

Toro Ventures Inc.
Form 10-K
September 27, 2013
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10 - K

(Mark One)

ANNUAL REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Period year ended June 30th, 2013

TRANSITION REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: **000-51974**

TORO VENTURES INC.

(Exact name of small business issuer as specified in its charter)

Nevada

(State or other jurisdiction of incorporation or organization)

N/A

(IRS Employer Number)

Suite 632, 22837 Pacific Coast Highway, Malibu, California, 90265

(Address of principal executive office)

310-887-6391

(Issuer's telephone number)

n/a

(Former name, former address and former fiscal year, if changed since last report)

Securities registered under Section 12(b) of the Exchange Act: **None**

Securities registered under Section 12(g) of the Exchange Act: **Common Stock, \$0.001**

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No []

Check if there is no disclosure of delinquent filers in response to Item 405 Regulation S-B is not containing [] in this form, and no disclosure will be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments

to this Form 10-K

Indicate by check mark whether the company is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes [No] [X]

State issuer's revenues for its most recent fiscal year - **\$0**

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked price of such common equity, as of a specified date within the past 60 days. (See definition of affiliate in Rule 12b-2 of the Exchange Act.)

Aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference as of September 26, 2013 is \$243,800.

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State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date.

As of September 26, 2013 there are 26,095,000 common shares outstanding.

Transitional Small Business Disclosure Format (Check One): Yes [] No [X]

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PART I

Item 1. Description of Business

Toro Ventures Inc. is in the acquisition and exploration of oil and gas properties. Toro Ventures Inc. was incorporated in the state of Nevada on April 11, 2005. Our principal office is located at Suite 632, 22837 Pacific Coast Highway, Malibu, California, 90265. Our telephone number is 310-887-6391

Business

Our business strategy is to acquire interest in the properties of, and working interests in the production owned by, established oil and gas production companies, whether public or private, in the United States oil producing areas. We believe such opportunities exist in the United States. We also believe that these opportunities have considerable future potential for the development of additional oil reserves. Such new reserves might come from the development of existing but as yet undeveloped reserves as well as from future success in exploration.

When and if funding becomes available, we plan to acquire high-quality oil and gas properties, primarily properties which have "proven producing and proven undeveloped reserves." We will also explore low-risk development drilling and work-over opportunities with experienced, well-established operators.

Competition

Toro Ventures Inc. operates in a highly competitive environment. We compete with major and independent oil and natural gas companies, many of whom have financial and other resources substantially in excess of those available to us. These competitors may be better positioned to take advantage of industry opportunities and to withstand changes affecting the industry, such as fluctuations in oil and natural gas prices and production, the availability of alternative energy sources and the application of government regulation.

Compliance with Government Regulation

The availability of a market for future oil and gas production from possible U.S. assets will depend upon numerous factors beyond our control. These factors may include, amongst others, regulation of oil and natural gas production, regulations governing environmental quality and pollution control, and the effects of regulation on the amount of oil and natural gas available for sale, the availability of adequate pipeline and other transportation and processing facilities and the marketing of competitive fuels. These regulations generally are intended to prevent waste of oil and natural gas and control contamination of the environment.

We expect that our sales of crude oil and other hydrocarbon liquids from our future U.S.-based production will not be regulated and will be made at market prices. However, the price we would receive from the sale of these products may be affected by the cost of transporting the products to market via pipeline and marine transport.

Environmental Regulations

Our U.S. assets could be subject to numerous laws and regulations governing the discharge of materials into the environment or otherwise relating to environmental protection. These laws and regulations may require the acquisition of a permit before drilling commences, restrict the types, quantities and concentration of various substances that can be released into the environment in connection with drilling and production activities, limit or prohibit drilling activities on certain lands within wilderness, wetlands and other protected areas, require remedial measures to mitigate pollution from former operations, such as pit closure and plugging abandoned wells, and impose substantial liabilities for pollution resulting from production and drilling operations. Public interest in the protection of the environment has increased dramatically in recent years. The worldwide trend of more expansive and stricter environmental legislation and regulations applied to the oil and natural gas industry could continue, resulting in increased costs of doing business and consequently affecting profitability. To the extent laws are enacted or other governmental action is taken that restricts drilling or imposes more stringent and costly waste handling, disposal and cleanup requirements, our business and prospects could be adversely affected.

Operating Hazards and Insurance

The oil and natural gas business involves a variety of operating hazards and risks such as well blowouts, craterings, pipe failures, casing collapse, explosions, uncontrollable flows of oil, natural gas or well fluids, fires, formations with abnormal pressures, pipeline ruptures or spills, pollution, releases of toxic gas and other environmental hazards and risks. These hazards and risks could result in substantial losses to us from, among other things, injury or loss of life, severe damage to or destruction of property, natural resources and equipment, pollution or other environmental damage, clean-up responsibilities, regulatory investigation and penalties and suspension of operations.

In accordance with customary industry practices, we expect to maintain insurance against some, but not all, of such risks and losses. There can be no assurance that any insurance we obtain would be adequate to cover any losses or liabilities. We cannot predict the continued availability of insurance or the availability of insurance at premium levels that justify its purchase. The occurrence of a significant event not fully insured or indemnified against could materially and adversely affect our financial condition and operations.

Pollution and environmental risks generally are not fully insurable. The occurrence of an event not fully covered by insurance could have a material adverse effect on our future financial condition. If we were unable to obtain adequate insurance, we could be forced to participate in all of our activities on a non-operated basis, which would limit our ability to control the risks associated with oil and natural gas operations.

Employees

We currently do not have any other employees other than the Toro's sole officer and director.

Item 1A. Risk Factors

We are in the oil business and we expect to incur operating losses for the foreseeable future.

We were incorporated on April 11, 2005 and to date have recently been involved in the organizational activities, and acquisition of our claims. We have no way to evaluate the likelihood that our business will be successful. We have earned minimal revenues as of the date of this annual report. Potential investors should be aware of the difficulties normally encountered by exploration companies and the high rate of failure of such enterprises. The likelihood of success must be considered in light of the problems, expenses, difficulties, complications and delays encountered in connection with the exploration and development of the properties that we plan to undertake. These potential problems include, but are not limited to, unanticipated problems relating to exploration, and additional costs and expenses that may exceed current estimates. Prior to completion of our exploration stage, we anticipate that we will incur increased operating expenses without greatly increasing our revenues. We expect to incur significant losses into the foreseeable future. We recognize that if production is not forthcoming, we will not be able to continue business operations. There is no history upon which to base any assumption as to the likelihood that we will prove successful, and it is doubtful that we will generate significant revenues to achieve profitable operations. If we are unsuccessful in addressing these risks, our business will most likely fail.

We have yet to earn significant revenue to achieve profitability and our ability to sustain our operations is dependent on our ability to raise additional financing to complete our program if warranted. As a result, our

accountant believes there is substantial doubt about our ability to continue as a going concern.

We have accrued accumulated net losses of \$783,772 for the period from inception (April 11, 2005) to June 30, 2013 and have revenues of \$Nil to date. Our future is dependent upon our ability to obtain financing and upon future profitable operations from the development of our business. These factors raise substantial doubt that we will be able to continue as a going concern. Our independent auditors, has expressed substantial doubt about our ability to continue as a going concern. This opinion could materially limit our ability to raise additional funds by issuing new debt or equity securities or otherwise. If we fail to raise sufficient capital when needed, we will not be able to complete our business plan. As a result we may have to liquidate our business and you may lose your investment. You should consider our auditor's comments when determining if an investment in our company is suitable.

Because of the unique difficulties and uncertainties inherent in oil and gas ventures, we face a high risk of business failure.

You should be aware of the difficulties normally encountered by exploration companies and the high rate of failure of such enterprises. The likelihood of success must be considered in light of the problems, expenses, difficulties, complications and delays encountered in connection with the exploration and development of the properties that we

plan to undertake. These potential problems include, but are not limited to, unanticipated problems relating to exploration, and additional costs and expenses that may exceed current estimates. If the results of our development program do not reveal viable commercialization options, we may decide to abandon our claim and acquire new claims. Our ability to acquire additional claims will be dependent upon our possessing adequate capital resources when needed. If no funding is available, we may be forced to abandon our operations.

Because of the inherent dangers involved in oil and gas operations, there is a risk that we may incur liability or damages as we conduct our business.

The extracting of oil and gas involves numerous hazards. As a result, we may become subject to liability for such hazards, including pollution, cave-ins and other hazards against which we cannot insure or against which we may elect not to insure. At the present time we have no insurance to cover against these hazards. The payment of such liabilities may result in our inability to complete our planned program and/or obtain additional financing to fund our program.

As we undertake development of our properties, we will be subject to compliance with government regulation that may increase the anticipated cost of our program.

There are several governmental regulations that materially restrict oil extraction. We will be subject to regulations and laws as we carry out our program. We may be required to obtain work permits, post bonds and perform remediation work for any physical disturbance to the area in order to comply with these laws. The cost of complying with permit and regulatory environment laws will be greater because the impact on the project area is greater. Permits and regulations will control all aspects of the production program if the project continues to that stage. Examples of regulatory requirements can include:

- (a) Water discharge will have to meet drinking water standards;
- (b) Dust generation will have to be minimal or otherwise re-mediated;
- (c) Dumping of material on the surface will have to be re-contoured and re-vegetated with natural vegetation;
- (d) An assessment of all material to be left on the surface will need to be environmentally benign;
- (e) Ground water will have to be monitored for any potential contaminants;
- (f) The socio-economic impact of the project will have to be evaluated and if deemed negative, will have to be remediated; and

There is a risk that new regulations could increase our costs of doing business and prevent us from carrying out our exploration program. We will also have to sustain the cost of reclamation and environmental remediation for all exploration work undertaken. Both reclamation and environmental remediation refer to putting disturbed ground back as close to its original state as possible. Other potential pollution or damage must be cleaned-up and renewed along standard guidelines outlined in the usual permits. Reclamation is the process of bringing the land back to its natural state after completion of exploration activities. Environmental remediation refers to the physical activity of taking steps to remediate, or remedy, any environmental damage caused. The amount of these costs is not known at this time as we do not know the extent of the exploration program that will be undertaken beyond completion of the recommended work program. If remediation costs exceed our cash reserves we may be unable to complete our exploration program and have to abandon our operations.

If access to our properties is restricted by inclement weather, we may be delayed in any future drilling efforts.

It is possible that adverse weather could cause accessibility to our properties difficult and this would delay in our timetables.

Based on consumer demand, the growth and demand for any oil or gas we may recover from our claims may be slowed, resulting in reduced revenues to the company.

Our success will be dependent on the growth of demand for petroleum products. If consumer demand slows our revenues may be significantly affected. This could limit our ability to generate revenues and our financial condition and operating results may be harmed.

Because our current officers and directors have other business interests, they may not be able or willing to devote a sufficient amount of time to our business operations, causing our business to fail.

Our current officers and directors currently devotes up to 10 hours per week providing services to the company. While they presently possesses adequate time to attend to our interest, it is possible that the demands on them from other obligations could increase, with the result that they would no longer be able to devote sufficient time to the management of our business. This could negatively impact our business development.

WE MAY BE UNABLE TO OBTAIN ADDITIONAL CAPITAL THAT WE MAY REQUIRE TO IMPLEMENT OUR BUSINESS PLAN. THIS WOULD RESTRICT OUR ABILITY TO GROW.

The proceeds from our private offerings completed in 2007 and funds borrowed since this private offering, provide us with a limited amount of working capital and is not sufficient to fund our proposed operations. We will require additional capital to continue to operate our business and our proposed operations. We may be unable to obtain additional capital as and when required.

Future acquisitions and future development, production and marketing activities, as well as our administrative requirements (such as salaries, insurance expenses and general overhead expenses, as well as legal compliance costs and accounting expenses) will require a substantial amount of additional capital and cash flow.

We may not be successful in locating suitable financing transactions in the time period required or at all, and we may not obtain the capital we require by other means. If we do not succeed in raising additional capital, the capital we have received to date may not be sufficient to fund our operations going forward without obtaining additional capital financing.

Any additional capital raised through the sale of equity may dilute your ownership percentage. This could also result in a decrease in the fair market value of our equity securities because our assets would be owned by a larger pool of outstanding equity. The terms of securities we issue in future capital transactions may be more favorable to our new investors, and may include preferences, superior voting rights and the issuance of warrants or other derivative securities, and issuances of incentive awards under equity employee incentive plans, which may have a further dilutive effect.

