

# Berkeley Energy Limited

(BKY-AIM: £0.26; BKY-ASX: A\$0.56)

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**BUY, High Risk**

Dundee target: £0.90; A\$2.00

## Financing Assumptions Modified After Discussions with Management

BKY-AIM	New	Last
Rating	--	Buy
Target (AUD)	2.00 ▲	\$1.15
Target (GBP)	0.90 ▲	0.50
Risk	--	High
Projected Return	243%	71%
Target/NAV multiple	--	0.90x
Corporate DCF	£ 0.86 ▲	£ 0.49
Cash & Investments	£ 0.20 ▲	£ 0.07
Debt	(£ 0.08) ▲	£ 0.00
Exploration & Unmodelled Resources	£ 0.01	£ 0.01
Total NAV	£ 0.99 ▲	£ 0.57
P/NAV	0.26x ▼	0.51x

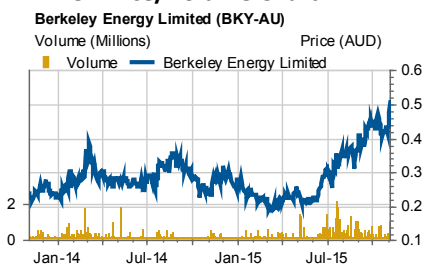
Company Data	
Last Price	£ 0.26
52-week Range	£ 0.11 - £ 0.32
Market Cap (MM)	£ 42.8
Enterprise Value (MM)	\$31.7
Shares Outstanding - Basic (MM)	180.4
Shares Outstanding - FD (MM)	181.4
Avg Volume - 100d (000 shares/day)	488.4
Cash (30-Sep-15) (MM)	\$11.1
Debt (30-Sep-15)(MM)	\$0.0
Working Capital (30-Jun-15)(MM)	\$12.6

Forecast	2013A	2014A	2015A	LT
Spot (US\$/lb)	43.6	34.8	35.5	65.0
Term (US\$/lb)	57.5	50.6	48.3	65.0
Realized Prices (US\$/lb)	0.0	0.0	0.0	
Revenue (\$MM)	2	1	1	
EPS	(\$0.07)	(\$0.04)	(\$0.04)	
P/E	n/a	n/a	n/a	
EBITDA (MM)	(\$11)	(\$8)	(\$8)	
EV/EBITDA	n/a	n/a	n/a	
Interest Coverage	n/a	n/a	n/a	
OP CF (MM)	(\$0)	(\$7)	(\$7)	
CF/share	(\$0.05)	(\$0.04)	(\$0.04)	

All Figures in A\$ Unless Otherwise Noted

Source: FactSet, Company Reports, DCM

### BKY-AU: Price/Volume Chart



Source: Factset

### Company Description

Berkeley Energy is an ASX listed uranium development company with assets in Spain. Its flagship is the Salamanca I uranium project currently being permitted. Environmental License, Mining License and Initial Authorization are already in hand. It controls 89.5 MM lbs of resources at its Retortillo, Alameda, Zona 7, Gambuta and other satellite deposits.

We recommend Berkeley Energy as a BUY, and adjust our target upwards to £0.90 from £0.50 after updating our financing assumptions and incorporating some of Management's objectives into our 10% DCF model. The market likes the recently updated PFS ([see note](#)), and as management continues to check all the boxes, the stock has shown considerable momentum that we expect to continue towards production (BKY is up 17% WoW, 112% over the past six months). With a mid-2016 construction goal, it appears that a production decision has already been made. A number of potential financiers have begun negotiations.

We have updated our financing assumptions including incorporation of debt and significantly decreased dilution. Management expects equity to be limited to ~US\$90 to US\$100 MM, which we now apply in two steps in our model: US\$61 MM in F2016; US\$28.4 MM in F2017. Berkeley also expects the residual to be financed via debt and/or off-takes. Salamanca was previously a project of interest for Russian and Korean entities, and we are aware of others that like this project. Thus we see potential for off-takes, strategic partnerships, asset sales, or other low-dilution, potentially valuation improving ideas; "Everything is on the table".

