

## TOE.AU

## Toro Energy Limited

A\$ 0.13

22 March 2010

Uranium

Australia (WA, NT, SA), Namibia  
BFS, Scoping Study and Exploration  
Exchanges: ASX:TOE

**Cashed-up Toro is creating value on three fronts: progressing the Wiluna (WA) BFS (potential 1.6mlbpa production 2013), developing Wiluna as a regional uranium hub, and exploring in WA and NT (A\$4.5mpa). We have a medium term price target of A\$0.18/share.**

## Capital Profile

Share price (A\$)	0.13
52 week range (A\$/share)	0.10 to 0.29
Number of shares (m)	965
Options and warrants (m)	22
Convertible notes (m)	0
Fully diluted (m)	987
Market capitalisation (undiluted) (A\$m)	125.4
Debt (A\$m) - Dec 10F	0.0
Enterprise value (A\$m)	125.4
Major shareholders: OZ Minerals Ltd (42.5%), ANZ Nominees (5.0%) Allarow Pty Ltd (1.8%)	
Avg monthly volume (m)	36
Cash (A\$m) - Dec 10F	58.9
Price/Cash (x)	2.1
Price/Book (x)	0.9
Listed company options:	No

## Production and Financial Forecasts

YEAR END: June	Dec-09a	Mar-10F	2009a	2010F	2011F
Exploration and evaluation (A\$m)	2.54	3.00	6.59	10.32	16.00
Corporate (A\$m)	0.73	0.90	2.50	3.36	4.20
Exploration/(Expl.+ Corporate) (%)	78	77	72	75	87
Funding duration at current burn (years)	18.9	15.1	1.0	4.0	1.9
Shares on issue (pr end) (m shares)	964.9	964.9	555.8	964.9	964.9
Drilling - RAB (m)	2,500	2,500	12,500	10,000	10,000
Drilling - Other/Diamond (m)	3,500	4,000	19,500	15,500	16,000
Land holding ('000 ha)*	4,329	4,216	3,799	4,216	4,216
Tenement costs (\$k per year)	-	-	-	-	-
Capital raisings (A\$m)**	48.1	0.0	12.2	60.6	0.0
Funding from JV partners (A\$m)	0	0	0	0	0
Cash (A\$m)	61.9	58.9	8.9	55.3	37.6
Cash backing (Ac/share)	6.4	6.1	1.6	5.7	4.3
Net asset backing (Ac/share)	13.8	13.8	13.7	13.8	15.0

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

## Investment Points

100% uranium focus. Expl. + eval. budget ~A\$10m pa.

Now cashed up (est. A\$63m Dec '09) after recent equity raisings, will fund Wiluna BFS, Wiluna resource expansion and exploration.

Potential Wiluna production early 2013: Heap leach 1.6mlbpa - capex A\$162m; opex A\$39.70/lb, head grades 653ppm.

Wiluna BFS underway, mining & heap leach trial test pit and environmental approval process commenced.

TOE's strategy for Wiluna as a regional U<sub>3</sub>O<sub>8</sub> resource base could greatly enhance Wiluna Project value.

A\$4.5mpa exploration program starting to bear fruit - greenfields Lake Mackay palaeochannel discovery.

Current enterprise valuation (EV-cash) of US\$1.90/lb resource (basis 31.8mlb).

Our assessed NAV is A\$0.18/share based on US\$60 long term U price, A\$/US\$=0.80.



## Company Comment

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

**Wiluna Optimisation Study:** A PFS was completed Sep '08, followed by Optimisation Study ("OS") (GRD Minproc) released in Sep '09. Alkaline heap leach/direct precipitation route was chosen. The OS delivered improvements in all areas, particularly mined head grades increased to 653ppm, capex reduced to A\$162m, opex A\$39.70/lb, production 1.6mlbpa. Recoveries are ~70%, mine life 8 years.

**Wiluna BFS:** TOE has appointed a Project Management team and has started to further evaluate key project parameters for a BFS. A 45,000t resource evaluation test pit and a heap leach trial are now getting underway. Environmental approvals process has commenced - Environmental Review & Management Program to be prepared 2H10 public comment. BFS should be completed 1Q11, production target date is early 2013.

