

## Toro Energy Ltd.

(TOE-AU: A\$0.06)

**NEUTRAL, Speculative Risk**

Dundee Target: A\$0.09

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## 20% Resource Increase at Wiluna's Centipede and Millipede Deposits

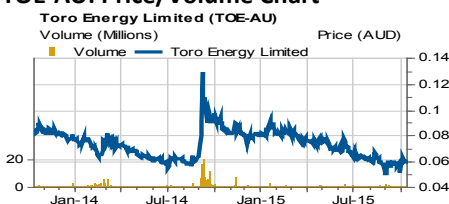
TOE-AU	New	Last
Rating	--	Neutral
Target	--	0.09
Risk	--	Spec.
Projected Return	41% ▲	10%
Target/NAV multiple	--	0.80x
Corporate DCF	0.07 ▲	0.07
Cash & Investments	0.03 ▲	0.00
Debt	0.00	-0.01
Exploration & Unmodelled Resources	0.01 ▼	0.03
Total NAV	0.11 ▼	0.12
P/NAV	0.59x ▼	0.67x

Company Data				
Last Price				\$ 0.06
52-week Range		\$ 0.05 -		\$ 0.10
Market Cap (\$MM)				\$ 120.3
Enterprise Value (\$MM)				\$ 115.7
Shares Outstanding - Basic (MM)				2,004.2
Shares Outstanding - FD (MM)				2,133.2
Avg Volume - 100d (000 shares/day)				572.1
Cash (\$MM)				\$ 22.9
Debt (\$MM)				\$ 18.3
Working Capital (\$MM)				\$ 11.7
Forecast	2013A	2014A	2015A	LT
Spot (US\$/lb)	43.8	33.9	35.9	65.0
Term (US\$/lb)	58.2	50.2	46.8	65.0
Realized Prices (US\$/lb)	0.0	0.0	0.0	
Revenue (\$MM)	0	0	0	
EPS	(\$0.01)	(\$0.01)	(\$0.01)	
P/E	n/a	n/a	n/a	
EBITDA (\$MM)	(4)	(5)	(19)	
EV/EBITDA	(32.4x)	(23.7x)	(6.2x)	
Interest Coverage	n/a	n/a	n/a	
OP CF (\$MM)	(3)	(3)	(2)	
CF/share	\$0.00	\$0.00	\$0.00	
P/CF	n/a	n/a	n/a	
Capex (\$MM)	(0)	(0)	(0)	
FCF (\$MM)	(2)	(3)	(2)	
FCF Yield	n/a	n/a	n/a	

All Figures in A\$ Unless Otherwise Noted

Source: FactSet, Company Reports, DCM

### 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 80.47 MM lbs U3O8 at 0.5% U3O8. We estimate production for 2018.

We continue to recommend Toro as a NEUTRAL and maintain our target price at A\$0.09. A 20% increase in resources and a ~3% boost in grade at Wiluna's first two deposits to be mined is positive. However, despite the improved resource - and Toro's stance as a well leveraged, advanced, permitted, long-life uranium developer with very capable management - what this project needs most is higher uranium prices. Toro Energy trades 0.59x P/NAV compared to developers at 0.39x and producers at 0.55x.

**Resource increase at Centipede/Millipede.** Total resources for these two deposits, which will make up the majority of the first 7 years of production, now stand at 15.4 MM lbs at 1,015ppm (500ppm cut-off), or 24 MM lbs at 554ppm (200ppm cut-off). At both cut-offs, resources increased ~20% while grade increased ~9% and ~3% respectively. Total Main Wiluna resources (including Centipede, Millipede, Lake Maitland, and Lake Way) now total 60.6 MM lbs at 552ppm (200ppm cut-off) or 39.2 MM lbs at 963ppm (500ppm cut-off). Though the increase in resources and grade will likely boost processed head grade and improve overall project economics, without a higher uranium price, we don't see this project moving forward to the development stage and have deferred our Wiluna DCF model by one year to 2018 accordingly.

