

Toro Energy Ltd.

(TOE-AU: A\$0.05)

NEUTRAL

Dundee Target: A\$0.07

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Conventional Beneficiation Improvements Confirmed

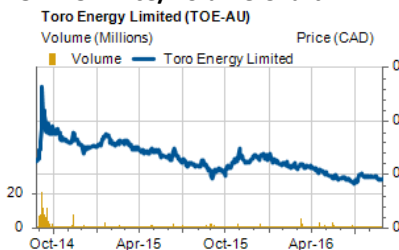
TOE-AU	New	Last
Rating	--	Neutral
Target	--	0.07
Projected Return	--	46%
Target/NAV multiple	--	0.80x
Corporate DCF	--	0.08
Cash & Investments	--	0.01
Debt	--	-0.01
Exploration & Unmodelled Resources	--	0.01
Total NAV	--	0.09
P/NAV	--	0.54x

Company Data	
Last Price	\$ 0.05
52-week Range	\$ 0.04 - \$ 0.08
Market Cap (\$MM)	\$ 94.3
Enterprise Value (\$MM)	\$ 99.9
Shares Outstanding - Basic (MM)	2,005.4
Shares Outstanding - FD (MM)	2,134.4
Avg Volume - 100d (000 shares/day)	582.0
Cash (June-16) (\$MM)	\$ 10.4
Debt (June-16) (\$MM)	\$ 16.0
Working Capital est. (\$MM)	\$ 9.9

Forecast	2016A	2017E	2018E	LT
Spot (US\$/lb)	33.2	32.9	44.5	65.0
Term (US\$/lb)	43.8	43.8	48.5	65.0
Realized Prices (US\$/lb)	0.0	0.0	0.0	
Revenue (\$MM)	0	0	0	
EPS	\$0.00	\$0.00	\$0.00	
P/E	n/a	n/a	n/a	
EBITDA (\$MM)	(3)	(3)	(3)	
EV/EBITDA	n/a	n/a	n/a	
OP CF (\$MM)	(3)	(3)	(3)	
CF/share	\$0.00	\$0.00	\$0.00	
P/CF	n/a	n/a	n/a	
Capex (\$MM)	(0)	0	0	
FCF (\$MM)	(3)	(3)	(3)	
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. Centipede and Lake Way deposits are fully permitted, with Millipede and Lake Maitland underway. Wiluna has a total resource of 84 MM lbs. A Phase II DFS is pending.

We recommend Toro Energy as a **NEUTRAL** and maintain our target price at **A\$0.07**, based on a **0.8x** multiple applied to our **10% DCF** estimate. Ongoing beneficiation studies at the relatively high-cost Wiluna Uranium Project in Western Australia confirm results from last May; a simple screen and de-slime beneficiation process could upgrade the majority of mill feed. The goal is to improve efficiency and reduce costs by creating a higher grade, lower mass concentrate as mill feed. Several improvements were made recently, such as increasing resource size and grades, positive beneficiation testwork, completion of public consultation for environmental approvals, and completion of a Traditional Owners Agreement. Permitting of the 3rd and 4th deposits are due by YE16. Toro is confident that this beneficiation can be scaled up. Results show:

- High grade mineralization can be upgraded to 3.3x original grade (previously 4.5x was suggested), mass reduced to 27% the original mass, 16% loss of total uranium.
- Beneficiation is not grade dependent; it can be achieved across all grades from 220 ppm to over 2000ppm.
- Upgrading works best on clay-rich or fine grained sediments, which is a significant portion of the deposits. Even lacking clay, de-sliming still removes the fine grain fraction to improve the concentrate and efficiencies.

Beneficiation method is conventional and simple. Uranium mineralization (carnotite) is typically associated with a particle size range of between a fine fraction (< 5.5 micron) and a coarse fraction (>75 micron). A simple combination of a screen to separate the coarser fraction and cyclones to remove the finest fraction should concentrate the majority of the uranium without significant loss. Test work was completed on seven drill core type samples of >500 ppm from the Centipede-Millipede and Lake Maitland deposits by Strategic Metallurgy. The next step is leach testing on beneficiated concentrates.

