

TORO ENERGY LIMITED

A.C.N. 117 127 590

3 Boskenna Avenue, Norwood

5067 South Australia

Ph (08) 8362 6677 Fax (08) 8362 6655

REPORT FOR THE QUARTER ENDING 31 DECEMBER 2006

Email: info@toroenergy.com.au

Website: www.toroenergy.com.au

HIGHLIGHTS

1. Corporate

- At the end of the quarter the Company held \$13.9 million in cash and net receivables.
- The Company's inaugural Annual General Meeting was held on 23 November 2006 in Adelaide.
- A Tenement Management / Exploration geologist was appointed.

2. Exploration

- Results from a short infill and extensional drilling program at Warrior confirmed channel margins, and increased the tenor of the mineralisation with a peak result of 424ppm (0.42 kg/t) U₃O₈.
- An Agreement under Part 9B of the South Australian Mining Act was concluded with the Antakarinja Matu-Yankunytjatjara Native Title Claimants for the area north of the east-west railway near Tarcoola. This agreement covers the whole of the historical Warrior and Ealbara (Kingoonya) areas explored and outlined by PNC.
- An initial heritage and native title clearance survey under the above Agreement was undertaken with the Native Title Claimants covering the Warrior project. Subsequent to the year end, all statutory clearances and approvals have been obtained, and the Company now has access to the total historical Warrior Project area and extensions.
- An air-core rig has been secured and drilling is planned to commence in mid February 2007 on the Warrior Project area. A key objective of the first-half 2007 drill program will be to scope the potential of previously identified mineralisation and possible extensions at the Warrior Project for more formal resource definition investigations.
- An extensional air-core drilling program along four new traverses was completed at the Yaninee Project in the Streaky Bay area of South Australia. Results are still pending from this work
- Interpretation and results from the major airborne EM survey using the Fugro Tempest system (Tempest[®]) was completed over Toro tenements, generating excellent palaeochannel outlines allowing accurate drill targeting. Several targets have been selected with detailed drill program planning underway.

REVIEW OF OPERATIONS

CORPORATE

Toro Energy Ltd was formed from the uranium interests of Oxiana Ltd and Minotaur Exploration Ltd, with access to over 26,000km² of tenements in South Australia's Gawler and Curnamona Cratons. Oxiana and Minotaur each have a 24.7% shareholding in the Company.

The Company's inaugural Annual General Meeting was held on 23 November 2006 in Adelaide. The Chairman made an updated address to shareholders, and after the conclusion of the meeting the Managing Director gave a presentation updating Toro Energy exploration and operations.

At the end of quarter the Company held cash and net receivables of \$13.9 million.

EXPLORATION

The scope of Toro Energy's uranium access and JV rights within South Australia as at 31 December 2006 are shown in the following Figure 1. These cover uranium access rights to those tenements held 100% by Minotaur, along with uranium access rights to the Mt Woods tenements held 100% by Oxiana (excluding the Prominent Hill mining leases) and a number of uranium access rights through JV tri-partite agreements. Added to these is a JV comprising two Stellar Resources Ltd tenements covering the Warrior Project palaeochannel.

