



## **Chairman's Address – Toro Energy Limited Annual General Meeting Wednesday 26<sup>th</sup> November 2008**

I am pleased to address you on the events of the past year and recent activities of Toro Energy Limited. During the financial year, Toro Energy made good progress on the company's three business objectives of advancing its uranium resource projects, exploration of its tenement portfolio and execution of strategic corporate and project acquisitions.

Since the end of the financial year, Toro has focused on increasing its cash resources, taking advantage of the changed and now pro-uranium policy in Western Australia, and positive results from the pre-feasibility study on the Wiluna Uranium Project, also in Western Australia. As the Annual Report to shareholders has been available for some time, it is the more recent activities that will be the main focus of my address to you today.

In just over two years, Toro Energy has evolved from a South Australian focused uranium explorer to an Australia-wide uranium project development and exploration group. The company now has a total 27 million pounds of uranium oxide resources compliant under JORC in two potentially developable deposits, along with exploration programs in three Australian states and uranium exploration interests in Africa. This growth has come through careful evaluation and acquisition of corporate and project opportunities, enhancement of our exploration portfolio, and more recently, technical and resource advancement of our projects.

Unfortunately from early in 2008, Toro Energy's sharemarket value, like many other uranium companies, was initially impacted by the decline in the global spot price for uranium from its peak in mid 2007, and then more recently, declining share values generally due to the current global financial crisis.

The spot price, which drives short term market sentiment, dropped to a low of US\$44 per pound uranium oxide in October this year due to the forced redemption sales of uranium held by hedge funds. The upside of this forced selling was that around 80% of purchasing was undertaken by nuclear power utilities, and hence this material is now off the market.

In recent weeks, with this forced selling complete, a shortage of spot uranium combined with lower production forecasts from existing uranium producers, has seen the spot price rise more than 20% to US\$55 per pound. This makes uranium one of the few resources commodities to record price gains and perhaps one of the few bright lights on the commodity investment horizon.

During this same period, the long-term uranium price, reflecting around 80% of global sales by volume, has fallen - but not as severely. The current long-term price of US\$70 per pound is expected to again come under upward pressure as the spot price strengthens, and the supply / demand fundamentals return to their normal influences. Toro Energy firmly believes the long-term uranium market fundamentals are in place to allow new production centres to be developed, and that this should be reflected in Toro's future value through advancement of our resource projects towards potential production.

As at October 2008, there are 439 nuclear power reactors operating globally, 36 under construction, and 99 under planning. The World Nuclear Association defines "planning" as either approval, funding or a major commitment in place. What these means is that the number of nuclear power plants will increase by around 30% within the next 10 years.

With a further 232 power reactors in the proposed category, it is easy to see why the recent OECD International Energy Agency's *World Energy Outlook* report projects an 85% increase in nuclear power capacity to 680 GWe by 2030. And this is the conservative case, with a higher projection scenario possible depending on the success of other renewable sources of power. With an increasing requirement to plan for future carbon emission reductions, nuclear power is becoming the preferred alternative in many developed and developing countries for secure base load power generation.

It is also noticeable that, with increased public knowledge, the anti-uranium sentiment previously prevalent in Australia is changing as it becomes increasingly outdated with respect to modern industry practices in place at most uranium mine and nuclear facilities globally. Subsequent to the year end, it was very pleasing to see the change in uranium policy in Western Australia post the State election. Of the states with significant uranium resources, only Queensland now continues an anti-uranium mining policy.

This change in policy has allowed Toro to refocus its efforts on the Wiluna Uranium Project in Western Australia. The project, which comprises the Lake Way and Centipede uranium deposits, was obtained by Toro through last year's merger with Nova Energy. Since the WA policy change, Toro has released the results of its positive Prefeasibility Study on the project, and is now embarking on further work to optimise and advance the project towards a potential development decision by mid next year. Your Managing Director, Mr Greg Hall, will enlarge upon this work in his presentation.

