



**BERKELEY**energia

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## **NOTICE OF ANNUAL GENERAL MEETING**

**The Annual General Meeting of the Company will be held at the Conference Room, Ground Floor, BGC Centre, 28 The Esplanade, Perth, Western Australia on Tuesday, 28 November 2017 commencing at 2:00pm (WST).**

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*The Board unanimously recommends that Shareholders vote in favour of Resolution 1.*

*The Independent Expert has concluded that the transaction contemplated by Resolution 1 is NOT FAIR BUT REASONABLE to non-associated Shareholders.*

*All Shareholders should refer to the Independent Expert's Report attached to this Notice.*

*This Notice and the accompanying Explanatory Memorandum should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their stock broker, investment advisor, accountant, solicitor or other professional adviser prior to voting.*

***Should you wish to discuss any matter please do not hesitate to contact the Company Secretary by telephone on + 61 8 9322 6322.***

**Shareholders are urged to attend or vote by lodging the Proxy Form attached to the Notice.**

# **BERKELEY ENERGIA LIMITED**

## **ACN 052 468 569**

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### **NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the annual general meeting of shareholders of Berkeley Energia Limited (**Company**) will be held at the Conference Room, Ground Floor, BGC Centre, 28 The Esplanade, Perth, Western Australia on Tuesday, 28 November 2017 commencing at 2:00pm (WST) (**Meeting**).

The Explanatory Memorandum provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form form part of this Notice.

The Directors have determined pursuant to regulations 7.11.37 and 7.11.38 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on Sunday, 26 November 2017 at 4:00pm (WST).

Terms and abbreviations used in this Notice and the Explanatory Memorandum are defined in Schedule 1.

### **AGENDA**

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#### **1. Resolution 1 – Approval of transactions under the Investment Agreement**

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*"That for the purpose of item 7 of section 611 of the Corporations Act, Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue to the SGRF SPV:*

- (a) the Convertible Note;*
- (b) 50,443,124 SGRF Options; and*
- (c) upon the conversion of the Convertible Note and/or the exercise of all SGRF Options, such number of Shares determined in accordance with the Convertible Note and the SGRF Option terms and conditions, and the resulting acquisition by the SGRF SPV of a relevant interest in such Shares,*

*on the terms and conditions set out in the Explanatory Memorandum."*

#### **Voting Exclusion**

The Company will disregard any votes cast on Resolution 1 by the SGRF SPV and any of its associates.

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the Chairperson as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

#### **Independent Expert's Report**

Shareholders should carefully consider the Independent Expert's Report accompanying the Explanatory Statement in Schedule 6. The Independent Expert has determined that the proposed issue of securities in Resolution 1 is not fair but reasonable to Shareholders.

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## Annual Report

To consider the Annual Report of the Company and its controlled entities for the financial year ended 30 June 2017, which includes the Financial Report, the Directors' Report and the Auditor's Report.

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### 2. Resolution 2 – Remuneration Report

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*"That, pursuant to and in accordance with section 250R(2) of the Corporations Act and for all other purposes, approval is given by the Shareholders for the adoption of the Remuneration Report on the terms and conditions in the Explanatory Memorandum."*

#### Voting Exclusion

A vote on this Resolution must not be cast:

- (a) by or on behalf of a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such member, regardless of the capacity in which the vote is cast; or
- (b) by a person appointed as a proxy, where that person is either a member of the Key Management Personnel or a Closely Related Party of such member.

However, a vote may be cast by such persons if the vote is not cast on behalf of a person who is excluded from voting on this Resolution, and:

- (a) the person is appointed as a proxy that specifies the way the proxy is to vote on this Resolution; or
- (b) the person is the Chairperson and the appointment of the Chairperson as proxy does not specify the way the proxy is to vote on this Resolution, but expressly authorises the Chairperson to exercise the proxy even if this Resolution is connected with the remuneration of a member of the Key Management Personnel.

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### 3. Resolution 3 – Re-election of Director – Mr Robert Behets

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*"That, pursuant to and in accordance with Article 6.3(c) of the Constitution and for all other purposes, Mr Robert Behets, Director, retires and being eligible pursuant to Article 6.3(f) of the Constitution, is re-elected as a Director on the terms and conditions in the Explanatory Memorandum."*

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### 4. Resolution 4 – Election of Director – Mr Nigel Jones

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*"That, pursuant to and in accordance with Listing Rule 14.4, with Article 6.3(j) of the Constitution and for all other purposes, Mr Nigel Jones, Director, who was appointed as a casual vacancy on 7 June 2017, retires and being eligible is elected as a Director on the terms and conditions in the Explanatory Memorandum."*

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### 5. Resolution 5 – Election of Director – Mr Adam Parker

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*"That, pursuant to and in accordance with Listing Rule 14.4, with Article 6.3(j) of the Constitution and for all other purposes, Mr Adam Parker, Director, who was appointed as a casual vacancy on 14 June 2017, retires and being eligible is elected as a Director on the terms and conditions in the Explanatory Memorandum."*

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## 6. Resolution 6 – Spill Resolution (Conditional on Resolution 2)

If 25% or more of votes cast on Resolution 2 are against the adoption of the Remuneration Report, to consider, and if thought fit, to pass with or without amendment as an ordinary resolution the following:

*"That pursuant to and in accordance with section 250V of the Corporations Act and for all other purposes, another meeting (**Spill Meeting**) of the Shareholders be held within 90 days of 28 November 2017, on the terms and conditions in the Explanatory Memorandum, so that:*

- (a) all of the Directors who hold office at the Meeting excluding Mr Paul Atherley will cease to hold office immediately before the end of the Spill Meeting;*
- (b) resolutions to appoint persons to offices that will be vacated immediately before the end of the Spill Meeting (**Vacated Offices**) will be voted on at the Spill Meeting; and*
- (c) the persons appointed to Vacated Offices at the Spill Meeting may include Directors who hold office at the Meeting."*

### Voting Exclusion

A vote on this Resolution must not be cast:

- (a) by or on behalf of a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such member; or
- (b) by a person appointed as a proxy, where that person is either a member of the Key Management Personnel or a Closely Related Party of such member.

However, a vote may be cast by such persons if the vote is not cast on behalf of a person who is excluded from voting on this Resolution, and:

- (a) the person is appointed as a proxy that specifies the way the proxy is to vote on this Resolution; or
- (b) the person is the Chairperson and the appointment of the Chairperson as proxy does not specify the way the proxy is to vote on this Resolution, but expressly authorises the Chairperson to exercise the proxy even if this Resolution is connected with the remuneration of a member of the Key Management Personnel.

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## 7. Resolution 7 – Approval of 10% Placement Facility

To consider and, if thought fit, to pass with or without amendment, as a special resolution the following:

*"That, pursuant to and in accordance with Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities of up to 10% of the issued capital of the Company (at the time of the issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Memorandum."*

### Voting Exclusion

The Company will disregard any votes cast on this Resolution by a person (and any associates of such a person) who may participate in the 10% Placement Facility and a person who might obtain a benefit if this Resolution is passed, except a benefit solely in the capacity of a holder of Shares, and any associate of that person (or those persons).

The Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairperson as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**BY ORDER OF THE BOARD**

*[lodged electronically without signature]*

Dylan Browne  
**Company Secretary**

Dated: 26 October 2017

## **EXPLANATORY MEMORANDUM**

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### **1. Introduction**

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at the Conference Room, Ground Floor, BGC Centre, 28 The Esplanade, Perth, Western Australia on Tuesday, 28 November 2017 at 2:00pm (WST).

This Explanatory Memorandum forms part of the Notice which should be read in its entirety. This Explanatory Memorandum contains the terms and conditions on which the Resolutions will be voted.

This Explanatory Memorandum includes the following information to assist Shareholders in deciding how to vote on the Resolutions:

|             |                                                                        |
|-------------|------------------------------------------------------------------------|
| Section 2:  | Action to be taken by Shareholders                                     |
| Section 3:  | Summary of Investment Agreement                                        |
| Section 4:  | Profile of SGRF and SGRF SPV                                           |
| Section 5:  | Resolution 1 – Approval of transactions under the Investment Agreement |
| Section 6:  | Annual Report                                                          |
| Section 7:  | Resolution 2 – Remuneration Report                                     |
| Section 8:  | Resolution 3 – Re-election of Director – Mr Robert Behets              |
| Section 9:  | Resolution 4 – Election of Director – Mr Nigel Jones                   |
| Section 10: | Resolution 5 – Election of Director – Mr Adam Parker                   |
| Section 11: | Resolution 6 – Spill Resolution                                        |
| Section 12: | Resolution 7 – Approval of 10% Placement Facility                      |
| Schedule 1: | Definitions                                                            |
| Schedule 2: | Listing Rule 7.3A.6 Disclosure                                         |
| Schedule 3: | Terms and Conditions of SGRF Options                                   |
| Schedule 4: | Technical Completion Definition                                        |
| Schedule 5: | Competent Persons Statement                                            |
| Schedule 6: | Independent Expert's Report                                            |

A Proxy Form is located at the end of the Explanatory Memorandum.

#### **1.1 Forward looking statements**

Certain statements in this Explanatory Memorandum relate to the future. These statements reflect views only as of the date of this Explanatory Memorandum. While the Company believes that the expectations reflected in the forward looking statements are reasonable, neither the Company nor any other person gives any representation, assurance or guarantee that the occurrence of an event expressed or implied in any forward looking statements in this Explanatory Memorandum will actually occur.

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### **2. Action to be taken by Shareholders**

Shareholders should read the Notice (including this Explanatory Memorandum) carefully before deciding how to vote on the Resolutions.

## 2.1 Proxies

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a 'proxy') to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions set out in the Proxy Form. Returning the Proxy Form to the Company will not preclude a Shareholder from attending or (subject to the voting exclusions set out in the Notice) voting at the Meeting in person.

Please note that:

- (a) a Shareholder entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a Shareholder; and
- (c) a Shareholder entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. Where the proportion or number is not specified, each proxy may exercise half of the votes.

Proxy Forms must be received by the Company no later than 2:00pm (WST) on Sunday, 26 November 2017, being at least 48 hours before the Meeting.

The Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

## 2.2 Voting Prohibition by Proxy Holders (Remuneration of Key Management Personnel)

A vote on Resolutions 1 and 6 must not be cast:

- (a) by or on behalf of a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such member, regardless of the capacity in which the vote is cast; or
- (b) by a person appointed as a proxy, where that person is either a member of the Key Management Personnel or a Closely Related Party of such member.

However, a vote may be cast by such persons if the vote is not cast on behalf of a person who is excluded from voting on Resolutions 1 and 6, and:

- (a) the person is appointed as a proxy that specifies the way the proxy is to vote on Resolutions 1 and 6; or
- (b) the person is the Chairperson and the appointment of the Chairperson as proxy does not specify the way the proxy is to vote on Resolutions 1 and 6, but expressly authorises the Chairperson to exercise the proxy even if Resolutions 1 and 6 are connected with the remuneration of a member of the Key Management Personnel.

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## 3. Summary of the Investment Agreement

### 3.1 Background and Rationale

On 29 August 2017, the Company entered into an Investment Agreement with the SGRF SPV, a wholly-owned subsidiary of SGRF, agreeing to invest up to US\$120 million to fund the Salamanca mine into production (**Investment Agreement**).

The Investment Agreement will position SGRF as a long term strategic investor in the Company as well as a potential offtake partner, and is structured as:

- (a) An interest free and unsecured convertible note of a principal amount of US\$65 million (**Convertible Note**) which can be converted into Shares at up to £0.50.
- (b) Three tranches of Options exercisable at a weighted average price of £0.85 per share contributing a further US\$55 million (if exercised) towards the later phases of the Company's development of the Salamanca mine. The Options will be issued in three tranches as follows:

- (i) 10,088,625 Tranche 1 SGRF Options;
- (ii) 15,132,937 Tranche 2 SGRF Options; and
- (iii) 25,221,562 Tranche 3 SGRF Options.

SGRF SPV will have the right to appoint a non-executive director to the Board and has the right to match future uranium off-take transactions on similar commercial terms subject to certain limitations on volume.

See Section 3.4 for further details about the Investment Agreement.

Prior to entering into the Investment Agreement, the Company conducted a thorough process to evaluate available funding options and believes the Investment Agreement is the best possible outcome for Shareholders.

The Company is a high impact, clean energy company focused on bringing its wholly owned Salamanca mine into production.

The Salamanca mine is a world class uranium project 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 of the mine.

The mine will generate measurable social and environmental benefits in the form of jobs and skills training in a depressed rural community. It will also make a significant contribution to the security of supply of Europe's zero carbon energy needs, where Euratom recently rated "lack of investment in new mines" as the number one risk facing European utilities."

In July 2017, the Company announced that the capital cost for the construction of the Salamanca mine had been reduced to €82.3 million (US\$93.8 million), a 1% reduction over previous estimates, confirming the project's status as one of the lowest cost uranium mine developments in the world today.

The proceeds from the issue of the Convertible Note will be used to fund the construction of the Salamanca mine in production and to fund the ongoing working capital requirements of the Company.

## **3.2 Advantages of the Investment Agreement**

- (a) The proceeds from the issue of the Convertible Note, along with existing working capital, provide significant capital to fund development and construction of the Salamanca mine and ongoing working capital requirements of the Company.
- (b) The Investment Agreement also provides for additional funding, through the exercise of the 50,443,124 SGRF Options to potentially raise approximately a further US\$55 million.
- (c) Introduction of a reliable financial partner in SGRF, who, upon conversion of the Convertible Note, will become a strategic partner in the Company with its interests likely to be aligned with other Shareholders.
- (d) SGRF SPV's nominee director will provide additional knowledge and experience to the Board.
- (e) No interest is payable on the Convertible Note, and along with the conversion features of the Convertible Note, this assists the Company in managing its financial position.
- (f) Subject to SGRF SPV's right to match in relation to Offtake Agreements, all marketing and offtake rights are preserved allowing value to be maximised.

### 3.3 Potential disadvantages of the Investment Agreement

- (a) The dilution of existing Shareholders when the Convertible Note and 50,443,124 SGRF Options are converted. Based on the assumptions set out in Section 3.6, this may result in the SGRF SPV acquiring voting power in the Company of up to a maximum of 28.39% at the Deal Price, and 42.33% at the Floor Price upon the conversion of the Convertible Note and up to a maximum of 37.29% at the Deal Price and 48.25% at the Floor Price upon the conversion of the Convertible Note and the exercise of all SGRF Options.
- (b) The Investment Agreement may limit the involvement of other sophisticated and/or strategic investors.

### 3.4 Overview of Investment Agreement

- (a) General

The Company, will issue the Convertible Note with a principal amount of US\$65 million to the SGRF SPV. The principal amount is only repayable upon an Event of Default occurring.

No interest is payable on the Convertible Note.

In addition to the Convertible Note, the Company has agreed to issue to SGRF SPV 50,443,124 SGRF Options. The terms and conditions of the SGRF Options are set out in Schedule 3.

- (b) Conditions Precedent and issue of Convertible Note

Completion under the Investment Agreement and the issue of the Convertible Note to SGRF SPV are conditional on the following conditions being satisfied or waived prior to 31 January 2018 (**Sunset Date**):

- (i) Shareholders approving the transactions contemplated under the Investment Agreement for the purposes of the Listing Rules and Corporations Act;
- (ii) the Company providing evidence to the SGRF SPV that the Board has authorised entry into and performance of the Investment Agreement and the transactions contemplated by it;
- (iii) SGRF obtaining FIRB approval in accordance with FATA; and
- (iv) at the date the condition in Section 3.4(b)(i) is satisfied:
  - (A) no applicable law prevents SGRF SPV providing the US\$65 million in subscription for and being issued the Convertible Note;
  - (B) no event or omission has occurred after the Effective Date in respect of the Berkeley Group or the Salamanca Mine which has a Material Adverse Effect;
  - (C) the representations and warranties of the SGRF SPV and the Company being true and correct in all material respects; and
  - (D) the SGRF SPV and the Company complying in all material respects with their obligations under the Investment Agreement.

The condition in Section 3.4(b)(ii) has been satisfied. The Company has been advised by SGRF SPV that it has applied to FIRB for approval for the purposes of the condition in Section 3.4(b)(iii).

The Convertible Note and Options will be issued immediately following the satisfaction or waiver of the final condition.

(c) SGRF SPV Nominee Directors

On satisfaction of the conditions and following Completion, SGRF SPV has the right to nominate (subject to the nominee being suitably qualified to serve as a Director as required by applicable laws) one Director (**SGRF SPV Nominee Director**) if it satisfies the 10% Threshold.

The 10% Threshold is calculated by determining the number of Shares held by SGRF SPV, its custodians, nominees, subsidiaries and affiliates on a diluted basis as if the Convertible Note had been converted into Shares and all SGRF Options have been exercised. However, for the purposes of the calculation of the 10% Threshold, Convertible Securities held by parties other than SGRF SPV, its custodians, nominees, subsidiaries and affiliates are excluded.

Subject to SGRF SPV satisfying the 10% Threshold, if any SGRF SPV Nominee Director ceases to hold office for any reason, the SGRF SPV is entitled to nominate a replacement person to act as the SGRF SPV Nominee Director. If SGRF SPV satisfies the 10% Threshold, SGRF SPV shall also be entitled to appoint one observer to the Board.

If the total number of Board members is equal to eight or more Directors, including the SGRF SPV Nominee Director, SGRF SPV will have the right to appoint a second SGRF SPV Nominee Director on the same terms as above.

The Company will pay any SGRF SPV Nominee Director such fees as are determined by the Company's Remuneration Committee.

Following the issue of the Convertible Note:

- (i) the Board will be reconstituted to comprise six members, of which SGRF SPV will have the right to nominate one member, being the SGRF SPV Nominee Director; and
- (ii) the Company must not employ or promote internally any new executive level employee without the prior written consent of SGRF SPV, with such consent not to be unreasonably withheld.

(d) Right to Match in Relation to Offtake Agreements

Subject to compliance with applicable law (including the Listing Rules and AIM Rules), the Company will grant the SGRF SPV the right to purchase Product from the Company under an Offtake Agreement at the same price and up to the same volume as any bona fide customer of the Company who concludes an Offtake Agreement with the Company (**Right to Match**).

The Right to Match only applies while the SGRF SPV satisfies the 10% Threshold, and will cease to exist if a change of control transaction occurs. In addition, the Right to Match is subject to an annual cap (on a rolling 12 month basis) on the volume of Product the Company is required to supply to SGRF SPV under all Offtake Agreements, which shall not exceed the greater of:

- (i) one million pounds of Product; and
- (ii) 20% of annual production (on a rolling 12 month basis) of Product.

(e) Termination of Investment Agreement

The Investment Agreement may be terminated prior to the issue of the Convertible Note:

- (i) by mutual agreement between SGRF SPV and the Company;
  - (ii) if Shareholders do not approve Resolution 1 by the Sunset Date;
  - (iii) if any of the conditions precedent under the Investment Agreement are not satisfied (or waived, to the extent they are capable of waiver) by the Sunset Date;
  - (iv) by the SGRF SPV, if:
    - (A) there is a material breach of a representation or warranty, or failure to perform an obligation by the Company which is incapable of being remedied or is not remedied within 15 Business Days after notice from SGRF SPV; or
    - (B) an event occurs which has a Material Adverse Effect in relation to the Company and its subsidiaries taken as a whole; or
  - (v) by the Company, if there is a material breach of a representation or warranty, or failure to perform an obligation by SGRF SPV which is incapable of being remedied or is not remedied within 15 Business Days after notice from the Company.
- (f) Exclusivity
- (i) On and from the Effective Date until the earlier of the termination of the Investment Agreement and the issue of the Convertible Note, the Company, together with its affiliates and their respective directors, officers, employees and advisers, is subject to restrictions in relation to:
    - (A) the solicitation or initiation of discussions relating to a Competing Proposal; or
    - (B) subject to the Board's fiduciary and statutory duties, participation in any discussions or negotiations that could be expected to lead to a Competing Proposal.
  - (ii) In addition, the Company must notify SGRF SPV if the Company receives any approach or any request with respect to an actual or proposed Competing Proposal, including the identity of the person making the Competing Proposal and all material terms of the Competing Proposal.
- (g) Other terms

The Investment Agreement also contains a number of terms and conditions (including information rights for SGRF SPV), indemnities, representations and warranties from SGRF SPV and the Company. These are in a form which are considered standard for an investment agreement relating to a convertible note and the Company's liability for warranty claims is subject to an aggregate cap of US\$65 million.

In addition to the Investment Agreement, the Company also has a mandate with Canaccord Genuity London, who acted as corporate finance advisor to the transaction. Subject to the issue of the Convertible Note, Canaccord Genuity London will receive a fee equal to 2.8% of the Principal Amount of the Convertible Note.

### **3.5 Overview of the Convertible Note**

- (a) General

Subject to the conditions set out above, the Company will issue the Convertible Note with a face value of US\$65 million to SGRF SPV.

The Convertible Note is only repayable upon an Event of Default occurring and no interest is payable on the Convertible Note.

(b) SGRF Conversion Rights

Following the issue of the Convertible Note, and provided that Principal Amount has not been repaid by the Company and the Company has not exercised the Company Conversion Right, the SGRF SPV has the right, subject to compliance with the Corporations Act, to convert all or part of the outstanding Principal Amount into Shares at the Conversion Price (**SGRF Conversion Right**).

(c) Company Conversion Rights

At any time following Technical Completion and provided:

- (i) there is no Event of Default existing; and
- (ii) SGRF has not exercised the SGRF Conversion Right in respect of the full Principal Amount,

the Company may, subject to compliance with the Corporations Act, convert all or part of the Principal Amount into Shares at the Conversion Price (**Company Conversion Right**).

(d) Conversion Rights of the Company and SGRF in Relation to Takeover Bids and Schemes of Arrangement

At any time following the issue of the Convertible Note and provided that:

- (i) there is no Event of Default existing; and
- (ii) neither SGRF nor the Company has exercised the SGRF Conversion Right or the Company Conversions Right, as applicable, in respect of the full Principal Amount,

either SGRF or the Company may convert all of the Principal Amount into Shares at the Conversion Price if:

- (iii) a Takeover Bid for the Company is announced, opened and becomes unconditional (in accordance with the procedure of the Corporations Act), and pursuant to such Takeover Bid, the bidder acquires a relevant interest in at least 50% of the Shares on issue (including Shares which have been issued on conversion of the Convertible Note up to that time); or
- (iv) the relevant Australian court has granted approval at the second court hearing for the implementation of a merger by way of Scheme of Arrangement, provided SGRF SPV is provided with the opportunity and right by at least 12 business days written notice to convert all or part of the Convertible Note, and vote its Shares in the meeting of Shareholders to approve the Scheme of Arrangement.

(e) Conversion Price

The Convertible Note is convertible into Shares at the higher of:

- (i) £0.27 per Share (**Floor Price**); and
- (ii) the lower of:

- (A) £0.50 per Share (**Deal Price**); and
- (B) the issue price per Share under any Subsequent Capital Raising, (**Conversion Price**).

(f) Automatic Conversion

If Technical Completion has not occurred by the date that is three years after the issue of the Convertible Note (or subject to the election of the Company, the date that is four years after the issue of the Convertible Note), and provided that the Convertible Note has not already been converted, all of the Principal Amount will automatically be converted into Shares at the Floor Price.

(g) New issues and adjustment of Conversion Price

The Convertible Note does not provide SGRF SPV with any right to participate in any new issues of securities.

If the Company reorganises its capital structure, such as by subdividing or consolidating the number of Shares, conducts a pro rata offer to existing Shareholders or distributes assets or securities to Shareholders then the Conversion Price of the Convertible Note will be adjusted in accordance with the Listing Rules and so that the number of Shares received by SGRF SPV on conversion of the Convertible Note is the same as if the Convertible Note were converted prior to the relevant event.

(h) Events of Default

Each of the following events is an "Event of Default" in relation to the Convertible Note:

- (i) Any representation or warranty made by the Company to SGRF SPV in connection with the Investment Agreement and Note Terms and Conditions is false or misleading in a material respect, and if such breach is capable of remedy, it is not remedied within 20 Business Days.
- (ii) The Company fails to perform, observe or comply with any of the following covenants, and if such breach of covenant is capable of remedy, it is not remedied within 20 Business Days:
  - (A) comply with its continuous disclosure obligations;
  - (B) maintain its listing on at least one Recognised Stock Exchange;
  - (C) ensure that all Shares issued to a Noteholder are duly and validly issued and are free from all encumbrances and pre-emptive rights;
  - (D) ensure that it remains duly incorporated under the Corporations Act, up to date with all material filings, in good standing under the Corporations Act, and retains all corporate power and authority to carry on its business and carry out its obligations under the Investment Agreement and Note Terms and Conditions; and
  - (E) comply with its obligations to convert the Convertible Note in accordance with the Note Terms and Conditions.
- (iii) An Insolvency Event occurs in relation to the Company or BME.
- (iv) The Company ceases to carry on business.

- (v) The Company ceases to maintain the listing and trading of Shares on at least one Recognised Stock Exchange.
- (vi) The Company (or any subsidiary) enters into an agreement for the sale of the majority of the issued capital of BME or any other material subsidiary, or all or substantially all of the assets of BME or any other material subsidiary, and such agreement is completed in accordance with its terms.
- (vii) The Company otherwise ceases to own the majority of the issued capital of BME or any other material subsidiary, or BME or any other material subsidiary ceases to own all or a material part of its assets.

The occurrence of an Event of Default entitles SGRF SPV to declare the Principal Amount of the Convertible Note immediately due and payable and exercise any other rights or remedies (including bringing proceedings) against the Company.

(i) Assignment of Convertible Note

Other than an assignment by SGRF SPV to another member of the SGRF Group, the Convertible Note may not be assigned or transferred without the prior written consent of the Company. Further, the Convertible Note may not be assigned or transferred if an exercise of a conversion right at the time of completion of such assignment or transfer would result in a breach of section 606 of the Corporations Act.

Assignment of the Convertible Note, other than by SGRF SPV to another member of the SGRF Group, will not result in the assignment of rights and obligations under the Investment Agreement, including the rights described in Sections 3.4(c) (SGRF SPV Nominee Directors) and 3.4(d) (Right to Match in relation to Offtake Agreements).

### **3.6 Impact of the Investment Agreement on the Company's capital structure**

The impact of the Investment Agreement on the Company's capital structure will ultimately depend on a number of factors, including:

- (a) whether the Convertible Note is converted into Shares and, assuming that the Convertible Note is converted into Shares, whether such conversion is in respect of all or in part of the Principal Amount;
- (b) the price at which conversion of the Convertible Note occurs in accordance with the Note Terms and Conditions;
- (c) the extent to which SGRF SPV exercises any SGRF Options; and
- (d) the number of Shares on issue at the time the Convertible Note is converted into Shares and/or the SGRF Options are exercised.

The following tables in this section show the potential impact of the Investment Agreement on:

- (a) the number of Shares on issue, taking into account various Conversion Prices that are possible under the Note Terms and Conditions; and
- (b) the entire capital structure of the Company (both Shares and other Convertible Securities), based on the maximum number of Shares that may be issued to SGRF SPV.

*Table 1 – Impact of Investment Agreement on Capital Structure of Company at the Deal Price:*

|                                                                                                                                                         | Shares             | Options                   | Performance Rights       | SGRF SPV Interest |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|---------------------------|--------------------------|-------------------|
| <b>Current issued capital</b>                                                                                                                           | 254,512,198        | 7,500,000 <sup>(2)</sup>  | 8,610,000 <sup>(3)</sup> | -                 |
| SGRF Options to be issued under the Investment Agreement                                                                                                | -                  | 50,443,124 <sup>(4)</sup> | -                        | -                 |
| <b>Total issued capital on Completion under the Investment Agreement – (before conversion of the Convertible Note and exercise of the SGRF Options)</b> | 254,512,198        | 57,993,124                | 8,610,000                | -                 |
| Shares to be issued on conversion of the Convertible Note at the Deal Price <sup>(5)</sup>                                                              | 100,880,000        | -                         | -                        | -                 |
| <b>Total issued capital on conversion of the Convertible Note</b>                                                                                       | 355,392,198        | 57,993,124                | 8,610,000                | 28.39%            |
| Shares to be issued on exercise of the SGRF Options                                                                                                     | 50,443,124         | -                         | -                        | -                 |
| <b>Total issued capital on conversion of Convertible Note and exercise of SGRF Options</b>                                                              | <b>405,835,322</b> | 7,500,000                 | 8,610,000                | 37.29%            |

*Table 2 – Impact of Investment Agreement on Capital Structure of Company at the Floor Price:*

|                                                                                                                                                         | Shares             | Options                   | Performance Rights       | SGRF SPV Interest |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|---------------------------|--------------------------|-------------------|
| <b>Current issued capital</b>                                                                                                                           | 254,512,198        | 7,500,000 <sup>(2)</sup>  | 8,610,000 <sup>(3)</sup> | -                 |
| SGRF Options to be issued under the Investment Agreement                                                                                                | -                  | 50,443,124 <sup>(4)</sup> | -                        | -                 |
| <b>Total issued capital on Completion under the Investment Agreement – (before conversion of the Convertible Note and exercise of the SGRF Options)</b> | 254,512,198        | 57,993,124                | 8,610,000                | -                 |
| Shares to be issued on conversion of the Convertible Note at the Floor Price <sup>(5)</sup>                                                             | 186,814,815        | -                         | -                        | -                 |
| <b>Total issued capital on conversion of the Convertible Note</b>                                                                                       | 441,327,013        | 57,993,124                | 8,610,000                | 42.33%            |
| Shares to be issued on exercise of the SGRF Options                                                                                                     | 50,443,124         | -                         | -                        | -                 |
| <b>Total issued capital on conversion of Convertible Note and exercise of SGRF Options</b>                                                              | <b>491,770,137</b> | 7,500,000                 | 8,610,000                | 48.25%            |

**Notes:**

(1) Assumes:

- (a) no further securities are issued before or after Completion, other than those to be issued to SGRF SPV;
- (b) all of the SGRF Options are exercised; and

- (c) no other Convertible Securities are exercised or converted.
- (2) Exercise prices of existing unlisted options range from £0.15 to £0.40 and expiry dates range from 30 June 2018 to 30 June 2019.
- (3) Performance Rights are subject to various performance conditions to be satisfied prior to the relevant milestones or expiry dates between 31 December 2018 and 31 December 2019.
- (4) Comprising 10,088,625 Tranche 1 SGRF Options exercisable at £0.60 on or before the earlier of the date which is: (i) 12 months after the Vesting Date; and (ii) 5 years from the date of issue or such earlier date as ASX requires; 15,132,937 Tranche 2 SGRF Options exercisable at £0.75 on or before the date which is the earlier of: (i) 18 months after the Vesting Date; and (ii) 5 years and 6 months from the date of issue or such earlier date as ASX requires; and 25,221,562 Tranche 3 SGRF Options exercisable at £1.00 on or before the date which is the earlier of: (i) 24 months after the Vesting Date; and (ii) 6 years from the date of issue or such earlier date as ASX requires.
- (5) Based on an exchange rate of US\$1.00:£0.7760, as agreed in the Investment Agreement.

### 3.7 Impact of the Investment Agreement on voting power

If the Investment Agreement is approved by the Shareholders, there is a risk that existing Shareholders will have their interest in the Company diluted by the issue of Shares to SGRF SPV on conversion of the Convertible Note and/or exercise of the SGRF Options to be issued to SGRF.

The table below sets out the ownership in the Company of SGRF SPV assuming Completion occurs and the dilution of existing Shareholders on the basis that:

- (a) the whole of the Convertible Note is converted into Shares;
- (b) all of the SGRF Options are exercised;
- (c) no other Convertible Securities are exercised or converted; and
- (d) no further Shares are issued by the Company.

|                                   | Current                      |              | Following Completion – before exercise of SGRF Options |                                         | Following Completion - after exercise of SGRF Options |                                         |
|-----------------------------------|------------------------------|--------------|--------------------------------------------------------|-----------------------------------------|-------------------------------------------------------|-----------------------------------------|
|                                   | Existing Ownership of Shares | Voting Power | Ownership before exercise of Options                   | Voting Power before exercise of Options | Ownership after exercise of Options                   | Voting Power before exercise of Options |
| SGRF SPV – At Deal Price (£0.50)  | -                            | -            | 100,880,000                                            | 28.39%                                  | 151,323,124                                           | 37.29%                                  |
| SGRF SPV – At Floor Price (£0.27) | -                            | -            | 186,814,815                                            | 42.33%                                  | 237,257,939                                           | 48.25%                                  |

### 3.8 Impact of the Investment Agreement on the Board

The Board currently comprises of five members. On Completion, the Company is required to take immediate steps to reconstitute its Board to comprise six members, of which SGRF SPV will have the right to nominate one member.

On Completion, and for so long as SGRF SPV satisfies the 10% Threshold, the SGRF SPV is entitled to nominate one Director.

If the size of the Board is exceeds eight Directors or more, the SGRF SPV is entitled to appoint a second Director, provided SGRF SPV continues to satisfy the 10% Threshold.

In addition, provided SGRF SPV continues to satisfy the 10% Threshold, SGRF shall be entitled to appoint one (1) observer to the Board.

### **3.9 Consequences of the Resolution not being passed**

If SGRF SPV's subscription for the Convertible Note does not complete, the Company will continue to operate as it did before proposing the Investment Agreement transaction. In this regard, the Company will need to use its existing working capital (being cash reserves) to conduct its planned development activities at the Salamanca mine.

However, the Company will require additional funding in the future if Resolution 1 is not passed. If Resolution 1 is not passed, the Company will consider alternative sources of funding (both debt and equity) to finance future capital investment for the development and construction of the Salamanca mine, as well as satisfy the ongoing working capital requirements of the Company. There is no guarantee that additional or alternative funding will be available for the Company, or if available, that it will be offered on terms that are better than, or comparable to, the Investment Agreement.

### **3.10 Independent Expert's Recommendation**

In order to assist Shareholders to assess the Investment Agreement and consider whether to vote in favour of the Resolutions, the Company appointed BDO Corporate Finance (WA) Pty Ltd (**Independent Expert**) as an independent expert and commissioned it to prepare a report (**Independent Expert's Report**) to provide an opinion as to whether or not the Investment Agreement is fair and reasonable to the existing Shareholders.

The Independent Expert's Report was prepared to satisfy the recommendations of the ASIC Regulatory Guide 74. If Resolution 1 is approved, SGRF SPV will acquire a relevant interest of more than 20% in the Company.

The Independent Expert has concluded that the proposed issue of securities in Resolution 1 is not fair but reasonable to Shareholders.

In coming to this view, the Independent Expert considered the advantages and disadvantages of the Investment Agreement, and other significant factors, which are set out in summary form only below.

The advantages identified by the Independent Expert are:

- (a) the Funding Transaction provides the Company with substantial and critical funding for development of the Company's Salamanca mine;
- (b) minority interest values are accretive;
- (c) the Convertible Note is interest free and unsecured;
- (d) the Funding Transaction provides the company with a long term strategic investor and a potential offtake partner;
- (e) rallying uranium prices and future development of the Salamanca mine may result in larger more lucrative offtake agreements;
- (f) the Funding Transaction strength's the Company's balance sheet; and
- (g) increased market capitalisation of the Company may increase market presence and result in improved liquidity and ability to raise capital.

The disadvantage identified by the Independent Expert are:

- (a) the Funding Transaction is not fair;

- (b) existing shareholders will be diluted; and
- (c) the presence of SGRF SPV as a significant shareholder may reduce the attractiveness of the Company's shares to potential investors.

The other key matters the Independent Expert considered are:

- (a) alternative proposals;
- (b) practical level of control; and
- (c) consequences of not approving the Funding Transaction.

The Independent Expert's assessment of the Investment Agreement is based on a number of assumptions.

Shareholders are strongly encouraged to read the Independent Expert's Report (a full copy of which is set out in Schedule 6).

The Independent Expert has consented to the use of the Independent Expert's Report in the form and context in which it appears.

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## **4. Profile of SGRF and SGRF SPV**

### **4.1 About SGRF and SGRF SPV**

SGRF SPV is a wholly-owned subsidiary of SGRF and was incorporated in August 2017 specifically for the purpose of being used to make SGRF's investment in the Company. It will be funded for the investment by intragroup loan from SGRF. SGRF, which was established in 1980, is the Sultanate of Oman's sovereign wealth fund and assists the government of Oman in managing and investing surplus oil and gas revenues with a long-term investment horizon.

SGRF aims to achieve the best possible returns in the long-term to support the government efforts in diversifying income resources and securing returns for future generations.

SGRF employs an active, hands-on approach working in partnership with all their portfolio companies to maximize value of the resource and ultimate market value of the company. SGRF, via SGRF SPV, intends to work closely and constructively with management to develop the Salamanca mine. SGRF aims to provide strategic, operational and management expertise.

SGRF currently intends to be a long-term holder of its investment in the Company and to hold its stake with a view to maximising its returns from the investment. An exit from the investment is not currently anticipated to be considered until after the Salamanca mine has been substantially progressed further through the development process.

SGRF SPV and its associates will not control the Company, and will not be able to unilaterally make decisions on behalf of the Company. SGRF SPV does not currently propose to, and has no current intention to, request, seek to and/or attempt to implement a change in the strategy, operations, business or management the Company.

### **4.2 SGRF SPV's intentions for the Company**

See Section 5.3(j) for a description of SGRF SPV's intentions for the Company. The intentions of SGRF and SGRF SPV set out in this Notice have been formed on the basis of facts and information concerning the Company and the general business environment, which are known as at the date of this document. They are statements of current intention only and accordingly may vary as new information becomes available or circumstances change.

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## **5. Resolution 1 – Approval of transactions under the Investment Agreement**

### **5.1 General**

Resolution 1 seeks Shareholder approval pursuant to and in accordance with item 7 of section 611 of the Corporations Act to issue to SGRF SPV:

- (a) the Convertible Note;
- (b) 50,443,124 SGRF Options;
- (c) upon the conversion of the Convertible Note and/or the exercise of the SGRF Options, such number of Shares determined in accordance with the Convertible Note and the SGRF Option terms and conditions, and the resulting acquisition by the SGRF SPV of a relevant interest in such Shares,

on the terms and conditions set out in the Explanatory Memorandum.

The Convertible Note and the SGRF Options to be issued to SGRF SPV falls within the definition of an "equity security" (as defined in the Listing Rules) and their issue requires shareholder approval under Listing Rule 7.1.

The issue of Shares on conversion of the Convertible Note and/or exercise of the SGRF Options requires shareholder approval for the purposes of item 7 of section 611 of the Corporations Act. Shareholder approval under Listing Rule 7.1 is not required in relation to the issue of these Shares as Listing Rule 7.2, Exceptions 4 and 16 apply (i.e. the Shares are issued pursuant to a convertible security, being the Convertible Note and SGRF Options and will be approved for the purpose of item 7 of section 611 of the Corporations Act). See further Section 5.5 for an overview of Listing Rule 7.1 and applicable exceptions.

Resolution 1 is an ordinary resolution. The Chairman of the Meeting will call a poll on Resolution 1.

The Chairperson will cast all available proxies in favour of Resolution 1.

### **5.2 Section 606 and section 611 item 7 of the Corporations Act**

Section 606 of the Corporations Act prohibits a person acquiring a relevant interest in the issued voting shares of a company if, because of the acquisition, that person's or another person's voting power in the company increases from:

- (a) 20% or below to more than 20%; or
- (b) a starting point that is above 20% and below 90%.

The voting power of a person in a company is determined by reference to section 610 of the Corporations Act. A person's voting power in a company is the total of the votes attaching to the shares in the company in which that person and that person's associates (within the meaning of the Corporations Act) have a relevant interest.

Under section 608 of the Corporations Act a person will have a relevant interest in shares if:

- (a) the person is the registered holder of the shares;
- (b) the person has the power to exercise or control the exercise of votes or disposal of the shares; or

- (c) the person has over 20% of the voting power in a company that has a relevant interest in shares, then the person has a relevant interest in said shares.

For the purpose of determining who is an associate it is necessary to consider section 12 of the Corporations Act. Any reference in Chapters 6 to 6C of the Corporations Act to an associate is as that term is defined in section 12. The definition of 'associate' in section 12 is exclusive. If a person is an associate under section 11, 13 or 15 of the Corporations Act then it does not apply to Chapters 6 to 6C. A person is only an associate for the purpose of Chapter 6 to 6C if they are an associate under section 12 of the Corporations Act.

Under section 12 of the Corporations Act, a person (**first person**) will be an associate of the other person (**second person**) if:

- (a) the first person is a body corporate and the second person is:
  - (i) a body corporate the first person controls;
  - (ii) a body corporate that controls the first person: or
  - (iii) a body corporate that is controlled by an entity that controls the first person;
- (b) the second person has entered or proposes to enter into a relevant agreement with the first person for the purpose of controlling or influencing the composition of the board or the conduct of the affairs of the first person; and
- (c) the second person is a person with whom the first person is acting or proposes to act, in concert in relation to the affairs of the first person.

The Corporations Act defines 'control' and 'relevant agreement' very broadly as follows:

- (a) Under section 50AA of the Corporations Act "control" means the capacity to determine the outcome of decisions about the financial and operating policies of a company. In determining the capacity, it is necessary to take into account the practical influence a person can exert and any practice or pattern of behaviour affecting the financial or operating policies of a company.
- (b) Under section 9 of the Corporations Act, "relevant agreement" means an agreement, arrangement or understanding:
  - (i) whether formal or informal or partly informal and partly informal;
  - (ii) whether written or oral or partly written and partly oral; and
  - (iii) whether or not having legal or equitable force and whether or not based on legal or equitable rights.
  - (iv) Associates are determined as a matter of fact. For example, where a person controls or influences the board or the conduct of a company's business affairs, or acts in concert with a person in relation to the company's business affairs.
- (c) Section 611 of the Corporations Act has exceptions to the prohibition in section 606 of the Corporations Act. Item 7 of section 611 of the Corporations Act provides a mechanism by which shareholders of a company may approve an issue of shares to a person which results in that person's or another person's voting power in the company increasing from:
  - (i) 20% or below to more than 20%; or
  - (ii) a starting point that is above 20% and below 90%.

The SGRF SPV will hold 37.29% of the issued share capital of the Company if Completion occurs and:

- (a) the whole of the Convertible Note is converted into Shares at the Deal Price;
- (b) all of the SGRF Options are exercised;
- (c) no other Convertible Securities are exercised or converted; and
- (d) no further Shares are issued by the Company.

The SGRF SPV will hold 48.25% of the issued share capital of the Company if Completion occurs and:

- (a) the whole of the Convertible Note is converted into Shares at the Floor Price;
- (b) all of the SGRF Options are exercised;
- (c) no other Convertible Securities are exercised or converted; and
- (d) no further Shares are issued by the Company.

### **5.3 Information required by item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74**

The information that Shareholders require under item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74 is as follows:

- (a) **The identity of the person proposing to make the acquisition and their associates.**

The acquisition will be made by SGRF SPV, a wholly owned subsidiary of SGRF. SGRF SPV's associates are:

- (i) Princess Aurora Company Pte Limited;
- (ii) Normandy (G.P.) Limited.;
- (iii) Normandy Cayman L.P.;
- (iv) African Acquisition Company SARL;
- (v) Sprint (G.P.) Limited; and
- (vi) other associates which hold private investments and do not invest in listed securities,

**(SGRF Associates).**

For further information on SGRF SPV and SGRF see Section 4.

- (b) **The maximum extent of the increase in that person's voting power in the company.**

If Resolution 1 is passed, Completion occurs and:

- (i) the whole of the Convertible Note is converted into Shares at the Floor Price;
- (ii) all of the SGRF Options are exercised;
- (iii) no other Convertible Securities are exercised or converted; and

(iv) no further Shares are issued by the Company,

the maximum extent of the increase in SGRF SPV's voting power is 48.25%.

(c) **The voting power the person would have as a result of the acquisition.**

In the circumstances outlined in Section 5.3(b), the acquisition would result in SGRF SPV's voting power in the Company increasing to 48.25%.

(d) **The maximum extent of the increase in the voting power of each of the acquirer's associates that would result from the acquisition.**

The maximum extent of the increase in the SGRF Associates' voting power will be equivalent to the increase in voting power of SGRF, being 48.25%.

(e) **The voting power that each of the acquirer's associates would have as a result of the acquisition.**

The voting power that the SGRF Associates would acquire will be equivalent to the voting power that SGRF would acquire.

(f) **An explanation of the reasons for the proposed acquisition.**

The proposed acquisition by SGRF SPV will arise as a result of the issue of the Convertible Note to SGRF SPV pursuant to the Investment Agreement in consideration for its US\$65 million investment in the Company (and potentially an additional US\$55 million on the exercise of 50,443,124 SGRF Options if exercised by SGRF SPV). The US\$120 million will be used by the Company to bring the Salamanca mine into production and for the ongoing working capital requirements of the Company. For further information about the rationale, advantages and disadvantages of the Investment Agreement, please refer to Sections 3.1, 3.2 and 3.3 of this Explanatory Memorandum.

(g) **When the proposed acquisition is to occur.**

If Resolution 1 is passed and Completion occurs, the Convertible Note and 50,443,124 SGRF Options will be issued to the SGRF SPV on the date Completion occurs. Some or all of the Convertible Note may be converted at any time the Convertible Note is outstanding. Some or all of the SGRF Options may be exercised at any time during the relevant exercise price. It is not known if or when conversion of the Convertible Note, nor the exercise of the SGRF Options, will occur. The date/s on which Shares will be issued to SGRF SPV under the Investment Agreement is therefore unknown.

(h) **The material terms of the proposed acquisition.**

See Section 3.4 for a summary of the terms of the Investment Agreement.

(i) **Details of any other relevant agreement between the acquirer and the target entity or vendor (or any of their associates) that is conditional on (or directly or indirectly depends on) members' approval of the proposed acquisition.**

See Section 3.5 for an overview of the Convertible Note issued pursuant to the Investment Agreement.

(j) **A statement of the acquirer's intentions regarding the future of the target entity if members approve the acquisition and, in particular**

(i) **Any intention to change the business of the entity**

The SGRF SPV has no present intention of making any significant changes to the business of the Company or the Berkeley Group.

(ii) **Any intention to inject further capital into the entity**

Other than the injection of up to US\$55 million that would be paid by the SGRF SPV, if it elected to exercise all 50,443,124 SGRF Options in accordance with their terms, the SGRF SPV has no present intention to inject further capital into the Company or other members of the Berkeley Group.

(iii) **The future employment of present employees of the entity**

The SGRF SPV has no present intention of making changes regarding the future employment of the present employees of the Company or other members of the Berkeley Group.

(iv) **Any proposal where assets will be transferred between the entity and the acquirer or vendor or their associates**

The SGRF SPV has no present intention to transfer any property between the Company and SGRF SPV or any of its associated entities.

