

# TOE.AU

## Toro Energy Limited

A\$ 0.95

26 March 2007  
 Uranium  
 Australia (SA,NT)  
 Advanced Exploration  
 Exchanges: ASX:TOE

**Napperby (NT) acquisition gives Toro exposure to an advanced exploration project and higher leverage to the strengthening uranium price. TOE is actively advancing prospective palaeochannel projects in SA where it has a large strategic position (26,000km<sup>2</sup>).**

### Capital Profile

Share price (A\$)	0.95
52 week range (A\$/share)	0.41 to 1.60
Number of shares (m)	146
Options and warrants (m)	8
Convertible notes (m)	0
Fully diluted (m)	153
Market capitalisation (undiluted) (A\$m)	137.5
Debt (A\$m) - Mar 07F	0.0
Enterprise value (A\$m)	137.5
Major shareholders: Oxiana Ltd (24.7%), Minotaur Exploration Ltd (24.7%)	
Avg monthly volume (m)	22
Cash (A\$m) - Mar 07F	12.3
Price/Cash (x)	11.3
Price/Book (x)	4.1
Company options:	No

### Production and Financial Forecasts

YEAR END: June	Dec-06a	Mar-07F	2006a	2007F	2008F
Exploration and evaluation (A\$m)	0.72	0.72	0.49	2.79	3.00
Corporate (A\$m)	0.66	0.66	0.67	2.39	2.40
Exploration/(Expl.+ Corporate) (%)	52	52	42	54	56
Funding duration at current burn (years)			13.7	2.1	1.1
Shares on issue (pr end) (m shares)	145.5	145.5	145.5	145.5	145.5
Drilling - RAB (m)	0	0	0	10,000	15,000
Drilling - Other/Diamond (m)	0	0	0	0	0
Land holding ('000 ha)*	2,600	2,600	0	2,600	2,600
Tenement costs (\$k per year)	-	-	-	-	-
Capital raisings (A\$m)	0.0	0.0	18.0	0.0	0.0
Funding from JV partners (A\$m)	0	0	0	0	0
Cash (A\$m)	13.4	13.4	15.9	11.1	6.1
Cash backing (Ac/share)	9.2	9.2	10.9	7.6	4.2
Net asset backing (Ac/share)	23.4	23.4	24.0	22.8	21.5

\*Uranium prospective tenements only, both held and under application.

### Investment Points

100% uranium focus.

Exploration budget of A\$2.5m (2007) and A\$3m (2008).

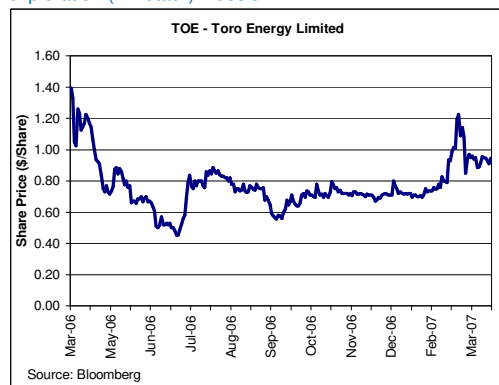
Current focus is to advance Napperby, and drill established and newly defined palaeochannel targets (SA).

Napperby (6kt U<sub>3</sub>O<sub>8</sub> historic, non JORC resource) acquisition price capped at A\$6.00/lb - staged resource delineation and upgrade expected through 4Q08.

Palaeochannel projects (SA) - EM surveys (2H06) defined detailed channel systems. Highly targeted, follow up drill programs planned in 2007.

Early stage, conceptual unconformity target defined at Pandurra (SA).

Major shareholders offer corporate (Oxiana) and exploration (Minotaur) muscle.



### Company Comment

**Overview:** Toro Energy listed on the ASX in March 2006. It has uranium access rights to properties held 100% by Minotaur (ASX:MEP) and 100% by Oxiana (ASX:OXR, excluding Prominent Hill) in the uranium prospective Gawler and Curnamona Cratons (SA). In 2006, the company entered into JV with Stellar Resources (ASX:SRZ) and in February 2007 purchased an option to buy 100% of the Napperby uranium project (NT) from Deep Yellow (ASX:DYL).

**Napperby Project (New Well, NT)** located 150km northwest of Alice Springs is a surficial calcrete deposit (Yeelirrie, Langer Heinrich) and is TOE's most advanced project. It has open pit potential with low stripping ratio and a low cut off grade. It was the subject of a prefeasibility study by Uranertz in the '70's. Mineralisation is 3m to 5m thick and metallurgy is expected to be amenable to alkaline leaching. Leases cover 150km of prospective channel most of which has never been drilled. The historic resource occurs along parts of a 14km strike length (300m x 400m drill centres) where resource upside could result from additional infill drilling to confirm deposit continuity and higher grades. The project, optioned from Deep Yellow (ASX:DYL) is subject to final documentation. Terms include payment of 3m TOE shares and A\$2.25m in exploration expenditure over 3 years. TOE can purchase the project within 3 years based on the agreed JORC resource at the time and a unit price indexed to the uranium price with a floor of A\$4.50/lb and a cap of A\$6.00/lb. Drilling 2Q07-4Q07 (details to be finalised).

