BERKELEY energia

# Interim Financial Report for the Half Year Ended 31 December 2016

ABN 40 052 468 569

# CORPORATE DIRECTORY

**Directors**
Mr Ian Middlemas Chairman
Mr Paul Atherley Managing Director
Dr James Ross Non-Executive Director
Mr Robert Behets Non-Executive Director

**Company Secretary**
Mr Dylan Browne

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**Solicitors**
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**Bankers**
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**Stock Exchange Listing**
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United Kingdom
London Stock Exchange – AIM (AIM Code: **BKY**)

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# DIRECTORS' REPORT

The Board of Directors of Berkeley Energia Limited present their report on the consolidated entity of Berkeley Energia Limited ('the Company' or 'Berkeley') and the entities it controlled during the half year ended 31 December 2016 ('Consolidated Entity' or 'Group').

## DIRECTORS

The names of the Directors of Berkeley in office during the half year and until the date of this report are:

| | |
|---|---|
| Mr Ian Middlemas | Chairman |
| Mr Paul Atherley | Managing Director |
| Dr James Ross | Non-Executive Director |
| Mr Robert Behets | Non-Executive Director |

Unless otherwise disclosed, Directors were in office from the beginning of the half year until the date of this report.

## REVIEW OF OPERATIONS AND ACTIVITIES

### Operations

Berkeley is a high impact, clean energy company focused on bringing its wholly owned Salamanca mine into production, initial construction began earlier last year and will continue throughout 2017.

This world class uranium project is being developed in an historic mining area in western Spain, about three hours west of Madrid. Following recent ministerial approval, the Company has now received all the European Union and National level approvals required for the initial development.

Highlights for and subsequent to the half year include:

- Off-take agreement concluded with Interalloys for double initial volume and growing demand from US and Asian utilities;
- US$30 million raised from London institutions in oversubscribed fundraise;
- Independent Definitive Feasibility Study ('DFS') confirmed 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;
- Main equipment for the crushing circuit ordered;
- Major land acquisitions completed ahead of commencement of Salamanca mine construction;
- Amec Foster Wheeler Group (LSE: AMFW) currently undertaking the Front End Engineering and Design ('FEED') for the Salamanca mine;
- Infrastructure development continues to progress; and
- The Company has been shortlisted for the UK Stock Market Awards 'Investor Relations Team of the Year Award', along with Tesco, Sainsbury's and Next.

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## REVIEW OF OPERATIONS AND ACTIVITIES (Continued)

### Operations (Continued)

***Off-take agreement concluded with Interalloys for double initial volume and growing demand from US and Asian utilities***

During the half year, the Company signed a binding off-take agreement with Interalloys Trading Limited for the sale of the first uranium production from the Salamanca mine.

The parties converted the previously announced Letter of Intent into a binding agreement that included a doubling of annual contracted volumes to a total of two million pounds over a five-year period. Potential exists to increase annual volumes further as well as extend the contract to a total of three million pounds.

A combination of fixed and market related pricing will apply in order to secure positive margins in the early years of production whilst ensuring the Company retains the ability to achieve potentially higher prices in the future.

An average fixed price of US$43.78 per pound of contracted and optional volumes was agreed between the parties. This compares with a prevailing spot price, of approximately US$18 per pound at that time.

The Company is in discussions with other potential off-takers in relation to contracts with terms similar to those outlined in the Interalloys Agreement with pricing at or around long term benchmark levels for term contracts.

Contracts for sale will be entered into in the ordinary course of business as the Company actively builds its off-take book with high quality off-takers as the project advances towards commercial production.

***US$30 million raised from London institutions in oversubscribed fundraise***

During the half year, the Company successfully raised US$30 million from London's generalist blue chip institutions who now constitute a significant portion of the share register. The placing was completed at a price of 45 pence per share, a slight discount to the share price at the time.

Proceeds from the raise are being used to accelerate the development of the Salamanca mine, including construction of the crushing circuit, the centralised processing facility and land acquisition. In addition, the funding will allow for the completion of the FEED activities, the commencement of construction and provide working capital.

This strong institutional support for this successful financing was a positive endorsement of the Salamanca mine.

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

An independent study released during the half year confirmed that 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.

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.

## REVIEW OF OPERATIONS AND ACTIVITIES (Continued)

### Operations (Continued)

***Main equipment for the crushing circuit ordered***

The Company announced that full construction of the Salamanca mine will commence in 2017 following the order of the first major items for the crushing circuit.