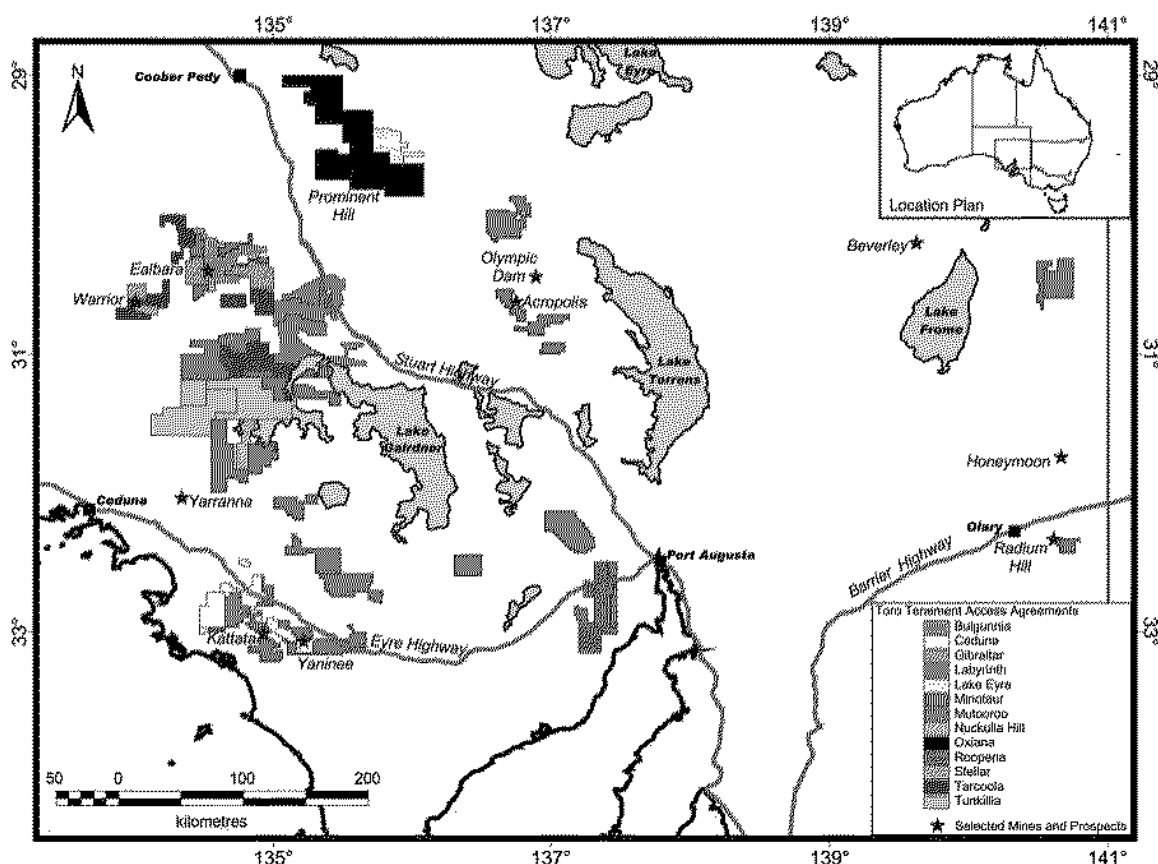


Figure 1: Toro Energy Ltd tenement access for uranium exploration, development and production.

Warrior Uranium Prospect

Tarcoola Joint Venture – Uranium Only – EL’s 3040, 3107, 2866 – Range River 100% - Toro Energy earning 75%

Warrior Project MoU – EL’s 3372 and 3369W – Stellar Resources 100% - Stellar and Toro Energy Letter of Agreement to allow Toro to earn 70%

The Warrior Project area was explored by PNC Exploration (Australia) Pty Ltd (PNC) during the 1970’s and 80’s, and an historical non-JORC mineralised area was outlined. Minotaur Exploration and Stellar Resources both undertook extension drilling to the south of the Warrior channel during 2005 and 2006. During late 2006 Toro Energy completed a small drilling program infilling and extending the known uranium mineralisation at Warrior within EL3040 (refer Figure 2). The objectives of the program were:

- test improved drilling and sampling techniques using the modern air-core method ;
- test the western and eastern extents of the Warrior palaeochannel margins; and
- determine other locations for further additional drill lines.

A summary of anomalous uranium analyses from this drilling is shown in Table 1.

