



Principal Office
3 Boskenna Avenue
Norwood SA 5067
Australia
t +61 8 8132 5600
f +61 8 8362 6655

Perth Office
Level 2, 35 Ventnor Avenue
West Perth WA 6005
Australia
PO Box 584
West Perth WA 6872
t +61 8 9214 2100
f +61 8 9226 2958

17 July 2013

Toro Energy Shareholder Update

Dear fellow Toro Energy shareholder,

As the 2012-2013 financial year has closed, I take this opportunity to update you on Toro's progress with the Wiluna Uranium Project, the growing confidence we see in the Australian and global uranium market, and our plans for your Company for the new financial year.

Despite the current challenging times in the global economy and equity markets, Toro has been able to maintain a strong forward momentum on work programs, most particularly on Wiluna. This is creating a renewed interest from potential strategic partners to invest in Wiluna, even with the current flat uranium spot price. We believe this is largely because there are signals of a return to stronger uranium prices as the market continues to recover on the back of growth in China and a planned return to nuclear power in Japan.

Key recent highlights include:

- **The last environmental approval risk on the Wiluna Project is finally closed out with no legal appeals lodged to the Federal Minister's April approval;**
- **Discussions primarily in Asia with potential Project partners indicate increased interest in investment in the Wiluna Project;**
- **Resource drilling designed to increase total Measured and Indicated resources at the Wiluna Project has been completed and a revised JORC compliant resource estimate is being compiled;**
- **Following the recent submission of 10 reactor restart applications to the Japanese authorities, four reactors last week received approval to restart operations signalling a return to nuclear power in Japan;**
- **A return to increased uranium demand and higher prices in the second half of this decade remains on track – the period targeted by Toro for Wiluna's maiden production;**
- **Toro's approved near-term Wiluna Project, highly prospective and advanced exploration targets and \$11m cash balance at 30 June place your Company in an enviable position to capitalise on value adding opportunities presenting themselves within the industry.**

Wiluna Uranium Project

Final Environmental Approval Risk Over

I am pleased to advise that our flagship Wiluna Project now has full environmental approvals from the Western Australian and Federal Governments. An appeal period against the Federal approval given early in April expired on 17 June, without any further appeals.

This means Toro can now for the first time in four years, provide additional assurance in our continuing discussions with potential Project financiers as we prepare to take advantage of the emerging upward trend in uranium demand.

The government assessment and approval process has been time consuming and I sincerely thank you, as a Toro shareholder, for your continuing patience, perseverance and support during this time. We are now focussed on securing the project financing needed to be able to make the decision to mine.

Project Finance Negotiations and Optimisation Studies

In November last year, we updated the economics of the Wiluna Project as we completed Phase I of the Definitive Feasibility Study (DFS), covering the design of the processing facility. The study demonstrates that the project requires a capital expenditure of A\$269 million with an operating cost of US\$37/lb, which is consistent with a number of current global operating mines and planned new uranium mines. We are now focussed on improving the economics of the Project through optimisation studies. This includes:

- further resource development studies;
- optimising the mine design and scheduling;
- the design and commercial approach for supporting infrastructure; and
- procurement strategies focussed on reducing input costs from suppliers during operations.

These studies will enable us to complete Phase 2 of the DFS as market conditions improve, including finalising project costing, project execution and production schedules.

The 2013 Wiluna resource drilling program which commenced in April was completed on time and on budget, having drilled more than 7,000 metres. This was the largest drilling program undertaken by Toro at the Project and focused on improving confidence in three of the five deposits within the regional resource: Lake Way, Millipede and Dawson Hinkler.

I am pleased to report that the early drilling results confirm the historical resource data. The full results of this drilling are due in the September 2013 Quarter and will be a significant milestone in strengthening the confidence in our mine optimisation and financial modelling.

While Wiluna has gained government environment approval, we still have some work to do before the Board has to consider a decision to mine. We expect to complete our feasibility study program in 2014 and will continue to work hard on attracting potential strategic partners interested in supporting the project's mine construction, production profile and offtake agreements for our production output.

As a clear global uranium development front-runner, Toro is well positioned to attract a partner – most likely one which needs security of supply at a time the uranium industry and analysts forecast constrained supply, expanding demand and stronger uranium prices than that experienced today.

Global Uranium Market

While the equity and media market focus has been on the persistently low spot price for uranium in recent times, the long-term fundamentals of the global nuclear power industry and its subsequent demand for uranium remain strong. Most uranium supply contracts are written under historically higher long-term prices rather than the current low uranium spot prices. Although the spot price has remained flat through the recent global economic downturn, we do not believe it is a reliable indicator of the conditions required to bring new production to market.

Current annual global demand at approximately 196 million pounds (mlbs) continues to outstrip current estimated primary supply of approximately 154 mlbs, with a significant portion of the gap currently being filled by secondary supplies including from the reprocessing of highly enriched uranium (under the HEU agreement) between Russia and the United States.

This agreement ends in December this year, meaning that some 20mlbs of low cost uranium will no longer be available to meet demand, and will have to be replaced by primary production. (WNA, 2012). With demand forecast to grow above 4% beyond 2015, structural changes forecast to occur in the industry within the next two years are expected to shift the balance to generate a supply deficit from 2016 as shown in Figure I. New supply is needed to meet the forecast shortfall in supply from existing sources.

