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# **Toro Energy Limited**

**ABN 48 117 127 590**

## **Financial Report**

**for the year ended 30 June 2014**

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## Corporate Information

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### Directors

Ms Erica Smyth (Chair)  
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

### Registered Office

33 Richardson Street, West Perth WA 6005

### Principal Place of Business

33 Richardson Street, West Perth WA 6005

### Share Registry

Computershare Investor Services Pty Ltd  
Level 5, 115 Grenfell Street, Adelaide SA 5000

### Auditors

Grant Thornton Audit Pty Ltd  
Level 1, 10 Kings Park Road West Perth WA 6005

### Securities Exchange Listing

Toro Energy Limited shares are listed on the Australian Securities Exchange Ltd  
(ASX Code: TOE)

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## Directors' Report

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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.

## Directors' Report

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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.

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## Directors' Report

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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

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## Directors' Report

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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).

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.

## Directors' Report

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### 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	7/02/14	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



## Directors' Report

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### 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.

## Directors' Report

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### 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.

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;

## Directors' Report

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- 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.

## Directors' Report

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### 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 endeavor 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.

## Directors' Report

### 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
<b>Options</b>					
07/08/2008	6/08/2013	\$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	2/02/2015	\$0.22	5,555,000	(1,435,000)	4,120,000
04/01/2011	3/01/2016	\$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	1/11/2015	\$0.12	24,390,244	-	24,390,244
06/03/2013	4/03/2016	\$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
			<u>135,023,051</u>	<u>(1,090,000)</u>	<u>133,933,051</u>

#### 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' Report

### 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:

Number of meetings held	Directors' Meetings		Audit Committee		Remuneration/Nomination Committee	
	13		3		3	
Number of meetings attended:	<u>Eligible</u>	<u>Attended</u>	<u>Eligible</u>	<u>Attended</u>	<u>Eligible</u>	<u>Attended</u>
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.

## Directors' Report

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### 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.

## Directors' Report

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### 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 incentivize 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

### 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 <sup>(2)</sup> Employment	Share-based Payments*	Total	Value of options/rights as % of remuneration
	Salary & Fees	Cash Bonus	Superannuation	Value of options/ shares/rights	\$	
Erica Smyth						
2014	67,584	-	6,252	-	<b>73,836</b>	-
2013	77,982	-	7,018	-	<b>85,000</b>	-
Vanessa Guthrie						
2014	343,438	-	19,928	215,192	<b>578,558</b>	29.2%
2013	334,870	-	16,474	-	<b>351,344</b>	-
Gregory Hall <sup>(1)</sup>						
2014	43,731	-	4,045	-	<b>47,776</b>	-
2013	260,968	-	15,326	-	<b>276,294</b>	-
Peter Lester						
2014	51,682	-	4,781	-	<b>56,463</b>	-
2013	59,633	-	5,367	-	<b>65,000</b>	-
Andrew Coles						
2014	0	-	4,045	-	<b>4,045</b>	-
2013	50,459	-	4,541	-	<b>55,000</b>	-
Richard Homsany						
2014	23,547	-	2,178	-	<b>25,725</b>	-
2013	0	-	0	-	<b>0</b>	-
Richard Patricio						
2014	23,547	-	0	-	<b>23,547</b>	-
2013	0	-	0	-	<b>0</b>	-
Total Remuneration						
2014	553,529	-	41,228	215,192	<b>809,949</b>	-
2013	783,912	-	48,727	-	<b>832,639</b>	-

<sup>(1)</sup> This includes Gregory Hall's salary as Managing Director up to and including 7 February 2013 and as Non-Executive Director from this date.

<sup>(2)</sup> 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.

## Directors' Report

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

	Short Term	Short Term <sup>(1)</sup>	Post <sup>(2)</sup> 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	<b>303,984</b>	7.0%
2013	173,555	-	15,620	-	<b>189,175</b>	

<sup>(1)</sup> 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.

<sup>(2)</sup> 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
<b>Executives</b>						
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
<b>Directors</b>					
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.

