EL 26542, Sandover
Annual Technical Report for Period
27th June 2009 to 26th June 2010
Summary

This second Annual Technical Report for the Sandover tenement covers work carried out during the twelve month period from 27th June 2009 to 26th June 2010. Exploration activities during the period have involved:

- No on ground technical work has been carried out.
- Airborne SkyTEM survey quoted and scheduled for early July 2010, covering a broad swath of the Delny-Sainthill Fault Zone.
- MMP submitted and approved for drilling, which will largely take place in adjacent tenements to the north during August-September 2010.
- Native Title negotiations are also in progress with the Central Land Council and a draft Exploration Agreement is in Toro’s hands.
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1 INTRODUCTION
This report outlines the work conducted within the exploration tenement EL26542 during 2009-2010 by Toro Energy Limited (“Toro”; ticker code “TOE”). This tenement belongs to a group of semi-contiguous tenements held by Toro Energy that are collectively known as the Sandover Project.

EL26542 is located 200 km north-northeast of Alice Springs (Figure 1) in the Arunta, Aileron province on the 1:250,000 Alcoota SF53-10 and 1:100,000 Utopia 5853 map sheets.

The Arunta region is semi arid with monsoonal influences, with 75-80% of rainfall occurring in the summer months. Annual rainfall is generally higher in the north of the region. The mean annual rainfall for Tennant Creek (to the North) is 375 mm. Rainfall is extremely erratic.

Most of the region is hilly range country, covered by Spinifex (hummock grassland) and a variety of stunted vegetation. Adjacent are sand plains with minor sand dunes containing Spinifex, Acacia, Blue Gum and Mallee scrub plants. Drainage from the high-relief ranges quickly dissipates into shallow water courses and floodplains that break up the sand plains, or locally into ephemeral salt lakes. This tenement lies at the southeastern to central end of the Aileron Province and incorporates largely hilly country in the south and dissected low hills at the headwaters of the Sandover and Bundey Rivers in the north.

Access from Alice Springs is 55km North along the sealed Stuart Highway and then east along the Plenty and then Sandover Highways. The tenement lies adjacent to these highways. Access within the tenement is via station tracks and various unformed access tracks within the tenement. Hilly areas can only be accessed on foot or by helicopter.

2 TENEMENT
EL26542 was granted on 27th June 2008 to Toro Energy Ltd for a period of 6 years. This lease is in its second year of tenure and consists of 89 blocks covering a total area of 269.1 square kilometres.

<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>
<tbody>
<tr>
<td>EL26542</td>
<td>Sandover</td>
<td>89</td>
<td>269.1</td>
<td>Toro Energy Ltd</td>
<td>27-Jun-08</td>
<td>26-Jun-14</td>
<td>Toro Energy Ltd</td>
</tr>
</tbody>
</table>

Table 1 Sandover Tenement Details
Figure 1 Location of Sandover Project area

Figure 2 Sandover tenement on topography.
3 GEOLOGICAL SETTING
The Sandover project lies within the Arunta/Aileron region of the Northern Territory. Basement is comprised of Palaeoproterozoic to Mesoproterozoic metasedimentary and granitic rocks assigned to the Aileron Province, including the Strangways Metamorphic Complex and the Reynolds Range Group. These granites and orthogneisses are notably highly-radiogenic within the Reynolds Range, hosting numerous veins and pegmatites with anomalous uranium and thorium. These rocks are overlain by Neoproterozoic to Carboniferous sediments of the Georgina Basin to the north of the tenements (fig.3). Locally, the Aileron Province rocks are overlain by a veneer of Tertiary to Recent clastic sequences.

Uranium mineralisation is known in the region and is restricted (thus far) to the Proterozoic Aileron Province and Carboniferous Ngalia Basin. Uranium at Nolans Bore (Arafura Resources), to the west, occurs in phosphatic and REE-enriched metasomatitic pods and veins within the high-metamorphic-grade Lander Rock beds. This deposit is subject of ongoing feasibility studies. Uranium is also present in high grades at Bigrlyi (Energy Metals-Paladin JV) to the west, within carbonaceous sandstones of the Mt Eclipse Sandstone. The deposit is a roll-front style formed during uplift and deformation of the Ngalia Basin in the Carboniferous.

Tertiary to recent cover comprising lateritic sands and clays, calcrete and ferricrete is common in low lying areas occurring at depths in the order of 70m (drilling). Some calcrete shows replacement by chaledonic silica and this silcrete has been demonstrated to be uraniferous, with a chip sample grading 500ppm. The present static watertable is located significantly below the base of calcrete which is thus older than the present hydrogeological scheme. This is likely to have an influence on both the preservation and appropriate media of trap sites for secondary uranium mineralisation and the recognition of palaeo flow directions and source rocks.

Within the tenement, (Alcoota 250K mapsheet) the geology consists of Palaeoproterozoic Delmore Metamorphics (calc-silicates, gneiss and quartzite) unconformably overlain by Mesoproterozoic Ledan schists, quartzite, amphibolite and metamorphic conglomerates. These are intruded by gneissic biotite granites, quartz veins and pegmatites (occurring as low conical hills – Jays CR 1981-0196). The origin of the veining is presumed to be hydrothermal activity associated with emplacement of the Upper Proterozoic Mt Ida granites to the west (CR 1981-0196). Tertiary aged sedimentary cover is interpreted to be part of the Waite Formation.
Figure 3 Location of Sandover tenement over NT 2500K interpreted geology and faults.
4 PREVIOUS EXPLORATION

Previous work that has been carried out is summarised in Table 1. The historical exploration reports are summarised briefly below in table 2. See last year’s Annual Report for details.