Proceeds from the US$30 million equity raise were used to order primary jaw crusher and a secondary cone crusher from the Sandvik Group, one of the world's leading suppliers of crushers and related equipment, in a move that will accelerate development of the Salamanca mine.

***Major land acquisitions completed ahead of commencement of Salamanca mine construction***

Following the US$30 million equity raise, the Company completed some key land acquisitions which will accelerate the development of its Salamanca mine.

The successful acquisition and lease of over five hundred hectares of land will allow for the completion of the initial infrastructure currently underway and the commencement of construction of the processing plant together with construction of a medium voltage substation, reagent storage facilities and buildings.

***Amec Foster Wheeler appointed to undertake FEED contract***

During the half year, the Company appointed MDM Engineering Limited, a wholly owned specialist subsidiary of the Amec Foster Wheeler Group to undertake the 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 continues to progress***

Initial infrastructure development of the Salamanca mine commenced in August 2016 with the re-routing of the existing electrical power line to service the mine and a five kilometre realignment of an existing road.

The infrastructure development continues to progress as planned with the five kilometre road deviation, which will be completed in the summer, development of pedestrian footpaths, secure cattle paths and the installation of a Wifi network for the local villagers as part of the Company's commitment to improve infrastructure for the local community.

### Corporate

***Berkeley Energia shortlisted for 'IR Team of the Year' award***

Subsequent to the end of the half year, the Company was shortlisted for the UK Stock Market Awards 'Investor Relations Team of the Year Award'. Other companies nominated include Tesco, Sainsbury's and Next.

The award recognises companies that have most effectively disseminated information to existing and potential shareholders across the full range of media, as well as creating, and continuing to create, shareholder value.

## REVIEW OF OPERATIONS AND ACTIVITIES (Continued)

### Corporate (Continued)

***Strong interest from financiers and strategic partners***

The Company is currently in a strong financial position and is considering a range of financing options whilst remaining focused on its aim of minimising dilution in order to protect the equity value of its shareholders.

The Company continues to progress discussions with various potential strategic partners and financiers interested in taking a minority stake in the Salamanca mine, all of whom are currently undertaking detailed legal, financial and technical due diligence.

***Appointment of Chief Financial Officer***

Subsequent to the end of half year, Mr Paul Thomson was appointed as CFO of the Company. Mr Thomson joins Berkeley with many years of experience in the mining industry.

Mr Thomson was CFO of Aureus Mining Inc., a gold producer in West Africa, from 2011 to 2016 during which time the company evolved from an explorer, to a developer and then a gold producer. Prior to Aureus, he was in Business Development at Kazakhmys Plc. Mr Thomson is a chartered accountant who previously worked with Ernst & Young.

Mr Thomson's appointment has bolstered the finance department of the Company and his experience in his previous roles will be highly relevant as the Company prepares for construction.

### Results of Operations

The net loss of the Consolidated Entity for the half year ended 31 December 2016 was $6,508,623 (31 December 2015: $5,832,634). Significant items contributing to the current half year loss and the substantial differences from the previous half year include to the following:

(i) Exploration and evaluation expenses of $4,440,397 (31 December 2015: $4,267,515), which is attributable to the Group's accounting policy of expensing exploration and evaluation expenditure incurred subsequent to the acquisition of the rights to explore and up to the successful completion of definitive feasibility studies for each separate area of interest;

(ii) Business development expenses of $1,128,422 (31 December 2015: $532,610), which includes the Group's investor relations activities including but not limited to broker fees, travel costs, conference fees, business development consultant fees and stock exchange admission fees;

(iii) Share based payments expense of $513,414 (31 December 2015: $506,203) was recognised in respect of incentive securities granted to directors, employees and key consultants. The Company expenses the incentive securities over the vesting period; and

(iv) The Consolidated Entity also recognised interest income of $179,079 (31 December 2015: $155,779). The increase in interest income reflects the increased average cash position from 30 June 2016 to 31 December 2016.

## REVIEW OF OPERATIONS AND ACTIVITIES (Continued)

### Financial Position

At 31 December 2016, the Group is in an extremely strong financial position with cash reserves of $43,179,474 and no debt.

The Group had net assets of $57,952,880 at 31 December 2016 (30 June 2016: $26,301,977), an increase of 120% compared with 30 June 2016. This increase is consistent and largely attributable to the increase in cash held at the end of the half year following the successful capital raising offset by the comprehensive loss for the half year.

## SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

At the date of this report there were no significant events occurring after balance date requiring disclosure.

## AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the *Corporations Act 2001* requires our auditors, Ernst & Young, to provide the Directors of Berkeley Energia Limited with an Independence Declaration in relation to the review of the half year financial report. This Independence Declaration is on page 17 and forms part of this Directors' Report.

Signed in accordance with a resolution of Directors.

**Paul Atherley**
**Managing Director**

14 March 2017

***Competent Persons Statement***

*The information in this report that relates to the Definitive Feasibility Study, 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 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'.*

***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.*

# DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Berkeley Energia Limited, I state that:

In the opinion of the Directors:

(a) the financial statements and notes, as set out on pages 8 to 16, are in accordance with the Corporations Act 2001, including:

  (i) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

  (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half year ended on that date.

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

**Paul Atherley**
**Managing Director**

14 March 2017

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
## FOR THE HALF YEAR ENDED 31 DECEMBER 2016

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| | Note | Half Year Ended 31 December 2016 $ | Half Year Ended 31 December 2015 $ |
|---|---|---|---|
| **Revenue from continuing operations** | 5 | **179,079** | 155,779 |
| Exploration and evaluation costs | | **(4,440,397)** | (4,267,515) |
| Corporate and administration costs | | **(605,469)** | (682,085) |
| Business development expenses | | **(1,128,422)** | (532,610) |
| Share based payments expense | | **(513,414)** | (506,203) |
| **Loss before income tax** | | **(6,508,623)** | (5,832,634) |
| Income tax expense | | - | - |
| **Loss for the half year attributable to Members of Berkeley Energia Limited** | | **(6,508,623)** | (5,832,634) |
| **Other comprehensive income, net of income tax:** | | | |
| ***Items that may be reclassified subsequently to profit or loss:*** | | | |
| Exchange differences arising on translation of foreign operations | | **92,950** | 288,901 |
| **Other comprehensive income for the period, net of income tax** | | **92,950** | 288,901 |
| **Total comprehensive loss for the half year attributable to Members of Berkeley Energia Limited** | | **(6,415,673)** | (5,543,733) |
| Basic and diluted loss per share (cents per share) | | (3.08) | (3.23) |

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## AS AT 31 DECEMBER 2016

| | Note | 31 December 2016 $ | 30 June 2016 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | | **43,179,474** | 11,348,057 |
| Trade and other receivables | | **1,122,480** | 7,301,108 |
| **Total Current Assets** | | **44,301,954** | 18,649,165 |
| | | | |
| **Non-current Assets** | | | |
| Exploration expenditure | 6 | **7,815,681** | 7,788,515 |
| Property, plant and equipment | 7 | **6,855,080** | 1,852,230 |
| Other financial assets | | **144,761** | 120,637 |
| **Total Non-current Assets** | | **14,815,522** | 9,761,382 |
| | | | |
| **TOTAL ASSETS** | | **59,117,476** | 28,410,547 |
| | | | |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | | **1,164,596** | 2,081,914 |
| Other financial liabilities | | **-** | 26,656 |
| **Total Current Liabilities** | | **1,164,596** | 2,108,570 |
| | | | |
| **TOTAL LIABILITIES** | | **1,164,596** | 2,108,570 |
| | | | |
| **NET ASSETS** | | **57,952,880** | 26,301,977 |
| | | | |
| **EQUITY** | | | |
| Issued capital | 8 | **168,048,015** | 129,514,703 |
| Reserves | 9 | **54,891** | 428,677 |
| Accumulated losses | | **(110,150,026)** | (103,641,403) |
| | | | |
| **TOTAL EQUITY** | | **57,952,880** | 26,301,977 |

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE HALF YEAR ENDED 31 DECEMBER 2016

