up with two main focus areas; Exploration and Business Development. The Exploration team was boosted by the recruitment of Dr Geoff Hudson as Exploration Manager earlier this year, and now comprises seven full and part-time geological staff, supported by significant consulting expertise where required. The Business Development team, headed by Simon Mitchell, recruited a full-time Senior Mining Engineer to assist with project evaluation and acquisition opportunities. These two are ably assisted by consulting expertise in the business advisory and geological consulting area.

Toro Energy, as a potential future uranium producer, has established its initial safety, environmental and radiation monitoring systems, with monitoring and reporting of safety incidents, an initial employee induction program, an exploration radiation management plan, and established drill site rehabilitation practices. To 30 June 2007, no lost time injuries or significant incidents were reported.

The Company has also been active in promoting discussion regarding the realities of uranium mining, nuclear power and radiation, and to this end has presented to industry and public forums, and supported experts in these areas in doing so.

Toro Energy continued and expanded its exploration activity during the financial year, with significant airborne EM surveys over prospective South Australian tenement regions to assist targeted exploration. Main exploration activities were focused on the Warrior, Yaninee, Ealbara and Mt Woods project regions. In particular the Warrior Project was expanded with Toro Energy completing a JV agreement with Stellar Resources which, along with the existing JV with Range River, has provided Toro with access to the full Warrior palaeochannel system. Our exploration work has now started to re-confirm the uranium grades that were identified during exploration in the 70s. These activities and results are expanded on in the Review of Operations section.

From early 2007 Toro Energy has substantially increased its asset base opportunities, including:

- a project purchase option over the Napperby Uranium deposit in the Northern Territory;
- exclusive access and review rights over three uranium regions in Morocco; and
- subsequent to year end, a major expansion of the Company via the merger opportunity with Nova Energy.

In February 2007 Toro Energy announced the basic commercial terms for an agreement with Deep Yellow Ltd to enter into a Purchase Option Agreement for the Napperby Uranium Deposit 150km NW of Alice Springs in the Northern Territory. This project was explored by Uranerz Exploration during the 1970s and 80s. Additional work by Deep Yellow has resulted in an initial resource of 670t U_3O_8 under the JORC code being announced in December 2006. By the end of July 2007 all conditions for the Agreement were finalised and Toro retained the rights to evaluate and, if desired, to acquire 100% of the Napperby Project over a three year period (or earlier). As reported subsequent to year end, our initial resource expansion work commenced in September 2007, with results expected early in 2008.

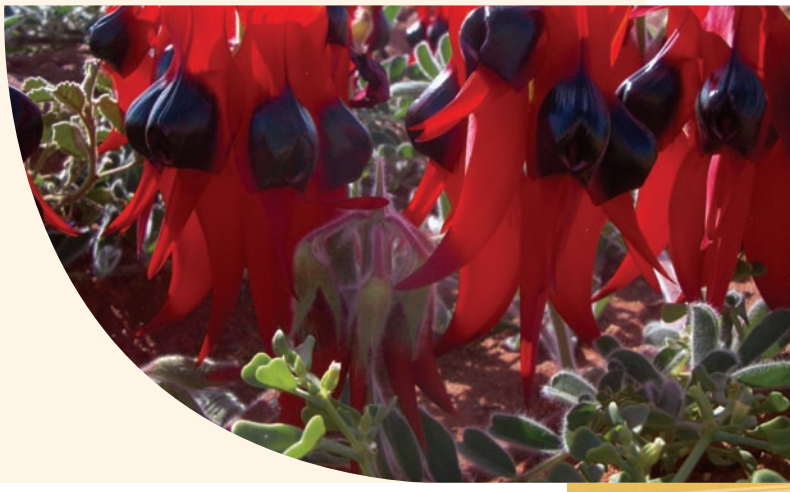
Toro has signed a Memorandum of Understanding with the *Office National des Hydrocarbures et des Mines* (ONHYM) of Morocco for exclusive exploration evaluation rights over three uranium prospective areas. Subsequent meetings and an initial field visit in June have commenced this evaluation work. Based on data research and the field visit, it was confirmed that the three regions contain historical uranium occurrences in a variety of settings, with individual drill results in the range 0.1% to 1% U_3O_8 being historically reported.

The current merger via takeover of Nova Energy will create a significant uranium exploration and development company with the aim of becoming an emerging uranium producer. Upon successful merger, the Wiluna Project (Lake Way / Centipede) will be the most advanced project within the new Toro Energy, with a pre-feasibility and resource upgrade underway. The Napperby Project will be the next most advanced, with these two forming the head of an existing and planned pipeline of projects. Along with an Exploration and Business Development team, the expanded Toro Energy will establish a Project Development team as these projects advance.

I would like to thank Toro's staff, contractors and consultants for their enthusiastic and dedicated work in establishing and growing the Company. The expanded company will benefit from a combined skill set from both Toro and Nova personnel, and will continue to grow through exploration and acquisition opportunities. The Board of Toro has worked to ensure that the targeted exploration and project opportunities have added value to the Company going forward, and I thank them for their dedication and guidance during the year.

Yours sincerely,

Greg Hall
Managing Director



Strategy and Objectives

The Company's primary objective is to build a uranium exploration and mining company through targeted exploration and considered project acquisition opportunities, which will aim to reward its shareholders with both 'yield' and 'growth' returns. It will aim to achieve this by:

- Exploration of its extensive tenement holdings with access to ~30,000 km^2;
- Continuing to build, through acquisition, alliance or JV, a progressive pipeline of projects from grass roots exploration through to near-production ready assets;
- Actively pursuing uranium opportunities in Australia and overseas;
- Continuing to build an experienced team of quality professionals from the uranium, exploration and mining industry;
- Accessing and utilising the technical and corporate skills of its major shareholders.

During its first full year of operation, the Company has continued to aggressively progress land acquisition, exploration and development opportunities, building on its activities undertaken since listing in March 2006. A Joint Venture agreement with Stellar Resources Ltd in the Warrior Project area was announced in July 2006 enabling Toro to earn up to 70% of the licence in a two stage process.

An Option Agreement with Deep Yellow Ltd was executed in May 2007 providing for the acquisition of the Napperby Uranium Project in the Northern Territory which contains a JORC Inferred Mineral Resource of 1.9 million tonnes of U_3O_8 at 0.036% (360ppm), U_3O_8 for 670 tonnes or 1.5 million pounds of contained U_3O_8.

A Memorandum of Understanding was signed in April 2007 with the Moroccan Government's *Office National des Hydrocarbures et des Mines* (ONHYM) giving the Company exclusive rights for six months to evaluate the uranium potential of three areas explored by the French and others prior to the early 1980s.

Subsequent to the end of the financial year Toro Energy and Nova Energy announced their intent to merge, via a takeover of Nova by Toro, to form one of the largest listed uranium explorers in Australia.

These and the exploration projects are covered in more detail following.

Exploration

Toro Energy holds the uranium rights to over 26,000 km² of tenements in South Australia's Gawler and Curnamona Cratons, with an expanding footprint in the Northern Territory.

Under Tenement Access Agreements with Oxiana and Minotaur Exploration, Toro Energy have the uranium rights to Oxiana's and Minotaur Exploration's tenements in South Australia for the purpose of exploring for, mining and processing uranium (Figure 1). The agreement with Oxiana excludes the Prominent Hill Mining Lease.

Toro Energy also has Joint Venture Agreements with other tenement holders for the right to explore for and develop uranium (Figure 1).

There is considerable historical evidence to support Toro's view that there is a high likelihood of a discovery of uranium in the tenements covered by these access agreements.

Based on past exploration results and geological settings, the principal types of mineralisation expected to be found are:

- Uranium mineralisation in Tertiary and Permian palaeochannels; and
- Proterozoic unconformity and basement related deposits, including Iron Oxide Copper Gold Uranium Deposits

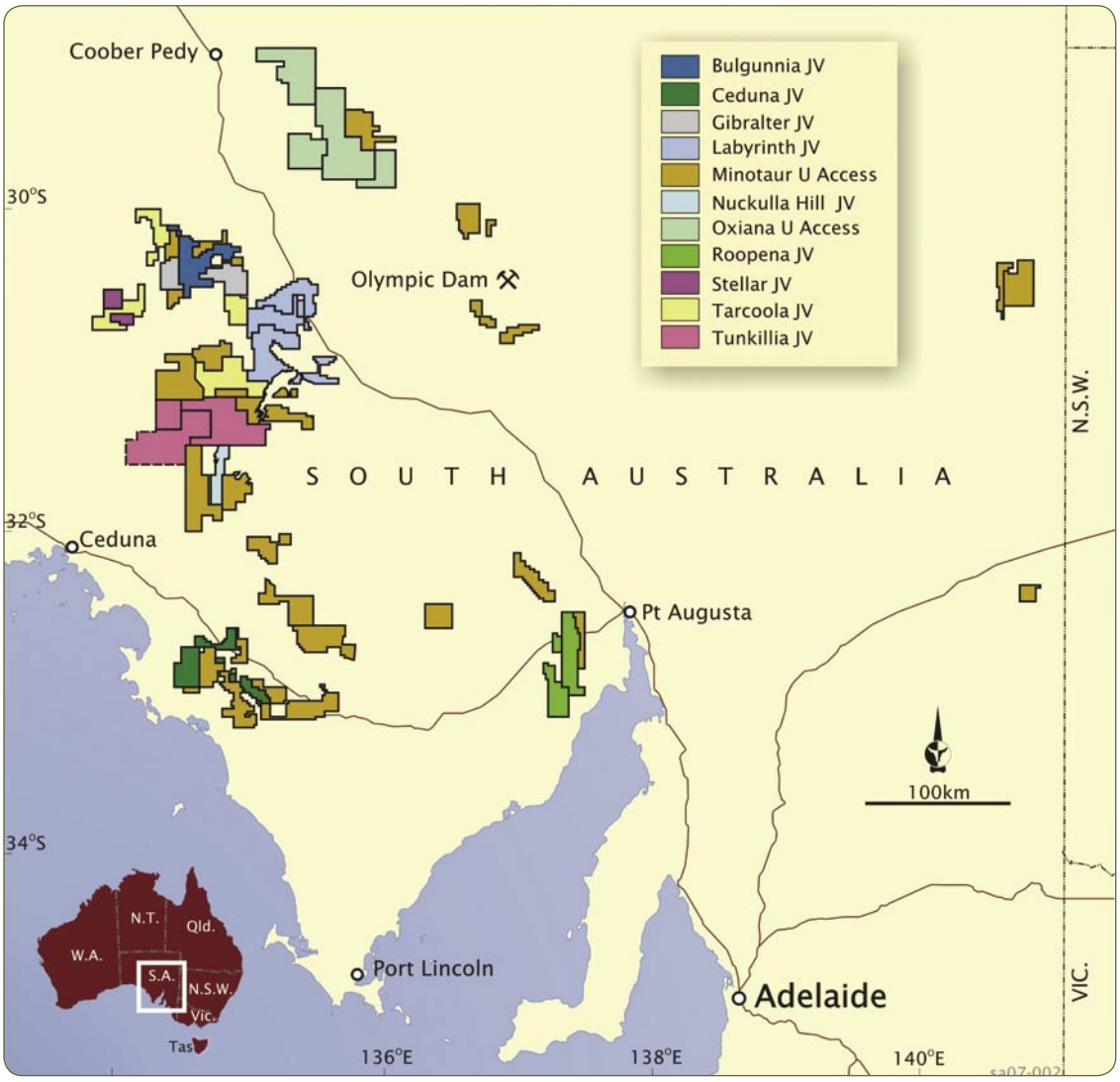


Figure 1: Toro Energy Limited tenements with Access Agreements or Joint Ventures for uranium exploration, development and production.

Geological Setting

The Warrior, Ealbara and Kingoonya Projects, and the Narlaby, Yaninee, Nonning and Labyrinth Projects (Figures 2 and 3) are located in the western Gawler Craton and have potential to contain sediment-hosted uranium deposits. These deposits are expected to be contained in unconsolidated Tertiary palaeochannel sediments, draining the uranium enriched Hiltaba Granites and Gawler Range Volcanics that underly and outcrop within and adjacent to the tenements. Uranium that is readily soluble in oxidised waters, is transported and deposited where it encounters reduced sediments containing, for example, carbonaceous debris or pyrite.

The Pandurra, Acropolis South, North Roxby and Mt Woods Projects (Figures 2 and 3) lie within and are marginal to the Proterozoic Carriewerloo Basin containing red sandstones of the Pandurra Formation. These sandstones unconformably overly older basement rocks including the Palaeoproterozoic Hutchison Group metasediments and the Mesoproterozoic Gawler Range Volcanics and the related Hiltaba Suite granites. The target in these licences is Proterozoic unconformity and basement related deposits, and in the case of the Mt Woods Project there is also potential for Mesozoic roll-front deposits.

The Lake Frome and Radium Hill projects (Figure 3) lie in and adjacent to the Frome Embayment area of the Curnamona Craton, near the southern extremity of the Tertiary Lake Eyre Basin, in the Callabonna Sub-basin. The Lake Frome tenements lie north of the Honeymoon Deposit and have potential for roll-front deposits, whereas the Radium Hill tenement has potential for vein associated mineralisation and possibly, palaeochannel deposits.

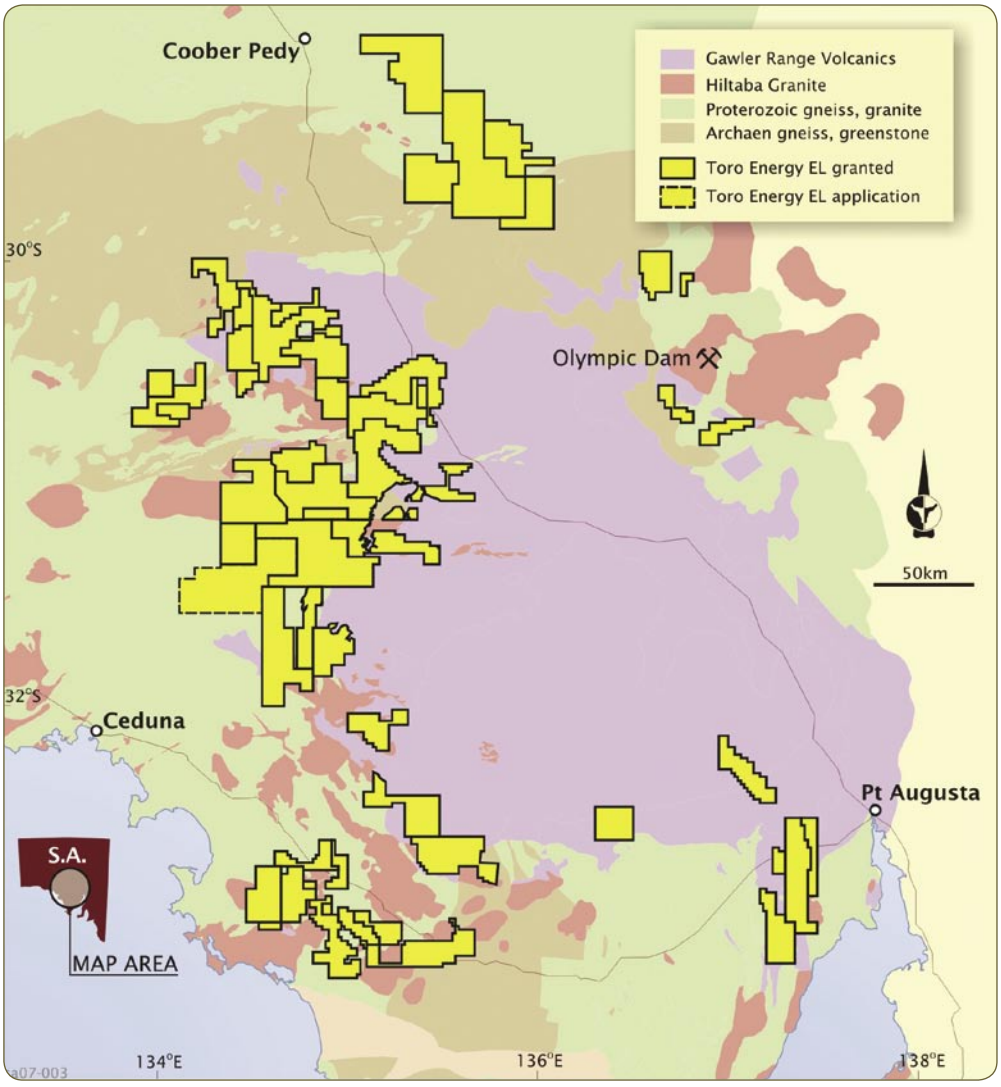


Figure 2: Plan showing regional, basement geological provinces

Mineralisation in Tertiary Palaeochannels

Within the Australian landscape, buried palaeochannels have been, and continue to be, active conduits for groundwater movement. Where they drain uranium-rich basement rocks, they have the potential to transport uranium in solution and re-deposit it along the buried palaeochannels. These channels of Tertiary age, and older, form an extensive well developed network on the western Gawler Craton (Figure 4) and on the Curnamona Craton, where they contain uranium deposits and prospects. Permian-age channels have also been outlined draining the Mt Woods Block in the north east of the Gawler Craton.

The application of satellite-borne, remote sensing techniques and airborne geophysical surveys to map buried palaeodrainage systems in recent years, has resulted in them being located more precisely than was previously possible. As a result, drilling traverses can be designed to target those parts of the drainage where uranium mineralisation is more likely to occur.

