

TORO ENERGY LIMITED

A.C.N. 117 127 590

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5067 South Australia

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REPORT FOR THE QUARTER ENDING 30 JUNE 2006

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HIGHLIGHTS

1. Corporate

- The offices of Toro Energy Limited were established at 3 Boskenna Avenue, Norwood, SA 5067.
- At the end of the quarter the Company held \$15.9 million in cash and net receivables. Loans from Oxiana and Minotaur Exploration were repaid.
- Up to five experienced contract and consulting geologists have been engaged to undertake Toro Energy's exploration program. Two permanent administration staff were recruited to the Adelaide office. Business advisors have been retained for evaluation of growth opportunities. Recruitment of permanent geological staff has commenced.

2. Exploration

- Toro Energy Ltd has uranium exploration, development and production rights to over 26,000 sq km of tenements in the Gawler and Curnamona Cratons of South Australia.
- The inaugural exploration program was undertaken at the Yaninee Project in the Streaky Bay area of South Australia (over four tenements held by Minotaur Exploration Ltd, and two tenements held by Mithril Exploration Ltd). Drilling across seven regional traverses recorded anomalous uranium values in the Yaninee Palaeochannel, and in a new palaeochannel. Funding of this drilling program was supported by PIRSA's PACE initiative.
- Follow-up assay results from the Yaninee drilling have returned 1 metre composite sample assays ranging up to 176 ppm U_3O_8 .
- Planning work was undertaken for an infill drilling program on existing drill traverses in the Warrior Project area. Drilling work is expected to commence in late July.
- Planning and approvals for a major airborne EM survey covering areas over 13 tenements in the western Gawler Craton area are complete. This survey will commence in late July.

REVIEW OF OPERATIONS

CORPORATE

Toro Energy Ltd was formed from the uranium interests of Oxiana Ltd and Minotaur Exploration Ltd, with access to over 26,000km² of tenements in South Australia's Gawler and Curnamona Cratons. The Company was listed on the ASX on 24th March following a successful IPO.

Toro Energy Limited has established an office at 3 Boskenna Avenue, Norwood, South Australia 5067. This facility has adequate room for Toro Energy's planned exploration and acquisition teams.

The IPO raised \$18 million, and after fees and initial exploration and set-up costs, the end of quarter cash and net receivables position was \$15.9 million.

STRATEGY

Toro Energy's primary objective is to build a uranium exploration and mining company which, through a combination of direct and indirect investments, will aim to reward its Shareholders with both 'yield' and 'growth' returns. It aims to achieve this by:

- Exploring its tenements for uranium mineralisation in accordance with the program set out in the Prospectus and with modifications based on exploration results.
- Developing and adapting its geological knowledge over time to focus exploration resources on the most promising targets.
- Maintaining a watching brief over the uranium sector in Australia and overseas and, if appropriate, pursuing uranium development and acquisition opportunities.
- Assembling a team of experienced uranium and mining industry professionals to develop a portfolio of high quality uranium production, development and advanced exploration assets.
- Accessing the skills base of its major Shareholders, Oxiana and Minotaur Exploration.

EXPLORATION

The scope of Toro Energy's uranium access and JV rights are shown in Figure 1 below. These cover uranium access rights to those tenements held 100% by Minotaur, along with uranium access rights to the Mt Woods tenements held 100% by Oxiana (excluding the Prominent Hill mining leases) and a number of uranium access rights through JV tripartite agreements. One ELA was converted to an EL during the quarter.

