an emerging Australian uranium producer

2014 annual report

TORO ENERGY LIMITED

Toro Energy Limited
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Directors
Ms Erica Smyth **CHAIRMAN**
Dr Vanessa Guthrie **MANAGING DIRECTOR**
Mr Greg Hall
Mr Peter Lester
Mr Andrew Coles
Mr Richard Patricio
Mr Richard Homsany

Company Secretary
Mr Todd Alder

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Share Registry
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Auditors
Grant Thornton Audit Pty Ltd
Level 1, 10 Kings Park Road
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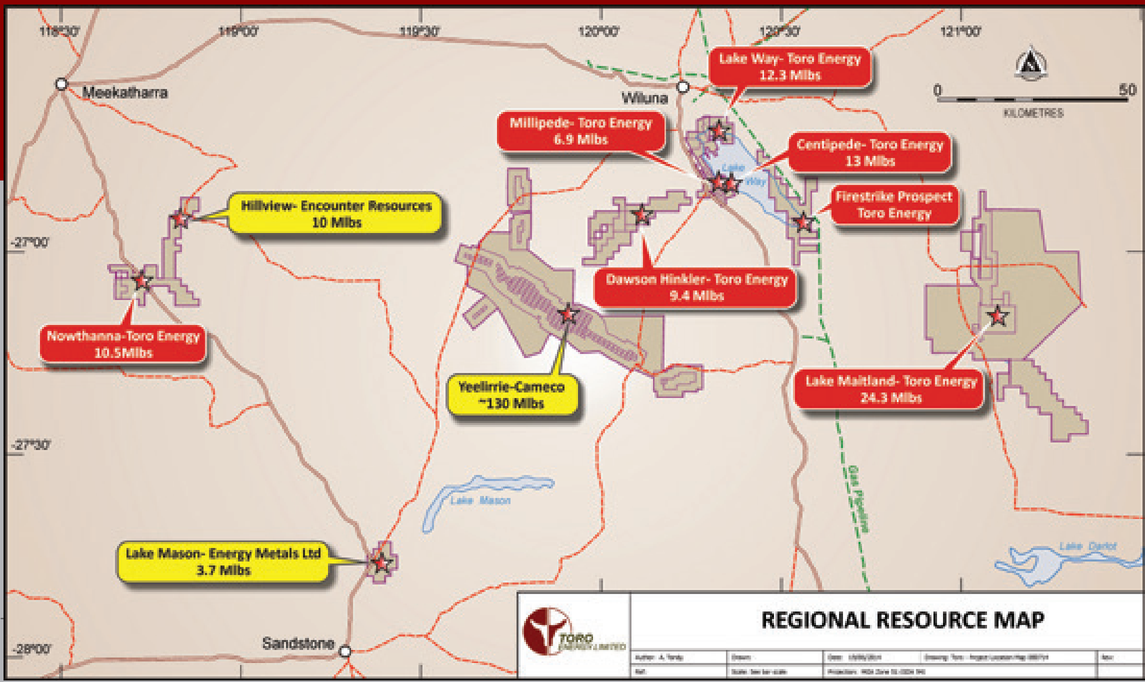
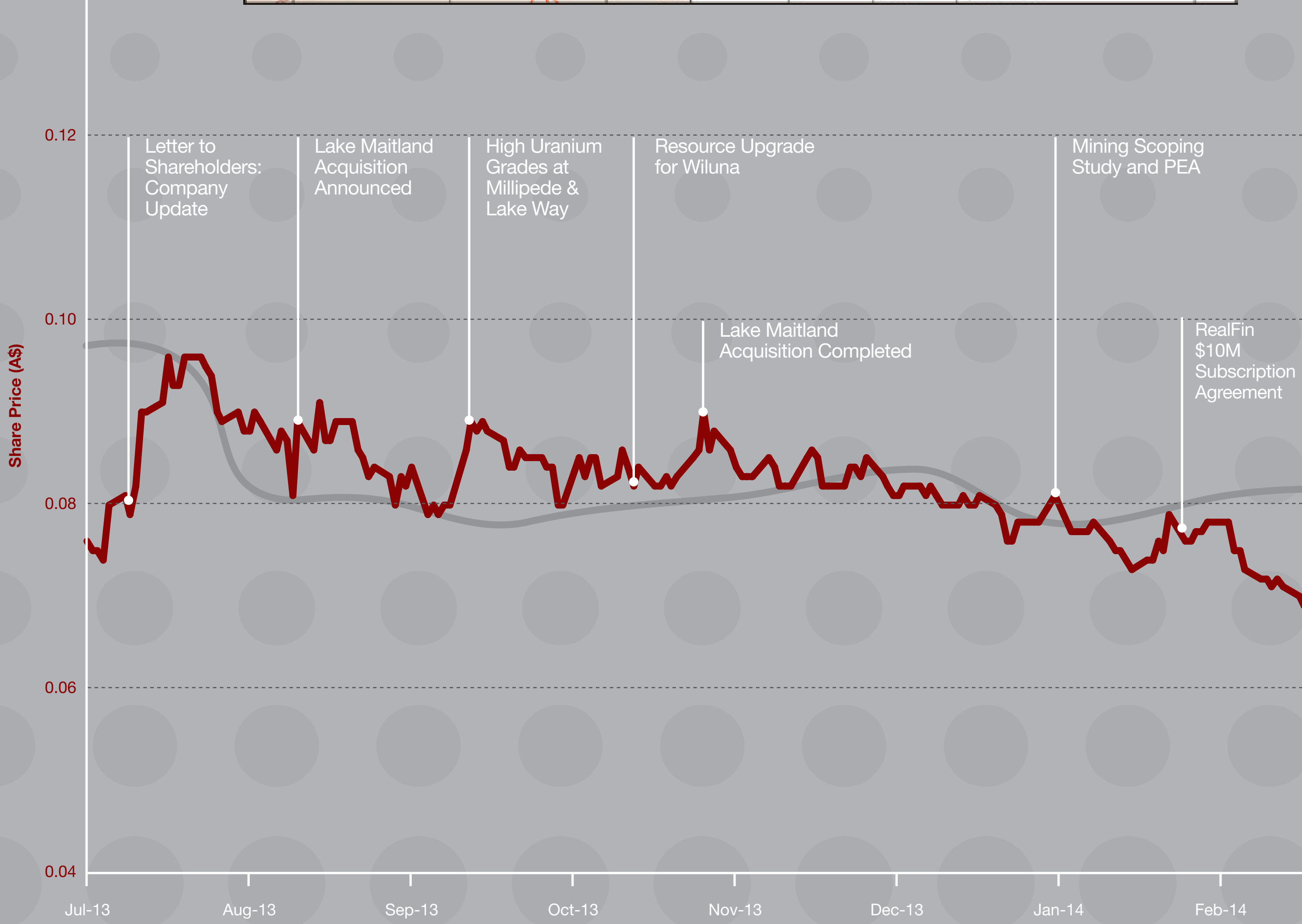
Securities Exchange Listing
Toro Energy Limited shares are listed on the Australian Securities Exchange Ltd
(ASX Code: TOE)

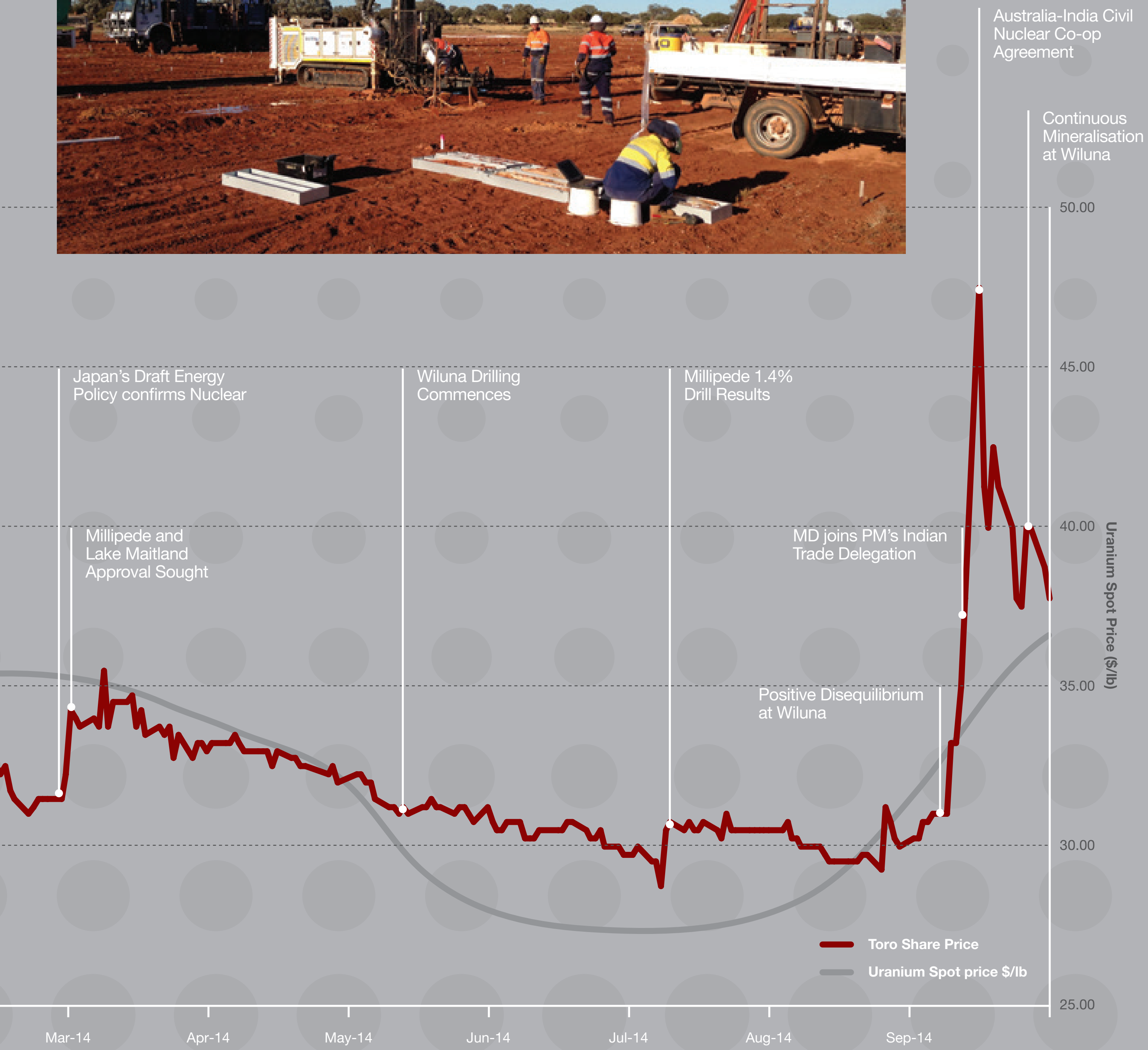
Toro Energy Limited is an Australian uranium company with a highly prospective project development and exploration portfolio.

Toro's vision is to be the leading mid-tier global uranium company by maximising shareholder returns through responsible exploration, mining and asset growth.

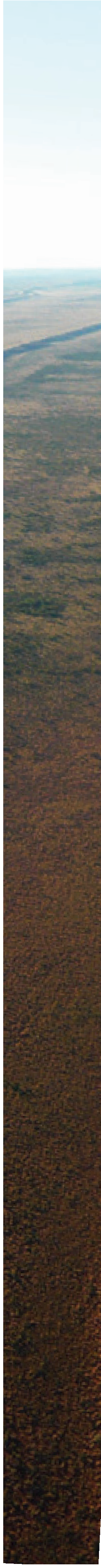
2013-14 Highlights







Australia-India Civil Nuclear Co-op Agreement
Continuous Mineralisation at Wiluna
Japan's Draft Energy Policy confirms Nuclear
Wiluna Drilling Commences
Millipede 1.4% Drill Results
Millipede and Lake Maitland Approval Sought
MD joins PM's Indian Trade Delegation
Positive Disequilibrium at Wiluna
Toro Share Price
Uranium Spot price $/lb
50.00
45.00
40.00
35.00
30.00
25.00
Uranium Spot Price ($/lb)
Mar-14
Apr-14
May-14
Jun-14
Jul-14
Aug-14
Sep-14



Toro continues to believe in the strength of the long-term fundamentals of the uranium and nuclear markets.

Dear Shareholder,

I am pleased to report that the 2013/14 financial year has been another strong period in the development of Toro as the pre-eminent emerging Australian uranium producer. Despite strong uranium market headwinds, your executive has continued to add value to Toro through the development of our flagship Wiluna Uranium Project while protecting shareholder value through prudent cash management.

The fall in uranium prices during the year has been a challenge for miners and investors alike in our industry. Spot uranium and long term contract prices fell around 29% during the financial year, though since year end we have observed a 15% recovery in spot price indicators. The fall in spot prices has caused the closure of a number of primary supplies, the deferral of expansions and for many junior companies, the redesign and re-assessment of project schedule.

The principal cause of the price decline is thought to be the build-up of inventories in the spot market as the Japanese Government has been slower than anticipated in bringing its nuclear fleet back on line following the safety reviews post Fukushima. This has been coupled with underfeeding and enrichment of uranium tails, primarily at Russian facilities, as well as a stagnation of long-term contracts by utilities over the past two years, as current contract deliveries meet the long-term market demand.

Despite these short term hurdles, Toro continues to believe in the strength of the long-term fundamentals of the uranium and nuclear markets. While the spot price environment is presenting challenges to existing uranium producers and development stage companies, the medium to long term demand outlook remains positive with the emerging economies committed to significant growth in reactor build programs. Current market consensus is that the incentive uranium pricing conditions needed for development stage assets to be brought into production may occur once the demand curve outstrips the inventory and oversupply.

This future demand continues to be driven by the growing nuclear markets of China, India and the UAE in particular. China continues to add capacity with four new reactors achieving commercial operation during the year and construction of a further 31 underway. Planning of additional capacity to achieve its target of 58GWe by 2020 is forging ahead. The new Prime Minister and government in India have clearly stated that nuclear power is a key driver for their economic growth, setting a target of achieving 25% of their power demand met by nuclear capacity by 2035. While this is ambitious, these factors continue to point toward a significant uranium supply/demand imbalance and a favourable medium to long term price environment in the second half of this decade.

India is emerging as one of the key markets for Australia. Our Managing Director Dr Vanessa Guthrie was part of a high-level CEO delegation that accompanied the Australian Prime Minister to India in September 2014 to sign a Civil Nuclear Cooperation Agreement. This agreement opens up a new market for the export of Australian uranium, to deliver much needed power to India's growing population, including providing over 300 million people who currently live without electricity with access to clean, low carbon footprint nuclear power.

Recognizing the challenges created by a falling uranium price, we have undertaken significant cost reductions to the business, including Non-Executive Directors agreeing to reduce their fees and for staff salaries to be frozen for 18 months. We continue to rationalise our exploration portfolio to focus on those assets we believe have the greatest prospectivity to deliver uranium resources and will seek to joint venture some of these properties with other uranium companies.

During the year we undertook two successful equity financings. Mega Uranium and our largest shareholder Oz Minerals Ltd supported the acquisition of Lake Maitland by contributing a further $2.5M to Toro to help meet various transaction costs including State Government stamp duty. This support was encouraging as it demonstrated the belief of our major shareholders in the value the consolidated Wiluna Project will bring when the market recovery commences.

In December 2013 Toro also welcomed RealFin Capital Partners as a key new investor into Toro with a placement of $5M. Based in South Africa, RealFin represents institutional investors who share Toro's strong belief in the long-term fundamentals of the uranium market.

In closing I would like to extend thanks to my colleagues on the Toro board for their guidance and good counsel during a challenging financial year and to extend the thanks of the entire Board to our Managing Director Dr Vanessa Guthrie and her team for their tireless efforts and commitment.

I would also like to thank our shareholders for their continued faith in Toro and the nuclear industry and our regional stakeholders for their ongoing support of our development efforts.

In the coming financial year we will strive to continue to improve the value of the Wiluna Project and focus on unlocking the potential of the Wiluna regional uranium province; strengthen Toro's position as an emerging global uranium company; and increase the value of our exploration assets.

We believe that our vision and strategy for Toro and the Wiluna Project will succeed and we are confident your patience will be rewarded!

Erica Smyth
CHAIRMAN

The Demand for Nuclear Energy is Growing

The Nuclear Cooperation Agreement signed between Australia and India in September 2014 is an exciting step toward Australia being able to contribute to clean energy solutions for a rapidly growing economy.

Since 2011, the development of the nuclear power market has shifted focus from the mature nuclear economies such as Europe and North America, to the growing economies of Asia, particularly China and India. These emerging economies are embracing low emission nuclear power and have all committed to significant nuclear reactor build programs in the past three years. These could result in an approximately 40% increase in the number of reactors world wide and an approximately 50% increase in power generation capacity over the next ten years. This is in addition to the countries where nuclear is a substantial part of the power mix, with the US, Canada and parts of Europe all maintaining their current baseload.

By 2025, UxC Consulting Company and the World Nuclear Association (WNA) forecast 600 nuclear reactors will be in operation (net of retirements), up from the 434 that are connected to grids today. This includes over 70 reactors that are under construction today and a further 170 reactors that are in development. WNA reports that there are a potential further 300 reactors planned by 2030, but not yet committed.

China has around 30 reactors under construction today, and a further 59 planned by 2025 or 34% of reactors planned by that time. China continues to deliver new reactors according to plan, with four new reactors being commissioned during the year.

India has a similarly impressive build program that would see the country more than double its number of reactors from 21 to 49, resulting in an energy generating capacity just below that of traditional nuclear giant South Korea by 2025. The Nuclear Cooperation Agreement signed between Australia and India in September 2014 is an exciting step toward Australia being able to contribute to clean energy solutions for a rapidly growing economy. It is estimated over 300 million people in India currently live without electricity, and as a result, the current Government has set a goal of 17GWe of nuclear power capacity by 2024.

78,000 tonnes (or 171 million pounds or Mlb) of U_3O_8 raw material are required by today's fleet per annum. Based on the new nuclear build programs currently underway, this demand for raw materials is set to increase by 50% by 2025 and potentially double by 2030. In terms of current supply, UxC estimated total global mine production at approximately 153Mlb in calendar year 2013, clearly demonstrating that new mines are required over the coming ten years to meet the mid to long term energy demand.

In the short term however, the uranium spot price fell to historic lows of US$28/lb during the year, not seen since 2005. Total supply for 2013 was estimated at 209Mlb causing a build-up in inventories which explains the downward pressure on spot price. Some of this pressure may also be due to continuing low cost secondary uranium supplies, with Russia utilizing its excess enrichment capacity to deliver around 20Mlb per annum of secondary supply. Coupled with inventories, this means current demand is being met.

Despite this oversupply, we have seen somewhat of a rebound of the spot price during September 2014 back to US$36/lb. As always the spot price is subject to sentiment and supply side disruptions continue to drive spot price increases.

The key driver of current sentiment though is the re-start of the Japanese nuclear reactor fleet. Japan continues to move cautiously to reactivate its nuclear reactors, with two reactors meeting the stringent Nuclear Regulatory Authority safety standards and receiving conditional approval during calendar 2014 to re-start. With 21 applications lodged for reactor re-starts, it is likely that 2015 and 2016 will see Japan's nuclear program restored albeit not to the levels seen pre Fukushima.

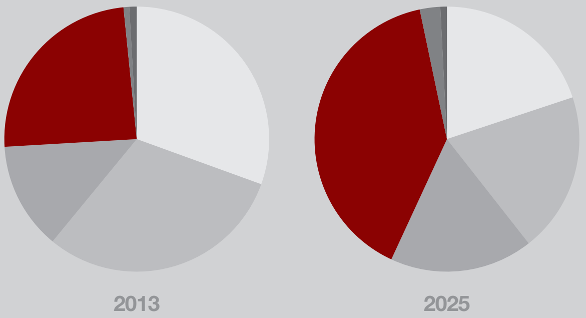
The post Fukushima price environment has caused significant structural change to forecast mine supply. Over the past three years most major new uranium projects have been delayed for a variety of reasons. Olympic Dam expansion and Imouraren are unlikely to materialize before 2020, and only Cigar Lake and Husab appear capable of bringing material quantities of new production to market in the next five years. It is the medium term and beyond that provides conditions for pricing to return to the incentive level needed for new mine supply to be developed. In 2015 and 2016 utilities are expected to return to the market to cover requirements from 2018 onwards. With demand set to rise above 200Mlb by 2020, it is the permitted and advanced mining proposals that will be first to market in the second half of this decade, providing diversification of new supplies for utilities seeking to cover their demand.

Australia has an outstanding opportunity to contribute to the expanding global nuclear demand. Our share of global uranium production has halved in the past ten years to approximately 11% in 2013. Growth in supply has primarily been in Kazakhstan which now accounts for over a third of global production. New markets are likely to open up in the mid-term including China and India, as evidenced by the recent signing of the Nuclear Cooperation Agreement, with Australia.

The cut in mine supply in recent years, the deferral of new mine development and the growing demand from the emerging economies all point to an imbalance in supply and demand in the latter part of this decade. We anticipate a return to sustained higher prices over this period, enabling Toro to achieve its goal of being first to bring new Australian supplies to the market.