Figure 3: Plan showing Toro Energy Project Areas

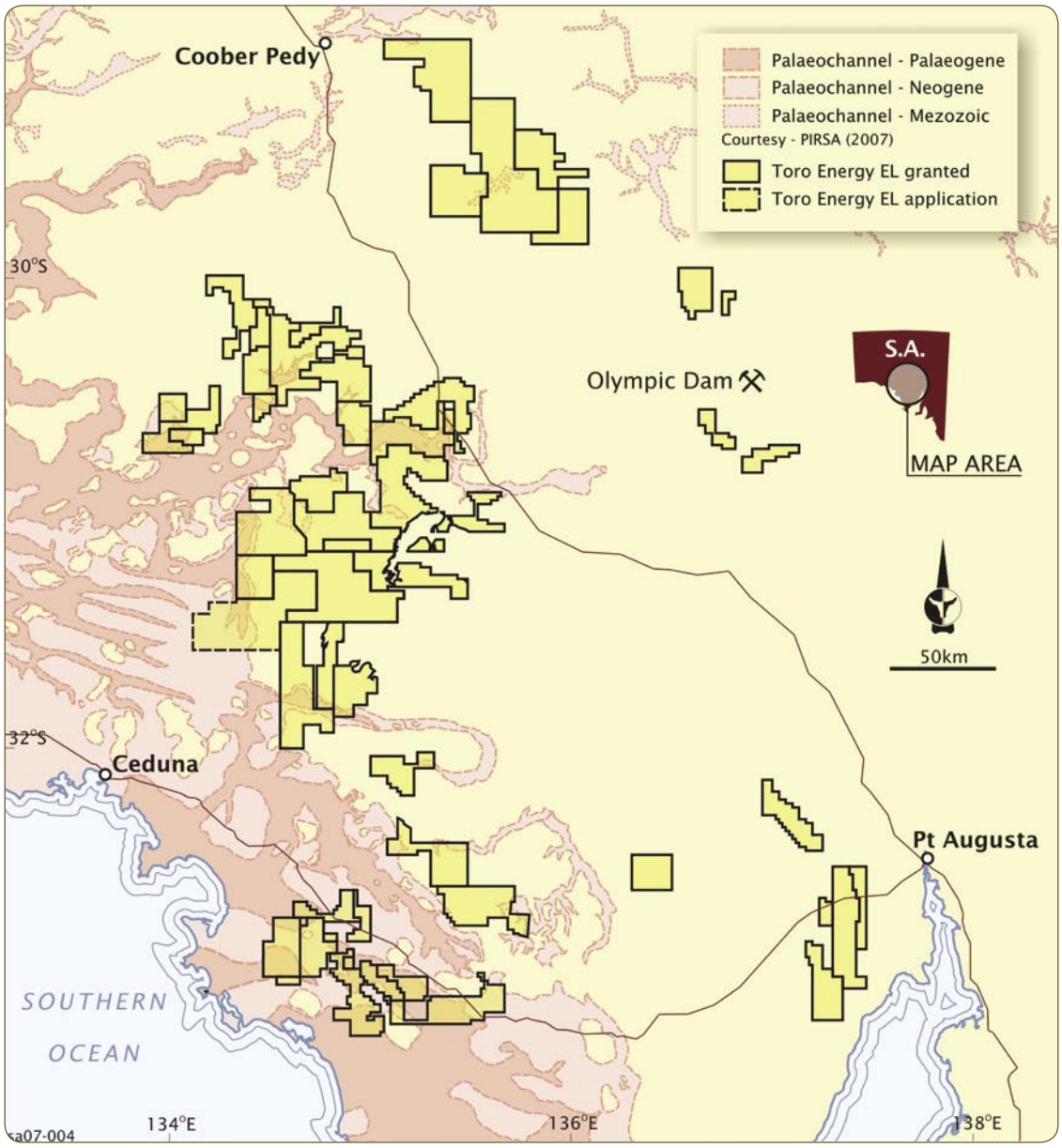


Figure 4: Gawler Craton Palaeochannel system and Toro Project areas

Warrior Project

- *Tarcoola Joint Venture – Uranium Only – EL 3040 – Range River 100% - Toro Energy earning 75%*
- *Stella Joint Venture – ELs 3372 and 3369W – Stellar Resources 100% - Toro Energy earning up to 70%*

Warrior is the most significant historic palaeochannel uranium occurrence on the Gawler Craton, and was discovered by Nisho-Iwai Exploration Pty Ltd and PNC Exploration Australia Pty Ltd in the late 1970s. By 1984, PNC had outlined uranium mineralisation in eight discrete zones over a sinuous channel strike length of approximately 15 kilometres.

Work carried out by Toro during the year indicates that uranium mineralisation appears to be associated with the margins of the palaeochannel where fluviatile sands are in contact with underlying carbonaceous sediments. A study of the detailed relationship between uranium mineralisation, channel geometry, lithology and Airborne Electromagnetic (AEM) response is in progress.

As a result of the encouraging assay results obtained last year, a Joint Venture was signed with Stellar Resources Ltd over ELs 3369 and 3372 west enabling Toro to earn up to a 70% interest in the tenements. These tenements cover the northern and southern extents of the palaeochannel.

An airborne electromagnetic (AEM) survey over part of the Warrior Project was completed during 2006 and provided valuable information on the location of the palaeochannels in the area. Toro also acquired AEM survey results from a recent survey carried out over the Stellar licence (Figure 5).

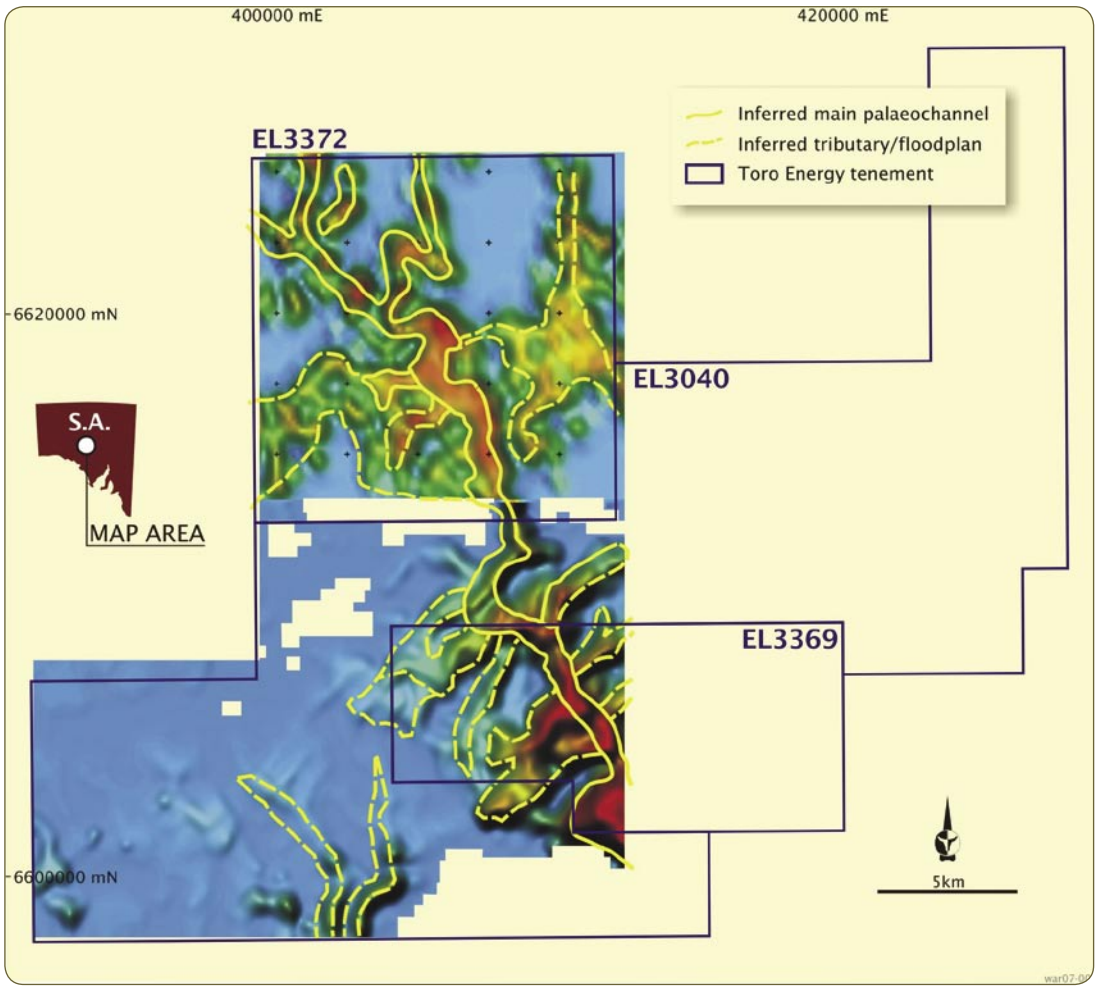


Figure 5: Airborne ElectroMagnetic Map of part of the Warrior Project area showing Interpreted Palaeochannel (margins in red)

An aircore drilling campaign, guided by the AEM survey results, was commenced in July 2006 with the objective of confirming past exploration results and to test the palaeochannel elsewhere for uranium mineralisation. To date Toro has drilled 281 holes for 13,725 metres at Warrior (Figure 6). These drillholes were gamma logged where possible, and samples submitted for uranium assay. At the time of writing, the results for the latter part of this drilling program were still awaited, as a consequence of the very high demand on analytical services currently being experienced.

Initial assay results for Area A were announced to the ASX in April 2007 and included anomalous uranium assays ranging from 135ppm to 914ppm (0.09%) U_3O_8 over 1m intervals. Composite assay results, over 3 to 5 metres range from 120ppm to 475ppm (0.05%) U_3O_8. These anomalous results are presented in Table 1 and Figure 7. Assays are still awaited for some drill holes.

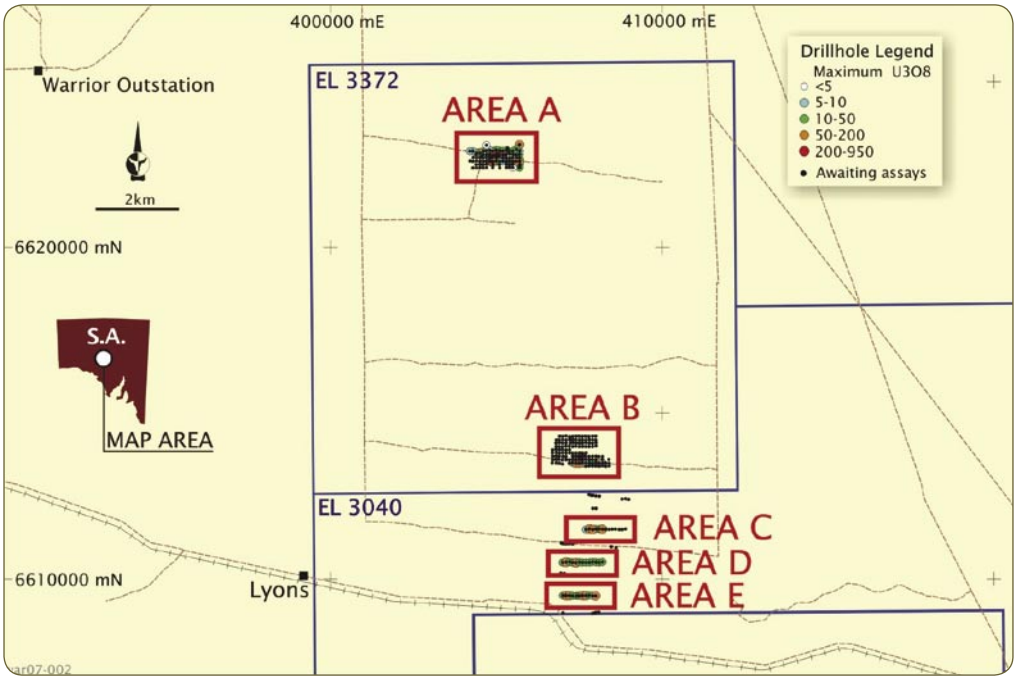


Figure 6: Location of drill areas A,B,C,D & E across EL3372 and EL3040, Warrior Project.

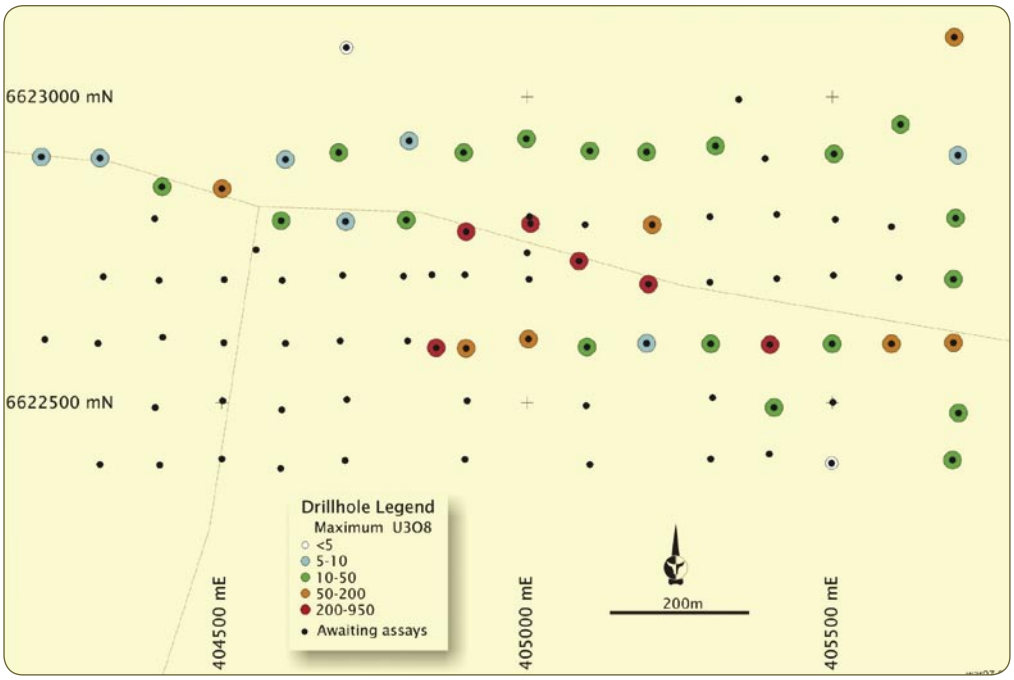


Figure 7: Location of anomalous drill hole assay results within Warrior (Area A) showing the best 1 metre intersection in each hole. Assays are awaited for drill holes shown as black dots.

Although not all of the analytical results are available from the Warrior drilling program as yet, it is apparent that a significant body of uranium mineralisation has been identified in association with the palaeochannel. This clearly demonstrates that uranium is moving and concentrating in the system. Future work will focus on defining the limits of these known mineralised areas and identifying other areas of anomalous uranium mineralisation along the palaeochannel.

Drillhole AC07..	From (m)	To (m)	AMDEL Batch Number	Sample Number Confirmed	U ppm	Comment
WA128	28	29	7AD1127	72366	145	
WA144	28	29	7AD1130	72899	125	
WA144	27	28	7AD1130	72898	135	
WA151	28	29	7AD1130	73111	210	
WA151	28	29	7AD1130	73134	270	duplicate
				Ave	240	
WA151	29	30	7AD1130	73135	145	duplicate
WA151	29	30	7AD1130	73112	100	
				Ave	123	
WA151	30	31	7AD1130	73136	160	duplicate
WA151	30	31	7AD1130	73113	115	
				Ave	137	
WA151	31	32	7AD1130	73114	230	
WA151	31	32	7AD1130	73137	250	duplicate
				Ave	240	
WA152	27	28	7AD0983	73158	145	
WA152	27	28	7AD0983	73183	180	duplicate
				Ave	162	
WA152	29	30	7AD0983	73160	210	
WA152	29	30	7AD0983	73185	330	duplicate
				Ave	270	
WA152	28	29	7AD0983	73159	750	
WA152	28	29	7AD0983	73184	800	duplicate
				Ave	775	
WA157	46	47	7AD0983	73408	105	duplicate
WA157	46	47	7AD0983	73395	98	
				Ave	102	
WA157	26	27	7AD0983	73375	230	
WA158	28	29	7AD0983	73428	165	
WA158	27	28	7AD0983	73427	290	
WA174	30	31	7AD0983	74149	120	
WA174	29	30	7AD0983	74148	340	
WA175	27	28	7AD1129	74194	105	
WA176	43	44	7AD1129	74260	110	
WA180	29	30	7AD1129	74392	145	
WA180	30	31	7AD1129	74393	470	
WA201	31	32	7AD1324A	75068	100	
WA205	31	32	7AD1324A	75196	105	

Table 1: Significant Uranium Results from Warrior Project, Area A

Ealbara Prospect

- *Bulgunnia Joint Venture - Uranium Only - EL 3045 - Dominion Gold and Resolute Resources 100% - Toro Energy earning up to 80%*
- *Gibralta Joint Venture - Uranium Only - ELs 2972 and 3608 - Resource and Capital Management 100% - Toro Energy earning up to 70%*
- *Tarcoola Joint Venture - Uranium Only - EL 3040 (in part) - Range River Gold 100% - Toro Energy earning 75%*
- *Minotaur Uranium Access Agreement - EL 3134*

The Ealbara Project area is approximately 40km north of Tarcoola. PNC identified palaeochannels in this area and drilled them in their quest for uranium in the early to mid 1980s. The drilling identified anomalous uranium associated with oxidation-reduction boundaries within lignite-bearing drainage systems.

Recent AEM surveys and processing undertaken by Toro (Figure 8), has shown that the PNC drilling missed parts of the palaeochannels in this area. Toro has planned a drilling program of up to seven drill traverses which will be undertaken subsequent to year end. This drilling will further determine the mineral potential in these channels. Heritage clearances, PIRSA and other approvals to allow access to these ELs has been undertaken and granted.

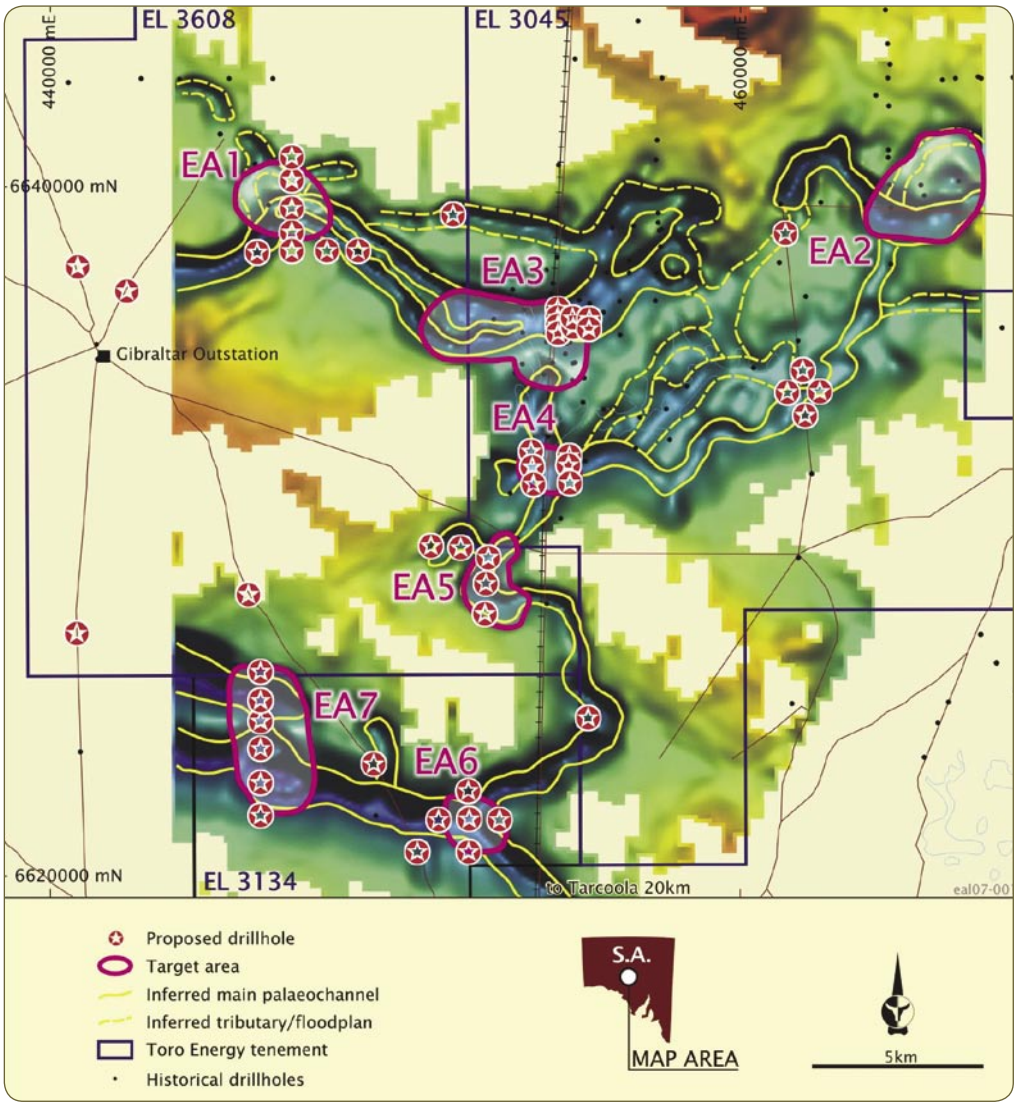


Figure 8: Interpreted palaeochannels identified by AEM over part of the Ealbara Project, showing historic drill holes (black dots) and Toro's proposed drilling program (stars).