**Gamma logs underestimated actual uranium concentrations.** The 2015 drill program was designed to investigate whether gamma probe measurements underestimated grade compared to geochemical assays, which are more accurate. Drilling included 66 holes at Centipede and Millipede for 505m, 49 holes at Lake Maitland for 536m, and 15 holes at Nowthanna for 124m. Analysis proved that gamma probe underestimated uranium concentrations at Wiluna by a factor of at least 1.2 - the updated resource reflects this adjustment.

**Despite low uranium prices, Toro continues to make headway.** With uranium prices where they are, Toro Energy took advantage of this time to carry out several R&D programs in order to enhance and optimize the process design, and the operating and capital cost structure for Wiluna. The updated resource estimate, as well as drilling results from Lake Maitland and Nowthanna, will be used to revise project economic projections in the coming months. The public environmental review period for the Wiluna extension, comprising Millipede and Lake Maitland, is anticipated to begin this quarter and final negotiations with Wiluna Traditional Owners are also planned.

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**Table 1: Centipede and Millipede change in resources**

Centipede and Millipede, 500ppm cut-off

Category	Resource Update (Nov-14)			Resource Update (Oct-15)			% Change		
	Tonnage ('000s t)	U308 (ppm)	U308 (MM lbs)	Tonnage ('000s t)	U308 (ppm)	U308 (MM lbs)	Tonnage ('000s t)	U308 (ppm)	U308 (MM lbs)
Measured	1,200	872	2.3	1,900	972	4.2	58%	11%	83%
Indicated	4,700	947	9.8	4,500	1,045	10.3	-4%	10%	5%
Inferred	400	887	0.7	400	887	0.9	0%	0%	29%
<b>Total</b>	<b>6,300</b>	<b>929</b>	<b>12.8</b>	<b>6,800</b>	<b>1,015</b>	<b>15.4</b>	<b>7.9%</b>	<b>9.3%</b>	<b>20.3%</b>

\* both estimates used a lower cut-off of 200 ppm U308; may not add due to rounding

