

Toro Energy Limited (TOE)

Wiluna – Australia's Next Uranium Mine

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Key Points

- TOE's Wiluna project is the most advanced WA uranium project and likely to be the first in production. The recent Federal Government Approval is the culmination of a 3 year process.
- In addition to Wiluna, TOE has made a promising greenfield discovery at Theseus, with high grades of up to 1% U₃O₈ reported from broad spaced exploration drilling. An maiden inferred resource of 6.3Mt @ 493ppm for 6.9Mlb U₃O₈ has been defined.
- A strong management team has the depth of experience and skills necessary to advance both flagship projects. Ongoing support from major shareholder OZ Minerals is also positive.

Summary

TOE is a uranium focused developer and explorer, with a strong management team and well positioned to become Australia's next uranium producer, with a portfolio of exploration projects.

Wiluna – Both Federal and State Government approval has been awarded for the Wiluna Project. The next steps for TOE involve completing the engineering studies that will feed into the Definitive Feasibility Study (DFS) and to secure funding.

At this stage the capital costs are estimated at \$269M and cash costs at US\$37/lb. Mine life from the calccrete hosted resource is 14 years, with production at 1.8Mlb U₃O₈ pa.

A final investment decision is expected late in 2013, with production in 2015/16.

Theseus is an exciting new exploration prospect that has the potential to be a major project, more drilling is both required and warranted.

Catalysts

Decision to Mine – likely to be made late in CY13

Project Financing – Financing is likely to be arranged in conjunction with an off-take agreement in late CY13.

Risks: Continued negative sentiment towards the uranium sector and a static spot price increase the challenge for TOE to raise the funds required for both Wiluna and Theseus.

Investment Summary: TOE has a \$12m Convertible Debt Facility that is sufficient to complete the DFS and final engineering studies on Wiluna. Securing project finance will be TOE's next hurdle, with success a positive catalyst.

We see that a Wiluna sourced off-take contract being from a stable country will enable TOE to attract the majority of required project funding. Raising the equity component of the funding is likely to be conducted in late 2013 to early 2014, a period when we expect uranium prices to improve.

An investment into TOE at this stage would be seen as speculative, although we would expect the stock price to appreciate as the development of Wiluna gathers momentum and the uranium price improves.

Recommendation

Speculative Buy

Risk Rating	Very High
Current Share Price	\$0.13
12 Month High/Low	\$0.06/\$0.15
Cash (31 December 2012)	A\$4.7m*
Market capitalisation	\$135m
Market turnover - average	1.4m shares/day

* In the March Qtr TOE drew down \$8m of a \$12m convertible debt facility. Following the approval of Wiluna the remaining \$4m is available.

Board

Dr Erica Smyth (Chairman) 30+ years in minerals and petroleum industries

Vanessa Guthrie (MD) Extensive executive & management experience in Western Australia resources sector.

Peter Lester (Non-Exec) Held a number of senior operating, development and corporate roles with Newcrest, North, CRA and MIM

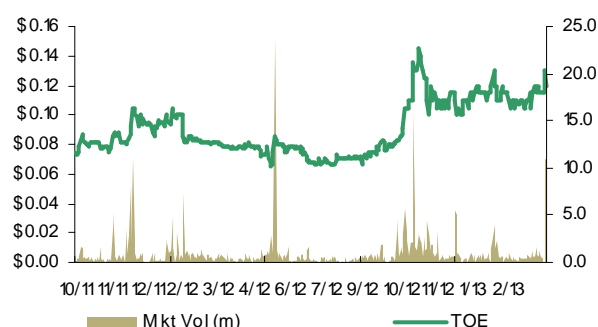
Greg Hall (Non-Exec) 30+ years resource sector experience, including 21 years uranium (Ranger, Jabiluka & Olympic Dam) and uranium marketing (ERA North America)

Andrew Coles (Non-Exec) Currently CFO of OZL, previously

Major Holders

OZ Minerals (OZL)	410.26m	39.37%
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TOE Share Price Graph



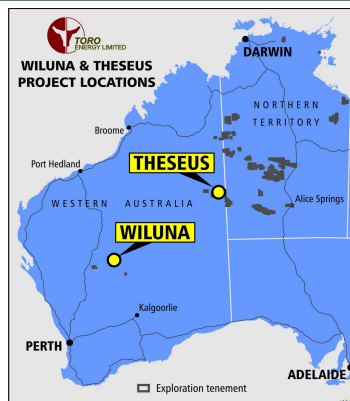
Source: Iress

Development Asset – Wiluna (WA) 100%

Wiluna is one of the most advanced uranium projects in Western Australia. With construction potentially commencing in 2014 it is likely to be the first uranium mine in WA.