Table 1 – Warrior Drilling Uranium Assay Summary

Hole Number (1)	MGAE – Z53	MGAN – Z53	Depth From (m)	Depth To (m)	Interval (m)	Uranium ppm (2)	U ₃ O ₈ ppm (2)
TEW04013	407008	6611079	15	16	1	175	206
TEW04013			17	18	1	110	129
TEW04027	407066	6611071	15	16	1	110	129
TEW04028	407039	6611072	15	16	1	125	147
TEW04028			19	20	1	110	129
TEW04029	406990	6611067	18	19	1	115	135
TEW04029			19	20	1	360	424
TEW04029			20	21	1	240	282

(1) All vertical drill-holes

(2) Assays by XRF – Amdel code XRF 1 – mathematical conversion from U to U₃O₈

NB: 200ppm U₃O₈ = 0.2 kg/tonne U₃O₈ = 0.02% U₃O₈

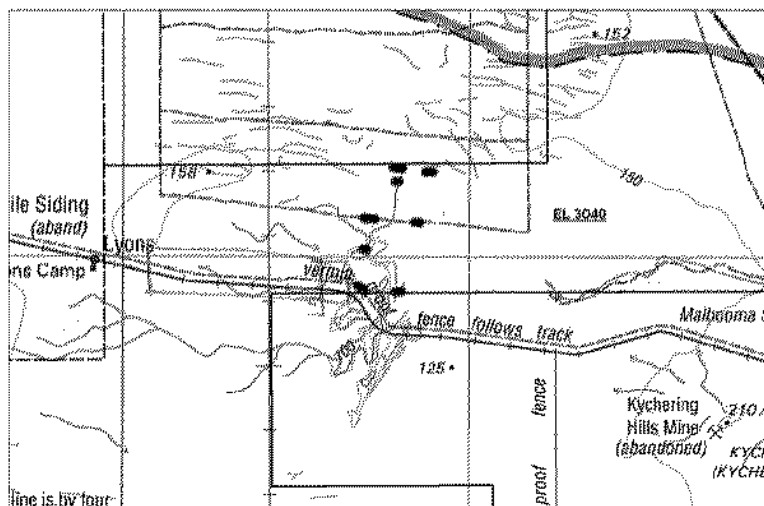


Figure 2: Location of infill and extensional drilling at Warrior

These results show uranium mineralisation continuing in the southern extension of the Warrior channel. Interpretation and sectional work is underway in this area.

Previous interpretations of geophysical work at the Warrior Prospect palaeochannel have enabled targeting of drilling for potential uranium mineralisation. A 400m line-spaced airborne EM Tempest survey flown over the southern extent of the Warrior channel was combined with reprocessed hoist EM data from the Stellar Resources survey to the north completed in 2005. Results have been excellent, clearly mapping the paleochannel from EL3372 through EL3040 and interpreted extensions further south into EL3369W (Figure 3).

