

# QUARTERLY ACTIVITIES REPORT

for period ending:  
**30 September 2016**

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## 1. HIGHLIGHTS

1. The WA Environmental Protection Authority (EPA) has recommended ministerial approval of the extension to the Wiluna Uranium Project.<sup>1</sup>
2. Outstanding beneficiation and leach testwork results highlight opportunities for a new project design for the Wiluna Uranium Project to be investigated with potential significant operating and capital cost benefits.
3. For the quarter ending September 2016 spot and long-term uranium prices closed at US\$23.75/lb and US\$38.00/lb respectively.
4. Cash balance at end of the quarter was \$9.3M.

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## 2. Corporate and Finance

The quarter end closing cash balance was \$9.3M.

The Company released its Full Year Statutory Accounts on 2 September 2016 and its Annual Report on 14 October 2016.

The Company's Annual General Meeting has been set for 17 November 2016 with the notice of meeting materials distributed on 14 October 2016

Tim Netscher resigned from the board, effective 1 September 2016, due to his increasing commitments to others ASX listed boards. John Cahill has assumed the role of Chairman. Mr Cahill was appointed to the board 5 January 2015 and held the role of interim Chairman from 1 July 2015 to 1 November 2015.

## 3. Uranium Market

Positive demand news was released in The World Energy Council's 'World Energy Resources' report which notes that the 10 GWe of new nuclear capacity brought online globally in 2015 has been the highest annual increase achieved in the last 25 years. The majority of the development of nuclear power is concentrated in a relatively small group of countries; China, South Korea, India and Russia account for 40 of the 65 reactors under construction. In other

parts of the world the USA have four reactors under construction, Europe five, the United Arab Emirates four with single reactors under construction in Pakistan, Argentina, Brazil, Ukraine and Belarus.

Saudi Arabia's plan to pursue a nuclear power program is drawing the attention of nuclear energy companies China National Nuclear Corp and Rosatom with the Middle East nation planning to construct 16 commercial reactors over the next 20 years at a cost of about US\$100 billion. The first reactor is expected to come on line in 2022.

The Japan Times reported pro-nuclear power candidate Kiyohiko Takakado was elected mayor of Ikata, Ehime Prefecture, Japan in a landslide in which he gained nearly seven times the total votes cast for his anti-nuclear power opponent, Naohito Nishii. Ikata is home to Shikoku Electric Power Co.'s Ikata Unit 3 nuclear power plant, which restarted in August 2016.

For the quarter ending September 2016 spot and long-term uranium prices closed at US\$23.75/lb and US\$38.00/lb respectively.

## 4. Wiluna Uranium Project (Western Australia)

### 4.1. Approvals and Community

On 6 September, the WA EPA released its report and recommendations on Toro's proposed extension to the Wiluna Uranium Project through mining the Millipede and Lake Maitland deposits. The EPA recommended ministerial approval of the extension subject to 18 conditions. The assessment process commenced in early 2014 with the referral of the proposed extension of the Wiluna Project to the West Australian and Federal Governments. The assessment has been conducted under a bi-lateral agreement between the two governments.

In providing his report, the Chairman of the EPA, Dr Tom Hatton, said the EPA had considered the proposal at the *'most stringent level of environmental impact assessment - a Public Environmental Review (PER)'*. The PER attracted eight government agency, three non-government organisation and 59 individual responses as well as 2,392 pro forma submissions during a 12 week public consultation earlier in 2016. Dr Hatton said the EPA's assessment had also included a site visit and careful review of the potential impacts on seven environmental factors.

The EPA's report was open for a two-week appeal period until 20 September. Fourteen appeals were received which are now being considered by the West Australian Environmental Appeals Convenor prior to the recommendation of further advice to the Minister for Environment. Toro has responded to the Appeals Convenor's request to provide a submission on the appeals.

In July, Toro completed further documentation to support its mining agreement signed with the Wiluna /Tarlpa Native Title Holders following seven years of negotiation. As a result of this successful negotiation the mining leases over the Lake Way (M53/1090) and Dawson Hinkler (M53/1092) resources were granted during the quarter.

On 28 August, Toro attended the annual general meeting of the Barwidgee Aboriginal Corporation in Kalgoorlie. The Corporation represents Aboriginal People with an interest in land on which Toro proposes to undertake mining at Lake Maitland as part of the extension to the Wiluna Project. Toro provided an update on the Project to the Barwidgee People including plans to assist them in enabling younger members of the community to go on country and learn more about their culture and heritage. In September, Toro conducted a heritage survey at Barwidgee to clear drilling locations for nickel exploration to be conducted under its joint venture arrangement with Oz Minerals Limited.