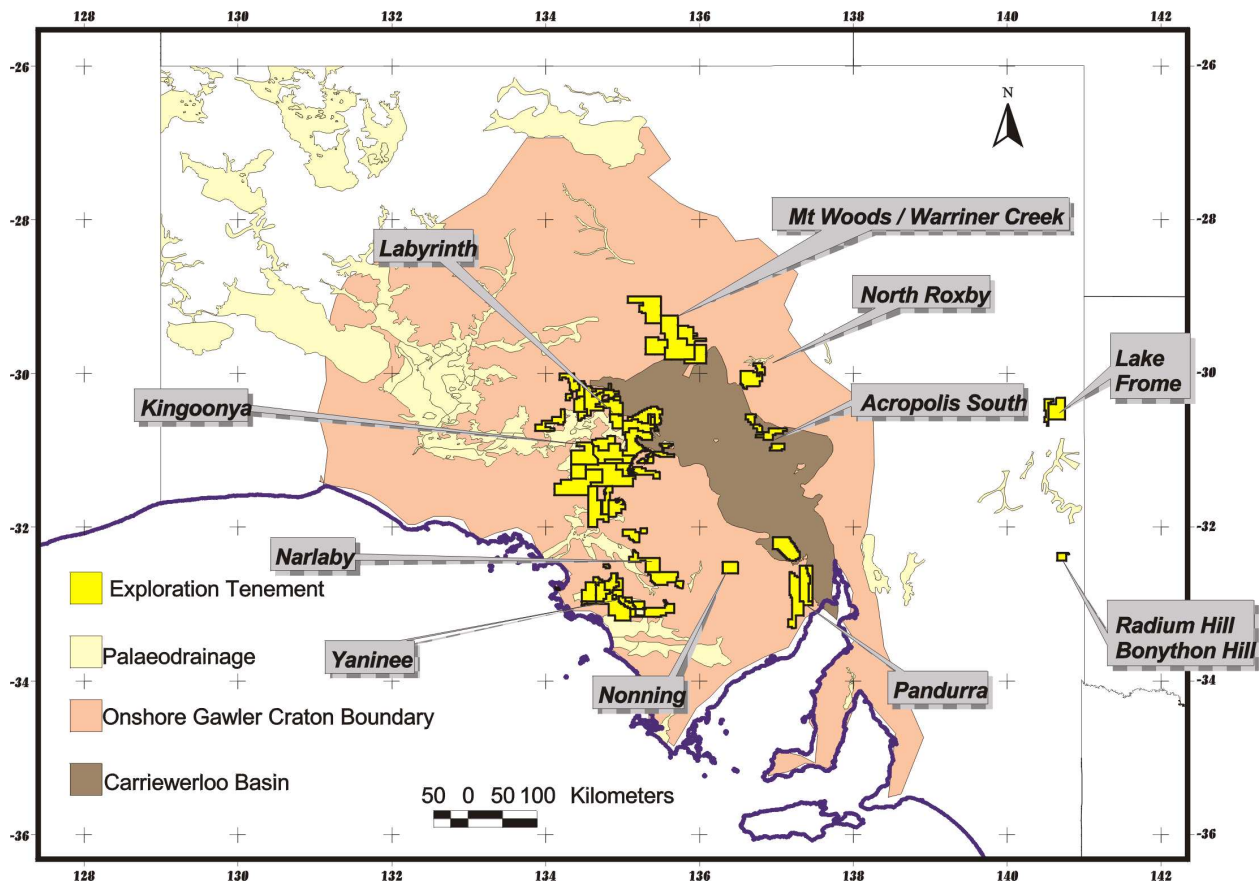


Figure 1. – Toro Energy Ltd tenement access for uranium exploration, development, mining and processing.

Yaninee Project

Uranium access rights to EL's 3135, 3255, 3366, 3367 held 100% by Minotaur Exploration.

Ceduna Joint Venture – Uranium Only – EL's 2861, 2891 – Mithril Resources Ltd 100% - Toro Energy earning up to 75%

Within two weeks of listing on the ASX, Toro Energy commenced exploration on the Yaninee Project, a tenement package in the Streaky Bay area, for palaeochannel hosted uranium mineralisation.

A network of palaeochannels crosses the Yaninee project tenements, including the south-westerly trending Venus Bay system, and the north-westerly trending Streaky Bay system (Figure 2). The area hosts a large number of Hiltaba Granite plutons, which are believed to be the source of the uranium values found within the palaeochannels.

Carpentaria Exploration Company Pty Ltd explored for sedimentary uranium throughout the region between 1979 and 1983, and discovered sub-economic uranium mineralisation in the western part of the channels.

