



BERKELEYenergia

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Quarterly Report March 2016

Highlights

- After a decade of exploration and feasibility studies and more than US\$60 million of investment in the Salamanca project, initial infrastructure work commenced during the quarter signalling the move into the development phase. Contracts were awarded to major Spanish contractors for the re-routing of the main electrical power line and realignment of an existing road
- Optimisation studies continued during the quarter and have been focused on reducing the steady state cost of US\$15.60 per pound of uranium produced and have generated some encouraging results. These studies are aimed at making the Salamanca project one of the world's lowest cost uranium producers
- The definitive feasibility study is well advanced and is due to be published in June. The study is being carried out by MDM Engineering (part of the Amec Foster Wheeler group) working in conjunction with the major Spanish engineering groups, Iberdrola and OHL, as well as a number of specialist local contractors. The study is expected to confirm the Salamanca project's robust economics even at the current low uranium prices
- Off-take negotiations are progressing well, with major global utilities confirming their strong interest in securing production from the project. Negotiations have commenced with selected utilities regarding off-take contracts during the initial years of production. The aim is to progressively enter into long term offtake contracts from now until the commencement of production
- Commitment to the revitalisation of the local community remains of the utmost importance to the Company and is embodied in a co-operation agreement with the local municipalities. The policy of preferentially hiring and training local residents has been very well received with the latest skills training programme for potential employees being heavily oversubscribed
- The exploration programme targeting the discovery of further Zona 7 type deposits continued during the quarter. Wet weather conditions have restricted access to the high priority targets and these will now be drilled later in the year
- The Company is fully funded through the definitive feasibility study and into the development phase with A\$6 million in cash and no debt

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Commencement of development of the Salamanca project.

After a decade of exploration and feasibility studies and more than US\$60 million of investment, initial infrastructure work commenced at the project during the quarter, signalling the Company's move into the development phase.

The Company has selected some of Spain's largest infrastructure contractors to initiate work which includes the re-routing of the main electrical power line to service the project and a four kilometre realignment of an existing road, following which mining is expected to start at the Retortillo pit.

With all major approvals in place and with the continued strong support and backing of the local authorities, the award of these contracts has enabled the Company to progress with equipment ordering and contractual permitting. Execution of the contracts is expected to take 6-8 months.

Optimisation studies drive down operating costs

Throughout the quarter the Company progressed with optimisation studies as part of the definitive feasibility study for the project.

The definitive feasibility study, which is due for publication in June, is being carried out by MDM Engineering (part of the Amec Foster Wheeler group), who are working in conjunction with major Spanish engineering groups Iberdrola and OHL, as well as a number of specialist local contractors. The study is expected to confirm the Salamanca project's robust economics even at current uranium prices.

The optimisation studies have included an upgrade of the geological models to bring a portion of the resources into the Measured Category; an optimisation of pit slope angles based on new geotechnical models; the review of pit designs taking into account new geotechnical models with greater selectivity of mining units based on the optimisation of cut-off grades; optimisation of metallurgical performance supported by the results of more detailed column tests; the review of the waste management procedures; and an analysis of different production ramp up scenarios in order to use internally generated cash flows to fund growth.

Strong demand from off-take partners, with commercial negotiations now underway

During the quarter, the Company continued 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 off-take from the project.

Negotiations have commenced with selected utilities regarding off-take contracts during the initial years of production. The aim is to progressively enter into long term offtake contracts from now until the commencement of production. The Company will engage with high quality utility companies globally and aim to enter into a combination of fixed-pricing and market-related pricing contracts, looking to balance certainty over pricing for financiers whilst maintaining an exposure to any future increases in the uranium price.

Fixed price contracts are typically based on the industry long term price indicator (currently around US\$44/lb) at the time the contract is concluded, and increased over the term of the contract. Market-related contracts are different as they may be based either on the spot price or the long-term price and that price is as quoted at the time of delivery of the product rather than at the time the contract is concluded.



The Company has commenced negotiations with selected utilities regarding off-take contracts for deliveries of yellowcake during the initial 3-5 years of production from the project.

General market consensus appears to be that whilst uranium prices are expected to remain flat in the near term there are an increasing number of utilities that will be re-contracting off-take from 2018 onwards and are looking to enter into such contracts during the current calendar year.

Strong interest from financiers and strategic partners

Owing to the low operating and capital cost nature of the project and the extremely robust project economics, the Company has been approached by numerous high quality strategic partners and other financiers for the mine financing.