Our ability to obtain needed financing may be impaired by such factors as the capital markets (both generally and in the resource industry in particular), our status as a new enterprise without a demonstrated operating history, the location of our properties and the price of oil and gas on the commodities markets (which will impact the amount of asset-based financing available to us) or the retention or loss of key management. Further, if oil and gas prices on the commodities markets decrease, then our revenues will likely decrease, and such decreased revenues may increase our requirements for capital. If the amount of capital we are able to raise from financing activities is not sufficient to satisfy our capital needs, we may be required to cease our operations.

We may incur substantial costs in pursuing future capital financing, including investment banking fees, legal fees, accounting fees, securities law compliance fees, printing and distribution expenses and other costs. We may also be required to recognize non-cash expenses in connection with certain securities we may issue, such as convertible notes and warrants, which may adversely impact our financial condition.

AMENDMENTS TO CURRENT LAWS AND REGULATIONS GOVERNING OUR PROPOSED OPERATIONS COULD HAVE A MATERIAL ADVERSE IMPACT ON OUR PROPOSED BUSINESS.

Our business will be subject to substantial regulation under state and federal laws relating to the exploration for, and the development, upgrading, marketing, pricing, taxation, and transportation of oil and other matters. Amendments to current laws and regulations governing operations and activities of resource operations could have a material adverse impact on our proposed business. In addition, there can be no assurance that income tax laws, royalty regulations and government incentive programs related to the resource industry generally, will not be changed in a manner which may adversely affect us and cause delays, inability to complete or abandonment of properties.

Permits, leases, licenses, and approvals are required from a variety of regulatory authorities at various stages of mining and extraction. There can be no assurance that the various government permits, leases, licenses and approvals sought will be granted to us or, if granted, will not be cancelled or will be renewed upon expiration.

ESTIMATES OF OIL RESERVES THAT WE MAKE MAY BE INACCURATE WHICH COULD HAVE A MATERIAL ADVERSE EFFECT ON US

There are numerous uncertainties inherent in estimating quantities of oil resources, including many factors beyond our control, and no assurance can be given that expected levels of resources or recovery of oil will be realized. In general, estimates of recoverable oil resources are based upon a number of factors and assumptions made as of the date on which resource estimates are determined, such as geological and engineering estimates which have inherent uncertainties and the assumed effects of regulation by governmental agencies and estimates of future commodity prices and operating costs, all of which may vary considerably from actual results. All such estimates are, to some degree, uncertain and classifications of resources are only attempts to define the degree of uncertainty involved. For these reasons, estimates of the recoverable oil, the classification of such resources based on risk of recovery, prepared by different engineers or by the same engineers at different times, may vary substantially.

ABANDONMENT AND RECLAMATION COSTS ARE UNKNOWN AND MAY BE SUBSTANTIAL.

We will be responsible for compliance with terms and conditions of environmental and regulatory approvals and all laws and regulations regarding the abandonment of our properties and reclamation of lands at the end of their economic life, which abandonment and reclamation costs may be substantial. A breach of such legislation and/or regulations may result in the issuance of remedial orders, the suspension of approvals, or the imposition of fines and penalties, including an order for cessation of operations at the site until satisfactory remedies are made. It is not possible to estimate with certainty the abandonment and reclamation costs since they will be a function of regulatory requirements at the time.

INCREASES IN OUR OPERATING EXPENSES WILL IMPACT OUR OPERATING RESULTS AND FINANCIAL CONDITION.

Extraction, development, production, marketing (including distribution costs) and regulatory compliance costs (including taxes) will substantially impact the net revenues we derive from oil that we produce. These costs are subject to fluctuations and variation in different locales in which we will operate, and we may not be able to predict or control these costs. If these costs exceed our expectations, this may adversely affect our results of operations. In addition, we may not be able to earn net revenue at our predicted levels, which may impact our ability to satisfy our obligations.

PENALTIES WE MAY INCUR COULD IMPAIR OUR BUSINESS.

Failure to comply with government regulations could subject us to civil and criminal penalties, could require us to forfeit property rights, and may affect the value of our assets. We may also be required to take corrective actions, such as installing additional equipment or taking other actions, each of which could require us to make substantial capital expenditures. We could also be required to indemnify our employees in connection with any expenses or liabilities that they may incur individually in connection with regulatory action against them. As a result, our future business prospects could deteriorate due to regulatory constraints, and our profitability could be impaired by our obligation to provide such indemnification to our employees.

ENVIRONMENTAL RISKS MAY ADVERSELY AFFECT OUR BUSINESS.

Oil extraction operations present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, state, and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with resource operations. The legislation also requires that facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner we expect may result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs.

The discharge of pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require us to incur costs to remedy such discharges. The application of environmental laws to our business may cause us to curtail our production or increase the costs of our production, development or exploration activities.

CHALLENGES TO TITLE TO OUR PROPERTIES MAY IMPACT OUR FINANCIAL CONDITION.

Title to oil interests is often not capable of conclusive determination without incurring substantial expense. While we intend to make appropriate inquiries into the title of properties and other development rights we acquire, title defects may exist. In addition, we may be unable to obtain adequate insurance for title defects, on a commercially reasonable basis or at all. If title defects do exist, it is possible that we may lose all or a portion of our right, title and interests in and to the properties to which the title defects relate.

THE LIMITED TRADING OF OUR COMMON STOCK ON THE OTC BULLETIN BOARD MAY IMPAIR YOUR ABILITY TO SELL YOUR SHARES.

There have been thin volumes of trading of our common stock. The lack of trading of our common stock and the low volume of any future trading may impair your ability to sell your shares at the time you wish to sell them or at a price that you consider reasonable. Such factors may also impair our ability to raise capital by selling shares of capital stock and may impair our ability to acquire other companies or technologies by using common stock as consideration.

THE MARKET PRICE OF OUR COMMON STOCK IS LIKELY TO BE HIGHLY VOLATILE AND SUBJECT TO WIDE FLUCTUATIONS.

Assuming we are able to establish an active trading market for our common stock, the market price of our common stock is likely to be highly volatile and could be subject to wide fluctuations in response to a number of factors that are beyond our control, including:

- * dilution caused by our issuance of additional shares of common stock and other forms of equity securities, which we expect to make in connection with future capital financings to fund our operations and growth, to attract and retain valuable personnel and in connection with future strategic partnerships with other companies;
- * announcements of acquisitions, reserve discoveries or other business initiatives by our competitors;
- * fluctuations in revenue from our business as new reserves come to market;
- * changes in the market for commodities or in the capital markets generally;
- * quarterly variations in our revenues and operating expenses;
- * changes in the valuation of similarly situated companies, both in our industry and in other industries;
- * changes in analysts' estimates affecting us, our competitors or our industry;
- * changes in the accounting methods used in or otherwise affecting our industry;
- * additions and departures of key personnel;
- * fluctuations in interest rates and the availability of capital in the capital markets; and

These and other factors are largely beyond our control, and the impact of these risks, singly or in the aggregate, may result in material adverse changes to the market price of our common stock and our results of operations and financial condition.

OUR OPERATING RESULTS MAY FLUCTUATE SIGNIFICANTLY, AND THESE FLUCTUATIONS MAY CAUSE OUR STOCK PRICE TO DECLINE.

Our operating results will likely vary in the future primarily as the result of fluctuations in our revenues and operating expenses, expenses that we incur, the price of oil and gas in the commodities markets and other factors. If our results of operations do not meet the expectations of current or potential investors, the price of our common stock may decline.

WE DO NOT EXPECT TO PAY DIVIDENDS IN THE FORESEEABLE FUTURE.

We do not intend to declare dividends for the foreseeable future, as we anticipate that we will reinvest any future earnings in the development and growth of our business. Therefore, investors will not receive any funds unless they sell their common stock, and stockholders may be unable to sell their shares on favorable terms or at all. Investors cannot be assured of a positive return on investment or that they will not lose the entire amount of their investment in the common stock.

APPLICABLE SEC RULES GOVERNING THE TRADING OF "PENNY STOCKS" WILL LIMIT THE TRADING AND LIQUIDITY OF OUR COMMON STOCK, WHICH MAY AFFECT THE TRADING PRICE OF OUR COMMON STOCK.

Our common stock is presently considered to be a "penny stock" and is subject to SEC rules and regulations which impose limitations upon the manner in which such shares may be publicly traded and regulate broker-dealer practices in connection with transactions in "penny stocks." Penny stocks generally are equity securities with a price of less than \$5.00 (other than securities registered on certain national securities exchanges or quoted on the NASDAQ system, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or system). The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document that provides information about penny stocks and the risks in the penny stock market. The broker-dealer must also provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction, and monthly account statements showing the market value of each penny stock held in the customer's account. In addition, the penny stock rules generally require that prior to a transaction in a penny stock, the broker-dealer make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for a stock that becomes subject to the penny stock rules which may increase the difficulty investors may experience in attempting to liquidate such securities.

FORWARD-LOOKING STATEMENTS

This Form 10-K contains forward-looking statements that involve risks and uncertainties. We use words such as anticipate, believe, plan, expect, future, intend and similar expressions to identify such forward-looking statements. You should not place too much reliance on these forward-looking statements. Our actual results are likely to differ materially from those anticipated in these forward-looking statements for many reasons.

Item 2: Description of Property

Corporate Office

The Company's headquarters and executive offices are located at Suite 632, 22837 Pacific Coast Highway, Malibu, California, 90265. Our telephone number is 310-887-6391. Our office space is currently rented on a month to month basis.

Oil and Gas Interests

By a letter of intent dated March 26, 2007, the Company acquired a 15% working interest in the Quinlan #3 Oil and Gas lease in Pottowatomie County, Oklahoma in consideration for the payments totaling \$67,500. The funding for this acquisition was derived from a private placement of 33,750 shares of our common stock.

By a turnkey agreement effectively dated March 29, 2007, the Company acquired a 60% working interest in an oil and gas leases known as the Crown Oil and Gas Lease in Pottowatomie County, Oklahoma for \$250,000. The funding for this acquisition was derived from a private placement of 250,000 shares of our common stock.

Bankruptcy or similar procedure

We have not been the subject of a bankruptcy, receivership or similar proceedings.

Competition and Markets

We face competition from other oil and natural gas companies in all aspects of our business, including acquisition of producing properties and oil and natural gas leases, marketing of oil and natural gas, and obtaining goods, services and labor. Many of our competitors have substantially larger financial and other resources than we have. Factors that affect our ability to acquire producing properties include available funds, available information about prospective properties and our limited number of employees.

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The availability of a ready market for and the price of any hydrocarbons produced will depend on many factors beyond our control including, but not limited to, the amount of domestic production and imports of foreign oil and liquefied natural gas, the marketing of competitive fuels, the proximity and capacity of natural gas pipelines, the availability of transportation and other market facilities, the demand for hydrocarbons, the effect of federal and state regulation of allowable rates of production, taxation, the conduct of drilling operations and federal regulation of natural gas. All of these factors, together with economic factors in the marketing arena, generally affect the supply of and/or demand for oil and natural gas and thus the prices available for sales of oil and natural gas.

Regulatory Considerations

Proposals and proceedings that might affect the oil and gas industry are periodically presented to Congress, the Federal Energy Regulatory Commission (“FERC”), the Minerals Management Service (“MMS”), state legislatures and commissions and the courts. We cannot predict when or whether any such proposals may become effective. This industry is heavily regulated. There is no assurance that the regulatory approach currently pursued by various agencies will continue indefinitely. Notwithstanding the foregoing, except for the water quality issue described below, we currently do not anticipate that compliance with existing federal, state and local laws, rules and regulations, will have a material or significantly adverse effect upon our capital expenditures, earnings or competitive position. No material portion of our business is subject to renegotiation of profits or termination of contracts or subcontracts at the election of the federal government.

Our operations are subject to various types of regulation at the federal, state and local levels. This regulation includes requiring permits for drilling wells, maintaining bonding requirements in order to drill or operate wells and regulating the location of wells, the method of drilling and casing wells, the surface use and restoration of properties upon which wells are drilled, the plugging and abandoning of wells and the disposal of fluids used or generated in connection with operations. Our operations are also subject to various conservation laws and regulations. These include the regulation of the size of drilling and spacing units or proration units and the density of wells which may be drilled and the unitization or pooling of oil and natural gas properties. In addition, state conservation laws sometimes establish maximum rates of production from oil and natural gas wells, generally prohibit the venting or flaring of natural gas and impose certain requirements regarding the ratability of production. The effect of these regulations may limit the amount of oil and natural gas we can produce from our wells in a given state and may limit the number of wells or the locations at which we can drill.

