TOE.AU

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

Toro Energy Limited

A$ 0.26

With each 10% increase in grades for TOE's flagship Wiluna (WA) calcrete project equating to +10cents/share added value, the better than expected recent Wiluna resource upgrade (grades +31%) has boosted our near term target price to ~40cents/share.

Capital Profile

Share price (A$)	0.26		
52 week range (A$/share)	0.09	to	0.32
Number of shares (m)	556		
Options and warrants (m)	15		
Convertible notes (m)	0		
Fully diluted (m)	571		
Market capitalisation (undiluted) (A$m)	141.7		
Debt (A$m) - Jun 09F	0.0		
Enterprise value (A$m)	141.7		
Major shareholders: OZ Minerals Ltd (51.7%), ANZ Nominees (5.0%) Allarrow Pty Ltd (1.8%)			
Avg monthly volume (m)	54		
Cash (A$m) - Jun 09F	8.3		
Price/Cash (x)	17.1		
Price/Book (x)	1.0		
Listed company options:	No		

Production and Financial Forecasts

YEAR END: June	Mar-09a	Jun-09F	2008a	2009F	2010F
Exploration and evaluation (A$m)	1.06	2.20	6.32	7.37	7.50
Corporate (A$m)	0.51	0.60	2.50	2.46	2.40
Exploration/(Expl.+ Corporate) (%)	68	79	72	75	76
Funding duration at current burn (years)	7.0	3.0	1.5	0.8	0.5
Shares on issue (pr end) (m shares)	555.8	555.8	494.7	555.8	605.8
Drilling - RAB (m)	2,500	2,500	21,500	12,500	10,000
Drilling - Other/Diamond (m)	2,500	3,500	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)**	0.0	0.0	0.0	12.2	6.0
Funding from JV partners (A$m)	0	0	0	0	0
Cash (A$m)	11.0	8.3	13.4	8.3	4.7
Cash backing (Ac/share)	2.0	1.5	2.7	1.5	0.8
Net asset backing (Ac/share)	26.1	26.1	26.9	26.1	24.6

*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$8m pa, cash A$10m. Potential production 2012 (2 projects).

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

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

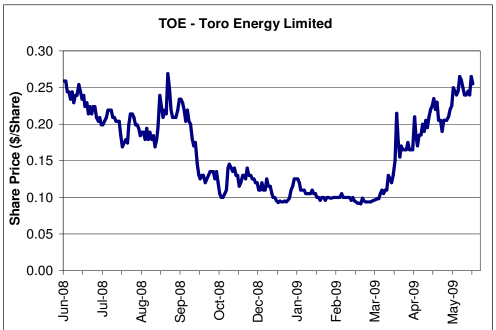
Recent Wiluna resource upgrades very positive. Lake Way grade +34% to 543ppm, C'pede +26% to 553ppm.

Overall grades up by 31% to 548ppm for 24.4mlb U3O8 (up from 23.9mlb), grades exceed +20% target.

Napperby, NT. JORC resource 7.4mlb, on track for 13mlb. Scoping study complete early 3Q09.

Deep yellow JV (Namibia) will bring focus to highly prospective palaeochannel exploration projects.

Near term target is A$0.41/share based on recent Wiluna grade increases and positive (3Q09) optimisation study results.