Redesign of flowsheet should allow further improvements. Leach testing, mine plan rescheduling and flowsheet reengineering is underway. Potential economic benefit of beneficiation is likely to extend beyond direct improvements; it could also provide flow-on benefits later during processing. Toro suggests a re-design of the flowsheet may yield significant improvement to project economics.

We see two potential outcomes: 1) mining and production increases to take advantage of newfound room in the processing plant; or 2) mining and production remain flat while Capex declines. Both options should decrease Opex; capex wasn't mentioned in today's press release. We speculate that these changes might improve Opex by between 10% and 35%, although scrubber and cycle costs and reagent consumption adjustments were not considered. We have not incorporated changes into our 10% DCF model. We currently assume US\$230 MM of capital expenses, and US\$37.26/lb U3O8 for operating costs.

Toro Energy (TOE-AU)					
Rating	NEUTRAL	A\$ Target	\$0.07	Shares O/S (MM)	2,005.4
		A\$ Close	\$0.05	Fully Diluted Shares (MM)	2,134.4
David A. Talbot, Director, Mining Research		12-month return	46%	Basic Mkt. Capitalization (\$MM)	96.3
dtalbot@dunjeecapitalmarkets.com				Enterprise Value (\$MM)	C\$ 99.9

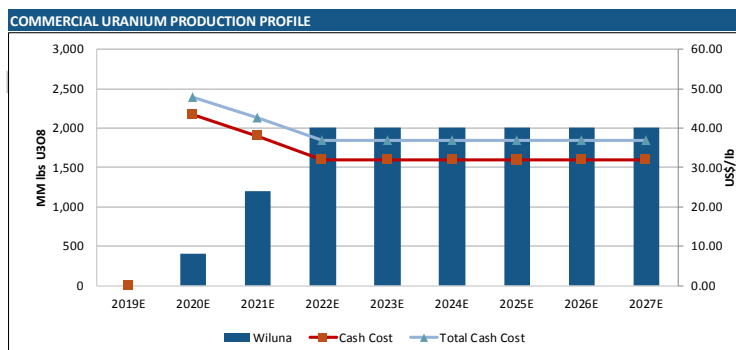
PRODUCTION ESTIMATES (000 lbs)					
Year-end June	2017E	2018E	2019E	2020E	2021E
Wiluna	0	0	0	400	1,200
TOTAL	0	0	0	400	1,200

TOTAL CASH COST ESTIMATES (excl. non-cash) (US\$/lb)					
Year-end June	2017E	2018E	2019E	2020E	2021E
Wiluna	0.0	0.0	0.0	47.7	42.7
Wt. Avg. Total Cash Costs	0.0	0.0	0.0	0.0	0.0

URANIUM RESERVES & RESOURCES					
	Ownership	Tonnes MM t	Grade % U3O8	Cont U3O8 100% Basis	Cont U3O8 TOE Share
Proven and Probable Reserves					
*The company has no current mineral reserves					
Total Reserves		0.0	0.00%	0.0	0.0
Measured and Indicated Resources					
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%	22.0	0.05%	26.4	26.4
Dawson Hinkler Well	100%	8.4	0.03%	6.2	6.2
Total Measured and Indicated Resources		57.7	0.05%	66.6	66.6
Inferred Resources					
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%	13.5	0.04%	11.9	11.9
Theseus	100%	6.3	0.05%	6.9	6.9
Total Inferred Resources		27.7	0.04%	24.3	24.3
TOTAL RESOURCES		85.4	0.05%	90.9	90.9
Current Per Pound Metrics					
	TOE	Developer Peers	Prem./Disc.		
EV/lb (US\$)	\$0.74	0.68	8%		
Mkt Cap/lb (US\$)	\$0.79	0.55	43%		