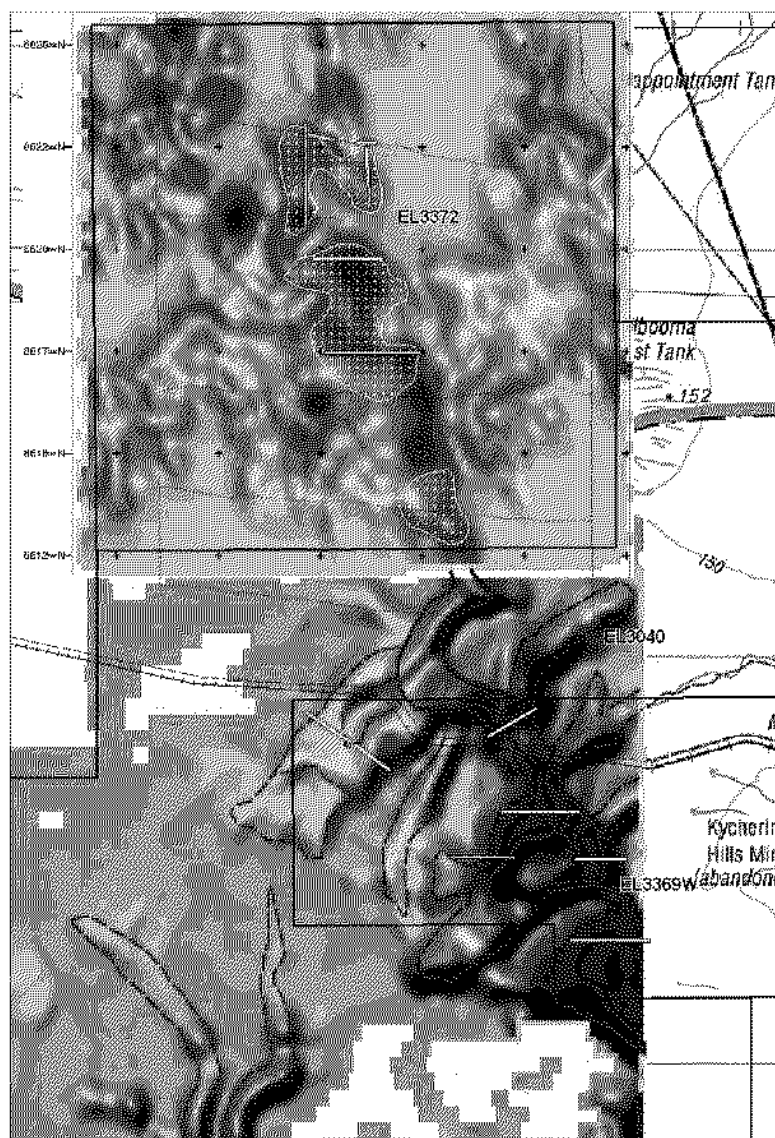


Figure 3: Warrior palaeochannel - Airborne EM interpretation at bottom, with re-interpreted hoist EM at top.

Toro Energy has completed an agreement under Part 9B of the South Australian Mining Act with the Antakarinja Matu-Yankunytjatjara Native Title Claimants for the area north of the east-west railway near Tarcoola. This agreement covers the whole of the historical Warrior and Ealbara (Kingoonya) areas explored and outlined by PNC.

An initial heritage and native title clearance survey under the above Agreement was undertaken with the Native Title Claimants covering a planned drilling program at the

Warrior project. The final clearance report has been received and hence all statutory clearances and approvals have now been obtained to allow detailed drilling to commence.

The Company now has access to the total historical Warrior Project area and extensions. An air-core rig has been secured and drilling is planned to commence in the northern areas by mid February 2007. A program of approximately 140 holes (est. 10,000m) is planned. A key objective of the first-half 2007 drill program will be to scope the potential of previously identified mineralisation and possible extensions at the Warrior Project for more formal resource definition investigations.

Kingoonya – Ealbara Project

Ealbara lies approximately 30km north of Tarcoola.

Toro has been reviewing historical work on tenements around the Ealbara uranium prospect. This prospect was identified during the early to mid 1980's by a PNC uranium exploration program.

PNC drilling intersected lignite bearing palaeochannel sediments with several holes yielding radiometric anomalies associated with an oxidation – reduction (redox) interface. Assay results showed enrichment of uranium, vanadium, arsenic, molybdenum and selenium. Radiometric anomalies were reported from several holes at or near the base of surface oxidation in palaeochannels incised into Gawler basement rocks and Jurassic sediments.

Recent airborne EM Tempest data (Figure 4) has clearly shown that the PNC drilling missed parts of the palaeochannels in the area. With the above native title access agreement now in place, detailed drill program planning is underway, with a view to commence drilling in the first half of 2007.

