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PALADIN ENERGY LTD

ACN 061 681 098

Ref: 421589

14 February 2017

ASX Market Announcements
Australian Securities Exchange
20 Bridge Street
SYDNEY NSW 2000

By Electronic Lodgement

Dear Sir/Madam

31 December 2016 Half Year Conference Call Presentation

Attached please find the presentation in relation to the 31 December 2016 Half Year Financial Report conference call and investor update to be held tomorrow morning at 7:30am Perth time. Full details in relation to the call were announced on 03 February 2017.

Yours faithfully
Paladin Energy Ltd

ALEXANDER MOLYNEUX
CEO

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PALADIN ENERGY LTD

December 2016
Half Year Results

15 February 2017

Disclaimer and Notes for JORC and NI 43-101 Mineral Resources and Ore Reserves

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This presentation includes certain statements that may be deemed “forward-looking statements”. All statements in this presentation, other than statements of historical facts, that address future production, reserve or resource potential, exploration drilling, exploitation activities and events or developments that Paladin Energy Ltd (the “Company”) expects to occur, are forward-looking statements.

Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward looking statements include market prices, exploitation and exploration successes, and continued availability of capital and financing and general economic, market or business conditions.

Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements. Readers should not place undue reliance on forward-looking information. The Company does not assume any obligation to update or revise its forward-looking statements, whether as a result of new information, future events or otherwise.

In the following presentation, for those deposits that are reported as conforming to the Joint Ore Reserves Committee (JORC) 2004 or 2012 code, the terms Inferred Mineral Resources, Indicated Mineral Resources, Measured Mineral Resources, Ore Reserves, Proved Ore Reserves, Probable Ore Reserves and Competent Person are equivalent to the terms Inferred Mineral Resources, Indicated Mineral Resources, Measured Mineral Resources, Mineral Reserves, Proven Mineral Reserves, Probable Mineral Reserves and Qualified Person, respectively, used in Canadian National Instrument 43-101 (NI 43-101).

The technical information in this presentation that relates to Exploration Results, Mineral Resources and Ore Reserves is based on information compiled by David Princep B.Sc. and Stephanie Raiseborough B.E., both of whom are Fellows of the Australasian Institute of Mining and Metallurgy. Mr. Princep and Ms. Raiseborough each have sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that they are undertaking to qualify as Competent Persons as defined in the 2012 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”, and as Qualified Persons as defined in NI 43-101. Mr. Princep and Ms. Raiseborough consent to the inclusion of the relevant information in this announcement in the form and context in which it appears.

Some of the information in this presentation, in relation to the mineral resources and ore reserves for all deposits except Manyingee and Michelin, was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with JORC Code 2012 on the basis that the information that the estimates are derived from has not materially changed since it was last reported.

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A **GLOBAL URANIUM LEADER**

OWNS **LANGER HEINRICH A STRATEGIC TIER ONE MINE**

OPTIMISATION SUCCESS FOR SUSTAINABILITY THROUGH THE CYCLE

BALANCE SHEET STRENGTH AND FLEXIBILITY*

BEST SENIOR LEVERAGE TO URANIUM UPSIDE

*Assuming Restructure Proposal announced 10 January 2017 completes

Global Uranium Leader

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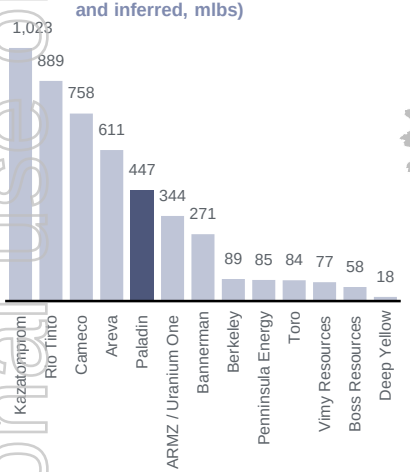
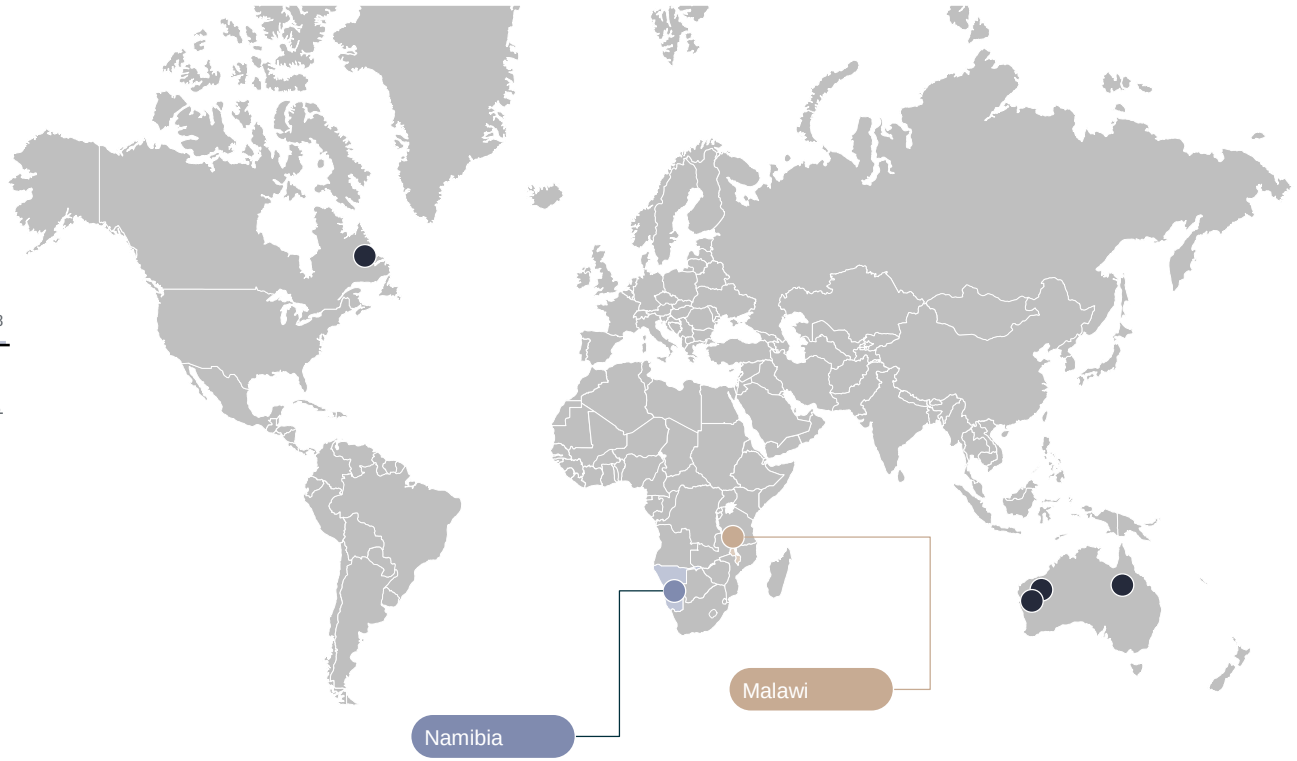
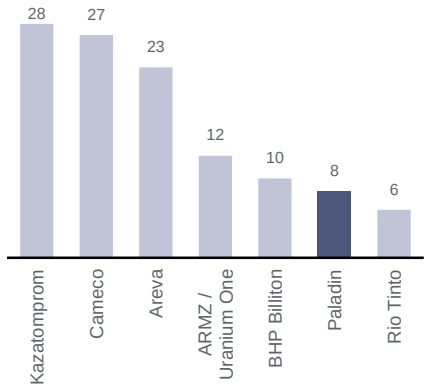
Resources (measured, indicated and inferred, mlbs)





