

# QUARTERLY

## ACTIVITIES REPORT

for period ending:

# 30 September 2014



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### CORPORATE

- Cash at end of the quarter was \$5.4 million.

### WILUNA URANIUM PROJECT (WA)

- 2014 drilling results included the highest ever recorded intersections in the Millipede deposit, and evidence of continuous mineralisation at Lake Way, Millipede, Centipede and Lake Maitland, providing confidence in the proposed high grade mining strategy.
- Significant levels of positive disequilibrium of at least 1.2 determined for three of the Wiluna deposits.
- Environmental Scoping Document approved for public release by West Australian Environmental Protection Authority as next stage in assessment of mining at Millipede and Lake Maitland.
- Initiated process improvement investigations targeting high cost components of the processing facility.

### URANIUM MARKET

- Lead spot price indicator gained steadily during the quarter finishing up US\$7.30/lb to stabilise at US\$35.50/lb.
- The long term price indicator remained steady in the September 2014 quarter increasing US\$1.00/lb to US\$45.00/lb.
- Australia and India signed a Nuclear Civil Cooperation Agreement on 5 September, enabling Australian uranium exports to India and opening a new potential market.
- Applications for the restart the Sendai reactors 1 and 2 in Japan were subjected to public consultation and passed through the final regulatory hurdles during the quarter.

### EXPLORATION

- JV's signed with Areva Australia on Wiso exploration ground and with Rum Jungle Resources on Lake Mackay potash deposit
- Continued rationalisation and consolidation of Greenfields exploration ground in Western Australia and Northern Territory.

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## 1. Corporate

During the quarter the share price moved significantly on announcements of positive disequilibrium results for the Wiluna Project, Toro's Managing Director accompanying the Australian Prime Minister Abbott's trade delegation to India and the signing between Australia and India of a Nuclear Civil Cooperation Agreement.

As at 30 September 2014 Toro had \$5.4 million cash on hand.

## 2. Uranium Market

Spot uranium price regained some of its June quarter losses during the period trading from its lowest price of US\$28.2/lb to recover and stabilise in the range US\$35/lb to US\$36/lb. The trading activity that encouraged this price recovery was modest but steady, with some consistent volumes through September. Demand and trading volumes remain low, however some positive sentiment appears to be returning to the sector.