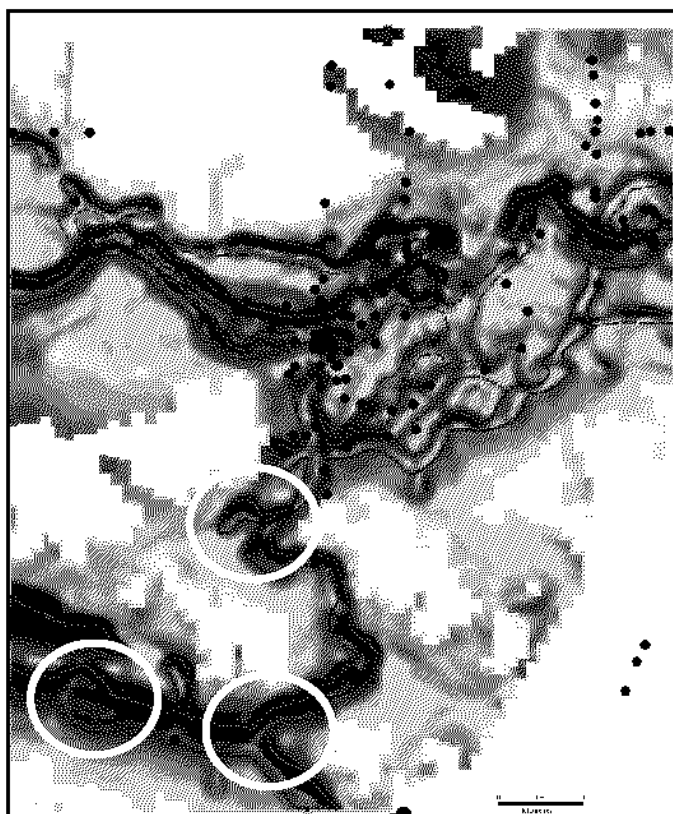


Figure 4 – Ealbara Project – Palaeochannel interpretation based on airborne EM data – Showing drill hole location of historical PNC drilling and highlighted target zones for Toro 2007 exploration program.

Yaninee Project

Uranium access rights to EL's 3135, 3255, 3366, 3367 held 100% by Minotaur Exploration.

Ceduna Joint Venture – Uranium Only – EL's 2861, 2891 – Mithril Resources Ltd 100% - Toro Energy earning up to 75%

Toro is exploring a large six-tenement package in the Streaky Bay area for Tertiary palaeochannel redox – interface uranium mineralisation. A network of palaeochannels crosses the Yaninee project tenements, including the south-westerly trending Venus Bay system, and the north-westerly trending Streaky Bay system (refer Figure 5). The area hosts multiple Hiltaba Granite plutons, believed to be the source of the elevated uranium concentrations found within the palaeochannels. Seven drill traverses were previously drilled by Toro in a regional program.