Production (mlbs)[1]



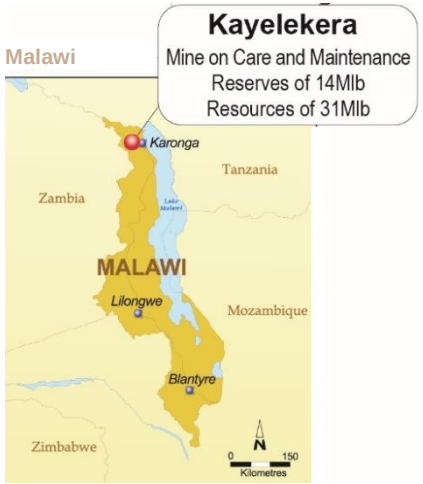
Namibia

- Undeveloped projects
- Langer Heinrich (75%)
- Kayelekera (85%)

Attributable Reserves and Resources	
Proved + Probable	85.7mlb U_3O_8
Measured + Indicated	248.7mlb U_3O_8
Inferred	112.1mlb U_3O_8

Resources and Reserves shown on the map represent 100% of the Resource of Reserve – not the participant's share, and are depleted for mining where appropriate

Malawi



Source: Company filings
Note:
1. Paladin figure based on attributable total production capacity

Langer Heinrich A Strategic Tier One Mine

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First Quartile

C1 Cash Cost[1]

Top 10 Uranium Mine by Production[2]

4th largest open-pit

+20 Year Mine Life[3]

38.9mlb

Cumulative production

Source:
1. UxC Uranium Production Cost Study – August 2015
2. TradeTech Uranium Market Study – 2015: Issue 3 (based on 2015 production)
3. At current processing rates

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Results Overview and Optimisation Success

1

Half Year to 31 December 2016 Highlights

References below to 2015 are to the equivalent half year ended 31 December 2015

Production 2.500mlbs
Increase from 2.342mlb in 2015
Up 7%

US$25.96/lb ASP
Decrease from US$40.54/lb in 2015
Down 36%

C1 Cash Cost US$16.25/lb
Decrease from US$26.50/lb in 2015
Down 39%

Sales 2.125mlbs
Decrease from 2.499mlbs in 2015
Down 15%

All-in Cash Expenditure US$28.38/lb
Decrease from US$42.66/lb in 2015
Down 33%

Cash US$26.7m
Within guidance range US$20-30m

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Half Year to 31 December 2016 Cash Flow

