Toro Energy Limited

ABN 48 117 127 590

Half Year Report

for the half year ended 31 December 2014

Contents to Half Year Report

All values expressed in Australian Dollars unless otherwise indicated.
C$ = Canadian Dollars

Directors' Report

The directors of Toro Energy Limited ('Toro' or 'the Company') submit their report for the half-year ended 31 December 2014.

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

Directors

Ms Erica Smyth	Non Exec Chair	(Notice of resignation effective 16 March 2015)
Dr Vanessa Guthrie	Managing Director	
Mr Greg Hall	Non Exec Director	(Notice of resignation effective 16 March 2015)
Mr Peter Lester	Non Exec Director	(Resigned 17 November 2014)
Mr Andrew Coles	Non Exec Director	(Resigned 22 December 2014)
Mr Richard Patricio	Non Exec Director	
Mr Richard Homsany	Non Exec Director	
Mr Michel Marier	Non Exec Director	(Appointed 3 November 2014)
Mr John Cahill	Non Exec Director	(Appointed 5 January 2015)
Ms Fiona Harris	Non Exec Director	(Appointed 20 February 2015)

Company Secretary
Todd Alder

REVIEW OF OPERATIONS

Key Events

Key events over the period and up to the date of the report include:

- Environmental Scoping Document for the Wiluna Uranium Project extension approved by Environmental Protection Authority;
- Wiluna resource returns positive disequilibrium and drilling results at Millipede exceed expectations;
- JV's signed with Areva Australia and Rum Jungle Resources;
- Investment commitments by The Sentient Group of $20M and acquisition of Canadian-based uranium investments;
- Further capital raising agreements for $4.9M completed during the period; and
- Board restructure.

Operating Results for the Year

The Company's net loss after income tax was $18,635,137. Included in the loss were non-cash impairment expenses of $18,531,564 resulting from the impairment of the secured loan and convertible notes held in Strateco Resources Ltd ('Strateco'). The impairments of the financial instruments were required under the Accounting Standards however the Company notes that both the loan and notes are secured over the assets of Strateco including the Matoush Uranium Project.

Sentient Investment and Acquisition of Canadian Uranium Investments

During the December 2014 quarter Toro announced and completed a Subscription and Securities Sale Agreement (‘SSSA’) and a Unitisation Agreement with The Sentient Group (‘Sentient’).

Under the terms of the SSSA, Sentient agreed to subscribe for 125M new fully paid ordinary shares in Toro at 8 cents per share for $10M (‘Share Subscription’) and Toro acquired from Sentient:

- a 19.8% interest in Strateco Resources Ltd (‘Strateco’);
- a C$3M senior secured loan receivable in Strateco;
- C$14.1M of junior secured Convertible Notes in Strateco; and
- shares in European Uranium Resources and SeqUr Exploration.

The consideration paid for the Sentient Uranium Interests was 236.5M new fully paid ordinary shares in Toro (‘Consideration Shares’) to take place in two tranches. The Initial Consideration Shares totalling 177.4M new fully paid ordinary shares were allotted on 22 December 2014, and the balance of the 59.1M shares are to be issued subject to conditions which will be met or can be waived at Toro’s discretion on or before December 2015.

Toro Energy Canada Pty Ltd, a 100% owned subsidiary of Toro Energy Ltd, is the legal entity that acquired the Sentient assets.

In the preparation of the Company’s half year financial report the recoverable values for the loan and convertible note have been impaired due to the current financial standing of the issuer (Strateco).

It is noted however that the C$3M Loan and the C$14.1M Convertible Note are both secured over the Strateco company and assets, namely the Matoush Uranium project located in Quebec, Canada and that Toro continues its dialogue with Strateco concerning that company’s future direction and financial position.

Under the terms of the Unitisation Agreement Sentient provided Toro with interest free financing of $10M to be used for research and development activities for the Wiluna Project in return for a fee of a 2.5% of the gross proceeds from production of uranium on Toro’s Wiluna Project tenements. The $10M unitisation funding was received on 22 December 2014.