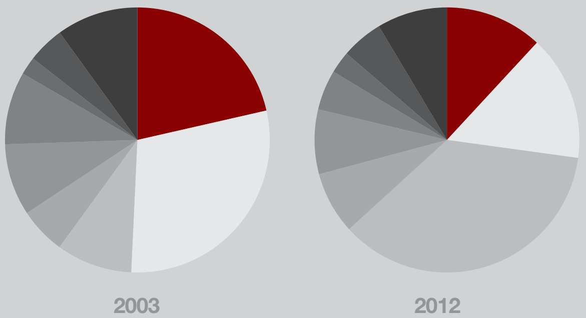
Source: WNA website August 2014
UxC Market outlook Q3 2014

NUCLEAR GENERATING CAPACITY (2013/2025)



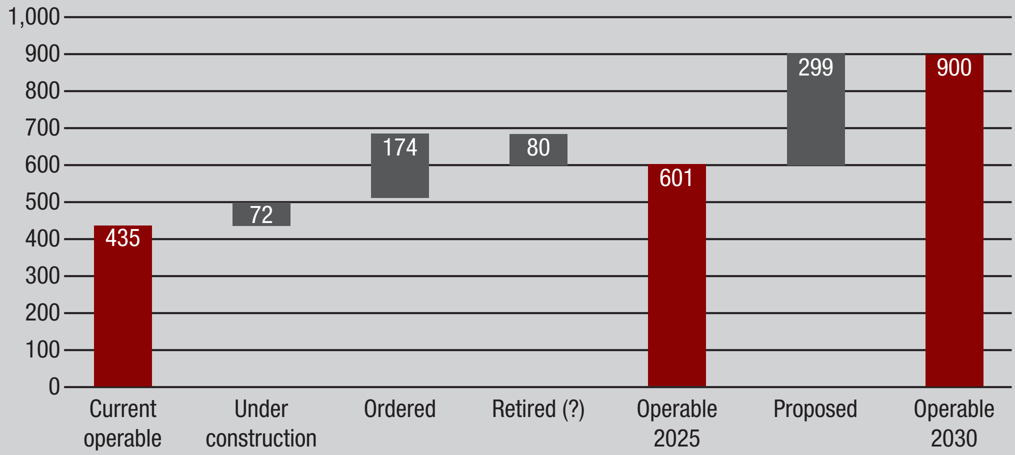
	2013 (%)	2025 (%)
North America	30.5	19.9
Western Europe	30.4	19.5
Eastern Europe	13.1	17.5
Asia Pacific	24.3	39.8
Africa & Middle East	0.7	2.5
South America	0.9	0.8

SHARE OF GLOBAL MINE PRODUCTION (2003/2012)



	2003 (%)	2012 (%)
Australia	21.5	11.9
Canada	29.4	15.3
Kazakhstan	9.3	36.1
Namibia	5.7	7.6
Niger	8.8	7.9
Russia	8.9	4.9
USA	2.2	2.7
Uzbekistan	4.5	5.1
Other	10.0	8.6

GROWTH REACTOR GROWTH THROUGH 2030



Toro's proven strength is its technical and permitting approach.

Dear Shareholder,

I am pleased to elaborate on our Chairman's report and provide a more detailed account of our activities in the 2014 financial year.

Overview

Toro's focus during 2013/14 continued to be on building the value of our flagship asset, the Wiluna Project; maximising the value of our exploration portfolio and seeking new investments to build the asset base of the company.

The Wiluna region is Australia's premier undeveloped uranium province. Toro has continued to build the Wiluna Project through acquisition and successful resource development.
In November 2013 we acquired our sixth Wiluna deposit – the Lake Maitland Uranium Project from TSX-listed Mega Uranium. This acquisition took the regional Wiluna resource to over 76 million pounds U_3O_8 and represents approximately 31% of the Wiluna Project resource base. Toro now controls over a third of the known uranium resources in the Wiluna region, and the Wiluna Project has a resource base capable of supporting mining for over 20 years.

Toro has continued to match the Wiluna development schedule to the market and uranium price recovery. Wiluna remains the only near-term production asset in Australia that stands ready to bring new production on line. We believe that the current low prices do not provide the best return to our shareholders and consequently have reduced our development activity levels. However, we have by no means been standing still. We are continuing to focus on improving the resource, looking for ways to improve the project economics and securing the further approvals required to access the four main deposits.

We completed the most significant drilling campaign at Wiluna since the acquisition and consolidation of the six deposits of the Project. A total of 1,639 air core and sonic drill holes for nearly 16,375 metres was drilled during 2013/14. A new resource estimate of 76.5 million pounds U_3O_8 was released in November 2013 based on the previous year's drilling. This enabled a high grade mining strategy for Wiluna to be designed, thereby improving the Project economics.

Toro's proven strength is its permitting approach, having successfully obtained Federal and State government approvals for mining at the Centipede and Lake Way deposits in 2012 and 2013.
To further our approvals, we are pleased to have submitted our Environmental Scoping Document for environmental approvals to expand the Wiluna Uranium Project to include the Lake Maitland and Millipede deposits. The extended Project was referred to government in February 2014, and Toro has been notified that the extended Project will be assessed at the highest level of assessment in WA, a Public Environmental Review (PER). We expect the assessment process to conclude during 2016. From an engineering perspective, there has been limited work carried out on process plant design since the 2012 Bateman feasibility study report was published ("DFS Stage 1"). Given the time elapsed since this study, some of the key assumptions of the DFS Phase 1 upon which the Project economics are based are either no longer appropriate, relevant or outdated and therefore need to be reviewed. Despite this fact, the approved Wiluna Project remains an attractive value proposition for potential project partners.

In 2013, the Lake Maitland deposit was integrated into the project and a Mining Scoping Study and Preliminary Economic Assessment was released in January 2014. The Project team remain focussed on improving the underlying capital and operating costs to enable us to deliver the Project at the right incentive uranium price.

Toro is using the time afforded by the slower than anticipated uranium market recovery to review the fundamental project configuration and underlying assumptions. We believe that opportunities for improvement in the Project remain, and we will relentlessly pursue these to deliver the best possible return we can to shareholders.

In our exploration we have continued to focus on seeking the best ways to deliver value to our shareholders from our current asset base. During the year, we completed a strategic assessment of our exploration portfolio to reduce our costs and ensure that our highest prospectivity assets remain the priority. This has included entering JV arrangements where possible, enabling us to continue to pursue our uranium interests on the tenements while maintaining our cash costs at a minimum.

Finally, we remain acutely aware of the opportunities for growth that exist in this market for companies that have the vision and focus to deliver value to shareholders through strategic acquisitions. With this in mind, we continue to assess opportunities in the market so that we can increase our asset base and establish Toro as the "go to" uranium company as and when the market turns.

In closing I would like to thank the Board of Toro and our Chairman Erica Smyth for their unwavering support through the year and extend thanks and appreciation to all the staff and contractors of Toro for their continued commitment.
I am also deeply grateful for the continuing strong engagement of the local Wiluna community as we progress our activities at Wiluna and work together for the benefit of both Toro and the local people.

The coming years for Toro are full of opportunity and I continue to be excited by the prospect of bringing the Wiluna Uranium Project closer to our goal of being Western Australia's first uranium mine.

Vanessa Guthrie
MANAGING DIRECTOR

Wiluna Uranium Project

As uranium market sentiment improves, we expect there to be a strong increase in appetite to invest in advanced projects that can offer near-term production from a stable jurisdiction.

Sustainable Development

Health, Safety, Environment and Radiation

There were no externally reportable Health, Safety or Environmental incidents during the year, resulting in a Lost Time Injury Frequency Rate (LTIFR) and Reportable Environmental Incidents both at zero. This is consistent with Toro's risk profile, which highlights that most current activities that are field based are completed during short term campaigns. This level of performance was achieved in a period in which we undertook the largest single drilling campaign in the company's history. The Wiluna Project has continued to maintain total compliance with Federal and State Ministerial conditions issued with the environmental approval of the Wiluna Uranium Project.

Community and Government

The focus of our local and regional community engagement during the year was the negotiation of a mining agreement with the Wiluna Native Title Holders. In July 2013, the Federal Court handed down a native title determination over the Wiluna and Tarlpa claims, which enables the Native Title Holders to negotiate freely on the access to their native title lands.

Toro has provided Central Desert Native Title Services, as the representative body for the Native Title Holders, with funds to commission independent expert advice on the commercial terms of an agreement. Key issues include cultural heritage management, environmental management and the provision of community development support including for employment, business development and education initiatives.

In March 2014, Toro hosted a visit to the Wiluna Project site by local Aboriginal women as a result of their increasing involvement in the mining agreement negotiations. The visit addressed a range of issues previously raised by the women covering particularly radiation, groundwater management and environmental management.

As part of our ongoing commitment to local employment and the local community, Toro arranged for the Martu Land Management Team to undertake radiation monitoring training and the rehabilitation of exploration drill holes from our drilling campaign. The aim of this program is to build capacity within the team to be able to provide radiation and other environmental management services to the Wiluna Project when it becomes operational.

Toro's engagement with the Wiluna community also continued through its two key partnerships. The Wiluna Regional Partnership Agreement, which aims to increase the economic participation of Aboriginal people; and the Murlpirrmarra Connection, which provides opportunities for Wiluna Aboriginal children to access education thereby building self-esteem and employment prospects.

Beyond the Wiluna community, we also initiated consultation during the year with Aboriginal people who have interests in the areas around our Lake Maitland and Nowthanna deposits. Discussions so far have focused on Toro's exploration interests, the protection of cultural heritage sites and Toro support for potential business ventures.

Following on from the successful approval of the Centipede and Lake Way deposits and the processing plant at Wiluna, the permitting process for the Millipede and Lake Maitland projects commenced during the year. Permitting of new uranium mines remains a challenge of project developers globally. As uranium market sentiment improves, we expect there to be a strong increase in appetite to invest in advanced projects that can offer near-term production from a stable jurisdiction.

Wiluna Geology and Resource Evaluation

In 2014 Toro undertook the most significant drilling campaign since the consolidation of the ownership of the six deposits forming the Wiluna Project. A total of 1,639 air core and sonic drill holes for nearly 16,375 metres was drilled in this period.

In the second half of calendar 2013, the acquisition of the Lake Maitland Uranium Project was a critical step in enhancing the quality of the Wiluna Project. Efforts focussed on amalgamating the Lake Maitland acquisition into the Wiluna Project's resource base, using the 2013 drilling results as a new basis. Following this drilling campaign, the Centipede, Millipede, Lake Way, Lake Maitland, and Dawson Hinkler deposits were re-estimated, and the associated Wiluna Project resources updated and re-categorised.

The outcome of this work was an increase in the Measured and Indicated proportion of the resource from 32.5% to 80% of the total resource base, or 95% of the four deposits that form the basis of the economic model. All of the Wiluna resources were reported to 2012 JORC reporting standards. Most importantly, the drilling and resource analysis identified the potential for a significant higher grade mining operation being designed around a higher cut-off scenario. The Wiluna Project resources at a 200ppm and 500ppm cut-off are shown in the table below.

In September 2014, we announced the results of the disequilibrium analysis of uranium samples taken during the 2013 drilling campaign. Significant levels of positive disequilibrium have been identified by the Australian Nuclear Science and Technology Organisation in three of the Wiluna deposits. The analysis also showed that application of a disequilibrium factor of at least 1.2 may be

June 2014 – The Wiluna Uranium Project – JORC 2012 (200ppm & 500ppm U_3O_8 cut-off)

Deposit	U_3O_8 cutoffs	Measured 200 ppm	Measured 500 ppm	Indicated 200 ppm	Indicated 500 ppm	Total Measured or Indicated 200 ppm	Total Measured or Indicated 500 ppm	Inferred 200 ppm	Inferred 500 ppm	Total 200 ppm	Total 500 ppm
Centipede	Mts	2.9	1.2	7.5	3.1	10.4	4.3	-	-	10.4	4.3
	Grade ppm	551	872	572	943	566	923	-	-	566	923
	Mlb's U_3O_8	3.5	2.3	9.5	6.5	13.0	8.8	-	-	13.0	8.8
Lake Way	Mts	-	-	10.3	4.2	10.3	4.2	-	-	10.3	4.2
	Grade ppm	-	-	545	883	545	883	-	-	545	883
	Mlbs U_3O_8	-	-	12.3	8.2	12.3	8.2	-	-	12.3	8.2
Millipede	Mts	-	-	4.5	1.6	4.5	1.6	1.9	0.4	6.4	1.9
	Grade ppm	-	-	530	956	530	956	382	887	486	943
	Mlbs U_3O_8	-	-	5.3	3.3	5.3	3.3	1.6	0.7	6.9	4.0
Lake Maitland	Mts	-	-	19.9	7.5	19.9	7.5	-	-	19.9	7.5
	Grade ppm	-	-	555	956	555	956	-	-	555	956
	Mlbs U_3O_8	-	-	24.3	15.7	24.3	15.7	-	-	24.3	15.7
Sub-total	**Mts**	**2.9**	**1.2**	**42.2**	**16.3**	**45.1**	**17.6**	**1.9**	**0.4**	**47.0**	**17.9**
	Grade ppm	**551**	**872**	**553**	**935**	**553**	**930**	**382**	**887**	**546**	**930**
	Mlbs U_3O_8	**3.5**	**2.3**	**51.4**	**33.7**	**55.0**	**36.0**	**1.6**	**0.7**	**56.6**	**36.7**
Dawson Hinkler	Mts	-	-	8.4	0.9	8.4	0.9	5.2	0.3	13.6	1.1
	Grade ppm	-	-	336	596	336	596	282	628	315	603
	Mlbs U_3O_8	-	-	6.2	1.1	6.2	1.1	3.2	0.4	9.4	1.5
Nowthanna	Mts	-	-	-	-	-	-	11.9	2.3	11.9	2.3
	Grade ppm	-	-	-	-	-	-	399	794	399	794
	Mlbs U_3O_8	-	-	-	-	-	-	10.5	4.0	10.5	4.0
Total Regional Resource	**Mts**	**2.9**	**1.2**	**50.6**	**17.2**	**53.5**	**18.4**	**19.0**	**2.9**	**72.5**	**21.3**
	Grade ppm	**551**	**872**	**517**	**918**	**519**	**915**	**365**	**791**	**479**	**898**
	Mlbs U_3O_8	**3.5**	**2.3**	**57.7**	**34.8**	**61.2**	**37.1**	**15.3**	**5.1**	**76.5**	**42.2**

Please refer to Appendix 1 (CP1) for Competent/Qualified Persons' Statement and JORC Table 1 in ASX release of 18 September 2014.

appropriate to gamma results used to estimate existing Mineral Resources for the Wiluna Uranium Project, with the exception of the Lake Maitland deposit. Further work is required to evaluate the magnitude and extent of the positive disequilibrium, and assess how to incorporate the findings into the Mineral Resource estimation process.

Further drilling during 2014 focussed on testing the continuity of the mineralisation in the first four deposits, to confirm the ability to deliver the proposed high grade operating strategy in the Project economic model. An area 100 metres long and 100 metres wide was selected on each of Centipede, Millipede, Lake Maitland and Lake Way for close spaced drilling. Within each grid drill holes were spaced 5 metres apart to test for short range variability in ore grade. The results have significantly enhanced our geological data and understanding of the uranium mineralisation to enable Toro to revise our resources initially and move towards a reserve assessment for the Wiluna Project when the definitive feasibility study is completed.

Engineering Studies

During the year, Toro initiated and completed an independent Mining Scoping Study and Preliminary Economic Assessment integrating the newly acquired Lake Maitland deposit into the Wiluna Uranium Project.

Based on mining at the already environmentally approved Centipede and Lake Way deposits and the yet to be approved Millipede and Lake Maitland deposits, the studies confirmed:

- An initial mine operations life of 16 years;
- 20.1Mt ore mined @ 799 parts per million (ppm), including 15.9Mt ore @ 907ppm;
- Processing head grade: 883ppm average over the first 10 years;
- Total production of 30.2Mlbs U_3O_8 at life of mine recovery of 85.6%;
- Average annual production over the first 10 years – 2.0Mlbs U_3O_8; and

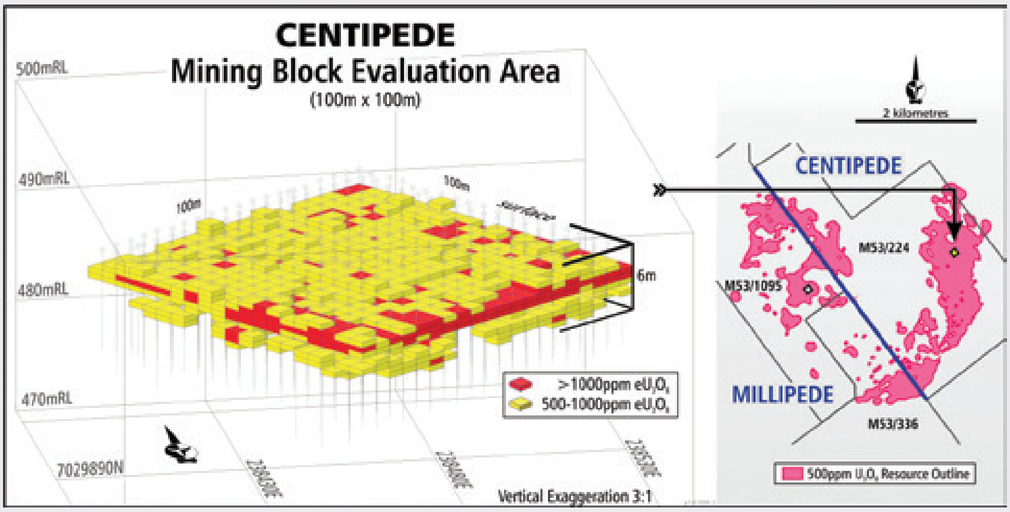
The acquisition of Lake Maitland provided Wiluna with additional high grade resources to add to those at Centipede, Millipede and Lake Way. The mining study re-assessed the mining plan based on a high-grade mining scenario incorporating the Centipede, Lake Way, Millipede and Lake Maitland deposits.

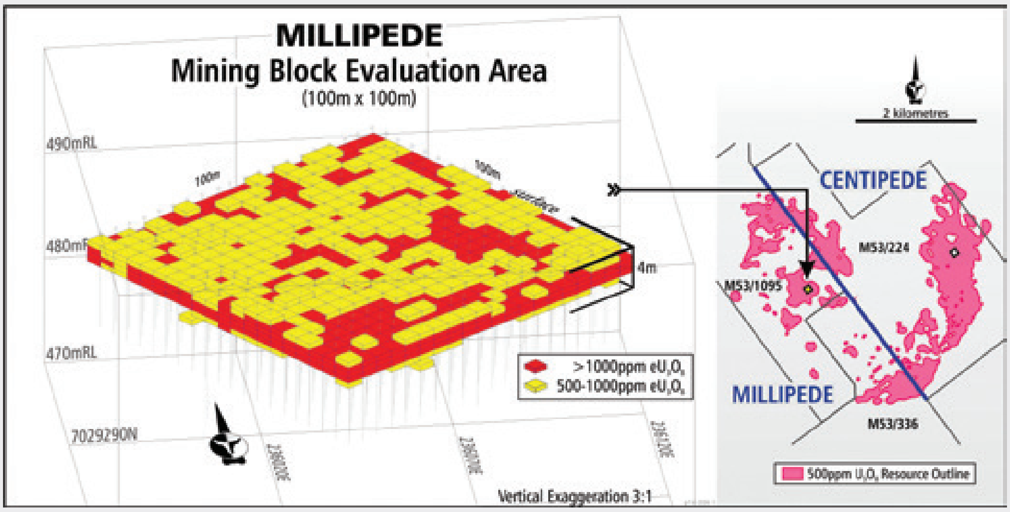
In addition to the mining engineering, a geotechnical sampling and testwork program was incorporated into the resource drilling campaign in order to determine the final design of the facilities including tailings and plant infrastructure.