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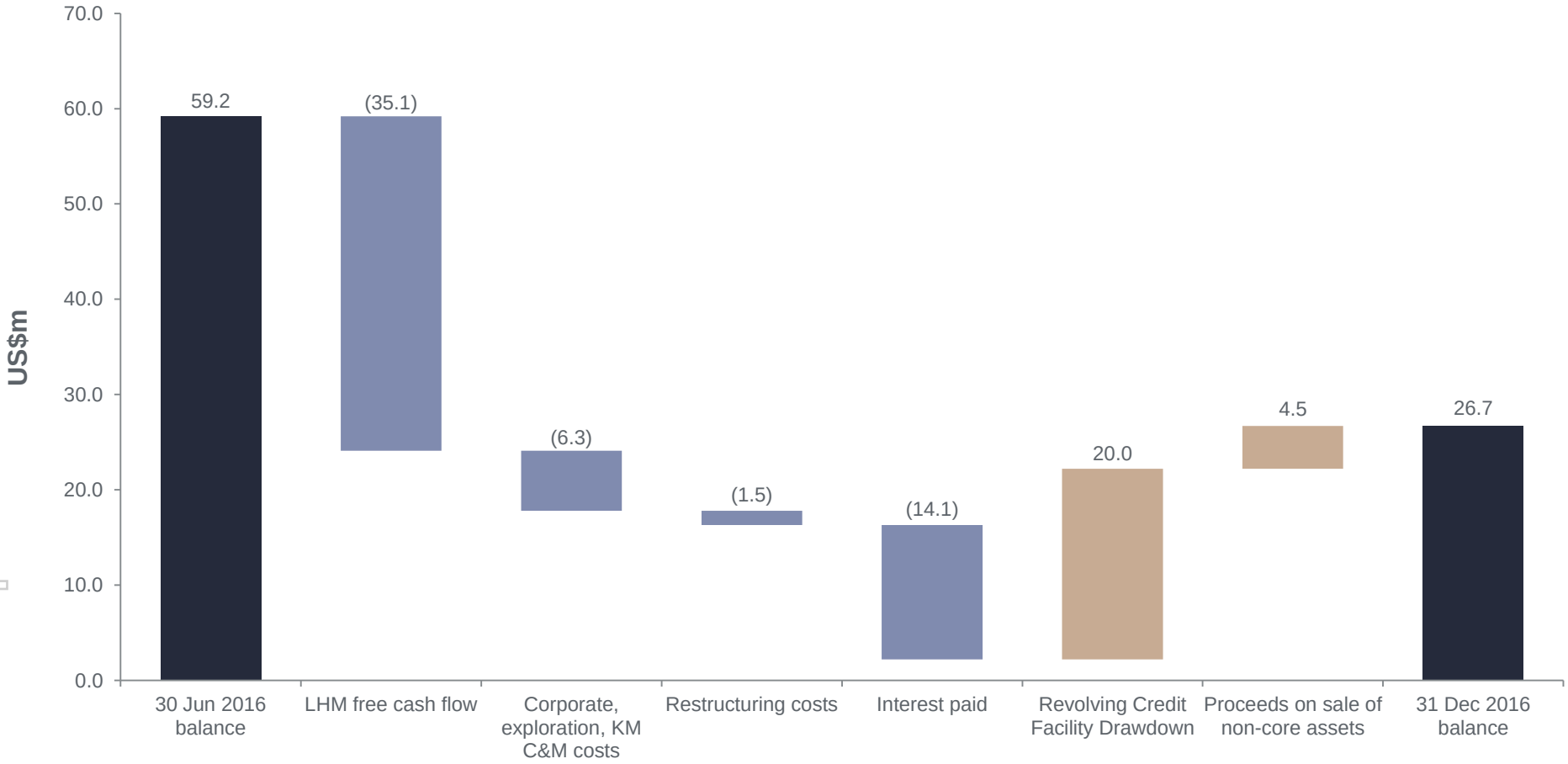
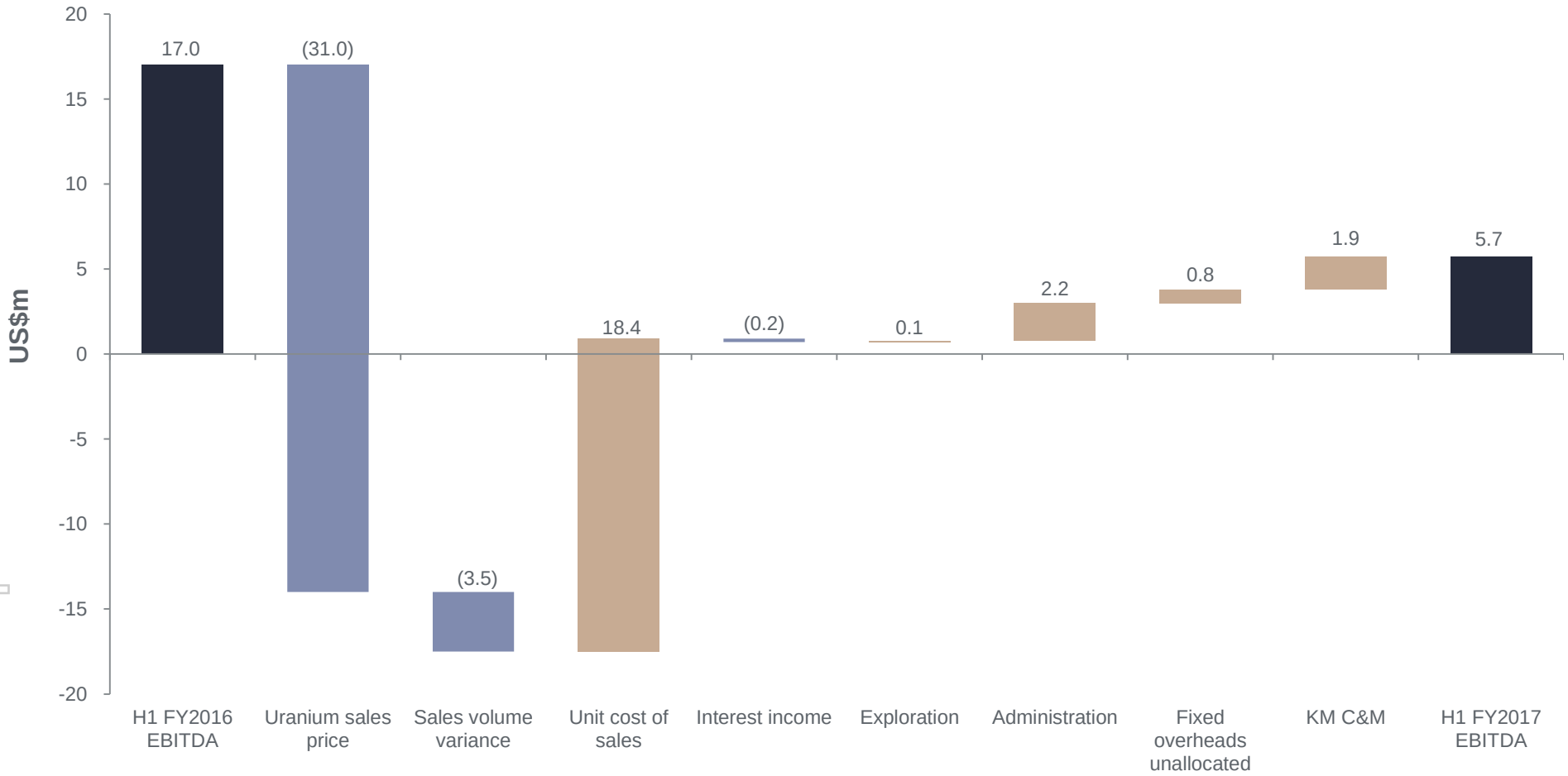