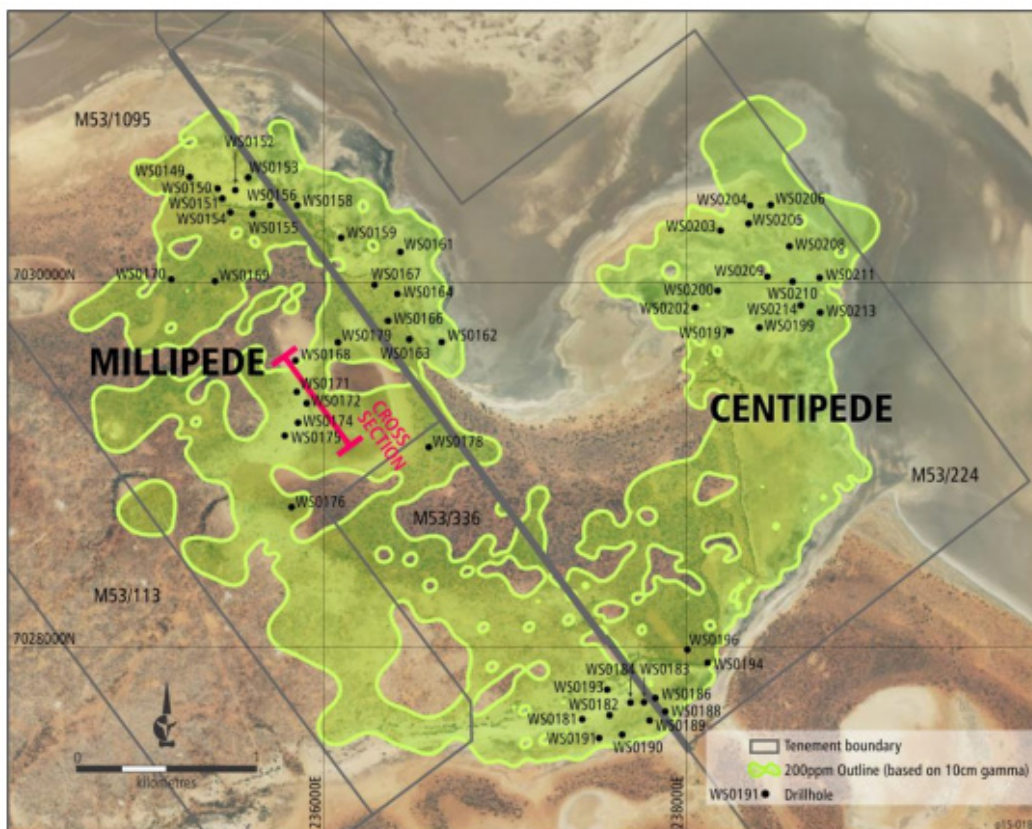
Centipede and Millipede, 200ppm cut-off

Category	Resource Update (Nov-14)			Resource Update (Oct-15)			% Change		
	Tonnage ('000s t)	U308 (ppm)	U308 (MM lbs)	Tonnage ('000s t)	U308 (ppm)	U308 (MM lbs)	Tonnage ('000s t)	U308 (ppm)	U308 (MM lbs)
Measured	2900	551	3.5	4,900	579	6.2	69%	5%	77%
Indicated	12000	562	14.8	12,100	582	15.5	1%	4%	5%
Inferred	1900	382	1.6	2,700	382	2.3	42%	0%	44%
<b>Total</b>	<b>16,800</b>	<b>540</b>	<b>19.9</b>	<b>19,700</b>	<b>554</b>	<b>24.0</b>	<b>17.3%</b>	<b>2.6%</b>	<b>20.6%</b>

\* both estimates used a lower cut-off of 200 ppm U308; may not add due to rounding

Source: Company Reports

**Figure 2: Centipede and Millipede drill plan**



Source: Company Reports

**Toro Energy (TOE-AU)**

Rating	NEUTRAL	A\$ Target	\$0.09	Shares O/S (MM)	2,004.2
Risk*	Speculative	A\$ Close	\$0.06	Fully Diluted Shares (MM)	2,133.2
David A. Talbot, VP, Sr. Mining Analyst		12-month return	41%	Basic Mkt. Capitalization (\$MM)	128.3
d.talbot@dundeecapitalmarkets.com				Enterprise Value (\$MM)	C\$ 115.7

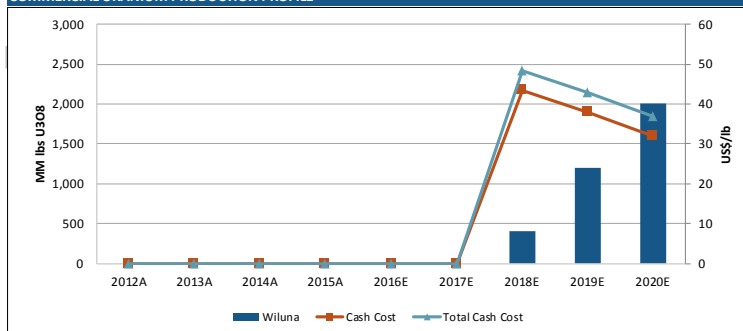
PRODUCTION ESTIMATES (000 lbs)					
Year-end June	2017E	2018E	2019E	2020E	2021E
Wiluna	0	400	1,200	2,000	2,000
<b>TOTAL</b>	<b>0</b>	<b>400</b>	<b>1,200</b>	<b>2,000</b>	<b>2,000</b>

TOTAL CASH COST ESTIMATES (excl. non-cash) (US\$/lb)					
Year-end June	2017E	2018E	2019E	2020E	2021E
Wiluna	0.0	48.3	42.9	36.9	36.9
<b>Wt. Avg. Total Cash Costs</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