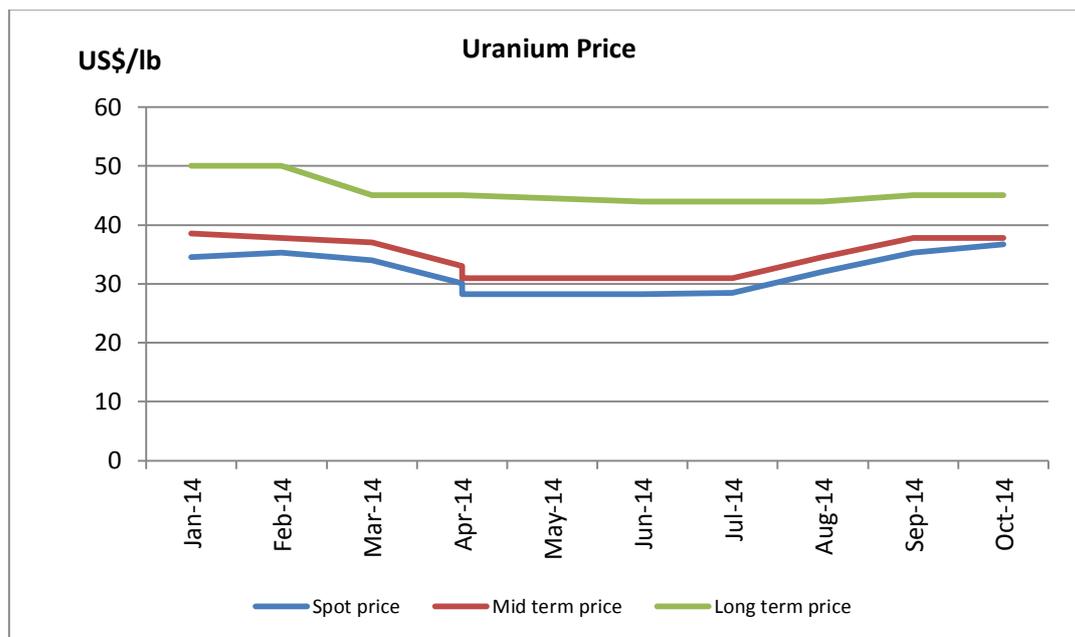


Figure 1: 2014 Uranium Price - 30% increase in spot price June 2014 through October 2014

Source: TradeTech

The medium to long term demand outlook remains positive with the emerging economies committed to significant growth in reactor build out programs. In particular, India's expected growth in its nuclear power sector was given a boost during the quarter with the signing of the Nuclear Civil Cooperation Agreement between Australia and India. This opens up the opportunity of a new uranium export market for Australian uranium. China continues to add capacity with a further reactor being commissioned during the quarter, the fifth reactor this year. Construction of a further 29 remains underway.

After the end of the quarter, Kyushu Electric Power Co. Inc. was given all local and national approvals to allow the re-start of the Sendai 1 and 2 reactors in southern Japan. The re-start timetable is now with the Nuclear Regulation Authority, and it is expected that re-starts will occur in first quarter 2015.

## 3. Wiluna Uranium Project (WA)

### 3.1. Project Update

Toro continues to work on ensuring the Wiluna project can be financed and brought into production as quickly as possible as the uranium market improves and subject to achieving uranium pricing conditions that support development. The Company is focussing on a review of the resource in light of the recent disequilibrium results, continuing negotiations on a mining agreement with the Traditional Owners, progressing the Millipede/Lake Maitland environmental approvals and undertaking internal engineering studies to improve the project configuration, capital and operating cost estimates.

### 3.2. Resource

The results of Toro’s largest ever drilling program and mining block evaluations were released in the September quarter. Initial drilling results included intersections of the highest ever recorded grades of uranium mineralisation at the Millipede deposit and represented a significant improvement in the previously reported results. Further analysis, supported by Independent Engineer review, indicated continuous mineralisation in the first four deposits proposed to be mined, increasing the Company’s confidence in the proposed high grade operating strategy in the currently modelled mining schedules supporting the Project economic model.

The drilling program involved the selection of an area 100 metres long and 100 metres wide on each of Centipede, Millipede, Lake Maitland and Lake Way for close spaced drilling. Within each grid drill holes were spaced 5 metres apart to test for short range variability. In all, 1,639 holes were drilled for 16,375 m of which 71 holes for 644 m were sonic core, the remaining being aircore. Mining blocks were modelled for the analysis for all four areas, an example of one of these models is shown in Figure 1 (Lake Maitland deposit). The study, has significantly enhanced our geological understanding of the uranium mineralisation.

Results of the disequilibrium analysis of uranium samples taken during the 2013 drilling campaign were also announced during the quarter. Significant levels of positive disequilibrium have been identified by the Australian Nuclear Science and Technology Organisation in three of the Wiluna deposits. The analysis also showed that a disequilibrium factor of at least 1.2 may be applied to gamma results used to estimate existing Mineral Resources for the Wiluna Uranium Project, with the exception of the Lake Maitland deposit. Further work is required to evaluate the magnitude and extent of the positive disequilibrium, and assess how to incorporate the findings into the Mineral Resource estimation process.