(v) **Any intention to otherwise redeploy the fixed assets of the entity**

The SGRF SPV has no present intention to redeploy any fixed assets of the Company or other members of the Berkeley Group.

(k) **Any intention of the acquirer to significantly change the financial or dividend distribution policies of the entity.**

The SGRF SPV has no present intention to change the Company's existing policies in relation to financial matters or dividends.

(l) **The interests that any director has in the acquisition or any relevant agreement disclosed under paragraph (i) above.**

Other than the interest Directors have in the acquisition by reason of their ownership of securities of the Company, no Director has an interest in the Investment Agreement or the Convertible Note.

(m) **The following details about any person who is intended to become a director if members approve the acquisition:**

As at the date of this Notice, SGRF SPV proposes to nominate Deepenkar Panigrahi, its Manager – Investment, to the Board, with Sharifa Al Busaidy as an observer to the Board.

Deepankar Panigrahi is an Investment Manager in the Private Equity team at SGRF. Mr Panigrahi works across different sectors (mining, power, healthcare and agri-processing) and geographies covering all stages of private equity process from deal origination to execution to post investment management. He has previous work experience in investment banking with focus on cross-border M&A and derivatives modelling. Mr Panigrahi holds Undergraduate and Master's degrees in Economics with Distinction and Honours from the University of Michigan followed by an MBA from Cambridge University. He holds CFA and FRM professional qualifications.

## **5.4 Voting prohibition statement**

In accordance section 611 of the Corporations Act, none of SGRF SPV or its associates are permitted to vote in favour of Resolution 1.

## **5.5 Application of Listing Rule 7.1**

Listing Rule 7.1 provides that the Company must not, subject to specified exceptions, issue or agree to issue more securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

Listing Rule 7.2, Exception 4 states that Listing Rule 7.1 does not apply to an issue on the conversion of convertible securities. The entity must have issued the convertible securities before it was listed or complied with the Listing Rules when it issued the convertible securities.

Listing Rule 7.2, Exception 16 states that Listing Rule 7.1 does not apply to an issue of securities approved by Shareholders for the purposes of item 7 of section 611 of the Corporations Act.

## **5.6 Specific information required by Listing Rule 7.3**

In accordance with Listing Rule 7.3, the following information is provided in relation to the proposed issue of the Convertible Note and SGRF Options:

- (a) the maximum of one Convertible Note that will be issued to SGRF SPV and the maximum number of SGRF Options issued to the SGRF SPV is 50,443,124. The Convertible Note may be converted for a maximum of 186,814,815 Shares based on the assumptions to Table 2 in Section 3.6) and the SGRF Options may be exercised for 50,443,124 Shares;
- (b) the Convertible Note and SGRF Options will be issued no later than 3 months after the date of the Meeting;
- (c) the Convertible Note will be issued for US\$65 million and SGRF Options are being issued for nil consideration;
- (d) the Convertible Note and SGRF Options will be issued to SGRF SPV;
- (e) the terms and conditions of the Convertible Note are summarised in Section 3.5. The terms and conditions of the SGRF Options are summarised in Schedule 3;
- (f) the funds from the Convertible Note will be will be used to fund development and construction of the Salamanca mine and ongoing working capital requirements of the Company;
- (g) the issue date of the Convertible Note and SGRF Options will be the date of Completion; and
- (h) a voting exclusion statement is included in the Notice in connection with Resolution 1.

## **5.7 Directors' recommendations**

The Board supports the transactions contemplated under the Investment Agreement and unanimously recommends that Shareholders vote in favour of Resolution 1.

Subject to their fiduciary and statutory duties, each Director intends to vote in favour of Resolution 1 in respect of all of the Shares they hold or control.

The Directors make this recommendation having regard to the advantages and disadvantages set out in Sections 3.2 and 3.3 and the Independent Expert's Report. The Directors believe that SGRF SPV's investment will assist the Company with the development of the Salamanca mine.

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## 6. Annual Report

In accordance with section 317 of the Corporations Act, the Annual Report for the financial year ended 30 June 2017 must be laid before the Meeting.

At the Meeting, Shareholders will be offered the opportunity to:

- (a) discuss the Annual Report which is available online at <http://berkeleyenergia.com/>;
- (b) ask questions about, or comment on, the management of the Company; and
- (c) ask the Auditor questions about the conduct of the audit and the preparation and content of the Auditor's Report.

In addition to taking questions at the Meeting, written questions to the Chairperson about the management of the Company, or to the Auditor about:

- (a) the preparation and contents of the Auditor's Report;
- (b) the conduct of the audit;
- (c) accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- (d) the independence of the Auditor in relation to the conduct of the audit, may be submitted no later than 5 business days before the Meeting to the Company Secretary at the Company's registered office.

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## 7. Resolution 2 – Remuneration Report

As detailed in the Annual Report, the Board and management of the Company have achieved a number of major milestones during and subsequent to the financial year ended 30 June 2017.

In August 2017, the Company entered into an investment agreement with the sovereign wealth fund of the Sultanate of Oman (**SGRF**) who agreed to invest, subject to Resolution 1, up to US\$120 million to fully fund the Salamanca mine into production.

The investment will position the fund as a long term strategic investor in the Company as well as a potential offtake partner.

Infrastructure works on site during the year are progressing well. The road deviation programme is well advanced and land is now being cleared to allow for the installation of the processing plant.

The primary crusher, delivered to site in July 2017, and the secondary crusher, which is currently in Madrid, were fabricated by Sandvik in Finland. Vibramech, based in South Africa, is on track with the fabrication of the vibrating grizzly feeder and screens.

The arrival on site of the primary crusher marked a significant milestone for the Company as it evolves from the development phase to the construction phase.

Equipment procurement for realignment of the electrical power line was completed and the line deviation will commence once the road construction has been completed.

Employment levels are increasing with nearly seventy employees and contractors now on site and this will rise to 450 when the mine is in production. Over 120 locals have now completed the Company's skills training programmes equipping them with the skills necessary for positions with the Company.

These rising levels of employment are already having a positive effect on a local community that has been badly affected by long term unemployment, especially amongst its youth.

The Company remains committed to environmental excellence and as part of the Environmental License and the Environmental Measures Plan will plant 30,000 young oak trees, a six fold increase on the number of older trees being cleared, greatly improving the ecological and agricultural value of the area. The agreement will come into force once the favourable report issued by the Environmental Territorial Service of Salamanca has been approved by the General Directorate of Natural Environment of the Castilla y León Regional Government.

This reforestation programme commenced earlier this year with an agreement with the highly supportive local municipality of Vitigudino which details the arrangements for the planting of the first 20,000 young oak trees over a 50 hectare plot.

The Company is currently evaluating quotes from a number of experienced mining contractors and is encouraged by the competitive bids received. A key focus is the management of cost escalation over the term of these and all major contracts and suppliers to the Company.

Capital and the main contractual operating costs were finalised following the completion of the Front End Engineering and Design (**FEED**) having being undertaken by AMEC Foster Wheeler and came in 1% below the Definitive Feasibility Study (**DFS**) estimates, reinforcing the Salamanca mine's position at the bottom of the cost curve.

The next phase of the Company's exploration programme will focus on discovering additional deposits with similar characteristics to Zona 7. Following extensive structural mapping and the interpretation of regional geological structures, two areas have been selected for an intensive geochemical sampling programme incorporating the latest uranium exploration techniques, in addition to some others like radiometrics and radon emissions.

The Company has noted increased public tender activity by major global utilities looking to enter into long term uranium supply contracts in the medium to long term. The Company is actively pursuing both public and private off-take opportunities with global utilities in the ordinary course of business and will report regularly on how this progresses.

The Company's view is that whilst uranium prices may remain flat in the near term, from late 2018, when the Salamanca mine is scheduled to come into production, the market is expected to be dominated by US utilities looking to re-contract who will at the same time be competing with Chinese new reactor demand, which may lead to higher spot and term contract prices.

The Company currently has 2.75 million pounds of  $U_3O_8$  concentrate under long term contracts over the first six years of production. Potential exists to increase annual contracted volumes further as well as extend the existing supply contracts by a total of 1.25 million pounds.

Across the Company's portfolio, the average fixed price per pound of contracted and optional volumes is above US\$42 per pound. This compares favourably with the current spot price of around US\$20 per pound. The Company will continue to build its sales book as the market continues to improve.

During the 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 have been 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 allowed for the completion of the FEED activities, the commencement of construction and to provide working capital.

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

In accordance with section 250R(2) of the Corporations Act, the Company must put the Remuneration Report to the vote of Shareholders. The Directors' Report contains the Remuneration Report which sets out:

- (a) the Company's remuneration policy; and
- (b) the remuneration arrangements in place for the executive Directors, specified executives and non-executive Directors.

In accordance with section 250R(3) of the Corporations Act, Resolution 2 is advisory only and does not bind the Directors. If Resolution 2 is not passed, the Directors will not be required to alter any of the arrangements in the Remuneration Report.

Pursuant to the Corporations Act, Shareholders will have the opportunity to remove the whole Board except the Managing Director if the Remuneration Report receives a 'no' vote of 25% or more (**Strike**) at two consecutive AGMs.

The Company's Remuneration Report received a first Strike at the 2016 annual general meeting. Where a resolution on the Remuneration Report receives a Strike at two consecutive AGMs, the Company must put to Shareholders at the second AGM a resolution on whether another meeting should be held (within 90 days) at which all Directors (other than the Managing Director) who were in office at the date of approval of the applicable Directors' Report must stand for re-election.

To this end, the Company has since established an independent Remuneration and Nomination Committee (**Remcom**) to oversee the Group's remuneration and nomination responsibilities and governance. The remuneration committee members consist of three independent Non-Executive Directors being Mr Adam Parker (as Chair), Mr Nigel Jones and Mr Robert Behets.

The Remcom's role will be to determine the remuneration of the Company's Executives, oversee the remuneration of KMP, and approve awards under the Company's long-term incentive plan (**LTIP**).

The Remcom will review the performance of Executives and KMP and set the scale and structure of their remuneration and the basis of their service/consulting agreements. In doing so, the Remcom will have due regard to the interests of shareholders.

In determining the remuneration of Executives and KMP, the Remcom will seek to enable the Company to attract and retain executives of the highest calibre. In addition, the Remcom will decide whether to grant incentives securities in the Company and, if these are to be granted, who the recipients should be.

Further details of the Company's remuneration practises and outcomes for the 2017 financial year are detailed on pages 14 to 22 of the Annual Report.

If the Remuneration Report receives a Strike at this Meeting, Resolution 6 (**Spill Resolution**) will be voted on at the Meeting. Accordingly, please note that a 'no' vote of 25% or more on Resolution 6 may result in the re-election of the Board.

The Chairperson will allow reasonable opportunity for Shareholders to ask questions about or comment on the Remuneration Report.

**Recommendation:** After receiving a Strike at the 2016 AGM, the Board consulted with a range of shareholders and other stakeholders, and have reached the view that the Company's remuneration practises are in fact appropriate given the Company's size, nature and stage of development. The Board therefore seeks your support for the 2017 Remuneration Report.

**The Board recommends that Shareholders vote in favour of the adoption of the Remuneration Report.**

Resolution 2 is an ordinary resolution.

The Chairperson intends to exercise all available proxies in favour of Resolution 2.

If the Chairperson is appointed as your proxy and you have not specified the way the Chairperson is to vote on Resolution 2, by signing and returning the Proxy Form, you are considered to have provided the Chairperson with an express authorisation for the Chairperson to vote the proxy in

accordance with the Chairperson's intention, even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

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## **8. Resolution 3 – Re-election of Director – Mr Robert Behets**

Article 6.3(c) of the Constitution requires one third of all Directors, or if their number is not a multiple of three, then the number nearest one-third (rounded down to the nearest whole number) to retire at each annual general meeting.

Article 6.3(f) of the Constitution states that a Director who retires under Article 6.3(c) is eligible for re-election.

Resolution 3 therefore provides that Mr Robert Behets retires by rotation and seeks re-election as a Director.

Details of the qualifications and experience of Mr Robert Behets are in the Annual Report.

Resolution 3 is an ordinary resolution.

The Chairperson intends to exercise all available proxies in favour of Resolution 3.

The Board (excluding Mr Robert Behets) supports the re-election of Mr Robert Behets and recommends that Shareholders vote in favour of Resolution 3.

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## **9. Resolution 4 – Election of Director – Mr Nigel Jones**

In accordance with Article 6.3(j) and Listing Rule 14.4, a director appointed to fill a casual vacancy or as an addition to the Board must not hold office (without re-election) past the next annual general meeting of the entity.

Article 6.2(b) of the Constitution allows the Directors to appoint a person to fill a casual vacancy at any time. Any Director so appointed holds office until the next general meeting of members of the Company and is eligible for re-election at that meeting.

Mr Nigel Jones was appointed on 7 June 2017 to fill a casual vacancy. Resolution 4 therefore provides that he retires from office and seeks re-election as a Director.

Details of Mr Nigel Jones' background and experience are set out in the Annual Report.

Resolution 4 is an ordinary resolution.

The Chairperson intends to exercise all available proxies in favour of Resolution 4.

The Board (excluding Mr Nigel Jones) supports the election of Mr Nigel Jones and recommends that shareholders vote in favour of Resolution 4.

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## **10. Resolution 5 – Election of Director – Mr Adam Parker**

In accordance with Article 6.3(j) and Listing Rule 14.4, a director appointed to fill a casual vacancy or as an addition to the Board must not hold office (without re-election) past the next annual general meeting of the entity.

Article 6.2(b) of the Constitution allows the Directors to appoint a person to fill a casual vacancy at any time. Any Director so appointed holds office until the next general meeting of members of the Company and is eligible for re-election at that meeting.

Mr Adam Parker was appointed on 14 June 2017 to fill a casual vacancy. Resolution 5 therefore provides that he retires from office and seeks re-election as a Director.

Details of Mr Adam Parker's background and experience are set out in the Annual Report.

Resolution 5 is an ordinary resolution.

The Chairperson intends to exercise all available proxies in favour of Resolution 5.

The Board (excluding Mr Adam Parker) supports the election of Mr Adam Parker and recommends that shareholders vote in favour of Resolution 5.

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## **11. Resolution 6 – Spill Resolution (Conditional on Resolution 2)**

As discussed above at Resolution 2, in accordance with section 250V of the Corporations Act, if the Remuneration Report receives a 'no' vote of 25% or more (**Strike**) at two consecutive annual general meetings, the Company must put to vote at the second annual general meeting a resolution (**Spill Resolution**) on whether all Directors (other than the managing director) who were in office at the date of approval of the applicable Directors' Report must stand for re-election.

The Company's Remuneration Report received a first Strike at the 2016 annual general meeting. If Resolution 2 receives a 'no' vote of 25% or more at the Meeting, this will constitute a second Strike and Resolution 6 will be voted on.

If more than 50% of Shareholders vote in favour of the Spill Resolution, the Company must convene another general meeting within 90 days of the Meeting (**Spill Meeting**). All of the Company's Directors who were in office when the first Strike was received other than the managing director of the Company (**Spilled Directors**) will cease to hold office immediately before the end of the Spill Meeting, but may stand for reappointment. Shareholders will vote on the reappointment of Spilled Directors and/or election of new Directors at the Spill Meeting.

In accordance with section 250X of the Corporations Act, if there would be fewer than 3 Directors after the Spill Meeting, two positions will be filled by Directors or Spilled Directors who have the highest percentage of votes favouring appointment.

Please refer to Resolution 2 from pages 24 to 27 for detailed discussion on the milestones achieved by Company during and subsequent to the end of the financial year and the establishment of an independent Remco.

**Recommendation: The Board recommends that Shareholders vote against this Resolution 6, as a no vote would likely reverse all the milestones achieved by management which will destabilise the Company and put the Company's Salamanca mine at a high risk of not being developed.**

Resolution 6 is an ordinary resolution.

The Chairperson intends to exercise all available proxies against Resolution 6.

If the Chairperson is appointed as your proxy and you have not specified the way the Chairperson is to vote on Resolution 6, by signing and returning the Proxy Form, you are considered to have provided the Chairperson with an express authorisation for the Chairperson to vote the proxy in accordance with the Chairperson's intention, even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

A voting exclusion statement is included in the Notice for Resolution 6.

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## **12. Resolution 7 – Approval of 10% Placement Facility**

### **12.1 General**

Listing Rule 7.1A enables eligible entities to issue Equity Securities up to 10% of its issued share capital through placements over a 12 month period after the annual general meeting (**10% Placement Facility**). The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity.

The Company is seeking Shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Facility. The number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to Section 12.2(c)).

The Directors of the Company believe that Resolution 7 is in the best interests of the Company and unanimously recommend that Shareholders vote in favour of Resolution 7.

Resolution 7 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

The Chairperson intends to exercise all available proxies in favour of Resolution 7.

## 12.2 Listing Rule 7.1A

(a) Shareholder approval

The ability to issue Equity Securities under the 10% Placement Facility is subject to Shareholder approval by way of a special resolution at an annual general meeting.

(b) Equity Securities

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the company.

The Company, as at the date of the Notice, has on issue one quoted classes of Equity Securities: Shares.

(c) Formula for calculating 10% Placement Facility

Listing Rule 7.1A.2 provides that eligible entities which have obtained Shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

**(A x D) – E**

**A** is the number of shares on issue 12 months before the date of issue or agreement:

- (i) plus the number of Shares issued in the 12 months under an exception in Listing Rule 7.2;
- (ii) plus the number of partly paid shares that became fully paid in the 12 months;
- (iii) plus the number of Shares issued in the 12 months with Shareholder approval under Listing Rule 7.1 and 7.4. This does not include an issue of Shares under the entity's 15% placement capacity without Shareholder approval;
- (iv) less the number of fully paid shares cancelled in the 12 months.

*Note that A is has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.*

**D** is 10%

**E** is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with Shareholder approval under Listing Rule 7.1 or 7.4.

(d) Listing Rule 7.1 and Listing Rule 7.1A

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

At the date of the Notice, the Company has on issue 254,512,198 Shares and therefore has a capacity to issue:

- (i) 38,176,830 Equity Securities under Listing Rule 7.1; and
- (ii) 25,451,220 Equity Securities under Listing Rule 7.1A.

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to Section 12.2(c)).

(e) Minimum Issue Price

The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 Trading Days immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

(f) 10% Placement Period

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the earlier to occur of:

- (i) the date that is 12 months after the date of the annual general meeting at which the approval is obtained; or
- (ii) the date of Shareholder approval of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

(the **10% Placement Period**).

## 12.3 Listing Rule 7.1A

The effect of Resolution 7 will be to allow the Directors to issue the Equity Securities under Listing Rule 7.1A during the 10% Placement Period without using the Company's 15% placement capacity under Listing Rule 7.1.

## 12.4 Specific information required by Listing Rule 7.3A

In accordance with Listing Rule 7.3A, information is provided as follows:

- (a) The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities over the 15 Trading Days on which trades in that class were recorded immediately before:
- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
  - (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.
- (b) If Resolution 7 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the below table (in the case of Listed Options, only if the Listed Options are exercised). There is a risk that:
- (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
  - (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date or the Equity Securities are issued as part of consideration for the acquisition of a new asset,
- which may have an effect on the amount of funds raised by the issue of the Equity Securities.
- (c) The below table shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable 'A' calculated in accordance with the formula in Listing Rule 7.1A(2) as at the date of the Notice.
- (d) The table also shows:
- (i) two examples where variable 'A' has increased, by 50% and 100%. Variable 'A' is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
  - (ii) two examples of where the issue price of ordinary securities has decreased by 50% and increased by 100% as against the current market price.

| Variable 'A' in Listing Rule 7.1A.2                                  |                                | Dilution                                    |                       |                                              |
|----------------------------------------------------------------------|--------------------------------|---------------------------------------------|-----------------------|----------------------------------------------|
|                                                                      |                                | \$0.40<br>50%<br>decrease in<br>Issue Price | \$0.80<br>Issue Price | \$1.60<br>100%<br>increase in<br>Issue Price |
| <b>Current Variable A<br/>254,512,198 Shares</b>                     | <b>10% Voting<br/>Dilution</b> | 25,451,220<br>Shares                        | 25,451,220<br>Shares  | 25,451,220<br>Shares                         |
|                                                                      | <b>Funds<br/>raised</b>        | \$10,180,488                                | \$20,360,976          | \$40,721,952                                 |
| <b>50% increase in<br/>current Variable A<br/>381,768,297 Shares</b> | <b>10% Voting<br/>Dilution</b> | 38,176,830<br>Shares                        | 38,176,830<br>Shares  | 38,176,830<br>Shares                         |
|                                                                      | <b>Funds<br/>raised</b>        | \$15,270,732                                | \$30,541,464          | \$61,082,928                                 |
| <b>100% increase in<br/>current Variable A</b>                       | <b>10% Voting<br/>Dilution</b> | 50,902,440<br>Shares                        | 50,902,440<br>Shares  | 50,902,440<br>Shares                         |

| Variable 'A' in Listing Rule 7.1A.2 |                     | Dilution                              |                       |                                        |
|-------------------------------------|---------------------|---------------------------------------|-----------------------|----------------------------------------|
|                                     |                     | \$0.40<br>50% decrease in Issue Price | \$0.80<br>Issue Price | \$1.60<br>100% increase in Issue Price |
| <b>509,024,396 Shares</b>           | <b>Funds raised</b> | \$20,360,976                          | \$40,721,952          | \$81,443,904                           |

The table has been prepared on the following assumptions:

- (a) The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
- (b) No Options (including any Options issued under the 10% Placement Facility) are exercised into Shares before the date of the issue of the Equity Securities.
- (c) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
- (d) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of the Meeting.
- (e) The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
- (f) The issue of Equity Securities under the 10% Placement Facility consists only of Shares. If the issue of Equity Securities includes Listed Options, it is assumed that those Listed Options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
- (g) The issue price is \$0.80, being the closing price of the Shares on ASX on 26 October 2017.
- (h) The Company will only issue the Equity Securities during the 10% Placement Period.
- (i) The Company may seek to issue the Equity Securities for the following purposes:
  - (i) non-cash consideration for the acquisition of the new resources assets and investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3; or
  - (ii) cash consideration. In such circumstances, the Company intends to use the funds raised towards an acquisition of new assets or investments (including expense associated with such acquisition), continued exploration and feasibility study expenditure on the Company's current assets and/or general working capital.
- (j) The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities.
- (k) The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the subscribers of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:
  - (i) the methods of raising funds that are available to the Company, including but not limited to, rights issue or other issue in which existing security holders can participate;
  - (ii) the effect of the issue of the Equity Securities on the control of the Company;
  - (iii) the financial situation and solvency of the Company; and
  - (iv) advice from corporate, financial and broking advisers (if applicable).

- (l) The subscribers under the 10% Placement Facility have not been determined as at the date of the Notice but may include existing substantial Shareholders and new Shareholders who are not a related party or an associate of a related party of the Company.
- (m) Further, if the Company is successful in acquiring new resources assets or investments, it is likely that the subscribers under the 10% Placement Facility will be the vendors of the new resources assets or investments.
- (n) In the 12 months preceding the date of the Meeting the Company issued a total of 18,491,794 Equity Securities which represent 7.27% of the total number of Equity Securities on issue at 28 November 2017. The Equity Securities issued in the preceding 12 months is set out in Schedule 2.
- (o) A voting exclusion statement is included in the Notice for Resolution 7.
- (p) At the date of the Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

## **12.5 Director Recommendation**

The Directors recommend that Shareholders vote in favour of Resolution 7.

## Schedule 1 – Definitions

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In the Notice and this Explanatory Memorandum, words importing the singular include the plural and vice versa.

**\$** means Australian Dollars.

**£** means Great British Pounds.

**10% Threshold** means SGRF SPV, together with its custodians, nominees, subsidiaries, affiliates and each other SGRF Group Member holding for a continuous 30 day period such number of Shares or Convertible Securities on an “as converted” basis as to be equal to at least 10% of the Shares on issue at such time (also on an “as converted” basis) but excluding the conversion of all Convertible Securities on issue other than the Convertible Securities held by SGRF, its custodians, nominees, subsidiaries, affiliates and each other SGRF Group Member.

**10% Placement Facility** has the meaning given in Section 12.1.

**10% Placement Period** has the meaning given in Section 12.2(f).

**AGM** means an annual general meeting of the Shareholders.

**AIM** means the Alternative Investment Market of the LSE.

**AIM Rules** means the rules of AIM.

**Annual Report** means the Directors’ Report, the Financial Report, and Auditor’s Report, in respect to the year ended 30 June 2017.

**ASIC** means Australian Securities and Investments Commission.

**ASX** means the ASX Limited ABN 98 008 624 691 and where the context permits the Australian Securities Exchange operated by ASX Limited.

**Auditor** means the Company's auditor from time to time (being Ernst & Young as at the date of the Notice).

**Auditor's Report** means the Auditor's report on the Financial Report.

**Berkeley Group** means the Company and each of its subsidiaries and its subsidiary undertakings.

**Board** means the board of Directors of the Company.

**BME** means Berkeley Minera España S.L.

**Chairperson** means the person appointed to chair the Meeting convened by the Notice.

**Closely Related Party** means in relation to a member of a Key Management Personnel:

- (a) a spouse or child of the member; or
- (b) has the meaning given in section 9 of the Corporations Act.

**Company** means Berkeley Energia Limited ACN 052 468 569.

**Company Conversion Right** has the meaning given in Section 3.5(c).

**Competing Proposal** means any:

- (a) proposal, agreement, arrangement or transaction, which if entered into or completed, would result in a third party (either alone or together with any associate):
  - (i) directly or indirectly acquiring a relevant interest in, or having a right to acquire, a legal, beneficial or economic interest in, or control of, 20% or more of the shares in the Company or BME;

- (ii) acquiring control of the Company or BME;
- (iii) directly or indirectly acquiring or becoming the holder of, or otherwise acquiring or having a right to acquire, a legal, beneficial or economic interest in, or control of, all or a material part of the Company's business;
- (iv) otherwise directly or indirectly acquiring or merging with the Company or BME,

whether by way of Takeover Bid, members' or creditors' scheme or plan of arrangement, shareholder approved acquisition, capital reduction, buy back, sale or purchase of shares, other securities or assets, assignment of assets and liabilities, incorporated or unincorporated joint venture, dual-listed company (or other synthetic merger), deed of company arrangement, any debt for equity arrangement or other transaction or arrangement;

- (b) debt, equity or hybrid debt/equity raising or proposal, agreement, arrangement or transaction for a debt, equity or hybrid debt/equity raising by or in respect of the Company or BME; or
- (c) proposal, agreement, arrangement or transaction requiring the Company to terminate the Investment Agreement or abandon, or otherwise fail to proceed with the transaction contemplated by the Investment Agreement.

**Completion** means completion of SGRF SPV's subscription for the Convertible Note pursuant to the Investment Agreement.

**Constitution** means the constitution of the Company as at the commencement of the Meeting.

**Conversion Price** has the meaning given in Section 3.5(e).

**Convertible Note** has the meaning given in Section 3.1.

**Convertible Securities** means any securities convertible into, exchangeable or redeemable for, or otherwise carrying the right or obligation to acquire, Shares, including the Convertible Note, rights, options or warrants to acquire Shares.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Deal Price** has the meaning given in Section 3.5(e).

**Director** means a director of the Company.

**Directors' Report** means the annual directors' report prepared under chapter 2M of the Corporations Act for the Company and its controlled entities.

**Equity Security** has the meaning given in the Listing Rules.

**Effective Date** means 29 August 2017.

**EPC Contract** means the engineering procurement and construction contract or contracts to be signed between the Company and its chosen engineering contractors for the construction and commissioning of the Processing Plant.

**Event of Default** means the events of default detailed in Section 3.5(h).

**Explanatory Memorandum** means this explanatory memorandum which forms part of the Notice.

**Financial Report** means the annual financial report prepared under chapter 2M of the Corporations Act for the Company and its controlled entities.

**FATA** means the Foreign Acquisitions and Takeovers Act 1975 (Cth)

**Financial Model** means the financial model in respect of the Salamanca mine, prepared by the Company and agreed to by SGRF SPV.

**FIRB** means the Foreign Investment Review Board.

**Floor Price** has the meaning given in Section 3.5(e).

**Funding Transaction** has the meaning given to that term in the Independent Expert's Report.

**Independent Certifier** means the third party certifier jointly appointed by the Company and SGRF SPV or, if the Company and SGRF SPV are unable to agree on the appointment of such third party certifier within a reasonable period, the third party certifier appointed by the President of the Institute of Arbitrators and Mediators Australia.

**Independent Expert** has the meaning given in Section 3.10.

**Independent Expert's Report** has the meaning given in Section 3.10.

**Insolvency Event** means, in respect of any person, an order being made, or the person passing a resolution, for its winding up.

**Investment Agreement** has the meaning given in Section 3.1.

**Key Management Personnel or KMP** means persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

**Listing Rules** means the listing rules of ASX.

**Managing Director** means the managing Director.

**Material Adverse Effect** means with respect to the Company or SGRF SPV, any change, event, occurrence, effect, state of facts or circumstance that, individually or in the aggregate with other such changes, events, occurrences, effects, state of facts or circumstances, is or would reasonably be expected to be material and adverse to the business, operations, results of operations, assets, properties, capitalization, financial condition or liabilities of that party and its subsidiaries, taken as a whole. However, a Material Adverse Effect will not include:

- (a) any event required to be undertaken or procured pursuant to the Investment Agreement; or
- (b) arising from changes in economic conditions (including commodity prices and exchange rates) which impact on a party and its competitors in substantially the same way.

**Mining Schedule** means the mining schedule agreed between the Company and its principal mining contractor at the time of commencement of the Production Completion Period.

**Meeting** has the meaning given to that term in the introductory paragraph of the Notice.

**Note** Terms and Conditions means the terms and conditions on which the Convertible Note is issued.

**Notice** means the notice of the Meeting and includes the agenda, Explanatory Memorandum and the Proxy Form.

**Offtake Agreement** means an agreement for the sale and purchase of Product over a term of greater than 12 months and which requires delivery of Product on more than two occasions. For the avoidance of doubt, a spot sale of Product does not constitute an Offtake Agreement.

**Option** means an option which entitles the holder to subscribe for one Share.

**Performance Condition** means, in respect of a Performance Right, the relevant condition which must be satisfied in order for the Performance Right to vest.

**Performance Right** means a right to subscribe for or otherwise acquire a Share subject to the achievement of certain milestones.

**Principal Amount** means the face value of the Convertible Note.

**Processing Plant** means the centralised processing plant at Retortillo, Salamanca, Spain.

**Product** means U<sub>3</sub>O<sub>8</sub> concentrate.

**Production Completion Period** has the meaning given in Schedule 4.

**Proxy Form** means the proxy form attached to the Notice.

**Recognised Stock Exchange** means ASX, AIM or LSE.

**Relevant Interest** has the meaning given to that term in the Corporations Act.

**Remuneration Report** means the remuneration report of the Company contained in the Directors' Report.

**Resolution** means a resolution proposed pursuant to the Notice.

**Right to Match** has the meaning given in Section 3.4(d).

**Schedule** means a schedule to this Explanatory Memorandum.

**Scheme of Arrangement** means a scheme of arrangement pursuant to Part 5.1 of the Corporations Act.

**Section** means a section of this Explanatory Memorandum.

**SGRF** means the State General Reserve Fund of the Sultanate of Oman.

**SGRF Associates** has the meaning given in Section 5.3(a).

**SGRF Conversion Right** has the meaning given in Section 3.5(b).

**SGRF Group** means any person controlled by SGRF or any successor entity that is controlled by the Government of the Sultanate of Oman

**SGRF Group Member** means any person that is a member of the SGRF Group

**SGRF Option** means a Tranche 1 SGRF Option, Tranche 2 SGRF Options and/or a Tranche 3 SGRF Option, as the context requires.

**SGRF SPV** means Singapore Mining Acquisition Co. Pte Ltd, registration number 201723602D.

**SGRF SPV Nominee Director** has the meaning given in Section 3.4(c).

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a registered holder of a Share.

**Spill Meeting** has the meaning given in Resolution 6.

**Strike** means a 'no' vote of 25% or more on the resolution approving the Remuneration Report.

**Subsequent Capital Raising** means any equity capital raising conducted by the Company, following the issue of the Convertible Note but prior to the date of Technical Completion, pursuant to which the Company issues Shares for cash consideration, but excluding:

- (a) the issue of Shares to directors, officers, employees or consultants of the Company for nominal consideration and/or in connection with any incentive component of their remuneration in the ordinary course of business and consistent with past practice;
- (b) the issue of Shares on conversion of a Performance Right; and
- (c) the issue of Shares to holders of Options upon the exercise of such Options.

**Sunset Date** has the meaning given in Section 3.4(b).

**Takeover Bid** has the meaning given to that term in section 9 of the Corporations Act.

**TC Sunset Date** means the date which, subject to extension for a further year in accordance with the Note Terms and Conditions, is 3 years after the date of issue of the Convertible Note.

**Technical Completion** has the meaning given in Schedule 3.

**Tranche 1 SGRF Option** means an option to subscribe for a Share on the terms and conditions in Schedule 2.

**Tranche 2 SGRF Option** means an option to subscribe for a Share on the terms and conditions in Schedule 2.

**Tranche 3 SGRF Option** means an option to subscribe for a Share on the terms and conditions in Schedule 2.

**Vacated Offices** has the meaning given in Resolution 6.

**Vesting Date** means the date on which any Principal Amount under the Convertible Note is first converted into Shares in accordance with the Note Terms and Conditions.

**WST** means Australian Western Standard Time, being the time in Perth, Western Australia.

## Schedule 2 – Listing Rule 7.3A.6 Disclosure

### Issues of Equity Securities during the 12 months preceding the date of the Meeting

| No. | Date of Issue | Number     | Class <sup>1</sup>         | Persons to whom the securities were issued                                               | Issue price per share                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Discount (if any) to market price on date of issue  | Consideration        |                             |
|-----|---------------|------------|----------------------------|------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------|----------------------|-----------------------------|
|     |               |            |                            |                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                     |                      |                             |
| 1.  | 16 Dec 2016   | 17,869,572 | Fully paid ordinary shares | Capital raising to London's generalist blue chip institutions                            | £0.45 (~A\$0.73)                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Premium of ~2.8% on announcement of capital raising | Total consideration: | £8,041,307 (~A\$13,044,788) |
| 2.  | 23 Dec 2016   | 100,000    | Fully paid ordinary shares | KMP Option holders upon the exercise of incentive options                                | £0.15 – exercise of incentive options                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Not applicable                                      | Total consideration: | £15,000 (~A\$24,695)        |
| 3.  | 23 Dec 2016   | 100,000    | Fully paid ordinary shares | Option holders upon the exercise of unlisted options                                     | £0.20 – exercise of incentive options                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Not applicable                                      | Total consideration: | £20,000 (~A\$32,927);       |
| 4.  | 26 May 2017   | 22,222     | Fully paid ordinary shares | Key employees and contractors of the Company as part of their fee                        | Equivalent to £0.45 per share                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Discount of 3.2%                                    | Total consideration: | Not applicable              |
| 5.  | 26 May 2017   | 400,000    | Performance Rights         | KMP and other employees and consultants as part of the Company's Performance Rights Plan | Nil – Performance Rights remain unvested until specific performance conditions are met prior to relevant expiry dates. Market price of traded shares on date of issue was \$0.81. Based on this issue price and assuming the conversion of the Performance Rights, the shares would have a value of \$324,000. Based on the market price of traded shares on 26 October 2017 of \$0.80 and assuming the conversion of the Performance Rights, the shares would have a value of \$320,000. | Not applicable                                      | Total consideration: | Not applicable              |

## **Notes to Table**

### **1. Terms of Securities**

All Shares issued during the 12 months preceding the date of this Meeting were fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares (terms are set out in the Constitution of the Company), with the only exception being that some Shares are subject to escrow restrictions.

### **2. Use of funds**

Proceeds from the issue of Equity Securities was used to accelerate development of the Salamanca mine including construction of the crushing circuit of the centralised processing facility, land acquisition, the funding of an environmental bond, and construction of buildings and storage facilities. In addition, the funding allowed for the completion of the FEED and to provide working capital.

Approximately \$10.4 million raised from the issue of Equity Securities has been spent. The intended use for the remaining amount of cash is to complete with the activities as described in the paragraph directly above.

## Schedule 3 – Terms and Conditions of SGRF Options

---

### 1. Entitlement

Each SGRF Option entitles the holder (**Holder**) to subscribe for one ordinary share (**Share**) in Berkeley Energia Limited (**Company**) upon exercise.

### 2. Vesting

Each SGRF Option shall vest on the date on which any Principal Amount, under the Convertible Cote with a face value of US\$65 million, and issued to the Holder on and subject to the convertible note terms and conditions (**Convertible Note Terms and Conditions**), is first converted into Shares (**Vesting Date**).

### 3. Exercise Price and Expiry Date

(a) In respect of each Tranche 1 SGRF Option, each shall have an exercise price of £0.60 (**Exercise Price**) and shall expire on the earlier of:

- (i) the date which is 12 months after the Vesting Date; and
- (ii) the date which is 5 years from the date of issue or such earlier date as required by ASX,

(**Expiry Date**).

(b) In respect of each Tranche 2 SGRF Option, each shall have an exercise price of £0.75 (**Exercise Price**) and expire on the earlier of:

- (i) the date which is 18 months after the Vesting Date; and
- (ii) the date which is 5 years and 6 months from the date of issue or such earlier date as required by ASX,

(**Expiry Date**).

(c) In respect of each Tranche 3 SGRF Option, each shall have an exercise price of £1.00 (**Exercise Price**) and expire on the earlier of:

- (i) the date which is 24 months after the Vesting Date; and
- (ii) the date which is 6 years from the date of issue or such earlier date as required by ASX,

(**Expiry Date**).

### 4. Exercise Period

Each SGRF Option is exercisable at any time after the Vesting Date and before the Expiry Date (**Exercise Period**).

### 5. Notice of Exercise

The SGRF Options may be exercised by notice in writing to the Company (**Notice of Exercise**) and payment of the Exercise Price for each SGRF Option being exercised. Any Notice of Exercise of an SGRF Option received by the Company will be deemed to be a notice of the exercise of that SGRF Option as at the date of receipt.

### 6. Shares issued on exercise

Shares issued on exercise of the SGRF Options rank equally with the existing Shares of the Company.

## **7. Quotation of Shares on exercise**

Application will be made by the Company to ASX (or, if the Company is no longer listed on ASX, to the securities exchange on which the Company's shares are admitted for quotation) for official quotation of the Shares issued upon the exercise of the SGRF Options.

## **8. Timing of issue of Shares and quotation of Shares on exercise**

Within 5 Business Days after the later of the following:

- (a) receipt of a Notice of Exercise given in accordance with these terms and conditions and payment of the Exercise Price for each SGRF Option being exercised; and
- (b) when excluded information in respect to the Company (as defined in section 708A(7) of the Corporations Act) (if any) ceases to be excluded information. If there is no such information, the relevant date will be the date of receipt of a Notice of Exercise as set out in clause 8(a) above,

the Company will:

- (c) allot and issue the Shares pursuant to the exercise of the SGRF Options;
- (d) as soon as reasonably practicable:
  - (i) and in any event within 5 business days after issuing the Shares, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act; or
  - (ii) lodge a prospectus with ASIC that qualifies the Shares issued upon exercise of the SGRF Options for resale under section 708A(11) of the Corporations Act (which, if a notice is not lodged under paragraph (i) above, must be lodged with ASIC within 15 business days after issuing the Shares); and
- (e) apply for, and use best endeavours to obtain, official quotation on ASX (or, if the Company is no longer listed on ASX, to the securities exchange on which the Company's shares are admitted for quotation) of Shares issued pursuant to the exercise of the SGRF Options,

provided that if the Company receives a Notice of Exercise within 2 weeks after the release of its annual financial statements or after the release of its half-year financial statements, it must take the actions set out in clauses (c) to (e) above within 5 Business Days after receiving the Notice of Exercise.

## **9. Participation in new issues**

There are no participation rights or entitlements inherent in the SGRF Options and Holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the SGRF Options.

However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least ten business days after the issue is announced. This will give the Holders the opportunity to exercise their SGRF Options prior to the date for determining entitlements to participate in any such issue.

## **10. Adjustment for bonus issues of Shares**

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction, of dividends or by way of dividend reinvestment):

- (a) the number of Shares which must be issued on the exercise of an SGRF Option will be increased by the number of Shares which the Holder would have received if SGRF Options held by the Holder had been exercised before the record date for the bonus issue; and
- (b) no change will be made to the Exercise Price.

#### **11. Adjustment for rights issue**

If the Company makes an issue of Shares pro rata to existing Shareholders (other than an issue in lieu of in satisfaction of dividends or by way of dividend reinvestment) the Exercise Price of an SGRF Option will be reduced according to the following formula:

$$\text{New exercise price} = O - \frac{E[P-(S+D)]}{N+1}$$

O = the old Exercise Price of the SGRF Option.

E = the number of underlying Shares into which one SGRF Option is exercisable.

P = average market price per Share weighted by reference to volume of the underlying Shares during the 5 trading days ending on the day before the ex rights date or ex entitlements date.

S = the subscription price of a Share under the pro rata issue.

D = the dividend due but not yet paid on the existing underlying Shares (except those to be issued under the pro rata issue).

N = the number of Shares with rights or entitlements that must be held to receive a right to one new Share.

#### **12. Adjustments for reorganisation**

If there is any reconstruction of the issued share capital of the Company, the rights of the Holders of SGRF Options may be varied to comply the ASX Listing Rules which apply to the reconstruction at the time of the reconstruction.

#### **13. Quotation of SGRF Options**

No application for quotation of the SGRF Options will be made by the Company.

#### **14. SGRF Options Transferable**

The SGRF Options are only transferable provided that the transfer of SGRF Options complies with section 707(3) of the Corporations Act.

#### **15. Authorisation**

The Company represents and warrants to the Holder that the SGRF Options are validly issued and create an obligation on the Company to issue Shares upon exercise of the SGRF Options.

#### **16. Amendments**

The terms and conditions of the SGRF Options may only be amended subject to compliance with the ASX Listing Rules (or the rules of the relevant securities exchange on which the Company's shares are admitted for quotation).

#### **17. Lodgement Instructions**

The Exercise Price may be paid by cheque or electronic funds transfer to an account nominated by the Company. Cheques shall be in Australian currency made payable to the Company and crossed "Not Negotiable". The application for Shares on exercise of the SGRF Options with the appropriate remittance should be lodged at the Company's share registry.

## Schedule 4 – Technical Completion

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### 1. Technical Completion

Technical Completion shall occur on the earlier of:

- (a) the date on which SGRF SPV has received all of the following certificates described in this Schedule from the Company; or
- (b) in the absence of any certificate or certificates under clause 1(a), the Independent Certifier determines that, except for minor defects which are capable of remedy (without any material delay or cost to the Company or the Salamanca Project (**Project**)), the Project is being operated in accordance with good international practice and is capable of producing in accordance with the financial model provided to SGRF SPV (**Financial Model**) and if applicable, subject to clause 4(d) below, adjusted based on the mining schedule agreed between the Company and its mining contractor at the time of commencement of production at the Project (**Mining Schedule**) existing at the time the Independent Certifier carries out their determination under this clause 1(b); or
- (c) the date SGRF SPV delivers to the Company a written notice declaring that Technical Completion has occurred (irrespective of whether the Company has delivered all certificates described in this Schedule).

### 2. Physical Facilities Certificate

A certificate from the Company, verified by the Independent Certifier, to the effect that:

- (a) all material plant and equipment required for the processing plant at the Project (**Processing Plant**) have been installed satisfactorily in accordance with the supply contract(s) and manufacturers' recommendations reflected in the engineering, procurement and construction contract between the Company and its selected engineering contractors for the Project (**EPC Contract**) to support the operation reflecting alignment with the Financial Model in a material manner;
- (b) testing of that material plant and equipment has been completed in accordance with the terms of reference of the supply contracts and to the manufacturers' requirements and all such plant and equipment have been cold commissioned successfully;
- (c) all material support infrastructure (including, maintenance facilities, power reticulation and water supply) which is required for the successful sustained operation of the Processing Plant, has been completed satisfactorily to support the operation reflecting alignment with the Financial Model in a material manner;
- (d) where any material subsection of the Processing Plant (e.g. laboratory or water plant) is to be operated by a contractor or any service provided by a contractor, the Company and the Independent Certifier are reasonably satisfied with the ability of the contractor to deliver the services and plant and equipment contracted; with the terms and conditions of the agreements with the contractors; and that the plant and equipment is available at the site and will continue to be made available under those contracts and on the site as and when required; and
- (e) sufficient spares and consumables are available as reasonably required to support the operations at the time of certification and allowing for the delivery schedule for these items.

### 3. Processing Plant Certificate

A certificate from the Company, verified by the Independent Certifier and referenced to the then valid EPC Contract, to the effect that over a continuous period of one month ("**Commissioning Completion Period**");

- (a) the throughput from the primary crusher to the stacker at the leach pad was at least
  - (i) 90% of that assumed by the output requirements of the EPC Contract and the Financial Model; or
  - (ii) 277 tonnes per hour (being 90% of the Project design criteria of 2.7 million tonnes for the first year of production for the primary crusher as published in the definitive feasibility study (**DFS**) or corresponding tonnage in subsequent years); or
  - (iii) as agreed between the Company and SGRF SPV prior to the start of the Commissioning Completion Period;
- (b) the average uranium grade of the Pregnant Leach Solution (**PLS**) was at least
  - (i) 90% of that assumed by the output requirements of the EPC Contract and the Financial Model, or
  - (ii) 288 parts per million (being 90% of the Project design criteria of 322 parts per million for the first year of production as published in the DFS or corresponding grade in subsequent years); or
  - (iii) agreed between the Company and SGRF SPV prior to the start of the Commissioning Completion Period; and
- (c) the percentage of uranium recovered by the Hydrometallurgical Plant was at least
  - (i) 90% of that assumed by the output requirements of the EPC Contract or the Financial Model; or
  - (ii) 80% (being 90% of the metallurgical recovery for the Project of 88% for the first year of production as published in the DFS announcement or corresponding metallurgical recovery in subsequent years); or
  - (iii) as agreed between the Company and SGRF SPV prior to the start of the Commissioning Completion Period.