URANIUM RESERVES & RESOURCES					
	Ownership	Tonnes MM t	Grade % U3O8	Cont U3O8 (MM lbs) 100% Basis	TOE Share
<b>Proven and Probable Reserves</b>					
*The company has no current mineral reserves					
<b>Total Reserves</b>		<b>0.0</b>	<b>0.00%</b>	<b>0.0</b>	<b>0.0</b>
<b>Measured and Indicated Resources</b>					
Centipede+Milli	100%	17.0	0.06%	21.7	21.7
Lake Way	100%	10.3	0.05%	12.3	12.3
Lake Maitland	100%	19.9	0.06%	24.3	24.3
Dawson Hinkler Well	100%	8.4	0.03%	6.2	6.2
					0.0
<b>Total Measured and Indicated Resources</b>		<b>55.6</b>	<b>0.05%</b>	<b>64.5</b>	<b>64.5</b>
<b>Inferred Resources</b>					
Centipede+Milli	100%	2.7	0.04%	2.3	2.3
Dawson Hinkler Well	100%	5.2	0.03%	3.2	3.2
Nowthanna	100%	11.9	0.04%	10.5	10.5
Theseus	100%	6.3	0.05%	6.9	6.9
<b>Total Inferred Resources</b>		<b>26.1</b>	<b>0.04%</b>	<b>22.9</b>	<b>22.9</b>
<b>TOTAL RESOURCES</b>		<b>81.7</b>	<b>0.05%</b>	<b>87.4</b>	<b>87.4</b>
<b>Current Per Pound Metrics</b>					
		<b>TOE</b>	<b>Developer Peers</b>	<b>Prem./Disc.</b>	
EV/lb (US\$)		\$1.32	0.59	123%	
Mkt Cap/lb (US\$)		\$1.47	0.65	126%	

NET ASSET VALUE (A\$) - 10%				
	NAV (\$ MM)	/Share	% NAV	
<b>Assets:</b>				
Wiluna (100%)	86.6	0.06	55%	
Un-mined Resources	18.6	0.01	12%	
<b>Balance Sheet &amp; Other Items:</b>				
Cash & Investments	43.4	0.03	28%	
Debt	-5.4	0.00	-3%	
Exploration, G&A, and Other	13.7	0.01	9%	
<b>Total</b>	<b>156.9</b>	<b>0.11</b>	<b>100%</b>	
Dundee DCF Target Multiple		0.80x		
<b>Share Price Target</b>	<b>A\$</b>	<b>0.09</b>		

Long Term Uranium Price Assumption (US\$/lb)					
NAV (C\$/share)	40	50	60	70	80
0% Discount	-0.05	0.11	0.24	0.37	0.50
5% Discount	-0.03	0.06	0.14	0.22	0.29
10% Discount	-0.02	0.04	0.09	0.14	0.19
15% Discount	-0.02	0.03	0.06	0.09	0.13

**COMMERCIAL URANIUM PRODUCTION PROFILE**

BALANCE SHEET (A\$ MM)				
Year-end June	2012A	2013A	2014A	2015A
<b>Assets:</b>				
Cash & ST Investments	12.81	11.24	7.15	22.89
Other Current Assets	0.43	0.60	0.23	1.10
<b>Current Assets</b>	<b>13.24</b>	<b>11.84</b>	<b>7.39</b>	<b>23.99</b>
Mineral Properties	83.71	90.19	130.18	134.79
Other non-current Assets	2.06	0.00	0.00	0.04
<b>Total Assets</b>	<b>99.02</b>	<b>102.04</b>	<b>137.56</b>	<b>158.82</b>
<b>Liabilities:</b>				
Current Liabilities	3.40	1.50	0.81	12.26
Long-term Debt	0.00	7.82	9.39	7.36
Other non-current Liabilities	0.18	0.08	0.05	0.04
<b>Total Liabilities</b>	<b>3.58</b>	<b>9.41</b>	<b>10.24</b>	<b>19.66</b>
Capital Stock	220.92	224.41	266.51	300.15
Retained Earnings	(125.48)	(131.79)	(139.19)	(160.99)
<b>Total Shareholder Equity</b>	<b>95.44</b>	<b>92.62</b>	<b>127.32</b>	<b>139.16</b>

