

BKY

AUD \$1.190

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HIGH**B****It looks like recent sellers made an error in judgement.**

This is an initiation review for the Fat Prophets Australian Mining and Resources Portfolio. The company is listed on AIM and on the ASX. The stock ticker in both markets is BKY. Berkeley Resources is held in the Fat Prophets European Mining and Resources Portfolio.

Berkeley has been added to the Australian Mining Portfolio because it has valuable uranium assets in Spain. In addition, Berkeley is also a target for a larger uranium company seeking near term growth.

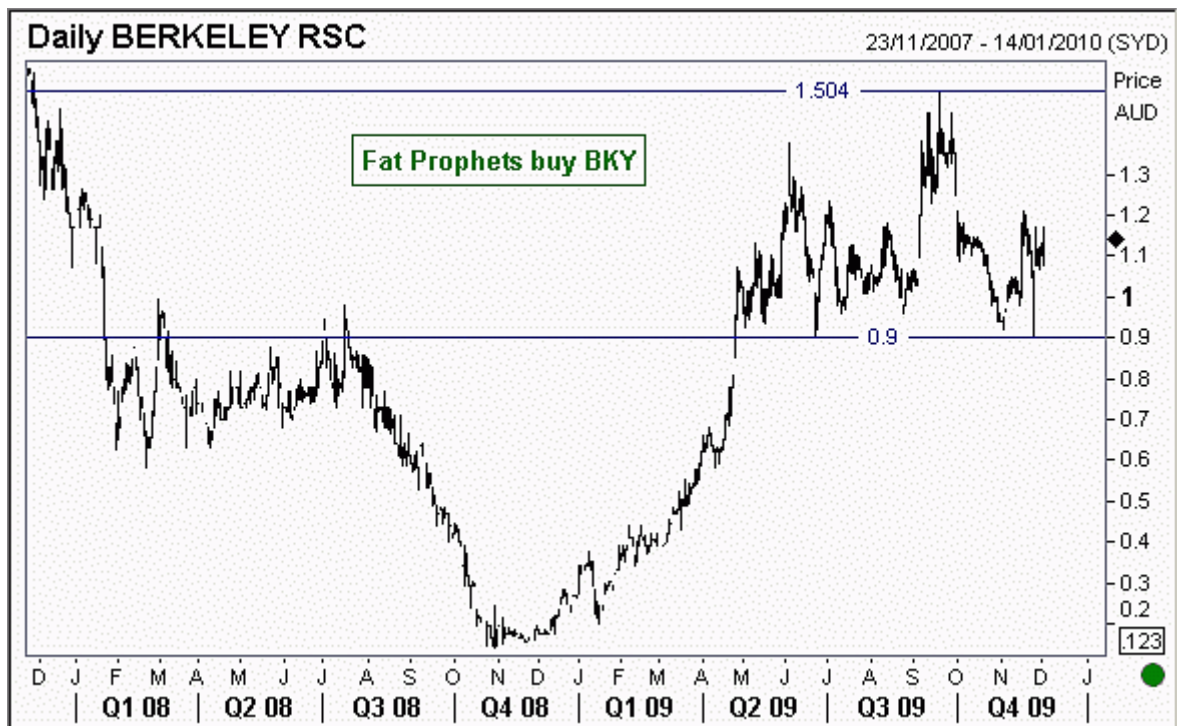
There was no reason for a recent spike downwards in the company's share price. The company has come up with new exploration results and a new Managing Director that have been well received by the market.

It looks like recent sellers made an error in judgement.

This is our first coverage of Berkeley Resources.

From a charting perspective, Berkeley Resources reached a high of \$1.50 in September, before falling to touch a low of around \$0.90 in late November. The share price bounced from \$0.90 to once again break the key psychological level of \$1.00, to trade around \$1.15.

We believe that the \$0.90 level will provide firm support, hence decreasing the risk of further downside.



While we cannot rule out a period of consolidation in the near-term, we remain very positive on the broader outlook for the stock. A firm upward trend has emerged since late 2008 providing upside momentum, for this reason, we anticipate further gains over the coming months.



The company has started drilling its Mina D deposit at its Salamanca Uranium Project in Spain. Berkeley has had to respond to a speeding ticket from the ASX where it also carries the ticker BKY.

A Bank Feasibility Study is underway and is expected to be completed in 4Q10. Mining will begin at the Mina Fe deposits with processing through the nearby Quercus Plant.

