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26 October 2012

Dear Shareholder

## **ANNUAL GENERAL MEETING**

I am pleased to invite you to attend the Annual General Meeting of Toro Energy Limited to be held in the Hindmarsh Room, at the Crowne Plaza Hotel, 16 Hindmarsh Square, Adelaide, South Australia on Wednesday 28 November 2012 at 10.00 am (Adelaide time).

An electronic copy of the 2012 annual report is available to download or view on the Company's website at [www.toroenergy.com.au/reports.html](http://www.toroenergy.com.au/reports.html). The 2012 annual report has also been sent by post to those shareholders who previously elected to receive a hard copy. In addition, the Company has enabled online voting, details of which are explained on the Proxy Form.

If you are unable to attend the meeting in person, I encourage you to return the enclosed Proxy Form or alternatively nominate a Proxy online. If you nominate a proxy please carefully consider the proxy comments in the attached notice of meeting. Please complete the online nomination or forward the manual Proxy Form by post or fax to the Company's Share Registry, Computershare Investor Services Pty Limited, so that it may be received by 10.00 am on Monday 26 November 2012.

Yours sincerely,

A handwritten signature in black ink, appearing to read "ESM", with a long horizontal stroke extending to the right.

**ERICA SMYTH**  
**CHAIR**  
Encl.



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## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Shareholders of Toro Energy Limited will be held in the Hindmarsh Room, at the Crowne Plaza Hotel, 16 Hindmarsh Square, Adelaide, South Australia on Wednesday 28 November 2012 at 10.00 am (Adelaide time).

Please note that an online version of the Company's 2012 Annual Report can be downloaded or viewed at [www.toroenergy.com.au/reports.html](http://www.toroenergy.com.au/reports.html). The 2012 Annual Report has also been sent by post to those shareholders who have previously elected to receive a hard copy. You can also vote online at [www.investorvote.com.au](http://www.investorvote.com.au) by entering your Control Number, SRN/HIN and postcode, which are shown on the first page of the enclosed Proxy Form. Overseas Shareholders are able to select their country of residence rather than entering a postcode.

### Ordinary Business

To receive and consider the Financial Statements for the year ended 30 June 2012 and accompanying reports of the Directors and Auditor.

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

- 1] **Adoption of the Remuneration Report**  
"That the Company adopt the Remuneration Report for the year ended 30 June 2012 as set out in the Company's 2012 Annual Report."
- 2] **Re-election of Erica Smyth as a Director of the Company**  
"That Ms Erica Smyth having retired in accordance with ASX Listing Rule 14.4 and clause 6.1 of the Constitution of the Company, being eligible, and having offered herself for re-election, is re-elected as a Director with effect immediately following the conclusion of the Meeting."
- 3] **Re-election of Peter Lester as a Director of the Company**  
"That Mr Peter Lester having retired in accordance with ASX Listing Rule 14.4 and clause 6.1 of the Constitution of the Company, being eligible, and having offered himself for re-election, is re-elected as a Director with effect immediately following the conclusion of the Meeting."

### Special Business

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

- 4] **Approval of Employee Share Option Plan**  
"That, for the purposes of ASX Listing Rule 7.2, Exception 9 and for all other purposes, the Company approves the issue of securities under the employee incentive option scheme known as 'Toro Energy Ltd Employee Share Option Plan', as an exception to Listing Rule 7.1".

5] **Appointment of Auditor**

"That, subject to the Australian Securities and Investments Commission granting its consent to the resignation of the Company's current auditor, Grant Thornton South Australian Partnership, for the purposes of section 327B of the Corporations Act and for all other purposes, Grant Thornton Audit Pty Ltd, having been nominated and having consented in writing to act as auditor of the Company, be appointed as auditor of the Company and the Directors be authorised to set its remuneration."

