

TOE.AU

Toro Energy Limited

A\$ 0.22

17 March 2008

Uranium
Australia (SA, NT, WA), Namibia, Guinea, Morocco
Advanced Exploration/Resource Definition
Exchanges: ASX:TOE

Capital Profile

Share price (A\$)	0.22
52 week range (A\$/share)	0.21 to 1.36
Number of shares (m)	495
Options and warrants (m)	11
Convertible notes (m)	0
Fully diluted (m)	506
Market capitalisation (undiluted) (A\$m)	108.8
Debt (A\$m) - Mar 08F	0.0
Enterprise value (A\$m)	108.8
Major shareholders: Oxiana Ltd (46%), Minotaur Exploration Ltd (7.3%)	
Avg monthly volume (m)	8
Cash (A\$m) - Mar 08F	15.3
Price/Cash (x)	7.1
Price/Book (x)	0.8
Company options:	No

Investment Points

100% uranium focus. 2008 expl. + eval. budget \$8m.

NEL merger (closed Nov. '07) has increased geographic and project diversification across Australia and Africa.

Significant resource upside potential at Napperby to 6kt (13.2mlbs) U₃O₈ and Wiluna to ~13kt (29mlbs) U₃O₈.

Napperby initial drill results 4Q07 (3,200m) confirm deposit extension with similar grade and width. Revised resource expected 2Q08.

Lake Way/Centipede PFS expected Apr. '08.

Well positioned greenfield portfolio - particularly Namibia, NT and SA. Leverage to OXR's IOCG(U) drilling program 4Q07-08 (A\$3m to A\$6m budget).

Drilling 4Q07-1Q08 at 6 projects: Napperby (NT), Wiluna (WA), Namibia, Labyrinth (SA), Grass Patch (WA) and Mt Woods (OXR, SA).

TOE is targeting uranium production at two projects by 2012: Napperby (NT) where there is potential for rapid advancement, and Wiluna (WA), PFS expected Apr. '08. Solid project pipeline - drilling 6 projects 4Q07-1Q08. Drilling Damara region, Namibia expected 2H08.

Production and Financial Forecasts

YEAR END: June	Dec-07a	Mar-08F	2007a	2008a	2009F
Exploration and evaluation (A\$m)	1.90	1.50	2.36	6.00	4.00
Corporate (A\$m)	1.06	0.80	2.26	2.50	3.20
Exploration/(Expl.+ Corporate) (%)	64	65	51	71	56
Funding duration at current burn (years)			2.5	1.0	2.2
Shares on issue (pr end) (m shares)	494.7	494.7	145.5	494.7	524.7
Drilling - RAB (m)	7,500	7,500	0	25,000	10,000
Drilling - Other/Diamond (m)	1,500	2,500	0	6,500	10,000
Land holding ('000 ha)*	4,818	4,818	2,600	4,818	4,818
Tenement costs (\$k per year)	-	-	-	-	-
Capital raisings (A\$m)	0.0	0.0	0.0	0.0	15.0
Funding from JV partners (A\$m)	0	0	0	0	0
Cash (A\$m)	17.8	15.3	11.7	8.1	16.2
Cash backing (Ac/share)	3.6	3.1	8.1	1.6	3.1
Net asset backing (Ac/share)	27.3	27.1	22.9	26.0	26.8

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

Company Comment

Overview: Toro Energy listed on the ASX in March 2006 with 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). Acquisition of Nova Energy (ASX:NEL) Nov. '07 added Lake Way/Centipede (WA) and tenements in Damara region, Namibia.

Napperby Project (New Well, NT): 150km northwest of Alice Springs was the subject of an open pit pre-feasibility study by Uranerz in the '70's. Leases cover 150km of prospective channel most of which has never been drilled. The historical resource (6kt U₃O₈) occurs along parts of a 14km strike. The current resource (DYL, 670t U₃O₈) occurs over ~1km strike. Initial results from drilling 4Q07 over a contiguous ~2km of strike, (332 holes x 10m for 3,200m) confirms similar uranium grades and widths to the adjacent resource block with assays averaging 0.056% U₃O₈ (200ppm cut-off). Revised resource statement expected Apr. '08 and again Oct. '08. Drilling '08 (24,000m) covers up to 65% of the historic resource with the resource by year end anticipated to exceed 3kt U₃O₈. Production potential 2012.