We like Salamanca and believe the mine will be built. A\$11.1 MM cash suggests there is likely enough to last until construction. Project financing is likely required shortly to remain on schedule. Part of Salamanca's appeal is its low capital intensity, and while initial capital is lower, we believe ~A\$176 MM may be required to make sure all three deposits can be staged in without returning to market. Berkeley plans to cover only a portion of its requirements via equity, but its share price does have to co-operate. We have taken that into account in our valuation and pricing assumptions and maintain a 0.9x multiple to our 10% DCF. As Salamanca advances, meeting remaining milestones by Q2/16: completion of a DFS, final permits, minor exploration, in conjunction with successful financing, we believe the stock's momentum should continue. We are confident as management has successfully achieved its targets this year: major permits are in hand; Zona 7 was drilled, resource upgraded; PFS was updated incorporating high grade Zona 7; positive metallurgical and exploration programs completed.

Zona 7 dramatically improved Salamanca economics. As higher grade Zona 7 deposit was consolidated into the PFS, and placed forward in mine plans, it made a significant impact to our model, even more so now considering our modified financing assumptions. It nearly doubled production, increased LOM by 62%, decreased initial capital by 15% and dropped operating costs by 36% at steady state production. We have minor concerns, but even with delays, project economics are very robust: NPV of US\$871 MM with a 93% IRR is estimated using an 8% DCF and US\$65/lb U3O8. Using 10% DCF, we trim this slightly to US\$763 MM. At term prices of US\$44/lb, NPV is US\$421 MM with 57% IRR. Dundee's NPV (10%) estimate is US\$523 MM pre-financing, US\$431 MM post-financing.

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**Table 1: Berkeley Energy now trades at a discount to its peers on a P/NAV basis, despite being one of the most advanced and having high potential for mid-term production**

Developers:	Last Price	Shares O/S	Mkt. Cap	Cash	Debt	EV	Reserves	Resources	Total	Historical	EV/lb	Rating	Risk	Target	Performance					NAV	P/NAV
	C\$	MM	C\$ MM	C\$ MM	C\$ MM	C\$ MM	MM lbs	MM lbs	MM lbs	MM lbs	US\$/lb			C\$	1wk	1 mo	3mo	6mo	1yr		
Denison Mines	0.55	518	290.33	19.53	0.03	<b>270.83</b>	0	180	180	6	<b>1.11</b>	BUY	High	2.20	(2%)	(4%)	(17%)	(48%)	(49%)	<b>2.19</b>	<b>0.25x</b>
Peninsula Energy	A 1.11	174	194.88	33.43	0.00	<b>161.45</b>	0	96	96	0	<b>1.28</b>	BUY	Speculative	A 1.60*	(9%)	6%	11%	54%	16%	<b>2.12</b>	<b>0.52x</b>
Toro Energy	A 0.07	2,004	144.30	21.51	17.22	<b>140.01</b>	0	87	87	0	<b>1.22</b>	NEUTRAL	Speculative	A 0.09	(3%)	16%	20%	(4%)	(12%)	<b>0.11</b>	<b>0.66x</b>
Berkeley Resources	A 0.57	180	86.47	10.43	0.00	<b>76.04</b>	0	90	90	0	<b>0.65</b>	BUY	High	A 2.00	35%	26%	61%	135%	135%	<b>2.18</b>	<b>0.26x</b>
UEX Corp	0.12	246	29.52	5.20	0.00	<b>24.32</b>	0	86	86	15	<b>0.18</b>	BUY	Speculative	0.60	0%	(11%)	(40%)	(57%)	(56%)	<b>0.71</b>	<b>0.17x</b>
Uranium Resources	US 0.76	30	31.15	8.67	10.51	<b>32.99</b>	1	13	14	122	<b>0.18</b>	NR	NR		(3%)	(7%)	(9%)	(38%)	(51%)		
Mega Uranium	0.07	284	19.17	0.86	0.00	<b>18.31</b>	0	17	17	0	<b>0.82</b>	NR	NR		(7%)	(19%)	(38%)	(32%)	(48%)		
Azarga Resources	0.31	60	17.41	0.91	2.95	<b>19.45</b>	0	24	24	1	<b>0.58</b>	NEUTRAL	Speculative	0.80	2%	(8%)	(5%)	(10%)	(32%)	<b>1.00</b>	<b>0.30x</b>
Forsys Metals	0.19	150	17.06	2.44	0.31	<b>14.93</b>	91	31	122	0	<b>0.09</b>	NR	NR		13%	7%	23%	(16%)	6%		
Bannerman Resources	0.04	388	14.34	0.95	9.66	<b>23.06</b>	119	93	213	0	<b>0.08</b>	NR	NR		(14%)	7%	(21%)	(40%)	(43%)		
Laramide Resources	0.15	85	12.54	0.18	4.90	<b>17.26</b>	0	62	62	3	<b>0.20</b>	NEUTRAL	Speculative	0.60	(3%)	(17%)	(36%)	(46%)	(60%)	<b>0.59</b>	<b>0.25x</b>
U308 Corp	0.03	266	6.03	0.67	0.18	<b>5.53</b>	0	48	48	0	<b>0.09</b>	BUY	Speculative	n/a	(0%)	(0%)	(29%)	(55%)	(37%)	n/a	n/a
<b>AVERAGE</b>						<b>63.31</b>					<b>0.51</b>				<b>1%</b>	<b>(0%)</b>	<b>(6%)</b>	<b>(12%)</b>	<b>(18%)</b>		<b>0.35x</b>

