

Berkeley Energia Limited

(BKY-AIM: £0.38; BKY-ASX: A\$0.69)

July 15, 2016

BUY, High Risk

Dundee target: £1.10 (£0.90); A\$2.20 (A\$2.00)

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Management Focus Turns to Strategic Alliance Upon Positive DFS

BKY-AIM	New	Last
Rating	--	Buy
Target (AUD)	\$2.20 ▲	\$2.00
Target (GBP)	1.10 ▲	0.90
Risk	--	High
Projected Return	189% ▲	137%
Target/NAV multiple	--	0.90x
Corporate DCF	£ 1.32 ▲	£ 0.88
Cash & Investments	£ 0.01 ▼	£ 0.20
Debt	(£ 0.10) ▲	(£ 0.08)
Exploration & Unmodelled Resources	£ 0.01	£ 0.01
Total NAV	£ 1.24 ▲	£ 1.01
P/NAV	0.31x ▼	0.38x

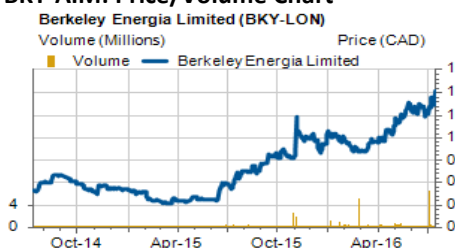
Company Data				
Last Price				£ 0.38
52-week Range	£ 0.15	-		£ 0.44
Market Cap (MM)				£ 73.8
Enterprise Value (MM)				\$67.8
Shares Outstanding - Basic (MM)				198.3
Shares Outstanding - FD (MM)				199.3
Avg Volume - 100d (000 shares/day)				581.8
Cash (Mar-16) (MM)				\$6.0
Debt (Mar-16)(MM)				\$0.0
Working Capital (est)(MM)				\$9.2

Forecast	2015A	2016E	2017E	LT
Spot (US\$/lb)	36	33	61	65.0
Term (US\$/lb)	47	44	65	65.0
Realized Prices (US\$/lb)	0.0	0.0	0.0	
Revenue (\$MM)	1	0	0	
EPS	(\$0.04)	(\$0.06)	(\$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)	(\$0.06)	(\$0.05)	

All Figures in A\$ Unless Otherwise Noted

Source: FactSet, Company Reports, DCM

BKY-AIM: Price/Volume Chart



Source: Factset

Company Description

Berkeley Energia is an ASX and AIM 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 Energia as a BUY, increasing our target to £1.10 from £0.90/sh on DFS results, applying a 0.9x multiple to our 10% DCF model. DFS NPV for Salamanca declined 38% on lower pricing. Our DCF rose on operating improvements as our uranium price deck reflects the older PFS. We do maintain conservative project financing assumptions, assuming 40/60 debt to equity. However, if management realizes sale of 20% of Salamanca at a premium to NPV, then our NAV estimate increases from £1.24 to £1.73/sh, and target to £1.55/sh (A\$3.10/sh). BKY is outperforming its peers as it hits milestones as promised. Well-funded, Salamanca has updated resources, a positive DFS and permits. Management can now focus on arranging strategic alliances to help fund construction.

A positive Salamanca DFS was released. Considering a recent PFS that consolidated the project, there were no surprises. But given weak U3O8 markets and short production path, focus was on reducing operating costs and realistic pricing. A production decision wasn't made, but management moves forward and goal of 2018 startup remains, anticipated to coincide with an expected contracting resurgence. Management also believes that 30 MM lbs of inferred resources and ample upside can be leveraged to extend LOM well beyond the 14 years currently envisioned.

Arranging a strategic alliance is consuming full attention of management. Likely with an end-user and sales off-take inked, the goal is to sell a portion of Salamanca at a premium to its NAV. If successful, this would suggest that a 20-30% interest in the US\$464.8 MM project (at 10% discount rate) may be worth between US\$73 MM and US\$109 MM in cash to BKY, post-initial capital infusement by its new partner.