INCOME STATEMENT (A\$ MM)				
Year-end June	2012A	2013A	2014A	2015A
Total Revenue:	0.9	0.3	0.4	0.5
% Uranium	0%	0%	0%	0%
% Other	100%	100%	100%	100%
Operating Costs	0.0	0.0	0.0	0.0
G&A	4.2	2.9	1.3	1.0
Exploration	0.0	0.0	0.0	0.0
Depreciation	0.7	0.5	0.8	(0.7)
Other	6.7	3.8	4.0	19.4
<b>EBITDA</b>	<b>(3.9)</b>	<b>(3.6)</b>	<b>(4.9)</b>	<b>(18.7)</b>
<b>EBIT</b>	<b>(4.6)</b>	<b>(4.1)</b>	<b>(5.7)</b>	<b>(18.0)</b>
Interest Expense	0.0	0.0	(2.4)	(2.9)
<b>EBT</b>	<b>(10.7)</b>	<b>(6.9)</b>	<b>(8.1)</b>	<b>(22.2)</b>
Taxes	0.0	0.0	0.0	1.3
Equity Earnings	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0
<b>Net Income (Reported)</b>	<b>(10.7)</b>	<b>(6.9)</b>	<b>(8.1)</b>	<b>(20.9)</b>
<b>Net Income (Adjusted)</b>	<b>(4.6)</b>	<b>(4.1)</b>	<b>(8.1)</b>	<b>(19.6)</b>
<b>EPS (Reported) \$/sh</b>				
	<b>(0.01)</b>	<b>(0.01)</b>	<b>(0.01)</b>	<b>(0.01)</b>
<b>EPS (Adjusted) \$/sh</b>				
	<b>(0.00)</b>	<b>(0.00)</b>	<b>(0.01)</b>	<b>(0.01)</b>
Average Shares (MM)	983.8	858.1	1,216.0	1,448.7

CASH FLOW STATEMENT (A\$ MM)				
Year-end June	2012A	2013A	2014A	2015A
Net Income (Reported)	(10.7)	(6.9)	(8.1)	(20.9)
Depreciation	(0.7)	(0.5)	(0.8)	0.7
Working Capital Changes	0.0	0.0	0.0	0.0
Other	9.2	4.7	6.3	18.1
<b>Operating Cash Flow</b>	<b>(2.2)</b>	<b>(2.7)</b>	<b>(2.6)</b>	<b>(2.1)</b>
<b>Operating Cash Flow/sh (\$/sh)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Capital Expenditures	(0.1)	(0.1)	(0.0)	(0.0)
Acquisitions	0.0	0.0	0.0	(0.5)
Other	(19.7)	(10.3)	(9.8)	0.0
<b>Investing Cash Flow</b>	<b>(19.8)</b>	<b>(10.4)</b>	<b>(9.8)</b>	<b>(0.5)</b>
Common Share Dividends	0.0	0.0	0.0	0.0
Equity financing	5.3	0.0	5.0	14.9
Debt Issue	0.0	12.0	0.0	10.0
Debt Repayment	0.0	0.0	0.0	0.0
Other	(0.1)	(0.5)	3.3	(0.5)
<b>Financing Cash Flow</b>	<b>5.2</b>	<b>11.5</b>	<b>8.3</b>	<b>24.4</b>
<b>Net Change in Cash</b>	<b>(16.9)</b>	<b>(1.6)</b>	<b>(4.1)</b>	<b>21.7</b>
<b>Cash Balance</b>	<b>12.8</b>	<b>11.2</b>	<b>7.2</b>	<b>28.9</b>
<b>Free Cash Flow</b>	<b>(2.4)</b>	<b>(2.8)</b>	<b>(2.6)</b>	<b>(2.2)</b>