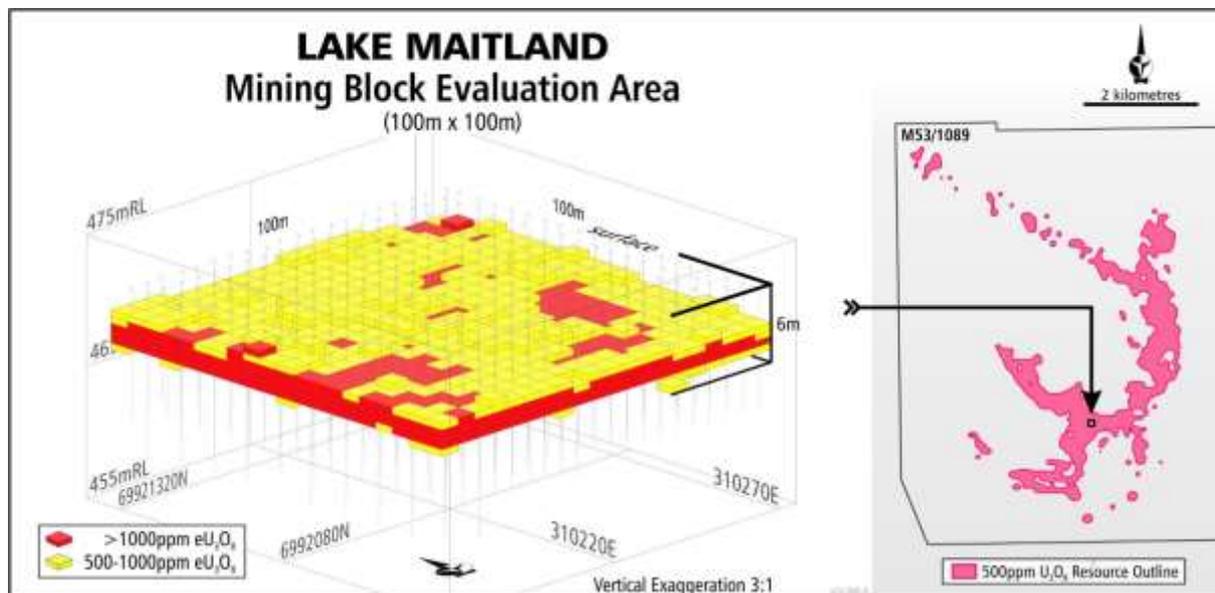


Figure 2: Lake Maitland Mining Block Evaluation Area, 2014 Resource Drilling

### 3.3. Approvals and Community

The Western Australian Environmental Protection Authority (EPA) approved the Environmental Scoping Document (ESD) for assessment of mining at Millipede and Lake Maitland for public release during September. Subsequent to the end of the quarter, the ESD was released for a two week public comment period. The EPA has set the level of assessment at Public Environmental Review (PER). The ESD establishes the environmental studies necessary to complete the PER. The PER will be open for public review for a 12 week period and Toro is planning its publication in the first half of 2015.

Mining agreement negotiations with the Wiluna Native Title Holders are continuing, with progress towards commercial terms now being made. Few issues remain outstanding and a final mining agreement is expected to be completed early in 2015. Toro also continued discussions with the Barwidgee People (Lake Maitland region) on heritage and business development matters which are pertinent to the development and approval of that deposit.

Toro continues to be active in the Wiluna community, participating in a Careers Expo organised under the auspices of the Wiluna Regional Partnership Agreement during September. More than 30 companies, government agencies and other organisations provided information on career opportunities to students from Wiluna and Leonora.

### **3.4. Engineering**

Toro is focussing on improving the capital and operating cost of the project. In particular, efficiencies in the processing flowsheet are being targeted, including the application of available technologies that have the potential to decrease the size of components of the processing facility and improve reagent use. If successful, this program will decrease the capital and operating cost of the processing facility.

## **4. Exploration**

In September, Toro signed a Joint Venture agreement with Areva Australia for exploration over the highly prospective Wiso Basin which is a basin sized uranium mineralisation system, capable of hosting multiple deposits amenable to in situ recovery operations. Drilling under this Joint Venture will commence early in 2015. A JV agreement was also signed with Rum Jungle Resources for Toro's potash resource at Theseus.

