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PALADIN ENERGY LTD

ACN 061 681 098

31 January 2020

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

By Electronic Lodgement

Dear Sir/Madam

QUARTERLY ACTIVITIES REPORT
FOR PERIOD ENDING – 31 DECEMBER 2019

HIGHLIGHTS

- **Mr Cliff Lawrenson appointed as Non-Executive Chairman and Mr Peter Watson and Mr Peter Main as Non-Executive Directors, reducing the Paladin Board from four to three Non-Executive Directors**
- **Cash and cash equivalents at 31 December 2019 of US$37.7M (excluding restricted cash of US$11M)**
- **Share Purchase Plan completed with subscriptions for 12,994,100 ordinary shares to raise A$1.49M, in addition to the successful A$30.2M Placement (September 2019), totalling US$21.6M before costs**
- **Cash expenditure during the last quarter of US$2.4M.** Forecast expenditure for FY2020 is US$17M (assuming the sale of Kayelekera at the end Q3 and including one off PFS costs)
- **Langer Heinrich Mine**
  - **Completion of phase 1 of the Prefeasibility Study (PFS) identified improved financials including;**
    - **12-month lead time to production from restart decision**
    - **Rapid restart production rate of 5.2Mlb pa with a Life of Mine All in Sustaining costs (AISC) of US$33/lb**
    - **Upfront capital estimated at US$80M, including working capital**
    - **Potential to increase production to 6.5Mlb pa through additional capital of US$30M resulting in a reduction of average LOM AISC of US$29/lb Scope for efficiency improvements post restart with potential cost reductions up to US$4.50/lb**
- **Kayelekera Mine**
  - **Paladin has received statutory consent for the sale of the Kayelekera Mine from the Malawi Minister for Natural Resources, Energy and Mining**
  - **The outstanding consent is the contractual consent from the Malawi Minister for Natural Resources, Energy and Mining and Minister of Finance, Economic Planning and Development**

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SAFETY

No lost-time injuries were reported during the quarter at either the Langer Heinrich or the Kayelekera Mines.

Langer Heinrich Mine has worked 807 Lost Time Injury Free days. Emergency Response Team training and practical emergency drills related to the mine's material risk register were part of the quarterly activities No occupational diseases or major environmental incidents occurred that required reporting to the Namibian Authorities.

The Kayelekera Mine has achieved 2,005 days without a Lost Time Injury for ~2.79 million person hours.

QUARTERLY URANIUM SALES

There were no uranium sales in the December 2019 quarter.

LANGER HEINRICH MINE, NAMIBIA (75%)

The Langer Heinrich Mine successfully transitioned into care and maintenance in August 2018 and the operation is currently undergoing a full review under Paladin's new Business Improvement model successfully used in the Prefeasibility Study (PFS).

Quarterly activities revolved around scheduled care and maintenance activities with the aim of preserving the site, equipment and the assets, as well as participation in the care and maintenance review.

In March 2019, Paladin commenced with a two-stage PFS for the possible restart of the Langer Heinrich Mine. On 14 October, Paladin announced the key highlights of phase 1 of the PFS (PFS1).

The PFS confirmed the lead time to bring Langer back into production as 12 months from a restart decision, compared to three years for a new project (assuming the project is permitted). Langer Heinrich is fully permitted, with permitting typically a minimum three-year process in most jurisdictions.

Estimated capital of US$80M for restart at production levels of ~5.2Mlb per annum (pa) was confirmed, and an opportunity was identified to increase production to 6.5Mlb pa through additional high return, discretionary capital of US$30M.

An aspirational average life of mine AISC target of US$30/lb was confirmed as achievable with the potential for further AISC improvements of approximately US$4.50/lb through significant process changes after restart.

The cost for completion of PFS1 is US$4.8M, compared to an original budget of US$6.2M for the PFS (which included PFS2 scope).

Further work on the rapid restart Feasibility Study (FS1) and phase 2 of the PFS (PFS2) has been deferred to when restart is imminent.