Using a combination of the PIRSA PACE gravity data and Minotaur Exploration thermal imaging data, 10 potential traverses were planned. After further detailed microgravity surveys 7 traverses were selected for initial drilling. Drilling commenced on 6th April with the initial program completed by early June.

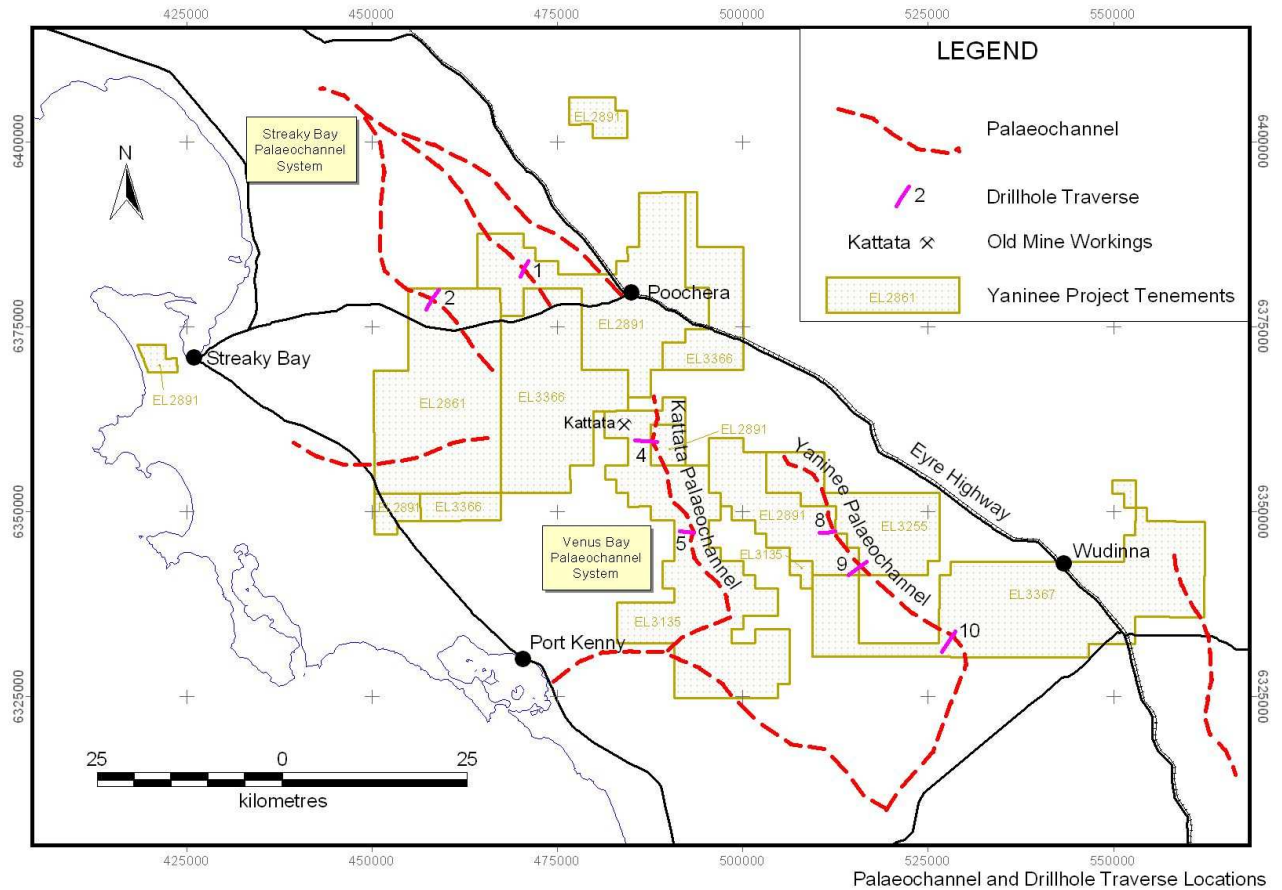


Figure 2. – Yaninee Project – Toro Energy tenement access and palaeochannel locations