The Company is considering a range of financing options with a view to fully funding the project's development during the second half of 2016. The Company is focused on minimising dilution in order to protect the equity value of its shareholders.

The preferred funding route is through the sale of a minority interest in the project to a strategic partner at a valuation that reflects the net present value of the project. The potential sale of a project interest may include associated off-take rights over a minority portion of production on commercial terms.

Major exploration programme has commenced targeting multiple Zona 7 style deposits

The first phase of a major exploration programme targeting further Zona 7 style deposits began at the Salamanca project during the quarter.

An extensive geological review has identified new targets which have the potential to host the new style of mineralisation discovered at the Zona 7 deposit. This was based on recently reinterpreted geophysical data and historical information from previous drilling across the licence area.

These near surface targets lie within ten kilometres of the approved location of the proposed process plant and are being followed up with a two phase reverse circulation drill programme.

Wet weather conditions during the winter period restricted access to the highest priority targets and these will now be drilled later in the year. Drilling has commenced at the Luis target and results of the programme will be reported in the coming months.

Commitment to the community and environment

The Company is committed to the revitalisation of the local community and being a good neighbour in the regions in which it operates.

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 20,000 applications for the first 200 direct jobs it will create. Once developed, the mine is expected to create 450 direct jobs. The University of Salamanca has estimated that there will be a multiplier of 5.1 indirect jobs for every direct job created, resulting in over 2,700 jobs being created as a result of the investment.



The Company has formalised 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 April 2016 the Company advertised a driver training course for approximately 35 individuals from the local region. Participants will be given a license to operate mobile equipment on completing the course. The course has been heavily oversubscribed with over 60 applications received to date from local residents.

Training programmes will continue to run throughout 2016 to ensure that sufficient people from the local communities are qualified for jobs created during the construction and mining phases.

The Company’s commitment to the development of the area and its inhabitants goes beyond those working in the mining industry. The Company has offered to participate in the management of the Elderly Residence of Retortillo which is currently closed due to lack of funding.

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.

Growth in Uranium demand

As the Company moves ahead into the development phase, demand for its product continues to grow throughout the world. Last week Zhou Rongsheng, CEO of CGN Uranium Resources, said that they are looking to acquire more uranium assets.

The news comes following the publication of a report by the WNA which outlined that less than a quarter of Chinese nuclear fuel supplies come from domestic uranium mining and exploration and plans for new mines have increased significantly since 2000. By international standards, China’s ores are low-grade and production has been inefficient and they are therefore ramping up international arrangements to obtain fuel.

Agneta Rising, President of the WNA, said: “Nuclear is very competitive compared to other renewables, because it doesn’t need backup systems as other clean sources do to generate power constantly. It is a reliable and low-carbon source for energy already existing today.”

The increased demand for nuclear as an alternative fuel source comes at an ideal time for the Company. The ultralow cost Salamanca project is one of the only projects in the world with the potential to go into construction at current uranium prices, leaving the Company ideally placed to capitalise on this increase in demand for its product.

Corporate

As at 31 March 2016, the Company has cash reserves of A\$6 million and no debt.



Competent Persons Statement

The information in this report that relates to the Pre-Feasibility Study is extracted from the announcement entitled 'Zona 7 transforms Salamanca project economics' dated 4 November 2015 which is available to view on Berkeley's website at www.berkeleyenergia.com. The information in the original ASX announcement is based on, and fairly represents, information compiled by Mr Francisco Bellon, a Competent Person who is a member of the Australasian Institute of Mining and Metallurgy. Mr Bellon is the General Manager Operation for Berkeley and a holder of shares, options and performance rights in Berkeley. Mr Bellon 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 the Production Target and related forecast financial information (other than the Net Present Value and Internal Rate of Return Calculations) derived from the Production Target, all material assumptions and technical parameters underpinning the estimates in the relevant original 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.