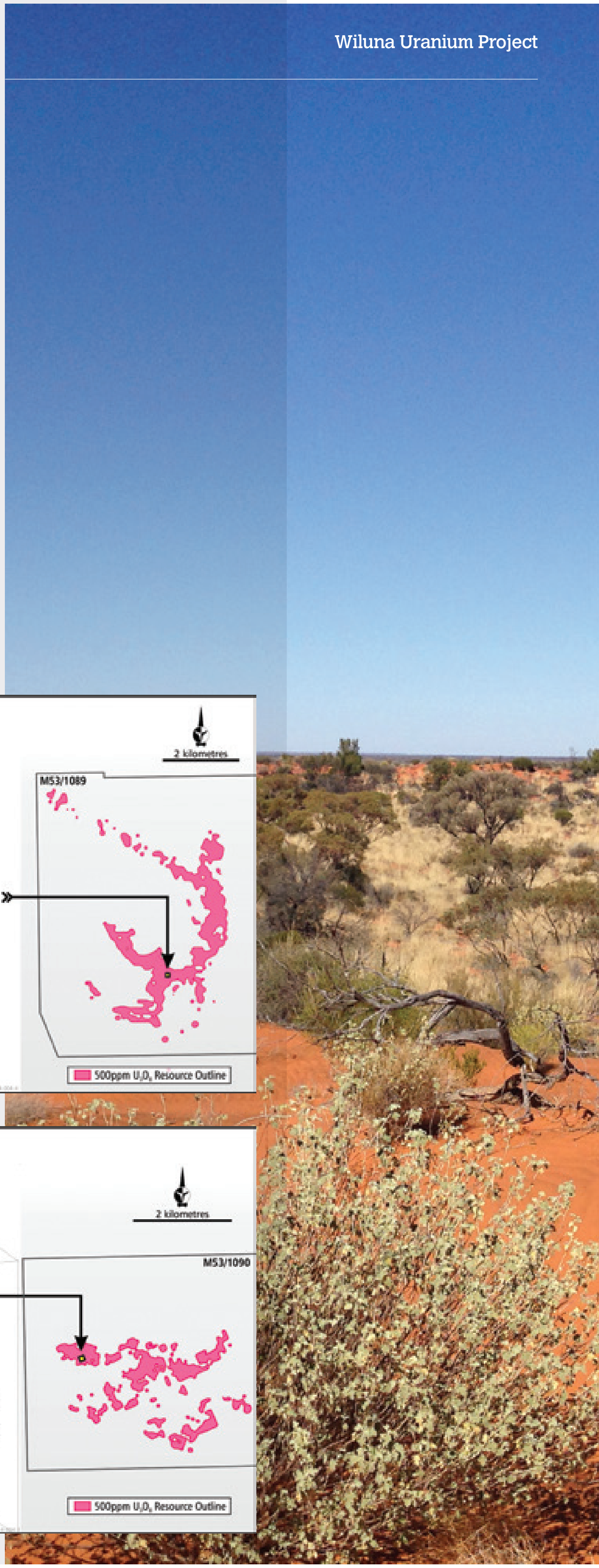
Tailings filtration testwork was also completed which demonstrated the potential to recover additional water from the tailings stream. This could result in decreased water demand for the project, thereby reducing the volume of tailings to be stored. Additional tailings testwork is planned to finalise the tailings preparation strategy that will minimise tailings volume.

Project Financing

The focus of the company during the financial year was to improve the overall quality of the Wiluna Project to increase the prospects of project financing when uranium markets recover from their lows of H1 2014.

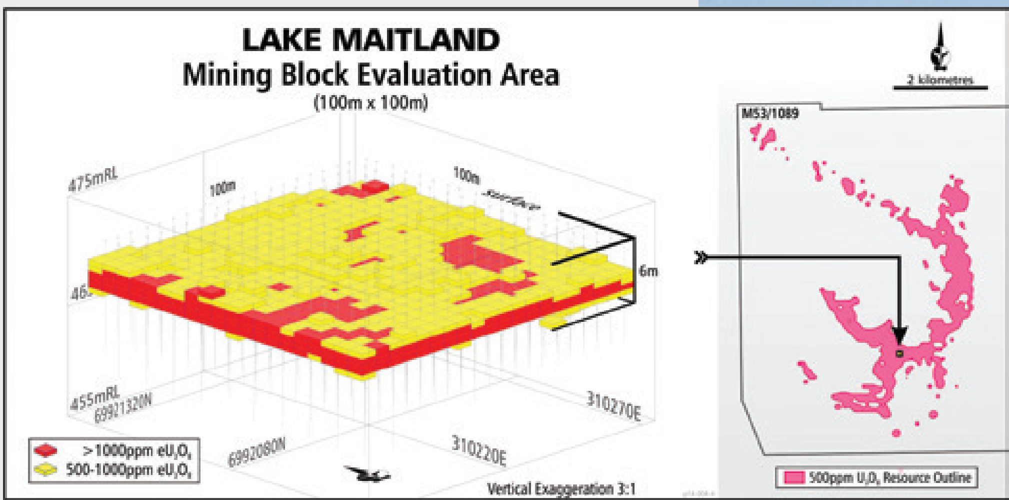


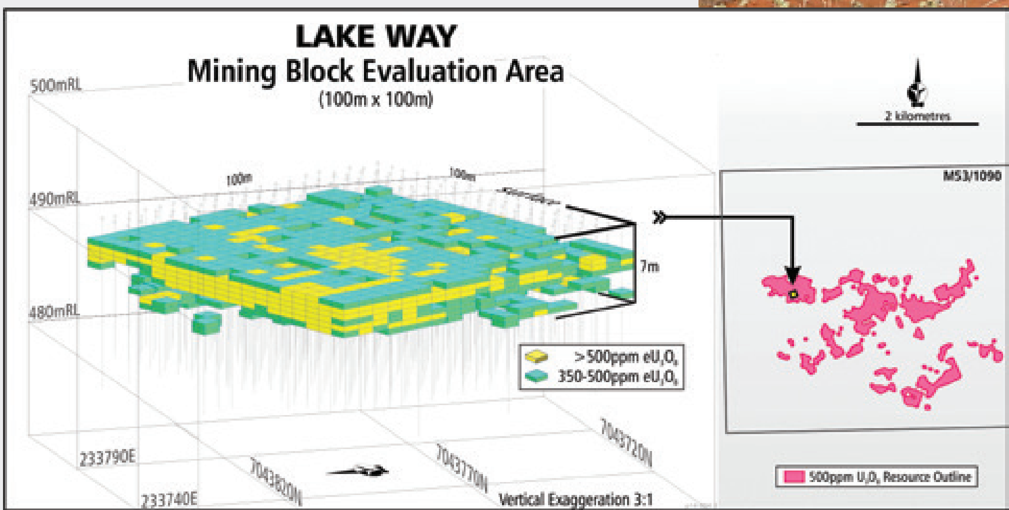




A number of measures to improve the overall Wiluna Project economics were undertaken, headlined by the acquisition of the Lake Maitland Uranium Project. Lake Maitland adds both resource scale, resource quality and significant mine life to the Wiluna Uranium Project while bringing with it two significant project partners. Japan's JAURD and IMEA have an option to acquire a 35% interest in Lake Maitland for US$39 million establishing a joint venture for the project's development. Toro met with our strategic partners during the financial year and their interest remains strong as we continue to update them on the progress of our work at Wiluna.

Toro continues to actively engage with key investors and trading organizations in the critical markets of China, South Korea, Japan, India and the Middle East. The recent Nuclear Cooperation Agreement announced between Australia and India is an important first step to the opening of a critical market for Australian uranium mines. We anticipate this will translate in time to an increase in investment appetite from India.





Exploration

We continue to believe in the potential that Theseus offers as a large, regional mineralised system.

In response to market conditions Toro has redefined its overall exploration strategy to a package of tenements that optimises prospectivity for uranium mineralisation and value for the company. A plan has been instigated that consolidates Toro's ground into three core regions, The Wiso Project in the Wiso Basin west of Wauchope in the Northern Territory, the Reynolds Range Project in the Arunta Complex-Georgina Basin west of Ti Tree in the Northern Territory and the Lake Mackay Project in the far west of the Arunta Orogen near the remote township of Kiwirrkurra in Western Australia.

All three projects consist of contiguous tenement holdings primarily targeting basin sized sandstone uranium mineralisation systems capable of holding multiple deposits amenable to in-situ recovery operations not unlike those in Kazakhstan where 6 of the world's top 15 producing uranium mines now reside (accounting for some 18% of the world's production[1]. They contain extensive unexplored to under-explored Tertiary basins, in two of which Toro (in partnership with the NT government) has already uncovered what appear to be primary target paleo-drainage systems in geophysical surveys and two of which Toro has already proven to be fertile with the discovery of uranium.

The Theseus prospect represents one of these discoveries. Although in an early stage of development, it has already yielded 6.9 Mlbs of U_3O_8 with intercepts over 3 metres thick averaging 0.13% U_3O_8 (PFN tool) and one intercept as high as 1.14% (0.82 m - PFN tool)[2]. The Theseus discovery is definitive proof of concept, confirming our exploration model both at Lake Mackay and elsewhere. We continue to believe in the potential that Theseus offers as a large, regional mineralised system, and will return to much higher activity as the uranium market improves.

In September, Toro signed a Joint Venture agreement with Areva Australia for exploration over the highly prospective Wiso Basin which is a basin sized uranium mineralisation system, capable of hosting multiple deposits amenable to in situ recovery operations. Drilling under this Joint Venture will commence early in 2015.

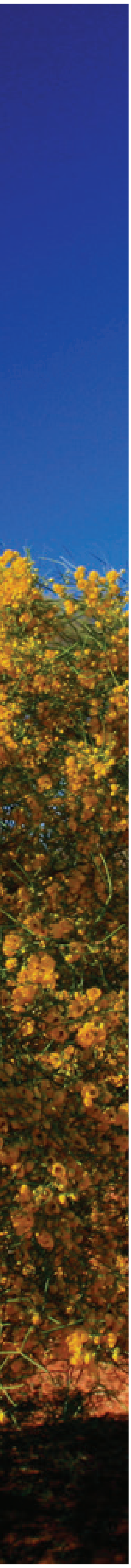
All other exploration ground containing non-uranium primary targets or uranium targets of lower discovery value in the current subdued uranium market have been, or are in the process of being released at highest possible return for Toro. Three applications in the Tanami region of the Northern Territory were sold outright during the year to ABM Resources for $100,000 plus royalties.

[1] *WNA 2013*
[2] *Refer to ASX releases 28th May 2012 and 21st June 2012*

June 2014 – The Theseus Prospect – JORC 2004

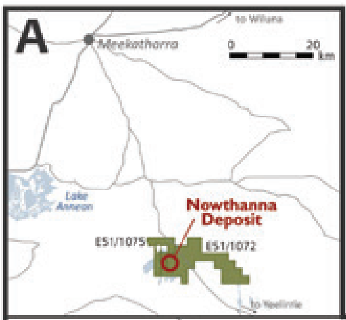
Inferred Mineral Resource	(ppm) (ppm.m)	Tonnage (Mt)	U_3O_8 (ppm)	Metal U_3O_8 (t)	Metal U_3O_8 (Mlb)
Grade Cut-off	200	6.3	493	3,100	6.9
GT Cut Off	1000	6.1	491	3,000	6.6

GT is a calculation of the average grade of the mineralised interval multiplied by the width (thickness) of the interval.



TENURE STATUS
2014

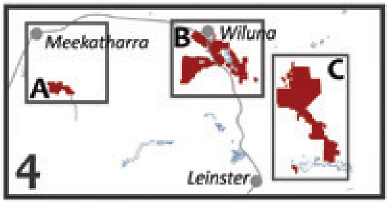
WILUNA URANIUM PROJECT

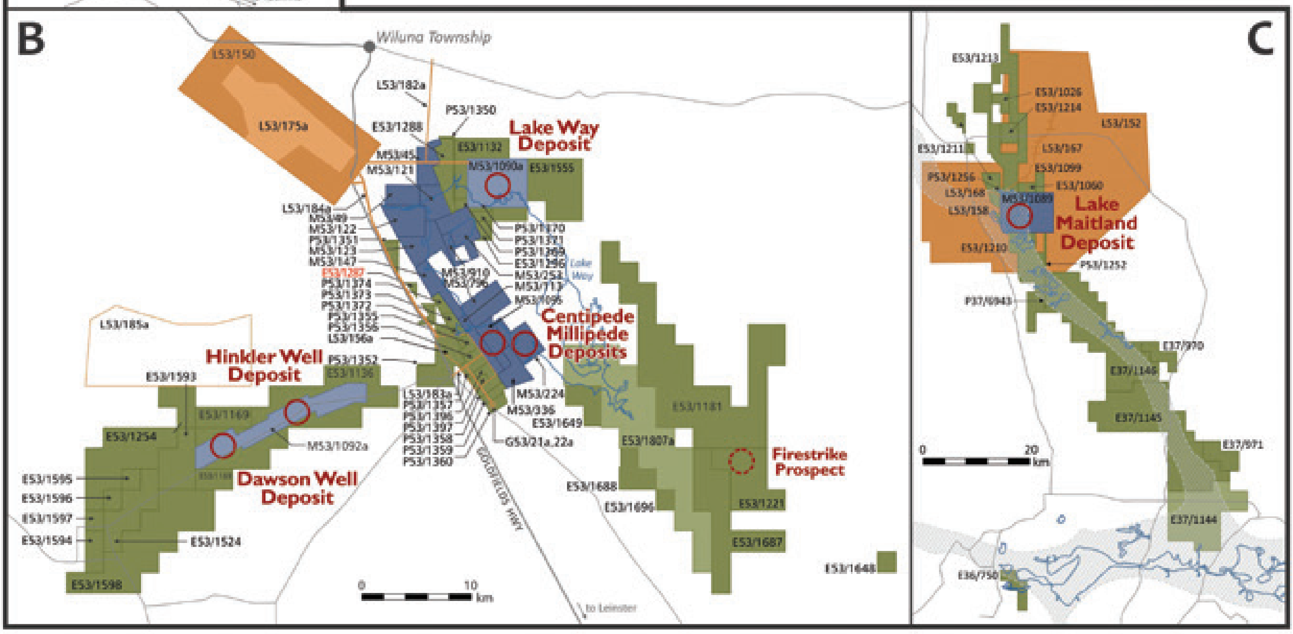


Mining Leases
- Granted
- Application

Exploration & Prospecting Licences
- Granted
- Application

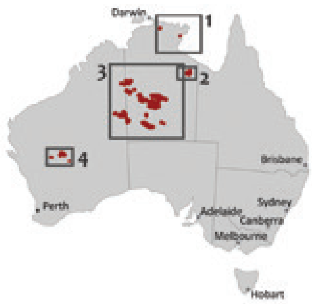
Miscellaneous & General Licences
- Granted
- Application

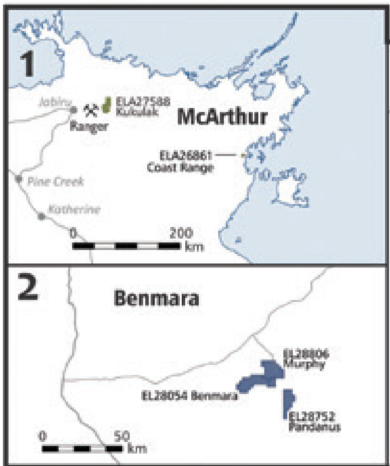


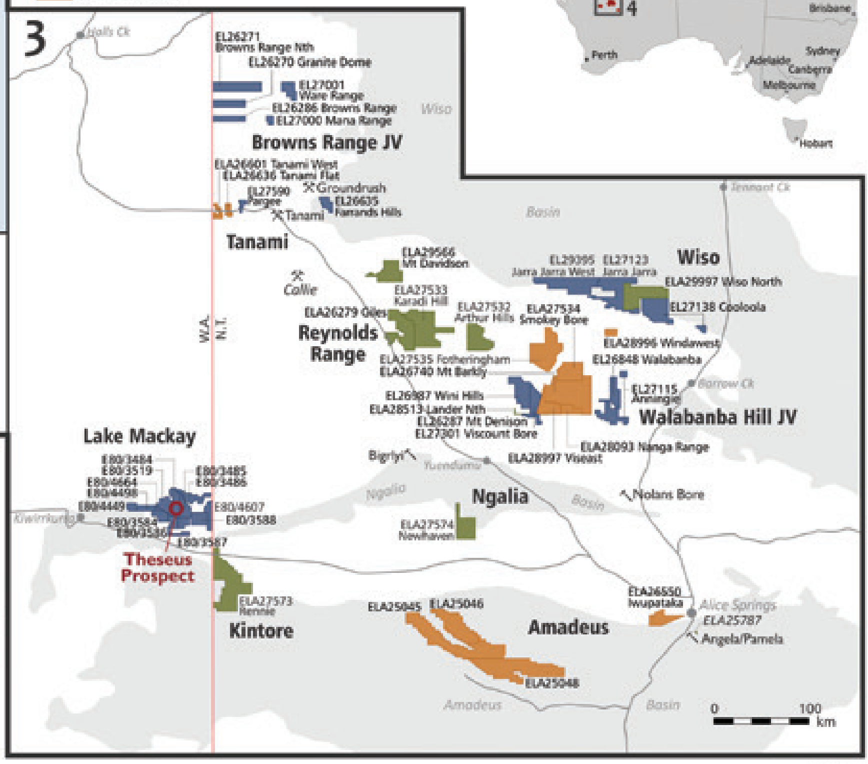


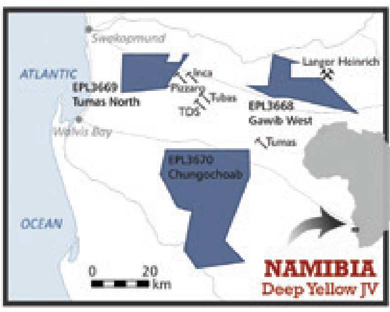
EXPLORATION PROJECT AREAS

- Tenement Granted
- Tenement Application
- *Tenement Application in conflict*
- In Moratorium









Company growth

A project pipeline is critical to sustaining our growth path and will provide Toro in the future with new production capacity that increases our leverage to a rising uranium market.

While Wiluna remains our flagship project and stands ready to become WA first uranium mine, we also have a focus on growing our company asset base to create a sustained future growth pipeline of project opportunities. A project pipeline is critical to sustaining our growth path and will provide Toro in the future with new production capacity that increases our leverage to a rising uranium market.

During the year, we reviewed our company strategy and confirmed our vision of becoming the leading mid-tier global uranium company by maximising shareholder returns through responsible exploration, mining and asset growth. Our growth plan is to seek developed uranium projects in reliable jurisdictions that will complement our near term production asset at Wiluna and our Australian greenfields exploration portfolio.

With integration of our key acquisition during the year of the Lake Maitland deposit into our Wiluna Project, we now continue to assess opportunities beyond the Wiluna region that meet our stringent technical criteria, are economically robust at realistic uranium prices and can build onto our existing asset base.

Financial statements

Directors' Report

Your directors submit their financial report for the year ended 30 June 2014.

Directors

The names and details of the Company's directors in office during the financial year and until the date of this report are;

Ms Erica Smyth	Non-Executive Chair
Dr Vanessa Guthrie	Managing Director
Mr Greg Hall	Non-Executive Director
Mr Peter Lester	Non-Executive Director
Mr Andrew Coles	Non-Executive Director
Mr Richard Patricio	Non-Executive Director (Appointed 1 December 2013)
Mr Richard Homsany	Non-Executive Director (Appointed 1 December 2013)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Names, qualifications, experience and special responsibilities

Ms Erica Smyth, MSc, FTSE, FAICD (Non-Executive Chair)

Ms Smyth has over 30 years experience in the mineral and petroleum industries. She was Principal Geologist for BHP Minerals Limited and BHP-Utah Minerals International's Beenup Project Manager, Manager Gas Market Development WA for BHP Petroleum and General Manager – Corporate Affairs for Woodside Petroleum Limited. She has a Bachelor of Science from University of Western Australia and an Applied Master of Science from McGill University in Montreal, Canada. In 2008 she was awarded an Honorary Doctor of Letters from the University of Western Australia and in 2012 was elected as a Fellow of the Australian Academy of Technological Sciences and Engineering.

Ms Smyth is currently the Chair of Toro Energy Limited and the Diabetes Research Foundation of WA. She is also a Director of Emeco Holdings Ltd; the Australian Nuclear Science and Technology Organisation (ANSTO) and the Deep Exploration Technologies CRC. The Chamber of Minerals & Energy (WA) awarded Dr Smyth a Lifetime Achievement Award in 2010 for her contribution to the industry and as part of the Women in Resources Award 2010.

Ms Smyth is the Chair of the Company's Remuneration & Nominations Committee.

Directorships held during the previous three years:
Emeco Holdings Ltd

Dr Vanessa Guthrie, BSc(Hons), PhD (geology), Dip. Nat. Res., Dip. Bus. Mgt, Dip. Comm. Res. Law, MAICD (Managing Director)

Dr Vanessa Guthrie has qualifications in geology, environment and business management which includes a Bachelor of Science with Honours, a Doctor of Philosophy (Geology), and Diplomas in Natural Resources, Business Management and Law. Dr Guthrie's doctorate was completed under an Australian Institute of Nuclear Science and Engineering post-graduate scholarship, and she was the recipient of a six month Fellowship with France's Commissariat a l'Energie Atomique.

Dr Guthrie is a member of the Australian Institute of Company Directors, was a former Director of uranium explorer, Nova Energy, and is currently a Non-Executive Director at the Western Australian Water Corporation, and is on the Board of the Minerals Council of Australia and Scotch College.

She has over 25 years experience in mining operations, company strategy, sustainability, indigenous affairs and environment. She is a former mine manager for WA's Huntly bauxite mine at Dwellingup, and was head of Sustainable Development for Alcoa World Alumina Australia and then Woodside Energy for over 8 years. She has held previous roles with RGC Limited, Pasminco Limited and WMC overseeing environmental management and community relations of mining and refining operations in gold, nickel and base metals, including those in the Northern Goldfields.

Directorships held during the previous three years:
Reed Resources Ltd (resigned November 2013)

Mr Greg Hall, BEng, MAICD (Non-Executive Director)

Mr Hall is a Mining Engineer with 30 years' experience in the resources industry, including 23 years in the uranium industry in senior marketing, operational management and MD roles.

Mr Hall previously held senior operational management roles with WMC Resources at Olympic Dam and WMC's Nickel Operations, with Rio Tinto at ERA's Ranger Mine, and on secondment with iron ore producer LKAB Sweden. He has held commodity marketing roles for Rio Tinto in uranium, bauxite and alumina.

