

## Berkeley Energia Limited

(BKY-AIM: £0.25), (BKY-ASX: A\$0.47)

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**BUY, High Risk**

Dundee target: £0.90, A\$2.00

## Two New High Grade Uranium Zones Identified Below Zona 7 Deposit

BKY-AIM	New	Last
Rating	--	Buy
Target (AUD)	--	\$2.00
Target (GBP)	--	0.90
Risk	--	High
Projected Return	--	256%
Target/NAV multiple	--	0.90x
Corporate DCF	--	£ 0.88
Cash & Investments	--	£ 0.20
Debt	--	(£ 0.08)
Exploration & Unmodelled Resources	--	£ 0.01
Total NAV	--	£ 1.01
P/NAV	--	0.25x

Company Data	
Last Price	£ 0.25
52-week Range	£ 0.11 - £ 0.32
Market Cap (MM)	£ 41.8
Enterprise Value (MM)	\$30.7
Shares Outstanding - Basic (MM)	181.8
Shares Outstanding - FD (MM)	182.8
Avg Volume - 100d (000 shares/day)	381.2
Cash (30-Sep-15) (MM)	\$11.1
Debt (30-Sep-15)(MM)	\$0.0
Working Capital (est)(MM)	\$12.6

Forecast	2015A	2016E	2017E	LT
Spot (US\$/lb)	36	45	61	65.0
Term (US\$/lb)	47	55	65	65.0
Realized Prices (US\$/lb)	0.0	0.0	0.0	
Revenue (\$MM)	1	0	0	
EPS	(\$0.04)	(\$0.04)	(\$0.05)	
P/E	n/a	n/a	n/a	
EBITDA (MM)	(\$8)	(\$12)	(\$16)	
EV/EBITDA	n/a	n/a	n/a	
Interest Coverage	n/a	n/a	n/a	
OP CF (MM)	(\$7)	(\$12)	(\$16)	
CF/share	(\$0.04)	(\$0.04)	(\$0.05)	

All Figures in A\$ Unless Otherwise Noted

Source: FactSet, Company Reports, DCM

### BKY-AU: Price/Volume Chart



Source: Factset

### Company Description

Berkeley Energia 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 88 MM lbs of resources at its Retortillo, Alameda, Zona 7, Gambuta and other satellite deposits.

We continue to recommend Berkeley Energia as a BUY with a GBP 0.90/sh target price, based on a 0.90x multiple applied to our 10% DCF model. Our top uranium pick for 2016 has identified new high grade uranium mineralization lying below the recently expanded and high grade Zona 7 deposit. While we wouldn't term this a new discovery, these results could potentially have a significant long term impact on resource growth and on the economics of the Salamanca Project in Spain. Berkeley continues to outperform peers, even as options are discussed to provide start-up capital for Salamanca. Management suggests it may arrange a partial asset sale with a nuclear utility to cover its share of initial requirements. Major permits are in hand. Salamanca has a low initial Capex of US\$85 MM, amongst the lowest total cash operating costs at ~US\$20/lb U3O8, and a noteworthy production rate at 4.3 MM lbs pa LOM average. These attributes could attract several end users, even at US\$34.75/lb U3O8. We urge investors to buy BKY as its share price continues to outperform peers, and it further improves Salamanca economics and arranges financing in preparation to break ground. Opportunity remains as BKY's P/NAV of 0.25x is a discount to its uranium developer peers (0.31x) and producers (0.44x).

**Two new zones apparent.** While the 31 MM lbs Zona 7 deposit lies within 100m depth, these newly identified zones range from 100m to 200m deep. The overlying Zona 7 deposit is defined by flat-lying uranium mineralization within meta-sedimentary rocks as they approach a granite intrusion. Although further drilling is required, it's expected that these zones are likely flat lying as well. An upcoming drill program will focus on this area. Several high priority targets are located nearby - suggests emerging uranium province which we believe is still vastly under-explored.