## 5. Project Development

The beneficiation and leaching components of the Project Scoping Study being undertaken by Strategic Metallurgy were completed during the quarter.

The beneficiation studies have successfully demonstrated that a simple screen and de-slime beneficiation circuit can significantly upgrade the majority of the Wiluna feed to the proposed mill. The aim of the beneficiation test work was to identify methodologies to produce a high grade, low mass uranium concentrate as mill feed, thereby delivering greater overall operational efficiencies and reduced costs at Wiluna.

Significantly, the results show that:

- High grade mineralisation associated with fine grained sediments can be beneficiated up to 3.3 times the original grade, resulting in a reduction to 27% of its original mass, with a low 16% loss of the total uranium; and
- The beneficiation upgrades are not grade dependent; they are achieved across all grades from as low as 220 ppm U<sub>3</sub>O<sub>8</sub> to sample grades of more than 2000 ppm U<sub>3</sub>O<sub>8</sub>.

This beneficiation is best suited to clay and/or very fine grained sediment dominated lithologies, which is a significant proportion of the main Wiluna deposits. In samples where clay is not dominant, de-sliming still produced an improved result. Given the well understood benefits of de-sliming in process design, it is likely that de-sliming to remove the fine grained fraction will deliver processing efficiencies across all lithologies at Wiluna.

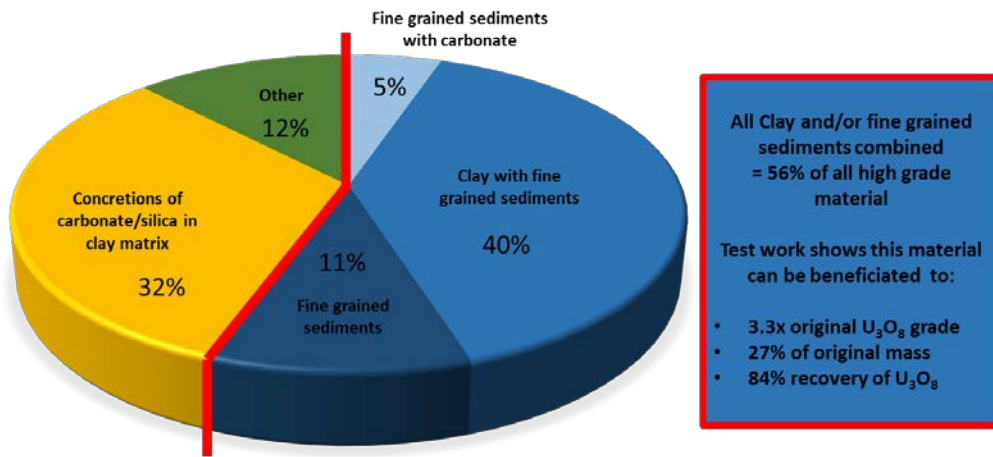
The beneficiation test work was conducted on seven drill core samples from the Centipede-Millipede and Lake Maitland deposits. Each assay was carefully selected to best represent the geology hosting the 'economic' uranium mineralisation at Wiluna (that is >500 ppm U<sub>3</sub>O<sub>8</sub>), which is considered to be close to mill feed grades.

Table 1 shows the results from all seven samples, including those with high clay content and those where carbonate concretions are dominant. Figure 1 shows the proportion of high grade mineralisation at Wiluna, according to the geology of these samples and the current geological models of the deposits.

Sample prior to beneficiation				Concentrate produced post-beneficiation		
Deposit	ID	Lithology	Head grade (ppm U <sub>3</sub> O <sub>8</sub> )	Weight compared to original (%original weight)	Beneficiated Grade (ppm U <sub>3</sub> O <sub>8</sub> )	Uranium Recovery (% original U <sub>3</sub> O <sub>8</sub> content)
Lake Maitland	Mets061	Clay with fine grained sediments	2,101	31.7%	6479	93%
Lake Maitland	Mets088	Clay with fine grained sediments	226	23.2%	823	73.2%
Lake Maitland	Mets079	Mixed sample	703	43.1%	1005	63.1%
Centipede	Mets033	Fine grained sediments	1593	28.3%	4821	89%