Currently, there are no federal, state or local laws that regulate the price for our sales of natural gas, natural gas liquids, crude oil or condensate. However, the rates charged and terms and conditions for the movement of gas in interstate commerce through certain intrastate pipelines and production area hubs are subject to regulation under the Natural Gas Policy Act of 1978, as amended. Pipeline and hub construction activities are, to a limited extent, also subject to regulations under the Natural Gas Act of 1938, as amended. While these controls do not apply directly to us, their effect on natural gas markets can be significant in terms of competition and cost of transportation services, which in turn can have a substantial impact on our profitability and costs of doing business. Additional proposals and proceedings that might affect the natural gas and crude oil extraction industry are considered from time to time by Congress, FERC, state regulatory bodies and the courts. We cannot predict when or if any such proposals might become effective and their effect, if any, on our operations. We do not believe that we will be affected by any action taken in any materially different respect from other crude oil and natural gas producers, gatherers and marketers with whom we compete.

State regulation of gathering facilities generally includes various safety, environmental and in some circumstances, nondiscriminatory take requirements. This regulation has not generally been applied against producers and gatherers of natural gas to the same extent as processors, although natural gas gathering may receive greater regulatory scrutiny in the future.

Various federal, state and local laws regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, directly impact oil and natural gas exploration, development and production operations, and consequently may impact our operations and costs. These regulations include, among others, (i) regulations by the Environmental Protection Agency (“EPA”), and various state agencies regarding approved methods of disposal for certain hazardous and non-hazardous wastes; (ii) the Comprehensive Environmental Response, Compensation and Liability Act, and analogous state laws, which regulate the removal or remediation of previously disposed wastes (including wastes disposed of or released by prior owners or operators), property contamination (including groundwater contamination), and remedial plugging operations to prevent future contamination; (iii) the Clean Air Act and comparable state and local requirements, which may require certain pollution controls with respect to air emissions from our operations; (iv) the Oil Pollution Act of 1990, which contains numerous requirements relating to the prevention of and response to oil spills into waters of the United States; (v) the Resource Conservation and Recovery Act, which is the principal federal statute governing the treatment, storage and disposal of hazardous wastes.

To date, compliance with environmental laws and regulations has not required the expenditure of any material amount of money. Since environmental laws and regulations are periodically amended, we are unable to predict the ultimate cost of compliance. To our knowledge, other than the potential water quality issue described above, there are currently no material adverse environmental conditions that exist on any of our properties and there are no current or threatened actions or claims by any local, state or federal agency, or by any private landowner against us pertaining to such a condition. Further, we are not aware of any currently existing condition or circumstance that may give rise to such actions or claims in the future.

Employees

The Company has no full time employees and one part time employee.

Research and Development Expenditures

We have not incurred any research or development expenditures since our incorporation.

Patents and Trademarks

We do not own, either legally or beneficially, any patents or trademarks.

Reports to Securities Holders

We will make our financial information equally available to any interested parties or investors through compliance with the disclosure rules of Regulation S-K for a small business issuer under the Securities Exchange Act of 1934. We are subject to disclosure filing requirements including filing Form 10K annually and Form 10Q quarterly. In addition, we will file Form 8K and other proxy and information statements from time to time as required. We do not intend to voluntarily file the above reports in the event that our obligation to file such reports is suspended under the Exchange Act. The public may read and copy any materials that we file with the Securities and Exchange Commission, ("SEC"), at the SEC's Public Reference Room at 100 F Street NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site (<http://www.sec.gov>) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

Item 3: Legal Proceedings

There are no existing, pending or threatened legal proceedings involving Toro Ventures Inc., or against any of our officers or directors as a result of their involvement with the Company.

Item 4: Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders during the year ended June 30, 2013.

PART II

Item 5: Market for Common Equity, Related Stockholder Matters and Small Business Issuer Purchases of Equity Securities

Market for the Common Stock

Our common stock is traded on the OTC Bulletin Board and is quoted under the symbol "TORO.OB."

No Public Market for Common Stock

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As of the date of this report we have approximately 90 shareholders of record. We have paid no cash dividends and have no outstanding options. We have no securities authorized for issuance under equity compensation plans.

The SEC has adopted rules that regulate broker-dealer practices in connection with transactions in penny stocks. Penny stocks are generally equity securities with a price of less than \$5.00, other than securities registered on certain national securities exchanges or quoted on the NASDAQ system, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or quotation system. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock, to deliver a standardized risk disclosure document prepared by the SEC, that: (a) contains a description of the nature and level of risk in the market for penny stocks in both public offerings and secondary trading; (b) contains a description of the broker's or dealer's duties to the customer and of the rights and remedies available to the customer with respect to a violation to such duties or other requirements of Securities' laws; (c) contains a brief, clear, narrative description of a dealer market, including bid and ask prices for penny stocks and the significance of the spread between the bid and ask price; (d) contains a toll-free telephone number for inquiries on disciplinary actions; (e) defines significant terms in the disclosure document or in the conduct of trading in penny stocks; and (f) contains such other information and is in such form, including language, type, size and format, as the SEC shall require by rule or regulation. The broker-dealer also must provide, prior to effecting any transaction in a penny stock, the customer with: (a) bid and offer quotations for the penny stock; (b) the compensation of the broker-dealer and its salesperson in the transaction; (c) the number of shares to which such bid and ask prices apply, or other comparable information relating to the depth and liquidity of the market for such stock; and (d) monthly account statements showing the market value of each penny stock held in the customer's account. In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from those rules; the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written acknowledgment of the receipt of a risk disclosure statement, a written agreement to transactions involving penny stocks, and a signed and dated copy of a suitably written statement.

These disclosure requirements may have the effect of reducing the trading activity in the secondary market for our stock if it becomes subject to these penny stock rules. Therefore, if our common stock becomes subject to the penny stock rules, stockholders may have difficulty selling those securities.

Dividends

Our dividend policy for holders of common stock is to retain earnings to support the expansion of operations through organic growth or by strategic acquisitions. We have not previously paid any cash dividends, and we do not intend to pay cash dividends in the near future. Any future cash dividends will depend on our future earnings, capital requirements, financial condition and other factors deemed relevant by the Board of Directors.

Recent Issuances of Unregistered Securities

From February through March 2009 pursuant to a \$500,000 equity private placement, the Company issued a total of 250,000 shares to a group of accredited investors of restricted Common Stock at an average value of \$2.00 per share. The funds raised were used to acquire Toro's 60% interest of the Crown Oil & Gas Lease in Pottowatomie County,

Oklahoma. The Company is relying on exemption from registration pursuant to Regulation S of the Securities Act of 1933. Of these shares 33,750 were cancelled and the Subscription Receivable of \$50,000 was not received.

In May 2012 pursuant to a \$67,500 equity private placement, the Company issued a total of 33,750 shares to a group of accredited investors of restricted Common Stock at an average value of \$2.00 per share. The funds raised were used to acquire Toro's 15% interest of the Quinlan #3 Oil & Gas Lease in Pottowatomie County, Oklahoma. The Company is relying on exemption from registration pursuant to Regulation S of the Securities Act of 1933.

On April 25, 2012, the Company issued 10,000,000 to the president for services rendered. The value of the shares on April 25, 2013 was \$0.001, therefore the services were valued at \$10,000. On September 5, 2012, the Company issued 10,000,000 shares of common stock for services rendered. The value of the shares on September 5, 2012 was \$0.001, therefore the services were valued at \$10,000.

The common stock issued by the Company was not registered under the Securities Act of 1933, and cannot be resold or distributed absent registration unless an exemption from the registration requirement is applicable, such as Rule 144. Under Rule 144, the restricted stock may be sold in the public market if the requirements of the Rule are satisfied.

Item 6: Management's Discussion and Analysis or Plan of Operation

Forward-Looking Statements

This quarterly report contains forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may", "should", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "potential" or "continue" or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks in the section entitled "Risk Factors", that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

Our unaudited financial statements prepared in accordance with United States Generally Accepted Accounting Principles. The following discussion should be read in conjunction with our financial statements and the related notes that appear elsewhere in this quarterly report. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this quarterly report, particularly in the section entitled "Risk Factors" of this quarterly report.

In this quarterly report, unless otherwise specified, all dollar amounts are expressed in United States dollars. All references to "common shares" refer to the common shares in our capital stock.

As used in this quarterly report, the terms "we", "us", "our" and "Toro" mean Toro Ventures Inc., unless otherwise indicated.

General Overview

We were incorporated pursuant to the laws of the State of Nevada on April 11, 2005 under the name Toro Ventures Inc. We were initially in the fast food services industry.

The address of our principal executive office is Suite 632, 22837 Pacific Coast Highway, Malibu, CA 90265. Our telephone number is 310-887-6391.

Our common shares became listed on the OTC Bulletin Board on July 12, 2012, under the symbol "TORO".

We were not successful in implementing our business plan as fast food services business. As management of our company investigated opportunities and challenges in the business of being a fast food services company, management realized that the business did not present the best opportunity for our company to realize value for our shareholders. As a result, we investigated several other business opportunities to enhance shareholder value, and focused on the oil and gas industry.

On March 26, 2007, we acquired a 15% working interest in the Quinlan #3 Oil and Gas lease in Pottowatomie County, Oklahoma in consideration for the payments totaling \$67,500.

By a turnkey agreement dated March 29, 2007, we acquired a 60% working interest in an oil and gas lease known as the Crown Oil and Gas Lease in Pottowatomie County, Oklahoma for \$250,000.

We are an exploration stage oil and gas company engaged in the exploration for oil and gas in Oklahoma.

We intend to continue to acquire high quality oil and gas properties, primarily "proved producing and proved undeveloped reserves" in the United States. We see significant opportunities in acquiring properties with proven producing reserves and undeveloped acreage in fields that have a long history of production. We will also explore low-risk development drilling and work-over opportunities with experienced, strong operators. We will attempt to finance oil and gas operations through a combination of privately placed debt and/or equity. There can be no assurance that we will be successful in finding financing, or even if financing is found, that we will be successful in acquiring oil and/or gas assets that result in profitable operations.

We are continuing our efforts to identify and assess investment opportunities in oil and natural gas properties, utilizing the labor of our directors and stockholders until such time as funding is sourced from the capital markets. It is anticipated that we will require funding over the next twelve months to continue our operation. Attempts are ongoing to raise funds through private placements and said attempts will continue throughout 2013.

Our operating expenses will increase as we undertake our plan of operations. The increase will be attributable to the continuing geological exploration and acquisition programs and continued professional fees that will be incurred.

Purchase of Significant Equipment

We do not intend to purchase any significant equipment (excluding oil and gas activities) over the twelve months ending June 30, 2013.

Employees

Currently our only employees are our directors and officers. We do not expect any material changes in the number of employees over the next 12 month period. We do and will continue to outsource contract employment as needed. However, with project advancement and if we are successful in our initial and any subsequent drilling programs we may retain additional employees.

Results of Operations

The following summary of our results of operations should be read in conjunction with our financial statements for the year ended June 30 2013, which are included herein.

| | June 30, 2013 | June 30, 2012 | Difference | Ref |
|--------------------------|---------------|---------------|------------|------|
| OPERATING EXPENSES | | | | |
| Regulatory | \$4,200 | \$— | \$4,200 | (1) |
| Management | 22,000 | 22,000 | — | (2) |
| Professional | 5,000 | — | 5,000 | (3) |
| Rent | 4,000 | 4,000 | — | (4) |
| Office | 285 | — | 285 | |
| Total Operating Expenses | \$35,485 | \$26,000 | \$9,485 | |

(1) Regulatory expenses for filing was \$4,200 in 2013. No filings took place in 2012.

10,000,000 shares of common stock were issued at par value of \$0.001 to the President to pay for services rendered (2) in 2012. Plus a management fee of \$1,000 was accrued. Similarly in 2013 10,000,000 shares of common stock were issued at par value of \$0.001 to the President to pay for services rendered in 2013.

(3) Accounting fees of \$5,000 were incurred in 2013 over \$nil fees in 2012.