#### 4. **Production Certificate**

A certificate from the Company, verified by the Independent Certifier and referenced to the then valid Mining Schedule, to the effect that over a continuous period of one month ("**Production Completion Period**"):

- (a) the total mined tonnage of ore plus waste was as least:
  - (i) 90% of that assumed by:
    - (A) subject to clause 4(c), the Financial Model; or
    - (B) subject to clause 4(d), the Mining Schedule existing at the time the Independent Certifier carries out their certification ignoring the Financial Model; or
  - (ii) as agreed between the Company and SGRF SPV; and
- (b) the total mined tonnage of ore was at least:
  - (i) 90% of that assumed by:
    - (A) subject to clause 4(c), the Financial Model; or

- (B) subject to clause 4(d), the Mining Schedule existing at the time the Independent Certifier carries out their certification ignoring the Financial Model; or
  - (ii) as agreed between the Company and SGRF SPV.
- (c) For the purposes of clauses 4(a)(i)(A) and 4(b)(i)(A), the Production Completion Period shall correspond to the relevant production month from the commencement of production in the Financial Model rather than by reference to any stated calendar month for production in the Financial Model. If the Financial Model provides for production based on a quarterly amount, then the relevant production month shall be the quarterly production amount pro-rated into monthly amounts.
- (d) For the purposes of clauses 4(a)(i)(B) and 4(b)(i)(B), the Parties agree that the Mining Schedule may change relative to that outlined in the Financial Model as a result of changes in economic conditions, optimisation and other factors. Should the proposed Mining Schedule reflect materially lower levels of production from that which is outlined in the Financial Model and if carried out would result in an economically worse outcome than that outlined in the Financial Model, then SGRF SPV's consent will be required before the Mining Schedule existing at the time the Independent Certifier carries out their certification is used for the purposes of the Production Certificate.

## 5. Additional Certificates

Upon conclusion of the Production Completion Period:

- (a) a certificate from the Company, verified by the Independent Certifier that the permits and licenses required for the commissioning of the Processing Plant, including the Construction Authorization have been obtained and remain valid;
- (b) a certificate from the Company, verified by the Independent Certifier that the quality of the product produced by the Processing Plant to date has either:
  - (i) been demonstrated to meet the product quality specifications of either Cameco, ConverDyn Inc, or Comurhex's converter facilities located in Canada, the USA or France respectively; or
  - (ii) been confirmed by the off-takers to be capable of sale under the Offtake Agreements;
- (c) the Independent Certifier has advised that he is not aware of any factor, which would have a material adverse effect on the operation of the Processing Plant;
- (d) the Independent Certifier has advised that the ongoing water management and monitoring programs for the Project are being managed in accordance with good international practice; and
- (e) the Independent Certifier has advised, acting reasonably and with regards to materiality, that the mining operations at Retortillo and the Processing Plant are being operated in accordance with all applicable environmental laws, rules, regulations and orders of the relevant governmental authorities, and that both an environmental management plan and a closure plan is in place.

## **Schedule 5 – Competent Persons Statement**

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The information in this Notice that relates to the FEED was extracted from the announcement entitled 'Capital costs for Salamanca reduced by 1% to € 82.3 million' dated 6 July 2017, which is available to view on Berkeley's Energia Limited's (Berkeley) website at [www.berkeleyenergia.com](http://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 FEED results 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 FEED costs 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 Chief Operating Officer 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'.

The information in this Notice 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](http://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 report 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. 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, 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'.

## **Schedule 6 – Independent Expert Report**

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# **BERKELEY ENERGIA LIMITED** **Independent Expert's Report**

19 October 2017



## Financial Services Guide

19 October 2017

**BDO Corporate Finance (WA) Pty Ltd** ABN 27 124 031 045 ('we' or 'us' or 'ours' as appropriate) has been engaged by Berkeley Energia Limited ('**BKY**') to provide an independent expert's report on the proposal whereby SGRF will provide an interest-free and unsecured convertible loan note of US\$65 million ('**Convertible Note**') and subscribe to a total of 50,443,124 unlisted options exercisable at a weighted average price of £0.85 per share raising US\$55 million ('**Unlisted Options**') to fully fund the Salamanca mine into production ('**the Transaction**'). You will be provided with a copy of our report as a retail client because you are a shareholder of BKY.

### Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ('**FSG**'). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- ◆ Who we are and how we can be contacted;
- ◆ The services we are authorised to provide under our Australian Financial Services Licence, Licence No. 316158;
- ◆ Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- ◆ Any relevant associations or relationships we have; and
- ◆ Our internal and external complaints handling procedures and how you may access them.

### Information about us

BDO Corporate Finance (WA) Pty Ltd is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

### Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

### General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice.

**Fees, commissions and other benefits that we may receive**

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately \$65,000.

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

**Remuneration or other benefits received by our employees**

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from BKY for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

**Referrals**

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

**Complaints resolution***Internal complaints resolution process*

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 West Perth WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

**Referral to External Dispute Resolution Scheme**

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ('FOS'). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FOS will be able to advise you as to whether or not they can be of assistance in this matter. Our FOS Membership Number is 12561. Further details about FOS are available at the FOS website [www.fos.org.au](http://www.fos.org.au) or by contacting them directly via the details set out below.

Financial Ombudsman Service  
GPO Box 3  
Melbourne VIC 3001  
Free call: 1800 367 287  
Facsimile: (03) 9613 6399  
Email: [info@fos.org.au](mailto:info@fos.org.au)

**Contact details**

You may contact us using the details set out on page 1 of the accompanying report.

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19 October 2017

The Directors  
Berkeley Energia Limited  
Level 9, 28 The Esplanade  
Perth WA 6000

Dear Directors

## INDEPENDENT EXPERT'S REPORT

### 1. Introduction

On 31 August 2017, Berkeley Energia Limited ('BKY' or '**the Company**') announced that it had entered into an agreement with the sovereign wealth fund of the Sultanate of Oman ('**State General Reserve Fund**' or '**SGRF**'), whereby SGRF will invest up to US\$120 million to fully fund the Company's Salamanca Uranium mine into production. Under the terms of the agreement SGRF will provide an interest-free and unsecured convertible loan note of US\$65 million ('**Convertible Note**') and subscribe to a total of 50,443,124 unlisted options exercisable at a weighted average price of £0.85 per share raising US\$55 million ('**SGRF Options**') ('**the Funding Transaction**').

The Company is seeking shareholder approval for the issue of ordinary shares and options to SGRF under section 611 Item (7) of the Corporations Act, as the conversion of the Convertible Note and exercise of the SGRF Options will result in SGRF's relevant interest in BKY exceeding 20%.

### 2. Summary and Opinion

#### 2.1 Purpose of the report

The directors of BKY have requested that BDO Corporate Finance (WA) Pty Ltd ('**BDO**') prepare an independent expert's report ('**our Report**') to express an opinion as to whether or not the investment is fair and reasonable to the shareholders of BKY ('**Shareholders**').

Our Report is prepared pursuant to section 611 of the Corporations Act 2001 Cth ('**Corporations Act**' or '**the Act**') and is to be included in the Notice of Meeting for BKY in order to assist the Shareholders in their decision whether to approve the Funding Transaction.

#### 2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission ('**ASIC**') Regulatory Guide 74 'Acquisitions Approved by Members' ('**RG 74**'), Regulatory Guide 111 'Content of Expert's Reports' ('**RG 111**') and Regulatory Guide 112 'Independence of Experts' ('**RG 112**').

In arriving at our opinion, we have assessed the terms of the Funding Transaction as outlined in the body of this report. We have considered:

- how the value of a BKY share prior to the Funding Transaction on a control basis compares to the value of a BKY share following the Funding Transaction on a minority basis;
- the likelihood of an alternative offer being made to BKY;
- other factors which we consider to be relevant to the Shareholders in their assessment of the Transaction; and
- the position of Shareholders should the Funding Transaction not proceed.

## 2.3 Opinion

We have considered the terms of the Funding Transaction as outlined in the body of this report and have concluded that, in the absence of an alternate offer, the Funding Transaction is not fair but reasonable to Shareholders.

In our opinion, the Funding Transaction is not fair. However, we consider the Funding Transaction to be reasonable because the advantages of the Funding Transaction to Shareholders are greater than the disadvantages. In particular, the Funding Transaction will provide critical funding for the Salamanca Project, strengthens the financial position of the Company and may result in an increase in market capitalisation and in raising the profile of BKY.

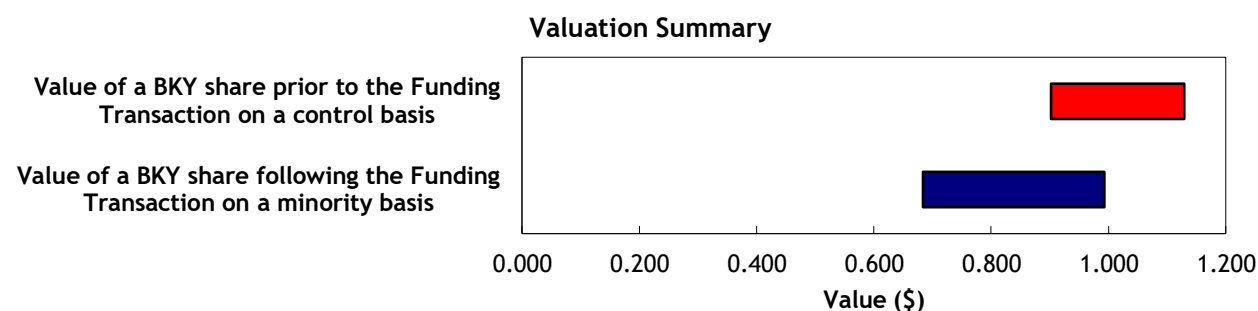
## 2.4 Fairness

In section 12 we determined that the Funding Transaction consideration compares to the value of BKY, as detailed below.

|                                                             | Ref  | Low<br>\$ | Preferred<br>\$ | High<br>\$ |
|-------------------------------------------------------------|------|-----------|-----------------|------------|
| Pre-Transaction value of a BKY share (on a control basis)   | 10.3 | 0.902     | 1.034           | 1.130      |
| Post-Transaction value of a BKY share (on a minority basis) | 11.1 | 0.684     | 0.843           | 0.993      |

Source: BDO analysis

The above valuation ranges are graphically presented below:



The above pricing indicates that, in the absence of any other relevant information, the Funding Transaction is not fair for Shareholders.

## 2.5 Reasonableness

We have considered the analysis in section 13 of this report, in terms of both

- advantages and disadvantages of the Funding Transaction; and
- other considerations, including the position of Shareholders if the Funding Transaction does not proceed and the consequences of not approving the Funding Transaction.

In our opinion, the position of Shareholders if the Funding Transaction is approved is more advantageous than the position if the Funding Transaction is not approved. Accordingly, in the absence of any other relevant information and/or an alternate proposal, we believe that the Funding Transaction is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

| ADVANTAGES AND DISADVANTAGES |                                                                                                                                                         |         |                                                                                                            |
|------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|---------|------------------------------------------------------------------------------------------------------------|
| Section                      | Advantages                                                                                                                                              | Section | Disadvantages                                                                                              |
| 13.1.1.                      | Provides substantial and critical funding for the Salamanca Project                                                                                     | 13.2.1. | The Funding Transaction is not fair                                                                        |
| 13.1.2.                      | Minority interest values are value accretive                                                                                                            | 13.2.2. | Dilution of Shareholders' interest                                                                         |
| 13.1.3.                      | Secure SGRF as a long term strategic investor and potential offtake partner                                                                             | 13.2.3. | Presence of a significant shareholder may reduce the attractiveness of BKY's shares to potential investors |
| 13.1.4.                      | Rallying uranium prices and future development of the Salamanca Project may result in larger more lucrative offtake agreements                          |         |                                                                                                            |
| 13.1.5.                      | Strengthens BKY's Balance Sheet                                                                                                                         |         |                                                                                                            |
| 13.1.6.                      | Increased market capitalisation may increase the market presence of BKY which could result in improved liquidity and increased ability to raise capital |         |                                                                                                            |

Other key matters we have considered include:

| Section | Description                                           |
|---------|-------------------------------------------------------|
| 13.3    | Alternative proposals                                 |
| 13.4    | Practical level of control                            |
| 13.5    | Consequences of not approving the Funding Transaction |

### 3. Scope of the Report

#### 3.1 Purpose of the Report

Section 606 of the Corporations Act expressly prohibits the acquisition of shares by a party if that acquisition will result in that person (or someone else) holding an interest in 20% or more of the issued shares of a public company, unless a full takeover offer is made to all shareholders.

The Company is seeking Shareholders' approval for the issue of up to 237,257,939 shares to SGRF, which equates to 48.25% of the voting power, for the purpose and on the terms of the Funding Transaction.

Section 611 permits such an acquisition if the shareholders of that entity have agreed to the issue of such shares. This agreement must be by resolution passed at a general meeting at which no votes are cast in favour of the resolution by any party who is associated with the party acquiring the shares, or by the party acquiring the shares. Section 611 states that shareholders of the company must be given all information that is material to the decision on how to vote at the meeting.

RG 74 states that the obligation to supply shareholders with all information that is material can be satisfied by the non-associated directors of BKY, by either:

- undertaking a detailed examination of the Funding Transaction themselves, if they consider that they have sufficient expertise, experience and resources; or
- by commissioning an Independent Expert's Report.

The directors of BKY have commissioned this Independent Expert's Report to satisfy this obligation.

#### 3.2 Regulatory guidance

Neither the Listing Rules nor the Corporations Act defines the meaning of 'fair and reasonable'. In determining whether the Funding Transaction is fair and reasonable, we have had regard to the views expressed by ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

This regulatory guide suggests that where the transaction is a control transaction, the expert should focus on the substance of the control transaction rather than the legal mechanism used to effect it. RG 111 suggests that where a transaction is a control transaction, it should be analysed on a basis consistent with a takeover bid.

In our opinion, the Funding Transaction is a control transaction as defined by RG 111 and we have therefore assessed the Funding Transaction as a control transaction to consider whether, in our opinion, it is fair and reasonable to Shareholders.

#### 3.3 Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the offer price or consideration is equal to or greater than the value of the securities subject of the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. When considering the value of the securities subject of the offer in a control transaction it is inappropriate for the expert to apply a discount on the basis that the shares being acquired represent a minority or portfolio interest as such the expert should consider this value inclusive of a control premium. Further to this, RG 111 states that a transaction is reasonable if it is fair. It might

also be reasonable if despite being ‘not fair’ the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

Having regard to the above, BDO has completed this comparison in two parts:

- A comparison between value of a share prior to the Funding Transaction on a control basis and the value of a BKY share following the Funding Transaction on a minority basis (fairness - see Section 12 ‘Is the Funding Transaction Fair?’); and
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the resolution, after reference to the value derived above (reasonableness - see Section 13 ‘Is the Funding Transaction Reasonable?’).

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 ‘Valuation Services’ (**‘APES 225’**).

A Valuation Engagement is defined by APES 225 as follows:

*‘an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.’*

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

## 4. Outline of the Funding Transaction

On 31 August 2017, BKY announced that it had entered into an agreement with SGRF, whereby SGRF will invest up to US\$120 million to fully fund the Salamanca mine into production. Under the terms of the agreement SGRF will provide an interest-free and unsecured convertible loan note of US\$65 million and subscribe to a total of 50,443,124 unlisted options exercisable at a weighted average price of £0.85 per share raising US\$55 million.

Conditions precedent to the Funding Transaction include obtaining shareholder approval for the issue of ordinary shares to SGRF (on conversion of the Convertible Note and exercise of the SGRF Options) and the Foreign Investment Review Board’s (**‘FIRB’**) approval for SGRF’s investment.

### Convertible Note

BKY will issue a US\$65 million Convertible Note to SGRF, convertible into fully paid ordinary shares of BKY at an issue price of up to £0.50 per share. The Convertible Note is non-interest bearing and unsecured and only repayable if an event of default under the investment agreement occurs. SGRF may convert the Convertible Note at any time. BKY may convert the Convertible Note at any time after key commissioning tests have been completed (**‘Technical Completion’**) at the centralised processing plant at Retortillo, provided that there is no event of default existing. If Technical Completion has not occurred three years after the issue of the Convertible Note, or four years after issue at the Company’s election, then the Convertible Note will automatically convert to shares at the floor price of £0.27. The Convertible Note may also be converted by either SGRF or the Company if a change of control event occurs in relation to the Company.

In the event that BKY completes an equity raising prior to conversion of the Convertible Note, and the equity raising price is below £0.50, the conversion price will be reset to the issue price of the equity raising, with a floor conversion price of £0.27.

## SGRF Options

BKY will issue SGRF 50,443,124 unlisted options under three tranches, that if exercised, would raise a total of £42.62 million (which equates to US\$55 million at an implied exchange rate of USD:GBP 0.775 which we consider to be reasonable):

- 10,088,625 options with an exercise price of £0.60, vesting and exercisable on conversion of the Convertible Note and expiring on the earlier of 12 months from the date of vesting or five years from the date of issue;
- 15,132,937 options with an exercise price of £0.75, vesting and exercisable on conversion of the Convertible Note and expiring on the earlier of 18 months from the date of vesting or five years and six months from the date of issue; and
- 25,221,562 options with an exercise price of £1.00, vesting and exercisable on conversion of the Convertible Note and expiring on the earlier of 24 months from the date of vesting or six years from the date of issue.

Note that a vesting condition of the SGRF Options is that any principal amount of the Convertible Note must have been converted into BKY shares.

## Offtake Partner

As part of the Funding Transaction, BKY will grant SGRF the right to purchase uranium at the same price and up to the same volume as any bona fide customer on BKY who enters into a long-term offtake agreement ('Right to Match'). The Right to Match is subject to an annual cap (rolling 12-month basis) on the volume mined product, which cannot exceed the greater of one million pounds of U<sub>3</sub>O<sub>8</sub> concentrate per annum or 20% of annual production. SGRF has 30 days to match off-take contracts, once the Company has given notice that it has entered into a new long-term offtake contract (existing contracts are not subject to the Right to Match provision). The Right to Match provision, only applies if SGRF holds more than a 10% interest in the Company, on an as-converted basis. If a change of control occurs, the Right to Match provision shall cease. The Right to Match transactions are subject to compliance with applicable laws and exchange rules and approval from EURATOM.

## Shareholding in BKY following the Funding Transaction

The following table shows the number of shares that may be issued following the Funding Transaction, before consideration of any exercise of the options that are currently outstanding.

|                                  | SGRF               |                    | Other Shareholders |                    | Total              |                    |
|----------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|                                  | Minimum            | Maximum            | Minimum            | Maximum            | Minimum            | Maximum            |
| Existing shareholdings           | -                  | -                  | 254,512,198        | 254,512,198        | 254,512,198        | 254,512,198        |
| % of shareholding                |                    |                    | 100%               | 100%               | 100%               | 100%               |
| Conversion of convertible note** | 100,880,000        | 186,814,815        | -                  | -                  | 100,880,000        | 186,814,815        |
| Subtotal shares on issue         | 100,880,000        | 186,814,815        | 254,512,198        | 254,512,198        | 355,392,198        | 441,327,013        |
| % of shareholding                | 28.39%             | 42.33%             | 71.61%             | 57.67%             | 100%               | 100%               |
| Exercise of SGRF Options         | 50,443,124         | 50,443,124         | -                  | -                  | 50,443,124         | 50,443,124         |
| <b>Total shares on issue</b>     | <b>151,323,124</b> | <b>237,257,939</b> | <b>254,512,198</b> | <b>254,512,198</b> | <b>405,835,322</b> | <b>491,770,137</b> |
| % of shareholding                | 37.29%             | 48.25%             | 62.71%             | 51.75%             | 100%               | 100%               |

Source: Funding Transaction Agreement, Notice of Meeting, BDO analysis

\*\*Number of BKY shares issued on conversion is based on a face value of US\$65 million and an exchange rate of US\$1.00:£0.7760 as per the Transaction Agreement. The minimum scenario is based on the Convertible Note converting into BKY shares at £0.50. The maximum scenario is based on the Convertible Note converting into BKY shares at £0.27.

We note that at the date of our Report, there are 7.50 million options and 8.61 million performance rights on issue to Shareholders. The above table illustrates the maximum dilution that Shareholders may be subject to under the Funding Transaction, therefore, we have not considered the potential exercise or vesting of the options or performance shares currently on issue.

As per the table above, SGRF will reach a shareholding of between 28.39% and 48.25%.

## 5. Profile of BKY

### 5.1 History

BKY is a uranium exploration and development company with its primary focus being the development of its wholly owned Salamanca Project, located in the Province of Salamanca, Spain. The Company has offices in London, Salamanca and Perth and is dual listed, listing on the Australian Securities Exchange ('ASX') on 16 September 2003, and on the Alternative Investment Market ('AIM') on 6 December 2006, a sub-market of the London Stock Exchange.

The Company's current board members are shown below:

- Mr Ian Middlemas - Chairman;
- Mr Paul Atherley - Managing Director;
- Mr Adam Parker - Non-Executive Director;
- Mr Nigel Jones - Non-Executive Director; and
- Mr Robert Behets - Non-Executive Director.

### Key Events

On 10 May 2016, BKY announced it had secured US\$10 million in funding from Resource Capital Funds ('RCF'), a major shareholder of the Company, through RCF's investment vehicle, RCF V Annex Fund LP.

The funding package comprised US\$5 million through the issue of 11,011,700 shares at a price of £0.32 per share, and US\$5 million through the sale of a 0.375% fully secured net smelter royalty over Salamanca.

On 20 September 2016, BKY signed a Letter of Intent ('LOI') with Interallloys Trading Limited ('Interallloys'), for the sale of the first million pounds of product from Salamanca. The average price considered by the parties was approximately US\$41 per pound, above the spot price of approximately US\$25 per pound at the time the agreement was signed.

On 4 November 2016, BKY completed the placement of 53,581,953 shares at £0.45 per share, raising US\$30 million. The placement was heavily oversubscribed, with the funds to be used to accelerate the development of the Salamanca Project.

On 28 November 2016, BKY entered into a sales agreement with Curzon Resources Limited ('Curzon'), formerly known as Interallloys, for a total of two million pounds of product over a five-year period, at an average fixed price of US\$43.78. The offtake agreement includes an option to increase the volume and term of the contract to three million pounds.

On 21 March 2017, BKY announced its offtake agreement with Curzon had been approved by the European Union ('EU'), and countersigned by the EURATOM Supply Agency ('EURATOM'), the governing body for all nuclear fuel transactions with the EU.

On 31 August 2017, BKY announced it had entered into an investment agreement with SGRF to invest up to US\$120 million to fully fund Salamanca into production.

## Salamanca Project

Salamanca is wholly owned by BKY and is located in the Province of Salamanca, in Western Spain. BKY acquired the uranium deposits following the acquisition of Minera de Rio Alagon SL, in July 2005, and has invested US\$60 million over the past decade exploring and developing the Salamanca Project. The project comprises three distinct deposits; Retortillo, Zona 7 and Alameda, with Zona 7 being the largest deposit.

All EU, National, Regional and Provincial level approvals necessary for the initial infrastructure development of Salamanca were received by October 2015. In July 2016, the Company published the results of a Definitive Feasibility Study ('DFS') confirming Salamanca as a low cost uranium project. Development work on the project began in August 2016, with the re-routing of an existing electrical power service and realignment of a five kilometre stretch of road.

Funds raised from the capital raising announced on 4 November 2016, enabled BKY to complete the land acquisition process, with over 600 hectares of land either acquired or leased. Following the land acquisition, BKY commenced clearing of the land where the processing plant, voltage substation and storage facilities are to be constructed. As part of the Environmental Licence granted to BKY, for every one tree being cleared six will be planted in its place.

In July 2017, the Company released the results from a Front End Engineering and Design ('FEED') Study reporting that the capital costs are 1% below the estimates from the DFS. BKY has begun procuring equipment with the first of two primary crushers delivered to site in July 2017. A key focus for BKY as part of the procurement process will be the management of cost escalation over the term of these contracts.

Construction and commission phases of the Salamanca Project is on track to be completed during the second half of 2018. In parallel with the ongoing development of the project area, BKY continues to conduct further exploration programmes with the aim to increase the production profile and mine life of Salamanca.

As at the date of our Report, BKY currently has 2.75 million pounds of product from Salamanca under long term contracts over the first six years of production at an average price of approximately US\$42 per pound. Further information on the Salamanca Project may be found in Appendix 4.

## 5.2 Historical Balance Sheet

| Statement of Financial Position  | Audited as at<br>30-Jun-17<br>\$ | Audited as at<br>30-Jun-16<br>\$ | Audited as at<br>30-Jun-15<br>\$ |
|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| <b>CURRENT ASSETS</b>            |                                  |                                  |                                  |
| Cash and cash equivalents        | 34,814,971                       | 11,348,057                       | 13,398,617                       |
| Trade and other receivables      | 1,478,139                        | 7,301,108                        | 479,485                          |
| <b>TOTAL CURRENT ASSETS</b>      | <b>36,293,110</b>                | <b>18,649,165</b>                | <b>13,878,102</b>                |
| <b>NON-CURRENT ASSETS</b>        |                                  |                                  |                                  |
| Exploration expenditure          | 7,945,014                        | 7,788,515                        | 14,257,110                       |
| Property, plant and equipment    | 9,799,308                        | 1,852,230                        | 1,661,785                        |
| Other financial assets           | 160,351                          | 120,637                          | 65,113                           |
| <b>TOTAL NON-CURRENT ASSETS</b>  | <b>17,904,673</b>                | <b>9,761,382</b>                 | <b>15,984,008</b>                |
| <b>TOTAL ASSETS</b>              | <b>54,197,783</b>                | <b>28,410,547</b>                | <b>29,862,110</b>                |
| <b>CURRENT LIABILITIES</b>       |                                  |                                  |                                  |
| Trade and other payables         | 5,208,363                        | 2,081,914                        | 1,033,297                        |
| Other financial liabilities      | 522,810                          | 26,656                           | 290,278                          |
| <b>TOTAL CURRENT LIABILITIES</b> | <b>5,731,173</b>                 | <b>2,108,570</b>                 | <b>1,323,575</b>                 |
| <b>TOTAL LIABILITIES</b>         | <b>5,731,173</b>                 | <b>2,108,570</b>                 | <b>1,323,575</b>                 |
| <b>NET ASSETS</b>                | <b>48,466,610</b>                | <b>26,301,977</b>                | <b>28,538,535</b>                |
| <b>EQUITY</b>                    |                                  |                                  |                                  |
| Issued capital                   | 168,050,788                      | 129,514,703                      | 119,358,591                      |
| Reserves                         | 106,965                          | 428,677                          | (358,207)                        |
| Accumulated losses               | (119,691,143)                    | (103,641,403)                    | (90,461,849)                     |
| <b>TOTAL EQUITY</b>              | <b>48,466,610</b>                | <b>26,301,977</b>                | <b>28,538,535</b>                |

Source: Audited financial statements for the years ended 30 June 2015, 2016 and 2017

### Commentary on Historical Statement of Financial Position

We note the following in relation to the Company's financial position:

- Cash and cash equivalents increased by \$23.46 million, from \$11.35 million at 30 June 2016 to \$34.81 million at 30 June 2017, with the increase attributable to proceeds of \$39.76 million following the placement of 53,581,953 shares at £0.45 per share and the receipt of \$6.74 million under an upfront royalty sale agreement with its major shareholder, RCF.
- Trade and other receivables of \$7.30 million as at 30 June 2016 comprised a royalty sale receivable of \$6.74 million, with the upfront royalty sale agreement entered into with RCF during the year ended 30 June 2016 and the payment received during the year ended 30 June 2017.
- Exploration expenditure relates to the Salamanca Project, with the decrease of \$6.47 million from 30 June 2015 to 30 June 2016 attributable to the upfront royalty sale agreement with RCF.
- Property, plant and equipment increased from \$1.85 million at 30 June 2016 to \$9.80 million at 30 June 2017. The increase related to land acquisition and the purchase of a new crusher.

- Trade and other payables increased from \$2.08 million at 30 June 2016 to \$5.21 million at 30 June 2017, with the increase attributable to an increase in trade creditors from \$1.75 million as at 30 June 2016 to \$4.42 million as at 30 June 2017.
- Issued capital increased by \$38.54 million, following the placement of 53,581,953 shares at £0.45 per share, raising \$39.75 million (before costs).

### 5.3 Historical Statement of Comprehensive Income

| Statement of Comprehensive Income                 | Audited for the<br>year ended<br>30-Jun-17 \$ | Audited for the<br>year ended<br>30-Jun-16 \$ | Audited for the<br>year ended<br>30-Jun-15 \$ |
|---------------------------------------------------|-----------------------------------------------|-----------------------------------------------|-----------------------------------------------|
| <b>Revenue</b>                                    |                                               |                                               |                                               |
| Revenue and other income                          | 463,639                                       | 248,868                                       | 588,829                                       |
| <b>Expenses</b>                                   |                                               |                                               |                                               |
| Corporate and administration                      | (1,750,862)                                   | (1,348,966)                                   | (894,444)                                     |
| Exploration and evaluation                        | (11,045,135)                                  | (9,213,493)                                   | (6,677,550)                                   |
| Business development                              | (2,697,276)                                   | (1,614,099)                                   | (15,965)                                      |
| Share based payments                              | (1,020,106)                                   | (1,713,364)                                   | (866,475)                                     |
| <b>Loss from continuing operations before tax</b> | <b>(16,049,740)</b>                           | <b>(13,641,054)</b>                           | <b>(7,865,605)</b>                            |
| Income tax expense                                | -                                             | -                                             | -                                             |
| <b>Loss from continuing operations after tax</b>  | <b>(16,049,740)</b>                           | <b>(13,641,054)</b>                           | <b>(7,865,605)</b>                            |
| Exchange differences on translation               | (344,395)                                     | 125,016                                       | (44,343)                                      |
| <b>Total comprehensive loss for the year</b>      | <b>(16,394,135)</b>                           | <b>(13,516,038)</b>                           | <b>(7,909,948)</b>                            |

Source: Audited financial statements for the years ended 30 June 2015, 2016 and 2017

#### Commentary on Historical Statement of Profit or Loss and Other Comprehensive Income

We note the following in relation to the Company's historical statement of profit or loss and other comprehensive income:

- Revenue comprises interest income and research and development rebates, with the increase from \$248,868 for the year ended 30 June 2016 to \$463,639 for the year ended 30 June 2017 a result of the higher average cash position for the year ended 30 June 2017.
- Exploration and evaluation expenses increased from \$9.21 million for the year ended 30 June 2016 and further to \$11.05 million for the year ended 30 June 2017 in line with additional exploration activities undertaken as the Salamanca Project as it nears the commissioning phase. Initial infrastructure work on the Salamanca Project commenced in August 2016 with the realignment of the existing electrical power service and a five kilometre stretch of road to the mine.
- Share based payments are largely attributable to incentive options and performance rights granted to directors, employees and consultants.
- BKY's functional and presentation currency is Australian dollars and its operating costs are almost exclusively in Euros, with gains on translation attributable to deflationary pressures within the EU.

## 5.4 Capital Structure

The share structure of BKY as at 31 August 2017 is outlined below:

|                                            | Number      |
|--------------------------------------------|-------------|
| Total ordinary shares on issue             | 254,512,198 |
| Top 20 shareholders                        | 223,339,689 |
| Top 20 shareholders - % of shares on issue | 87.75%      |

Source: BKY share register

The range of shares held in BKY as at 31 August 2017 is as follows:

| Range of Shares Held | Number of Ordinary Shareholders | Number of Ordinary Shares | Percentage of Issued Shares (%) |
|----------------------|---------------------------------|---------------------------|---------------------------------|
| 1 - 1,000            | 338                             | 92,732                    | 0.04%                           |
| 1,001 - 5,000        | 427                             | 1,236,151                 | 0.49%                           |
| 5,001 - 10,000       | 230                             | 1,857,592                 | 0.73%                           |
| 10,001 - 100,000     | 388                             | 13,081,705                | 5.14%                           |
| 100,001 - and over   | 85                              | 238,244,018               | 93.61%                          |
| <b>Total</b>         | <b>1,468</b>                    | <b>254,512,198</b>        | <b>100.00%</b>                  |

Source: BKY share register

The ordinary shares held by the most significant shareholders as at 31 August 2017 are detailed below:

| Name                                      | Number of Ordinary Shares Held | Percentage of Issued Shares (%) |
|-------------------------------------------|--------------------------------|---------------------------------|
| Resource Capital Fund                     | 25,570,700                     | 10.05%                          |
| FIL Limited                               | 24,802,375                     | 9.75%                           |
| Anglo Pacific Group Plc                   | 20,810,861                     | 8.18%                           |
| Global X Management Company               | 15,441,453                     | 6.07%                           |
| River and Mercantile Asset Management LLP | 13,147,298                     | 5.17%                           |
| <b>Subtotal</b>                           | <b>99,772,687</b>              | <b>39.20%</b>                   |
| Others                                    | 154,739,511                    | 60.80%                          |
| <b>Total ordinary shares on Issue</b>     | <b>254,512,198</b>             | <b>100.00%</b>                  |

Source: BKY share register

The outstanding options and performance rights currently on issue are as follows:

| Derivatives currently on issue                                    | Number            |
|-------------------------------------------------------------------|-------------------|
| Incentive Options exercisable at £0.015 on or before 30 June 2018 | 3,500,000         |
| Incentive Options exercisable at £0.20 on or before 30 June 2019  | 3,500,000         |
| Incentive Options exercisable at £0.25 on or before 30 June 2018  | 150,000           |
| Incentive Options exercisable at £0.30 on or before 30 June 2018  | 150,000           |
| Incentive Options exercisable at £0.40 on or before 30 June 2018  | 200,000           |
| <b>Subtotal</b>                                                   | <b>7,500,000</b>  |
| Performance Rights expiring on 31 December 2018                   | 3,585,000         |
| Performance Rights expiring on 31 March 2019                      | 100,000           |
| Performance Rights expiring on 31 December 2019                   | 4,925,000         |
| <b>Subtotal</b>                                                   | <b>8,610,000</b>  |
| <b>Total</b>                                                      | <b>16,110,000</b> |

Source: BKY option register

## 6. Profile of SGRF

### 6.1 History

SGRF is a sovereign wealth fund headquartered in Muscat, Oman, established to manage the investments of the reserves of the Sultanate of Oman. SGRF was founded in 1980 and is a member of the International Forum of Sovereign Wealth Funds. SGRF funds and assists the government of Oman in managing and investing surplus oil and gas revenues in public equity, private equity, real estate and non-oil overseas assets with a long-term investment horizon. Further information on SGRF may be found in the accompanying Explanatory Memorandum.

## 7. Economic analysis

### 7.1 Global

Overall, the global economy is continuing to strengthen with accommodative monetary policies supporting growth. Business investment has picked up with notable improvements in industrial production, merchandise trade, and consumer and business sentiment. Labour market conditions have improved over the past year despite unemployment rates in both the United States ('US') and Japan below estimates, and spare capacity remaining in the European labour market. Financial markets remain accommodative, although no further monetary easing is expected in the major financial market with the US Federal Reserve expected to raise the federal funds rate one more time this year.

### 7.2 Australia

In Australia, the available information suggests that the economy is growing moderately, with growth expected to be around three per cent over the first half of 2018. The Australian economy experienced a decline in mining investment over recent years, with mining investment expected to fall further over the

next year. However, much of the remaining decline is expected to be contained to liquefied natural gas investments, indicating that the transition to lower levels of mining investment is almost complete.

Labour market conditions continue to improve, with the recent growth in employment supporting growth in household income and consumption. Underlying inflation is higher than it was late last year, and is expected to increase as spare capacity in the labour market declines. Growth in non-mining activity is also expected to pick up, supported by the stronger growth in household consumption.

Overall, the Australian economy is expected to strengthen, supported by the low level of interest rates and ongoing recovery in the global economy.

### Credit growth

Conditions for obtaining funding remain favourable for banks and non-financial businesses, with spreads of corporate bond yields to government bonds remaining at low levels. Demand for credit has been uneven across sectors, with reported weakness in approvals for industries including construction, telecommunications, transportation and utilities.

Conditions in the housing markets around the country are mixed, with prices rising in some markets and declining in others. Growth in housing debt is outpacing growth in household income and funding costs are starting to increase, as lenders increase mortgage rates and rates paid on interest only loans.

Overall, business credit growth has grown modestly, with the recent pick up reflective of some stability in lending to the resource sector.

### Commodity prices

Profits in the mining sector remain high, with resource export volumes rising in line with the increase in bulk commodity prices. Iron ore prices have increased following positive activity data from China and improvements in global economic conditions have driven increases in base metal prices. While strong growth in China's residential property market continues to support commodity prices, there is uncertainty around its growth outlook and how it will address its rising debt levels.

### Currency movements

The Australian dollar has appreciated since the start of 2017, rising levels similar to what were seen in late 2014, following a broad-based depreciation of the United States dollar. The expectation is that further appreciation of the Australian dollar will lead to a slower pick-up in economic activity and inflation.

Source: [www.rba.gov.au](http://www.rba.gov.au) Statement by Glenn Stevens, Governor: Monetary Policy Decision 5 September 2017

## 7.3 United Kingdom

The UK is reported to have been one of the fastest growing advanced economies in 2016. Growth remained resilient following the vote to leave the European Union ('EU') in June 2016, but indicators now suggest growth is slowing as uncertainty surrounding the eventual trading and investment arrangements between the UK and its economic partners in the EU and elsewhere remains, with the British Prime Minister's statement on 22 September 2017 failing to offer sufficient clarity.

GDP growth increased in the second quarter of 2017 by 0.3%, and the unemployment rate has continued to trend downwards to 4.3%, its lowest level in over 40 years. Inflation rose to 2.6% in June and is anticipated to peak around 3% in October 2017. The combination of a weakening labour market marker and higher inflation is placing downward pressure on wage growth.

The Sterling price has decreased significantly since the EU referendum, depreciating by approximately 18% since November 2015. Despite the depreciation of the exchange rate, exports have remained volatile.

The major risk for the economy remains the exit process from the EU, with GDP growth expected to fall over the next year as private consumption slows and business investment contracts.

Source: [www.bankofengland.co.uk](http://www.bankofengland.co.uk) Bank of England Minutes of the Monetary Policy Committee Meeting ending on 13 September 2017

## 7.4 Spain

The Spanish economy continued its increasing trend during the second half of 2016, with GDP growth at 3.2% for the year as a whole. Economic growth remains robust primarily due to increased domestic demand which has been driven by low interest rates, strong employment growth, and exports.

Business investment has risen on the back of favourable financing conditions, lower corporate debt levels and stronger market sentiment. The country's budget deficit decreased to 4.5% of GDP in 2016, and is anticipated to decline further as a result of the recent expansion of the country's corporate tax base.

Domestic demand, which continues to be supported by accommodative financial conditions, and strengthening export markets are expected to mitigate some of the contractionary effects of the appreciation of the euro against the US dollar.

GDP growth is expected to decrease gradually to 2.8% in 2017 and 2.4% in 2018, as the previous boost of private consumption due to lower oil prices and lower taxes eases. GDP growth is expected to remain labour intensive with the high rates of job creation helping to reduce the unemployment rate.

Source: [www.bde.es](http://www.bde.es) Banco de España Quarterly Report on the Spanish Economy - Third Quarter 2017

## 8. Industry analysis

Globally, economic uranium deposits are relatively scarce, which means mining is concentrated to a few select countries. The most common method of uranium extraction is open pit mining due to the volume intensive nature of extraction. This is attributable to uranium ore mostly occurring at relatively low concentrations. The state of the world's uranium market is almost wholly dependent on the global fortunes of the nuclear power generation industry. Over the past five years, the industry has displayed high volatility with global demand for uranium and prices plummeting following the Fukushima disaster in Japan in March 2011.

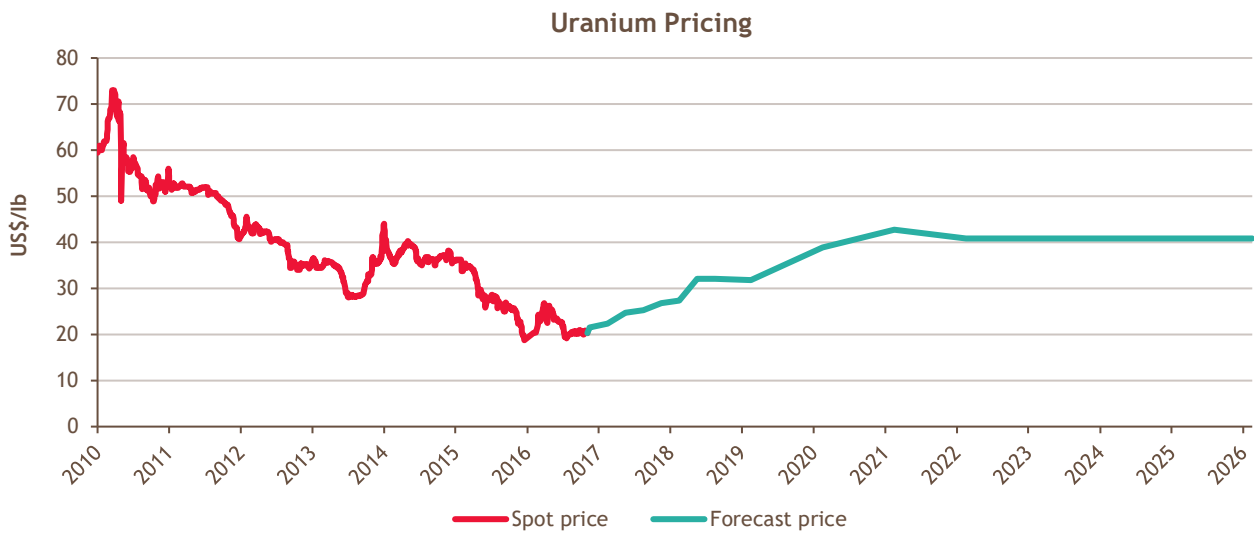
### Prices

Unlike most other commodities, the uranium price does not trade on an open, liquid market. As such, buyers and sellers negotiate contracts privately so prices are published by independent market consultants. Contract pricing is mostly common on a long term supply basis among energy companies who require the long-term security of supply to justify development of new nuclear power plants, for example. Given this security, the long term supply contracts are priced at a premium to spot pricing. The historical uranium spot price discussed below is the U<sub>3</sub>O<sub>8</sub> physical spot price obtained from Bloomberg.

Prior to the Fukushima nuclear power plant disaster in March 2011, uranium spot prices were beginning to gain momentum after a steady decline from project delays caused by the global financial crisis and issues with oversupply from production in Kazakhstan. The beginning of January 2011 had shown a significant spike in uranium spot prices as a result of expansion in Asia. Following a peak of US\$73.0/lb on 8 February 2011, uranium spot prices declined from 2012 to 2014 before climbing back to a high of US\$39.63/lb on 5

March 2015. Uranium spot prices averaged US\$36.67/lb throughout 2015 but continued the longer term downtrend in 2016.

The heightened volatility in prices over this period is still said to be attributable to on-going environmental concerns and government restrictions resulting from the Fukushima nuclear disaster in 2011. The uranium spot price fell to a 12-year low of US\$18.75/lb in October 2016, and has averaged US\$22.21/lb over the calendar year to date. The following graph shows historical and forecast daily spot prices since January 2010:



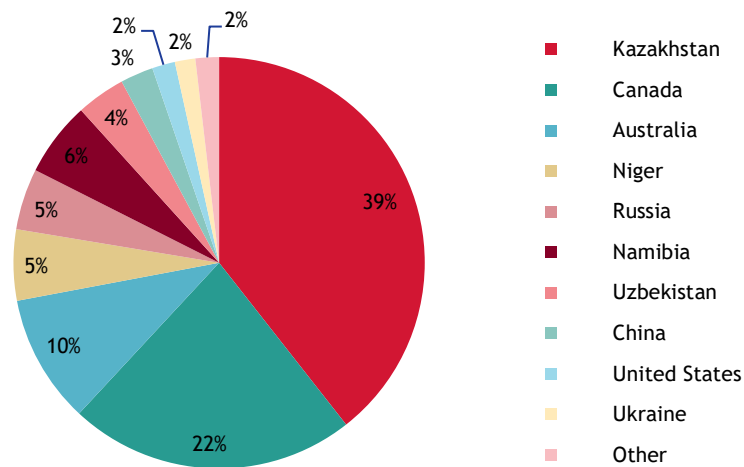
Source: Bloomberg, Consensus Economics

With the spot price dropping below US\$19.00/lb in October 2016, the near term recovery of uranium spot prices is unlikely however, there is a bullish long term outlook due to the lack of fossil fuel alternatives to provide stable baseload power. Chinese demand, resulting from a substantial new-build reactor program, is also expected to keep uranium supply in a deficit and place upward pressure on prices in the long term. The positive long term outlook for uranium is reflected in current long term contract pricing, which is generally trading at a \$10-20/lb premium over spot prices, and higher in some instances. Consensus Economics' long term spot price projections show a recovery to around US\$42.73/lb in 2021.

## Uranium Production

Kazakhstan, Australia and Canada accounted for 72% of the world's uranium production in 2016. Australia accounted for around 10% of global uranium production despite holding an estimated 31% of the world's uranium deposits. This is a result of government restrictions on the development of new uranium mines. The graph below illustrates the breakdown of uranium production by country for 2016.

Global Uranium Production 2016



Source: World Nuclear Association

Uranium demand is on the rise, with the Sendai Nuclear Power Plant in Japan reaching full production capacity, despite being one of the 54 nuclear reactors to be shut down after the Fukushima disaster.

### Global Outlook

The nuclear energy industry is on a steady recovery since the Japanese nuclear power plant crisis at Fukushima in March 2011, with Asian and Eastern European countries embracing nuclear power generation in view of reducing greenhouse gas emissions.

China's government policy underpins its uranium consumption, as the Chinese government aims to have 80 gigawatts of nuclear electricity generating capacity in place by 2020. Japan, which closed its nuclear power plants for testing after the Fukushima disaster in early 2011, plans to restart its reactors over the coming years, further driving global supply.

Nuclear power offers a viable long term source of baseload energy over fossil fuels which are becoming scarcer. Following the November 2015 global climate summit in Paris which focused on moving towards cleaner energy, numerous countries throughout Africa are showing enormous potential as being the next uranium superpower with many international miners such as Rio Tinto Limited, Areva Holdings Australia Pty Ltd and ARMZ Uranium Holding Co. establishing operations there.

Demand for uranium may increase as emerging economies look for alternative sources of energy. The rise in gas prices is also increasing the demand for alternative energy sources such as nuclear power, further increasing the demand for uranium.

Output volumes and uranium prices will be the main driver behind the industry's performance throughout the next five years. Ongoing concerns about the environment, along with the continued expansion of nuclear energy generation throughout China and India is set to boost prices and encourage production for mining companies.

## 9. Valuation approach adopted

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings ('FME')
- Discounted cash flow ('DCF')
- Quoted market price basis ('QMP')
- Net asset value ('NAV')
- Market based assessment

A summary of each of these methodologies is outlined in Appendix 2.

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information.

It is possible for a combination of different methodologies to be used together to determine an overall value where separate assets and liabilities are valued using different methodologies. When such a combination of methodologies is used, it is referred to as a 'sum-of-parts' ('Sum-of-Parts') valuation.

The approach of using the Sum-of-Parts involves separately valuing each asset and liability of the company. The value of each asset may be determined using different methods as described above.