**All three holes return high grades and wide intercepts.** The most impactful drill results are from identification of the two new zones found below Zona 7. High grade intercepts range up to 0.45% U3O8 over 14m, including 1.2% over 5m (over 18x higher than Zona 7 resource grades); 0.1% over 11m; and 0.14% over 7m. The widest intercepts are shallower and include 0.11% over 48m and 0.18% over 19m, but these occur within the boundary of the existing Zona 7 indicated resource.

**Incorporating Zona 7 resources recently improved project economics.** A PFS estimates NPV 8% of US\$871.3 MM, 93% IRR% at US\$65/lb; NPV of US\$421 MM, 57% IRR at a current US\$44/lb term price. Zona 7 hosts 31.4 MM lbs at 645 ppm, and Salamanca 89.5 MM lbs at 483 ppm. Addition of Zona 7 increased production, extended LOM, lowered strip ratios, Capex and Opex. Although Retortillo is first to be mined, Zona 7 will become focus upon permitting - perhaps within two years.

**Permitting well advanced.** Well-funded with DFS due CYQ1/16, its Environmental License and Mining License are granted; Initial Authorization was granted allowing it to operate a processing plant as a radioactive facility; Authorization for Construction and Production Authorization permits, & Urbanism License is pending. Construction is expected to commence mid-2016.

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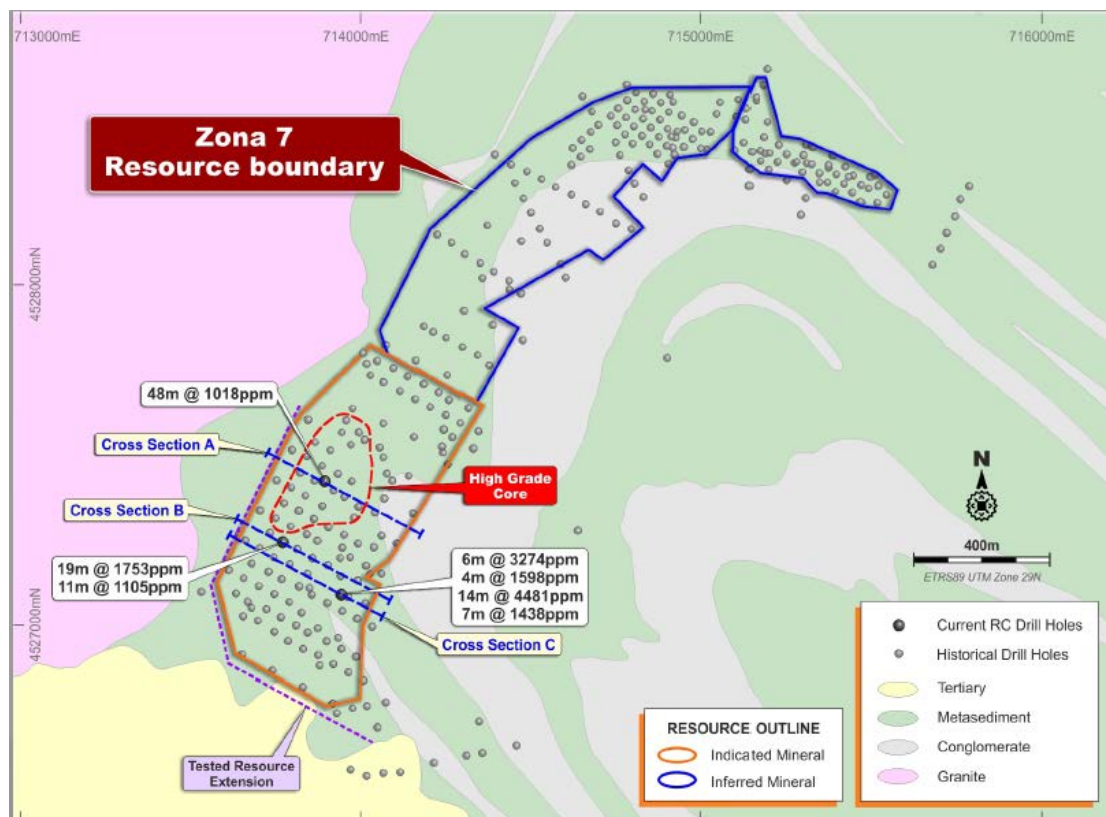
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**Table 1: Drill highlights as reported 27-Jan-2016. Zona 7 mineralization is located above 100m within drill holes, while the new deeper intercepts were reported below those depths.**