TOE Main Project Localities

In addition to Wiluna and Theseus TOE has exploration projects in the uranium rich regions of Northern Territory and Namibia.



Source: Company Report

Successful trial mining shows that feedstock can be upgraded

The current JORC Resource is 54Mlbs at 441ppm U_3O_8 , the mineralisation is calcrete hosted.

Trial mining of the ore body was successfully completed in 2011, with the use of in pit continuous miners and GPS/gamma loggers to selectively mine higher grade material, producing a 720ppm ROM product.

The pits are generally <10m deep, with in pit storage of tailings and progressive rehabilitation following extraction of the ore.

A 15t sample taken during the trial mining was used to run a processing trial, through a fully integrated pilot plant. The results showed that an 85% recovery rate is possible using conventional alkaline tank leaching methods.

A PFS was completed in 2009 and then revised in November 2012, the key changes were a scaling back in the plant size and increases in the head grade.

Capex and Opex estimates

The 1.3mtpa capacity processing plant is estimated to cost A\$269m, C1 cash costs are estimated at US\$37/lb. Final cost estimates will be provided as part of the current DFS, with the results expected in 3QCY12.

Production is estimated at 1.8Mlb U_3O_8 pa over a minimum 14 year mine life, with extensions up to 20 years possible.

Project Timeline

Construction is scheduled to commence in 2014 with first production in 2015/2016. Now that Federal and State Government approvals have been awarded the biggest risk to the project will be project financing

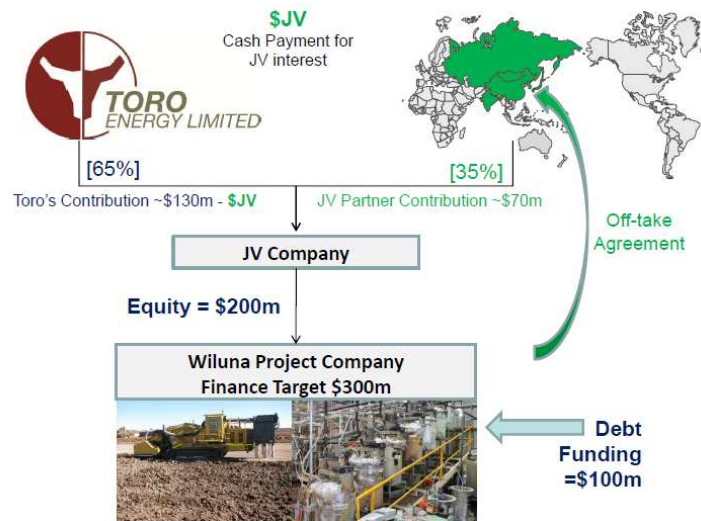
The remaining State and Federal approvals are expected to be granted during 3QCY12. The approval process has taken 2.5 years to date.

Funding Mix

The proposed funding mix will be approximately \$200m from equity (TOE 65% \$130m, JV Partner 35% \$70m) and \$100m of debt funding. TOE has been in discussion with several corporate customers on JV arrangements.

TOE has been working on JV Funding for sometime

Proposed Funding Split For Wiluna



Source: Company Presentation

At the current uranium prices the operational margin is likely to be limited, making the raising of funds in the current equity markets an issue. The more positive longer term view on uranium pricing used by utilities will make it easier to seek funds as part of an off-take agreement.

Catalysts

Wiluna Next stages:

- DFS results July/August 2013
- Project financing Late 2013 to early 2014
- Signing off take agreements in conjunction with project financing

Exploration Asset – Theseus (WA) 100%

Theseus is a greenfields discovery of potential In Situ Recovery (ISR) grade uranium mineralisation made in 2009, with significant exploration potential remaining. The mineralisation is potentially amenable to In Situ Recovery (ISR) mining.

The mineralisation is contained within Tertiary sediments of the Ngalia Basin and is within a sequence of oxidised and reduced clays and sands.

High grade results

TOE recently announced some high grade drilling results, with a standout 0.82m @ 1.14% (11,400ppm) U_3O_8 from 124m. The drilling remains broad spaced exploration style with a large sections of the prospect untested. Mineralisation remains open in a number of directions.

