



BERKELEYenergia

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Quarterly Report September 2016

Salamanca mine development underway

Following a decade of exploration and US\$60 million of investment, development of the Salamanca mine commenced in August 2016 and is now well underway.

The goal is to establish the mine as one of the world's lowest cost producers, reliably supplying long term customers from the heart of the European Union.

The US\$100 million project will be Europe's only major uranium mine and once in production will be one of the world's biggest producers supplying over four million pounds of uranium concentrate a year, equivalent to approximately 10% of the continent's total requirement.

The mine will rejuvenate a community suffering from lack of investment and badly hit by long term unemployment.

Skills training programmes are being run for locals to equip them for the 454 jobs the mine will create once in full production. In addition it has been estimated that over time the mine will generate indirectly an estimated further 2,295 jobs in the region. During the main construction phase commencing in 2017 the contractor workforce will peak at over 700.

Local businesses are being prioritized and the local municipalities and communities will be fully supported throughout the life of the mine.

Whilst spot uranium prices are expected to remain flat or fall in the near term, from 2018 when the Salamanca mine is scheduled to come into production, demand is expected to grow significantly as US and EU utilities commence re-contracting for medium to long term supply and Chinese demand for its US\$570 billion new reactor fleet begins to build.

Commenting on the progress of the Salamanca mine, Paul Atherley, Managing Director, stated:

"We are extremely encouraged by the strong local support for the development of the mine and in return we remain absolutely committed to rejuvenating the local community, bringing badly needed jobs, training and new business activity to the area."

"After a decade of investment we are bringing the Salamanca mine into production at the bottom of the uranium price cycle and judging by the interest we are receiving for offtake from 2018 onwards in particular from US and Asian utilities it looks like we will be delivering into growing demand."

The Salamanca mine is the only major new uranium mine commencing development in the world today and has caught the attention of a wide range of industry participants and potential financiers.

The mine has a rare combination of extremely low operating costs of around US\$15 per pound of uranium produced and a low upfront capital cost of around US\$100 million, giving it robust economics at the bottom of the uranium price cycle.

Salamanca's location at the heart of the European Union is also proving to be of interest to those utilities looking to diversify supply.

Approximately two thirds of the world's uranium is consumed in OECD countries, mainly the US and the EU, whilst about the same proportion of uranium is supplied from non OECD countries, mainly Kazakhstan, Russia and Niger.



The Company is now in discussions with potential strategic partners who are interested in taking a minority stake in the project and who are undertaking legal, technical and financial due diligence.

In September 2016, the Company signed a Letter of Intent with Interallloys Trading Limited (Interallloys), a European based commodity trading company, relating to the sale of the first million pounds of production from the Salamanca mine over a five year period commencing in 2019.

The Company is also in discussions with another utility company in relation to a sales contract with terms similar to those outlined in the Interallloys Agreement.

Subsequent to quarter end the Company has been invited to tender on a ten-year 11 million pound supply contract with a major Asian utility.

A number of major utility companies from both the US and Asia have expressed interest in offtake and have undertaken due diligence and visited site.

Exploration targeting further Zona 7 style deposits continued during the quarter. Results from four holes drilled through the near-surface Zona 7 deposit to a depth of 271 metres have reported grades consistent with, or higher than, the average grade of the Zona 7 resource itself pointing to a potential resource upgrade.

The Company's good neighbour and business partner relationship with the local community has been very well received.

The policy of preferentially hiring local residents and inviting them to undertake a skills training programme for potential employees has been heavily oversubscribed with over ninety locals completing the two courses held to date.

In addition the organization and sponsorship of various sporting activities and the installation of free Wi-Fi in the local villages has provided immediate benefit to local residents.

An independent Definitive Feasibility Study (DFS) completed by an Amec Foster Wheeler Group (LSE: AMFW) specialist company, MDM Engineering Limited, confirmed in July 2016 the Salamanca mine as one of the world's lowest cost uranium producers, capable of generating strong after tax cash flow through the current low point in the uranium price cycle.

The Company is fully funded through the initial development phase with A\$13.4 million in cash and no debt as at 30 September 2016.

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Letter of Intent signed for first million pounds and growing demand from US and Asian utilities

The Company continues to engage with major utilities and trading houses and has now met with key potential customers across the US, Europe and Asia, many of whom have shown high levels of interest in securing offtake from the mine.

