

## Toro Energy Ltd.

(TOE-AU: C\$0.09)

**BUY, Speculative Risk**

Dundee Target: N/A

October 8, 2013

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## Confidence Improves as Higher Grade Core Defined at Wiluna

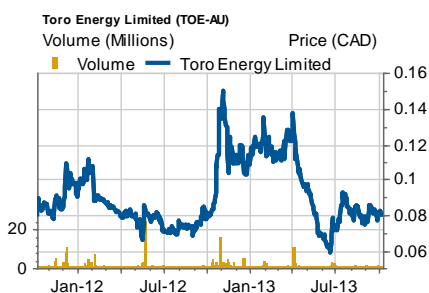
| TOE-AU | New | Last        |
|--------|-----|-------------|
| Rating | --  | Buy         |
| Target | --  | N/A         |
| Risk   | --  | Speculative |

| Company Data                       |            |           |
|------------------------------------|------------|-----------|
| Last Price                         |            | A\$ 0.08  |
| 52-week Range                      | A\$ 0.06 - | A\$ 0.15  |
| Market Cap (\$MM)                  |            | A\$ 86.48 |
| Enterprise Value (\$MM)            |            | A\$ 87.28 |
| Shares Outstanding - Basic (MM)    |            | 1,041.9   |
| Shares Outstanding - FD (MM)       |            | 1,099.0   |
| Avg Volume - 100d (000 shares/day) |            | 715.1     |
| Cash - est. (\$MM)                 |            | A\$ 11.20 |
| Debt - est. (\$MM)                 |            | A\$ 12.00 |
| Working Capital (31-Dec-12) (\$MM) |            | A\$ 4.56  |

| Uranium Forecast | 2012A | 2013E | 2014E | LT |
|------------------|-------|-------|-------|----|
| Spot (US\$/lb)   | 49    | 54    | 67    | 65 |
| Term (US\$/lb)   | 60    | 65    | 65    | 65 |

All Figures in A\$ Unless Otherwise Noted  
 Source: Company Reports, FactSet, Dundee Capital Markets

### TOE-AU: Price/Volume Chart



Source: Factset

### Company Description

Toro Energy is an advanced developer and potentially mid-term uranium producer located in Western Australia (WA). Its flagship is the 100% owned Wiluna project. WA's first approved uranium mine, it has both State and Federal approvals as of Apr-13. Wiluna has a resource of 54 MM lbs U3O8 at 0.04% U3O8. We estimate production for 2016. The Theseus uranium project, also in WA is a grassroots but potentially ISR amenable exploration property, with initial resources of 6.9 MM lbs at 0.05% U3O8.

We continue to recommend Toro as a BUY and no target price as it is on our Mineral Exploration Watch list. Toro announced an updated resource from its fully licensed flagship Wiluna project in Western Australia (WA). While overall uranium resources came down modestly at its three primary deposits (5%) - Centipede, Lake Way and Millipede - measured and indicated resources increased by 75% and grades improved significantly at all three (Table 1). Resources now total 32.3 MM lbs U3O8 grading 539 ppm at a 200 ppm cut-off. At a 500 ppm cut-off a high grade resource of 20.4 MM lbs grading 912 ppm exists. In addition to the soon to be acquired Lake Maitland deposit (LM) Toro Energy will own 100% of a dominant land package with ~74 MM lbs in total resources (see [note](#)).

Outlining higher uranium grades through recent drilling was a key objective in order to demonstrate that Toro can selectively mine high grade material early in the mine life to payback upfront capital costs. We are very pleased with the results as the resource upgrade sets the table for Toro Energy - a company with a great starter kit towards initial production. Already permitted, with significant surrounding mining infrastructure, and relatively easy mining method (calcrete-style deposit chemistry notwithstanding), Toro can move forward to concentrate on completing Phase II of its DFS. This study would likely look towards incorporating Lake Maitland resources, decreasing mining costs and earlier mine scheduling of higher grade material.

- **High confidence deposits.** While there was little change in total resources there was a significant improvement in confidence - 100% of Centipede and Lake Way and 76% of Millipede are now classified as M&I. This significantly increases our confidence in the continuity of the first three deposits scheduled to be mined.
- **Confirmed high grade cores.** Resources total 10.1 MM t grading 912 ppm U3O8 for 20.4 MM lbs using an increased cut-off grade of 500 ppm. When combining with the soon to be acquired Lake Maitland deposit, 32.3 MM lbs U3O8 grading ~901ppm of M&I resources could potentially be used as starter pits at each respective deposit to help improve economics or as a defense against low uranium prices.
- **Lake Maitland resources outlined.** Toro Energy is currently purchasing the Lake Maitland project from Mega Uranium, and those resources were included in the tables for the first time - 20.7 MM lbs grading 497 ppm M&I and 1.6 MM lbs grading 374 ppm using a 200 ppm cut-off (Figure 1). Resources are 12.4 MM lbs at 875 ppm using a 500 ppm cut-off. A shareholder vote in early October will be held to approve this deal, but it is likely to go through considering its main shareholders are already on board. We do expect a thorough run-through of Lake Maitland resource to ensure Lake Maitland has been completed to the same JORC compliance standards as its own Wiluna resource base.