Half Year to 31 December 2016 EBITDA Variance Analysis



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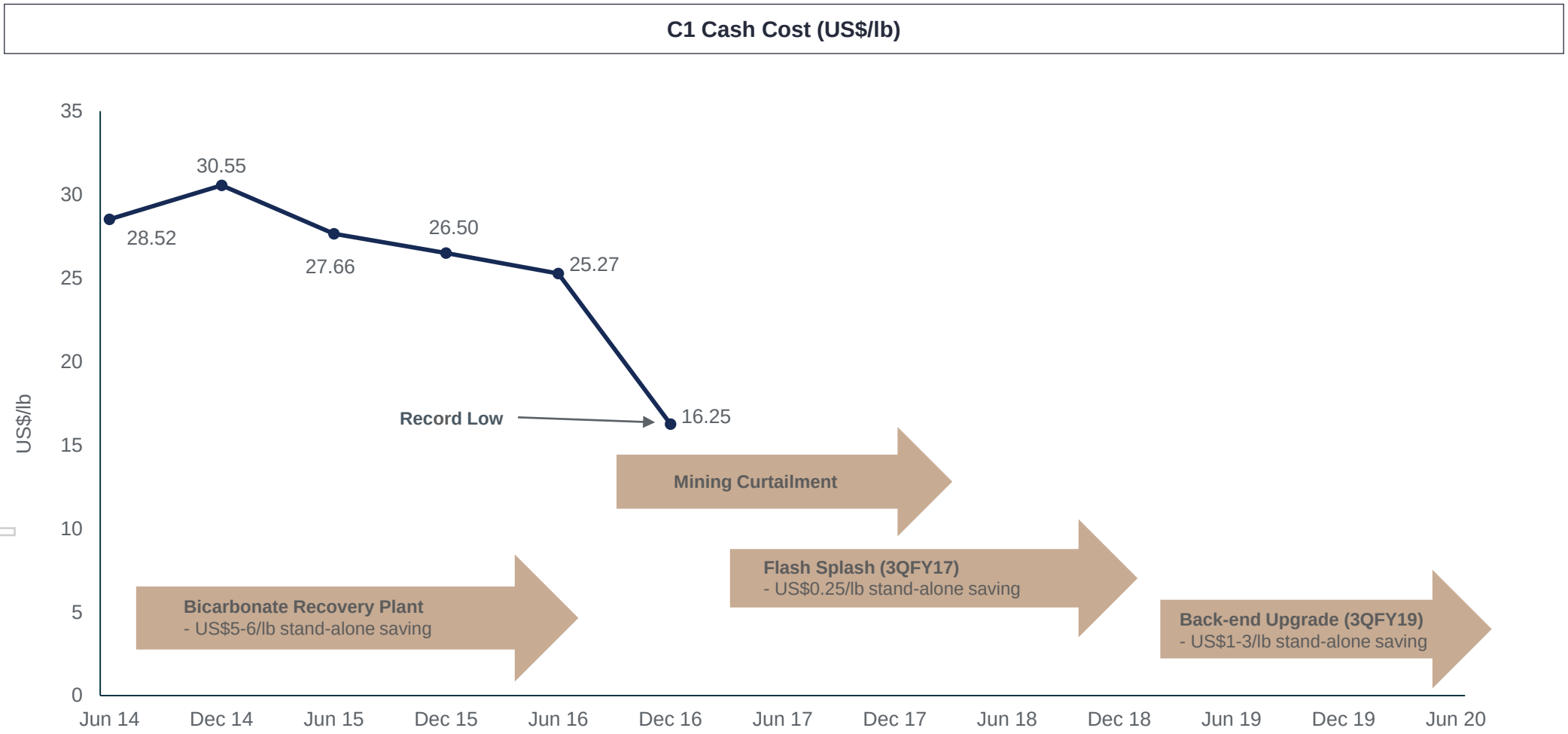
Optimisation Success: Significant C1 Cost Reductions

Optimisation has resulted in a reduction in C1 Cash Costs to a record low of US$16.25/lb



Notes:
* Above numbers based on half year results

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Optimisation Success: Exploration and Other Controllable Costs

Exploration and other controllable costs have been significantly reduced and are expected to hit a "run rate" of c. US$11m per year from FY18E