Yaninee Project

- *Ceduna Joint Venture - Uranium Only - ELs 2861, 2891 - Mithril Resources Ltd - Toro earning up to 75%*
- *Minotaur Uranium access Agreement to ELs 3135, 3255, 3366 and 3367*

Toro is exploring a large six-tenement package in the Streaky Bay area for Tertiary palaeochannel redox–interface uranium mineralisation. A network of palaeochannels crosses these tenements, including the south-westerly trending Yaninee system and the north-westerly trending Streaky Bay system (Figure 9). The region hosts multiple Hiltaba Granite plutons, believed to be the source rocks of the elevated uranium concentrations found within these palaeochannel systems.

Carpentaria Exploration Company Pty Ltd explored for sedimentary uranium throughout the region between 1979 and 1983 and discovered sub-economic uranium mineralisation in the western part of the channels.

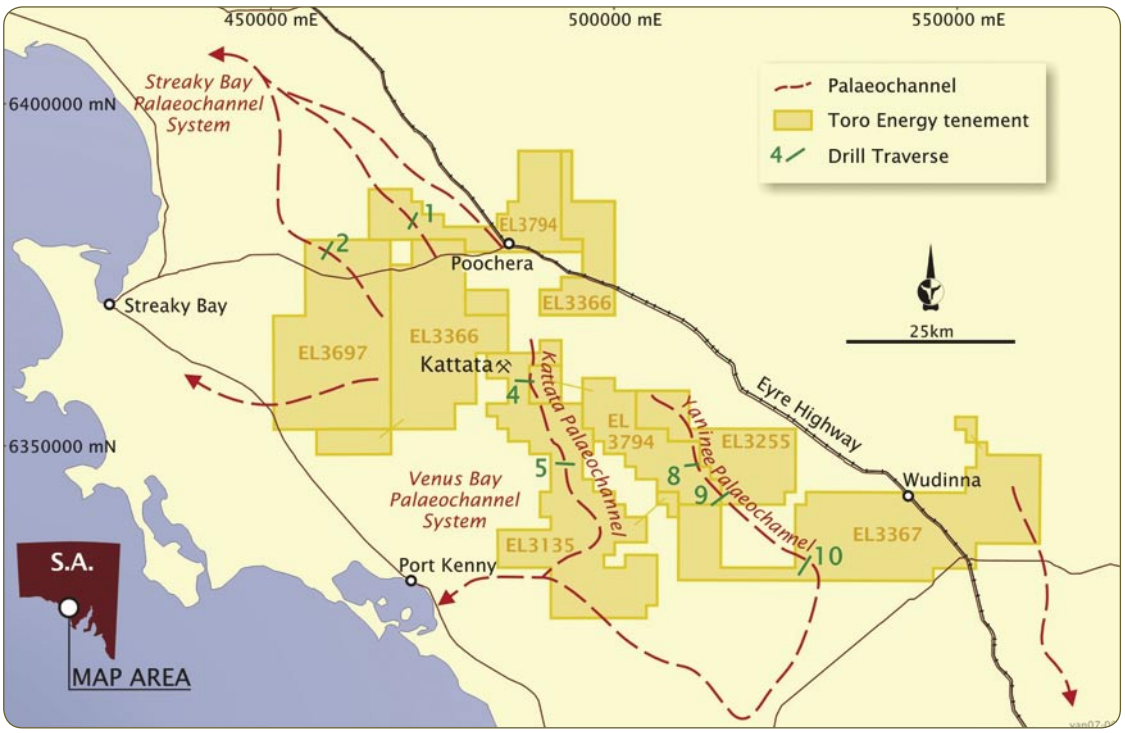


Figure: 9: Location of drill hole traverses and the location of the more anomalous samples

Using a combination of the PIRSA PACE gravity data and Minotaur Exploration thermal imaging data, 10 traverses were planned. After further detailed microgravity surveys, seven traverses were selected for initial drilling. A total of 67 air core holes over these seven traverses totalling 5,204 metres were completed during the initial program as reported in the 2006 Annual Report.

This initial drill program confirmed two palaeochannels containing anomalous amounts of uranium: the Yaninee palaeochannel and a new channel, termed the Kattata palaeochannel.

Preliminary results from Traverse 5 across the Kattata palaeochannel included a maximum 1 metre sample assay of 176ppm U_3O_8. Additional drilling along this traverse was undertaken in July and November 2006. This resulted in further anomalous assays with the highest one metre sample being 271ppm U_3O_8 (0.27 kg/t) in drillhole SBU05012. Anomalous assays of 194ppm U_3O_8 (0.19kg/t) from SBU05008D, 159ppm U_3O_8 (0.16 kg/t) in SBU05011 were found also intersected on this traverse (see Figure 10 and Table 2).

These uranium assay values improve the overall tenor of this palaeochannel's mineral potential and support the continuity of exploring in this area.

The work to date on the Yaninee tenements has demonstrated that uranium is concentrating in palaeochannels. Future work will use remotely sensed ASTER night time infra red (NTIR) imaging to assess the palaeochannel locations more accurately, and if results are favourable an airborne electromagnetic survey to better map concealed channels may be undertaken. At this stage, it is proposed to undertake the AEM survey during the second half of 2007-08.

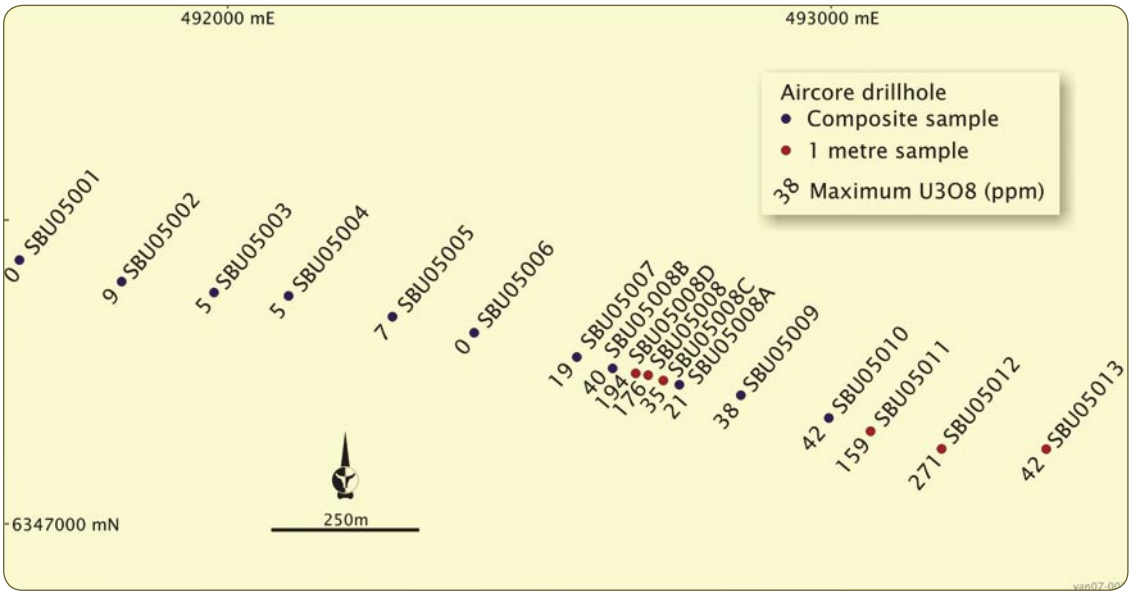


Figure 10: Traverse 5 across the Kattata Palaeochannel, Yaninee Project

Hole Number	Depth From	Depth To	Uranium ppm	U_3O_8 ppm	Thorium ppm
SBU05008C	44	45	30	35	12
SBU05008C	45	46	10	12	16
SBU05008C	46	47	18	21	10
SBU05008C	47	48	10	12	12
SBU05008C	48	49	8	9	10
SBU05008C	49	50	24	28	14
SBU05008D	45	46	26	31	12
SBU05008D	46	47	24	28	12
SBU05008D	47	48	82	96	12
SBU05008D	48	49	50	59	4
SBU05008D	49	50	165	194	6
SBU05008D	50	51	42	49	8
SBU05008D	51	52	12	14	6
SBU05011	40	41	24	28	14
SBU05011	41	42	6	7	14
SBU05011	42	43	0	0	12
SBU05011	43	44	18	21	10
SBU05011	44	45	66	78	14
SBU05011	45	46	72	85	12
SBU05011	46	47	64	75	10
SBU05011	47	48	10	12	6
SBU05011	48	49	135	159	8
SBU05011	49	50	26	31	8
SBU05011	50	51	26	31	12
SBU05012	43	44	52	61	14
SBU05012	44	45	76	89	6
SBU05012	45	46	230	271	10
SBU05012	46	47	16	19	10
SBU05012	47	48	44	52	8
SBU05012	48	49	28	33	10
SBU05012	49	50	12	14	10
SBU05013	37	38	28	33	18
SBU05013	38	39	36	42	22

Table 2: Traverse 5: Uranium and Thorium Assay Summary, Yaninee Project

Kingoonya Project

- *Tunkillia Joint Venture- Uranium Only- ELs 3403 and 3335 and ELA 2006/00389- Helix Resources- Toro to earn up to 75%*
- *TARCOOLA Joint Venture- Uranium Only- EL 3107- Range River Gold- Toro to earn up to 75%*
- *Minotaur Uranium Access Agreement – ELs 3100, 3157 and 3266*

The Kingoonya Project is located south of Tarcoola in the western Gawler Craton and covers the Kingoonya Palaeodrainage system (Figures 3 and 4). Following the success of the Airborne Electromagnetic surveys on the Warrior and Ealbara Projects, a survey was undertaken in the Kingoonya and Narlaby Project areas (Figure 11).

The AEM survey has clearly identified the palaeodrainage system, which will allow for a drilling program to evaluate the mineral potential of the contained palaeochannels. A significant part of the drainage system occurs within the Yellabinna Regional Reserve. A Declaration of Environmental Factors (DEF) is being compiled as part of the process to allow access and drilling in the reserve. Heritage clearances are planned and it is anticipated that a drilling program will proceed early in 2008.

Narlaby Project

- *Nuckulla Hill Joint Venture- Uranium Only- EL 3460- Equinox Resources Ltd- Toro to earn up to 80%*
- *Minotaur Uranium Access Agreement – ELs 3094, 3166, 3486 and 3456*

The Narlaby Project comprises a number of tenements extending to the south east from the Kingoonya Project. In the north, in tenements 3094, 3166 and 3460, an AEM survey has defined the Narlaby palaeochannel draining to the west (Figure 10). The western part of the channel lies within the Yellabinna Regional Reserve as discussed above, but the remainder can be tested following normal approval processes with drilling anticipated in the latter part of 2007 or early 2008.

The remaining tenements in the Narlaby Project area have more limited potential for palaeochannel uranium deposits, and are currently being evaluated.

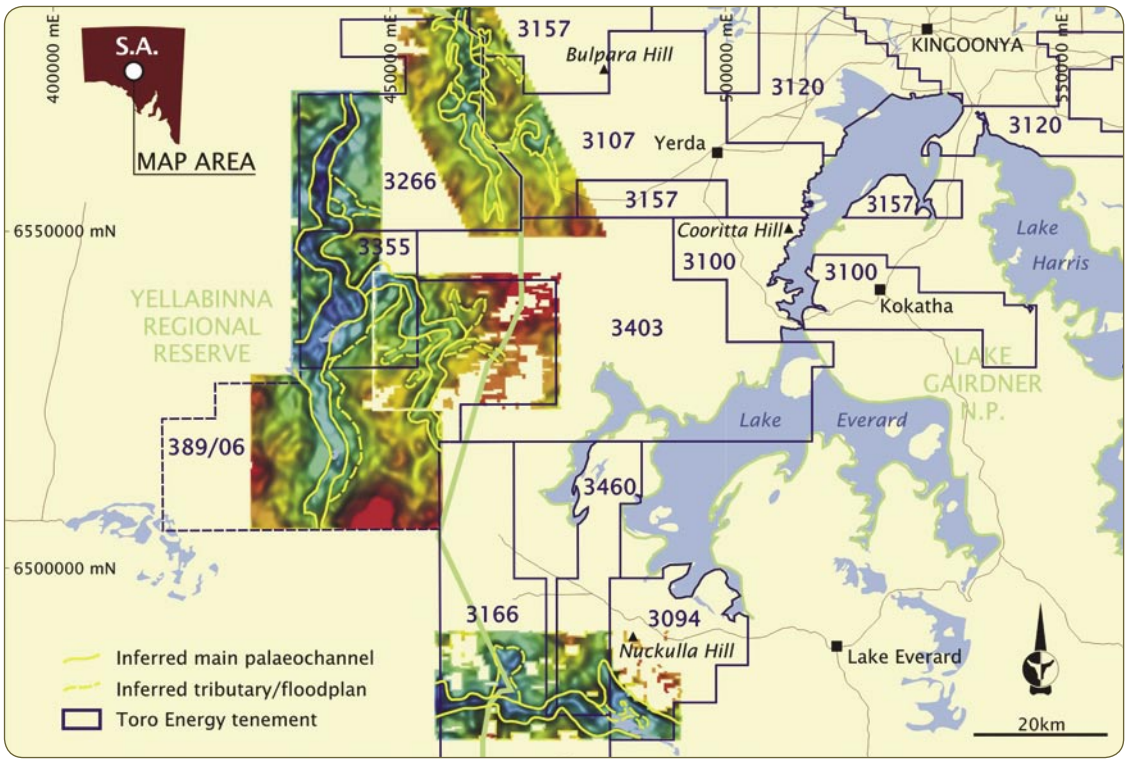


Figure 11: Plan showing Airborne Aeromagnetic survey of the Kingoonya and Narlaby Project areas.

Nonning Project

- *Minotaur Uranium Access Agreement – EL 3535*

The Nonning project on the southern margin of the Gawler Range Volcanic Province is focussed on a new interpretation of palaeodrainage systems draining Gawler Range Volcanic and Hiltaba Granite formations. EL3535 covers the headwaters of a newly identified palaeodrainage system that traverses potential basement source rocks. The palaeodrainage system is poorly defined and not drill tested.

Lake Frome Project

- *Minotaur Uranium Access Agreement – ELs 3327 and 3487*

The Lake Frome Project area on the Curnamona Craton is masked by Cainozoic sediments that include the interpreted northward continuation of the Yarramba and Lake Charles Palaeochannel Systems. These palaeochannels host the Oban, Yarramba and Honeymoon uranium deposits, between 50 and 110 kilometres to the south. Prior drilling on these tenements has identified minor uranium anomalism and indications are that target palaeochannels are at considerable depth.

It is proposed that methods with the potential to locate palaeochannels at depth will be evaluated, prior to undertaking drilling.

Uranium Mineralisation at the Mesoproterozoic Unconformity and within the Palaeoproterozoic Basement

The presence of uranium-rich basement such as at Olympic Dam and Acropolis, and reduced graphite-bearing lithologies in the Palaeoproterozoic and Archaean basement, which are unconformably overlain by thick onlapping Mesoproterozoic redbed basin sediments of the Corunna Conglomerate and Pandurra Formation (Carriewerloo Basin), collectively support the assertion that an unconformity uranium model is applicable to the Gawler Craton. The 'Athabasca Basin style' model in particular, where uranium is trapped immediately above the basal unconformity of the Pandurra Formation, is being actively promoted by PIRSA and Geoscience Australia. There has been almost no historic exploration directed at this model, despite the obvious analogue. The 'Alligator River style' uranium model is also applicable, where uranium is trapped in graphitic-calcsilicate basement immediately under the unconformity.

Toro's Labyrinth, Roxby-Acropolis, Pandurra and Mt Woods project areas include significant portions of the prospective Mount Woods Complex-Hutchison Group basement, radiogenic granites and volcanics, and contain Corunna Conglomerate or Pandurra Formation. In addition to the prospectivity for a 'typical' Cigar Lake and Ranger graphitic conductor-associated analogues, these tenements also occur on the basin margins or on the edge of intra-basin basement highs, providing suitable target areas for hybrid onlap-style mineralisation.

Within the Palaeoproterozoic basement, primary and hydrothermal uranium mineralisation occurs in rocks of the Curnamona Craton (Radium Hill, Crockers Well, Mt Painter, Mt Gee) and on the Gawler Craton, where to date it has been closely associated with iron-copper-gold alteration systems (Olympic Dam, Prominent Hill, Cairn Hill). Exploration for uranium mineralisation in basement rocks will focus on the Radium Hill, Mt Woods, Roxby-Acropolis, Nonning and Pandurra Projects, the latter four where iron oxide systems may have uranium-enriched variants.

Radium Hill Project

- *Minotaur Uranium Access Agreement – EL 3521*

Primary uranium mineralisation at the Radium Hill Mine less than 5 kilometres from the Radium Hill tenement was mined between 1954 and 1961 and produced slightly less than a million tonnes of davidite-bearing ore. Previous exploration, largely in the 1950s and 1960s, has been limited and involved rock chip sampling and reconnaissance mapping and drilling. EL2531 tenement contains the same rock types as found at the Radium Hill Mine but beneath thin cover. The potential to locate further vein style deposits is considered high. In addition, the tenement contains graphitic metamorphic rocks, which have potential for

hydrothermal uranium, and areas of palaeodrainage that may contain near-surface uranium deposits.

Data evaluation is continuing with the objective of designing an exploration program to evaluate the uranium potential in the diverse settings offered by this project.

Mt Woods Project

- *Oxiana Uranium Access Agreement – ELs 3056, 3079, 3162 and 3229*
- *Minotaur Uranium Access Agreement – EL 3302*

The Mount Woods Project area hosts anomalous uranium mineralisation associated with iron oxide copper-gold (IOCG) breccias at Prominent Hill, Manxman, Joes Dam and Cairn Hill. Mineralisation and hydrothermal brecciation are genetically linked to the major Gawler Range Volcanic thermal event. Uranium has also been recorded in pegmatite breccias and in overlying sediments where it may have been remobilised by younger processes.

Exploration for uranium-dominant hydrothermal mineralisation has not been attempted at Mt Woods since the discovery of the IOCG deposits, but remains a viable exploration strategy. Toro has conducted gamma and resistivity logging of 15 existing exploration drill holes and water bores representing a spread of geological environments within the Project area. Radiation and conductive features were noted in all holes that have established IOCG alteration.

Oxiana has a significant exploration drilling program for IOCG deposits within the tenements and Toro will monitor the progress of this exploration with a view to gathering data relevant to the identification of uranium potential. This will include gamma and resistivity logging of Oxiana drill holes, and additional drilling if favourable environments are identified.

Pandurra Project

- *Roopena Joint Venture-Uranium Only-Resource and Capital Management (SA) Pty Ltd-Toro Energy earning up to 70%*
- *Minotaur Uranium Access Agreement – EL 3416*

The project area incorporates Palaeoproterozoic metasedimentary and metavolcanic basement, including Myola Volcanics, Broadview Schist, Moonabie Formation, Lincoln Complex and Wallaroo Group. The basement is intruded by Hiltaba Suite granites and unconformably overlain by coarse clastics of the Corunna Conglomerate, the Roopena Volcanics and then by the Gawler Range Volcanics. Unconformably overlying all these older rocks is the Pandurra Formation, which is made up of un-metamorphosed sandstone and minor conglomerate of Mesoproterozoic age and in places, Neoproterozoic sediments of the Stuart Shelf.

