



PALADIN ENERGY LTD

ACN 061 681 098

15 October 2015

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

By Electronic Lodgement

Dear Sir/Madam

QUARTERLY ACTIVITIES REPORT FOR PERIOD ENDING – 30 SEPTEMBER 2015

HIGHLIGHTS

- **Sales of 800,000lb U₃O₈ at an average selling price of US\$46.12/lb (vs. average spot price of US\$36.48/lb)**
- **Langer Heinrich Mine**
 - Accounting production 1,082,983lb U₃O₈ and drummed production 1,200,026lb U₃O₈, down 19% and up 5% respectively vs. last quarter.
 - Average plant feed grade of 706ppm U₃O₈.
 - Overall recovery of 82.2%.
 - C1 cash cost of production of US\$27.82/lb (vs. guidance of US\$27.00/lb to US\$30.00/lb).
 - Bicarbonate Recovery Plant (BRP) operating at greater than 200% of design.
- **Safety performance continues to improve**
- **Kayelekera Mine**
 - Nano-filtration unit commissioned at water treatment plant at the end of September 2015.
 - Application for renewal of licence to discharge treated water submitted in September 2015.
- **Cash and cash equivalents at 30 September 2015 of US\$108.0M (vs. guidance pro-forma for repurchase of Convertible Bonds due in April 2017 of US\$101.5M to US\$111.5M)**
- **Repurchased US\$20M of the US\$274M Convertible Bonds due April 2017 for approximately US\$18.5M**
- **First two Japanese reactors (post Fukushima) commenced operations in August and October 2015 respectively**
- **Cash flow optimisation initiatives implemented**
- **Annual guidance reaffirmed with the Company expecting each subsequent quarter of FY16 to be cash flow positive at current spot uranium prices and foreign exchange rates**

SAFETY

The Company achieved 452 Lost Time Injury (LTI) free days at the Kayelekera Mine (KM) and 118 LTI free days at the Langer Heinrich Mine (LHM) at the end of this quarter.

The Company's 12 month moving average Lost Time Injury Frequency Rate (LTIFR) was 1.39 as compared to 2.41 last quarter and 4.10 for the three months ended 30 September 2014.

LHM had two incidents this quarter both involving mine haul trucks, which did not result in any injuries, but had the potential to cause serious injury or a fatality. Both incidents were fully investigated.

QUARTERLY URANIUM SALES

Total sales for the quarter was 800,000lb U₃O₈ at an average selling price of US\$46.12/lb, generating gross sales revenue of US\$36.9M with cash proceeds to be received in the December quarter. Sales volume for the September quarter was lower due to inventory accumulation for a major CNNC delivery despatched on 1 October.

The TradeTech weekly spot price average for the September quarter was US\$36.48/lb.

LANGER HEINRICH MINE, NAMIBIA (75%)*Production and cash cost of production*

	2014 Sep Qtr	2014 Dec Qtr	2015 Mar Qtr	2015 Jun Qtr	2015 Sep Qtr
Accounting production (lb U₃O₈)	1,089,560	1,376,578	1,234,325	1,336,826	1,082,983
C1 cash cost of production (US\$/lb)	33.03	28.58	29.42	26.03	27.82

Quarterly accounting production of 1,082,983lb U₃O₈ was down on the preceding quarter by 19%. However, as a result of the success of the BRP the amount of drummed material produced (i.e. drummed production) for the quarter was up 5% from last quarter to 1,200,026lb U₃O₈. We anticipate a continued trend of drummed production exceeding accounting production (ie, release of material from in plant inventory) for the remainder of FY16.

LHM unit C1 cash cost of production for the quarter increased by 7% from US\$26.03/lb in the FY15 June quarter to US\$27.82/lb as a result of the lower production volume, although total US\$ C1 cash costs of production decreased by 13% to US\$30.1M. Unit C1 cash cost of production was US\$5.21/lb (16%) lower than in the FY15 September quarter.

Guidance previously provided was for LHM unit C1 cash cost of production for the September quarter to be US\$2-3/lb above the full-year guidance range of US\$25.00/lb to US\$27.00/lb (i.e. US\$27.00 to US\$30.00/lb).

Mining

	2014 Sep Qtr	2014 Dec Qtr	2015 Mar Qtr	2015 Jun Qtr	2015 Sep Qtr
Ore mined (t)	910,082	703,901	598,341	700,831	833,057
Grade (ppm U₃O₈)	802	928	868	792	705
Additional low grade ore mined (t)	345,943	183,341	353,664	354,559	811,805
Grade (ppm U₃O₈)	328	325	316	325	317
Waste (t)	3,803,470	4,119,374	4,021,724	4,143,019	4,679,474
Total Ore and Waste (t)	5,059,495	5,006,616	4,973,729	5,198,410	6,324,336
Waste/ore ratio	4.6	6.1	7.3	6.4	6.6

Mining production volumes increased to 875,000bcm/month. Activities concentrated on the western side of the deposit in Pits H3 and H4 and started in Pit 3B on the eastern side of the deposit mid-quarter. The ore-to-waste ratio during the quarter was slightly higher due to the ore body depth increasing going west. This trend will continue as mining focus will be on the western pits.