Centipede	Mets042	Concretions of carbonate/silica in clay matrix	1879	45.5%	3089	75%
Centipede	Mets032	Concretions of carbonate/silica in clay matrix	1319	65.5%	1513	76%
Millipede	Mets014	Fine grained sediments with carbonate	422	21.4%	1567	77%

**Table 1 – Beneficiated concentrates**



Main lithologies of the Wiluna Project as proportion of high grade ore (>500 ppm U<sub>3</sub>O<sub>8</sub>)

**Figure 1<sup>1</sup>**

The beneficiation targets the significant uranium mineralisation (carnotite) at Wiluna that is associated with a particle size range of between a fine fraction (less than 5.5 micron) and a coarse fraction (greater than 75 micron). Results indicate that a simple combination of a screen to separate the coarser fraction and the use of cyclones to separate out the finest fraction will reject a significant proportion of the mass and concentrate the majority of the uranium with minimum losses.

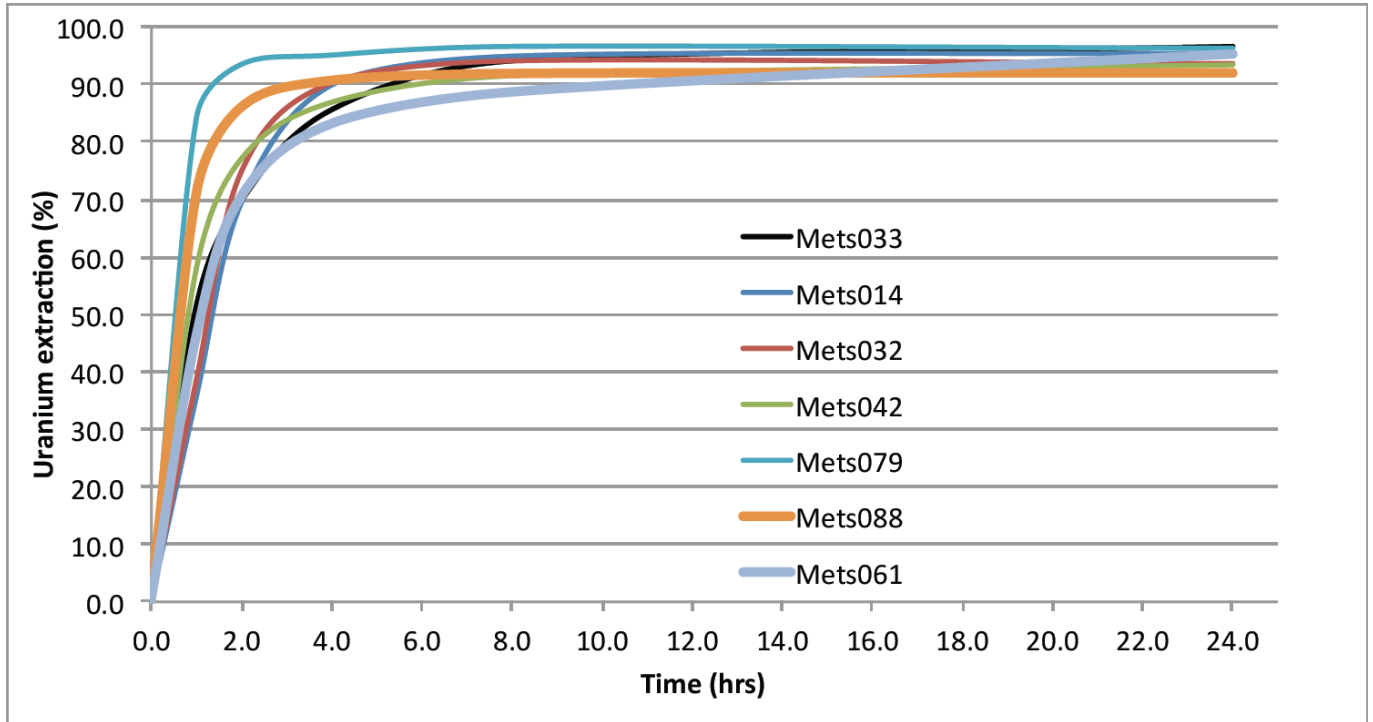
Importantly, screening and cycloning are conventional techniques that are successfully used in current commercial operations elsewhere in mineral processing in Australia.

Following the beneficiation studies, leaching testwork on the seven beneficiated concentrates was completed in August. These leaching studies have demonstrated 90% uranium extraction across all samples, with leaching largely completed within eight hours. Figure 2 shows the leach kinetics of all seven samples.