Potential exists for uranium deposits associated with the Proterozoic unconformity and with overlying sediments, and data review and field visits have been undertaken. The south-eastern tenements are subject to the possible expansion of a Department of Defence exclusion zone that will restrict access to the area. Further information is being sought from relevant authorities prior to committing to additional expenditure in this area.

Roxby–Acropolis Project

- *Minotaur Uranium Access Agreement – ELs 2931 and 2932*

The Roxby–Acropolis project area is known to host anomalous uranium associated with IOCG breccias at Acropolis south. It also lies in close proximity to the World-class Roxby Downs Cu-Au-U deposit. Exploration for uranium-dominant IOCG-style mineralisation remains a viable exploration strategy, despite the depth to basement. Given the very significant quantities of uranium in the basement at Olympic Dam, there is potential for its accumulation in favourable environments within the adjacent basement and cover sequences.

Toro will work in cooperation with Minotaur to take advantage of their exploration programs in identifying uranium prospectivity through gamma logging and additional drilling.

Morocco

Toro Energy has signed a Memorandum of Understanding (MoU) with Morocco's *Office National des Hydrocarbures et des Mines* (ONHYM) for the exclusive rights to evaluate exploration potential over three known uranium mineralised areas (Figure 12). Toro retains the exclusive rights until mid December 2007 to negotiate and enter into joint venture arrangements with ONHYM for more detailed exploration and development work in these areas.

Morocco is a developing country and the Government is encouraging foreign investment to review its mineral endowment. The Moroccan Government is keen to evaluate and develop potential uranium mineralisation within its boundaries. Palaeochannel and vein-type uranium mineralisation was discovered during the 1970s and up to the early 1980s but was not advanced to modern resource stage.

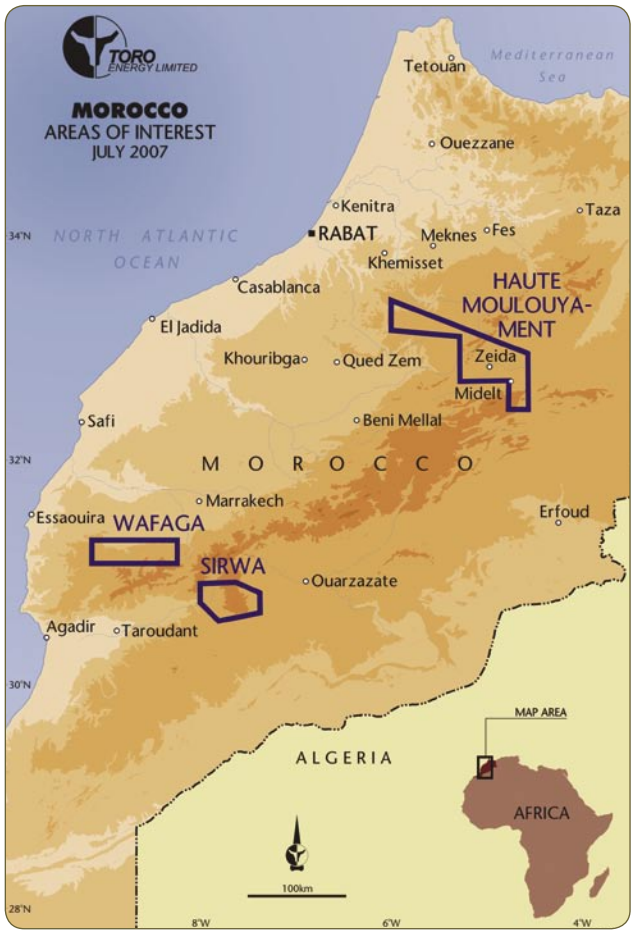


Figure 12: Plan of Morocco showing the areas under consideration

With little modern uranium exploration in Morocco, Toro's review is focused on accessing and evaluating data, reports, plans, maps, diagrams and other information held by ONHYM, and visiting selected sites. The geology of the three exclusive areas is favourable for uranium, with more than numerous uranium occurrences identified from previous work.

An initial field visit was undertaken prior to the end of the financial year, with a second completed subsequently. Although further research and site visits may be necessary prior to entering into Joint Venture discussions, Toro's field work has confirmed the potential of uranium mineralisation in all three areas under consideration. An experienced Moroccan geologist has now been employed to continue this work.

Haute Moulouya-Ment

- Potential for roll-front and palaeochannel uranium deposits exists in sediments overlying uranium bearing granites;
- Uranium concentrations in granite basement rocks of up to 1200 ppm (0.12%) U_3O_8 reported by previous exploration;
- Lead has been mined in the vicinity, and any Joint Venture over this area will include uranium and lead.

Waffaga

- Reported to contain uranium in numerous palaeochannels;
- Uranium mineralisation has been documented through drilling and exploratory underground workings with the best diamond drill hole reported to contain 1 metre at 1295 ppm (0.13%) U_3O_8;
- Uranium mineralisation is reported to occur within lenses measuring from 20-50m x 10m x 1m to 500m x 6m x 6m;
- The tenor of the mineralisation reported in these lenses ranges from 300ppm (0.03%) to 1000ppm (0.1%).

Sirwa

- Contains the historic Zgounder silver mine, which has associated uranium.

State	Lease ID	Lease Name	Toro Project Area	Area Km²	Holding Co.	JV Agreement Name
SA	EL3045	Bulgunnia	Ealbara	841	DOM	Bulgunnia JV
SA	EL3121	Gosse	Labyrinth	601	DOM	Labyrinth JV
SA	EL3024	Gosse Range	Labyrinth	53	DOM	Labyrinth JV
SA	EL3120	Kingoonya	Labyrinth	1074	DOM	Labyrinth JV
SA	EL3252	Labyrinth	Labyrinth	526	DOM	Labyrinth JV
SA	EL3460	Nuckulla Hill	Narlaby	311	ERL	Nuckulla Hill JV
SA	EL3403	Lake Everard	Kingoonya	1210	HRL	Tunkillia JV
SA	ELA 389/06	Tunkillia	Kingoonya	552	HRL	Tunkillia JV
SA	EL3335	Yellabinna	Kingoonya	355	HRL	Tunkillia JV
SA	EL3079	Birthday Dam	Mt Woods	1060	MINEX	Oxiana Tenements Access Agreement
SA	EL3229	Mount Hawker	Mt Woods	446	MINEX	Oxiana Tenements Access Agreement
SA	EL3056	Painted Hill	Mt Woods	1674	MINEX	Oxiana Tenements Access Agreement
SA	EL3162	White Hill	Mt Woods	587	MINEX	Oxiana Tenements Access Agreement
SA	EL3100	Chitanilga Hill	Kingoonya	546	MOPL	Minotaur/Toro U Access Agreement
SA	EL3266	Deception Hill	Kingoonya	795	MOPL	Minotaur/Toro U Access Agreement
SA	EL3157	Yerda Well	Kingoonya	552	MOPL	Minotaur/Toro U Access Agreement
SA	EL3134	Mentor	Ealbara	464	MOPL	Minotaur/Toro U Access Agreement
SA	EL3327	Culberta Bore	Lake Frome	183	MOPL	Minotaur/Toro U Access Agreement
SA	EL3487	Curraworra Bore	Lake Frome	570	MOPL	Minotaur/Toro U Access Agreement
SA	EL3302	Warriner Creek	Mt Woods	507	MOPL	Minotaur/Toro U Access Agreement
SA	EL3166	Childara Well	Narlaby	878	MOPL	Minotaur/Toro U Access Agreement
SA	EL3486	Conical Hill	Narlaby	842	MOPL	Minotaur/Toro U Access Agreement
SA	EL3094	Glyde Hill	Narlaby	391	MOPL	Minotaur/Toro U Access Agreement
SA	EL3456	Mt Double	Narlaby	626	MOPL	Minotaur/Toro U Access Agreement
SA	EL3535	Nonning	Nonning	312	MOPL	Minotaur/Toro U Access Agreement
SA	EL3416	Pandurra	Pandurra	551	MOPL	Minotaur/Toro U Access Agreement
SA	EL3521	Bonython Hill	Radium Hill	120	MOPL	Minotaur/Toro U Access Agreement
SA	EL3762	Acropolis South	Roxby-Acropolis	327	MOPL	Minotaur/Toro U Access Agreement
SA	EL3761	Roxby North	Roxby-Acropolis	368	MOPL	Minotaur/Toro U Access Agreement
SA	EL3367	Broadacres	Yaninee	555	MOPL	Minotaur/Toro U Access Agreement
SA	EL3255	Eldale	Yaninee	190	MOPL	Minotaur/Toro U Access Agreement
SA	EL3135	Kottata Well	Yaninee	466	MOPL	Minotaur/Toro U Access Agreement
SA	EL3366	Tootla	Yaninee	507	MOPL	Minotaur/Toro U Access Agreement
SA	EL3697	Calca	Yaninee	424	MITH	Ceduna JV
SA	EL3794	Poochera	Yaninee	424	MITH	Ceduna JV
SA	EL3107	Glenloth	Kingoonya	803	RRG	Tarcoola JV
SA	EL3698	Lake Labyrinth	Labyrinth	286	RRG	Tarcoola JV
SA	EL3040	Lyons	Warrior	810	RRG	Tarcoola JV
SA	EL3608	Gibraltar Rocks	Ealbara	278	RCM	Gibralter JV
SA	EL3818	Partridge Range	Ealbara	447	RCM	Gibralter JV

Table 3: Current Toro Energy Tenements under Access and JV Agreements

State	Lease ID	Lease Name	Toro Project Area	Area Km²	Holding Co.	JV Agreement Name
SA	EL3236	Iron Baron	Pandurra	413	RCM	Roopena JV
SA	EL3443	Roopena	Pandurra	621	RCM	Roopena JV
SA	EL3369	Carnding	Warrior	268	STL	Stellar JV
SA	EL3372	Warrior	Warrior	165	STL	Stellar JV
NT	EL24246	Napperby East	Napperby	774.9	DYL	Napperby Option Agreement
NT	EL24606	Napperby West	Napperby	627.9	DYL	Napperby Option Agreement

Table 3 (Cont.): Current Toro Energy Tenements under Access and JV Agreements

Holding Company Code:	
DOM	Dominion Mining Operations
DOM	Dominion Mining Operations
ERL	Equinox Resources Limited
HRL	Helix Resources Limited
MINEX	Minex (Aust) Pty Ltd (Oxiana)
MOPL	Minotaur Operaions Pty Ltd
RCM	Resource & Capital Management (SA) Pty Ltd
RCM	Resource & Capital Management (SA) Pty Ltd
RRG	Range River Gold Limited
MITH	Mithril Resources Ltd
STL	Stellar Resources Ltd
DYL	Deep Yellow Ltd

Toro holds an indirect interest in each of the above projects, however the equity interest held at 30 June 2007 was nil.

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Dr Geoff Hudson who is a Fellow of the Australasian Institute of Mining and Metallurgy. Dr Hudson is employed as the Exploration Manager for Toro Energy Ltd. Dr Hudson has more then five years relevant experience in the style of mineralisation and types of deposit under consideration and consents to inclusion of the information in this report and context in which it appears. He qualifies as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves'.

Geoff Hudson, M'hamed Annich and Andrew Bowden in the field south of Wafaga, Morocco

Business Development

The Business Development arm of Toro has had a very active year and has been growing the company on a number of fronts. In particular, Toro has been looking to expand into more mature phases of the business such as projects ready for resource delineation or mine development. The two main transactions in this regard were:

(1) The Napperby option style acquisition agreement with Deep Yellow Limited; and

(2) The merger via takeover with Nova Energy Limited (in progress).

In addition to this style of transaction, Toro is looking at opportunities through joint venture, alliance and new ventures. The agreement with the Moroccan Government in regard to an exclusive assessment period on three areas within Morocco is an example of the latter.

Strategy

The broad Business Development strategy is to build a "pyramid" of projects based on a solid base of greenfields and advanced exploration projects and building up to more potentially economically significant projects in advanced stages of development with a view to production in the mid to long term.

Toro currently has an excellent base of greenfield and advanced exploration projects such as Warrior in South Australia and the IOCG targeted exploration in conjunction with Oxiana on tenements adjacent to their Prominent Hill project. The Napperby deal has seen Toro move into the resource delineation space and an active news flow is expected in 2008-2009. Toro's current pyramid of projects is shown in Figure 13.

As the current pyramid illustrates, future Business Development activity is likely to focus on more mature projects or assets, the so called "production visible" assets. Notwithstanding the current policy of the State Labor Government of Western Australia, Nova Energy's Lake Way – Centipede project would fit into this category.

Toro Energy will continue its watching brief over companies active in the uranium space, particularly those companies that have quality exploration ground or strategic landholdings, substantial historical resources that may be undervalued by the market, JORC resources that are potentially developable, or exploration ground coverage of favourable geology in an offshore locality in line with Toro Energy's strategy and risk appetite.

Toro Energy is also the primary vehicle of each of Oxiana Limited and Minotaur Exploration Limited for investment in the Australian uranium sector

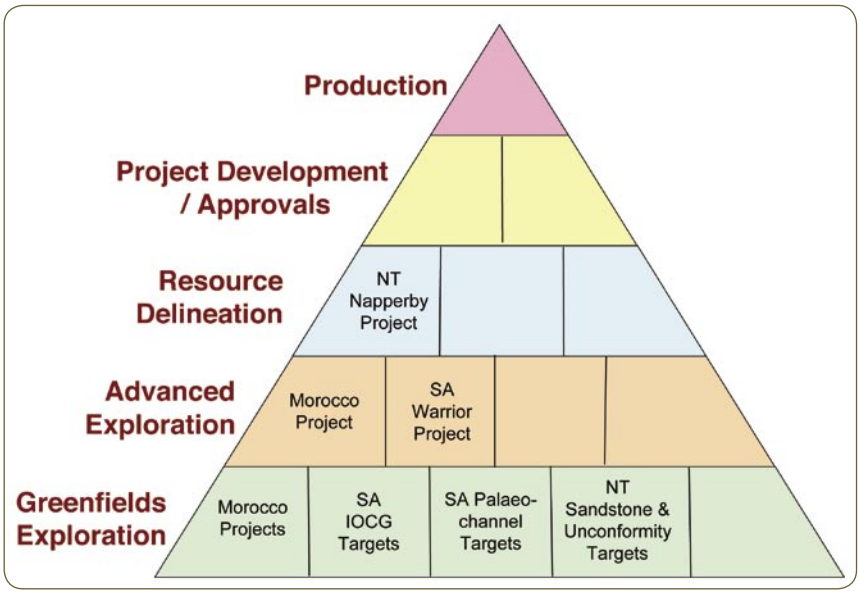


Figure 13: Toro Project Pyramid

and each brings a different perspective to the industry. In regard to their support for Toro, each has key skills:

- Oxiana, one of the leading resource companies in Australia, has corporate skills, project development capability and mining experience to assist Toro in its next phase of growth; and
- Minotaur Exploration, with a good track record of exploration success in South Australia, has industry-leading technical expertise and access to considerable technical data.

Toro intends to continue to leverage off these relationships going forward.

Napperby Acquisition Agreement

On 15 February 2007, Toro and Deep Yellow Ltd ("DYL") announced to ASX they had entered into a commercial agreement with respect to the Napperby Project in the Northern Territory. The Companies subsequently signed an Option Agreement providing Toro with a purchase option over 100% of the project over the next three years.

Napperby is a uranium deposit discovered in the late 1970s and delineated in the early 1980s with a mineralisation envelope defined over approximately 14km of lateral extent but on a nominal 400m spaced drilling grid. At the time resources were not defined in accordance with the JORC code but subsequent follow-up work by DYL in 2006 defined 670t or 1.5mlb U_3O_8 (Inferred Resources prepared in accordance with the JORC code and announced to ASX by DYL on 13 December 2006) over a small fraction of the area (see Figure 14).

The Option Agreement with DYL allows Toro the right, but not the obligation, to acquire 100% of the project on a "per pound of uranium oxide" basis determined by reference to the in-ground JORC resource and a per pound cost that is capped and collared at A$6.00/lb and A$4.50/lb respectively. The Option term is for three years during which Toro will dedicate resources to further resource definition, near-deposit and regional exploration, and scoping study level assessment of the economics of the deposit.

Napperby is Toro's most advanced project and was the subject of a prefeasibility study by Uranerz Exploration in the 1970s. It has open pit potential with a low stripping ratio.

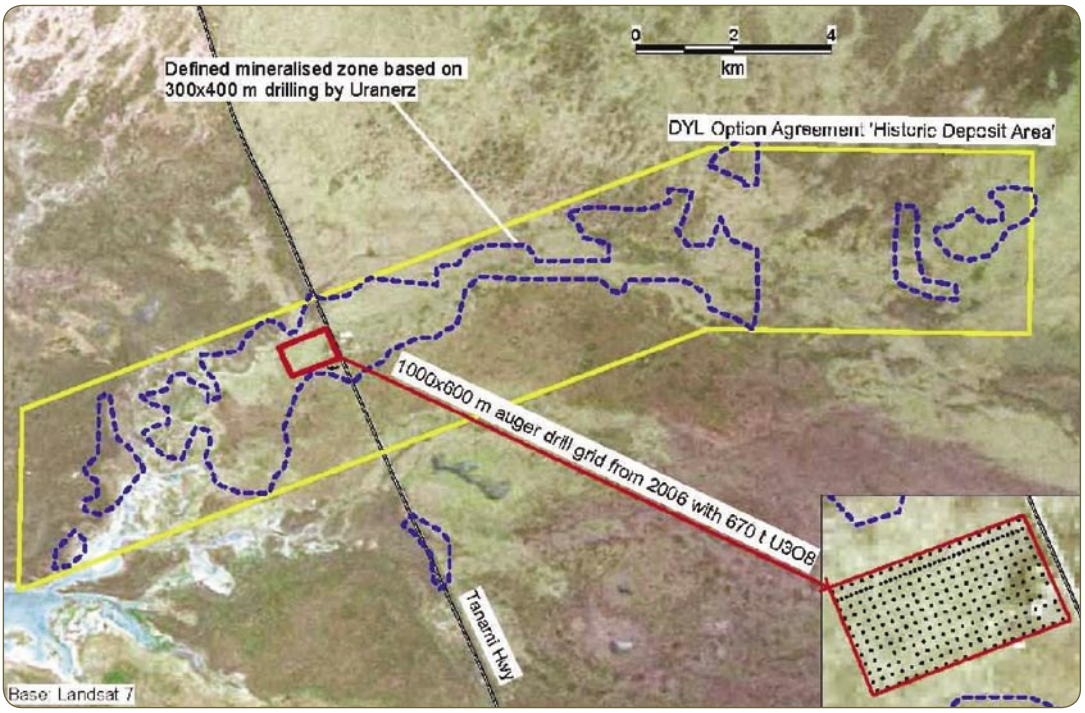


Figure 14: Napperby Project Inferred Resource in context to the Historically Defined Mineralised Zone

Since the financial year end all agreements and conditions to activate the purchase option are now in place, including:

- A Novation Deed for the historical royalty agreement has been signed by Toro, Deep Yellow and Paladin;
- A Deed of Assumption covering conditions for ongoing exploration has been signed by the Central Land Council; and
- The Option Agreement has received approval from the Northern Territory Minister for the Department of Primary Industry, Fisheries and Mines.

Subsequent to this, and as payment for the option, approximately 3.07 million Toro shares were issued to DYL.