The Unitisation Agreement can be terminated by either party after three years (or earlier in certain circumstances, including a change in control of Toro). Upon termination, the unitisation fee is to be bought back by Toro at the higher of $10M less amounts paid under the Unitisation Agreement and the independently assessed fair market value of the unitisation fee at or around the time of termination. Toro may elect to satisfy the consideration payable on termination in cash or Toro Shares. Where consideration is paid in shares the share price is determined by a 7.5% discount to a 30 day volume weighted average price.

Wiluna Resource

A positive difference between geochemistry derived uranium values and gamma probe derived values has been identified in the Wiluna Resource, this was particularly prominent in the areas drilled in 2014. A detailed review and study comparing all historical data across all deposits in the resource has concluded that whilst there is spatial variation in the magnitude of the difference, on average the heavily gamma reliant current estimation of the Wiluna resource is likely to be conservative as a result.

A number of studies of secular disequilibrium by the Australian Nuclear Science and Technology Organisation (ANSTO) has found significant positive disequilibrium in some areas of each Wiluna deposit, but the magnitude of this positive disequilibrium and its special distribution does not account for the differences observed between geochemistry and gamma derived uranium values.

The 2014 drilling program was Toro's largest ever drilling campaign and results released in the September quarter (refer ASX release on 18 September 2014) showed that it produced some of the highest grade intersections ever recorded in the Millipede deposit. Importantly for future mining on the project, mining block evaluation studies indicated continuous mineralisation in the first four deposits proposed to be mined at Wiluna.

Environmental Scoping Document approved by Environmental Protection Authority

The Environmental Scoping Document (ESD) for government assessment of mining at Millipede and Lake Maitland was released for public review on 6 October 2014 for a two-week period. The ESD describes an extension to the existing Centipede and Lake Way approvals incorporating mining at Toro's additional Wiluna deposits, Millipede and Lake Maitland.

The Western Australia Environmental Protection Authority (EPA) received 27 responses to the ESD. During the December 2014 quarter Toro reviewed the ESD to take into account the responses and presented a revised ESD to the EPA. On 13 February 2015 the EPA approved the revised ESD. The ESD sets the scope for the Public Environmental Review (PER).

Toro is currently undertaking final environmental studies at Millipede and Lake Maitland to provide input to the PER as the next stage in the assessment process. The PER will be open for a 12 week public review period, and the Company is planning to publish the PER by mid-2015.

Exploration

In September 2014 Toro signed a Joint Venture ('JV') agreement with Areva Australia for exploration over the Wiso Basin. This is a basin-sized uranium mineralisation system capable of hosting multiple deposits amenable to in situ recovery operations. Areva are planning to commence a drilling program on the Wiso Project in the first half of 2015.

Toro also signed a JV agreement with Rum Jungle Resources for the potash resource at Theseus. Rum Jungle earned into a 51% share of the potash resource with their 2014 drilling and resource estimation activities and have formally notified Toro of their intention to continue with the JV to an 80% share. The maiden resource announced by Rum Jungle was 13 million tonnes of Potassium Sulfate (Schoenite) (Refer to Rum Jungle Resources ASX release September 9th 2014).

Capital Raising

In addition to the $20M commitment received from The Sentient Group, the Company completed the following additional capital raising activities:

- A Share Purchase Plan ('SPP') was completed on 11 December 2014 and raised $3.9M at 8 cents per share;
- A Placement to RealFin Capital Partners completed on 10 December 2014 raised $1M at 8 cents per share.

Board Restructure

During the first half of 2014 the Board reviewed its composition and determined that for its next phase of development a restructure would be appropriate.

The following Board changes occurred during the period;

- Michel Marier was appointed to the Toro Board as a nominee of The Sentient Group on 3 November 2014;
- John Cahill was appointed as an independent non-executive director on 5 January 2015 and also takes on the role of Audit Committee Chairman;
- Fiona Harris was appointed as a non-executive director on 20 February 2015 and takes on the role of Chairman commencing 16 March 2015;
- Peter Lester and Andrew Coles resigned as directors of the Company on 17 November 2014 and 22 December 2014 respectively;
- Erica Smyth will retire from the Board on 16 March 2015 after seven years as non-executive director including the last six years as Chairman of the Company; and
- Greg Hall will retire from the Board on 16 March 2015. Mr Hall was the Company's founding Managing Director and served as a non-executive director for the last two years.

