EL 25047 Waterhouse
Annual Technical Report for Period
13th August 2008 to 12th August 2009

Titleholder: Nova Energy Ltd (100% owned by Toro Energy Ltd)
Operator: Toro Energy Ltd
Tenement Agent: Toro Energy Ltd.
Title: EL25047 Waterhouse
Project: Sandover-Plenty
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Corporate Author: Toro Energy Ltd
Target Commodity: Uranium
Date of Report: 1st September 2009
Datum: GDA94 Zone 53
250k Mapsheets: Henbury (SG53-01)
100k Mapsheets: James (5549)
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Summary

This second Annual Technical Report for Waterhouse covers work carried out during the twelve month period from 13\textsuperscript{th} August 2008 to 12\textsuperscript{th} August 2009. Exploration activities during the period as follows:

- A number of reconnaissance field trips, the most recent in August 2009, involving on-country meetings with stakeholders, GPS recording of unmarked tracks and general assessment of the area in terms of fieldwork planning and environmental management systems
- Planning and preparations for pending drilling program
- MMP and DRDPIFR Authorisation prepared, submitted and approved
- Site clearance with CLC pending
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2 Historical Exploration Details
1 INTRODUCTION

This report outlines the work conducted within the exploration tenement EL25047 during 2008-2009 by Toro Energy Limited (“Toro”; ticker code “TOE”).

EL25047 is located some 75 km southwest of Alice Springs (Figure 1) on the Henbury 1:250,000 (SG53-01) and James 1:100,000 (5549) map sheets (Figure 2) and lies within the geological region of the Amadeus Basin and the MacDonnell Ranges biogeographic region. Prominent quartzite ranges are covered by shallow, gravely, sandy soils and there are extensive areas of bare rock. Vegetation consists of low hummock grassland and Acacia tall open shrubland (NVIS 2005).

The Hugh River runs through the eastern third of EL25047. Over-grazing by livestock and/or feral animals (principally rabbits, camels and horses) has degraded many areas, especially riparian areas, natural waterholes, and fertile lowlands. Foxes and feral cats are widespread. Current land use is predominantly tourist activity involved with the operation of Owen Springs Reserve as well as cattle grazing (Figure 3).

The arid climate of the region is modified by the presence of the mountain ranges. Rainfall is greater among the ranges, and the temperature and the evaporation rate are lower, especially within the protected valleys and gorges (Kerle, 1996). Diurnal and seasonal temperature changes are large, with frosts common during winter. Mean temperatures range from 21 - 36 degrees celsius in January to 4 – 19 degrees celsius in July.

Alice Springs, at the centre of the bioregion has a mean rainfall of 285 mm. Most of the rainfall occurs in summer when the monsoonal depressions can bring widespread rainfall and localized storms.

Access from Alice Springs is 65km south west along the sealed Stuart Highway and then North West along the main access road into Owen Springs Station and Redbank Waterhole (see figure 3). Access within the tenement is via old station track and fencelines. Hilly areas can only be accessed on foot or by helicopter.

2 TENEMENT

EL25047 was granted on 13th August 2007 to Nova Energy Ltd for a period of 6 years. In August 2007 Toro Energy and Nova Energy merged, and as a result Nova is a fully owned subsidiary of Toro.

<table>
<thead>
<tr>
<th>Tenement</th>
<th>Tenement_Name</th>
<th>sub blocks</th>
<th>sq km</th>
<th>Tenement_Licensee</th>
<th>Grant Date</th>
<th>Expiry Date</th>
<th>Licence Manager</th>
</tr>
</thead>
</table>
Figure 1 Location of EL25047 Waterhouse over 1:1M topography

Figure 2 Waterhouse EL25047 tenement location over 250k and 100k mapsheets
3 GEOLOGICAL SETTING

EL25047 lies within the Amadeus Basin, a large intracratonic sedimentary basin containing (broadly) Neoproterozoic to Carboniferous sediments covered by some surficial Tertiary and Quaternary deposits. Palaeo- to Meso-proterozoic metamorphic rocks of the Arunta Complex unconformably underlies much of the northern Amadeus Basin and occur immediately to the north.