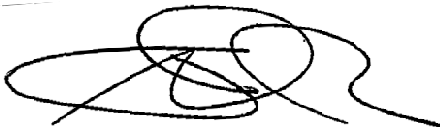
To consider and, if thought fit, pass the following resolution as a special resolution:

6] **Approval of 10% Placement Facility**

"That, pursuant to and in accordance with Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities up to 10% of the issued capital of the Company (at the time of the issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Notes."

**Dated 26 October 2012**

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

A handwritten signature in black ink, appearing to read "TODD ALDER", written over a horizontal line.

**TODD ALDER  
COMPANY SECRETARY**

**1. Explanatory Notes**

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

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

**2. Voting Exclusion Statements**

(a) **Resolution I**

For the purposes of the Corporations Act, a vote on Resolution I must not be cast (in any capacity) by or on behalf of any of the following persons:

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

However, a person described above may cast a vote on Resolution I as a proxy if the vote is not cast on behalf of a person described above and either:

- (i) the person is appointed as a proxy by writing that specifies how the proxy is to vote on the resolution; or

- (ii) the person is the chair of the meeting and the appointment of the chair as proxy:
  - does not specify the way the proxy is to vote on the resolution; and
  - expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity.

**(b) Resolution 4 – Corporations Act**

For the purposes of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on Resolution 4 if:

- (i) the person is either:
  - a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity; or
  - a Closely Related Party of such a member; and
- (ii) the appointment does not specify the way the proxy is to vote on the resolution.

However, the Company will not disregard a vote if:

- (i) the person is the chair of the meeting at which the resolution is voted on; and
- (ii) the appointment expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity.

**(c) Resolution 4 – ASX Listing Rules**

For the purposes of the ASX Listing Rules, the Company will disregard any votes cast on Resolution 4 by each Director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) and the associates of that Director.

However, subject always to paragraph 2(b) , the Company need not disregard a vote if:

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

**(d) Resolution 6**

For the purposes of the ASX Listing Rules, the Company will disregard any votes cast on Resolution 6 by a person (and any associates of such a person) who may participate in the 10% Placement Facility and a person (and any associates of such a person) who might obtain a benefit, except a benefit solely in the capacity of a holder of Shares, if Resolution 6 is passed.

However, the Company need not disregard a vote if:

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

### 3. Proxies

A Proxy Form accompanies this Notice.

A Shareholder entitled to attend this Meeting and vote is entitled to appoint a proxy to attend and vote for the Shareholder at the Meeting. A proxy need not be a Shareholder. If the Shareholder is entitled to cast two or more votes at the Meeting the Shareholder may appoint two proxies and may specify the proportion or number of votes which each proxy is appointed to exercise.

To record a valid vote, a Shareholder will need to take the following steps:

- (a) cast the Shareholder's vote online by visiting [www.investorvote.com.au](http://www.investorvote.com.au) and entering the Shareholder's Control Number, SRN/HIN and postcode, which are shown on the first page of the enclosed Proxy Form (Overseas Shareholders are able to select their country of residence rather than entering a postcode); or
- (b) complete and lodge and manual Proxy Form at the share registry of the Company, Computershare Investor Services Pty Limited:
  - (i) by post at the following address:  
Computershare Investor Services Pty Limited  
[GPO Box 242  
MELBOURNE VIC 3001]
  - OR
  - (ii) by facsimile on [1800 783 447] (within Australia) or [+61 3 9473 2555] (outside Australia); or
- (c) for Intermediary Online subscribers only (custodians), cast the Shareholder's vote online by visiting [www.intermediaryonline.com](http://www.intermediaryonline.com),

so that it is received by no later than 10.00 am (Adelaide time) on 26 November 2012.

Please note that if the chair of the meeting is your proxy (or becomes your proxy by default), you expressly authorise the chair to exercise your proxy on Resolutions 1 and 4 even though it is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, which includes the chair. If you appoint the chair as your proxy you can direct the chair to vote for or against or abstain from voting on Resolutions 1 and 4 by marking the appropriate box on the Proxy Form.