(4) Rent was accrued at \$4,000 per year in both 2013 and 2012.

We are currently, using all of our resources to find requisite funding to exploit the oil and gas assets acquired.

There were no oil and gas revenues recorded during the year

Liquidity and Financial Condition

At June 30, 2013 we had a working capital deficit of \$9,485; and 2012 we had a working capital deficit of \$Nil.

At June 30, 2013, our total assets were \$Nil.

At June 30, 2013, our total liabilities were \$9,485

Equity Compensation

We currently do not have any stock option or equity compensation plans or arrangements.

Contractual Obligations

As a “smaller reporting company”, we are not required to provide tabular disclosure obligations.

Off-Balance Sheet Arrangements

We have no significant off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to stockholders.

Going Concern

We have suffered recurring losses from operations. The continuation of our company as a going concern is dependent upon our company attaining and maintaining profitable operations and/or raising additional capital. The financial statements do not include any adjustment relating to the recovery and classification of recorded asset amounts or the amount and classification of liabilities that might be necessary should our company discontinue operations.

The continuation of our business is dependent upon us raising additional financial support and/or attaining and maintaining profitable levels of internally generated revenue. The issuance of additional equity securities by us could result in a significant dilution in the equity interests of our current stockholders. Obtaining commercial loans, assuming those loans would be available, will increase our liabilities and future cash commitments.

Item 7: Financial Statements

Our unaudited interim financial statements for the year ended June 30, 2013 form part of this annual report. They are stated in United States Dollars (US\$) and are prepared in accordance with United States generally accepted accounting principles.

Toro Ventures Inc.
Balance Sheets

| | June 30, 2013 (unaudited) | June 30, 2012 (unaudited) | |
|--|---|---|------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash | \$— | \$— | |
| Total Current Assets | — | — | |
| Other Assets | | | |
| Interer in Oil and Gas Properties | — | — | |
| | \$— | \$— | |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| CURRENT LIABILITIES | | | |
| Accounts payable | \$— | \$— | |
| Due to related party | 9,485 | — | |
| TOTAL CURRENT LIABILITIES | 9,485 | — | |
| STOCKHOLDERS' EQUITY | | | |
| Common stock, par value \$0.001, Authorized - 75,000,000 \$0.001 par value common shares Issued - 26,095,000 as of June 30, 2013 and 16,095,000 common shares as of June 30, 2012 | 26,095 | 16,095 | |
| Additional paid-in capital | 748,192 | 732,192 | |
| Retained Earnings (Deficit) | | | |
| Equity compensation plans not approved by our stockholders: | | | |
| Outstanding warrants(1) | 5,098,240 | 1.14 | |
| Total: | 9,839,282 | \$ 1.52 | 5,544,807 |

(1) Issued as compensation for various services and does not include warrants attached to common stock that were sold in private placement transactions.

Perquisites

In general, we afford our directors and executive officers no perquisites apart from the compensation and stock option benefits described above and any benefits specifically provided for under the terms of any employment agreement as described below. We do, however, bear the cost of outside counsel employed by us to assist directors and executive officers in preparing reports of changes in their beneficial ownership of our securities under Section 16 of the Securities Exchange Act of 1934 and other Section 16 compliance matters. We also permit Mr. Kriegsman, our President and Chief Executive Officer, and our directors to fly first-class for business travel, which is an exception to our usual practice for business travel by our officers and employees.

Employment Agreements; Change in Control Agreements

Employment Agreement with Steven A. Kriegsman

Mr. Kriegsman is employed as our Chief Executive Officer pursuant to an employment agreement that was amended and restated as of May 17, 2005 to continue his employment in that capacity through July 15, 2008. The employment agreement will automatically renew in July 2008 for an additional one-year period, unless either Mr. Kriegsman or we elect not to renew it. In connection with entering into the amended and restated employment agreement, Mr. Kriegsman was granted on May 17, 2005, a ten-year, nonqualified option to purchase 300,000 shares of our common stock at a price of \$0.79 per share. This option will vest monthly over three years, provided that Mr. Kriegsman remains in our continuous employ.

Under his employment agreement, Mr. Kriegsman is entitled to an annual base salary of \$400,000. Our board of directors (or its Compensation Committee) will review the base salary annually and may increase (but not decrease) it in its sole discretion. In addition to his annual salary, Mr. Kriegsman is eligible to receive an annual bonus as determined by our board of directors (or its Compensation Committee) in its sole discretion, but not to be less than \$150,000. On May 17, 2005, Mr. Kriegsman additionally received a one-time bonus of \$100,000. Pursuant to his employment agreement with us, we have agreed that he shall serve on a full-time basis as our President and Chief Executive Officer and that he may continue to serve as President of The Kriegsman Group only so long as necessary to complete certain current assignments.

Mr. Kriegsman will be eligible to receive additional grants of options to purchase shares of our common stock. The number and terms of those options, including the vesting schedule, will be determined by our board of directors (or its Compensation Committee) in its sole discretion.

Under Mr. Kriegsman's employment agreement, we have agreed that, if he is made a party, or threatened to be made a party, to a suit or proceeding by reason of his service to us, we will indemnify and hold him harmless from all costs and expenses to the fullest extent permitted or authorized by our certificate of incorporation or bylaws, or any resolution of our board of directors, to the extent not inconsistent with Delaware law. We also have agreed to advance to Mr. Kriegsman such costs and expenses upon his request if he undertakes to repay such advances if it ultimately is determined that he is not entitled to indemnification with respect to the same. These employment agreement provisions are not exclusive of any other rights to indemnification to which Mr. Kriegsman may be entitled and are in addition to any rights he may have under any policy of insurance maintained by us.

In the event we terminate Mr. Kriegsman's employment without cause (as defined in his employment agreement), or if Mr. Kriegsman terminates his employment with good reason (as defined in his employment agreement), (i) we have agreed to pay Mr. Kriegsman a lump-sum equal to his salary and prorated minimum annual bonus through to his date of termination, plus his salary and minimum annual bonus for a period of two years after

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his termination date, or until the expiration of the amended and restated employment agreement, whichever is later, (ii) he will be entitled to immediate vesting of all stock options or other awards based on our equity securities, and (iii) he will also be entitled to continuation of his life insurance premium payments and continued participation in any of our health plans through to the later of the expiration of the amended and restated employment agreement or 24 months following his termination date. Mr. Kriegsman will have no obligation in such events to seek new employment or offset the severance payments to him by the Company by any compensation received from any subsequent reemployment by another employer.

Under Mr. Kriegsman's employment agreement, he and his affiliated company, The Kriegsman Group, are to provide us during the term of his employment with the first opportunity to conduct or take action with respect to any acquisition opportunity or any other potential transaction identified by them within the biotech, pharmaceutical or health care industries and that is within the scope of the business plan adopted by our board of directors. Mr. Kriegsman's employment agreement also contains confidentiality provisions relating to our trade secrets and any other proprietary or confidential information, which provisions shall remain in effect for five years after the expiration of the employment agreement with respect to proprietary or confidential information and for so long as our trade secrets remain trade secrets.

Change in Control Agreement with Steven A. Kriegsman

Mr. Kriegsman's employment agreement contains no provision for payment to him in the event of a change in control of CytRx. If, however, a change in control (as defined in our 2000 Long-Term Incentive Plan) occurs during the term of the employment agreement, and if, during the term and within two years after the date on which the change in control occurs, Mr. Kriegsman's employment is terminated by us without cause or by him for good reason (each as defined in his employment agreement), then, to the extent that any payment or distribution of any type by us to or for the benefit of Mr. Kriegsman resulting from the termination of his employment is or will be subject to the excise tax imposed under Section 4999 of the Internal Revenue Code of 1986, as amended, we have agreed to pay Mr. Kriegsman, prior to the time the excise tax is payable with respect to any such payment (through withholding or otherwise), an additional amount that, after the imposition of all income, employment, excise and other taxes, penalties and interest thereon, is equal to the sum of (i) the excise tax on such payments plus (ii) any penalty and interest assessments associated with such excise tax.

Employment Agreement with Matthew Natalizio

Matthew Natalizio became our Chief Financial Officer on July 12, 2004 pursuant to a one-year employment agreement with us, which was amended and restated as of May 17, 2005 to continue his employment in that capacity for an additional year through July 12, 2006. Mr. Natalizio was entitled under his employment agreement to an annual base salary of \$175,000, which was increased to \$195,000 effective as of July 12, 2005, and he is eligible to receive an annual bonus as determined by our board of directors (or its Compensation Committee) in its sole discretion. On May 17, 2005, Mr. Natalizio received a bonus of \$50,000 for the 2004-2005 year. In connection with entering into the amended and restated employment agreement, Mr. Natalizio was granted on May 17, 2005, a ten-year, nonqualified option to purchase 150,000 shares of our common stock at a price of \$0.79 per share. This option will vest monthly over three years, provided that Mr. Natalizio remains in our continuous employ.

In the event we terminate Mr. Natalizio's employment without cause (as defined in his employment agreement), we have agreed to pay him a lump-sum equal to his accrued but unpaid salary and vacation, plus an amount equal to an additional three months' salary under his employment agreement.

Employment Agreement with Jack R. Barber, Ph.D.

Jack R. Barber, Ph.D., became our Senior Vice President Drug Development on July 6, 2004 pursuant to a one-year employment agreement with us, which was amended and restated as of May 17, 2005 to continue his employment in that capacity for an additional year through July 6, 2006. Under his employment agreement, Dr. Barber was entitled to an annual base salary of \$230,000, which was increased to \$250,000 effective as of July 6, 2005, and he is eligible to receive an annual bonus as determined by our board of directors (or its Compensation Committee) in its sole discretion. On May 17, 2005, Dr. Barber received a bonus of \$50,000 for the 2004-2005 year. In connection with entering into the amended and restated employment agreement, Dr. Barber was granted on May

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17, 2005, a ten-year, nonqualified option to purchase 150,000 shares of our common stock at a price of \$0.79 per share. This option will vest monthly over three years, provided that Dr. Barber remains in our continuous employ.

In the event we terminate Dr. Barber's employment without cause (as defined in his employment agreement), we have agreed to pay him a lump-sum equal to his accrued but unpaid salary and vacation, plus an amount equal to an additional three months' salary under his employment agreement.

Employment Agreement with Mark A. Tepper, Ph.D.

Mark A. Tepper, Ph.D., became President of our CytRx Laboratories, Inc. subsidiary on September 17, 2003 pursuant to a two-year employment agreement with CytRx Laboratories, Inc. Under his employment agreement, Dr. Tepper is entitled to an annual base salary of \$200,000 and is eligible to receive an annual bonus targeted at \$50,000 based upon achievement of certain milestones as agreed upon by Dr. Tepper and the board of directors of CytRx Laboratories, Inc. As an incentive to enter into the employment agreement, Dr. Tepper was granted ten-year, nonqualified options under our 2000 Long-Term Incentive Plan to purchase 120,000 shares of our common stock at a price of \$2.41 per share and a separate ten-year nonqualified option under the Plan to purchase 280,000 shares at an exercise price of \$2.35 per share. These options will vest as to 1/3rd of the shares covered thereby on each of the first three anniversaries of the employment agreement, provided that Dr. Tepper remains in our continuous employ.

In the event Dr. Tepper's employment is terminated without cause (as defined), we have agreed to continue to pay Dr. Tepper his salary and other employee benefits for a period of six months following his termination and to immediately vest in Dr. Tepper all of his stock options referred to above.

Employment Agreement with Benjamin S. Levin

Benjamin S. Levin became our Vice President - Legal Affairs, General Counsel and Secretary on July 15, 2004 pursuant to a one-year employment agreement with us, which was amended and restated as of May 17, 2005 to continue his employment in that capacity for an additional year through July 15, 2006. Mr. Levin was entitled under his employment agreement to an annual base salary of \$175,000, which was increased to \$195,000 effective as of July 15, 2005, and he is eligible to receive an annual bonus as determined by our board of directors (or its Compensation Committee) in its sole discretion. On May 17, 2005, Mr. Levin received a bonus of \$50,000 for the 2004-2005 year. In connection with entering into the amended and restated employment agreement, Mr. Levin was granted on May 17, 2005, a ten-year, nonqualified option to purchase 150,000 shares of our common stock at a price of \$0.79 per share. This option will vest monthly over three years, provided that Mr. Levin remains in our continuous employ.

