



PALADIN ENERGY LTD

ACN 061 681 098

18 July 2018

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 JUNE 2018

HIGHLIGHTS

- Sales of 1,147,835lb U₃O₈ at an average selling price of US\$20.58/lb
- Langer Heinrich Mine
 - Uranium production and unit costs were affected by the transitioning of the mine towards care and maintenance from 13 May 2018
 - U₃O₈ production 354,465lb, down 47% vs. prior quarter
 - Ore milled of 430,470t, down 45% vs. prior quarter
 - Average plant feed grade from stockpiles of 406ppm U₃O₈, down 8% vs. prior quarter
 - Overall recovery of 92.1%, up 4% vs. prior quarter
 - C1 cash cost of production of US\$34.55/lb, up 16% vs. prior quarter
- Kayelekera Mine
 - Water treatment continued successfully during the quarter
- Cash and cash equivalents at 30 June 2018 of US\$50.2M
- On 28 May 2018, Paladin finalised terms with the Electricité de France S.A. (EDF) Claimants for a proposal whereby all existing claims which the EDF Claimants have against Paladin's Canadian subsidiaries and Michelin will be released and in consideration for the release of these claims, the EDF Claimants will receive a 50% participating interest in the Michelin Project. There will be a farm out over a five year period whereby the EDF Claimants will transfer a 5% participating interest in the Michelin Project to Paladin on an annual basis in return for Paladin funding all obligations for the Michelin Project over this period.
- The Michelin Project proposal was accepted by the creditors of Paladin's Canadian subsidiaries at a meeting held on 21 June 2018.
- Mr Scott Sullivan was appointed Chief Executive Officer of Paladin commencing 1 July 2018

SAFETY

The Kayelekera Mine (KM) achieved 1,456 Lost Time Injury (LTI) free days for ~2.25 million man hours. There were no LTI's reported during the quarter at the Langer Heinrich Mine (LHM).

The Company's 12 month moving average Lost Time Injury Frequency Rate (LTIFR) decreased to 1.7 as compared to 2.4 at the end of the last quarter. The 12 month moving average LTIFR for the previous year was 1.8.

QUARTERLY URANIUM SALES

Total sales for the quarter were 1,147,835lb U₃O₈ at an average selling price of US\$20.58/lb, generating gross sales revenue of US\$23.6M, which was a 90% increase over the previous quarter's revenue.

Uranium sales in the range of 250,000lb to 300,000lb U₃O₈ are anticipated in the September quarter.

LANGER HEINRICH MINE, NAMIBIA (75%)Care and maintenance

In May 2018, the Company received the consent of relevant stakeholders to place LHM into care and maintenance and LHM stopped presenting ore to the plant. There will be a run-down phase of up to three months where various stages of the plant will be progressively suspended and cleaned. Once the run-down phase is complete, operations will have been completely suspended and LHM will be on care and maintenance.

Production and cash cost of production

	2017 Jun Qtr	2017 Sep Qtr	2017 Dec Qtr	2018 Mar Qtr	2018 Jun Qtr
U₃O₈ production (lb)	753,573	840,664	873,107	670,456	354,465
U₃O₈ drummed (lb)	696,392	838,011	890,230	733,946	515,774
C1 cash cost of production (US\$/lb)	25.08	23.56	22.67	29.82	34.55

Quarterly U₃O₈ production of 354,465lb was down on the preceding quarter by 47%. The amount of drummed material produced (i.e. U₃O₈ drummed) for the quarter was down 30% from last quarter at 515,774lb.

LHM unit C1 cash cost of production for the quarter increased by 16% from US\$29.82/lb in the March quarter to US\$34.55/lb in the June quarter.

Mining

No mining activities were carried out during the June quarter. The long term ore stockpiles continued to supplement the Run-of-Mine (RoM) with medium grade ore until 13 May 2018, when plant feed ceased.

Processing

	2017 Jun Qtr	2017 Sep Qtr	2017 Dec Qtr	2018 Mar Qtr	2018 Jun Qtr
Ore milled (t)	830,204	878,421	862,961	782,447	430,470
Grade (ppm U₃O₈)	475	488	529	439	406
Overall recovery (%)	86.7	89.0	86.8	88.5	92.1
U₃O₈ production (lb)	753,573	840,664	873,107	670,456	354,465

U₃O₈ production for the June quarter was down 47% on the prior quarter mainly due to the transition of operations to care and maintenance from 13 May 2018. Recovery was higher for the quarter as soluble uranium return credits from the tailings facilities continued after the plant was shut down.

