



## PALADIN ENERGY LTD

ACN 061 681 098

24 April 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 March 2015

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- **Sales revenue of US\$16.7M, reflecting timing of sales contracts**
  - **Successful recapitalisation completed with US\$150M Convertible Bond**
    - US\$300M November 2015 Convertible Bond paid out by tender offer and exercise of the optional redemption right.
  - **Langer Heinrich production for the March quarter down 10% from last quarter at 1,234,325lb U<sub>3</sub>O<sub>8</sub>.**
    - Ore feed for the quarter of 860,337t, constrained mainly by the pre-leach thickener #2 centre well failure causing 12 days loss of full production as reported in February.
    - Feed grade for the quarter of 734ppm U<sub>3</sub>O<sub>8</sub>.
    - Recovery increased by 0.2% to 88.4%.
  - **Bicarbonate Recovery Project (BRP) successfully commissioned in March and operating above design. The extent of this project's success has far-reaching implications for the Langer operation now and into the future.**
    - Expectation for BRP to exceed design benefit by up to 100% and establish a new paradigm in carbonate uranium processing.
  - **Kayelekera advancing Restart study.**
    - Restart study well advanced and completion expected by end of June 2015.
    - Post quarter controlled release of treated water commenced to maintain site water balance.
  - **Lost time injury (LTI) frequency rate substantially reduced due to new initiatives and improvements implemented across the group.**
  - **Guidance remains at 5.0-5.2Mlb U<sub>3</sub>O<sub>8</sub> for FY2015.**
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## SAFETY

The Company incurred two minor LTIs, during the quarter both at Langer Heinrich Mine (LHM). One involved an employee sustaining a shoulder spasm from lifting while the other involved a contractor who sustained a foot laceration.

The Company's 12 month moving average Lost Time Injury Frequency Rate (LTIFR) has reduced significantly from 4.17 to 2.27. The safety record has continued to improve over the past year as a result of new initiatives and improvements, focussed on in-house training, risk assessments, permits to work and site inductions.

During the quarter, the National Occupational Safety Association (NOSA) undertook its annual HSE audit at LHM. The preliminary result suggests that the site has achieved a 4 Star Platinum rating which is to be confirmed in the next month.

## QUARTERLY URANIUM SALES

Total sales for the quarter were 440,000lb U<sub>3</sub>O<sub>8</sub> with an average selling price of US\$38.03/lb. This produced revenue of US\$16.7M. Sales volume was low this quarter due to a build-up of inventory for sale of product to CNNC in late April. Higher uranium sales of around 1.7Mlb are anticipated for the June quarter with an average sales price expected above the March quarter average, reflecting the delivery of volumes into defined price contracts.

The TradeTech weekly spot price average for the March quarter was US\$37.90/lb.

## LANGER HEINRICH MINE, Namibia (75%)

### Production

LHM	Sep Qtr	Dec Qtr	Mar Qtr	Year to Date
U <sub>3</sub> O <sub>8</sub> Production (lb U <sub>3</sub> O <sub>8</sub> )	1,089,560*	1,376,578*	1,234,325	3,700,463

\* Production for the September and December quarters, stated above, reflects an adjustment to in-circuit inventory relating to leached uranium within the process circuit.

The quarterly production of 1,234,325lb U<sub>3</sub>O<sub>8</sub> was 10% lower than the preceding quarter.

### Mining

	Sep Qtr	Dec Qtr	Mar Qtr	Year to Date
Ore mined (t)	910,082	703,901	598,341	2,212,325
Grade (ppm U <sub>3</sub> O <sub>8</sub> )	802	928	868	860
Additional low grade ore mined (t)	345,943	183,341	353,664	882,948
Grade (ppm U <sub>3</sub> O <sub>8</sub> )	328	325	316	323
Waste (t)	3,803,470	4,119,374	4,021,724	11,944,567
Total ore and waste (t)	5,058,495	5,006,616	4,973,729	15,039,840
Waste/ore ratio	3.0	4.6	7.3	5.4

Mining production volumes remained on target (700,000 bcm/month) and consistent with budget. The ore to waste ratio during the quarter was higher due to mining the deeper western pit areas as well as pre-stripping a new pit in the east for ore mining in this coming quarter.

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

Extension of the tailings dam (TSF3) and re-establishment of a major south-north drainage channel for flood mitigation, commenced as planned in January 2015 and should be completed by June 2015.

### Process Plant

Plant production for the March quarter was down 10% on the prior quarter, due largely to the failure of the pre-leach thickener #2 feed well in February (reported at the time). This event took 12 days to repair and recommission and adversely impacted production by over 100,000lb U<sub>3</sub>O<sub>8</sub>. During the quarter,

significant maintenance was also undertaken in the front-end and mid-section of the plant to improve plant operating time and facilitate stable operation. Throughput and feed grade for the quarter were 6% and 5% down respectively from the past quarter while recovery was up slightly.

