



PALADIN ENERGY LTD

ACN 061 681 098

19 January 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 – 31 December 2014

HIGHLIGHTS

- **Sales revenue of US\$69.9M for December quarter up 79% over previous quarter.**
 - **Successful recapitalisation completed December 2014.**
 - Raised A\$205M through the introduction of a strategic investor, together with completion of a well-supported entitlement offer.
 - **Langer Heinrich production for the December quarter up 27% from past quarter at 1,304,079lb U₃O₈.**
 - Feed grade for the quarter of 773ppm U₃O₈.
 - Recovery of 84.5% up from 82.7% last quarter.
 - Ore feed for the quarter of 916,576t, up 25% from the last quarter.
 - Remediation of prior scaling issues successful and production back to budget levels.
 - Bi-carbonate recovery project well advanced and to be commissioned in March quarter. This fully commissioned facility will reduce reagent costs and improve site water balance.
 - **Kayelekera preparing feasibility study for restart.**
 - Feasibility study has started to develop a detailed plan for the recommencement of production when uranium prices justify.
 - Discharge licence for treatment and release of water issued by Government of Malawi.
 - **The Company has operated for over 150 days without a lost time injury (LTI) due to new initiatives and improvements implemented across the group.**
 - **Guidance revised to 5.2-5.5Mlb U₃O₈ for FY2015.**
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SAFETY

The Company incurred zero LTI's during the quarter.

The Company's 12 month moving average Lost Time Injury Frequency Rate (LTIFR) was 4.17, as compared to 4.07 the previous quarter. The increase in the frequency rate is due to fewer person hours worked, which was primarily due to some staff cutbacks that have occurred.

The Company's safety record has improved substantially over the course of the past six months as a result of new initiatives and improvements that have been undertaken, including an increase in in-house training, more formal risk assessments, revised permits to work and more thorough site inductions.

The Company is fully focused on continuing this positive trend.

QUARTERLY URANIUM SALES

Total sales for the quarter were 1.911Mlb U₃O₈ with an average selling price of US\$36.58/lb. This produced revenue of US\$69.9M and was a 79% increase over the previous quarter's revenue. These figures are within the guidance provided in the September quarterly report. The TradeTech weekly spot price average was US\$37.66/lb.

LANGER HEINRICH MINE, Namibia (75%)

Production

LHM	Sep Qtr	Dec Qtr
U ₃ O ₈ Production (lb U ₃ O ₈)	1,027,033	1,304,079

The quarterly production of 1,304,079lb U₃O₈ was an increase over the preceding quarter of 27%.

Mining

	Sep Qtr	Dec Qtr
Ore mined (t)	910,082	703,901
Grade (ppm U ₃ O ₈)	802	928
Additional low grade ore mined (t)	345,943	183,341
Grade (ppm U ₃ O ₈)	328	325
Waste (t)	3,803,470	4,119,374
Total ore and waste (t)	5,058,495	5,006,616
Waste/ore ratio	3.0	4.6

Mining production volumes remained on target (700,000 bank cubic metres ("bcm")/month) and consistent with budget. The ore to waste ratio during the quarter was up slightly as a result of mining in the deeper Western Pit areas.

ROM ore stockpiles were sufficient at the end of the quarter for approximately three weeks' ore supply and are being supplemented by medium grade ore from long term stockpiles in line with the mine plan.

Construction of tailings storage facility three ("TSF#3") extension and re-establishment of Kuell's Wash, a major south-north drainage channel, will start in late January 2015 and should be completed within three months.

Process Plant

The remedial measures reported in the September quarterly report have been effective in bringing the plant back to stable operation. Throughput has returned to acceptable levels, although the improvement in recovery is slower than anticipated, despite the positive impact of new resin. Throughput for the quarter was up 24.8% from the past quarter and recovery was up by 1.8%, resulting in overall production increasing by 27% from the September quarter levels.

	Sep Qtr	Dec Qtr
Ore milled (t)	734,226	916,576
Grade (ppm U₃O₈)	786	773
Overall recovery (%)	82.7	84.8
Production (lb U₃O₈)	1,027,033	1,304, 079

The process optimisation strategy continues to focus on better utilisation of existing equipment, unit operating costs, operator training (the Company is currently revising all process operating manuals) and supervision and the further integration of process control.

The new resin introduced during the previous quarter continued to perform well with improved barren solution grades.

Water supply to the project has been secured with a recent 12-month water supply agreement executed with NamWater with a further one year option. The Namibian Government has recently announced that it is currently in negotiations with Areva to purchase the Areva water desalination plant near Swakopmund to supply water to nearby mines and surrounding communities. It is expected that the acquisition of this plant will provide further stabilisation to the longer-term water supply.

Future Cost Optimisation Focus

The construction of the Bi-carbonate recovery project is well advanced and remains on schedule for commissioning in the March quarter. After a short assessment period, the next phase of the overall optimisation programme will commence.