NET ASSET VALUE (A\$) - 10%			
	NAV (\$ MM)	/Share	% NAV
Assets:			
Wiluna (100%)	68.1	0.03	37%
Un-mined Resources	25.0	0.01	13%
Balance Sheet & Other Items:			
Cash & Investments	16.8	0.01	9%
Debt	-16.0	-0.01	-9%
Exploration, G&A, and Other	92.4	0.04	50%
Total	186.3	0.09	100%
Dundee DCF Target Multiple		0.80x	
Share Price Target	A\$	0.07	

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



Source: Company Reports, FactSet, Dundee Capital Markets

BALANCE SHEET (A\$ MM)				
Year-end June	2016A	2017E	2018E	Q2/16
Assets:				
Cash & ST Investments	10.37	16.83	12.17	13.36
Other Current Assets	0.10	0.10	0.10	0.10
Current Assets	10.47	16.93	12.27	13.46
Mineral Properties	134.37	134.37	134.37	134.37
Other non-current Assets	0.02	0.02	0.02	0.02
Total Assets	144.86	151.32	146.66	147.85
Liabilities:				
Current Liabilities	0.56	10.56	6.56	0.56
Long-term Debt	11.00	6.00	0.00	11.00
Other non-current Liabilities	0.44	4.56	4.56	0.60
Total Liabilities	12.00	21.12	11.12	12.16
Capital Stock	300.70	300.70	308.70	300.70
Retained Earnings	(167.83)	(170.49)	(173.16)	(164.44)
Total Shareholder Equity	132.86	130.20	135.54	136.25

INCOME STATEMENT (A\$ MM)				
Year-end June	2016A	2017E	2018E	2019E
Total Revenue:	0.3	0.0	0.0	0.0
% Uranium	0%	0%	0%	0%
% Other	100%	100%	100%	100%
Operating Costs	0.0	0.0	0.0	0.0
G&A	2.7	2.7	2.7	2.7
Exploration	3.2	0.0	0.0	0.0
Depreciation	(0.2)	0.0	0.0	0.0
Other	(2.6)	0.0	0.0	0.0
EBITDA	(3.0)	(2.7)	(2.7)	(2.7)
EBIT	(2.8)	(2.7)	(2.7)	(2.7)
Interest Expense	(2.1)	0.0	0.0	0.0
EBT	(4.9)	(2.7)	(2.7)	(2.7)
Taxes	0.0	0.0	0.0	0.0
Equity Earnings	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0
Net Income (Reported)	(4.9)	(2.7)	(2.7)	(2.7)
Net Income (Adjusted)	(4.9)	(2.7)	(2.7)	(2.7)
EPS (Reported) \$/sh	0.00	0.00	0.00	0.00
EPS (Adjusted) \$/sh	(0.00)	(0.00)	(0.00)	(0.00)
Average Shares (MM)	2,004.2	2,004.2	2,081.3	3,912.2

CASH FLOW STATEMENT (A\$ MM)				
Year-end June	2016A	2017E	2018E	2019E
Net Income (Reported)	(4.9)	(2.7)	(2.7)	(2.7)
Depreciation	0.2	0.0	0.0	0.0
Working Capital Changes	0.0	0.0	0.0	0.0
Other	1.4	0.0	0.0	0.0
Operating Cash Flow	(3.2)	(2.7)	(2.7)	(2.7)
Operating Cash Flow/sh (\$/sh)	0.00	0.00	0.00	0.00
Capital Expenditures	(0.1)	0.0	0.0	(149.5)
Acquisitions	0.0	0.0	0.0	0.0
Other	0.1	0.0	0.0	0.0
Investing Cash Flow	0.0	0.0	0.0	(149.5)
Common Share Dividends	0.0	0.0	0.0	0.0
Equity financing	0.0	0.0	8.0	190.0
Debt Issue	6.0	0.0	0.0	0.0
Debt Repayment	(12.0)	0.0	(10.0)	(6.0)
Other	(0.2)	0.0	0.0	0.0
Financing Cash Flow	(6.2)	0.0	(2.0)	184.0
Net Change in Cash	(9.4)	(2.7)	(4.7)	31.8
Cash Balance	19.5	16.8	12.2	44.0
Free Cash Flow	(3.3)	(2.7)	(2.7)	(152.2)