**SA Palaeochannel Exploration:** Regional EM surveys 2H06 generated multiple, well defined channel targets. **Warrior**, the most advanced, is the largest known uranium palaeochannel deposit in the Gawler Craton and 4th in SA behind Beverley, Honeymoon and Goulds Dam. PNC delineated mineralisation at the Warrior deposit in the '70/80's over a strike length of 15km. In 2006, TOE formed a JV with SRZ consolidating its position in the project. Infill and extension drilling is expected 1Q07 (10,000m). A JORC resource over selective higher grade zones is anticipated by 2008. **Yaninee** 4Q06 drill results awaited. **Ealbara** drilling 1H07.

**Investment Comment:** Napperby (NT) has good potential to expand resources and progress project milestones through 2008. With the acquisition price capped at A\$6.00/lb, TOE now offers increased leverage to upside in the uranium price, expected to reach US\$120/lb 2H08. Similar scale projects, with completed scoping studies (NEL, OMC) are currently trading at A\$8/lb to A\$12/lb of U<sub>3</sub>O<sub>8</sub> and valuations are expected to expand with further strengthening of the uranium price. TOE offers greenfield upside to a number of defined projects in SA being drilled in 2007. There is potential for corporate activity post Oxiana's takeover of Agincourt, the major shareholder of Nova Energy (ASX:NEL), speculation of which is likely behind Toro's recent share price gain.

### Reserves and Resources/Mineralised Material

Code for reporting mineral resources - Australian:		(JORC)						
Uranium	Classification	Project	Ore	U <sub>3</sub> O <sub>8</sub>	Cut Off	U <sub>3</sub> O <sub>8</sub>	U <sub>3</sub> O <sub>8</sub>	Eqty
U <sub>3</sub> O <sub>8</sub>		Equity	Mt	%	ppm	Kt	Mlb	Mlb
<b>Reserves</b>						0.0	0.0	0.0
<b>Resources</b>								
Napperby	Inferred	0/100%	1.90		200	0.67	1.5	0.0
<b>Mineralised Material</b> (est., non compliant with JORC, inclusive of the Napperby Inferred Resource)								
Napperby	Historic	0/100%	27.0	0.037		6.0	13.2	13.2
Warrior	Historic	0/11%*	11.8	0.034		4.0	8.8	1.0
Warrior	Historic	0/60%*						5.3
						10.0	22.0	19.5

\*RNG tenements cover approximately 15% and SRZ tenements cover approximately 85% of the historic Warrior deposit.

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### Directors

I. Gould (Non Ex. Ch'man)  
 G. Hall (MD)  
 O. Hegarty (Non Exec Dir)  
 D. Carter (Non Exec Dir)

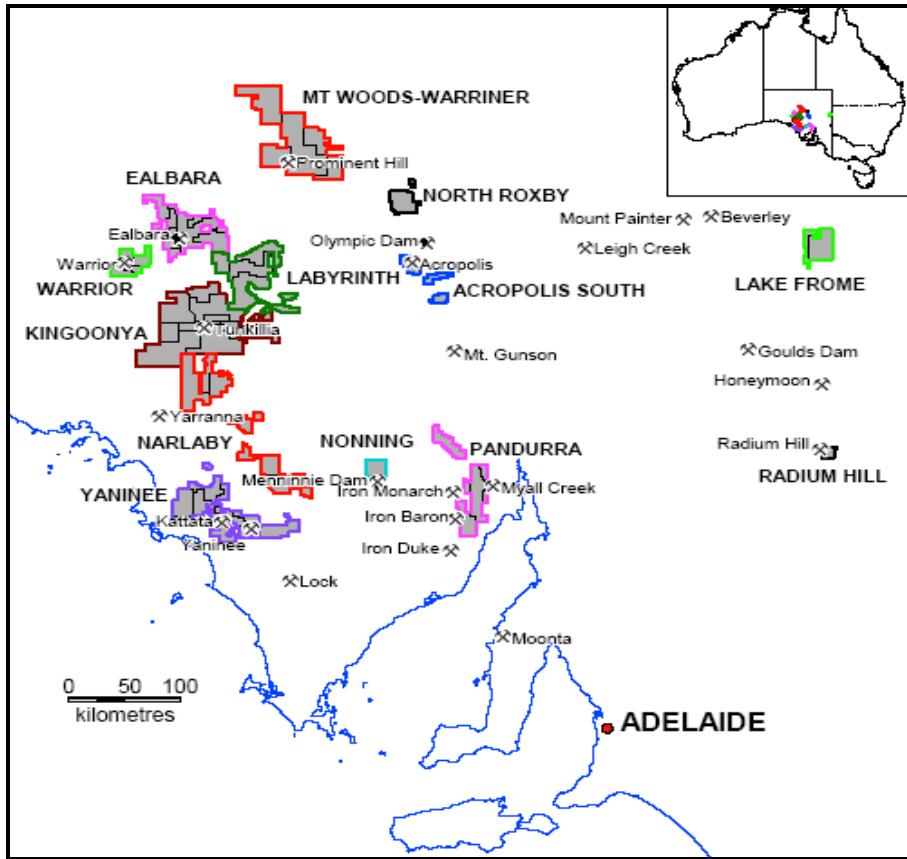
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### Key Projects