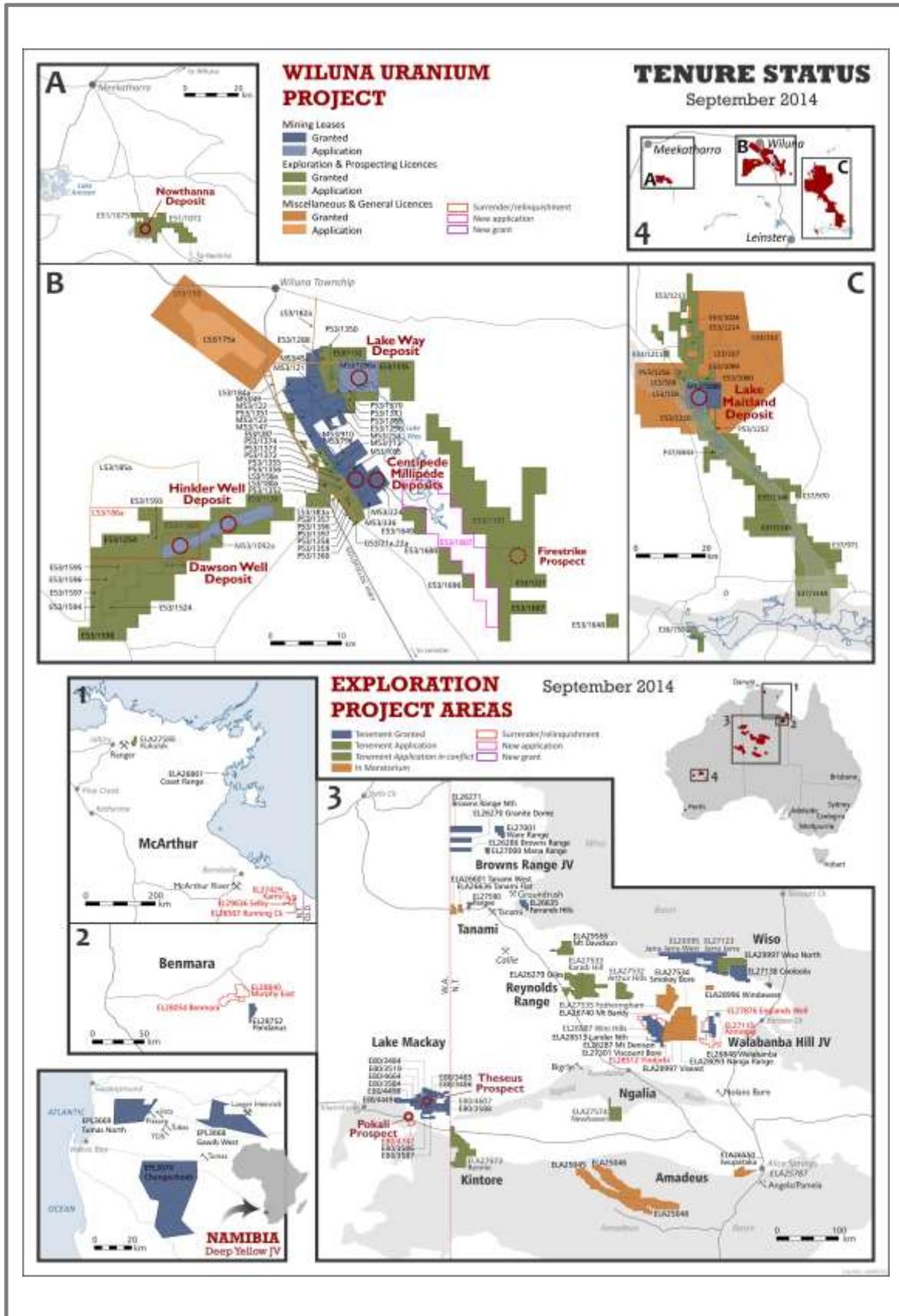
Consolidation of all exploration ground into three core regions - the Wiso Basin Project, the Reynolds Range Project and the Theseus Project is ongoing.

## **5. Tenement Movements**

An updated tenement status map is attached at Appendix 1.

Tenement movement details are included in Appendix 5B attached to this report.