EL25047 covers an area of the Orange Creek Syncline which is a large scale structural feature in the Northeastern part of the Amadeus Basin (Figure 4). The basin sediments range in age from Precambrian to Palaeozoic and Tertiary. The fluvial clastic sediments of the upper Devonian to Lower Carboniferous Pertnjara Group overly the Proterozoic. The Undandita member and the Brewer Congomerate are formations within the Pertnjara Group and are characteristically coarse to medium grained sandstones with occasional pebbly conglomeratic beds, siltstone and mudstone lenses (CR1978-0077). Reduced facies within the Undandita Member sandstone contain organic trash and may host uranium mineralisation at the contacts with the oxidized red beds or in channel related redox
fronts. Source rocks for the sediments (and potentially uranium) unconformably underlie Palaeozoic lithologies. Uranium mineralisation is known to occur in these host rocks at the Pamela and Angela deposits in the Amadeus Basin. Uranium mineralisation also occurs in the equivalent lithologies in the nearby Ngalia Basin in the Bigrly, Walbri, Malawiri and Dingo’s Rest deposits and in equivalent lithologies elsewhere throughout Australia.

4 PREVIOUS EXPLORATION

Most of the historic exploration (Table 2) was conducted by Uranerz Australia Ltd (UAL) in 1978. Uranerz acquired tenements covering the valley between James Range and Waterhouse Range to the East and West of the Stuart Highway. These tenements were grid-drilled with shallow 1-15m vacuum holes on fences 5 km apart with holes 1000 metres apart. The purpose was to assess the redox state of the Undandita Member sandstone (CR1978-0077). Downhole logging, track etch and bedrock geochemistry was carried out. No significant uranium assays were obtained (CR19780134). Vacuum holes drilled in a similar manner on EL1175 immediately to the east were drilled deeper (to 15m). Bottom-hole samples ranged from 1-5 ppm U3O8. Well defined reduced areas covering a distance of 70 km long were identified over all Uranerz
tenements and were generally associated with medium to fine grained sandstones. A spectrometric survey was carried out over the whole valley. No anomalies were recorded.

Waterhouse Range in the north of the tenement was the focus of RC drilling by Rio Tinto (Watershed Project). This program was follow up of previously defined base metal anomalies (CR19980563).

Although secondary copper minerals were observed at surface, assay results contained background levels only.

Magellan drilled a petroleum well just to the west of EL25047 and recorded Brewer conglomerate (Pertnjarra Group) from surface to 600m.

Various other geochemical sampling (see Figure 5) over the Waterhouse Range as follows.

- CRA soils - $\leq 5$ ppmU
- CRA rockchips - $\leq 12$ ppm U
- BHP stream sediments samples weren't assayed for U
Figure 5 EL25047 with historical surface sampling. Blue = stream sediment sampling, Black triangles = rockchips, Pink = soils

Figure 6 EL25047 Historic drilling (red) and Toro proposed drill traverses (blue)
## Table 2 Historical Exploration Details