VALUATION DATA				
Year-end June	2012A	2013A	2014A	2015A
P/E	--	--	--	--
P/CF	--	--	--	--
EV/EBITDA	--	--	--	--
FCF Yield	--	--	--	--

INPUT PRICES				
Year-end June	2012A	2013A	2014A	2015A
Dundee Spot Uranium (US\$/lb)	51.9	43.8	33.9	35.9
Uranium Realized Price (US\$/lb)	0.0	0.0	0.0	0.0
Exchange (US\$/A\$)	1.03	1.03	0.92	0.84

Source: Company Reports, FactSet, Dundee Capital Markets

## Toro Energy Ltd.

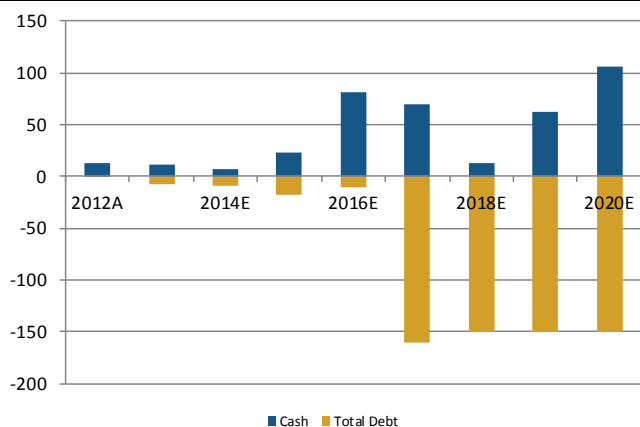
### Net Asset Valuation at Dundee Price Deck (US\$)

Shares Outstanding (MM) 2,685.2

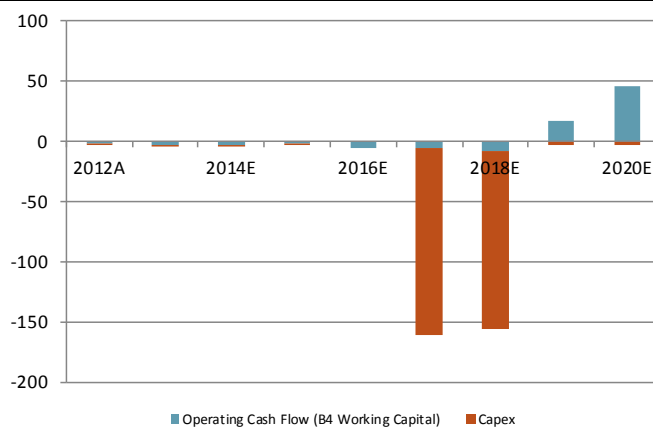
	Target Setting NAV			NAV at Various Discount Rates					
	Discount Rate	(\$MM)	(\$/Share)	0%		5%		15%	
				(\$MM)	(\$/Share)	(\$MM)	(\$/Share)	(\$MM)	(\$/Share)
<b>Uranium Assets</b>									
Wiluna (100%)	10%	160	0.06	942	0.35	421	0.16	20	0.01
<b>Total Uranium Assets</b>		<b>160</b>	<b>0.06</b>	<b>942</b>	<b>0.35</b>	<b>421</b>	<b>0.16</b>	<b>20</b>	<b>0.01</b>
<b>Other Assets &amp; Expenses</b>									
Cash		81	0.03	81	0.03	81	0.03	81	0.03
Debt		(10)	(0.00)	(10)	-0.00	(10)	-0.00	(10)	(0.00)
Resources		34	0.01	34	0.01	34	0.01	34	0.01
Exploration, G&A, Other	10%	25	0.01	(276)	-0.10	(87)	-0.03	95	0.04
<b>Net Other Assets</b>		<b>130</b>	<b>0.05</b>	<b>(171)</b>	<b>-0.06</b>	<b>18</b>	<b>0.01</b>	<b>200</b>	<b>0.07</b>
<b>Net Asset Value</b>		<b>291</b>	<b>0.11</b>	<b>771</b>	<b>0.29</b>	<b>438</b>	<b>0.16</b>	<b>220</b>	<b>0.08</b>
<b>Share Price</b>			<b>0.06</b>		<b>0.06</b>		<b>0.06</b>		<b>0.06</b>
<b>P/NAV</b>			<b>0.59x</b>		<b>0.22x</b>		<b>0.39x</b>		<b>0.78x</b>