In September 2016, the Company signed a Letter of Intent with Interallloys, a European based commodity trading company, relating to the sale of the first million pounds of production from the Salamanca mine.

The Agreement contemplates the sale of up to one million pounds of uranium concentrate over a five-year period starting from the commencement of production and extendable thereafter by mutual consent.

The average price contemplated by the parties is above US\$41 per pound compared with the current spot price of around US\$22 per pound. A combination of fixed and market related pricing will apply in order to secure positive margins in the early years of production whilst ensuring that the company remains exposed to higher prices in the future.

Discussions are underway to finalise the non-binding Agreement into an offtake contract by the end of the year.

The Company is also in discussions with another US based utility in relation to a sales contract with terms similar to those outlined in the Interallloys Agreement.

Subsequent to quarter end, the Company has been invited to tender on a ten-year 11 million pound supply contract with a major Asian utility.

A number of major utility companies from both the US and Asia have expressed interest in offtake and several of them have undertaken due diligence and visited site.

As construction gets underway, the Company expects to enter into further offtake agreements and build a book of offtake contracts.

Whilst spot uranium prices are expected to remain flat in the near term, from 2018 when the Salamanca mine is scheduled to come into production, demand is expected to grow significantly for term contracts as US and EU utilities commence re-contracting for medium to long term uranium supply and Chinese demand for uranium for its US\$570 billion new reactor fleet begins to build.

High grade intercepts below Zona 7 point to potential resource upgrade

A major exploration programme targeting further Zona 7 style deposits across numerous key targets continued during the quarter.

The programme is aimed at making new discoveries and converting some of the 29.6 million pounds of Inferred resources into the mine schedule with the objective of maintaining annual production at over 4 million pounds a year on an ongoing basis.

Additional high grade intersections have been recorded below the Zona 7 deposit, further supporting previous indications of continuity of mineralisation beneath the current defined resource.

Results from four holes drilled through the near-surface Zona 7 deposit and extended to a maximum depth of 271 metres have reported grades consistent with, or higher than, the average grade of the Zona 7 resource.



The drilling beneath Zona 7 complements three holes drilled earlier this year in which broad, high grade intersections were reported at up to 14 metres @ 4,481 ppm U₃O₈ (please refer to announcement on 27 January 2016).

Amec Foster Wheeler appointed to undertake FEED contract

During the quarter, the Company appointed MDM Engineering Limited, a wholly owned specialist subsidiary of the Amec Foster Wheeler Group (LSE: AMFW) to undertake the Front End Engineering and Design (FEED) for the Salamanca mine.

The FEED is the execution phase of the project during which the overall engineering and process design is translated into equipment procurement packages and awards to specialist subcontractors.

The FTSE 250 listed Amec Foster Wheeler is a leading global engineering group with extensive experience in delivering uranium mining and processing solutions.

Amec Foster Wheeler's FEED will be based on the DFS with input from a number of Spain's most reputable engineering groups including Madrid IBX-35 listed companies Iberdrola (BME: IBE) and OHL (BME: OHL).

Infrastructure development progressing well

The infrastructure development is progressing well and includes the 5.2 kilometre road deviation, development of pedestrian footpaths and secure cattle paths and the previous installation of a Wi-Fi network for the local villagers, as part of the Company's commitment to improve infrastructure for the local community.

The contract for rerouting the main powerline has been awarded to Iberdrola, the owner of the line, the Company's study partner for the radiological aspects of the mine and one of the leading players in the Spanish energy generation and distribution market.

Material procurement has commenced and construction will start early next year following the completion of some of the road access development. Construction of the road deviation will take approximately three months.

This initial development is taking place on over 100 hectares of land acquired from more than thirty local landowners.

Study confirms Salamanca mine as one of the world's lowest cost uranium producers

An independent study released during the quarter has confirmed the future Salamanca mine as one of the world's lowest cost producers, capable of generating strong after tax cash flow through the current low point in the uranium price cycle.

A DFS has reported that over an initial ten year period the project is capable of producing an average of 4.4 million pounds of uranium per year at a cash cost of US\$13.30 per pound and at a total cash cost of US\$15.06 per pound, which compares with the current spot price of US\$22 per pound and term contract price of US\$41 per pound.

During this ten year steady state production period, based on the most recent UxC forward curve of uranium prices, the project is expected to generate an average annual net profit after tax of US\$116 million.