Mr Hall held the position of Managing Director of Toro Energy from the date the company listed in March 2006 until February 2013 and then took up his current role with Hillgrove Resources as Chief Executive Officer and Managing Director. He is a member of the Australian Institute of Company Directors.

Mr Hall is a member of the Company's Remuneration & Nominations Committee.

Directorships held during the previous three years:
Hillgrove Resources Ltd

Mr Andrew Coles, BEc MBA FTA MAICD (Non-Executive Director)

Mr Coles is the Chief Financial Officer of OZ Minerals Limited where he is responsible for sales and marketing, risk management, financial control, treasury, taxation, business planning and analysis, and information technology and strategic sourcing.

Mr Coles has over 30 years experience in the resources industry, commencing his career with CRA Ltd (now Rio Tinto) where he held finance related roles in Melbourne, London and Dampier. He then joined Esso Australia where he held roles in treasury, business planning and public affairs in Melbourne and Houston, including as Treasurer of ExxonMobil Australia & New Zealand. In 2003, Andrew joined Pasminco during its administration as Group Treasurer then held the same role in Zinifex following its float in 2004. From 2007, Andrew worked primarily on M&A activities, including the IPO of Nyrstar in Belgium in 2007 and the merger with Oxiana in 2008 to form OZ Minerals. Mr Coles was appointed CFO of OZ Minerals in June 2009.

Mr Coles holds a Bachelor of Economics from the Australian National University and a Master of Business Administration from the University of Melbourne and is a member of the AICD and the FTA.

Mr Coles is a member of the Company's Audit and Risk Committee.

Mr Peter Lester, BEng (Mining – Hons), MAusIMM, MAICD (Non-Executive Director)

Mr Lester is a mining engineer with extensive experience in senior operating, development and corporate roles with Citadel Resources, OZ Minerals (and Oxiana prior), Newcrest, North, CRA and MIM. His activities have covered Australia, South East Asia, the Middle East and the Americas and includes a period in broking on both the research and corporate desks.

In addition to being a Non-Executive Director of Toro Energy, Mr Lester is a Non-Executive Director of Chesser Resources Ltd, White Rock Minerals Ltd and Nord Gold NV. Mr Lester is also a Director of the private Accessio Resources Pty Ltd and a Member of both the AusIMM and the AICD.

Mr Lester is the Chair of the Company's Audit and Risk Committee and member of the Company's Remuneration & Nominations Committee.

Directorships held during the previous three years:
Chesser Resources Ltd
White Rock Minerals Ltd
Nord Gold NV
Castlemaine Gold Ltd (resigned April 2014)

Mr. Richard Patricio, LL.B (Non-Executive Director)

Mr. Patricio is Vice President, Corporate and Legal Affairs, at Pinetree Capital Ltd., a Toronto-based diversified investment, financial advisory and venture capital firm with overall responsibility for corporate governance and compliance issues as well as ongoing business development initiatives.

Mr. Patricio is also the Executive Vice President, Corporate Affairs for Mega Uranium Ltd. and is responsible for merger and acquisition activity, corporate transactions and the overall administration of Mega Uranium.

In addition to his legal and corporate experience, Mr. Patricio has built a number of mining companies with global operations. He holds senior officer and director positions in several junior mining companies listed on the TSX, TSX Venture and NASDAQ exchanges. Previously, Mr. Patricio practiced law at a top tier law firm in Toronto and worked as in-house General Counsel for a senior TSX listed company. Mr. Patricio received his law degree from Osgoode Hall and was called to the Ontario bar in 2000.

Directorships held during the previous three years:
Macusani Yellowcake Inc
U3O8 Corp
Mega Precious Metals Inc
Terreno Resources Corporation
Energy Fuels Inc
Caledonia Mining Corporation
Macarthur Minerals Ltd
NexGen Energy Ltd

Mr. Richard Homsany, LL.B (Hons), B. Com, Grad. Dip. Fin & Inv, F Fin, MAICD, CPA

Richard Homsany has extensive experience in the resources industry, having been the Executive Vice President for Australia at TSX listed Mega Uranium Ltd since April 2010. He has also worked for North Ltd, an ASX top 50-listed internationally diversified resources company in operations, risk management and corporate prior to its takeover by Rio Tinto Ltd.

Mr Homsany is an experienced corporate lawyer and Certified Practising Accountant advising numerous clients in the energy and resources sector, including public listed companies. He was Corporate Partner of international law firm DLA Phillips Fox (now DLA Piper) where he advised clients on a range of transactions and matters including capital raisings, IPO's, stock exchange listings, mergers & acquisitions, finance, joint ventures, divestments and governance.

Mr Homsany is a Fellow of the Financial Services Institute of Australasia (FINSIA) and a Member of the Australian Institute of Company Directors. He has a Commerce Degree and Honours Degree in Law from the University of Western Australia, and a Graduate Diploma in Finance and Investment from FINSIA (State Dux).

Directors' Report continued

Mr Homsany has significant board experience with public listed companies in Australia and Canada. He is the Chairman of ASX listed copper explorer Redstone Resources Ltd and TSX-V listed iron ore and gold explorer Central Iron Ore Limited. Mr Homsany is a non-executive director of the Health Insurance Fund of Australia Limited and is Chairman of its Audit and Risk Committee.

Directorships held during the previous three years:
Redstone Resources Ltd
Central Iron Ore Ltd
Merah Resources Ltd (resigned April 2014)

Company secretary

Mr Todd Alder, BEc (Acc), CPA ACIS

Mr Alder is a current employee of the Company and occupies the position of Chief Financial Officer. Mr Alder is a CPA and Chartered Secretary who has over 18 years of accounting and governance experience within the mining, energy and steel manufacturing industries.

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 Company during the financial year were:

- To advance the Wiluna Uranium Project including the approvals process for the Millipede and Lake Maitland deposits, resource drilling and assessment, mine planning and project design assessment;
- Exploration and assessment of the tenement portfolio of uranium and other minerals;
- Expansion and improvement of the Company's JORC Resource base; and
- Review and execution of value-adding corporate or uranium project acquisitions.

There has been no change in these activities during the year.

Operating results for the year

The Company's net loss after income tax was $8,094,135 (2013: $6,886,942). Included in the loss was an impairment of $2,560,417 resulting from decisions to cease and /or reduce exploration activities over 23 tenements.

Operations overview

CORPORATE ACTIVITY

Corporate activity over the 2014 financial year included;

- Acquisition of the Lake Maitland Uranium Deposit on 19th November 2013. Toro acquired Redport Exploration Pty Ltd and its subsidiaries which held the Lake Maitland Uranium Deposit, $1.5M in cash and minor operating equipment from Mega Uranium Ltd a TSX listed company for the consideration of 415 million shares;
- In parallel with the acquisition of the Lake Maitland Uranium Deposit, the company raised $2.0M through a placement of 12.5M shares at $0.08 to each of Oz Minerals Ltd and Pinetree Capital Ltd a TSX listed investment company;
- Mr Richard Patricio and Mr Richard Homsany were appointed to the Toro Board of Directors as nominees of Mega Uranium Ltd;
- The Company raised a further $5 million pursuant to a Share Subscription Agreement signed in December 2013 with South African investment fund, RealFin Capital Partners as per the table below:

	Issued Date	Shares Issued	Consideration	Price per share
Tranche 1	16/01/2014	13,698,630	$1,000,000	$0.0730
Tranche 2	07/02/2014	14,409,222	$1,000,000	$0.0694
Tranche 3	11/03/2014	23,474,178	$1,500,000	$0.0643
Tranche 4	11/03/2014	15,552,099	$1,000,000	$0.0639
Tranche 5	13/06/2014	8,474,576	$500,000	$0.0590

WILUNA PROJECT

The Company continued to advance the Wiluna Uranium Project and highlights over the reporting period include:

- No externally reportable Health, Safety or Environmental incidents during the year. Lost Time Injury Frequency Rate (LTIFR) and Reportable Environmental Incidents both at zero;
- The acquisition of the Lake Maitland Uranium Deposit from Mega Uranium Limited in November 2013 increased the total Wiluna Resource by 42%;
- New Resource estimate for the expanded Wiluna Uranium Project announced in November 2013 showing total Resources of 76.5Mlb at 479ppm at a 200ppm cut off, or 42.3Mlb at 898ppm at a 500ppm cut-off;
- In January 2014 Toro announced the results of a mining scoping study that integrated the Lake Maitland deposit into a new Wiluna Uranium Project mine plan (please refer to Appendix 1 for details on inferred, indicated and measured categories);
- The environmental assessment and approval process for mining at Millipede and Lake Maitland was initiated with the Western Australian and Federal Governments in February 2014. The Western Australian Environmental Protection Authority (EPA) has set the level of assessment at Public Environmental Review (PER) and the process is being conducted under the bi-lateral agreement between the two jurisdictions. At financial year end, a draft Environmental Scoping Document (ESD) prepared by Toro was being considered by the EPA;
- Toro's largest drilling and geotechnical program was completed in June 2014. A total of 1,639 holes were drilled for 16,375m of which 71 holes for 644m were sonic core, the remaining being aircore. Most of the drilling consisted of four 100 x 100m grade control grids inside each of the core Wiluna deposits – Centipede, Millipede, Lake Maitland and Lake Way. The drilling within each grid was completed on a 5 x 5m spacing. A small proportion of the drilling, 27 holes for 199m, was for the purpose of geotechnical studies related to pit wall design and investigations of the ROM pad and processing plant foundations;
- Archaeological cultural mapping by Traditional Owners commenced on infrastructure corridors needed to support mining at Centipede during the June 2014 quarter. Toro also continued negotiation of the mining agreement with the Wiluna Native Title Holders through their representative body, Central Desert Native Title Services;
- Analysis of 2013 uranium samples by the Australian Nuclear Science and Technology Organisation has highlighted significant levels of positive disequilibrium in three of the Wiluna deposits. Further work is required to evaluate the magnitude and extent of the positive disequilibrium, and assess how to incorporate the findings into the Mineral Resource estimation process.

EXPLORATION

In light of the uranium market, Toro's overall exploration strategy has been refocused on a package of tenements that optimises prospectivity for uranium mineralisation and value for the company. Exploration ground containing non-uranium primary targets or uranium targets of lower discovery value in the current subdued uranium market, have been or are in the process of being released at highest possible return for Toro. Three applications in the Tanami region of the Northern Territory were sold outright to ABM Resources for $100,000 plus royalties. Negotiations with potential JV partners are still underway in a number of areas.

We aim to consolidate our exploration ground into three core regions:

- The Wiso Project in the Wiso Basin west of Wauchope in the Northern Territory;
- The Reynolds Range Project in the Arunta Complex-Georgina Basin west of Ti Tree also in the Northern Territory; and
- The Lake Mackay Project in the far west of the Arunta Orogen near the remote township of Kiwirrkurra in Western Australia.

URANIUM MARKET

During the reporting period uranium prices remained under downward pressure however at the time of writing sentiment has improved and uranium spot prices are increasing.

Future demand continues to be driven by emerging markets, China, India and the UAE in particular. Australia and India recently signed a safeguards agreement that enables the sale of Australian uranium to India for power generation. This has opened a new market for Australia.

On the supply side primary production is going to fall for the first time since 2011 after a couple years of large increases and should mark the start of an improving supply-demand balance.

These factors continue to point toward a significant uranium supply-demand imbalance and a favourable medium to long term price environment.

Risk management

The Company 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 Company's objectives and activities are aligned with the risks and opportunities identified by the Board. The Company has established an Audit and Risk Committee to address risk management.

Directors' Report continued

The Company 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 Company'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;
- Externally facilitated development of Company risk management plans;
- Internally developed project risk management plans for significant projects.

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

There have been no other matters or circumstances that have arisen since the end of the financial year that have significantly affected, or may significantly affect, the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial years.

Likely developments and expected results

The Company intends to continue to undertake appropriate exploration and evaluation expenditure thereby enabling it to maintain good title to all its prospective mineral properties until proper decisions can be made to successfully develop and exploit, sell or abandon such properties. In particular, the following activities will be progressed over the 2014/15 reporting period:

- Preparation of a revised resource estimate for the Wiluna project following drilling in the first half of 2014 at Lake Way, Millipede, Centipede & Lake Maitland;
- Optimisation of Wiluna's process flow sheet looking specifically at beneficiation, pregnant liquor concentration, reagent recirculation and tailings density;
- Progress of project finance opportunities on the expectation of improving project costings and uranium market conditions;
- Review of prospectivity and specifically drill targets across the Company's exploration tenements; and
- Continuation of the assessment of value adding joint venture and or merger and acquisition opportunities.

Environmental regulation and performance

The Company 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 the Northern Territory and Western Australia and the Company followed procedures and pursued objectives in line with guidelines published by the relevant State Governments. 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.

Environmental and Social Policy

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

The Company's Environment and Social Policy is to:

- Understand that a commitment to best environmental and social practice 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 endeavour to continuously 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

For the period ending 30 June 2014, the movements in options to acquire ordinary shares in the Company were:

Issue Date	Expiry Date	Exercise Price	Balance at 1 July 2013	Net Issued/(lapsed) during Year	Balance at 30 June 2014
07/08/2008	06/08/2013	$0.55	850,000	(850,000)	-
18/12/2008	17/12/2013	$0.25	1,665,000	(1,665,000)	-
09/11/2009	19/03/2014	$0.25	1,000,000	(1,000,000)	-
03/02/2010	02/02/2015	$0.22	5,555,000	(1,435,000)	4,120,000
04/01/2011	03/01/2016	$0.22	4,270,000	(590,000)	3,680,000
26/05/2011	25/05/2016	$0.15	250,000	-	250,000
26/05/2011	25/05/2016	$0.22	250,000	-	250,000
01/07/2011	30/06/2016	$0.11	750,000	-	750,000
01/07/2011	30/06/2016	$0.22	500,000	-	500,000
01/07/2011	30/06/2016	$0.25	750,000	-	750,000
01/08/2011	31/07/2016	$0.13	10,300,000	(1,000,000)	9,300,000
26/08/2011	25/08/2016	$0.13	525,000	(300,000)	225,000
30/11/2011	11/01/2016	$0.22	5,000,000	-	5,000,000
30/11/2011	11/01/2016	$0.30	1,000,000	-	1,000,000
02/11/2012	01/11/2015	$0.12	24,390,244	-	24,390,244
06/03/2013	04/03/2016	$0.14	42,253,521	-	42,253,521
27/06/2013	26/05/2016	$0.08	35,714,286	-	35,714,286
17/01/2014	16/01/2017	$0.11	-	5,750,000	5,750,000
			135,023,051	(1,090,000)	133,933,051

Directors' Report continued

Shares issued as a result of the exercise of options

No shares have been issued as a result of the exercise of options throughout the year ended 30 June 2014 or after the reporting date at the time of signing this report.

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 $37,300. 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.

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 was as follows:

	Directors' Meetings		Audit Committee		Remuneration/ Nomination Committee	
Number of meetings held	13		3		3	
Number of meetings attended:	Eligible	Attended	Eligible	Attended	Eligible	Attended
Ms Erica Smyth	13	12	-	-	3	3
Dr Vanessa Guthrie	13	13	-	-	-	-
Mr Greg Hall	13	12	-	-	3	2
Mr Peter Lester	13	12	3	3	3	3
Mr Andrew Coles	13	10	3	3	-	-
Mr Richard Patricio	5	5	-	-	-	-
Mr Richard Homsany	5	4	-	-	-	-

Members acting on the Audit & Risk Committee of the Board, during the financial year, were:

Peter Lester	Non-executive director
Andrew Coles	Non-executive director

Note: Todd Alder (Chief Financial Officer & Company Secretary) attended all Audit & Risk Committee meetings

Members acting on the Remuneration/Nomination Committee of the Board, during the financial year, were:

Erica Smyth	Non-executive Chairman
Greg Hall	Non-executive director
Peter Lester	Non-executive director

Proceedings on behalf of the company

At the date of this report there were no leave applications or proceedings brought on behalf of the Company under section 237 of the Corporations Act 2001.

Remuneration report (audited)

Remuneration philosophy

The Board is responsible for determining remuneration policies applicable to directors and senior executives of the Company. The 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.

Key management personnel remuneration, performance evaluation and equity holdings

The Remuneration Committee is responsible for reviewing and making recommendations to the Board which has ultimate responsibility for the following remuneration matters:

- Remuneration and incentive framework for the Managing Director;
- Incentive framework for all staff;
- Remuneration of Toro Group non-executive directors.

The Managing Director has the delegated authority to review and authorise the remuneration of executives, senior management and staff.

The policy is to align director, executive and senior manager 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 Company's share price and financial position. Performance against these key performance indicators is reviewed annually by the Remuneration Committee.

The non-executive directors and other executives receive a superannuation guarantee contribution required by the government, which for 2013/14 was 9.25%, 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 Employee Share Option Plan and the Management Performance Rights Plan. Options are valued at the time of issue using the Black Scholes methodology. Performance Rights are valued using the Company's share price at grant date and an estimated probability of achieving the performance hurdles.

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. During the year the directors agreed to a fee reduction of 20% in line with the Company's view on current market conditions and continued focus on working capital management.

The maximum aggregate annual remuneration which may be paid to non-executive directors is $450,000. This amount cannot be increased without the approval of the Company's shareholders.

Current Senior Executives

The employment conditions of the Managing Director, Dr Vanessa Guthrie, are formalised in a contract of employment. Dr Guthrie commenced employment on 1 July 2011 and her current gross salary, inclusive of the 9.50% superannuation guarantee, is $378,401 per annum.

In addition to the fixed base salary Dr Guthrie's employment contract includes short and long term incentives.

The short term incentive package is subject to certain Key Performance Indicators and has a maximum award of 15% of the base annual salary.

The long term incentive package is in the form of 12,503,238 Performance Share Rights with a three and a half year vesting term, half of which will vest subject to the Company's relative Total Shareholder Returns and the other half will vest subject to Key Performance Indicators. One third of the shares will be available for award each year with the first package awarded relative to performance up to 30 June 2014. The long term incentive package is considered to be a cost effective and efficient reward to appropriately incentivise the continued performance of Dr Guthrie in line with the strategic goals and targets of the Company. The issue of performance share rights were approved by shareholders at the 2013 AGM. For performance up to 30 June 2014 a total of 2,292,260 performance share rights were awarded to Dr Guthrie.

The Company may terminate the employment contract without cause by providing four 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 Chief Financial Officer & Company Secretary, Mr Todd Alder, are formalised in a contract of employment. Mr Alder commenced employment on 20 February 2008 and his current gross salary, inclusive of the 9.50% superannuation guarantee, is $262,800 per annum. The Company may terminate the contract should performance not meet contracted requirements by providing four months written notice or making payment in lieu of notice. 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.

Voting and comments at the Company's 2013 Annual General Meeting

The Company received more than 98% of "yes" votes on its remuneration report for the 2013 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

Remuneration consultants

The Company did not engage a remuneration consultant during the financial year.

Directors' Report continued

Consequences of performance on shareholder wealth

In considering the Company's performance and benefits for shareholder wealth, the Board have regard to the following indices in respect of the current financial year and the previous four financial years:

Item	2014	2013	2012	2011	2010
EPS (cents)	(0.60)	(0.66)	(1.08)	(2.25)	(2.01)
Dividends (cents per share)	-	-	-	-	-
Net profit/(loss) ($000)	(8,094)	(6,887)	(10,698)	(21,843)	(16,612)
Share price ($)	0.058	0.074	0.068	0.070	0.070

Table 1: Directors' remuneration for the year ended 30 June 2014 and 30 June 2013

		Short Term	Short Term	Post (2) Employment	Share-based Payments*	Total	
		Salary & Fees	Cash Bonus	Superannuation	Value of options/ shares/rights	$	Value of options/ rights as % of remuneration
Erica Smyth	2014	67,584	-	6,252	-	73,836	-
	2013	77,982	-	7,018	-	85,000	-
Vanessa Guthrie	2014	343,438	-	19,928	215,192	578,558	29.2%
	2013	334,870	-	16,474	-	351,344	-
Gregory Hall (1)	2014	43,731	-	4,045	-	47,776	-
	2013	260,968	-	15,326	-	276,294	-
Peter Lester	2014	51,682	-	4,781	-	56,463	-
	2013	59,633	-	5,367	-	65,000	-
Andrew Coles	2014	-	-	4,045	-	4,045	-
	2013	50,459	-	4,541	-	55,000	-
Richard Homsany	2014	23,547	-	2,178	-	25,725	-
	2013	-	-	-	-	-	-
Richard Patricio	2014	23,547	-	-	-	23,547	-
	2013	-	-	-	-	-	-
Total Remuneration	2014	553,529	-	41,228	215,192	809,949	-
	2013	783,912	-	48,727	-	832,639	-

(1) This includes Gregory Hall's salary as Managing Director up to and including 7 February 2013 and as Non-Executive Director from this date.
(2) Superannuation Guarantee paid at 9.25% throughout the financial period ending 30 June 2014.

* Valuation of Managing Director's performance rights plus STI bonus to be paid in shares pursuant to shareholder approval at the 2014 AGM. Performance rights approved at November 2013 AGM and valued at the Company's share price and discounted by a 50% probability factor of the performance conditions being met – see note 12 & 17 of the Financial Report for further information.