Nova Energy Takeover

On 6 August 2007 (subsequent to year end), Toro announced a friendly takeover offer for Nova Energy on the basis of 5.5 Toro shares for every 1 Nova share, which, based on the last trading day on 3 August 2007 prior to the announcement, valued Nova at $4.40 or a 19% premium. The proposal has received the endorsement of the Nova Board (subject to a superior offer) and has been found to be "fair and reasonable" by two different independent experts engaged by Nova and Toro separately.

The transaction is subject to a number of conditions, one of which is the passing of a resolution by Toro shareholders approving the acquisition of Nova shares from Agincourt Resources (a wholly owned subsidiary of Oxiana) at a General Meeting to be held on 5 October 2007.

The merger of the assets of Toro and Nova will build a company of significant market capitalisation with a good spread of projects across three states in Australia and three countries of Africa therefore providing excellent risk diversification. The new Toro will have a number of projects in either resource definition or project development stage with the potential to be in production by 2012-2013.

The transaction represents a paradigm shift for both Nova and Toro shareholders with the resulting company being the second largest, by market capitalisation, uranium exploration company listed on the ASX (based on share price data of 30 August).

Uranium and the Nuclear Power Market

The spot price of uranium as reported by the Uranium Exchange Consulting Company (UxC) has been increasing since late 2003. During the 2006 / 2007 year the price increased from US$45 per pound U_3O_8 on 30 June 2006 to US$136 per pound on 30 June 2007, a 202% increase. The spot price has since come off this high and was around the US$85 per pound level at the end of September 2007.

Despite the recent decline in spot price, the reported long term price has remained unchanged at $95 per pound U_3O_8 as there remain a number of long term demand and supply factors that continue to support the price.

Global Uranium Supply

The long term fundamentals of the global uranium market remain unchanged from the last reporting period. Although new uranium supply has entered the market, the ongoing and planned demand is such that the long term market is still fundamentally short of new mine supply.

On the supply side important factors to consider include:

- The decline of secondary supply sources, including commercial inventories and highly enriched uranium from Russia (especially from 2013);
- Political, social and regulatory hurdles that specifically affect some potential mine supply but also act as a drag to the industry generally resulting in lengthy approval processes, especially in two of the principal supply states of Canada and Australia;
- Potential long term mine supply being enhanced by discoveries from the current significant expansion of uranium exploration; and
- Ongoing delays or commissioning issues at current operations such as the flooding of Cigar Lake, commissioning issues at Langer Heinrich, civil unrest in Niger and weather induced production disruptions at the Ranger mine.

The production of uranium from mines world wide is insufficient to meet demand. The balance has historically been covered by secondary supply

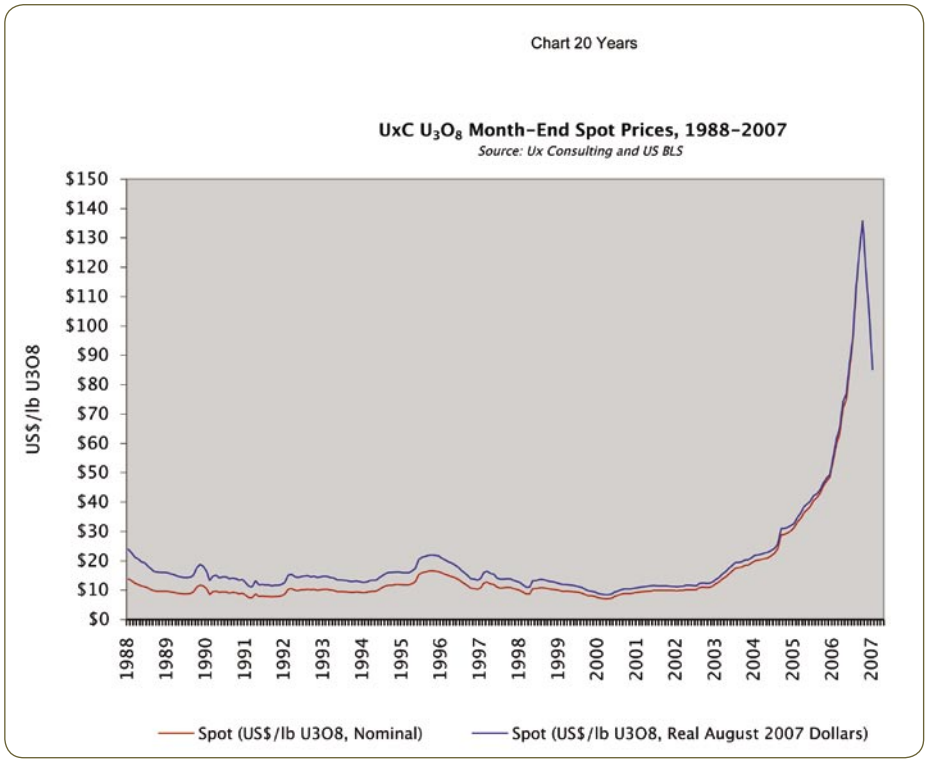


Figure 15: Ux U308 Month-End Prices 1988-2007

sources and the amount of uranium product in inventory, available from down-blend of military grade material or through selecting a lower tails assay, and these have all acted as an overhang to the market in the past.

Mine production is projected to fall short of target and physical demand for the foreseeable future. For example, the projected global mine production target for 2008 was 145mlb but this has been reduced to 123mlb (a 15% reduction) mostly due to the Cigar Lake flood. In a market that is already very tight, the risk remains on the downside that production will continue to fall short of both targets and requirements.

On the secondary supply sources that usually make up the difference the risks are also generally on the downside. Inventories have been depleting for at least the past 20 years and the availability of HEU material from Russia to western utilities will be greatly reduced post 2013.

Taken together these downside pressures are likely to provide some upward pressure on the uranium price from the supply side.

Global Uranium Demand

On the demand side the following factors are key considerations:

- Ongoing and increasing overall energy demand, especially in developing countries;
- The improved utilisation of the current reactor fleet, either as improved load factors or lower outage periods, requiring more uranium to maintain output compared with the past;
- The significant pipeline of nuclear power plants under construction, firmly planned or tentatively proposed all of which are underpinned by expanding energy demand;
- Changed market dynamics with the increasing industrialisation of countries such as India and China and the renewed interest in nuclear power by countries such as Russia and Japan;
- The ability of the utilities to effectively substitute uranium through the selection of a lower tails assay during enrichment, although this is constrained to an extent by higher electricity prices and enrichment capacity;
- The evolution of new market participants such as hedge funds and speculators and additional market price signals such as the new Nymex/ UxC futures market; and
- Flow-on consequences from international treaty commitments such as the Kyoto Treaty that require carbon dioxide emission caps or reductions.

Underpinning the uranium price is the demand generated from the current reactor fleet which is made up of 439 reactors in 31 countries or states servicing nearly 16% or about 372GWe of total electricity demand. Further demand-side pressure on the uranium price will come from the 34 reactors currently under construction or refurbishment and the 81 reactors that are firmly planned.

More specifically Figure 16 illustrates the current pipeline of nuclear power stations and their expected commissioning dates. At a high level it can be summarised as 45 reactors starting up in the next 8 years and contributing about 41GWe of electricity across 15 countries. This is approximately an 11% increase in installed capacity (on top of the current 372GWe) independent of additional reactors in the firmly planned or proposed categories.

Projected First Year of Operation	Country	Type	MWe
2007	India, NPCIL	PHWR	202
2007	Romania, SNN	PHWR	650
2007	India, NPCIL	PHWR	202
2007	USA, TVA	BWR	1065
2008	India, NPCIL	PWR	950
2008	India, NPCIL	PWR	950
2008	India, NPCIL	PHWR	202
2009	Canada, Bruce Power	PHWR	769
2009	Russia, Rosenergoatom	PWR	950
2009	Japan, Hokkaido	PWR	912
2009	China, Taipower	ABWR	1300
2010	Canada, Bruce Power	PHWR	769
2010	Korea, KHNP	PWR	1000
2010	India, NPCIL	FBR	470
2010	China, CGNPC	PWR	1000
2010	China, Taipower	ABWR	1300
2010	Argentina, CNEA	PHWR	692
2010	Russia, Rosenergoatom	PWR x 2	70
2010	China, Huaneng	HTR	200
2011	Finland, TVO	PWR	1600
2011	Russia, Rosenergoatom	PWR	950
2011	Korea, KHNP	PWR	1000
2011	Korea, KHNP	PWR	1000
2011	China, CNNC	PWR	650
2011	China, CGNPC	PWR	1000
2011	Pakistan, PAEC	PWR	300
2011	Russia, Rosenergoatom	RBMK	1000
2012	China, CNNC	PWR	650
2012	Korea, KHNP	PWR	1000
2012	France, EdF	PWR	1630
2012	Russia, Rosenergoatom	FBR	750
2012	Japan, Chugoku	PWR	1375
2012	Russia, Rosenergoatom	PWR	1070
2012	China, CGNPC	PWR	1080
2012	China, CGNPC	PWR	1080
2013	China, CNNC	PWR	1100
2013	Russia, Rosenergoatom	PWR	1070
2013	Russia, Rosenergoatom	PWR	1070
2013	Korea, KHNP	PWR	1350
2013	China, CGNPC	PWR	1080
2013	China, CGNPC	PWR	1080
2013	China, CGNPC	PWR	1080
2013	Japan, EPDC/J Power	ABWR	1350
2013	Japan, Tepco	ABWR	1350
2013	Slovakia, SE	PWR	440
Next 8 Years	15 Countries	45 Reactors	41,068 Mwe

Figure 16: Projected Pipeline of Nuclear Power Plants Worldwide

	In Progress	Planned	Proposed
China	5	26	88
India	6	4	15
Japan	2	11	1
Russia	7	7	18
South Korea	3	5	0
South Africa	0	1	24
Ukraine	0	2	20
USA	0	7	25
Total	20	58	191

Primary Source: WNA
Figure 17: Nuclear Power Reactor Build Pipeline for Selected Countries

Most of this future demand driven growth can be attributed to China, India, Japan, Russia and South Korea and, further down the project pipeline, South Africa, Ukraine and the USA.

In addition, many western or industrialised countries are now considering re-starting or increasing nuclear programs, with, for example, many European countries re-considering their future energy mix to include nuclear power. The realities of meeting emission reduction commitments in a carbon constrained world will only sharpen the focus more on the viability of the nuclear option to assist in meeting those commitments, especially for those countries that are signatories to the Kyoto treaty or any subsequent extension agreement that require 'hard' targets to be met.

Given demand pressures for energy in the context of global population expansion and industrialisation, the price of electricity used to enrich uranium is expected to increase countering some of the substitution effect of a lower tails assay.

The Perfect Storm?

The various supply and demand factors discussed above are summarised in Figure 18 below. It can be seen that the vast majority of price forming factors are acting in favour of elevated uranium oxide prices, at least for the foreseeable future. Fundamentally the market has transformed from one dominated by excess secondary supply and its ability to meet the primary production gap in the context of a 'flatter' nuclear demand environment, to a market driven by the need for urgent primary mine production to meet aggressively expanding nuclear energy demand.

Due to the pressures on both the demand and supply side of the uranium price equation, it is Toro's view that the market for uranium will remain buoyant for at least the next 7-10 years and will require an ongoing long term price that underpins the new higher cost uranium mines being established.

Demand	Consideration	Price Up/ Down?
Current Reactors	Improved utilisation	Up
New Reactors	Expanding build pipeline	Up
Industrialisation of India/ China	New major market participants	Up
Tails Assay	Substitution effect from lower assay	Down
Hedge Funds	Speculation effect	Up (short term)
International Environmental Treaty	Firm CO2 reduction targets	Up
Supply	**Consideration**	**Price Up/ Down?**
Secondary Supply Sources	Depleting inventories	Up
Russian HEU	Russian source at risk post 2013	Up
Regulatory and Political Environment	Lengthy approvals or political blocks	Up
New Discoveries	Increased exploration spend	Down (long term)
Current Mine Supply	Mine/ Commissioning issues	Up

Figure 18: Summary of Demand and Supply Side Pressure on the U_3O_8 Price

Your directors submit their report for the year ended 30 June 2007.

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Dr Ian Gould	Chairman	Appointed 14 November 2005
Mr Greg Hall	Managing Director	Appointed 29 March 2006
Mr Owen Hegarty	Non Executive Director	Appointed 14 November 2005
Mr Derek Carter	Non Executive Director	Appointed 14 November 2005

Names, Qualifications, Experience and Special Responsibilities

Directors

Ian Gould, BSc (Hons), PhD (Geology), FAusIMM (Non-Executive Chairman)

Dr Gould has over 36 years experience in senior executive positions in the minerals industry, including 17 years in the CRA/Rio Tinto Group, where he was Managing Director of Comalco's bauxite and alumina interests and subsequently Group Executive responsible for exploration, before his appointment as the first Managing Director - Australia for Rio Tinto.

Dr Gould was subsequently Managing Director of the Normandy Mining Group until 2000, and non-executive director of Western Metals Ltd from 2000 (Chairman from 2002). He was also President of the Australasian Institute of Mining and Metallurgy in 2004 and 2005.

Dr Gould is currently Chairman of the Australian Institute of Marine Science, St. Andrew's Hospital in Adelaide, the CSIRO's Minerals Sector Advisory Committee, and the South Australian Minerals and Petroleum Experts Group (SAMPEG). He is a member of the Royal Flying Doctor Service (Central Operations) Board, and is a member of the South Australian Resources Industry Development Board.

Greg Hall, BEng, MAusIMM (Managing Director)

Greg Hall is a Mining Engineer with 27 years experience in the resources industry, including 18 years in the uranium industry in engineering, senior marketing and operational management roles. Mr Hall was Marketing Manager (North America) for ERA Ltd from 2000 to 2004, including a period of one year managing business improvement processes at its Ranger project. Prior to this, he was Manager – Mining of ERA Ltd's Ranger and Jabiluka operations.

Mr Hall has also held a variety of senior technical and operational management roles at WMC Resources Ltd at its nickel operations and the Olympic Dam project, where he was Underground Manager then Mining Manager from 1987 to 1992. He undertook a secondment to LKAB's iron ore mining operations in Sweden in 1992/93. Mr Hall's most recent position was Director Sales – Bauxite and Alumina with Comalco, a member of the Rio Tinto group, which he joined in 2004.

Owen Hegarty, BEc(Hons), FAusIMM (Non-Executive Director)

Mr Hegarty has over 35 years direct experience in the mining industry including 25 years with the Rio Tinto Group. He became Managing Director of Oxiana in 1995.

Mr Hegarty is a Director of the Minerals Council of Australia, and Range River Gold Limited and is a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM). Mr Hegarty was awarded the 2005 AusIMM Institute Medal for his leadership and achievements in the mining industry.

Derek Carter, BSc, MSc, FAusIMM (CP) (Non-Executive Director)

Derek Carter is a geologist with over 30 years experience in corporate management, exploration and mining. He worked in Australia and overseas for Billiton (Shell Group of Companies) for 16 years. For 5 years he was General Manager-Exploration for Burmine Ltd before establishing Minotaur Gold NL in 1993. He formed Minotaur Resources Ltd in 2000 and Minotaur Exploration Ltd in 2005, and he was Managing Director of all these groups at their inceptions. He is currently the Managing Director of Minotaur Exploration Ltd.

He is a member of the Boards of Mithril Resources Ltd, Petratherm Ltd (Chairman) and the Resources Industry Development Board, and is a member of the South Australian Experts Group (Resources). He is a Councillor of the South Australian Chamber of Mines & Energy. In 2003 he became the Prospector of the Year (jointly awarded) and was awarded a Centenary Medal. In July 2007, he was also appointed Chairman of the Minerals Exploration Advisory Group.

Company Secretary

Donald Stephens, BA (Acc), FCA

Donald Stephens is a Chartered Accountant and corporate adviser with over 20 years' experience in the accounting industry, including 14 years as a partner of HLB Mann Judd (SA) Pty Ltd, a firm of Chartered Accountants. He is a non-executive director of Mithril Resources Ltd and Papyrus Australia Ltd and is company secretary to Minotaur Exploration Ltd, Mithril Resources Ltd, Petratherm Ltd, FerrAus Ltd, Arasor International Ltd, Chesser Resources Ltd and Innovance Ltd. He holds other directorships with private companies and provides corporate advisory services to a wide range of organisations. He is a member of Toro's audit committee.

Dividends

No dividends were paid or declared since the start of the financial period. No recommendation for payment of dividends has been made.

Principal Activities

The principal activities of the group during the financial year were:

- To continue exploration of areas held and to seek out new areas with potential for uranium development; and
- Maintaining a watching brief over the uranium sector in Australia and overseas and pursuing uranium development and acquisition opportunities (via both direct and indirect project equity investment as appropriate).

There have been no significant changes in the nature of those activities during the year.

Operating Results for the Year

The Group's net loss after income tax was $1,698,212 (2006: $622,890 Loss).

Operations Review

During the financial year ended 30 June 2007, Toro Energy Limited ('Toro Energy') was focused on building the Exploration and Business Development teams, commencing initial exploration programs, reviewing data history of tenements, and undertaking tenement expansion. Toro Energy has progressed its Board approved strategy of targeted exploration for, or acquisition of, developable uranium projects which can add value to our enterprise, and with the intention to take those projects through resource definition, development and into production.

The Exploration team was boosted during the financial year ended 2007 by the recruitment of Dr Geoff Hudson as Exploration Manager along with senior and project geologists, and now comprises seven full and part-time geological staff, supported by significant consulting expertise where required. Mr Simon Mitchell was recruited to head the Business Development team, which also retained a full-time Senior Mining Engineer to assist with project evaluation and acquisition opportunities. The Business Development team is assisted by consulting expertise in the business advisory and geological consulting area.

Toro Energy established its initial safety, environmental and radiation monitoring systems. This involves monitoring and reporting of safety incidents, an initial employee induction program, an exploration radiation management plan, and established drill site rehabilitation practices. For the financial year ended 30 June 2007 no lost time injuries or significant incidents were reported.

Toro Energy continued and expanded its exploration activity during the financial year, with an airborne EM survey over prospective South Australian tenement regions to assist targeted exploration. Main exploration activities were focused on the Warrior, Yaninee, Ealbara and Mt Woods project regions. In particular the Warrior Project was expanded with Toro Energy entering into a JV agreement with Stellar Resources Ltd. This agreement, along with the existing JV with Range River Gold Ltd, has provided Toro with access to the full Warrior palaeochannel system. Exploration work has now started to re-confirm the uranium grades that were identified during exploration in the 70s.

Exploration drilling programs were undertaken at the Warrior and Yaninee projects, and down-hole probing was completed on old drill holes in the Mt Woods project area. Historical data review and planning of further airborne EM surveys was undertaken over other project areas. Subsequent to year end, an initial drilling program was completed on the Ealbara Project area.

In February 2007, Toro Energy announced an agreement with Deep Yellow Ltd to enter into a Purchase Option Agreement for the Napperby Uranium Deposit 150km NW of Alice Springs in the Northern Territory. This project was explored by Uranerz during the 1970s and 80s, and additional work by Deep Yellow Ltd has resulted

in an initial resource of 670t U_3O_8 under the JORC code announced in December 2006. By the end of June, all conditions for the Agreement were finalised and Toro retained the rights to evaluate and, if desired, to acquire 100% of the Napperby Project over a three year period. Toro's initial resource expansion work is planned to commence in September 2007.

