



PALADIN ENERGY LTD
(Subject to Deed of Company Arrangement)

ACN 061 681 098

31 January 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 – 31 DECEMBER 2017

HIGHLIGHTS

- Sales of 1,240,903lb U₃O₈ at an average selling price of US\$22.39/lb (vs. average spot price of US\$22.58/lb)
- Langer Heinrich Mine
 - U₃O₈ production 873,107lb, up 4% vs. prior quarter
 - C1 cash cost of production of US\$22.67/lb, down 4% vs. prior quarter
 - Ore milled of 862,961t, down 2% vs. prior quarter
 - Average plant feed grade of 529ppm U₃O₈, up 8% vs. prior quarter
 - Overall recovery of 86.8%, down 2% vs. prior quarter
- Kayelekera Mine
 - Application for renewal of licence to discharge treated water approved
- Cash and cash equivalents at 31 December 2017 of US\$25.8M
- Paladin's creditors resolved to execute the proposed DOCA at the second meeting of creditors of Paladin and it was executed by the Administrators on 8 December 2017
- EDF sold (by way of assignment) all of its claims against Paladin to Deutsche Bank on 21 December 2017, which has sought to sell-down some or all of those claims to other third-party investors
- Supreme Court of New South Wales approved the transfer of 98% of Paladin's shares from existing shareholders to certain creditors under section 444GA of the Corporations Act 2001 (Cth) on 18 January 2018
- Proposed Restructure expected to be implemented on 31 January 2018 following Paladin raising US\$115M pursuant to the issue of new secured notes and certain ASX conditions to the reinstatement of Paladin to trading on the ASX being satisfied

SAFETY

The Company achieved 1,275 Lost Time Injury (LTI) free days at the Kayelekera Mine (KM) for ~2.0 Million man hours. There was one LTI reported during the quarter at the Langer Heinrich Mine (LHM), a Process Operator sustained an ankle injury when he twisted his right ankle while disembarking from a ladder trolley.

The Company's 12 month moving average Lost Time Injury Frequency Rate (LTIFR) increased to 3.1 as compared to 2.0 at the end of the last quarter. The 12 month moving average LTIFR for the previous year was 1.9.

QUARTERLY URANIUM SALES

Total sales for the quarter were 1,240,903lb U₃O₈ at an average selling price of US\$22.39/lb, generating gross sales revenue of US\$27.8M, which was a 205% increase over the previous quarter's revenue. The TradeTech weekly spot price average for the December quarter was US\$22.58/lb.

Lower uranium sales in the range of 500,000lb to 600,000lb U₃O₈ are anticipated for the March quarter due to inventory accumulation ahead of a major CNNC delivery in April.

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

	2016 Dec Qtr	2017 Mar Qtr	2017 Jun Qtr	2017 Sep Qtr	2017 Dec Qtr
U₃O₈ production (lb)	1,206,685	896,070	753,573	840,664	873,107
C1 cash cost of production (US\$/lb)	16.03	21.02	25.08	23.56	22.67

Quarterly U₃O₈ production of 873,107lb was up on the preceding quarter by 4%. The amount of drummed material produced (i.e. U₃O₈ drummed) for the quarter was up 6% from last quarter at 890,230lb.

LHM unit C1 cash cost of production for the quarter decreased by 4% from US\$23.56/lb in the September quarter to US\$22.67/lb in the December quarter. Unit C1 cash cost of production was 41% higher than in the quarter to 31 December 2016.

Mining

	2016 Dec Qtr	2017 Mar Qtr	2017 Jun Qtr	2017 Sep Qtr	2017 Dec Qtr
Ore mined (t)	245,030	-	-	-	-
Grade (ppm U₃O₈)	710	-	-	-	-
Low grade ore mined (t)	358,896	-	-	-	-
Grade (ppm U₃O₈)	314	-	-	-	-
Waste (t)	500,904	-	-	-	-
Total Ore and Waste (t)	1,104,830	-	-	-	-
Waste/ore ratio	3.5	-	-	-	-

No mining activities were carried out during the December quarter. The long term ore stockpiles continued to supplement the Run-of-Mine (RoM) with medium grade ore in line with the current mining curtailment plan.