A restart of the Langer Heinrich Mine will be considered only if forecast cashflows from uranium sales provide an appropriate return on investment.

KAYELEKERA MINE, MALAWI (85%)

Care and maintenance activities continued throughout the quarter with all preparations for the current wet season water treatment campaign including target pond water levels in place.

EXPLORATION PROJECTS

During the December quarter, the Company completed the work required to meet minimum tenement commitments.

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CORPORATE

Placement and Share Purchase Plan

On the 13 September 2019, Paladin announced that it had successfully completed the Placement of 262,812,641 ordinary shares to raise A$30.2M (before costs) and on the 8 October 2019 that it had issued a further 12,994,100 ordinary shares to raise A$1.49M under a Share Purchase Plan (SPP), totalling US$21.6M before costs.

Funds raised from the Placement and SPP will be used to fund the Company's working capital requirements: including care and maintenance costs, exploration tenement costs and corporate costs.

Group cash and cash equivalents

At 31 December 2019, the Group's cash and cash equivalents were US$37.7M (excluding restricted cash of US$11M), a decrease of US$2.4M from US$40.1M at 30 September 2019.

Forecast expenditure for FY2020 is US$17M (assuming the sale of Kayelekera at the end Q3 and including one off PFS costs).

Q2 2020 Quarterly Cash Costs

Cashflows	**US$M**
Langer Heinrich care & maintenance	(1.3)
Kayelekera care & maintenance	(1.5)
Exploration	(0.2)
Prefeasibility Study (PFS1)	(1.3)
Corporate	(0.6)
SPP Proceeds	1.0
Other Proceeds*	1.5
TOTAL	**(2.4)**

*Includes the sale of the Telfer royalty for US$1,357,000

The amortised debt balance at 31 December 2019 was US$138.8M.

Sale of 85% interest in Kayelekera Mine

On 24 June 2019, Paladin announced it had entered into an agreement to sell its 85% interest in Paladin (Africa) Limited to Lotus Resources Limited (65%) and Kayelekera Resources Pty Ltd (20%). The consideration for the sale of Paladin's interest in the Kayelekera Mine is US$13.5M, comprising US$0.14M cash already received and US$3.36M in Lotus shares to be issued to Paladin (US$1.26M/A$1.8M on Completion, subject to a 12-month voluntary escrow, and US$2.1M/A$3M on the third anniversary of completion).

Paladin will be repaid the funds advanced to provide security for the US$10M environmental performance bond issued to the Government of Malawi for the Kayelekera Mine. The repayments will occur in four tranches: US$4M on Completion, US$1M on the first anniversary, US$2M on the second anniversary, and the final US$3M on the third anniversary.

Paladin will also receive a 3.5% royalty based on revenues derived from future production at the Kayelekera Mine, capped at US$3.5M (A$5M).

Paladin has received Noteholder consent for the sale and the transaction has been approved by Lotus shareholders.

The Malawi Minster for Natural Resources, Energy and Mining has now provided Statutory consent for the sale.

The remaining consent required is the Contractual Consent from the Minister for Natural Resources, Energy and Mining and the Minister of Finance, Economic Planning and Development. Once this is received, the completion of the sale remains subject to customary terms and conditions, including Reserve Bank of Malawi approval, which is expected to follow

Completion is expected to occur early in 2020.

The sale of the Company's non-core asset to Lotus and the repayment of the environmental performance bond advance will enable Paladin to prioritise its capital and other resources on optimising and restarting its Langer Heinrich Mine once the uranium price has recovered sufficiently.

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New Non-Executive Chairman

On 29 October 2019, Mr Cliff Lawrenson was appointed as the Company's Non-Executive chairman. Mr Lawrenson brings to Paladin deep expertise in the minerals and energy sectors derived from his considerable global experience. Coupled with this is a successful track record of leading strategic direction in companies and executing corporate transactions.