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| | Issued Capital<br>$ | Share Based Payments Reserve<br>$ | Foreign Currency Translation Reserve<br>$ | Accumulated Losses<br>$ | Total<br>$ |
|---|---|---|---|---|---|
| **As at 1 July 2016** | **129,514,703** | **2,768,536** | **(2,339,859)** | **(103,641,403)** | **26,301,977** |
| **Total comprehensive loss for the period:** | | | | | |
| Net loss for the period | **-** | **-** | **-** | **(6,508,623)** | **(6,508,623)** |
| **Other comprehensive income:** | | | | | |
| Exchange differences arising on translation of foreign operations | **-** | **-** | **92,950** | **-** | **92,950** |
| **Total comprehensive income/(loss)** | **-** | **-** | **92,950** | **(6,508,623)** | **(6,415,673)** |
| **Transactions with owners, recorded directly in equity** | | | | | |
| Issue of ordinary shares | **39,728,216** | **-** | **-** | **-** | **39,728,216** |
| Exercise of incentive options | **57,622** | **-** | **-** | **-** | **57,622** |
| Share issue costs | **(2,202,676)** | **-** | **-** | **-** | **(2,202,676)** |
| Adjustment for performance rights forfeited | **-** | **(178,906)** | **-** | **-** | **(178,906)** |
| Transfer from share based payments reserve | **950,150** | **(950,150)** | **-** | **-** | **-** |
| Share based payments | **-** | **662,320** | **-** | **-** | **662,320** |
| **As at 31 December 2016** | **168,048,015** | **2,301,800** | **(2,246,909)** | **(110,150,026)** | **57,952,880** |
| **As at 1 July 2015** | 119,358,591 | 2,106,668 | (2,464,875) | (90,461,849) | 28,538,535 |
| **Total comprehensive loss for the period:** | | | | | |
| Net loss for the period | - | - | - | (5,832,634) | (5,832,634) |
| **Other comprehensive income:** | | | | | |
| Exchange differences arising on translation of foreign operations | - | - | 288,901 | - | 288,901 |
| **Total comprehensive income/(loss)** | **-** | **-** | **288,901** | **(5,832,634)** | **(5,543,733)** |
| **Transactions with owners, recorded directly in equity** | | | | | |
| Issue of ordinary shares | 53,996 | - | - | - | 53,996 |
| Exercise of incentive options | 237,500 | - | - | - | 237,500 |
| Share issue costs | (4,063) | - | - | - | (4,063) |
| Expiry of incentive options | - | (461,500) | - | 461,500 | - |
| Transfer from share based payments reserve | 408,000 | (408,000) | - | - | - |
| Share based payments | - | 452,207 | - | - | 452,207 |
| **As at 31 December 2015** | **120,054,024** | **1,689,375** | **(2,175,974)** | **(95,832,983)** | **23,734,442** |

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CASH FLOWS
## FOR THE HALF YEAR ENDED 31 DECEMBER 2016

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| | Half Year Ended 31 December 2016 $ | Half Year Ended 31 December 2015 $ |
|---|---|---|
| **Cash flows from operating activities** | | |
| Payments to suppliers and employees | **(7,255,202)** | (5,335,250) |
| Interest received | **127,594** | 190,956 |
| **Net cash outflow from operating activities** | **(7,127,608)** | (5,144,294) |
| **Cash flows from investing activities** | | |
| Payments for property, plant and equipment | **(5,099,237)** | (71,992) |
| Payments for exploration and evaluation | **-** | (5,967) |
| **Net cash outflow from investing activities** | **(5,099,237)** | (77,959) |
| **Cash flows from financing activities** | | |
| Proceeds from issue of securities | **39,698,215** | 237,500 |
| Transaction costs from issue of securities | **(2,184,146)** | - |
| Proceeds from sale of royalty (note 6) | **6,530,826** | - |
| **Net cash inflow from financing activities** | **44,044,895** | 237,500 |
| Net increase/(decrease) in cash and cash equivalents held | **31,818,050** | (4,984,753) |
| Cash and cash equivalents at the beginning of the period | **11,348,057** | 13,398,617 |
| Effects of exchange rate changes on cash and cash equivalents | **13,367** | (540) |
| **Cash and cash equivalents at the end of the period** | **43,179,474** | 8,413,324 |

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

## 1. REPORTING ENTITY

Berkeley Energia Limited is a company domiciled in Australia. The interim financial report of the Company is as at and for the six months ended 31 December 2016.

The annual financial report of the Company as at and for the year ended 30 June 2016 is available upon request from the Company's registered office or is available to download from the Company's website at www.berkeleyenergia.com.

## 2. STATEMENT OF COMPLIANCE

The interim financial report is a general purpose financial report which has been prepared in accordance with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*.

This condensed interim financial report does not include all the information of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report of Berkeley Energia Limited for the year ended 30 June 2016 and any public announcements made by Berkeley Energia Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

This interim financial report was approved by the Board of Directors on 8 March 2017.

### (a) Basis of Preparation of Half Year Financial Report

The principal accounting policies adopted in the preparation of the financial report have been consistently applied to all the periods presented, unless otherwise stated.

#### Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified where applicable by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES

Accounting policies applied by the Consolidated Entity in this consolidated interim condensed financial report are the same as those applied by the Consolidated Entity in its consolidated financial report for the year ended 30 June 2016.