Processing

	2016 Dec Qtr	2017 Mar Qtr	2017 Jun Qtr	2017 Sep Qtr	2017 Dec Qtr
Ore milled (t)	903,313	837,990	830,204	878,421	862,961
Grade (ppm U₃O₈)	692	547	475	488	529
Overall recovery (%)	87.6	88.6	86.7	89.0	86.8
U₃O₈ production (lb)	1,206,685	896,070	753,573	840,664	873,107

U₃O₈ production for the December quarter was up 4% on the prior quarter mainly due to 8% higher plant feed grade which was partially offset by a decrease in ore milled and lower overall recoveries. The decrease in ore milled was due predominantly to ore type on the MG3 stockpile. A number of blends were selected, but in most cases the ore exhibited poor settling and compaction characteristics and was wet, causing equipment blockages.

Issues are being experienced with the ore exhibiting poor settling characteristics, which is impacting plant throughputs and efficiency. Blending of ore to minimise these effects is difficult due to limited ore sources. More stable operation of the CCD circuit has come about by introduction of a revised control strategy, however the full benefits of this have not been realised due to poor settling of the solids. Challenges with resin movement due to contaminants in the resin and lower loading capacities continue to hinder NIMCIX performance. Plans are in place to replace the resin next financial year. The Bicarbonate Recovery Plant continues to operate successfully with bicarbonate recovery matching design conditions for the plant. Minimisation of metal recycle from the precipitation area is a primary focus to reduce the overall bicarbonate consumption.

KAYELEKERA MINE, MALAWI (85%)

Operations

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

On 9 January 2018, the Company was notified that KM's application for the renewal of its licence to discharge treated water was approved by the Malawi National Water Resource Authority.

A total of 259.6mm of rainfall was recorded during the December quarter, which was considerably higher than the 80.4mm recorded for the same period last year. At the end of the quarter, both the lime and membrane water treatment plants were ready to commence water treatment as and when required. Seasonal water treatment will likely commence in early January 2018 to reduce Runoff Water Pond 2 levels.

As at 31 December 2017 the water inventories in the major water storage ponds were as follows: the Runoff Water Pond 2 at 57% (31 December 2016: 42%) of total capacity, the Decant Pond at 64% (31 December 2016: 69%) of total capacity and the Tailings Storage Facility at 16% (31 December 2016: 31%) of recommended capacity. Total water volumes at 31 December 2017 were at 1,329,803m³ compared to 1,321,187 m³ at 31 December 2016. The water levels are slightly higher than the same period last year, due to the higher rainfall.

Exploration

The Company is continuing to undertake localised ground surveys and confirmation checks on targets outlined during prospectivity analysis within the immediate vicinity of the mine site – to date no significant uranium mineralisation has been identified although a number of uranium plus rare earth element pegmatites in basement rocks have been located coincident with small scale radiometric anomalies.

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

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Paladin remains in discussions with external consultants with respect to the potential to define a work program for completion of a pre-feasibility study. Once the Proposed Restructure has been completed it is expected that this process will be progressed with the incorporation of test work already completed by ANSTO into the project assessment.

Carley Bore

Following on from the drilling programme on all of the tenements at Carley Bore late in CY2016 detailed planning has been completed for a follow-up programme to be undertaken in the second half of CY2018. The programme is designed to identify areas within the existing tenement package that are prospective for additional red-ox style mineralisation and to enable a reduction in the overall ground holding by identifying non prospective areas. Additionally, it is expected that work within the deposit area using Prompt Fission Neutron (PFN) logging will be undertaken in order to identify the distribution of radiometric disequilibrium to ultimately enable a mineral resource update to be completed for the deposit. A passive seismic survey is in the initial planning stages and, once the survey is completed, this information will be incorporated into the red-ox front targeting process in order to more efficiently identify prospective drilling areas.

AURORA-MICHELIN URANIUM PROJECT, CANADA (100%)

Planning is underway for exploration programmes in the region of the Inda, Nash and Gear deposits in order to meet current expenditure commitments. It is intended that the work programmes will cover the commitments until the next license renewal date allowing the Company to focus on the licenses surrounding the Michelin deposit. To

date limited work has been undertaken by the Company on the deposits and the Company is keen to assess the prospectivity of this area.

During the northern summer field season routine maintenance was carried out on the Michelin camp and the final clean-up work was completed at the Jacques Lake camp. This work successfully finalised the closure of the camp and, once inspected by Nunatsiavut and Newfoundland and Labrador government officials, enabled the return of the environmental liability bond back to the Company.

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

During October RC drilling was conducted at the Round Hill and Elbow prospects located approximately 10km north of Valhalla on EPM17514 in order to meet tenement expenditure commitments. 11 holes were drilled for 2,538m. All drill holes were geologically logged, downhole gamma logged and gyro surveyed utilising Summit Resources (Australia) Ltd's (Summit's) exploration equipment.

