

# TOE.AU

20 August 2009

Uranium

Australia (WA,NT,SA), Namibia

Advanced Exploration/Resource Definition/PFS

Exchanges: ASX:TOE

## Toro Energy Limited

A\$ 0.19

**All eyes are on the imminent release of Toro's Wiluna uranium project (24mlb resource) optimisation study. If it meets targets then a market re-focusing on the long term strategic value of calcrete deposits (as per Mega's Lake Maitland transaction) should produce a stock re-rating.**

### Capital Profile

Share price (A\$)	0.19
52 week range (A\$/share)	0.09 to 0.32
Number of shares (m)	556
Options and warrants (m)	15
Convertible notes (m)	0
Fully diluted (m)	571
Market capitalisation (undiluted) (A\$m)	102.8
Debt (A\$m) - Sep 09F	0.0
Enterprise value (A\$m)	102.8
Major shareholders: OZ Minerals Ltd (49.9%), ANZ Nominees (5.0%)	
Allarrow Pty Ltd (1.8%)	
Avg monthly volume (m)	31
Cash (A\$m) - Sep 09F	6.5
Price/Cash (x)	15.8
Price/Book (x)	0.7
Listed company options:	No

### Investment Points

100% uranium focus. Expl. + eval. budget A\$7m pa, current cash A\$8m (plus A\$20m placement facility).

Potential Production 2012. PFS completed on Wiluna project (WA) - 24mlb JORC resource, (target 28mlb).

Critical Wiluna optimisation study due Sep '09 for enhanced economics, BFS to start 4Q09.

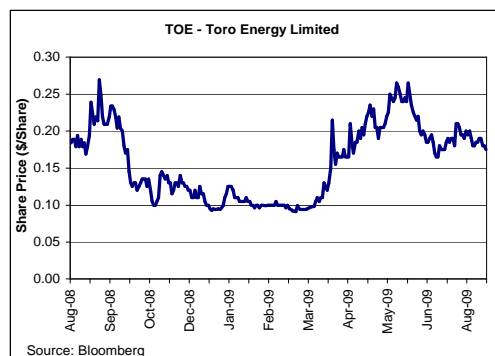
Recent Wiluna resource upgrades very positive. Lake Way grade +34% to 543ppm, C'pede +26% to 553ppm.

Nearby Mega Uranium Lake Maitland transaction shows long term strategic value of calcrete resources - transaction value ~US\$6/lb - equiv. equals A\$0.40/share for TOE.

Napperby, NT. JORC resource 7.4mlb, on track for 13mlb. Scoping study complete mid 3Q09.

Oz Minerals recent sell-down a one-off.

Positive (3Q09) Wiluna optimisation study results likely to result in re-rating.



### Production and Financial Forecasts

YEAR END: June	Jun-09a	Sep-09F	2008a	2009F	2010F
Exploration and evaluation (A\$m)	1.42	2.00	6.32	6.59	7.50
Corporate (A\$m)	0.64	0.60	2.50	2.50	2.40
Exploration/(Expl.+ Corporate) (%)	69	77	72	72	76
Funding duration at current burn (years)	4.4	2.5	1.5	1.0	0.6
Shares on issue (pr end) (m shares)	555.8	555.8	494.7	555.8	605.8
Drilling - RAB (m)	2,500	2,500	21,500	12,500	10,000
Drilling - Other/Diamond (m)	3,500	4,000	12,500	19,500	15,500
Land holding ('000 ha)*	3,799	3,799	3,274	3,799	3,799
Tenement costs (\$k per year)	-	-	-	-	-
Capital raisings (A\$m)**	0.0	0.0	0.0	12.2	6.0
Funding from JV partners (A\$m)	0	0	0	0	0
Cash (A\$m)	9.0	6.5	13.4	9.0	5.5
Cash backing (Ac/share)	1.6	1.2	2.7	1.6	0.9
Net asset backing (Ac/share)	26.0	26.0	26.9	26.0	24.6

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

\*\* Nominal A\$6m capital raising assumed FY10

### Company Comment

**Overview:** TOE listed on the ASX in March 2006 and is a pacesetter in advancing calcrete style uranium projects in Australia, with Wiluna (WA) at PFS stage and Napperby (NT) at scoping study.