The year has also seen purposeful advancement of Toro Energy's Napperby Project in Central Australia, and over which Toro holds an option with Deep Yellow Limited. Two significant resource drilling programs were completed, with the 2007 program results more than doubling the in-situ inferred resource at Napperby. The 2008 drilling program, where more than 14,000m of drilling has been completed, was very successful and results being received are encouraging for further significant additions to this resource, an update of which is planned for completion by early next year. The Board has also recently committed to a Scoping Study for

Napperby, which will be carried out through the December to February time period, with results announced soon after.

With the momentum gained by the WA uranium policy change, and the positive results of the Wiluna Prefeasibility Study, the decision was taken by the Board to raise the needed additional capital to advance the Wiluna and Napperby resource projects, continue priority exploration work, take advantage of further project and corporate opportunities and meet stamp duty obligations arising from the merger transaction. Consequently, a 1-for-3.8 renounceable Rights Issue to shareholders was announced on October 1<sup>st</sup> 2008, with rights priced at A\$0.20/share. This was a 19% discount to the 30 day volume weighted average price, and an 11% discount to the 10 day VWAP price, and we believe, reflected, at the time, good value to shareholders.

Unfortunately some 7 days after the announcement of the Rights Issue, global financial markets commenced their current unprecedented volatility with record single day market value drops recorded around the world. This resulted in a massive increase in margin calls and forced sales of equities. Toro Energy was not immune to this, and its share price has been under intense selling pressure, especially from international equity holders. Consequently, Toro's share price dropped well below the Issue price and did not trade at or near the Rights Issue price from this time, making it unattractive for most shareholders to take up their rights.

However, our major shareholder, OZ Minerals, maintained its commitment to support the Rights Issue, contributing A\$11.97m to the raising. Along with other shareholders who similarly supported the issue, Toro raised A\$12.2m to add to its cash position. The Board of Toro wishes to sincerely thank these shareholders, particularly OZ Minerals, whose interest in the Company now rises to 51.7%, for their belief in the long-term future of the uranium and nuclear power business, and their support of Toro's strategy to become a significant and sustainable uranium producer.

From the date of the Renounceable Rights closing on 7<sup>th</sup> November, Toro Energy has engaged RBC Capital Markets to assist in placing the rights issue shortfall to institutional and sophisticated investors. This will occur over a three months period to early February 2009, and it is hoped that financial stability and return of investor confidence early in the New Year will contribute to the raising of additional funds for Toro. In any event, the existing funds raised through the rights issue are sufficient to make significant progress on our projects and in particular the optimization study at the Wiluna Uranium Project.

The year has been a demanding one for the Board and Management of the company. Toro added new Directors to the Board from the previous Nova Energy Board and from OZ Minerals, providing a broader depth of skills in line with the Company's expansion. Board members have been very active in governance and reporting issues involved with the Nova takeover, in strategic planning sessions early in 2008, and more recently in the process, review and decision of the capital raising and rights issue. I take the opportunity now to introduce the Toro Energy Board to you:

Mr Derek Carter

Ms Erica Smyth

Mr Peter Lester

Mr Jeff Sells

Mr Mick Myers

Mr Greg Hall

Company Secretary Mr Don Stephens

During the financial year, Mr Owen Hegarty elected to retire from the Toro Energy Board. Owen was a founding director of Toro and provided much energy, enthusiasm and guidance through our formative years. I and my fellow Directors and staff of Toro Energy thank Owen for his very positive contribution. Similarly, after assisting to consolidate the merged company, former Nova Director, Dr Tim Sugden, also chose to leave the Toro Energy Board to pursue other interests.

I take this opportunity to thank Toro Energy's Managing Director, Greg Hall, whose enthusiastic and experienced leadership has helped our employees, consultants and contractors achieve Toro Energy's corporate objectives. I also thank the employees of Toro for the significant progress made this year, which is the result of their determination and enthusiasm, and I am sure that Toro Energy will approach the challenges of the year ahead with the same level of commitment.

It promises to be an equally demanding but potentially highly rewarding time for Toro next year with several key milestones expected to be reached: the Wiluna Optimisation Study and, potentially, the Wiluna Uranium Project bankable feasibility study launch, the Napperby scoping study results and significant greenfields exploration at Lake MacKay to name a few. The outlook for Toro as a company is strong and we look forward to a very constructive 2009.

Thank you.

**Dr Ian Gould**

Chairman