

TOE.AU

Toro Energy Limited

A\$ 0.22

26 September 2008

Uranium

Australia (SA, NT, WA), Namibia, Guinea

Advanced Exploration/Resource Definition/PFS

Exchanges: ASX:TOE

Capital Profile

Share price (A\$)	0.22
52 week range (A\$/share)	0.17 to 0.86
Number of shares (m)	495
Options and warrants (m)	504
Convertible notes (m)	564
Fully diluted (m)	495
Market capitalisation (undiluted) (A\$m)	108.8
Debt (A\$m) - Sep 08F	0.8
Enterprise value (A\$m)	109.6
Major shareholders: OZ Minerals Ltd (46%), Minotaur Exploration (7.3%)	
Argonaut Capital (4.0%)	
Avg monthly volume (m)	18
Cash (A\$m) - Sept 08F	10.8
Price/Cash (x)	10.1
Price/Book (x)	0.8
Listed company options:	No

Investment Points

100% uranium focus. Expl. + eval. budget A\$8m pa, cash A\$13m. Potential production 2012 (2 projects).

Most advanced is Wiluna project (WA) - 24mlb JORC resource (target 29mlb) - PFS recently completed.

Wiluna optimisation study underway for improved mined grades and recoveries, then possible BFS start 2Q09.

Resource drilling focus is on Napperby, NT (16,000m 2008). JORC upgrade expected Nov '08 - currently 3mlb, targeting 13mlb.

Napperby deposit is shallow, demonstrates good grade-thickness continuity. Scoping study expected 4Q08.

Well positioned greenfield portfolio - particularly Namibia, NT and SA. Leverage to OZL's IOCG(U) drilling in SA

First pass exploration drilling: Namibia (3,000m, 3Q), Warrior South (5,000m, 4Q), Coober Pedy (1,000m 4Q). Plus Mt Woods (OZL, SA).



Production and Financial Forecasts

YEAR END: June	Jun-08a	Sep-08F	2007a	2008a	2009F
Exploration and evaluation (A\$m)	1.91	2.00	2.36	6.32	8.00
Corporate (A\$m)	0.45	0.80	2.26	2.50	3.20
Exploration/(Expl.+ Corporate) (%)	81	71	51	72	71
Funding duration at current burn (years)	5.7	3.8	2.5	1.5	1.6
Shares on issue (pr end) (m shares)	494.7	494.7	494.7	494.7	494.7
Drilling - RAB (m)	3,000	2,500	12,500	12,500	12,500
Drilling - Other/Diamond (m)	8,500	12,000	0	12,500	19,500
Land holding ('000 ha)*	4,518	4,518	2,600	4,518	4,518
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)	13.4	10.8	11.7	13.4	17.6
Cash backing (Ac/share)	2.7	2.2	2.4	2.7	3.6
Net asset backing (Ac/share)	27.2	27.0	6.7	27.2	29.6

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

Quarters refer to calendar year end.

Company Comment

Overview: TOE listed on the ASX in March 2006 and is now the pacesetter in advancing calcrete style uranium projects in Australia, with one at PFS stage and the other the subject of a scoping study.

Wiluna Uranium (WA): Lake Way and Centipede uranium deposits TOE's most advanced project and a major beneficiary of change of State Government and revised uranium policy in WA. **Wiluna PFS:** The results of the GRD Minproc PFS were released on 23 Sept. 2008. Based on the recently revised JORC compliant resource of 25.8mt at 419ppm U₃O₈ (23.9mlb), the PFS considered a number of process options, including 2.0mtpa alkaline heap leach ("Option B") and 1.5mtpa conventional alkaline leach/direct precipitation ("Option D"). These two options have been selected to proceed to an Optimisation Study (OS). The PFS Option D assumed 1.5mtpa, ore grade 503ppm (through grade control), total ore processed 16.3mt for 15.1mlb production over a 12 year mine life. Forecast capex is A\$247m and opex US\$39/lb, giving a base case project NPV @ 12.3% (nominal) of A\$78m, using long term U₃O₈ price of US\$80/lb and A\$/US\$ of 0.75. The project NPV is highly sensitive to grade (+20% grade increases NPV to A\$134m) as well as long term U₃O₈ price. The OS will focus on mined head grade improvements (PFS indicates +30-40% is possible), improved recoveries and process optimisation, and is expected to be complete mid 2009, then BFS to be commenced, with possible production late 2012. Further resource drilling is targeting 29mlbs U₃O₈ resource upgrade 1Q09).

Napperby Project (NT): 150km NW of Alice Springs, TOE recently announced an interim JORC resource of 3.1mlb U₃O₈ (up from 1.5mlb) over ~3km strike of the total 14km which hosts a shallow (<8m) 13.2mlb non JORC Resource (Uranerz). A new resource drilling campaign over ~1.5km of strike (aircore/sonic drilling of ~1,500 holes for 16,000m) was commenced in 2Q08, and will run to end 3Q08. We expect a further JORC resource upgrade (1-2mlb increase) in Nov'08. and a scoping study 4Q08.