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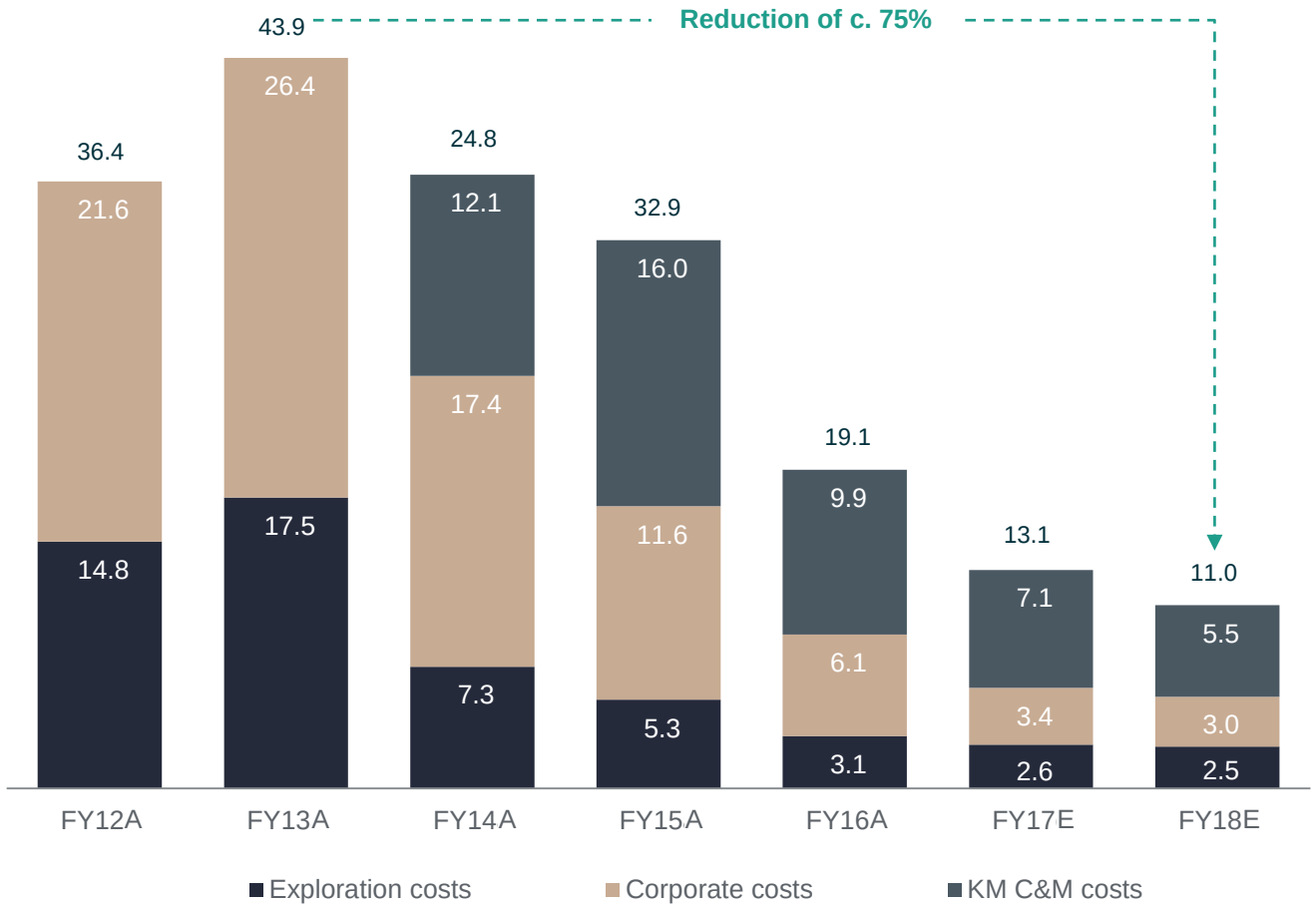
Exploration

- December quarter, sold stake in Deep Yellow and three minor projects in Australia for US$4.5m
- Binding agreement to sell 30% of Manyingee for US$10.0m, expected to close late March early April 2017
- Exploration carrying cost of c. US$2-3m until improved uranium market

Corporate Costs and KM

- Corporate head count has been reduced by approximately two thirds since 2015
- All non-essential expenditure continues to be reduced
- Corporate costs will likely plateau around US$3-4m per year and KM care and maintenance at US$5-6m per year



Notes:
* Excludes one-off items and working capital requirements.

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Balance Sheet Strength – Restructure Proposal

2

Key Terms of Restructure Proposal

Restructure Proposal is a holistic and long lasting solution

Item	Comments
Debt for equity	▪ US$145 million of the 2017 and 2020 Convertible bonds converted to equity (pro rata) ▪ Conversion price of A$0.05. but increased share issue to bondholders if equity raising price below A$0.035
Restructure of remaining existing convertible bond value	**New Secured Bonds due 2022** ▪ US$115 million ▪ Maturity in 2022; 7% cash coupon ▪ 75% of the accrued interest on existing bonds to be exchanged for New Secured Bonds (in addition to the face value of US$115 million) **New 2024 Convertible Bonds** ▪ US$102 million ▪ Maturity in 2024; zero coupon ▪ Conversion price of US$0.0512 (ie, equivalent to A$0.07 at time of announcement) ▪ 25% of the accrued interest on existing bonds to be exchanged for New 2024 Convertible Bonds (in addition to the face value of US$115 million)
New Equity Issue	▪ Minimum US$75 million ▪ Likely to include pro-rata element ▪ Strong indicative support from large institutional shareholders
Key conditions precedent	▪ 75% approval of the 2017 and 2020 convertible bond – as at 14 February, bondholders representing 72% of the 2017 convertible bonds and 46% of the 2020 convertible bonds have already signed undertakings to support ▪ Shareholder approval – simple majority thresholds (i.e. 50% of shares voted) ▪ EDF agreement to amendments and security sharing ▪ Non-exercise of possible CNNC option to acquire 75% of Langer Heinrich – 60-day option triggered 10 January, no waiver agreed as yet

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Indicative Timeline

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Date	Event
Late February	▪ Bondholder meeting convened for March
Late March	▪ Bondholder meeting to be held ▪ Launch equity raising
Late April	▪ Shareholder meeting to approve all resolutions to give effect to restructure ▪ Conditions satisfied, new shares and bonds to be issued and new agreements come into effect