<sup>1</sup> Data relates to the block models developed from the most recent resource estimations (refer to ASX releases of 1 February 2016 for the Lake Maitland deposit, 14 October 2015 for the Centipede-Millipede deposit and 9 and 10 October 2013 for the Lake Way deposit). Combined test results in the pie chart data have been calculated by weighting the results of the test work outlined in the table by their relative proportions in the pie chart.

The key findings of the leach testwork include:

- Extractions in excess of 90 per cent are achievable for all ore types (Figure 2);
- Leach kinetics for all ore types tested are rapid, with all close to completion within an eight hour timeframe; and
- Reagent consumption is predictable and consistent, meaning that the process can be modelled with confidence across varying mineralogies and water compositions.



**Figure 2 – Leach Kinetics**

These results demonstrate that a conventional carbonate leach circuit is able to readily extract uranium from beneficiated concentrates at the Wiluna Project, and further potentially significant cost saving improvements to the mineral processing circuit can now be tested.

Importantly, reagent consumption in the leach testwork agrees closely with the predictions based on mineralogy of the deposits and the process water quality, ensuring that the modelling that will be used to predict the overall plant performance is reliable.

The seven samples used in the leaching testwork were produced from the previous beneficiation testwork that included de-sliming and rejection of the +150µm material. These early results demonstrate that clay-dominant lithologies from Centipede/Millipede and Lake Maitland deposits may constitute the preferred early feed to the processing circuit as they have demonstrated significantly greater amenability to beneficiation and represent a large proportion of the contained mineralisation.

Testwork is now focussed on the application of a washing and belt filter process to remove contained salts and produce a washed filter cake, a factor that is important in the extraction and recovery of uranium from the hydrometallurgical circuit. Washing and filtering of the beneficiated concentrate prior to the leaching stage is

expected to readily dewater the concentrate and reduce the chloride in the leach circuit, which will, in turn, reduce reagent consumption, one of the more material operating costs.

The Project Scoping Study is due for completion during the next quarter. The results to date indicate there is a significant opportunity to improve the project by re-designing the processing circuit, delivering improvements in both plant operating and capital cost estimates.

## 6. Exploration

On the basis of the progress of negotiations between Toro (inclusive of Toro's Japanese partners, JAURD and ITOCHU) and Oz Minerals in regards to the Nickel (Ni) Exploration Joint Venture at the Yandal One Ni Prospect (tenements E53/1210 and E53/1060), Oz Minerals have approved Toro to commence the first phase exploration program near Lake Maitland. An airborne magnetic survey that was completed during the quarter has confirmed that the key nickel target is a folded and faulted magnetic anomaly. Historic drilling on the target (located just 50 km from the Mt Keith mine) contains up to 0.45% nickel (5m composite). Drilling is expected to commence by the end of October.