Table 2: Remuneration of specified executives for the year ended 30 June 2014 and 30 June 2013

		Short Term	Short Term (1)	Post (2) Employment	Share-based Payments*	Total	
		Salary & Fees	Cash Bonus	Superannuation	Value of options/ shares/rights	$	Value of options/ rights as % of remuneration
Todd Alder	2014	212,500	46,250	23,934	21,300	303,984	7.0%
	2013	173,555	-	15,620	-	189,175	

(1) A retention bonus was awarded as remuneration with 100% paid and vested in the financial year, and being 0% forfeited. No part of the bonus is payable in future years.
(2) Superannuation Guarantee paid at 9.25% throughout the financial period ending 30 June 2014.

* Estimated option value is calculated using the Black Scholes methodology – see note 12 of the Financial Report for further information.

Rights and options issued as part of remuneration

Options	Number of options granted during 2014	Grant date	Fair value per option at grant date $	Exercise price per option $	Expiry date	Number of options vested during 2014
Executives						
Todd Alder	1,000,000	17/01/14	0.0213	0.1100	16/01/17	1,000,000

Rights	Number of rights granted during 2014	Vesting condition	Grant date	Fair value at grant date $	Expiry date
Directors					
Vanessa Guthrie	6,251,619	KPIs	28/11/13	0.0810	30/09/16
	6,251,619	Relative TSR	28/11/13	0.0810	30/09/16

For further detail refer note 12.

Directors' Report continued

Share holdings of key management personnel

30 June 2014	Balance at 1 July 2013	On Exercise of Options	Net Change Other	Balance 30 June 2014
Directors				
Erica Smyth	225,967	-	-	225,967
Vanessa Guthrie	1,083,333	-	-	1,083,333
Greg Hall	176,333	-	75,000	251,333
Peter Lester	153,750	-	-	153,750
Andrew Coles	-	-	-	-
Richard Homsany	-	-	-	-
Richard Patricio	-	-	-	-
	1,639,383	-	75,000	1,714,383
Executives				
Todd Alder	-	-	-	-
	-	-	-	-

Details of equity incentives affecting current and future remuneration

	Instrument	Number	Grant date	% vested in year	% forfeited in year	Financial years in which grant vests	Expiry date
Directors							
Vanessa Guthrie	Options	750,000	01/07/11	0%	0%	2011/12	30/06/2016
	Options	1,250,000	01/07/11	0%	0%	2012/13	30/06/2016
	Rights	4,167,746	28/11/13	50%	50%	2013/14	30/09/2016
	Rights	4,167,746	28/11/13	0%	0%	2014/15	30/09/2016
	Rights	4,167,746	28/11/13	0%	0%	2015/16	30/09/2016
Erica Smyth	Options	1,000,000	12/01/11	0%	0%	2011/12	11/01/2016
Greg Hall	Options	1,000,000	12/01/11	0%	0%	2011/12	11/01/2016
	Options	1,000,000	12/01/11	0%	0%	2011/12	11/01/2016
Peter Lester	Options	1,000,000	12/01/11	0%	0%	2011/12	11/01/2016
Executives							
Todd Alder	Options	350,000	03/02/10	0%	0%	2009/10	02/02/15
	Options	500,000	04/01/11	0%	0%	2010/11	03/01/16
	Options	1,000,000	01/08/11	0%	0%	2011/12	31/07/16
	Options	1,000,000	17/01/14	100%	0%	2013/14	16/01/17

Option and Performance Rights holdings of key management personnel

30 June 2014	Balance at 1 July 2013	Granted as remuneration	Options/Rights Exercised	Net change other	Balance at 30 June 2014
OPTIONS					
Directors					
Erica Smyth	1,000,000	-	-	-	1,000,000
Vanessa Guthrie	2,000,000	-	-	-	2,000,000
Greg Hall	3,000,000	-	-	(1,000,000)	2,000,000
Peter Lester	1,000,000	-	-	-	1,000,000
Andrew Coles	-	-	-	-	-
Executives					
Todd Alder	2,375,000	1,000,000	-	(525,000)	2,850,000
RIGHTS					
Directors					
Vanessa Guthrie	-	12,503,238	-	-	12,503,238
	9,375,000	13,503,238	-	(1,525,000)	21,353,238

Governance Report

Corporate Governance Statement

The Board is committed to preserving and enhancing shareholder value through adhering to the highest standards of corporate governance. Where possible and reasonable the Board ensures compliance with the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations with 2010 Amendments (2nd Edition)".

Principle 1 – Lay solid foundations for management and oversight

Recommendation 1.1:

Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

Compliant: The Company has drafted, adopted and published on its website a Board Charter which establishes the functions reserved to the Board and those delegated to senior executives.

Recommendation 1.2:

Companies should disclose the process for evaluating the performance of senior executives.

Compliant: A performance evaluation of senior executives was conducted in May 2014 in accordance with the processes outlined in the Remuneration Report. Induction procedures and materials, outlining industry information, the Company's financial position, strategy and operations, are used for new appointments.

Recommendation 1.3:

Companies should provide the information indicated in the Guide to reporting on Principle 1.

Compliant: Provision of the information indicated in the Guide to reporting on Principle 1 is made in the Annual Report and on the Company's website.

Principle 2 – Structure the Board to add value

Recommendation 2.1:

A majority of the Board should be independent directors.

Non-Compliant: At the time of reporting there were seven directors on the Company Board. Two of the seven directors are considered to be independent with regards to the criteria established in the ASX Corporate Governance Councils Principles and Recommendations. Due to the experience and historical conduct of the Board the Company believes the current structure of the Board complies with spirit and intent of Principle 2.1.

- Ms Smyth is considered as an independent director as she has no other material relationship or association with the Company or its controlled entities other than her directorship;
- Mr Lester is considered as an independent director as he has no other material relationship or association with the Company or its controlled entities other than his directorship;
- Mr Coles is employed in an executive capacity by OZ Minerals Ltd, the beneficial owner of 27% of the issued capital in Toro and is not considered independent with regards to the criteria established in the ASX Corporate Governance Councils Principles and Recommendations;
- Mr Hall, as a recently retired MD, is not considered independent with regards to the criteria established in the ASX Corporate Governance Councils Principles and Recommendations. In all other respects Mr Hall meets the independence criteria;
- Dr Guthrie is employed in an executive capacity by the Company and is not considered independent with regards to the criteria established in the ASX Corporate Governance Councils Principles and Recommendations;
- Mr Patricio is employed in an executive capacity by Mega Uranium Ltd, the beneficial owner of 26.51% of the issued capital in Toro and is not considered independent with regards to the criteria established in the ASX Corporate Governance Councils Principles and Recommendations;
- Mr Homsany is employed in an executive capacity by Mega Uranium Ltd, the beneficial owner of 26.51% of the issued capital in Toro and is not considered independent with regards to the criteria established in the ASX Corporate Governance Councils Principles and Recommendations;

Recommendation 2.2:

The Chairman should be an independent director.

Compliant: The Chairman of the Company is an independent director.

Recommendation 2.3:

The roles of the Chairman and Chief Executive Officer should not be exercised by the same individual.

Compliant: The roles of the Company Chairman and Managing Director are not exercised by the same individual.

Recommendation 2.4:

The Board should establish a nomination committee.

Compliant: A combined remuneration and nomination committee has been established.

Recommendation 2.5:

Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.

Compliant. Board performance reviews were conducted during the reporting period. Specifically the Board participated in a governance self-assessment tool, run by the Australian Institute of Company Directors which reviewed Committee composition and performance, individual competencies and Board dynamics. In addition to the facilitated self-assessment an independent consultant was engaged to review the composition of the Board with reference to independence, skills and size and including comparisons against Australian governance best practice and peer comparator boards. The actions agreed by the Board in response to the performance reviews have been documented and the completion of these items is monitored by the Board.

Recommendation 2.6:

Companies should provide the information indicated in the Guide to reporting on Principle 2.

Compliant: The Company has complied with all information disclosures indicated in Recommendation 2.6.

Principle 3 – Promote ethical and responsible decision making

Recommendation 3.1:

Companies should establish a code of conduct and disclose the code.

Compliant: The Company has an established code of conduct which outlines the practices necessary to maintain confidence in the Company's integrity, the practices necessary to take into account its legal obligations and the reasonable expectations of its stakeholders and the responsibilities of individuals for reporting and investigating reports of unethical practices.

Recommendation 3.2:

Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress in achieving them.

Non-Compliant: Whilst the Company has established a diversity policy and published that policy on its website, it has not established any measurable objectives to achieve gender diversity. The Company is highly aware of the positive impacts that diversity may bring to an organisation and as such the Company continues to assess all staff and Board appointments on their merits with consideration to diversity as a driver in decision making. The Company continues to strive towards achieving objectives to maintain and where possible improve gender diversity. At the time of reporting the Company engaged 18 staff and directors of which 33% were female including the Managing Director and Chair.

Recommendation 3.3:

Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.

Non-Compliant: The Company has not established any measurable objectives to achieve gender diversity. The Company continues to strive towards achieving objectives to maintain and where possible improve gender diversity.

Recommendation 3.4:

Companies should disclose in each annual report the proportion of women employees in the whole organization, women in senior executive positions and women on the Board.

Compliant: The Company has disclosed the information suggested in Recommendation 3.4 in its annual report.

Recommendation 3.5:

Companies should provide the information indicated in the Guide to reporting on Principle 3.

Compliant: Provision of the information indicated in the Guide to reporting on Principle 3 is made in the Annual Report and or the Company's website.

Principle 4 – Safeguard integrity in financial reporting

Recommendation 4.1:

The Board should establish an audit committee.

Compliant: The Company has an established audit and risk committee.

Recommendation 4.2:

The audit committee should be structured so that it consists only of non-executive directors, consists of a majority of independent directors, is chaired by an independent director who is not Chairman of the Board and should have at least 3 members.

Non-Compliant: At the time of reporting the Company's audit committee consists of 2 members from the Board, an independent non-executive director as chair and a non-independent non-executive director and Company Secretary. The Company considers the skill set and experience of the current composition to be the most appropriate mix to deliver on the spirit and intent of Principle 4.

Governance Report continued

Recommendation 4.3:

The audit committee should have a formal charter.

Compliant: The audit committee has a formal charter that sets out its role and responsibilities, composition, structure and membership requirements.

Recommendation 4.4:

Companies should provide the information indicated in the Guide to reporting on Principle 4.

Compliant: Provision of the information indicated in the Guide to reporting on Principle 4 is made in the Annual Report and or the Company's website.

Principle 5 – Make timely and balanced disclosure

Recommendation 5.1:

Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

Compliant: The Company has an established continuous disclosure policy that articulates the type of information that needs disclosure, the process of internal notification, the roles and responsibilities in the disclosure process, the process of promoting an understanding of disclosure requirements and media and analysts communication protocols.

Recommendation 5.2:

Companies should provide the information indicated in the Guide to reporting on Principle 5.

Compliant: The Continuous Disclosure Policy has been posted to the Company's website.

Principle 6 – Respect the rights of shareholders

Recommendation 6.1:

Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of the policy.

Compliant: The Company has an established Communications Policy that articulates how the Company will communicate with its shareholders. The Communications Policy has been posted to the Company's website.

Recommendation 6.2:

Companies should provide the information indicated in the Guide to reporting on Principle 6.

Compliant: The Communications Policy has been posted to the Company's website.

Principle 7 – Recognise and manage risk

Recommendation 7.1:

Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

Compliant: The Company has established policies for the oversight and management of material business risk and a summary of those policies are disclosed in the Annual Report.

Recommendation 7.2:

The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.

Compliant: The identification, monitoring and, where appropriate, the reduction of significant risk to Toro is the responsibility of the Managing Director and the Board. The Board has also established the Audit and Risk Committee which addresses the risk of the Company. Management and the Board monitor the Company's material business risks and reports are considered at regular meetings where it has been established that the internal control system is operating effectively in all material aspects.

Recommendation 7.3:

The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Compliant: The Managing Director and Chief Financial Officer have stated in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results are in accordance with relevant accounting standards. Included in this statement was the confirmation that the Company's risk management and internal controls are operating efficiently and effectively.

Recommendation 7.4:

Companies should provide the information indicated in the Guide to reporting on Principle 7.

Compliant: Provision of the information indicated in the Guide to reporting on Principle 7 is made in the Annual Report.

Principle 8 – Remunerate fairly and responsibly

Recommendation 8.1:

The Board should establish a remuneration committee.

Compliant: The Company has an established remuneration and nomination committee.

Recommendation 8.2:

The remuneration committee should be structured so that it consists of a majority of independent directors, is chaired by an independent director and has at least 3 members.

Compliant: The Company's remuneration committee consists of 2 independent directors and 1 non-independent directors and is chaired by an independent director.

Recommendation 8.3:

Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

Compliant: The Company has a clearly distinguished structure of non-executive directors' remuneration from that of executive directors and senior executives. The Chairman and the non-executive directors are entitled to draw director's fees and receive reimbursement of reasonable expenses for attendance at meetings. The Company is required to disclose in its annual report details of remuneration to directors. Please refer to the remuneration report for details regarding the remuneration structure of the Managing Director and senior executives.

Recommendation 8.4:

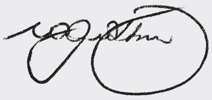
Companies should provide the information indicated in the Guide to reporting on Principle 8.

Compliant: Provision of the information indicated in the Guide to reporting on Principle 8 is made in the Directors and Remuneration Report sections of the Annual Report and or the Company's website.

Auditor independence and non-audit services

Grant Thornton Audit Pty Ltd, 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 2014 as required under section 307C of the Corporations Act 2001 has been received and can be found on the following page.

Signed in accordance with a resolution of the directors.



Dr Vanessa Guthrie
Managing Director

19th September 2014

Auditor's Independence Declaration

GrantThornton

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Auditor's Independence Declaration
To the Directors of Toro Energy Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Toro Energy Limited for the year ended 30 June 2014, 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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

C A Becker
Partner - Audit & Assurance

Perth, 19 September 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2014

	Note	CONSOLIDATED 2014 $	2013 $
Other income	4 (a)	**425,024**	345,612
Impairment of exploration and evaluation assets	4 (b)	**(2,560,417)**	(2,824,564)
Employee benefits expense	4 (c)	**(1,306,937)**	(1,580,448)
Depreciation expense	4 (b)	**(797,634)**	(494,753)
Finance costs	4 (b)	**(2,425,099)**	(638,642)
Other expenses	4 (d)	**(1,429,072)**	(1,694,147)
(Loss) before income tax expense		**(8,094,135)**	(6,886,942)
Income tax expense	5	**-**	-
(Loss) for the year		**(8,094,135)**	(6,886,942)
Other comprehensive (loss)			
Other comprehensive loss for the year (net of tax)		**-**	-
Total comprehensive (loss) for the year		**(8,094,135)**	(6,886,942)
(Loss) attributable to:			
Owners of the Company		**(8,094,135)**	(6,886,942)
		(8,094,135)	(6,886,942)
Total comprehensive (loss) attributable to:			
Owners of the Company		**(8,094,135)**	(6,886,942)
		(8,094,135)	(6,886,942)
Earnings per share		**Cents**	Cents
From continuing operations:			
Basic earnings per share	6	**(0.60)**	(0.66)

Consolidated Statement of Financial Position

As at 30 June 2014

	Note	CONSOLIDATED 2014 $	2013 $
Current assets			
Cash and bank equivalents	7	**7,151,347**	11,244,118
Trade and other receivables	8	**207,482**	496,239
Other current assets	9	**27,466**	102,527
Total current assets		**7,386,295**	11,842,884
Non-current assets			
Property, plant and equipment	10	**2,108,522**	1,482,673
Exploration and evaluation assets	11	**128,066,669**	88,709,872
Total non-current assets		**130,175,191**	90,192,545
Total assets		**137,561,486**	102,035,429
Current liabilities			
Trade and other payables	13	**694,680**	1,351,602
Short-term provisions	14	**112,909**	150,934
Total current liabilities		**807,589**	1,502,536
Non-current liabilities			
Borrowings	15	**9,390,287**	7,824,460
Long-term provisions	14	**45,967**	83,435
Total non-current liabilities		**9,436,254**	7,907,895
Total liabilities		**10,243,843**	9,410,431
Net assets		**127,317,643**	92,624,998
Equity			
Issued Capital	16	**260,037,908**	217,588,796
Reserves	17	**6,471,040**	6,822,418
Accumulated Losses		**(139,191,305)**	(131,786,215)
Equity attributable to owners of the Company		**127,317,643**	92,624,999
Total equity		**127,317,643**	92,624,999

Consolidated Statement of Changes in Equity

For the financial year ended 30 June 2014

		CONSOLIDATED			
	Note	Issued capital $	Share option reserve $	Accumulated losses $	Attributable to owners of the parent $
Balance at 1 July 2012		217,588,796	3,327,664	(125,477,873)	95,438,587
Loss for the year				(6,886,942)	(6,886,942)
Other comprehensive income for the year				-	-
Total comprehensive loss for the year				(6,886,942)	(6,886,942)
Expired Employee share-based payments		-	(578,600)	578,600	-
Employee share-based payments		-	4,249	-	4,249
Macquarie Bank Limited debt Facility share options			4,069,105		4,069,105
Balance at 30 June 2013		217,588,796	6,822,418	(131,786,215)	92,624,999
Loss for the year				(8,094,135)	(8,094,135)
Other comprehensive income for the year				-	-
Total comprehensive loss for the year				(8,094,135)	(8,094,135)
Acquisition of Lake Maitland (LM) from Mega Uranium		34,860,000	-	-	34,860,000
Share Based Payment – LM Acquisition Costs		635,742	-	-	635,742
Capital Raising – Share Placement		7,000,000	-	-	7,000,000
Costs of Capital Raising (net of tax)		(46,630)	-	-	(46,630)
Employee share-based payments		-	337,667	-	337,667
Expired Employee share-based payments		-	(689,045)	689,045	-
Balance at 30 June 2014	16	260,037,908	6,471,040	(139,191,305)	127,317,643

Consolidated Statement of Cash Flows

For the financial year ended 30 June 2014

	Note	CONSOLIDATED 2014 $	2013 $
Cash flows from operating activities			
Payments to suppliers and employees		**(1,968,809)**	(3,061,846)
Interest and other Finance costs		**(916,967)**	-
Interest received		**330,511**	395,413
Net cash (used in) operating activities	7	**(2,555,265)**	(2,666,433)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**4,991**	36,581
Purchase of property, plant and equipment		**(82,841)**	(93,042)
Purchase of exploration and evaluation tenements	11	**(3,243,800)**	-
Proceeds from sale of exploration assets		**100,000**	-
Payments for exploration & evaluation activities		**(6,589,818)**	(10,351,890)
Net cash provided used in investing activities		**(9,811,468)**	(10,408,351)
Cash flows from financing activities			
Proceeds from issue of shares		**8,320,682**	-
Transaction costs of issue of shares		**(46,720)**	-
Proceeds from borrowings		**-**	12,000,000
Transaction costs of borrowings		**-**	(489,985)
Net cash provided by financing activities		**8,273,962**	11,510,015
Net decrease in cash and cash equivalents		**(4,092,771)**	(1,564,769)
Cash at the beginning of the financial year		**11,244,118**	12,808,887
Cash at the end of the financial year	7	**7,151,347**	11,244,118

1. Statement of significant accounting policies

The financial report is a general-purpose financial report, which has been prepared in accordance with Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

This financial report includes the consolidated financial statements and notes of Toro Energy Limited and it's controlled entities ('the Company').

The financial report of the Company for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the directors on 19 September 2014. Toro Energy Limited is a for-profit entity limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange.

Basis of preparation

The financial report has been prepared on an accrual basis and is based on historical costs, modified, where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Statement of Compliance

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

New and revised standards that are effective for these financial statements

A number of new and revised standards are effective for annual periods beginning on or after 1 July 2013, as detailed below.

AASB 10 Consolidated Financial Statements

AASB 10 replaces both AASB 127 Consolidated and Separate Financial Statements and AASB Interpretation 112 Consolidation – Special Purpose Entities. This new standard revises the definition of control and related application guidance so that a single control model can be applied to all entities. The group has reviewed its investments in other entities and concluded that the application of AASB 10 does not have any impact on the amounts recognised in the consolidation financial statements.

AASB 11 Joint Arrangements

AASB 11 supersedes AASB 131 Interests in Joint Ventures and AASB Interpretation 113 Jointly Controlled Entities-Non-Monetary-Contributions by Venturers. AASB 11 provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. The group has reviewed this new standard and believes there will be no impact on the Company.

AASB 12 Disclosure of Interests in Other Entities

AASB 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

There have also been consequential amendments to ASSB 127 Separate Financial Statements and AASB 128 Investment in Associates as a result of the above standard. AASB 127 now only addresses separate financial statements. AASB 128 brings investments in joint ventures into its scope. However, AASB 128's equity accounting methodology remains unchanged.

AASB Fair Value Measurement

AASB 13 and provides a precise definition of a fair value is a single source of fair value measurement and prescribes disclosure requirements for use across Australian Accounting Standards. The requirements do not extend the use of fair value accounting, but provide guidance on how it should be applied where its use is already required or permitted by other standards within Australian Accounting Standards. The standard has been applied to the group for the first time in the current year, see Note 22.