Just to recap some recent history. In July 2008, Berkeley was selected by ENUSA, the Spanish State uranium company as its partner to conduct a feasibility study to produce uranium. Both ENUSA and Berkeley own a suite of assets.

These assets are located in the Salamanca Province. Berkeley has the right to acquire up to 90% of ENUSA's uranium mining assets. These assets include extensively explored licences with mineral resources and a processing plant. The processing plant was previously allowed to produce 950 tonnes (2.1m pounds) per annum of U3O8.

Berkeley is completing infill drill programs on a number of deposits to confirm past estimates of resources. Extensive drilling has defined inferred and indicated resources that are compliant with JORC standards.

There are exploration targets that are known from previous work that have not yet been probed, but which offer significant upside potential.

The right to use the Quercus Uranium Processing Plant and its associated infrastructure saves on capital costs. The capital costs to restart production are comparatively very low. This gives Berkeley a comparative advantage when the decision to move to production is made.

Operating in Spain also has an advantage in as much that the Government does not have prohibitions of mining uranium. Available infrastructure is good and there is no shortage of skilled workers.

Berkeley is fully funded to complete its Feasibility Study commitments. At the end of the September quarter the company retained a cash balance of \$A9.9m.

There are two catalysts for share re-rating before year end.

The company is expected to release findings from an internal scoping study. The company is also expected to release revised estimates of JORC compliant resources. We expect positive news on both fronts.

Investors are catching up with an announcement earlier in October of high grade drill results from the Mina D deposit at its Salamanca Uranium Project in Spain. The company was pleased to announce Mr Ian Stalker as the new MD and CEO. Now the company has the in-house expertise to move towards production.

It was very satisfying that all the holes drilled to-date at Mina D have intersected the target and have confirmed thickness and grade similar to those obtained by ENUSA in the past. The company has based its exploration targets on the basis of earlier results obtained by ENUSA.

Three drill rigs are onsite. The initial drill results are very encouraging including three intersections greater than 1,500 ppm eU3O8. The best result was 9.4m grading e6,070 ppm eU3O8. The results from Mina D were very pleasing. Down-hole gamma logging also measures daughter products so that U3O8 is measured on an equivalent basis. All the mineralised intervals will be chemically assayed at a later date.

A plan of the Mina D deposit is shown below, followed by cross-section showing the ore horizon dipping away from below the bottom of the old open pit.

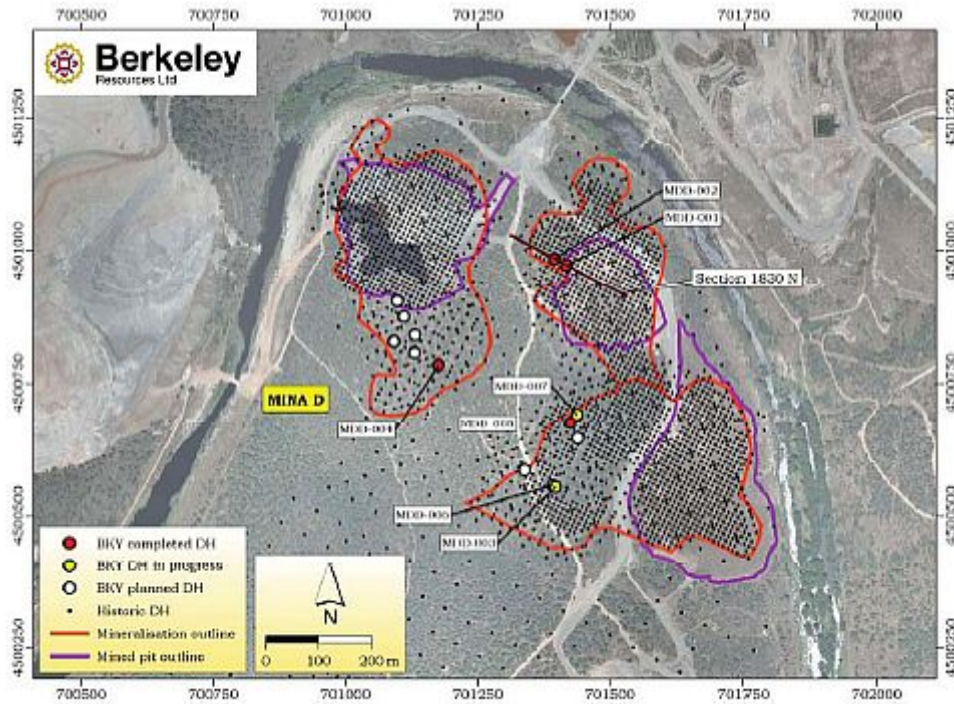
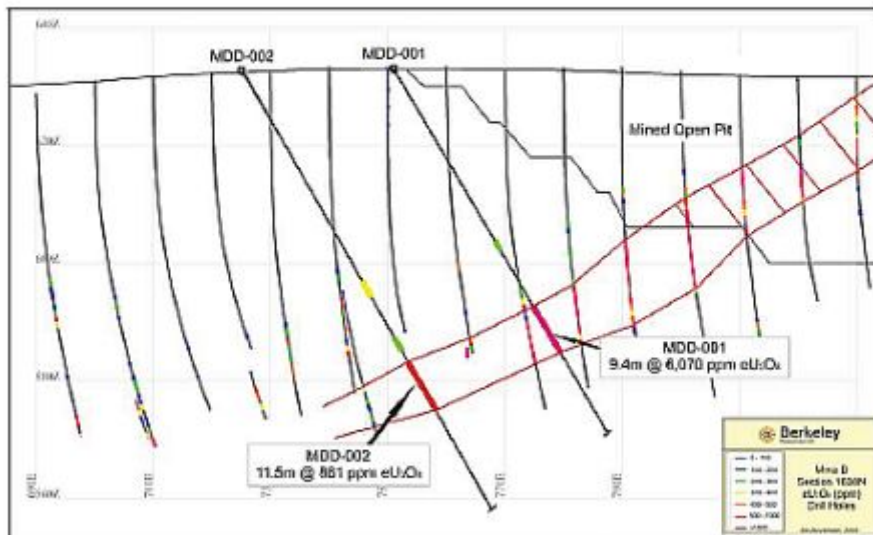