# APPENDIX I: Tenement Status Map



## APPENDIX 2: Wiluna Uranium Project Resource Table<sup>1, 2</sup>

Current Resources Table Wiluna Uranium Project In accordance with JORC 2012									
DEPOSIT	U3O8 cutoffs	Measured		Indicated		Inferred		TOTAL	
		200 ppm	500 ppm	200 ppm	500 ppm	200 ppm	500 ppm	200 ppm	500 ppm
Centipede	Mt's	2.9	1.2	7.5	3.1	0.0	0.0	10.4	4.3
	Grade ppm	551	872	572	943	0	0	567	923
	Mlb's U3O8	3.5	2.4	9.5	6.5	0.0	0.0	13.0	8.8
LakeWay	Mt's	0.0	0.0	10.3	4.2	0.0	0.0	10.3	4.2
	Grade ppm	0	0	545	883	0	0	545	883
	Mlb's U3O8	0.0	0.0	12.3	8.2	0.0	0.0	12.3	8.2
Millipede	Mt's	0.0	0.0	4.5	1.6	1.9	0.4	6.4	1.9
	Grade ppm	0	0	530	956	382	887	486	943
	Mlb's U3O8	0.0	0.0	5.3	3.3	1.6	0.7	6.9	4.0
Lake Maitland	Mt's	0.0	0.0	19.9	7.5	0.0	0.0	19.9	7.5
	Grade ppm	0	0	555	956	0	0	555	956
	Mlb's U3O8	0.0	0.0	24.3	15.7	0.0	0.0	24.3	15.7
<b>Sub-total</b>	<b>Mt's</b>	<b>2.9</b>	<b>1.2</b>	<b>42.2</b>	<b>16.3</b>	<b>1.9</b>	<b>0.4</b>	<b>47.0</b>	<b>17.9</b>
	<b>Grade ppm</b>	<b>551</b>	<b>874</b>	<b>553</b>	<b>934</b>	<b>382</b>	<b>887</b>	<b>546</b>	<b>929</b>
	<b>Mlb's U3O8</b>	<b>3.5</b>	<b>2.4</b>	<b>51.4</b>	<b>33.7</b>	<b>1.6</b>	<b>0.7</b>	<b>56.6</b>	<b>36.7</b>
Dawson Hinkler	Mt's	0.0	0.0	8.4	0.9	5.2	0.3	13.6	1.1
	Grade ppm	0	0	336	596	282	628	315	604
	Mlb's U3O8	0.0	0.0	6.2	1.1	3.2	0.4	9.4	1.5
Nowthanna	Mt's	0.0	0.0	0.0	0.0	11.9	2.3	11.9	2.3
	Grade ppm	0	0	0	0	399	794	399	794
	Mlb's U3O8	0.0	0.0	0.0	0.0	10.5	4.1	10.5	4.1
<b>Total Regional Resource</b>	<b>Mt's</b>	<b>2.9</b>	<b>1.2</b>	<b>50.6</b>	<b>17.2</b>	<b>19.0</b>	<b>2.9</b>	<b>72.5</b>	<b>21.3</b>
	<b>Grade ppm</b>	<b>551</b>	<b>874</b>	<b>519</b>	<b>915</b>	<b>365</b>	<b>791</b>	<b>479</b>	<b>898</b>
	<b>Mlb's U3O8</b>	<b>3.5</b>	<b>2.4</b>	<b>57.6</b>	<b>34.8</b>	<b>15.3</b>	<b>5.1</b>	<b>76.5</b>	<b>42.3</b>