Drill Hole	Zone	Depth (m)	From (m)	To (m)	Interval (m)	U3O8 (ppm)
Z7R-346	Resource area	220	3	51	48	1,018
		<i>incl.</i>	16	25	9	1,969
	New deeper zone		159	162	3	393
			195	196	1	1,444
			202	203	1	233
		217	218	1	210	
Z7R-347	Resource area	220	11	30	19	1,753
	New deeper zone		112	118	6	466
			124	126	2	944
			130	141	11	1,105
			159	165	6	245
			169	174	5	435
Z7R-348	Resource area	220	60	66	6	3,274
	New deeper zone		81	85	4	1,598
			185	186	1	531
			193	207	14	4,481
		<i>incl.</i>	194	199	5	11,913
			210	217	7	1,438

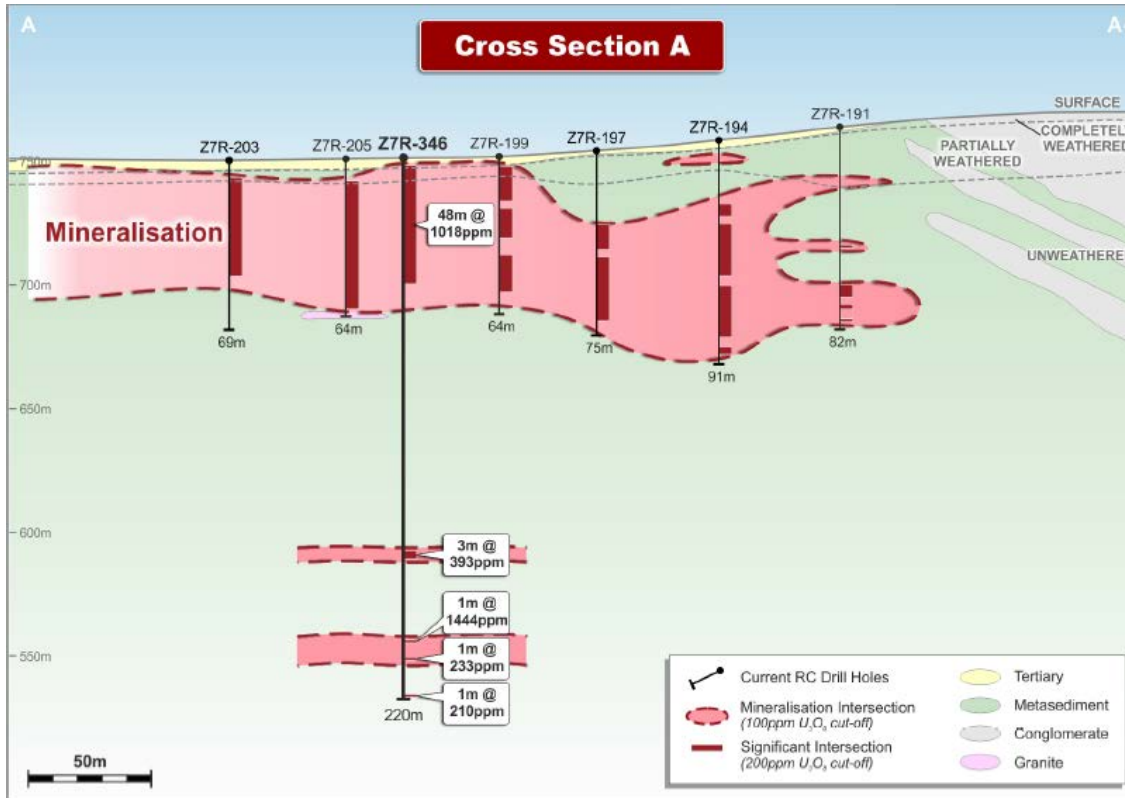
Source: Company Reports, Dundee Capital Markets