**Wiluna Regional Resource Consolidation:** The NPV of the Wiluna project (8 year mine life) is strongly geared to resource size. We see potential for TOE to increase its Wiluna resource base to >30mlb U<sub>3</sub>O<sub>8</sub> in a 40km radius of Wiluna, with strategic acquisitions/alliances. This would increase forecast project NPV by ~A\$50m (~6cps). This process has commenced with the acquisition of the Firestrike uranium discovery from Liberty Resources Ltd (ASX:LBY) for A\$1.0m. We consider that this deposit could add a further ~1 year (~1.5mlb) to Wiluna project. Expect further such developments in the next 12 months.

**Napperby Project (NT):** Scoping study being reviewed by TOE. DYL option payment due mid 2010.

**Lake Mackay Discovery (WA):** This remote greenfields exploration area (TOE holds 3,268km<sup>2</sup> near NT border) is TOE's best chance for a major 50-100mlb discovery. In the first pass wide spaced scout aircore drilling TOE has found two buried palaeochannels in a 2.5km open ended zone. A good start.

**Other Exploration:** Extensive greenfields/brownfields U exploration portfolio in SA, NT, WA and Namibia (~43,000km<sup>2</sup>). **Cameco JV:** This is a farm-in agreement with Cameco Australia (earning 50.1% in the highly prospective Birrindudu Project in NE WA. **Namibia JV:** (DYL earning 65%) DYL actively exploring TOE's 3 Namibian tenements for continuation of uraniferous magnetite discovery on DYL tenements and Rossing S alaskite mineralisation continuity. Drilling likely 2010. **Mount Woods (SA),** TOE has 100% U rights for tenements surrounding OZL's Prominent Hill operations. OZL actively exploring for Olympic Dam style IOCGU targets.

**Corporate:** TOE raised A\$61m at A\$0.15/share 3Q09 - 4Q09 through a placement and SPP.

**Investment Comment:** TOE now has the funds to progress the Wiluna BFS, continue its value-enhancing acquisitive Wiluna regional resource base consolidation, as well the highly prospective A\$4.5mpa grass roots exploration program. We expect a strong 2010 newflow: Wiluna BFS progress and trial pit/heap leach, possibly further Wiluna resource acquisitions and a steady flow of exploration results, particularly from Lake McKay. **This should see the share price re-rated towards our A\$0.18 current valuation.**

## 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
<b>Reserves</b>								
<b>Resources</b>								
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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J. Sells (Non Exec Dir)  
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## Key Projects

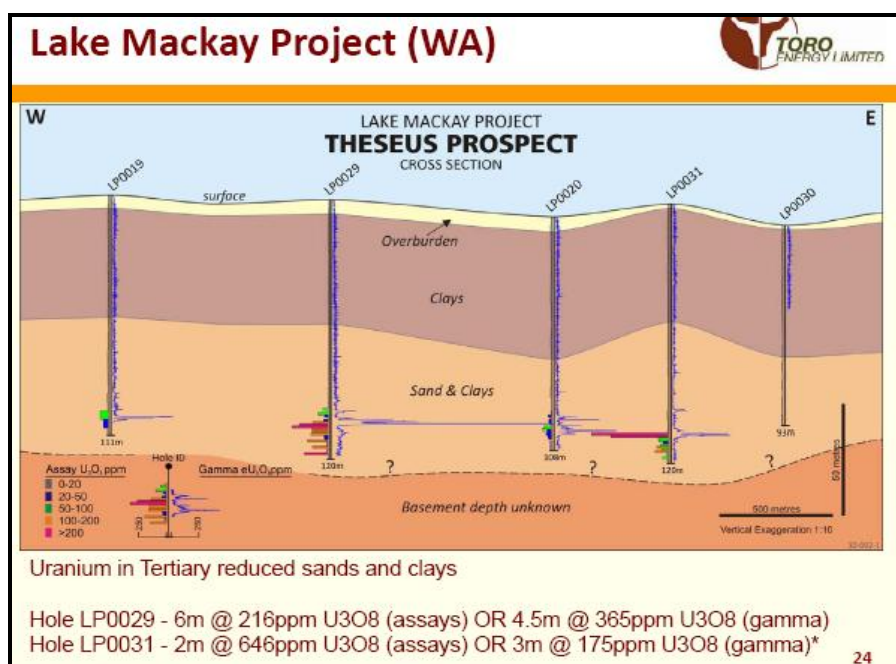
Project	Ownership/Option	Metal	JV / Partner	Target Type	Process Route	Project Status	Location
Wiluna	100%	U	none	Calcrete	Alk. Leach	BFS	Aus (WA)
Napperby	0/100%	U	DYL	Calcrete	Alk h/leach	Scoping	Aus (NT)
Namibia	100%/25%	U	DYL	Calc/Alask	na	Early Expl.	Namibia
Lake Mackay	100%	U	none	Palaeochannel	na	Early Expl.	Aus (WA)
Birrindudu	0/50.1%	U	Cameco	Unc+S'stone	na	Early Expl.	Aus (SA)
Mount Woods	100% U rights	U	OZL/MNT	IOCGU	na	Early Expl.	Aus (SA)