### Share holdings of key management personnel

	Balance at 1 July 2013	On Exercise of Options	Net Change Other	Balance 30 June 2014
<b>30 June 2014</b>				
<b>Directors</b>				
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	-	-	-	-
	<b>1,639,383</b>	<b>-</b>	<b>75,000</b>	<b>1,714,383</b>
<b>Executives</b>				
Todd Alder	-	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Directors' Report

### 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
<b>Directors</b>							
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
<b>Executives</b>							
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
<b>Options</b>					
<b>Directors</b>					
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	-	-	-	-	-
<b>Executives</b>					
Todd Alder	2,375,000	1,000,000	-	(525,000)	2,850,000
<b>Rights</b>					
<b>Directors</b>					
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;

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## Governance Report

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- 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.

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*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.

**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.

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## Governance Report

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*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.

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## Governance Report

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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.

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## Directors' Report

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### 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

19<sup>th</sup> September 2014

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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 AUDIT PTY LTD  
Chartered Accountants



C A Becker  
Partner - Audit & Assurance

Perth, 19 September 2014

Grant Thornton Audit Pty Ltd ACN 130 913 594  
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# 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)
<b>(Loss) before income tax expense</b>		<b>(8,094,135)</b>	<b>(6,886,942)</b>
Income tax expense	5	-	-
<b>(Loss) for the year</b>		<b>(8,094,135)</b>	<b>(6,886,942)</b>
<b>Other comprehensive (loss)</b>			
Other comprehensive loss for the year (net of tax)		-	-
<b>Total comprehensive (loss) for the year</b>		<b>(8,094,135)</b>	<b>(6,886,942)</b>
(Loss) attributable to:			
Owners of the Company		(8,094,135)	(6,886,942)
		<u>(8,094,135)</u>	<u>(6,886,942)</u>
Total comprehensive (loss) attributable to :			
Owners of the Company		(8,094,135)	(6,886,942)
		<u>(8,094,135)</u>	<u>(6,886,942)</u>
<b>Earnings per share</b>		<i>Cents</i>	<i>Cents</i>
<u>From continuing operations:</u>			
Basic earnings per share	6	(0.60)	(0.66)

The accompanying notes form part of these financial statements.

# Consolidated Statement of Financial Position

AS AT 30 JUNE 2014

	Note	Consolidated	
		2014 \$	2013 \$
<b>CURRENT ASSETS</b>			
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
<b>TOTAL CURRENT ASSETS</b>		7,386,295	11,842,884
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	2,108,522	1,482,673
Exploration and evaluation assets	11	128,066,669	88,709,872
<b>TOTAL NON-CURRENT ASSETS</b>		130,175,191	90,192,545
<b>TOTAL ASSETS</b>		137,561,486	102,035,429
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	694,680	1,351,602
Short-term provisions	14	112,909	150,934
<b>TOTAL CURRENT LIABILITIES</b>		807,589	1,502,536
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	15	9,390,287	7,824,460
Long-term provisions	14	45,967	83,435
<b>TOTAL NON-CURRENT LIABILITIES</b>		9,436,254	7,907,895
<b>TOTAL LIABILITIES</b>		10,243,843	9,410,431
<b>NET ASSETS</b>		127,317,643	92,624,998
<b>EQUITY</b>			
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
<b>TOTAL EQUITY</b>		127,317,643	92,624,999

The accompanying notes form part of these financial statements.

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## 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 \$
<b>Balance at 1 July 2012</b>		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
<b>Balance at 30 June 2013</b>		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	-
<b>Balance at 30 June 2014</b>	<b>16</b>	260,037,908	6,471,040	(139,191,305)	127,317,643

The accompanying notes form part of these financial statements.

## Consolidated Statement of Cash Flows

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Note	Consolidated	
		2014 \$	2013 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Payments to suppliers and employees		(1,968,809)	(3,061,846)
Interest and other Finance costs		(916,967)	-
Interest received		330,511	395,413
<b>NET CASH (USED IN) OPERATING ACTIVITIES</b>	<b>7</b>	<b>(2,555,265)</b>	<b>(2,666,433)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
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	<b>11</b>	(3,243,800)	-
Proceeds from sale of exploration assets		100,000	-
Payments for exploration & evaluation activities		(6,589,818)	(10,351,890)
<b>NET CASH PROVIDED USED IN INVESTING ACTIVITIES</b>		<b>(9,811,468)</b>	<b>(10,408,351)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
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)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>		<b>8,273,962</b>	<b>11,510,015</b>
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
<b>CASH AT THE END OF THE FINANCIAL YEAR</b>	<b>7</b>	<b>7,151,347</b>	<b>11,244,118</b>

The accompanying notes form part of these financial statements.

