

# TOE.AU

## Toro Energy Limited

A\$ 0.09

1 September 2011  
 Uranium  
 Australia (WA, NT, SA), Namibia  
 BFS and Exploration  
 Exchanges: ASX:TOE

**The Wiluna uranium project (TOE 100%) could be a pacesetter as the first of the WA calcrete projects underway. BFS expected 2Q12. Production potential 2H13. Theseus (WA) discovery is shaping up as a very large, continuous system; potential for ISR.**

### Capital Profile

Share price (A\$)	0.09
52 week range (A\$/share)	0.07 to 0.18
Number of shares (m)	965
Options and warrants (m)	33
Convertible notes (m)	0
Fully diluted (m)	999
Junket capitalisation (undiluted) (A\$m)	82.1
Debt (A\$m) - Sep 11F *	0.0
Enterprise value (A\$m)	82.1
Major shareholders: OZ Minerals Ltd (42.5%), ANZ Nominees (2.3%), HSBC Nominees (1.5%), Allarow Pty Ltd (1.0%)	
Avg monthly volume (m)	46
Cash (A\$m) - Sep 11F	25.6
Price/Cash (x)	3.2
Price/Book (x)	0.7
Listed company options:	No

### Production and Financial Forecasts

YEAR END: June	Jun-11a	Sep-11F	2010a	2011F	2012F
Exploration and evaluation (A\$m)	2.40	3.50	9.46	15.24	16.50
Corporate (A\$m)	1.24	0.80	3.51	3.38	3.20
Exploration/(Expl.+ Corporate) (%)	66	81	73	82	84
Funding duration at current burn (years)	6.8	6.0	4.2	1.3	0.6
Shares on issue (pr end) (m shares)	964.9	964.9	964.9	964.9	964.9
Drilling - RAB (m)	4,000	3,750	20,000	15,500	27,500
Drilling - RC/Sonic/Diamond (m)	2,000	2,000	15,500	11,500	8,500
Land holding ('000 ha) ^	4,690	4,690	4,225	4,690	4,690
Tenement costs (\$k per year)	-	-	-	-	-
Capital raisings (A\$m)	0.0	0.0	60.6	0.0	0.0
Funding from JV partners (A\$m)	0	0	0	0	0
Cash (A\$m) *	24.6	25.6	54.5	24.6	11.0
Cash backing (Ac/share)	2.6	2.7	5.6	2.8	1.4
Net asset backing (Ac/share)	11.6	11.6	12.5	12.8	13.7

\* Jun 11F cash assumes A\$4.5m Norilsk payment 2Q11. ^ Uranium tenements held or applied for

### Investment Points

100% uranium focus. Expl. + Eval. budget ~A\$20m pa.

Wiluna resource consolidation strategy has significantly enhanced Wiluna project value; equity grown from 24mlb to 45mlb U<sub>3</sub>O<sub>8</sub> at <A\$1/lb cost.

Wiluna project now in Public Review phase (Jul '11). Resource upgrade expected 3Q11 and BFS 2Q12.

Wiluna production potential 2H13: ~2.0mtpa ore, alkaline tank leach, A\$260m capex, ~2.2mlbpa output - subject to optimisation study. Update expected 4Q11.

Theseus discovery (Lake Mackay, WA). Drilling 3Q11 (9,000m) - mineralisation defined over 8km<sup>2</sup>. Possible ISR - economic intersections include GT >1.5%.

TOE has ambitious target of 100mlb resources by 2015. This means exploration and acquisitions are likely to play an increasing role in the medium term.

Cashed-up OZL could bankroll Australian/overseas acquisitions to reach TOE's stated resource target.

### Company Comment

**Overview:** TOE listed on the ASX in March '06 and is a pacesetter in advancing calcrete style uranium projects in Australia. Wiluna is at BFS stage and could be WA's first new uranium producing project.

**Toro's Aspirational Targets:** TOE has ambitious growth targets: 100mlb U<sub>3</sub>O<sub>8</sub> resources by 2015 (currently 38mlb) and production of 5.5mlbpa by 2020. Meeting these will require TOE (supported by major shareholder Oz Minerals - ~A\$1.4bn cash) to look beyond the current core asset at Wiluna.