Stronger, More Flexible Balance Sheet

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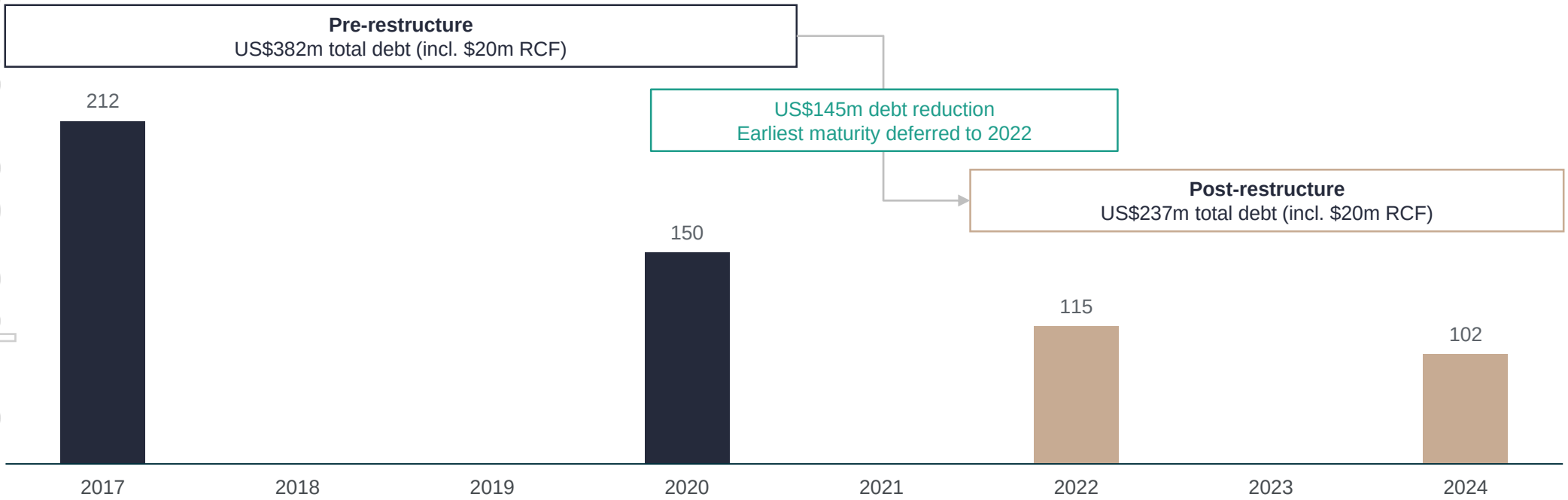
- Debt reduced by US$145m and additional likely proceeds from sale of Manyingee stake to bring in US$85-95m new cash (expected to conclude late March / early April)
- New Equity Issue:
  - Earliest debt maturity deferred to 2022 and reduced from US$212m (previously due April 2017) to US$115m
  - Optionality to redeem New 2024 Convertible Bonds



Notes:
1. Debt figures shown at face value
2. New 2022 and 2024 bonds exclude any accrued unpaid interest to be exchanged under the terms of the proposed restructure

Key Outcomes

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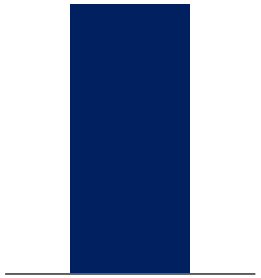
	Now	Assuming Restructure Proposal goes ahead
Net Debt[1]	US$355.3m  31-Dec-16	US$150m[2] 30-Jun-17
Average Tenor	1.5 Years	4-5Years
Annual Interest Cost	US$24.4m	US$9.9m
All-in Expenditure	US$29-31/lb	US$26-28/lb[3]
Institutional share ownership	53%	▪ Long-term holders ▪ Sovereign wealth funds
Company nature	Independent Australian public uranium company	Independent Australian public uranium company

[1] Based on face value of debt
[2] Based on December 2016 pro-forma and assumes and equity raising of US$75m
[3] Assumes non-curtailment production of 5.0-5.2mlbp.a.

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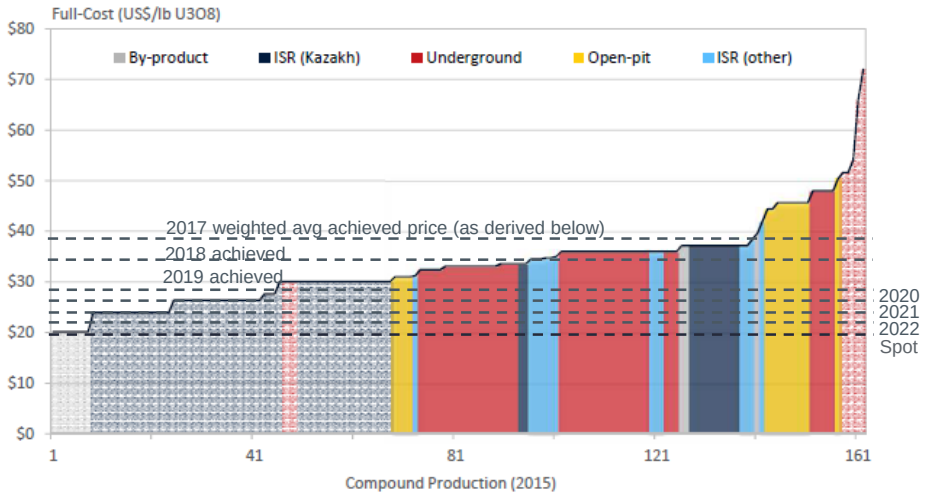
Best Senior Leverage To Uranium Upside