	Sep Qtr	Dec Qtr	Mar Qtr	Year To Date
<b>Ore milled (t)</b>	734,226	916,576	<b>860,337</b>	<b>2,511,139</b>
<b>Grade (ppm U<sub>3</sub>O<sub>8</sub>)</b>	786	773	<b>734</b>	<b>764</b>
<b>Overall recovery (%)</b>	85.6	88.2	<b>88.4</b>	<b>87.5</b>
<b>Production (lb U<sub>3</sub>O<sub>8</sub>)</b>	1,089,560*	1,376,578*	<b>1,234,325</b>	<b>3,700,463*</b>

\* The production stated above includes 135,007lb U<sub>3</sub>O<sub>8</sub> not previously reported in the first half and consequential to an estimate change for recovery of leached uranium due to the continued better than expected performance of TSF3 and more importantly due to the performance efficiencies gained from the recently commissioned BRP.

The process optimisation strategy continues to focus on the better utilisation of existing equipment, operator and supervision training and the further integration of process control.

### Innovation

The BRP was commissioned in early March and reached design capacity within the same day. Apart from minor downtime to complete priority construction punch list items, the plant has run continuously since, at or above design throughput. The process performance of the plant is substantially better than predicted and bicarbonate recovery levels will be much higher than forecast. Anticipated substantial reductions in reagent consumption, a notable reduction in certain plant processing constraints and improvements in soluble recoveries were immediately apparent and in the light of the plant's current performance the Company now expects the BRP to exceed design expectation and consequent direct savings by up to 100% without need for further commitment of capital expenditure.

In addition to the direct savings, there are a number of indirect savings and recovery improvements that were expected. These too are being realised at a substantially greater level. One of these indirect benefits is a reduction in soluble loss that has allowed the recognition of additional dissolved uranium inventory within TSF3 which will now be converted to drummed product in the normal course of operations. A consequential adjustment was required, and has been made, for all production since TSF3 was commissioned in October 2013.

The high degree of success from this project also augers very well for the ongoing innovation programme and subsequent expected reductions in C1 costs.

With BRP performing at levels well above the design expectation, some aspects of the innovation strategy for the site can now be realised earlier than expected. It introduces a new paradigm for the carbonate uranium process route that will continue to bear significant additional and sustainable recovery benefits and unit cost savings in the near to medium term. This will also allow the realisation of expected C1 cost reductions earlier than previously thought. The next phase of work to further improve plant performance is scheduled for completion by the end of the FY2016.

### Future Cost Optimisation Focus

The cost optimisation strategy will remain focused on process recovery, operator training and continuity of operation, all of which are capable of delivering sustained benefit in the short and medium term.

### Production Guidance

FY2015 annual production guidance remains at 5.0Mlb to 5.2Mlb U<sub>3</sub>O<sub>8</sub>, as previously advised.

### KAYELEKERA MINE, Malawi (85%)

The Kayelekera Mine (KM) remains on Care and Maintenance (C&M). Throughout the quarter activities at site focussed on optimising water treatment for the controlled discharge of treated water in order to maintain the site's water balance in a secure and safe state during the C&M period. The controlled release successfully commenced post the close of the March quarter on 12<sup>th</sup> April 2015 with officials from the Malawian Water Resources and Environmental Departments in attendance.

The restart study for recommencement of production at KM continues to advance with completion expected by the end of June. KM remains a substantial strategic asset as the operation provides Paladin with the ability to increase production by 2.5Mlb to 3Mlb pa when uranium prices justify this additional production. Over 50% of the known reserves and resources remain for future exploration as well as additional upside exploration potential.

In January the Company reported some minor storm damage on site resulting in a surge of runoff water causing the liner in the plant run-off tank to rupture. This released about 500m<sup>3</sup> of material into the containment areas of the site with a very small quantity (up to 0.05m<sup>3</sup> or 50 litres) possibly overtopping one of the containment bunds. As also reported previously a sampling programme to analyse water from within the local stream system was undertaken and this confirmed that no contamination occurred. These findings were also confirmed by independent external laboratories operating outside of the country who analysed duplicate samples with results reported to the relevant Malawian authorities

## **Exploration**

Applications for five new EPLs to cover prospective ground north, south and east of the mine site were submitted to the Department of Mines and Natural Resources. It is anticipated that the leases will be granted in the second quarter of 2015 with exploration expected to start in July. Work in 2015 is planned to include geochemical, geological and geophysical methods to identify targets for follow-up drilling in 2016.