**Figure 1: Zona 7 drill plan showing the location of the existing resource boundaries, the high grade core, and the location of the three deeper holes that hit the underlying deposit.**



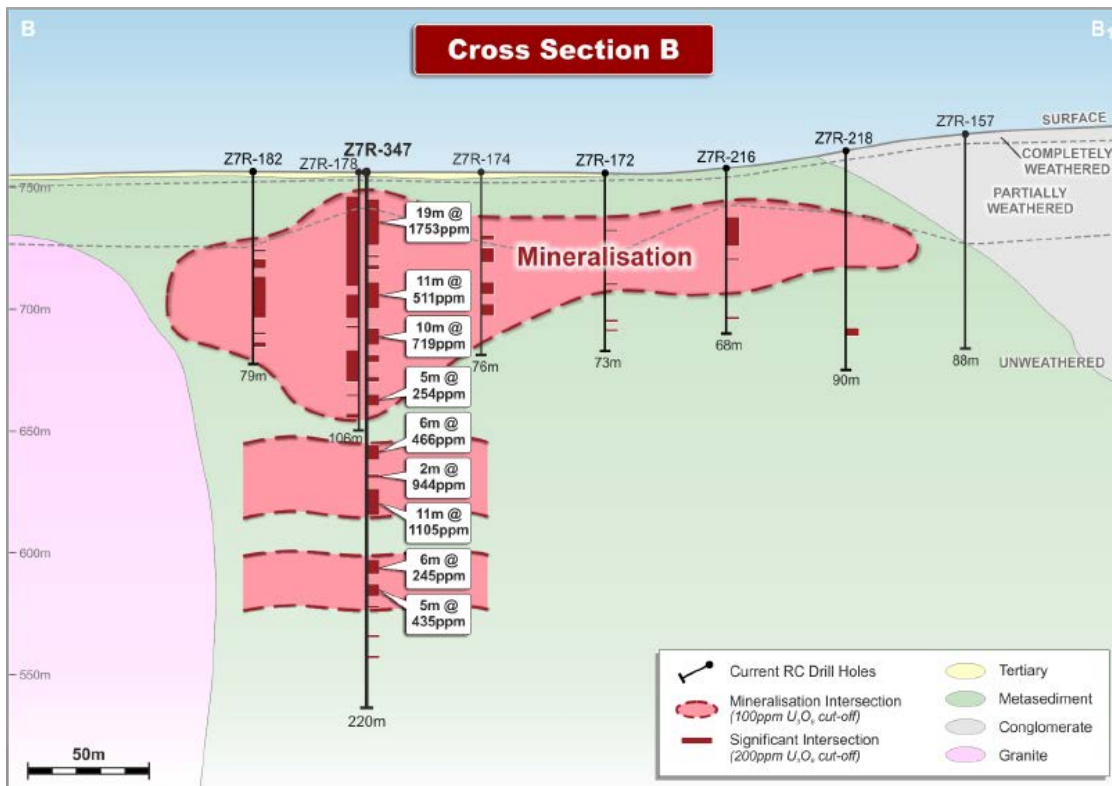
Source: Company Reports

**Figure 2: Cross Section A - Hole Z7R-346 identifies two new zones within the meta-sediments below Zona 7 deposit.**



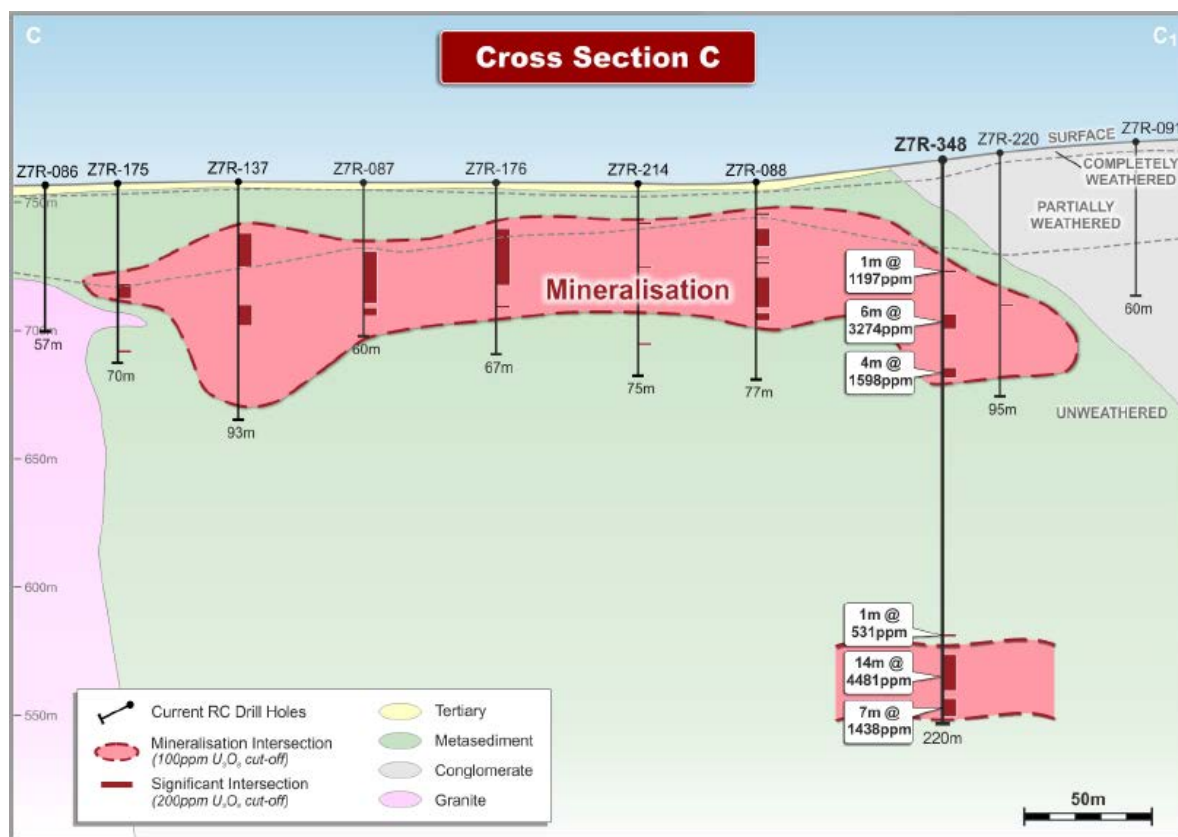
Source: Company Reports

**Figure 3: Cross Section B- Hole Z7R-347 identifies two new zones with multiple intercepts each.**



Source: Company Reports

**Figure 4: Cross Section C Hole Z7R-348 identifies one new zone with multiple higher grade intervals, and returns highest grades of the program at 0.45% U3O8 over 14m and 0.14% over 7m.**



Source: Company Reports

Berkeley Energy Ltd. (BKY-LO)						
Rating	BUY	£ Target	0.90	A\$ 2.00	Shares O/S (MM)	181.8
Risk*	High	£ Close	0.25	A\$ 0.47	Fully Diluted Shares (MM)	182.8
David A. Talbot, VP, Sr. Mining Analyst		12-month return	256%		Basic Mkt. Capitalization (MM)	£ 41.76
<a href="mailto:dtalbot@dundeeequity.com">dtalbot@dundeeequity.com</a>					Enterprise Value (MM)	A\$ 80.66