3

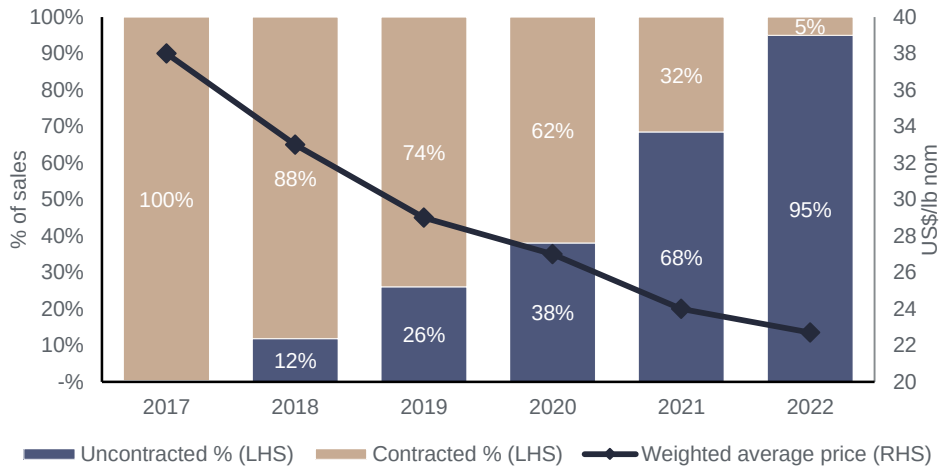
Uranium is Unsustainable at US$20-25/lb

Contracts are rolling off industry-wide and the spot price is too low to cover costs for most

Global uranium cost curve vs forecasted achieved price (US$/lb)



Global uranium cost curve vs forecasted achieved price (US$/lb)



- Taking into account contracts and un-contracted volumes, Paladin estimates the industry average received price is now falling below US$40/lb
- If Spot stays US$20-25/lb, average received prices will fall <US$30/lb by 2019
- Up to 40% of global uranium supply would be at risk under those conditions

Source:
1. Broker reports, UxC and Tradetech

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Positive Catalysts Are Happening

Positive supply and demand changes are already driving prices off CY16 lows

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Key catalysts

- KazAtomProm announced (in January), it plans to cut 2017 uranium production by 10% (equates to c. 4% of global production)
- New regulation in New York and Illinois prove US policy is becoming more supportive for nuclear
- Progress continues towards the construction for the Hinkley Point C nuclear power plant in the UK
- The Genkai 3 and 4 reactors in Japan have been cleared to restart

Historical uranium price (US$/lb)

Medium and Long-Term Rationale for Stronger Uranium Prices is Compelling

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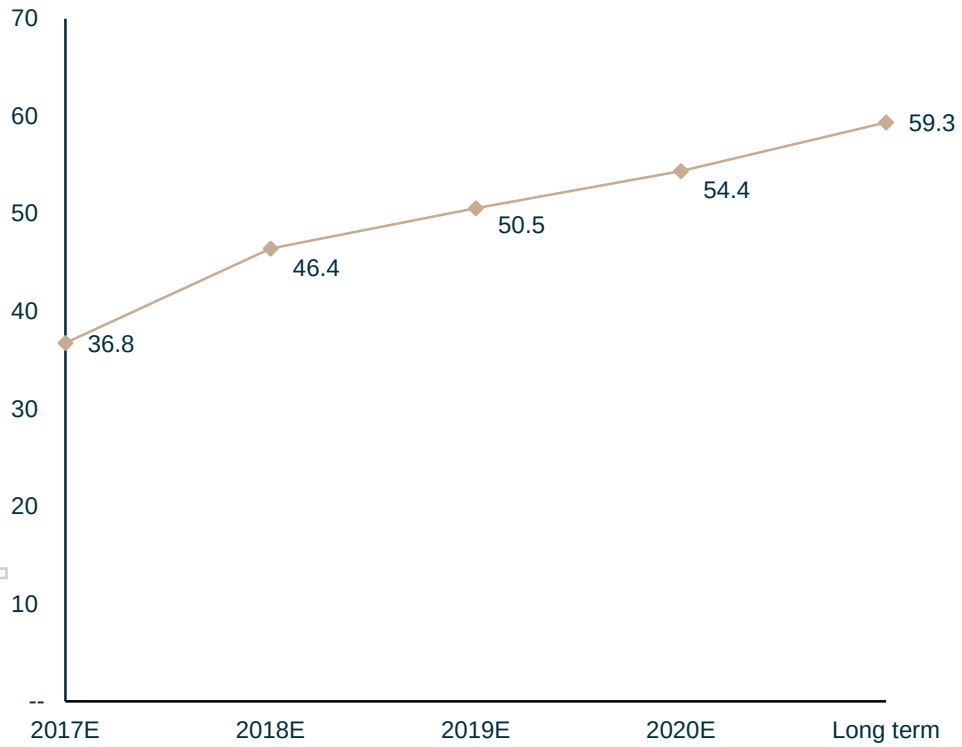
Broker consensus uranium price forecast (US$/lb)



Broker commentary

*The deal [restructuring] is also positive in that it **should enable PDN to trade through this period of uranium price weakness**, which we believe is **not sustainable given only legacy contracts are keeping the industry above water, and these will run off eventually.***

UBS, 10 January 2017

*Cameco estimates that ~300mmlbs of long-term contracting has been deferred between 2013-2015 as utilities hold off on purchases and compress their typical 3-5 year purchasing window. **Uncovered utility requirements approach significant levels beginning in 2019-2021**, where Cameco believes **utilities will have to place a greater emphasis on security of supply beginning around 2018**. We estimate **U.S. unfilled uranium requirements reaches 75% (~35mmlbs) in 2021 (5-year view) – which remains above the historical average of 59% (since 2009)**. Cameco estimates global unfilled requirement of ~80mmlbs by 2021 – **an amount that can no longer be satisfied by spot volumes (~45mmlbs / year)***

