

TOE.AU

6 December 2010
Uranium
Australia (WA, NT, SA), Namibia
BFS and Exploration
Exchanges: ASX:TOE

Toro Energy Limited

A\$ 0.15

TOE's vision of Wiluna (WA) as a regional uranium processing hub is gaining traction with the purchase of a 6.2mlb resource from U3O8 Ltd, boosting resources to 30mlb. But with a target of 220mlb by 2015 we expect significant acquisitions further afield.

Capital Profile

Share price (A\$)	0.15
52 week range (A\$/share)	0.06 to 0.18
Number of shares (m)	965
Options and warrants (m)	22
Convertible notes (m)	0
Fully diluted (m)	987
Market capitalisation (undiluted) (A\$m)	144.7
Debt (A\$m) - Dec 10F	0.0
Enterprise value (A\$m)	144.7
Major shareholders: OZ Minerals Ltd (42.5%), ANZ Nominees (2.3%), HSBC Nominees (1.5%), Allarow Pty Ltd (1.0%)	
Avg monthly volume (m)	108
Cash (A\$m) - Dec 10F	43.8
Price/Cash (x)	3.3
Price/Book (x)	1.2
Listed company options:	No

Investment Points

100% uranium focus. Expl. + eval. budget ~A\$20m pa.

Cashed up (est. A\$44m Dec '10) to fund Wiluna BFS, Wiluna resource expansion and exploration/acquisitions.

Potential Wiluna production mid 2013: ~2.0mtpa ore, alkaline tank leach ~2.2mlbpa output.

Wiluna BFS underway, mining test pit completed.

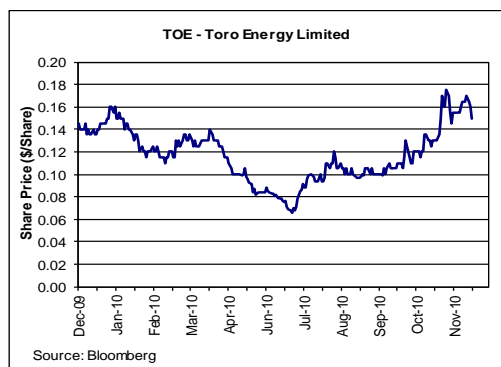
TOE's regional resource consolidation strategy for Wiluna will significantly enhance Wiluna Project value.

Recent purchase of nearby Dawson-Hinkler Well 6.2mlb resource for A\$1.00/lb U₃O₈ is positive.

TOE's Wiluna resource base now 30.6mlb U₃O₈.

TOE can be seen as OZ Minerals' (ASX:OZL) uranium division - an acquisitive strategic vehicle.

OZL likely to bankroll Australian/overseas acquisitions to reach TOE's stated 220mlb resource target.



Production and Financial Forecasts

YEAR END: June	Sep-10a	Dec-10F	2010a	2011F	2011F
Exploration and evaluation (A\$m)	5.42	6.10	9.46	23.52	24.00
Corporate (A\$m)	0.74	0.80	3.51	3.14	3.20
Exploration/(Expl.+ Corporate) (%)	88	88	73	88	88
Funding duration at current burn (years)	8.0	6.3	4.2	1.2	0.2
Shares on issue (pr end) (m shares)	964.9	964.9	964.9	964.9	964.9
Drilling - RAB (m)	10,000	5,000	20,000	30,000	25,000
Drilling - Other/Diamond (m)	5,000	5,000	15,500	20,000	20,000
Land holding ('000 ha)*	4,225	4,132	4,225	4,132	4,132
Tenement costs (\$k per year)	-	-	-	-	-
Capital raisings (A\$m)	0.0	0.0	60.6	0.0	0.0
Funding from JV partners (A\$m)	0	0	0	0	0
Cash (A\$m)	49.6	43.8	54.5	31.2	5.1
Cash backing (Ac/share)	5.1	4.5	5.6	3.6	0.6
Net asset backing (Ac/share)	12.6	12.6	12.5	13.9	14.9

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

Company Comment

Overview: TOE listed on the ASX in March 2006 and is a pacesetter in advancing calcrete style uranium projects in Australia - Wiluna (WA) is at the BFS stage.