In the current period, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2016. The adoption of these new and revised standards has not resulted in any significant changes to the Group's accounting policies or to the amounts reported for the current or prior periods.

New and revised Standards and amendments thereof and Interpretations effective for the current half year that are relevant to the Group include:

- AASB 2014-4 Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138);

- AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle including AASB 5, AASB 7, AASB 119 and AASB 134; and

- AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The adoption of these new and revised standards has not resulted in any significant changes to the Group's accounting policies or to the amounts reported for the current or prior periods. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

In addition to the new and revised Standards and amendments, the Group has updated the classification of expenses to make the Statement of Profit or Loss and other Comprehensive Income more relevant to users of the half year report. This has resulted in the reclassification of some items in the prior period, however, it has not impacted the prior reported loss for the half year or earnings per share.

## 4. SEGMENT INFORMATION

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Consolidated Entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Consolidated Entity operates in one operating segment, being exploration for mineral resources within Spain. This is the basis on which internal reports are provided to the Directors for assessing performance and determining the allocation of resources within the Consolidated Entity. All material non-current assets excluding financial instruments are located in Spain.

## 5. REVENUE FROM CONTINUING OPERATIONS

| | Consolidated 31 December 2016 $ | Consolidated 31 December 2015 $ |
|---|---|---|
| Interest revenue | **179,079** | 155,779 |
| | **179,079** | 155,779 |

## 6. NON-CURRENT ASSETS – EXPLORATION EXPENDITURE

| | Consolidated 31 December 2016 $ | Consolidated 30 June 2016 $ |
|---|---|---|
| The group has mineral exploration costs carried forward in respect of areas of interest[1]: | | |
| **Areas in exploration at cost:** | | |
| Salamanca mine | | |
| Balance at the beginning of period | **7,788,515** | 14,257,110 |
| Net additions/ (disposals) | **-** | 12,484 |
| Deduction from advanced royalty sale[2] | **-** | (6,739,550) |
| Foreign exchange differences | **27,166** | 258,471 |
| **Balance at end of period** | **7,815,681** | 7,788,515 |

[1] The value of the exploration interests is dependent upon the discovery of commercially viable reserves and the successful development or alternatively sale, of the respective tenements. An amount of €6m (A$8.94m) relates to the capitalisation of the fees paid to ENUSA under the Co-operation Agreement relating to the tenements within the State Reserves. The Company reached agreement with ENUSA in July 2012 in the form of an Addendum to the Consortium Agreement signed in January 2009. The Addendum includes the following terms:

## 6. NON-CURRENT ASSETS – EXPLORATION EXPENDITURE (Continued)

- The Consortium consists of the Addendum Reserves (State Reserves Salamanca 28 and 29);
- Berkeley's stake in the Consortium increased to 100%;
- ENUSA will remain the owner of State Reserves 28 and 29, however the exploitation rights have been assigned to Berkeley, together with authority to submit all applications for the permitting process;
- The Company is now the sole and exclusive operator in the Addendum Reserves, with the right to exploit the contained uranium resources and have full ownership of any uranium produced;
- ENUSA will receive a production fee equivalent to 2.5% of the net sale value (after marketing and transport costs) of any uranium produced within the Addendum Reserves;
- Berkeley has waived its rights to mining in State Reserves 2,25, 30, 31, Hoja 528-1 and the Saelices El Chico Exploitation Concession, and has waived any rights to management of the Quercus plant; and
- The Co-operation Agreement with ENUSA, signed on 29 January 2009, has been terminated.

[2] In June 2016, the Company completed an upfront royalty sale to major shareholder Resource Capital Funds (‘RCF’). The royalty comprised the sale of a 0.375% fully secured net smelter royalty over the project for a US$5 million (A$6.7 million) and has been accounted for as a deduction in exploration expenditure.

## 7. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

| | Consolidated 31 December 2016 $ | Consolidated 30 June 2016 $ |
|---|---|---|
| **Balance at the beginning of period** | **1,852,230** | 1,661,785 |
| Additions[1] | **5,099,237** | 304,676 |
| Depreciation charge for the year | **(78,622)** | (143,911) |
| Disposals | **-** | (16,419) |
| Foreign exchange differences | **(17,765)** | 46,099 |
| **Balance at end of period** | **6,855,080** | 1,852,230 |

[1] Additions during the period include major land acquisitions of over five hundred hectares of land to allow for the completion of the initial infrastructure.