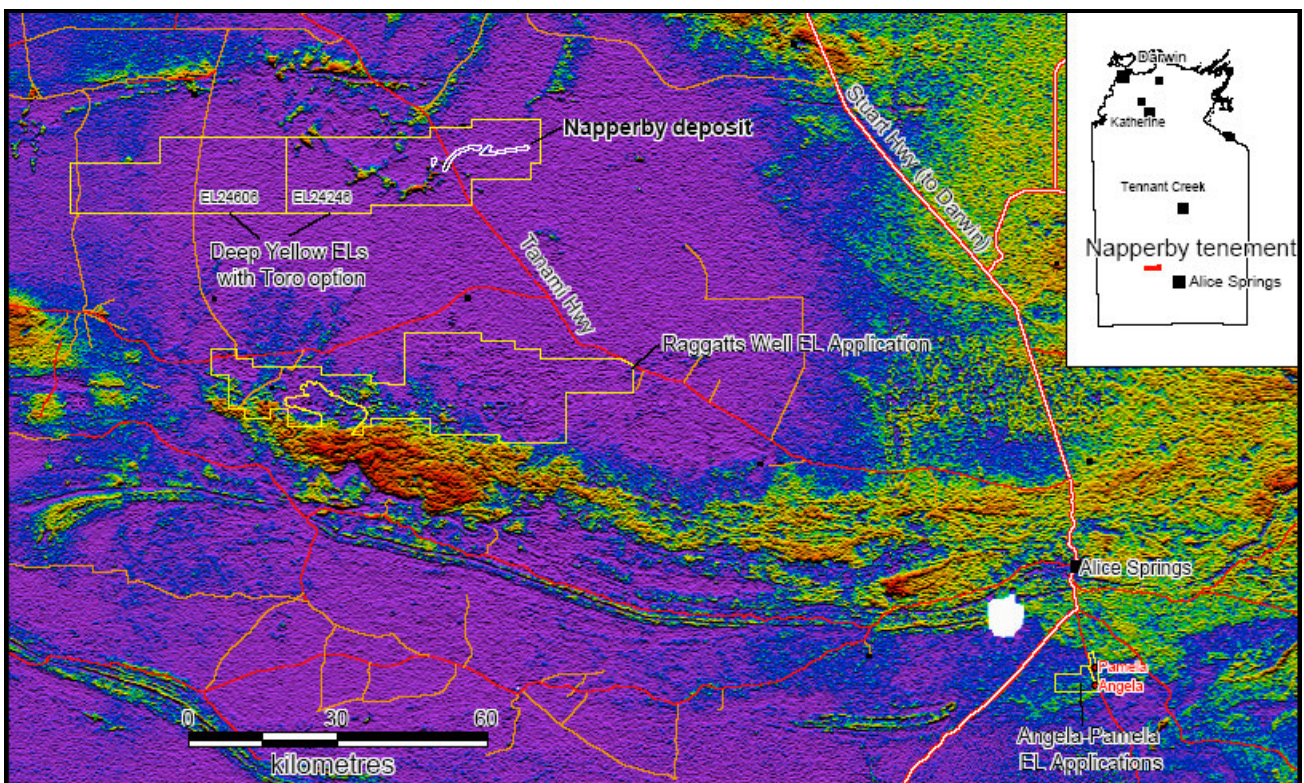
Project	Ownership/Option	Metal	JV Partner	Target Type	Process Route	Project Status	Location
Napperby (New Well)	0/100% <sup>^</sup>	U	DYL	Calcrete	alk. Leach	Adv. Expl.	Aus (NT)
Warrior	0/75%	U	RNG	Sandstone	na	Mid. Expl.	Aus (SA)
Warrior JV	0/51/70%	U	SRZ	Sandstone	na	Mid. Expl.	Aus (SA)
Kingoonya-Ealbara	100%	U	na	Sandstone	na	Early Expl.	Aus (SA)
Yaninee	100%	U	na	Sandstone	na	Early Expl.	Aus (SA)
Pandurra	100%	U	na	Unconformity	na	Early Expl.	Aus (SA)

<sup>^</sup>Agreement to be finalised with DYL.

Toro South Australian uranium projects: Regional EM surveys 2H06 generated multiple, well defined channel targets. Follow up drill programs are in preparation at Warrior South, Yaninee and Ealbara.



Napperby Project and Reggatts Well application (NT) Regional Radiometrics: The Napperby calcrete paleochannel is currently defined over a 14km strike. JORC resource expected 2008.



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