Toro's Aspirational Targets: TOE has ambitious growth targets: 220mlb U₃O₈ resources by 2015 (currently 30mlb) and production of 5.5mlbpa by 2020. Meeting these will require TOE (backed by major shareholder Oz Minerals - ~A\$1.4bn cash) to look beyond the current core asset at Wiluna.

Wiluna Regional Resource Consolidation: We have previously highlighted the potential for TOE to increase its Wiluna resource base to >30mlb U₃O₈ in a 40km radius of Wiluna, with strategic acquisitions/alliances, which we consider could increase forecast project NPV by net ~A\$25m (~2.6cps). The Acquisition of the Firestrike uranium discovery in 4Q09 was the first step. Now TOE (predictably) has announced the proposed purchase of 100% of the Dawson-Hinkler Well calcrete uranium project (20km W of Centipede) from U3O8 Ltd (ASX:UTO), for a A\$1.00/lb resource (A\$6.2m) and a 2% royalty for production in excess of 6.2mlb from the tenements. Grades (293ppm) are quite low. We expect TOE to focus on improved resource modelling to define (probably) a higher grade resource, as was achieved in the Wiluna Optimisation Study with Centipede. A\$1.00/lb purchase looks good value for TOE.

Wiluna Project Status: A PFS was completed Sep '08, followed by Optimisation Study (OS) in Sep '09. The OS indicated head grades increased to 653ppm through improved grade control. A lower capex (~A\$160m) alkaline heap leach/direct precipitation route was the preferred option, although the higher capex (~A\$240m), agitated tank leach with improved recoveries (~85%) and higher output (up to 2.2mlbpa) has recently come back into focus as the favoured process route. **Wiluna BFS:** BFS is now underway. A successful one-month 22,000t resource evaluation test pit was recently completed using a Vermeer continuous miner. The trial provided a bulk mineral sample for further metallurgical testwork, which is currently underway, to finalise the flowsheet. The draft Environmental Scoping Document has received WA EPA approval. The next step will be the lodgement of a draft Environmental Review and Management Program (ERMP) in 1Q11, with 2Q11 being the important public comment phase. The BFS should be completed 4Q11, which could see a go-ahead decision in 2Q12, and potential production mid 2013, subject to offtake agreements and financing.

Other Exploration: Lake Mackay (WA): Theseus discovery is promising - Potential buried palaeochannel - will need to wait until 2Q11 for drilling due to wet season. TOE has extensive U exploration portfolio in SA, NT, WA and Namibia (~43,000km²). Mount Woods (SA): TOE has 100% U rights for OZL's currently aggressive exploration for IOCGU targets.

Investment Comment: We think that TOE's ambitions in the uranium sector go beyond Wiluna, which is a challenging first production project. It demonstrates viability with long term prices >US\$65/lb, but is not really capturing the imagination of the market. TOE's talented team, backed by cash rich major shareholder Oz Minerals, may well take advantage of a perceived 1 - 2 year window of opportunity and look at project acquisitions, as well as maintaining focus on its extensive exploration ground, to generate a much increased uranium market presence, and potentially increased shareholder value.

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
Reserves							0.0	0.0
Resources								
Wiluna: L. Way & C'pede Meas Ind & Inf.	100%	20.2	0.0548	200	11.1	24.4	24.4	
Dawson-Hinkler Well *	Inferred	100%	9.50	0.0293	200	2.8	6.2	6.2
Total Resources		29.70	0.0467			13.85	30.6	30.6

Mineralised Material (est., non compliant with JORC)

Total Mineralised (non JORC)	0.0	0.0	0.0
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* Acquisition of Dawson Hinkler Well is subject to due diligence.