## 8. CONTRIBUTED EQUITY

### (a) Issued and Paid Up Capital

| | Consolidated 31 December 2016 $ | Consolidated 30 June 2016 $ |
|---|---|---|
| 254,489,976 (30 June 2016: 198,323,023) fully paid ordinary shares | **168,048,015** | 129,514,703 |

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## 8. CONTRIBUTED EQUITY (Continued)

### (b) Movements in Ordinary Share Capital during the Six Month Period ended 31 December 2016:

| Date | Details | Number of Shares | $ |
|---|---|---|---|
| **1 Jul 16** | **Opening Balance** | **198,323,023** | **129,514,703** |
| 29 Jul 16 | Issue of shares on conversion of performance rights | 2,345,000 | - |
| 28 Sep 16 | Issue of shares to consultant as part of their fee | 40,000 | 30,000 |
| 9 Nov 16 | Placement (Tranche 1) | 35,712,381 | 25,941,198 |
| 16 Dec 16 | Placement (Tranche 2) | 17,869,572 | 13,757,018 |
| 23 Dec 16 | Issue of shares on exercise of £0.15 incentive options | 100,000 | 24,695 |
| 23 Dec 16 | Issue of shares on exercise of £0.20 incentive options | 100,000 | 32,927 |
| Jul 16 to Dec 16 | Transfer from share-based payments reserve | - | 950,150 |
| Jul 16 to Dec 16 | Share issue costs | - | (2,202,676) |
| **31 Dec 16** | **Closing Balance** | **254,489,976** | **168,048,015** |

## 9. RESERVES

| | Consolidated 31 December 2016 $ | Consolidated 30 June 2016 $ |
|---|---|---|
| Share based payments reserve (note 9(a)) | **2,301,800** | 2,768,536 |
| Foreign exchange reserve | **(2,246,909)** | (2,339,859) |
| | **54,891** | 428,677 |

### (a) Movements in Options and Performance Rights during the Six Month Period ended 31 December 2016:

| Date | Details | Number of Incentive Options | Number of Performance Rights | $ |
|---|---|---|---|---|
| **1 Jul 16** | **Opening Balance** | **7,700,000** | **10,555,000** | **2,768,536** |
| 29 Jul 16 | Conversion of performance rights | - | (2,345,000) | (926,550) |
| 23 Dec 16 | Exercise of £0.15 incentive options | (100,000) | - | (11,700) |
| 23 Dec 16 | Exercise of £0.20 incentive options | (100,000) | - | (11,900) |
| Jul 16 to Dec 16 | Adjustment for performance rights forfeited | - | - | (178,906) |
| Jul 16 to Dec 16 | Share-based payments expense | - | - | 662,320 |
| **31 Dec 16** | **Closing Balance** | **7,500,000** | **8,210,000** | **2,301,800** |

## 10. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There was no material change in contingent liabilities or contingent assets from those previously disclosed at the last reporting period.

## 11. COMMITMENTS

Since the last reporting period, management have identified the following material commitments for the group as at 31 December 2016 (30 June 2016: nil):

| | Payable within 1 year<br>$ | Payable after 1 year and less than 5 years<br>$ | Total<br>$ |
|---|---|---|---|
| **2016** | | | |
| Operating Commitments | **919,011** | **679,675** | **1,598,685** |

Operating commitments include contracts for the provision of serviced offices and minimum operational supply agreements. The disclosed amounts are based on the current terms of agreements and based on current levels of operating activities. Agreements entered into by the Group generally provide early termination clauses for the cancellation of agreements allowing the Group to modify the ongoing level of expenditure at an amount significantly less than the disclosed commitments above.

## 12. DIVIDENDS PAID OR PROVIDED FOR

No dividend has been paid or provided for during the half year.

## 13. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group's financial instruments consist of those which are measured at amortised cost including trade and other receivables, security bonds, trade and other payables and other financial liabilities. The carrying amount of these financial assets and liabilities approximate their fair value.

## 14. SUBSEQUENT EVENTS AFTER BALANCE DATE

At the date of this report there were no significant events occurring after balance date requiring disclosure.

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# Auditor's Independence Declaration to the Directors of Berkeley Energia Limited

As lead auditor for the review of Berkeley Energia Limited for the half-year ended 31 December 2016, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review*;* and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Berkeley Energia Limited and the entities it controlled during the financial period.

Ernst & Young

G H Meyerowitz
Partner
14 March 2017

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# Review report to the members of Berkeley Energia Limited

## Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Berkeley Energia Limited, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

## Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

## Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Berkeley Energia Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

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## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Berkeley Energia Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

G H Meyerowitz
Partner
Perth
14 March 2017