ROM ore stockpiles decreased at the end of the quarter. Lower stockpile levels will remain until mid-November when high grade ore is exposed in Pit H3. The ROM medium grade is being supplemented by medium grade ore from long term stockpiles in line with the mine plan.

Extension of the current in-pit tailings storage facility (TSF #3) and re-establishment of a major south-north drainage channel for flood mitigation were completed at the end of June 2015. LHM will complete the TSF #1 tailings relocation feasibility study in the next quarter.

Processing

	2014 Sep Qtr	2014 Dec Qtr	2015 Mar Qtr	2015 Jun Qtr	2015 Sep Qtr
Ore milled (t)	734,226	916,576	860,337	886,520	847,016
Grade (ppm U₃O₈)	786	773	736	778	706
Overall recovery (%)	85.6	88.2	88.4	87.8	82.2
Accounting production (lb U₃O₈)	1,089,560	1,376,578	1,234,325	1,336,826	1,082,983

Plant production for the September quarter was down 19% over the prior quarter. A 4.5% decrease in throughput was caused by reduced availability associated with planned annual maintenance and equipment reconfiguration (e.g. scrubber relining and reconfiguration of BRP). However, overall recovery was also lower, caused principally by an atypical ore type which was unexpected, but fed for the whole quarter due to mine scheduling constraints. The ore was from a tributary of the main paleo channel that hosts the orebody. Ore from the main paleo channel will become available mid-October and is expected to reverse the negative impacts experienced during the quarter.

Innovation

The further optimisation of the BRP described in the June quarterly report was completed during this quarter and has lifted BRP performance to greater than 200% of design (in terms of sodium bicarbonate recycled and caustic savings).

Further associated innovations remain either in the implementation or design phase and scheduled for both FY16 and FY17.

KAYELEKERA MINE, MALAWI (85%)

Operations

The Kayelekera Mine (KM) remains on Care and Maintenance (C&M).

Quarterly activities at site focussed on modifying the water treatment plant. These modifications will enable KM to move from a conventional reagent based precipitation water treatment method to a non-reagent water treatment method using filtration only. After successfully completing the modifications the plant commissioning began in late September 2015. Controlled treated water release will recommence when the Malawi Government has renewed KM's licence for the discharge of treated water. The current 12-month license expires on 22 October 2015 and the application for renewal was submitted in early September 2015.

Exploration

Pending Malawi Parliamentary approval and introduction of a new Mining Act in Malawi, the Malawi Mines Department has deferred the issue of two exploration licenses to Paladin, south of KM at Kopakopa and Nthalire. The reason for this delay is that Intra Energy Limited has coal exploration licenses for the same lease areas and the Government of Malawi is endeavouring to clear these license overlaps before the introduction of the new Mining Act.

Paladin will continue to monitor the situation and liaise with the Malawi Mines Department and prepare for the introduction of the new legislation.

Exploration in the September quarter concentrated on surface geophysical surveys, stream sediment sampling and geological mapping in areas to the east of the mine.

MANYINGEE-CARLEY BORE PROJECT, WESTERN AUSTRALIA (100%)Manyingee

A regional conceptual groundwater model for the greater Manyingee area was substantially completed by external consultants during the quarter. Another round of water sampling from the installed water bore network was completed in early July and was used as input into the groundwater modelling exercise. Detailed geological modelling of areas suitable for in-situ recovery field leach trials is currently underway in order to aid in planning pre-trial development drilling.

Carley Bore

The purchase of tenements E08/1644, E08/1645 and E08/1646 was completed after Foreign Investment Review Board approval in late July and applications for state government approval for exploration drilling were initiated. Technical work completed in the quarter focused on the verification and conversion of the data received from Energia Minerals for inclusion in Paladin's database. Results from a historic airborne electromagnetic survey were reprocessed by an external contractor and these will be combined with drilling results to date to aid in the creation of a revised geological model.

AURORA-MICHELIN URANIUM PROJECT, CANADA (100%)

A substantial orientation soil sampling survey was completed over the Michelin and Rainbow deposits and surrounding areas and results are expected in the December quarter. The aim of the survey was to confirm that Michelin style deposits can be identified through the existing cover sequence and identify prospective areas adjacent to the existing deposits for follow-up exploration.

An IPower3D resistivity and induced polarisation survey was conducted over the Michelin and Rainbow deposits to assess the use of this technique to locate mineralisation with no surface expression. Study of the results is ongoing and initial results suggest that the structures associated with the Michelin deposit are identifiable, though the mineralisation may not be, whereas at Rainbow it appears that the mineralisation may have been detected directly.

During the quarter results were received from Condor Consulting regarding a revised regional interpretation of the extensive magnetic and radiometric dataset held by the company. This study was undertaken in order to improve the current regional framework for identifying prospective areas for exploration and was based on the association between known uranium deposits and the processed magnetic and radiometric signatures of the current, recognisable stratigraphic packages. It is expected that this information will be used as a primary input into the ongoing prospectivity analysis for the CMB region.