Drilling at Round Hill, 6 holes for 1,194m, tested two areas. A single hole, RR013, was drilled to test the extension to the mineralisation identified in drilling conducted in 2012. The drill hole intercepted three thin (~1m) albitite alteration zones that are associated with 30x background gamma probe counts. The remaining five holes were drilled to test a separate trend of anomalous uranium results identified during a trenching program in 2012. Geological logging identified numerous thin ~1m thick albite alteration zones which are coincident with 20-30x background gamma probe counts. These results are not considered significant and no follow-up work is planned.

Drilling at Elbow, 5 holes for 1,344m, tested soil geochemical anomalies that are coincident with either high intensity magnetic features or breaks in the high intensity magnetic features which are interpreted as faults. Drilling was disappointing with no target albitite alteration identified or anomalous radiometric probe counts returned.

Between 23 and 25 October 2017, Aerosystems flew a helicopter borne magnetic and radiometric survey over the Sybella prospect to the south west of Valhalla. The data acquired from the survey will provide higher definition geophysical data that will be used for geological interpretation and to target follow up work.

CORPORATE

On 3 July 2017, Paladin announced the appointment of Administrators to Paladin and certain other related companies (the Companies). The appointment followed the demand from Electricite de France S.A. (EDF) for the repayment of approximately US\$277M due to it on 10 July 2017 under the Long Term Supply Agreement signed in 2012.

Since the Administrators were appointed, a group of Paladin's Bondholders organised themselves into an ad-hoc committee (Ad-hoc Committee) and, together with their advisers, presented a proposed capital restructure of Paladin (Proposed Restructure) to the Administrators and sought to garner the support of the remaining creditors.

The Proposed Restructure comprises:

- a debt for equity swap with the existing Bondholders and EDF (or any person to whom EDF has sold its claims, including Deutsche Bank) receiving 70% of all existing Paladin shares pro rata to the value of their claims, to be effected through the Deed Administrators' power to transfer Shares with leave of the Court under section 444GA of the Australian Corporations Act (s444GA Transfer);
- an underwritten issue by Paladin of new notes to the value of US\$115M (New Notes) which New Notes will be secured by all-assets (with exceptions) security to be granted by the Companies and certain other entities in the Group pursuant to various security agreements. Subscribers for the New Notes will also be entitled to be transferred a pro-rata allocation of 25% of Paladin's currently issued shares (to be effected pursuant to the s444GA Transfer). The New Notes are not convertible and are proposed to be listed on the Singapore Stock Exchange;
- the transfer of 3% of Paladin's currently issued Shares to the underwriter(s) of the New Notes (also pursuant to the s444GA Transfer);
- payment by Paladin of approximately US\$60M cash (raised from the New Notes) to acquire the existing LHM Deutsche Bank Loan Facility;
- the extinguishment of all "subordinated claims" (as that term is defined in section 563A of the Australian Corporations Act) against Paladin;
- the replacement of the board of directors of Paladin (other than the Chairman); and
- payment of certain advisors' fees.

On 30 November 2017, the Administrators issued their report to creditors pursuant to section 439A of the Australian Corporations Act. The Administrators provided their opinion that, having considered the alternatives available to creditors and the fact that the only proposal received at the time of the report was the Proposed Restructure, it is in creditors' interests for Paladin to enter into a deed of company arrangement (DOCA) to execute the Proposed Restructure.

On 7 December 2017, at the second meeting of creditors of Paladin convened under section 439A of the Australian Corporations Act, the creditors of Paladin resolved to execute the proposed DOCA and it was executed by the Administrators. Paladin received a letter from EDF rejecting the conclusions in the report to creditors that the Proposed Restructure is in the creditors' interests. EDF had also claimed that the Proposed Restructure is unfairly prejudicial to it and has foreshadowed that it may seek to have the DOCA terminated. If EDF were to institute proceedings to seek to have the DOCA terminated this may delay the Proposed Restructure and, if successful, cause the Proposed Restructure to fail.

On 20 December 2017, EDF advised Paladin that it intended to sell (by way of assignment) all of its claims against Paladin to Deutsche Bank and notified Paladin on 21 December 2017 that the sale had completed. Deutsche Bank acquired the rights and entitlements held by EDF at the time, including the security that EDF holds over certain of Paladin's assets (60.1% of Michelin). Deutsche Bank has sought to sell-down some or all of those claims to other third-party investors.