Production Guidance

As a result of reduced LHM production in the September quarter and the current tightening of the world uranium market, the Company does not intend to make up all of the lost production from the early part of the year during the remainder of FY2015. The Company will target production at budgeted rates for the remainder of the year, focusing on reducing operating costs and improving process efficiencies. As a consequence, the FY2015 annual production guidance has been revised to 5.2Mlb to 5.5Mlb U₃O₈ (a reduction of less than 5%).

KAYELEKERA MINE, Malawi (85%)

KM remains on care and maintenance. The main focus during the quarter was on preparations for water treatment in order to maintain the site in a secure and safe state during the care and maintenance period. An interim licence has been issued by the Government of Malawi (GoM) to allow the controlled discharge of treated water. To accomplish this, the Company has modified a section of the process plant at KM to allow treatment to meet Malawi and International discharge standards, including World Health Organisation (WHO) drinking water guidelines for uranium content. As a result of relatively light

and infrequent rainfall thus far, controlled release has been delayed and will occur once the wet season begins, which is anticipated to be soon. No water has been treated and released to-date.

The Company has also commenced the preparation of a detailed feasibility study for recommencement of production when market conditions are more favourable. The feasibility study will include technical and economic assembly of the existing significant knowledge base for the project and will include cost optimising factors such as commercial power, manpower rationalisation and other related improvements.

KM retains substantial strategic value for the Company as the operation will enable Paladin to quickly ramp-up total Company production by around 3Mlb pa.

The GoM has designated linking Kayelekera to Malawi's national power grid as a "top priority" for the country's power utility, ESCOM. Grid connection is considered a prerequisite to recommencement of production due to the significant impact it will have on future operating costs.

CORPORATE

Placement and Entitlement Offer

During November and December, Paladin successfully completed two capital raising initiatives to strengthen its balance sheet and deal with repayment of its US\$300M convertible bond due in November 2015. This involved introducing a cornerstone strategic investor – HOPU Clean Energy (Singapore) Pte. Ltd., via a 15% placement and completion of a well-supported entitlement offer (fully underwritten by JP Morgan), together raising A\$205M.

HOPU is part of a private equity firm focusing on China-related investment opportunities. With offices in Beijing, Hong Kong, and Singapore, HOPU's team has unique expertise in investment, financing and capital markets, as well as diverse experience working with State Owned Chinese Enterprises and private entrepreneurs.

HOPU's key investment focus is to create, develop and pursue investment opportunities that are driven by China's ongoing economic reforms and developments, in particular, in consumer, energy, mining, agriculture and financial services sectors.

After receiving FIRB approval on 21 November 2014, HOPU acquired a 15% interest in Paladin via a placement at A\$0.42 per share before it participated pro rata in the general entitlement offer at A\$0.26 per share, leading to a final shareholding post fundraising of 14.99%. The entitlement offer was well supported by both the institutional and retail investors. Full details of this recapitalisation programme have been reported in various ASX releases made during November and December 2014, and can be viewed on Paladin's website.

New Board Member Appointed

As part of the investment arrangement with HOPU, it was agreed that a nominee of that group would be appointed to the Paladin Board. Mr Wendong Zhang, HOPU's Senior Managing Director, joined the Board as a Non-Executive Director on 25 November 2014.

URANIUM MARKET COMMENTS

During the December quarter, the uranium spot price continued to demonstrate significant volatility, having risen from US\$28.10/lb in mid-CY2014, reaching US\$44.00/lb by the middle of November. During the latter half of the quarter, the spot price declined to US\$35.50/lb, as near-term demand decreased and a limited number of suppliers reduced offer prices to complete end-of-year sales.

The term contracting market showed a substantially greater volume for CY2014, exceeding 80Mlb as compared to around 20Mlb during CY2013. As has been the case in the recent past, the majority of the long-term agreements involved non-US utilities, which were predominately located in the Asia/Pacific region. US utilities tended to execute smaller volume agreements with deliveries confined to the mid-term market period (2015-2018), providing for limited deliveries post-2019/2021. TradeTech's long-term U₃O₈ price, which declined to US\$44/lb-US\$45/lb through most of CY2014, increased during the December quarter to US\$50/lb at the end of November and held at that level to year-end.

The Japanese reactor restart programme continued to make progress during the December quarter. In mid-November, the governor of Kagoshima Prefecture granted his approval for the restart of the Sendai 1&2 reactors (Kyushu electric Power Company), which are undergoing final documentation reviews and plant inspections by the Nuclear Regulatory Authority (NRA). Actual operations are now anticipated to commence during the first quarter of CY2015.

Furthermore, the NRA released its draft report, which states that the Takahama 3 & 4 reactors (Kansai Electric Power Company) meet safety standards introduced subsequent to the Fukushima accident. The Takahama reactors will now move into the local government approval phase.

Global uranium production totalled 155Mlb during CY2013. However, due to operational cut-backs at facilities such as Rossing (Namibia) as well as placing Paladin's Kayelekera Mine (Malawi) and Uranium One's Honeymoon ISR Mine (South Australia) on care-and-maintenance, CY2014 worldwide uranium output is expected to be reported at less than 150Mlb and perhaps close to 145Mlb.

Yours faithfully
Paladin Energy Ltd



JOHN BORSHOFF
Managing Director/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.