

TOE.AU

Toro Energy Limited

A\$ 0.11

5 December 2008
 Uranium
 Australia (WA,NT,SA), Namibia
 Advanced Exploration/Resource Definition/PFS
 Exchanges: ASX:TOE

TOE is aiming for 2012 production from two projects. Wiluna (WA) calcrete project (24mlb resource) - PFS completed, optimisation study underway, BFS to start mid 2009. Napperby (NT) target 13mlb resource, scoping study and JORC upgrade at end 1Q09.

Capital Profile

Share price (A\$)	0.11
52 week range (A\$/share)	0.10 to 0.53
Number of shares (m)	556
Options and warrants (m)	566
Convertible notes (m)	564
Fully diluted (m)	556
Market capitalisation (undiluted) (A\$m)	61.1
Debt (A\$m) - Dec 08F	0.8
Enterprise value (A\$m)	61.9
Major shareholders: OZ Minerals Ltd (51.7%), Minotaur Exploration (6.3%) Argonaut Capital (4.0%)	
Avg monthly volume (m)	17
Cash (A\$m) - Dec 08F	13.1
Price/Cash (x)	4.7
Price/Book (x)	0.5
Listed company options:	No

Production and Financial Forecasts

YEAR END: June	Sep-08a	Dec-08F	2007a	2008a	2009F
Exploration and evaluation (A\$m)	2.50	1.20	2.36	6.32	7.70
Corporate (A\$m)	0.50	0.80	2.26	2.50	2.90
Exploration/(Expl.+ Corporate) (%)	83	60	51	72	73
Funding duration at current burn (years)	3.6	6.6	2.5	1.5	0.6
Shares on issue (pr end) (m shares)	494.7	555.8	494.7	494.7	494.7
Drilling - RAB (m)	2,500	5,000	12,500	12,500	12,500
Drilling - Other/Diamond (m)	12,000	1,500	0	12,500	18,500
Land holding ('000 ha)*	3,274	3,274	2,600	3,274	3,274
Tenement costs (\$k per year)	-	-	-	-	-
Capital raisings (A\$m)	0.0	12.2	0.0	0.0	12.2
Funding from JV partners (A\$m)	0	0	0	0	0
Cash (A\$m)	10.8	13.1	11.7	13.4	6.5
Cash backing (Ac/share)	2.2	2.4	2.4	2.7	1.3
Net asset backing (Ac/share)	26.9	26.0	6.7	26.9	29.0

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

Quarters refer to calendar year end.

Investment Points

100% uranium focus. Expl. + eval. budget A\$7m pa, cash A\$14m. Potential production 2012 (2 projects).

Rights Issue (1:3.8 @20c) raised A\$12.2m, OZL took up entitlement, increased to 51.7% (prev. 46%).

Most advanced is Wiluna project (WA) - 24mlb JORC resource (target 28mlb) - PFS recently completed.

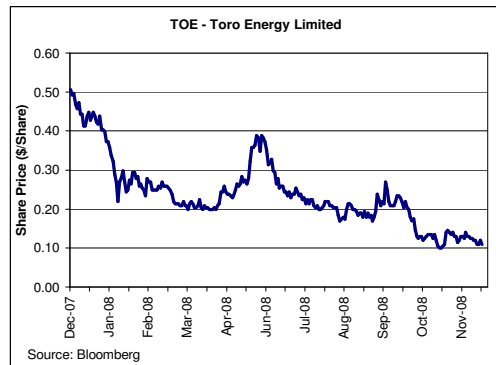
Wiluna optimisation study underway for improved mined grades and recoveries, then possible BFS start 2Q09.

Resource drilling at Napperby, NT (16,000m 2008). JORC upgrade 1Q09 - currently 3mlb, targeting 13mlb.

Napperby scoping study complete end 1Q09.

Active exploration pipeline in well positioned greenfield/brownfields uranium portfolio in NT, SA and Namibia.

Our medium term target is A\$0.25/share based on positive (2Q09) optimisation study results for Wiluna.



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. **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 commence, with possible production late 2012. Further resource drilling will target 28mlbs U₃O₈ (resource upgrade 2Q09).

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 total 14km which hosts a shallow (<8m) 13.2mlb non JORC resource (Urannerz). A new resource drilling campaign over ~1.5km of strike (aircore/sonic drilling of ~1,500 holes for 14,000m) was completed end 3Q08. Expect a further JORC resource upgrade (1-2mlb increase) in 1Q09 and a milestone scoping study to be completed end 1Q09.

