

Berkeley energised as it targets first uranium output in 2018

Berkeley Energia (BKY:AIM) has commenced construction of its \$100m Salamanca project located in Western Spain and is aiming to be a clean energy supplier from the heart of the European Union (EU). Production will commence in 2018 and once in full production the mine will be one of the world's top ten producers of uranium.

The Salamanca mine is the only major new uranium mine under construction in the world today at a time when uranium prices are trading at decade lows and major producers Cameco and Kazakhstan are cutting production.

Salamanca has the advantage that it is able to produce uranium at costs well below the current depressed prices

of around \$25 per pound. The Definitive Feasibility Study published in July 2016 reported that over an initial ten year period the mine is capable of producing an average of 4.4 million pounds of uranium per year at a cost of \$15 per pound.

During this ten year steady state period the mine is expected to generate an average net profit after tax of \$116m per year.

ESTABLISHED INFRASTRUCTURE IN PLACE

The mine also benefits greatly from the well-established EU funded infrastructure in the region reducing initial capital

THE COMMENCEMENT OF PRODUCTION WILL COINCIDE WITH A LARGE NUMBER OF EUROPEAN AND US UTILITIES LOOKING TO RECONTRACT, THE CHINESE NEW REACTOR DEMAND COMING ON LINE AND THE JAPANESE REACTOR RESTARTS WELL UNDERWAY

cost to only \$96m, low by international standards for a project of this size and given the company's strong blue chip register and cash on hand of over \$30m, relatively easily funded.

This world class mine is being developed in an historic mining area in Western Spain, about three hours west of Madrid and following recent ministerial approval, the company has now received all the European Union and national level approvals required for the initial development.

With operating costs almost exclusively in euros and a revenue stream in US dollars the Salamanca mine is expected to continue to benefit from the effects of deflationary pressures within the European Union.

Following an oversubscribed fundraise in November last year, the share register is dominated by London's blue chip institutions and world class mining funds, who now make up approximately 67% of the register. The funds raised are being used to accelerate the construction of the mine.

Three of London's top mining analysts Paul Smith of WH Ireland, Michael Stoner of Peel Hunt and Ben Davies of Liberum have recently published updated research reports with price targets in





excess of £1 per share. Michael Stoner wrote that this is project ‘continues to offer a rare opportunity to access a tier one development project’.

Industry experts have noted that the commencement of production will coincide with a large number of European and US utilities looking to re-contract, the Chinese new reactor demand coming on line and the Japanese reactor restarts well underway.

BIG RISE IN GLOBAL DEMAND

They are of the view over that the gradual supply side destruction over the past decade is about to come to an end as it meets an unprecedented increase in global demand resulting in the largest supply/demand deficit the world has ever seen. Rob Chang from Cantor Fitzgerald has likened it to an elastic band stretched to the point when the reaction is violent.

The company’s objective is to provide a reliable source of base load clean energy from the EU. According to EURATOM, the EU’s nuclear supply agency,

the mine will be an important contributor to the EU’s security of supply. At full production the mine will be able to supply 10% of Europe’s needs, thereby reducing the need to rely on Russia, Kazakhstan and Niger which currently account for around 60% of supply.

COMMUNITY FOCUS

The company’s investment into the Castilla y Leon region is in line with the EU and Spanish government’s desire to rejuvenate regional communities badly hit by underinvestment and enduring high levels of long term and youth unemployment.

With around 25% of the permanent residents of the nearby villages applying for jobs it is hoped that the investment will help reverse the long term population decline, reduce the high levels of intergenerational and youth unemployment which in turn will see the local primary schools stay open and other public services return to the area.

Employment is expected to exceed 150 people by mid-year,



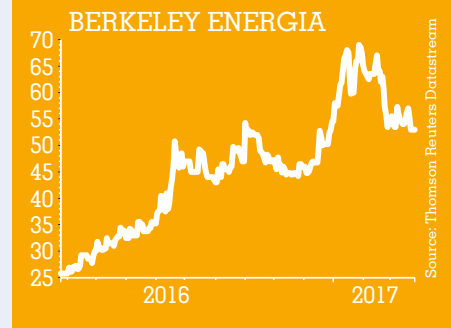
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SECTOR: MINING

SHARE PRICE: 53P

MARKET CAP: £141M



long term there will be over 450 permanently employed and indirectly it has been estimated that the investment will generate a further 2,000 badly needed jobs in the region.

As is the case with all developments of this nature, there are vocal groups who oppose the project. The mine has received to date over 90 favourable reports and permitting approvals which are reflected in the strong and growing support for the investment among a wide range of stakeholders.

The rejuvenation of a local community and the attention to the needs of the local stakeholders will be the key to success which it is hoped will translate into long term dividends for shareholders from this important mine development.