The component parts are then valued using the NAV methodology, which involves aggregating the estimated fair market value of each individual company's assets and liabilities.

### 9.1 Valuation of BKY prior to the Funding Transaction

In our assessment of the value of BKY shares we have chosen to employ the following methodologies:

- Sum-of-Parts method, as our primary method, which estimates the market value of a company by separately valuing each asset and liability of the company. The value of each asset may be determined using different methods and the component parts are then aggregated using the NAV methodology; and
- QMP method, as our secondary method, as this represents the value that a shareholder can receive for a share if sold on the market.

We have employed the Sum-of-Parts method in estimating the fair market value of BKY by aggregating the estimated fair market values of its underlying assets and liabilities, having consideration to the:

- value of BKY's interest in the Salamanca Project (applying the DCF methodology) on the assumption that BKY will have to raise the capital required (proposed to be provided under the Funding Transaction) through a notional capital raising;
- value of BKY's interest in the residual resources (inferred resources) of the Salamanca Project not included in the DCF, and the value of BKY's other exploration asset, Gambuta (having reliance of the valuation carried out by an independent technical expert);
- amount of cash received from a notional capital raising (which is required to fund the Salamanca Project);
- present value of BKY's corporate costs; and
- value of other assets and liabilities of BKY (applying the cost approach under the NAV method).

We have chosen these methodologies for the following reasons:

- as BKY has one flagship project, the Salamanca Project, its core value is in the future cash flows to be generated from developing the Project;
- cash flows from the Salamanca Project have a finite life and these cash flows may vary substantially from year to year, rendering it suitable for a DCF valuation;
- the life of mine of the Salamanca Project has been prepared based on ore reserves and resources identified by BKY and provides a sufficiently reasonable basis to apply the DCF methodology;
- the ability to obtain funding for the Salamanca project is assumed through a notional capital raising assumed to be undertaken by BKY;
- the residual resources (inferred resources) of the Salamanca Project not included in the DCF and other exploration asset at Gambuta are valued using alternative valuation methodologies (including exploration expenditure and geoscientific factor method) by an independent technical expert is contained in the report in Appendix 4;
- as BKY's projects are not currently generating income nor are there any historical profits that could be used to represent future earnings, the FME approach is not appropriate;
- other assets and liabilities of BKY valued using the NAV method; and
- the QMP basis is a relevant methodology to consider because BKY shares are listed on the ASX and AIM, therefore reflecting the value that a Shareholder will receive for a share sold on the market. This means that there is a regulated and observable market where BKY shares can be traded. However, in order for the QMP to be considered appropriate, the Company's shares should be liquid and the market should be fully informed on the Company's activities.

### Notional capital raising

The assumptions that we undertake in the Sum-of-Parts valuation approach to derive the Pre-Transaction value of a BKY share, differ from the Sum-of-Parts valuation approach to derive the value of a BKY share following the Funding Transaction, in that the Pre-Transaction value takes into account the capital that BKY will have to raise without the provision of the funds from SGRF under the Funding Transaction.

On this basis, BKY will require the capital to be raised through alternative methods in order to meet the funding requirement of the Salamanca Project. We have considered the likely price at which BKY would have to place its shares to a third party or to current shareholders under a capital raising to raise the capital required.

Whilst we understand that it may not be likely for BKY to choose to raise capital in this manner, we are required by RG 111.15 to assess the funding requirements for a company that is not in financial distress when considering its value, especially when using the DCF methodology. Other than the Funding Transaction, we are not aware of any other funding options that could provide a viable alternative to this approach. Therefore, we have assumed a 'notional' capital raising that is likely to result in significant dilution for the Company in order to raise this capital.

To determine the likely issue price, we have considered the volume weighted average trading price ('VWAP') of BKY's shares and the discount at which shares have been issued by ASX listed companies, compared with those companies share prices prior to the date of the announcement of a capital raising.

## Technical Expert

In performing our valuation of BKY's Salamanca Project using the DCF method, we have relied on the technical assessment and valuation report prepared by Royal HaskoningDHV ('RHDHV') dated 12 October 2017 ('**Independent Technical Assessment**') based on RHDHV's review of the technical project assumptions contained in the cash flow model of the Salamanca Project.

Additionally, we have relied on RHDHV's valuation of the residual resources not included in the DCF valuation and BKY's other exploration assets ('**BKY's Other Mineral Assets**').

RHDHV's report has been prepared in accordance with the Australasian Code for Public Reporting of Technical Assessments and Valuation of Mineral Assets (2015 Edition) ('**the Valmin Code**') and the JORC Code 2012.

We are satisfied with the valuation methodologies adopted by RHDHV, which we believe are in accordance with industry practices and compliant with the requirements of the Valmin Code. A copy of RHDHV's Independent Technical Assessment is attached in Appendix 4.

## QMP

We have chosen the QMP methodology as a further cross check. The QMP basis is a relevant methodology to consider because BKY's shares are listed on the ASX and AIM. This means that there is a regulated and observable market where BKY's shares can be traded. However, in order for the QMP to be considered appropriate, the Company's shares should be liquid and the market should be fully informed on the Company's activities.

## 9.2 Valuation of BKY following the Funding Transaction

In our assessment of the value of a BKY share following the Funding Transaction ('**Post-Transaction**'), we have adopted the Sum-of-Parts methodology.

We have employed the Sum-of-Parts method in estimating the fair market value of BKY by aggregating the estimated fair market values of its underlying assets and liabilities, having consideration to the following:

- value of BKY's interest in the Salamanca Project (applying the DCF method) on the assumption that BKY will raise the required funds through SGRF under the Funding Transaction;
- value of BKY's interest in the residual resources (inferred resources) of the Salamanca Project not included in the DCF, and the value of BKY's other exploration assets (having reliance on the valuation carried out by an independent technical expert);
- amount of cash received from the Funding Transaction (which is required to fund the Salamanca Project);
- present value of BKY's corporate costs; and
- value of other assets and liabilities of BKY (applying the cost approach under the NAV method).

In performing our valuation of the Salamanca Project using the DCF method, we have relied on the Independent Technical Assessment based on RHDHV's review of the technical project assumptions contained in the cash flow model of the Salamanca Project. Additionally, we have relied on RHDHV's valuation of the residual resources (inferred resources) not included in the DCF valuation and BKY's other exploration assets.

## 10. Valuation of BKY prior to Funding Transaction

We have employed the sum-of-parts method in estimating the fair market value of a BKY share on a control basis prior to the Funding Transaction by aggregating the estimated fair market values of its underlying assets and liabilities, having consideration to the following:

- Value of BKY's interest in the Salamanca Project;
- Value of BKY's Other Mineral Assets;
- Amount of cash received from a notional capital raising;
- Present value of BKY's corporate costs; and
- Value of the assets and liabilities of BKY.

We used the QMP approach as our secondary valuation method. BKY is listed on the ASX and AIM, which provides an indication of the market value where an observable market for the securities exists and this reflects the minimum value that a Shareholder will receive for the sale of their shares on market.

### 10.1 Sum-of-Parts valuation of BKY

The value of BKY assets on a going concern basis is reflected in our valuation below:

| Summary of assessment                                | Section | Low value<br>\$m | Preferred<br>value<br>\$m | High value<br>\$m |
|------------------------------------------------------|---------|------------------|---------------------------|-------------------|
| Equity value of the Salamanca Project                | 10.1.1. | 267.16           | 319.40                    | 371.64            |
| Add: Value of BKY's Other Mineral Assets             | 10.1.2. | -                | 11.54                     | 13.97             |
| Add: Cash received from notional exercise of options | 10.1.3. | 2.35             | 2.35                      | 2.35              |
| Add: Cash received from notional capital raising     | 10.1.4. | 80.15            | 80.15                     | 80.15             |
| Add: Other assets and liabilities                    | 10.1.5. | 30.72            | 30.72                     | 30.72             |
| Less: Present value of corporate costs               | 10.1.6. | (30.88)          | (30.88)                   | (30.88)           |
| Value of BKY under Sum-of-Parts method               |         | 349.50           | 413.28                    | 467.95            |
| Number of BKY shares on issue (millions)             | 10.1.7. | 387.41           | 399.77                    | 414.28            |
| <b>Value per share (\$)</b>                          |         | <b>0.902</b>     | <b>1.034</b>              | <b>1.130</b>      |

Source: BDO analysis

The table above indicates that the Pre-Transaction value of a BKY share on a control basis is between \$0.902 and \$1.130, with a preferred value of \$1.034.

#### 10.1.1. Equity value of the Salamanca Project

We elected to use the DCF approach in valuing the Salamanca Project. The DCF approach estimates the fair market value by discounting the future cash flows arising from the Salamanca Project to their net present value. Performing a DCF valuation requires the determination of the following:

- The expected future cash flows that the Salamanca Project is expected to generate; and
- An appropriate discount rate to apply to the cash flows of the Salamanca Project to convert them to present value equivalent.

##### 10.1.1.1. Future cash flows

A detailed cash flow model for the Salamanca Project was prepared by management of BKY ('the Model'). The Model estimates the future cash flows expected from uranium production at the Salamanca Project

based on determined JORC compliant reserves and resources. The Model depicts forecasts of real pre-tax and post-tax cash flows over the life of mine on a quarterly basis. We have reviewed the Model and the material assumptions that underpin it.

BDO has made certain adjustments to the Model where it was considered appropriate to arrive at an adjusted model ('Adjusted Model'). In particular, we have adjusted the Model to reflect any changes to technical assumptions as a result of RHDHV's review and any changes to the economic and other input assumptions from our research. We have also adjusted the Model to reflect cash flows on a nominal basis. The Model was prepared based on estimates of a production profile, operating costs and start-up and sustaining capital expenditure. The main assumption underlying the Model include:

- Mining and production volumes;
- Stockpile movements;
- Commodity prices;
- Operating costs;
- Start-up and sustaining capital expenditure;
- Foreign exchange rates
- Royalties and corporate tax; and
- Discount rate.

We undertook the following analysis on the Model:

- Appointed RHDHV as a technical expert to review, and where required, provide changes to the technical assumptions underlying the Model;
- Conducted independent research on certain economic and other inputs such as commodity prices, exchange rates, inflation and discount rate applicable to the future cash flows of the Salamanca Project;
- Held discussions with BKY management regarding the preparation of the forecasts in the Model and its views; and
- Performed a sensitivity analysis on the value of the Salamanca Project as a result of flexing selected assumptions and inputs.

We have not undertaken a review of the cash flows in accordance with the Standard on Assurance Engagements ASAE 3450 'Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information' and do not express an opinion on the reasonableness of the assumptions or their achievability. However, nothing has come to our attention as a result of our procedures to suggest that the assumptions on which the Adjusted Model has been based have not been prepared on a reasonable basis.

### Appointment of a technical expert

RHDHV was engaged to prepare a report providing a technical assessment of the Salamanca Project assumptions underlying the Model. RHDHV's assessment involved the review and provision of input on the reasonableness of the assumptions adopted in the Model, including but not limited to:

- Mining physicals (including volume mined, recovery and grade);

- Processing assumptions (including products and recovery, scheduling and plant utilisation);
- Operating costs (comprising direct operating expenditure and certain fixed costs);
- Capital expenditure (development and sustaining capital required); and
- Other relevant assumptions.

The Salamanca Project is expected to have an initial mine life of 14 years.

A copy of RHDHV's Independent Technical Assessment and Valuation Report is included in Appendix 4.

## Limitations

Since forecasts relate to the future, they may be affected by unforeseen events and they depend, in part, on the effectiveness of management's actions in implementing the plans on which the forecasts are based. Accordingly, actual results may vary materially from the forecasts included in the Model, as it is often the case that some events and circumstances frequently do not occur as expected, or are not anticipated, and those differences may be material.

## Economic assumptions

### Inflation

We note that all cash flows contained in the Model were calculated on a real basis. As the prices for uranium obtained from our research sources are quoted on a nominal basis, we applied an inflation rate to convert all costs into nominal terms in the Adjusted Model.

Given that the Salamanca Project is situated in Spain, we have assumed the forecast inflation rate of Spain. In our assessment of the inflation rate, we have considered forecasts prepared by economic analysts and other publicly available information including broker consensus to arrive at our inflation rate assumptions. On this basis, we consider the inflation rate in Spain will be approximately 1.5% per annum over the forecast period.

### Foreign exchange

The Adjusted Model is predominantly denominated in Euros ('EUR' or '€'), except for the forecast commodity prices, which are denominated in United States Dollars ('USD' or 'US\$'). The conversions from USD to EUR were undertaken using the following foreign exchange rate assumptions:

| Exchange rates | 2017 | 2018  | 2019 | 2020+ |
|----------------|------|-------|------|-------|
| USD:EUR        | 0.85 | 0.835 | 0.80 | 0.81  |

Source: Bloomberg

Given that our valuation is in AUD, we converted the equity value of the Salamanca Project from EUR to AUD at \$1:€0.67 which was sourced from Bloomberg.

## Revenue assumptions

BKY will receive revenue from the sale of uranium.

In obtaining forecast commodity prices we have considered:

- Historical spot and forecast spot prices from Bloomberg;
- Historical term and forecast term prices from uranium industry research;
- Forecast price and industry data from Consensus Economics;

Based on our analysis, we have adopted the following future uranium prices (in nominal terms):

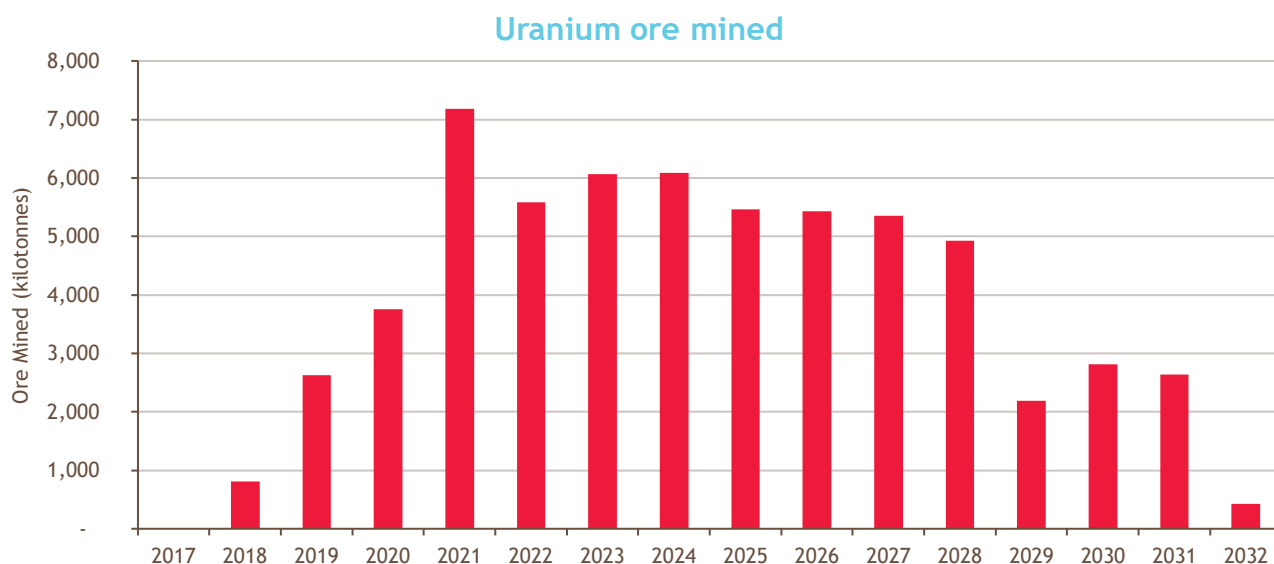
| Year  | Forecast uranium price (US\$) |
|-------|-------------------------------|
| 2018  | 34.00                         |
| 2019  | 40.12                         |
| 2020  | 44.35                         |
| 2021  | 47.50                         |
| 2022  | 50.16                         |
| 2023  | 50.76                         |
| 2024  | 52.06                         |
| 2025  | 53.21                         |
| 2026  | 54.48                         |
| 2027  | 55.56                         |
| 2028  | 56.38                         |
| 2029  | 57.13                         |
| 2030+ | 59.11                         |

Source: BDO analysis

Where offtake contracts are in place, we have used the terms of those contracts to determine the price per pound.

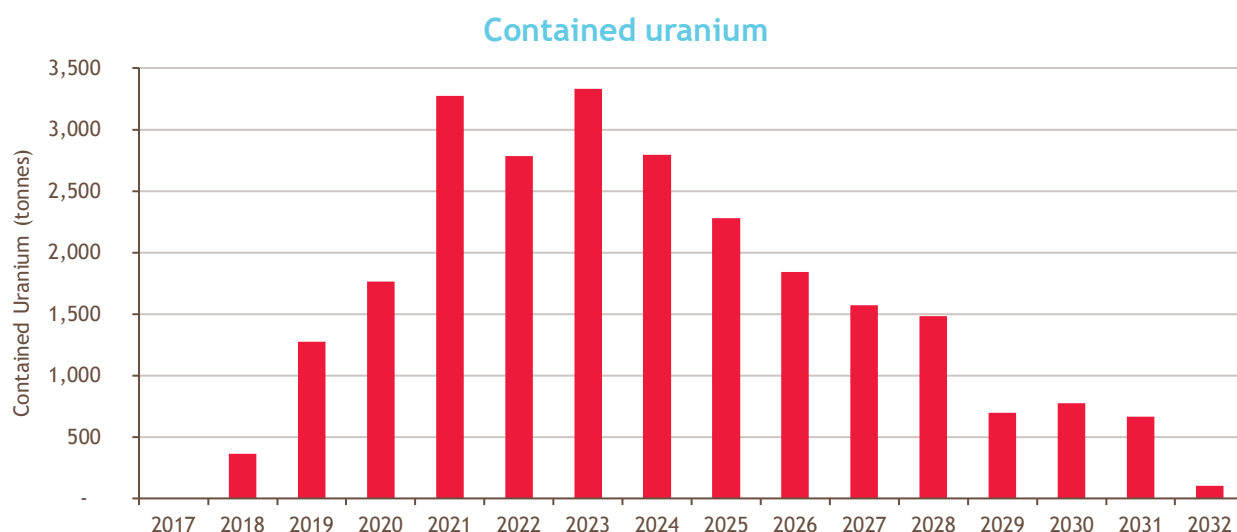
### Mining physicals

The graph below shows the forecast ore to be mined over the life of mine of the Salamanca Project. This is based on open pit mining of the three separate uranium deposits, namely Retortillo (including Santidad), Zona 7 and Alameda. RHDHV has reviewed the reasonableness of these mining physicals in their Independent Technical Assessment and Valuation Report found in Appendix 4.



Source: Adjusted Model

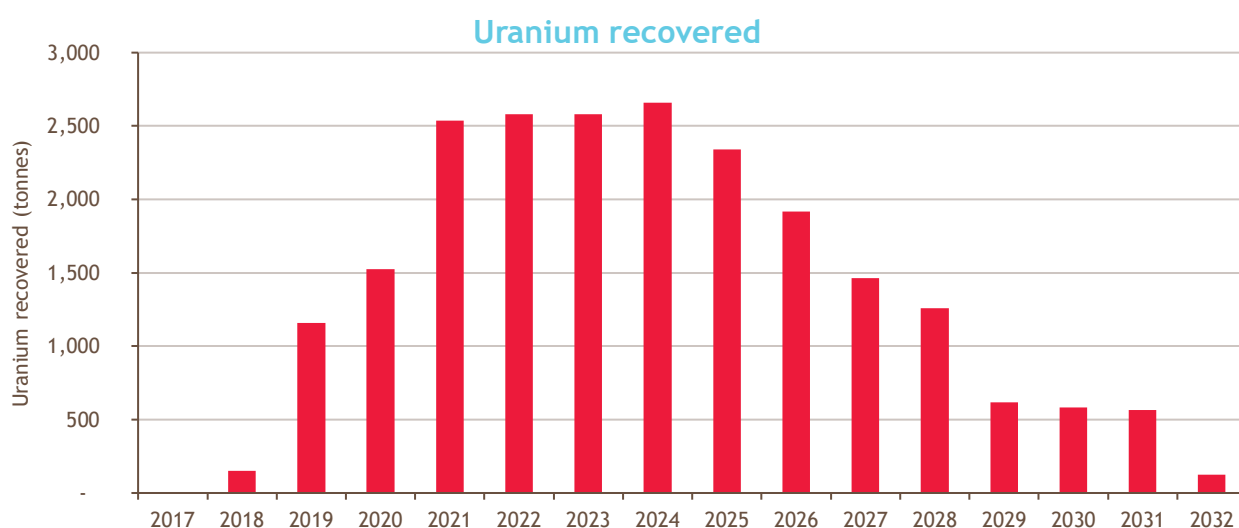
The graph below shows the contained uranium in ore mined for each year of production.



Source: Adjusted Model

### Product assumptions

The graph below shows the uranium recovered annually over the life of mine of the Salamanca Project.



Source: Adjusted Model

### Operating costs

Operating costs included in the Adjusted Model consists of mining costs, processing costs, treatment costs, transportation costs, administration costs and other costs.

The operating costs assumptions underlying the Adjusted Model are based on the DFS completed in July 2016 with a steady state production rate of 4.4Mlbpa.

The DFS outlines the following operating costs summary:

| Deposit    | Mining costs<br>(US\$/lb) | Processing costs<br>(US\$/lb) | G&A costs<br>(US\$/lb) |
|------------|---------------------------|-------------------------------|------------------------|
| Retortillo | 9.90                      | 10.70                         | 0.90                   |
| Zona 7     | 3.50                      | 5.50                          | 0.90                   |
| Alameda    | 7.40                      | 11.10                         | 0.90                   |

Source: BKY's Salamanca DFS, July 2016

BKY received quotations from five local mining contractors based on the anticipated operations at the Retortillo and Zona 7 deposits. Reliance of actual contractor quotations for this level of study is favourable and provides confidence that costs have been estimated with consideration for the specific mine plan and schedule being proposed as opposed to using benchmarked costs from different projects.

We have engaged RHDHV to review and provide an opinion on the reasonableness of the operating costs underpinning the Model. RHDHV have concluded that besides the changes outlined in the Independent Technical Assessment and Valuation Report, which we have adopted in the Adjusted Model, all other operating costs assumed in the Model are reasonable. Further details of the operating cost assumptions contained in the Adjusted Model may be found in the RHDHV report at Appendix 4.

Specifically, we have made the following adjustments to forecast operating costs as per RHDHV recommendations:

- RHDHV notes that no contractor quotations were obtained for the anticipated mining operation at Alameda. Contractor estimates for Retortillo and Zona 7 were extrapolated in order to determine mining costs at Alameda and as such these cannot be considered site-specific and to an equally high level of accuracy. RHDHV recommends that a mining operating cost premium of 10% be applied to the Alameda estimates given the complexity of the mining schedules. We consider this adjustment to be reasonable and have applied a 10% premium to Alameda operating costs in the Adjusted Model.
- As the cost for dewatering is based on limited hydrogeological work, RHDHV recommends that the costs for dewatering are increased by up to 15% to mitigate higher than currently expected inflows. We consider this adjustment to be reasonable and have applied a 15% premium to dewatering costs in the Adjusted Model.

## Capital Expenditure

The Salamanca Project is forecast to require total capital expenditure across Retortillo, Zona 7 and Alameda, in nominal terms, comprises €200 million in plant capital costs, €23 million in sustaining capital costs, €21 million in mine capital costs and €23 million in other capital costs. The Adjusted Model also accounts for contingencies on capital expenditure.

We have engaged RHDHV to review and provide an opinion on the reasonableness of the capital costs underpinning the Model. RHDHV have concluded that besides the changes outlined in the Independent Technical Assessment and Valuation Report, which we have adopted in the Adjusted Model, all other capital costs assumed in the Model are reasonable. Further details of the capital cost assumptions contained in the Adjusted Model may be found in the RHDHV report at Appendix 4.

Specifically, we have made the following adjustments to forecast capital costs as per RHDHV recommendations:

- RHDHV note that the capital costs have been developed to the required industry standard for a DFS, giving confidence that the Salamanca Project will be constructed within the budgeted capital cost

figure. The DFS outlines contingency figures of 4.5% for the Retortillo plant, 7.7% for Zona 7 and 4.9% for Alameda. RHDHV note that, generally for a DFS, overall contingencies range between 8% and 10%, depending on the level of accuracy achieved. Therefore, RHDHV recommend increasing the initial capital plant cost contingency to 10%. We consider this adjustment to be reasonable and have adjusted the initial capital plant cost contingency to 10%.

We note that the Model includes an 8% capital grant on the initial plant capital costs. This subsidy, namely Regional Incentives, is designed for the re-industrialisation of depressed areas within EU, through the generation of sustainable employment. Management advised that for big companies in Salamanca, the maximum subsidy is 10% of the qualified investment. As it is a grant for the generation of employment, employment is the driver for the determination of the proportion of the subsidy available to companies.

We have reviewed the sensitivity of this grant to the value of this capital grant and consider it to fall within our reasonable range of values.

### Royalties

The royalties are defined as a percentage of the net value of the product sold (gross value less commercialisation). BKY will be liable to pay the following royalties upon the commencement of operations at the Salamanca Project:

- 2.50% State Reserves Royalty on the production of Alameda only;
- 1.00% Anglo Pacific Royalty on total production of Salamanca;
- 0.375% RCF Royalty on total production of Salamanca; and
- 0.20% Municipality Royalty on total production of Salamanca.

### Taxation

Taxation has been applied at a notional rate of 25% which represents the current corporate tax rate in Spain. The tax calculation also takes into account BKY's brought forward tax losses of \$9.6 million.

We have reviewed the application of taxation on the Salamanca Project and consider it reasonable.

### Restoration and Rehabilitation costs

The restoration and rehabilitation costs of approximately €189 million (in nominal terms) relate to continuous backfilling throughout the life of mine, and decommissioning, water management and post-closure costs at the later stages of the life of mine.

RHDHV have reviewed the DFS and the Model and did not make any recommendations for adjustment to the restoration and rehabilitation costs. We consider this to be reasonable.

#### 10.1.1.2. Discount rate

We have selected a nominal after tax discount rate in the range of 10% to 14% per annum to discount the cash flows from the Salamanca Project to their present value. We have used a discount rate of 12% in our base case.

In selecting this range of discount rates we have considered the following:

- The rate of return for comparable ASX and Toronto Stock Exchange ('TSX') listed uranium exploration and producing companies; and

- The risk profile of BKY as compared to other uranium exploration and producing companies.

A detailed consideration of how we arrived at our adopted discount rate range is shown in Appendix 3.

### 10.1.1.3. Sensitivity analysis

The estimated value of the Salamanca Project is derived under the DCF approach. Our valuation is highly sensitive to change in the forecast of the uranium price, uranium recoveries and USD:EUR foreign exchange rates. We have therefore included an analysis to consider the value of the Salamanca Project under various pricing scenarios and in applying:

- A change of +/- 10% to the uranium price;
- A change of +/- 10% to the uranium recoveries;
- A change of +/- 10% to operating costs;
- A change of +/- 10% to capital costs;
- A change of +/- 10% to the USD:EUR exchange rate; and
- A discount rate in the range of 10% to 14%

The following sensitivities have been prepared to assist Shareholders in considering the potential effects to the value of the Salamanca Project if our base case assumptions change. The following sensitivities are shown in EUR.

| Flex | Uranium price | Uranium recoveries | Operating costs | Capital costs | Exchange rate |
|------|---------------|--------------------|-----------------|---------------|---------------|
| -10% | 157,306       | 153,540            | 237,169         | 228,494       | 154,289       |
| -8%  | 168,726       | 165,752            | 232,594         | 225,640       | 166,348       |
| -6%  | 180,128       | 177,920            | 228,018         | 222,782       | 178,366       |
| -4%  | 191,512       | 190,051            | 223,441         | 219,925       | 190,348       |
| -2%  | 202,898       | 202,169            | 218,829         | 217,068       | 202,318       |
| 0%   | 214,211       | 214,211            | 214,211         | 214,211       | 214,211       |
| 2%   | 225,487       | 226,216            | 209,592         | 211,354       | 226,068       |
| 4%   | 236,889       | 238,287            | 204,974         | 208,497       | 237,989       |
| 6%   | 248,310       | 250,329            | 200,344         | 205,639       | 249,889       |
| 8%   | 259,623       | 262,267            | 195,683         | 202,782       | 261,680       |
| 10%  | 270,927       | 274,196            | 191,011         | 199,925       | 273,463       |

Source: BDO analysis

| Discount rate | 10%     | 11%     | 12%     | 13%     | 14%     |
|---------------|---------|---------|---------|---------|---------|
| 214,211       | 247,118 | 230,132 | 214,211 | 199,302 | 185,351 |

Source: BDO analysis

Considering the valuation outcomes above, we estimate the equity value of the Salamanca Project to be in the range of €179 million to €249 million, with a midpoint value of €214 million. Given that BKY's shares are denominated in AUD, we have exchanged the equity value of the Salamanca Project using a AUD:EUR exchange rate of 0.67, illustrating a value range of \$267.16 million to \$371.64 million, with a midpoint value of \$319.40 million.

### 10.1.2. Value of BKY's Other Mineral Assets

We instructed RHDHV to value all of the residual resources (inferred resources) of the Salamanca Project under the Valmin Code 2015 that are not included in the Model. We also instructed RHDHV to value BKY's other exploration assets at the Gambuta site.

BKY's Other Mineral Assets have been valued by RHDHV based on exploration expenditure and the geoscientific factor method.

The value of BKY's Other Mineral Assets is summarised in the table below:

| BKY<br>Other Mineral Assets | Low value<br>US\$m | Preferred value<br>US\$m | High value<br>US\$m |
|-----------------------------|--------------------|--------------------------|---------------------|
| Salamanca Inferred          | -                  | 7.60                     | 8.80                |
| Gambuta                     | -                  | 1.40                     | 2.10                |
| <b>Total</b>                | <b>-</b>           | <b>9.00</b>              | <b>10.90</b>        |

Source: RHDHV Independent Technical Assessment and Valuation Report

Given that BKY is denominated in AUD, we have exchanged the value of BKY's Other Mineral Assets using a AUD:USD exchange rate of AUD:USD 0.78, exhibiting a value range as presented in the table below:

| BKY<br>Other Mineral Assets | Low value<br>\$m | Preferred value<br>\$m | High value<br>\$m |
|-----------------------------|------------------|------------------------|-------------------|
| Salamanca Inferred          | -                | 9.74                   | 11.28             |
| Gambuta                     | -                | 1.79                   | 2.69              |
| <b>Total</b>                | <b>-</b>         | <b>11.54</b>           | <b>13.97</b>      |

Source: RHDHV Independent Technical Assessment and Valuation Report, BDO analysis

### 10.1.3. Notional exercise of options

We have assumed the following in-the-money options will be exercised as part of our fairness assessment.

| Notional exercise of options           | Funds raised     |                  |                  |
|----------------------------------------|------------------|------------------|------------------|
|                                        | £m               | \$m              | €m               |
| 3,500,000 Options exercisable at £0.15 | 525,000          | 889,831          | 588,000          |
| 3,500,000 Options exercisable at £0.20 | 700,000          | 1,186,441        | 784,000          |
| 150,000 Options exercisable at £0.25   | 37,500           | 63,559           | 42,000           |
| 150,000 Options exercisable at £0.30   | 45,000           | 76,271           | 50,400           |
| 200,000 Options exercisable at £0.40   | 80,000           | 135,593          | 89,600           |
| <b>Total</b>                           | <b>1,387,500</b> | <b>2,351,695</b> | <b>1,554,000</b> |

Source: BDO analysis

### 10.1.4. Notional capital raising

We are required by RG 111.15 to assess the funding requirements for a company that is not in financial distress when considering its value, especially when using the DCF methodology. Therefore, we have included a notional capital raising in lieu of the Funding Transaction, as if the Funding Transaction has not been implemented, and the Company will be required to fund the development of the Salamanca Project in an alternative manner.

As per our Adjusted Model, the Salamanca Project requires approximately €135.00 million to fund the project through the construction period to a stage where it is cash flow positive.

The table below outlines how the development of the Salamanca Project is proposed to be funded under the Funding Transaction.

| Funding sources                                                  | €m     |
|------------------------------------------------------------------|--------|
| Convertible Note                                                 | 55.25  |
| Deduct: Fee payable to Canaccord (2.8%)                          | (1.55) |
| Convertible Note funds at BKY disposal                           | 53.70  |
| Cash in BKY as at 30 June 2017                                   | 23.33  |
| Cash received from notional exercise of options                  | 1.55   |
| Debt mandate                                                     | 60.00  |
| Deduct: Fee payable to debt provider (2%)                        | (1.20) |
| Total funds at BKY disposal                                      | 137.38 |
| Cash required to fund Salamanca Project into positive cash flows | 135.00 |

Source: BDO analysis

We note that there is a minor surplus of cash at BKY's disposal relative to the cash required to fund the Salamanca Project into positive cash flows. We consider this to be an appropriately conservative measure to maintain sufficient working capital for the Company.

As per the table above, in lieu of the Convertible Note, BKY may be able to fund approximately €83.68 million of the €135.00 million required to fund the Salamanca Project. This primarily comprises €60.00 million in debt funding, which is based on indicative funding term sheets with third party financiers. We note that these term sheets are subject to further negotiation, however, we are of the view that they provide reasonable grounds for a funding scenario for the purpose of our fairness assessment. On this basis, there is shortfall of approximately €53.70 million required to fund the Salamanca Project and retain the working capital that would be available to BKY under the Financing Transaction.

Other than the Funding Transaction, which incorporates an initial €55.25 million as part of the issue of the Convertible Note, we are not aware of any other funding options that could provide a viable alternative to this approach to raise the required €53.70 million (€55.25 less raising fee) to raise the same funds as outlined in the table above.

Consequently, we have assumed that BKY would be required to raise an equivalent of €53.70 million (or approximately A\$80.15 million at an exchange rate of AUD:EUR 0.67) through a notional capital raising. We have increased this amount to reflect our estimate of the gross amount that will need to be raised to meet the costs likely to be incurred in conducting such a capital raising. We have assessed the costs of a capital raising to be approximately 6% of the funds raised. Therefore, BKY would be required to raise an equivalent of \$85.27 million.

In order to determine the likely price at which BKY would have to place its shares to a third party or to current shareholders under a notional capital raising to raise the funds required, we considered the VWAP of BKY's shares and the discount at which shares have been issued by ASX listed companies when compared to the respective companies' 30 day VWAP prior to the announcement of the placement. We considered the discount at which shares have been issued since January 2016 by ASX listed mining companies to raise capital. From our analysis, the average discount for ASX listed mining companies was approximately 16%.

We note that placement discounts by ASX listed mining companies have ranged significantly. Under the notional capital raising, BKY would be required to raise approximately 44% (\$85.27 million/\$195.97 million) of its market capitalisation prior to the announcement of the Scheme. Therefore, we assessed the

discounts adopted by companies since January 2016 which raised between 20% and 70% of their market capitalisation. The average discount was approximately 18%.

Given our analysis and the size of the notional capital raising, we consider a discount in the range of 15% to 20% will be required to provide a sufficient incentive for investors to participate in any raising that BKY would perform.

In Section 10.2 of our Report we consider the QMP of BKY's shares. From this analysis, we assessed that the value of a BKY share prior to the announcement of the Financing Transaction, based on market pricing, was between \$0.700 and \$0.800. Applying a discount of 15% to 20% to the assessed value of BKY's shares prior to the announcement of the Financing Transaction, results in an assumed notional capital raising price of between \$0.56 and \$0.68 per share. Our analysis is outlined in the table below.

| Notional capital raising                      | Low                | Preferred          | High               |
|-----------------------------------------------|--------------------|--------------------|--------------------|
| Amount to be raised (€ million)               | 53.70              | 53.70              | 53.70              |
| Exchange rate (AUD:EUR)                       | 0.67               | 0.67               | 0.67               |
| <b>Amount to be raised (\$ million)</b>       | <b>80.15</b>       | <b>80.15</b>       | <b>80.15</b>       |
| Plus placement fee (6%)                       | 5.12               | 5.12               | 5.12               |
| <b>Total amount to be raised (\$ million)</b> | <b>85.27</b>       | <b>85.27</b>       | <b>85.27</b>       |
| Share price (\$/share)                        | 0.70               | 0.75               | 0.80               |
| Placement discount (%)                        | 20%                | 17.5%              | 15%                |
| Share price applied (\$/share)                | 0.560              | 0.619              | 0.680              |
| <b>Number of shares to be issued</b>          | <b>152,267,857</b> | <b>137,754,443</b> | <b>125,397,059</b> |

Source: BDO analysis

In order to raise an equivalent of €53.70 million (or approximately A\$80.15 million at an exchange rate of AUD:EUR 0.67) plus costs of capital raising of 6% of the funds raised, to provide the funding required to develop the Salamanca Project, between 125.40 million and 152.27 million new shares will need to be issued at between \$0.56 and \$0.68 per share.

#### 10.1.5. Valuation of other assets and liabilities

Other assets and liabilities of BKY represent the assets and liabilities that have not been specifically adjusted. From our review of these other assets and liabilities, outlined in the table below, we do not believe that there is a material difference between their book value and their market value unless an adjustment has been noted below.

The table below represents a summary of the assets and liabilities identified:

| Statement of Financial Position  | Audited as at<br>30-Jun-17<br>\$ | Adjusted<br>\$    |
|----------------------------------|----------------------------------|-------------------|
| <b>CURRENT ASSETS</b>            |                                  |                   |
| Cash and cash equivalents        | 34,814,971                       | 34,814,971        |
| Trade and other receivables      | 1,478,139                        | 1,478,139         |
| <b>TOTAL CURRENT ASSETS</b>      | <b>36,293,110</b>                | <b>36,293,110</b> |
| <b>NON-CURRENT ASSETS</b>        |                                  |                   |
| Exploration expenditure          | 7,945,014                        | -                 |
| Property, plant and equipment    | 9,799,308                        | -                 |
| Other financial assets           | 160,351                          | 160,351           |
| <b>TOTAL NON-CURRENT ASSETS</b>  | <b>17,904,673</b>                | <b>160,351</b>    |
| <b>TOTAL ASSETS</b>              | <b>54,197,783</b>                | <b>36,453,461</b> |
| <b>CURRENT LIABILITIES</b>       |                                  |                   |
| Trade and other payables         | 5,208,363                        | 5,208,363         |
| Other financial liabilities      | 522,810                          | 522,810           |
| <b>TOTAL CURRENT LIABILITIES</b> | <b>5,731,173</b>                 | <b>5,731,173</b>  |
| <b>TOTAL LIABILITIES</b>         | <b>5,731,173</b>                 | <b>5,731,173</b>  |
| <b>NET ASSETS</b>                | <b>48,466,610</b>                | <b>30,722,288</b> |

Source: BKY audited financial statements for the year ended 30 June 2017, BDO analysis.

We have been advised that there has not been any significant change in the net assets of BKY since 30 June 2017.

We note that any cash burn since 30 June 2017 has related to development of the Salamanca Project or corporate costs. Therefore we do not consider it necessary to adjust the 30 June 2017 balance as we have included the Salamanca Project and corporate costs as separate line items in our Sum-of-Parts valuation.

We also note that property, plant and equipment has been incorporated into the equity value of the Salamanca Project. Therefore we have not included property, plant and equipment as a separate line item in the assessment above.

Additionally, nothing has come to our attention as a result of our procedures that would suggest the need for any further adjustments.

#### 10.1.6. Present value of corporate costs

Management has provided us with the forecast corporate costs for BKY going forward. Based on our benchmarking of other companies with similar profiles and analysis of BKY's historical corporate costs, we consider the corporate costs for BKY to be approximately \$4 million per annum (in real terms) over the life of the mine.

We calculated the annual corporate costs over the remaining life of mine of the Salamanca Project, inflating these costs at Australia's and Great Britain's long term inflation rate of 2.5% per annum, rather than the Spanish inflation rate of 1.5% adopted in the Adjusted Model, given that BKY's head office costs are mostly incurred in Great Britain and Australia.

The net present value of BKY's corporate costs is estimated to be \$30.88 million.

### 10.1.7. Number of BKY shares on issue

In the Sum-of-Parts valuation approach to derive the Pre-Transaction value of BKY, we take into account the notional capital raising that BKY would have to raise without the provision of the Funding Transaction.

As discussed in section 11.1.3, in order to raise an equivalent of €53.70 million (or approximately A\$80.15 million at an exchange rate of AUD:EUR 0.67) plus costs of capital raising of 6% of the funds raised, to provide the funding required to develop the Salamanca Project, between 125.40 million and 152.27 million new shares will need to be issued at between \$0.56 and \$0.68 per share.

We have also assumed the exercise of all in-the-money options, which will result in an additional 7.5 million shares being issued on a diluted basis.

A summary of the adjustment to BKY's shares on issue is outlined below.

| Number of shares                          | High               | Preferred          | Low                |
|-------------------------------------------|--------------------|--------------------|--------------------|
| Existing shares on issue                  | 254,512,198        | 254,512,198        | 254,512,198        |
| Notional exercise of in-the-money options | 7,500,000          | 7,500,000          | 7,500,000          |
| Shares issued on notional capital raising | 125,397,059        | 137,754,443        | 152,267,857        |
| <b>Total</b>                              | <b>387,409,257</b> | <b>399,766,641</b> | <b>414,280,055</b> |

Source: BDO analysis

## 10.2 Quoted Market Prices for BKY Securities

BKY is listed on both the ASX and AIM. Therefore, in order to provide a comparison to the valuation of BKY in Section 10.1, we have also assessed the quoted market price of BKY shares for both the ASX and AIM.

The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

RG 111.11 suggests that when considering the value of a company's shares for the purposes of approval under Item 7 of s611 the expert should consider a premium for control. An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain 100% control of another company. These advantages include the following:

- control over decision making and strategic direction;
- access to underlying cash flows;
- control over dividend policies; and
- access to potential tax losses.

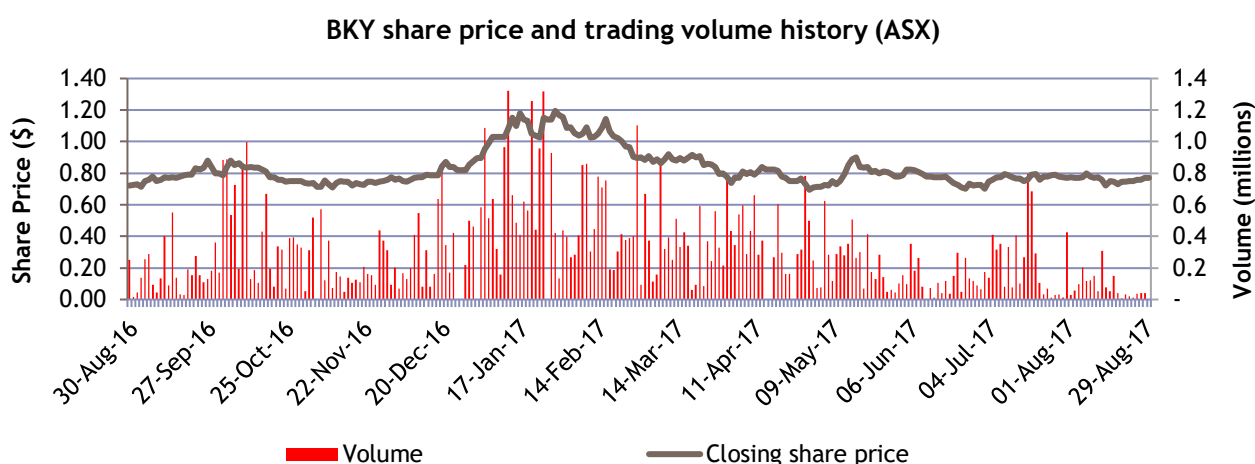
Whilst SGRF will not be obtaining 100% of BKY, RG 111 states that the expert should calculate the value of a target's shares as if 100% control were being obtained. The expert can then consider an acquirer's practical level of control when considering reasonableness. Reasonableness has been considered in Section 13.

Therefore, our calculation of the quoted market price of a BKY share including a premium for control has been prepared in two parts. The first part is to calculate the quoted market price on a minority interest basis. The second part is to add a premium for control to the minority interest value to arrive at a quoted market price value that includes a premium for control.

## Minority interest value

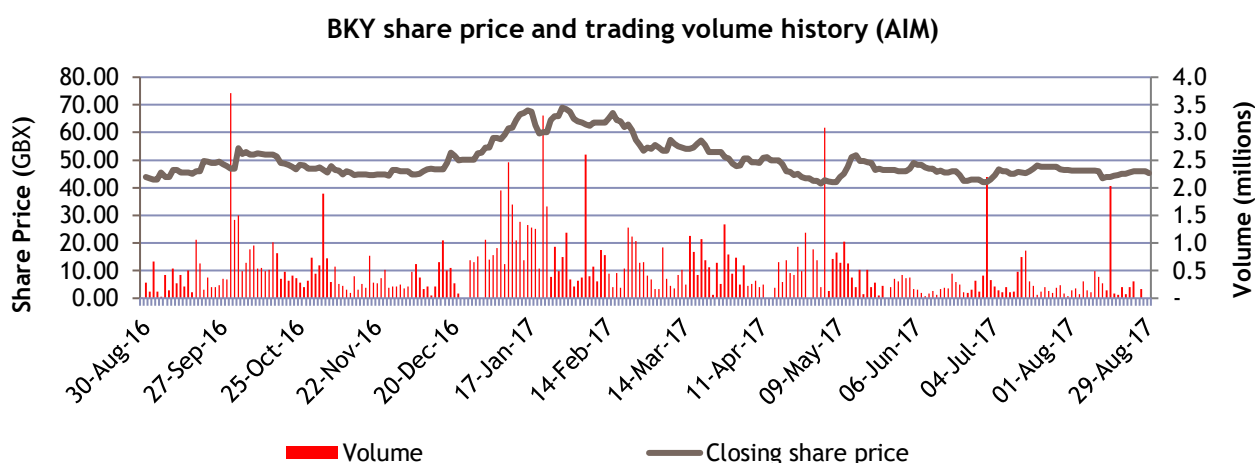
Our analysis of the quoted market price of a BKY share is based on the pricing prior to the announcement of the Proposed Funding. This is because the value of a BKY share after the announcement may include the effects of any change in value as a result of the Proposed Funding. However, we have considered the value of a BKY share following the announcement when we have considered reasonableness in Section 13.

Information on the Proposed Funding was announced to the market on 31 August 2017. Therefore, the following chart provides a summary of the share price movement over the 12 months to 29 August 2017 which was the last trading day prior to the announcement.



Source: Bloomberg

The daily price of BKY shares' on the ASX, from 29 August 2016 to 29 August 2017 has ranged from a low of \$0.695 on 28 April 2017 to a high of \$1.195 on 27 January 2017. The share price of BKY has been relatively stable over the assessed period, albeit exhibiting a slightly upwards trend from December 2016 to February 2017 and then a slightly downwards trend from February 2017 to March 2017. The highest single day of trading was 12 January 2017, when 1,321,185 shares were traded.