**Wiluna Optimisation Study:** The GRD Minproc PFS was released in Sep '08. and reviewed in our 4Q08 Report. The PFS Option D assumed 1.5mtpa, 16.3mt LOM, 12 year mine life. Capex A\$247m, opex US\$39/lb. TOE's base case project NPV @ 12.3% (nom) an uninspiring A\$78m, using U<sub>3</sub>O<sub>8</sub> price of US\$80/lb (A\$/US\$ of 0.75). NPV is highly sensitive to grade and long term U<sub>3</sub>O<sub>8</sub> price. The current Optimisation Study (OS) is critical to enhance project economics. The OS is targeting capex -10%, head grades +20% (actual +31% - see below), improved recoveries, mine life +5 years (resource drilling underway), overall opex -13% (minimum) to US\$34/lb, to give major NPV increase to A\$165m (TOE data). This means OS release in 3Q09 will be a huge milestone for TOE and its share price. **Resource Upgrades:** The Jun '09 resource upgrade produced a 31% increase in overall average grade (from 419ppm to 548 ppm @ 200ppm cut off, and total contained U<sub>3</sub>O<sub>8</sub> up 2% to 24.4mlb).

**Lake Maitland ("LM") Transaction:** Previously reported (1Q09 RCR TOE report). Analogous regional surficial calcrete resource to Wiluna (LM is 21.5mlb @ ~500ppm, 200ppm cut off) at scoping study stage, possible production 2011. Japanese utilities purchase of 35% values LM resource at ~US\$6/lb (subject to c/off grade). This underpins strategic value of calcrete resources. A similar value applied to TOE's Wiluna resource would imply ~A\$0.40/share value for TOE shares.

**Napperby Project (NT):** 150km NW Alice Springs, resource drilling on-going. Current JORC inferred resource to 7.4mlb U<sub>3</sub>O<sub>8</sub> (359ppm grade) over ~50% of a total 14km strike. On track to confirm 13.2mlb non JORC historic resource (Uranerz). Calcrete hosted deposit is near surface (<8m depth), easily mined, low strip ratio. We expect release of the milestone Napperby scoping study mid 3Q09.

**Other Exploration:** Extensive greenfields/brownfields U exploration portfolio in SA, NT, WA and Namibia (~38,000km<sup>2</sup>, budget A\$2mpa). Priorities are **Lake MacKay** (WA) unexplored, palaeochannel and IOCG potential (initial reconnaissance soil and gravity program), **Iwupataka** (NT) sandstone and unconformity, **Namibia - JV with Deep Yellow** (ASX:DYL earning 75%) will increase activity on Toe's 3 Namibian tenements around DYL's Tumas-Tubas project (DYL: >100mlb resource likely). **Mount Woods (SA)**, TOE has 100% U rights for tenements surrounding OZL's Prominent Hill ("PH") operations. OZL likely to increase their IOCG exploration with 15 PH style targets to be drilled.

**Corporate:** TOE has recently put in place an A\$20m five year equity placement facility with a US investment fund, which will ensure it can maintain momentum on fast-tracking Wiluna.

**Investment Comment:** TOE shares have not significantly reacted to analogous Lake Maitland sale (implies A\$0.40 value for TOE) and recent very positive Wiluna grade increases. Recent sell down of Oz Minerals stake (ASX:OZL) to 49.9% was expected, may have created concerns about overhang, which are unfounded. If 3Q09 Wiluna optimisation study meets targets, we expect a near term share price re-rating to ~A\$0.25-A\$0.30.

### Reserves and Resources/Mineralised Material

Code for reporting mineral resources - Australian: (JORC)

Uranium	Classification	Project	Ore	U <sub>3</sub> O <sub>8</sub>	Cut Off	U <sub>3</sub> O <sub>8</sub>	U <sub>3</sub> O <sub>8</sub>	Eqty
U <sub>3</sub> O <sub>8</sub>		Equity	Mt	%	ppm	Kt	Mlb	Mlb

#### Resources

Wiluna: L. Way & C'pede	Meas Ind & Inf.	100%	20.2	0.055	200	11.1	24.4	24.4
Napperby	Inferred	0/100%	9.34	0.036	200	3.35	7.4	7.4
<b>Total Resources</b>						<b>14.42</b>	<b>31.8</b>	<b>31.8</b>

#### Mineralised Material (est., non compliant with JORC, inclusive of the Napperby Inferred Resource)

Napperby	Historic	0/100%	0.0	0.037		6.0	13.2	13.2
<b>Total Mineralised (non JORC)</b>						<b>0.0</b>	<b>0.0</b>	<b>13.2</b>

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### Key Projects

Project	Ownership/Option	Metal	JV / Partner	Target Type	Process Route	Project Status	Location
Wiluna	100%	U	none	Calcrete	Alk. Leach	PFS	Aus (WA)
Napperby	0/100%	U	DYL	Calcrete	Alk h/leach	Scoping	Aus (NT)
Namibia	100%/25%	U	DYL	Calc/Alask	na	Early Expl.	Namibia
Lake Mackay	100%	U	none	Unc+S'stone	na	Early Expl.	Aus (WA)
Radium Hill	100%	U	none	Palaeochannel	na	Early Expl.	Aus (SA)
Mount Woods	100% U rights	U	OZL/MNT	IOCG	na	Early Expl.	Aus (SA)



## Disclosure and Disclaimer

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