AASB 119 Employee Benefits

AASB 119 sets out the required disclosures for entities reporting under AASB 119. An amended version of the standard with revised requirements for pension and other post-employment benefits, termination benefits and other changes requires a number of disclosures which are consistent with previous disclosures made by the Company. AASB amendments to Employee Benefits have no impact on the amount recognised in the consolidated financial statements.

Notes to the Financial Statements continued

For the financial year ended 30 June 2014

1. Statement of significant accounting policies continued

Accounting standards issued but not yet effective and not adopted early

We do not expect these accounting standards (as detailed below) to materially impact our financial results upon adoption.

AASB 9 Financial Instruments

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.

The entity has not yet assessed the full impact of AASB 9 as this standard does not apply mandatorily before 1 January 2018 and the IASB is yet to finalise the remaining phases of its project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 in Australia).

AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities

AASB 2012-3 adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

When AASB 2012-3 is first adopted for the year ending 30 June 2015, there will be no impact on the entity as this standard merely clarifies existing requirements in AASB 132.

AASB 2013-3 Recoverable Amount Disclosures for Non-Financial Assets

These narrow-scope amendments address disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. When developing IFRS 13 Fair Value Measurement, the IASB decided to amend IAS 36 Impairment of Assets to require disclosures about the recoverable amount of impaired assets. The IASB noticed however that some of the amendments made in introducing those requirements resulted in the requirement being more broadly applicable than the IASB had intended. These amendments to IAS 36 therefore clarify the IASB's original intention that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal. AASB 2013-3 makes the equivalent amendments to AASB 136 Impairment of Assets.

When these amendments are first adopted for the year ending 30 June 2015, they are unlikely to have any significant impact on the entity given that they are largely of the nature of clarification of existing requirements.

AASB 2014-1 Amendments to Australian Accounting Standards (Part A: Annual Improvements 2010–2012 and 2011–2013 Cycles)

Part A of AASB 2014-1 makes amendments to various Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards Annual Improvements to IFRSs 2010-2012 Cycle and Annual Improvements to IFRSs 2011-2013 Cycle.

Among other improvements, the amendments arising from Annual Improvements to IFRSs 2010-2012 Cycle:

a) clarify that the definition of a 'related party' includes a management entity that provides key management personnel services to the reporting entity (either directly or through a group entity); and

b) amend AASB 8 Operating Segments to explicitly require the disclosure of judgments made by management in applying the aggregation criteria.

Among other improvements, the amendments arising from Annual Improvements to IFRSs 2011-2013 Cycle clarify that an entity should assess whether an acquired property is an investment property under AASB 140 Investment Property and perform a separate assessment under AASB 3 Business Combinations to determine whether the acquisition of the investment property constitutes a business combination.

When these amendments are first adopted for the year ending 30 June 2015, there will be no material impact on the entity.

Third statement of financial position

Two comparative periods are presented for the statement of financial position when the Company:

i Applies an accounting policy retrospectively;

ii Makes a retrospective restatement of items in its financial statements; or

iii Reclassifies items in the financial statements.

We have determined that only one comparative period for the statement of financial position was required for the current reporting period.

1. Statement of significant accounting policies continued

a. Basis of consolidation

The financial statements consolidate those of Toro Energy Limited and all of its subsidiaries as of 30 June 2014 (the Company). The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

All transactions and balances between controlled entities are eliminated on consolidation, including unrealised gains and losses resulting from intra-group transactions. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Company.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Company. The Company attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

b. Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company 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 accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Sale of Goods

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Provision of services

Revenue relating to the provision of services is determined with reference to the stage of completion of the transaction at reporting date and where the outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

c. Borrowings costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use of sale.

Borrowings are recognised initially at fair value, net of transaction costs incurred. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between cost and redemption being recognised in the Statement of Profit or Loss and Other Comprehensive Income over the period of the borrowings on an effective interest basis. Fees paid on the establishment of loan facilities which are not an incremental cost relating to the actual drawdown of the facility, are recognised as a reduction in borrowings and amortised on a straightline basis over the term of the facility.

All other borrowing costs are recognised in the Statement of Profit or Loss and Other Comprehensive Income in the period in which they are incurred.

d. Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the Company are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Notes to the Financial Statements continued

For the financial year ended 30 June 2014

1. Statement of significant accounting policies continued

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

e. Cash and cash equivalents

Cash and short-term deposits in the Statement of Financial Position comprise cash at bank, cash in hand and short term deposits with an original maturity of three to six months.

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

f. 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 Company will not be able to collect the debts. Bad debts are written off when identified.

g. Financial Instruments

Initial recognition and measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instrument classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Effective interest rate method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

Classification and subsequent measurement

Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Held-to-maturity investments

These investments have fixed maturities, and it is the Company's intention to hold these investments to maturity. Held-to-maturity investments held by the Company are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments. They are held at fair value with changes in fair value taken through the financial assets reserve directly to other comprehensive income.

Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

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, reference to similar instruments and option pricing models.

1. Statement of significant accounting policies continued

Impairment of financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

The carrying amount of financial assets including uncollectible trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in the financial assets reserve in other comprehensive income.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed is recognised in profit or loss.

h. 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 reporting date.

Deferred income tax is provided on all temporary differences at the reporting 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 reporting 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 reporting 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.

Notes to the Financial Statements continued

For the financial year ended 30 June 2014

1. Statement of significant accounting policies continued

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 reporting 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 controlled entities 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.

i. 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 Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows 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.

j. 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 basis for in-house software, and diminishing value basis for all other assets, over the estimated useful life of the assets. The useful life of the assets is as follows:

Buildings – 20 years
Plant and equipment – 2.5 - 20 years
Motor vehicles – 8 years
Leasehold property – 1 - 4.5 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 Statement of Profit or Loss and Other Comprehensive Income.

1. Statement of significant accounting policies continued

k. Impairment of Non-Financial Assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. 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 for which the estimates of future cash flows have not been adjusted.

Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Profit or Loss and Other Comprehensive Income.

Impairment testing is performed annually for goodwill, intangible assets with indefinite lives and intangible assets not yet available for use. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

l. 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.

m. Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the Statement of Profit or Loss and Other Comprehensive Income, except where deferred in other comprehensive income as a qualifying cash flow or net investment hedge.

Exchange difference arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the gain or loss is directly recognised in other comprehensive income, otherwise the exchange difference is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Group companies

The financial results and position of foreign operations whose functional currency is different from the Company's presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- Income and expenses are translated at average exchange rates for the period, where this approximates the rate at the transaction date;
- Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Company's foreign currency translation reserve in the statement of financial position. These differences are recognised in the Statement of Profit or Loss and Other Comprehensive Income in the period in which the operation is disposed.

Notes to the Financial Statements continued

For the financial year ended 30 June 2014

1. Statement of significant accounting policies continued

n. Trade and other payables

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

o. Provisions

Provisions are recognised when the Company 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 Company 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 Statement of Profit or Loss and Other Comprehensive Income 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.

p. 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 settle within 12 months of the reporting date are recognised 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. Expenses 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 and measured as the present value of expected future payments to be made in respect of services provided by the employees up to the reporting date using the projected unit credit method. Consideration is given to the expected future wages 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.

q. Share-based payment transactions

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

The Company has established the ESOP 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 12.

The cost of equity-settled transactions is recognised as an expense in the Statement of Profit or Loss and Other Comprehensive Income, 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.

r. 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.

s. 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.

1. Statement of significant accounting policies continued

t. 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 Company.

Key Estimates — Exploration and evaluation

The Company's policy for exploration and evaluation is discussed in note l. 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 Statement of Profit or Loss and Other Comprehensive Income.

Key Estimates — Asset Acquisition – Lake Maitland

The Company assessed the application of IFRS 3.B7-B12 on the definition of a business to determine the appropriate accounting treatment for the acquisition of Mega Uranium Limited and the Lake Maitland assets. The Company has not acquired a business that maintains significant associated processes and has not obtained an asset with sufficient drilling and evaluation results that would allow for a producing status. On this basis management believe it appropriate that the acquisition of Mega Uranium Ltd did not meet the requirements of AASB 3 and has been accounted for as an asset acquisition in accordance with AASB 116.

u. Comparative figures

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation in the current financial year.

2. Asset acquisition

On 19 November 2013 the Company completed the acquisition of the Lake Maitland Uranium Project and associated assets from Mega Uranium Ltd for the consideration of 415M the Company's ordinary shares. In accordance with AASB 3, the acquisition is an asset acquisition and not a business combination.

From this transaction, the Company now has a 100% interest in Redport Exploration Pty Ltd. Redport Exploration Pty Ltd has two wholly owned subsidiaries; Mega Stations Holdings Pty Ltd and Mega Lake Maitland Pty Ltd.

The values ascribed to the assets purchased in the transaction were as follows:

Fair value of consideration transferred (415,000,000 shares issued at $0.084)	$34,860,000
Allocated to the following:	
Exploration and evaluation assets	$32,153,263
Property plant and equipment	$1,352,191
Cash and cash deposits	$1,500,000
Net of tenement rates, rentals & bonds settlement	($145,454)
	$34,860,000

On 28 November 2013 Toro issued a further 7,946,777 ordinary shares @ $0.08 per share for $635,742 as part payment of professional fees due on completion of the Lake Maitland transaction. These costs have been capitalised against the Lake Maitland exploration and evaluation assets.

3. Segment information

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision maker, the Company's Managing Director, in order to allocate resources to the segments and to assess its performance.

The Company's reportable segments under AASB 8 are as follows:

- Project Evaluation; and
- Exploration.

Information regarding these segments is presented below. The accounting policies of the reportable segments are the same as the Company's accounting policies.

Notes to the Financial Statements continued

For the financial year ended 30 June 2014

3. Segment information continued

	CONTINUING OPERATIONS		CONSOLIDATED
	Evaluation $	Exploration $	Revenue & loss for the year $
30-Jun-14			
Segment Revenue	-	-	-
Revenue from Other Segments	425,024	-	425,024
Segment Impairment Expense	-	(2,560,417)	(2,560,417)
Segment Depreciation Expense	(721,708)	(43,883)	(765,591)
Expenses from Other Segments	(32,043)	-	(32,043)
Segment Result before tax	(721,708)	(2,605,908)	(8,094,135)
Segment Result before tax from Other Segments	(4,766,519)	-	(4,766,519)
Income Tax expense	-	-	-
Segment loss for the period	(5,488,227)	(2,605,908)	(8,094,135)
30-Jun-13			
Segment Revenue	-	-	-
Revenue from Other Segments	345,612	-	345,612
Segment Impairment Expense	-	(2,824,564)	(2,824,564)
Segment Depreciation Expense	(357,683)	(52,729)	(410,412)
Expenses from Other Segments	(84,341)	-	(84,341)
Segment Result before tax	(357,683)	(2,877,293)	(6,886,942)
Segment Result before tax from Other Segments	(3,651,966)		-
Income Tax expense	-	-	-
Segment loss for the period	(4,009,649)	(2,877,293)	(6,886,942)

The revenue reported above represents revenue generated from interest received.

There were no intersegment sales during the year.

The following is an analysis of the Company's assets by reportable operating segment:

	CONTINUING OPERATIONS		CONSOLIDATED
	Evaluation $	Exploration $	Total Assets $
30-Jun-14	125,125,025	12,436,461	137,561,486
30-Jun-13	88,524,187	13,511,242	102,035,429

4. Revenue and expenses

	CONSOLIDATED	
	2014 $	**2013 $**
(a) Other income		
Bank interest received or receivable	**322,976**	342,363
Net gain on disposal of equipment	**1,049**	3,249
Net gain on disposal of tenements	**100,000**	-
Other income	**999**	-
	425,024	345,612
(b) Expenses		
Impairment of non-current assets		
Impairment of exploration expenditure[1]	**2,560,417**	2,824,564
Total impairment of non-current assets	**2,560,417**	2,824,564
[1] Includes the surrender of 23 tenements (2013: 24 tenements).		
Depreciation of non-current assets		
Leasehold Property	**561,261**	222,039
Buildings	**12,352**	13,354
Plant and equipment	**196,445**	214,582
Motor vehicles	**27,576**	44,778
Total depreciation	**797,634**	494,753
Finance expenses		
Amortisation of Macquarie Facility Borrowing Costs	**1,565,828**	383,550
Interest expense - Macquarie Debt Facility	**859,271**	255,092
Total borrowing costs	**2,425,099**	638,642
(c) Employees benefits expense		
Wages, salaries, directors fees and other remuneration expenses	**2,016,703**	2,902,763
Workers' compensation levies	**7,882**	59,179
Superannuation costs	**184,083**	257,004
Payroll Tax	**107,171**	143,523
Redundancies	**67,311**	297,281
Transfer to annual leave provision	**119,138**	192,067
Transfer to long service leave provision	**8,832**	(99,674)
Share-based payments expense	**337,667**	4,249
Transfer to capitalised tenements	**(1,541,850)**	(2,175,944)
	1,306,937	1,580,448

Notes to the Financial Statements continued

For the financial year ended 30 June 2014

4. Revenue and expenses continued

	CONSOLIDATED	
	2014 $	**2013 $**
(d) Other expenses		
Promotion and advertising	**78,371**	89,187
Recruitment expenses	**13,891**	54,568
Travelling expenses	**78,875**	126,045
Securities exchange and share registry fees	**126,429**	178,557
Audit fees	**31,949**	32,350
Accounting and secretarial support	**36,888**	65,156
Conference expenses	**37,954**	58,931
Insurance costs	**105,195**	99,894
Consulting fees	**279,936**	311,494
Legal fees	**111,958**	79,793
Subscriptions	**26,746**	55,221
Rent and utility expenses	**138,269**	205,846
AGM, EGM and annual report expenses	**58,983**	52,793
Net loss on disposal of property, plant & equipment	**3,459**	133,631
Other expenses	**300,169**	150,681
	1,429,072	1,694,147

5. Income tax

The major components of income tax expense are:

	CONSOLIDATED	
	2014 $	2013 $
Current income tax		
Current income tax charge	-	-
Income tax expense	-	-
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 loss before income tax	**(8,094,135)**	(6,886,942)
At the Group's statutory income tax rate of 30% (2013: 30%)	**(2,428,241)**	(2,066,083)
Immediate write off of capital expenditure	**(1,762,912)**	(2,345,903)
Expenditure not allowable for income tax purposes	**1,292,397**	1,528,208
Other deductible items	**(197,142)**	(137,142)
Tax losses not recognised due to not meeting recognition criteria	**3,217,418**	2,773,871
Reversal of temporary differences	**(121,520)**	247,049
Total income tax expense	-	-

The Group has tax losses arising in Australia of $137,114,513 (2013: $126,389,789) that are available indefinitely (subject to certain conditions) 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 controlled entities are part of a tax consolidated group.

6. Earnings per share

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

	CONSOLIDATED	
	2014 $	2013 $
Net loss attributable to ordinary equity holders of the Company	**(8,094,135)**	(6,886,942)
Weighted average number of ordinary shares for basic earnings per share	**1,340,095,942**	1,041,936,676

In accordance with AASB 133 'Earnings per Share', as potential ordinary shares are only dilutive when their conversion to ordinary shares would increase earnings per share or decrease loss per share from continuing operations, no dilutive effect has been taken into account in 2014.

Notes to the Financial Statements continued

For the financial year ended 30 June 2014

7. Cash and cash equivalents

	CONSOLIDATED	
	2014 $	**2013 $**
Cash at bank and in hand	**1,051,347**	844,118
Short-term deposits	**6,100,000**	10,400,000
	7,151,347	11,244,118

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and six months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates. Refer Note 21.

	CONSOLIDATED	
	2014 $	**2013 $**
Reconciliation of net loss after tax to net cash flows from operations		
Net loss	**(8,094,135)**	(6,886,942)
Adjustments for non-cash items:		
Depreciation	**797,634**	494,753
Amortisation of Macquarie options	**1,565,828**	383,550
Impairment of non-current assets	**2,560,417**	2,824,564
Net (profit)/loss on disposal of property, plant and equipment	**5,798**	139,028
(Profit) on sale on exploration tenements	**(100,000)**	
Tax expenses recognised in profit & loss	**-**	-
Exploration activities expensed	**275,636**	110,118
Share based payments	**337,667**	4,249
Changes in assets and liabilities		
(Increase)/Decrease in trade and other receivables	**288,757**	(213,298)
(Increase)/Decrease in accrued income	**7,535**	53,050
(Increase)/Decrease in prepayments	**67,527**	(5,271)
Increase/(Decrease) in trade and other payables	**(656,922)**	(1,832,784)
Increase/(Decrease) in employee provisions	**(75,493)**	(159,549)
Movement in trade payables treated as investing activities	**464,486**	2,422,099
Net cash (outflow) from operating activities	**(2,555,265)**	(2,666,433)

8. Trade and other receivables

	CONSOLIDATED	
	2014 $	**2013 $**
Sundry receivables (i)	**33,920**	298,281
Goods and services tax receivable	**173,562**	197,958
	207,482	496,239

(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. As at 30 June 2014 the Company did not have any trade receivables which were outside normal trading terms (past due but not impaired).

Information regarding the credit risk of current receivables is set out in note 21.

9. Other current assets

	CONSOLIDATED	
	2014 $	**2013 $**
Prepayments	**8,513**	76,039
Accrued income	**18,953**	26,488
	27,466	102,527

Notes to the Financial Statements continued

For the financial year ended 30 June 2014

10. Property plant & equipment

	CONSOLIDATED				
	Plant & equipment $	Motor Vehicles $	Leasehold Property $	Buildings $	Total $
30 JUNE 2014					
At Cost					
1 July – opening	1,670,788	321,523	1,200,000	200,000	3,392,311
Additions	502,564	-	1,090,830	-	1,593,394
Disposals	(44,440)	-	-	-	(44,440)
30 June – closing	2,128,912	321,523	2,290,830	200,000	4,941,265
Accumulated Depreciation					
1 July – opening	(962,165)	(156,240)	(755,921)	(35,312)	(1,909,638)
Additions	(158,362)	-	-	-	(158,362)
Disposals	32,891	-	-	-	32,891
Depreciation expense	(196,445)	(27,576)	(561,261)	(12,352)	(797,634)
30 June – closing	(1,284,081)	(183,816)	(1,317,182)	(47,664)	(2,832,743)
Property Plant & Equipment					
At Cost	2,128,912	321,523	2,290,830	200,000	4,941,265
Accumulated depreciation	(1,284,081)	(183,816)	(1,317,182)	(47,664)	(2,832,743)
Net carrying amount	844,831	137,707	973,648	152,336	2,108,522
30 JUNE 2013					
At Cost					
1 July – opening	2,000,713	503,605	1,200,000	200,000	3,904,318
Additions	93,041	-	-	-	93,041
Disposals	(422,966)	(182,082)	-	-	(605,048)
30 June – closing	1,670,788	321,523	1,200,000	200,000	3,392,311
Accumulated Depreciation					
1 July – opening	(1,072,062)	(215,073)	(533,882)	(21,958)	(1,842,975)
Disposals	324,479	103,611	-	-	428,090
Depreciation expense	(214,582)	(44,778)	(222,039)	(13,354)	(494,753)
30 June – closing	(962,165)	(156,240)	(755,921)	(35,312)	(1,909,638)
Property Plant & Equipment					
At Cost	1,670,788	321,523	1,200,000	200,000	3,392,311
Accumulated depreciation	(962,165)	(156,240)	(755,921)	(35,312)	(1,909,638)
Net carrying amount	708,622	165,283	444,079	164,688	1,482,673

Leasehold property represents pastoral leases acquired by the Company in 2010/11 and 2013/14. The purchase prices of all pastoral leases are amortised over their lease periods. All pastoral leases expire on June 2015.

11. Exploration and evaluation assets

	CONSOLIDATED	
	2014 $	**2013 $**
Balance at beginning of financial year	**88,709,872**	83,714,760
Share acquisition & costs – Lake Maitland (1)	**32,789,005**	-
Cash acquisition costs – Lake Maitland (2)	**3,243,800**	-
Impairment of exploration expenditure (3)	**(2,560,417)**	(2,824,564)
Other Expenditure during the year	**5,884,409**	7,819,676
	128,066,669	88,709,872

1. Lake Maitland share based acquisition and transactions costs. Further details at Note 2.
2. Capitalised cash costs of the Lake Maitland acquisition including stamp duty of $1.8M.
3. Impairment as a result of surrendered exploration tenements.

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.

12. Share-based payments

Employee Share Option Plan (ESOP)

The Company has an established ESOP 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 Company, 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 between 3 and 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 1 month 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 Australian Securities Exchange Listing Rules.

The expense recognised in the Statement of Profit or Loss and Other Comprehensive Income in relation to share-based payments is disclosed in note 4(c).