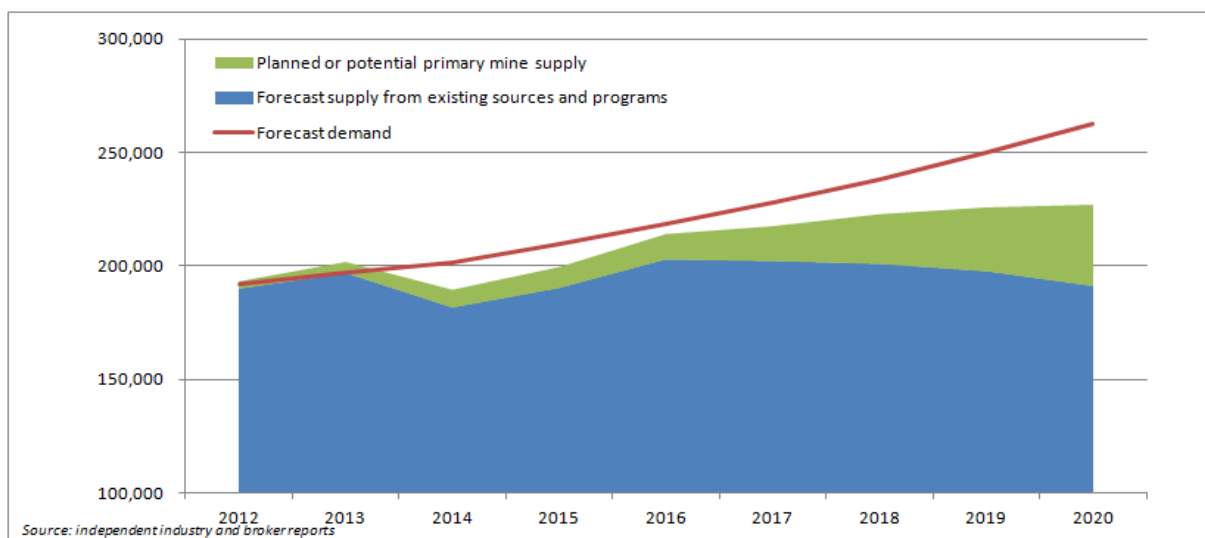


Figure I – Forecast Uranium Supply / Demand Balance ('000 pounds)

The demand side for nuclear power will be led by continuing major growth in China where 28 nuclear reactors are under construction to deliver between 60 and 70 GWe of baseload power by 2020, compared to around 14 GWe at present. Just as significantly, a more positive sentiment will emerge through the planned re-start of Japanese nuclear power generation with 10 reactors having applied for re-starts and 4 having just received approval from the central Japanese Government to do so. There is also further continuing rapid development of a nuclear power industry in India, and the United Arab Emirates (UAE). The United States, United Kingdom and Europe are also continuing to sustain their nuclear power programmes. Only Germany has committed to shut down nuclear power generation by 2030 – more than 15 years from now.

This confidence in growing demand is reflected in the Australian Government's recent commitments to trade agreements on uranium sales to both the UAE and India. It is clearly in Australia's interests to continue to develop our vast uranium resources to meet the emerging supply shortfall, and Toro is now well positioned, with the approval of the Wiluna Project, to be the "first to market" of the development stage assets.

The shortfall emerging after 2016 is not only based on increased demand but is also due to a shift in the primary supply dynamics. With the uranium price remaining flat over the past 2 years there is no global commitment to new primary production. Combined with some of the large 'pivotal' projects, such as the postponed Olympic Dam expansion in South Australia, the delayed Imouraren and Cigar Lake projects and the recent geopolitical instability in Niger, there are many factors which may exacerbate the potential supply shortfall.

It is in this scenario that Australian uranium supplies - and more specifically Toro's Wiluna Project – with their low sovereign risk appeal – are well placed to deliver new primary production.

Financial Position and Commercial Opportunities

In November last year, the motivation to establish a \$12m convertible facility from Macquarie Bank was to ensure that Toro was in a sufficiently strong cash position to weather any downturn in the investment markets. At the end of June, Toro drew down on the final instalment of the facility and now has \$11m cash on hand, which enables your team to execute the value improvement studies and maintain our negotiations with potential Project finance partners for Wiluna.

In the current market conditions, your Company is also very focused on reducing costs. This has included closing the Adelaide office and consolidating all of our operations to Perth, careful review of our tenement holding costs including our joint ventures and rehabilitation bonds, and maintaining a lean, highly motivated and committed team best able to deliver the company strategy.

As a uranium explorer and developer, Toro has always focussed on discovering and developing uranium targets, largely through our impressive exploration portfolio of highly prospective tenements. Coupled with the approved Wiluna project, Toro is now in a strong position to take advantage of the acquisition opportunities that are presenting in the currently suppressed market. We will seek to extend our asset base and add further value for you, our shareholders, so as to take advantage of the shift in the market when the uranium price begins to respond to the changing supply/demand dynamics and moves back to positive territory.

In Conclusion

While the investment markets remain soft for all commodities, your Board and management believes the market does not reflect the true value of the Company's assets and impressive performance in spearheading the development of WA's first approved uranium mine since the government ban on uranium development in that state was lifted in 2008. During this time of low market conditions, we are focused on improving the value of the Wiluna Project and taking advantage of our strong cash and asset position to explore other opportunities to create value. We are confident that the price of uranium will rebound as the looming supply shortfall is realised – and with that, market confidence in uranium improves. Through the Wiluna Project, Toro will be uniquely positioned to take advantage of this expected upswing in demand and price and to play our part in delivering Australian uranium to meet global energy demand.

I am proud to be leading our efforts to deliver real value to you through our clear and unflinching belief in the role Toro can play in bringing new uranium production to market. While it has not been an easy road and there are hurdles yet to overcome, your management team and Board are committed to unlocking the potential of our assets by delivering on our strategy.

Yours sincerely

TORO ENERGY LIMITED

A handwritten signature in black ink, appearing to read "Vanessa Guthrie".

Dr Vanessa Guthrie
Managing Director