Toro Energy signed a Memorandum of Understanding with The *Office National des Hydrocarbures et des Mines* (ONHYM) of Morocco for exclusive exploration evaluation rights over three uranium prospective areas within Morocco. Based on data research and field visits, it was confirmed that the three regions contain historical uranium occurrences in a variety of settings, with individual drill results in the range 0.1% to 1% U_3O_8 being historically reported. Toro Energy retains the exclusive right to negotiate exploration JVs over these areas.

Subsequent to the end of the financial year, Toro Energy and Nova Energy Ltd announced their intention to merge by way of a takeover of Nova by Toro. This will create a significant uranium exploration and development company with the aim to be an emerging uranium producer. Successful completion of the merger, which is subject to a higher offer, is expected in late October 2007.

Upon successful merger, the Wiluna Project (Lake Way / Centipede) will be the most advanced project within the new Toro Energy, with an existing resource of 19.8 Mlbs U_3O_8 in situ in accordance with the JORC code, and a pre-feasibility and resource upgrade underway. The Napperby Project will be the next most advanced, with these two forming the head of an existing and planned pipeline of projects. Along with an Exploration and Business Development team, the expanded Toro Energy will establish a Project Development team as these projects advance.

Risk Management

The Group takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the group's objectives and activities are aligned with the risks and opportunities identified by the Board.

The Group believes that it is crucial for all Board members to be a part of this process, and as such the Board has not established a separate risk management committee.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Board approval of a strategic plan, which encompasses the group's objectives and strategy statements, designed to meet stakeholder's needs and manage business risk.
- Implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets, including the establishment and monitoring of performance indicators of both a financial and non financial nature.

Significant Changes in the State of Affairs

No significant changes in the state of affairs of the Company occurred during the financial year.

Significant Events After the Balance Date

The Board of Toro Energy Limited announced on 6th August 2007 that it has agreed with Nova Energy Limited (ASX: NEL) (Nova) to merge the two companies. The merger will take place by way of a scrip offer (the Offer) by Toro for all the issued shares in Nova. The consideration to be offered is 5.5 Toro shares for each Nova share which values Nova at A$276 million.

Environmental Regulation and Performance

The Group is aware of its responsibility to impact as little as possible on the environment, and where there is any disturbance, to rehabilitate sites.

During the period under review the majority of work carried out was in South Australia and the entity followed procedures and pursued objectives in line with guidelines published by the South Australian Government. These guidelines are quite detailed and encompass the impact on owners and land users, heritage, health and safety and proper restoration practices. The entity supports this approach and is confident that it properly monitors and adheres to these objectives, and any local conditions applicable, both in South Australia and elsewhere.

Environmental and Social Policy

Toro Energy is an active explorer for uranium and an acquirer of uranium resources, with an aim to develop and operate uranium mining production facilities. It has access to existing tenements within South Australia and is actively seeking opportunities within Australia and potentially overseas.

Sustainable exploration, development and mining are attainable by carefully managed activities and processes which have little or no lasting impact on the environment. Toro Energy is committed to minimising environmental and social impacts of its activities.

Toro Energy's Environment and Social Policy is to:

- Make a commitment to best environmental and social practice, understanding that it is crucial to the growth and sustainability of our business
- Comply with all applicable legislation and legal requirements in all states where we operate
- Involve affected communities by discussing the development of work programs and communicating activities
- Monitor and improve our environmental and social performance

To support this policy we will adopt the following practices:

Environment

- Minimise clearing of local vegetation prior to exploration activity
- Implement adequate controls on fuels and other chemicals used in drilling
- Cap and make safe drill holes
- Construct the minimum number of access tracks
- Eliminate the transport of weeds or other exotic species between regions
- Apply best practical methods known and available to the company during exploration, particularly with respect to uranium
- Rehabilitate land affected by exploration with the aim of returning it to its previous use
- Train employees and assist contractors to achieve the above environmental aims

Social

- Recognise that local people have significant environmental knowledge of areas to be explored
- Communicate with relevant local residents, farm or pastoral property owners and occupiers, Aboriginal groups and local authorities regarding access and work programs
- Respect the rights, cultural beliefs, and relevant concerns of all parties having a legitimate interest in land proposed for exploration
- Minimise the impacts of exploration activities wherever possible
- Consult with land users, owners, lessees and with government authorities to ensure that statutory and other requirements are known

Share Options

Unissued Shares

At the date of this report, the following options to acquire ordinary shares in the Company were on issue:

Issue Date	Expiry Date	Exercise Price	Balance at 1 July 2006	Net Issued/ (Exercised) During Year	Balance at 30 June 2007
24/03/2006	23/03/2011	$0.40	4,000,000	-	4,000,000
01/04/2006	31/03/2011	$0.35	2,000,000	-	2,000,000
01/04/2006	31/03/2011	$0.45	1,000,000	-	1,000,000
27/09/2006	26/09/2011	$0.65	-	500,000	500,000
12/12/2006	11/12/2011	$0.88	-	440,000	440,000
19/03/2007	18/03/2012	$1.15	-	500,000	500,000
			7,000,000	1,440,000	8,440,000

Shares Issued as a Result of the Exercise of Option

No shares have been issued as a result of the exercise of options throughout the period ended 30 June 2007 or after the balance date at the time of signing this report.

New Options Issued

During the financial year, the following options were issued to company employees and officeholders:

- 500,000 options issued to the Business Development Manager.
- 500,000 options issued to the Exploration Manager.
- 200,000 options issued to the Company Secretary.
- 240,000 options issued to other employees of Toro Energy Limited.

Indemnification and Insurance of Directors and Officers

To the extent permitted by law, the Company has indemnified (fully insured) each director and the secretary of the Company for a premium of $38,507. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings (that may be brought) against the officers in their capacity as officers of the Company or a related body, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company.

Remuneration Report - Audited

This report outlines the remuneration arrangements in place for directors and other key management personnel of Toro Energy Limited.

Remuneration Philosophy

The Board is responsible for determining remuneration policies applicable to directors and senior executives of the Company. The broad policy is to ensure that remuneration properly reflects the individuals' duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people with appropriate skills and experience. At the time of determining remuneration consideration is given by the Board to the Group's financial performance.

Employment Contracts

The employment conditions of the Managing Director, Mr Greg Hall, are formalised in a contract of employment. Mr Hall commenced employment on 29 March 2006 and his gross salary, inclusive of the 9% superannuation guarantee, is $286,800 per annum. The Company may terminate the employment contract without cause by providing six (6) months written notice or making payment in lieu of notice, based on the annual salary component. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time.

The employment conditions of the Exploration Manager, Mr Geoff Hudson, are formalised in a contract of employment. Mr Hudson commenced employment on 14 February 2007 and his gross salary, inclusive of the 9% superannuation guarantee, is $185,300 per annum. The Company may terminate the employment contract without cause by providing six (6) months written notice or making payment in lieu of notice, based on the annual salary component. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time.

The employment conditions of the Business Development Manager, Mr Simon Mitchell, are formalised in a contract of employment. Mr Mitchell commenced employment on 26 September 2006 and his gross salary, inclusive of the 9% superannuation guarantee, is $166,770 per annum. The Company may terminate the employment contract without cause by providing six (6) months written notice or making payment in lieu of notice, based on the annual salary component. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time.

Key Management Personnel Remuneration and Equity Holdings

The Board currently determines the nature and amount of remuneration for Board members and senior executives of the Group. The policy is to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Group's financial results.

The non-executive directors and other executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Some individuals, however, may choose to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to directors and executives is expensed as incurred. Executives are also entitled to participate in the company share option scheme. Options are valued at the time of issue using the Black-Scholes methodology.

The Board policy is to remunerate non-executive directors at market rates based on comparable companies for time, commitment and responsibilities. The Board determines payments to non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

Remuneration Report

Table 1: Directors' remuneration for the year ended 30 June 2007

	Short Term Salary & Fees	Post Employment Superannuation	Share-based Payments Value of Options	Total $
Ian Gould				
2007	68,807	6,193	-	75,000
2006	22,936	2,064	47,400	72,400
Gregory Hall				
2007	268,128	22,331	-	290,459
2006	63,544	5,719	89,700	158,963
Owen Hegarty				
2007	48,165	4,335	-	52,500
2006	16,055	1,445	23,700	41,200
Derek Carter				
2007	48,165	4,335	-	52,500
2006	16,055	1,445	23,700	41,200

Table 2: Remuneration of the specified executives for the year ended 30 June 2007

	Short Term Salary & Fees	Post Employment Superannuation	Share-based Payments Value of Options	Total $
Geoff Hudson				
2007	49,039	4,413	35,415	88,867
2006	-	-	-	-
Simon Mitchell				
2007	115,728	10,416	55,400	181,544
2006	-	-	-	-
Donald Stephens				
2007	-	-	12,115	12,115
2006	-	-	-	-

The fair value of options issued to the directors and executives have been valued using the Black-Scholes methodology. Further information regarding this valuation is contained within note 14 of the financial statements.

HLB Mann Judd (SA) Pty Ltd ("HLB") has received professional fees for accounting, taxation and secretarial services provided during the year. Donald Stephens, the Company Secretary, is a consultant with HLB Mann Judd (SA) Pty Ltd. A total of $79,853 has been paid or is to be paid to HLB Mann Judd (SA) Pty Ltd for services rendered in 2007 (2006: $11,447).

Table 3: Options issued as part of remuneration

30 June 2007	Grant Number	Grant Date	Value per Option at Grant Date ($)	Exercise Price per Option	Expiry Date	First Exercise Date	Last Exercise Date	% of Remuneration
Directors								
None issued								
Executives								
Geoff Hudson	500,000	19/03/07	0.251	1.15	18/03/12	18/03/08	18/03/12	40%
Simon Mitchell	500,000	27/09/06	0.146	0.65	26/09/11	27/09/07	26/09/11	31%
Donald Stephens	200,000	12/12/06	0.11	0.88	11/12/11	10/12/07	11/12/11	100%

Note: None of the above options granted to key management personnel have attached performance conditions in accordance with the current remuneration policy of the company.

Table 4: Option holdings of key management personnel

30 June 2007	Balance at Beginning of Period	Granted as Remuneration	Options Exercised	Net Change Other	Balance at End of Period	Expiry Date	First Exercise Date	Last Exercise Date
Directors								
Ian Gould	2,000,000	-	-	-	2,000,000	23/03/11	24/03/06	23/03/11
Greg Hall	2,000,000	-	-	-	2,000,000	31/03/11	01/07/06	31/03/11
Greg Hall	1,000,000	-	-	-	1,000,000	31/03/11	01/04/07	31/03/11
Owen Hegarty	1,000,000	-	-	-	1,000,000	23/03/11	24/03/06	23/03/11
Derek Carter	1,000,000	-	-	-	1,000,000	23/03/11	24/03/06	23/03/11
Executives								
Geoff Hudson	-	500,000	-	-	500,000	18/03/12	18/03/08	18/03/12
Simon Mitchell	-	500,000	-	-	500,000	26/09/11	27/09/07	26/09/11
Donald Stephens	-	200,000	-	-	200,000	11/12/11	10/12/07	11/12/11
	7,000,000	**1,200,000**	**-**	**-**	**8,200,000**			

In accordance with Toro Energy Limited's listing arrangement, the 7,000,000 options issued to the directors have been escrowed for a period of 2 years from listing, until 23 March 2008.

30 June 2006	Balance at Beginning of Period	Granted as Remuneration	Options Exercised	Net Change Other	Balance at End of Period	Expiry Date	First Exercise Date	Last Exercise Date
Directors								
Ian Gould	-	2,000,000	-	-	2,000,000	23/03/11	24/03/06	23/03/11
Greg Hall	-	2,000,000	-	-	2,000,000	31/03/11	01/07/06	31/03/11
Greg Hall	-	1,000,000	-	-	1,000,000	31/03/11	01/04/07	31/03/11
Owen Hegarty	-	1,000,000	-	-	1,000,000	23/03/11	24/03/06	23/03/11
Derek Carter	-	1,000,000	-	-	1,000,000	23/03/11	24/03/06	23/03/11
	-	**7,000,000**	**-**	**-**	**7,000,000**			

Table 5: Shareholdings of key management personnel

30 June 07	Balance at 1 July 2006	On Exercise of Options	Net Change Other	Balance 30 June 2007
Directors				
Dr Ian Gould	-	-	-	-
Mr Greg Hall	-	-	-	-
Mr Owen Hegarty	80,000	-	-	80,000
Mr Derek Carter	80,000	-	-	80,000
	160,000	**-**	**-**	**160,000**
Executives				
Donald Stephens	35,000	-	-	35,000
Geoff Hudson	-	-	4,000	4,000
Simon Mitchell	-	-	-	-
	35,000	**-**	**4,000**	**39,000**

Mr Hegarty and Mr Carter are directors of Oxiana Ltd and Minotaur Exploration Ltd respectively. Both companies are the beneficial owner of 36,001,000 (24.74%) ordinary shares in the issued capital of Toro Energy Limited.

30 June 06	Balance at Incorporation	On Exercise of Options	Net Change Other	Balance 30 June 2006
Directors				
Dr Ian Gould	-	-	-	-
Mr Greg Hall	-	-	-	-
Mr Owen Hegarty	-	-	80,000	80,000
Mr Derek Carter	-	-	80,000	80,000
	-	**-**	**160,000**	**160,000**
Executives				
Donald Stephens		-	35,000	35,000
	-	**-**	**35,000**	**35,000**

Directors' Meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

	Directors' Meetings		Audit Committee	
Number of meetings held	8		1	
Number of meetings attended:	Eligible	Attended	Eligible	Attended
Dr Ian Gould	8	8	-	-
Mr Greg Hall	8	8	-	-
Mr Owen Hegarty	8	8	1	1
Mr Derek Carter	8	7	-	-

Members acting on the audit committee of the Board are:

Owen Hegarty	Non-executive Director
Donald Stephens	Company Secretary

Proceedings on Behalf of the Company

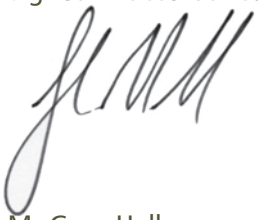
No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Auditor Independence and Non-Audit Services

Grant Thornton, in its capacity as auditor for Toro Energy Limited, has not provided any non-audit services throughout the reporting period. The auditor's independence declaration for the year ended 30 June 2007 as required under section 307C of the Corporations Act 2001 has been received and can be found on page 44.

Signed in accordance with a resolution of the directors.



Mr Greg Hall
Managing Director

24 September 2007

Grant Thornton

Chartered Accountants and Business Advisers

AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF TORO ENERGY LTD

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Toro Energy Ltd for the year ended 30 June 2007, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

GRANT THORNTON
South Australian Partnership
Chartered Accountants

S J GRAY
Partner

Signed at Wayville this 24 day of September 2007

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The Board of directors is responsible for the corporate governance of Toro Energy Limited (the Company) and its controlled entities (the Group). Summarised in this statement are the main corporate governance practices that have been developed by the Board and were in place at the end of the financial year.

Board Responsibilities

The Board of directors is accountable to shareholders for the performance of the Group and has an overall responsibility for its operations. Day to day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the Managing Director.

The key responsibilities of the Board include:

- Developing the strategic direction and related objectives for the Group and monitoring management performance in the achievement of these objectives.
- Adopting budgets and monitoring the financial performance of the Group.
- Reviewing the performance of the Managing Director.
- Overseeing the establishment and maintenance of adequate internal controls and effective monitoring systems.
- Ensuring all major business risks are identified and effectively managed.
- Ensuring that the Group meets its legal and statutory obligations.

Managing Director and Company Secretary Declaration to the Board of Directors

The declaration made by the Managing Director and the Company Secretary to the Board with regard to the integrity of the Company's financial report is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board. The Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Board Composition

At the date of this statement the Board consists of three non-executive directors, Dr Gould, who is also chairman of the Board, Mr Carter and Mr Hegarty. Dr Gould has no other material relationship or association with the Company or its subsidiaries other than his directorship. Mr Hegarty and Mr Carter are directors of Oxiana Ltd and Minotaur Exploration Ltd respectively. Both companies are the beneficial owner of 24.74% of the issued capital in Toro Energy Limited. The company therefore has one independent director as that relationship is currently defined.

The Board considers this to be an appropriate composition given the size and development of the Group at the present time. The names of directors including details of their qualification and experience are set out in the Directors' Report of this Financial Report.

The composition/membership of the Board is subject to review in a number of ways, as outlined below:

- The Company's constitution provides that at every Annual General Meeting, one third of the directors shall retire from office but may stand for re-election.
- Board composition is also reviewed periodically either when a vacancy arises or if it is considered that the Board would benefit from the services of a new director, given the existing mix of skills and experience of the Board which should match the strategic demands of the Group. Once it has been agreed that a new director is to be appointed, a search would be undertaken, sometimes using the services of external consultants. Nominations are subsequently received and reviewed by the Board.

Board Remuneration

Remuneration of the non-executive directors is reviewed and approved by the Board.

The maximum aggregate annual remuneration which may be paid to non-executive directors is currently $300,000. This cannot be increased without approval of the Company's shareholders.

Remuneration of the Managing Director is reviewed and approved on an annual basis by the non-executive directors.

Conflicts of Interest

In accordance with the Corporations Act 2001 and the Company's constitution directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists, the director concerned does not receive the relevant Board papers, is not present at the meeting whilst the item is considered and takes no part in any decision.

Director and Senior Management Dealings in Company Securities

The Company's constitution permits directors to acquire securities in the Company; however Company policy prohibits directors and senior management from dealing the Company's securities at any time whilst in possession of price sensitive information and for 24 hours after:

- Any major announcements
- The release of the Company's quarterly, half yearly and annual financial results to the Australian Securities Exchange; and
- The Annual General Meeting.

Directors must advise the chairman of the Board before buying or selling securities in the Company. All such transactions are reported to the Board. In accordance with the provisions of the Corporations Act and the Listing Rules of the Australian Stock Exchange, the Company advises the Exchange of any transaction conducted by directors in securities in the Company.

Board Committees

The Board of directors takes ultimate responsibility for corporate governance including the functions of:

- Establishing compensation arrangements of its managing director and its senior executives and officers
- Appointment and retirement of non-executive directors
- Appointment of auditors
- Areas of Business Risk
- Maintenance of Ethical Standards

The Board of directors seeks independent professional advice as necessary in carrying out their duties and responsibilities.

The Board has an audit committee comprising one director of the company, Mr Owen Hegarty and the company secretary. The committee is responsible for reviewing the integrity of the Company's financial reporting and overseeing the independence of the external auditors.

External Auditor Attendance at Annual General Meeting

An external auditor attends the Company's Annual General Meeting and is available to answer questions from shareholders on the auditors' report and the conduct of the audit.

Continuous Disclosure

The Company has a policy that all shareholders and investors have equal access to the Company's information. The Board ensures that all price sensitive information is disclosed to the ASX in accordance with the continuous disclosure requirements of the Corporation's Act and ASX Listing Rules. The Company Secretary has primary responsibility for all communications with the ASX.

Code of Ethics

Directors, management and staff are expected to perform their duties for the Group in a professional manner and act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Group.

The Role of Shareholders

The Board of directors aims to ensure that the shareholders are informed of all major developments affecting the Group's state of affairs. Information is communicated to shareholders as follows:

- The annual report is distributed to all shareholders (unless a shareholder has specifically requested not to receive the document);
- The half-yearly report contains summarised financial information and a review of the operations of the Group during the period (the financial report is sent to any shareholder who requests it);
- The ASX quarterly cash reports containing summarised financial information and a review of operations of the group during the periods;
- Notices of all meetings of shareholders;

All information disclosed to the ASX is posted on the company's web site www.toroenergy.com.au.