In the event we terminate Mr. Levin's employment without cause (as defined in his employment agreement), we have agreed to pay Mr. Levin a lump-sum equal to his accrued but unpaid salary and vacation, plus an amount equal to an additional six months' salary under his employment agreement.

Compensation Committee Report On Executive Compensation

The Compensation Committee of the Board of Directors establishes our general compensation practices, establishes the compensation plans and specific compensation levels for executive officers and administers our compensation plans. In establishing base salaries and cash bonuses for executive officers, the Compensation Committee considers relative company performance, the individual's past performance and future potential, and compensation for persons holding similarly responsible positions at other companies in the pharmaceutical and biotechnology industries. The relative importance of these factors varies depending upon the individual's responsibilities; all facts are considered in establishing both base salaries and cash bonuses. When making comparison

to other companies, the Compensation Committee generally considers those companies included in the Nasdaq Pharmaceutical Index.

The Compensation Committee believes that the Chief Executive Officer's compensation should be influenced by CytRx's performance, although performance for a company engaged in pharmaceutical research and development does not necessarily correlate to profits. The Compensation Committee considers performance to include achievement of product development targets and milestones, effective fund-raising efforts, and effective

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management of personnel and capital resources, among other criteria. The Compensation Committee also reviews the Chief Executive Officer's compensation in light of the level of similar executive compensation arrangements within the biopharmaceutical industry. The Compensation Committee believes that stock options should be granted to the Chief Executive Officer, as well as to other executives, primarily based on the executive's ability to influence CytRx's long-term growth and profitability. These options and warrants may include a combination of tenure-based vesting as well as vesting upon the achievement of corporate objectives. The Compensation Committee believes that this arrangement provides executive officers with the greatest incentive to accelerate achievement of corporate objectives and thereby enhance long-term stockholder value.

In July 2004, Matthew Natalizio became our Chief Financial Officer, Benjamin Levin became our Vice President Legal Affairs, General Counsel and Corporate Secretary and Dr. Jack Barber became our Senior Vice President Drug Development. In determining their initial compensation packages, the Compensation Committee considered CytRx's business strategy, its requirements for those positions, and the past employment experience and future potential of those individuals.

Chief Executive Officer's Compensation

The specific terms of Steven A. Kriegsman's employment agreement as our Chief Executive Officer are discussed above under Employment Agreement with Steven A. Kriegsman and Change in Control Agreement with Steven A. Kriegsman. Mr. Kriegsman's performance period for purposes of this report is the fiscal year ended December 31, 2004. Pursuant to Mr. Kriegsman's amended and restated employment agreement dated as of June 10, 2003, Mr. Kriegsman was paid an annual base salary of \$360,000 for 2004. In addition to his annual base salary, the amended and restated employment agreement provides that Mr. Kriegsman is to be eligible to receive a bonus as of each anniversary of the contract date as determined by our Board of Directors (or the Compensation Committee), but in no event to be less than \$150,000. In June 2004, on the Compensation Committee's recommendation, our Board of Directors awarded Mr. Kriegsman a bonus of \$150,000. In addition, for fiscal 2004, Mr. Kriegsman received additional compensation of \$42,617 which includes (i) approximately \$5,000 in insurance premiums paid by us with respect to a life insurance policy for Mr. Kriegsman which has a face value of approximately \$1.4 million as of December 31, 2004 and under which Mr. Kriegsman's designee is the beneficiary and (ii) approximately \$37,617 of legal fees and expenses paid or reimbursed by us in accordance with the terms of Mr. Kriegsman's employment agreement.

Apart from his salary and bonus, Mr. Kriegsman is eligible to receive grants of options to purchase shares of our common stock. No options or other awards were granted to Mr. Kriegsman during the performance period covered by this report.

Internal Revenue Code Limits on Deductibility of Compensation

For 2004, there was no occasion for the Compensation Committee to consider Section 162(m), which limits tax deductions of public companies on compensation to certain executive officers in excess of \$1 million. Where applicable, the Compensation Committee intends to consider the effect of Section 162(m) on its compensation decisions, but it has no formal policy to structure executive compensation so as to be fully deductible for tax purposes.

Respectfully submitted,

Compensation Committee:

Joseph Rubinfeld, Ph.D., Chairman
Marvin R. Selter

Richard L. Wennekamp

Compensation Committee Interlocks and Insider Participation

There are no interlocks, as defined by the SEC, with respect to any member of the compensation committee. Joseph Rubinfeld, Ph.D., Marvin R. Selter and Richard L. Wennekamp are the current members of the compensation committee.

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Code of Ethics

We have adopted a Code of Ethics applicable to our principal executive officer, principal financial officer, and principal accounting officer or controller, a copy of which was filed as an exhibit to our Annual Report on Form 10-K for the fiscal year ended December 31, 2004, and which is available as described below under Other Matters Annual Report.

Report of the Audit Committee

The following Report of the Audit Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent CytRx Corporation specifically incorporates this Report by reference therein.

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities relating to:

The quality and integrity of CytRx's financial statements and reports.

The independent auditors' qualifications and independence.

The performance of CytRx's internal audit function and independent auditors.

The Audit Committee operates under a written charter adopted by the Board of Directors in April 2003, which was amended by the Board of Directors in November 2004 and is included as Appendix A to this Proxy Statement.

The Audit Committee's primary duties and responsibilities are to:

Serve as an independent and objective party to monitor CytRx's financial reporting process and internal control system.

Review and appraise the audit efforts of CytRx's independent accountants and internal audit function.

Provide an open avenue of communication among the independent accountants, internal auditors, CytRx's operational management and the Board of Directors.

The Audit Committee provides assistance to the Board of Directors in fulfilling its oversight responsibility to the stockholders, potential stockholders, the investment community, and others relating to CytRx's financial statements and the financial reporting process, the systems of internal accounting and financial controls, the internal audit function, the annual independent audit of CytRx's financial statements and the ethics programs when established by CytRx management and the Board of Directors. The Audit Committee has the sole authority (subject, if applicable, to stockholder ratification) to appoint or replace the outside auditors and is directly responsible determining for the compensation of the independent auditors.

The Audit Committee must pre-approve all auditing services and all permitted non-auditing services to be provided by the outside auditors. In general, the Audit Committee's policy is to grant such approval where it determines that the non-audit services are not incompatible with maintaining the auditors' independence and there are cost or other efficiencies in obtaining such services from the auditors as compared to other possible providers. During fiscal 2004, the Audit Committee approved all of the non-audit services proposals submitted to it.

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The Audit Committee met 21 times during fiscal 2004. The Audit Committee schedules its meetings with a view to ensuring that it devotes appropriate attention to all of its tasks. In discharging its oversight role, the Audit Committee is empowered to investigate any matter brought to its attention, with full access to all of CytRx's books,

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records, facilities and personnel, and to retain its own legal counsel and other advisers as it deems necessary or appropriate.

As part of its oversight of our financial statements, the Audit Committee reviews and discusses with both management and our outside auditors CytRx's interim financial statements and annual audited financial statements that are included in our Quarterly Reports on Form 10-Q and our Annual Report on Form 10-K, respectively. CytRx management advised the Audit Committee in each case that all such financial statements were prepared in accordance with generally accepted accounting principles and reviewed significant accounting issues with the Audit Committee. These reviews included discussion with the outside auditors of matters required to be discussed pursuant to Statement on Auditing Standards No. 61, as amended by SAS No. 90 (Communication with Audit Committees).

Effective January 20, 2004, the Audit Committee terminated the engagement of Ernst & Young LLP as CytRx's independent auditors. The Audit Committee subsequently engaged, and then terminated the engagement of, PriceWaterhouseCoopers LLP, and retained BDO Seidman, LLP to audit CytRx's financial statements for fiscal 2003 and fiscal 2004. The Audit Committee also has selected BDO Seidman, LLP as CytRx's independent auditors for fiscal 2005. For a discussion of these matters, please refer to the discussion under the heading "Changes in and Disagreements with Accountants on Accounting and Financial Disclosure" elsewhere in this Proxy Statement.

The Audit Committee discussed with BDO Seidman, LLP, which audited CytRx's annual financial statements for fiscal 2004, matters relating to its independence, including a review of audit and non-audit fees and the letter and written disclosures made by BDO Seidman, LLP to the Audit Committee pursuant to Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees).

In addition, the Audit Committee reviewed initiatives aimed at strengthening the effectiveness of our internal control structure. As part of this process, the Audit Committee continued to monitor and review staffing levels and steps taken to implement recommended improvements in internal procedures and controls.

Taking all of these reviews and discussions into account, the Committee recommended to the Board of Directors that the Board approve the inclusion of CytRx's audited financial statements in its Annual Report on Form 10-K for the fiscal year ended December 31, 2004, for filing with the Securities and Exchange Commission.

Respectfully submitted,

Audit Committee:

Marvin R. Selter, Chairman
Max Link
Joseph Rubinfeld, Ph.D.
Richard L. Wennekamp

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Comparison of Cumulative Total Returns

The following line graph presentation compares cumulative total stockholder returns of CytRx with the Nasdaq Stock Market Index and the Nasdaq Pharmaceutical Index (the Peer Index) for the five-year period from December 31, 1999 to December 31, 2004. The graph and table assume that \$100 was invested in each of CytRx's common stock, the Nasdaq Stock Market Index and the Peer Index on December 31, 1999, and that all dividends were reinvested. This data was furnished by the Research Data Group.

Comparison of Cumulative Total Returns

| | December 31 | | | | |
|------------------------------------|--------------------|-------------|-------------|-------------|-------------|
| | 2000 | 2001 | 2002 | 2003 | 2004 |
| CytRx Corporation | 79 | 72 | 28 | 205 | 156 |
| Nasdaq Stock Market Index | 59 | 45 | 26 | 38 | 40 |
| Nasdaq Pharmaceutical Index | 121 | 109 | 72 | 104 | 112 |

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PROPOSAL II

APPROVAL OF AMENDMENT TO THE CYTRX CORPORATION RESTATED CERTIFICATE OF INCORPORATION

Under our Restated Certificate of Incorporation currently in effect, there are 100,000,000 shares of common stock and 5,000,000 shares of preferred stock authorized for issuance, of which 5,000 shares have been designated Series A Junior Participating Preferred Stock. On May 17, 2005, our Board of Directors approved an amendment to the Restated Certificate of Incorporation, subject to stockholder approval, to increase the shares of common stock authorized for issuance by 25,000,000 shares, bringing the total number of common shares authorized for issuance to 125,000,000. The stockholders are asked to approve this amendment to the Restated Certificate of Incorporation. The full text of the amendment is set forth as Appendix C to this Proxy Statement.

Increase in Common Stock

As of May 17, 2005, there were 57,540,721 shares of common stock outstanding (excluding treasury shares). In addition, as of such date, 11,305,995 shares were reserved for issuance upon exercise of outstanding options under our 2000 stock option plans and approximately 19,159,606 shares were reserved for issuance upon exercise of outstanding warrants. Accordingly, as of May 17, 2005, we had approximately 11,993,678 shares of authorized but unissued and unreserved common stock available for issuance.

The holders of common stock are entitled to one vote per share on all matters to be voted upon by the stockholders. Subject to preferences that may be applicable to any outstanding preferred stock, the holders of common stock are entitled to receive ratably such dividends, if any, as may be declared from time to time by the Board of Directors out of funds legally available for that purpose. In the event of our liquidation, dissolution or winding up, the holders of our common stock are entitled to share ratably in all assets remaining after payment of liabilities, subject to prior distribution rights of preferred stock, if any, then outstanding. The holders of common stock have no preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions applicable to our common stock.

The purpose of the proposed increase in the number of authorized shares of common stock is to make such shares available for use by the Board of Directors as it deems appropriate or necessary. For example, such shares may be needed in the future in connection with raising additional capital, acquiring another company or its business or assets or establishing a strategic relationship with a corporate partner. The Board of Directors has no present agreement, arrangement, plan or understanding, however, with respect to the issuance of any such additional shares of common stock.

If the amendment is approved by the stockholders, the Board of Directors does not intend to solicit further stockholder approval prior to the issuance of any additional shares of common stock, except as may be required by applicable law. Holders of our common stock as such have no statutory preemptive rights with respect to issuances of common stock and are not entitled to dissenter's rights with respect to the amendment.