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>

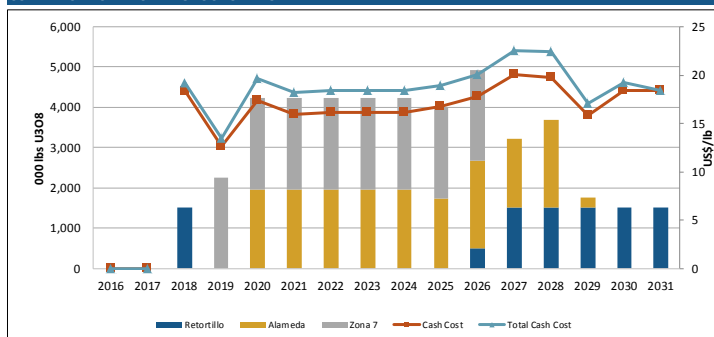
TOTAL CASH COST ESTIMATES (excl. non-cash) (US\$/lb)					
Year-end June	2016E	2017E	2018E	2019E	2020E
Retortillo	0.0	0.0	19.2	0.0	0.0
Alameda	0.0	0.0	0.0	0.0	26.9
Zona 7	0.0	0.0	0.0	13.5	13.5
<b>Wt. Avg. Total Cash Costs</b>	<b>0.0</b>	<b>0.0</b>	<b>19.2</b>	<b>13.5</b>	<b>19.7</b>

URANIUM RESERVES & 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%	15.40	0.04%	14.30	14.30
Alameda	100%	20.00	0.05%	20.10	20.10
Zona 7	100%	17.10	0.07%	27.80	27.80
Gambuta	100%				
Other satellites	100%				
<b>Total Measured and Indicated Resources</b>		<b>52.50</b>	<b>0.05%</b>	<b>62.20</b>	<b>62.20</b>
<b>Inferred Resources</b>					
Retortillo	100%	0.20	0.04%	0.20	0.20
Alameda	100%	0.70	0.07%	1.00	1.00
Zona 7	100%	4.90	0.03%	3.60	3.60
Gambuta	100%	12.70	0.04%	11.10	11.10
Other satellites	100%	11.90	0.05%	12.50	12.50
<b>Total Inferred Resources</b>		<b>30.40</b>	<b>0.04%</b>	<b>28.40</b>	<b>28.40</b>
<b>TOTAL RESOURCES</b>		<b>82.90</b>	<b>0.05%</b>	<b>90.60</b>	<b>90.60</b>
<b>Current Per Pound Metrics</b>					
EV/lb (US\$)		\$0.58	0.39	50%	
Mkt Cap/lb (US\$)		\$0.66	0.40	68%	

NET ASSET VALUE (£) - 10%			
	NAV (£ MM)	£/Share	% NAV
<b>Assets:</b>			
Retortillo (100%)	12.1	0.04	4%
Alameda (100%)	138.8	0.46	46%
Zona 7 (100%)	223.9	0.74	73%
Un-mined Resources	1.8	0.01	1%
<b>Balance Sheet &amp; Other Items:</b>			
Cash & Investments	61.6	0.20	20%
Debt	-22.8	-0.08	-7%
Exploration, G&A, and Other	-110.5	-0.37	-36%
<b>Total</b>	<b>305</b>	<b>1.01</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	2014A	2015A	2016E	2017E
<b>Assets:</b>				
Cash & ST Investments	20.25	13.40	135.15	43.66
Other Current Assets	0.55	0.48	0.48	0.48
<b>Current Assets</b>	<b>20.79</b>	<b>13.88</b>	<b>135.63</b>	<b>44.14</b>
Mineral Properties	16.05	15.92	15.92	126.91
Other non-current Assets	0.13	0.07	0.07	0.07
<b>Total Assets</b>	<b>36.98</b>	<b>29.86</b>	<b>151.61</b>	<b>171.11</b>
<b>Liabilities:</b>				
Current Liabilities	1.40	1.32	1.32	1.32
Long-term Debt	0.00	0.00	50.00	50.00
Other non-current Liabilities	0.00	0.00	0.00	0.00
<b>Total Liabilities</b>	<b>1.40</b>	<b>1.32</b>	<b>51.32</b>	<b>51.32</b>
Capital Stock	118.18	119.00	205.00	245.00
Retained Earnings	(82.60)	(90.46)	(102.46)	(118.46)
<b>Total Shareholder Equity</b>	<b>35.58</b>	<b>28.54</b>	<b>102.54</b>	<b>126.54</b>