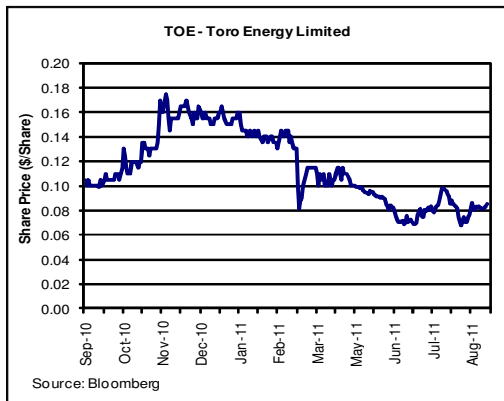
**Wiluna Regional Resource Consolidation:** We have previously highlighted the potential for TOE to increase its Wiluna resource base in a 40km radius of Wiluna, with strategic acquisitions/alliances. TOE has now achieved this to great effect. The most recent addition is the **Nowthanna uranium deposit** (Jul '11) with TOE acquiring a 100% stake in 2 of 3 tenements that contain ~70% of deposit (from a vendor group led by Impact Minerals (ASX:IPT)) for a net addition to TOE's regional inventory of 7.4mt at 0.045% U<sub>3</sub>O<sub>8</sub> for 3.35kt (7.4mlbs, +25%). Acquisition cost equates to ~A\$0.27/lb - subject to final documentation. TOE's consolidated regional resource target now stands at 45mlbs U<sub>3</sub>O<sub>8</sub>, up from a resource of 24mlbs 12 months ago (refer to chart on adjacent page). These acquisitions have been at ~A\$1/lb, cheap by international benchmarks and could add over 6 years to the Wiluna project's mine life.

**Wiluna BFS:** A PFS was completed Sep '08, followed by Optimisation Study in Sep '09. The BFS is based on the original 24mlb, 0.055% resource, 2.2mlbpa production, 10 year mine life. Resource drilling is on-going to upgrade a large part of the resource from Indicated to Measured 1H12. Recent deeper drilling at Lake Way has identified higher grade mineralisation (>1,000ppm) at around 10m depth, which is positive. Bench scale testing of the proposed agitated chloride alkaline leach followed by direct precipitation (avoiding solvent extraction) has yielded good results. A pilot plant test program is underway. Federal government approvals and BFS expected 2Q12. Production potential 2H13.

**Other Exploration: Theseus (WA) discovery** (update Aug '11), located 650km west of Alice Springs. Early indications suggest a significant discovery with ISR potential - similar lithologies to 4 Mile and Beverley uranium projects (SA). Mineralisation is defined over an interpreted palaeochannel exceeding 5km x 1.5km at ~100m depth, and consists of unconsolidated sand capped by clay layers. Drilling 3Q11 (~9,000m, 60 holes) - initial results (31 holes) include 4.46m @ 0.084% eU<sub>3</sub>O<sub>8</sub>, and 5.4m @ 0.046% U<sub>3</sub>O<sub>8</sub>. Hydrology tests 1H12. Resource statement 1H12. Potential \$5m exploration budget in 2012 (to be confirmed) and multiple drill rigs (7,000m sonic/RC and 25,000m aircore).

**Mount Woods (SA):** TOE has 100% U rights for OZL's currently aggressive exploration for IOCGU targets - recent promising U-only hits.

**Investment Comment:** TOE's talented team, with possible support from cash rich major shareholder Oz Minerals, is likely to look to project acquisitions, as well as maintaining focus on its extensive exploration ground, to generate a much increased uranium market presence, and increased shareholder value. Theseus, based on initial wide spaced drilling, looks like it could be a major discovery, and an aggressive exploration program through 2012 could see it rapidly emerge as a key, new project for TOE. The Toro team really knows its way around the uranium market, and that could well be an increasing source of upside for shareholders in coming quarters, when we will also see the Wiluna BFS released.