Recommendation of the Board of Directors

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE FOR THE AMENDMENT OF THE RESTATED CERTIFICATE OF INCORPORATION TO INCREASE THE NUMBER OF SHARES OF COMMON STOCK AUTHORIZED FOR ISSUANCE. THE APPROVAL OF THE AMENDMENT TO THE RESTATED CERTIFICATE OF INCORPORATION REQUIRES THE AFFIRMATIVE VOTE OF THE HOLDERS OF A MAJORITY OF THE OUTSTANDING SHARES OF COMMON STOCK.

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PROPOSAL III

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

Effective as of January 20, 2004, the Audit Committee of our board of directors dismissed Ernst & Young LLP, or E&Y, as our independent registered public accounting firm. Effective as of January 30, 2004, our Audit Committee engaged PricewaterhouseCoopers LLP, or PwC, as our new independent registered public accounting firm and to audit our financial statements for the year ended December 31, 2003. During the years ended December 31, 2002 and December 31, 2001 and the subsequent period through January 30, 2004, neither we nor anyone on our behalf consulted with PwC regarding either (i) the application of accounting principles to a specified transaction, either completed or proposed or the type of audit opinion that might be rendered on our financial statements, and either a written report was provided to us or oral advice was provided that PwC concluded was an important factor considered by us in reaching a decision as to the accounting, auditing or financial reporting issue; or (ii) any matter that was either the subject of a disagreement, as that term is defined in Item 304(a)(1)(iv) of SEC Regulation S-K and the related instructions thereof, or a reportable event, as that term is defined in Item 304(a)(1)(v) of SEC Regulation S-K.

On April 12, 2004, our Audit Committee dismissed PwC as our independent registered public accounting firm. PwC was dismissed prior to completing its audit procedures and did not issue any report on our financial statements. On April 14, 2004, our Audit Committee engaged BDO Seidman, LLP, or BDO, which completed its client acceptance process on that date, to serve as our independent registered public accounting firm and to audit our financial statements for the year ended December 31, 2003. Based on our desire to have the audit of these financial statements completed in as expeditious a fashion as possible, our Audit Committee had concluded that it was in our best interests to dismiss PwC and to engage new independent accountants to complete the audit of these financial statements.

During the period from January 30, 2004 through April 12, 2004, there had been no disagreements with PwC on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements if not resolved to the satisfaction of PwC would have caused it to make reference thereto in its report had it completed an audit and issued a report on our financial statements, except as disclosed in the sixth paragraph below. In addition, for the same period, there had been no reportable events (as defined in SEC Regulation S-K Item 304(a)(1)(v)), except as described in the sixth paragraph below. We recorded all material adjustments that were communicated to us by PwC during PwC's engagement or to BDO prior to BDO's engagement.

In our Current Report on Form 8-K filed with the SEC on April 1, 2004, we indicated that we were reviewing, with the assistance of PwC, the accounting treatment of our July 2002 acquisition of Global Genomics and Global Genomics' assets at the time of its merger with us, which included Global Genomics' investments in two genomics companies, Blizzard and Psynomics. These investments had an aggregate carrying value on our financial statements, as of September 30, 2003, of approximately \$5.87 million. This accounting review delayed the completion of our financial statements for the year ended December 31, 2003 and the filing with the SEC of our Annual Report on Form 10-K.

Although we had previously disclosed, in our Current Report on Form 8-K dated January 16, 2004, that we would write off our investments in Blizzard and Psynomics in the quarter ended December 31, 2003, the following principal issues were identified during our accounting review:

Whether a portion of the purchase price in our July 2002 merger with Global Genomics (accounted for as a purchase of a group of assets, not a business combination) should have been allocated to an acquired

assembled workforce, which would have reduced the amount of the purchase price allocated to the Blizzard and Psynomics investments (\$7.3 million and \$78,000, respectively) and whether the amount originally determined to be the fair value of the Blizzard investment was overstated.

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Whether an other-than-temporary impairment charge should have been taken by us against the appropriate carrying value of the Blizzard investment earlier than in the fourth quarter of 2003.

The resolution of these issues in a manner that would result in a different accounting than originally reported would have had no effect on our cash or working capital position for any accounting period nor would it have had a material effect on our net worth as of December 31, 2003. One possible resolution could, however, have resulted in our net loss for the year ended December 31, 2002 being materially larger than that reported by us in our financial statements for that year and in our reporting a net worth significantly lower than the net worth we reported in our financial statements for that year. Such a resolution, in turn, could have required a restatement of those financial statements as well as our unaudited financial statements for the quarterly periods ended March 31, 2003, June 30, 2003 and September 30, 2003. Other possible resolutions could have resulted in the recognition of an other-than-temporary impairment charge in an earlier 2003 quarter and could have required a restatement of our unaudited financial statements for that and any subsequent quarter. However, the impact of the resolution of these issues on our net loss for the year ended December 31, 2002 and/or subsequent periods were not readily estimable by us, because it would have depended on the amount of the purchase price to be allocated to other assets and the nature of those assets and the valuation of our investment in Blizzard as of December 31, 2002 and as of the end of each of the three subsequent quarters, each of which would be dependent upon various assumptions and valuation methods.

As a result of the issues that were brought to our attention by PwC, we thoroughly re-reviewed, in late March and early April 2004, the prior accounting treatment for the Global Genomics acquisition and the Blizzard investment. This review included, among other things, (i) our submission of additional documentation to PwC, (ii) discussions of these issues by our Audit Committee with PwC, (iii) discussions between PwC and us, (iv) discussions between E&Y and us and (v) the retention of a nationally respected valuation firm to review certain of the methodologies that were used by us in connection with the purchase price allocation for Global Genomics, including amounts, if any, that would be attributable to an acquired assembled workforce and methodologies utilized in our other-than-temporary impairment analyses and to assess what amount of the purchase price for Global Genomics could appropriately have been attributable to an acquired assembled work force, if any.

Following our re-review of the accounting treatment for the purchase price for the Global Genomics merger and the carrying value of the Blizzard investment, we advised PwC, in early April 2004, that we continued to believe that our prior accounting treatment was correct in all material respects. We also advised PwC that our valuation firm had concluded that, even if any amount were to be allocated to an acquired assembled workforce, the valuation of such an acquired workforce would be only \$250,000.

During the course of its engagement PwC informed us that it disagreed with the timing of the fourth quarter 2003 other-than-temporary impairment charge that we had recorded related to our investment in Blizzard. PwC also informed us that PwC needed to significantly expand the scope of its audit procedures with respect to the matters identified in the fourth paragraph above, including procedures designed to understand the impact, if any, of certain third party comments regarding indicators of value, and that it had not completed audit procedures regarding the nature and timing of our impairment of Blizzard and the original purchase price allocation upon our acquisition of Global Genomics in 2002. PwC has advised us that, as a result of their dismissal, they were unable to complete their expanded audit procedures, and as a consequence, PwC had not formed a view as to whether our accounting for these matters was in conformity with accounting principles generally accepted in the United States.

E&Y's report on our financial statements for the years ended December 31, 2001 and December 31, 2002 did not contain any adverse opinion or a disclaimer of an opinion or any qualification as to uncertainty, audit scope or accounting principles. In connection with E&Y's audits for those years there were no disagreements or reportable events as defined in Item 304 of SEC Regulation S-K, except as described in this paragraph. However, we were informed by E&Y, in April 2004, that, until such time as the impact of the third party comments regarding indicators of value concerning Blizzard, referred to by PwC, were further evaluated, E&Y was not able to conclude as to whether

the prior accounting treatment was appropriate in all material respects. E&Y advised us that, depending upon the outcome of those procedures, the financial statements for the year ended December 31, 2002, audited by E&Y, or the unaudited interim financial statements for the quarters ended March 31, June 30, and September 30, 2003, might require restatement. However, E&Y has not withdrawn its opinion on our 2002 audited financial statements.

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A special committee consisting of two of our Audit Committee members subsequently performed an evaluation of the impact of the third party comments regarding indicators of value concerning Blizzard. This special committee concluded that we did not withhold from E&Y any documents that would have changed the conclusions reached by E&Y relative to the carrying value of Blizzard and its audit of our financial statements. After reviewing this evaluation, E&Y advised us that it had concluded that our audited 2002 financial statements and our unaudited interim financial statements for the quarters ended March 31, 2003 and June 30, 2003 did not require any restatement. Accordingly, no information has come to the Company's attention that would lead us to believe that an investor could no longer rely on E&Y's opinion on our 2002 audited financial statements.

In connection with the preparation of our financial statements for the year ended December 31, 2003, we believed that we had a reasonable basis for recording the Blizzard impairment charge in the fourth quarter of 2003; however, after further review of the issues relating to the timing of this charge, we determined in May 2004 that this charge should have been recorded in the third quarter of 2003. We filed an amended Form 10-Q for the period ended September 30, 2003 in May 2004 to reflect the impairment charges recorded during that period.

During our two fiscal years ended December 31, 2002 and December 31, 2003 and the interim period through the date of our engagement of BDO to perform the audit of our financial statements for the year ended December 31, 2003, we did not consult with BDO regarding (i) the application of accounting principles to a specified transaction, either completed or proposed or the type of audit opinion that might be rendered on our financial statements, and either a written report was provided to us or oral advice was provided that BDO concluded was an important factor considered by us in reaching a decision as to an accounting, auditing or financial reporting issue or (ii) any matter that was either the subject of a disagreement (as defined in paragraph 304(a)(1)(iv) of SEC Regulation S-K and the related instructions to this item) or a reportable event (as described in paragraph 304(a)(1)(v) of SEC Regulation S-K), except as follows:

On April 2, 2004, our Audit Committee engaged BDO to perform agreed-upon procedures with respect to our financial statements for the year ended December 31, 2003. Due to our Audit Committee's concerns that the concurrent involvement of two auditing firms might create the appearance that we were shopping for a particular audit opinion, the terms of our April 2, 2004 engagement of BDO stated that BDO was not to conduct a compilation, review or audit, but rather was to conduct only certain agreed upon procedures. We agreed with BDO that the procedures would be conducted solely in order to assist BDO in completing a potential future audit of our financial statements in the event the Audit Committee subsequently engaged BDO to opine on our financial statements. Since the agreed upon procedures specified in our engagement agreement were to be conducted in preparation for a possible future audit, they included a majority of the procedures that would have been necessary in order for BDO to opine with respect to our financial statements. The specific procedures were proposed by BDO and were jointly accepted by BDO and us without modification. We have been advised by BDO that, as of April 14, 2004, the date on which we engaged BDO to become our independent auditor, BDO had completed approximately 64% of the hours that they eventually worked to complete their audit, but a significant portion of the manager and partner review had not yet been completed.

Subsequent to engaging BDO to perform these agreed-upon procedures, we consulted with BDO concerning the need to include separate audited financial statements of Blizzard in our Annual Report for the year ended December 31, 2003. BDO orally advised us that separate audited Blizzard financial statements were required to be included in this Annual Report. This advice was consistent with the advice previously received by us from PwC on this issue, no disagreement on this issue existed between PwC and us, and we subsequently filed these financial statements in our Annual Report for the year ended December 31, 2003, together with our financial statements.

During the course of BDO's performance of the above agreed-upon procedures, we did not solicit or receive any oral or written opinion from BDO with respect to the proper accounting treatment for the allocation of the purchase price paid by us in connection with our merger with Global Genomics or the subsequent carrying value of our investment in Blizzard. However, we did discuss with BDO our views on the proper accounting treatment for these items and provided BDO with certain of our accounting records, a valuation analysis prepared by a valuation firm in 2002 utilized by management in connection with its allocation of the purchase price for the Global Genomics merger and an analysis prepared in April 2004 by another valuation

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firm covering certain aspects of the allocation of that purchase price and the subsequent carrying value of Blizzard.

Audit Fees

The aggregate fees billed for professional services rendered for the audit of the Company's annual financial statements and review of financial statements included in the Company's Form 10-Qs and services that are normally provided by the independent registered public accounting firm in connection with statutory and regulatory filings or engagements for the fiscal years ended December 31, 2003 and December 31, 2004 are as follows:

| Year: | BDO |
|--------------|------------|
| 2004 | \$ 259,000 |
| 2003 | \$ 160,000 |

Audit Related Fees

For the fiscal year ended December 31, 2003, BDO rendered \$45,000 of other audit-related services, which consisted of certain agreed-upon procedures performed prior to their audit of our financial statements for fiscal 2003. No assurance or other audit-related services were rendered by BDO for the fiscal year ended December 31, 2004.