At the time of announcing the DFS, Managing Director Paul Atherley commented: *"The Salamanca mine is capable of generating strong, sustainable cash flow through the low point in the uranium price cycle. We have commenced initial infrastructure works and are aiming to establish the operation as one of the world's top ten producers, reliably supplying long term customers from the heart of the European Union."*



With operating costs almost exclusively in Euros and a revenue stream in US dollars the project is expected to continue to benefit from the effects of deflationary pressures within the EU.

The mine has an initial mine life of 14 years based on mining and treating only the Measured and Indicated resources of 59.8 million pounds.

An ongoing annual exploration programme, as discussed above, will take advantage of generous taxation incentives and has been aimed at making new discoveries and converting some of the 29.6 million pounds of Inferred resources into the mine schedule with the objective of maintaining annual production at over 4 million pounds a year on an ongoing basis.

The mine design incorporates the very latest thinking on minimising environmental impact and continuous rehabilitation such that land used during mining and processing activities will be quickly restored to agricultural usage.

Strong interest from financiers and strategic partners

The Salamanca mine is the only major new uranium mine commencing development in the world today and has caught the attention of a wide range of industry participants and potential financiers.

The mine has a rare combination of extremely low operating costs of around US\$15 per pound of uranium and low upfront capital cost of around US\$100 million giving it robust economics at the bottom of the uranium price cycle.

The Salamanca mine's location at the heart of the European Union is also proving to be of interest to those utilities looking to diversify supply.

Approximately two thirds of the world's uranium is consumed in OECD countries, mainly the US and the EU, whilst about the same proportion of uranium is supplied from non OECD countries, mainly Kazakhstan, Russia and Niger.

The Company is currently in a strong position and is considering a range of financing options. It is in discussions with a number of potential strategic partners who are interested in taking a minority stake in the project and are currently undertaking legal, technical and financial due diligence.

Commitment to the community and the environment

The Company continues to be committed to the rejuvenation of the local community by being a good neighbour and a good community business partner.

It has been by far the biggest investor in a rural community suffering from decades of under investment and will continue to invest and cooperate to promote local employment in a region with a high level of unemployment, especially amongst its youth.

The Company has to date received over 20,500 applications for the first 200 direct jobs it will create. The University of Salamanca has estimated that for this type of business, there will be a multiplier of 5.1 indirect jobs for every direct job created, resulting in over 2,900 jobs being created as a result of the investment when the mine is in production.

The Company has formalized its "good neighbour and good community business partner" commitment via a Cooperation Agreement with the highly supportive local municipalities which, in addition to significant royalties and taxes being paid by the Company, gives priority to the employment and training of local residents and the preferential support for businesses by sourcing goods and services locally.



In late 2015, the Company carried out its first training course in the local community areas. The training course focused on blasting techniques for the future operations and was attended by over 30 local residents, with recognised diplomas being issued upon graduation.

In 2016, the Company advertised a driver training course for approximately 65 individuals from the local region. Participants will be given a license to operate mobile equipment on completing the course.

Training programmes will continue to run to ensure that sufficient people from the local communities are qualified for jobs created during the construction and mining phases. The policy of preferentially hiring and training local residents has been very well received with the programmes continuing to be heavily oversubscribed, to date over 100 potential employees have attended courses organized by the Company.

The Company's commitment to the environment remains a priority and, as outlined in the Environmental License and the Environmental Measures Plan, it will plant trees over some 75 to 100 hectares of land in the region.

Commitment to raising the number of women employees

Subsequent to the quarter end the Company attended the Women in Mining seminar to discuss the report recently published by Ernst & Young, '*Has mining discovered its next great resource*', encouraging more women to join the mining industry.

Berkeley Energia remains committed to gender diversity, as evidenced by the high number of women employed throughout the various levels of the Company. Currently over 37% of the team in Spain are women and we are committed to raising this number over the coming years.

Corporate

The Company is fully funded through the initial development phase with A\$13.4 million in cash and no debt as at 30 September 2016.