MOUNT ISA URANIUM PROJECTS, QUEENSLAND (82% to 100%)

Radiometric ore sorting test samples for the Odin, Bikini, Andersons, Watta, Duke Batman and Honey Pot deposits have been received at ANSTO and the sorting trials commenced. Once the results from the ore sorting process have been received the sorted material will progress to alkaline leach testwork in order to validate the regional deposits against the proposed Valhalla metallurgical flow sheet.

CORPORATEFinancial

In September 2015, Paladin repurchased US\$20M of the US\$274M Convertible Bonds due April 2017. The cash expenditure for the repurchase was approximately US\$18.5M as the bonds were bought back at an average price of 90.2 per cent. The repurchase has resulted in approximately US\$3.9M of cash savings to Paladin in the form of avoided principal and coupon payments over the period to maturity of the 2017 Convertible Bonds.

At 30 September 2015, the Group's cash and cash equivalents were US\$108.0M. Guidance previously provided was for the 30 September 2015 cash balance to be in the range of US\$120M to US\$130M, with such guidance provided prior to the implementation of the convertible bond repurchase, which resulted in adjusted guidance of US\$101.5M to US\$111.5M.

Cash flow optimisation initiatives

During the quarter Paladin implemented reductions in corporate costs, exploration and KM care and maintenance costs, reducing annualised cash expenditure by approximately US\$14M compared to FY15. Paladin reduced its corporate staff by approximately 60% during the September quarter and reduced board fees. Exploration has been put on care and maintenance and the Company will only undertake the work required to meet minimum license expenditures.

URANIUM MARKET

The TradeTech weekly spot price average for the September quarter was US\$36.48/lb, representing a 1% decrease compared to US\$36.80/lb for the prior quarter and an increase of 17% compared to US\$31.17/lb for the FY15 September quarter.

Kyushu Electric's Sendai Unit 1 restarted on 11th August, becoming the first Japanese reactor to return to service since September 2013. Sendai Unit 1 reached full commercial operation in September paving the way for the restart of Unit 2, which restarted on 15 October 2015.

In August, Japan's Ministry of Economy Trade and Industry (METI) confirmed Japan's "Strategic Energy Plan" calling for nuclear power to provide 20 – 22% of total electricity generation by 2030. METI also advised of planned cuts to greenhouse gas emissions, reversing the effect of increases observed since the extended shutdowns of the country's nuclear fleet.

In China, milestones reported in the July quarter included the start of construction of Honghanye Unit 6, initial core loading at Changjiang Unit 1 and connection to the grid of Fuqing Unit 2. The country now has 26 reactors in operation with a further 25 under construction. In further positive news, media reports in September suggested that development of inland nuclear power plants, which were put on hold following Fukushima, would resume in the near term.

During a September visit to China by the British finance minister, the UK government announced a £2 billion infrastructure guarantee for the Hinkley Power C project (HPC). A final decision on the development of HPC project in the UK is anticipated before the end of 2015 with China National Nuclear Corporation and China General Nuclear expected to take a substantial equity stake in the project.

South Africa's procurement process for up to 9.6 GWe of new nuclear capacity commenced in July and is expected to be completed by the end of April 2016. The new reactors would supply some 23% of overall electricity generation in the country with the first reactor due to come on line in 2023.

GUIDANCE UPDATE

Accounted uranium sales for the FY16 December quarter are anticipated to be in the range of 1.5Mlb to 1.7Mlb.

Annual production guidance for FY16 remains in the range of 5.0Mlb to 5.4Mlb U₃O₈, which includes a planned 10% reduction in milled ore grade to 694ppm U₃O₈.

Average selling price premium guidance for FY16 full-year continues to be more than US\$4/lb above average spot price.

December quarter C1 unit cash costs are expected to be within prior guidance given for the FY16 full-year average range of US\$25/lb to US\$27/lb.

The Company continues to expect the remaining quarters of FY16 to be cash generative and for it to be cash flow neutral on a full-year basis (excluding one offs such as the convertible bond repurchase) based on current spot uranium price and foreign exchange rates, which have not changed materially since FY16 guidance was provided with the FY15 full-year results.

The Company currently forecasts the cash and cash equivalents balance at 31 December 2015 to be in the range of US\$110M to US\$120M. However, that balance could be substantially higher when exact delivery date and timing of payment for the last physical delivery of the quarter (approximately US\$28M in value) becomes certain.

Yours faithfully
Paladin Energy Ltd



ALEXANDER MOLYNEUX
Interim CEO

Declaration

The information in this Announcement relating to exploration and mineral resources is, except where stated, based on information compiled by David Princep B.Sc who is a Fellow of the AusIMM. Mr Princep has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves", and as a Qualified Person as defined in NI 43-101. Mr Princep is a full-time employee of Paladin Energy Ltd and consents to the inclusion of this information in the form and context in which it appears.