Tax Fees

The aggregate fees billed by BDO for professional services for tax compliance, tax advice and tax planning for the years ended December 31, 2003 and December 31, 2004 were \$25,000 and \$20,000, respectively.

All Other Fees

No other services were rendered by BDO for the years ended December 31, 2003 or December 31, 2004. Our Audit Committee has pre-approved all services (audit and non-audit) provided or to be provided to us by BDO for the years ended December 31, 2003 and December 31, 2004.

Appointment of BDO Seidman, LLP

BDO currently serves as our independent registered public accounting firm and has audited our financial statements for the years ended December 31, 2003 and December 31, 2004. E&Y previously served as our independent auditors and audited our financial statements for the year ended December 31, 2002. Neither BDO nor E&Y have or had any financial interest, direct or indirect, in CytRx, and neither has or had any connection with CytRx except in its professional capacity as our independent auditors.

Our Audit Committee has reappointed BDO to serve as our independent registered public accounting firm for the year ending December 31, 2005. The ratification by our stockholders of the appointment of BDO is not required by law or by our Bylaws. Our Board of Directors, consistent with the practice of many publicly held corporations, is nevertheless submitting this appointment for ratification by the stockholders. The affirmative vote of a majority of the votes cast is required for ratification. If this appointment is not ratified at the Annual Meeting, the Audit Committee intends to reconsider its appointment of BDO. Even if the appointment is ratified, the Audit Committee in its sole discretion may direct the appointment of a different independent registered public accounting firm at any time during the fiscal year if the Committee determines that such a change would be in the best interests of CytRx and its stockholders.

Any material non-audit services to be provided by BDO are subject to the prior approval of the Audit Committee. In general, the Audit Committee's policy is to grant such approval where it determines that the non-audit services are not incompatible with maintaining the independent registered public accounting firm's independence and there are cost or other efficiencies in obtaining such services from the independent registered public accounting firm as compared to other possible providers.

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We expect that representatives of BDO will be present at the Annual Meeting, will have an opportunity to make a statement, if they so desire, and will be available to respond to appropriate questions.

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE FOR RATIFICATION OF THE APPOINTMENT OF BDO SEIDMAN, LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2005.

STOCKHOLDER PROPOSALS

Any proposal which a Company stockholder intends to present in accordance with Rule 14a-8 of the Securities Exchange Act of 1934 at our next Annual Meeting of Stockholders to be held in 2006 must be received by us on or before February 6, 2005. Only proper proposals under Rule 14a-8 which are timely received will be included in the Proxy Statement in 2006.

OTHER MATTERS

Expenses of Solicitation

We will bear the cost of soliciting proxies in the accompanying form. We have retained The Altman Group, Inc., a firm specializing in the solicitation of proxies, to assist in the solicitation at a fee estimated at \$1,200 plus expenses. In addition to the use of the mails, proxies may also be solicited by our directors, officers or other employees, personally or by telephone, facsimile or email, none of whom will be compensated separately for these solicitation activities.

Miscellaneous

Our management does not intend to present any other items of business and is not aware of any matters other than those set forth in this Proxy Statement that will be presented for action at the Annual Meeting. However, if any other matters properly come before the Annual Meeting, the persons named in the enclosed proxy intend to vote the shares of our common stock that they represent in accordance with their best judgment.

Annual Report

A copy of CytRx's Annual Report on Form 10-K, without exhibits, for the year ended December 31, 2004 filed with the Securities and Exchange Commission accompanies this Proxy Statement. Copies of the Form 10-K exhibits are available without charge. Stockholders who would like such copies should direct their requests in writing to: CytRx Corporation, 11726 San Vicente Boulevard, Suite 650, Los Angeles, California 90049, Attention: Corporate Secretary.

By Order of the Board of Directors

June __, 2005

Benjamin S. Levin
Corporate Secretary

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APPENDIX A

**CHARTER FOR THE
AUDIT COMMITTEE
OF
CYTRX CORPORATION**

(As adopted by the Board of Directors as of November 2, 2004)

1. PURPOSE.

The purpose of the Audit Committee (the **Committee**) of the Board of Directors (the **Board** and, each member of the Board, a **Director**) of CytRx Corporation (the **Company**) is to assist the Board in discharging its duties relating to (1) the quality and integrity of the financial reports of the Company, (2) the independent registered public accounting firm's qualifications and independence, and (3) the performance of the Company's internal audit function and independent auditors. Consistent with these functions, the Committee shall encourage continuous improvement of, and shall foster adherence to, the Company's policies, procedures and practices at all levels. In carrying out its responsibilities, the Committee believes its policies and procedures should remain flexible, in order to best react to changing circumstances while ensuring that the Company's accounting and reporting practices are in accordance with all requirements and are all of the highest quality.

2. STATEMENT OF POLICY

The Committee's primary duties and responsibilities are to:

Serve as an independent and objective party to monitor the Company's financial reporting process and internal control system.

Review and appraise the audit efforts of the Company's independent registered public accounting firm and internal audit function.

Provide an open avenue of communication among the independent registered public accounting firms, internal auditors, the Company's operational management (the **Management**) and the Board.

The Committee shall provide assistance to the Board in fulfilling the Board's oversight responsibility to the shareholders, potential shareholders, the investment community, and others relating to the Company's financial statements and the financial reporting process, the systems of internal accounting and financial controls, the internal audit function, the annual independent audit of the Company's financial statements and the ethics programs as established by Management and the Board. In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention, with full access to all books, records, facilities and personnel of the Company.

The Committee will fulfill these responsibilities by carrying out the activities enumerated in Section 5 of this Charter. The Committee may augment the activities defined by Section 5 at its discretion in order to comply with the requirements of the Sarbanes-Oxley Act, the requirements of Nasdaq and the Securities and Exchange Commission (the **SEC**) and any other applicable laws and regulations.

3. COMPOSITION.

The Committee shall consist of at least three (3) but not more than five (5) directors, each of whom will be an independent director within the meaning of the applicable Nasdaq rules and any rule or regulation prescribed by the

SEC now or in the future.

Each member of the Committee must be financially literate and able to read and understand fundamental financial statements, including the Company's balance sheet, income statement and cash flow statement (or will

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become able to do so in a reasonable period of time after his or her appointment to the Committee), and at least one member of the Committee must be an Audit Committee Financial Expert as defined by the SEC.

The members of the Committee, including its Chair, will be appointed annually by the Board, following receipt of the recommendation of the Nomination and Governance Committee. Committee members will serve at the discretion of the Board.

4. MEETINGS.

The Committee shall meet four (4) times annually, or more frequently, as circumstances dictate. A meeting may be called by the Chair or at the direction of the Chair at the request of any member of the Committee. The Committee may meet in person or by phone and shall have the authority to act by written consent. A majority of the total authorized number of members of the Committee will constitute a quorum at all Committee meetings, and the affirmative vote or written consent of a majority of the authorized number of members shall be necessary and sufficient to take any Committee action.

All non-employee Directors may attend and observe meetings of the Committee. In such case, however, any Director who is not a member of the Committee shall neither participate in any discussion or deliberation at such meeting unless the Committee so requests and, in no event, shall any Director who is not a member of the Committee be entitled to vote on any Committee matters.

The Committee may request any officer or employee of the Company or the Company's outside counsel or independent registered public accounting firm to attend a meeting of the Committee or meet with any members of, or consultants to, the Committee.

5. COMMITTEE RESPONSIBILITIES AND AUTHORITY.

Pursuant to the Committee's purpose, the Committee shall:

Report to the Board on the major items covered at each Committee meeting.

Have the authority, to the extent it deems necessary or appropriate, to retain accounting or other advisors. The Company shall provide appropriate funding, as determined by the Committee, for payment of compensation to the independent registered public accounting firm for the purpose of rendering or issuing an audit report and to any advisors employed by the Committee.

Have the authority, to the extent it deems necessary or appropriate, to retain legal or other advisors. In the event that the Committee chooses to engage any such advisors, the Company shall provide appropriate funding, as determined by the Committee, for the payment of such advisors.

Review this Charter at least annually, as conditions dictate, and recommend any changes to the Board.

Prepare an annual report to the Company's shareholders as required by the SEC. The report shall be included in the Company's annual proxy statement.

Have the sole authority to appoint or replace the independent registered public accounting firm (subject, if applicable, to shareholder ratification) and be directly responsible for the compensation of the independent registered public accounting firm.

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Pre-approve all auditing services and permitted non-audit services (including the fees and terms thereof) to be performed for the Company by its independent registered public accounting firm, subject to the de minimis exceptions for non-audit services described in Section 10A(i)(1)(B) of the Securities Exchange Act which are approved by the Committee prior to completion of the audit. The Committee may form and delegate authority to subcommittees consisting of one or more members when appropriate, including the

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authority to grant pre-approvals of audit and permitted non-audit services, provided that decisions of such subcommittee to grant pre-approvals shall be presented to the full Committee at its next scheduled meeting.

Obtain and review a report from the independent registered public accounting firm at least annually regarding (a) the independent registered public accounting firm's internal quality control procedures, (b) any material issues raised by the most recent internal quality control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm, (c) any steps taken to deal with any such issues, and (d) all relationships between the independent registered public accounting firm and the Company. Evaluate the qualifications, performance and independence of the independent registered public accounting firm, including considering whether the auditor's quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditor's independence, taking into account the opinions of management. The Committee shall present its conclusions with respect to the selection or change of independent registered public accounting firm to the Board.

Review and evaluate the lead partner of the independent registered public accounting firm team and ensure the rotation of the audit partners as required by law.

Be directly responsible for the oversight of the work of the independent registered public accounting firm (who shall report directly to the Committee) for the purpose of preparing or issuing an audit report or related work.

Meet with the independent registered public accounting firm prior to the audit to discuss the planning and staffing of the audit.

Review and discuss with Management and the independent registered public accounting firm the Company's annual financial statements, including management's discussion and analysis, and any reports or other financial information submitted to any governmental body, or the public, including any certification, report, opinion or review rendered by the independent registered public accounting firm, and recommend to the Board whether the audited financial statements should be included in the Company's Form 10-K.

Review and discuss with Management and the independent registered public accounting firm the Company's quarterly financial statements prior to the filing of its Form 10-Q, or prior to the release of earnings.

Discuss with Management the Company's earnings press releases, including the use of any pro forma non-GAAP information, as well as financial information and earnings guidance provided to analysts and rating agencies. Such discussion may be done generally (consisting of the types of information to be disclosed and the types of presentations to be made).

Review with the independent registered public accounting firm the auditor's judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting and review and resolve any significant disagreements between the independent registered public accounting firm and Management in connection with the preparation of the financial statements.

Discuss with Management and the independent registered public accounting firm, together and in separate executive sessions, significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including any significant changes in the Company's selection or application of accounting principles, any major issues as to the adequacy of the Company's internal controls or financial reporting processes and any special steps adopted in light of material

deficiencies.

Discuss separately with the independent registered public accounting firm and Management (as required by Statement on Auditing Standard No. 61) matters relating to the conduct of the audit, including any

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difficulties encountered in the course of the audit work, any restrictions on the scope of the activities or access to requested information, and any significant disagreements between the independent registered public accounting firm and Management.

Consider and approve, if appropriate, major changes to the Company's auditing and accounting principles and practices as suggested by the independent registered public accounting firm or Management.

Review and discuss reports from the independent registered public accounting firm on:

All critical accounting policies and practices to be used.

All alternative treatments of financial information within generally accepted accounting principles (**GAAP**) that have been discussed with Management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent registered public accounting firm.

Other material written communications between the independent registered public accounting firm and Management, such as any management letter or schedules of the unadjusted differences.

Discuss with Management and the independent registered public accounting firm the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company's financial statements.

Periodically review with the independent registered public accounting firm and financial and accounting personnel, the adequacy and effectiveness of the accounting and financial controls and reporting processes of the Company, and elicit any recommendations offered for the improvement of such internal control procedures or particular areas where new or more detailed controls or procedures are desirable. Particular emphasis should be given to the adequacy of such internal controls to expose any payments, transactions or procedures that might be deemed illegal or otherwise improper. Further, the Committee periodically should review Company policy statements to determine their adherence to the Company's Code of Ethics, as and when adopted by the Board.