**The chair intends to vote undirected proxies in favour of each Resolution.**

### 4. "Snap-shot" Time

The Company may specify a time, not more than 48 hours before the Meeting, at which a "snap-shot" of Shareholders will be taken for the purposes of determining Shareholder entitlements to vote at the Meeting. The Company's Directors have determined that all Shares of the Company that are quoted on ASX as at 7.00 pm (Adelaide time) on 26 November 2012 shall, for the purposes of determining voting entitlements at the Meeting, be taken to be held by the persons registered as holding the Shares at that time.

### 5. Corporate Representative

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



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## **EXPLANATORY NOTES**

### **Introduction**

These Explanatory Notes set out information in connection with the business to be considered at the Annual General Meeting of Shareholders of Toro Energy Limited to be held in the Hindmarsh Room, at the Crowne Plaza Hotel, 16 Hindmarsh Square, Adelaide, South Australia on Wednesday 28 November 2012 at 10.00 am (Adelaide time). These Explanatory Notes are to assist Shareholders in understanding the background to and the legal and other implications of the Notice and the reasons for the resolutions proposed. Both documents should be read in their entirety and in conjunction with each other.

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

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

### **I. Resolution 1: Adoption of the Remuneration Report**

The Annual Report for the year ended 30 June 2012 contains a Remuneration Report which sets out the remuneration policy for the Company and reports the remuneration arrangements in place for the Managing Director, specified executives and non-executive Directors. The Remuneration Report is set out in the Directors' Report of the Annual Report.

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

Section 250R(4) of the Corporations Act prohibits a vote on this resolution being cast (in any capacity) by or on behalf of any of the following persons:

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

However, under new section 250R(5) of the Corporations Act a person described above may cast a vote on Resolution 1 as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the person is appointed as proxy by writing that specifies the way the proxy is to vote on the resolution; or
- (b) the person is the chair of the meeting and the appointment of the chair as proxy:
  - (i) does not specify the way the proxy is to vote on the resolution; and
  - (ii) expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company or, if the Company is part of consolidated entity, for the entity.

Please note that if the chair of the meeting is your proxy (or becomes your proxy by default), you expressly authorise the chair to exercise your proxy on Resolution 1 even though it is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, which includes the chair. If you appoint the chair as your proxy you can direct the chair to vote for or against or abstain from voting on Resolution 1 by marking the appropriate box on the Proxy Form.

The chair intends to vote undirected proxies in favour of Resolution 1.

Please also note that under sections 250U and 250V of the Corporations Act, if at two consecutive annual general meetings of a listed company at least 25% of votes cast on a resolution that the remuneration report be adopted are against adoption of the report, at the second of these annual general meetings there must be put to the vote a resolution that another meeting be held within 90 days at which all directors (except the managing director) who were directors at the date the remuneration report was approved at the second annual general meeting must stand for re-election. So, in summary, shareholders will be entitled to vote in favour of holding a general meeting to re-elect the Board if the Remuneration Report receives 'two strikes'. The Remuneration Report did not receive a 'first strike' at the Company's 2011 annual general meeting.

## 2. Resolution 2 : Re-election of Ms Erica Smyth as a Director of the Company

In accordance with ASX Listing Rule 14.4 and clause 6.1 of the Constitution at every Annual General Meeting one third of the Directors for the time being (excluding those who retire under clause 9.2 of the Constitution) must retire from office and are eligible for re-election. Accordingly, Ms Erica Smyth retires as a Director of the Company and, being eligible, offers herself for re-election. The Directors (other than Ms Smyth) recommend that Shareholders vote in favour of Resolution 2.

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

### **Ms Erica Smyth, MSc, FAICD, FAIM (Non Executive Chairman) Non-Executive Director**

Ms Smyth was appointed to the Board on 30 October 2007, as Chair on 30 April 2009 and has over 37 years experience in the mineral and petroleum industries.