Drummed production for the quarter also included uranium recovered from in-circuit uranium inventory, as the various sections of the plant were emptied and cleaned in preparation for care and maintenance.

KAYELEKERA MINE, MALAWI (85%)

KM remains on care and maintenance.

Quarterly activities at site focused on the water treatment programme. During the quarter, the lime or membrane water treatment plants operated for a total of 1,205 hours during the period from 17 January to 20 June 2018 discharging approximately 539,000m³ to the Sere River within licence conditions.

EXPLORATION PROJECTS

During the June quarter, the Company has only undertaken the work required to meet minimum tenement commitments.

CORPORATE*Group cash and cash equivalents*

At 30 June 2018, the Group's cash and cash equivalents were US\$50.2M, largely unchanged from US\$50.5M at 31 March 2018.

Michelin Joint Venture Agreement

In December 2017, Electricité de France S.A. (EDF) sold its claims against certain of Paladin's Canadian subsidiaries that own 60.1% of the Michelin Project to Deutsche Bank AG. Deutsche Bank AG subsequently sold down parts of its interest in the Michelin Security (Claims) to a number of parties (EDF Claimants).

On 28 May 2018, Paladin finalised terms with the EDF Claimants for a Joint Venture Agreement and the proposal was filed with the Canadian courts on 31 May 2018 (Proposal).

Immediately upon execution of formal agreements, and subject to court approval of the Proposal and satisfaction of all of the release conditions precedent, all existing Claims which the EDF Claimants have against the Canadian subsidiaries and Michelin, will be irrevocably extinguished, released and discharged. In consideration for the release of these Claims, the EDF Claimants will have a 50% participating interest in the Michelin Project.

Under the terms of this Joint Venture Agreement, there will be a farm out over a five year period whereby, the EDF Claimants will transfer a 5% participating interest in the Michelin Project to Paladin on an annual basis. This farm out is subject to a number of conditions including Paladin as manager maintaining the licences that cover the Michelin Project and funding all obligations for that applicable full year.

The Proposal to extinguish the Michelin Project Claims was accepted by the creditors of Paladin's Canadian subsidiaries at a meeting held on 21 June 2018 and an application to approve the Proposal was filed with the Supreme Court of British Columbia – Vancouver on 16 July 2018.

URANIUM MARKET

The TradeTech weekly spot price average for the June quarter was US\$21.95/lb, a 2% decrease compared to the March quarter and a 3% increase compared to the June 2017 quarter. After hitting a 2018 year-low of \$20.10/lb in early April, spot prices increased to \$22.75/lb at the end of June 2018.

After a quiet first calendar quarter, spot market activity was particularly high from mid-April onwards. The increased activity was triggered by a series of market developments including curtailment of the sale of excess US Department of Energy inventories and potential government support for nuclear and coal operators in the USA.

The LHM care and maintenance decision was followed in late-May by clarification of supply cut-backs in Kazakhstan. Taken together these developments have removed 5-6Mlb from anticipated 2018 production and as much as 10Mlb pa from 2019 onward.

Additional demand also manifested in May via the closing of a bought deal by Uranium Participation Corporation for C\$20M. Even more significant was the IPO of a new uranium fund on the London AIM exchange. Yellow Cake plc successfully listed in early July raising US\$200M, which it used to purchase 8.1Mlb of uranium from Kazatomprom.

The US Department of Commerce is expected to make a decision in the next quarter about whether it will pursue a formal investigation relating to the Section 232 petition filed in mid-January 2018 by US producers Energy Fuels and Ur-Energy.

Kansai's Ohi 4 and Kyushu's Genkai 4 became the eighth and ninth reactors to re-start in Japan after they commenced operations in May and June 2018 respectively.

Yours faithfully
Paladin Energy Ltd

A handwritten signature in black ink, appearing to read "Scott Sullivan", with a horizontal line extending to the right.

SCOTT SULLIVAN
Chief Executive Officer