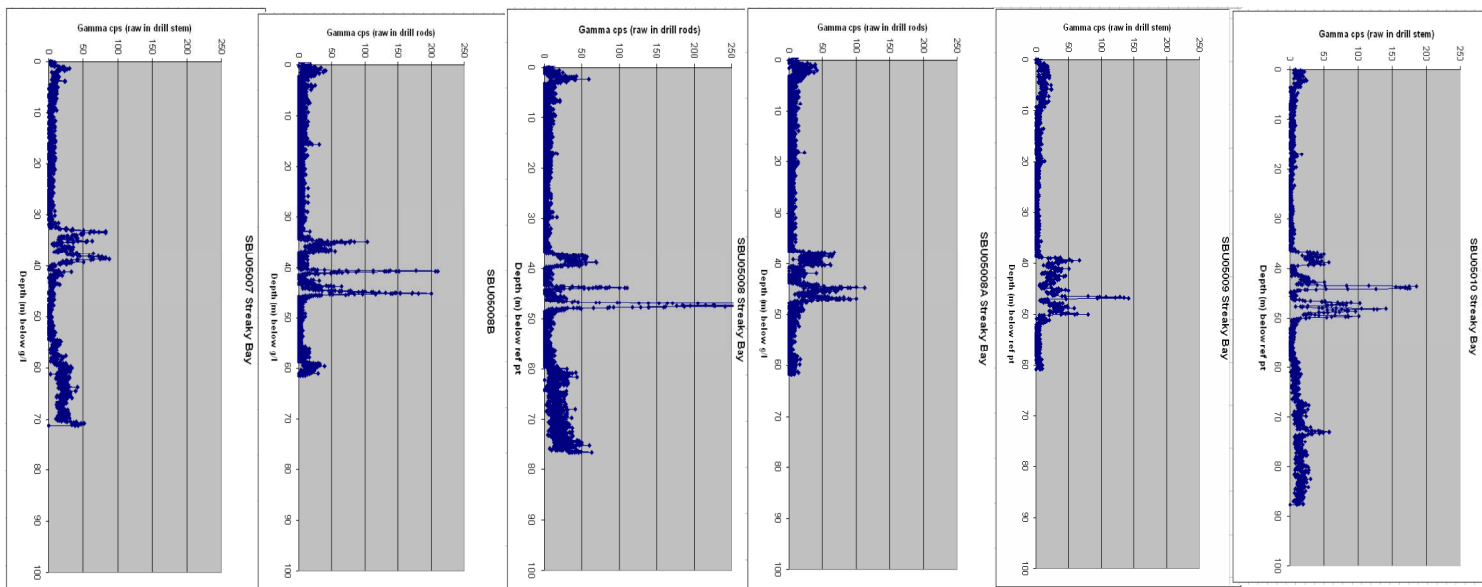
A total of 67 air core holes over seven traverses totalling 5,204 metres were completed during the program. Gamma logging of holes within drill pipe was undertaken during drilling, and samples of areas of interest were submitted for ICP or XRF analysis.

Up to ten holes for each traverse were drilled to basement, with six traverses supporting the interpreted palaeochannel location and definition. One traverse (Traverse 4) encountered very hard layers of silcrete at relatively shallow depths below surficial sands. The air core drilling rig was unable to penetrate these hard layers hence drilling to basement was not achieved on this traverse.

Results

This initial greenfield exploration produced two palaeochannels with defined anomalous uranium values, one being the Yaninee palaeochannel and one a new channel termed the Kattata palaeochannel (named after some old mine workings nearby). Anomalous uranium results were found in three of the seven traverses.

Traverse 5, an E-W aircore drill traverse located in the N-S trending Kattata palaeochannel, was drilled initially on 150m spaced centres followed by a number of infill holes. While not necessarily a direct measure of U content, the gamma logs recorded significant counts per second (cps) across a 500 m traverse width, in the range 200 to 500 cps over various 1 – 3 metre intervals (Figure 3).