Source: Bloomberg

Company Comment

Overview: TOE listed on the ASX in March 2006 and is the pacesetter in advancing calcrete style uranium projects in Australia, with Wiluna at PFS stage and Napperby undergoing 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 4Q08 Report. The PFS Option D assumed 1.5mtpa, 16.3mt LOM,12 year mine life. Capex A$247m, opex US$39/lb, base case project NPV @ 12.3% (nom) an uninspiring A$78m, using U_3O_8 price of US$80/lb (A$/US$ of 0.75). NPV is highly sensitive to grade and long term U_3O_8 price. The current Optimisation Study (OS) is critical to enhance project economics. The OS is targeting capex -10%, head grades +20%, improved recoveries, mine life +5 years (resource drilling underway), overall opex -13% (minimum) to US$34/lb, to give major NPV increase to A$165m (TOE data). This means OS release in 3Q09 will be a huge milestone for TOE and its share price. **Resource Upgrades:** Recently announced Centipede resource upgrade from 438ppm to 553ppm (+26%) and Lake Way increase from 404ppm to 534ppm (+34%) gives a 31% increase in overall average grade (from 419ppm to 548 ppm) at unchanged 200ppm cut off, and total contained U_3O_8 up 2% to 24.4mlb. This is very positive, exceeds OS targets and is a big confidence boost to surpassing OS NPV target and improved economics, to underpin BFS which will to follow OS.
Lake Maitland ("LM") Transaction: Previously reported (1Q09 RCR TOE report). Analagous calcrete resource to Wiluna, scoping study stage. Values LM resource at US$6-8/lb (subject to c/off grade).
Napperby Project (NT): 150km NW Alice Springs, resource drilling on-going. TOE recently announced >100% increase of the JORC inferred resource to 7.4mlb U_3O_8 (359ppm grade) over ~50% of a total 14km strike. On track to confirm 13.2mlb non JORC historic resource (Uranerz). Calcrete hosted deposit is near surface (<8m depth), easily mined, low strip ratio. We expect release of the milestone Napperby scoping study due early 3Q09. Option payment to DYL (min A$57m cash/shares) is a challenge.
Other Exploration: Extensive greenfields/brownfields U exploration portfolio (budget A$2mpa). Priorities are **Lake MacKay** (WA) unexplored, palaeochannel and IOCG potential (initial reconnaissance soil and gravity program), **Iwupataka** (NT) sandstone and unconformity, **Radium Hill (SA)**, palaeochannel targets. TOE has withdrawn from **Warrior** project in SA. **Namibia** – TOE has recently entered into **JV with Deep Yellow** (ASX:DYL) for its 3 Namibian tenements around DYL's Tumas-Tubas project (DYL: >100mlb resource likely). DYL is running intensive exploration programs in this area (7 rigs). DYL must spend A$3.5m over 30 months to earn 65%, TOE will reduce to 25%, but JV will activate very prospective tenements based on DYL palaeochannel/alaskite exploration success.
Investment Comment: TOE's considerable pedigree of uranium management experience will be crucial to bring Wiluna and Napperby into production in 2012/2013. TOE shares have finally reacted to bullish Lake Maitland transaction and recent very positive Wiluna grade increases. Each +10% in Wiluna grades lifts share value by ~10cents. Market was factoring in +10% to +20% grades, actual is +31%. With reasonable expectation that 3Q09 Wiluna optimisation study will achieve other TOE targets, we expect a near term share price ~A$0.40, based on a 30% pre-BFS discount to our assessed Wiluna project NPV.

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: L. Way & C'pede	Meas Ind & Inf.	100%	20.2	0.055	200	11.1	24.4	24.4
Napperby	Inferred	0/100%	9.34	0.036	200	3.35	7.4	7.4
Total Resources						14.42	31.8	31.8
Mineralised Material (est., non compliant with JORC, inclusive of the Napperby Inferred Resource)								
Napperby	Historic	0/100%	0.0	0.037		6.0	13.2	13.2
Total Mineralised (non JORC)						0.0	0.0	13.2

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Key Projects

Project	Ownership/ Option	Metal	JV / Partner	Target Type	Process Route	Project Status	Location
Wiluna	100%	U	none	Calcrete	Alk. Leach	PFS	Aus (WA)
Napperby	0/100%	U	DYL	Calcrete	Alk h/leach	Scoping	Aus (NT)
Namibia	100%/25%	U	DYL	Calc/Alask	na	Early Expl.	Namibia
Lake Mackay	100%	U	none	Unc+S'stone	na	Early Expl.	Aus (WA)
Radium Hill	100%	U	none	Palaeochannel	na	Early Expl.	Aus (SA)
Mount Woods	100% U rights	U	OZL/MNT	IOCG	na	Early Expl.	Aus (SA)

The table below summarises key project improvements targeted in Toro's current optimisation study on the flagship Wiluna calcrete project (completion 3Q09) Above-target resource grade increases already achieved are the primary value drivers which will underpin the BFS and a planned startup in 2012/2013.