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# Notes to the Financial Statements

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

### 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 its 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

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## Notes to the Financial Statements

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

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 AASB 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.

#### **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.



## Notes to the Financial Statements

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

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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.

## Notes to the Financial Statements

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

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#### 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.

#### 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.

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## Notes to the Financial Statements

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

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#### *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.

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.

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## Notes to the Financial Statements

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

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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.

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## Notes to the Financial Statements

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

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#### *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.

#### *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.

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## Notes to the Financial Statements

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

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#### *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.

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## Notes to the Financial Statements

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

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.

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.

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## Notes to the Financial Statements

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

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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 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 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.

**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.



## Notes to the Financial Statements

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

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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.

#### **i. 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.

## Notes to the Financial Statements

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

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.

#### 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 settled 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.

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## Notes to the Financial Statements

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

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#### 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.

#### 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.

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## Notes to the Financial Statements

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

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*Key Estimates — Exploration and evaluation*

The Company's policy for exploration and evaluation is discussed in note I. 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.

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## Notes to the Financial Statements

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

#### 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	<u>(\$145,454)</u>
	\$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.

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# Notes to the Financial Statements

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

### 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.

	Continuing Operations		Consolidated
	Evaluation \$	Exploration \$	Revenue & loss for the year \$
<b>30-Jun-14</b>			
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	<u>(5,488,227)</u>	<u>(2,605,908)</u>	<u>(8,094,135)</u>
<b>30-Jun-13</b>			
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	<u>(4,009,649)</u>	<u>(2,877,293)</u>	<u>(6,886,942)</u>

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 \$
<b>30-Jun-14</b>	125,125,025	12,436,461	137,561,486
<b>30-Jun-13</b>	88,524,187	13,511,242	102,035,429

# Notes to the Financial Statements

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

### 4 REVENUE AND EXPENSES

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Other income</b>		
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	-
	<b>425,024</b>	<b>345,612</b>
<b>(b) Expenses</b>		
<i>Impairment of non-current assets</i>		
Impairment of exploration expenditure <sup>1</sup>	2,560,417	2,824,564
Total impairment of non-current assets	<b>2,560,417</b>	<b>2,824,564</b>
<i>Depreciation of non-current assets</i>		
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	<b>797,634</b>	<b>494,753</b>
<i>Finance expenses</i>		
Amortisation of Macquarie Facility Borrowing Costs	1,565,828	383,550
Interest expense - Macquarie Debt Facility	859,271	255,092
Total borrowing costs	<b>2,425,099</b>	<b>638,642</b>
<b>(c) Employees benefits expense</b>		
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)
	<b>1,306,937</b>	<b>1,580,448</b>

1. Includes the surrender of 23 tenements (2013: 24 tenements).

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## Notes to the Financial Statements

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	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
	<u>1,429,072</u>	<u>1,694,147</u>

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## Notes to the Financial Statements

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

#### 5 INCOME TAX

The major components of income tax expense are:

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<i>Current income tax</i>		
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.

## Notes to the Financial Statements

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

#### 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.

#### 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.

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# Notes to the Financial Statements

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Consolidated	
	2014	2013
	\$	\$
<b>Reconciliation of net loss after tax to net cash flows</b>		
Net loss	(8,094,135)	(6,886,942)
<i>Adjustments for non-cash items:</i>		
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
<i>Changes in assets and liabilities</i>		
(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.

# Notes to the Financial Statements

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

### 9 OTHER CURRENT ASSETS

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

### 10 PROPERTY PLANT & EQUIPMENT

30 JUNE 2014	Consolidated				
	Plant & equipment	Motor Vehicles	Leasehold Property	Buildings	Total
	\$	\$	\$	\$	\$
<b>At Cost</b>					
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
<b>Accumulated Depreciation</b>					
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)
<b>Property Plant &amp; Equipment</b>					
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
<b>30 JUNE 2013</b>					
<b>At Cost</b>					
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
<b>Accumulated Depreciation</b>					
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)
<b>Property Plant &amp; Equipment</b>					
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.

# Notes to the Financial Statements

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

### 11 EXPLORATION AND EVALUATION ASSETS

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

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;

## Notes to the Financial Statements

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

- 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).