Key Projects

Project	Ownership/Option	Metal	JV / Partner	Target Type	Process Route	Project Status	Location
Wiluna	100%	U	none	Calcrete	Alk. Leach	BFS	Aus (WA)
Lake Mackay	100%	U	none	Palaeo/IOCG	na	Early Expl.	Aus (WA)
Namibia	100%/25%	U	DYL	Calc/Alask	na	Early Expl.	Namibia
Mount Woods	100% U rights	U	OZL/MNT	IOCGU	na	Early Expl.	Aus (SA)
Birrindudu	0/50.1%	U	Cameco	Unc+S'stone	na	Early Expl.	Aus (SA)

Contacts

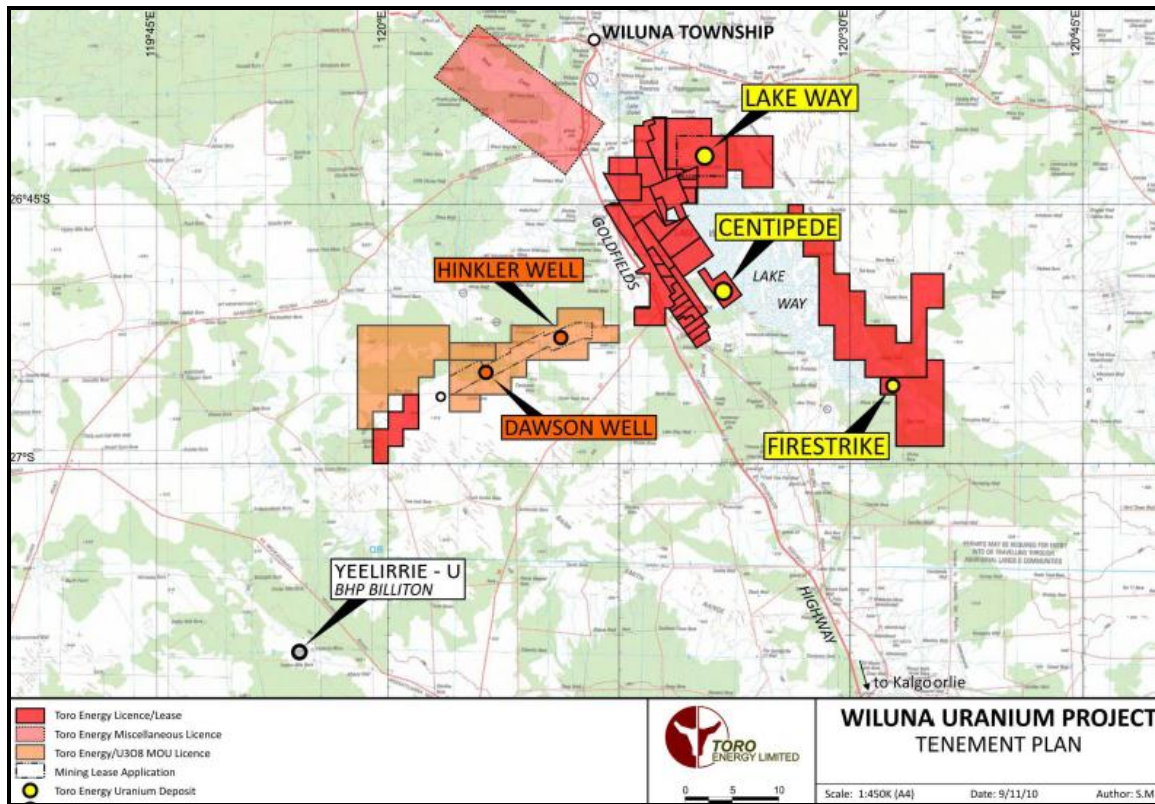
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Toro's strategy of building Wiluna into a significant uranium production hub has taken a further step with the acquisition of the 6.2mlb Dawson-Hinkler Well resource (293ppm ave grade), only 20km from the Centipede deposit. Toro will be seeking to define higher grade zones with further resource drilling.



The timeline for the Wiluna project shows potential production in mid 2013, which means it could be Western Australia's first new uranium project since the State Government lifted the uranium mining ban

Project Timetable

	2008	2009	2010	2011	2012	2013
Acquisition	✓					
Resource Definition		✓				
Optimisation Study			✓			
Approvals Preparation			✓			
Approvals						
Metallurgical Trials						
Decision to Proceed with BFS			✓			
Bankable Feasibility Study ("BFS")						
Indigenous Mining Agreement						
Off-take Agreements						
Decision to Proceed with Construct						
Design and Construct						
Commissioning & Production						

✓ Completed

Target for first production - 2013

Disclosure and Disclaimer

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