	Prefeasibility Range	Optimisation Work	Targeted Improvement	Status
Head Grade	472-503ppm	Close spaced Sonic drilling	+20%	+31%
Capital Cost	A$195-A$247m	Met testing, water quality	-10%	pending
Operating Cost	US$39-$41/lb	Grade/ Recovery	-US$6/lb	pending
Recovery	70%-83%	Column/leach testing	+2% to +5%	pending
NPV	$74-$78m		A$165m	pending

Our TOE valuation is dominated by the Wiluna NPV. The Target Price (A$0.41/share) is based on improved grades announced, and other optimisation study targets. The sensitivity analysis shows each +10% in grades (~50ppm) is worth ~10 cents per share, hence the resource grade increases are very good news.

TORO ENERGY VALUATION

	Uranium Resource/Mineralisation		Target Price		Valuation Range (Low)	(High) **
	mlbs	US$/lb	A$m	A$/Share	A$m	A$m
Projects						
+ **Wiluna** (PFS stage development project, potential upside with further optimisation work)*	24.4	5.75	180	0.32	130	220
+ **Napperby Option,** net of DYL option payment (advancing development project)	13.0	0.9	15	0.03	5	15
+ **Warrior - (Project relinquished)**			-	-	-	-
+ **Namibia** (DYL JV - strategic tenements in DYL palaeochannel system)			15	0.03	10	15
+ **Basement projects** (SA, uranium rights to OZL's IOCGU exploration program)			10	0.02	5	10
+ **Other Australia - WA, NT and SA** (grass roots, requires targeting work)			5	0.01	2	5
Sub Total			225	0.40	152	265
+ Cash (Jun 09)			8	0.01	8	8
+ Tax Losses			3	0.00	3	3
- Corporate			10	0.02	10	10
Sub Total			0	0.00	0	0
TOE NET ASSET VALUE			**225**	**0.41**	**152**	**265**
Capital Structure						
Shares (Jun '09)			555.8		555.8	555.8
Fully Diluted Shares			571.3		571.3	571.3
TOE NET ASSET VALUE PER SHARE :A$/share			**0.41**		**0.27**	**0.48**
TOE NET ASSET VALUE DILUTED :A$/share fully diluted			**0.41**		**0.28**	**0.48**

NOTE: * Wiluna target NPV is based on resource upgrades announced, further capex and opex improvements as targeted, equal probability of spot prices and long term contract uranium pricing.
** High valuation assumes further improvements in grades and positive uranium price movements.
Modelling is based on project NPV's for Wiluna discounted by 30% to allow for pre-BFS status.

WILUNA URANIUM PROJECT NPV @5% nominal - based on Wiluna resource upgrades (Jun '09) and optimisation study targets

		Equity	NPV Sensitivity			
LONG TERM URANIUM PRICE^	:US$/lb		**40**	**60**	**80**	**100**
LONG TERM EXCHANGE RATE	:AU/US		0.78	0.78	0.78	0.78
NPV @ 10% NOMINAL**						
Base Case (includes grade upgrades Jun '09)	:A$m	100%	8	124	236	348
Grade Sensitivity: Head grade +10%	:A$m	100%	46	169	291	414
Grade Sensitivity - increased share value (cents/share) for +10% grades			**6.8**	**8.1**	**10.0**	**11.8**
** Includes a pre prefeasibility study project discount of 30% of the project valuation:		30%				
^Long term uranium price forecasts are from 1Q10.						

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