\* Peninsula Energy completed a 40:1 roll-back, therefore suggesting a target of A\$1.60

Source: Company Reports, FactSet, Dundee Capital Markets

## Berkeley Energy Ltd. (BKY-LO)

Rating	BUY	£ Target	0.90	A\$ 2.00	Shares O/S (MM)	180.4
Risk*	High	£ Close	0.26	A\$ 0.56	Fully Diluted Shares (MM)	181.4
David A. Talbot, VP, Sr. Mining Analyst		12-month return	243%		Basic Mkt. Capitalization (MM)	£ 42.78
<a href="mailto:dtalbot@dundeecapitalmarkets.com">dtalbot@dundeecapitalmarkets.com</a>					Enterprise Value (MM)	A\$ 31.68

## PRODUCTION ESTIMATES (000 lbs)

Year-end June	2016E	2017E	2018E	2019E	2020E
Retortillo	0	0	1,513	0	0
Alameda	0	0	0	0	1,957
Zona 7	0	0	0	2,267	2,267
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>1,513</b>	<b>2,267</b>	<b>4,224</b>

## TOTAL CASH COST ESTIMATES (excl. non-cash) (US\$/lb)

Year-end June	2016E	2017E	2018E	2019E	2020E
Retortillo	0.0	0.0	22.0	0.0	0.0
Alameda	0.0	0.0	0.0	0.0	26.9
Zona 7	0.0	0.0	0.0	13.5	13.5
<b>Wt. Avg. Total Cash Costs</b>	<b>0.0</b>	<b>0.0</b>	<b>22.0</b>	<b>13.5</b>	<b>19.7</b>

## URANIUM RESERVES &amp; RESOURCES

Ownership	Tonnes MM t	Grade % U3O8	Cont U3O8 (MM lbs) 100% Basis	BKY Share
<b>Proven and Probable Reserves</b>				
*The company currently has no Mineral Reserves				
<b>Total Reserves</b>	<b>0.00</b>	<b>0.00%</b>	<b>0.00</b>	<b>0.00</b>
<b>Measured and Indicated Resources</b>				
Retortillo	100%	16.50	0.04%	13.40
Alameda	100%	20.00	0.05%	20.10
Zona 7	100%	17.10	0.07%	27.80
Gambuta	100%			
Other satellites	100%			
<b>Total Measured and Indicated Resources</b>	<b>53.60</b>	<b>0.05%</b>	<b>61.30</b>	<b>61.30</b>
<b>Inferred Resources</b>				
Retortillo	100%	0.20	0.04%	0.10
Alameda	100%	0.70	0.07%	1.00
Zona 7	100%	4.90	0.03%	3.60
Gambuta	100%	12.70	0.04%	11.10
Other satellites	100%	11.90	0.05%	12.50
<b>Total Inferred Resources</b>	<b>30.40</b>	<b>0.04%</b>	<b>28.30</b>	<b>28.30</b>
<b>TOTAL RESOURCES</b>	<b>84.00</b>	<b>0.05%</b>	<b>89.60</b>	<b>89.60</b>
<b>Current Per Pound Metrics</b>				
	<b>BKY</b>	<b>Dev. Peers</b>	<b>Prem./Disc.</b>	
EV/lb (US\$)	\$0.64	0.51	27%	
Mkt Cap/lb (US\$)	\$0.73	0.53	37%	