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**Table 1: Resource update table for Centipede, Lake Way and Millipede deposits at Wiluna (200 ppm cut-off).**

|                | Project      | Measured     |             | Indicated    |             | Total M&I    |             | Inferred     |             | Total        |             |
|----------------|--------------|--------------|-------------|--------------|-------------|--------------|-------------|--------------|-------------|--------------|-------------|
|                |              | Grade (ppm)  | MM lbs U3O8 | Grade (ppm)  | MM lbs U3O8 | Grade (ppm)  | MM lbs U3O8 | Grade (ppm)  | MM lbs U3O8 | Grade (ppm)  | MM lbs U3O8 |
| Prior Resource | Centipede    | 552.0        | 3.8         | 555.0        | 9.3         | 554.1        | 13.0        | 272.0        | 1.4         | 504.0        | 14.4        |
|                | Lake Way     | -            | -           | 492.0        | 2.8         | 492.0        | 2.8         | 544.0        | 8.9         | 530.6        | 11.6        |
|                | Millipede    | -            | -           | 412.0        | 1.6         | 412.0        | 1.6         | 533.0        | 6.5         | 503.6        | 8.1         |
|                | <b>TOTAL</b> | <b>552.0</b> | <b>3.8</b>  | <b>520.1</b> | <b>13.7</b> | <b>526.7</b> | <b>17.4</b> | <b>498.8</b> | <b>16.7</b> | <b>516.3</b> | <b>34.1</b> |
| New Resource   | Centipede    | 551.0        | 3.5         | 572.0        | 9.5         | 566.0        | 13.0        | -            | -           | 566.0        | 13.0        |
|                | Lake Way     | -            | -           | 545.0        | 12.3        | 545.0        | 12.3        | -            | -           | 545.0        | 12.3        |
|                | Millipede    | -            | -           | 530.0        | 5.3         | 530.0        | 5.3         | 382.0        | 1.6         | 486.0        | 6.9         |
|                | <b>TOTAL</b> | <b>551.0</b> | <b>3.5</b>  | <b>551.0</b> | <b>27.1</b> | <b>551.0</b> | <b>30.6</b> | <b>382.0</b> | <b>1.6</b>  | <b>539.0</b> | <b>32.3</b> |
| % Change       | Centipede    | 0%           | -7%         | 3%           | 3%          | 2%           | 0%          | -            | -           | 12%          | -10%        |
|                | Lake Way     | -            | -           | 11%          | 341%        | 11%          | 341%        | -            | -           | 3%           | 6%          |
|                | Millipede    | -            | -           | 29%          | 229%        | 29%          | 229%        | -28%         | -75%        | -3%          | -15%        |
|                | <b>TOTAL</b> | <b>0%</b>    | <b>-7%</b>  | <b>6%</b>    | <b>99%</b>  | <b>5%</b>    | <b>76%</b>  | <b>-23%</b>  | <b>-90%</b> | <b>4%</b>    | <b>-5%</b>  |

Source: Company Reports, Dundee Capital Markets

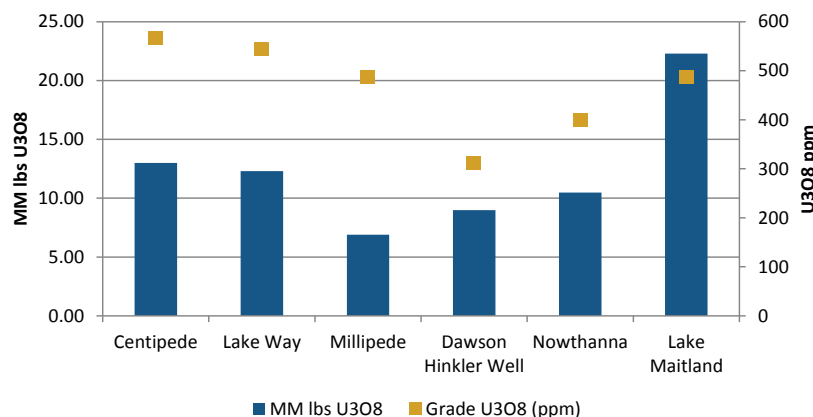
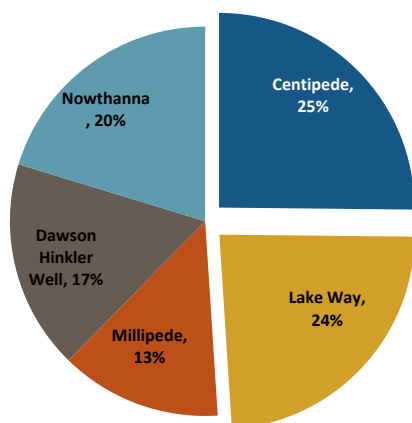
**Figure 1: Toro Energy resource base breakdown for both Wiluna (WM and WR) and Theseus projects; and a calcrete deposit grade comparison table.**

