TOE.AU

Toro Energy Limited

A$ 0.11

30 March 2009
Uranium
Australia (WA,NT,SA), Namibia
Advanced Exploration/Resource Definition/PFS
Exchanges: ASX:TOE

The 3Q09 release of an optimisation study for the Wiluna (WA) calcrete project (24mlb resource) and an imminent scoping study for Napperby (NT) - on track for 13mlb resource - will be crucial to changing a sceptical market overly influenced by short term spot price trends.

Capital Profile

Share price (A$)	0.11		
52 week range (A$/share)	0.09	to	0.42
Number of shares (m)	556		
Options and warrants (m)	571		
Convertible notes (m)	564		
Fully diluted (m)	556		
Market capitalisation (undiluted) (A$m)	61.1		
Debt (A$m) - Mar 09F	0.8		
Enterprise value (A$m)	61.9		
Major shareholders: OZ Minerals Ltd (51.7%), Minotaur Exploration (6.3%) Argonaut Capital (4.0%)			
Avg monthly volume (m)	7		
Cash (A$m) - Mar 09F	10.0		
Price/Cash (x)	6.1		
Price/Book (x)	0.5		
Listed company options:	No		

Production and Financial Forecasts

YEAR END: June	Dec-08a	Mar-09F	2008a	2009a	2010F
Exploration and evaluation (A$m)	1.61	0.60	6.32	6.11	5.70
Corporate (A$m)	0.85	0.76	2.50	2.92	3.20
Exploration/(Expl.+ Corporate) (%)	65	44	72	68	64
Funding duration at current burn (years)	5.1	7.3	1.5	0.9	0.6
Shares on issue (pr end) (m shares)	555.8	555.8	494.7	555.8	605.8
Drilling - RAB (m)	5,000	2,500	21,500	12,500	10,000
Drilling - Other/Diamond (m)	1,500	2,500	12,500	19,500	15,500
Land holding ('000 ha)*	3,274	3,274	3,274	3,274	3,274
Tenement costs ($k per year)	-	-	-	-	-
Capital raisings (A$m)**	12.2	0.0	0.0	12.2	6.0
Funding from JV partners (A$m)	0	0	0	0	0
Cash (A$m)	12.5	10.0	13.4	7.9	5.3
Cash backing (Ac/share)	2.3	1.8	2.7	1.4	0.9
Net asset backing (Ac/share)	26.0	25.9	26.9	25.8	24.1

*Uranium prospective tenements only, both held and under application. ** Nominal A$6m capital raising assumed FY10

Investment Points

100% uranium focus. Expl. + eval. budget A$6m pa, cash A$9m. Potential production 2012 (2 projects).

Most advanced is Wiluna project (WA) - 24mlb JORC resource (target 28mlb) - PFS completed 4Q08.

Critical Wiluna optimisation study (due 3Q09) for enhanced economics, BFS to start 4Q09.

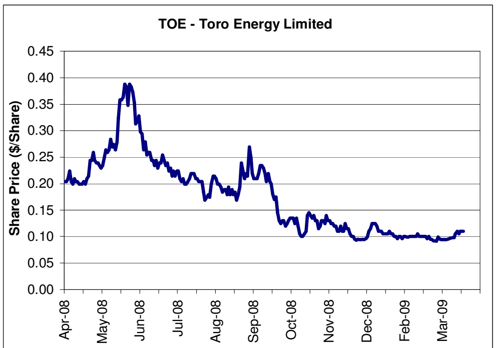
Japanese utilities proposed vend-in to analagous Lake Maitland (WA) is positive for calcrete projects.

Resource drilling at Napperby, NT (13,000m 2008). JORC resource 7.4mlb, on track for 13mlb.

Napperby scoping study complete end 1Q09.

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

Our medium term target is A$0.15-0.20/share based on positive (3Q09) optimisation study results for Wiluna.