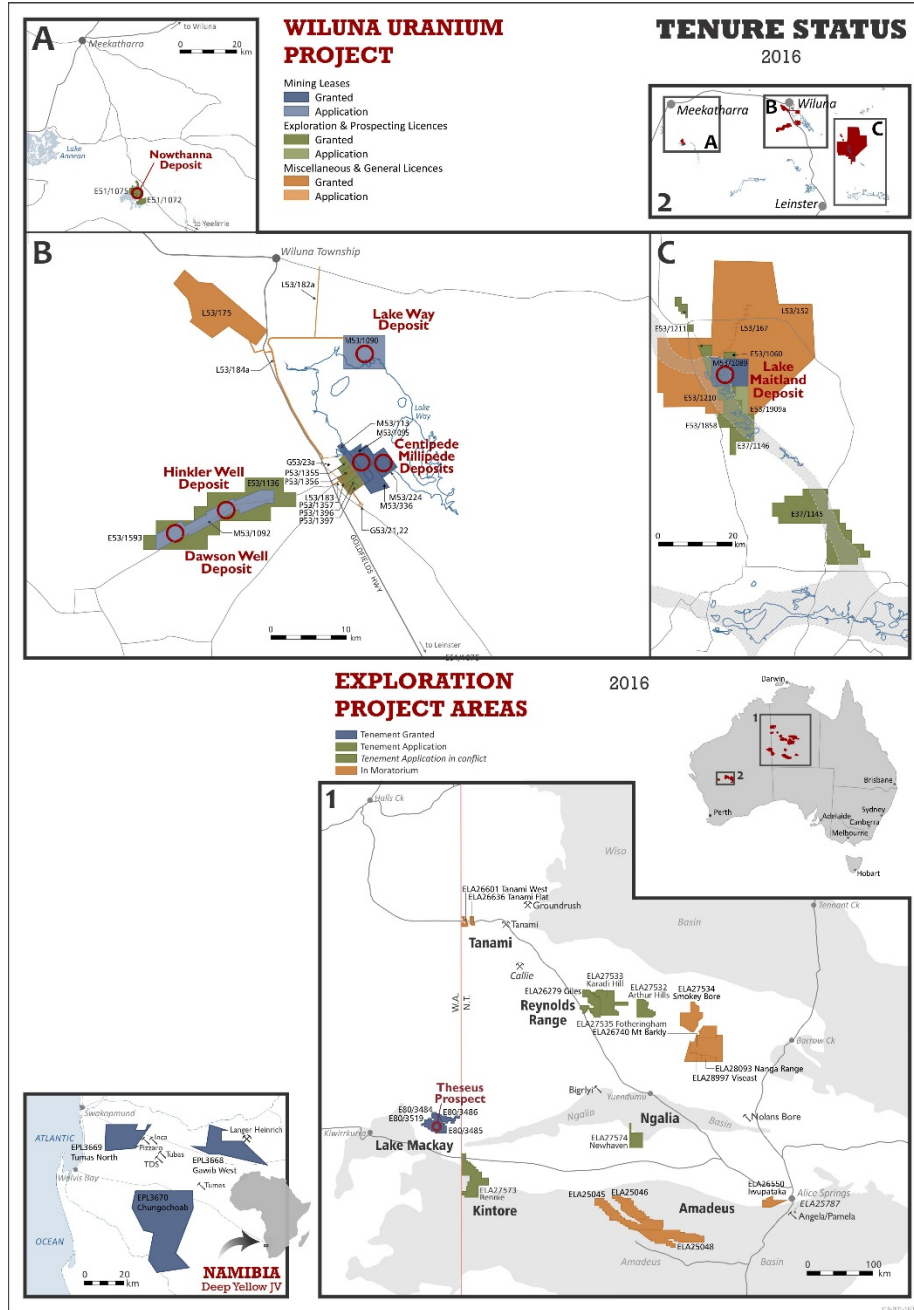
Further rationalisation of non-core, low prospectivity uranium exploration ground is continuing. In the September quarter, one tenement held by Toro as part of a potash Joint Venture with Rum Jungle Resources was sold to Rum Jungle during the quarter for AU\$230,000 and the Joint Venture was terminated. The remaining tenements in the Lake Mackay Project north of the Theseus exploration ground were surrendered.

In a three-way agreement between Northern Star Resources, Northern Minerals and Toro, tenements at Browns Range that were subject to a sale agreement between Toro and Northern Minerals were sold to Northern Star during the quarter for a cash consideration of AU\$300,000 to Toro. Completion of the sale agreement is expected during the next quarter.

## 7. Tenement Movements

An updated tenement status map is attached at Appendix 1.

## APPENDIX 1: Tenement Status Map



Note: A number of tenements are currently in the process of transfer to third parties and are therefore not depicted on this map.

## APPENDIX 2: Wiluna Uranium Project Resource Table - JORC 2012

Wiluna Uranium Project Resources Table (JORC 2012)									
		Measured		Indicated		Inferred		Total	
		200ppm	500ppm	200ppm	500ppm	200ppm	500ppm	200ppm	500ppm
Centipede / Millipede	Ore Mt	4.9	1.9	12.1	4.5	2.7	0.4	19.7	6.8
	Grade ppm	579	972	582	1,045	382	986	553	1,021
	U <sub>3</sub> O <sub>8</sub> Mlb	6.2	4.2	15.5	10.3	2.3	0.9	24.0	15.3
Lake Maitland	Ore Mt	-	-	22.0	8.2	-	-	22.0	8.2
	Grade ppm	-	-	545	929	-	-	545	929
	U <sub>3</sub> O <sub>8</sub> Mlb	-	-	26.4	16.9	-	-	26.4	16.9
Lake Way	Ore Mt	-	-	10.3	4.2	-	-	10.3	4.2
	Grade ppm	-	-	545	883	-	-	545	883
	U <sub>3</sub> O <sub>8</sub> Mlb	-	-	12.3	8.2	-	-	12.3	8.2
Sub-total	Ore Mt	4.9	1.9	44.3	16.9	2.7	0.4	52.0	19.2
	Grade ppm	579	972	555	948	382	986	548	951
	U <sub>3</sub> O <sub>8</sub> Mlb	6.2	4.2	54.2	35.3	2.3	0.9	62.7	40.4
Dawson Hinkler	Ore Mt	-	-	8.4	0.9	5.2	0.3	13.6	1.1
	Grade ppm	-	-	336	596	282	628	315	603
	U <sub>3</sub> O <sub>8</sub> Mlb	-	-	6.2	1.1	3.2	0.4	9.4	1.5
Nowthanna	Ore Mt	-	-	-	-	13.5	2.6	13.5	2.6
	Grade ppm	-	-	-	-	399	794	399	794
	U <sub>3</sub> O <sub>8</sub> Mlb	-	-	-	-	11.9	4.6	11.9	4.6
Total	Ore Mt	4.9	1.9	52.7	17.8	21.4	3.3	79.0	23.0
	Grade ppm	579	972	520	931	368	765	482	916
	U <sub>3</sub> O <sub>8</sub> Mlb	6.2	4.2	60.4	36.4	17.4	5.5	84.0	46.4