Source: Bloomberg

The daily price of BKY shares' on the AIM, from 29 August 2016 to 29 August 2017 has ranged from a low of Pence sterling ('GBP') 41.00 on 28 April 2017 to a high of GBP 69.25 on 27 January 2017. The highest single day of trading was 3 October 2016, when 3,712,858 shares were traded.

During this period a number of announcements were made to the market. The key announcements are set out below:

| Date       | Announcement                                                 | Closing Share Price Following Announcement |   |      | Closing Share Price Three Days After Announcement |   |      |
|------------|--------------------------------------------------------------|--------------------------------------------|---|------|---------------------------------------------------|---|------|
|            |                                                              | \$ (movement)                              |   |      | \$ (movement)                                     |   |      |
| 12/07/2017 | Primary crusher delivered to site                            | 0.765                                      | ▼ | 1.3% | 0.760                                             | ▼ | 0.7% |
| 06/07/2017 | Capital costs for Salamanca reduced by 1% to EUR82.3 million | 0.775                                      | ► | 0.0% | 0.775                                             | ► | 0.0% |
| 06/06/2017 | Exploration Programme Targeting Zona 7 Style Deposits        | 0.820                                      | ▼ | 0.6% | 0.780                                             | ▼ | 4.9% |
| 21/03/2017 | EU approval of Salamanca mine offtake contract               | 0.910                                      | ▲ | 1%   | 0.855                                             | ▼ | 6%   |
| 17/03/2017 | High grade intercepts below Zona 7 & Exploration JV          | 0.915                                      | ▲ | 2%   | 0.850                                             | ▼ | 7%   |
| 31/01/2017 | December 2016 Quarterly Reports                              | 1.155                                      | ▼ | 1%   | 1.055                                             | ▼ | 9%   |
| 20/12/2016 | Berkeley takes another step towards full construction        | 0.870                                      | ▲ | 3%   | 0.820                                             | ▼ | 6%   |
| 06/12/2016 | Major land acquisition completed at Salamanca mine           | 0.745                                      | ▼ | 1%   | 0.775                                             | ▲ | 4%   |
| 28/11/2016 | Offtake Agreement Concluded with Interallloys                | 0.750                                      | ▲ | 1%   | 0.760                                             | ▲ | 1%   |
| 07/11/2016 | Results of Placing                                           | 0.755                                      | ▲ | 6%   | 0.740                                             | ▼ | 2%   |
| 27/09/2016 | Amec Foster Wheeler appointed to Salamanca mine              | 0.840                                      | ▼ | 5%   | 0.785                                             | ▼ | 7%   |
| 26/09/2016 | Full Year Statutory Accounts                                 | 0.880                                      | ▲ | 5%   | 0.800                                             | ▼ | 9%   |
| 20/09/2016 | Letter of Intent Signed for first Million Pounds of Offtake  | 0.790                                      | ► | 0%   | 0.835                                             | ▲ | 6%   |
| 05/09/2016 | High grade intercepts below Zona 7 point to resource upgrade | 0.760                                      | ▲ | 1%   | 0.760                                             | ► | 0%   |

Source: Bloomberg, BDO analysis

On 5 September 2016, BKY announced high-grade intercepts from drilling undertaken at the Zona 7 deposit. BKY's share price increased by 1% to close at \$0.760.

On 20 September 2016, the Company announced it had signed a LOI with Interallloys, in relation to the sale of the first million pounds of production from Salamanca. The average price considered by the parties is above US\$41 per pound, compared to the spot price of approximately US\$25 per pound as at 20 September 2016. The share price did not change on the date of the announcement. However, over the three subsequent trading days, the share price of BKY closed 6% higher at \$0.835.

On 27 September 2016, the Company announced it had appointed MDM to undertake the FEED for Salamanca. The market reacted negatively to this information as reflected in the share price decrease of 5% on the date of the announcement, and 7% over the three subsequent trading days to close at \$0.785. Apart from the announcement of an Appendix 3B on 28 September 2016, no other announcements were released by the Company during this period.

On 7 November 2016, BKY announced the results of its share placement, with 53,581,953 Placing shares to be successfully placed at £0.45 per share raising approximately US\$30 million before costs. The funds raised were used to aid with the construction of the Salamanca mine, including the construction of the crushing circuit at the centralised processing plant. As expected, the market reacted positively to this

information as reflected in the share price increase of 6% on the date of the announcement. However, over the three subsequent trading days, the share price decreased by 2% to close at \$0.740.

On 28 November 2016, the Company announced that it had signed a binding off-take agreement with Interallloys, with an average uranium fixed price of US\$43.78 per pound of contracted and optional volumes agreed upon by both parties. This is in comparison to the spot price of approximately US\$18 per pound at the timing of this announcement. The Company's share price increased by 1% to close at \$0.750 on the date of the announcement. Over the subsequent three trading days, the share price of BKY continued to increase closing 1% higher at \$0.760.

On 6 December 2016, BKY announced that it had completed the acquisition and lease of over five hundred hectares of land, to allow for the completion of the initial infrastructure. Additionally, it will permit the Company to commence construction of the processing plant in the first quarter of 2017 along with the construction of a medium voltage substation, reagent storage facilities and buildings. On the date of the announcement, the Company's share price decreased by 1% \$0.745. However, over the three subsequent trading days following the announcement, the share price of BKY closed 4% higher at \$0.775.

On 20 December 2016, the Company announced it had ordered the main equipment for the crushing circuit, and full construction of Salamanca would commence in early 2017. On the date of the announcement, BKY's share price closed 3% higher at \$0.870. Although, over the three subsequent trading days following the announcement, the share price of BKY decreased by 6% to close at \$0.820.

On 31 January 2017, BKY released its quarterly activities reports which reiterated prior announcements including an offtake agreement with Interallloys, a capital raising of US\$30 million in oversubscribed share placements, main equipment ordered for the crushing circuit and major land acquisitions. BKY's share price decreased by 1% to close at \$1.115 on the date of the announcement. Although no new material information was released in the quarterly reports, over the three subsequent trading days following the announcement the share price declined by 9% to close at \$1.055. No announcements were released by the Company during this period.

On 17 March 2017, BKY announced some additional high-grade intercepts from drilling undertaken at the Zona 7 deposit. BKY's share price increased by 2% to close at \$0.915 on the date of the announcement, however decreased by 7% over the three subsequent trading days following the announcement, to close at \$0.850.

On 21 March 2017, the Company announced it had received approval for its offtake agreement for the sale of the first production by the EU. On the date of the announcement, BKY's share price increased by 1% to close at \$0.910. However, over the three subsequent trading days following the announcement, the share price of BKY closed 6% lower at \$0.855. No announcements were released by the Company during this period.

On 6 June 2017, BKY announced it had initiated the next phase of its exploration programme. Two areas totalling 100 km<sup>2</sup> were selected for an intensive geochemical sampling programme. Furthermore, BKY announced it would continue with its exploration at the Zona 7 deposit. The Company's share price decreased by 1% to \$0.820 on the date of the announcement. Over the subsequent three trading days, the share price of BKY continued to decline closing 5% lower at \$0.780.

On 6 July 2017, the Company announced that the capital cost for the construction of Salamanca had decreased to approximately US\$93.8 million. This was a 1% decrease compared to previous estimates. The

market did not respond to this information on the day of, or the three subsequent trading days following the announcement.

On 12 July 2017, BKY announced it had received delivery of its primary crusher to site, a key milestone as part of the Company's transition from the development phase to the construction phase. On the date of the announcement, BKY's share price closed 1% lower at \$0.765. Over the three subsequent trading days following the announcement, the share price of BKY continued to decrease by 1% to close at \$0.760.

To provide further analysis of the market prices for a BKY share, we have also considered the weighted average market price for 10, 30, 60 and 90 day periods to 29 August 2017.

| ASX                                  | 29-Aug-17 | 10 Days | 30 Days | 60 Days | 90 Days |
|--------------------------------------|-----------|---------|---------|---------|---------|
| Closing price                        | \$0.770   |         |         |         |         |
| Volume weighted average price (VWAP) |           | \$0.736 | \$0.769 | \$0.764 | \$0.770 |

Source: Bloomberg, BDO analysis

| AIM (GBp)                            | 29-Aug-17 | 10 Days | 30 Days | 60 Days | 90 Days |
|--------------------------------------|-----------|---------|---------|---------|---------|
| Closing price                        | 45.250    |         |         |         |         |
| Volume weighted average price (VWAP) |           | 45.192  | 45.624  | 45.037  | 45.078  |

Source: Bloomberg, BDO analysis

The above weighted average prices are prior to the date of the announcement of the Proposed Funding, to avoid the influence of any increase in price of BKY shares that has occurred since the Proposed Funding was announced.

An analysis of the volume of trading in BKY shares for the twelve months to 29 August 2017 is set out below:

| Trading days (ASX) | Share price low | Share price high | Cumulative volume traded | As a % of Issued capital |
|--------------------|-----------------|------------------|--------------------------|--------------------------|
| 1 Day              | \$0.735         | \$0.770          | 40,898                   | 0.02%                    |
| 10 Days            | \$0.715         | \$0.775          | 430,616                  | 0.17%                    |
| 30 Days            | \$0.715         | \$0.810          | 3,334,615                | 1.31%                    |
| 60 Days            | \$0.680         | \$0.820          | 8,852,120                | 3.48%                    |
| 90 Days            | \$0.653         | \$0.920          | 16,559,304               | 6.51%                    |
| 180 Days           | \$0.653         | \$1.200          | 55,980,315               | 22.00%                   |
| 260 Days           | \$0.653         | \$1.200          | 77,893,997               | 30.61%                   |

Source: Bloomberg, BDO analysis

| Trading days (AIM) | Share price low | Share price high | Cumulative volume traded | As a % of Issued capital |
|--------------------|-----------------|------------------|--------------------------|--------------------------|
| 1 Day              | GBp 45.25       | GBp 46.00        | 165,379                  | 0.06%                    |
| 10 Days            | GBp 44.00       | GBp 46.00        | 3,272,939                | 1.29%                    |
| 30 Days            | GBp 43.25       | GBp 50.00        | 7,081,262                | 2.78%                    |
| 60 Days            | GBp 42.00       | GBp 50.00        | 16,080,871               | 6.32%                    |
| 90 Days            | GBp 41.00       | GBp 52.00        | 31,962,031               | 12.56%                   |
| 180 Days           | GBp 41.00       | GBp 69.25        | 92,422,211               | 36.31%                   |
| 260 Days           | GBp 41.00       | GBp 69.25        | 130,992,460              | 51.47%                   |

Source: Bloomberg, BDO analysis

This table indicates that BKY's shares display a moderate to high level of liquidity, with 30.61% of the Company's current issued capital on the ASX and 51.47% of the AIM being traded in a twelve-month period.

Analysis of the most recent period prior to the announcement date exhibits low levels of liquidity, with 1.31% (ASX) and 2.78% (AIM) traded on the respective exchanges over the 30 trading days (or approximately six weeks).

RG 111.69 states that for the quoted market price methodology to be an appropriate methodology there needs to be a 'liquid and active' market in the shares and allowing for the fact that the quoted price may not reflect their value should 100% of the securities not be available for sale. We consider the following characteristics to be representative of a liquid and active market:

- Regular trading in a company's securities;
- Approximately 1% of a company's securities are traded on a weekly basis;
- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- There are no significant but unexplained movements in share price.

A company's shares should meet all of the above criteria to be considered 'liquid and active', however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

In the case of BKY, there are grounds to assume a relatively liquid and active market exists for BKY shares with 6.51% of the Company's issued capital being traded on the ASX and 13.02% being traded on the AIM in a 90-day period, as well as the additional analysis outlined above.

Our assessment is that a range of values for BKY shares based on market pricing on the ASX, after disregarding post announcement pricing, is between \$0.700 per share and \$0.800 per share.

## Control Premium

The quoted market price share reflects the value to minority interest shareholders. In order to value a BKY share on a control basis, we have added a control premium that is based on our analysis set out below.

We have reviewed the control premiums paid by acquirers of general mining companies listed on the ASX and AIM. In assessing the appropriate sample of transactions from which to determine an appropriate control premium, we have excluded transactions where the acquirer obtained a controlling interest at a discount (i.e. less than 0% premium).

We have summarised our findings below:

### ASX: General Mining Companies:

| Year          | Number of Transactions | Average Deal Value (AU\$m) | Average Control Premium (%) |
|---------------|------------------------|----------------------------|-----------------------------|
| 2016          | 9                      | 46.89                      | 78.44                       |
| 2015          | 12                     | 266.71                     | 54.08                       |
| 2014          | 13                     | 135.34                     | 43.81                       |
| 2013          | 15                     | 54.16                      | 64.64                       |
| 2012          | 18                     | 137.40                     | 52.29                       |
| 2011          | 18                     | 653.45                     | 48.88                       |
| 2010          | 24                     | 803.18                     | 46.75                       |
| 2009          | 25                     | 112.87                     | 49.28                       |
| 2008          | 8                      | 591.43                     | 38.87                       |
| <b>Mean</b>   |                        | <b>336.42</b>              | <b>51.97</b>                |
| <b>Median</b> |                        | <b>42.02</b>               | <b>41.35</b>                |

Source: Bloomberg, BDO analysis

The above table indicates that the long term average control premium paid by acquirers of general mining companies on the ASX is approximately 51.97%.

### LSE: General Mining Companies:

| Year          | Number of Transactions | Average Deal Value (AU\$m) | Average Control Premium (%) |
|---------------|------------------------|----------------------------|-----------------------------|
| 2017          | 1                      | 223.37                     | 83.02                       |
| 2016          | 2                      | 255.43                     | 28.88                       |
| 2015          | 2                      | 4263.56                    | 35.39                       |
| 2014          | 2                      | 16.62                      | 27.03                       |
| 2013          | 4                      | 153.94                     | 47.42                       |
| 2012          | 5                      | 9436.68                    | 36.67                       |
| 2011          | 3                      | 1219.85                    | 28.59                       |
| 2010          | 7                      | 37.31                      | 28.69                       |
| 2009          | 8                      | 193.06                     | 66.12                       |
| 2008          | 3                      | 763.37                     | 14.71                       |
| <b>Mean</b>   |                        | <b>1780.16</b>             | <b>40.49</b>                |
| <b>Median</b> |                        | <b>71.40</b>               | <b>31.15</b>                |

Source: Bloomberg, BDO analysis

The above table indicates that the long term average control premium paid by acquirers of general mining companies on the LSE is approximately 40.49%.

In arriving at an appropriate control premium to apply we note that observed control premiums can vary due to the:

- Nature and magnitude of non-operating assets;
- Nature and magnitude of discretionary expenses;
- Perceived quality of existing management;
- Nature and magnitude of business opportunities not currently being exploited;

- Ability to integrate the acquiree into the acquirer's business;
- Level of pre-announcement speculation of the transaction; and
- Level of liquidity in the trade of the acquiree's securities.

In determining the appropriate control premium for BKY, we reviewed control transactions of a similar nature and scale. We considered this to be an appropriate approach, noting that the average control premium is influenced by factors such as whether the consideration is cash or scrip and the deal size. Therefore, in order to determine the appropriate control premium for BKY, we focused on transactions where the deal size was in excess of \$100 million. Of those transactions with a deal size in excess of \$100 million, approximately 38% had an observed control premium in the range of 20% to 40%.

Furthermore, we note from our analysis of the data set, that transactions with a control premium in the range of 30% and 40% had an average deal value of \$130.02 million. As such, we consider that an appropriate control premium to apply to the valuation of BKY's shares is between 30% and 40%.

### Quoted market price including control premium

Applying a control premium to BKY's quoted market share price results in the following quoted market price value including a premium for control:

|                                                                      | Low            | Midpoint       | High           |
|----------------------------------------------------------------------|----------------|----------------|----------------|
| Quoted market price value                                            | \$0.700        | \$0.750        | \$0.800        |
| Control premium                                                      | 30%            | 35%            | 40%            |
| <b>Quoted market price valuation including a premium for control</b> | <b>\$0.910</b> | <b>\$1.013</b> | <b>\$1.120</b> |

Source: BDO analysis

Therefore, our valuation of a BKY share based on the quoted market price method and including a premium for control is between \$0.910 and \$1.120, with a midpoint value of \$1.013.

## 10.3 Assessment of BKY Value

The results of the valuations performed are summarised in the table below:

|                             | Low<br>\$ | Preferred<br>\$ | High<br>\$ |
|-----------------------------|-----------|-----------------|------------|
| Sum-of-Parts (section 10.1) | 0.902     | 1.034           | 1.130      |
| QMP method (section 10.2)   | 0.910     | 1.013           | 1.120      |

Source: BDO analysis

We note the values obtained under the QMP method are comparable to the values obtained from the Sum-of-Parts method.

We consider the Sum-of-Parts method to be the most appropriate method to value a BKY share prior to the Funding Transaction. Based on our analysis, we consider the value of a BKY share prior to the Funding Transaction to be between \$0.902 and \$1.130, with a preferred value of \$1.034.

## 11. Valuation of BKY following the Funding Transaction

We have employed the Sum-of-Parts method in estimating the Post-Transaction fair market value of a BKY share on a minority basis, by aggregating the estimated fair market values of its underlying assets and liabilities, having consideration to the following:

- value of BKY interest in the Salamanca Project;
- value of BKY's Other Mineral Assets;
- amount of cash received from the Funding Transaction (included in the DCF value);
- present value of BKY's corporate costs; and
- value of other assets and liabilities of BKY.

### 11.1 Sum-of-Parts valuation of BKY

The value of BKY's assets on a going concern basis is reflected in our valuation below:

| Summary of assessment                                | Section | Low value<br>\$m | Preferred<br>value<br>\$m | High value<br>\$m |
|------------------------------------------------------|---------|------------------|---------------------------|-------------------|
| Equity value of the Salamanca Project                | 11.1.1. | 267.16           | 319.40                    | 371.64            |
| Add: Value of BKY's Other Mineral Assets             | 11.1.2. | -                | 11.54                     | 13.97             |
| Add: Cash received from notional exercise of options | 11.1.3. | 2.35             | 2.35                      | 2.35              |
| Add: Cash received from Convertible Note             | 11.1.4. | 80.15            | 80.15                     | 80.15             |
| Add: Other assets and liabilities                    | 11.1.5. | 30.72            | 30.72                     | 30.72             |
| Less: Present value of corporate costs               | 11.1.6. | (30.88)          | (30.88)                   | (30.88)           |
| Add: Exercise of SGRF Options                        | 11.1.7. | -                | -                         | -                 |
| <b>Value of BKY under Sum-of-Parts method</b>        |         | <b>349.50</b>    | <b>413.28</b>             | <b>467.95</b>     |
| Minority discount                                    | 11.1.8. | 29%              | 26%                       | 23%               |
| <b>Value of BKY under Sum-of-Parts method</b>        |         | <b>248.15</b>    | <b>305.83</b>             | <b>360.33</b>     |
| Number of BKY shares on issue (millions)             | 11.1.9. | 362.89           | 362.89                    | 362.89            |
| <b>Value per share on a minority interest (\$)</b>   |         | <b>0.684</b>     | <b>0.843</b>              | <b>0.993</b>      |

Source: BDO analysis

The table above indicates that the Post-Transaction value of a BKY share on a minority basis is between \$0.684 and \$0.993, with a preferred value of \$0.843.

#### 11.1.1. Equity value of the Salamanca Project

We have performed our DCF valuation of the Salamanca Project after the Funding Transaction having consideration to the following:

- Issuance and conversion of the Convertible Note in place of the notional capital raising outlined in section 10.1.3.

All other project assumptions of the Salamanca Project are detailed in section 10.1.1.

#### Discount Rate

We have selected a nominal after tax discount rate in the range of 10% to 14% per annum to discount the cash flows from the Salamanca Project to their present value. We have used a discount rate of 12% in our base case.

In selecting this range of discount rates, we have considered the capital structure of BKY following the Funding Transaction. A detailed consideration of how we arrived at the adopted discount range is shown in Appendix 3.

### Sensitivity Analysis

The Post-Transaction equity value of Salamanca Project is the same as the Pre-Transaction equity value of the Salamanca Project. Refer to section 10.1.1.3. for further details regarding the sensitised equity value of the Salamanca Project.

#### 11.1.2. Value of Other Mineral Assets

The Post-Transaction value of Other Mineral Assets is the same as the Pre-Transaction value of Other Mineral Assets. Refer to section 10.1.2 for further details regarding the value of Other Mineral Assets.

#### 11.1.3. Cash received from notional exercise of options

We have assumed the following in-the-money options will be exercised as part of our fairness assessment.

| Notional exercise of options           | Funds raised     |                  |                  |
|----------------------------------------|------------------|------------------|------------------|
|                                        | £m               | \$m              | €m               |
| 3,500,000 Options exercisable at £0.15 | 525,000          | 889,831          | 588,000          |
| 3,500,000 Options exercisable at £0.20 | 700,000          | 1,186,441        | 784,000          |
| 150,000 Options exercisable at £0.25   | 37,500           | 63,559           | 42,000           |
| 150,000 Options exercisable at £0.30   | 45,000           | 76,271           | 50,400           |
| 200,000 Options exercisable at £0.40   | 80,000           | 135,593          | 89,600           |
| <b>Total</b>                           | <b>1,387,500</b> | <b>2,351,695</b> | <b>1,554,000</b> |

Source: BDO analysis

#### 11.1.4. Cash received from Convertible Note

As per the terms of the Funding Transaction, BKY intends to raise \$80.15 million from the issuance of the Convertible Note.

As outlined section 4, BKY may convert the Convertible Note at any time after Technical Completion at the centralised processing plant at Retortillo, provided that there is no event of default existing. If Technical Completion has not occurred three years after the issue of the Convertible Note, or four years after issue at the Company's election, then the Convertible Note will automatically convert to shares at the floor price of £0.27. The Convertible Note may also be converted by either SGRF or the Company if a change of control event occurs in relation to the Company.

In the event that BKY completes an equity raising prior to conversion of the Convertible Note, and the equity raising price is below £0.50, the conversion price will be reset to the issue price of the equity raising, with a floor conversion price of £0.27.

BKY management and RHDHV have both confirmed that the construction of the Salamanca Project, in particular, the initial site, Retortillo, is on track for budgeted completion of construction and has scheduled for first production at the end of 2018 or beginning of 2019. From this we consider it reasonable to assume Technical Completion of the centralised processing plant at Retortillo will be complete within the three year period after the issue of the Convertible Note. Therefore we have assumed that the Convertible Note will be converted at £0.50, not at the floor price of £0.27, resulting in 100,880,000 BKY shares being issued on conversion of the Convertible Note.

#### 11.1.5. Other Assets and Liabilities

The Post-Transaction value of other assets and liabilities is the same as the Pre-Transaction value of other assets and liabilities. Refer to section 10.1.5 for further details regarding the value of other assets and liabilities.

#### 11.1.6. Corporate costs

The Post-Transaction present value of corporate costs is the same as the Pre-Transaction present value of corporate costs. Refer to section 10.1.6 for further details regarding the present value of corporate costs.

#### 11.1.7. Exercise of SGRF Options

We have considered whether any of the SGRF Options would be in-the-money at the conclusion of the Funding Transaction.

The high value determined in our valuation table is approximately \$0.993, which equates to £0.59 (at an exchange rate of AUD:GBP 0.59). This shows that the first tranche of SGRF Options are out-the-money, however are very close to being at-the-money or in-the-money. We do not consider the SGRF Options would be exercised by a rational investor.

#### 11.1.8. Minority Discount

The value of a BKY share derived under the Sum-of-Parts method is reflective of a controlling interest. This suggests that the acquirer obtains an interest in the company which allows them to have an individual influence in the operations and the value of that company. However, if the Funding Transaction is approved, the current Shareholders will be minority holders in BKY, meaning that their individual holding will not be considered significant enough to have an individual influence in the operations and value of that company.

Therefore, we have adjusted our valuation of a BKY share following the Funding Transaction to reflect the minority interest holding. The minority discount is based on the inverse of the control premium and is calculated using the formula  $1 - (1 / (1 + \text{control premium}))$ .

As discussed in section 10.2 of our Report, we consider an appropriate control premium for BKY to be in the range of 30% to 40%, giving rise to a minority interest discount in the range of 23% to 29%.

#### 11.1.9. Number of BKY shares on issue

The Funding Transaction will result in 108,380,000 new shares being issued. Including the number of shares of 254,512,198 on issue prior to the Funding Transaction and 7.5 million shares that could be issued in relation to the exercise of all in-the-money options, the total number of shares on issue would be 362,892,198 following the Funding Transaction.

| Number of shares                          |                    |
|-------------------------------------------|--------------------|
| Existing shares on issue                  | 254,512,198        |
| Notional exercise of options              | 7,500,000          |
| Shares issued on notional capital raising | 100,880,000        |
| <b>Total</b>                              | <b>362,892,198</b> |

Source: BDO analysis

## 12. Is the Funding Transaction fair?

To assess if the Transaction is fair, RG 111.31 stipulates that in a control transaction a comparison should be made between the value of the target entity's securities prior to the transaction on a controlling basis and the value of the target entity's securities following the transaction allowing for a minority discount.

The value of a BKY share prior to the Funding Transaction on a control basis and the value of a BKY share following the Funding Transaction on a minority basis are compared below.

|                                                             | Ref  | Low<br>\$ | Preferred<br>\$ | High<br>\$ |
|-------------------------------------------------------------|------|-----------|-----------------|------------|
| Pre-Transaction value of a BKY share (on a control basis)   | 10.3 | 0.902     | 1.034           | 1.130      |
| Post-Transaction value of a BKY share (on a minority basis) | 11.1 | 0.684     | 0.843           | 0.993      |

We note from the table above that the Pre-Transaction value of a BKY share (on a control basis) is higher than the Post-Transaction value of a BKY share (on a minority basis). Therefore, we consider that the Funding Transaction is not fair.

## 13. Is the Funding Transaction reasonable?

### 13.1 Advantages of approving the Funding Transaction

#### 13.1.1. Provides substantial and critical funding for the Salamanca Project

BKY is focussed on the near term development of the Salamanca Project, having completed its project DFS in July 2016 and the EU approving the Company's offtake agreement for the sale of the first production. However, the Salamanca Project is not yet funded and in order for it to be developed, the Company will need to raise sufficient capital to meet the expected capital investment. The availability of funding is critical for the Company to best realise the value of the Salamanca Project for its Shareholders.

BKY requires significant capital for the development of the Salamanca Project, working capital and other related funding requirements. These funding requirements are set out in Section 10.

Prior to entering into the Funding Transaction with SGRF, BKY had made extensive efforts during the previous 12 to 18 months to negotiate and secure funding options for the Salamanca Project. BKY has, through the engagement of financial advisers as well as its own efforts, explored a number of funding options. We have reviewed the correspondence between BKY and the various parties engaged in this process.

This resulted in the management team negotiating the Funding Transaction with SGRF as the most favourable available option. The Company's ability to raise the required equity funding on its own, without significant dilution, is uncertain given the size of the required capital raising relative to the Company's current market capitalisation.

Under the Funding Transaction, SGRF will provide an interest free and unsecured convertible note of a principal amount of US\$65 million, which can be converted into shares at between £0.27 (in the event of default) and £0.50 and provides the funding required to bring the Salamanca Project into production. The

Funding Transaction provides all of the additional funds that BKY requires to fund the Salamanca Project through to a stage in which it is cash flow positive.

If the Funding Transaction is approved, BKY will initially receive the Convertible Note funding required for the Salamanca Project, which is critical to transitioning BKY to an operating company and increasing the likelihood of Shareholders realising a return on their investment, in the form of dividends.

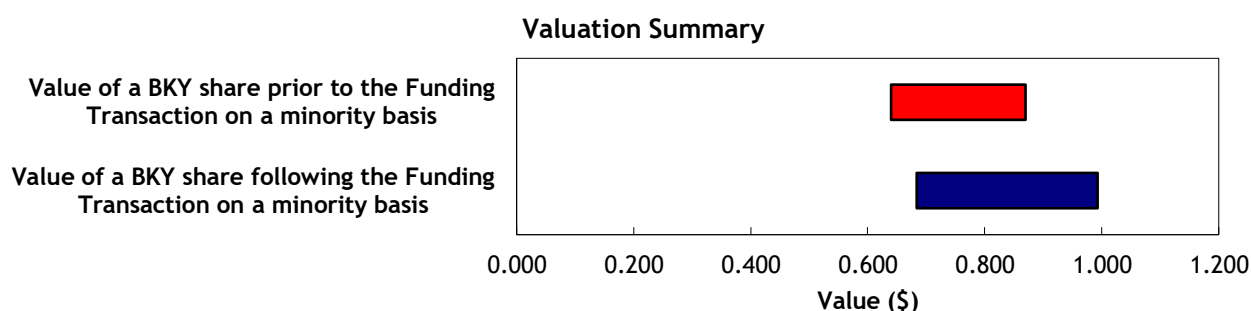
We consider the SGRF Options will be out of the money on approval of the Funding Transaction. However, if the SGRF Options were to become in-the-money at a future date, and SGRF exercise the options, this would provide BKY with access to capital for future developments.

### 13.1.2. Minority interest values are value accretive

In assessing the fairness of the Funding Transaction in Section 12, RG 111.31 stipulates that when assessing non-cash consideration in a control transaction, a comparison should be made between the value of the target entity's securities prior to the transaction on a controlling basis and the value of the target entity's securities following the transaction, on a minority basis. However, it is relevant that Shareholders appreciate that they hold a minority interest in BKY prior to the Funding Transaction and will retain a minority interest following the Funding Transaction. As such, we have also provided a comparison of the value of BKY prior to the Funding Transaction and following the Funding Transaction, both on a minority interest basis. This comparison is outlined in the table below:

|                                                             | Ref  | Low<br>\$ | Preferred<br>\$ | High<br>\$ |
|-------------------------------------------------------------|------|-----------|-----------------|------------|
| Pre-Transaction value of a BKY share (on a minority basis)  |      | 0.641     | 0.765           | 0.870      |
| Post-Transaction value of a BKY share (on a minority basis) | 11.1 | 0.684     | 0.843           | 0.993      |

The above valuation ranges are graphically presented below:



Source: BDO analysis

The table above indicates that the range of values of a BKY share following the Funding Transaction on a minority interest basis, significantly overlap the range of values of a BKY share on a minority interest basis prior to the Funding Transaction. This indicates that, on a minority interest basis, the Funding Transaction is value accretive to the Company and ultimately Shareholders. This also demonstrates that SGRF is not paying a sufficient premium for control.

### **13.1.3. Secure SGRF as a long term strategic investor and potential offtake partner**

The Funding Transaction will secure SGRF as both a long term strategic investor in BKY as well as a potential offtake partner.

If the Funding Transaction is approved, SGRF will not hold a relevant interest in BKY before conversion of the Convertible Note and exercise of the SGRF Options. On a fully diluted basis, SGRF will hold a relevant interest in BKY of between 37.29% and 48.25% assuming that the Convertible Note is converted at £0.50 or the floor price of £0.27, respectively. SGRF will also have the right to appoint one nominee to the Board once it holds a 10% interest in BKY on an as converted basis.

Given this significant level of investment, it is likely that SGRF will continue to provide support as a major shareholder into the future and that SGRF's interests will be aligned with the Company's.

Under the Funding Transaction, SGRF will also be granted the right to purchase uranium at the same price, and up to the same volume, as any bona fide customer who enters into a future long-term offtake contract Right to Match. The Right to Match is subject to an annual cap (on a rolling basis) on the volume of uranium the Company is required to supply to SGRF, which shall not exceed the greater of one million pounds of uranium or 20% of annual production (on a rolling 12-month basis) of uranium.

The potential to secure additional offtake contracts with SGRF, at the same price as other customers, will help to reduce the uncertainty associated with selling the Company's uranium.

### **13.1.4. Rallying uranium prices and future development of the Salamanca Project may result in larger more lucrative offtake agreements**

As at the date of our Report, the Company only has a total of 2.75 million pounds of future uranium production under contracts. Whilst this presents an element of uncertainty regarding the sale of future uranium production, it also provides two key advantages.

Based on forecasts by industry analysts, as outlined in the industry background in section 8, uranium prices appear set to increase on an upward trend in the short to medium term. Should the trend of increasing uranium prices continue, future offtake agreements will be negotiated around higher uranium prices.

The price of uranium is a key determinant of returns for the Salamanca Project, with higher uranium prices translating directly to greater margins and ultimately increasing returns for Shareholders.

Secondly, it is likely that the development of the Salamanca Project will be further advanced when it comes to negotiating future offtake agreements. This may provide prospective offtake partners with added confidence in the ability of the Company to meet demand and result in larger, more favourably priced, offtake agreements due to the improved negotiating position of the Company.

### **13.1.5. Strengthens BKY's balance sheet**

If the Funding Transaction is approved, BKY will receive US\$65 million upon conversion of the Convertible Note and an additional US\$55 million upon exercise of all the SGRF Options, which will increase the Company's net asset position by the same amount on a standalone basis.

The Funding Transaction provides an opportunity for the Company to raise the capital required to fund the Salamanca Project through equity, which prevents the Company from becoming excessively geared, reduces risk, and strengthens the Company's balance sheet overall.

The larger equity base also increases BKY's capacity to take on debt in the event that the Company requires additional funding in the future. Debt financiers may look favourably on the strength of the Company's cornerstone investor, SGRF, and be more likely to provide debt financing on more attractive terms in the future, if required.

#### **13.1.6. Increased market capitalisation may increase the market presence of BKY, which could result in improved liquidity and increased ability to raise capital**

If the Funding Transaction is approved, BKY's market capitalisation may increase. In conjunction with the stronger financial position outlined in Section 13.1.5, an increased market capitalisation is expected to provide BKY with increased media and analyst coverage, which may translate to increased levels of interest from financial markets and access to a wider range of investors. Ultimately, the potential increase in market capitalisation may lead to an increase in the liquidity of the Company's shares traded on the ASX and AIM.

### **13.2 Disadvantages of approving the Funding Transaction**

#### **13.2.1. The Funding Transaction is not fair**

As set out in section 12, the Funding Transaction is not fair to Shareholders.

#### **13.2.2. Dilution of Shareholders' interests**

If the Funding Transaction is approved and the Convertible Note is converted at the floor price of £0.27, Shareholders will hold approximately 57.67% on an undiluted basis and 51.75% on a fully diluted basis. Should the Convertible Note be converted at £0.50, Shareholders will hold approximately 71.61% on an undiluted basis and 62.71% on a fully diluted basis.

This means that Shareholders' interests following the Funding Transaction may be diluted from holding 100% of BKY to holding between approximately 51.75% and 71.61%. This will dilute Shareholders' interests and their level of collective influence on the operations of the Company.

If Technical Completion has not occurred three years after the issue of the Convertible Note, or four years after issue at the Company's election, then the Convertible Note will automatically convert to shares at the floor price of £0.27. The Convertible Note may also be converted by either SGRF or the Company if a change of control event occurs in relation to the Company.

BKY management and RHDHV have both confirmed that the construction of the Salamanca Project, in particular, the initial site, Retortillo, is on track for budgeted completion of construction and has scheduled for first production at the end of 2018 or beginning of 2019. From this we consider it reasonable to assume Technical Completion of the centralised processing plant at Retortillo will be complete within the three year period after the issue of the Convertible Note. Therefore we consider it highly unlikely that the Convertible Note will be converted at the floor price of £0.27.

### **13.2.3. Presence of a significant shareholder may reduce the attractiveness of BKY's shares to potential investors**

If the Funding Transaction is approved, the maximum shareholding that SGRF could obtain would be 48.25% as a result of conversion of the Convertible Note at the floor price of £0.27 (from failure to meet Technical Completion milestones in four years) and exercise of the SGRF Options. With the presence of a significant shareholder, the attractiveness of the Company's shares to potential investors may be reduced. Furthermore, the ability for Shareholders to receive a takeover premium in the future may also be diminished.

However, we note that as SGRF is a financial investor, its primary goal is to generate a return on its investment, which we consider to be consistent with a Shareholder's primary goal. Therefore, although it is likely that any offer to acquire the Company would require SGRF's approval, we do not consider SGRF's potential interest in BKY will necessarily deter a takeover offer being made or accepted by the Company if an acceptable offer is made.

### **13.3 Alternative proposal**

As set out in Section 13.1.1., BKY has, through the engagement of financial advisers as well as its own efforts, explored a number of funding options over the last 12 to 18 months. However, these attempts have been unsuccessful or were assessed by the Company as being unreasonable or less attractive than the Funding Transaction, as they were not commensurate with the risk of the Project.

We are unaware of any alternative proposal that might offer Shareholders a premium over the value, resulting from the Funding Transaction.

### **13.4 Practical level of control**

The investment agreement includes the clause that if SGRF holds a 10% interest in BKY on an as-converted basis they have the right to appoint one nominee to the board of BKY.

If the Funding Transaction is approved, then on conversion of the entire Convertible Note, SGRF will hold an initial interest of between 28.39% and 42.33% in BKY, based on the resultant Convertible Note conversion price minimum of £0.27 and maximum of £0.50. Subsequent to conversion of the Convertible Note, in the event that all SGRF Options are exercised, SGRF's interest in BKY will increase to between 37.29% and 48.25%, depending on the conversion price of the Convertible Note. Therefore, SGRF's holding in BKY will be between 28.39% and 48.25%. In addition to this, BKY will have the right to appoint one nominee to the board, on SGRF obtaining a 10% interest in BKY on an as-converted basis.

When shareholders are required to approve an issue that relates to a company there are two types of approval levels. These are general resolutions and special resolutions. A general resolution requires 50% of shares to be voted in favour to approve a matter and a special resolution required 75% of shares on issue to be voted in favour to approve a matter. If the Funding Transaction is approved, then SGRF will be able to block special resolutions within the entire range of the potential shareholding in BKY.

BKY's Board currently comprises five directors. SGRF will have the right to nominate one additional director which will take BKY's Board to six directors. This means that SGRF nominated directors will make up 17% of the Board, in the event SGRF exercises its right to appoint a nominee to the board.

In our opinion, while SGRF will be able to significantly influence the activities of BKY, it will not be able to exercise a similar level of control as if it held 100% of BKY. As such, SGRF should not be expected to pay a similar premium for control as if it were acquiring 100% of BKY.

### 13.5 Consequences of not approving the Funding Transaction

#### Consequences

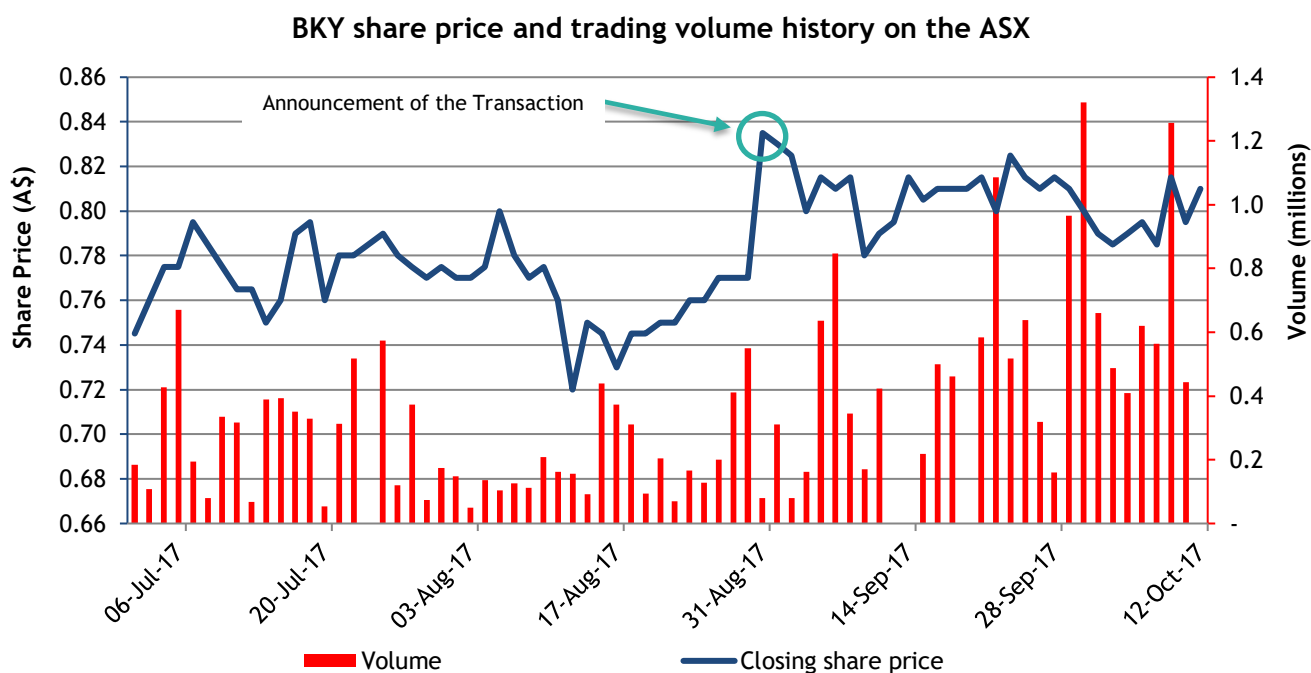
Prior to entering into the Funding Transaction with SGRF, BKY had made extensive efforts during the previous 12 to 18 months to negotiate and secure funding options for the Salamanca Project. BKY has, through the engagement of financial advisers as well as its own efforts, explored a number of funding options. However, despite sustained efforts, the Company was unable to secure sufficient additional funding from external financiers which were considered to be favourable.

Consequently, if the Funding Transaction is not approved, BKY will have to reassess its funding options and recommence the funding process again. It is unlikely that BKY will be able revisit previous funding options and there is no certainty that the Company will be successful in obtaining the funding it requires to fund the Salamanca Project through to production. Furthermore, there is no certainty that the Company will be able to successfully secure funding under terms that are superior to those under the Funding Transaction.

#### Potential decline in share price

We have analysed movements in BKY's share price since the Funding Transaction was announced. A graph of BKY's share price and trade volume on both the ASX and AIM, leading up to and following the announcement, is set out below:

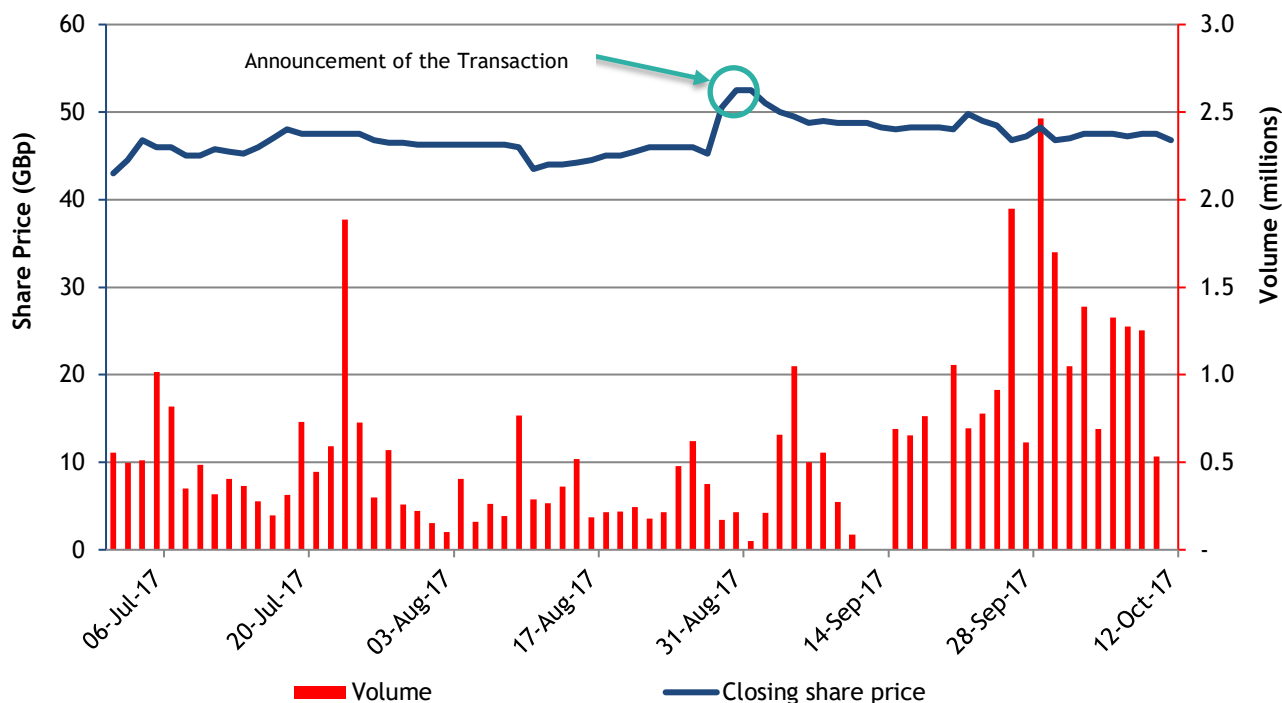
#### ASX



Source: Bloomberg

## AIM

**BKY share price and trading volume history**



Source: Bloomberg

The daily share price of BKY shares on the ASX has from 3 July 2017 to 12 October 2017 has ranged from \$0.72 on 14 August 2017 to \$0.835 on the day of the announcement of the Funding Transaction. On the AIM, the daily share price of BKY shares ranged from GBp43.00 on 3 July 2017 to GBp52.50 on the day of the announcement of the Funding Transaction.

The tables below detail the VWAP of BKY's shares on both the ASX and AIM, for the 10 and 30 day periods subsequent to the announcement of the Funding Transaction on 31 August 2017.

## ASX

| Share Price per unit                 | 12-Oct-17 | 10 Days | 30 Days |
|--------------------------------------|-----------|---------|---------|
| Closing price                        | \$0.810   |         |         |
| Volume weighted average price (VWAP) |           | \$0.791 | \$0.803 |

Source: Bloomberg

## AIM

| Share Price per unit                 | 12-Oct-17 | 10 Days  | 30 Days  |
|--------------------------------------|-----------|----------|----------|
| Closing price                        | GBp46.75  |          |          |
| Volume weighted average price (VWAP) |           | GBp47.19 | GBp48.77 |

Source: Bloomberg

Following the announcement of the Funding Transaction, BKY's share price on the ASX has increased from a VWAP of \$0.769 over the 30 days prior to the announcement of the Funding Transaction to \$0.803 as at 12 October 2017. Similarly, BKY's share price on the AIM has increased from a VWAP of GBp45.62 over the 30 days prior to the announcement of the Funding Transaction to GBp48.77 as at 12 October 2017.

Given the above analysis, it is possible that if the Funding Transaction is not approved, BKY's share price may decline to levels exhibited prior the announcement of the Funding Transaction.