Departures from ASX Corporate Governance Council "Principles of Good Corporate Governance and Best Practice Recommendations"

In a number of instances the Company has departed from the various recommendations. This is primarily due to the size of the Company and the nature and scope of its operations and the cost benefit of adopting such recommendations. These departures and reasons for departure are as follows:

- There have been no formal disclosures of policies or processes. However, the Group has provided details of its environmental and social policy in the Directors' report.

The Board has formed an audit committee which has formulated the objectives and responsibilities for that committee. No other committees were formed prior to the year end. As previously noted this is because of the size of the Company and Board. The Board takes ultimate responsibility for these matters.

7: INCOME STATEMENT

For the financial year ended 30 June 2007

	Note	Consolidated		Parent	
		2007	2006	2007	2006
		$	$	$	$
Revenue	4 (a)	809,080	495,786	809,080	495,786
Employee benefits expense	4 (c)	(849,126)	(312,357)	(849,126)	(312,357)
Depreciation expense	4 (b)	(58,908)	(3,738)	(58,908)	(3,738)
Other expenses	4 (d)	(1,599,258)	(359,113)	(1,599,258)	(359,113)
(Loss) before income tax expense		(1,698,212)	(179,422)	(1,698,212)	(179,422)
Income tax expense	5	-	(443,468)	-	(443,468)
(Loss) for the year		(1,698,212)	(622,890)	(1,698,212)	(622,890)
(Loss) attributable to members of the parent entity		**(1,698,212)**	**(622,890)**	**(1,698,212)**	**(622,890)**
Earnings per share:		Cents	Cents		
Basic earnings per share	6	(1.17)	(0.43)		
Diluted earnings per share	6	(1.17)	(0.43)		

8: BALANCE SHEET

As at 30 June 2007

	Note	Consolidated		Parent	
		2007	2006	2007	2006
		$	$	$	$
CURRENT ASSETS					
Cash and cash equivalents	7	11,713,471	15,910,691	11,713,471	15,910,691
Trade and other receivables	8	91,582	38,113	63,630	38,113
Other current assets	9	274,023	186,771	274,023	186,771
TOTAL CURRENT ASSETS		12,079,076	16,135,575	12,051,124	16,135,575
NON-CURRENT ASSETS					
Property, plant and equipment	10	281,556	119,739	281,556	119,739
Other receivables	11	-	-	2,329,017	386,845
Other financial assets	12	-	-	17,661,832	17,661,832
Exploration and evaluation assets	13	21,342,080	19,121,679	1,379,183	1,073,002
TOTAL NON-CURRENT ASSETS		21,623,636	19,241,418	21,651,588	19,241,418
TOTAL ASSETS		33,702,712	35,376,993	33,702,712	35,376,993
CURRENT LIABILITIES					
Trade and other payables	15	306,026	466,115	306,026	466,115
Borrowings	16	11,850	-	11,850	-
Short-term provisions	17	21,354	7,026	21,354	7,026
TOTAL CURRENT LIABILITIES		339,230	473,141	339,230	473,141
NON-CURRENT LIABILITIES					
Borrowings	16	35,760	-	35,760	-
Long-term provisions	17	4,614	-	4,614	-
TOTAL NON-CURRENT LIABILITIES		40,374	-	40,374	-
TOTAL LIABILITIES		379,604	473,141	379,604	473,141
NET ASSETS		33,323,108	34,903,852	33,323,108	34,903,852
EQUITY					
Issued Capital	18	35,342,242	35,342,242	35,342,242	35,342,242
Reserves	19	301,968	184,500	301,968	184,500
Retained earnings	20	(2,321,102)	(622,890)	(2,321,102)	(622,890)
TOTAL EQUITY		**33,323,108**	**34,903,852**	**33,323,108**	**34,903,852**

For the financial year ended 30 June 2007

	Note	Consolidated				Parent			
		Issued Capital Ordinary	Retained Earnings	Reserves	Total	Issued Capital Ordinary	Retained Earnings	Reserves	Total
		$	$	$	$	$	$	$	$
Balance at incorporation		-	-	-	-	-	-	-	-
Shares issued upon incorporation of company	18	2,000	-	-	2,000	2,000	-	-	2,000
Shares issued pursuant to Initial Public Offering	18	18,000,000	-	-	18,000,000	18,000,000	-	-	18,000,000
Issued pursuant to sale and purchase agreement	18	17,661,832	-	-	17,661,832	17,661,832	-	-	17,661,832
Issued pursuant to Tripartite agreements	18	713,168	-	-	713,168	713,168	-	-	713,168
Transaction costs (net of tax)	18	(1,034,758)	-	-	(1,034,758)	(1,034,758)	-	-	(1,034,758)
(Loss) attributable to members of the parent entity	19	-	(622,890)	-	(622,890)	-	(622,890)	-	(622,890)
Cost of share based payment	20	-	-	184,500	184,500	-	-	184,500	184,500
Balance at 30 June 2006		**35,342,242**	**(622,890)**	**184,500**	**34,903,852**	**35,342,242**	**(622,890)**	**184,500**	**34,903,852**
Balance at 1 July 2006		35,342,242	(622,890)	184,500	34,903,852	35,342,242	(622,890)	184,500	34,903,852
(Loss) attributable to members of the parent entity	20	-	(1,698,212)	-	(1,698,212)	-	(1,698,212)	-	(1,698,212)
Cost of share based payment	19	-	-	117,468	117,468	-	-	117,468	117,468
Balance at 30 June 2007		**35,342,242**	**(2,321,102)**	**301,968**	**33,323,108**	**35,342,242**	**(2,321,102)**	**301,968**	**33,323,108**

10: CASH FLOW STATEMENT

For the financial year ended 30 June 2007

	Note	Consolidated		Parent	
		2007	2006	2007	2006
		$	$	$	$
CASH FLOWS FROM OPERATING ACTIVITIES					
Payments to suppliers and employees		(2,437,700)	(353,683)	(2,414,476)	(353,683)
Interest received		772,663	348,164	772,663	348,164
NET CASH (USED IN) OPERATING ACTIVITIES	7	(1,665,037)	(5,519)	(1,641,813)	(5,519)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(218,649)	(119,870)	(218,649)	(119,870)
Loans to wholly-owned subsidiaries		-	-	(1,942,532)	(386,845)
Proceeds from loans from related parties		-	553,115	-	553,115
Repayment of loans from related parties		-	(553,115)	-	(553,115)
Payments for exploration activities		(2,357,178)	(487,694)	(437,870)	(100,849)
NET CASH (USED IN) INVESTING ACTIVITIES		(2,575,827)	(607,564)	(2,599,051)	(607,564)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings		43,644	-	43,644	-
Proceeds from issue of shares		-	18,002,000	-	18,002,000
Transaction costs of issue of shares		-	(1,478,226)	-	(1,478,226)
NET CASH PROVIDED BY FINANCING ACTIVITIES		43,644	16,523,774	43,644	16,523,774
Net (decrease)/increase in cash and cash equivalents		(4,197,220)	15,910,691	(4,197,220)	15,910,691
Cash at the beginning of the financial year		15,910,691	-	15,910,691	-
CASH AT THE END OF THE FINANCIAL YEAR	7	11,713,471	15,910,691	11,713,471	15,910,691

1. Corporate Information

The financial report of Toro Energy Limited (the Company) for the year ended 30 June 2007 was authorised for issue in accordance with a resolution of the directors on 24 September 2007. Toro Energy Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

2. Statement of Significant Accounting Policies

a. Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on an accrual basis and is based on historical costs, modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

b. Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of Toro Energy Limited comply with International Financial Reporting Standards (IFRS).

c. Principle of consolidation

The consolidated financial statements comprise the financial statements of Toro Energy Limited and its subsidiaries as at 30 June (the Group). A list of controlled entities is contained in Note 24 to the financial statements. All controlled entities have a June financial year-end.

The financial statements of the subsidiaries are prepared for the same reporting period and using consistent accounting policies as those of the parent.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

d. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

All revenue is stated net of the amount of goods and services tax (GST).

Interest income

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial asset.

e. Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

f. Finance costs

Finance costs are recognised as an expense when incurred.

g. Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

h. Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank, cash in hand and short term deposits with an original maturity of one year or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

i. Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

j. Financial instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, with reference to similar instruments and option pricing models.

Impairment

At each reporting date, the group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

k. Income tax

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

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation

The parent entity and its Australian wholly-owned entities are part of a tax-consolidated group under Australian taxation law. The head entity within the tax-consolidation group for the purposes of the tax consolidation system is Toro Energy Limited.

Toro Energy Limited and each of its own wholly-owned subsidiaries recognise the current and deferred tax assets and deferred tax liabilities applicable to the transactions undertaken by it, after elimination of intra-group transactions. Toro Energy Limited recognises the entire tax-consolidated group's retained tax losses.

l. Goods and service tax

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

m. Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred.

Depreciation is calculated on a straight-line and diminishing value basis over the estimated useful life of the assets. The useful life of the assets for 2007 is as follows:

Plant and equipment – 2.5 – 20 years

Motor vehicles – 8 years

Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their recent value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. For plant and equipment, impairment losses are recognised in the income statement.

n. Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change

in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

o. Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to the basis that the restoration will be completed within one year of abandoning the site.

p. Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

q. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pretax rate that reflects the risks specific to the liability.

r. Employee benefits

Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

s. Share-based payment transactions

The Group provides benefits to employees of the Group in the form of share-based payments, whereby employees receive options incentives (equity-settled transactions).

The company has established the Employee Share Option Plan which provides benefits to employees.

The cost of these equity-settled transactions with employees are measured by reference to the fair value at the date at which they are granted. The fair value is determined using the Black-Scholes option pricing model using the assumptions detailed in note 14.

The cost of equity-settled transactions is recognised as an expense in the income statement, together with a corresponding increase in the share option reserve, when the options are issued. However, where options have vesting terms attached, the cost of the transaction is amortised over the vesting period.

Upon the exercise of options, the balance of share based payments reserve relating to those options is transferred to share capital.

t. Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

u. New accounting and UIG interpretations

The following Australian Accounting Standards have been issued or amended and are applicable to the parent and consolidated group but are not yet effective. None of the standards have been adopted in the preparation of the financial statements at reporting date.

AASB No.	Title	Issue Date	Operative Date (Annual reporting periods beginning on or after)
7	Financial Instruments: Disclosure	Aug 2005	1 Jan 2007
8	Operating Segments	Feb 2007	1 Jan 2009
101	Presentation of Financial Statements (Amended)	Oct 2006	1 Jan 2007
123	Borrowing Costs (Amended)	June 2007	1 Jan 2009
2007-4	Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments [AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023, &1038]	April 2007	1 July 2007

v. Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent divided by the weighted average number of ordinary shares and dilutive potential ordinary shares.

w. Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key estimates - exploration and evaluation

The group's policy for exploration and evaluation is discussed in note 2(o). The application of this policy requires management to make certain assumptions as to future events and circumstances. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised exploration and evaluation expenditure, management concludes that the capitalised expenditure is unlikely to be recovered by future sale or exploration, then the relevant capitalised amount will be written off through the income statements.

3. Segment Information

Industry and geographical segment

The entity operates primary in the mining exploration sector solely within Australia.

4. Revenue and Expenses

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$
(a) REVENUE				
Bank interest received or receivable	809,080	495,786	809,080	495,786
	809,080	**495,786**	**809,080**	**495,786**
(b) EXPENSES				
Depreciation of non-current assets				
Plant and equipment	58,908	3,738	58,908	3,738
	58,908	**3,738**	**58,908**	**3,738**
(c) EMPLOYEES BENEFITS EXPENSE				
Wages, salaries, directors fees and other remuneration expenses	883,157	144,639	883,157	144,639
Workers' compensation costs	41,259	-	41,259	-
Defined contribution plan expense	98,167	12,323	98,167	12,323
Other Benefits provided	36,675	-	36,675	-
Transfer to annual leave provision	14,328	7,026	14,328	7,026
Transfer to long service leave provision	4,614	-	4,614	-
Share-based payments expense	117,468	184,500	117,468	184,500
Transfer to capitalised tenements	(346,542)	(36,131)	(346,542)	(36,131)
	849,126	**312,357**	**849,126**	**312,357**
(d) OTHER EXPENSES FROM ORDINARY ACTIVITIES				
Listing costs expensed	-	135,338	-	135,338
Promotion and advertising	90,911	28,823	90,911	28,823
Recruitment expenses	237,501	27,000	237,501	27,000
Travelling expenses	119,052	26,026	119,052	26,026
Stock exchange fees	43,249	25,184	43,056	25,184
Share registry fees	64,916	18,419	64,916	18,419
Audit fees	23,500	12,000	23,500	12,000
Professional fees	79,853	11,447	79,853	11,447
Conference expenses	54,677	10,517	54,677	10,517
Insurance costs	53,387	11,278	53,387	11,278
Consulting Fees	69,946	8,061	69,946	8,061
Legal Fees	5,199	336	5,199	336
Other expenses	757,067	44,684	757,260	44,684
	1,599,258	**359,113**	**1,599,258**	**359,113**

5. Income Tax

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$
The major components of income tax expense are:				
Current income tax				
Current income tax charge/(benefit)	(1,252,631)	(352,894)	(678,365)	(236,840)
Tax portion of capital raising costs	-	443,468	-	443,468
Deferred income tax				
Relating to origination and reversal of temporary differences	120,739	(26,658)	(51,542)	(61,475)
Net future income tax benefit not realised as recognition criteria of AASB 112 not met	1,131,892	379,552	729,907	298,315
Income tax expense/(benefit) reported in the income statement	-	**443,468**	-	**443,468**

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:				
Accounting profit before income tax	(1,698,212)	(179,422)	(1,698,212)	(179,422)
At the Group's statutory income tax rate of 30% (2006: 30%)	(509,464)	(53,827)	(509,464)	(53,827)
Immediate write off of capital expenditure	(621,121)	(312,697)	(46,854)	(196,643)
Expenditure not allowable for income tax purposes	44,294	57,917	44,294	57,917
Other	(166,340)	(44,287)	(166,341)	(44,287)
	(1,252,631)	**(352,894)**	**(678,365)**	**(236,840)**

Income tax losses				
Deferred tax asset arising from carried forward tax losses and temporary differences not recognised at reporting date as the asset is not regarded as meeting the probable criteria				
- timing differences at 30%	(120,739)	26,658	51,542	61,475
- tax losses at 30%	1,252,631	352,894	678,365	236,840
	1,131,892	**379,552**	**729,907**	**298,315**

The Group has future net income tax benefits arising in Australia of $1,605,525 (2006: $352,894) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose.

Tax consolidation

Toro Energy Limited and its 100% owned Australian resident subsidiaries have formed a tax consolidated group with effect from 16 March 2006. Toro Energy Limited is the head entity of the tax consolidated group. Members of the group have not yet entered into a tax sharing arrangement.

6. Earnings Per Share

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

	Consolidated	
	2007	2006
	$	$
Net loss attributable to ordinary equity holders of the parent	(1,698,212)	(622,890)
Weighted average number of ordinary shares for basic earnings per share	145,502,000	145,502,000
Effect of dilution		
Share options	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	145,502,000	145,502,000

In accordance with AASB 133 'Earnings per Share', as potential ordinary shares may result in a situation where their conversion results in an increase in loss per share or decrease in profit per share from continuing operations, no dilutive effect has been taken into account in 2007.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

7. Cash and Cash Equivalents

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$
Cash at bank and in hand	713,471	2,410,691	713,471	2,410,691
Short-term deposits	11,000,000	13,500,000	11,000,000	13,500,000
	11,713,471	15,910,691	11,713,471	15,910,691

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and six months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$
RECONCILIATION TO CASH FLOW STATEMENT				
For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 30 June:				
Cash at banks and in hand	713,471	2,410,691	713,471	2,410,691
Short-term deposits	11,000,000	13,500,000	11,000,000	13,500,000
	11,713,471	**15,910,691**	**11,713,471**	**15,910,691**

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$
RECONCILIATION OF NET PROFIT AFTER TAX TO NET CASH FLOWS FROM OPERATIONS				
Net profit	(1,698,212)	(622,890)	(1,698,212)	(622,890)
Adjustments for non-cash items:				
Depreciation	58,908	3,738	58,908	3,738
Non-cash income tax expense	-	443,468	-	443,468
Share based payments	117,468	184,500	117,468	184,500
Changes in assets and liabilities				
(Increase) in trade and other receivables	(52,957)	(185,736)	(25,158)	(185,736)
(Increase) in prepayments	(50,836)	(39,148)	(50,836)	(39,148)
(Decrease)/increase in trade and other payables	(66,121)	173,325	(70,696)	173,325
Increase in withholding tax	7,771	30,198	7,771	30,198
Increase in employee provisions	18,942	7,026	18,942	7,026
Net cash from operating activities	**(1,665,037)**	**(5,519)**	**(1,641,813)**	**(5,519)**

8. Trade and Other Receivables

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$
Sundry receivables (i)	320	4,948	320	4,948
Goods and services tax receivable	91,262	33,165	63,310	33,165
	91,582	38,113	63,630	38,113

(i) Sundry receivables are non-interest bearing and generally have 30-90 day payment terms. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired.

Information regarding the credit risk of current receivables is set out in note 25.

9. Other Current Assets

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$
Prepayments	89,984	39,148	89,984	39,148
Accrued income	184,039	147,623	184,039	147,623
	274,023	186,771	274,023	186,771

10. Property, Plant and Equipment

	Consolidated			Parent		
	Plant & Equipment	Motor Vehicles	Total	Plant & Equipment	Motor Vehicles	Total
	$	$	$	$	$	$
YEAR ENDED 30 JUNE 2007						
At 1 July 2006, net of accumulated depreciation and impairment	119,739	-	119,739	119,739	-	119,739
Additions	170,489	50,236	220,725	170,489	50,236	220,725
Depreciation charge for the year	(49,644)	(9,264)	(58,908)	(49,644)	(9,264)	(58,908)
At 30 June 2007, net of accumulated depreciation and impairment	**240,584**	**40,972**	**281,556**	**240,584**	**40,972**	**281,556**
AT 1 JULY 2006						
Cost	123,477	-	123,477	123,477	-	123,477
Accumulated depreciation and impairment	(3,738)	-	(3,738)	(3,738)	-	(3,738)
Net carrying amount	119,739	-	119,739	119,739	-	119,739
AT 30 JUNE 2007						
Cost	293,966	50,236	344,202	293,966	50,236	344,202
Accumulated depreciation and impairment	(53,382)	(9,264)	(62,646)	(53,382)	(9,264)	(62,646)
Net carrying amount	**240,584**	**40,972**	**281,556**	**240,584**	**40,972**	**281,556**
YEAR ENDED 30 JUNE 2006						
At incorporation	-	-	-		-	-
Additions	123,477	-	123,477	123,477	-	123,477
Depreciation charge for the year	(3,738)	-	(3,738)	(3,738)	-	(3,738)
At 30 June 2006, net of accumulated depreciation and impairment	**119,739**	**-**	**119,739**	**119,739**	**-**	**119,739**
AT 30 JUNE 2006						
Cost	123,477	-	123,477	123,477	-	123,477
Accumulated depreciation and impairment	(3,738)	-	(3,738)	(3,738)	-	(3,738)
Net carrying amount	**119,739**	**-**	**119,739**	**119,739**	**-**	**119,739**

11. Other Receivables (Non Current)

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$
Related party receivables:				
Loans to wholly-owned subsidiaries (i)	-	-	2,329,017	386,845
	-	-	2,329,017	386,845

(i) Loans to wholly-owned subsidiaries are at call loans, with no fixed repayment schedule and are non-interest bearing.