Figure 2 – Mina D Cross Section 1830N



Drilling at Mina D has confirmed earlier results, and has provided a better understanding of the geology of these deposits. The next deposits which will be drilled to confirm past results are Sageras and Alameda South. This confirmatory drilling is mandatory to convert ENUSA estimates into JORC compliant resources.

Berkeley currently has a resource base of 26m pounds of U3O8 plus the additional resources that still have to be confirmed to JORC status. ENUSA estimated these additional resources at around 47m pounds.

The original resource estimates made by ENUSA are being confirmed by drilling. There are no reasons to not believe that total available resources will not reach, and probably exceed, 70m pounds compliant with JORC standards.

The deal with ENUSA gave the company access to a lot of existing infrastructure. This was a very smart move because it gave the company a competitive advantage which most other emerging producers do not have.

Berkeley is very well positioned and we see the company as an attractive target to be taken-over.

The company could be in production for a relatively very low initial capital investment of less than US\$35m.

The original mill was removed from site. However, Berkeley already has approval to install a new crushing circuit. Production at a rate of 2-3m pounds p.a. could be as early as 2012. We would expect the cash cost per pound of U3O8 to be below US\$30.00.

Mr Stalker's appointment to the company added considerable experience in several areas. Mr Stalker brings skills that are crucial to the success of the company going forward. Mr Stalker has been involved with developing and managing mining projects for 35 years. Moreover, he has experience in mining uranium in Spain and he is an accomplished chemical engineer.

The market capitalisation of Berkeley is currently around US\$142m. On the basis that the company will end up with a resource of around 70m pounds of U3O8 the stock is undervalued.

The market is valuing the company at around US\$2.00 per pound – this is a low ball valuation.

As each milestone is reached there is room for a very significant increase in the share price.

We like the way exploration is progressing at Salamanca and we like the results the company is getting. We also see the Board's appointment of Mr Ian Stalker as MD and CEO as being a very good decision. The company now has strong management to move the Salamanca Project along the path to development.

We are recommending Berkeley Resources as a BUY for all Members at a target price of \$1.19.

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Snapshot BKY

Berkeley Resources Limited

The company is the premier uranium explorer and prospective developer on Europe 's Iberian peninsular. The company has holds a number of advanced uranium projects in Spain totalling approximately 280,000ha, covering all the main historic uranium mining and exploration areas in the country. The company has entered into an agreement with the country's national nuclear company to pursue development of its advanced projects with JORC-compliant resources and has just finalised funding to complete a feasibility study. Spain is a country with a substantial domestic uranium demand and a recent uranium mining history and is part of the wider European Union (EU). Access to the EU opens the company to the future nuclear power aspirations of member countries. The company has listings on both the Australian Stock Exchange and the AIM market of the London Stock Exchange.

Market Capitalisation:\$146.9m

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