The Toro valuation below indicates an unadjusted net asset value of A\$0.22/share, which adjusts to A\$0.18/share after applying a 30% discount to the Wiluna Project NPV (pre BFS status) and allowing for the nominal cost to expand the Wiluna regional resource.

**TORO ENERGY LIMITED VALUATION (A\$m)**

Equity				Base NPV (A\$m)	NPV Adj. Factor *	Adjusted Value (A\$m)	Uranium Price Sensitivity (A\$m)			
					(%)	(A\$m)	40.00	50.00	70.00	80.00
<b>Assumptions</b>										
Long Term Uranium Price	:US\$/lb			60.00			40.00	50.00	70.00	80.00
Long Term A\$/US				0.8			0.8	0.8	0.8	0.8
<b>Projects</b>										
Wiluna Uranium Project	:NPV@10%	100%	US\$1.93/lb	80.0	70%	56.0	10	21	90.3	133
Napperby		100%	US\$0.71/lb	11.0		11.0	2	7	15	25
<b>Sub-total Projects</b>				91.0		67.0	12.0	28.0	105.3	158.0
<b>Resources and Exploration</b>										
Wiluna +50% regional resource upside	:NPV@10%	100%		38.0	50%	19.0	10	13	25	35
Namibia DYL JV		100%/25%		8.0		8.0	4	6	12	15
Lake McKay		100%		5.0		5.0	3	4	6	7
Uranium rights to OZL's IOCG exploration		100%		8.0		8.0	3	4	6	7
Other Australian grass roots project areas		100%		10.0		10.0	6	8	12	14
<b>Sub-total Exploration</b>				69.0		50.0	26	35	61	78
<b>Assets</b>										
Cash and Deposits (1Q10)				58.9		58.9	58.9	58.9	58.9	58.9
Rehabilitation Fund				0.0		0.0	0.0	0.0	0.0	0.0
Other - Tax Losses				23.4		23.4	23.4	23.4	23.4	23.4
<b>Liabilities</b>										
Debt				0.0		0.0	0.0	0.0	0.0	0.0
Corporate Overheads	:NPV@10%			-33.2		-33.2	-33.2	-33.2	-33.2	-33.2
Reclamation Reserve				0.0		0.0	0.0	0.0	0.0	0.0
<b>Net Assets</b>				209		166	87	112	215	285
Fully Diluted Shares (m)				981		981	981	981	981	981
Cash on Option Conversion				7		7	7	7	7	7
<b>Net assets/share (A\$/share)</b>	:fully diluted			0.22		0.18	0.10	0.12	0.23	0.30
Valuation/Resource (basis 31.8mlb)	:US\$/lb					4.39	2.30	2.96	5.69	7.53

Lake McKay is a significant greenfields palaeochannel discovery ~100m below surface over a width of 2.5 km which will be the subject of further drilling in 2H10 – results of which will be keenly watched.



Source: Toro Energy

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