Other Exploration: Namibia (3 leases, ~1,300km²): 3 early stage projects in a premier world uranium district indicative of potential palaeochannels - subject to review. **SA/NT Palaeochannel Exploration:** Large strategic position (27,000km²). Active on four priority projects. 1H09 programs: **Lake Mackay** ground surveys, 5,000m aircore, **Warrior S**, aircore drilling palaeochannels 2,500m. **Radium Hill**, 2 palaeochannel targets 1,500m aircore, **Waterhouse**, 1,000m RC testing W of Angela/Pamela

Investment Comment: Major shareholder OZL's support in rights issue has been crucial to boost cash and enabled ~A\$8m stamp duty accrual to be paid. 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\$0.25/sh, based on expected enhancement of project economics from Wiluna optimisation study, and improved uranium spot prices.

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	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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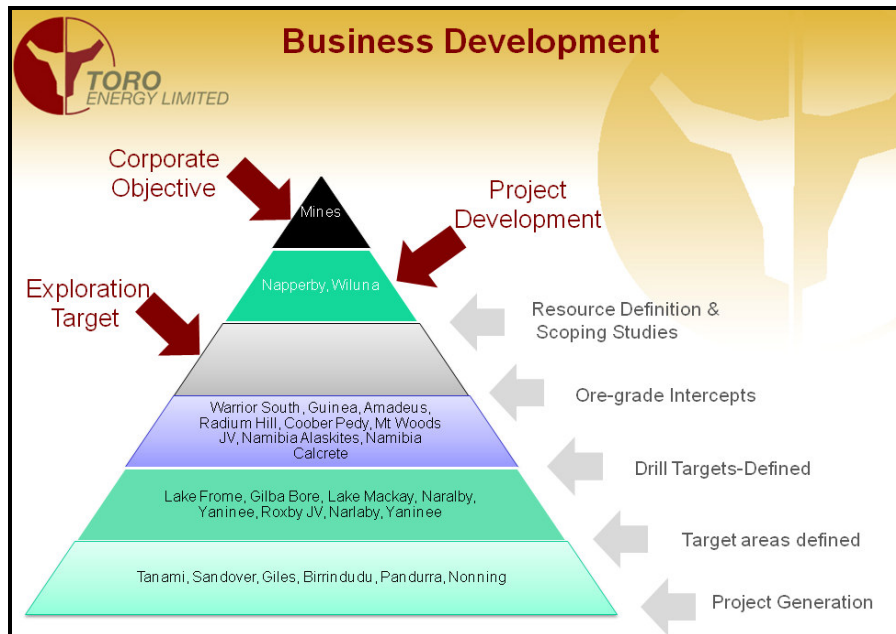
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Key Projects

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)

Toro has a strong uranium project pipeline from extensive grassroots and brownfields exploration projects in highly prospective uranium ground in Australia and Namibia, to its two advanced development projects (Wiluna and Napperby) aiming to be in production in 2012.



TOE valuation is strongly geared to Wiluna uranium project economics. Current optimisation study for improving Wiluna head grades (mid 2009) and Napperby scoping study (1Q09) will be key to driving the share price to our A\$0.30/share (medium term) target.

TORO ENERGY VALUATION

	Uranium		Target Price		Valuation Range	
	Resource/Mineralisation mlbs	A\$/lb	A\$m	A\$/Share	(Low) A\$m	(High) A\$m
Projects						
+ Wiluna (PFS stage development project, potential upside with mined grade increases)*	24.9	3.41	85	0.15	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)			10	0.02	5	15
+ Namibia (good tenement position, early stage, premium district)			15	0.03	10	25
+ Basement projects (SA, uranium rights to Oxiana's IOCGU exploration program)			10	0.02	5	20
+ Other Australia - WA, NT and SA (grass roots, requires targeting work)			5	0.01	2	10
Sub Total			140	0.25	57	250
+ Cash (Dec '08)			13	0.02	13	13
+ Tax Losses			2	0.00	2	2
- Corporate			14	0.03	14	14
Sub Total			1	0.00	1	1
TOE NET ASSET VALUE			141	0.25	58	251
Capital Structure						
Shares			555.8		555.8	555.8
Fully Diluted Shares			566.3		566.3	566.3
TOE NET ASSET VALUE PER SHARE :A\$/share			0.25		0.11	0.45
TOE NET ASSET VALUE DILUTED :A\$/share fully diluted			0.26		0.11	0.45

*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
LONG TERM 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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