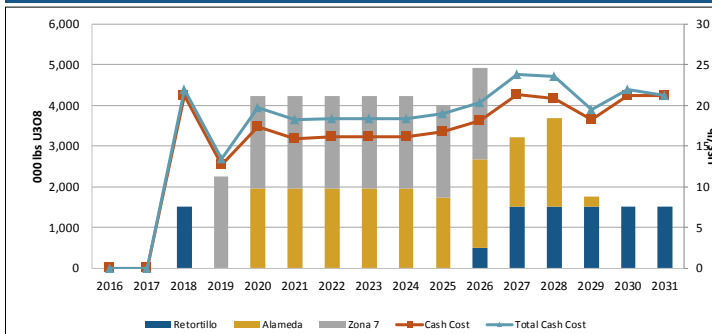
## NET ASSET VALUE (£) - 10%

Assets:	NAV (£ MM)	£/Share	% NAV
Retortillo (100%)	3.8	0.02	2%
Alameda (100%)	82.9	0.46	46%
Zona 7 (100%)	133.7	0.74	75%
Un-mined Resources	1.0	0.01	1%
<b>Balance Sheet &amp; Other Items:</b>			
Cash & Investments	36.8	0.20	20%
Debt	-13.6	-0.08	-8%
Exploration, G&A, and Other	-65.1	-0.36	-36%
<b>Total</b>	<b>179</b>	<b>0.99</b>	<b>100%</b>
<b>Dundee NAV Target Multiple</b>		<b>0.90x</b>	
<b>Share Price Target</b>		<b>0.90</b>	

## Long Term Uranium Price Assumption (US\$/lb)

NAV (£/share)	40	50	60	70	80
0% Discount	0.47	1.07	1.68	2.28	2.88
5% Discount	0.41	0.80	1.20	1.60	1.99
10% Discount	0.32	0.59	0.86	1.13	1.40
15% Discount	0.25	0.45	0.64	0.83	1.03

## COMMERCIAL URANIUM PRODUCTION PROFILE



## BALANCE SHEET (A\$ MM)

Year-end June	2012A	2013A	2014A	2015A
<b>Assets:</b>				
Cash & ST Investments	37.72	27.74	20.25	13.40
Other Current Assets	0.71	0.80	0.55	0.48
<b>Current Assets</b>	<b>38.42</b>	<b>28.53</b>	<b>20.79</b>	<b>13.88</b>
Mineral Properties	14.22	16.06	16.05	14.26
Other non-current Assets	0.10	0.07	0.13	1.73
<b>Total Assets</b>	<b>52.75</b>	<b>44.66</b>	<b>36.98</b>	<b>29.86</b>
<b>Liabilities:</b>				
Current Liabilities	1.15	2.52	1.40	1.32
Long-term Debt	0.00	0.00	0.00	0.00
Other non-current Liabilities	0.00	0.00	0.00	0.00
<b>Total Liabilities</b>	<b>1.15</b>	<b>2.52</b>	<b>1.40</b>	<b>1.32</b>
Capital Stock	119.52	119.06	118.18	119.00
Retained Earnings	(67.93)	(76.93)	(82.60)	(90.46)
<b>Total Shareholder Equity</b>	<b>51.59</b>	<b>42.14</b>	<b>35.58</b>	<b>28.54</b>