Wiluna Uranium (WA): Lake Way and Centipede uranium deposits located near Wiluna. A pre-feasibility study (GRD Minproc, Golder Associates) and JORC restatement are expected Apr. '08. There is potential to add another 3kt to 4kt of uranium resources to the current resource (9kt, 19.8mlbs U₃O₈). The scoping study (GRD Minproc) estimated opex: US\$21/lb U₃O₈ (US\$23/t); capex: US\$120m. Post PFS, work is expected to scale back to only long lead items, e.g. environmental studies, pending political changes to the ban on uranium mining in WA. The next WA state election is expected 1Q09.

Namibia (3 leases, ~130,000ha): 3 early stage projects in a premier world uranium district with tenements near Bannerman, Extract and Paladin. Trenching and alpha cup surveys 1H08 - with focus on identifying Alaskite drill targets for 2H08.

SA Palaeochannel Exploration: Large strategic palaeochannel position (26,000km²) with highly targeted drilling planned 2H07 (15,000m) at Warrior, Grass Patch, Kingoonya, and Yaninee. **Warrior** results 3Q07 include anomalous assay results up to 0.09% U₃O₈ and mineralisation thickness up to 7m.

Investment Comment: TOE's management and pedigree origins have created a pipeline of prospective development and exploration opportunities. Newsflow 2Q08 includes results from 6 drill programs, a PFS at Wiluna and resource statement at Napperby. Recent market weakness has seen TOE trade near its 12 month low of A\$0.21/share, potentially, in part, reflecting investor portfolio repositioning post NEL acquisition. The company has robust fundamentals, including A\$15m in cash and strategic support from major shareholder Oxiana (46%). Our current price target is A\$0.60/share.

Reserves and Resources/Mineralised Material

Code for reporting mineral resources - Australian:		(JORC)						
Uranium	Classification	Project	Ore	U ₃ O ₈	Cut Off	U ₃ O ₈	U ₃ O ₈	Eqty
U ₃ O ₈		Equity	Mt	%	ppm	Kt	Mlb	Mlb
Reserves						0.0	0.0	0.0
Resources								
Wiluna uranium	Inferred	100%	15.5	0.058	300	9.0	19.8	19.8
Napperby	Inferred	0/100%	1.90	0.036	200	0.67	1.5	1.5
						9.68	21.3	21.3
Mineralised Material (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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Key Projects

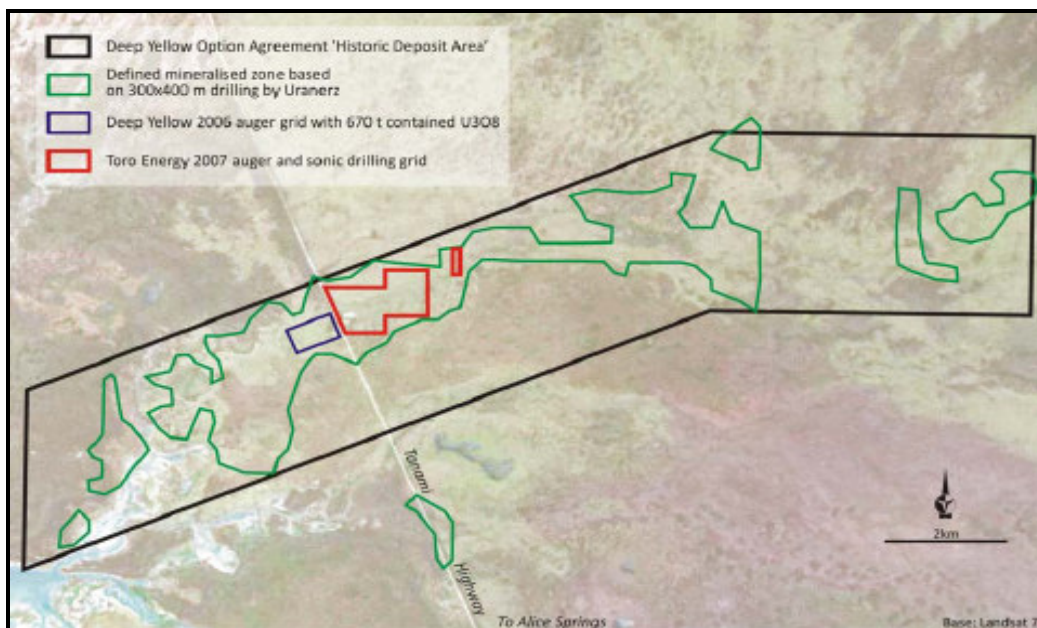
Project	Ownership/		JV Partner	Target Type	Process Route	Project Status	Project Location
	Option	Metal					
Napperby (New Well)	0/100%	U	DYL	Calcrete	alk. Leach	Adv. Expl.	Aus (NT)
Lake Way + Centipede	100%	U (V)	none	Calcrete	Alk. Leach	Adv. Expl.	Aus (WA)
Taroola JV (Warrior)	0/75%	U	RNG	Sandstone	na	Mid. Expl.	Aus (SA)
Stellar JV (Warrior)	0/51/70%	U	SRZ	Sandstone	na	Mid. Expl.	Aus (SA)
Namibia	100%	U	none	Calc/Alsk	na	Early Expl.	Namibia
Lake Mackay	100%	U	none	Unc+S'stone	na	Early Expl.	Aus (WA)
Guinea	100%	U	none	Sandstone	na	Mid Expl.	Guinea