**Table 1 – Global Mineral Resource Estimates
(Cut-off grade of 200 ppm U₃O₈)**

Deposit Name	Resource Category	July 2016		
		Tonnes (Mt)	U ₃ O ₈ (ppm)	U ₃ O ₈ (Mlbs)
Retortillo	Measured	4.1	498	4.5
	Indicated	11.3	395	9.8
	Inferred	0.2	368	0.2
	Total	15.6	422	14.5
Zona 7	Measured	5.2	674	7.8
	Indicated	10.5	761	17.6
	Inferred	6.0	364	4.8
	Total	21.7	631	30.2
Alameda	Indicated	20.0	455	20.1
	Inferred	0.7	657	1.0
	Total	20.7	462	21.1
Las Carbas	Inferred	0.6	443	0.6
Cristina	Inferred	0.8	460	0.8
Caridad	Inferred	0.4	382	0.4
Villares	Inferred	0.7	672	1.1
Villares North	Inferred	0.3	388	0.2
Total Retortillo Satellites	Total	2.8	492	3.0
Villar	Inferred	5.0	446	4.9
Alameda Nth Zone 2	Inferred	1.2	472	1.3
Alameda Nth Zone 19	Inferred	1.1	492	1.2
Alameda Nth Zone 21	Inferred	1.8	531	2.1
Total Alameda Satellites	Total	9.1	472	9.5
Gambuta	Inferred	12.7	394	11.1
Salamanca mine Total	Measured	9.3	597	12.3
	Indicated	41.8	516	47.5
	Inferred	31.5	395	29.6
	Total (*)	82.6	514	89.3

(*) All figures are rounded to reflect appropriate levels of confidence. Apparent differences occur due to rounding. The Measured and Indicated Mineral Resources are inclusive of those Mineral Resources modified to produce the Ore Reserves. The Salamanca mine is 100% owned by the Company.



Table 2 –Ore Reserve Estimate

Deposit Name	Resource Category	July 2016		
		Tonnes (Mt)	U ₃ O ₈ (ppm)	U ₃ O ₈ (Mlbs)
<i>Retortillo</i>	Proved	4.0	397	3.5
	Probable	11.9	302	7.9
	Total	15.9	325	11.4
<i>Zona 7</i>	Proved	6.5	542	7.8
	Probable	11.9	624	16.4
	Total	18.4	595	24.2
<i>Alameda</i>	Proved	0.0	0.0	0.0
	Probable	26.4	327	19.0
	Total	26.4	327	19.0
Total	Proved	10.5	487	11.3
	Probable	50.3	391	43.4
	Total (*)	60.7	408	54.6

(*) cut-off grade for Retortillo 107 ppm, Zona 7 125 ppm, Alameda 90 ppm. Apparent differences occur due to rounding. The Salamanca mine is 100% owned by the Company.



Competent Persons Statement

The information in this announcement that relates to the Definitive Feasibility Study, Mineral Resources for Zona 7, Ore Reserve Estimates, Mining, Uranium Preparation, Infrastructure, Production Targets and Cost Estimation is extracted from the announcement entitled 'Study confirms the Salamanca project as one of the world's lowest cost uranium producers' dated 14 July 2016, which is available to view on Berkeley's Energia Limited (Berkeley) website at www.berkeleyenergia.com.

Berkeley confirms that: a) it is not aware of any new information or data that materially affects the information included in the original announcement; b) all material assumptions and technical parameters underpinning the Mineral Resources, Ore Reserve Estimate, Production Target, and related forecast financial information derived from the Production Target included in the original announcement continue to apply and have not materially changed; and c) the form and context in which the relevant Competent Persons' findings are presented in this announcement have not been materially modified from the original announcements.

The information in the original announcement that relates to the Definitive Feasibility Study is based on, and fairly represents, information compiled or reviewed by Mr. Mr Jeffrey Peter Stevens, a Competent Person who is a Member of The Southern African Institute of Mining & Metallurgy, a 'Recognised Professional Organisation' (RPO) included in a list posted on the ASX website from time to time. Mr. Stevens is employed by MDM Engineering (part of the Amec Foster Wheeler Group). Mr. Stevens has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

The information in the original announcement that relates to the Ore Reserve Estimates, Mining, Uranium Preparation, Infrastructure, Production Targets and Cost Estimation is based on, and fairly represents, information compiled or reviewed by Mr. Andrew David Pooley, a Competent Person who is a Member of The Southern African Institute of Mining and Metallurgy', a Recognised Professional Organisation' (RPO) included in a list posted on the ASX website from time to time. Mr. Pooley is employed by Bara Consulting (Pty) Ltd. Mr. Pooley has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

The information in the original announcement that relates to the Mineral Resources for Zona 7 is based on, and fairly represents, information compiled or reviewed by Mr Malcolm Titley, a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Titley is employed by Maja Mining Limited, an independent consulting company. Mr Titley has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

The information in this announcement that relates to the Mineral Resources for Retortillo is extracted from the announcement entitled 'Increase in Retortillo grade expected to boost economics' dated 7 January 2015 which is available to view on Berkeley's website at www.berkeleyenergia.com. The information in the original announcement is based on, and fairly represents, information compiled by Mr Malcolm Titley, a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Titley is employed by Maja Mining Limited, an independent consulting company. Mr Titley has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.