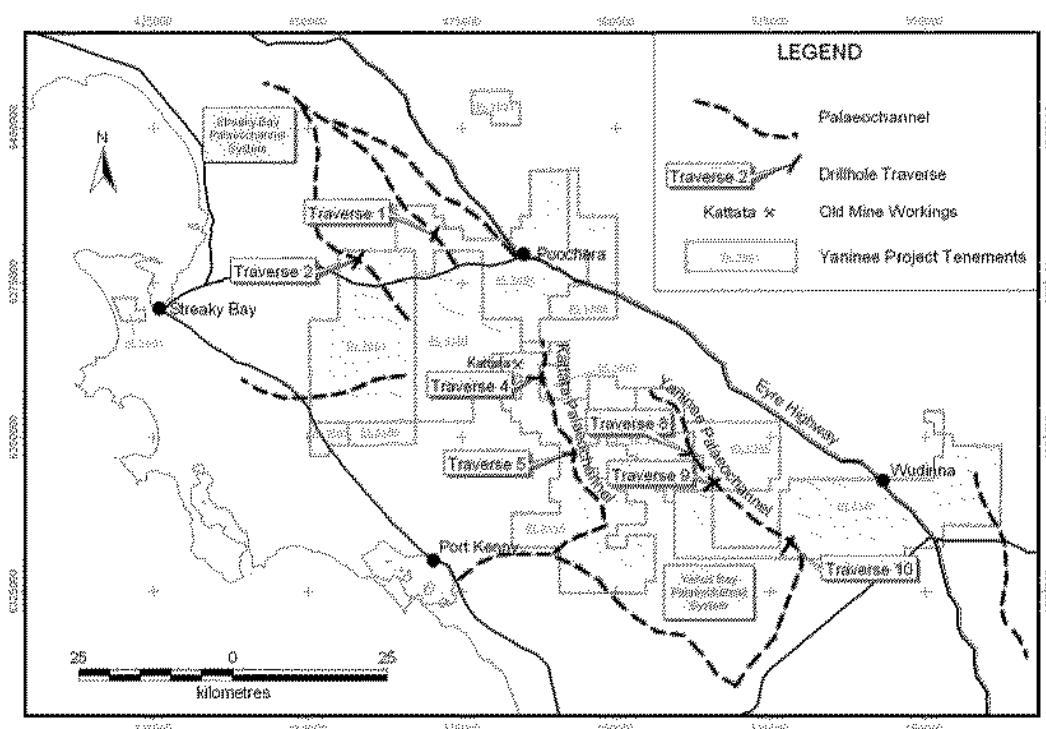


Figure 5: Yaninee Project Palaeochannel and Traverse locations

Prior exploration drilling by Toro identified a number of anomalous uranium intersections in the Kattata Paleochannel within EL 3135 at Traverse 5. The best of these intersections was 1m @ 271 ppm in hole SBU05012.

A follow-up drilling program of the prior anomalous results within EL 3135 was undertaken during the December quarter. A total of forty air-core holes for an aggregate of 3,520m were completed on four additional traverses to the north and south of the original Traverse 5 (Figure 6). One metre drill samples were collected and submitted for XRF U, Th and Zr analyses. Results for these analyses were still awaited at the end of the quarter.

Ongoing data compilation and interpretation is continuing. When this work is combined with the pending drill sample geochemical analyses, further drilling and/or geophysical surveying in the prospective Kattata paleochannel is envisaged.

Proposed Air Core drilling Kattata Palaeochannel

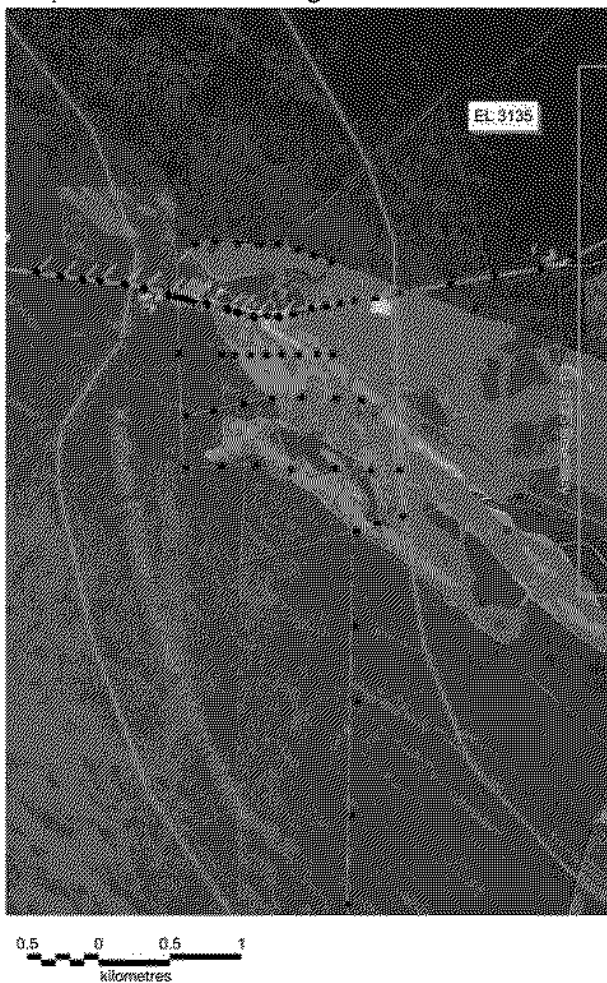


Figure 6 – Yaninee Project – December quarter drilling
(Red dot) – Drill hole complete

Kingoonya - Regional Paleochannel Exploration

Toro has completed processing and detailed interpretation of the large Tempest airborne EM (AEM) survey completed in the last quarter. As previously reported, approximately 5,000 line-km of AEM at various flight-line spacings was flown over six areas covering part of Toro's extensive Gawler Carton paleochannel tenement holdings.

Processing of the data was highly successful and a number of paleochannel tributaries in the Kingoonya, Kingoonya-Warrior and Kingoonya-Ealbara project areas have been mapped in detail.

Interpretation of the AEM data combined with review of historical exploration data has led to the identification of twelve regional target areas (refer Figure 7 and Figure 4). Detailed planning of air-core drilling to test these target areas is well underway with a view to completing regional first pass testing during 2007.

