



# PALADIN ENERGY LTD

ACN 061 681 098

22 October 2019

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 2019

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### HIGHLIGHTS

- **Placement and Share Purchase Plan**
  - Placement of 262,814,641 ordinary shares to qualified, institutional and sophisticated investors to raise A\$30.2M
  - Share Purchase Plan for 12,994,100 ordinary shares to raise an additional A\$1.49M
- **Cash and cash equivalents at 30 September 2019 of US\$40.1M (excluding restricted cash of US\$11.2M)**
- **Langer Heinrich Mine**
  - Completion of phase 1 of the Prefeasibility Study (PFS) delivers improved financials and production capacity for the rapid restart
  - Completion of full scope of phase 2 feasibility and feasibility deferred to when a restart is imminent.
- **Kayelekera Mine**
  - Paladin received Noteholder consent to sell its 85% interest in the Kayelekera Mine in Malawi to Lotus Resources Limited (previously Hylea Metals Limited) (Lotus) (ASX: LOT) led joint venture

## SAFETY

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

The Kayelekera Mine has achieved 1,913 days without a Lost Time Injury for ~2.72 million person hours.

## QUARTERLY URANIUM SALES

There were no uranium sales in the September quarter.

## LANGER HEINRICH MINE, NAMIBIA (75%)

The Langer Heinrich Mine successfully transitioned into care and maintenance in August 2018.

Quarterly activities revolved around scheduled care and maintenance activities with the aim of preserving the site, equipment and the assets. The mine continued to be a safe work place with 714 Lost Time free days worked. Emergency response training and drills were part of the quarterly activities. There were no major reportable environmental incidents that required reporting to the Namibian Authorities.

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) below:

- Estimated capital of US\$80M confirmed for restart at production levels of ~5.2Mlb per annum (pa)
- Opportunity to increase production to 6.5Mlb pa through additional high return, discretionary capital of US\$30M enhancing access to offtake and financing
- Aspirational average life of mine All in Sustaining Cost (AISC) target of US\$30/lb achievable
- Potential for further AISC improvements of approximately US\$4.50/lb through significant process changes after restart
- Maiden Vanadium Mineral Resource of 38.8Mlb V<sub>2</sub>O<sub>5</sub> declared (122.1Mt @ 145PPM V<sub>2</sub>O<sub>5</sub>)
- 12-month execution lead time to restart Langer Heinrich after funding and improved uranium market conditions

The PFS2 scope has been reduced to focus on completing in-progress test work and updating the pipeline of improvements for further development after Langer Heinrich is restarted.

The scope of the proposed rapid restart Feasibility Study (FS1) in FY2020 has also been reduced to focus on further optimisation and governance of C&M and the rapid restart plans. Completion of the full scope of feasibility study work to Paladin's standards has been deferred to when restart is imminent.

The feasibility study work was budgeted to take nine months (June 2020) with the reduced scope now expected to be completed in March 2020.

The estimated cost from commencement to completion of the prefeasibility study and the proposed feasibility study scope to be conducted in FY2020 is US\$5.2M, compared to an original budget of US\$6.2M for the prefeasibility study, a saving of approximately US\$1M, all funded from existing cash.

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%)

Quarterly activities at site focused on routine care and maintenance and planned maintenance of the water treatment plant and infrastructure ahead of the coming wet season.

## EXPLORATION PROJECTS

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

## CORPORATE

### Placement and Share Purchase Plan

On the 13 September 2019, Paladin announced that it had successfully completed the Placement of 262,814,641 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.

Funds raised from the Placement and SPP will be used to fund the Company's working capital requirements: including care and maintenance costs associated with its African mines, exploration tenement costs, corporate costs and costs associated with the Langer Heinrich restart and optimisation studies currently underway.

### Group Cash and Cash Equivalents

At 30 September 2019, the Group's cash and cash equivalents were US\$40.1M (excluding restricted cash of US\$11.2M), an increase of US\$14.7M from US\$25.4M at 30 June 2019.

### 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 the Kayelekera Mine to Lotus's subsidiary, Lotus Resources Pty Ltd, a joint venture with Chichewa Resources Pty Ltd. The consideration for the sale of Paladin's interest in the Kayelekera Mine is A\$5M, comprising A\$200k cash and A\$4.8M in Lotus shares to be issued to Paladin (A\$1.8M on completion, subject to a 12-month voluntary escrow, and A\$3M on the third anniversary of completion). The issue price will be based on the lower of the 30-day VWAP at the time of issue, or the price of a Lotus capital raising in the 90 days preceding.

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 A\$5M.

Paladin has now received Noteholder consent for the sale and the transaction has been approved by Lotus shareholders. The key outstanding approval required is the Government of Malawi approval which is progressing. Completion is expected to occur in late 2019.

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.

### Retirement of Chairman

On the 19 October 2019, Paladin advised that its Non-Executive Chairman Mr Rick Crabb had notified the Board of his intention to retire from the Board effective 31 December 2019.

### CFO Appointment

Anna Sudlow was appointed as the CFO on 1 July 2019, replacing Craig Barnes who left to pursue other opportunities.

## URANIUM MARKET

The TradeTech weekly spot price average for the September quarter was US\$25.30/lb, a 2% increase compared to the previous quarter although 2% lower than the September 2018 quarter.

A Section 232 Petition filed by two US-based uranium companies in January 2018 had called for a 25% quota on uranium to limit imports in support of US based producers. In a memorandum issued on Friday 12 July, the US President Donald Trump announced he had declined to issue the quotas, saying he disagreed with a US Commerce Department investigation that found uranium imports threatened to impair US national security. Mr Trump instead

ordered a 90-day governmental review by a working group of federal agencies with respect to the entire nuclear fuel supply chain. Paladin has welcomed the decision to decline issuing quotas for US domestic uranium production.

The outcome of the US Nuclear Fuel Cycle Review has not yet been announced and as a result some uncertainty still exists in the market with utilities continuing to defer term market activity. Nuclear power growth remains focussed in Asian and Middle Eastern economies with important developments seen in China, India and Saudi Arabia. Development of new uranium supply necessary to support these programmes continues to be elusive, with forward uranium price indicators well below incentive prices. With long-term contracting dormant, forward uncommitted demand continues to increase ultimately improving the future prospects of uranium suppliers and developers.

Notwithstanding the stalled uranium price recovery, market restructuring has continued with conversion and particularly enrichment seeing notable price increases during the first half of 2019. Paladin believes that these improvements will feed across into the uranium market once the outcome of the Nuclear Fuel Cycle Review has been announced and its impact absorbed by the industry during the course of FY20.

Further supporting the case for growth, deferrals of closure plans for older reactors continue to develop in many countries including France, Britain, the US and India. With the realisation that emissions targets are incompatible with retirement of nuclear capacity and amid concerns over future energy security, popular nuclear sentiment is becoming increasingly positive in countries such as Taiwan and South Korea.

Yours faithfully  
Paladin Energy Ltd

**SCOTT SULLIVAN**  
**CHIEF EXECUTIVE OFFICER**

#### 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