De-risking project financing. Management suggests it may be comfortable with selling a 20% stake in Salamanca as means to provide non-dilutive project financing. A partial asset sale may both lower Berkeley's share of Capex, and might even cover its cash requirements. Any funding gap may be covered by debt and/or equity.

Realistic pricing...this had greatest impact on economics versus the PFS. Pricing ranged from US\$43/lb U3O8 in 2017 to US\$65/lb by 2022, vs. US\$65/lb in the PFS.

...and low operating costs. Higher production, throughput and recoveries reduced total cash costs by 13% to US\$17.15/lb. Heap leach and in-pit tails help to achieve lowest quartile costs. Retortillo/Zona 7 tonnage rose 17% to 2.7 MM tpa; Alameda by 3% to 3.4 MM tpa. Zona 7 recoveries rose from 85% to 93%; 88% is average.

Initial capital costs rose 11% to US\$95 MM. This is to account for higher throughput, avoid contingency, homogenized equipment; and more accurate costing.

NPV more conservative. NPV is down 38% to US\$532MM, and IRR fell to 60% from 90% in the PFS. The negative impact since February was due to lower price assumptions, while most other changes were beneficial.

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Zona 7 permitting underway. The second deposit to be mined will require a secondary Capex of US\$60 MM in year 1. Normal permitting risk convinced management not to raise funds concurrent with startup. However, Mine License and Environmental permit applications are in and a decision is expected within 18 months (by year end 2017). After a one year construction period, high grade Zona 7 production could replace lower grade Retortillo production in 2019.

Alameda optionality. A tertiary Capex of \$80 MM in year three (from cash flow) would provide 2 to 3 MM lbs of production when warranted. This could depend on the market, Zona 7 longevity or other discoveries near the plant. Alameda ore would be heap-leached on site with solution trucked to Retortillo for final processing. It is in the production profile, and without this deposit, annual production at Salamanca would max out at 3.6 MM lbs rather than 5.7 MM lbs. Zona 7 exploration success could push this lower grade production further off.

Exploration opportunities being tested. Both Zona 7 and regional targets have potential. The most impactful are 12 holes being drilled between 80m and 200m deep, immediately below the existing high grade resource at Zona 7. Zona 7 remains the largest and highest grade resource in the area; it has the best metallurgy and upside potential as well. Drills are also about to start turning at targets between 2 and 5km to the NW of Zona 7, namely the Cris 1, Cris 2 and Eraf prospects.

Definitive Feasibility Study Highlights:

- **NPV declined to US\$531.9 MM (8% discount)** or US\$464.8 MM (10% discount) from US\$871 MM in the DFS. While almost all modifications from previous studies were accretive to project economics, the use of near current and realistic uranium pricing was punitive. That said, the project remains robust with healthy margins, even at spot prices close to US\$27/lb U3O8. Salamanca is expected to generate US\$116 MM net after-tax profit annually.
- **Average production rose 16% to 3.5 MM lbs pa.** This shortened LOM to 14 years (was 18 years) by moving production forward (accretive to NPV). Full average production of 4.4 MM lbs is marginally higher than the 4.3 MM lbs prior, assuming Retortillo, begins in year 1 is replaced by higher grade Zona 7 in year 2, and is aided by Alameda production in year 3.
- **Permitted with startup expected in 2018.** This is mainly dependent on project financing. Major EU, National, Regional and Provincial permits have been received, including Part 1 of its Mining License. The Urbanism License (rezoning) and Construction Authorization (Part 2 of its main 3-part Mining License) are in progress. Initial infrastructure work has begun including power line upgrade, and road re-routing.
- **Plenty of upside potential.** Mine plan only includes M&I resources of 60 MM lbs (51.6 MM lbs prior to the previous resource estimate). The remaining 30 MM lbs or so provides low risk pounds, with other local and regional exploration upside as previously discussed.