Source: Bloomberg

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 GRD Minproc PFS was released in Sep '08. and reviewed in our Dec Quarter Report. 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. Capex A$247m, opex US$39/lb, base case project NPV @ 12.3% (nominal) an uninspiring A$78m, using long term U_3O_8 price of US$80/lb and A$/US$ of 0.75. Project NPV is highly sensitive to grade and long term U_3O_8 price. Two processing options are being considered in the current Optimisation Study (OS) to enhance project economics. The OS will focus on mined head grade improvements (PFS indicates +30-40% is possible), improved recoveries and process optimisation, complete mid 2009, then BFS to commence, with possible production late 2012. Further resource drilling will target 28mlbs U_3O_8 (resource upgrade 2Q09).
Lake Maitland ("LM") Transaction: In Feb '09 Mega Uranium Ltd (TSX:MGA) announced a MOU to sell 35% of the LM project to Japanese power utilities and Itochu for US$49m. This has strong significance to TOE - LM is a similar surficial calcrete deposit to Wiluna (~90km from TOE's project), similar total resource (23.7mlb) and similar grades. The proposed transaction values LM at US$140m (A$212m) or US$5.90/lb for existing resource. Underpins long term value of these energy projects.
Napperby Project (NT): 150km NW of Alice Springs, TOE recently announced a more than doubling of the JORC inferred resource to 7.4mlb U_3O_8 over ~7km strike of a total 14km. Importantly, the revised resource grades are 359ppm, up from 305ppm in Jul 08. This puts TOE on track to confirm the 13.2mlb non JORC historic resource (Uranerz) over the 14km strike length. The calcrete hosted deposit is near surface (<8m depth), easily mined, low strip ratio. Next key step is the imminent release of the Napperby scoping study (late Mar 09). Option payment to DYL (min A$57 cash/shares) is significant.
Other Exploration: Extensive greenfields/brownfields U exploration portfolio (budget A$2mpa)**.** Priorities are **Lake MacKay** (WA) palaeochannel and IOCG, **Iwupataka** (NT) sandstone and unconformity, **Radium Hill (SA)**, palaeochannel targets. Also Namibia - potential palaeochannels, prime area.
Investment Comment: TOE's considerable pedigree of uranium management experience will be crucial to bring Wiluna and Napperby into production in 2012/2013. TOE's drifting share price indicates a short term market view more focused on current weak spot prices and uncertainty re: OZL 51.7% stake. Surprisingly, no reaction to bullish Lake Maitland transaction. Critical factors for TOE's immediate prospects are a positive outcome of Wiluna optimisation study and imminent scoping study for Napperby. If these are positive, we see a med-term target share price range of A$0.15-A$0.20/share.

Reserves and Resources/Mineralised Material

Code for reporting mineral resources - Australian: (JORC)

Uranium U_3O_8	Classification	Project Equity	Ore Mt	U_3O_8 %	Cut Off ppm	U_3O_8 Kt	U_3O_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%	9.34	0.036	200	3.35	7.4	7.4
Total Resources						**14.19**	**31.3**	**31.3**
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
Total Mineralised (non JORC)						**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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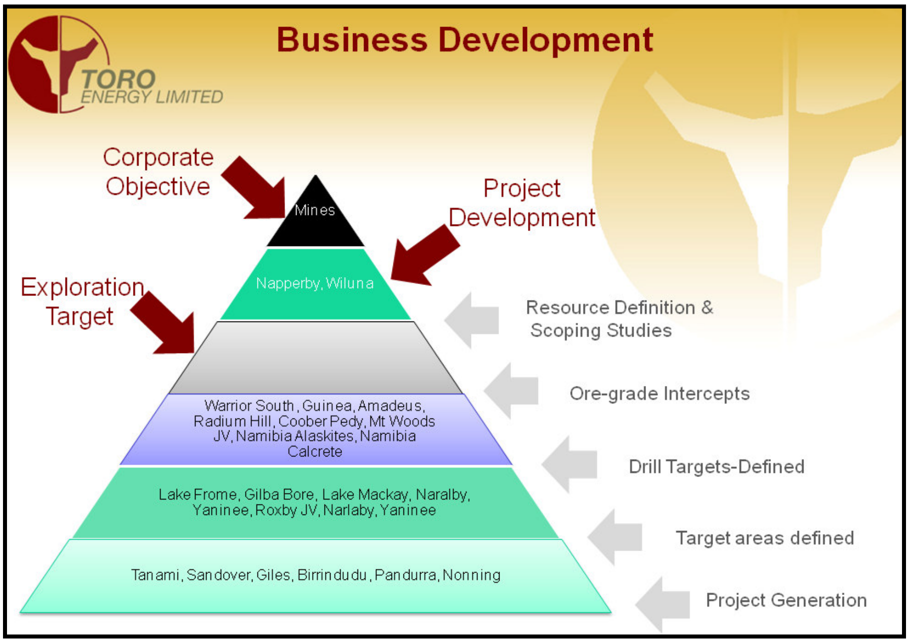
Key Projects

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

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 – total resource target 41mlb) 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$0.15-0.20/share (medium term) target.

TORO ENERGY VALUATION

	Uranium Resource/Mineralisation		Target Price		Valuation Range (Low)	Valuation Range (High)
	mlbs	A$/lb	A$m	A$/Share	A$m	A$m
Projects						
+ **Wiluna** (PFS stage development project, potential upside with mined grade increases)*	24.9	3.41	85	0.15	30	130
+ **Napperby Option,** net of DYL option payment (advancing development project)	13.0	1.2	15	0.03	5	50
+ **Warrior/Tarcoola** (potential to find higher grade system, grass roots discoveries)			10	0.02	5	15
+ **Namibia** (good tenement position, early stage, premium district)			15	0.03	10	25
+ **Basement projects** (SA, uranium rights to OZL's IOCGU exploration program)			10	0.02	5	20
+ **Other Australia - WA, NT and SA** (grass roots, requires targeting work)			5	0.01	2	10
Sub Total			140	0.25	57	250
+ Cash (Mar 09)			10	0.02	10	10
+ Tax Losses			3	0.00	3	3
- Corporate			14	0.02	14	14
Sub Total			-1	0.00	-1	-1
TOE NET ASSET VALUE			**139**	**0.25**	**56**	**249**
Capital Structure						
Shares			555.8		555.8	555.8
Fully Diluted Shares			571.3		571.3	571.3
TOE NET ASSET VALUE PER SHARE :A$/share			**0.25**		**0.10**	**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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