On 18 January 2018, the Supreme Court of New South Wales approved the s444GA Transfer. The other conditions to the DOCA which remain outstanding include:

- Paladin raising US\$115M pursuant to the issue of new secured notes (New Notes Issue); and
- certain conditions (required by ASX) to the reinstatement of Paladin to trading on the ASX being satisfied.

The New Note Issue of US\$115M has been fully underwritten. Receipt of the subscription funds will occur once the DOCA takes effect. Paladin is working to satisfy the remaining outstanding conditions to the DOCA by 31 January 2018 2018.

URANIUM MARKET

The TradeTech weekly spot price average for the December quarter was US\$22.58/lb, an 11% increase compared to the September 2017 quarter and a 15% increase compared to the December 2016 quarter.

After an extended period of market inertia, with uranium spot prices holding close to US\$20/lb since late-May, supply side announcements in late-2017 by Cameco and KazAtomProm generated increased activity in the uranium market. In early November, Cameco announced a temporary 10-month suspension of production from its McArthur River/Key Lake mining complex to commence from January 2018. Then in early December, KazAtomProm announced a 20% cut to planned uranium production over three years 2018-2020 inclusive.

Taken together the cumulative potential supply reductions amount to approximately 40Mlbs, although this could be greater as Cameco has not committed to a date to resume operations at McArthur River after the initial 10-month suspension. Uranium spot prices initially reacted to the news, increasing to US\$25.50/lb by late-November before falling back due to end of month activity by traders. The KazAtomProm announcement then saw prices recover again to US\$26.50/lb in mid-December. Limited activity over the year-end holiday season and a slow start to calendar 2018 have seen prices drift back down to approximately US\$23.25/lb at mid-January 2018.

Demand side developments were mixed in late-2017. Positive progress was announced with Saudi Arabia's issue of a formal Request for Information (RFI) to nuclear power plant suppliers in association with the country's plans to build up to 17.6GWe of nuclear capacity by 2032. Responses were due by the end of 2017 and nuclear plant vendors EDF, Westinghouse, Rosatom (Russia), KEPCO (South Korea) and CGN (China) all announced their intention to participate. Meanwhile the French government finally acknowledged that its policy to reduce nuclear's share of total electricity generation from 75% to 50% by 2025 was unrealistic. In an early-November announcement, the government suggested that the target date would be pushed back to sometime in the 2030-2035 period.

In the wake of Westinghouse's Chapter 11 bankruptcy filing in the US, the fates of the two US nuclear construction projects diverged. Whereas utility South Carolina Electric & Gas Company had abandoned construction of two Westinghouse plants at the VC Summer nuclear power plant in late-summer, year-end saw a timely boost to the US nuclear power industry when the Georgia Public Service Commission unanimously approved the completion of Units 3 & 4 at the Vogtle nuclear power plant in the state.

Despite the re-election of the pro-nuclear Liberal Democratic Party in a late-October election, progress towards re-start of the Japanese nuclear fleet remains slow. Although nine reactors have been cleared for re-start by the Nuclear Regulation Authority, only six of these have actually entered operation. A last-minute injunction by the Hiroshima High Court has delayed the re-start of the Ikata 3 plant scheduled for January 2018 whilst the landmark approval for re-start of the first BWR plants at Kashiwazaki-Kariwa Units 6 & 7 in December 2017 is irrelevant given that the Niigata local government has ruled out re-start until a Prefecture-led probe into the Fukushima Daiichi disaster is completed.

GUIDANCE UPDATE

Key relevant guidance items for the quarter to 31 March 2018 include:

- Uranium production – Expected to be in the range of 800,000lb to 900,000lb.
- Uranium sales – Anticipated to be in the range of 500,000lb to 600,000lb U₃O₈.
- LHM C1 cash costs – Expected to be within the range of US\$24/lb to US\$27/lb.
- Cash and cash equivalents balance as at 31 March 2017 – Forecast to be in the range of US\$60M to US\$70M (post implementation of the Proposed Restructure).

Guidance for the full-year to 30 June 2018:

- Uranium production – Expected to be within the range of 3.3Mlb to 3.5Mlb U₃O₈.
- LHM C1 cash costs – Expected to be within the range of US\$23/lb to US\$26/lb.

Yours faithfully



ALEXANDER MOLYNEUX
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 P.Geo who is a Fellow of the AusIMM and a Licensed Professional Geoscientist in the Province of Newfoundland and Labrador. 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 2012 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 consents to the inclusion of this information in the form and context in which it appears.