INCOME STATEMENT (A\$ MM)				
Year-end June	2014A	2015A	2016E	2017E
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	2014A	2015A	2016E	2017E
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	2014A	2015A	2016E	2017E
P/E	--	--	--	--
P/CF	--	--	--	--
EV/EBITDA	--	--	--	--
FCF Yield	--	--	--	--

INPUT PRICES				
Year-end June	2014A	2015A	2016E	2017E
Dundee Spot Uranium (US\$/lb)	35	36	48	61
Uranium Realized Price (US\$/lb)	0.0	0.0	0.0	0.0
Exchange (US\$/C)	0.94	0.85	0.74	0.73

Source: Company Reports, FactSet, Dundee Capital Markets

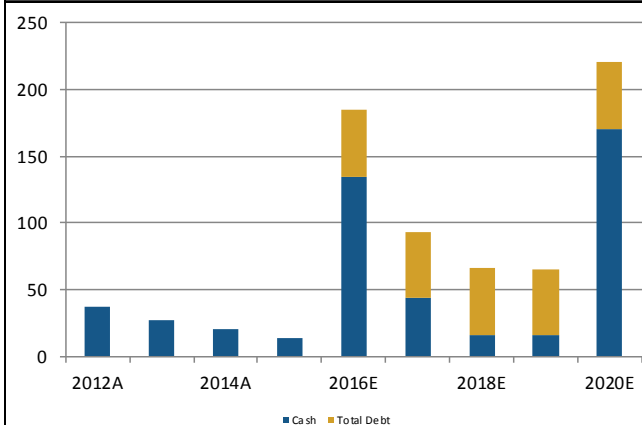
## Berkeley Energy Ltd.

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

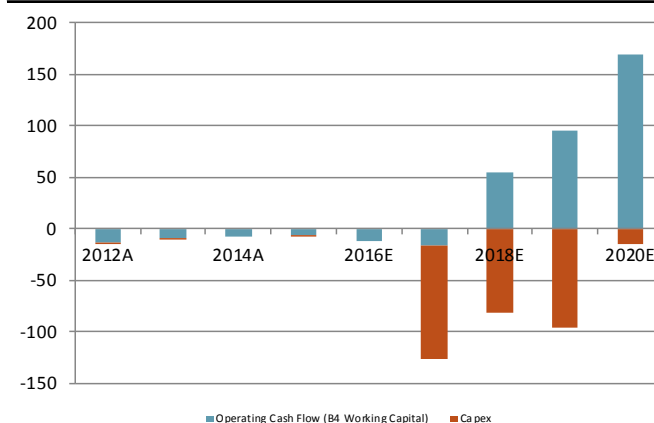
	Target Setting NAV			NAV at Various Discount Rates					
	Discount Rate	(£MM)	(£/Share)	0% (£MM)	0% (£/Share)	5% (£MM)	5% (£/Share)	15% (£MM)	15% (£/Share)
<b>Uranium Assets</b>									
Retortillo (100%)	10%	12	0.04	77	0.25	36	0.12	-3	-0.01
Alameda (100%)	10%	139	0.46	280	0.93	195	0.65	101	0.33
Zona 7 (100%)	10%	224	0.74	378	1.25	288	0.95	177	0.59
<b>Total Uranium Assets</b>		<b>375</b>	<b>1.24</b>	<b>735</b>	<b>2.43</b>	<b>520</b>	<b>1.72</b>	<b>274</b>	<b>0.91</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%	(111)	(0.37)	(165)	-0.55	(131)	-0.43	(90)	(0.30)
<b>Net Other Assets</b>		<b>(70)</b>	<b>(0.23)</b>	<b>(125)</b>	<b>-0.41</b>	<b>(90)</b>	<b>-0.30</b>	<b>(49)</b>	<b>(0.16)</b>
<b>Net Asset Value</b>		<b>305</b>	<b>1.01</b>	<b>610</b>	<b>2.02</b>	<b>429</b>	<b>1.42</b>	<b>225</b>	<b>0.75</b>
<b>Share Price</b>			<b>0.25</b>		<b>0.25</b>		<b>0.25</b>		<b>0.25</b>
<b>P/NAV</b>			<b>0.25x</b>		<b>0.13x</b>		<b>0.18x</b>		<b>0.34x</b>