### Financial Forecasts at Dundee Price Deck (MM C\$)

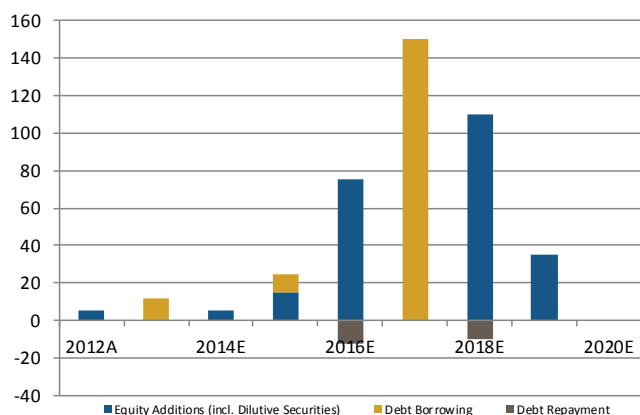
#### Cash and Debt



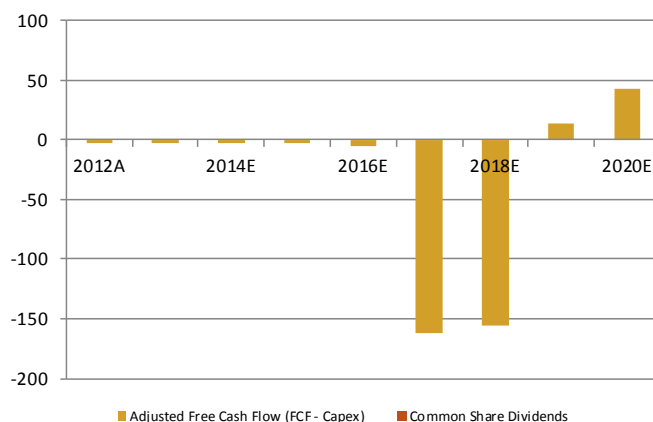
#### Operating Cash Flow and Capital Spending



#### Changes in Debt and Equity



#### Free Cash Flow and Common Share Dividends



Source: Company Reports, FactSet, Dundee Capital Markets

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**Dundee target:** represents the price target as required under IIROC Rule 3400. Valuation methodologies used in determining the price target(s) for the issuer(s) mentioned in this research report are contained in current and/or prior research. Dundee target N/A: a price target and/or NAV is not available if the analyst deems there are limited financial metrics upon which to base a reasonable valuation.

**Recommendations:** BUY: Total returns expected to be materially better than the overall market with higher return expectations needed for more risky securities. NEUTRAL: Total returns expected to be in line with the overall market. SELL: Total returns expected to be materially lower than the overall market. TENDER: The analyst recommends tendering shares to a formal tender offer. UNDER REVIEW: The analyst will place the rating and/or target price Under Review when there is a significant material event with further information pending; and/or when the analyst determines it is necessary to await adequate information that could potentially lead to a re-evaluation of the rating, target price or forecast; and/or when coverage of a particular security is transferred from one analyst to another to give the new analyst time to reconfirm the rating, target price or forecast.

**Risk Ratings:** risk assessment is defined as Medium, High, Speculative or Venture. Medium: securities with reasonable liquidity and volatility similar to the market. High: securities with poor liquidity or high volatility. Speculative: where the company's business and/or financial risk is high and is difficult to value. Venture: an early stage company where the business and/or financial risk is high, and there are limited financial metrics upon which to base a reasonable valuation.