Table 1: Comparison of DFS results versus the 2015 PFS.

	Units	2016 DFS	2015 PFS	% Change
Production				
Steady State	MMlb pa	4.4	4.3	2%
LOM Avg.	MMlb pa	3.5	3.0	17%
U3O8 Resources Used	MMlb	59.8	51.6	16%
Average Strip Ratio	--	1:1.4	1:1.8	(1%)
Met. Recovery	%	88	85	4%
Mine Life	Years	14	18	(22%)
Cash Costs				
C1 Cash Cost (Steady State)	US\$/lb	13.30	15.60	(15%)
C1 Cash Cost (LOM)	US\$/lb	15.39	17.50	(12%)
C2 Cash Cost (Steady State)	US\$/lb	15.06	18.00	(16%)
C2 Cash Cost (LOM)	US\$/lb	17.15	19.80	(13%)
Initial Capital Cost				
Retortillo	US\$MM	95.7	81.4	18%
Alameda	US\$MM	79.7	65	23%
Zona 7	US\$MM	59.2	53.9	10%
Economic Parameters				
Post Tax NPV (8%)	US\$MM	531.9	871.3	(39%)
Post Tax IRR	%	60	93.3	(36%)
U3O8 Price	US\$/lb	39 to 68	65	--

Source: Company reports, Dundee Capital Markets

Berkeley Energia Limited. (BKY-LO)

Rating	BUY	£ Target	1.10	A\$ 2.20	Shares O/S (MM)	198.3
Risk*	High	£ Close	0.38	A\$ 0.69	Fully Diluted Shares (MM)	199.3
David A. Talbot, VP, Sr. Mining Analyst dtalbot@dundee-capitalmarkets.com		12-month return	189%		Basic Mkt. Capitalization (MM)	£ 73.82
					Enterprise Value (MM)	A\$ 67.82

PRODUCTION ESTIMATES (000 lbs)					
Year-end June	2016E	2017E	2018E	2019E	2020E
Retortillo	0	0	1,600	100	0
Alameda	0	0	0	0	1,100
Zona 7	0	0	0	2,800	3,600
TOTAL	0	0	1,600	2,900	4,700

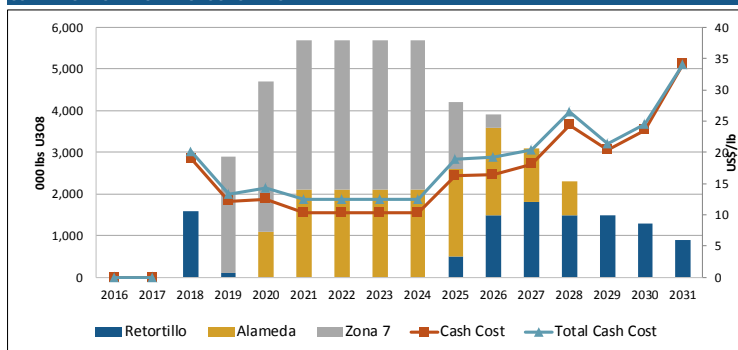
TOTAL CASH COST ESTIMATES (excl. non-cash) (US\$/lb)					
Year-end June	2016E	2017E	2018E	2019E	2020E
Retortillo	0.0	0.0	20.2	20.2	0.0
Alameda	0.0	0.0	0.0	0.0	27.3
Zona 7	0.0	0.0	0.0	13.0	10.3
Wt. Avg. Total Cash Costs	0.0	0.0	20.2	13.3	14.3

URANIUM RESERVES & RESOURCES					
	Ownership	Tonnes MM t	Grade % U3O8	Cont U3O8 (MM lbs) 100% Basis	BKY Share
Proven and Probable Reserves					
*The company currently has no Mineral Reserves					
Total Reserves		0.00	0.00%	0.00	0.00
Measured and Indicated Resources					
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%				
Total Measured and Indicated Resources		52.50	0.05%	62.20	62.20
Inferred Resources					
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
Total Inferred Resources		30.40	0.04%	28.40	28.40
TOTAL RESOURCES		82.90	0.05%	90.60	90.60
Current Per Pound Metrics					
	BKY	Dev. Peers	Prem./Disc.		
EV/lb (US\$)	\$0.00	0.06	-100%		
Mkt Cap/lb (US\$)	\$1.19	0.94	26%		