### Competent / Qualified Persons' Statements

The information presented here that relates to mining block model evaluations and reconciliations for the four 100 m x 100 m evaluation areas at Centipede, Millipede, Lake Way and Lake Maitland is based on information compiled by Dr Greg Shirliff and Mr Sebastian Kneer of Toro Energy Limited and Mr Daniel Guibal of SRK Consulting (Australasia) Pty Ltd. The review of the mining operability for the 100 m x 100 m-evaluation areas was conducted by independent mining engineer Mr Carl Murray of SRK Consulting (Australasia) Pty Ltd. Mr Guibal takes overall responsibility for the resource estimates of the individual evaluation areas and Dr Shirliff takes responsibility for the integrity of the data supplied for the estimations. Dr Shirliff and Mr Murray are Members of the Australasian Institute of Mining and Metallurgy (AusIMM), Mr Guibal is a Fellow of the AusIMM and Mr Kneer is a Member of the Australian Institute of Geoscientists (AIG) and they have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity they are undertaking to qualify as Competent Persons as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2012)'. The Competent Persons consent to the inclusion in this release of the matters based on the information in the form and context in which it appears.

It is important to note that there has been no material change to the resources of the Wiluna Project since the last reporting of the Wiluna Project's resources on the 20<sup>th</sup> November 2013. As such the competent/qualified persons' statement for stated resources on the Wiluna Project remains as follows:

The information presented here that relates to Mineral Resources of the Centipede, Millipede, Lake Way, Lake Maitland, Dawson Hinkler and Nowthanna deposits is based on information compiled by Dr Greg Shirliff of Toro Energy Limited (with the aid of Mega Uranium Limited geologists Mr Stewart Parker and Mr Robin Cox in the case of Lake Maitland) and Mr Robin Simpson and Mr Daniel Guibal of SRK Consulting (Australasia) Pty Ltd. Mr Guibal takes overall responsibility for the Resource Estimate, and Dr Shirliff takes responsibility for the integrity of the data supplied for the estimation. Dr Shirliff is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM), Mr Guibal is a Fellow of the AusIMM and Mr Simpson is a Member of the Australian Institute of Geoscientists (AIG) and they have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity they are undertaking to qualify as Competent Persons as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2012)'. The Competent Persons consent to the inclusion in this release of the matters based on the information in the form and context in which it appears.

<sup>1</sup> Refer to Competent Persons' Statement in this report. It can be confirmed that there has been no material change to resources of the Wiluna Project since the last reporting of the Wiluna Project's resources on the 20 November 2013.

<sup>2</sup> Tonnes and pounds are quoted to one decimal place which may cause rounding errors when tabulating.

**APPENDIX 5B**  
**Mining exploration entity quarterly report**

**TORO ENERGY LTD**

ABN. 48 117 127 590

Quarter ended  
**September 2014**

**Consolidated statement of cash flows (Note 6.0)**

	Current quarter	Year to date (3 months)
	\$A'000	\$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(1,211)	(1,211)
(b) development	-	-
(c) production	-	-
(d) administration	(247)	(247)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	62	62
1.5 Interest and other costs of finance paid	(375)	(375)
1.6 Income taxes paid	-	-
1.7 Other	-	-
<b>Net Operating Cash Flows</b>	<b>(1,771)</b>	<b>(1,771)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(13)	(13)
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	-	-
<b>Net Investing cash flows</b>	<b>(13)</b>	<b>(13)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(1,784)</b>	<b>(1,784)</b>
1.13 Total operating and investing cash flows (brought forward)	<b>(1,784)</b>	<b>(1,784)</b>
<b>Cash flows related to financing activities</b>		
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 (Costs of share issue)	-	-
<b>Net financing cash flows</b>	<b>-</b>	<b>-</b>
<b>Net increase (decrease) in cash held</b>	<b>(1,784)</b>	<b>(1,784)</b>
1.20 Cash at beginning of quarter / year to date	7,151	7,151
1.21 Exchange rate adjustments to item 1.20	-	-
1.22 <b>Cash at end of quarter</b>	<b>5,367</b>	<b>5,367</b>

<b>Payments to directors of the entity and associates of the directors related entities of the entity and associates of the related entities</b>		Current quarter \$A'000
<b>1.23</b>	Aggregate amount of payments to the parties included in item 1.2	139
<b>1.24</b>	Aggregate amount of loans to the parties included in item 1.10	-
<b>1.25 Explanation necessary for an understanding of the transactions</b>		
Directors' fees, wages, expenses and superannuation for the quarter		
<b>Non-cash financing and investing activities</b>		
<b>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</b>		
Nil		-
<b>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</b>		
Nil		