TOE valuation is driven by advanced uranium project at Wiluna (WA) offering leverage to the uranium price and a deep pipeline of exploration projects in Australia and Africa. Current target price ~A\$0.60/share.

TORO ENERGY VALUATION							
	Uranium Resource/Mineralisation		Target Price		Valuation Range		
	mlbs	A\$/lb	A\$m	A\$/Share	(Low) A\$m	(High) A\$m	
Projects							
+ Wiluna (quality development project, potential upside, WA political discount)	19.8	9.60	190	0.38	150	250	
+ Napperby (advancing development project, resource upside, NT favourable jurisdiction)	13.2	7.00	92	0.19	59	106	
+ Warrior/Tarcoola (potential to find higher grade system, grass roots discoveries)	6.3	2.38	15	0.03	10	20	
+ Namibia (good tenement position, early stage, premium district)			35	0.07	30	70	
+ Basement projects (SA, uranium rights to Oxiana's IOCGU exploration program)			10	0.02	5	15	
+ Guinea (potential for high grade system, former Cogema ground 1977-1981)			8	0.02	5	15	
+ Other Australia - WA, NT and SA (grass roots, requires targeting work)			25	0.05	15	35	
Sub Total			375	0.76	274	511	
+ Cash			15	0.03	15	15	
+ Tax Losses			1	0.00	1	1	
- Napperby option payment	13.2	6.0	79	0.16	59	79	
- Corporate			14	0.03	14	14	
Sub Total			-77	-0.15	-57	-77	
TOE NET ASSET VALUE			299	0.60	218	434	
Capital Structure							
Shares			494.7		494.7	494.7	
Fully Diluted Shares			505.6		505.6	505.6	
TOE NET ASSET VALUE PER SHARE	:A\$/share		0.60		0.44	0.88	
TOE NET ASSET VALUE DILUTED	:A\$/share fully diluted		0.60		0.44	0.87	

WILUNA URANIUM PROJECT NPV (based on scoping study, includes 30% resource expansion)					
	Equity		NPV Sensitivity		
LONG TERM URANIUM PRICE ^A	:US\$/lb		35	60	90
EXCHANGE RATE	:AUUS		0.78	0.78	0.78
Commissioning 1Q12					
Base Case	:A\$m	100%	24	89	230
Head grade +0.01%	:A\$m	100%	67	134	298
Delayed commissioning 1Q15					
Base Case	:A\$m	100%	na	49	142
Head grade +0.01%	:A\$m	100%	na	86	212
* Includes a pre feasibility study project discount of 30% of the project valuation:			30%		
^A Uranium price forecasts are US\$60/lb from 1Q10 to 4Q15, thence long term price indicated. US\$90/lb sensitivity is from 1Q10.					

Napperby uranium project (NT) has an historic resource of 6kt U₃O₈ (13.2mlbs). This is expected to be upgraded to JORC status in 2008. Initial drill results 4Q07 (3,200m) confirm deposit extension with similar grade and widths. Greenfield potential exists to the west.



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