Ms Smyth is also the Chair of Scitech, ScreenWest and the Diabetes Research Foundation of WA. She is a Member of the Board of Emeco Holdings Ltd, the Australian Nuclear Science and Technology Organisation (ANSTO) and the Royal Flying Doctor Service (Western Operations).

Ms Smyth is a Fellow of the Australian Institute of Company Directors and the Australian Institute of Management.

The Directors (other than Ms Smyth) recommend that Shareholders vote in favour of Resolution 2.

The chair intends to vote undirected proxies in favour of Resolution 2.

## 3. Resolution 3 : Re-election of Mr Peter Lester as a Director of the Company

In accordance with ASX Listing Rule 14.4 and clause 6.1 of the Constitution at every Annual General Meeting one third of the Directors for the time being (excluding those who retire under clause 9.2 of the Constitution) must retire from office and are eligible for re-election. Accordingly, Mr Peter Lester retires as a Director of the Company and, being eligible, offers himself for re-election. The Directors (other than Mr Lester) recommend that Shareholders vote in favour of Resolution 3.

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

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

Mr Lester was appointed to the Board on 30 October 2007 having previously served on the Nova Energy Ltd Board. He is a mining engineer with over 40 years' experience in the resources industry including senior operating, development and corporate roles with Newcrest Ltd, North Ltd, CRA Ltd and MIM Ltd. He was the Executive General Manager Corporate Development for Oxiana Ltd when Toro Energy Ltd was initially listed on the ASX and then OZ Minerals Ltd prior to joining Citadel Resource Ltd Group as Executive Director responsible for Corporate

Development. His activities have covered Australia, South East and Central Asia, the Middle East and the Americas and included a period in broking in both the research and corporate roles. Mr Lester is a Non-Executive Director of Castlemaine Goldfields Ltd and Nord Gold N.V.

The Directors (other than Mr Lester) recommend that Shareholders vote in favour of Resolution 3.

The chair intends to vote undirected proxies in favour of Resolution 3.

#### 4. **Resolution 4: Approval of Employee Share Option Plan**

The purpose of the Company's Employee Share Option Plan ('ESOP') is to provide employees of the Company with an opportunity to acquire an equity interest in the Company, which will further align their interest with Shareholders and provide an incentive to reach long-term goals. The ESOP also assists in attracting and retaining key staff.

Under the ASX Listing Rules, a company is not specifically required to seek shareholder approval for an ESOP. However, ASX Listing Rule 7.1 provides that a company must not issue (or agree to issue) securities in any 12 month period which amount to more than 15% of the company's issued share capital at the commencement of the 12 month period without gaining shareholder approval (unless an exception applies). Pursuant to Exception 9 of Listing Rule 7.2, an issue of securities under an employee incentive scheme is an exception to Listing Rule 7.1 if, within 3 years before the date of issue, shareholders approved the issue of securities under the scheme as an exception to Listing Rule 7.1.

Shareholder approval is therefore being sought for the issue of securities under the ESOP for the purposes of Exception 9 of Listing Rule 7.2.

For the purposes of Exception 9 of Listing Rule 7.2, a summary of the key terms and conditions of the ESOP is provided below:

##### **Summary of the key terms and conditions of the Toro Energy ESOP**

- All employees (full and part time) will be eligible to participate in the Plan after a qualifying period of 12 months employment by a member of the Group, although the Board may waive this requirement. Non-executive directors are not eligible to participate in the Plan.
- Options are granted under the Plan at the discretion of the Board and if permitted by the Board, may be issued to an employee's nominee.
- Each option is to subscribe for one fully paid ordinary share in the Company and will expire 5 years from its date of issue. An option is exercisable at any time from its date of issue subject to any vesting or escrow conditions applicable. Options will be issued free. The exercise price of options will be determined by the Board, subject to a minimum price equal to the market value of the Company's shares at the time the Board resolves to offer those options. The total number of shares the subject of options issued under the Plan, when aggregated with issues during the previous 5 years pursuant to the Plan and any other employee share plan, must not exceed 5% of the Company's issued share capital.
- If, prior to the expiry date of the options, a person ceases to be an employee of a Group company for any reason other than retirement at age 60 or more (or such earlier age as the Board permits), permanent disability, redundancy or death, the options held by that person (or that person's nominee) automatically lapse on the first to occur of a) the expiry of the period of 6 months from the date of such occurrence, and b) the expiry date. If a person dies, the options held by that person will be exercisable by that person's legal personal representative.
- Options cannot be transferred other than to the legal personal representative of a deceased option holder.
- The Company will not apply for official quotation of any options.
- Shares issued as a result of the exercise of options will rank equally with the Company's previously issued shares.
- Option holders may only participate in new issues of securities by first exercising their options.
- That the rights of an option holder will be changed to the extent necessary to comply with the listing rules applying to a reorganisation of capital at the time of the reorganisation (Listing Rule 6.16).
- If there is a pro rata issue (other than a Bonus Issue) to the holders of Shares, the Exercise Price of an Option will be reduced according to the formula provide in Listing Rule 6.22.2.



- If there is a bonus issue to the holders of Shares, the number of Shares over which the option is exercisable may be increased by the number of Shares which the holder of the option would have received if the option had been exercised before the record date for the bonus issue (Listing Rule 6.22.3).

For the purposes of Exception 9 of Listing Rule 7.2, 23,915,000 options have been issued under the ESOP since the date of the last approval on 26 November 2008.

A copy of the ESOP is available at no cost by request to the Company Secretary.

The Directors (other than those eligible to participate in the employee incentive scheme) recommend that Shareholders vote in favour of Resolution 4.

Please note that if the chair of the meeting is your proxy (or becomes your proxy by default), you expressly authorise the chair to exercise your proxy on Resolution 4 even though it is connected directly or indirectly with the remuneration of a member if the Key Management Personnel for the Company. If you appoint the chair as your proxy you can direct the chair to vote for or against or abstain from voting on Resolution 4 by marking the appropriate box on the Proxy Form.

The chair intends to vote undirected proxies in favour of Resolution 4.

#### **5. Resolution 5: Appointment of Auditor**

The Company's auditor, Grant Thornton South Australian Partnership, has acted as the Company's auditor since 2007.

Grant Thornton has combined from a state based federation of firms into a single national firm. Accordingly, they are transferring all of their audit appointments into a new single national audit entity (Grant Thornton Audit Pty Ltd) to replace their various state based audit entities. For public companies the appointment of a new audit entity requires a resolution of Shareholders at the Annual General Meeting.

The Company's audit committee has considered and agreed to this change and the Board has agreed to this resolution being presented to the Shareholders of the Company for formal vote. To give effect to the change, the current Grant Thornton audit entity has requested Australian Securities and Investments Commission's ("ASIC") consent to their resignation in favour of their new national audit company, Grant Thornton Audit Pty Ltd. The resolution is conditional upon ASIC's consent to the resignation of Grant Thornton South Australian Partnership, and the Company anticipates that this consent will be forthcoming.

In accordance with section 328B of the Corporations Act, notice in writing nominating Grant Thornton Audit Pty Ltd has been given to the Company by a Shareholder. A copy of this notice accompanies the Notice of Meeting. The appointment of Grant Thornton Audit Pty Ltd will be by vote of Shareholders as an ordinary resolution.

Subject to the passing of Resolution 5 by Shareholders, the appointment of Grant Thornton Audit Pty Ltd will be effective for the 2013 financial year. Grant Thornton South Australian Partnership remain responsible for the audit for the 2012 financial year.

The Directors recommend that the Shareholders vote in favour of Resolution 5.

The chair intends to vote undirected proxies in favour of Resolution 5.