## 14. Conclusion

We have considered the terms of the Funding Transaction as outlined in the body of this report and have concluded that the Funding Transaction is not fair but reasonable to the Shareholders of BKY.

## 15. Sources of information

This report has been based on the following information:

- Draft Notice of General Meeting and Explanatory Statement on or about the date of this report;
- BKY Audited financial statements for the years ended 30 June 2016 and 30 June 2017;
- Independent Valuation Report of BKY's mineral assets dated 12 October 2017 performed by Royal HaskoningDHV;
- Transaction document between BKY and SGRF;
- Share registry information;
- Bloomberg data; and
- Discussions with Directors and Management of BKY.

## 16. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of \$65,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by BKY in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd.'s reliance on information provided by the BKY, including the non provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to BKY and SGRF and any of their respective associates with reference to ASIC Regulatory Guide 112 'Independence of Experts'. In BDO Corporate Finance (WA) Pty Ltd.'s opinion it is independent of BKY and SGRF and their respective associates.

Neither the two signatories to this report nor BDO Corporate Finance (WA) Pty Ltd, have had within the past two years any professional relationship with BKY, or their associates, other than in connection with the preparation of this report.

A draft of this report was provided to BKY and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

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## 17. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Adam Myers of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Fellow of Chartered Accountants Australia & New Zealand. He has over 29 years' experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 300 public company independent expert's reports under the Corporations Act or ASX Listing Rules and is a CA BV Specialist. These experts' reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Chairman of BDO in Western Australia, Corporate Finance Practice Group Leader of BDO in Western Australia and the Natural Resources Leader for BDO in Australia.

Adam Myers is a member of the Australian Institute of Chartered Accountants. Adam's career spans 19 years in the Audit and Assurance and Corporate Finance areas. Adam is a CA BV Specialist and has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

## 18. Disclaimers and consents

This report has been prepared at the request of BKY for inclusion in the Notice of Meeting which will be sent to all BKY Shareholders. BKY engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider the proposal whereby SGRF will provide an interest-free and unsecured convertible loan note of US\$65 million and subscribe to a total of 50,443,124 unlisted options at a weighted average exercise price of £0.85 per share raising US\$55 million to fully fund the Salamanca mine into production.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Notice of Meeting. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Notice of Meeting than this report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence in relation to SGRF. BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

The forecasts provided to BDO Corporate Finance (WA) Pty Ltd by BKY and its advisers are based upon assumptions about events and circumstances that have not yet occurred. Accordingly, BDO Corporate Finance (WA) Pty Ltd cannot provide any assurance that the forecasts will be representative of results that will actually be achieved. We note that the forecasts provided do not include estimates as to the effect of any future emissions trading scheme should it be introduced as it is unable to estimate the effects of such a scheme at this time.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Funding Transaction, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of BKY, or any other party.

BDO Corporate Finance (WA) Pty Ltd has also considered and relied upon independent valuations for mineral assets held by BKY.

The valuer engaged for the mineral asset valuation, Royal HaskoningDHV, possess the appropriate qualifications and experience in the industry to make such assessments. The approaches adopted and assumptions made in arriving at their valuation is appropriate for this report. We have received consent from the valuer for the use of their valuation report in the preparation of this report and to append a copy of their report to this report.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd is required to provide a supplementary report if we become aware of a significant change affecting the information in this report arising between the date of this report and prior to the date of the meeting or during the offer period.

Yours faithfully

**BDO CORPORATE FINANCE (WA) PTY LTD**



**Adam Myers**

Director



**Sherif Andrawes**

Director

# Appendix 1 - Glossary of Terms

| Reference                        | Definition                                                                                                                                                                         |
|----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The Act                          | The Corporations Act 2001 Cth                                                                                                                                                      |
| AIM                              | Alternative Investment Market                                                                                                                                                      |
| APES 225                         | Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'                                                                              |
| ASIC                             | Australian Securities and Investments Commission                                                                                                                                   |
| ASX                              | Australian Securities Exchange                                                                                                                                                     |
| BDO                              | BDO Corporate Finance (WA) Pty Ltd                                                                                                                                                 |
| BKY                              | Berkeley Energia Limited                                                                                                                                                           |
| BKY's Other Mineral Assets       | The residual resources not included in the DCF valuation and BKY's other exploration assets                                                                                        |
| The Company                      | Berkeley Energia Limited                                                                                                                                                           |
| CAPM                             | Capital Asset Pricing Model                                                                                                                                                        |
| Convertible Note                 | SGRF will provide an interest-free and unsecured convertible loan note of US\$65 million, convertible into fully paid ordinary shares of BKY at an issue price of £0.50 per share. |
| Corporations Act                 | The Corporations Act 2001 Cth                                                                                                                                                      |
| Curzon                           | Curzon Resources Limited                                                                                                                                                           |
| DCF                              | Discounted Future Cash Flows                                                                                                                                                       |
| DFS                              | Definitive Feasibility Study                                                                                                                                                       |
| EBIT                             | Earnings before interest and tax                                                                                                                                                   |
| EBITDA                           | Earnings before interest, tax, depreciation and amortisation                                                                                                                       |
| EU                               | European Union                                                                                                                                                                     |
| EUR                              | Euro                                                                                                                                                                               |
| EURATOM                          | EURATOM Supply Agency, the governing body for all nuclear fuel transactions with the European Union                                                                                |
| FEED                             | Front End Engineering Design                                                                                                                                                       |
| FIRB                             | Foreign Investment Review Board                                                                                                                                                    |
| FME                              | Future Maintainable Earnings                                                                                                                                                       |
| FOS                              | Financial Ombudsman Service                                                                                                                                                        |
| GBP                              | Pence Sterling                                                                                                                                                                     |
| Independent Technical Assessment | Technical assessment and valuation report prepared by Royal HaskoningDHV                                                                                                           |
| Interalloys                      | Interalloys Trading Limited                                                                                                                                                        |
| JORC Code                        | The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 Edition)                                                                      |
| LOI                              | Letter of Intent                                                                                                                                                                   |

| Reference               | Definition                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|-------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| LSE                     | London Stock Exchange                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| The Model               | Detailed cash flow model for the Salamanca Project prepared by the management of BKY with the assistance of advisors                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| NAV                     | Net Asset Value                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Post-Transaction        | Our assessment of the value of a BKY share following the Funding Transaction                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| QMP                     | Quoted market price                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| RBA                     | Reserve Bank of Australia                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| RCF                     | Resource Capital Funds                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Regulations             | Corporations Act Regulations 2001 (Cth)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Our Report              | This Independent Expert's Report prepared by BDO                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| RG 74                   | Acquisitions approved by Members (December 2011)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| RG 111                  | Content of expert reports (March 2011)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| RG 112                  | Independence of experts (March 2011)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| RHDHV                   | Royal HaskoningDHV                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Right to Match          | SGRF will be granted the right to purchase uranium at the same price, and up to the same volume, as any bona fide customer who enters into a future long-term offtake contract                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Section 611             | Section 611 of the Corporations Act                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Shareholders            | Shareholders of BKY not associated with SGRF                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| SGRF                    | Sovereign wealth fund of the Sultanate of Oman (the State General Reserve Fund)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| SGRF Options            | <p>BKY will issue GRF 50,443,124 unlisted options under three tranches raising a total of US\$55 million:</p> <ul style="list-style-type: none"> <li>• 10,088,625 options with an exercise price of £0.60, vesting and exercisable on conversion of the Convertible Note and expiring 12 months from the date of vesting;</li> <li>• 15,132,937 options with an exercise price of £0.75, vesting and exercisable on conversion of the Convertible Note and expiring 18 months from the date of vesting; and</li> <li>• 25,221,562 options with an exercise price of £1.00, vesting and exercisable on conversion of the Convertible Note and expiring 24 months from the date of vesting.</li> </ul> |
| Sum-of-Parts            | A combination of different methodologies used together to determine an overall value where separate assets and liabilities are valued using different methodologies                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Technical Completion    | Any time after key commissioning tests have been completed                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| The Funding Transaction | The proposal whereby SGRF will provide an interest-free and unsecured convertible loan note of US\$65 million and subscribe to a total of 50,443,124 unlisted options at a weighted average price of £0.85 per share raising US\$55 million to fully fund the Salamanca mine into production.                                                                                                                                                                                                                                                                                                                                                                                                        |
| TSX                     | Toronto Stock Exchange                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| UK                      | United Kingdom                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| US                      | United States                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |

| Reference            | Definition                                                                                                                                                                                                                                                                                                                                                                                   |
|----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| USD                  | United States Dollar                                                                                                                                                                                                                                                                                                                                                                         |
| Valmin Code          | Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (2015 Edition)                                                                                                                                                                                                                                                                              |
| Valuation Engagement | An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time. |
| VWAP                 | Volume Weighted Average Price                                                                                                                                                                                                                                                                                                                                                                |
| WACC                 | Weighted Average Cost of Capital                                                                                                                                                                                                                                                                                                                                                             |

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The Directors

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38 Station Street

SUBIACO, WA 6008

Australia

## Appendix 2 - Valuation Methodologies

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Methodologies commonly used for valuing assets and businesses are as follows:

### 1 *Net asset value ('NAV')*

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

### 2 *Quoted Market Price Basis ('QMP')*

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a liquid and active market in that security.

### 3 *Capitalisation of future maintainable earnings ('FME')*

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ('EBIT') or earnings before interest, tax, depreciation and amortisation ('EBITDA'). The capitalisation rate or 'earnings multiple' is adjusted to reflect which base is being used for FME.

#### **4 Discounted future cash flows ('DCF')**

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start-up phase, or experience irregular cash flows.

#### **5 Market Based Assessment**

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.

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## Appendix 3 - Discount Rate Assessment

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Determining the correct discount rate, or cost of capital, for a business requires the identification and consideration of a number of factors that affect the returns and risks of a business, as well as the application of widely accepted methodologies for determining the returns of a business.

The discount rate applied to the forecast cash flows from a business represent the financial return that will be required before an investor would be prepared to acquire (or invest in) the business.

The Adjusted Model considers after-debt cash and therefore, the cash flows we are discounting are the cash flows to equity holders. Therefore, the appropriate discount rate to discount the forecast cash flows to their present value is the cost of equity.

The capital asset pricing model ('CAPM') is commonly used in determining the market rates of return for equity type investments and project evaluations. The CAPM provides the required return on an equity investment.

### Cost of Equity and Capital Asset Pricing Model

CAPM is based on the theory that a rational investor would price an investment so that the expected return is equal to the risk free rate of return plus an appropriate premium for risk. CAPM assumes that there is a positive relationship between risk and return, that is, investors are risk averse and demand a higher return for accepting a higher level of risk.

CAPM calculates the cost of equity and is calculated as follows:

#### CAPM

$$K_e = R_f + \beta \times (R_m - R_f)$$

Where:

$K_e$  = expected equity investment return or cost of equity in nominal terms

$R_f$  = risk free rate of return

$R_m$  = expected market return

$R_m - R_f$  = market risk premium

$\beta$  = equity beta

The individual components of CAPM are discussed below.

### Risk Free Rate ( $R_f$ )

The risk free rate is normally approximated by reference to a long term government bond with a maturity equivalent to the timeframe over which the returns from the assets are expected to be received. We have used the current yield to maturity on the 10-year Commonwealth Government Bond, which was 2.82% per annum as at 11 October 2017.

### Market Risk Premium ( $R_m - R_f$ )

The market risk premium represents the additional return that investors expect from an investment in a well-diversified portfolio of assets. It is common to use a historical risk premium, as expectations are not observable in practice.

The market risk premium is derived on the basis of capital weighted average return of all members of the S&P 200 Index minus the risk free rate, which is dependent on the 10-year government bond rates. For the purpose of our report we have adopted a market risk premium of 6%-8%.

### Equity Beta

Beta is a measure of the expected correlation of an investment's return over and above the risk free rate, relative to the return over and above the risk free rate of the market as a whole; a beta greater than one implies that an investment's return will outperform the market's average return in a bullish market and underperform the market's average return in a bearish market. On the other hand, a beta less than one implies that the business' will underperform the market's average return in a bullish market and outperform the market's average return in a bearish market.

Equity betas are normally either an historical beta or an adjusted beta. The historical beta is obtained from the linear regression of a stock's historical data and is based on the observed relationship between the security's return and the returns on an index. An adjusted beta is calculated based on the assumption that the relative risk of the past will continue into the future, and is hence derived from historical data. It is then modified by the assumption that a stock will move towards the market over time, taking into consideration the industry risk factors, which make the operating risk of the company greater or less risky than comparable listed companies.

It is important to note that it is not possible to compare the equity betas of different companies without having regard to their gearing levels. Thus, a more valid analysis of betas can be achieved by 'ungearing' the equity beta ( $\beta_a$ ) by applying the following formula:

$$\beta_a = \beta / (1 + (D/E \times (1-t)))$$

In order to assess the appropriate equity beta for BKY, we have had regard to the equity beta of ASX listed companies involved in similar activities in similar industry sectors. The geared betas below have been calculated against the All Ordinaries Index, using weekly data over a two-year period.

| Company              | Market Capitalisation<br>11-Oct-17<br>(\$m) | Geared Beta<br>( $\beta$ ) | Gross Debt/Equity<br>(%) | Ung geared Beta<br>( $\beta_a$ ) |
|----------------------|---------------------------------------------|----------------------------|--------------------------|----------------------------------|
| Aura Energy Ltd      | 19.05                                       | 1.22                       | 0%                       | 1.22                             |
| Bannerman Resources  | 29.74                                       | 1.28                       | 0%                       | 1.28                             |
| Mega Uranium Ltd.    | 47.08                                       | 1.26                       | 0%                       | 1.26                             |
| UEX Corp             | 57.46                                       | 1.19                       | 0%                       | 1.19                             |
| Laramide Resources   | 28.43                                       | 1.55                       | 5%                       | 1.50                             |
| Peninsula Energy Ltd | 76.43                                       | 1.49                       | 28%                      | 1.25                             |
| Denison Mines Corp   | 285.13                                      | 1.16                       | 0%                       | 1.16                             |
| Energy Fuels Inc.    | 102.05                                      | 1.61                       | 21%                      | 1.40                             |
| Mean                 |                                             |                            |                          | 1.28                             |
| Median               |                                             |                            |                          | 1.26                             |

Source: Bloomberg and BDO analysis

Descriptions of comparable listed companies are summarised as follows.

| Company Name                | Exchange | Company description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|-----------------------------|----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Aura Energy Ltd             | ASX      | Aura Energy Limited engages in the exploration and evaluation of uranium projects in Sweden and Mauritania. The company owns a 100% interest in the Tiris Uranium Project located in Mauritania; and the Håggån Uranium Project located in Sweden. It also holds interests in the Tasiast South Gold Prospect and Soda Ash and Lithium Sabkha located in Mauritania. Aura Energy Limited is based in Windsor, Australia.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Bannerman Resources Limited | ASX      | Bannerman Resources Limited engages in the exploration and development of uranium properties in Namibia, Southern Africa. The company's principal property is its 95% -owned Etango Project located in the Erongo uranium mining region of Namibia. Bannerman Resources Limited was incorporated in 2005 and is based in Subiaco, Australia.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Mega Uranium Ltd            | TSX      | Mega Uranium Ltd. focuses on the acquisition, exploration, and development of uranium properties, primarily in Australia and Canada. The company's principal properties include uranium resource projects and interests in exploration properties comprising Ben Lomond and Georgetown (Maureen) Projects located in Queensland, Southern Australia, the Northern Territory, and Western Australia. Mega Uranium Ltd. also holds interests in base and precious metals exploration properties in Canada. The company was formerly known as Maple Minerals Corp. and changed its name to Mega Uranium Ltd. in October 2005. Mega Uranium Ltd. was incorporated in 1990 and is headquartered in Toronto, Canada.                                                                                                                                                                                                                                                                                                                                                                       |
| UEX Corporation             | TSX      | UEX Corporation engages in the exploration, development, and evaluation of uranium properties in Canada. Its flagship project is the Shea Creek project located in northwest Saskatchewan. The company was incorporated in 2001 and is headquartered in Vancouver, Canada.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Laramide Resources Ltd      | TSX      | Laramide Resources Ltd. explores for and develops uranium projects in Australia and the United States. Its flagship project is the Westmoreland property located in Queensland, Australia. The company also holds interests in Churchrock and Crownpoint In Situ Recovery (ISR) projects and La Jara Mesa in Grants, New Mexico, as well as La Sal in the Lisbon Valley district of Utah. Laramide Resources Ltd. was incorporated in 1980 and is headquartered in Toronto, Canada.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Peninsula Energy Ltd        | ASX      | Peninsula Energy Limited explores for, develops, and mines uranium properties in the United States. It also explores molybdenum and gold ores. The company holds 100% interest in the Lance uranium projects that are located in Wyoming, the United States. It also jointly holds interest in the Karoo uranium exploration projects, which are situated in the Karoo Basin, South Africa; and RakiRaki Gold project located in Fiji. The company was formerly known as Peninsula Minerals Limited and changed its name to Peninsula Energy Limited in November 2010. Peninsula Energy Limited was founded in 1993 and is based in Subiaco, Australia.                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Denison Mines Corp          | TSX      | Denison Mines Corp. engages in uranium mining and related activities in Canada. The company is involved in the acquisition, exploration, and development of uranium properties; and extraction, processing, and sale of uranium. Its assets include a 22.50% interest in the McClean Lake uranium processing facility and uranium deposits; a 25.17% interest in the Midwest uranium project; and a 60% interest in the Wheeler River project located in northern Saskatchewan. The company's assets also comprise a 63.01% interest in Waterbury Lake project; 100% interest in the Johnston Lake project; 30% interest in the Mann Lake project; and 22.76% interest in Wolly project situated in the Athabasca Basin, northern Saskatchewan. It also provides mine decommissioning and environmental services to a variety of industry and government clients. The company was formerly known as International Uranium Corporation and changed its name to Denison Mines Corp. in December 2006. Denison Mines Corp. was founded in 1996 and is headquartered in Toronto, Canada. |

| Company Name      | Exchange | Company description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|-------------------|----------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Energy Fuels Inc. | TSX      | Energy Fuels Inc., together with its subsidiaries, engages in the extraction, recovery, and sale of uranium and vanadium in the United States. It operates in two segments, ISR Uranium and Conventional Uranium. The company owns and operates the Nichols Ranch uranium recovery facility located in Wyoming; the Alta Mesa project located in Texas; and the White Mesa Mill located in Utah. It also holds interests in uranium and uranium/vanadium properties and projects in various stages of exploration, permitting, and evaluation located in Utah, Wyoming, Arizona, New Mexico, and Colorado. The company was formerly known as Volcanic Metals Exploration Inc. and changed its name to Energy Fuels Inc. in May 2006. Energy Fuels Inc. was incorporated in 1987 and is headquartered in Lakewood, Colorado. |

Source: Bloomberg and respective Company websites

### Selected Beta (B)

In selecting an appropriate beta for BKY, we have considered the similarities between the comparable companies selected above. The comparable similarities and differences noted are:

- the comparable companies' mining and exploration assets have varying risk profiles depending on the maturity of the assets and the stages and location of production; and
- there are varying stages of development of the comparable companies' projects compared to the Salamanca project.

Having regard to the above, we consider that an appropriate ungeared beta to apply to BKY is between 1.25 and 1.35

In our calculation of BKY's cost of equity, we have assumed approximately an 8% debt and 92% equity structure, calculated as follows:

### Pre-Transaction Valuation

| Pre-Transaction - debt to equity ratio                                                                                   |  | €m            |
|--------------------------------------------------------------------------------------------------------------------------|--|---------------|
| <b>Debt</b>                                                                                                              |  |               |
| Average approximate debt over the life of the Salamanca Project<br>(Debt facility as per indicative funding term sheets) |  | 15.00         |
| <b>Total debt</b>                                                                                                        |  | <b>15.00</b>  |
| <b>Equity</b>                                                                                                            |  |               |
| Market capitalisation prior to the announcement of the Financing Transaction (AUD:EUR 0.67)                              |  | 131.30        |
| Add: equity raised under notional capital raising (A\$85.27 million at AUD:EUR 0.67)                                     |  | 57.13         |
| <b>Total equity</b>                                                                                                      |  | <b>188.43</b> |
| <b>Debt to equity ratio (Total debt/Total equity)</b>                                                                    |  | <b>8%</b>     |

Source: BDO analysis

## Post-Transaction Valuation

| Post-Transaction - debt to equity ratio                                                                                  |               | €m           |
|--------------------------------------------------------------------------------------------------------------------------|---------------|--------------|
| <b>Debt</b>                                                                                                              |               |              |
| Average approximate debt over the life of the Salamanca Project<br>(Debt facility as per indicative funding term sheets) |               | 15.00        |
| <b>Total debt</b>                                                                                                        |               | <b>15.00</b> |
| <b>Equity</b>                                                                                                            |               |              |
| Market capitalisation following the announcement of the Financing Transaction 12-Oct-17 (AUD:EUR 0.67)                   | 138.13        |              |
| Add: equity raised from conversion of Convertible Note (including raising fee)                                           | 55.25         |              |
| <b>Total equity</b>                                                                                                      | <b>193.38</b> |              |
| <b>Debt to equity ratio (Total debt/Total equity)</b>                                                                    |               | <b>8%</b>    |

Source: BDO analysis

Based on the above analysis, we have regearaged BKY's assessed ungeared beta to be between 1.32 and 1.43.

## Cost of Equity

We have assessed the cost of equity of BKY to be between 10.7% and 14.2% with a mid-point value of approximately 12%, calculated as follows:

| Input                      | Value Adopted |              |
|----------------------------|---------------|--------------|
|                            | Low           | High         |
| Risk free rate of return   | 2.82%         | 2.82%        |
| Equity market risk premium | 6.00%         | 8.00%        |
| Beta (geared)              | 1.32          | 1.43         |
| <b>Cost of Equity</b>      | <b>10.7%</b>  | <b>14.3%</b> |

Source: Bloomberg, RBA and BDO analysis

## Appendix 4 - Independent Valuation Report

---

# REPORT

## **Berkeley Energia Limited**

### Technical Assessment & Valuation Report

Client: Berkeley Energia Limited

Reference: I&BPB7104R001F0.1

Revision: 0.1/Final

Date: 12 October 2017

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Document title: Berkeley Energia Limited

Document short title: Berkeley TAR & Valuation

Reference: I&BPB7104R001F0.1

Revision: 0.1/Final

Date: 12 October 2017

Project name: Salamanca Project VALMIN

Project number: PB7104

Author(s): Marco Maestri, Christopher Wheatley, Peter Bolt, Richard Way, Xander Gwynn

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Date / initials: 11/10/17 MAM

Classification

Confidential



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## Competent Person's Consent Form

Pursuant to the requirements of ASX Listing Rules 5.6, 5.22 and 5.24 and  
Clause 9 of the JORC Code 2012 Edition (Written Consent Statement)

**Technical Assessment Report on the Salamanca Uranium Project, Spain  
Prepared by Royal HaskoningDHV for Berkeley Energia Limited  
12 October 2017**

I, Christopher J.V. Wheatley, confirm that I am the Competent Person for the Report and a qualified Specialist as defined by the VALMIN Code (2015 Edition):

- I have read and understood the requirements of the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2012 Edition).
- I am a Competent Person as defined by the JORC Code, 2012 Edition, and am suitably qualified and experienced to act as Practitioner as defined by the VALMIN Code, 2015 Edition, having five years' experience that is relevant to the style of mineralisation and type of deposit described in the Report, and to the activity for which I am accepting responsibility.
- I am a Fellow of the Institute of Materials, Minerals and Mining (IMMM), a 'Recognised Professional Organisation' (RPO) included in a list promulgated by ASX from time to time.
- I have reviewed the Report to which this Consent Statement applies.
- I am an associate employee of Royal HaskoningDHV (HaskoningDHV UK Ltd with a Registered Office at Rightwell House, Bretton, Peterborough PE3 8DW and Registered in England as 1336844).
- I have been engaged by Berkeley Energia Limited to prepare the documentation for the Salamanca Project on which the Report is based, for the period ended 12 October 2017.
- I have disclosed to the reporting company the full nature of the relationship between myself and the company, including any issue that could be perceived by investors as a conflict of interest.
- I verify that the Report is based on and fairly and accurately reflects in the form and context in which it appears, the information in my supporting documentation relating to Mineral Resources.
- I consent to the release of the Report and this Consent Statement by the directors of Berkeley Energia Limited.

Signature of Competent Person:



Christopher J.V. Wheatley, Principal Geology Consultant, Royal HaskoningDHV  
FIMMM #450553, SME #3455250  
12 October 2017

## Executive Summary

Berkeley Energia Limited (Berkeley or BKY) is a mineral asset exploration and development company focussed on the continued development of the wholly-owned Salamanca Project. The Project has been reported to have the potential to be one of the world's lowest cost uranium producers from a conventional open pit mining operation in central-western Spain.

By the request of Berkeley, the Commissioning Entity, Royal HaskoningDHV (RHDHV) has been appointed to undertake a technical assessment and valuation of the Salamanca Project and produce an Independent Valuation Report in accordance with the reporting standards of the VALMIN Code (2015 Edition). This also includes an assessment and valuation of the Gambuta Uranium Deposit, separate to Salamanca.

The Salamanca Project is located in the western-central province of Spain, approximately 250km West of the capital Madrid and 60km West of the provincial capital of Salamanca. The Project comprises three deposits – Retortillo, Zona 7 and Alameda – the first two of which are located between the villages of Retortillo and Villavieja de Yeltes (the Retortillo and Zona 7 deposits respectively) approximately 10km apart. The Alameda deposit is approximately 35km to the southwest nearest the village of La Alameda de Gardón some 5km from the Portuguese border. The Gambuta Uranium Deposit is separate to the Salamanca Project, located some 145km to the southeast of Retortillo.

The Salamanca Project has been determined to be representative of a Development Stage project as defined by the VALMIN Code. In July 2016 Berkeley announced the results of a Definitive Feasibility Study, followed by the completion of an offtake agreement in November 2016. Since then an independent Due Diligence has been completed in July 2017. During H1 2017, Front End Engineering Design (FEED) was also undertaken as a means of confirming or updating material quantities and cost estimates in order to prepare the Project for the main construction phase. The results of FEED were announced in July 2017 and confirmed a 1% reduction in upfront capital costs for the Project compared to the DFS. Completion of FEED and Due Diligence has supported an investment in the Project by the State General Reserve Fund (SGRF) of the Sultanate of Oman.

Based on the study stage, the quality and quantity of material data made available by Berkeley, RHDHV has applied a multiple valuation approach to compare a number of valuation methods considered most suitable for the Salamanca Project and Gambuta Deposit. An Income-based approach – applying an existing Discounted Cashflow model – will be used by BDO as a primary valuation. Secondary valuations have been undertaken by RHDHV to include Market and Cost-based approaches in order to confirm and corroborate the valuation.

Based on a technical assessment of project disciplines RHDHV has presented a Technical Assessment Summary in **Section 2.13** which concludes our recommendations to be incorporated into a Primary, Income-based valuation method. Results of the Secondary valuation methods employed by RHDHV are summarised in **Section 4.6**.

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# 1 Introduction

## 1.1 Purpose of report

Royal HaskoningDHV (RHDHV) has been commissioned by Berkeley Energia Limited (Berkeley or BKY) to provide an independent assessment and valuation of the Salamanca Project and Gambuta Deposit. Having completed a Definitive Feasibility Study (DFS) for Salamanca in 2016 – a near-term, open pit uranium deposit in central-western Spain – Berkeley is now progressing through detailed design and the construction phase in order to target commissioning in 2018 for first production in late 2018. Gambuta is separate to Salamanca and has been the subject of investigation by Berkeley and remains at exploration stage.

The following document represents an Independent Valuation Report by RHDHV, intended to report on the reasonableness and robustness of technical and cost inputs to the Salamanca Project that will subsequently support an economic valuation of the Project. The purpose of the report is also to provide an impartial evaluation of Berkeley's Gambuta Deposit and estimate the current value of the asset.

The valuation methods applied by RHDHV are intended to support a Primary valuation undertaken by BDO Corporate Finance Pty Limited (BDO); independently appointed by Berkeley.

## 1.2 The VALMIN Code

This report has been prepared in accordance with the fundamental principles of the VALMIN Code (2015 Edition<sup>1</sup>) for the Technical Assessment and Valuation of Mineral Assets. As defined by the VALMIN Code a Valuation Report “*expresses an opinion as to monetary Value of a Mineral Asset but specifically excludes commentary on the value of any related corporate Securities*”.

As with recognised reporting codes for Mineral Resource and Reserves including the JORC Code, the VALMIN Code is based on the fundamental principles of **Materiality**, **Competence** and **Transparency**; guidance for which is provided under Clause 3.1, 3.2 and 3.3 respectively. Additional requirements set out by the VALMIN Code include **Reasonableness** and **Independence**. With sufficient relevant experience the **Specialists** responsible for the following report are able to satisfy these principles of the VALMIN Code.

## 1.3 Context and Validity

The report has been prepared by RHDHV on a strictly impartial basis. RHDHV can confirm that all views and opinions expressed herein are unbiased and objective. The report is for the benefit of the shareholders. All interpretations and conclusions are based on the data acquired via the sources described. Any forward-looking statements made within this document are subject to the normal risks associated with any assumptions regarding future events.

Payment to RHDHV for the preparation of this report has been under typical commercial rates and based on a fixed sum. RHDHV can confirm that payment of fees is in no way contingent upon the content of this document or the conclusions made within.

---

<sup>1</sup> VALMIN, 2015, *Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (The VALMIN Code)*. Available from [www.valmin.org](http://www.valmin.org), The VALMIN Committee of the Australasian Institute of Mining and Metallurgy and Australian Institute of Geoscientists

It is expected that the valuation will change over time; being dependent on a range of external political, legislative, financial and technical factors. The effective date of this valuation is 12 October 2017.

The authors of this report have sufficient technical expertise to carry out the works required, and any assumptions made are based on the writer's experience. RHDHV also emphasises that valuation methods applied are exposed to a substantial degree of subjectivity. Those factors affecting the value of a mineral asset are extensive but have been evaluated and quantified where possible during the valuation process.

## 1.4 Basis of Value

This report has been prepared following evaluation of Project information provided and with appreciation for that which is considered to be Material to the Project's economic valuation.

RHDHV confirms that information relating to the Project and used as the basis of this report, in particular forward-looking information included in any assessment of future cash flows, meet the reasonable grounds requirements.

**Market Value:** *"the estimated amount (or the cash equivalent of some other consideration) for which the Mineral Asset should exchange on the date of Valuation between a willing buyer and a willing seller in an arm's length transaction after appropriate marketing where the parties had each acted knowledgeable, prudently and without compulsion."*

**Technical Value:** *"an assessment of a Mineral Asset's future net economic benefit at the Valuation Date under a set of assumptions deemed most appropriate by a Practitioner, excluding any premium or discount to account for market considerations."*

The currency used throughout this report, unless otherwise stated, is US Dollars (USD or US\$). The following exchange rates were used as the basis of values presented in this report.

Table 1-1. Exchange rates used

| Exchange Rate - USD 1.00 |                          |          |
|--------------------------|--------------------------|----------|
| Canadian Dollars (CAD)   | Australian Dollars (AUD) | Euro (€) |
| 1.257                    | 1.286                    | 0.854    |

\*www.xe.com, accessed 6/10/2017

## 1.5 Independence

RHDHV, an independent engineering consultancy firm, formally declare no Conflict of Interest with Berkeley or the Project, and is able to provide consulting services with complete impartiality. The fees or provision of further work to the Practitioners is not dependent on the conclusions of this report or the success/failure of any transactions for which the report was required.

Neither RHDHV, RHDHV permanent employees nor any RHDHV project staff:

- Have any financial or other interests in Berkeley or its subsidiaries, other than the proposed services relating to the undertaking of a Technical Assessment Report under standard commercial terms;
- Have any financial or other interests in the Project and associated tenements, or any other projects in the region.

## 1.6 Expert's Statement

The technical assessment and valuation presented in this report have been prepared by Mr. Marco Maestri and Dr. Christopher Wheatley who each hold sufficient experience to serve as **Specialists** as defined by the VALMIN Code (2015) and meeting the requirements of Clause 2.2; with at least five years recent and relevant industry experience for Technical Assessment and an additional five years in the valuation of Mineral Assets. Mr Maestri serves as Specialist responsible for the Valuation of the Mineral Asset.

### Marco Maestri

### Director, Mining UK and Principal Mining Engineer

Mr. Marco Maestri is Director, Mining (UK) at Royal HaskoningDHV, a Principal Mining Engineer and Project Management Professional (PMP). His primary expertise lies in project financial evaluation, market and economic studies, project management, feasibility studies and mine design & optimisation (primarily using Datamine and Whittle). Marco has successfully held sole project management responsibility for multi-disciplinary mining projects exceeding £6 million (~\$9m) in consultancy fees with a total project capital value of over £3.5 billion (~\$6bn, up to +/-10% Class 3 level).

Marco has been involved in numerous project financial assessments as lead evaluator in projects ranging from feasibility studies to operating mine sites. He also has experience working as a mining analyst for an AIM specialist stockbroker where he assessed and valued mining companies and operations on a daily basis. His M&A experience includes valuing Rio Tinto's copper assets as part of the proposed merger with Chinalco.

Marco has practical experience working on open pit mines in Australia and Africa and holds a degree in Mining Engineering (Hons) from Camborne School of Mines, University of Exeter (UK). In addition to project and professional experience, Marco's formal post-graduate modelling and valuation training was provided by Imperial College London on their Mineral Project Appraisal and Finance course.

For the purpose of this report Marco is considered a Specialist for the Technical Assessment and Valuation of the Salamanca Project.

### Chris Wheatley

### Principal Geology Consultant

Dr Christopher (Chris) Wheatley is a Principal Consultant specialising in Resource and Economic Geology with over 50 years of experience within the minerals, mining and extractive industries. Chris has previously been involved in projects across the globe including in Europe, Africa, the Middle East, Asia and the Americas for a broad range of mineral commodities including energy and industrial minerals to base and precious metals.

Having been responsible for a number of Technical Reports, Competent Persons Reports and Resource Statements, Chris has extensive knowledge and experience in the application of international reporting guidelines including the JORC and VALMIN Codes, amongst others. During his time in the industry Chris has held a number of senior positions including Chief Geologist, Exploration Manager and Mining Business Analyst having been based in Canada, Europe (Spain, Sweden, Ireland, Czech Rep. and Poland), South Africa, Indonesia and Saudi Arabia.

Within his broad commodity experience includes exploration and development of uranium deposits in Canada, USA, Kazakhstan, Niger, Malawi, Namibia, South Africa and Tanzania. He also has experience

of the mining industry in Spain having worked as Chief Geologist on projects for Billiton Espoñola in Andalucía, Salamanca, Galicia and Murcia.

Chris is a Fellow of the Institute of Materials, Minerals and Mining and is a Member of the Society for Mining, Metallurgy and Exploration. Chris has a BSc (Hons) in Geology, DIC in Mineral Exploration and a PhD in Mining Geology.

For the purposes of this report Chris is considered a Competent Person (Specialist) for the Technical Assessment of the Salamanca Project.

The following table summarises the qualifications, memberships, experience and responsibilities of each of the Specialists for this report as required by the VALMIN Code.

*Table 1-2. Summary of Experts Qualifications and Experience*

| Name               | Qualifications                                                                 | Relevant Experience | Professional Associations & Qualifications                                                                             | Report Responsibility          |
|--------------------|--------------------------------------------------------------------------------|---------------------|------------------------------------------------------------------------------------------------------------------------|--------------------------------|
| Marco Maestri      | BEng Mining Engineering (Hons), Camborne School of Mines, University of Exeter | 13 years            | Member - AusIMM Mineral Project Appraisal and Finance, Imperial College London; Project Management Professional (PMP); | Valuation                      |
| Dr. Chris Wheatley | BSc (Hons) Geology; DIC Mineral Exploration; PhD Mining Geology                | 50 years            | Fellow - IOM3; Member - Society for Mining, Metallurgy & Exploration                                                   | Technical Assessment (Geology) |

Other technical experts as contributors to this report include:

*Table 1-3. Contributors to the report*

| Name             | Qualifications                                                                                                                     | Relevant Experience | Professional Associations & Qualifications                                                                                | Report Responsibility              |
|------------------|------------------------------------------------------------------------------------------------------------------------------------|---------------------|---------------------------------------------------------------------------------------------------------------------------|------------------------------------|
| Dr. Peter Bolt   | BSc (Hons) Mining Engineering<br>PhD Mining                                                                                        | 25 years            | Member – IOM3<br>Chartered Engineer                                                                                       | Technical Assessment (Mining)      |
| Richard Way      | BSc (Hons) Chemistry & Physics<br>DIC Mineral Processing<br>MSc (Eng) Mineral Processing Design<br>Executive Development Programme | 45 years            | Fellow – South African Institute of Mining & Metallurgy<br>Member – South African Mine Metallurgical Managers Association | Technical Assessment (Processing)  |
| Dr. Xander Gwynn | BSc (Hons) Engineering<br>Geology & Geotechnics<br>PhD Earth Sciences                                                              | 13 years            | Chartered Engineer<br>Member – IOM3<br>MPQC - Contractor Safety Passport                                                  | Technical Assessment (Geosciences) |

Each has significant experience in the technical design and assessment of Mineral Assets, with sufficient relevant experience to enable them to evaluate the reasonableness of technical assumptions and cost inputs for the Project.

## 1.7 Material Information

The following table provides a summary of key pieces of information provided to RHDHV by Berkeley for the purposes of the assignment that are considered Material to the Technical Assessment and Valuation. Given the number of files and quantity of information provided as the DFS dataset a description has been provided rather than individual folder/file names.

*Table1-4. Summary of material information provided*

| File / Folder                                                                                                                        | Description                                                                                                                                                                                                                                                                                                                            |
|--------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 160714 Salamanca DFS_final.pdf                                                                                                       | Berkeley Energia News Release (14 July 2016) announcement for the completion and final results of the DFS. Includes technical reporting and data relating to the DFS results for the Project.                                                                                                                                          |
| 170706 - Final capital costs at the Salamanca mine_final.pdf                                                                         | Berkeley Energia News Release (6 July 2017) announcement for the 1% reduction in capital costs for Salamanca to €82.3m                                                                                                                                                                                                                 |
| 170710 Salamanca Project DFS Model_DD_Final_05.xlsm                                                                                  | Updated Salamanca Project Discounted Cashflow Model                                                                                                                                                                                                                                                                                    |
| 170621 Q2 2017 Price Forecasts for LT Base and Spot.xlsx, and<br>170622 Pricing - Long Term [Base/Spot] Price Projection Q2 2017.pdf | Information regarding Uranium Spot vs. Offtake forecasts from in spreadsheet and .pdf format including excerpts (scans) from "Uranium Market Outlook – Q2 2017".                                                                                                                                                                       |
| DFS Report (folder)                                                                                                                  | Contains folders for individual technical disciplines contributing to the overall DFS Report, from Executive Summary and Introduction to Risk Management and Project Implementation. Each folder contains technical reports, drawings and cost spreadsheets related to each technical discipline in addition to the final DFS Chapter. |
| Supporting Cost Models (folder)                                                                                                      | Basis of estimate models for capital and operating expenditures                                                                                                                                                                                                                                                                        |
| DFS Annexes (folder)                                                                                                                 | Five folders containing CAD drawing files (.dwg) of: 2D Process Drawings, Infrastructure, Civils and Layouts for Retortillo, Zona 7 and Alameda                                                                                                                                                                                        |
| U7249 Salamanca DD_Final Report.pdf                                                                                                  | Due Diligence report prepared by SRK Consulting                                                                                                                                                                                                                                                                                        |

## 2 Project Profile – Salamanca Project

### 2.1 Berkeley Energia

Berkeley is a mineral asset exploration and development company focussed on the continued development of its wholly-owned Salamanca Project. The Project has been reported to have the potential to be one of the world's lowest cost uranium producers from a conventional open pit mining operation in central-western Spain. In addition to the development of Salamanca, Berkeley continues to undertake exploration across adjacent target areas with the objective of extending or upgrading the current Resource base.

Berkeley is dual-listed on the Alternative Investment Market (AIM) of the London Stock Exchange (LSE) and the Australian Securities Exchange (ASX), in both instances with the code BKY.

The following sections focus on a technical assessment of the Salamanca Project. The Gambuta Deposit is described in **Section 2.7: Inferred Resources**.

### 2.2 Location and Access

The Salamanca Project is located in the western-central province of Spain, approximately 250km West of the capital Madrid and 60km West of the provincial capital of Salamanca. The Project comprises three deposits – Retortillo, Zona 7 and Alameda – the first two of which are located between the villages of Retortillo and Villavieja de Yeltes (the Retortillo and Zona 7 deposits respectively) approximately 10km apart. The Alameda deposit is approximately 35km to the southwest of Retortillo.

From Salamanca the A-62 motorway runs 90km southeast to connect with the town of Ciudad Rodrigo and a further 30km to the Portuguese border. A train line also runs adjacent to the A-62 in this area and the three deposits that comprise the Salamanca Project are all located on the northern side of this transport route.

### 2.3 Ownership and Tenure

The ownership or mineral rights of the respective Salamanca deposits (Retortillo, Zona 7 and Alameda) and the Gambuta Deposit have not been evaluated from a legal standpoint by RHDHV. From a review of available technical reports each of the deposits appear to be in good standing and held by Berkeley and its local wholly owned subsidiaries.

Retortillo is within the 25km<sup>2</sup> Exploitation Concession CE 6605-10 which is under 100% ownership by Berkeley Minera España S.L., a wholly owned Spanish subsidiary of Berkeley. The concession is valid for 30 years as of April 2014 and may be renewed for two additional 30 year periods. It incorporates the current areas of interest for the proposed open pit, plant and infrastructure.

Zona 7 is within the Alisos Investigation Permit PI 6605-20 which is under 100% ownership by Berkeley Minera España S.L. The permit was granted on 11 January 2016 and is valid for a 3 year period. An Exploitation Concession application was submitted in November 2016.

Alameda is within the 16.5km<sup>2</sup> Salamanca XXVIII Definitive State Reserve 6362, a state owned Exploitation Concession. The mining rights have been obtained by Berkeley as part of an agreement with state owned ENUSA to allow exploitation for an annual fee of 2.5% Net Smelter Return (NSR). The concession is valid for 30 years as of August 2003 and may be renewed for one additional 30 year period.

The Gambuta deposit falls within the Investigation Permit Almendro which was renewed for 3 years on 9 June 2016, although the current permitting documentation has not been reviewed by RHDHV.

A summary of the status for the required approvals for each of the Investigation and Exploitation Permits is provided in **Section 2.11**.

## **2.4 Project History**

The Salamanca deposits were initially discovered during state-led exploration by Junta de Energia Nuclear (JEN) and Empresa Nacional de Uranio S.A. (ENUSA) up until the late 1980's. Exploration by Berkeley through Spanish subsidiary companies – was undertaken from 2005 and has served to extend and upgrade the deposit to JORC Code classification.

A Pre-Feasibility Study (PFS) for the Salamanca Project was completed in September 2013, comprising the Retortillo and Alameda deposits. Following discovery of the Zona 7 deposit the PFS was later updated in November 2015 to incorporate additional exploration findings. A DFS for the Project was completed in July 2016, with Front End Engineering Design (FEED) completed in July 2017.

## **2.5 Regional Geology**

### **2.5.1 Geological Setting**

The three deposits comprising the DFS include Retortillo-Santidad, Zona 7 and Alameda for which the geology and mineralisation are well understood. The deposits at Salamanca are described as stratiform, partly vein style deposits hosted in metasedimentary units with cordierite and in proximity to granitic intrusions. Metasediments have undergone a number of brittle and ductile deformation phases.

Uranium is principally found as uraninite, coffinite and pitchblende or with polymetallic sulphides along with quartz, cordierite (often altered to pinnite), carbonate, adularia and jasperoid. Mineralisation styles include veins, stockwork veinlets and disseminated in joints and fractures. Mineralisation occurs within partially weathered and fresh rock zones.

At Retortillo and Zona 7, uranium mineralisation occurs surrounding intrusive granites that have been associated with northwest trending faults through the metasedimentary terrain. There are a number of controls on mineralisation and as such the grades within the deposits are considered to be irregular. In some areas to a depth of approximately 20m some secondary uranium mineralisation has been identified. Zona 7 is shown to be the largest and highest grade of the Salamanca Project, hosted within a folded sequence of metasediments overlain by a conglomerate unit adjacent to a granite intrusive. Mineralisation is sub-horizontal from surface to approximately 100m depth.

Mineralisation at Alameda is principally controlled by geological structure, occurring as veins or veinlet systems. With a preferential orientation, mineralisation is reportedly the result of larger scale structural features.

### **2.5.2 Exploration History**

Exploration for radioactive materials began in Spain in 1951 by state-run JEN focussing on areas of Salamanca, Zamora, Caceres and Badajoz Provinces; during which time the Retortillo, Zona 7 and Alameda deposits were identified, amongst others. In 1957, the Fé uranium deposit was discovered and commenced production in 1974, operating at 300tpa U<sub>3</sub>O<sub>8</sub> until it closed in 2001. In 1972 exploitation near Ciudad Rodrigo and exploration in Salamanca was undertaken by state-run ENUSA.

In 1974, JEN was responsible for a government exploration programme Plan Nacional de Exploración del Uranio – National Plan for the Exploration and Investigation of Uranium (PNEU) that was later the responsibility of ENUSA in 1981, which ended in 1984. Following exploration ENUSA focussed on the continuing exploitation and expansion of the Fé Uranium Mine. Since closure ENUSA has been responsible for site restoration including processing contaminated surface water.

In Salamanca, Minera de Río Alagón (MRA) conducted uranium exploration from 2005 to 2009, with MRA subsequently merging with Berkeley Minera España S.L.

### 2.5.3 Berkeley Exploration

Exploration by Berkeley was initially conducted as MRA and Berkeley Minera España (BME); two subsidiaries that were merged in 2014. Exploration has been undertaken at the Salamanca Project since 2005. Exploration, data collection and investigations to-date has utilised a number of techniques including:

- Geological mapping;
- Mineralogical studies;
- Radiometric, magnetic, resistivity and IP geophysical surveys;
- Downhole geophysics including natural gamma;
- Trenching;
- Diamond and percussion drilling;
- Topographic surveys;
- Petrographic and Scanning Electron Microscope studies;
- Metallurgical studies; and
- Geological modelling.

Sample analysis was undertaken by Actlabs with further confirmatory testing (including blank and duplicate samples) were sent to ALS and Bureau Veritas laboratories as part of QA/QC procedures. Results of QA/QC procedures were considered reliable and without bias following completion of the DFS. Sample preparation of all drill samples involved oven drying, crushing and pulverising to achieve a grind size of 85% passing 75 µm. Sample pulps from the drilling programme were analysed for uranium using either Delayed Neutron Counting (DNC) or, pressed-powder X-ray fluorescence (XRF) methods. Historical drilling samples were analysed for uranium using XRF, atomic absorption spectroscopy (AAS) or fluorometric methods.