### 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	0.0548	200	11.1	24.4	24.4
Dawson-Hinkler Well	Inferred	100%	9.5	0.0293	200	2.8	6.2	6.2
Nowthanna^	Inferred	100%	7.4	0.0453	200	3.3	7.4	7.4
<b>Total Resources</b>			<b>37.1</b>	<b>0.0464</b>		<b>17.2</b>	<b>38.0</b>	<b>38.0</b>
<b>Mineralised Material</b> (est., non compliant with JORC)						<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

^ Transaction subject to final documentation, expected to be completed before 15 September 2011.

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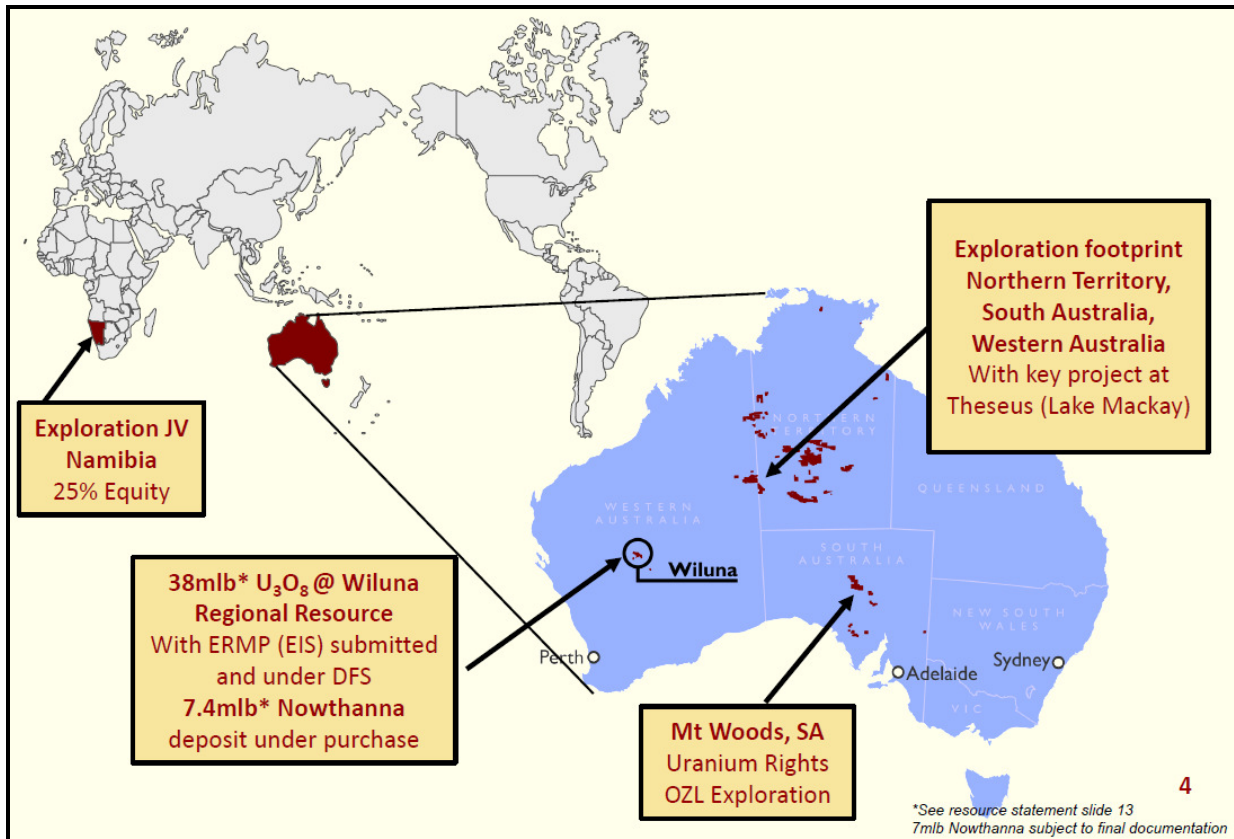
### Directors

E Smyth (Non Ex. Ch'man)  
 G. Hall (MD)  
 P. Lester (Non Exec Dir)  
 D. Carter (Non Exec Dir)  
 J. Nitschke (Non Exec Dir)  
 A Coles (Non Exec Dir)