NET ASSET VALUE (£) - 10%	NAV (£ MM)	£/Share	% NAV
Assets:			
Retortillo (100%)	19.2	0.07	5%
Alameda (100%)	147.7	0.51	41%
Zona 7 (100%)	344.7	1.18	95%
Un-mined Resources	1.7	0.01	0%
Balance Sheet & Other Items:			
Cash & Investments	4.1	0.01	1%
Debt	-29.9	-0.10	-8%
Exploration, G&A, and Other	-125.1	-0.43	-35%
Total	362	1.24	100%
Dundee NAV Target Multiple			0.90x
Share Price Target			1.10

Long Term Uranium Price Assumption (US\$/lb)					
NAV (£/share)	40	50	60	70	80
0% Discount	0.80	1.50	2.20	2.90	3.60
5% Discount	0.58	1.05	1.52	1.99	2.46
10% Discount	0.42	0.75	1.08	1.40	1.73
15% Discount	0.30	0.54	0.78	1.02	1.25

COMMERCIAL URANIUM PRODUCTION PROFILE



BALANCE SHEET (A\$ MM)				
Year-end June	2014A	2015A	2016E	2017E
Assets:				
Cash & ST Investments	20.25	8.40	8.16	6.86
Other Current Assets	0.55	5.48	5.48	5.48
Current Assets	20.79	13.88	13.63	12.33
Mineral Properties	16.05	15.92	15.92	143.52
Other non-current Assets	0.13	0.07	0.07	0.07
Total Assets	36.98	29.86	29.62	155.92
Liabilities:				
Current Liabilities	1.40	1.32	1.32	1.32
Long-term Debt	0.00	0.00	0.00	60.00
Other non-current Liabilities	0.00	0.00	0.00	0.00
Total Liabilities	1.40	1.32	1.32	61.32
Capital Stock	118.18	119.00	124.00	209.00
Retained Earnings	(82.60)	(90.46)	(102.46)	(118.46)
Total Shareholder Equity	35.58	28.54	21.54	90.54

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
EBITDA	(7.6)	(7.9)	(12.0)	(16.0)
EBIT	(7.6)	(7.9)	(12.0)	(16.0)
Interest Expense	0.0	0.0	0.0	0.0
EBT	(7.6)	(7.9)	(12.0)	(16.0)
Taxes	0.0	0.0	0.0	0.0
Equity Earnings	0.0	0.0	0.0	0.0
Other	0	0	0	0
Net Income (Reported)	(7.5)	(7.9)	(12.0)	(16.0)
Net Income (Adjusted)	(7.5)	(7.9)	(12.0)	(16.0)
EPS (Reported) \$/sh	(0.04)	(0.04)	(0.06)	(0.05)
EPS (Adjusted) \$/sh	(0.04)	(0.04)	(0.06)	(0.05)
Average Shares (MM)	171.6	180.4	190.0	292.0

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
Operating Cash Flow	(7.3)	(6.8)	(12.0)	(16.0)
Operating Cash Flow/sh (\$/sh)	(0.04)	(0.04)	(0.06)	(0.05)
Capital Expenditures	0.0	0.1	0.0	(127.6)
Acquisitions	0.0	0.0	0.0	0.0
Other	(0.2)	(0.1)	6.8	(2.7)
Investing Cash Flow	(0.2)	(0.1)	6.8	(130.3)
Common Share Dividends	0.0	0.0	0.0	0.0
Equity Financing	0.0	0.0	5.0	85.0
Debt Issue	0.0	0.0	0.0	60.0
Debt Repayment	0.0	0.0	0.0	0.0
Other	(0.0)	0.0	0.0	0.0
Financing Cash Flow	(0.0)	0.0	5.0	145.0
Net Change in Cash	(7.5)	(6.8)	(0.2)	(1.3)
Cash Balance	20.2	13.4	8.2	6.9
Free Cash Flow	(7.3)	(6.8)	(12.0)	(143.6)