VALUATION DATA				
Year-end June	2016A	2017E	2018E	2019E
P/E	--	--	--	--
P/CF	--	--	--	--
EV/EBITDA	--	--	--	--
FCF Yield	--	--	--	--

INPUT PRICES				
Year-end June	2016A	2017E	2018E	2019E
Dundee Spot Uranium (US\$/lb)	33.2	32.9	44.5	52.5
Uranium Realized Price (US\$/lb)	0.0	0.0	0.0	0.0
Exchange (US\$/A\$)	0.73	0.77	0.77	0.77

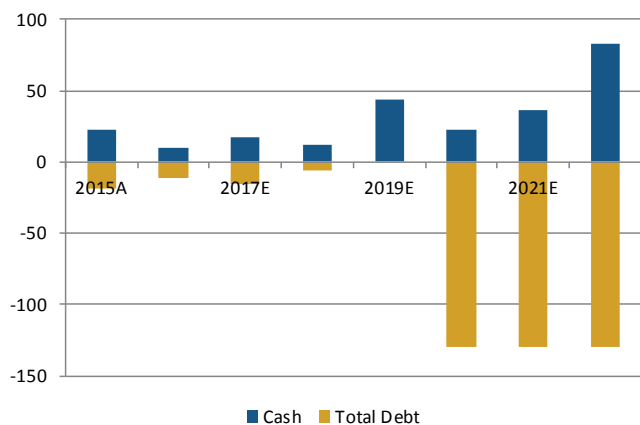
Toro Energy Ltd.

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

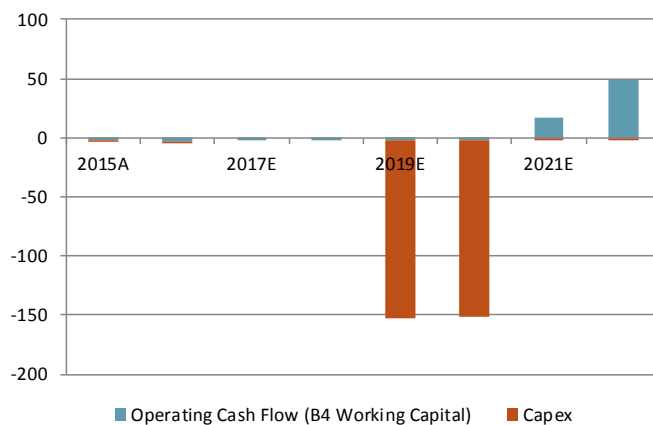
	Target Setting NAV			NAV at Various Discount Rates					
	Discount Rate	(\$MM)	(\$/Share)	0%		5%		15%	
				(\$MM)	(\$/Share)	(\$MM)	(\$/Share)	(\$MM)	(\$/Share)
Uranium Assets									
Wiluna (100%)	10%	68	0.03	503	0.24	220	0.11	-16	-0.01
Total Uranium Assets		68	0.03	503	0.24	220	0.11	-16	-0.01
Other Assets & Expenses									
Cash		17	0.01	17	0.01	17	0.01	17	0.01
Debt		(16)	(0.01)	(16)	(0.01)	(16)	(0.01)	(16)	(0.01)
Resources		25	0.01	25	0.01	25	0.01	25	0.01
Exploration, G&A, Other	10%	92	0.04	(85)	(0.04)	30	0.01	126	0.06
Net Other Assets		118	0.06	(59)	(0.03)	56	0.03	152	0.07
Net Asset Value		186	0.09	444	0.21	276	0.13	136	0.07
Share Price			0.05		0.05		0.05		0.05
P/NAV			0.54x		0.23x		0.36x		0.74x