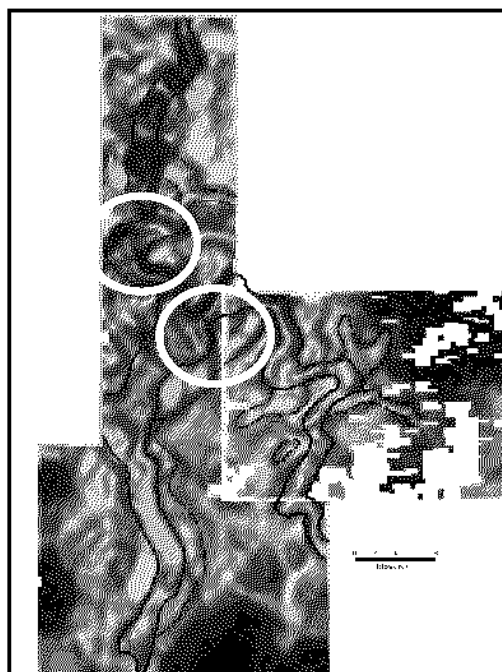


Figure 7 – Example of airborne EM palaeochannel interpretation in Yellabinna and Tunkillia area

Regional basement exploration

A detailed review of basement potential of Toro's SA Tenement portfolio has commenced. Emphasis will be on investigating the geological potential within the Toro tenement for Athabasca and/ or Alligator River (unconformity) style Uranium mineralisation.

In addition to the geological review, a review of all existing airborne radiometric survey data covering Toro tenements is also underway. Key anomalies identified from this review will be followed-up on the ground during the first half of 2007.

Yours faithfully

Greg Hall
Managing Director

The information in this report that relates to Exploration Results, Mineral Resources and Ore Reserves is based on information compiled by Doug Brewster who is a Member of the Australian Institute of Geoscientists.

Doug Brewster is employed by Aussam Geotechnical Services Pty Ltd, and acts as a geological consultant to Toro Energy Limited. Mr Brewster has more than five years relevant experience in the style of mineralisation and types of deposit under consideration and consents to inclusion of the information in this report and context in which it appears. He qualifies as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves'.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

TORO ENERGY LIMITED

ABN

48 117 127 590

Quarter ended ("current quarter")

31st DECEMBER 2006

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (6 months) \$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors		
1.2	Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(715)	(1,290)
1.3	Dividends received	(657)	(1,189)
1.4	Interest and other items of a similar nature received	67	90
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other		
Net Operating Cash Flows		(1,305)	(2,389)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a)prospects (b)equity investments (c) other fixed assets	(27)	(76)
1.9	Proceeds from sale of: (a)prospects (b)equity investments (c)other fixed assets		
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other		
Net investing cash flows		(27)	(76)

1.13	Total operating and investing cash flows (brought forward)	(1,332)	(2,465)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.		
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (share issue costs)		(8)
	Net financing cash flows	-	(8)
	Net increase (decrease) in cash held	(1,332)	(2,473)
1.20	Cash at beginning of quarter/year to date	14,770	15,911
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	13,438	13,438

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	96
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Directors fees and Superannuation

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities		
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	750
4.2 Development	
Total	750

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	438	1,270
5.2 Deposits at call	13,000	13,500
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	13,438	14,770

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

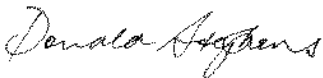
Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	145,502,000	72,000,000		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	4,000,000 2,000,000 1,000,000 500,000 440,000		<i>Exercise price</i> \$0.40 \$0.35 \$0.45 \$0.65 \$0.88	<i>Expiry date</i> 23/03/2011 31/03/2011 31/03/2012 26/09/2011 11/12/2011
7.8 Issued during quarter	500,000 440,000		\$0.65 \$0.88	26/09/2011 11/12/2011
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does /does not* (*delete one*) give a true and fair view of the matters disclosed.

Sign here:  Date: 19th January 2007

Print name: **DONALD STEPHENS**
(Company secretary)

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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