Board Restructure

On 11 December 2019, the Company appointed Mr Peter Watson and Mr Peter Main as non-executive directors of the Company, effective immediately. Existing non-executive directors Mr Daniel Harris, Mr David Riekie and Mr John Hodder have stepped down as non-executive directors of the Company.

URANIUM MARKET

The TradeTech weekly spot price average for the December quarter was US$25.15/lb, a 1% decrease compared to the previous quarter and 12% lower than the December 2018 quarter. Spot prices were impacted by year-end selling in December.

Drawdown of utility and producer inventories continued in 2019, marking the seventh successive year that replacement uranium purchasing has been below consumption. European and North American inventory levels have limited scope for further reduction and, as a result, utility activity is expected to increase over the next 12-18 months.

Yours faithfully
Paladin Energy Ltd



SCOTT SULLIVAN
CHIEF EXECUTIVE OFFICER

This Quarterly Activities Report has been authorised for release by the Board of Directors of Paladin Energy Ltd.

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TENEMENT INFORMATION REQUIRED BY LISTING RULE 5.3.3

Tenement	Location	Ownership	Change in Quarter
EPM 11898	QLD, Australia	20%	n/a
EPM 13412	QLD, Australia	20%	n/a
EPM 13413	QLD, Australia	20%	n/a
EPM 13682	QLD, Australia	20%	n/a
EPM 14040	QLD, Australia	20%	n/a
EPM 14233	QLD, Australia	18%	n/a
EPM 14694	QLD, Australia	20%	n/a
EPM 14712	QLD, Australia	20%	n/a
EPM 14713	QLD, Australia	20%	n/a
EPM 14821	QLD, Australia	20%	n/a
EPM 14935	QLD, Australia	20%	n/a
EPM 15156	QLD, Australia	20%	n/a
EPM 15186	QLD, Australia	20%	n/a
EPM17513	QLD, Australia	100%	n/a
EPM17514	QLD, Australia	100%	n/a
EPM17519	QLD, Australia	100%	n/a
MDL 507	QLD, Australia	100%	n/a
MDL 508	QLD, Australia	100%	n/a
MDL 509	QLD, Australia	100%	n/a
MDL 510	QLD, Australia	100%	n/a
MDL 511	QLD, Australia	100%	n/a
MDL 513	QLD, Australia	100%	n/a
M08/86	WA, Australia	100%	n/a
M08/87	WA, Australia	100%	n/a
M08/88	WA, Australia	100%	n/a
E08/1645	WA, Australia	100%	n/a
E08/1646	WA, Australia	100%	n/a
EL 6132	SA, Australia	7.5%	n/a
ML 140	Namibia, Africa	75%	n/a
ML 172	Namibia, Africa	75%	n/a
ML 152	Malawi, Africa	85%	n/a
EPL 417	Malawi, Africa	85%	n/a
EPL 418	Malawi, Africa	85%	n/a
EPL 225	Malawi, Africa	85%	n/a
EPL 489	Malawi, Africa	85%	n/a
EPL 502	Malawi, Africa	85%	n/a
022147M	NL, Canada	55%	n/a
024697M	NL, Canada	55%	n/a
024946M	NL, Canada	55%	n/a
024995M	NL, Canada	55%	n/a
025621M	NL, Canada	55%	n/a
025641M	NL, Canada	55%	n/a
025649M	NL, Canada	55%	n/a
025651M	NL, Canada	55%	n/a
025658M	NL, Canada	55%	n/a
025675M	NL, Canada	55%	n/a
025676M	NL, Canada	55%	n/a
025677M	NL, Canada	55%	n/a
025678M	NL, Canada	55%	n/a
025680M	NL, Canada	55%	n/a
025681M	NL, Canada	55%	n/a
025682M	NL, Canada	55%	n/a
025683M	NL, Canada	55%	n/a
025929M	NL, Canada	55%	n/a
025931M	NL, Canada	55%	n/a
025932M	NL, Canada	55%	n/a
025935M	NL, Canada	55%	n/a

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