


BBY Company Research		26 February 2015	
Toro Energy Limited			
TOE	A\$0.083	TARGET PRICE	A\$0.10
		BUY	0.0X
Toro Energy Limited (TOE) is a uranium exploration and production company. The Company was formed through the amalgamation of the uranium interests of Oxiana Limited and Minotaur Exploration Limited in South Australia.		Gavin van der Wath +61 407 106 629 gww@bby.com.au	





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On your mark

The deal with The Sentient Group has boosted Toro Energy Limited's (TOE) cash balance to AUD25.2M with a further AUD2.5M expected in a second tranche. This establishes TOE as the most advanced and well-funded uranium exploration and development company listed on the ASX, if not globally. This will enable the company to schedule final preparation of the Wiluna Project development to coincide with the expected upturn in the uranium market.

We maintain our BUY recommendation and maintain our 12-month target price of AUD0.10/sh.

- TOE already has the environmental approvals from the WA and Federal governments for a processing facility and mining on both the Centipede and Lake Way deposits. The board of the WA EPA has approved the Environmental Scoping Document for the Wiluna Project extension, which integrates the Millipede and Lake Maitland deposits.
- The Subscription and Securities Sale Agreement (SSSA) has been completed with The Sentient Group. At this stage 93.8M shares have been issued for AUD7.5M, and 177.4M shares have been issued for Sentient's Strateco stake. The outstanding balances of 31.3M shares for AUD2.5M and 59.1M consideration shares are to be issued upon agreed conditions with Sentient being met, or waived by TOE.
- Under the Unitisation Agreement TOE has received AUD10M for R&D activities at the Wiluna Project in return for a royalty of 2.5% of revenue. The agreement can be terminated after 3 years and the unitisation fee paid out in cash or TOE shares based on fair market value at TOE election.
- TOE and Sentient have established a Technical Committee to manage the research and development work. The mandate of the committee is to explore opportunities to enhance and optimize the process design, project configuration and operating and capital cost structure for the Wiluna Project
- The latest funding has also prompted a flurry of board changes with the outgoing chairman, Erica Smyth, replaced by Fiona Harris. Founding MD and current non-exec director, Greg Hall, has resigned to concentrate on his current MD position at Hillgrove Resources. Michel Marier (Sentient) and John Cahill will replace non-exec directors, Andrew Coles and Peter Lester. It is also anticipated that one of Mega Uranium's two directors will resign in the coming months. The board changes are in line with changes in shareholdings and company strategy.

Company Data

Number of shares	1,904M
Market capitalisation	\$158M
Free Float (%)	38.4
12 month high/low	\$0.13/\$0.06
Average monthly turnover	\$3M
% S&P/ASX 200	n/a
% All Ordinaries	n/a
DDM Ranking	n/a
ESG Score (Ranking)	10.3 (239/331)
GICS Industry Group	Energy

BBY vs Consensus

	BBY FY1	Consensus FY1	% Difference
EBITDA (\$m)	0.0		
NPAT (\$m)	0.0		
EPS (c/sh)			

BBY Technical View – as at 25/02/2015

Short Term	Uptrend	Resistance	\$0.089
Long Term	Uptrend	Support	\$0.083

Earnings summary (AUD)

Year end June	2012A	2013F	2014F	2015F
DPS (¢)	0.0	0.0	0.0	0.0
Franking (%)	0.0	0.0	0.0	0.0

TOE Share Price Performance



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Contact with TOE has been made during the preparation of this report for assistance with verification of facts.

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Underperform – Describes stocks that we expect to provide a total return (price appreciation plus gross yield) of less than 10% within a 12-month period.

NR – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or BBY Limited policies.

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Secondary recommendation - Market weight relative to the S&P/ASX 300 under a weighting range of 0-3, with intervals of 0.5 (7 point scale). 1.0 indicates a market weight position in the stock while a weight over 1.0 indicates an overweight position and the current level of analyst conviction.

Monitor – Describes stocks whose company fundamentals and financials are being monitored, or for which no financial projections or opinions on the investment merits of the company are provided.

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Free Float (float / current shares outstanding) *100 – This float figure is the number of shares that are available to the public and is calculated by subtracting the shares held by insiders and those deemed to be stagnant shareholders. Stagnant holders include ESOP's, ESOT's, QUEST's, employee benefit trusts, founding shareholder equity stake plus senior management equity stake, corporations not actively managing money, venture capital companies and shares held by Governments.

Terminal Value methodology - BBY's Discounted Cash Flow (DCF) valuation applies a terminal growth rate to the last forecast year's cash flow and discounts the amount using Weighted Average Cost of Capital (WACC). The Terminal Value is tested using ASX-listed company multiples. For resource companies there is no terminal value because cashflows are forecast to the end of mine life.

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