WHIreland

16 March 2016

MORNING COMMENT

Berkeley Energia*#

Moves into development

Buy

Unchanged

Price	25p
Target price	100p

Reuters/BBG	BKY.L / BKY LN
Index	FTSE AIM
Sector	Mining
Market Cap	£44m

Berkeley Energia has begun development of its 100% owned Salamanca project in Spain. Yesterday the company announced that it had engaged two major Spanish contractors to begin the infrastructure programme on site, which involves realigning a perimeter road to enable the mining of the Retortillo open pit and re-routing a power line. Since Berkeley discovered the transformational Zona 7 deposit and engaged a new management team, momentum has been continuously building. This announcement signifies Berkeley's move into the development phase and comes three months ahead of schedule. With an upfront Phase 1 capital of only ~US$80m to get the mine operational, this is one of the lowest capital cost projects in the world. This, combined with the potential of the high-grade Zona 7 deposit, allowing for steady state costs of ~US$15/lb U_3O_8, highlights the robust economics of this project, which represents a compelling growth story at current uranium prices. Buy.

- **Compelling economics** – low capital cost (Phase 1 ~US$80m) and low steady state operating costs (~US$15/lb U_3O_8) provide solid returns even at current low uranium prices. Our target price (DCF NPV_{10}) is based on a long-term price of US$65/lb U_3O_8 (which is the long-term consensus), but even at current spot prices of ~US$30/lb U_3O_8 the project still generates impressive returns. The economics are robust and Berkeley is further refining and optimising its plans and cost estimates. The company believes it can improve the returns further still, as it aims to be the world's lowest cost uranium producer.

- **Fast track timetable for development** – with yesterday's announcement Berkeley has signified its move into the development phase well ahead of schedule. With all the major permits in place, the company will now commence the early infrastructure works required in order for full construction to commence in September of this year. There is a funding requirement of ~US$80-100m for full construction which Berkeley intends to raise with minimum dilution. The company has reportedly had strong interest from financiers and potential offtake partners, several of whom have commenced detailed due diligence reviews.

- **Further upside likely** – The Salamanca project has 1) fertile exploration ground and high-priority targets which are currently being drilled; 2) the Zona 7 deposit has extensions at depth which are not yet in the mine plan; 3) Berkeley holds additional exploration ground in this historic uranium district and 4) the project has a significant resource base of nearly 30m pounds of inferred material not included in the current mine plan that can be incorporated with further drilling. We anticipate some positive results from the current drill programme and expect Berkeley to comfortably extend its mine life (currently 18 years).

- **Location and geology are key to the economics of the project**. The low capital cost is in large part due to the excellent infrastructure servicing this region of Spain, funded largely by EU infrastructure programs over the last decade. We estimate a capital saving to Berkeley in the region of US$150m compared with its global peers, which are often in areas of poor infrastructure. Geology also plays an important role, with the high-grade Zona 7 deposit sitting just 4 metres below the surface with excellent metallurgical characteristics, further driving down costs.

- There are few development stage uranium projects globally which can match the investment quality and scale of Berkeley's Salamanca project and few others which can boast the continuous news flow and defined pathway to production we anticipate from the project. We retain our Buy recommendation and 100p price target.

Uranium mineralisation in fractures (yellow uranium oxides in weathered zone – near coin) – Zona 7, Salamanca



Source: WH Ireland research

* WH Ireland acts as NOMAD and Broker to Berkeley Energia
#WH Ireland makes a market in Berkeley Energia

Marketing Communication
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Disclosures

WH Ireland Recommendation Definitions

Buy
Expected to outperform the FTSE All Share by 15% or more over the next 12 months.

Outperform
Expected to outperform the FTSE All Share by 5/15% over the next 12 months.

Market Perform
Expected to perform in line with the FTSE All Share over the next 12 months.

Underperform
Expected to underperform the FTSE All Share by 5/15% or more over the next 12 months.

Sell
Expected to underperform the FTSE All Share by 15% or more over the next 12 months.

Speculative Buy
The stock has considerable level of upside but there is a higher than average degree of risk.

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As at the quarter ending 31 Dec 2015 the distribution of all our published recommendations is as follows:

Recommendation	Total Stocks	Percentage %	Corporate
Buy	53	73.6	40
Speculative Buy	15	20.8	14
Outperform	1	1.4	0
Market Perform	1	1.4	1
Underperform	1	1.4	0
Sell	1	1.4	0
Total	72	100	55

This table demonstrates the distribution of WH Ireland recommendations. The first column illustrates the distribution in absolute terms with the second showing the percentages.

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