Subsequent Events

There were no significant subsequent events since the end of the reporting period.

Auditor's Independence Declaration

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page for the half year ended 31 December 2014.

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

On behalf of the Directors

Vanessa Guthrie
Managing Director

13 March 2015

Level 1
10 Kings Park Road
West Perth WA 6005
PO Box 570
West Perth WA 6872
T +61 8 9480 2000
F +61 8 9322 7787
E info.wa@au.gt.com
W www.grantthornton.com.au

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

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Toro Energy Limited for the half-year ended 31 December 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 review; and

b No contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

C A Becker
Partner - Audit & Assurance

Perth, 13 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income
FOR THE HALF YEAR ENDED 31 DECEMBER 2014

		Consolidated	
	Note	31 Dec 2014 $	31 Dec 2013 $
Other income	5 (a)	114,536	180,756
Present value of financial liability	13	2,882,198	-
Impairment of available for sale shares	10	(63,822)	-
Impairment of exploration & evaluation assets	12	(144,598)	(2,016,585)
Provision for impairment: loans and receivables	8,11	(18,531,564)	-
Employee benefits expense	5 (b)	(531,211)	(580,064)
Depreciation expense		(339,996)	(173,063)
Finance costs	5(c)	(1,242,198)	(1,195,294)
Other expenses	5(d)	(778,482)	(651,107)
Loss before income tax expense		**(18,635,137)**	**(4,435,357)**
Income tax expense		-	-
Loss from continuing operations		(18,635,137)	(4,435,357)
Loss for the period		(18,635,137)	(4,435,357)
Loss attributable to members of the parent entity		**(18,635,137)**	**(4,435,357)**
Other comprehensive income:			
Other comprehensive income for the period (net of income tax)		-	-
Total comprehensive loss for the period		**(18,635,137)**	**(4,435,357)**

Earnings per share:		*Cents*	*Cents*
Basic earnings per share	6	(1.17)	(0.19)
Diluted earnings per share		(1.17)	(0.19)

The accompanying notes form part of the financial statements.

Consolidated Statement of Financial Position
AS AT 31 DECEMBER 2014

	Note	31 December 2014 $	30 June 2014 $
CURRENT ASSETS			
Cash and cash equivalents	7	25,252,776	7,151,347
Trade and other receivables	8	134,845	207,482
Other current assets	9	25,306	27,466
TOTAL CURRENT ASSETS		25,412,927	7,386,295
NON-CURRENT ASSETS			
Available for sale investments	10	2,784,457	-
Loans and receivables	11	-	-
Property, plant and equipment		1,781,226	2,108,522
Exploration and evaluation assets	12	130,608,486	128,066,669
TOTAL NON-CURRENT ASSETS		135,174,168	130,175,191
TOTAL ASSETS		160,587,095	137,561,486
CURRENT LIABILITIES			
Trade and other payables		1,351,897	694,680
Short-term provisions		130,905	112,909
TOTAL CURRENT LIABILITIES		1,482,802	807,589
NON-CURRENT LIABILITIES			
Borrowings	13	17,176,907	9,390,287
Long-term provisions		58,247	45,967
TOTAL NON-CURRENT LIABILITIES		17,235,154	9,436,254
TOTAL LIABILITIES		18,717,956	10,243,843
NET ASSETS		141,869,139	127,317,643
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	14	286,521,554	260,037,908
Reserves		13,174,027	6,471,040
Accumulated losses		(157,826,442)	(139,191,305)
Equity attributable to owners of the Company		141,869,139	127,317,643
TOTAL EQUITY		141,869,139	127,317,643

The accompanying notes form part of the financial statements.

