

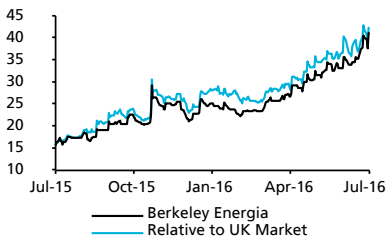
15 July 2016 06:00 BST

## BUY

Current Share Price	38p
Target Price	100p
Market Capitalisation	£75m
Shares In Issue	198m
RIC/BLBG	BKY.L/BKY LN
Avg. Daily Volume (3M)	355,208

Current share price(s) timed at 4:30PM on 14/07/16

### Share Price



Performance (%)	1M	3M	12M
Absolute	7	39	149
Relative	-3	35	156

Source: Datastream (relative to UK-DS Market index)

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## Berkeley Energia

Corporate Development

### DFS confirms top quartile Salamanca economics

**Berkeley has completed a DFS on Salamanca which has confirmed the project as the premier near term uranium development opportunity, in our view. Estimated LOM C2 cash costs of US\$15.39/lb U3O8 and AISC of US\$17.51 put Salamanca in the lowest quartile of projects with additional advantages of proximity to European and North American conversion facilities and end users. We have updated our estimates to reflect the DFS and maintain our BUY rating and 100p target price. At 0.2x NAV, we believe that BKY is significantly undervalued and should re-rate as the market digests the outcome of the DFS and upcoming finance / offtake discussions.**

- **DFS confirms lowest quartile project** - Optimised mine scheduling, increased Resource definition drilling and optimised pit design have driven an improvement in economics from the November PFS. Steady state C2 cash costs, including marketing and royalties, improved to US\$15.06 from US\$18.00/lb in the PFS while LOM C2 cash costs decreased to US\$17.15/lb from US\$19.80/lb. Improved pit design resulted in a reduction in LOM average strip ratio from 1.8:1 waste:ore in the PFS to 1.4:1 in the DFS. Capex to first production, however, increased to US\$95.7m from US\$81.4m as a result of more robust equipment estimates that resulted in higher upfront equipment costs but lower operating costs. Initial capex at Zona 7 similarly increased to US\$59.2m from US\$53.9m and upfront capex at Alameda increased to US\$79.7m from US\$65.0m. The mine life has reduced from 18 years to 14 years as production has been optimised and LOM throughput rates have increased, resulting in an increase in steady state production to 4.4Mlbs/year of U<sub>3</sub>O<sub>8</sub> from 4.3Mlbs/year and LOM average annual production increased to 3.5Mlbs/year from 3.0Mlbs/year. BKY continues to explore options to maintain the 4.4Mlbs/year steady state production rate including regional exploration and bringing Inferred Resources into the mine plan.

- **Permitted for immediate construction** - Salamanca is fully permitted for first production and initial site works have already commenced. Permitting for the Zona 7 deposit is proceeding to schedule for first production from 2019 as per the current mine plan. BKY intends to pursue a staged development approach which should see year 1 (NUMe 2018) production from Retortillo before bringing Zona 7 into production in year 2 (NUMe 2019) and Alameda in year 3. Ore from Retortillo and Zona 7 will be agglomerated with acid added and then stacked on a heap leach for solvent extraction. As acid is present in the agglomeration process, BKY has guided that an 80% uranium recovery level should be achievable within 10 days of ore stacking.

- **Financing strategy to reduce funding requirements** - In addition to the staged development approach, we believe that BKY will seek to further reduce funding requirements by bringing in a minority strategic partner at the project level, which should raise funds, reduce capex whilst also minimising equity dilution. Salamanca's proximity to key Western markets and conversion facilities and access to infrastructure make the project attractive to Western buyers and we also note that the Chinese (CNNC) and Russian (ROSATOM) nuclear utilities have been acquisitive abroad.

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Figure 1: Berkeley Energia Summary Financials