Historical borehole collars at Retortillo and Alameda have been confirmed although none were located at Zona 7. All drilling by Berkeley has been confirmed by a differential GPS collar and downhole deviation survey.

Berkeley has drilled in excess of 67,000m of diamond (HQ/HQ3 or PQ) and reverse circulation (140mm) drilling since 2006, both vertical and inclined and on a 100mx100m grid orientated as closely as possible across the interpreted strike of the deposits. Drilling since 2016 has served to close this spacing in some areas to 50mx50m and 35mx35m to improve confidence in the Resource estimates. Drillholes have an average depth of 80-90m with a maximum drilled depth of 200m. It is reported that a minimum core recovery of 90% has been achieved from Berkeley drilling. Data from historical drilling suggests core recoveries are also acceptable.

A total of 1,100 (Retortillo), 428 (Zona 7) and 475 (Alameda) drillholes have been completed across the three deposits including historical (JEN/ENUSA) and recent (Berkeley) drilling. Downhole geophysics was used for all Berkeley drillholes to determine an Equivalent Uranium Grade, used only when no chemical

assay data was available. The downhole gamma response was converted to equivalent  $U_3O_8$  after correcting for radon, hole diameter, air/water and application of a deconvolution filter.

#### 2.5.4 Resource Estimates

A Mineral Resource Estimate (MRE) for the three deposits was prepared using historical JEN/ENUSA and Berkeley data for the purposes of the DFS. The estimate is based on a 200ppm  $U_3O_8$  cut-off grade and an upper limit applied. RHDHV considers that there is sufficient material technical information from the previous work undertaken to imply that there are reasonable prospects for eventual economic extraction to satisfy the Resource estimates.

Surpac and Isatis software were used for geological modelling, block modelling, grade estimation, MRE classification and reporting. Sectional geological interpretations were joined to create a series of 3D mineralised wireframe domains that showed continuity above a grade of 100ppm  $U_3O_8$ . Statistical analysis and geostatistical variogram modelling was used to determine appropriate parameters for estimation of uranium grade using Ordinary Kriging (OK) and Localised Uniform Conditioning (LUC).

Variography was used to derive appropriate orientation and weighting factors employed by the OK and LUC algorithms. Suitable sample search distances, minimum and maximum sample numbers required to make a grade estimate and search ellipse anisotropy to honour the mineralisation trends were derived. These parameters were chosen to ensure that the Resource model honoured the global and local grade distribution of the uranium mineralisation.

Individual estimates for each deposit were undertaken in January 2016 and December 2011 for Retortillo and Alameda respectively. Zona 7 was estimated in November 2014, October 2015 and February 2016 for different domains of the deposit.

*Table 2-1. Salamanca Resource estimate*

| Deposit                            | Classification | Tonnage (Mt) | $U_3O_8$ (ppm) | $U_3O_8$ (t)  | $U_3O_8$ (Mlbs) |
|------------------------------------|----------------|--------------|----------------|---------------|-----------------|
| Retortillo,<br>Zona 7 &<br>Alameda | Measured       | 9.3          | 597            | 5,566         | 12.3            |
|                                    | Indicated      | 41.8         | 516            | 21,555        | 47.5            |
|                                    | Inferred       | 6.9          | 394            | 2,715         | 6.0             |
| <b>TOTAL</b>                       |                | <b>58.0</b>  | <b>514</b>     | <b>29,837</b> | <b>65.8</b>     |

Table 2-2 later presents the breakdown of Resource classifications for each of the three deposits. Retortillo and Zona 7 have approximately a quarter of Resources within the Measured category. Remaining Resources for Retortillo are principally classified as Indicated whilst Zona 7 also has a small proportion of Inferred Resources. Alameda is principally classified as Indicated with no Resources estimated within the Measured category. In all cases Resource estimates were undertaken using a 200ppm  $U_3O_8$  cut-off grade. This is consistent with the grade used to report previous estimates for this style of mineralisation and is accepted as reasonable by RHDHV for near-surface mineralisation. Validation of the models included visual inspection of the grade distribution compared to the drill hole data, comparison of block model and drill hole statistics and creation and assessment of swath plots.

Inferred Resources represent only a small proportion (9%) of the total contained  $U_3O_8$  and demonstrates significantly lower grades than that estimated within the Measured and Indicated classifications.

Table 2-2. Salamanca Resource estimate classifications

| Deposit    | Measured | Indicated | Inferred | Proportion of Total U <sub>3</sub> O <sub>8</sub> Resource | Total Resource Grade (ppm U <sub>3</sub> O <sub>8</sub> ) |
|------------|----------|-----------|----------|------------------------------------------------------------|-----------------------------------------------------------|
| Retortillo | 26%      | 73%       | 1%       | 22%                                                        | 442                                                       |
| Zona 7     | 26%      | 58%       | 16%      | 46%                                                        | 631                                                       |
| Alameda    | 0%       | 95%       | 5%       | 32%                                                        | 462                                                       |

\* Retortillo estimate based on a 200ppm U<sub>3</sub>O<sub>8</sub> cut-off by Maja Mining Limited 2016

\*\* Zona 7 estimate based on a 200ppm U<sub>3</sub>O<sub>8</sub> cut-off by Maja Mining Limited 2016

\*\*\* Alameda estimate based on a 200ppm U<sub>3</sub>O<sub>8</sub> cut-off by AMC UK 2011

Approximately 50% of the total Resource base has been estimated at the Zona 7 deposit that also demonstrates higher grades compared to that estimated at Retortillo and Alameda. This highlights the importance of the Zona 7 deposit.

### 2.5.5 Geotechnical

The geotechnical work undertaken for the Salamanca Project is comprehensive and constitutes a feasibility level study. Whilst no new geotechnical data was collected for the DFS, the amount of collated data allowed for a detailed slope design for each pit. Retortillo has undergone the most geotechnical investigation; 58 logged holes, compared to 24 and 23 for Zona 7 and Alameda respectively. Notwithstanding this, there are a few risks associated with the geotechnical slope design process and results, in particular:

- The slopes were modelled as dry, which is optimistic;
- Whilst the geotechnical domains are tailored to represent the variation in the rock mass, it was simplified into horizontal layers; and
- The analytical modelling used optimistic circular failure surfaces and failure surface limits, though this is not considered to significantly affect the resulting factor of safety values

The stack slope angles could be considered aggressive, even for relatively shallow pits, but the inclusion of geotechnical berms brings the overall slope angles down to acceptable levels. The berm widths on each bench are considered to be limited for practical mining; losses of the berms will occur, even with careful blasting and the width (3m – 4.5m) would not provide sufficient room for cleaning. However, the catch berms (10m) would provide adequate room for clean-up and the pits will be backfilled, thus reducing the requirement for cleaning of the berms and catch berms where the pit service life is short. The geotechnical report and RHDHV highlight that infrastructure should be no closer than 50m from the slope crest.

RHDHV consider that further study is required to confirm the slope angles proposed in the DFS. The slope stability should be re-appraised with water present. Despite this recommendation, RHDHV considers the cost estimates to be reasonable for use in the financial model given the assumed slope parameters are within acceptable limits.

### 2.5.6 Hydrogeological

The hydrogeological site investigation work is considered suitable for feasibility study level, though work at Zona 7 is not to the degree as at Retortillo. The hydrogeological model includes testing conducted to a depth of 80m, which has been used to represent conditions to 200m depth. The groundwater modelling is simplistic for the relatively complex hydrogeological conditions at Salamanca, with an 'instantaneous' excavated pit modelled as opposed to incremental mining. This resulted in the model showing very high

inflows; high level calculations for pit inflows based on the hydrogeological model used a 20% of the maximum inflow rate. The dewatering plan includes perimeter wells, weep wells and in-pit sump pumping.

Further hydrogeological work has previously been recommended for the Project, with which RHDHV agrees. This is planned by Berkeley to mitigate the current issues thus providing confidence in the study out-puts, and is to be undertaken over the next 12 months. RHDHV recommends that the results of the updated hydrogeological model are used within a geotechnical model update.

## 2.6 Development Status

In July 2016 Berkeley announced the results of a DFS managed by MDM Engineering (a subsidiary of Amec Foster Wheeler) and supported by other consultants including:

- MDM Engineering – study management, process plant design, infrastructure, capex and opex;
- Bara Consulting - Ore Reserve estimate, mine/dump/backfill design, capex and opex;
- AECOM – environmental management, permitting, radiological protection;
- Iberdrola Engineering & Construction – radiological protection;
- OHL Consulting – materials handling and cost estimate; and
- FRASA / INGEMISA – hydrogeology.

In November 2016 Berkeley announced the completion of an offtake agreement with Curzon Resources (Curzon) – formerly Interallloys Trading Limited (Interallloys) - for the sale of first production from the Project. In March 2017 the Euratom Supply Agency, the governing body for all nuclear fuel transactions within the European Union, concluded that the agreement was in accordance with the Euratom Treaty and formally approved the offtake agreement. Details of the agreement are discussed further in **Section 2.12.2**.

Berkeley currently has 2.75Mlbs U<sub>3</sub>O<sub>8</sub> under long-term contracts over the first six years of production. The average fixed price per pound of contracted and optional volumes is above US\$42/lb U<sub>3</sub>O<sub>8</sub>.

Throughout H1 2017 Berkeley has commissioned FEED and subsequently progressed pre-construction works at the Salamanca Project that has involved site clearance and ground works, road deviations and the delivery of the primary crushing equipment to site. Completion of FEED by Amec Foster Wheeler Group resulted in a 1% reduction in upfront capital costs for the Project to €82.3m (US\$93.8m), with final up-front direct costs of €74.7m (US\$85.1m) compared to the DFS. This reduction in costs is attributable to updated material quantities and estimates from final sub-contractor and supplier contracts. Notwithstanding the recommendations in the TAR, the minor cost reduction arising from the FEED work lends comfort that the DFS was robust. It is also noted that Amec are progressing the project through to construction so benefits from continuity and design ownership should be realised.

On 31 August 2017 Berkeley also announced the securing of a US\$120 million investment in the Project from the sovereign wealth fund (State General Reserve Fund, SGRF) of the Sultanate of Oman that will reportedly fully-fund the Project into production. To support this investment a Due Diligence Report was prepared by SRK Consulting in July 2017.

The Project is expected to be under construction for approximately 12-18 months at which time the commissioning phase will commence. Berkeley is targeting first production at either the end of 2018 or beginning of 2019.

Through the investment the fund also has the right to appoint a non-executive director to the Board and the right to match future uranium offtake transactions on similar commercial terms subject to a SGRF 10% interest in the company on an as converted basis. The investment comprises:

- Interest-free and unsecured convertible loan of US\$65 million that could be converted at 50 pence per share for a 28% ownership of Berkeley, and;
- Three tranches of options convertible at a price of 85 pence per share for a further US\$55 million and additional 9% ownership.

## 2.7 Inferred Resources

### 2.7.1 Salamanca and Satellite deposits

The Retortillo and Alameda deposits of the Salamanca Project have been identified to hold the potential for additional Resources as extensions to the existing ore deposits; referred to as the Retortillo and Alameda Satellites for which Inferred Resources have been estimated. Along with the Inferred Resources estimated for the main deposits these areas constitute a total Inferred Resource base for Salamanca.

### 2.7.2 Gambuta deposit

Berkeley also holds an additional Inferred Resource base at the Gambuta deposit located 145km to the southeast of Retortillo. Gambuta was initially discovered by JEN who were successful in defining the zone of mineralisation. Since 2007 Berkeley continued exploration within the region and was defined and extended the Gambuta resource. The mineralisation style seen at Gambuta is similar to the deposits at Retortillo. The style of the uranium mineralisation includes vein and disseminated mineralisation in joint/fracture filling associated with brittle deformation. Uraninite and coffinite are the primary uranium minerals.

Following continued exploration by Berkeley an Inferred Resource estimate of 12.7Mt at 394ppm  $U_3O_8$  for 11.1Mlbs  $U_3O_8$  was determined at a 200ppm cut-off grade. The Resource was estimated using 62 diamond and reverse circulation drill holes to a depth of up to 90m.

A Scoping Study for the Gambuta deposit was completed in 2014 and it is understood that the current Investigation Permit (Almendo) was renewed for 3 years in 2016, although the current status of the Permit has not been reviewed. A positive outcome was reported for the Scoping Study that confirmed favourable metallurgical recovery test work, preliminary geotechnical studies, pit designs and early-stage infrastructure concepts.

### 2.7.3 Inferred Resource Summary

The following table summarises the Inferred Resources estimated for the Salamanca Satellites and the Gambuta deposit.

Combined with 6.9Mt at 394ppm for 6.0Mlbs  $U_3O_8$  of Inferred Resources estimated at the main Salamanca Project (0.2Mlbs, 4.8Mlbs and 1Mlbs for Retortillo, Zona 7 and Alameda respectively) the total Inferred Resource base for the Salamanca and Gambuta deposits is 29.6Mlbs  $U_3O_8$ . This is approximately 50% of the current Measured and Indicated Resource base at Salamanca.

Table 2-3. Salamanca Inferred Resource estimates

| Deposit              | Tonnage (Mt) | U <sub>3</sub> O <sub>8</sub> (ppm) | U <sub>3</sub> O <sub>8</sub> (t) | U <sub>3</sub> O <sub>8</sub> (Mlbs) |
|----------------------|--------------|-------------------------------------|-----------------------------------|--------------------------------------|
| Retortillo Satellite | 2.8          | 492                                 | 1,361                             | 3.0                                  |
| Alameda Satellite    | 9.1          | 472                                 | 4,309                             | 9.5                                  |
| Gambuta              | 12.7         | 394                                 | 5,035                             | 11.1                                 |
| <b>Sub-Total</b>     | <b>24.6</b>  | <b>434</b>                          | <b>10,705</b>                     | <b>23.6</b>                          |
| Retortillo           | 0.2          | 368                                 | 74                                | 0.2                                  |
| Zona 7               | 6.0          | 364                                 | 2,173                             | 4.8                                  |
| Alameda              | 0.7          | 657                                 | 468                               | 1.0                                  |
| <b>TOTAL</b>         | <b>31.5</b>  | <b>425</b>                          | <b>13,420</b>                     | <b>29.6</b>                          |

Given the small proportion (9%) of Inferred Resources within the main Salamanca Project the potential of the Inferred Resources to be included in future mine plans – to be upgraded to Indicated or Measured classifications – will be principally determined by the perceived exploration potential of the Salamanca Satellites coupled with the results of infill drilling at Alameda to raise Inferred Resources to Indicated category and extend the deposit limits.

Combined with the Measured and Indicated Resource estimates, the total Resource base of contained U<sub>3</sub>O<sub>8</sub> across all classifications held by Berkeley is 89.3Mlbs U<sub>3</sub>O<sub>8</sub>.

## 2.8 Mining

### 2.8.1 Strategy

The Salamanca Project will involve open pit mining and continuous backfilling (rehabilitation) of three separate uranium deposits, namely Retortillo including Santidad (Retortillo North), Zona 7 and Alameda. The mining strategy will involve staged development of each of the deposits so as to optimise the mining of lower and higher ore grades, overburden removal and to allow for final mining permits to be awarded for Zona 7 and Alameda. The Project will be operated on a mining contractor basis using locally available providers.

Mining at Salamanca will commence at the Retortillo deposit until such time that the Exploitation Concession for Zona 7 (expected to be approximately 12 months) is granted and mining activities can be transferred. Following completion of mining at Zona 7 after approximately seven years all activities will return to Retortillo for four years that will subsequently be followed by Santidad; also referred to as the Retortillo North Pits, located between the Retortillo and Zona 7 deposits. Alameda will be mined independently and will begin an estimated 3 years after Retortillo.

Mined material above the cut-off grade will be classified as uranium ore and will be designated for transportation to the heap leach pads for processing (or temporarily stored until there is adequate pad capacity available). Once this material has been processed it is subsequently classified as “ripios” that will be used as open pit backfilling material, taking priority over all other waste material types.

Material below the cut-off grade but above 40ppm U<sub>3</sub>O<sub>8</sub> or with the potential to be acid generating will be classed as non-inert waste. Non-inert waste is to be stored separately and used as backfilling material as capacity allows, below the water table. Material below 40ppm U<sub>3</sub>O<sub>8</sub> and deemed to have low acid

generating potential will be classed as inert waste that will be used for select construction activities (dump lining material, visual berms and slopes) or will be dumped permanently on surface.

### 2.8.2 Mine Design & Planning

The mining production schedule that has been developed for the Project has been designed so as to provide a consistent tonnage of ore to the processing plant, maximise the grade to the processing plants during the initial years of the operation, and maintaining a consistent output. A consistent ore production is achieved from 2021 at approximately 500-600,000 bcm/qtr, decreasing after 2026.

As a result of the mining strategy – moving between the deposit sites in the initial years – and in order to maintain consistent ore production, the mining schedule demonstrates high variation in total production of which a major component is the handling of ripios material. After an initial ramp up period to 2,380k bcm/qtr by 2021 the total production is shown to fluctuate between successive quarters, in some cases as much as 30-50%. The re-scheduling of ripios this material may allow a more consistent volume of handling to be achieved. This would provide a greater level of certainty to the mining contractor and reduce the potential for production delays or cost escalations.

Should the approvals for the Zona 7 deposit be delayed this will have a material impact on the production and grade schedules currently proposed; due to the lower grade and higher strip ratio of the Retortillo pit compared to Zona 7. This may become of increased importance should any production delays be experienced at Retortillo that would add pressure on developing the Zona 7 pit.

Regardless of the complex mining schedules and backfilling programme the mining methods, designs and layouts are considered conventional for an open pit operation.

### 2.8.3 Reserves and Modifying Factors

In order to develop mining schedules for each of the deposits an Ore Reserve estimate was undertaken for each with consideration for Modifying Factors. Factors to account for mining recovery (95%, 99% for Alameda), dilution (4%, 1% for Alameda) and plant recovery (85%) were determined, in addition to a cut-off grade. Factors applied to Alameda were reduced to account for the larger modelled block sizes used for the Alameda deposit (10x10x6m instead of 5x5x6m).

Reserve cut-off grades of 110ppm, 100ppm, 125ppm and 95ppm were applied to Retortillo, Santidad, Zona 7 and Alameda respectively. These are lower than the 200ppm cut-off grade used to estimate Resources and as such these mining cut-off grades were reapplied to estimate “Resources Considered for Mining” for each deposit.

The total DFS Reserve estimate is as follows. A small proportion of Inferred Resources at Santidad (0.1Mlbs) and Zona 7 (0.4Mlbs) have been included in the mining inventory – equivalent to 1% - but have not been reported as part of the Reserve estimate.

Table 2-4. Salamanca Reserve estimate

| Category     | Tonnage (Mt) | Grade U <sub>3</sub> O <sub>8</sub> (ppm) | Contained U <sub>3</sub> O <sub>8</sub> (Mlbs) |
|--------------|--------------|-------------------------------------------|------------------------------------------------|
| Proven       | 10.5         | 487                                       | 11.3                                           |
| Probable     | 50.2         | 391                                       | 43.3                                           |
| <b>TOTAL</b> | <b>60.7</b>  | <b>408</b>                                | <b>54.6</b>                                    |

#### 2.8.4 Capital Costs

Up front capex for the Project is principally distributed across an initial 3 year construction and pre-production period. The primary component of mining capex is related to pre-stripping of overburden material and ground preparation for the stockpile and waste dump areas.

The following table summarises the total life of mine capital cost estimates for the Project, including mining, processing, other (infrastructure) and G&A that are referenced in the following sections. These are based on current financial modelling estimates and totals may vary due to rounding.

Table 2-5. Life of Mine Capex

| Capital Cost Item                                | Deposit             | Estimate (€m) | Sub-Totals (€m) |
|--------------------------------------------------|---------------------|---------------|-----------------|
| Processing Plant                                 | Retortillo-Santidad | 79.76         |                 |
|                                                  | Zona 7              | 45.28         |                 |
|                                                  | Alameda             | 61.29         | 186.34          |
| Plant Sustaining Capex                           | Retortillo-Santidad | 10.49         |                 |
|                                                  | Zona 7              | 3.17          |                 |
|                                                  | Alameda             | 5.52          | 19.18           |
| Mining                                           | Retortillo-Santidad | 9.58          |                 |
|                                                  | Zona 7              | 5.52          |                 |
|                                                  | Alameda             | 5.67          | 20.77           |
| Other<br>(access roads, diversions, power lines) | Retortillo-Santidad | 6.45          |                 |
|                                                  | Zona 7              | 2.45          |                 |
|                                                  | Alameda             | 4.73          | 13.63           |
| G&A                                              | All                 | 7.02          | 7.02            |
| <b>TOTAL Life of Mine Capex</b>                  |                     |               | <b>246.93</b>   |

#### 2.8.5 Operating Costs

Berkeley received quotations from five local mining contractors based on the anticipated operations at the Retortillo and Zona 7 deposits. Reliance on contractor quotations for this level of study is favourable and provides confidence that costs have been estimated with consideration for the specific mine plan and schedule being proposed as opposed to using benchmarked costs from different projects.

All quotations were received shortly before being considered for the DFS and therefore were effective from Q3 2016. Following a comparison of quotations, a Spanish earth moving and civils contractor was chosen to serve as the economic basis of the mining costs.

Total LoM (Life of Mine) mining operating costs are estimated to be €265m, including costs beyond 2032 that are solely associated with rehabilitation (€9m). A summary of the total life of mine operating costs are presented below including mining, processing and G&A that are referenced in the following sections. These are based on current financial modelling estimates and totals may vary due to rounding.

Table 2-6. Life of Mine Opex

| Operating Cost Item            | Deposit             | Estimate (€m) | Sub-Totals (€m) |
|--------------------------------|---------------------|---------------|-----------------|
| Processing Plant               | Retortillo-Santidad | 83.19         |                 |
|                                | Zona 7              | 104.76        |                 |
|                                | Alameda             | 133.64        | 321.59          |
| Ripios Removal                 | Retortillo-Santidad | 13.25         |                 |
|                                | Zona 7              | 7.64          |                 |
|                                | Alameda             | 24.43         | 45.32           |
| Mining                         | Retortillo-Santidad | 88.89         |                 |
|                                | Zona 7              | 71.09         |                 |
|                                | Alameda             | 105.46        | 265.44          |
| G&A                            | All                 | 56.03         | 56.03           |
| Mine Rehabilitation            | All                 | 151.44        | 151.44          |
| <b>TOTAL Life of Mine Opex</b> |                     |               | <b>839.82</b>   |

It is important to note that no contractor quotations were obtained for the anticipated mining operation at Alameda. Contractor estimates for Retortillo and Zona 7 were extrapolated in order to determine mining costs at Alameda and as such these cannot be considered site-specific and to an equally high level of accuracy. RHDHV consider it reasonable for the company to extrapolate costs from Retortillo to Alameda given it is some years from production and costs will be refined as development at Alameda approaches. However, to be conservative and reflect the current estimation approach taken, RHDHV recommends that a mining operating cost premium of 5% be applied to the Alameda estimates. This will serve to mitigate against potential cost increases to account for specific characteristics of the deposit that may influence contractor costs.

Following a review of the documentation provided and information obtained during the site visit, the following risks have been identified:

- Mining permit for Zona 7 has not yet been awarded. A material delay to the permitting would negatively impact the Project; given Zona 7 is higher grade. Alameda represents a significant proportion of Probable Reserve tonnage (53%) and of the total Reserve tonnage (43%) of the Project although the geological and modifying factor investigations have not been conducted to the same standards as Retortillo or Zona 7. Such work is expected to occur as production from Alameda approaches, including hydrogeological work over the next 12 months.
- Mining contractor costs for the Alameda deposit have been factored from detailed estimates obtained for Retortillo and Zona 7. Cost accuracy therefore may not be considered to be of the same level of accuracy i.e. not that typically expected for a DFS.
- Complex mining schedule requires the selected mining contractor to efficiently manage the proposed production, ore/waste handling schedules and mining equipment to prevent delays or higher operating costs;
- Contract terms to cover disputes with the mining contractor should be finalised to ensure appropriate bonuses and penalties against planned production may be effectively enforced;

- Pockets of existing opposition to mining operations near Retortillo village and the potential effects of blasting activities at all deposits (both to the surrounding area and stakeholder opinions) will require careful management by the Berkeley Owners team.

A principal risk to the Project is the timely approval of final permitting for Zona 7 that is anticipated to come online after 1 to 2 years at Retortillo. Combined with the potential for delay in the Retortillo construction programme, RHDHV recommends that a risk premium to the financial model discount rate of 2% should be added to account for a potential project delays.

## 2.9 Mineral Processing

### 2.9.1 Process Route

The process routes proposed to treat the three ores are as follows:

- Retortillo – crushing, agglomeration, heap leaching, solvent extraction (SX), ammonium diuranate (ADU) precipitation, filtration and calcining.
- Zona 7 – crushing at Zona 7, transport to Retortillo by conveyor, agglomeration, heap leaching, solvent extraction, ammonium diuranate (ADU) precipitation, filtration and calcining.
- Alameda – crushing, agglomeration, heap leaching and ion exchange (IX) at Alameda, transport of the loaded resin to Retortillo, elution of the loaded resin, solvent extraction, ammonium diuranate (ADU) precipitation, filtration and calcining.

The processes proposed are all industry proven that have been used in the South African uranium industry for the past 40 years and in the Namibian uranium industry for more than 20 years. Ion exchange is generally used when the pregnant leach solution (PLS) produced by leaching is too low grade to be economically processed by solvent extraction directly. In the case of Alameda, an additional reason for selecting ion exchange was the need to produce an easily transportable intermediate product. The loaded resin will be transported to Retortillo, eluted, regenerated and returned to Alameda.

At Retortillo and Alameda, on-off heap leaching has been selected over continuous heaps. In the case of on-off heaps only a single layer (lift) of agglomerated ore is deposited on the heap leach pad. The heap is then leached. Once the heap has been rinsed, the tailings (commonly referred to as ripios) are removed and transported to a temporary ripios dump before being used as backfill.

The advantage of on-off heaps is that should any solution percolation or heap slumping problems be experienced, the problem will only affect the lift being leached. In the case of a continuous heap, solution percolation or heap slumping problems will have a permanent effect on the heap, often with disastrous results. Hydrological testwork carried out on Retortillo ores indicated that neither solution percolation nor slumping is likely to be a problem.

This testwork has not been carried out on Alameda ore and is planned to be undertaken at Zona 7, because testwork on this ore has only been performed in 1 metre high columns, as opposed to the 6 metre high columns used for the Retortillo and Zona 7 testwork. The disadvantages of on-off pads are that a separate, temporary ripios dumping area is required before material is transported to backfill the open pit, and the additional cost of transporting this material.

Ion exchange is a well-known process in uranium processing. In the late 1970's the NIMCIX (National Institute for Metallurgy Continuous Ion Exchange) column was developed. It was developed by the National Institute for Metallurgy (the forerunner of Mintek) in South Africa, and is the industry standard. Continuous development of ion exchange resins tailor-made for uranium processing has taken place over

the years. Similarly for solvent extraction, continuous development of SX mixer-settlers and reagents has taken place.

The processes selected for the treatment of the Salamanca ores are well-suited to the particular ore and are industry proven. RHDHV endorses that all studies leading up to the current DFS were conducted by companies specialising in the mining and mineral treatment fields with uranium expertise.

### 2.9.2 Predicted Recoveries

The uranium recoveries shown in the Berkley financial model are Retortillo 87.1%, Zona 7 92.7% and Alameda 83.2%. These recoveries take account of a scale-up dilution factor from heap leach testwork results to overall plant recovery of 98% for Retortillo and Zona 7, and 96% for Alameda. The lower scale-up factor for Alameda is partly due to the fact that the testwork on Alameda ore was only carried out in 1 metre high columns, while testwork for Retortillo and Zona 7 was carried out initially in 1 metre columns and later in 6 metre columns. The results from the 6 metre columns are more representative of what is likely to be achieved in the plant than the 1 metre column results.

It is assumed that the above scale-up factors also account for other recovery losses in the production plant such as losses in the ion exchange and solvent extraction plants.

SRK, in its due diligence report, proposes applying a further discount of 2.3% for Retortillo and Zona 7 on the basis that Mintek reported in their solvent extraction testwork that the uranium loss to the organic phase in solvent extraction phases is 4.6% and in addition there may be a less than 1% loss in washing of the ADU product. SRK proposed that allowing for recirculation of the organic liquor to the SX feed, they would recommend a lower discount of 2.3%. It is assumed SRK's 2.3% is partly included in the 98% scale-up factor applied in the DFS document.

In the case of Alameda, SRK also states that based on the ion exchange testwork performed there is likely to be a 5% loss of extracted uranium in the ion exchange circuit prior to solvent extraction. It is likely that part of this 5% would be recovered when the ion exchange column tail solution is recycled to the heap leaching step. It is assumed this loss is partly included in the 96% scale-up factor applied to the Alameda recovery in the DFS document.

Based on the above, the reviewer is of the opinion that the uranium recoveries in the Berkley financial model may need to be discounted by up to 1% for Retortillo and Zona 7, and by up to 3% for Alameda. It is noted that the DFS document states that 6 metre column testwork has been planned for Alameda ore. This will reduce part of the uncertainty relating to the Alameda recovery. Benchmarking information provided by Berkeley included heap leach recovery operations for uranium and copper projects. It is evident from review that the benchmarking information largely supports the theory that in the majority of cases the uranium dissolutions achieved during pilot scale testing (i.e. 6 metre high columns) were representative of that achieved during operation.

This provides some additional confidence in the recoveries demonstrated by Berkeley testwork and emphasises the importance of undertaking the 6 metre high testwork for Alameda.

### 2.9.3 Capital Costs

The capital costs for this project have been developed using as a basis the industry standard for capital costs for a DFS. This involves, based on the metallurgical testwork performed, drawing up process flow diagrams, process design criteria, mass and water balances, identification and costing of all equipment (three quotations per item, if possible), plant layouts, piping and instrumentation diagrams, and a

proportion of the detailed design drawings required to carry out costing of the plant to the required level of accuracy for a DFS (+10%). This includes civils and earthworks, mechanical equipment, structural steel, plate work and piping, valves, electrical, instrumentation and control, installation, transport and owners costs. Critical spares and first fill of reagents costs are identified. EPCM costs and a project contingency have been calculated.

Generally for a DFS overall contingencies range between 8% and 10%, depending on the level of accuracy achieved, which is related to the proportion of detailed design drawings completed. The FEED stage subsequent to a DFS is intended to confirm material quantities and cost estimates on the basis of finalised contractor quotations and contracts.

This work has been carried as per the required standard, giving confidence that the proposed plant will be constructed within the budgeted capital cost figure. Contingency figures quoted in the DFS document were 4.5% for the Retortillo plant, 7.7% for Zona 7 and 4.9% for Alameda. These estimates are further supported following completion of the FEED stage which confirmed capital cost estimates were reduced by 1%, giving confidence in the work originally undertaken for the DFS, and are therefore considered to be reasonable by RHDHV.

#### 2.9.4 Operating Costs

The operating costs have been calculated from first principles and by obtaining a number of quotations for each reagent and consumable.

For uranium leaching operations, the largest single contributor to the operating cost is generally sulphuric acid. This relates to the quantity of sulphuric acid used for leaching and the unit cost. In the study the sulphuric acid cost for each plant is shown in the following table:

*Table 2-7. Sulphuric Acid costs per plant*

| Plant                                   | Retortillo | Zona 7 | Alameda |
|-----------------------------------------|------------|--------|---------|
| Sulphuric acid consumption kg/tonne     | 17.60      | 10.30  | 20.40   |
| Sulphuric Acid cost per tonne processed | 1.58       | 0.83   | 2.14    |
| Cost as % of plant operating cost       | 29.20      | 15.24  | 37.00   |

The costs are calculated from the acid consumption per plant determined during the testwork, and including an allowance for the minor sulphuric acid consumptions in the process (SX).

The unit price used for sulphuric acid in the study is EUR 70 per tonne delivered to site. The sulphuric acid market is generally volatile, resulting in variations in short-term prices and therefore representing a risk to the project. In sulphuric acid pricing, a major proportion of the price is frequently transport to site. CRU (a well-known international commodities pricing bureau) quoted a price for sulphuric acid for Europe of EUR 90 – 160 per tonne excluding transport. The reviewer sourced a report from Norfalco (Glencore, 2017) that shows a CRU graph in which the price for NW Europe is generally in the range \$10-20 per tonne FOB.

It is understood however that Berkeley has since agreed, via a MoU, a price of EUR 65 per tonne delivered with Glencore. The model should therefore be amended to reflect this updated price.

The plant operating costs are considered to be reasonable, based on the data provided.

The following risks have been identified following a review of the mineral processing and metallurgical testwork information for the Project.

- Testwork on Alameda ore has only been carried out in 1 metre high columns – testwork using 6 metre high columns is to be performed. This may affect the recoveries quoted for Alameda.
- The plant recoveries may be overstated due to operating losses in the ion exchange and solvent extraction plants not being completely accounted for.
- The capital cost contingency is reasonable considering the outcome of FEED that served to largely corroborate the work undertaken at DFS.

## 2.10 Infrastructure

The principal infrastructure components of the Salamanca Project comprise the following:

- Three operating mine sites at Retortillo, Zona 7 and Alameda;
- Stockpiles for pre-stripping, non-inert waste rock and uranium ore (later reclaimed following heap leach treatment);
- Heap leach pond and pads;
- Bulk service supplies including power, water and waste;
- Stormwater run-off and excess water discharge facilities;
- Processing facilities at Retortillo and Alameda;
- Overland conveyor for 8.2km between Retortillo and Zona 7 to transport ROM material to Retortillo and return ripios to the Zona 7 open pit;
- Mining contractor laydown areas including temporary (during construction) for process plant / infrastructure contractors and permanent (during extraction) for the appointed mining contractor;
- Mining contractor supporting and general infrastructure facilities at each of the deposits including but not limited to workshops, laboratories, administrative offices, change houses, stores, vehicle decontamination bays, weighbridges, waste disposal/treatment facilities, and security houses; and
- Site access roads for each of the deposit sites:
  - 3km re-route from Retortillo village to the Retortillo deposit;
  - 1.3km road upgrade to the Zona 7 deposit; and
  - 6.4km road upgrade to the Alameda deposit.

It is expected that following minor road upgrades for site access, the existing road network will be sufficient to support traffic associated with construction and the transportation loaded resin between Alameda and Retortillo.

In general the Project is located in an area of well-established infrastructure as has been demonstrated by the limited infrastructure requirements beyond that typically expected for any operation. This is corroborated by the relatively low capital cost requirements, and the small reduction in capital costs during FEED.

The following risks were identified with respect to the infrastructure of the Project:

- Two-way conveyor belt system has previously been identified as a potential risk that requires benchmarking;
- Sensitivity to haulage costs between Alameda and Retortillo using multiple quotes;
- Additional contingencies may be considered that would provide additional reassurance with regards to the conveyor system and proposed route development; and
- Urbanism and radiological facility permit approvals that have the potential to impact the overall construction timeline.

## 2.11 Environmental considerations

Environmental and construction permitting described below and has been reviewed by RHDHV based on existing reports in order to evaluate the current approval status of the Project.

As discussed in **Section 2.3**, mining activities are controlled by the General Direction of Energy and Mines Department of the Regional Government that grant the approval of Investigation (for exploration) and Exploitation Permits (for mining). Conversion to a mining permit requires the submission and approval of an Exploitation Plan, Reclamation and Closure Plan and an Environmental Licence. Uranium prospects also require approval from the National Security Council. Permits are initially granted for a 30 year period and can be extended for two subsequent periods, subject to approval.

The Environmental Licence requires the approval of an Environmental Impact Assessment (EIA) and a positive outcome of an Assessment of the Effects on Natura 2000 Network; a separate evaluation of the projects potential impact on natural area. These are granted by the Ministry of Development and Environment of the Regional Government.

Approval of uranium projects also required the approval of a radiological assessment and authorisation, issued by the Nuclear Safety Council under the Ministry of Industry, Tourism and Trade of the Central Government. The Council provide authorisations at key stages of project development, including on inception, for construction, operation and closure; specifically related to the establishment of facilities to handle radioactive materials and wastes.

Project permitting in Spain is also contingent on obtaining an Urbanism Permit to support infrastructure developments and Water Permits relating to the use and discharge of water resources.

During the EIA process for the Project, the following principal risks were identified for mitigation or management:

- Long-term stability of in-pit waste storage, including ripios and non-inert wastes with the potential for groundwater contamination;
- Impact on surface and groundwater water resources, including discharge of water into nearby water courses (Yeltes River and Rivera de Dos Casas, including tributaries);
- Impact on protected areas or species including Natura 2000 Network areas (Special Protection Areas and Special Areas of Conservation) and Habitats of Community Interest. This includes 200m buffer zones around nearby rivers;
- Radiation exposure via shared water resources or airborne transmittal;
- Archaeological sites around Alameda;
- Stakeholder engagement to prevent or manage local opposition; and
- Impacts on the villages of Villavieja de Yeltes, 500m from Zona 7, and Alameda de Gardón, 800m from Alameda.

The sections below summarise the status of required permits and licences for each of the deposits.

### 2.11.1 Retortillo

With the Mining Licence, Environmental Licence and the Authorisation of Exceptional Land Use already obtained, the remaining approval is the Construction Authorisation for the treatment plant as a radioactive facility, which is understood to be currently in process.

The current status of permitting for the Retortillo deposit includes:

- Environmental Licence granted October 2013 (includes EIA and Natura 2000 Assessment);

- Exploitation Concession granted April 2014 (includes Exploitation Plan, Reclamation and Closure Plan and an Environmental Licence), valid until April 2044;
- Radiological Permit (stage 1) granted in September 2015 for pre-construction;
- Water Permits (for water use and discharge) granted;
- Radiological Permit (stage 2) for construction submitted in December 2015 (contingent on Urbanism Permit) with initial approvals received; and
- Urbanism Permit approved July 2017.

### 2.11.2 Zona 7

The current status of permitting for the Zona 7 deposit includes:

- Environmental Licence submitted November 2016 (including draft EIA and Natura 2000 Assessment);
- Exploitation Concession submitted November 2016 (includes Exploitation Plan, Reclamation and Closure Plan and an Environmental Licence);
- Radiological Permit (stage 1) submitted November 2016;
- Water Permits not yet submitted (planned for 2018);
- Urbanism Permit not yet submitted (planned for 2018), awaiting on award of Permit for Retortillo;
- Radiological Permit (stage 2) for construction not submitted (planned for 2019).

### 2.11.3 Alameda

The current status of permitting for the Alameda deposit includes:

- Exploitation Plan and Reclamation and Closure Plan submitted in 2016;
- Draft EIA prepared but not submitted for Environmental Licence, awaiting on award of Licence for Zona 7; and
- Radiological (stage 1 - pre-construction or stage 2 - construction), Water and Urbanism Permits not yet prepared or submitted, awaiting approvals of Retortillo and Zona 7 as a priority.

It is clear that the present permitting strategy for Salamanca is to prioritise final approval of the Retortillo radiological and urbanism permits to allow construction activities to continue in line with the planned schedule. Following this priority will be placed on Zona 7 as delays to mining activities here has the potential to impact the Project after a relatively short period of 1 to 2 years. As previously discussed RHDHV consider the approval of Zona 7 one of the main risks to the project.

## 2.12 Market assessment

### 2.12.1 Commodity Price

Unlike other commodities uranium is not traded in an open market and is instead negotiated through off-take agreements and supply contracts. Contract pricing can either be based on a near-term supply basis using spot pricing or long-term contract basis, the latter being most common among energy utility companies who seek the long-term security of supply in order to justify development, for example, of new nuclear power plant facilities. For this security long-term supply contracts are often priced at a premium to spot pricing, with such premiums determined by forecasted supply and demand dynamics.

Supply contract pricing is primarily determined by independent industry consultants such as UxC or TradeTech with off-take agreements between producers and suppliers subject to approval by nuclear fuel regulatory authorities. Spot prices, as expected, are more susceptible to short-term fluctuations as a result of market sentiment.

Whilst the uranium market has historically been dominated by oversupply, 2007 saw the uranium price reach US\$140/lb compared to US\$40/lb a year before as depressed prices and cuts to investment across production and exploration were finally caught by new demand. Since this time the market has swung back into oversupply and prices have continued to fall to around US\$20/lb today; with the exception of a price rise in early 2011 to US\$65/lb following the Fukushima disaster. In Q4 2016 uranium spot prices reached 10-year lows. This was followed by a 25% increase in Q1 2017 after the announcement by Kazatomprom (the National Atomic Company of Kazakhstan) that uranium production would be cut during 2017.

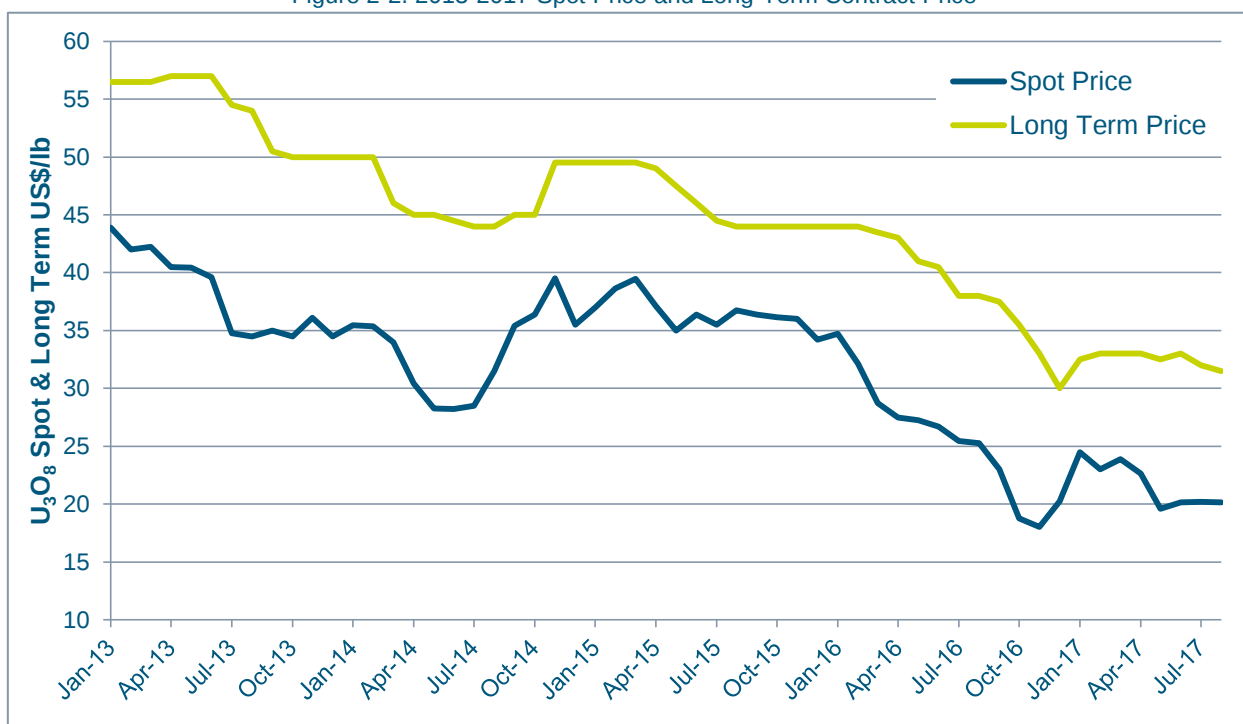
Figure 2-1. Historical Uranium Spot Price



Source: <http://www.indexmundi.com/commodities/?commodity=uranium&months=60>

It is reported that over the next 5 to 10 years the uranium market will grow as a result of depleting stockpiles and an increase in long-term demand prospects on the back of a new generation of nuclear power plants in China and India, and a return to the sector by Japan. This outlook for long-term demand is somewhat reflected in long term pricing that is currently trading at a \$10-20/lb premium over spot prices, with sales contracts showing premiums of US\$20-30/lb in some cases.

Figure 2-2. 2013-2017 Spot Price and Long-Term Contract Price



Source: <https://www.cameco.com/invest/markets/uranium-price>

### 2.12.2 Offtake Agreements

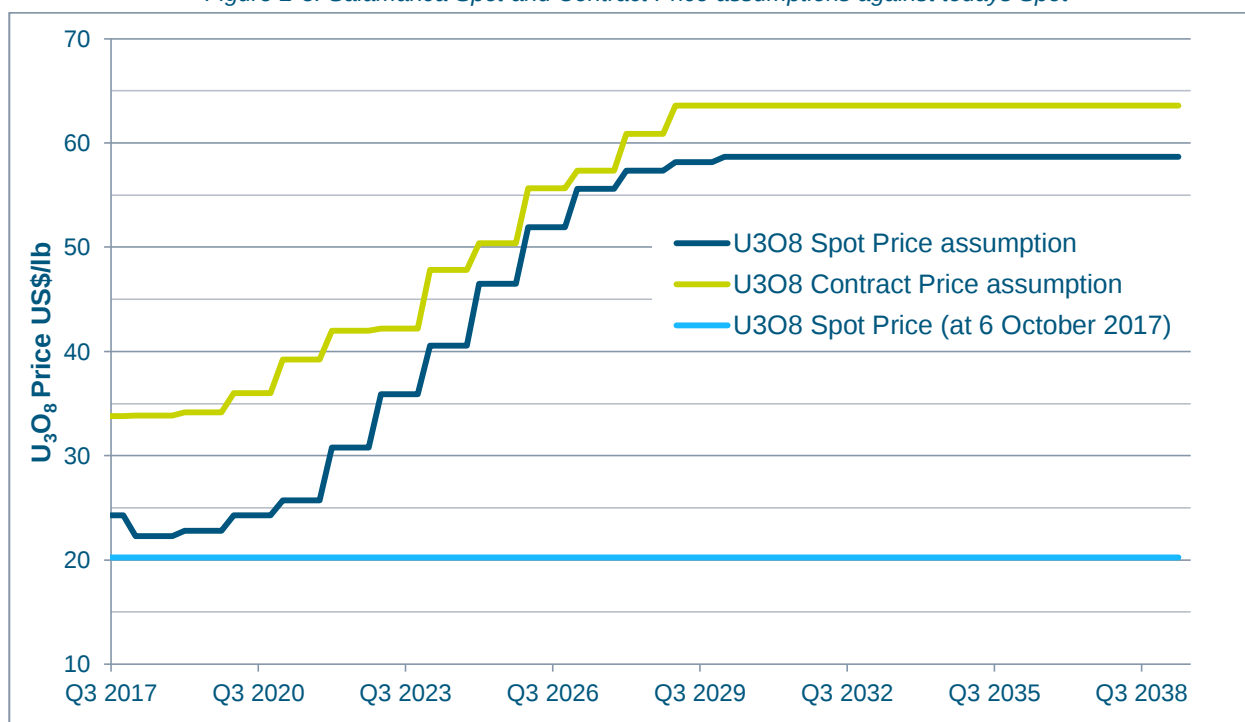
Revenue forecasts modelled in the Salamanca DFS are based on assumptions made regarding future long term offtake agreement contract prices, rather than applying a long term spot price assumption. Long term price forecasts have been compiled by Berkeley based on information provided by an independent consultant to the nuclear industry providing world nuclear fuel prices, uranium and uranium concentrate prices, futures contract pricing and outlook reporting. RHDHV agree that this price approach is sound and considered standard practice.