Consolidated Statement of Changes in Equity
FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	Note	Issued capital $	Share reserve $	Available for sale reserve $	Accumulated losses $	Total $
Balance at 1 July 2013		217,588,796	6,822,418	-	(131,786,215)	92,624,999
Total comprehensive income for the period		-	-	-	(4,435,357)	(4,435,357)
Acquisition of Lake Maitland (LM) from Mega Uranium		34,860,000	-	-	-	34,860,000
Share Based Payment - LM Acquistion Costs		635,742	-	-	-	635,742
Capital Raising - Share placement		2,000,000	-	-	-	2,000,000
Costs of capital raising		(7,264)	-	-	-	(7,264)
Expired Employee share-based payment options		-	(562,245)	-	562,245	-
Balance at 31 December 2013		255,077,274	6,260,173	-	(135,659,327)	125,678,120
Balance at 1 July 2014		260,037,908	6,471,040	-	(139,191,305)	127,317,643
Total comprehensive income for the period		-	-	-	(18,635,137)	(18,635,137)
Capital Raising - Share placement		1,000,000	-	-	-	1,000,000
Capital Raising - Share Purchase Plan		3,903,550	-	-	-	3,903,550
Short Term Incentive shares issued		46,398	(46,398)	-	-	-
Shares issued to Sentient Group		22,091,780	-	-	-	22,091,780
Provision for Tranche 2 share issue to Sentient Group		-	4,788,927	-	-	4,788,927
Costs of capital raising		(558,082)	-	-	-	(558,082)
Employee Performance Rights issued		-	181,863	-	-	181,863
Fair value uplift in available for sale assets		-	-	1,778,595	-	1,778,595
Balance at 31 December 2014		286,521,554	11,395,432	1,778,595	(157,826,442)	141,869,139

The accompanying notes form part of the financial statements.

Consolidated Statement of Cash Flows
FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	Note	31 Dec 2014 $	31 Dec 2013 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(390,320)	(816,758)
Interest and other finance costs		(599,769)	(473,822)
Interest received		107,864	180,916
NET CASH USED IN OPERATING ACTIVITIES		(882,225)	(1,109,664)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of plant and equipment		199	-
Purchase of plant and equipment		(12,700)	(32,565)
Purchase of other financial assets		(483,362)	-
Purchase of equity investments		(39,184)	-
Purchase of exploration and evaluation tenements		-	(1,466,389)
Payments for exploration and evaluation activities		(2,437,671)	(2,734,370)
NET CASH USED IN INVESTING ACTIVITIES		(2,972,718)	(4,233,324)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		12,403,550	3,320,592
Transaction costs of issue of shares		(447,178)	(7,264)
Proceeds from borrowings		10,000,000	-
NET CASH PROVIDED BY FINANCING ACTIVITIES		21,956,372	3,313,328
Net increase / (decrease) in cash and cash equivalents		18,101,429	(2,029,660)
Cash at the beginning of the period		7,151,347	7,151,347
CASH AT THE END OF THE PERIOD	7	25,252,776	5,121,687

The accompanying notes form part of the financial statements.

Notes to the Financial Statements – December 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation
These general purpose financial statements for the half-year reporting period ended 31 December 2014 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This financial report is intended to provide users with an update on the latest annual financial statements of Toro Energy Limited and its controlled entities ('the Group'). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2014, together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

The consolidated financial statements are approved and authorised for issue by the Board of Directors on 13 March 2015.

New and amended standards adopted by the Group

No new or amended standards became mandatory during the current reporting half year period that impact on the Group. As a result the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

Impact of standards issued but not yet applied by the Group
New and revised accounting standards and amendments that are currently issued for future reporting periods that may be relevant to the Group include:

1) 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 effective date is for annual reporting periods beginning on or after 1 January 2018.

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).

Notes to the Financial Statements – December 2014

2) AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations

This amendment impacts on the use of AASB 11 when acquiring an interest in a joint operation.

The effective date is for annual reporting periods beginning on or after 1 January 2016.

When these amendments are first adopted for the year ending 31 December 2016, Toro currently foresees no material impact on the transactions and balances recognised in the financial statements.

3) AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address a current inconsistency between AASB 10 Consolidated Financial Statements and AASB 128 Investments in Associates and Joint Ventures (2011). The amendments clarify that, on a sale or contribution of assets to a joint venture or associate or on a loss of control when joint control or significant influence is retained in a transaction involving an associate or a joint venture, any gain or loss recognised will depend on whether the assets or subsidiary constitute a business, as defined in AASB 3 Business Combinations. Full gain or loss is recognised when the assets or subsidiary constitute a business, whereas gain or loss attributable to other investors' interests is recognised when the assets or subsidiary do not constitute a business.