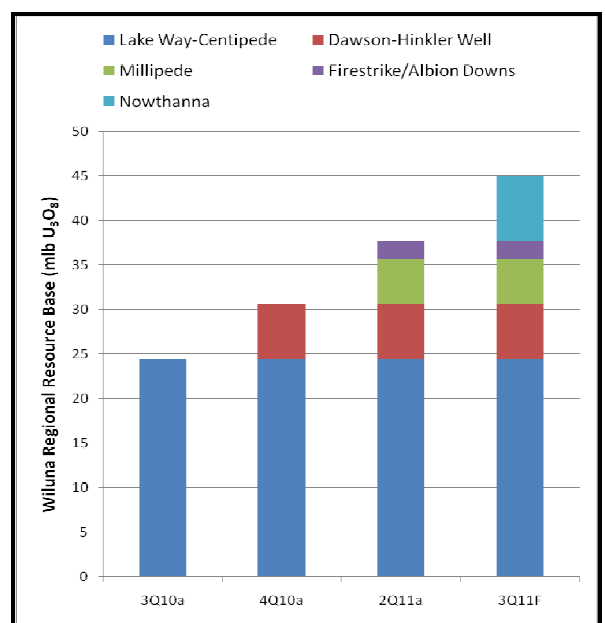
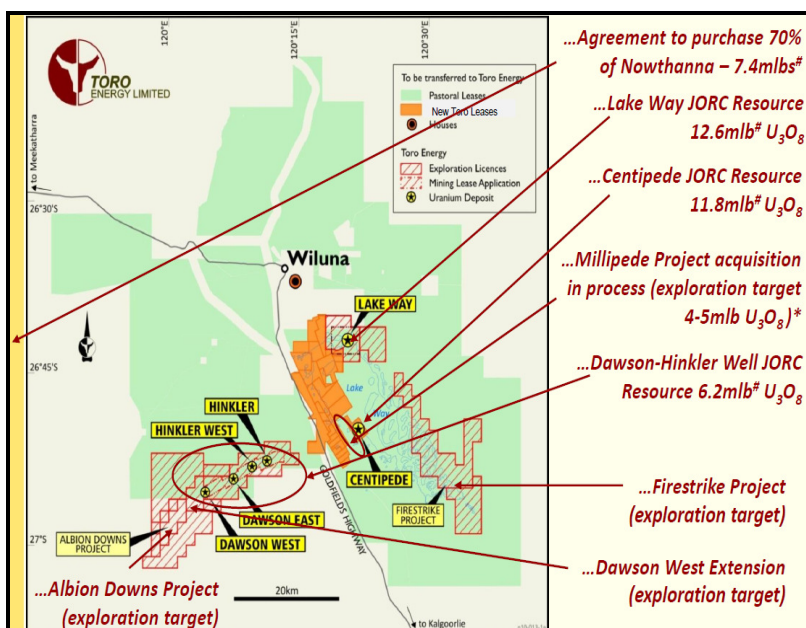
### Key Projects

Project	Ownership/Option	Metal	JV / Partner	Target Type	Process Route	Project Status	Location
Wiluna	100%	U	none	Calcrete	Alk. Leach	BFS	Aus (WA)
Lake Mackay	100%	U	none	Palaeo/IOCG	na	Early Expl.	Aus (WA)
Namibia	25%	U	DYL	Calc/Alask	na	Early Expl.	Namibia
Mount Woods	100% U rights	U	OZL/MNT	IOCGU	na	Early Expl.	Aus (SA)
Birrindudu	50.01%	U	Cameco	Unc+S'stone	na	Early Expl.	Aus (SA)

Toro is expecting its strategic grass roots uranium exploration holdings in Northern Territory, South Australia, Western Australia and Namibia (JV with DYL) to play an important role in its ambitious plans to achieve a resource base of 100mlb contained  $U_3O_8$  by 2015.



Toro's value-enhancing strategy of building Wiluna into a significant uranium production hub over the past year has meant that the consolidated regional resource target is now approaching 50mlb (r.h. graph), a big increase from the 24mlb original Lake Way/Centipede resource. Additional resources have been acquired at a very cost effective ~A\$1/lb. This will give a significant boost to the Wiluna NPV and project viability.



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