### Competent Persons' Statement

Wiluna Project Mineral Resources - 2012 JORC Code Compliant Resource Estimates - Centipede, Millipede, Lake Way, Lake Maitland, Dawson Hinkler and Nowthanna Deposits

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 Shirtliff and Mr Sebastian Kneer of Toro Energy Limited and Mr Daniel Guibal of SRK Consulting (Australasia) Pty Ltd. Mr Guibal takes overall responsibility for the Resource Estimate and Dr Shirtliff takes responsibility for the integrity of the data supplied for the estimation. Dr Shirtliff is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM) and Mr Guibal is a Fellow of the AusIMM 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.



## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

**Name of entity**

TORO ENERGY LTD

**ABN**

48 117 127 590

**Quarter ended  
("current quarter")**

Sep-16

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	-	-
1.2	Payments for	-	-
	(a) exploration & evaluation	(910)	(910)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(536)	(536)
	(e) administration and corporate costs	(316)	(316)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	88	88
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Research and development refunds	653	653
1.8	Other (provide details if material)	-	-
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(1,022)</b>	<b>(1,022)</b>
<b>2</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>-</b>	<b>-</b>
<b>3</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.1</b>	<b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>-</b>

<b>4</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	10,373	10,373
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,022)	(1,022)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>9,352</b>	<b>9,352</b>

<b>5</b>	<b>Reconciliation of cash and cash equivalents</b>	<b>Current quarter</b>	<b>Previous quarter</b>
	at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>\$A'000</b>	<b>\$A'000</b>
5.1	Bank balances	952	1,473
5.2	Call deposits	8,400	8,900
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>9,352</b>	<b>10,373</b>

<b>6</b>	<b>Payments to directors of the entity and their associates</b>	<b>Current quarter</b>
		<b>\$A'000</b>
6.1	Aggregate amount of payments to these parties included in item 1.2	159
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	
	N/a	

<b>7</b>	<b>Payments to related entities of the entity and their associates</b>	<b>Current quarter</b>
		<b>\$A'000</b>
7.1	Aggregate amount of payments to these parties included in item 1.2	-
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	
	N/a	

<b>8</b>	<b>Financing facilities available</b>	<b>Total facility amount at quarter end</b>	<b>Amount drawn at quarter end</b>
	<i>Add notes as necessary for an understanding of the position</i>	<b>\$A'000</b>	<b>\$A'000</b>
8.1	Loan facilities (bullet repayment due September 2018)	6,000	6,000
8.2	Credit standby arrangements	-	-
8.3	Other (please specify)	-	-
8.4	Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		
	N/a		

<b>9 Estimated cash outflows for next quarter</b>		<b>\$A'000</b>
9.1	Exploration and evaluation	341
9.2	Development	-
9.3	Production	-
9.4	Staff costs	546
9.5	Administration and corporate costs	314
9.6	Other (provide details if material)	-
<b>9.7</b>	<b>Total estimated cash outflows</b>	<b>1,201</b>

<b>10</b>	<b>Changes in tenements (items 2.1(b) and 2.2(b) above)</b>	<b>Tenement reference and location</b>	<b>Nature of interest</b>	<b>Interest at beginning of quarter</b>	<b>Interest at end of quarter</b>
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	See attached annexure			
10.2	Interests in mining tenements and petroleum tenements acquired or increased	See attached annexure			

### Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



(Director/Company secretary)

Todd Alder

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17/10/2016

Date: .....

### Notes

- 1 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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
- 2 If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
- 3 Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.