The effective date is for annual reporting periods beginning on or after 1 January 2016.

When these amendments are first adopted for the year ending 31 December 2016, Toro currently foresees no material impact on the financial statements.

Significant Accounting Judgements and Key Estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Except as described below, in preparing this interim report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2014.

In the half-year ended 31 December 2014, management reassessed its estimates and judgements in respect of:

Carrying value of exploration and evaluation expenditure

The Group performed a detailed review of its exploration tenements at period end to determine whether the related expenditure should continue to be capitalised under AASB 6 or written off to the statement of profit or loss and other comprehensive income. As a result of this review, management has determined that $144,598 be written off as a result of actual or intended relinquishments of title (refer Note 12).

Notes to the Financial Statements – December 2014

Fair value of financial instruments
Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date. During the reporting period estimates were required for the fair valuing of the financial liability (refer to Note 13).

2. SEGMENT INFORMATION

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

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

- Project Evaluation;
- Exploration; and
- Other.

The values under the 'Other' grouping above relate to the present value discount of the $10M Unitisation agreement, the fair value uplift of the available for sale investments (Strateco share investment - refer Note 10) and the impairment of the loan and convertible note (refer to Notes 8 and 11).

The following is an analysis of the Group's revenue and results by reportable operating segment for the periods under review.

	Continuing Operations			Consolidated
	Project Evaluation	Exploration	Other	Revenue & loss for the period
31 Dec 2013				
Segment Revenue	-	-	-	-
Revenue from Other Segments	180,756	-	-	180,756
Segment result before tax	(136,433)	(2,037,314)	-	(2,173,747)
Segment Result before tax from Other Segments	(2,261,610)	-	-	(2,261,610)
Income tax expense	-	-	-	-
Segment loss for the period	(2,398,043)	(2,037,314)	-	(4,435,357)
31 Dec 2014				
Segment Revenue	114,536	-	2,882,198	2,996,734
Segment result before tax	(2,829,648)	(156,123)	(15,649,366)	(18,635,137)
Income tax expense	-	-	-	-
Segment loss for the period	(2,829,648)	(156,123)	(15,649,366)	(18,635,137)

There were no intersegment sales during the period or discontinued operations.

Notes to the Financial Statements – December 2014

2. SEGMENT INFORMATION

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

	Continuing Operations			Consolidated
	Project Evaluation	Exploration	Other	Total Assets
30 Jun 2014	125,125,025	12,436,461	-	137,561,486
31 Dec 2014	144,787,305	13,015,333	2,784,457	160,587,095

Under the classification of 'Other' is the fair value of the available for sale investment assets being the market values of Strateco Resources and European Uranium shares at 31 December 2014 (refer Note 10).

3. CONTINGENT LIABILITIES

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

4. EVENTS SUBSEQUENT TO REPORTING DATE

There were no significant subsequent events since the end of the reporting period.

5. REVENUE & EXPENSES

	Consolidated	
	As at 31 Dec 14 $	As at 31 Dec 13 $
(a) Other Income		
Bank interest received or receivable	114,337	180,357
Gain on sale of asset	199	399
	114,536	180,756

Notes to the Financial Statements – December 2014

5. REVENUE & EXPENSES

	Note	Consolidated As at 31 Dec 14 $	Consolidated As at 31 Dec 13 $
(b) Employee Benefits Expense			
Wages, salaries, directors fees and other employee benefits expense		983,016	1,311,131
Share based payments expense	**15**	181,863	-
Transfer to exploration and evaluation assets		(633,668)	(731,067)
		531,211	580,064
(c) Finance Costs			
Debt Facility Interest		459,285	412,380
Amortisation of:			
Debt facility establishment costs		81,664	81,664
Share option cost		701,250	701,250
		1,242,198	1,195,294
(d) Other Expenses			
Communication and IT costs		11,914	31,696
Travelling expenses		137,845	65,994
Accounting, secretarial support and audit fees		51,904	14,614
Consulting fees		183,591	73,068
Legal fees		-	34,565
Rent and utility expenses		34,341	112,011
AGM, annual report & share registry		181,276	132,176
Advertising and promotional		35,485	63,848
Other expenses		142,126	123,135
		778,482	651,107