## 6. Resolution 6: Approval of 10% Placement Facility

### 6.1 General

ASX Listing Rule 7.1A enables an eligible entity to issue Equity Securities up to 10% of its issued share capital through placements over a 12 month period after the annual general meeting (**10% Placement Facility**). The 10% Placement Facility is in addition to the eligible entity's 15% placement capacity under ASX Listing Rule 7.1.

An eligible entity for the purposes of ASX Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity.

The Company is now seeking shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Facility.

The exact number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 (refer to Section 6.2(c) below).

The Company may use the 10% Placement Facility on Theseus drilling and project advancement, brown fields drilling and resource development at Wiluna and the ongoing working capital requirements of the Company.

The Directors of the Company believe that Resolution 6 is in the best interests of the Company and unanimously recommend that Shareholders vote in favour of this Resolution.

### 6.2 Description of ASX Listing Rule 7.1A

#### a) *Shareholder approval*

The ability to issue Equity Securities under the 10% Placement Facility is subject to shareholder approval by way of a special resolution at an annual general meeting.

#### b) *Equity Securities*

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company.

As at the date of the Notice, Ordinary Shares are the only quoted class of Equity Securities of the Company.

#### c) *Formula for calculating 10% Placement Facility*

ASX Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an annual general meeting may issue or agree to issue, during the 10% Placement Period (refer to Section 6.2(f) below), a number of Equity Securities calculated in accordance with the following formula:

$$(A \times D) - E$$

Where:

**A** is the number of fully paid ordinary shares on issue 12 months before the date of issue or agreement:

- plus the number of fully paid ordinary shares issued in the 12 months under an exception in ASX Listing Rule 7.2;
- plus the number of partly paid ordinary shares that became fully paid in the 12 months;
- plus the number of fully paid ordinary shares issued in the 12 months with approval of holders of ordinary shares under ASX Listing Rule 7.1 and 7.4;
- less the number of fully paid ordinary shares cancelled in the 12 months.

(Note that A has the same meaning as in ASX Listing Rule 7.1 when calculating an entity's 15% placement capacity.)

**D** is 10%

**E** is the number of Equity Securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under ASX Listing Rule 7.1 or 7.4.

d) *ASX Listing Rule 7.1 and ASX Listing Rule 7.1A*

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under ASX Listing Rule 7.1.

At the date of this Notice, the Company has on issue 1,041,936,676 Shares and therefore has a capacity to issue:

- (i) 156,290,501 Equity Securities under ASX Listing Rule 7.1; and
- (ii) subject to shareholder approval being obtained under Resolution 6, 104,193,667 Equity Securities under ASX Listing Rule 7.1A.

The actual number of Equity Securities that the Company will have capacity to issue under ASX Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 (refer to Section 6.2(c) above).

e) *Minimum Issue Price*

The issue price of Equity Securities issued under ASX Listing Rule 7.1A must be not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 Trading Days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

f) *10% Placement Period*

Shareholder approval of the 10% Placement Facility under ASX Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the earlier to occur of:

- (i) the date that is 12 months after the date of the annual general meeting at which the approval is obtained; and
- (ii) the date of the approval by shareholders of a transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

or such longer period if allowed by ASX (**10% Placement Period**).

### 6.3 ASX Listing Rule 7.1A

The effect of Resolution 6 will be to allow the Directors to issue the Equity Securities under ASX Listing Rule 7.1A during the 10% Placement Period without using the Company's 15% placement capacity under ASX Listing Rule 7.1.

Resolution 6 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

### 6.4 Specific information required by ASX Listing Rule 7.3A

Pursuant to and in accordance with ASX Listing Rule 7.3A, information is provided in relation to the approval of the 10% Placement Facility as follows to the extent that such information is not disclosed elsewhere in these Explanatory Notes:

- (a) The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities in the same class over the 15 Trading Days on which trades in that class were recorded immediately before:
  - (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
  - (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.
- (b) There is a risk that:
  - (i) the market price for the Company's Equity Securities in the same class may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
  - (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities in the same class on the issue date,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

The below table shows the risk of voting dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary shares for variable "A" calculated in accordance with the formula in ASX Listing Rule 7.1A(2) as at the date of this Notice.