12. Other Financial Assets (Non-current)

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$
Investment in wholly-owned subsidiaries	-	-	17,661,832	17,661,832
	-	-	17,661,832	17,661,832

Details of wholly-owned subsidiaries can be found at note 24.

13. Exploration and Evaluation Assets

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$
Exploration and evaluation costs carried forward in respect of mining areas of interest	21,342,080	19,121,679	1,379,183	1,073,002
	21,342,080	19,121,679	1,379,183	1,073,002

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective mining areas.

Consolidated Entity	
Capitalised tenement expenditure movement reconciliation:	
Balance at 1 July 2006	19,121,679
Additions through expenditure capitalised	2,220,401
Balance at end of year	21,342,080

14. Share-based Payments

Employee share option plan

The Company has established the Toro Energy Limited Employee Share Option Plan and a summary of the Rules of the Plan are set out below:

- All employees (full and part time) will be eligible to participate in the Plan after a qualifying period of 12 months employment by a member of the Group, although the Board may waive this requirement.
- Options are granted under the Plan at the discretion of the Board and if permitted by the Board, may be issued to an employee's nominee.
- Each option is to subscribe for one fully paid ordinary share in the Company and will expire 5 years from its date of issue. An option is exercisable at any time from its date of issue subject to any vesting or escrow conditions applicable. Options will be issued free. The exercise price of options will be determined by the Board, subject to a minimum price equal to the market value of the Company's shares at the time the Board resolves to offer those options. The total number of shares the subject of options issued under the Plan, when aggregated with issues during the previous 5 years pursuant to the Plan and any other employee share plan, must not exceed 5% of the Company's issued share capital.
- If, prior to the expiry date of options, a person ceases to be an employee of a Group company for any reason other than retirement at age 60 or more (or such earlier age as the Board permits), permanent disability, redundancy or death, the options held by that person (or that person's nominee) automatically lapse on the first to occur of a) the expiry of the period of 6 months from the date of such occurrence, and b) the expiry date. If a person dies, the options held by that person will be exercisable by that person's legal personal representative.
- Options cannot be transferred other than to the legal personal representative of a deceased option holder.
- The Company will not apply for official quotation of any options.
- Shares issued as a result of the exercise of options will rank equally with the Company's previously issued shares.
- Option holders may only participate in new issues of securities by first exercising their options.

The Board may amend the Plan Rules subject to the requirements of the Listing Rules.

The expense recognised in the income statement in relation to share-based payments is disclosed in note 4(c).

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

	2007	2007	2006	2006
	No.	WAEP	No.	WAEP
Outstanding at the beginning of the year	7,000,000	0.39	-	-
Granted during the year	1,440,000	0.89	7,000,000	0.39
Outstanding at the end of the year	8,440,000	0.48	7,000,000	0.39
Exercisable at the end of the year	-	-	-	-

The outstanding balance as at 30 June 2007 is represented by:

- A total of 4,000,000 options exercisable from escrow release date on 23 March 2008 until 23 March 2011 with a strike price of $0.40.
- A total of 2,000,000 options exercisable from escrow release date on 23 March 2008 until 31 March 2011 with a strike price of $0.35.
- A total of 1,000,000 options exercisable from escrow release date on 23 March 2008 until 31 March 2012 with a strike price of $0.45.
- A total of 440,000 options, vesting 10 December 2007 and exercisable until 11 December 2011 with a strike price of $0.88.
- A total of 500,000 options, vesting 27 September 2007 and exercisable until 26 September 2011 with a strike price of $0.65.
- A total of 500,000 options, vesting 18 March 2008 and exercisable until 18 March 2012 with a strike price of $1.15.

The weighted average remaining contractual life for the share options outstanding as at 30 June 2007 is 3.87 years (2006: 4.75 years).

The range of exercise prices for options outstanding at the end of the year was $0.35-$1.15 (2006: $0.35-$0.45).

The weighted average fair value of options granted during the year was $0.17 (2006: $0.04).

The fair value of the equity-settled share options granted under the option plan is estimated as at the date of grant using a Black-Scholes model taking into account the terms and conditions upon which the options were granted.

The following table lists the weighted average of inputs to the model used for the years ended 30 June 2006 and 30 June 2007:

	2007	2006
Volatility (%)	18.47%	18.70%
Risk-free interest rate (%)	6.00%	5.32%
Expected life of option (years)	5.00	5.00

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

15. Trade and Other Payables (Current)

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$
Trade payables (i)	225,156	355,195	225,156	355,195
Other payables (ii)	80,870	110,920	80,870	110,920
	306,026	466,115	306,026	466,115

(i) Trade payables are non-interest bearing and are normally settled on 30-day terms.
(ii) Other payables are non-interest bearing and are normally settled within 30 – 90 days.

Information regarding the credit risk of current payables is set out in note 25.

Included in trade payables is the amount of $35,809 payable to Minotaur Operations Pty Ltd, a wholly-owed subsidiary of Minotaur Exploration Ltd. Mr Derek Carter is the Managing Director of Minotaur Exploration Ltd ("Minotaur"). Information regarding transactions between Minotaur and the Toro Energy Group are set out in note 26.

16. Borrowings

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$
CURRENT				
Hire purchase contracts	11,850	-	11,850	-
	11,850	-	11,850	-
NON-CURRENT				
Hire purchase contracts	35,760	-	35,760	-
	35,760	-	35,760	-

17. Provisions

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$
CURRENT				
Annual leave provision				
Opening Balance	7,026	-	7,026	-
Movement during year	14,328	7,026	14,328	7,026
Closing Balance 30 June	**21,354**	**7,026**	**21,354**	**7,026**
NON-CURRENT				
Long Service Leave:				
Opening Balance	-	-	-	-
Movement during year	4,614	-	4,614	-
Closing Balance 30 June	**4,614**	**-**	**4,614**	**-**

18. Issued Capital

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$
145,502,000 fully paid ordinary shares	35,342,242	35,342,242	35,342,242	35,342,242
	35,342,242	35,342,242	35,342,242	35,342,242

	2007		2006	
	Number	$	Number	$
ORDINARY SHARES				
Balance at beginning of financial year	145,502,000	35,342,242		
Issued upon incorporation of company	-	-	2,000	2,000
Issued pursuant to initial public offer	-	-	72,000,000	18,000,000
Issued to the following entities pursuant to their respective share sale and purchase agreements:				
Oxiana Ltd	-	-	36,000,000	9,000,000
Minotaur Resources Investments Pty Ltd	-	-	34,647,326	8,661,832
Issue of Shares to Minotaur Resources Investments Pty Ltd pursuant to the following Tripartite Agreements:				
Lake Eyre	-	-	565,789	141,447
Mutooroo	-	-	786,885	196,721
Issue of Shares to Billiton Exploration Australia Pty Ltd pursuant to the following Tripartite Agreements:				
Lake Eyre	-	-	750,000	187,500
Mutooroo	-	-	750,000	187,500
Transaction costs (net of tax)	-	-	-	(1,034,758)
Balance at end of 30 June 2007	145,502,000	35,342,242	145,502,000	35,342,242

Fully paid ordinary shares carry one vote per share and carry the right to dividends (in the event such a dividend was declared).

19. Reserves

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$
Share-option reserve (a)	301,968	184,500	301,968	184,500
(a) SHARE-OPTION RESERVE				
Opening Balance	184,500	-	184,500	-
Share-based payments expensed during the year	117,468	-	117,468	-
Issue of options to directors pursuant to an employment agreement	-	184,500	-	184,500
Balance at 30 June 2007	**301,968**	**184,500**	**301,968**	**184,500**

Nature and purpose of reserves

Share-option reserve

This reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration. Refer to note 14 for further details of these plans.

20. Retained Earnings

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$
Balance at beginning of financial year	(622,890)	-	(622,890)	-
Net loss attributable to members of the parent entity	(1,698,212)	(622,890)	(1,698,212)	(622,890)
Balance at end of financial year	**(2,321,102)**	**(622,890)**	**(2,321,102)**	**(622,890)**

21. Commitments for Expenditure

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$
OPERATING LEASES				
Not longer than 1 year	99,993	68,154	99,993	68,154
Longer than 1 year and not longer than 5 years	60,472	136,312	60,472	136,312
	160,465	204,466	160,465	204,466
HIRE PURCHASE COMMITMENTS				
Not longer than 1 year	15,290	15,416	15,290	15,416
Longer than 1 year and not longer than 5 years	38,354	53,897	38,354	53,897
Less: future finance charges	(6,034)	(10,000)	(6,034)	(10,000)
	47,610	59,313	47,610	59,313

Terms of lease arrangements

The Group has operating leases in place for its principal place of business which expires within 1 year. The terms of renewal have an escalation clause linked to the CPI. Other operating leases in place for residential premises are negotiated annually.

Exploration leases

Pursuant to the Tenement Access Agreement made between Minotaur Operations Pty Ltd (a wholly-owned subsidiary of Minotaur Exploration Ltd) and Minotaur Uranium Pty Ltd (a wholly-owned subsidiary of Toro Energy Limited), the Toro Energy Group is expected to meet approximately 50% of the expenditure requirement on Minotaur Operations tenements under the Access Agreement. For the year ended 30 June 2008, $2,050,000 is expected to be incurred by the Toro Energy Group. This obligation to the Toro Energy Group is expected to be fulfilled in the normal course of operations.

22. Contingent Assets and Liabilities

At the date of signing this report, the Group is not aware of any Contingent Asset or Liability that should be disclosed in accordance with AASB 137.

23. Auditors Remuneration

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$
Audit or review of the financial report	23,500	12,000	23,500	12,000
Preparation of an independent accountants report for the prospectus	-	9,500	-	9,500
	23,500	21,500	23,500	21,500

24. Subsidiaries

Name of entity	Country of incorporation	Ownership interest	
		2007	2006
		%	%
PARENT ENTITY			
Toro Energy Limited (i)	Australia		
SUBSIDIARIES			
Minotaur Uranium Pty Ltd (ii)	Australia	100	100
Oxiana Energy Pty Ltd (ii)	Australia	100	100

(i) Toro Energy Limited is the head entity within the tax-consolidated group.
(ii) These companies are members of the tax-consolidated group.

25. Financial Risk Management Objectives and Policies and Financial Instruments

Credit risk

The Group trades only with recognised, creditworthy third parties.

Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

There are no significant concentrations of credit risk within the Group.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, available-for-sale financial assets and certain derivative instruments, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

Since the Group trades only with recognised third parties, there is no requirement for collateral.

Interest rate risk

Consolidated	< 1Year	> 1 - < 2 Years	> 2 - < 3 Years	Total
	$	$	$	$
YEAR ENDED 30 JUNE 2007				
Financial assets				
Fixed rate				
Term Deposits	11,000,000	-	-	11,000,000
Weighted average effective interest rate	6.58%			
Floating rate				
Cash assets	713,471	-	-	713,471
Weighted average effective interest rate	5.18%			
Financial liabilities				
Fixed rate				
Interest bearing liabilities	11,850	35,760	-	47,610
Weighted average effective interest rate	8.14%	8.14%		

Parent	< 1Year	> 1 - < 2 Years	> 2 - < 3 Years	Total
	$	$	$	$
YEAR ENDED 30 JUNE 2007				
Financial assets				
Fixed rate				
Term Deposits	1,000,000	-	-	1,000,000
Weighted average effective interest rate	6.58%			
Floating rate				
Cash assets	13,471	-	-	13,471
Weighted average effective interest rate	5.18%			
Financial liabilities				
Fixed rate				
Interest bearing liabilities	1,850	35,760	-	47,610
Weighted average effective interest rate	8.14%	8.14%		

Consolidated				
	< 1Year	> 1 - < 2 Years	> 2 - < 3 Years	Total
	$	$	$	$
YEAR ENDED 30 JUNE 2006				
Financial assets				
Fixed rate				
Term Deposits	13,500,000	-	-	13,500,000
Weighted average effective interest rate	5.77%			
Floating rate				
Cash assets	2,410,691	-	-	2,410,691
Weighted average effective interest rate	4.76%			
Financial liabilities				
Fixed rate				
Obligations under hire purchase contracts	-	-	-	-
Weighted average effective interest rate	0.00%			

Parent				
	< 1Year	> 1 - < 2 Years	> 2 - < 3 Years	Total
	$	$	$	$
YEAR ENDED 30 JUNE 2006				
Financial assets				
Fixed rate				
Term Deposits	13,500,000	-	-	13,500,000
Weighted average effective interest rate	5.77%			
Floating rate				
Cash assets	2,410,691	-	-	2,410,691
Weighted average effective interest rate	4.76%			
Financial liabilities				
Fixed rate				
Obligations under hire purchase contracts	-	-	-	-
Weighted average effective interest rate	0.00%			

26. Related Party Disclosure and Key Management Personnel Remuneration

Details of key management personnel's interests in shares and options of the Company and their remuneration can be found under remuneration in the directors' report. This information is marked as audited.

Wholly owned group transactions

Loans

The wholly owned Group consists of Toro Energy Limited and its wholly owned controlled entities Minotaur Uranium Pty ltd and Oxiana Energy Pty Ltd. Ownership interests in these controlled entities are set out in note 24. Transactions between Toro Energy Limited and other entities in the wholly owned Group during the year consisted of loans advanced by Toro Energy Limited to fund exploration and investment activities. The closing value of all loan amounts to wholly owned members of the group is contained within the balance sheet under other receivables and cash movements throughout the year are detailed within the body of the cash flow statement under loans to wholly owned subsidiaries.

Other related party transactions

Throughout the year ended 30 June 2007, Minotaur Operations Pty Ltd (a wholly-owned subsidiary of Minotaur Exploration Ltd, of which Mr Derek Carter is a director provided the Toro Energy Group with access to exploration personnel, motor vehicles and equipment to enable Toro to begin exploration of its uranium rights. In exchange for these services, Minotaur Operations Pty Ltd has received income in the form of service charges. In addition to these services charges, Minotaur Operations Pty Ltd also paid for joint costs on behalf Toro Energy Limited and has sought direct reimbursement of these costs from the Toro Energy Group. All transactions were conducted on commercial terms and were arms length transactions. The total amount paid or to be paid to Minotaur Operations Pty Ltd through the period ended 30 June 2007 was $165,762 (net of GST) (30 June 2006: $334,868).

HLB Mann Judd (SA) Pty Ltd has received professional fees for accounting, taxation and secretarial services provided during the year. Donald Stephens, the Company Secretary, is a consultant with HLB Mann Judd (SA) Pty Ltd. A total of $79,853 has been paid or is to be paid to HLB Mann Judd (SA) Pty Ltd for services rendered in 2007 (2006: $11,447).

27. Events After the Balance Sheet Date

The Board of Toro Energy Limited announced on the 6th August 2007 that it has agreed with Nova Energy Limited (ASX: NEL) (Nova) to merge the two companies. The merger will take place by way of a scrip offer (the Offer) by Toro for all the issued shares in Nova. The consideration to be offered is 5.5 Toro shares for each Nova share which values Nova at A$276 million.

I2: DIRECTORS' DECLARATION

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

1. In the opinion of the directors:

   a. the financial statements and notes of the Company and of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

      i. giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the period ended on that date; and

      ii. complying with Accounting Standards and Corporations Regulations 2001 and other mandatory professional reporting requirements; and

   b. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

   c. the audited remuneration disclosures set out in the remuneration report of the directors' report comply with Accounting Standard AASB 124 Related Party disclosures.

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial period ending 30 June 2007.

On behalf of the Board

Mr Greg Hall
Managing Director

24 September 2007

Grant Thornton

Chartered Accountants and Business Advisers

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF TORO ENERGY LTD AND CONTROLLED ENTITIES

Report on the financial report

We have audited the accompanying financial report of Toro Energy Ltd, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the 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 controls relevant to the preparation and fair presentation of the 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. In Note 2 the Directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards, which require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

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Grant Thornton

Auditor's opinion

In our opinion:

(a) The financial report of Toro Energy Ltd is in accordance with the *Corporations Act 2001*, including:

i. Giving a true and fair view of the company's and consolidated entity's financi position as at 30 June 2007 and of their performance for the year ended on that date; and

ii. Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) The financial report also complies with International Financial Reporting Standards as disclosed in Note 2; and

(c) The remuneration disclosures that are contained in the directors' report comply with Accounting Standard AASB 124.

GRANT THORNTON
South Australian Partnership
Chartered Accountants

S J GRAY
Partner

Signed at Wayville this 24 day of September 2007

14: ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 24th September 2007.

Use of Cash and Cash Equivalents

The company has used all cash and cash equivalents for the purpose of carrying out its stated business objectives.

Distribution of Equity Securities

Ordinary Share Capital

- 148,568,667 fully paid ordinary shares are held by 6,339 individual shareholders. Of these fully paid ordinary shares, 72,002,000 are escrowed until 23 March 2008.

All issued ordinary shares carry one vote per share.

Options

- 8,660,000 unlisted options are held by 13 individual option holders.

The Number of Shareholders, by Size of Holding, in Each Class are:

	Fully paid ordinary shares	Unquoted Options
1 - 1,000	704	-
1,001 - 5,000	2,159	-
5,001 - 10,000	2,268	-
10,001 - 100,000	1,159	5
100,001 and over	49	8
	6,339	13
Holding less than a marketable parcel	246	

Substantial Shareholders

Ordinary shareholders	Fully paid	
	Number	Percentage
Oxiana Limited	36,001,000	24.74%
Minotaur Resources Investments Pty ltd	36,001,000	24.74%
	72,002,000	49.49%

Holders of Unquoted Options with an Interest Greater than 20% of Class:

	Unquoted Options	
	Number	Percentage
Dr Ian Gould	2,000,000	23.09%
Mr Greg Hall	3,000,000	34.64%
	5,000,000	57.74%

Twenty Largest Holders of Quoted Equity Securities

	Fully Paid Ordinary Shares	
	Number	Percentage
Oxiana Limited	36,001,000	24.74%
Minotaur Resources Investments Pty ltd	36,001,000	24.74%
Deep Yellow Ltd	3,066,667	2.11%
ANZ Nominees Limited <Cash Income A/c>	3,049,051	2.10%
Dr Leon Eugene Pretorius	2,000,000	1.37%
Billiton Exploration Australia Pty Ltd	1,500,000	1.03%
Merrill Lynch (Australia) Nominees Pty Ltd	1,201,050	0.83%
National Energy Pty Ltd	1,000,000	0.69%
Romadak Pty Ltd <Romadak Super Fund A/c>	1,000,000	0.69%
Citicorp Nominees Pty Limited	948,138	0.65%
Yarraandoo Pty Ltd <Yarraandoo Super Fund A/c>	942,000	0.65%
HSBC Custody Nominees (Australia) Limited	702,497	0.48%
National Gas Australia Pty Ltd	500,000	0.34%
National Australia Trustees Limited	490,000	0.34%
UBS Wealth Management Australia Nominees Pty Ltd	478,660	0.33%
Resinfund Pty Ltd	400,000	0.27%
Mr Paul Busuttil	340,000	0.23%
Mr Jeff Martin & Mrs Irena Martin <The J& I Martin Super Fund A/c>	327,500	0.23%
Mr George Olah & Mrs Karin Christa Olah <G& K Olah Super Fund A/c>	315,973	0.22%
Mr Bede Lance Ramah	300,000	0.21%
	90,563,536	62.24%

NOTES

NOTES

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