## INCOME STATEMENT (A\$ MM)

Year-end June	2012A	2013A	2014A	2015A
Total Revenue:	1.2	0.6	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	1.0	0.9	4.0	8.0
Exploration	6.9	6.7	8.0	8.0
Depreciation	0.0	0.0	0.0	0.0
Other	0.8	0.9	0.0	0.0
<b>EBITDA</b>	<b>(7.6)</b>	<b>(7.9)</b>	<b>(12.0)</b>	<b>(16.0)</b>
<b>EBIT</b>	<b>(7.6)</b>	<b>(7.9)</b>	<b>(12.0)</b>	<b>(16.0)</b>
Interest Expense	0.0	0.0	0.0	0.0
<b>EBT</b>	<b>(7.6)</b>	<b>(7.9)</b>	<b>(12.0)</b>	<b>(16.0)</b>
Taxes	0.0	0.0	0.0	0.0
Equity Earnings	0.0	0.0	0.0	0.0
Other	0	0	0	0
<b>Net Income (Reported)</b>	<b>(7.5)</b>	<b>(7.9)</b>	<b>(12.0)</b>	<b>(16.0)</b>
<b>Net Income (Adjusted)</b>	<b>(7.5)</b>	<b>(7.9)</b>	<b>(12.0)</b>	<b>(16.0)</b>
<b>EPS (Reported) \$/sh</b>	<b>(0.04)</b>	<b>(0.04)</b>	<b>(0.04)</b>	<b>(0.05)</b>
<b>EPS (Adjusted) \$/sh</b>	<b>(0.04)</b>	<b>(0.04)</b>	<b>(0.04)</b>	<b>(0.05)</b>
Average Shares (MM)	171.6	180.4	273.2	302.0

## CASH FLOW STATEMENT (A\$ MM)

Year-end June	2012A	2013A	2014A	2015A
Net Income (Reported)	(7.5)	(7.9)	(12.0)	(16.0)
Depreciation	0.0	0.0	0.0	0.0
Working Capital Changes	0.0	0.0	0.0	0.0
Other	0.2	1.0	0.0	0.0
<b>Operating Cash Flow</b>	<b>(7.3)</b>	<b>(6.8)</b>	<b>(12.0)</b>	<b>(16.0)</b>
<b>Operating Cash Flow/sh (\$/sh)</b>	<b>(0.04)</b>	<b>(0.04)</b>	<b>(0.04)</b>	<b>(0.05)</b>
Capital Expenditures	0.0	0.1	0.0	(111.0)
Acquisitions	0.0	0.0	0.0	0.0
Other	(0.2)	(0.1)	(2.3)	(4.5)
<b>Investing Cash Flow</b>	<b>(0.2)</b>	<b>(0.1)</b>	<b>(2.3)</b>	<b>(115.5)</b>
Common Share Dividends	0.0	0.0	0.0	0.0
Equity Financing	0.0	0.0	86.0	40.0
Debt Issue	0.0	0.0	50.0	0.0
Debt Repayment	0.0	0.0	0.0	0.0
Other	(0.0)	0.0	0.0	0.0
<b>Financing Cash Flow</b>	<b>(0.0)</b>	<b>0.0</b>	<b>136.0</b>	<b>40.0</b>
<b>Net Change in Cash</b>	<b>(7.5)</b>	<b>(6.8)</b>	<b>121.8</b>	<b>(91.5)</b>
<b>Cash Balance</b>	<b>20.2</b>	<b>13.4</b>	<b>135.1</b>	<b>43.7</b>
<b>Free Cash Flow</b>	<b>(7.3)</b>	<b>(6.8)</b>	<b>(12.0)</b>	<b>(127.0)</b>

## VALUATION DATA

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

## INPUT PRICES

Year-end June	2014A	2015A	2016E	2015A
Dundee Spot Uranium (US\$/lb)	34.8	35.5	47.5	60.0
Uranium Realized Price (US\$/lb)	0.0	0.0	0.0	0.0
Exchange (US\$/C)	0.94	0.85	0.74	0.73