The information in this announcement that relates to the Mineral Resources for Alameda (refer ASX announcement dated 31 July 2012) is based on, and fairly represents, information compiled by Mr Craig Gwatkin, who is a Member of The Australasian Institute of Mining and Metallurgy and was an employee of Berkeley Energy Limited at the time of initial disclosure. Mr Gwatkin has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Gwatkin consents to the inclusion in the announcement of the matters based on his information in the form and context in which it appears. This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

The information in this report that relates to the 2016 Exploration Results for Zona 7 is extracted from the announcement entitled 'High grades intersected immediately below Zona 7 deposit' dated 27 January 2016, which is available to view on Berkeley Energia Limited's ('Berkeley') website at www.berkeleyenergia.com. The information in the original ASX announcement is based on, and fairly represents, information compiled by Mr Malcolm Titley, a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Titley is employed by Maja Mining Limited, an independent consulting company. Mr Titley has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Berkeley confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and, in the case of estimates of Mineral Resources that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. Berkeley confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

Forward Looking Statement

Statements regarding plans with respect to Berkeley's mineral properties are forward-looking statements. There can be no assurance that Berkeley's plans for development of its mineral properties will proceed as currently expected. There can also be no assurance that Berkeley will be able to confirm the presence of additional mineral deposits, that any mineralisation will prove to be economic or that a mine will successfully be developed on any of Berkeley's mineral properties.



Appendix 1: Summary of Mining Tenements

As at 30 September 2016, the Company had an interest in the following tenements:

Location	Tenement Name	Percentage Interest	Status
Spain			
<u>Salamanca</u>	D.S.R Salamanca 28 (Alameda)	100%	Granted
	D.S.R Salamanca 29 (Villar)	100%	Granted
	E.C. Retortillo-Santidad	100%	Granted
	E.C. Lucero	100%	Pending
	I.P. Abedules	100%	Granted
	I.P. Abetos	100%	Granted
	I.P. Alcornoques	100%	Granted
	I.P. Alisos	100%	Granted
	I.P. Bardal	100%	Granted
	I.P. Barquilla	100%	Granted
	I.P. Berzosa	100%	Granted
	I.P. Campillo	100%	Granted
	I.P. Castaños 2	100%	Granted
	I.P. Ciervo	100%	Granted
	I.P. Dehesa	100%	Granted
	I.P. El Águila	100%	Granted
	I.P. Espinera	100%	Granted
	I.P. Halcón	100%	Granted
	I.P. Horcajada	100%	Granted
	I.P. Mailleras	100%	Granted
	I.P. Mimbre	100%	Granted
	I.P. Oñoro	100%	Granted
	I.P. Pedreras	100%	Granted
	I.P. El Vaqueril	100%	Pending
	I.P. Calixto	100%	Pending
	I.P. Melibea	100%	Pending
	I.P. Clerecía	100%	Pending
	I.P. Clavero	100%	Pending
	I.P. Conchas	100%	Pending
	I.P. Lis	100%	Pending
	E.P. Herradura	100%	Pending
<u>Cáceres</u>	I.P. Almendro	100%	Granted
	I.P. Ibor	100%	Granted
	I.P. Olmos	100%	Granted
<u>Badajoz</u>	I.P. Don Benito Este	100%	Granted
	I.P. Don Benito Oeste	100%	Granted
<u>Ciudad Real</u>	I.P. Damkina Fraccion 1	100%	Granted
	I.P. Damkina Fraccion 2	100%	Granted
	I.P. Damkina Fraccion 3	100%	Granted

No tenements were acquired or disposed of during the quarter ended 30 September 2016. There were no changes to beneficial interest in any mining tenements due to Farm-in or Farm-out agreements. No beneficial interest in Farm-in or Farm-out agreements were acquired or disposed during the quarter.