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

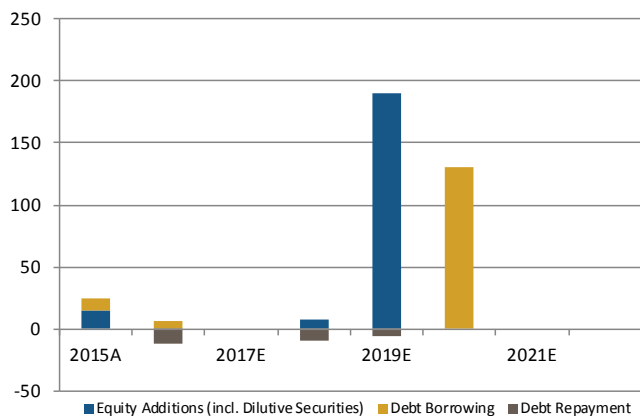
Cash and Debt



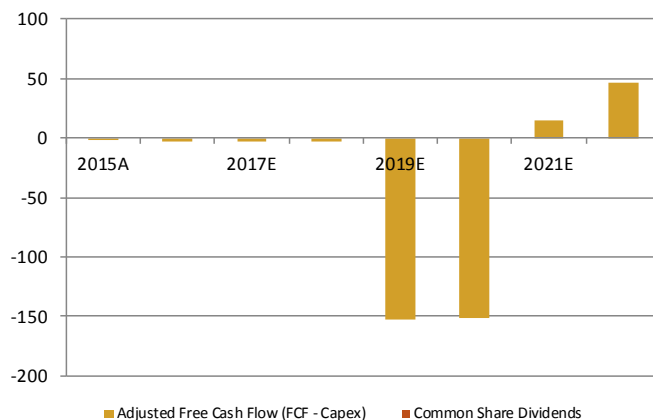
Operating Cash Flow and Capital Spending



Changes in Debt and Equity



Free Cash Flow and Common Share Dividends



Source: Company Reports, FactSet, Dundee Capital Markets

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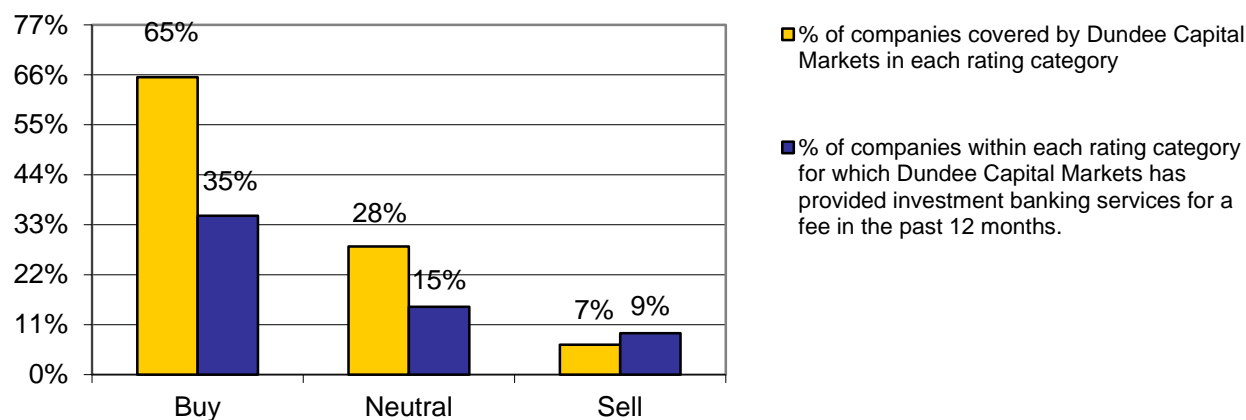
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Dundee target: represents the price target as required under IIROC Rule 3400. Valuation methodologies used in determining the price target(s) for the issuer(s) mentioned in this research report are contained in current and/or prior research. Dundee 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.

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

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As at June 30, 2016

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