<table>
<thead>
<tr>
<th>TENNUM</th>
<th>Coverage</th>
<th>Company</th>
<th>Number of Reports</th>
<th>Commodity</th>
<th>GRANTED</th>
<th>CEASED</th>
<th>Exploration Comments</th>
<th>Comments</th>
<th>Relevance</th>
<th>Report, No</th>
</tr>
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<tbody>
<tr>
<td>AP 1604</td>
<td>100%</td>
<td>Magellan/Uranerz</td>
<td>2</td>
<td>U</td>
<td></td>
<td></td>
<td>looked at core (thin sections) from petroleum hole for anything interesting - nothing.</td>
<td>comprises Angela Pamela</td>
<td></td>
<td>CR2007-0305</td>
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<tr>
<td>AP 2850</td>
<td>5%</td>
<td>Le Nickel</td>
<td>1</td>
<td>Base metals</td>
<td>19710119</td>
<td>19720118</td>
<td>unknown</td>
<td>gossans with anom. Cu and Zn</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>AP 2852</td>
<td>10%</td>
<td>Le Nickel</td>
<td>1</td>
<td>Base metals?</td>
<td>19701104</td>
<td>19711103</td>
<td>geol mapping/radiometrics/geochem survey/costeans</td>
<td></td>
<td>3</td>
<td>CR1972-0030</td>
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<tr>
<td>AP 2929</td>
<td>10%</td>
<td>Le Nickel, Centamin</td>
<td>2</td>
<td>base metals</td>
<td>19701110</td>
<td>19711109</td>
<td>geol mapping/radiometrics/geochem survey/costeans</td>
<td>combined report with EL2852</td>
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<td>CR1972-0030,CR1973-0006</td>
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<tr>
<td>AP 3074</td>
<td>5%</td>
<td>BHP, Gemco</td>
<td>2</td>
<td>Mn/base metals</td>
<td>19701215</td>
<td>19711214</td>
<td>unknown</td>
<td>no potential for Mn or base metals</td>
<td>2</td>
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<tr>
<td>AP 3179</td>
<td>70%</td>
<td>Le Nickel</td>
<td>2</td>
<td>base metals</td>
<td>19710106</td>
<td>19711201</td>
<td>geol mapping/radiometrics/geochem survey/costeans</td>
<td>combined report with AP 2852&amp;2929</td>
<td>3</td>
<td>as above</td>
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<tr>
<td>EL 10261</td>
<td>adjacent</td>
<td>Gutnick</td>
<td>1</td>
<td>Au</td>
<td>20020503</td>
<td>20030723</td>
<td>stream seds./rockchips/bleg</td>
<td>combined report - some 24 ELs</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>EL 1062</td>
<td>adjacent</td>
<td>Uranerz</td>
<td>2</td>
<td>U</td>
<td>19760514</td>
<td>19780513</td>
<td>helicaptor based spectrometer survey</td>
<td>worth a look</td>
<td>3</td>
<td>CR1977-0070,CR1978-0098</td>
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<tr>
<td>EL 1176</td>
<td>70%</td>
<td>Uranerz/Carpentaria</td>
<td>4</td>
<td>U</td>
<td>19760917 19800916</td>
<td>gridding/drilling/mapping/geophysics(?w as this done)</td>
<td>5</td>
<td>CR1979-0142,CR1980-0220,CR1978-0134</td>
<td></td>
<td></td>
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<tr>
<td>EL 2347</td>
<td>15%</td>
<td>Santos</td>
<td>1</td>
<td>unknown</td>
<td>19791105 19820114</td>
<td>unknown</td>
<td>&quot;source of anom. remins unexplained&quot; - worth a look -</td>
<td>3</td>
<td>CR1982-0150</td>
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<tr>
<td>EL 7257</td>
<td>2%</td>
<td>BHP minerals</td>
<td>1</td>
<td>base metals</td>
<td>19910226 19920226</td>
<td>stream seds.(2 fractions)</td>
<td>CuPbZn Co U mineralisation assoc. with Goyder Formn.</td>
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<td>base metals</td>
<td>19960530 19980514</td>
<td>stream seds./rockchips/RAB/soil orientation</td>
<td></td>
<td>4</td>
<td>CR1997-0410,CR1998-0563</td>
<td></td>
</tr>
</tbody>
</table>
5 EXPLORATION OBJECTIVES
After reviewing the available data and reports Toro composed the following objectives for this tenement:

- Determine the nature of deeper basin sediments in terms of roll front/redox-related uranium mineralisation.
- Assess the redox state of the sediments and if hydrothermal fluids have passed through.
- Determine possible fluid pathways in light of sedimentological characteristics and structures.

6 EXPLORATION COMPLETED
Toro has undertaken a number of reconnaissance field trips to the area, the latest being in August 2009. The purpose of these trips was to meet with key stakeholders (Parks and Wildlife, Central Land Council, Alice Springs Town Council), observation of outcrops along the road, GPS recording of unmarked tracks, and general assessment of the area in terms of fieldwork planning and environmental management. An additional desktop review of previous exploration was completed (see table 2). The Mine Management Plan (“MMP”) was upgraded and submitted to the Northern Territory Government and continued Authorisation has been approved. Toro have been unable to gain access to the tenement thus far because of problems the Central Land Council have had in arranging a clearance meeting and negotiating an exploration agreement. These appear to have moved forward in recent weeks and Toro is confident that drilling can take place before the end of 2009.
Figure 7 Fluvial crossbedded sandstone (oxidised facies)

Figure 8 Oxidised shallow dipping sandstones and siltstones
Figure 9 Fluvial crossbedding with lense of reduced siltstone

Figure 10 Fluvial crossbedding with alternating redox facies
7 EXPLORATION EXPENDITURE
Expenditure incurred during the second year of term for EL25047 was $30,319.54 (see associated Expenditure Report). For the upcoming year, Toro are expecting to spend approximately $104,000 on EL25047. The reason for the shortfall in 2009 is that access could not be gained to the ground for ground disturbing work.

8 EXPLORATION PROPOSED
A drilling program is scheduled to begin next month (October) and will include drilling mostly along existing tracks (see Fig 6). Toro are considering two drilling methods:

- 113 aircore/RAB (Rotary Air Blast) holes averaging 20m deep (totalling 2250m). An additional 50 infill holes totalling a further 1000m may be required depending on the first pass results.
- 20 RC (Reverse Circulation) holes averaging 100m deep (totalling 2000m).

All drill holes will be Gamma logged and sampled for assay. A decision will be made on the drilling type based on the availability of suitable rigs and the results of the first few holes. If aircore drilling is not successful in drilling past the hard surficial materials, it will be necessary to utilise an RC rig.

Figure 11 2009 proposed Toro aircore drilling traverses (in blue and majenta)