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

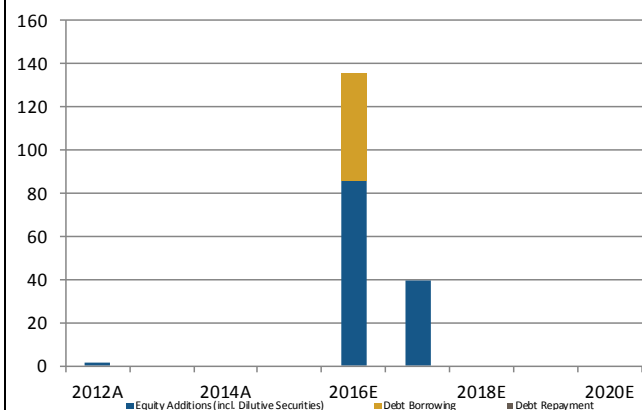
#### Cash and Debt



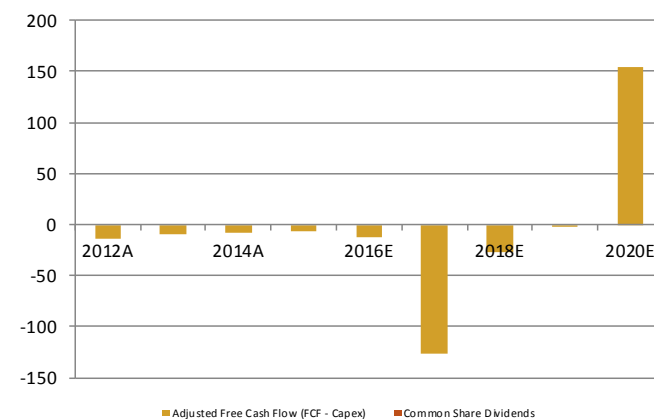
#### Operating Cash Flow and Capital Spending



#### 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.

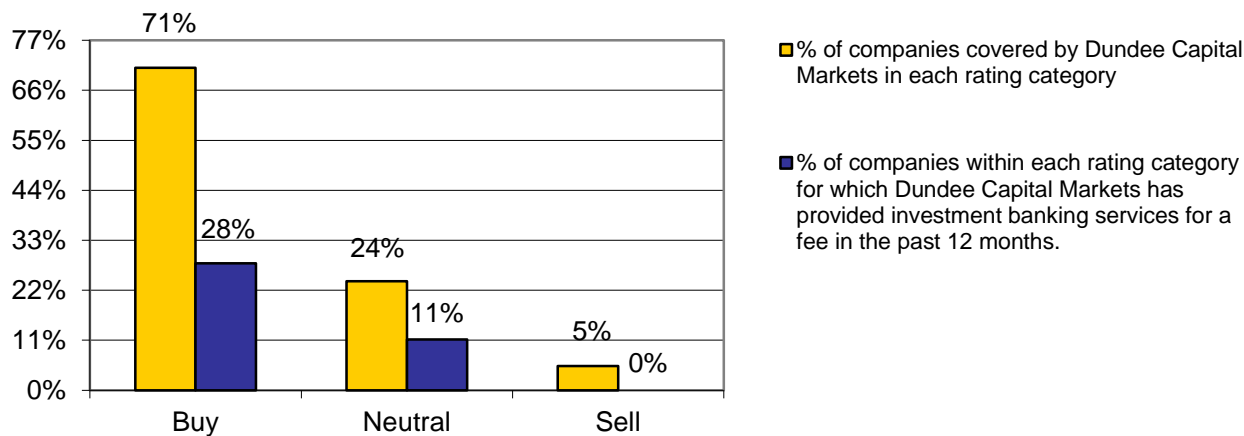
**Medium and High Risk Ratings Methodology:** Medium and High risk ratings are derived using a predetermined methodology based on liquidity and volatility. Analysts will have the discretion to raise but not lower the risk rating if it is deemed a higher risk rating is warranted. Risk in relation to forecasted 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 December 31, 2015

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