Notes to the Financial Statements continued

For the financial year ended 30 June 2014

12. Share-based payments continued

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

	2014 No.	2014 WAEP	2013 No.	2013 WAEP
Outstanding at the beginning of the year	135,023,051	0.28	37,025,000	0.28
Granted during the year	5,750,000	0.11	102,358,051	0.12
Cancelled during the year	(6,840,000)	0.26	(4,360,000)	0.72
Outstanding at the end of the year	133,933,051	0.27	135,023,051	0.28
Exercisable at the end of the year	133,933,051	0.27	135,023,051	0.20

The outstanding balance as at 30 June 2014 is represented by:

Issue Date	Expiry Date	Exercise Price	Balance at 1 July 2013	Net Issued/(lapsed) during Year	Balance at 30 June 2014
Options					
07/08/2008	06/08/2013	$0.55	850,000	(850,000)	-
18/12/2008	17/12/2013	$0.25	1,665,000	(1,665,000)	-
09/11/2009	19/03/2014	$0.25	1,000,000	(1,000,000)	-
03/02/2010	02/02/2015	$0.22	5,555,000	(1,435,000)	4,120,000
04/01/2011	03/01/2016	$0.22	4,270,000	(590,000)	3,680,000
26/05/2011	25/05/2016	$0.15	250,000	-	250,000
26/05/2011	25/05/2016	$0.22	250,000	-	250,000
01/07/2011	30/06/2016	$0.11	750,000	-	750,000
01/07/2011	30/06/2016	$0.22	500,000	-	500,000
01/07/2011	30/06/2016	$0.25	750,000	-	750,000
01/08/2011	31/07/2016	$0.13	10,300,000	(1,000,000)	9,300,000
26/08/2011	25/08/2016	$0.13	525,000	(300,000)	225,000
30/11/2011	11/01/2016	$0.22	5,000,000	-	5,000,000
30/11/2011	11/01/2016	$0.30	1,000,000	-	1,000,000
02/11/2012	01/11/2015	$0.12	24,390,244	-	24,390,244
06/03/2013	04/03/2016	$0.14	42,253,521	-	42,253,521
27/06/2013	26/05/2016	$0.08	35,714,286	-	35,714,286
17/01/2014	16/01/2017	$0.11	-	5,750,000	5,750,000
			135,023,051	(1,090,000)	133,933,051

12. Share-based payments continued

The weighted average remaining contractual life for the share options outstanding as at 30 June 2014 is 1.71 years (2013: 2.60 years). The range of exercise prices for options outstanding at the end of the year was \$0.08 - \$0.30 (2013: \$0.08 - \$0.55). The weighted average fair value of options granted during the year was \$0.11 (2013: \$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 2014 and 30 June 2013:

	2014	2013
Volatility (%)	50.42%	60.72%
Risk-free interest rate (%)	3.90%	3.41%
Expected life of option (years)	3.00	3.00

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.

Management Performance Rights Plan (MPRP)

The Company has an established MPRP 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 Company, although the Board may waive this requirement;
- Performance rights 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;
- A performance right is a right to acquire one fully paid ordinary share in the Company subject to satisfaction of performance conditions, and will expire at the conclusion of the performance period. No consideration is payable by a participant in respect of the grant of performance rights, nor is any amount payable upon the vesting of the rights, or the subsequent issue of shares in respect of them;
- Performance rights are issued on terms that impose a real risk of forfeiture and cessation to the participants if the performance conditions are not met or the participant acts fraudulently or dishonestly, or if the participant ceases to be an eligible employee;
- The total number of shares the subject of performance rights 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;
- Granted performance rights will lapse on the earliest occurance of the following:
  - Expiry date if performance condition not met,
  - Fraudulent/dishonest actions or in breach of obligation to the Company,
  - Ceasing employment with the Company other than by retirement, permanent disability, redundancy or death;
- The Plan does not allow participants to transfer performance rights unless the Board gives its prior written consent;
- Shares issued as a result of the vesting of performance rights will rank equally with the Company's previously issued shares.

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

The expense recognised in the Statement of Profit or Loss and Other Comprehensive Income in relation to share-based payments is disclosed in note 4(c).

Notes to the Financial Statements continued

For the financial year ended 30 June 2014

12. Share-based payments continued

The outstanding balance as at 30 June 2014 is represented by:

Number of Rights Granted	Date of grant	Date of vesting	Expiry Date	Share price on grant date	Probability factor for conditions to be met	Value of rights	Financial year for value allocation
4,167,746	28/11/2013	30/06/2014	30/09/2016	0.081	50%	168,793.71	2013/2014
4,167,746	28/11/2013	1/07/2015	30/09/2016	0.081	50%	168,793.71	2014/2015
4,167,746	28/11/2013	1/07/2016	30/09/2016	0.081	50%	168,793.71	2015/2016
12,503,238							

The fair value of the performance rights granted under the performance rights plan to date have been calculated using the Company's share price at grant date and then applying a 50% probability factor of the vesting conditions being met.

13. Trade and other payables

	CONSOLIDATED	
	2014 $	**2013 $**
Trade payables (i)	**242,360**	756,933
Other payables (ii)	**94,373**	87,629
Accrued Expenses	**160,550**	251,947
Interest payable (iii)	**197,397**	255,093
	694,680	1,351,602

(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.
(iii) Interest payable relates to the Macquarie Debt Facility

Information regarding the credit risk of current payables is set out in note 21.

14. Provisions

	CONSOLIDATED 2014 $	2013 $
Short-term provisions		
Annual leave provision		
Opening Balance	**150,934**	210,809
Movement during year	**(38,025)**	(59,875)
Closing Balance 30 June	**112,909**	150,934
Long-term provisions		
Long Service Leave:		
Opening Balance	**83,435**	183,109
Movement during year	**(37,468)**	(99,674)
Closing Balance 30 June	**45,967**	83,435

15. Borrowings

	Effective Interest Rate	Maturity	CONSOLIDATED 2014 $	2013 $
BORROWINGS				
Non-current				
Other loans:				
A$12m Macquarie Debt Facility	7.60%	1-Mar-16	**12,000,000**	12,000,000
Less: Transaction costs			**(4,559,090)**	(4,559,090)
Add : Ammortised transaction costs			**1,949,377**	383,550
			9,390,287	7,824,460

The principles used to account for the Macquarie Debt Facility are consistent with AASB 139 'Financial Instruments: Recognition and Measurement', and are referred to within the Statement of Significant Accounting Policies at note 1 paragraph c.

The $12,000,000 Macquarie Debt Facility is a secured loan with a term of three years. Toro is obliged to repay the loan in full on or before March 2016 (the three year expiry date), in the event of a sale of its interest in the Wiluna Project or when it undertakes a loan drawdown in respect of any project funding of the Wiluna Project. The interest rate applicable to the loan is at the Australian bank bill rate plus a fixed margin.

In line with the terms of the Facility, Toro issued 3 tranches of 3 year options to Macquarie at an exercise price at a 20% premium to Toro's 30 day volume weighted average share price ("30 day VWAP") at the time of each tranche issued. Should all the options be exercised, the funds raised would be equivalent to the A$12m face value of the facility. Under the terms of the Facility, any proceeds from the exercise of the options must be directed towards the repayment of the outstanding loan balance.

In respect of any other asset sales, Toro is obliged to direct 50% of any cash proceeds towards loan repayments when asset sales in aggregate have exceeded A$2.0 million.

Refer to the Statement of Significant Accounting Policies 1, 'Borrowings' at Note 1(c), for a description of the accounting treatment of the Macquarie Debt Facility.

Notes to the Financial Statements continued

For the financial year ended 30 June 2014

16. Issued capital

	CONSOLIDATED	
	2014 $	**2013 $**
Ordinary Shares	**260,037,908**	217,588,796
	260,037,908	217,588,796

	Number*	**$**
Ordinary shares		
Balance at beginning of financial year	**139,610,410**	217,588,796
Shares issued for Lake Maitland acquisition	**415,000,000**	34,860,000
Capital Raising – Share placement @ 8c	**25,000,000**	2,000,000
Share Based Payment – LM Acquisition Costs @ 8c	**7,946,777**	635,742
Capital Raising – Share placement @ 7.3c	**13,698,630**	1,000,000
Capital Raising – Share placement @ 6.9c	**14,409,222**	1,000,000
Capital Raising – Share placement @ 6.4c	**39,026,277**	2,500,000
Capital Raising – Share placement @ 5.9c	**8,474,576**	500,000
Costs of capital raising (net of tax)	**-**	(46,630)
Balance at end of year	**663,165,892**	260,037,908

	LEGAL PARENT ENTITY	
	2014 Number	**$**
Ordinary shares		
Balance at beginning of financial year	**1,041,936,676**	357,368,972
Shares issued for Lake Maitland acquisition	**415,000,000**	34,860,000
Capital Raising – Share placement @ 8c	**25,000,000**	2,000,000
Share Based Payment – LM Acquisition Costs @ 8c	**7,946,777**	635,742
Capital Raising – Share placement @ 7.3c	**13,698,630**	1,000,000
Capital Raising – Share placement @ 6.9c	**14,409,222**	1,000,000
Capital Raising – Share placement @ 6.4c	**39,026,277**	2,500,000
Capital Raising – Share placement @ 5.9c	**8,474,576**	500,000
Costs of capital raising (net of tax)	**-**	(46,630)
Balance at end of year	**1,565,492,158**	399,818,084

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

* Under AASB 3 the acquisition of Nova Energy Ltd in 2007 was deemed a 'reverse acquisition' and Toro Energy's legal subsidiary Nova Energy Pty Ltd is considered the parent for accounting consolidation purposes. As shares in Nova Energy are not listed or publicly traded the consolidated view does not detail the volume of shares relative to transactions subsequent to the acquisition. The legal parent entity Toro Energy Limited has been included to provide details of the volume of shares on issue at 30 June 2014.

17. Reserves

	CONSOLIDATED 2014 $	2013 $
Reserves		
Opening Balance	**6,822,418**	6,822,418
Options issued	**122,475**	-
Options cancelled/expired	**(689,045)**	-
Performance rights issued	**168,794**	-
Shares issued – STI(1)	**46,398**	-
Closing Balance	**6,471,040**	6,822,418

(1) Shares issued as part of Short-Term Incentive to Managing Director that requires shareholder approval prior to the allotment of shares.

Nature and purpose of reserves

Share Options and Performance Rights Issued

Recorded values of options and performance rights provided to either employees, directors or third parties as part remuneration or other transaction consideration.

Shares Issued – STI

Recorded value of shares agreed to be provided to either employees, directors or third parties as part remuneration or other transaction consideration, but at the time of reporting had not been issued.

18. Commitments

	CONSOLIDATED 2014 $	2013 $
Operating leases		
Not longer than 1 year	**232,774**	272,538
Longer than 1 year and not longer than 5 years	**293,597**	21,480
	526,371	294,018

Terms of lease arrangements

The Company has an operating lease in place for its principal place of business in Perth which expires on 31 January 2017, with a two year renewal term until 31 January 2019. The remaining Company property leases are for terms of 1 year or less.

Exploration leases

As at 30 June 2014 the Company held Exploration Licences over 106 tenements. The rental, rates and statutory expenditure commitments required for these tenements are $6,981,241 within 1 year and $22,536,448 between 2 and 5 years.

The Company has various bank guarantees totalling $237,165 at 30 June 2014 which act as collateral over tenements which the Company operates.

Notes to the Financial Statements continued

For the financial year ended 30 June 2014

19. Auditors remuneration

	CONSOLIDATED	
	2014 $	**2013 $**
Audit or review of the financial report	**31,949**	32,350
	31,949	32,350

20. Controlled entities

Name of company	Country of incorporation	OWNERSHIP INTEREST 2014 %	OWNERSHIP INTEREST 2013 %
Parent entity			
Toro Energy Ltd (i)	Australia		
Subsidiaries			
Minotaur Uranium Pty Ltd (ii)	Australia	100	100
Oxiana Energy Pty Ltd (ii)	Australia	100	100
Nova Energy Pty Ltd (ii)	Australia	100	100
Nova Energy (Africa) Pty Ltd (ii)	Australia	100	100
Report Exploration Pty Ltd (ii)	Australia	100	0
Mega Lake Maitland Pty Ltd (ii)	Australia	100	0
Mega Stations Holding Pty Ltd (ii)	Australia	100	0

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

21. Financial instruments – fair values and risk management

Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

The three Levels of a fair value hierarchy are defined based on the observability of significant inputs to the measurement, as follows:

- level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly
- level 3: unobservable inputs for the asset or liability

21. Financial instruments – fair values and risk management continued

		CARRYING AMOUNT					FAIR VALUE			
	Note	AFS $'000	Held for Trading (FVTPL) $'000	Held to Maturity $'000	Loans and Receivables $'000	Total $'000	Level 1	Level 2	Level 3	Total
		(Carried at fair value)		(Carried at amortised cost)						
30 June 2014										
Financial Assets										
Cash and cash equivalents	7	-	-	-	7,151	7,151	-	-	-	-
Trade and other receivables	8	-	-	-	207	207	-	-	-	-
Other current assets	9	-	-	-	27	27	-	-	-	-
		-	-	-	7,386	7,386				

	Note		Designated at FVTPL $'000	Other Liabilities at FVTPL $'000	Other Liabilities $'000	Total $'000	Level 1	Level 2	Level 3	Total
			(Carried at fair value)		(Carried at amortised cost)					
30 June 2014										
Financial Liabilities										
Trade and other payables	13	-	-	-	(695)	(695)	-	-	-	-
Borrowings	15	-	-	-	(9,390)	(9,390)	-	(9,390)	-	(9,390)
		-	-	-	(10,085)	(10,085)				

		CARRYING AMOUNT					FAIR VALUE			
	Note	AFS $'000	Held for Trading (FVTPL) $'000	Held to Maturity $'000	Loans and Receivables $'000	Total $'000	Level 1	Level 2	Level 3	Total
30 June 2013										
Financial Assets										
Cash and cash equivalents	7	-	-	-	11,244	11,244	-	-	-	-
Trade and other receivables	8	-	-	-	496	496	-	-	-	-
Other current assets	9	-	-	-	103	103	-	-	-	-
		-	-	-	11,843	11,843				

Notes to the Financial Statements continued

For the financial year ended 30 June 2014

21. Financial instruments – fair values and risk management continued

	Note		Designated at FVTPL $'000	Other Liabilities at FVTPL $'000	Other Liabilities $'000	Total $'000	Level 1	Level 2	Level 3	Total
			(Carried at fair value)		(Carried at amortised cost)					
30 June 2013										
Financial Liabilities										
Trade and other payables	13	-	-	-	(1,352)	(1,352)	-	-	-	-
Borrowings	15	-	-	-	(7,824)	(7,824)	-	(7,824)	-	(7,824)
		-	-	-	(9,176)	(9,176)				

Financial risk management policies

The Board of directors are responsible for monitoring and managing financial risk exposures of the Company.

The main risks the Company are exposed to involve credit risk, capital risk, interest rate risk and liquidity risk.

Categories of financial instruments

The Company's financial instruments consist mainly of deposits with banks, accounts receivable and payable and leases.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	CONSOLIDATED 2014 $	2013 $
Financial assets		
Cash and cash equivalents	**7,151,347**	11,244,118
Trade and other receivables	**207,482**	496,239
Financial liabilities		
Trade and other payables	**694,680**	1,351,602
Obligations under hire purchase	**-**	-
Borrowings	**12,000,000**	12,000,000

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from activities.

21. Financial instruments – fair values and risk management continued

The Company does not have any significant credit risk exposure to any single counterparty or any Company of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk.

Capital risk management

The Company manages its capital to ensure that entities in the Company will be able to continue as a going concern while maximising the return to stakeholders.

The capital structure of the Company consists of cash and cash equivalents, borrowings and equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated losses as disclosed in the statement of changes in equity.

Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at reporting date whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

At reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Company's:

- Net profit would increase or decrease by $46,017 (2013: $70,531) which is attributable to the Company's exposure to interest rates on its variable bank deposits and the Macquarie Debt Facility.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of directors, who have built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves and investing surplus cash only in major financial institutions.

Liquidity and interest risk tables

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

	CONSOLIDATED			
	< 1 year $	> 1 - < 5 years $	Non-interest bearing $	Total $
Year ended 30 June 2014				
Financial liabilities				
Fixed rate	-	9,390,287	336,733	9,727,019
Weighted average effective interest rate	-	7.60%		
Year ended 30 June 2013				
Financial liabilities				
Fixed rate	-	7,824,460	844,562	8,669,021
Weighted average effective interest rate	-	-		

The following table details the Company's expected maturity for its non-derivative financial assets. The table below has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Company anticipates that the cash flow will occur in a different period.

Notes to the Financial Statements continued

For the financial year ended 30 June 2014

21. Financial instruments – fair values and risk management continued

	CONSOLIDATED			
	< 1 year $	> 1 - < 5 years $	Non-interest bearing $	Total $
Year ended 30 June 2014				
Financial assets				
Fixed rate	6,100,000	-	207,482	6,307,482
Weighted average effective interest rate	3.61%			
Floating rate				
Cash assets	1,051,347	-	-	1,051,347
Weighted average effective interest rate	2.85%			
Year ended 30 June 2013				
Financial assets				
Fixed rate	10,400,000	-	496,239	10,896,239
Weighted average effective interest rate	3.99%			
Floating rate				
Cash assets	844,118	-	-	844,118
Weighted average effective interest rate	2.60%			

22. Related party disclosure and key management personnel remuneration

Details of key management personnel's remuneration can be found under the remuneration report.

a) Controlled entities

Loans

At 30 June 2014 the Group consisted of Toro Energy Limited and its controlled entities Nova Energy Pty Ltd, Nova Energy (Africa) Pty Ltd, Minotaur Uranium Pty Ltd, Oxiana Energy Pty Ltd, Redport Exploration Pty Ltd, Mega Lake Maitland Pty Ltd and Mega Stations Holding Pty Ltd. Ownership interests in these controlled entities are set out in note 20.

Transactions between Toro Energy Limited and other entities in the 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 statement of financial position under non-current assets at note 23.

b) Other related party transactions

The Company is involved in no other related party transactions.

23. Parent entity information

Financial statements and notes for Toro Energy Limited, the legal parent entity, are provided below;

	PARENT	
	2014 $	**2013 $**
Financial position		
Current assets	7,352,332	11,842,882
Non-current assets	130,209,154	90,192,546
Total assets	**137,561,486**	**102,035,428**
Current liabilities	807,590	1,502,535
Non-current liabilities	9,436,254	7,907,895
Total liabilities	**10,243,844**	**9,410,430**
Shareholders equity		
Issued capital	399,818,083	357,368,972
Share Option Reserve	6,255,848	6,687,271
Performance Rights Reserve	168,794	-
Share Reverse – STI	46,398	-
Accumulated losses	(278,971,481)	(271,431,244)
Total equity	**127,317,642**	**92,624,999**
Financial performance		
Loss for the year	(8,094,135)	(6,741,902)

* Included in the loss for the current year is an impairment expense of $2,953,172 to reduce the book value of the investments in controlled entities. Whilst this impairment is required under Australian Accounting Standards (AASB 136), it does not impact the consolidated results and does not reflect any change in the underlying value of the consolidated exploration and development assets.

Guarantees entered into by the parent entity in relation to the debts of its controlled entities

At the time of reporting there were no guarantees entered into by the parent for its controlled entities.

Contingent liabilities of the parent entity

As at 30 June 2014 the legal Parent Entity, Toro Energy Limited held exploration Licenses over 33 tenements. The rental rates and statutory expenditure commitments required for these tenements are $1,804,450 within one year and $9,930,972 between two and five years.

Notes to the Financial Statements continued

For the financial year ended 30 June 2014

23. Parent entity information continued

Commitments for the acquisition of property, plant and equipment by the parent entity

	PARENT	
	2014 $	2013 $
Operating leases		
Not longer than 1 year	**232,774**	272,538
Longer than 1 year and not longer than 5 years	**293,597**	21,480
Longer than 5 years	**-**	-
	526,371	294,018
Hire purchase commitments		
Not longer than 1 year	**-**	-
Longer than 1 year and not longer than 5 years	**-**	-
	-	-
Less: future finance charges	**-**	-
	-	-

24. Events after the balance sheet date

There have been no other matters or circumstances that have arisen since the end of the financial year, that have significantly affected, or may significantly affect, the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial years.

Directors' Declaration

In accordance with a resolution of the directors of Toro Energy Limited (the Company), 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 2014 and of their performance for the year ended on that date; and
      ii. complying with Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001; and
      iii. complies with International Financial Reporting Standards as disclosed in note 1; 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.
2. The Managing Director and Chief Financial Officer have declared that:
   a. the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
   b. the financial statements and notes for the financial year comply with the Accounting Standards; and
   c. the financial statements and notes for the financial year give a true and fair view;
3. 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 2014.

On behalf of the Board

Dr Vanessa Guthrie
Managing Director

Signed this 19th day of September 2014

Independent Auditor's Report

Grant Thornton

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Independent Auditor's Report
To the Members of Toro Energy Limited

Report on the financial report

We have audited the accompanying financial report of Toro Energy Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply 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. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

Grant Thornton

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 Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion
In our opinion:

a the financial report of Toro Energy Limited is in accordance with the Corporations Act 2001, including:

  i giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

  ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report
We have audited the remuneration report included in pages 15 to 19 of the directors' report for the year ended 30 June 2014. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Independent Auditor's Report continued

Grant Thornton

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Toro Energy Limited for the year ended 30 June 2014, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

C A Becker
Partner - Audit & Assurance

Perth, 19 September 2014

Appendix 1

Competent/Qualified Persons' Statements

CP1: Wiluna Project Mineral Resources – 2012 JORC code compliant resource estimates – Centipede, Millipede, Lake Maitland, Lake Way, Dawson Hinkler and Nowthanna deposits

The information presented here that relates to Mineral Resources of the Centipede, Millipede, Lake Way, Lake Maitland, Dawson Hinkler and Nowthanna deposits is based on information compiled by Dr Greg Shirtliff of Toro Energy Limited (with the aid of Mega Uranium Limited geologists Mr Stewart Parker and Mr Robin Cox in the case of Lake Maitland) and Mr Robin Simpson and Mr Daniel Guibal of SRK Consulting (Australasia) Pty Ltd. Mr Guibal takes overall responsibility for the Resource Estimate, and Dr Shirtliff takes responsibility for the integrity of the data supplied for the estimation. Dr Shirtliff is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM), Mr Guibal is a Fellow of the AusIMM and Mr Simpson is a Member of the Australian Institute of Geoscientists (AIG) and they have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity they are undertaking to qualify as Competent Persons as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2012)'. The Competent Persons consent to the inclusion in this release of the matters based on the information in the form and context in which it appears.