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	33	61
Uranium Realized Price (US\$/lb)	0.0	0.0	0.0	0.0
Exchange (US\$/C)	0.94	0.85	0.75	0.75

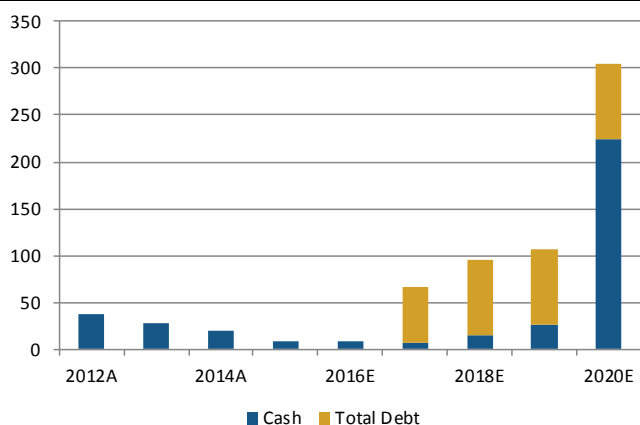
Berkeley Energia Limited

Net Asset Valuation at Dundee Price Deck (GBP)

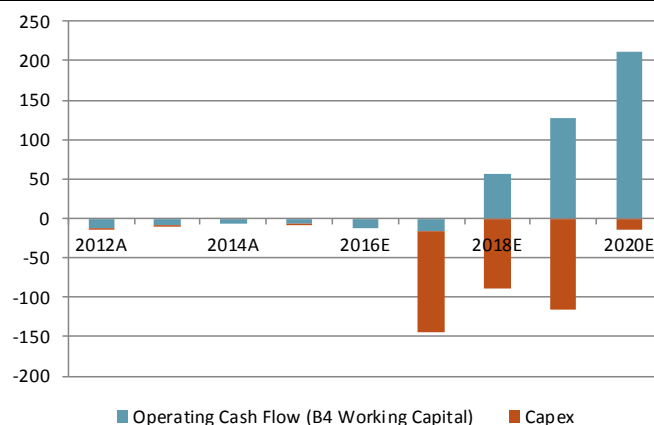
	Target Setting NAV			NAV at Various Discount Rates					
	Discount Rate	(£MM)	(£/Share)	0% (£MM)	0% (£/Share)	5% (£MM)	5% (£/Share)	15% (£MM)	15% (£/Share)
Uranium Assets									
Retortillo (100%)	10%	19	0.07	99	0.34	50	0.17	-1	0.00
Alameda (100%)	10%	148	0.51	292	1.00	206	0.71	107	0.37
Zona 7 (100%)	10%	345	1.18	546	1.87	431	1.48	279	0.96
Total Uranium Assets		512	1.75	937	3.21	687	2.35	385	1.32
Other Assets & Expenses									
Cash		4	0.01	4	0.01	4	0.01	4	0.01
Debt		(30)	(0.10)	(30)	(0.10)	(30)	(0.10)	(30)	(0.10)
Resources		2	0.01	2	0.01	2	0.01	2	0.01
Exploration, G&A, Other	10%	(125)	(0.43)	(167)	(0.57)	(150)	(0.51)	(100)	(0.34)
Net Other Assets		(149)	(0.51)	(192)	(0.66)	(174)	(0.60)	(124)	(0.42)
Net Asset Value		362	1.24	746	2.55	513	1.76	262	0.90
Share Price			0.38		0.38		0.38		0.38
P/NAV			0.31x		0.15x		0.22x		0.42x