6. EARNINGS PER SHARE

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

	Consolidated 31 Dec 14 $	Consolidated 31 Dec 13 $
Net loss attributable to ordinary equity holders of the Company	(18,635,137)	(4,435,357)
Weighted average number of ordinary shares for basic earnings per share	1,587,438,347	1,143,875,633

Notes to the Financial Statements – December 2014

7. CASH AND CASH EQUIVALENTS

	Consolidated	
	As at 31 Dec 14 $	As at 30 Jun 14 $
Cash at bank and in hand	552,776	1,051,347
Short-term deposits	24,700,000	6,100,000
	25,252,776	7,151,347

8. TRADE AND OTHER RECEIVABLES

	Consolidated	
	As at 31 Dec 14 $	As at 30 Jun 14 $
Senior secured loan - Strateco	3,250,202	-
Provision for impairment - loan	(3,250,202)	-
Sundry receivables	5,501	33,920
Goods and services tax receivable	129,345	173,562
	134,845	207,482

On 22 December 2014, Toro acquired from Sentient a C$3M senior secured loan receivable from Strateco. The loan is due for repayment to Toro on 24 December 2015.

Consistent with the requirements of AASB 139 the loan has been recorded at its fair value plus acquisition costs (ie C$3M translated to A$3,163,556 using an FX rate at 31 December 2014 of $0.9483 plus acquisition costs of A$86,646 for a total of A$3,250,202).

Subsequently the loan was tested for impairment and due to the current financial standing of Strateco a provision to impair the full amount of the receivable has been taken to account.

It is noted however that the C$3M loan is secured over the Strateco company and assets, namely the Matoush Uranium project located in Quebec, Canada and that Toro continues its dialogue with Strateco concerning that company's future direction and financial position.

9. OTHER CURRENT ASSETS

	Consolidated	
	As at 31 Dec 14 $	As at 30 Jun 14 $
Accrued income	25,306	8,513
Prepayments	-	18,953
	25,306	27,466

Notes to the Financial Statements – December 2014

10. AVAILABLE FOR SALE INVESTMENTS

	Consolidated	
	As at 31 Dec 14 $	As at 30 Jun 14 $
Investment in Strateco Shares	2,745,184	-
Investment in SeqUr Exploration	-	-
Investment in European Uranium Resources Ltd	39,273	-
	2,784,457	-

In line with AASB 132 and 139 requirements the shares acquired in Strateco, SeqUr Exploration and European Uranium Resources were recorded at fair value at the time of acquisition and recorded as financial assets available for sale. The Strateco shares are traded on the Toronto Stock Exchange, an active market, and at 31 December 2014 have been valued at their quoted price of C$0.06 per share and translated to A$2,720,658 using an exchange rate of $0.9483 plus acquisition costs of A$24,526 for a total value of A$2,745,184.

Shares in SeqUr are not traded in an active market and as a result of SeqUr surrendering their interest in their sole exploration asset the book value of $63,822 has been fully impaired.

11. LOAN AND RECEIVABLES

	Consolidated	
	As at 31 Dec 14 $	As at 30 Jun 14 $
Convertible Note - Strateco	15,281,363	-
Provision for impairment	(15,281,363)	-
	0	-

On 31 October Toro acquired C$14.1M of convertible notes in Strateco.

At the time of acquisition the C$14.1m convertible notes were accounted for under AASB 139 as a loan and receivable. As such it was recorded at its fair value plus acquisition costs ($14.1M translated to A$14,873,985 using an FX rate at 31 December 2014 of $0.9483 plus acquisition costs of A$407,378 for a total of A$15,281,363.

In line with AASB 139 the receivable was tested for impairment and due to the current financial standing of Strateco a provision to impair the full amount of the receivable has been taken to account.

It is noted however that the C$14.1M convertible note is secured over the Strateco company and assets, namely the Matoush Uranium project located in Quebec, Canada and that Toro continues its dialogue with Strateco concerning that company's future direction and financial position.