The information in this report that relates to the Net Present Value and Internal Rate of Return calculations is extracted from the announcement entitled 'Quarterly Report December 2015' dated 29 January 2016 which is available to view on Berkeley's website at www.berkeleyenergia.com. The information in the original ASX announcement is based on, and fairly represents, information compiled by Mr Francisco Bellon, a Competent Person who is a member of the Australasian Institute of Mining and Metallurgy. Mr Bellon is the General Manager Operation for Berkeley and a holder of shares, options and performance rights in Berkeley. Mr Bellon 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 Net Present Value and Internal Rate of Return calculations all material assumptions and technical parameters underpinning the estimates in the relevant original 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 31 March 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. Alcornoces	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 Águlia	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
	E.P. Herradura	100%	Pending
	I.P. El Vaqueril	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 – U	100%	Granted
	I.P. Don Benito Este – C	100%	Granted
	I.P. Don Benito Oeste – U	100%	Granted
	I.P. Don Benito Oeste – C	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

A new application for Exploitation Concession Lucero was submitted with no tenements disposed of during the quarter ended 31 March 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.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

Berkeley Energia Limited

ABN

40 052 468 569

Quarter ended ("current quarter")

31 March 2016

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (9 months) \$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(1,640)	(5,968)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(741)	(1,807)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	66	256
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
Net Operating Cash Flows		(2,315)	(7,519)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(74)	(93)
1.9	Proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
Net investing cash flows		(74)	(93)
1.13	Total operating and investing cash flows (carried forward)	(2,389)	(7,612)

+ See chapter 19 for defined terms.

Appendix 5B**Mining exploration entity and oil and gas exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(2,389)	(7,612)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	238
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)		
	(a) Share issue costs	(4)	(4)
	Net financing cash flows	(4)	234
	Net increase (decrease) in cash held	(2,393)	(7,378)
1.20	Cash at beginning of quarter/year to date	8,410	13,395
1.21	Exchange rate adjustments to item 1.20	(1)	(1)
1.22	Cash at end of quarter	6,016	6,016

Payments to directors of the entity and associates of the directors**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	(175)
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil
1.25	Explanation necessary for an understanding of the transactions	
	Payments include directors' fees, superannuation and consulting fees.	

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Not applicable

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Not applicable

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	Nil
3.2	Credit standby arrangements	Nil

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	2,000
4.2 Development	-
4.3 Production	-
4.4 Administration	500
Total	2,500

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	4,016	1,910
5.2 Deposits at call	2,000	6,500
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	6,016	8,410

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed				
6.2 Interests in mining tenements acquired or increased	E.C. Lucero (Pending)	Direct	-	100%

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3)	Amount paid up per security (see note 3)
7.1	Preference				
	+securities(description)				
7.2	Changes during quarter				
	(a) Increases through issues				
	(b) Decreases through returns of capital, buy-backs, redemptions				
7.3	*Ordinary securities	181,811,323	181,811,323		
	+securities(description)				
7.4	Changes during quarter				
	(a) Increases through issues				
	(b) Decreases through returns of capital, buy-backs				
7.5	*Convertible debt				
	+securities(description)				
7.6	Changes during quarter				
	(a) Increases through issues				
	(b) Decreases through securities matured, converted				
7.7	Options(description and conversion factor)	<u>Options:</u>		<i>Exercise price</i>	<i>Expiry date</i>
		5,500,000	-	\$0.45	30 Jun 2016
		3,600,000	-	£0.15	30 Jun 2018
		150,000	-	£0.25	30 Jun 2018
		150,000	-	£0.30	30 Jun 2018
		200,000	-	£0.40	30 Jun 2018
		3,600,000	-	£0.20	30 Jun 2019
		<u>Rights:</u>			
		2,345,000	-	-	30 Jun 2017
		3,585,000	-	-	31 Dec 2018
		4,625,000	-	-	31 Dec 2019
7.8	Issued during quarter	<u>Options:</u>		<i>Exercise price</i>	<i>Expiry date</i>
		150,000	-	£0.25	30 Jun 2018
		150,000	-	£0.30	30 Jun 2018
		200,000	-	£0.40	30 Jun 2018
		<u>Rights:</u>			
		865,000	-	-	30 Jun 2017
		1,245,000	-	-	31 Dec 2018
		1,695,000	-	-	31 Dec 2019
7.9	Exercised during quarter	-	-	-	-
7.10	Expired during quarter	-	-	-	-
7.11	Debentures				
	<i>(totals only)</i>				
7.12	Unsecured notes				
	<i>(totals only)</i>				

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act [or other standards acceptable to ASX \(see note 5\)](#).
- 2 This statement does ~~/does not~~* *(delete one)* give a true and fair view of the matters disclosed.

Sign here: Date: **27 April 2016**
(~~Director~~/Company secretary)

Print name: **Dylan Browne**

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.