## Berkeley Energy Ltd.

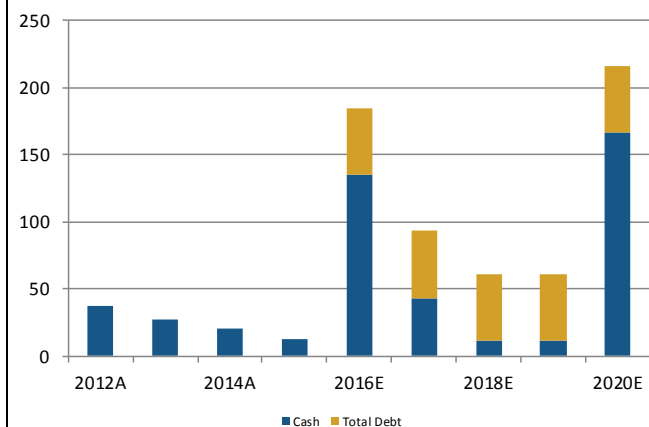
### Net Asset Valuation at Dundee Price Deck (GBP)

Shares Outstanding (MM) 302.0

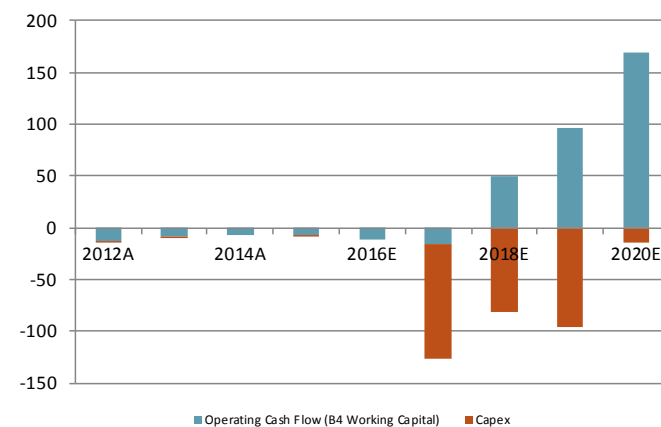
	Target Setting NAV			NAV at Various Discount Rates					
	Discount Rate	(£MM)	(£/Share)	0%		5%		15%	
		(£MM)	(£/Share)	(£MM)	(£/Share)	(£MM)	(£/Share)	(£MM)	(£/Share)
<b>Uranium Assets</b>									
Retortillo (100%)	10%	6	0.02	63	0.21	28	0.09	-7	-0.02
Alameda (100%)	10%	139	0.46	280	0.93	195	0.65	101	0.33
Zona 7 (100%)	10%	224	0.74	378	1.25	288	0.95	177	0.59
<b>Total Uranium Assets</b>		<b>369</b>	<b>1.22</b>	<b>721</b>	<b>2.39</b>	<b>511</b>	<b>1.69</b>	<b>270</b>	<b>0.89</b>
<b>Other Assets &amp; Expenses</b>									
Cash		62	0.20	62	0.20	62	0.20	62	0.20
Debt		(23)	(0.08)	(23)	-0.08	(23)	-0.08	(23)	(0.08)
Resources		2	0.01	2	0.01	2	0.01	2	0.01
Exploration, G&A, Other	10%	(109)	(0.36)	(164)	-0.54	(129)	-0.43	(88)	(0.29)
<b>Net Other Assets</b>		<b>(69)</b>	<b>(0.23)</b>	<b>(123)</b>	<b>-0.41</b>	<b>(89)</b>	<b>-0.29</b>	<b>(48)</b>	<b>(0.16)</b>
<b>Net Asset Value</b>		<b>301</b>	<b>0.99</b>	<b>597</b>	<b>1.98</b>	<b>422</b>	<b>1.40</b>	<b>222</b>	<b>0.74</b>
Share Price			0.26		0.26		0.26		0.26
P/NAV			0.26x		0.13x		0.19x		0.36x