Credit Suisse, 22 November 2016

*On January 9, **Kazatomprom announced that it will lower production by ~10%** or 5.2mmlb in 2017 (~3% of global supply) and, along with its JV partners, will **continue to apply production discretion in light of market developments**… On the back of Cameco's capacity curtailments in 2016 (~7mmlb annual production), Kazatomprom's announcement finally indicates that **the two largest producers are serious about correcting what has been an oversupplied market and likely marks a bottom in the spot price.***

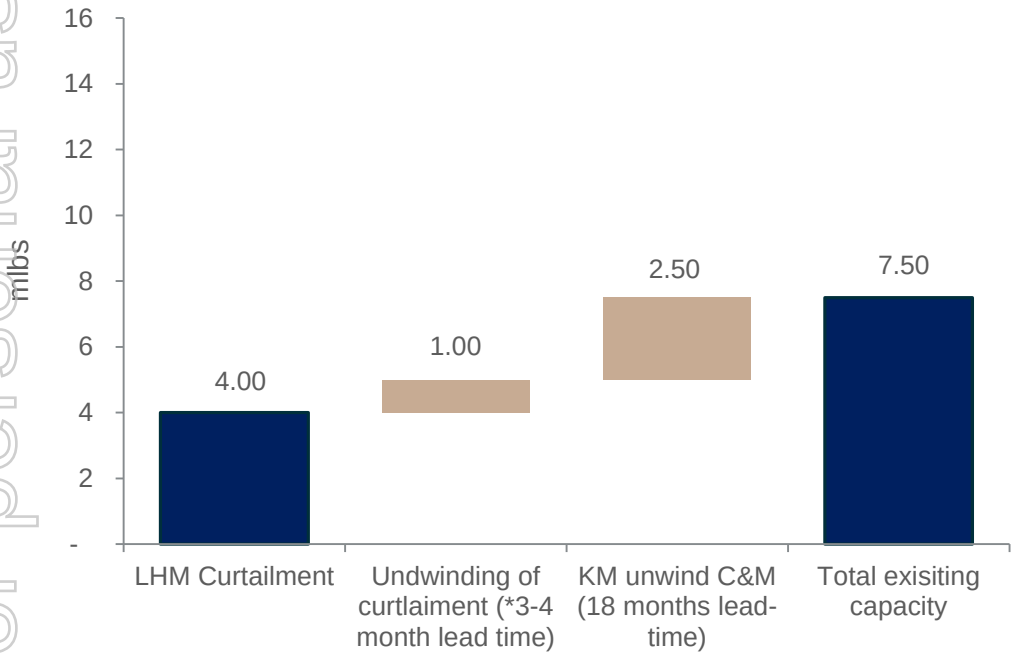
TD Securities, 12 January 2017

Source: Broker reports

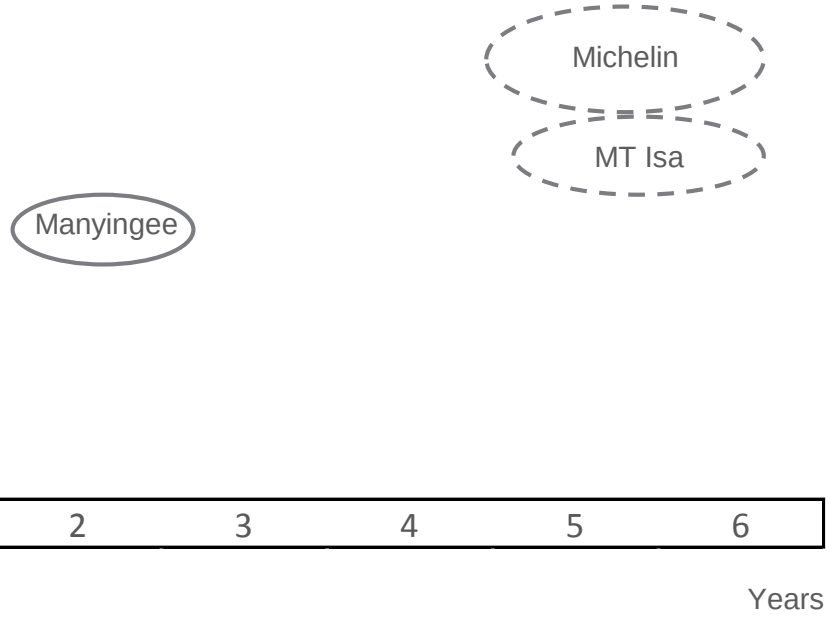
Unique Leverage Through Potential Volume Growth

Our fully built capacity plus pipeline provides unique growth potential

Potential volume growth within existing capacity (mlbs)



Future Pipeline



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Strategy and Outlook

4

Strategy

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MAXIMISE LHM OPERATING CASH FLOWS THROUGH CONTINUED OPTIMISATION INITIATIVES WHILST PRESERVING THE INTEGRITY OF THE LONG-TERM LIFE OF MINE PLAN

MAINTAIN **KM** AND **EXPLORATION** ON A "**MINIMAL EXPENDITURE**, CARE AND MAINTENANCE BASIS"

MINIMISE CORPORATE AND ADMINISTRATIVE **COSTS**

COMPLETE BALANCE SHEET STRENGTHENING **RESTRUCTURE**

PREPARE FOR GROWTH

Revised FY2017 Guidance

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Production in excess of 4.0mlb
vs 3.8-4.0mlb previously

Amended LHM mine plan to enhance operating level cash flows

LHM C1 US$16.50-18.50/lb
vs US$17-19/lb previously

"All in" US$29-31/lb
(no change)

US$14m corporate costs, KM care and maintenance and exploration
US$5m lower than FY2016
(no change)

March Quarter
Sales 700,000lb-800,000lb
Production 0.9mlb-1.0mlb
LHM C1 cash cost US$17-19/lb
Cash balance US$10-20m

Paladin Energy Ltd – Contact Details

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