Figure 4 Sandover tenement overlain by historical tenements and open file exploration drill-holes; all are auger.
<table>
<thead>
<tr>
<th>Tenement Number</th>
<th>Coverage</th>
<th>Company</th>
<th>No.of Reports</th>
<th>Commodity</th>
<th>GRANTED</th>
<th>CEASED</th>
<th>Exploration</th>
<th>Comments</th>
<th>Priority</th>
<th>Report_No</th>
</tr>
</thead>
<tbody>
<tr>
<td>AP 2162</td>
<td>30%</td>
<td>Central Pacific Minerals</td>
<td>1</td>
<td>Au/Cu/Pb/Zn/Ag</td>
<td>19681209</td>
<td>19701208</td>
<td>IP/Diamond drilling</td>
<td>Shear zone with low grade Cu mineralisation. Qtz breccias/hematite-chlorite breccias</td>
<td>3</td>
<td>CR1970-0098</td>
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<td>25%</td>
<td>Otter</td>
<td>1</td>
<td>U</td>
<td>19770401</td>
<td>19780331</td>
<td>radiometric survey? (or used state stuff)</td>
<td>Anoms caused by K and Th</td>
<td>3</td>
<td>CR1978-0047</td>
</tr>
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<td>Otter</td>
<td>3</td>
<td>U</td>
<td>19770401</td>
<td>19790331</td>
<td>Radiometrics, rock samples</td>
<td>Found U anomalies in rocks and water bore</td>
<td>4</td>
<td>CR1978-0091</td>
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<tr>
<td>EL 2390</td>
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<td>Jays</td>
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<td>19800424</td>
<td>19820423</td>
<td>unknown</td>
<td>is their final report for the area</td>
<td>2</td>
<td>CR1981-0196</td>
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<td>EL 2493</td>
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<td>CRA</td>
<td>1</td>
<td>U</td>
<td>19810912</td>
<td>19820911</td>
<td>unknown</td>
<td>geochem anomalies not of economic significance</td>
<td>1</td>
<td>CR1982-0358</td>
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<tr>
<td>EL 32</td>
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<td>Neptide Mineral Exploration</td>
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<td>Base metals</td>
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<td>19730320</td>
<td>unknown</td>
<td>&quot;results unpromising&quot; and tenement relinquished</td>
<td>2</td>
<td>CR1973-0208</td>
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<td>EL 5902</td>
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<td>Au base metals</td>
<td>19880620</td>
<td>19890620</td>
<td>unknown</td>
<td>worth a look</td>
<td>3</td>
<td>CR1989-0705</td>
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<tr>
<td>EL 9806</td>
<td>100%</td>
<td>Tanami Exploration</td>
<td>3</td>
<td>Au/IOCG/Cu</td>
<td>20021118</td>
<td>20071017</td>
<td>rockchips/desktop compilation</td>
<td>worth a look for historical compilation</td>
<td>3</td>
<td>CR2005-0604,CR2006-0577,CR2007-0595</td>
</tr>
</tbody>
</table>

Table 2. Summary of previous exploration activity around the Sandover Project
5 EXPLORATION OBJECTIVES

After reviewing available data, Toro composed the following objectives for this tenement:

1. Determine the likelihood of economic ‘hard-rock’ IOCG and U mineralisation in the Palaeoproterozoic granites and gneisses. This should include identification of labile uranium species and phosphatic facies.
2. Identify potential palaeochannel sediments in the Tertiary (inc Waite Formation) and determine if there are reduced facies or evidence of redox changes.
3. Determine the characteristics of radiometric anomalies present in the Government datasets.

6 EXPLORATION COMPLETED

During 2009, Toro had arranged an AEM survey to cover this and adjacent tenements, but due to contractor error, this survey was located incorrectly and the data are invalid. It was decided not to directly re-fly the survey and instead, a dedicated heliborne SkyTEM survey will now be carried out during July this year (2010). This survey had been planned for earlier in the year, but was delayed so Toro could apply for cofounding through the NTGS for an associated survey at the Wiso Project.

An MMP has been submitted and approved for shallow aircore drilling of palaeochannel targets on EL26542 and adjacent project tenements, scheduled for later in 2010. It is likely that this drilling will concentrate on tenements to the north that have genuine palaeochannel prospectivity. The terms of a Native Title Agreement are currently being negotiated for the combined tenements with the CLC. This agreement is expected to be concluded by the end of this year however, the CLC has agreed to conduct a heritage clearance in advance of this.

8 EXPLORATION EXPENDITURE

Expenditure incurred during the second year of term for EL26542 was $62,671 (see associated Expenditure Report). These expenditure figures exclude DPIFM rent and legal costs. The expenditure shortfall of $57,329 is due to a number of reasons: unexpected delays have been experienced in both gaining a Native Title Agreement as well as with an AEM survey.
9 EXPLORATION PROPOSED

Exploration programme for the upcoming reporting period will include the following:

- During July this year - 2010 (third year of tenure) Toro will fly heliborne SkyTEM survey covering most of 26542, including the highly prospective Delny-Sainthill Fault system (the ‘Perenti’ survey; Figure 5). The EM survey will enable Toro to determine the nature of conductivity and whether these areas have potential to host IOCG or massive sulphide-associated base metal mineralisation. This survey will be the foundation of drilling in early 2011.

- Aircore and RC drilling and associated sample assays based on the results of the EM survey. This program is planned for early 2011, during the upcoming reporting period.

- Undertake more detailed rockchip sampling and analysis along the Delny-Sainthill Fault.

10 REFERENCES


Figure 5 Sandover tenement on TMI, showing the location of the upcoming Perenti SkyTEM survey.