The table also shows:

- (i) two examples where variable "A" has increased, by 50% and 100%. Variable "A" is based on the number of ordinary shares the Company has on issue. The number of ordinary shares on issue may increase as a result of issues of ordinary shares that do not require Shareholder approval (for example, a pro rata entitlements issue) or future specific placements under ASX Listing Rule 7.1 that are approved at a future Shareholders' meeting; and

- (ii) two examples of where the issue price of ordinary shares has decreased by 50% and increased by 50% as against the current market price.

<b>Variable 'A' in ASX Listing Rule 7.1A.2</b>		<b>\$0.04 50% decrease in Issue Price</b>	<b>\$0.08 Issue Price</b>	<b>\$0.12 50% increase in Issue Price</b>
<b>Current Variable 'A'</b> 1,041,936,676 Shares	10% Voting Dilution	104,193,667 Shares	104,193,667 Shares	104,193,667 Shares
	Funds Raised	\$4,167,746	\$8,335,493	\$12,503,240
<b>50% increase in current Variable 'A'</b> 1,562,905,014 Shares	10% Voting Dilution	156,290,501 Shares	156,290,501 Shares	156,290,501 Shares
	Funds Raised	\$6,251,620	\$12,503,240	\$18,754,860
<b>100% increase in current Variable 'A'</b> 2,083,873,352 Shares	10% Voting Dilution	208,387,335 Shares	208,387,335 Shares	208,387,335 Shares
	Funds Raised	\$8,335,493	\$16,670,986	\$25,006,480

The table has been prepared under the following assumptions:

- (i) The Company issues the maximum number of Equity Securities available under the 10% Placement Facility;
  - (ii) No current options are exercised into shares before the date of the issue of the Equity Securities;
  - (iii) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%;
  - (iv) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of the Meeting;
  - (v) The table shows only the effect of issues of Equity Securities under ASX Listing Rule 7.1A, and no other issues of Equity Securities;
  - (vi) The issue of Equity Securities under the 10% Placement Facility only of Shares;
  - (vii) The issue price of \$0.08, being the closing price of the Shares on ASX on 8 October 2012.
- (c) The Company will only issue and allot the Equity Securities during the 10% Placement Period. The approval under Resolution 6 for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a transaction under ASX Listing Rule 11.1.2 (a significant change to the nature or scale of activities or ASX Listing Rule 11.2 (disposal of main undertaking).
- (d) The Company may seek to issue the Equity Securities for the following purposes:
- (i) non-cash consideration for the acquisition of new resources, prospects, other assets or investments; in such circumstances the Company will provide a valuation of the non-cash consideration as referred to in the Note to ASX Listing Rule 7.1A.3; or
  - (ii) cash consideration; in such circumstances the Company intends to use the funds raised on either Theseus drilling and project advancement, brown fields drilling and resource development at Wiluna and or the ongoing working capital requirements of the Company.

- (e) The Company will comply with the disclosure obligations under ASX Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities.
- (f) The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of Equity Securities and the number of Equity Securities allotted to each will be determined on a case-by-case basis having regard to factors including, but not limited to, the following:
  - (i) the methods of raising funds that are available to the Company including, but not limited to, rights issue or other issue in which existing security holders can participate;
  - (ii) the effect of the issue of the Equity Securities on the control of the Company;
  - (iii) the financial situation and solvency of the Company; and
  - (iv) advice from corporate, financial and broking advisers (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of this Notice but may include existing substantial Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company.

Further, if the Company is successful in acquiring new resources, prospects, other assets or investments, it is likely that the allottees under the 10% Placement Facility will be the vendors thereof or their nominees.

- (g) The Company has not previously obtained Shareholder approval under ASX Listing Rule 7.1A.