CP2: Theseus Prospect – 2004 JORC code compliant resource estimate

The information presented here that relates to Mineral Resources of the Theseus Prospect is based on information compiled by Dr David Rawlings, formerly of Toro Energy Limited and Mr Michael Andrew of Optiro. Mr Andrew takes overall responsibility for the Resource Estimate, and Dr Rawlings takes responsibility for the integrity of the data supplied for the estimation. Dr Rawlings and Mr Andrew are Members of the Australasian Institute of Mining and Metallurgy (AusIMM) and they have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2004)'. The Competent Persons consent to the inclusion in this release of the matters based on the information in the form and context in which it appears.

CP3: Theseus Prospect – Exploration results in accordance with the 2004 JORC code

Information in this report relating to the Theseus Exploration Results is based on information compiled by Dr Greg Shirtliff, who is a Member of the Australasian Institute of Mining and Metallurgy. Dr Shirtliff is a full-time employee of Toro, and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr Shirtliff consents to the inclusion in this release of the matters based on his information in the form and context in which it appears.

Appendix 2

Toro Energy Global Resources

		Measured			Indicated			Total Measured and Indicated			Inferred			Total		
Deposit	JORC code	Ore Mt	Grade ppm	Metal Mlb's U_3O_8	Ore Mt	Grade ppm	Metal Mlb's U_3O_8	Ore Mt	Grade ppm	Metal Mlb's U_3O_8	Ore Mt	Grade ppm	Metal Mlb's U_3O_8	Ore Mt	Grade ppm	Metal Mlb's U_3O_8
June 30 2013 – The Wiluna Uranium Project (200ppm U_3O_8 cut-off)																
Centipede	2012	3.1	552	3.8	7.6	555	9.3	10.6	554	13.0	2.3	272	1.4	12.9	504	14.4
Lake Way	2012	-	-	-	2.6	492.0	2.8	2.6	492	2.8	7.4	544	8.9	10.0	531	11.6
Millipede	2012	-	-	-	1.8	412.0	1.6	1.8	413	1.6	5.5	533	6.5	7.3	503	8.1
Sub-total		**3.1**	**552**	**3.8**	**11.9**	**520**	**13.7**	**15.0**	**527**	**17.4**	**15.2**	**499**	**16.7**	**30.2**	**513**	**34.1**
Dawson Hinkler	2004	-	-	-	-	-	-	-	-	-	13.1	312	9.0	13.1	312	9.0
Nowthanna	2012	-	-	-	-	-	-	-	-	-	11.9	399	10.5	11.9	399	10.5
Total Regional Resource		**3.1**	**552**	**3.8**	**11.9**	**521**	**13.7**	**15.0**	**527**	**17.4**	**40.2**	**408**	**36.2**	**55.2**	**441**	**53.6**
June 2014 – The Wiluna Uranium Project (200ppm U_3O_8 cut-off)																
Centipede	2012	2.9	551	3.5	7.5	572	9.5	10.4	566.0	13.0	-	-	-	10.4	566	13.0
Lake Way	2012	-	-	-	10.3	545	12.3	10.3	545	12.3	-	-	-	10.3	545	12.3
Millipede	2012	-	-	-	4.5	530	5.3	4.5	530	5.3	1.9	382	1.6	6.4	486	6.9
Lake Maitland	**2012**	**-**	**-**	**-**	**19.9**	**555**	**24.3**	**19.9**	**555**	**24.3**	**-**	**-**	**-**	**19.9**	**555**	**24.3**
Sub-total		2.9	551	3.5	42.2	553	51.4	45.1	553	55.0	1.9	382	1.6	47.0	546	56.6
Dawson Hinkler	2004	-	-	-	8.4	336	6.2	8.4	336	6.2	5.2	282	3.2	13.6	315	9.4
Nowthanna	2012	-	-	-	-	-	-	-	-	-	11.9	399	10.5	11.9	399	10.5
Total Regional Resource		**2.9**	**551**	**3.5**	**50.6**	**517**	**57.7**	**53.5**	**519**	**61.2**	**19.0**	**365**	**15.3**	**72.5**	**479**	**76.5**
Material Change between June 2013 and June 2014																
Centipede	2012	-0.2	-1	-0.3	-0.1	17	0.2	-0.2	12.0	0.0	-2.3	-272	-1.4	-2.5	62.0	-1.4
Lake Way	2012	-	-	-	7.7	53	9.5	7.7	53	9.5	-7.4	-544	-8.9	0.4	14.0	0.7
Millipede	2012	-	-	-	2.7	118	3.7	2.7	118	3.7	-3.6	-151.0	-4.9	-0.9	-18.0	-1.2
Lake Maitland	2012	-	-	-	19.9	555	24.3	19.9	555	24.3	-	-	-	19.9	555	24.3
Sub-total		**-0.2**	**-1**	**-0.3**	**30.2**	**33**	**37.7**	**30.1**	**26**	**37.5**	**-13.3**	**-116.7**	**-15.1**	**16.8**	**33**	**22.5**
Dawson Hinkler	2004	-	-a	-	8.4	336	6.2	8.4	336	6.2	-7.9	-30.0	-5.8	0.5	3	0.4
Nowthanna	2012	-	-	-	-	-	-	-	-	-	0.0	0	0.0	0.0	0	0.0
Total Regional Resource		**-0.2**	**-1**	**-0.3**	**39.2**	**-4**	**43.9**	**38.5**	**-8**	**43.7**	**-21.2**	**-43.0**	**-20.9**	**17.3**	**38**	**22.9**

The overall regional resource (metal) increased by 43% between 2013 and 2014 due to the acquisition of Lake Maitland. The 2013 drilling program at Millipede, Lake Way and Dawson Hinkler increased the confidence in the resource by increasing the amount of resource classified as Measured and Indicated by 111%, in addition to the acquisition of Lake Maitland . Importantly, in the areas drilled, grade also improved along with the increased drilling and improved classification; the Measured and Indicated proportion of Millipede saw a 29% increase in grade and that of Lake Way saw an 11% increase in grade.

Appendix 2 continued

Toro Energy Global Resources

Deposit	JORC code	Measured			Indicated			Total Measured and Indicated			Inferred			Total		
		Ore Mt	Grade ppm	Metal Mlb's U_3O_8	Ore Mt	Grade ppm	Metal Mlb's U_3O_8	Ore Mt	Grade ppm	Metal Mlb's U_3O_8	Ore Mt	Grade ppm	Metal Mlb's U_3O_8	Ore Mt	Grade ppm	Metal Mlb's U_3O_8
June 30 2013 – The Theseus Prospect (200ppm U_3O_8 cut-off)																
Theseus	2004	-	-	-	-	-	-	-	-	-	6.3	493	6.9	6.3	493	6.9
June 2014 – The Theseus Prospect (200ppm U_3O_8 cut-off)																
Theseus	2004	-	-	-	-	-	-	-	-	-	6.3	493	6.9	6.3	493	6.9
Material Change between June 2013 and June 2014																
Theseus	2004	-	-	-	-	-	-	-	-	-	0.0	0	0.0	0.0	0	0.0

There was no material change at Theseus.

Tonnes and pounds are quoted to one decimal place which may cause rounding errors when tabulating.

Refer to Appendix 1 for Competent/Qualified Persons' statements relating to the above mineral resources of the Wiluna Uranium Project and Theseus Prospect.

Governance and internal controls relevant to the integrity of Toro Energy's resource estimations on the Wiluna Project's uranium resources can be found in the competent/qualified persons' statements of appendix 1 and in the latest JORC Table 1 submitted with the ASX announcement of 18th September 2014.

It is important to note that there has been no material change to the Wiluna resources since the ASX announcement on 20th November 2013.

Current Tenement Status

Tenement	Area km²	Holder
WILUNA PROJECT (WA)		
E36/0750	16.2	Toro Energy Ltd
E37/0970	16.2	Redport Exploration
E37/0971	21.6	Redport Exploration
E37/1144	110.7	Redport Exploration
E37/1145	189	Redport Exploration
E37/1146	189	Redport Exploration
E51/1072	94.5	Nova Energy Pty Ltd
E51/1075	29.7	Nova Energy Pty Ltd
E53/1026	8.1	Redport Exploration
E53/1060	5.4	Redport Exploration
E53/1099	5.4	Redport Exploration
E53/1132	35.1	Nova Energy Pty Ltd
E53/1136	67.5	Nova Energy Pty Ltd
E53/1169	13.5	Nova Energy Pty Ltd
E53/1181	91.8	Toro Energy Ltd
E53/1210	43.2	Redport Exploration
E53/1211	40.5	Redport Exploration
E53/1213	113.4	Redport Exploration
E53/1214	10.8	Redport Exploration
E53/1221	21.6	Toro Energy Ltd
E53/1254	37.8	Nova Energy Pty Ltd
E53/1287	27	Nova Energy Pty Ltd
E53/1288	18.9	Nova Energy Pty Ltd
E53/1296	2.7	Nova Energy Pty Ltd
E53/1524	16.2	Toro Energy Ltd
E53/1555	21.6	Nova Energy Pty Ltd
E53/1593	13.5	Toro Energy Ltd
E53/1594	5.4	Toro Energy Ltd
E53/1595	2.7	Toro Energy Ltd
E53/1596	2.7	Toro Energy Ltd
E53/1597	2.7	Toro Energy Ltd
E53/1598	45.9	Toro Energy Ltd
E53/1648	2.7	Toro Energy Ltd
E53/1649	8.1	Toro Energy Ltd
E53/1687	32.4	Nova Energy Pty Ltd
E53/1688	8.1	Nova Energy Pty Ltd
E53/1696	2.7	Nova Energy Pty Ltd
L53/0150	124.8	Nova Energy Pty Ltd
L53/0152	1162.89	Redport Exploration
L53/0158	4.0514	Redport Exploration
L53/0167	2.78	Redport Exploration
L53/0168	0.294	Redport Exploration
M53/0045	6.592	Nova Energy Pty Ltd
M53/0049	5.3995	Nova Energy Pty Ltd
M53/0113	4.856	Nova Energy Pty Ltd
M53/0121	6.585	Nova Energy Pty Ltd

Tenement	Area km²	Holder
WILUNA PROJECT (WA)		
M53/0122	9.1325	Nova Energy Pty Ltd
M53/0123	9.3155	Nova Energy Pty Ltd
M53/0147	6.501	Nova Energy Pty Ltd
M53/0224	8.732	Nova Energy Pty Ltd
M53/0253	9.704	Nova Energy Pty Ltd
M53/ 0336-a	5.6735	Nova Energy Pty Ltd
M53/0796	9.5545	Nova Energy Pty Ltd
M53/0910	2.1155	Nova Energy Pty Ltd
M53/1089	73.335	Redport Exploration
M53/1095	6.1	Nova Energy Pty Ltd
P37/6943	1.97	Redport Exploration
P53/1252	1.97	Redport Exploration
P53/1256	0.3817	Redport Exploration
P53/1350	0.99	Nova Energy Pty Ltd
P53/1351	0.17	Nova Energy Pty Ltd
P53/1352	0.22	Nova Energy Pty Ltd
P53/1355	1.75	Nova Energy Pty Ltd
P53/1356	1.64	Nova Energy Pty Ltd
P53/1357	1.92	Nova Energy Pty Ltd
P53/1358	1.92	Nova Energy Pty Ltd
P53/1359	1.87	Nova Energy Pty Ltd
P53/1360	1.78	Nova Energy Pty Ltd
P53/1369	1.41	Nova Energy Pty Ltd
P53/1370	1.87	Nova Energy Pty Ltd
P53/1371	1.87	Nova Energy Pty Ltd
P53/1372	1.48	Nova Energy Pty Ltd
P53/1373	1.66	Nova Energy Pty Ltd
P53/1374	1.7	Nova Energy Pty Ltd
P53/1396	1.92	Nova Energy Pty Ltd
P53/1397	1.44	Nova Energy Pty Ltd
	2862.643	
LAKE MACKAY PROJECT (WA)		
E80/3484	186.3	Nova Energy Pty Ltd
E80/3485	186.3	Nova Energy Pty Ltd
E80/3486	186.3	Nova Energy Pty Ltd
E80/3519	189	Nova Energy Pty Ltd
E80/3584	124.2	Nova Energy Pty Ltd
E80/3586	126.9	Nova Energy Pty Ltd
E80/3587	129.6	Nova Energy Pty Ltd
E80/3588	189	Nova Energy Pty Ltd
E80/4449	62.1	Nova Energy Pty Ltd
E80/4498	89.1	Toro Energy Ltd
E80/4607	151.2	Toro Energy Ltd
E80/4664	21.6	Toro Energy Ltd
E80/4747	143.1	Toro Energy Ltd
	1784.7	

Current Tenement Status continued

Tenement	Area km²	Holder
BENMARA (NT)		
EL28054	148.5	Toro Energy Ltd
EL28752	82.5	Toro Energy Ltd
EL28840	132	Toro Energy Ltd
	363	
BROWNS RANGE JV (NT)		
EL26270	264	Toro Energy Ltd
EL26271	495	Toro Energy Ltd
EL26286	198	Toro Energy Ltd
EL26635	141.9	Toro Energy Ltd
EL27000	59.4	Toro Energy Ltd
EL27001	211.2	Toro Energy Ltd
EL27590	56.1	Toro Energy Ltd
	1425.6	
REYNOLDS RANGE (NT)		
EL26987	719.4	Toro Energy Ltd
EL27301	425.7	Toro Energy Ltd
EL26287	95.7	Toro Energy Ltd
	1240.8	
WALABANBA HILLS JV (NT)		
EL26848	303.6	Toro Energy Ltd
EL27115	409.2	Toro Energy Ltd
EL27876	198	Toro Energy Ltd
	910.8	
WISO (NT)		
EL27123	821.7	Toro Energy Ltd
EL27138	749.1	Toro Energy Ltd
EL29395	811.8	Toro Energy Ltd
	2382.6	

ASX Additional Information

As at 2 October 2014

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 2 October 2014.

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

1,567,784,418 fully paid ordinary shares are held by 10,926 individual shareholders.

All issued ordinary shares carry one vote per share.

Options

133,933,051 unlisted options are held by 40 individual option holders.

Performance Rights

11,114,360 unlisted performance rights are held by 11 individual performance rights holders.

The number of holders, by size of holding, in each class are:

	Fully Paid Ordinary Shares	Unquoted Options	Unquoted Performance Rights
1 - 1,000	982	-	-
1,001 - 5,000	1,792	-	-
5,001 - 10,000	2,107	-	-
10,001 - 100,000	5,006	3	2
100,001 and over	1,039	37	9
	10,926	**40**	**11**

Holding less than a marketable parcel – 2,833

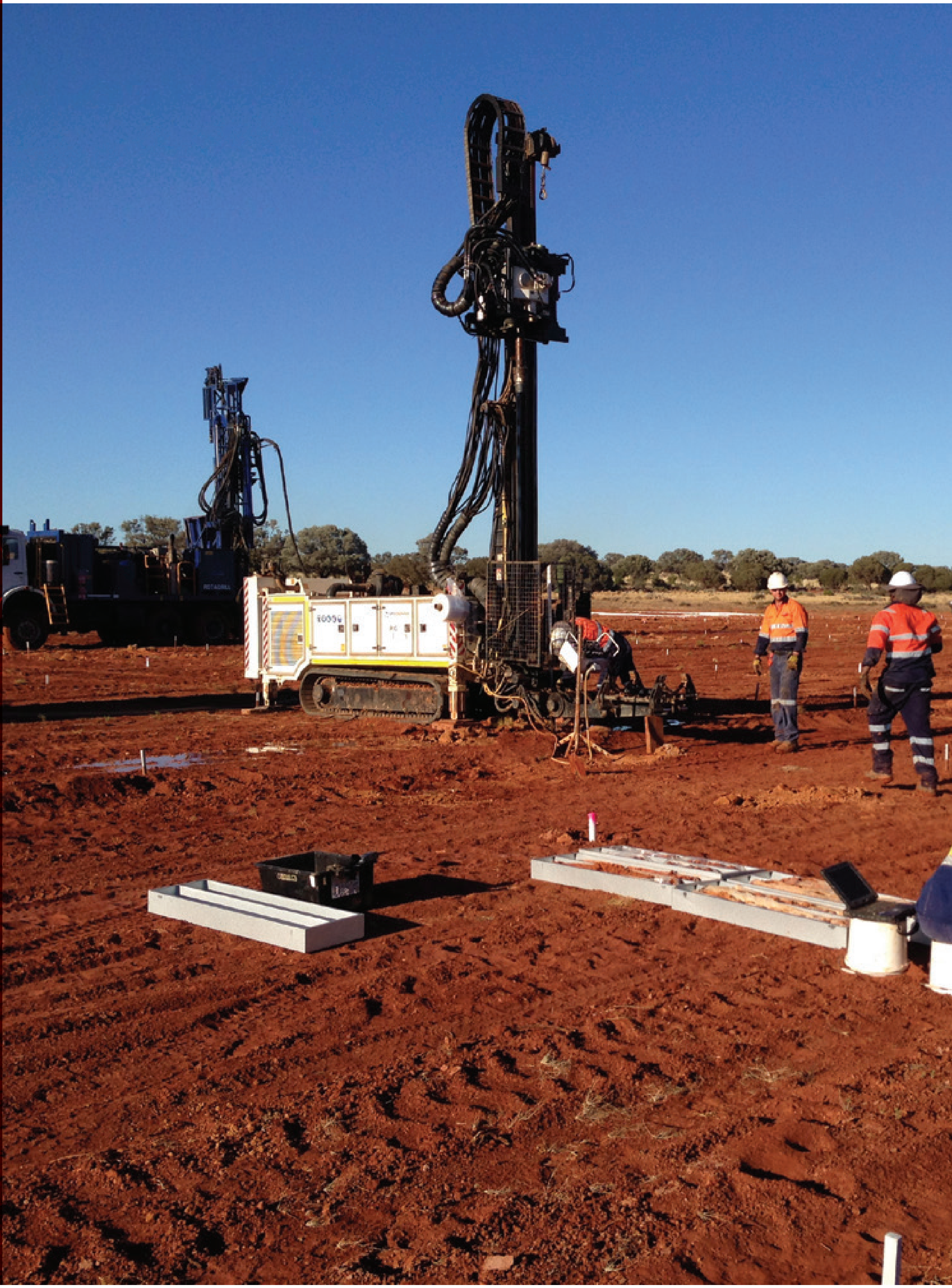
Substantial shareholders

Ordinary shareholders

	Fully Paid Number	Percentage
OZ Minerals Ltd	422,759,378	26.97
Mega Uranium Ltd	415,000,000	26.47

Twenty largest holders of quoted equity securities

	Ordinary Fully Paid Shares Units	% of issued capital
Oz Minerals Limited	422,759,378	26.97
Mega Uranium Limited	415,000,000	26.47
HSBC Custody Nominees (Australia) Limited	88,374,015	5.64
J P Morgan Nominees Australia Limited	27,862,395	1.78
Citicorp Nominees Pty Limited	25,115,266	1.60
Allarrow Pty Ltd	8,768,881	0.56
Almeranka Superannuation Pty Ltd <Almeranka Super A/C>	7,000,000	0.45
Mr William Thomas John	6,551,000	0.42
DMG & Partners Securities Pte Ltd <Clients A/C>	6,250,000	0.40
Mrs Christina Gail McMahon	4,558,333	0.29
Bell Potter Nominees Ltd <BB Nominees A/C>	4,487,500	0.29
Mr Zhao Song	3,951,130	0.25
TE & CG McMahon Nominees Pty Ltd <McMahon Super Fund No2 A/C>	3,942,728	0.25
Mr Terence Edwin McMahon	3,758,333	0.24
Yarraandoo Pty Ltd <Yarraandoo Super Fund A/C>	3,606,000	0.23
Arredo Pty Ltd	3,407,394	0.22
Citic Resources Australia Pty Ltd	3,386,025	0.22
Saggio Investments Pty Ltd <Saggio Investment A/C>	3,000,000	0.19
Mr Nazih Taleb & Mrs Salam Taleb <N & ST Super Fund A/C>	2,500,000	0.16
Mr Xiao Min Qiu & Mrs Bin Rong Cai	2,440,690	0.16
Total Top 20 Holders Of ORD	**1,046,719,068**	**66.76**
Total Remaining Holders Balance	**521,065,350**	**33.24**



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TORO
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