**Figure 3 – Yaninee Project - Raw Gamma (cps) Logs Traverse 5
Approx traverse width illustrated is 500 m**

Initial composite samples of three to five metres confirmed the gamma log responses as due to anomalous uranium with values up to 42ppm U_3O_8 , occurring within a 5 to 10 metre thickness zone. Subsequent one metre samples returned uranium results up to 176ppm U_3O_8 – Refer Table 1. Additional infill holes were drilled which confirmed that the anomalous uranium extends over 500m of traverse width. The eastern margin of the channel has not yet been intersected by drilling and uranium anomalism remains open to the east.

Traverse 8 and 10 tested the northward and southward extension to the Yaninee palaeochannel, with both traverses identifying anomalous uranium. Composite three to five metre samples returned assays ranging to 22ppm U_3O_8 .

Table 1 – Yaninee Project – Assay Results for Traverse 5 – Hole 8

Depth From	To	Uranium ppm	U₃O₈ ppm	Thorium ppm
37	38	4	5	4
38	39	<4	<5	8
39	40	<4	<5	6
40	41	<4	<5	8
41	42	<4	<5	8
42	43	<4	<5	8
43	44	20	24	24
44	45	28	33	18
45	46	<4	<5	12
46	47	<4	<5	10
47	48	<4	<5	10
48	49	<4	<5	8
49	50	66	78	16
50	51	4	5	10
51	52	10	12	10
52	53	150	176	8
53	54	22	26	10
54	55	26	31	10
55	56	<4	<5	8
56	57	<4	<5	12

One metre air-core samples – Assay by XRF – Amdel code XRF 1

Warrior Uranium Prospect

Tarcoola Joint Venture – Uranium Only – EL’s 3040, 3107, 2866 – Range River 100% - Toro Energy earning 75%

During 2005, Minotaur Exploration utilised gravity and thermal imaging data to map and evaluate an extension to the Warrior palaeochannel, and then undertook a number of micro-gravity traverses to further define the channel boundaries (refer Figure 4).

Five traverses were drilled by air-core, with down-hole gamma logging within drill pipe during drilling, and samples gathered for later assay. A significant number of XRF assay results ranging to nearly 200ppm U₃O₈ indicated anomalous uranium presence continued in two areas along the channel margins, extending the known historic mineralisation up to 4 kms to the south (refer Figure 5). The nature of the channel fill and location of mineralisation indicate that the uranium forms on channel boundaries close to the contact with carbonaceous material, with variable grade and thickness.

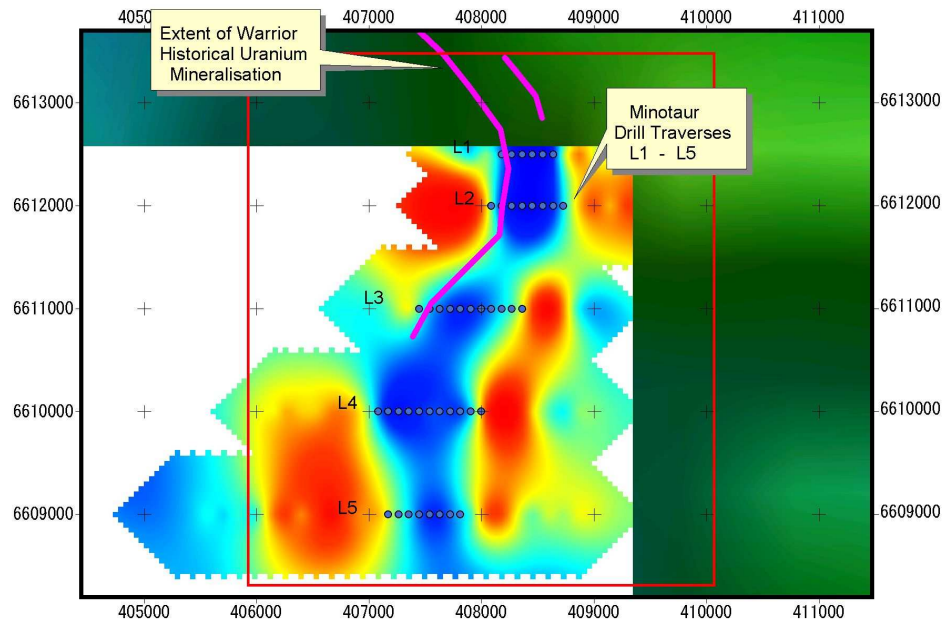


Figure 4 – High resolution gravity image of the Warrior channel showing Minotaur drill traverses