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
<b>Options</b>					
07/08/2008	6/08/2013	\$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	2/02/2015	\$0.22	5,555,000	(1,435,000)	4,120,000
04/01/2011	3/01/2016	\$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	1/11/2015	\$0.12	24,390,244	-	24,390,244
06/03/2013	4/03/2016	\$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

## Notes to the Financial Statements

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

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:

	<b>2014</b>	<b>2013</b>
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 occurrence 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;

## Notes to the Financial Statements

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

- 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).

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
<u>12,503,238</u>							

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.



# Notes to the Financial Statements

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

### 13 TRADE AND OTHER PAYABLES

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
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
	<b>694,680</b>	<b>1,351,602</b>

- (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

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

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# Notes to the Financial Statements

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

### 15 BORROWINGS

	Effective Interest Rate	Maturity	Consolidated	
			2014	2013
			\$	\$
<b>BORROWINGS</b>				
<b>Non-current</b>				
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
			<u>9,390,287</u>	<u>7,824,460</u>

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, 'Borrowings' at Note 1(c), for a description of the accounting treatment of the Macquarie Debt Facility.

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# Notes to the Financial Statements

## 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*	\$
<b>Ordinary shares</b>		
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
	Number	\$
<b>Legal Parent Entity</b>		
	2014	
	Number	\$
<b>Ordinary shares</b>		
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 publically 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.

# Notes to the Financial Statements

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

### 17 RESERVES

	Consolidated	
	2014	2013
	\$	\$
<b>Reserves</b>		
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 <sup>(1)</sup>	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
	\$	\$
<b>Operating leases</b>		
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

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

### 19 AUDITORS REMUNERATION

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Audit or review of the financial report	31,949	32,350
	31,949	32,350

### 20 CONTROLLED ENTITIES

<b>Name of company</b>	<b>Country of incorporation</b>	<b>Ownership interest</b>	
		<b>2014</b>	<b>2013</b>
		<b>%</b>	<b>%</b>
<b>Parent entity</b>			
Toro Energy Ltd (i)	Australia		
<b>Subsidiaries</b>			
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

# Notes to the Financial Statements

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

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)						
<b>30 June 2014</b>										
<b>Financial Assets</b>										
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				
Carrying amount						Fair value				
Note	AFS \$'000	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)						
<b>30 June 2014</b>										
<b>Financial Liabilities</b>										
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	
		(Carried at fair value)		(Carried at amortised cost)						
<b>30 June 2013</b>										
<b>Financial Assets</b>										
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				
Carrying amount						Fair value				
Note	AFS \$'000	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)						
<b>30 June 2013</b>										
<b>Financial Liabilities</b>										
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.

# Notes to the Financial Statements

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

### 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
	\$	\$
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents	7,151,347	11,244,118
Trade and other receivables	207,482	496,239
<b>FINANCIAL LIABILITIES</b>		
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.

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.

## Notes to the Financial Statements

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

#### 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
	\$	\$	\$	\$
<b>Year ended 30 June 2014</b>				
<i>FINANCIAL LIABILITIES</i>				
<i>Fixed rate</i>	-	9,390,287	336,733	9,727,019
Weighted average effective interest rate	-	<b>7.60%</b>		
<b>Year ended 30 June 2013</b>				
<i>FINANCIAL LIABILITIES</i>				
<i>Fixed rate</i>	-	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.

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



## Notes to the Financial Statements

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

#### 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 21.

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 24.

##### 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
	\$	\$
<b>Financial position</b>		
Current assets	7,352,332	11,842,882
Non-current assets	130,209,154	90,192,546
<b>Total assets</b>	<b>137,561,486</b>	<b>102,035,428</b>
Current liabilities	807,590	1,502,535
Non-current liabilities	9,436,254	7,907,895
<b>Total liabilities</b>	<b>10,243,844</b>	<b>9,410,430</b>
<b>Shareholders equity</b>		
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)
<b>Total equity</b>	<b>127,317,642</b>	<b>92,624,999</b>
<b>Financial performance</b>		
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.*

## Notes to the Financial Statements

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

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.

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

	Parent	
	2014	2013
	\$	\$
<u>Operating leases</u>		
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
<u>Hire purchase commitments</u>		
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 19<sup>th</sup> day of September 2014

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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.

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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.