Other Exploration: Namibia (3 leases, ~130,000ha): 3 early stage projects in a premier world uranium district indicative of potential palaeochannels, drilling at Chungochoab (3,000m) 3Q08. **SA Palaeochannel Exploration:** Large strategic position (26,000km²). **Warrior** results 1Q08 confirmed U₃O₈ mineralisation thickness to 7m. Drilling 4Q08 (5,000m) targeting untested palaeochannels. Drilling untested gravity targets at **Coober Pedy** 4Q08. Active programs by OXL and MNT (TOE U rights).

Investment Comment: Market interest in TOE has been reactivated by WA political change and the Wiluna PFS, from a 12 month low of \$0.17/share. TOE's considerable pedigree of uranium management experience will be crucial to bring Wiluna and Napperby into production in 2012/2013. Critical factors for Wiluna go ahead will be grade and process flowsheet optimisation and uranium contract pricing. RCR 6 month price target A\$0.34/sh, then further upside subject to optimisation study.

Reserves and Resources/Mineralised Material

Code for reporting mineral resources - Australian: (JORC)

Uranium U ₃ O ₈	Classification	Project Equity	Ore Mt	U ₃ O ₈ %	Cut Off ppm	U ₃ O ₈ Kt	U ₃ O ₈ Mlb	Eqty Mlb
Reserves								
						0.0	0.0	0.0
Resources								
Wiluna uranium	Indicated & Inferred	100%	25.8	0.042	200	10.8	23.9	23.9
Napperby	Inferred	0/100%	4.60	0.031	200	1.42	3.1	3.1
						12.26	27.0	27.0
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)
Wiluna	100%	U (V)	none	Calcrete	Alk. Leach	PFS	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 is a major beneficiary of political change in Western Australia which will allow it to fast track its most advanced uranium project at Wiluna (W.A.), its major asset which has previously been on the 'back burner'. Bankable feasibility study to commence 2Q09. Potential production late 2012.

NEWS

• RELEASE •

FOR IMMEDIATE RELEASE
Monday 15th September 2008

TORO WELCOMES WA ELECTORATE DECISION

TO SUPPORT URANIUM MINING

- **Re-starts plans to enhance Wiluna (WA) uranium project**

Uranium explorer, Toro Energy Limited (ASX: "TOE"), has welcomed the Western Australian election results defeating the prospect of a uranium mining ban in that State.

Toro made the comment after yesterday's announcement that the National Party has agreed an alliance with the Liberals to form government in Western Australia in the wake of the close State election held a week ago.

Based on the stated policies of the Parties, the result allows Toro to plan work on enhancing its Wiluna uranium project – one of the more significant and advanced uranium projects in Western Australia - and which comprises the Lake Way and Centipede uranium deposits east of Meekatharra.

TOE has released the results of the pre-feasibility study into the Wiluna uranium project. Based on parameters released for the conventional leaching option, we have modelled the project. Current optimisation study for Wiluna and Napperby scoping study will be key to determining upside beyond our A\$0.34/share (6 month) target.

TORO ENERGY VALUATION						
	Uranium		Target Price		Valuation Range	
	Resource/Mineralisation				(Low)	(High)
	mibs	A\$/lb	A\$m	A\$/Share	A\$m	A\$m
Projects						
+ Wiluna (PFS stage development project, potential upside with mined grade increases)*	24.9	3.41	85	0.17	30	130
+ Napperby Option, net of DYL option payment (advancing development project)	13.0	1.2	15	0.03	5	50
+ Warrior/Tarcoola (potential to find higher grade system, grass roots discoveries)			15	0.03	10	25
+ Namibia (good tenement position, early stage, premium district)			25	0.05	15	40
+ Basement projects (SA, uranium rights to Oxiana's IOCGU exploration program)			10	0.02	5	20
+ Guinea (potential for high grade system, former Cogema ground 1977-1981)			8	0.02	5	20
+ Other Australia - WA, NT and SA (grass roots, requires targeting work)			10	0.02	5	20
Sub Total			168	0.34	75	305
+ Cash			11	0.02	11	11
+ Tax Losses			1	0.00	1	1
- Corporate			14	0.03	14	14
Sub Total			-2	0.00	-2	-2
TOE NET ASSET VALUE			166	0.34	73	303
Capital Structure						
Shares			494.7		494.7	494.7
Fully Diluted Shares			504.4		504.4	504.4
TOE NET ASSET VALUE PER SHARE	:A\$/share		0.34		0.15	0.61
TOE NET ASSET VALUE DILUTED	:A\$/share fully diluted		0.34		0.15	0.61
*NOTE: Wiluna target NPV is based on high probability of 20% mined grade increases and even weighting of probability of achieving spot prices or long term contract prices for uranium sales.						
WILUNA URANIUM PROJECT NPV @10% nominal - based on TOE Sep '08 prefeasibility parameters - Option D						
	Equity	NPV Sensitivity				
LONG TERM URANIUM PRICE [^]	:US\$/lb	40	60	80	100	
EXCHANGE RATE	:AU/US	0.78	0.78	0.78	0.78	
NPV @ 10% NOMINAL**						
Base Case	:A\$m	100%	na	na	67	150
Head grade +20%	:A\$m	100%	na	33	132	230
** Includes a pre prefeasibility study project discount of 30% of the project valuation: 30%						
The PFS Option D (conventional alkaline leach and direct precipitation) which we have modelled is still at scoping study level. See "Company Comment" for summary of key parameters						
[^] Long term uranium price forecasts are from 1Q10.						

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