| Project                               | Category  | Resource (MM t) | Grade U3O8 (ppm) | MM lbs U3O8  |
|---------------------------------------|-----------|-----------------|------------------|--------------|
| Centipede                             | Measured  | 2.90            | 551              | 3.50         |
| Centipede                             | Indicated | 7.50            | 572              | 9.50         |
| Lake Way                              | Indicated | 10.30           | 545              | 12.30        |
| <b>Total Wiluna Main</b>              |           | <b>20.70</b>    | <b>556</b>       | <b>25.30</b> |
| Millipede                             | Indicated | 4.50            | 530              | 5.30         |
| Millipede                             | Inferred  | 1.90            | 382              | 1.60         |
| Dawson Hinkler                        | Inferred  | 13.09           | 312              | 8.99         |
| Nowthanna                             | Inferred  | 11.91           | 399              | 10.47        |
| <b>Total Wiluna Regional</b>          |           | <b>31.40</b>    | <b>380</b>       | <b>26.36</b> |
| <b>Total Wiluna Main &amp; Region</b> |           | <b>52.10</b>    | <b>450</b>       | <b>51.66</b> |
| Theseus                               | Inferred  | 6.3             | 493              | 6.9          |
| Lake Maitland                         | Indicated | 18.9            | 497              | 20.71        |
| Lake Maitland                         | Inferred  | 1.9             | 374              | 1.58         |
| <b>Toro Total Resources</b>           |           | <b>79.20</b>    | <b>463</b>       | <b>80.85</b> |

| Calcrete-Associated Deposits |            |
|------------------------------|------------|
| Deposit                      | U3O8 ppm   |
| Yeelirrie*                   | 1,320      |
| <b>Wiluna Main</b>           | <b>556</b> |
| Langer Heinrich              | 539        |
| Lake Maitland                | 486        |
| Tubas-Tumas                  | 374        |
| Aussinanis                   | 240        |
| Trekkojpe                    | 170        |
| Tubas Sand                   | 150        |
| Marencia                     | 100        |

\*Non Ni 43-101 Compliant



Source: Company Reports, Dundee Capital Markets

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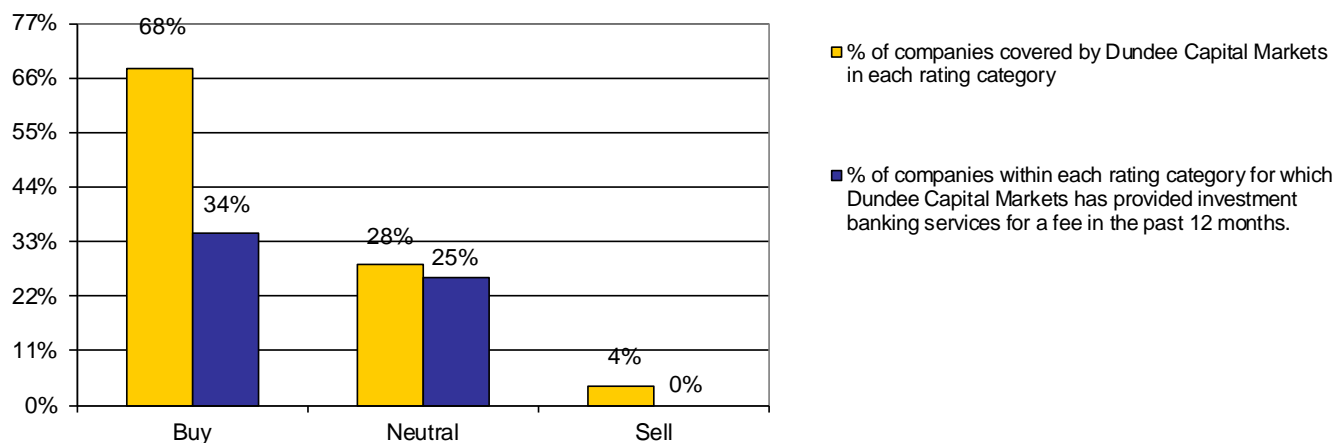
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As at September 30, 2013

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