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

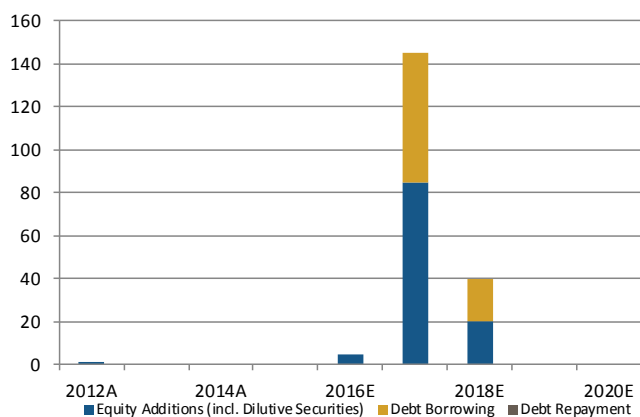
Cash and Debt



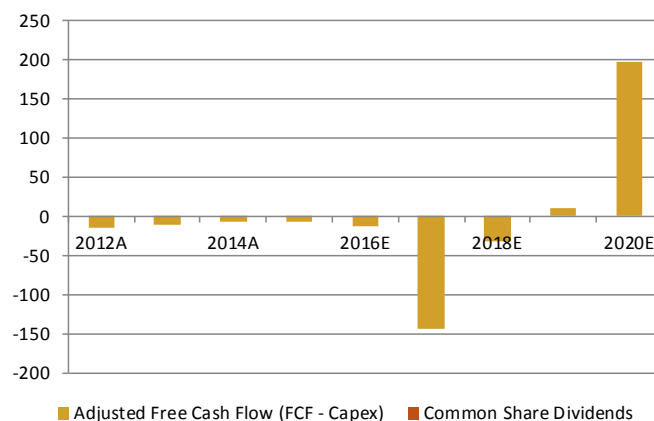
Operating Cash Flow and Capital Spending



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.

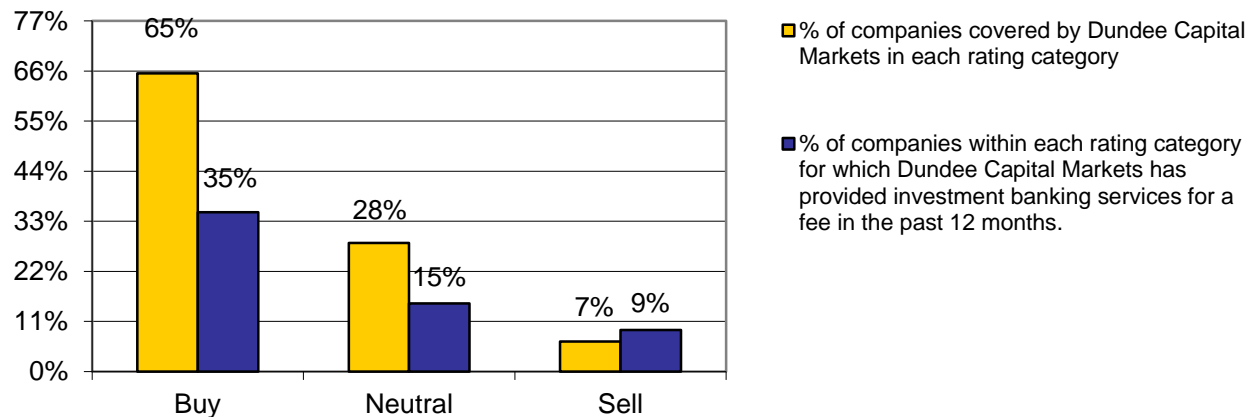
Medium and High Risk Ratings Methodology: Medium and High risk ratings are derived using a predetermined methodology based on liquidity and volatility. Analysts will have the discretion to raise but not lower the risk rating if it is deemed a higher risk rating is warranted. Risk in relation to forecasted 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 June 30, 2016

Source: Dundee Capital Markets