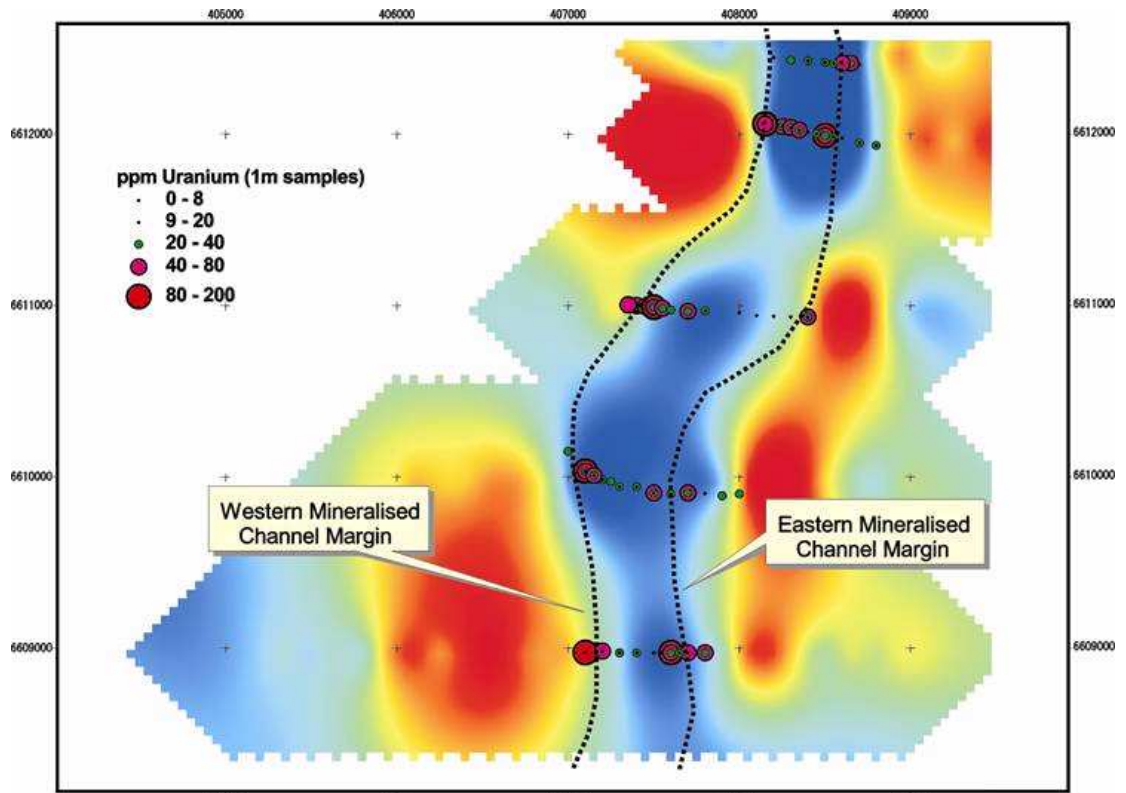


Figure 5 – Warrior Project drill assay results and extension of historic mineralisation

Planning has been completed for an infill drilling program that will undertake the following work:

- test improved sampling techniques using the air-core drill rig, to enable improved accuracy of sample and down-hole location data
- test the western and eastern extents of the existing traverse lines
- determine best locations for further additional drill lines

This drilling will commence in late July for a period of some weeks.

