

TOE.AU

Toro Energy Limited

A\$ 0.40

27 May 2008
 Uranium
 Australia (SA, NT, WA), Namibia, Guinea, Morocco
 Advanced Exploration/Resource Definition
 Exchanges: ASX:TOE

TOE is targeting uranium production at two projects by 2012: Napperby (NT) where there is potential for rapid advancement, and Wiluna (WA), PFS expected mid '08. Solid project pipeline - drilling 4 projects 2008. Encouraging early radon results in Namibia - drilling 2Q08.

Capital Profile

Share price (A\$)	0.40
52 week range (A\$/share)	0.19 to 1.14
Number of shares (m)	495
Options and warrants (m)	10
Convertible notes (m)	0
Fully diluted (m)	505
Market capitalisation (undiluted) (A\$m)	197.9
Debt (A\$m) - June 08F	0.0
Enterprise value (A\$m)	197.9
Major shareholders: Oxiana Ltd (46%), Minotaur Exploration Ltd (7.3%)	
Avg monthly volume (m)	20
Cash (A\$m) - June 08F	7.7
Price/Cash (x)	25.6
Price/Book (x)	1.5
Company options:	No

Production and Financial Forecasts

YEAR END: June	Mar-08a	Jun-08F	2007a	2008a	2009F
Exploration and evaluation (A\$m)	1.47	2.40	2.36	6.81	4.00
Corporate (A\$m)	0.52	0.80	2.26	2.50	3.20
Exploration/(Expl.+ Corporate) (%)	74	75	51	73	56
Funding duration at current burn (years)			2.5	0.8	2.2
Shares on issue (pr end) (m shares)	494.7	494.7	145.5	494.7	524.7
Drilling - RAB (m)	6,000	3,000	0	21,500	12,500
Drilling - Other/Diamond (m)	2,500	8,500	0	12,500	21,500
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)	15.7	7.7	11.7	7.7	15.8
Cash backing (Ac/share)	3.2	1.6	8.1	1.6	3.0
Net asset backing (Ac/share)	27.2	26.1	22.9	26.1	26.9

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

Investment Points

100% uranium focus. 2008 expl. + eval. budget \$8m.
 Significant resource upside potential at Napperby to 6kt (13.2mlbs) U₃O₈ - TOE's main drilling focus in 2008.

Napperby resource drilling (23,000m) and regional drilling (2,000m) from May '08. Revised resource statements expected June '08 and Oct. '08 (>3kt U₃O₈).

Napperby deposit is shallow and demonstrates good grade-thickness continuity. Best results include 5.5m @ 0.09% U₃O₈. Scoping study expected 4Q08.

Lake Way/Centipede PFS expected mid '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: Napperby (25,000m 2Q-4Q), Namibia (3,000m, 2Q), Frome Embayment (2,000m, 2Q), Warrior South (5,000m, 4Q). Plus Mt Woods (OXR, SA).

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 2007 over a contiguous ~2km of strike, (332 holes x 10m for 3,200m) confirms similar uranium grades and widths to the adjacent resource block - assays received average 0.047% U₃O₈ (200ppm cut-off). Next resource statement expected June '08 and then Oct. '08. Drilling '08 (23,000m) covers up to 70% of the historic resource with the resource by year end anticipated to exceed 3kt U₃O₈. Regional drilling (2,000m) to test for mineralised extensions to the historic resource is expected. 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 mid '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. WA state election expected 4Q08/1Q09.

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. Chungochoab tenement radon signatures (1Q08) align with regional radiometrics indicative of potential palaeochannels - drilling 3 target areas from May '08. Alaskite targets expected to be drilled 2H08.

SA Palaeochannel Exploration: Large strategic palaeochannel position (26,000km²). **Warrior** results 1Q08 include anomalous assay results up to 0.09% U₃O₈ and mineralisation thickness up to 7m. Drilling 4Q (4,000m) - targeting untested palaeochannels to the south of current drilling.

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. The company has robust fundamentals, including A\$8m in cash and strategic support from Oxiana (46%). The share price has rebounded to \$0.40/sh (up 105%) from the 12 month low of \$0.19/share. RCR price target A\$0.60/sh.

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/Option	Metal	JV Partner	Target Type	Process Route	Project Status	Location
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)
Tarcoola 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

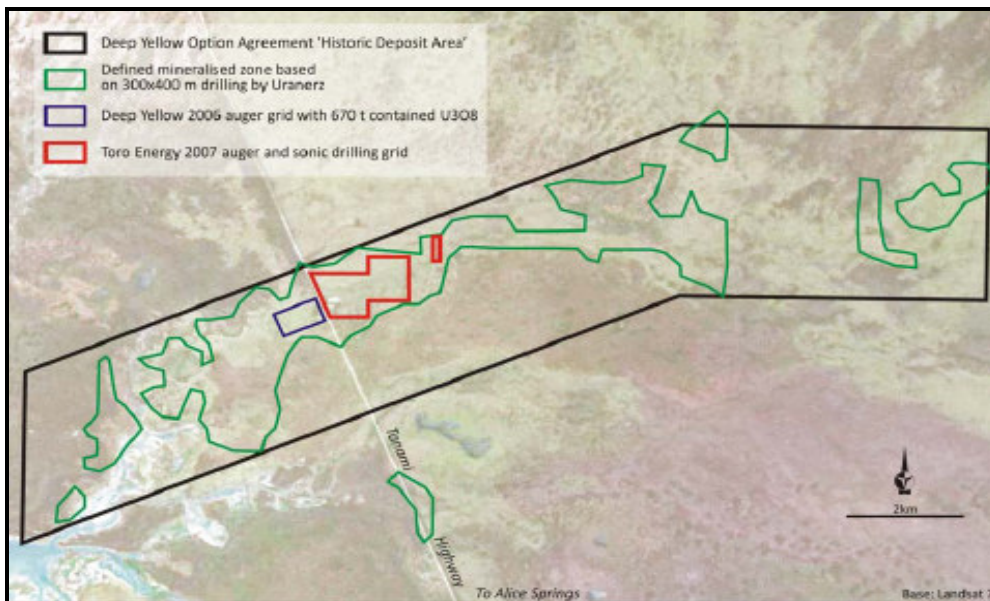
TOE valuation is driven by advanced uranium project at Wiluna (WA) offering leverage to the uranium price and a deep pipeline of exploration projects in Australia and Africa. Potential for early results at grass roots projects, especially in Namibia (drilling 2Q08). Current target price ~A\$0.60/share.

TORO ENERGY VALUATION						
Projects	Uranium Resource/Mineralisation		Target Price		Valuation Range	
	mlbs	A\$/lb	A\$m	A\$/Share	(Low) A\$m	(High) A\$m
+ Wiluna (quality development project, potential upside, WA political discount)	19.8	0.39	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			8	0.02	8	8
+ 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			-84	-0.17	-64	-84
TOE NET ASSET VALUE			291	0.59	210	427
Capital Structure						
Shares			494.7		494.7	494.7
Fully Diluted Shares			504.8		504.8	504.8
TOE NET ASSET VALUE PER SHARE	:A\$/share		0.59		0.42	0.86
TOE NET ASSET VALUE DILUTED	:A\$/share fully diluted		0.59		0.42	0.85

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%			
*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 4Q07-1Q08 (3,200m) confirm deposit extension with similar grade and widths. Greenfield potential exists to the west. Drilling 2008 (25,000m).



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