Berkeley Energy		Ticker	BKY		Market Capitalisation	£73m	Financial Year End	June			
BUY		Share Price	£0.38		Enterprise Value (EV)	£82m	Reporting Currency	A\$			
£1.00		Implied Return	163%		Net Debt (Cash)	\$9m	Shares in Issue	193m			
Valuation					Ratio analysis						
	Disc Rate	O/ship	US\$m	US\$/sh	GBP/sh	2014	2015	2016F	2017F	2018F	
Salamanca	10%	100%	505	2.53	183	Average shares out (m)	180.4	180.4	192.8	310.2	310.2
Exploration			-	-	-	Adj. EPS (US\$/sh)	(0.04)	(0.03)	(0.04)	(0.03)	(0.05)
Cash			12.7	0.06	5	EPS growth (%)	-	-	-	-	-
Debt			-	-	-	PE (x)	-	-	-	-	-
Cash from options			2.4	0.01	1	CFPS before w/c (US\$/sh)	(3.9)	(3.3)	(1.4)	(16.8)	(32.1)
SG&A and central			(43.8)	(0.22)	(16)	P/CF (x)	-	-	-	-	-
<b>Valuation (fd)</b>			<b>476.5</b>	<b>2.38</b>	<b>173</b>	FCFPS (US\$/sh)	(3.9)	(2.9)	(4.2)	(15.9)	(28.7)
Current NAV Multiple (Implied)					0.22x	P/FCFPS	-	-	-	-	-
Valuation					Income statement (A\$m)						
NAV valuation	Target multiple		0.60x		100p	Revenue	1.2	0.6	0.2	-	5.5
Other data					Cash flow (A\$m)						
Basic shares (m)	192.8			12M high:	29p	Exploration	(6.9)	(6.7)	(7.5)	(6.0)	(4.0)
Fully diluted shares (m)	200.0			12M low:	11p	Admin expense	(1.0)	(0.9)	(2.7)	(3.0)	(4.0)
NAV Sensitivity Analysis					Balance sheet (A\$m)						
Base case U3O8 NAVPS					182p	Cash	20.2	13.4	16.9	226.9	94.2
Base case +10%					209p	AR	0.5	0.5	0.5	0.5	1.2
Base case -10%					136p	Inventories	-	-	-	-	2.4
Spot long term U3O8 price (\$41/lb)					58p	PPE	1.8	1.7	1.7	59.1	169.1
News Catalyst (CY)					Total assets						
Regional Exploration	2016F	2017F	2018F	2019F	2020F	AP	1.1	1.0	1.1	1.1	0.8
Financing / Offtake						Debt	-	-	-	172.7	172.7
Construction & Engineering						Deferred tax	-	-	-	-	-
Production - Retortillo						Other	0.3	0.3	7.0	7.0	7.0
Production - Zona 7						<b>Total liabilities</b>	<b>1.4</b>	<b>1.3</b>	<b>8.0</b>	<b>180.7</b>	<b>180.4</b>
Production - Alameda						Shareholders equity	35.6	28.5	25.7	120.4	101.1
Resource / Reserve					Liabilities + equity						
Resources (M&I)	Tonnes	(ppm)	Total	LOM	EV/lb	2014	2015	2016F	2017F	2018F	
Resources (M&I)	52.5 Mt	537	62 Mlb		\$1.42	Cash	20.2	13.4	16.9	226.9	94.2
Resources (M&I&L)	83.0 Mt	495	91 Mlb		\$0.98	AR	0.5	0.5	0.5	0.5	1.2
Production (100% basis)					Total liabilities						
Uranium Price (US\$/lb U <sub>3</sub> O <sub>8</sub> )	2018F	2019F	2020F	2021F	2022F	Shareholders equity	35.6	28.5	25.7	120.4	101.1
Production (000lb U <sub>3</sub> O <sub>8</sub> )	45	57	60	60	60	Retained earnings	-	-	-	-	-
C1 cash cost (ex royalties, \$/lb)*	92	1,449	3,117	4,377	5,714	<b>Liabilities + equity</b>	<b>37.0</b>	<b>29.9</b>	<b>33.7</b>	<b>301.1</b>	<b>281.5</b>
AISC (US\$/lb)	23	17	13	13	15						
*C1=site mining costs	72	21	15	15	16						
*C1=site mining costs											

U3O8 Production ('000 lb, 100% basis)

C1 Cash Cost / AISC (\$/lb)

Assumptions	2015	2016F	2017F	2018F	2019F
Uranium Price (US\$/lb)	40	40	40	45	57
Exchange Rate (A\$:US\$)	0.86	0.77	0.75	0.75	0.83
Exchange Rate (US\$:£)	1.56	1.46	1.37	1.44	1.50

Source: Company & Numis Securities Research

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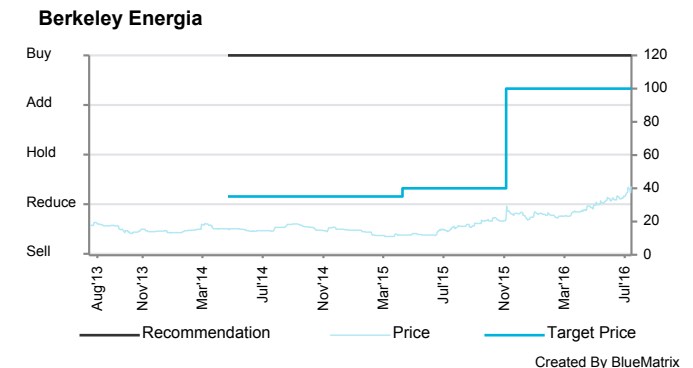
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Source: Numis Securities Research

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Add	>= +10% to +19.99%
Hold	0% to +/-9.99%
Reduce	<= -10% to -19.99%
Sell	<= -20%

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Buy	43.6%	73.7%	47.7%	72.5%
Add	24.6%	20.4%	23.8%	18.1%
Hold	28.5%	5.8%	25.2%	9.3%
Reduce	2.2%	0.0%	1.6%	0.0%
Sell	1.1%	0.0%	1.6%	0.0%
Total	100%	100%	100%	100%
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