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**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 AUDIT PTY LTD  
Chartered Accountants



C A Becker  
Partner - Audit & Assurance

Perth, 19 September 2014

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## APPENDIX 1

## Wiluna Project and Wiluna Regional Resource Table

Current Resources Table Wiluna Uranium Project In accordance with JORC 2012										
DEPOSIT	U3O8 cutoffs	Measured		Indicated		Inferred		TOTAL		
		200 ppm	500 ppm	200 ppm	500 ppm	200 ppm	500 ppm	200 ppm	500 ppm	
Centipede	Mt's	2.9	1.2	7.5	3.1	0.0	0.0	10.4	4.3	
	Grade ppm	551	872	572	943	0	0	567	923	
	Mlb's U3O8	3.5	2.4	9.5	6.5	0.0	0.0	13.0	8.8	
LakeWay	Mt's	0.0	0.0	10.3	4.2	0.0	0.0	10.3	4.2	
	Grade ppm	0	0	545	883	0	0	545	883	
	Mlb's U3O8	0.0	0.0	12.3	8.2	0.0	0.0	12.3	8.2	
Millipede	Mt's	0.0	0.0	4.5	1.6	1.9	0.4	6.4	1.9	
	Grade ppm	0	0	530	956	382	887	486	943	
	Mlb's U3O8	0.0	0.0	5.3	3.3	1.6	0.7	6.9	4.0	
Lake Maitland	Mt's	0.0	0.0	19.9	7.5	0.0	0.0	19.9	7.5	
	Grade ppm	0	0	555	956	0	0	555	956	
	Mlb's U3O8	0.0	0.0	24.3	15.7	0.0	0.0	24.3	15.7	
<b>Sub-total</b>	<b>Mt's</b>	<b>2.9</b>	<b>1.2</b>	<b>42.2</b>	<b>16.3</b>	<b>1.9</b>	<b>0.4</b>	<b>47.0</b>	<b>17.9</b>	
	<b>Grade ppm</b>	<b>551</b>	<b>874</b>	<b>553</b>	<b>934</b>	<b>382</b>	<b>887</b>	<b>546</b>	<b>929</b>	
	<b>Mlb's U3O8</b>	<b>3.5</b>	<b>2.4</b>	<b>51.4</b>	<b>33.7</b>	<b>1.6</b>	<b>0.7</b>	<b>56.6</b>	<b>36.7</b>	
Dawson Hinkler	Mt's	0.0	0.0	8.4	0.9	5.2	0.3	13.6	1.1	
	Grade ppm	0	0	336	596	282	628	315	604	
	Mlb's U3O8	0.0	0.0	6.2	1.1	3.2	0.4	9.4	1.5	
Nowthanna	Mt's	0.0	0.0	0.0	0.0	11.9	2.3	11.9	2.3	
	Grade ppm	0	0	0	0	399	794	399	794	
	Mlb's U3O8	0.0	0.0	0.0	0.0	10.5	4.1	10.5	4.1	
<b>Total Regional Resource</b>	<b>Mt's</b>	<b>2.9</b>	<b>1.2</b>	<b>50.6</b>	<b>17.2</b>	<b>19.0</b>	<b>2.9</b>	<b>72.5</b>	<b>21.3</b>	
	<b>Grade ppm</b>	<b>551</b>	<b>874</b>	<b>519</b>	<b>915</b>	<b>365</b>	<b>791</b>	<b>479</b>	<b>898</b>	
	<b>Mlb's U3O8</b>	<b>3.5</b>	<b>2.4</b>	<b>57.6</b>	<b>34.8</b>	<b>15.3</b>	<b>5.1</b>	<b>76.5</b>	<b>42.3</b>	

**Competent / Qualified Persons' Statements**

Dr Greg Shirliff takes responsibility for all of the information presented here that relates to the results of drilling, inclusive of location of drill holes, depths of mineralization and deconvolved gamma derived uranium values. Dr. Shirliff is a member of the Australian Institute of Mining and Metallurgy (AusIMM) 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 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2012)'. Dr. Shirliff is a full time employee of Toro Energy Limited. There has been no change to this statement for the purpose of reporting drilling results at Wiluna since the previous reporting of drilling results at Wiluna by Toro on 9th September 2013, except that no geochemistry has been presented here.

There has been no material change to resources of the Wiluna Project since the last reporting of the Wiluna Project's resources on the 20th November 2013. The only change to the resource table presented here is the separation of Measured and Indicated resources. As such the competent persons' statement remains as follows:

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 Shirliff 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 Shirliff takes responsibility for the integrity of the data supplied for the estimation. Dr Shirliff 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.