The Directors recommend that Shareholders vote in favour of Resolution 6.

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

## 7. Glossary

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

**\$** means Australian Dollars

**10% Placement Facility** has the meaning given in Section 6.1;

**10% Placement Period** has the meaning given in Section 6.2(f);

**ASIC** means Australian Securities and Investments Commission;

**ASX** means ASX Limited ACN 008 624 691;

**ASX Listing Rules** means the official listing rules of ASX;

**Board** means the board of Directors;

**Closely Related Party** of a member of the Key Management Personnel for an entity means:

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

**Company** means Toro Energy Limited ACN 117 127 590;

**Constitution** means the existing constitution of the Company;

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

**Director** means a director of the Company;

**Equity Securities** has the same meaning as in the ASX Listing Rules;

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

**Meeting** means the meeting of Shareholders convened by the Notice;

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

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

**Shareholder** means a holder of a Share;

**Trading Day** means a day determined by ASX to be a trading day in accordance with the ASX Listing Rules; and

**VWAP** means volume weighted average price.





**Notice of Nomination of Auditor  
Toro Energy Limited  
ABN 48 117 127 590  
Date 10 October 2012**

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**Appointment of auditors**

Following the resignation of Grant Thornton South Australian Partnership, subject to ASIC consent, I wish to nominate Grant Thornton Audit Pty Ltd as auditor of Toro Energy Limited at the forthcoming annual general meeting.

I request that a copy of this nomination is sent to all persons entitled to receive notice of the AGM and Grant Thornton Audit Pty Ltd.

Signed:


*Mark McGeough.*


10 October 2012

\_\_\_\_\_  
Member Name

\_\_\_\_\_  
Date

## Lodge your vote:

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

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

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

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

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

## Proxy Form



Vote online or view the annual report, 24 hours a day, 7 days a week:

**www.investorvote.com.au**

- Cast your proxy vote**
- Access the annual report**
- Review and update your securityholding**

*Your secure access information is:*

**Control Number: 999999**

**SRN/HIN: 1999999999**

**PIN: 99999**



**PLEASE NOTE:** For security reasons it is important that you keep your SRN/HIN confidential.

 **For your vote to be effective it must be received by 10:00 am (Adelaide time) Monday 26 November 2012**

### How to Vote on Items of Business

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

#### Appointment of Proxy

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

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

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

**A proxy need not be a securityholder of the Company.**

### Signing Instructions for Postal Forms

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

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

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

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

### Attending the Meeting

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

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

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

**Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

# Proxy Form

Please mark  to indicate your directions

## STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Toro Energy Limited hereby appoint

the Chairman of the Meeting OR

**PLEASE NOTE:** Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Toro Energy Limited to be held in the Hindmarsh Room, at the Crowne Plaza Hotel, 16 Hindmarsh Square, Adelaide, South Australia on Wednesday 28 November 2012 at 10:00 am (Adelaide time) and at any adjournment or postponement of that Meeting.

**Chairman authorised to exercise undirected proxies on remuneration related resolutions:** Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Items 1 & 4 (except where I/we have indicated a different voting intention below) even though Items 1 & 4 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

**Important Note:** If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Items 1 & 4 by marking the appropriate box in step 2 below.

## STEP 2 Items of Business

**PLEASE NOTE:** If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

### Ordinary Business

	For	Against	Abstain
1 Adopton of the Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Re-election of Erica Smyth as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Re-election of Peter Lester as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### Special Business

4 Approval of Employee Share Option Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Appointment of Auditor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 Approval of 10% Placement Facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote all available proxies in favour of each item of business.

## SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name \_\_\_\_\_

Contact Daytime Telephone \_\_\_\_\_

Date / / \_\_\_\_\_



3 Boskenna Avenue  
NORWOOD SA 5067  
Australia



Dear Securityholder,

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

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

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

You are requested to include the following;

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

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

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

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

Yours sincerely

**Todd Alder**  
Company Secretary