Discuss with Management and the independent registered public accounting firm the Company's major financial risk exposures (including potential or pending litigation) and steps Management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.

Discuss with or obtain reports from Management and corporate counsel confirming that the Company is in conformity with applicable legal requirements relating to financial and accounting matters and the Company's Code of Ethics, as and when adopted by the Board. Review reports and disclosures on insider and affiliated party transactions. Advise the Board with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations relating to financial and accounting matters and with the Company's Code of Ethics, as and when adopted by the Board.

Investigate any matter brought to its attention within the scope of its duties.

On an annual basis, evaluate the performance of the Committee in light of its purpose.

Establish procedures for the confidential, anonymous submission of employee concerns regarding questionable accounting or auditing matters and for receiving, retaining and addressing complaints

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concerning accounting, internal audit controls and other auditing matters.

Discuss with the Company's counsel legal matters that may have a material impact on the financial statements or the Company's compliance policies.

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Have full access to the Company's executives, personnel and advisors as necessary to carry out its responsibilities.

Submit the minutes of all meetings of the Committee to the Board and discuss, through its Chairman, the matters discussed at each Committee meeting with the Board.

Review the results of the annual audits of member reimbursements, director's and officer's expense accounts and Management perquisites prepared by the internal auditor and the independent registered public accounting firm, respectively.

Perform any other activities consistent with this Charter, the Company's Bylaws and governing law as the Committee or the Board deems necessary or appropriate.

6. MINUTES.

The Committee will maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board.

7. COMPENSATION.

Members of the Committee will be eligible to receive fees or other compensation for their service as Committee members as determined by the Board. Changes in such compensation will be determined by the Board in its sole discretion.

8. DELEGATION OF DUTIES.

Subject to the Company's Certificate of Incorporation and Bylaws and applicable laws and rules of markets in which the Company's securities then trade, in fulfilling its responsibilities, the Committee shall be entitled to delegate any or all of its responsibilities to a subcommittee of the Committee.

9. LIMITATION OF THE AUDIT COMMITTEE'S ROLE.

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with GAAP and applicable rules and regulations. Management is responsible for the preparation, presentation and integrity of the Company's financial statements and for the appropriateness of the accounting principles and reporting policies that are used by the Company.

The independent registered public accounting firm are responsible for auditing the Company's financial statements and for reviewing the Company's unaudited interim financial statements.

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APPENDIX B

**CHARTER FOR THE
NOMINATION AND GOVERNANCE COMMITTEE
OF
CYTRX CORPORATION**

(As adopted by the Board of Directors as of November 2, 2004)

1. PURPOSE.

The purpose of the Nomination and Governance Committee (the **Committee**) of the Board of Directors (the **Board** and, each member of the Board, a **Director**) of CytRx Corporation (the **Company**) is to assist the Board in discharging its duties relating to corporate governance and the composition and evaluation of the Board.

2. STATEMENT OF POLICY.

The Committee's primary duties and responsibilities are to:

Identify individuals qualified to become Directors.

Select, or recommend to the Board, nominees for each election of Directors.

Develop and recommend to the Board criteria for selecting qualified Director candidates.

Consider qualifications, appointment and removal of members of each committee of the Board.

Regularly review and advise the Board with respect to corporate governance principles and policies applicable to the Company.

Provide oversight in the evaluation of the Board and each committee of the Board.

The Committee will fulfill these responsibilities by carrying out the activities enumerated in Section 5 of this Charter. The Committee may augment the activities defined by Section 5 at its discretion in order to comply with the requirements of the Sarbanes-Oxley Act, the requirements of Nasdaq and the Securities and Exchange Commission (the **SEC**) and any other applicable laws and regulations.

3. COMPOSITION.

The Committee shall consist of at least three (3) but not more than five (5) directors, each of whom will be an independent director within the meaning of the applicable Nasdaq rules and any rule or regulation prescribed by the SEC now or in the future.

The members of the Committee, including its Chair, will be appointed annually by the Board. Committee members will serve at the discretion of the Board.

4. MEETINGS.

The Committee shall meet four (4) times annually, or more frequently, as circumstances dictate. A meeting may be called by the Chair or at the direction of the Chair at the request of any member of the Committee. The Committee may meet in person or by phone and shall have the authority to act by written consent. A majority of the total

authorized number of members of the Committee will constitute a quorum at all Committee meetings, and the affirmative vote or written consent of a majority of the authorized number of members shall be necessary and sufficient to take any Committee action.

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All non-employee Directors may attend and observe meetings of the Committee. In such case, however, any Director who is not a member of the Committee shall neither participate in any discussion or deliberation at such meeting unless the Committee so requests and, in no event, shall any Director who is not a member of the Committee be entitled to vote on any Committee matters.

The Committee may request any officer or employee of the Company or the Company's outside counsel to attend a meeting of the Committee or meet with any members of, or consultants to, the Committee.

5. COMMITTEE RESPONSIBILITIES AND AUTHORITY.

Pursuant to the Committee's purpose, the Committee shall:

Oversee the Company's corporate governance practices and develop and recommend to the Board a set of Corporate Governance Guidelines.

Review and recommend to the Board the creation of and amendments to the Company's corporate governance documents. Those documents include, without limitation, the Company's Bylaws, Certificate of Incorporation, charters of the committees of the Board (including this Charter), the Company's Code of Business Conduct and Ethics and Corporate Governance Guidelines.

Review and make appropriate recommendations to the Board regarding the Board and the Board's committee structure.

Assist the Board to identify qualified Director candidates, select nominees for election as Directors at meetings of stockholders and select candidates to fill vacancies on the Board. In connection with the identification and recommendation of Board candidates, the Committee shall develop criteria to be used in making such recommendations and shall present such criteria to the Board. Such criteria may include, without limitation:

personal and professional integrity, ethics and values;

prior experience in corporate management for example, serving as an officer of a publicly held company;

experience in the Company's industry;

experience as a board member of other publicly held companies;

ability to make independent analytical inquiries;

academic expertise in an area of the Company's operations;

practical and mature business judgment; and

ability to attend scheduled and special meetings of the Board and committees of the Board.

Have the sole authority, in connection with the identification of qualified Director candidates, to retain and terminate any search firm for such purpose (including the authority to approve any such firm's fees and other retention terms).

Create and recommend to the Board a policy regarding the consideration of Director candidates recommended by stockholders and procedures for stockholders' submission of nominees of Director candidates.

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Have full access to the Company's executives, personnel and advisors as necessary to carry out its responsibilities.

On an annual basis, review and evaluate the performance of the Board, and each Director, in connection with determining whether to nominate Directors for reelection at the end of their terms. In connection therewith, the Committee shall consider and may recommend the removal of a Director, in accordance with the terms of the Company's Certificate of Incorporation, Bylaws and Corporate Governance Guidelines (including the use of criteria similar to those set forth above).

Establish criteria for the Board and for all committees (including the Committee) to use to evaluate their performance on annual basis.

On an annual basis, oversee the Board's evaluation of its own performance.

On an annual basis, evaluate the performance of the Committee in light of its purpose and the criteria established for the evaluation of Board committees.

Review this Charter at least annually, as conditions dictate, and recommend any changes to the Board.

Oversee developments related to corporate governance and advise the Board in connection therewith.

Report to the Board on the major items covered at each Committee meeting.

Investigate any matter brought to its attention within the scope of its duties.

Have the authority, to the extent it deems necessary or appropriate, to retain legal or other advisors. In the event that the Committee chooses to engage any such advisors, the Company shall provide appropriate funding, as determined by the Committee, for the payment of such advisors.

Perform any other activities consistent with this Charter, the Company's Bylaws and governing law as the Committee or the Board deems necessary or appropriate.

6. MINUTES.

The Committee will maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board.

7. COMPENSATION.

Members of the Committee will be eligible to receive fees or other compensation for their service as Committee members as determined by the Board. Changes in such compensation will be determined by the Board in its sole discretion.

8. DELEGATION OF DUTIES.

Subject to the Company's Certificate of Incorporation and Bylaws and applicable laws and rules of markets in which the Company's securities then trade, in fulfilling its responsibilities, the Committee shall be entitled to delegate any or all of its responsibilities to a subcommittee of the Committee.

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APPENDIX C

**AMENDMENT TO
RESTATED CERTIFICATE OF INCORPORATION
OF
CYTRX CORPORATION**

FOURTH: The total number of shares of all classes of stock that the corporation shall have the authority to issue is One Hundred Thirty Million (130,000,000), of which One Hundred Twenty-Five Million (125,000,000) shall be common stock, par value \$.001 per share (the Common Stock), and Five Million (5,000,000) shall be preferred stock, par value \$.01 per share (the Preferred Stock).

The Board of Directors is hereby authorized, subject to any limitations prescribed by law, to provide for the issuance of the shares of Preferred Stock in series, and by filing a Certificate pursuant to the applicable law of the State of Delaware (hereinafter referred to as a Preferred Stock Designation), to establish from time to time the number of shares to be included in each such series, and to fix the designations, powers, preferences, and rights of the shares of each such series, any qualifications, limitations or restrictions thereof.

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PROXY

**11726 San Vicente Boulevard, Suite 650
Los Angeles, California 90049**

Annual Meeting of Stockholders

The undersigned stockholder of CytRx Corporation (the Company), hereby revokes all prior proxies and constitutes and appoints Steven A. Kriegsman and Benjamin S. Levin, or either one of them, each with full power of substitution, to vote the number of shares of common stock of the Company that the undersigned would be entitled to vote if personally present at the Annual Meeting of Stockholders to be held at the Hotel Bel Air, 701 Stone Canyon Road, Los Angeles, California, on Monday, July 18, 2005, at 10:00 a.m., local time, or at any postponement or adjournment thereof (the Annual Meeting), upon the proposals described in the Notice of Annual Meeting of Stockholders and Proxy Statement, both dated June ___, 2005, the receipt of which is acknowledged, in the manner specified below:

- I. *Election of Directors.* On the proposal to elect as directors the following nominees for Class II directors to serve until the 2008 Annual Meeting of Stockholders of the Company and until their respective successors are duly elected and qualified:

| | | | | | |
|----------------------|---|-----|-----------------------|--------------------|-----------------------|
| Steven A. Kriegsman | - | For | <input type="radio"/> | Withhold Authority | <input type="radio"/> |
| Marvin R. Selter | - | For | <input type="radio"/> | Withhold Authority | <input type="radio"/> |
| Richard L. Wennekamp | - | For | <input type="radio"/> | Withhold Authority | <input type="radio"/> |

- II. *Amendment to Restated Certificate of Incorporation.* On the proposal to approve the Amendment to the Company's Restated Certificate of Incorporation to increase the authorized number of shares of common stock from 100,000,000 to 125,000,000:

| | | | | | |
|-----|-----------------------|---------|-----------------------|---------|-----------------------|
| For | <input type="radio"/> | Against | <input type="radio"/> | Abstain | <input type="radio"/> |
|-----|-----------------------|---------|-----------------------|---------|-----------------------|

- III. *Appointment of Independent Registered Public Accounting Firm.* On the proposal to ratify the appointment of BDO Seidman, LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2005:

| | | | | | |
|-----|-----------------------|---------|-----------------------|---------|-----------------------|
| For | <input type="radio"/> | Against | <input type="radio"/> | Abstain | <input type="radio"/> |
|-----|-----------------------|---------|-----------------------|---------|-----------------------|

This Proxy, if properly executed and returned prior to the Annual Meeting, will be voted in the manner directed above. If no direction is made, this Proxy will be voted FOR Proposals I, II and III and with discretionary authority on all other matters that may properly come before the Annual Meeting or any adjournment or postponement thereof.

Please sign this Proxy exactly as your name appears on your stock certificate and date it below. Where shares are held jointly, each stockholder must sign. When signing as executor, administrator, trustee, or guardian, please give your full title as such. If a corporation, please sign using the full corporate name by president or other authorized officer, indicating the officer's title. If a partnership, please sign in the partnership's name by an authorized person.

Shares Held:

Signature of Stockholder

Signature of Stockholder (if held jointly)

Dated: _____, 2005

Dated: _____, 2005

THIS PROXY IS SOLICITED ON BEHALF OF CYTRX CORPORATION S BOARD OF DIRECTORS AND MAY BE REVOKED BY THE STOCKHOLDER PRIOR TO ITS EXERCISE.