Notes to the Financial Statements – December 2014

12. EXPLORATION AND EVALUATION ASSETS

	Consolidated	
	As at 31 Dec 14 $	As at 30 Jun 14 $
Balance at beginning of financial year	128,066,669	88,709,872
Share acquisition & costs - Lake Maitland (1)	-	32,789,005
Cash acquisition costs - Lake Maitland (2)	-	3,243,800
Impairment of exploration expenditure (3)	(226,560)	(2,560,417)
Reversal of previously booked impairments	81,962	-
Other Expenditure during the year	2,686,414	5,884,409
Balance at end of period	130,608,486	128,066,669

(1) Lake Maitland share based acquisition and transaction costs.

(2) Capitalised cash costs of the Lake Maitland acquisition including stamp duty of $1.8M.

(3) Impairment as a result of surrendered or fair value tests on exploration tenements.

13. BORROWINGS

	Effective Interest Rate	Maturity	Consolidated As at 31 Dec 14 $	Consolidated As at 30 Jun 14 $
BORROWINGS				
Non-current				
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 : Amortised transaction costs			2,732,291	1,949,377
			10,173,201	9,390,287
A$10m Unitisation Deed		22-Dec-17	10,000,000	-
Less: Present value discount of Unitisation Agreement			(2,882,198)	-
Less: Transaction costs			(114,096)	-
Add : Amortised transaction costs			-	-
			7,003,706	-
Total Borrowings			17,176,907	9,390,287

Unitisation Agreement

Under the Unitisation Agreement Sentient has provided Toro $10M interest free to be used for research and development activities for the Wiluna Project in return for a fee of 2.5% of the gross proceeds from production of uranium on Toro's Wiluna Project tenements.

The Unitisation Agreement can be terminated by either party after three years (or earlier in certain circumstances, including a change in control of Toro). Upon termination, the unitisation fee is to be bought back by Toro at the higher of $10M less amounts paid under the Unitisation Agreement and the independently assessed fair market value of the unitisation fee at or around the time of termination. Toro may elect at its discretion to satisfy the

Notes to the Financial Statements – December 2014

consideration payable on termination in cash or Toro Shares. Where consideration is paid in shares the share price is determined by a 7.5% discount to a 30 day volume weighted average price.

The Unitisation Agreement can be terminated by either party after 3 years.

Despite the Company's ability to satisfy the consideration payable on maturity or termination by the issue of Toro shares the accounting standards require the funds received under the Unitisation Agreement to be treated as a financial liability as the quantum of shares required to satisfy the repayment cannot be quantified at this point in time

Further, as the funding has been provided interest free, AASB139 Financial Instruments requires the full amount of $10M to be discounted back to present value using a rate of 12%, which is based on the Company’s estimated weighted average cost of capital.

14. ISSUED CAPITAL

	Consolidated	
	As at 31 Dec 14 $	As at 30 Jun 14 $
Fully paid ordinary shares	286,521,554	260,037,908
	286,521,554	260,037,908

Reconciliation:

Ordinary shares	Consolidated Half year ended 31 Dec 14 $	Consolidated Year ended 30 Jun 14 $
Balance at beginning of financial year	260,037,908	260,037,908
Short Term Incentive shares issued	46,398	-
Capital Raising - Share placement	1,000,000	-
Capital Raising - Share Purchase Plan	3,903,550	-
Shares issued for Sentient Group transaction	22,091,780	-
Costs of capital raising	(558,082)	-
Balance at end of the half year	286,521,554	260,037,908

Ordinary shares	Legal Parent Half year ended 31 Dec 14 No.	Legal Parent Year ended 30 Jun 14 No.
Number at beginning of financial year	1,565,492,158	1,565,492,158
Managing Director LTI shares	2,292,260	-
Managing Director STI shares	760,623	-
Capital Raising - Share placement	12,500,000	-
Capital Raising - Share Purchase Plan	48,794,375	-
Shares issued for Sentient Group transaction	273,930,165	-
Number of shares at end of half year	1,903,769,581	1,565,492,158

Notes to the Financial Statements – December 2014

15. SHARE BASED PAYMENTS

Unlisted Share Options

The following table illustrates the number and movements in share options during the period:

	31 Dec 14 No.	30 Jun 14 No.
Outstanding at the beginning of the year	133,933,051	135,023,051
Granted during the year	-	5,750,000
Expired during the year	-	-
Cancelled during the year	-	(6,840,000)
Outstanding at the end of the year	133,933,051	133,933,051

The outstanding balance of share options at 31 December 2014 is represented by:

Issue Date	Vesting Date	Expiry Date	Strike Price	Number
2/02/2010	3/02/2010	2/02/2015	0.22	3,530,000
2/02/2010	3/02/2010	2/02/2015	0.22	590,000
3/01/2011	4/01/2011	3/01/2016	0.22	3,680,000
12/01/2011	12/01/2011	11/01/2016	0.22	5,000,000
12/01/2011	12/01/2011	11/01/2016	0.3	1,000,000
26/05/2011	26/05/2011	25/05/2016	0.15	250,000
26/05/2011	26/05/2012	25/05/2016	0.22	250,000
1/07/2011	1/07/2011	30/06/2016	0.11	750,000
1/07/2011	1/07/2012	30/06/2016	0.22	500,000
1/07/2011	1/09/2012	30/06/2016	0.25	750,000
1/08/2011	1/08/2011	31/07/2016	0.13	9,300,000
26/08/2011	26/08/2011	25/08/2016	0.13	225,000
2/11/2012	1/11/2015	1/11/2015	0.123	24,390,244
6/03/2013	6/03/2013	7/03/2016	0.142	42,253,521
27/06/2013	27/06/2013	7/03/2016	0.084	35,714,286
17/01/2014	17/01/2014	16/01/2017	0.11	5,750,000
				133,933,051

Notes to the Financial Statements – December 2014

Performance Rights

The following table illustrates the number and movements in performance rights during the period:

	31 Dec 14 No.	30 Jun 14 No.
Outstanding at the beginning of the year	12,503,238	-
Granted during the year	2,778,868	12,503,238
Exercised during the year	(2,292,260)	-
Expired during the year	(1,875,486)	-
Outstanding at the end of the year	11,114,360	12,503,238

The outstanding balance of performance rights at 31 December 2014 is represented by:

Oustanding balance	Date of grant	Date of vesting	Expriy Date	Share price on grant date	Probability factor for conditions to be met		Value of rights	Financial year for value allocation		Value at 31 Dec 2014[1]
0	28/11/2013	30/06/2014	30/09/2016	0.081	50%	$	-	2013/2014	$	16,879
4,167,746	28/11/2013	1/07/2015	30/09/2016	0.081	50%	$	168,794	2014/2015	$	84,397
4,167,746	28/11/2013	1/07/2016	30/09/2016	0.081	50%	$	168,794	2015/2016	$	-
2,778,868	30/06/2014	1/07/2015	1/07/2015	0.058	100%	$	161,174	2014/2015	$	80,587
11,114,360									**$**	**181,863**

The fair value of the performance rights granted under the performance rights plan have been calculated using the Company’s share price at grant date and then, if appropriate, applying a probability factor for the vesting conditions.

[1] *Performance right valuation adjustment relates to the issue of 2,292,260 shares as a result of performance right vesting conditions being met compared to an estimated issue of 2,083,873 shares made in the 30 June 2014 accounts.*

Directors' Declaration:

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 8 to 19 are in accordance with the Corporations Act 2001, including;
    a. giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and the performance for the half-year ended on that date; and
    b. complying with Accounting Standard AASB 134: Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Vanessa Guthrie
Managing Director

13 March 2015

Level 1
10 Kings Park Road
West Perth WA 6005

Correspondence to:
PO Box 570
West Perth WA 6872

T +61 8 9480 2000
F +61 8 9322 7787
E info.wa@au.gt.com
W www.grantthornton.com.au

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

We have reviewed the accompanying half-year financial report of Toro Energy Limited ("the Company"), which comprises the financial statements being the consolidated statement of financial position as at 31 December 2014, and 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 half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

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

a giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and

b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

C A Becker
Partner - Audit & Assurance

Perth, 13 March 2015