In November 2016, Berkeley announced the completion of an offtake agreement with Interallloys for the sale of first production from Salamanca; for 2Mlbs over a five year period with the option to extend volumes to a total of 3Mlbs. The agreement comprises an average fixed price of US\$43.78/lb of contracted and optional (additional two years of purchase) U<sub>3</sub>O<sub>8</sub> concentrate volumes. It specifies that 50% of volumes will be sold at fixed prices with the remaining 50% volume sold at spot pricing, subject to ±US\$9/lb floor and ceiling, after which the average fixed price (including optional volumes) is US\$42.43/lb. The agreement may be extended by two years for an additional 0.4Mlbs at US\$48/lb in Year 6 and 0.4Mlbs at US\$49/lb in Year 7.

Overall, Berkeley currently has 2.75Mlbs U<sub>3</sub>O<sub>8</sub> under long-term contracts over the first six years of production. The average fixed price per pound of contracted and optional volumes is above US\$42/lb U<sub>3</sub>O<sub>8</sub>.

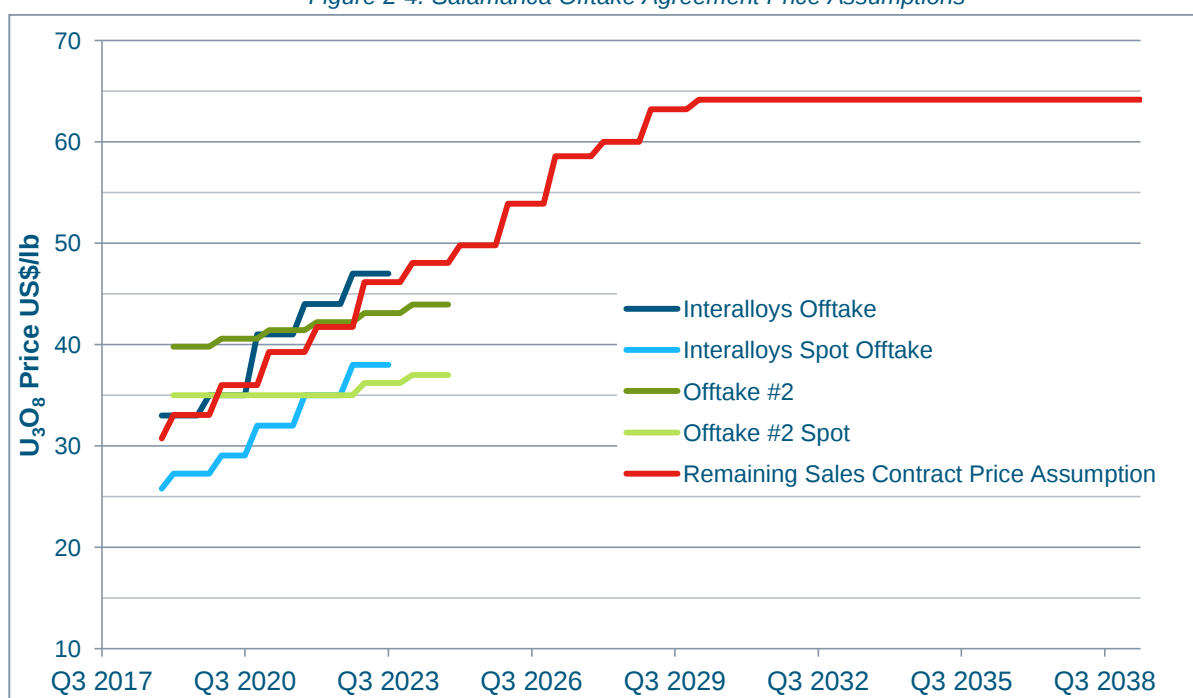
The following graph summarises U<sub>3</sub>O<sub>8</sub> price forecast information provided to RHDHV, sourced from Berkeley.

Figure 2-3. Salamanca Spot and Contract Price assumptions against today's Spot



The below summarises  $U_3O_8$  price forecast assumptions used for the purpose of financial modelling. Prices are primarily based around a Remaining Sales Contract Price assumption, that is, a price assumption for  $U_3O_8$  volume sales after the application of agreed offtake volume sales. These comprise the majority (94%) of available  $U_3O_8$  volumes with the remaining volumes sold according to offtake agreements concluded by Berkeley.

Figure 2-4. Salamanca Offtake Agreement Price Assumptions



Other recently completed U<sub>3</sub>O<sub>8</sub> offtake agreement contracts and contract price assumptions for technical reports including the following. These compare to a current spot price of approximately US\$20/lb.

**NexGen Energy Ltd** (September 2017) announced the results of a Preliminary Economic Assessment (PEA) for the Arrow Uranium Deposit (Rook I Project) in Saskatchewan, Canada. The price assumptions used in the report were based on April 2017 Energy and Metals Consensus Forecasts of **US\$48.32/lb**, with the economic assessment based on 100% at a price assumption of US\$50/lb.

**Plateau Uranium Inc.** (April 2017) announced a Letter of Intent from Curzon for an offtake agreement from the Macusani Uranium Project in Peru. The agreement included 2Mlbs over a five year period at an average price above **\$42/lb**, with options for additional volumes and a two year extension. Both parties have agreed for negotiate final agreement terms within the 12 months of the LOI.

**Denison Mines Corp.** (May 2016) announced the results of a PEA for the Wheeler River Uranium Project in Saskatchewan, Canada. The PEA reported a base case scenario using a long term contract price of **US\$44/lb** provided by UxC. A middle case was also reported using a long term (to 2026) price of US\$62.60/lb from UxC's Q1 2016 outlook.

**Peninsula Energy Ltd** (March 2016) announced another uranium concentrate sale agreement for the Lance Uranium Project, Wyoming USA. Combined with previous sale agreements the company has reported a weighted average price of **US\$56/lb** for 7.9Mlbs U<sub>3</sub>O<sub>8</sub>.

**Texas Rare Earth Resources Corp.** (April 2015) announced the completion of an offtake agreement with a subsidiary of AREVA, a global nuclear and renewable energy company based in France. The agreement includes 1.5Mlbs over a five year period from the Round Top Uranium Project in Texas USA, to be sold at an indexed spot price at the time of delivery.

## 2.13 Technical Assessment Summary

The following summarises RHDHV's recommendations following the technical assessment of the Salamanca Project:

- Geotechnical and hydrogeological studies are considered to be at feasibility level of study, although further analysis would be recommended in order to provide assurance surrounding particular assumptions, specifically regarding slope angles, failure surfaces and dry verses water-bearing slopes.
- RHDHV understands that further hydrogeological analysis will be undertaken by Berkeley over the next 12 months to mitigate potential limitations in hydrogeological modelling. RHDHV recommends that the results of the updated hydrogeological model are used within a geotechnical model update.
- RHDHV is of the opinion that costs relating to geotechnical and hydrogeological assessments of the Project are reasonable for the purposes of financial modelling.
- RHDHV is of the opinion that the mineral processing operational costs are considered reasonable as the basis of the existing financial model.
- Processing plant capital cost estimates are also considered reasonable based on the DFS results that were supported by only a small reduction achieved following FEED.
- RHDHV recommends that a 5% cost premium should be added to mining costs used for Alameda given these are currently factored from costs obtained from Retortillo and Zona 7, and are therefore not deemed to be at the same level of accuracy.



- RHDHV recommends that a risk premium to the financial model discount rate of 2% should be added to account for a potential project delays, including Retortillo construction and Zona 7 permitting.

## 3 Site Visit

### 3.1 Purpose

From 26 to 28 September 2017 RHDHV Specialists Mr Marco Maestri and Dr. Christopher Wheatley conducted a site visit to the Salamanca Project areas as part of a ground-truthing exercise. The purpose of the site visit was to obtain additional insight into the work undertaken – through technical meetings/discussions with Berkeley staff, observing drill core and a site walkover – and to provide further opportunity to obtain information that may be considered Material to the Valuation Report.

### 3.2 Observations

During the visit, detailed discussions were held with the following with onsite personnel:

Francisco Bellón del Rosal, Chief Operating Officer  
 Jesus Montero Gonzalez, Mining Manager  
 Mercedes Mallo Rodrigo, Mining Engineer  
 Enrique Martinez Colado, Geology Manager

Project Overview, Infrastructure, Costs, Plant  
 Mine Design, Schedule, Optimisation, Contractor  
 Retortillo Backfill Design  
 Geology, Resources, Core Shed demonstration

The onsite team were accommodating and addressed all RHDHV queries satisfactorily. Opinions regarding the reasonableness of the technical assumptions and subsequent cost inputs have been largely derived from the original DFS document and updates, supporting documentation and explanatory conversations held on site.

*Figure 3-1 Zona 7 Site showing barren landscape looking North towards Villavieja de Yeltes village, with the future pit area in the foreground*



Figure 3-2. Drill core box with late-stage open fractures with pitchblende and typical Berkeley logging sheet



Figure 3-3. Alameda, current view looking southwest across the future heap leach pad area towards Portugal



A site visit to the Gambuta deposit was not deemed to be necessary due to the early stage nature of the project and relatively immaterial valuation. The project was discussed with technical personnel at the Salamanca site.

## 4 Valuation

### 4.1 Valuation Approach

It is important to consider the factors that affect the **Market Value** of a Mineral Asset that takes into account the inherent risk in establishing an operating mine from a development project. The Market Value (also referred to as the *Fair Market Value*) is defined as “the estimated amount (or the cash equivalent of some other consideration) for which the Mineral Asset should exchange on the date of Valuation between a willing buyer and a willing seller in an arm’s length transaction after appropriate marketing where the parties had each acted knowledgeably, prudently and without compulsion”.

The most appropriate valuation approach to be applied is dependent on the quantity and quality of the available information and the development status of the Mineral Asset. Development Status categories classified by the VALMIN Code are provided below for context.

Table 4-1. Development Status Definitions

| Development Status      | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|-------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Early-stage Exploration | Properties where <b>mineralisation may or may not have been identified</b> , but where Mineral Resources have not been identified.                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Advanced Exploration    | Properties where considerable exploration has been undertaken and specific targets identified that warrant further detailed evaluation, usually by drill testing, trenching or some other form of detailed geological sampling. A <b>Mineral Resource estimate may or may not have been made</b> , but sufficient work will have been undertaken on at least one prospect to provide both a good understanding of the type of mineralisation present and encouragement that further work will elevate one or more of the prospects to the Mineral Resources category. |
| Pre-Development         | Properties where <b>Mineral Resources have been identified</b> and their extent estimated (possibly incompletely), but where <b>a decision to proceed with development has not been made</b> . Properties at the early assessment stage, properties for which a decision has been made not to proceed with development, properties on care and maintenance and properties held on retention titles are included in this category if Mineral Resources have been identified, even if no further work is being undertaken.                                              |
| Development             | Properties for which <b>a decision has been made to proceed with construction or production or both</b> , but which are not yet commissioned or operating at design levels. Economic viability of Development Projects will be proven by at least a Pre-Feasibility Study.                                                                                                                                                                                                                                                                                            |
| Production              | Properties – particularly mines, wellfields and processing plants – that have been commissioned and are in production.                                                                                                                                                                                                                                                                                                                                                                                                                                                |

Based on review of technical information for the Salamanca Project, Salamanca Satellites (Salamanca Inferred) and the Gambuta Project, RHDHV has determined the following Development Status for each that will serve to inform the selection of the most appropriate valuation methods.

Table 4-2. Salamanca and Gambuta Development Status

| Project                                     | Description                                                                                                                                                                                                                                                                                               | Development Status |
|---------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|
| Salamanca (including Retortillo, Zona 7 and | In July 2016, Berkeley published the results of a Definitive Feasibility Study that reported on the technical and economic viability of the Project; including an updated Mineral Resource and Ore Reserve estimate and an updated Discounted Cashflow model. As of August 2016 Berkeley announced that a | Development        |

| Project                                                 | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Development Status   |
|---------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|
| Alameda)                                                | <p>decision had been made to proceed with construction and that the Project had entered the development phase including commencement of initial infrastructure works.</p> <p>Front End Engineering Design (FEED) completed July 2017. The Project is anticipated to be commissioned in 2018 for first production in late-2018/early-2019.</p>                                                                                                                                                                                                |                      |
| Salamanca Satellites (including Retortillo and Alameda) | <p>Extensions to the existing Salamanca deposits are reported to contain Inferred Resources of 2.8Mt at 492ppm for 3Mlbs U<sub>3</sub>O<sub>8</sub> (the Retortillo Satellite) and 9.1Mt at 472ppm for 9.5Mlbs U<sub>3</sub>O<sub>8</sub> (the Alameda Satellite).</p> <p>Mineralisation has been confirmed at each satellite deposit following exploration drilling undertaken by Berkeley sufficient to warrant Resource estimates; the purpose being to define potential areas for expansion of the existing Salamanca Resource base.</p> | Advanced Exploration |
| Gambuta                                                 | <p>The separate Gambuta deposit has an estimated Inferred Resource of 12.7Mt at 394ppm U<sub>3</sub>O<sub>8</sub> for 11.1Mlbs U<sub>3</sub>O<sub>8</sub> at a 200ppm cut-off grade.</p> <p>A Scoping Study for the Gambuta deposit was completed in 2014 – based on exploration undertaken by Berkeley since 2007.</p>                                                                                                                                                                                                                      | Advanced Exploration |

There are three generally accepted valuation approaches which can be applied to projects of different development status; exploration, development and production. These three approaches are<sup>1</sup>:

The **Income Approach** “is based on the notion of cashflow generation. In this Valuation Approach the anticipated benefits of the potential income or cash flow of a Mineral Asset are analysed”.

The **Market Approach** “is based primarily on the notion of substitution. In this Valuation Approach the Mineral Asset being valued is compared with the transaction value of similar Mineral Assets under similar time and circumstance on an open market”.

The **Cost Approach** “is based on the notion of cost contribution to Value. In this Valuation Approach the costs incurred on the Mineral Asset are the basis of analysis”.

## 4.2 Valuation Methods and Selection

The Valuation Method refers to a subset of a Valuation Approach. It is generally accepted that the Market and Cost Approaches are best suited for the valuation of Early-stage Exploration projects - where a detailed cost analysis or financial model has not yet been undertaken – whilst the Market and Income Approaches are most applicable to Development or Production projects – where more accurate costs and income potential of the project are available or have been realised.

Examples of Valuation Approaches and Methods for projects of different development stages are presented below.

*Table 4-3. Common Valuation Approaches and Methods by Development Status*

| Approach | Method                   | General development category                     |                   |                    |
|----------|--------------------------|--------------------------------------------------|-------------------|--------------------|
|          |                          | Exploration                                      | Development       | Production         |
| Income   | Discounted Cash Flow     | Not generally used                               | Widely used       | Widely used        |
|          | Real options Analysis    | Less widely used                                 | Quite widely used | Quite widely used  |
|          | Monte Carlo Analysis     | Less widely used                                 | Less widely used  | Less widely used   |
|          | Probabilistic Methods    | Not widely used                                  | Not widely used   | Not widely used    |
| Market   | Comparable Transactions  | Widely used                                      | Widely used       | Widely used        |
|          | Option Agreement Terms   | Widely used                                      | Widely used       | Quite widely used  |
|          | Gross 'in-situ' Value    | Not acceptable                                   |                   |                    |
|          | Net metal value per unit | Widely used rule of thumb                        |                   |                    |
|          | Value per unit area      | Widely used                                      | Not widely used   | Not widely used    |
|          | Market capitalisation    | More applicable to single asset junior companies |                   |                    |
| Cost     | Multiples                | Quite widely used                                | Quite widely used | Widely used        |
|          | Exploration Expenditure  | Quite widely used                                | Not widely used   | Not generally used |
|          | Geoscience Factor        | Quite widely used                                | Not widely used   | Not generally used |

The following valuation methods chosen by the Specialists are considered to be the most appropriate given the current status of the Berkeley projects.

*Table 4-4. Salamanca chosen Valuation Approaches and Methods*

| Project            | Valuation Approach |        | Valuation Method                     | Description                                                                                                                                                                                                                                                                                                                                  |
|--------------------|--------------------|--------|--------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Salamanca          | Secondary          | Market | Comparable Sales Transaction         | Based primarily on the principle of substitution, the Mineral Asset being valued is compared with the transaction value of similar Mineral Assets, transacted in an open market.<br><br>This valuation is applicable to the Mineral Resource contained within the existing financial model i.e. excluding Inferred Resource classifications. |
| Salamanca Inferred | Primary            | Cost   | Multiples of Exploration Expenditure | Based on the principle of past expenditure and applies a premium (or discount) to past and committed future exploration costs.                                                                                                                                                                                                               |
| Gambuta            | Primary            | Cost   | Geoscientific Factor Method          | Based on the multiplication of weighting factors that are determined by an interpretation of the known geological characteristics of the property. The resultant weighting factor is applied to annual costs for maintaining the relevant exploration/concession licences.                                                                   |

In each case a range of valuations (low / preferred / high) is provided to reflect the potential for uncertainties in the analysis.

The valuation methods selected for this report include Comparable Sales Transaction (Market), the Geoscientific Factor Method (GFM) and Multiples of Exploration Expenditure (MEE) using a Prospectivity Enhancement Multiplier (PEM).

## 4.3 Salamanca Project

### 4.3.1 Primary: Discounted Cashflow

As per the terms of the commission, RHDHV understands that BDO will model the Salamanca Project using discounted cashflows which will form the basis of the primary, income based method of assigning a value to the project.

In support of BDO valuation, RHDHV has assessed the reasonableness of technical project assumptions and associated cost inputs, presented as the technical assessment in **Section 2** of this document.

As per VALMIN guidelines regarding best practice, RHDHV has provided a secondary valuation of the Salamanca Project, presented below.

### 4.3.2 Secondary: Comparable Transaction

For the comparable transactions method, a database of publicly available property transactions was examined to select those with similarities to the Salamanca Project. To ensure consistency and to mitigate the effects of market sentiment, fluctuations in contract price and currency exchange rates have been taken into account and the analysis adjusted accordingly. Deals are also corrected to represent 100% of the company/property in question.

Each property is unique and key determinative factors such as geology, mineralisation, depth, infrastructure and risks have to be considered, therefore finding executed deals that are truly comparable is one of the principle challenges with this valuation approach.

Due to a lack of appropriate European comparisons, RHDHV expanded the search parameters to include worldwide transactions, and over a longer period (extended from 3 years to 7 years) with less weight attributed to older deals despite correcting for market and currency fluctuations. The details of the relevant transactions, which may include conditional payments, have been analysed to assess the effective purchase price per pound of uranium in resources.

Obvious anomalies have been identified and excluded from the list to enhance the likelihood that fair 'arm's-length' deals have been used in the assessment. Where possible, reasons for any exclusions, asset descriptions and risk factors are provided for transparency.

RHDHV have employed a holistic approach when evaluating the Salamanca Project, considering all major identifiable parameters which define the deposit and its operating environment. As part of this process, RHDHV have evaluated the results for suitability by assessing asset characteristics such as project maturity, Resource size and confidence, country risk, infrastructure and date of transaction. Grade and costs were also considered when making global project comparisons.

The distinguishing aspects of the Salamanca Project are a medium to low average grade (0.05% U<sub>3</sub>O<sub>8</sub>), shallow deposit mined by conventional methods, a rotational back fill system of waste management with minimal above surface dumps, low operating and initial capital costs (utilising existing infrastructure) and a central leach system supplied by three main pit operations. It has a favourable DFS, a recently completely FEED and permits are in place for the Retortillo starter pit.

A notable feature when compared to peers is that the majority of Berkeley's compliant Resources are attributable to a single main project which is currently at an advanced development stage, rather than being spread across several smaller projects.

Many of the comparable transaction projects differ in certain key aspects, usually from a grade or project development stage perspective and thus all the projects in the list require a level of subjective appraisal. The results of the initial transaction search are shown in the table below.

*Table 4-5. Results of Comparable Transactions search*

| Project              | Seller             | Buyer            | Stage                | Type                   |
|----------------------|--------------------|------------------|----------------------|------------------------|
| Triple R             | Fission Uranium    | CGN              | Advanced Exploration | Open Pit & Underground |
| Four Mile            | Alliance Resources | Quasar Resources | Operating            | In Situ Leaching       |
| Langer Heinrich '14  | Paladin Energy     | CNNC             | Operating            | Open Pit               |
| Yeelirrie            | BHP Billiton       | Cameco           | Feasibility          | Open Pit               |
| Millenium            | Areva              | Cameco           | Feasibility          | Underground            |
| Mkuju River          | Mantra Resources   | ARMZ / Uranium 1 | Feasibility          | In Situ Leaching       |
| Michelin             | Aurora Energy      | Paladin          | Advanced Exploration | Open Pit & Underground |
| Wate Uranium Feb '15 | VANE Minerals      | Energy Fuels     | Advanced Exploration | Underground            |
| Wate Uranium Dec '15 | Anfield Resources  | Energy Fuels     | Advanced Exploration | Underground            |
| Langer Heinrich '17  | Paladin Energy     | CNNC             | Operating            | Open Pit               |

Based on the above the details for each transaction were compiled in order to derive a transaction value and deal percentage for each, and where application transaction values were converted into USD on a 100% deal basis.

RHDHV has subsequently adjusted each transaction to account for date and fluctuating prices by comparing the estimated contract price at the time of the transaction to the current reported contract prices (\$33.8/lb has been used in the analysis). This correction method is not as definitive as with other commodities due to how U<sub>3</sub>O<sub>8</sub> is traded but serves as a useful guide in assessing historic market sentiment.

*Table 4-6. Comparable Transactions Deal Summaries*

| Project             | Transaction Value (\$m) | Deal Percentage (%) | Transaction Value for 100% (US\$m) | U <sub>3</sub> O <sub>8</sub> Contract Price at Transaction Date (US\$/lb)** | Corrected Transaction Value for Contract Price Date (US\$m) |
|---------------------|-------------------------|---------------------|------------------------------------|------------------------------------------------------------------------------|-------------------------------------------------------------|
| Triple R            | CAD 82.2                | 20                  | 297.6*                             | 44.0                                                                         | 228.6                                                       |
| Four Mile           | AUD 73.9                | 25                  | 215.6*                             | 44.5                                                                         | 163.8                                                       |
| Langer Heinrich '14 | USD 190.0               | 25                  | 760.0                              | 50.0                                                                         | 513.8                                                       |
| Yeelirrie           | USD 430.0               | 100                 | 430.0                              | 60.3                                                                         | 241.2                                                       |
| Millenium           | CAD 150.0               | 27.94               | 528.3*                             | 61.3                                                                         | 291.5                                                       |
| Mkuju River         | USD 1,197.0             | 100                 | 1,197.0                            | 66.0                                                                         | 613.0                                                       |

| Project              | Transaction Value (\$m) | Deal Percentage (%) | Transaction Value for 100% (US\$m) | U <sub>3</sub> O <sub>8</sub> Contract Price at Transaction Date (US\$/lb)** | Corrected Transaction Value for Contract Price Date (US\$m) |
|----------------------|-------------------------|---------------------|------------------------------------|------------------------------------------------------------------------------|-------------------------------------------------------------|
| Michelin             | CAD 260.9               | 100                 | 261.4                              | 66.0                                                                         | 133.9                                                       |
| Wate Uranium Feb '15 | USD 0.8                 | 50                  | 1.5                                | 49.5                                                                         | 1.0                                                         |
| Wate Uranium Dec '15 | USD 1.1                 | 50                  | 2.2                                | 49.5                                                                         | 1.5                                                         |
| Langer Heinrich '17  | USD 170.00              | 75                  | 226.7                              | 32.0                                                                         | 239.4                                                       |

\*Converted to USD at date of transaction

\*\* <https://www.cameco.com/invest/markets/uranium-price>

Based on the total Resource estimate of each project the corrected transaction values determined above were used to calculate a Resource Value on a US\$/lb basis; presented below.

Table 4-7. Comparable Transaction Analysis

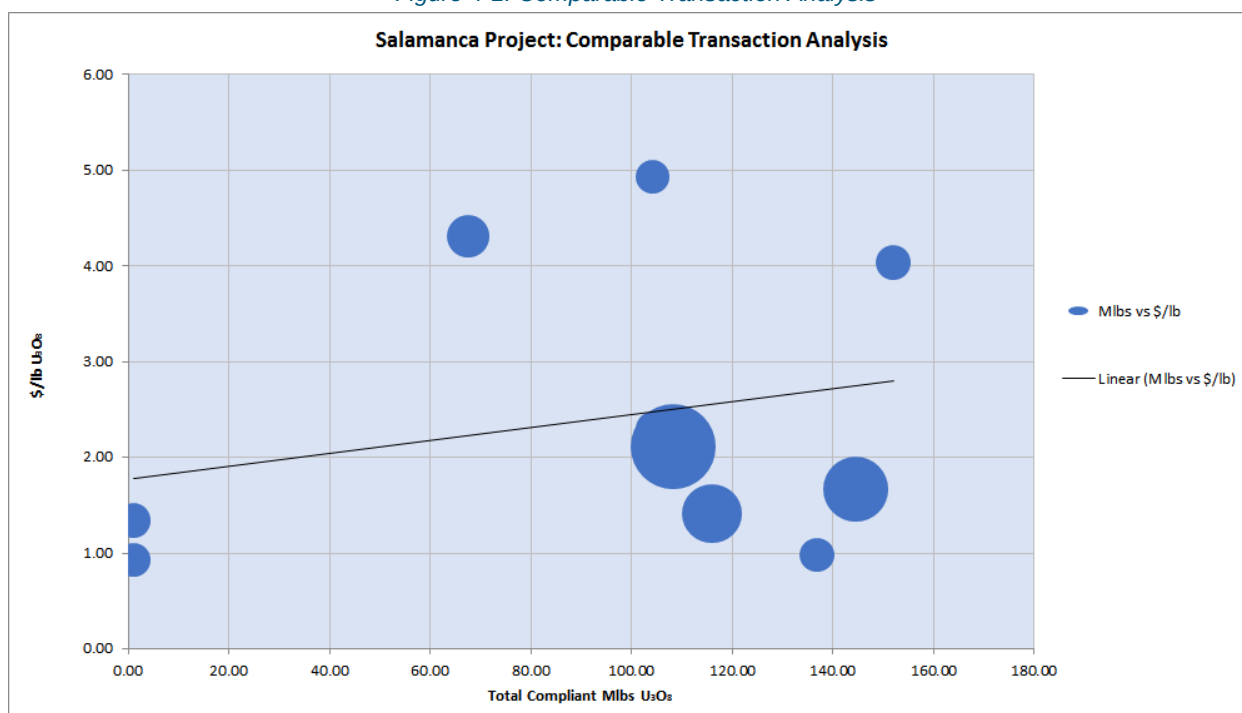
| Project              | Total Resource (Mlbs U <sub>3</sub> O <sub>8</sub> ) | Proportion as Measured & Indicated (%) | Stage                | Resource Value (\$/lb) |
|----------------------|------------------------------------------------------|----------------------------------------|----------------------|------------------------|
| Triple R             | 108.3                                                | 72%                                    | Advanced Exploration | 2.11                   |
| Four Mile            | 116.0                                                | 24%                                    | Operating            | 1.41                   |
| Langer Heinrich '14  | 104.2                                                | 91%                                    | Operating            | 4.93                   |
| Yeelirrie            | 144.5                                                | 95%                                    | Feasibility          | 1.67                   |
| Millenium            | 67.6                                                 | 63%                                    | Feasibility          | 4.31                   |
| Mkuju River          | 152.1                                                | 77%                                    | Feasibility          | 4.03                   |
| Michelin             | 136.8                                                | 58%                                    | Advanced Exploration | 0.98                   |
| Wate Uranium Feb '15 | 1.10                                                 | 0%                                     | Advanced Exploration | 0.93                   |
| Wate Uranium Dec '15 | 1.12                                                 | 0%                                     | Advanced Exploration | 1.34                   |
| Langer Heinrich '17  | 104.2                                                | 91%                                    | Operating            | 2.30                   |

RHDHV has applied an appropriate discounted weighting to the anomalies resulting in lower influence on the final valuation. The outliers are described below:

- Less weight has been attributed to the two **Wate Project** deals due to the project only reporting 1.1Mlbs of Inferred Resource.
- Similarly, less influence has also been assigned to the 2017 Paladin (**Langer Heinrich**) deal due to the high cost, distressed asset in question.
- The **Mkuju River** and **Michelin** (which included Aurora's Central Mineral Belt assets) deals have been assigned less weight due to the age of the transactions (2010).

The CGN investment in Fission (**Triple R Project**) is considered the most representative deal on the list and accordingly has been assigned the greatest weighting in the valuation.

Figure 4-1. Comparable Transaction Analysis



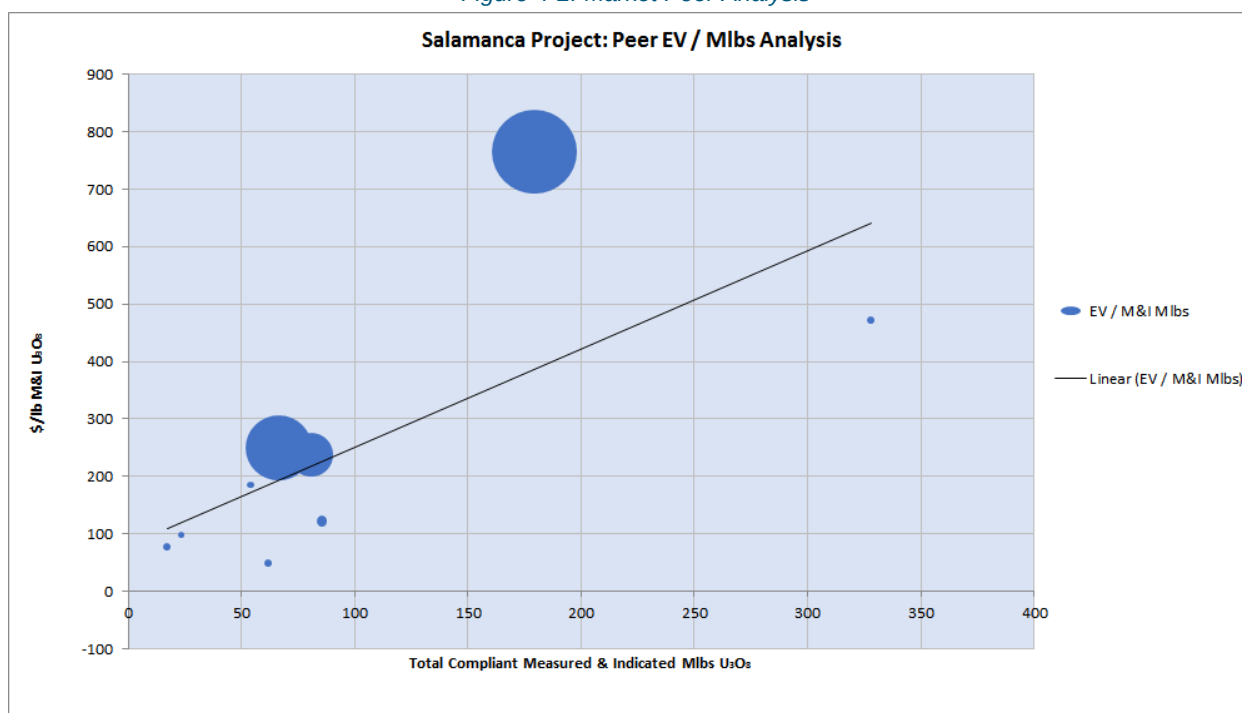
\*Bubble size represents weighting factor

Based on a total Resource at Salamanca of 89.3 Mlbs U<sub>3</sub>O<sub>8</sub> and taking into account the project specific factors, a Resource Value of approximately \$2.15-2.30/lb is considered reasonable. This figure incorporates residual upside value from the Inferred tonnage that is not included in the main Salamanca Project so due consideration will be given and the valuation adjusted accordingly. The comparable transaction analysis indicates that, as a preferred result, the Salamanca Project should be valued in the order of \$170m - \$190m.

In addition, due to the sparse nature of the transactions the results have been verified against other market peer comparison techniques, akin to the Market Capitalisation technique. In assessing current Uranium resource peers in the market and organising by Enterprise Value (EV) by Resource U<sub>3</sub>O<sub>8</sub> lbs, we are able to further understand at what level the market is currently valuing compliant pounds in the ground. Only reported Measured and Indicated ("M&I") U<sub>3</sub>O<sub>8</sub> Mlbs have been considered in the analysis in order to understand the significance attributed to M&I when deriving value.

This is not a formal valuation technique as the market valuations are not subject to a 'willing seller' transaction but serves as a useful corroboration.

Figure 4-2. Market Peer Analysis



\*Bubble size determined by Measured and Indicated Resource grade

Each transaction identified above was also subject to a review of principal technical characteristics by RHDHV. It was decided not to assign weighting as the group characteristics was considered suitably diverse and the approach was employed to serve as a guide only. The average M&I multiplier from the analysis was 2.96, which, when applied to the Salamanca Measured and Indicated Mlbs figure of 59.8 results in a value of \$177m.

RHDHV is comfortable that this generally corroborates the outcome from the comparable transaction analysis and has therefore used a figure of 2.95 as a preferred multiplier to apply to the Measured and Indicated Mlbs at the Salamanca Project.

Table 4-8. Comparable Transaction Valuation

| Project               | M&I Resource<br>(Mlbs U <sub>3</sub> O <sub>8</sub> ) | Market Value (US\$/lb) |           |       |
|-----------------------|-------------------------------------------------------|------------------------|-----------|-------|
|                       |                                                       | Low                    | Preferred | High  |
| Salamanca Project     | 59.8                                                  | 2.7                    | 2.95      | 3.2   |
| Project Value (US\$m) |                                                       | 161.5                  | 176.4     | 191.4 |

## 4.4 Salamanca Inferred

### 4.4.1 Multiples of Exploration (Prospectivity Enhancement Multiplier)

The Multiple of Exploration Expenditure (MEE) valuation technique is based on the principle of past expenditure and applies a premium (or discount) to past and committed future exploration costs by the use of a Prospectivity Enhancement Multiplier (PEM) which applies a multiplier related to the success of previous exploration activities, depending on whether the exploration has enhanced the prospectivity of the deposit or not.

This approach is also subjective by nature but does rely upon warranted cost data with a set of defined parameters used to assign an appropriate PEM.

*Table 4-9. Prospectivity Enhancement Multipliers*

| PEM | Description / Justification                                                                                |
|-----|------------------------------------------------------------------------------------------------------------|
| 0.2 | Exploration has downgraded the prospectivity – no deposit found                                            |
| 0.5 | Exploration potential degraded – no significant deposit found                                              |
| 1.0 | Exploration has maintained (not downgraded) the prospectivity                                              |
| 1.3 | Exploration has slightly enhanced the prospectivity                                                        |
| 1.5 | Exploration has considerably increased the prospectivity (geological mapping, geophysics, analysis)        |
| 2.0 | Reconnaissance drilling intersected deposit                                                                |
| 2.5 | Infill drilling has defined a deposit with potential for future economic extraction                        |
| 3.0 | Inferred Resource has been defined, no feasibility study at this stage                                     |
| 4.0 | Indicated Resources have been defined which are likely to form the basis of a Pre-Feasibility Study        |
| 5.0 | Indicated and Measured Resources have been identified and economic parameters are available for assessment |

Exploration expenditure over the past three years for the Inferred portions of the Salamanca Project has been provided by Berkeley, summarised in the table below combining Retortillo, Zona 7 and Alameda. Overheads, management, administrative and general costs have not been considered as part of the assessment. Given Inferred Resources have been defined at Salamanca, and as extensions to the main deposits, a PEM of no less than 3.0 should be applied.

*Table 4-10. Annual Expenditure, Salamanca Inferred (2015-2017)*

| Year         | Expenditure (€)  | Expenditure (US\$) |
|--------------|------------------|--------------------|
| 2015         | 766,566          | 897,649            |
| 2016         | 971,596          | 1,137,739          |
| 2017         | 406,274          | 475,747            |
| <b>TOTAL</b> | <b>2,144,436</b> | <b>2,511,135</b>   |

Based on the above expenditures and Preferred and High PEM values, RHDHV has determined the following valuation for the Salamanca Inferred Resource base.

*Table 4-11. Multiples of Exploration Expenditure Valuation*

| Year                        | Expenditure (US\$) | Prospectivity Enhancement Multiplier (PEM) |                  |
|-----------------------------|--------------------|--------------------------------------------|------------------|
| 2015                        | 897,649            | Preferred – 3.0                            | High – 3.5       |
| 2016                        | 1,137,739          |                                            |                  |
| 2017                        | 475,747            |                                            |                  |
| <b>TOTAL</b>                | <b>2,511,135</b>   |                                            |                  |
| <b>Project Value (US\$)</b> |                    | <b>7,533,405</b>                           | <b>8,788,973</b> |

## 4.5 Gambuta

### 4.5.1 Geoscientific Factor Method

The **Geoscientific Factor Method** (GFM), also known as the Kilburn Method, is a common method of valuing early stage exploration projects with no formal Resources or confirmed mineralisation. Although considered subjective, it is reliant on the expertise of an exploration geologist who is familiar with the geological characteristics of the concession or surrounding area, and who is experienced in the assessment of mineral deposits and mineral resources.

This method is a purely technical valuation with no in-built consideration for market conditions. It is accepted by many within the industry that this method should not be used in isolation but only as a check on other valuations.

In principle the Geoscientific Factor Method is based on the multiplication of weighting factors that are determined by an interpretation of the known geological characteristics of the property. These characteristics can be divided into 19 categories, themselves based on 4 main considerations, including; (i) location of the property with respect to known off-property mineral occurrences or targets, (ii) grade of mineralisation on the property, (iii) geophysical or geochemical targets on the property, and (iv) number of geological features.

The following table summarises the annual costs of exploration expenditure and concession rights for the past three years for Gambuta.

*Table 4-12. Annual Gambuta Expenditures, 2015-2017*

|                     | 2015         | 2016          | 2017          |
|---------------------|--------------|---------------|---------------|
| Exploration         | 1,156        | 7,370         | 7,370         |
| Annual Concession   | 7,162        | 7,162         | 7,162*        |
| <b>TOTAL (€)</b>    | <b>8,318</b> | <b>14,532</b> | <b>14,532</b> |
| <b>TOTAL (US\$)</b> | <b>9,740</b> | <b>17,017</b> | <b>17,017</b> |

\*Assumed to be incurred in 2017

After the multiplication of GFM weighting factors, the annual concession costs (in this case €7,162 or US\$8,387) are factored in, excluding exploration expenditures. The results of the GFM valuation for Gambuta are presented below.

*Table 4-13. Geoscientific Factor Method Valuation*

|           | Product of Geological Factors | Approximate Annual Concession Cost (US\$) | Valuation (US\$) |
|-----------|-------------------------------|-------------------------------------------|------------------|
| Preferred | 162                           | 8,387                                     | <b>1,358,646</b> |
| High      | 252                           |                                           | <b>2,113,449</b> |

## 4.6 Valuation Summary

RHDHV have used several valuation techniques to derive a value for the Salamanca Project, Salamanca Inferred Resource base and the Gambuta deposit, relying on Market and Cost based approaches due to the development status of the two assets; despite challenges such as lack of suitable comparable uranium assets.

RHDHV is satisfied that the results reflect a true market valuation for each project.

**Salamanca Project** - RHDHV has derived a valuation range of between US\$161.5m and US\$191.4m with a preferred value of **US\$176.4m** (effective valuation date: 12 October 2017).

**Salamanca Inferred** - the results return a valuation range of US\$7.5m to US\$8.8m with a preferred value of **US\$7.5m** (effective valuation date: 12 October 2017).

**Gambuta Project** - the results return a valuation range of US\$1.4m to US\$2.1m with a preferred value of **US\$1.4m** (effective valuation date: 12 October 2017).

A summary of RHDHV's valuation of the Berkeley assets is provided in **Table 4-14**, **Table 4-15** and **Table 4-16**, below.

Table 4-14. Valuation Summary: Salamanca Project

| Project                      | Measured and Indicated Resource (Mlbs U <sub>3</sub> O <sub>8</sub> ) | Market Value (US\$/lb) |              |              |
|------------------------------|-----------------------------------------------------------------------|------------------------|--------------|--------------|
|                              |                                                                       | Low                    | Preferred    | High         |
| Salamanca Project            | 59.8                                                                  | 2.7                    | 2.95         | 3.2          |
| <b>Project Value (US\$m)</b> |                                                                       | <b>161.5</b>           | <b>176.4</b> | <b>191.4</b> |

Table 4-15. Valuation Summary: Salamanca Inferred

| Year                         | Expenditure (US\$) | Prospectivity Enhancement Multiplier (PEM) |             |
|------------------------------|--------------------|--------------------------------------------|-------------|
| 2015                         | 897,649            | Preferred – 3.0                            | High – 3.5  |
| 2016                         | 1,137,739          |                                            |             |
| 2017                         | 475,747            |                                            |             |
| <b>TOTAL</b>                 | <b>2,511,135</b>   |                                            |             |
| <b>Project Value (US\$m)</b> |                    | <b>7.53</b>                                | <b>8.79</b> |

Table 4-16. Valuation Summary: Gambuta Project

|           | Product of Geological Factors | Approximate Annual Concession Cost (US\$) | Valuation (US\$m) |
|-----------|-------------------------------|-------------------------------------------|-------------------|
| Preferred | 162                           | 8,387                                     | <b>1.36</b>       |
| High      | 252                           |                                           | <b>2.11</b>       |

## 5 References

Global Data, 2017, Market Intelligence, [www.energy.globaldata.com/](http://www.energy.globaldata.com/), accessed September and October 2017

VALMIN, 2015, Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (The VALMIN Code). Available from [www.valmin.org](http://www.valmin.org), The VALMIN Committee of the Australasian Institute of Mining and Metallurgy and Australian Institute of Geoscientists

Commodity Insights Bulletin – Uranium Q4 2016-Q1 2017 9 May 2017, KPMG, <https://home.kpmg.com/be/en/home/insights/2017/05/uranium-q4-2016-q1-2017.html>, accessed 2 October 2017

[www.cameco.com/invest/markets/uranium-price](http://www.cameco.com/invest/markets/uranium-price), Cameco Corporation, accessed 6 October 2017

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[www.xe.com](http://www.xe.com), Currency Exchange Converter, accessed 6 October 2017

# Berkeley Energia Limited

ABN 40 052 468 569

## Lodge your vote:



### By Mail:

Computershare Investor Services Pty Limited  
GPO Box 242 Melbourne  
Victoria 3001 Australia

Alternatively you can fax your form to  
(within Australia) 1800 783 447  
(outside Australia) +61 3 9473 2555

For intermediary Online subscribers only  
(custodians) [www.intermediaryonline.com](http://www.intermediaryonline.com)

## For all enquiries call:

(within Australia) 1300 850 505  
(outside Australia) +61 3 9415 4000

BKY

MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

## Proxy Form

XX

For your vote to be effective it must be received by 2:00pm (WST) Sunday, 26 November 2017

### How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

#### Appointment of Proxy

**Voting 100% of your holding:** Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

**Voting a portion of your holding:** Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

**Appointing a second proxy:** You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

**A proxy need not be a securityholder of the Company.**

### Signing Instructions

**Individual:** Where the holding is in one name, the securityholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the securityholders should sign.

**Power of Attorney:** If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

### Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at [www.investorcentre.com](http://www.investorcentre.com) under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**Turn over to complete the form →**



View the annual report, 24 hours a day, 7 days a week:

**[www.berkeleyenergia.com](http://www.berkeleyenergia.com)**

To view and update your security holding:

**[www.investorcentre.com](http://www.investorcentre.com)**

#### Your secure access information is:

**SRN/HIN: I9999999999**



**PLEASE NOTE:** For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

☐

**Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

IND

## Proxy Form

Please mark ☒ to indicate your directions

### STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Berkeley Energia Limited hereby appoint:

☐

the Chairperson  
of the Meeting **OR**



**PLEASE NOTE:** Leave this box blank if you have selected the Chairperson of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairperson of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Berkeley Energia Limited to be held at the Conference Room, Ground Floor, BGC Centre, 28 The Esplanade, Perth, Western Australia on Tuesday, 28 November 2017 at 2:00pm (WST) and at any adjournment or postponement of that Meeting.

**Chairperson authorised to exercise undirected proxies on remuneration related resolutions:** Where I/we have appointed the Chairperson of the Meeting as my/our proxy (or the Chairperson becomes my/our proxy by default), I/we expressly authorise the Chairperson to exercise my/our proxy on Resolutions 2 and 6 (except where I/we have indicated a different voting intention below) even though Resolutions 2 and 6 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairperson.

**The Chairperson of the Meeting intends to vote undirected proxies in favour of each Item of business with the exception of Resolution 6 where the Chairperson of the Meeting intends to vote against.**

**Important Note:** If the Chairperson of the Meeting is (or becomes) your proxy you can direct the Chairperson to vote for or against or abstain from voting on Resolutions 2 and 6 by marking the appropriate box in step 2 below.

### STEP 2 Items of Business



**PLEASE NOTE:** If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

|              |                                                         | For                      | Against                  | Abstain                  |
|--------------|---------------------------------------------------------|--------------------------|--------------------------|--------------------------|
| Resolution 1 | Approval of transactions under the Investment Agreement | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 2 | Remuneration Report                                     | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 3 | Re-election of Director – Mr Robert Behets              | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 4 | Election of Director – Mr Nigel Jones                   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 5 | Election of Director – Mr Adam Parker                   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 6 | Spill Resolution (Conditional on Resolution 2)          | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 7 | Approval of 10% Placement Facility                      | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

The Chairperson of the Meeting intends to vote undirected proxies in favour of each item of business with the exception of Resolution 6 where the Chairperson of the Meeting intends to vote against. In exceptional circumstances, the Chairperson of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

### SIGN

#### Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Contact

Name

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Daytime  
Telephone

Date / /

Email Address

By providing your email address, you elect to receive all of your communications despatched by the Company electronically (where legally permissible).

B K Y

2 3 2 7 8 9 A

Computershare +