<b>Financing facilities available</b>	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities (A\$12m debt facility)	-	12,000
3.2 Credit standby arrangements	-	-

<b>Estimated cash outflows for next quarter</b>	\$A'000
4.1 Exploration and evaluation:	946
4.2 Development	-
4.3 Production	-
4.4 Administration	905
Total	1,851

<b>Reconciliation of cash</b>		
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	1,167	1,051
5.2 Deposits at call	4,200	6,100
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>	<b>5,367</b>	<b>7,151</b>

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	See Annexure 1		

#### Issued and quoted securities at end of current quarter

	Total number	Number quoted	Issue price per security (cents)	Amount paid up per security (cents)
7.1 <b>Preference securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>Ordinary securities</b>	1,567,784,418	1,567,784,418	Fully paid	Fully paid
7.4 Changes during quarter (a) Increases through issues  (b) Decreases through returns of capital, buy-backs	2,292,260	2,292,260	<i>Fully paid</i>	<i>Fully paid</i>
7.5 <b>Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>			<u>Exercise Price</u>	<u>Expiry Date</u>
	4,120,000		\$0.22	2/02/2015
	24,390,244		\$0.12	1/11/2015
	3,680,000		\$0.22	3/01/2016
	5,000,000		\$0.22	11/01/2016
	1,000,000		\$0.30	11/01/2016
	35,714,286		\$0.08	7/03/2016
	42,253,521		\$0.14	7/03/2016
	250,000		\$0.15	25/05/2016
	250,000		\$0.22	25/05/2016
	750,000		\$0.11	30/06/2016
	500,000		\$0.22	30/06/2016
	750,000		\$0.25	30/06/2016
	9,300,000		\$0.13	31/07/2016
	225,000		\$0.13	25/08/2016
	5,750,000		\$0.11	16/01/2017
<b>Performance Rights</b>				
	8,335,492		\$0.00	30/09/2016
	2,778,868		\$0.00	1/07/2015
7.8 Issued during quarter <b>Performance Rights</b>				
	12,503,238		\$0.00	30/09/2016
	2,778,868		\$0.00	1/07/2015

7.9	Exercised during quarter <b>Performance Rights</b>	2,292,260		\$0.00	30/09/2016
7.10	Cancelled during quarter (expired) <b>Performance Rights</b>	1,875,486		\$0.00	30/09/2016
7.11	<b>Debentures</b> (totals only)				
7.12	<b>Unsecured notes</b> (totals only)				

**Compliance statement**

- 1.0 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).
- 2.0 This statement does give a true and fair view of the matters disclosed.



Sign here:.....  
Company Secretary

Date: 30 Oct 2014

Print name: TODD ALDER .....

**Notes**

- 1.0 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.
- 2.0 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.
- 3.0 **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.
- 4.0 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5.0 **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.

**ANNEXURE 1**

## Changes in interest in mining tenements

Tenement reference	Nature of interest	Interest at beginning of quarter*	Interest at end of quarter
EL28567	Surrendered in full	100%	0%
EL28512	Surrendered in full	100%	0%
E80/4747	Surrendered in full	100%	0%
EL27429	Surrendered in full	100%	0%
EL27876	Surrendered in full	100%	0%
EL26987	Partial Surrender - 69 blocks surrendered - 149 blocks remaining	100%	100%
EL29396	Surrendered in full	100%	100%
EL27301	Partial Surrender - 41 blocks surrendered - 87 blocks remaining	100%	100%
ELA26634	Sold	100%	0%
ELA27119	Sold	100%	0%
ELA27589	Sold	100%	0%
EL27115	Partial Surrender - 115 blocks - 9 blocks remaining	100%	100%
E80/3837	Surrendered in full	100%	0%
E53/1807	New Tenement	0%	100%