Investors should not deem the risk ratings to be a comprehensive account of all of the risks of a security. Investors are directed to read Dundee Capital Markets Research reports that contain a discussion of risks which is not meant to be a comprehensive account of all the risks. Investors are directed to read issuer filings which contain a discussion of risk factors specific to the company's business.

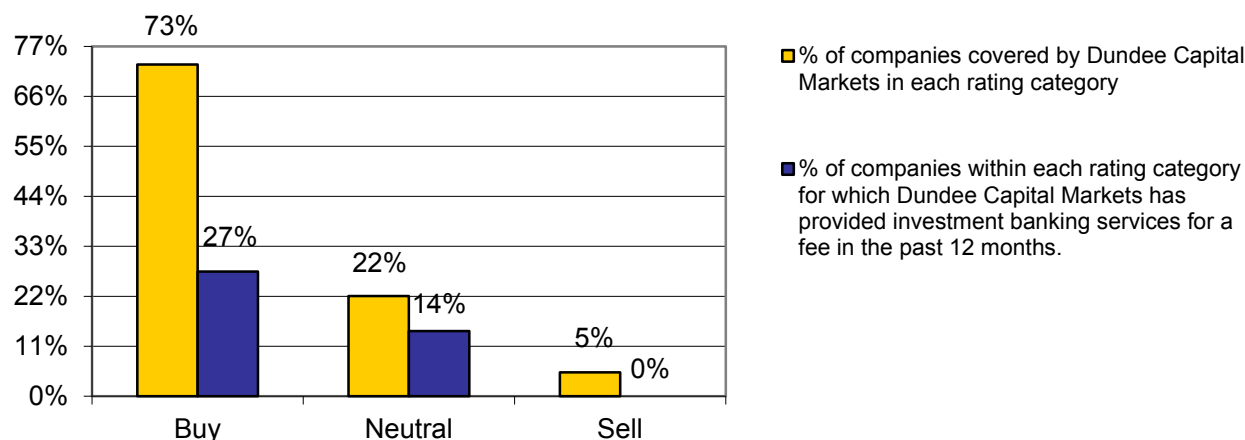
**Medium and High Risk Ratings Methodology:** Medium and High risk ratings are derived using a predetermined methodology based on liquidity and volatility. Analysts will have the discretion to raise but not lower the risk rating if it is deemed a higher risk rating is warranted. Risk in relation to forecasted price volatility is only one method of assessing the risk of a security and actual risk ratings could differ.

Securities with poor liquidity or high volatility are considered to be High risk. Liquidity and volatility are measured using the following methodology: a) Price Test: All securities with a price  $\leq$  \$3.00 per share are considered high risk for the purpose of this test. b) Liquidity Test: This is a two-tiered calculation that looks at the market capitalization and trading volumes of a company. Smaller capitalization stocks ( $<$ \$300MM) are assumed to have less liquidity, and are, therefore, more subject to

price volatility. In order to avoid discriminating against smaller cap equities that have higher trading volumes, the risk rating will consider 12 month average trading volumes and if a company has traded >70% of its total shares outstanding it will be considered a liquid stock for the purpose of this test. c) Volatility Test: In this two step process, a stock’s volatility and beta are compared against the diversified equity benchmark. Canadian equities are compared against the TSX while U.S. equities are compared against the S&P 500. Generally, if the volatility of a stock is 20% greater than its benchmark and the beta of the stock is higher than its sector beta, then the security will be considered a high risk security. Otherwise, the security will be deemed to be a medium risk security. Periodically, the equity risk ratings will be compared to downside risk metrics such as Value at Risk and Semi-Variance and appropriate adjustments may be made. All models used for assessing risk incorporate some element of subjectivity.

**SECURITY ABBREVIATIONS:** NVS (non-voting shares); RVS (restricted voting shares); RS (restricted shares); SVS (subordinate voting shares).

**Dundee Capital Markets Equity Research Ratings**



As at September 30, 2015

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