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

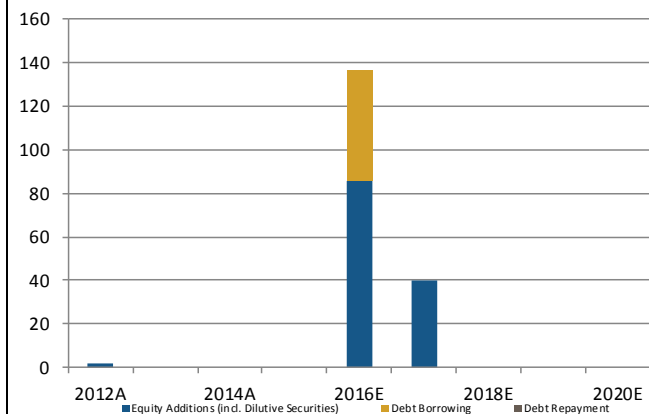
#### Cash and Debt



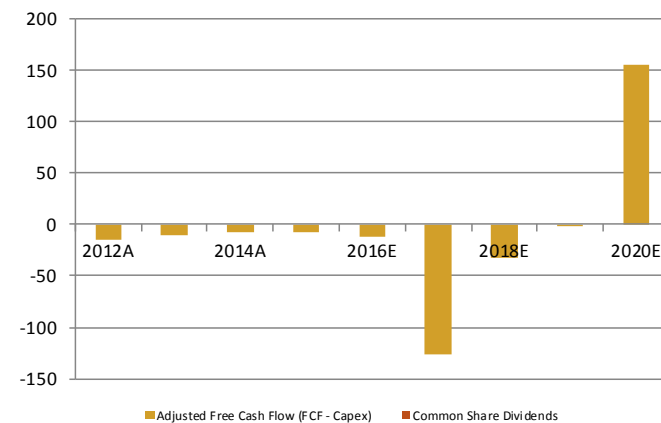
#### Operating Cash Flow and Capital Spending



#### Changes in Debt and Equity



#### Free Cash Flow and Common Share Dividends



Source: Company Reports, FactSet, Dundee Capital Markets

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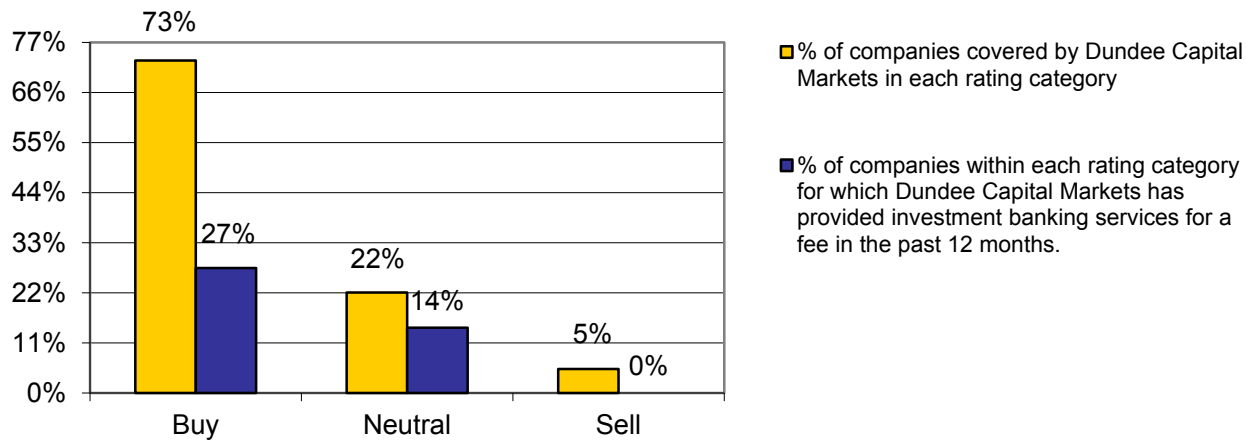
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Securities with poor liquidity or high volatility are considered to be High risk. Liquidity and volatility are measured using the following methodology: a) Price Test: All securities with a price  $\leq$  \$3.00 per share are considered high risk for 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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