An exploration target of 22-44Mlbs grading 400-500ppm U_3O_8 has been reported by TOE. This is based on the drilling to date and is conceptual in nature. An ISR mining method is probable.

Based on disequilibrium studies (using 47 closed canister samples) a positive disequilibrium factor of 35% was calculated. This has the potential to increase the grade of the gamma logged holes. For higher grade samples, those greater than 300ppm the disequilibrium factor is 54%.

Initial recoveries look promising

Initial Bottle Roll extraction results were positive with recoveries of >95% within 4 hours.

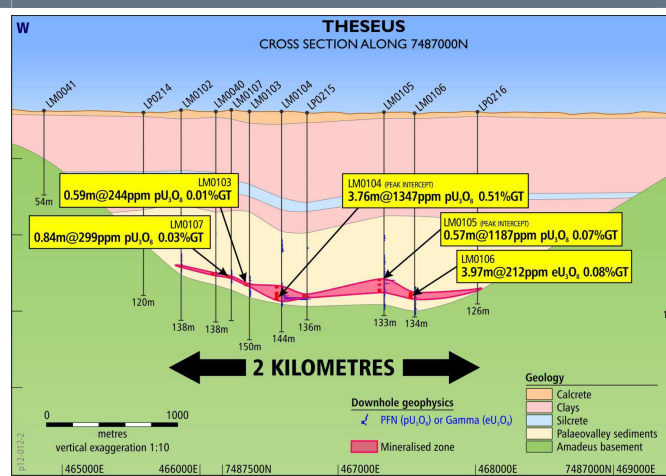
At this early stage two styles of mineralisation models are proposed;

- Palaeovalley confined style, drawing similarities with the 4 Mile East deposit at Beverley (South Australia). The resource at 4 Mile East is 29Mlb U_3O_8 . The area identified at Theseus with that fits this model is in the Southern Zone, drilling in this area remains at 100x600m spacing.
- Broader rollfront style, similar to the Kazakhstan model has been postulated in the northwest of the project, with at least two rollfronts modelled. These have 'strike lengths' of 500m and 1000m. Additional drilling is required to locate the high nose of the roll fronts.

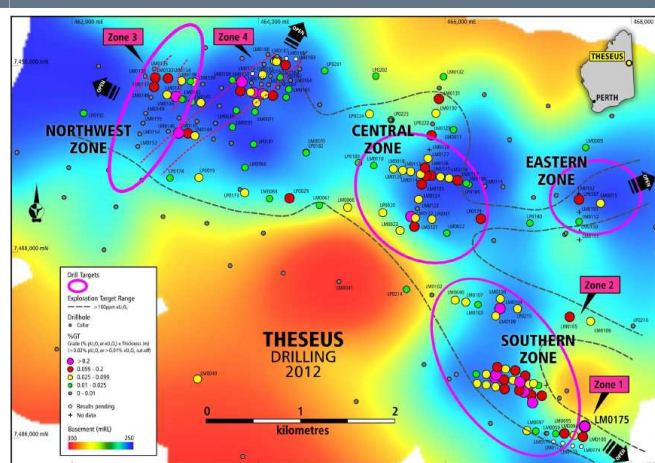
A program of cored drilling was recently completed and analysis is underway to obtain lithological, density, grade and porosity information.

Maiden Resource

A maiden inferred resource of 6.9Mlbs at 493ppm U_3O_8 was released in December 2012, with an exploration target estimated at 28-40Mlbs (@ 450-520ppm).

Theseus Cross Section – highlighting 2km width

Source: Company Report

Theseus Plan View – highlighting multiple mineralised zones

Source: Company Report

Convertible Funding Agreement

1st drawdown of \$8m completed, conditions for remainder satisfied

In November 2012 TOE secured a A\$12m convertible debt facility with Macquarie Bank. The Facility is a secured loan with a term of 3 years from the initial drawdown, \$8m was drawn down in April 2013. Draw down of the remaining \$4m is conditional on final regulatory approval for Wiluna being awarded. The interest rate is based on Australian Bank bill rate plus a fixed margin. As part of the funding agreement TOE will issue Macquarie with options exercisable at a 20% premium to TOE's price at the time of issue and if exercise will raise funds equivalent to \$12m

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PhillipCapital Investment View is based on an absolute 1-year total return equal to capital appreciation plus yield.

Buy	Hold	Sell
>20%	20% – 5%	<5%

A Speculative recommendation is when a company has limited experience from which to derive a fundamental investment view.

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