Along with this, a detailed airborne EM survey (refer below) with 400m line spacing will be flown across the Warrior Project tenement area, including the interpreted southwest extension of the main channel. Further ground EM or microgravity ground surveys may also be carried out in this area. As has been shown by previous targeted geophysical work at the Yaninee and Warrior projects, the resulting interpretation of this data enables very accurate targeting of drilling along and across channel features for potential uranium mineralisation, ensuring best value from our exploration dollars.

After the end of the quarter, Toro Energy and Stellar Resources announced a Memorandum of Understanding for Toro Energy to farm-in to two tenements held by Stellar over parts of the Warrior Palaeochannel. Refer to separate ASX announcement.

Kingoonya Area Major Airborne EM survey

Toro Energy has committed to a major multi-client airborne EM survey over 13 of its tenements in the Kingoonya area. This survey, which will be undertaken by Fugro Ltd of WA, involves up to six exploration companies with tenements in South Australia. Toro Energy's part of this program is one of the largest (refer Figure 6), and comprises over 5,000 line kilometres of EM survey at a cost of approximately \$440,000, and is targeted to carry out a number of parallel tasks, including:

- Detailed palaeochannel delineation over the Warrior and Ealbara prospects, with line spacing at 400m, enabling accurate channel location to be determined for future drilling programs.
- Regional airborne EM survey at 1 km spacing over other parts of the Kingoonya area tenements (some with difficult ground access) to enable rapid determination of likely palaeochannel locations, allowing more focused efforts for future exploration planning.

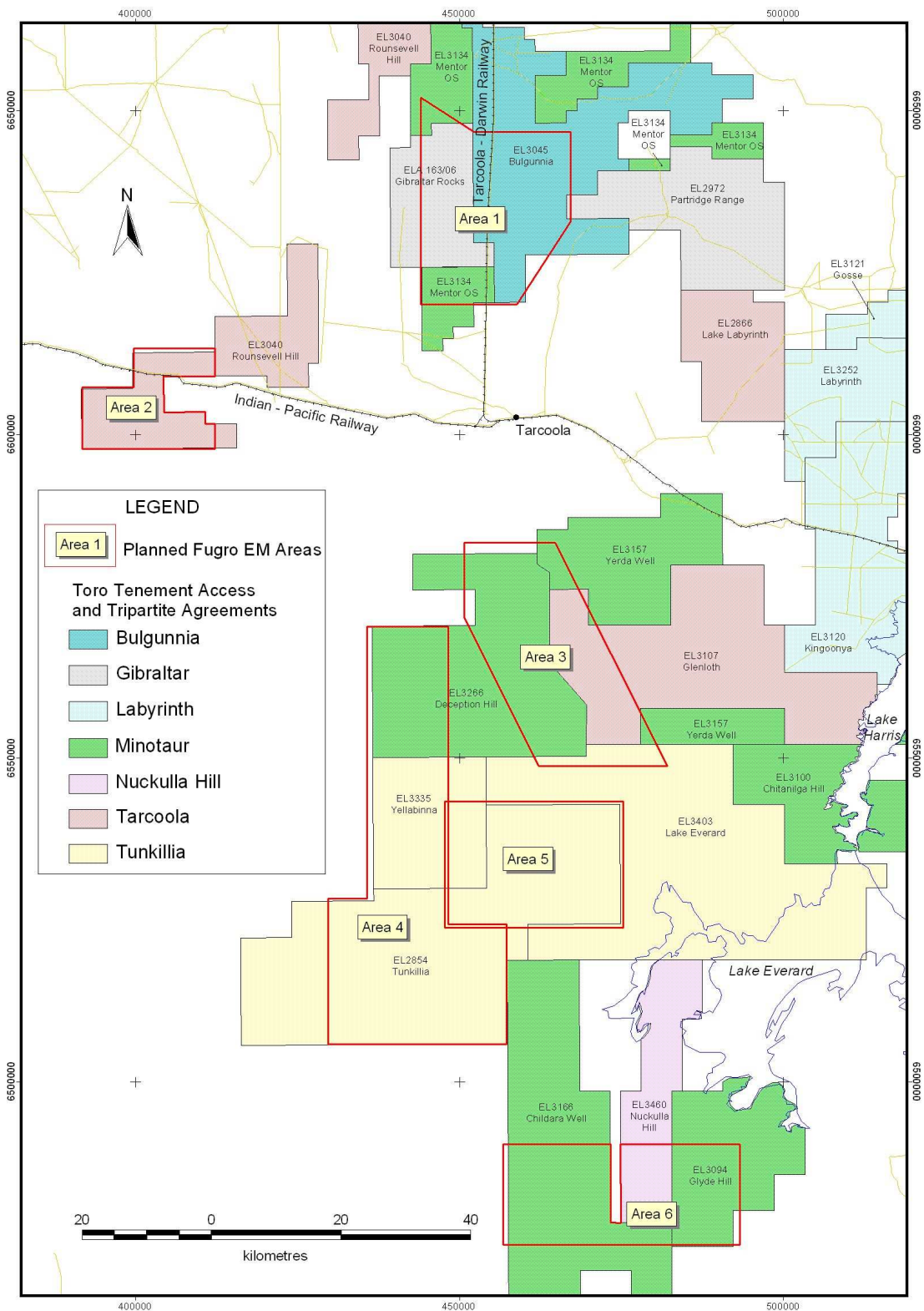


Figure 6– Planned Toro Energy airborne EM survey areas – part of Fugro Ltd multi-client survey

Yours faithfully

A handwritten signature in black ink, appearing to read 'G. Hall', written in a cursive style.

Greg Hall
Managing Director

The information in this report that relates to Exploration Results, Mineral Resources and Ore Reserves is based on information compiled by Dr A. P. Belperio who is a Fellow of the Australasian Institute of Mining and Metallurgy. Dr Belperio is employed by Minotaur Exploration Ltd, and acts as a geological consultant to Toro Energy Limited. Dr Belperio has more than five years' experience which is relevant to the styles of mineralisation and types of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr A. P. Belperio consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

TORO ENERGY LIMITED

ABN

48 117 127 590

Quarter ended ("current quarter")

30th JUNE 2006

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (12 months) \$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors		
1.2	Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(126)	(126)
1.3	Dividends received	(155)	(289)
1.4	Interest and other items of a similar nature received	137	349
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other		
Net Operating Cash Flows		(144)	(66)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a)prospects (b)equity investments (c) other fixed assets	(122)	(122)
1.9	Proceeds from sale of: (a)prospects (b)equity investments (c)other fixed assets		
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other (Loans from Minotaur Exploration Limited and Oxiana Limited)		553
	Other (Loans paid back to Minotaur Exploration Limited and Oxiana Limited)	(553)	(553)
Net investing cash flows		(675)	(122)

1.13	Total operating and investing cash flows (brought forward)	(819)	(188)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.		18,002
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (share issue costs)	(454)	(1,903)
	Net financing cash flows	(454)	16,099
	Net increase (decrease) in cash held	(1,273)	15,911
1.20	Cash at beginning of quarter/year to date	17,184	0
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	15,911	15,911

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	69
1.24	Aggregate amount of loans to the parties included in item 1.10	0

1.25 Explanation necessary for an understanding of the transactions

Directors fees and Superannuation

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities		
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	970
4.2 Development	
Total	970

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	2,411	2,184
5.2 Deposits at call	13,500	15,000
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	15,911	17,184

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1		Interests in mining tenements relinquished, reduced or lapsed		
6.2	EL3535	Indirect (Uranium Rights)	0%	100%

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	145,502,000	72,000,000		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	4,000,000 2,000,000 1,000,000		<i>Exercise price</i> \$0.40 \$0.35 \$0.45	<i>Expiry date</i> 23/03/2011 31/03/2011 31/03/2012
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does /does not* (*delete one*) give a true and fair view of the matters disclosed.

Sign here:  Date: 18th July 2006

Print name: **DONALD STEPHENS**
(Company secretary)

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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