### **AURORA-MICHELIN URANIUM PROJECT, Canada (Paladin 100%)**

The evaluation of the previous year results indicate that soil geochemistry can identify uranium mineralisation under glacial sediment cover. In the summer exploration programme this will be used to further explore under-cover target corridors which were previously defined by geophysical methods.

### **MANYINGEE, Western Australia (Paladin 100%)**

Further technical work was initiated in support of the advancement of the planned field leach trial (FLT) and the required associated permits for this trial. The key current areas of focus are on additional metallurgical testing for design and sizing of the FLT plant as well as preparation of a hydrogeological model. The work is necessary for regulatory approvals and to provide a better informed basis with which to assess the potential application of the In situ Recovery (ISR) method of extraction for the project.

## **CORPORATE**

### **Successful Settlement of Convertible Bond Issue of US\$150M**

During the quarter, Paladin announced it would issue up to US\$150M senior unsecured Convertible Bonds. The issue structure included US\$100M senior unsecured Convertible Bonds issued 13 February 2015 and, as result of Paladin exercising the Upsize Option, an additional US\$50M issued 25 March 2015. The US\$100M was issued to high quality institutional investors whilst the US\$50M was issued to Leader Investment Corporation, a controlled subsidiary of China Investment Corporation (CIC). The issue of the US\$150M Convertible Bonds was approved by shareholders on 30 March 2015.

The investment by CIC provides Paladin with additional funding flexibility and bolsters Paladin's cash position, thereby further reducing the need for any additional funding in the medium term and enabling the Company to fully capitalise on its strategic value. More importantly, Paladin's new relationship with CIC, as one of the largest sovereign wealth funds in the world, sets a possible platform for Paladin's future development and growth to become a true Tier 1 uranium producer amongst its peers.

The US\$150M Convertible Bonds carry a coupon of 7% p.a. and are convertible into Paladin shares at an initial conversion price of US\$0.356 per share, representing a conversion premium of 25% above the reference price of Paladin shares at the time of pricing and are due 31 March 2020.

Proceeds from the Convertible Bond were used to fund the concurrent tender offer to acquire the outstanding US\$300M Convertible Bonds due November 2015. On 2 April 2015, Paladin repurchased

US\$289.25M of the US\$300M Convertible Bonds. On 17 April 2015, Paladin exercised its optional redemption right for the remaining US\$10.75M Convertible Bonds, which is expected to settle 18 May 2015.

## URANIUM MARKET COMMENTS

As reported by TradeTech, volume in the near-term spot market rose over the March quarter registering a total transactional quantity of 15.2Mlb, as compared to 9.0Mlb for the comparable period of 2014, an increase of close to 70%. While the spot price ended the December quarter at US\$35.50/lb, the spot price for near-term delivery rose at a fairly steady rate over the March quarter ending at US\$39.40/lb, an increase of almost 11%.

The uranium Term Price, which had risen from US\$45.00/lb to US\$50.00/lb in the December quarter, remained stable through the March quarter. As previously reported, the global term contracting volume reached about 80Mlb during CY2014, a significant increase over the CY2013 level of just over 20Mlb. However, as anticipated, U.S. utilities began to test the all-important long-term market (2017-2018 and beyond) late in the March quarter with additional requests for offers expected during the June quarter. This term activity is likely to result in upward pressure on the Term Price through the remainder of the year.

Paladin remains convinced that production cut-backs instituted in CY2014, coupled with the recent operational production issues incurred during the March quarter at two major uranium production facilities, has contributed to increasing tightness in near-term supply.

In mid-March, Chinese authorities approved construction of two reactors at the Hongyanhe NPP located in Liaoning Province, the first approvals in the post-Fukushima era. Additionally, on 9 April, the National Development and Reform Commission gave approval for the construction of the Fuqing 5 & 6 reactors (Fujian Province) which must now receive approval from the State Council.

In Japan, Sendai 1 & 2 (Kyushu Electric Power Company) continued to progress towards restarting, as the District Court in Kagoshima rejected a petition requesting that the governmentally-approved restart be halted. The Sendai reactors could restart by June. In mid-February Takahama 3 & 4 (Kansai Electric Power Company) received safety approvals from the Nuclear Regulatory Authority with operations likely during the second half of 2015, depending upon the outcome of a District Court injunction halting the restart (Kansai Electric has appealed the provisional ruling). Finally, in early April, the ruling Liberal Democratic Party proposed a long-term energy plan for Japan which envisions nuclear providing at least 20% of electricity which is only marginally lower than the pre-Fukushima level of close to 30%.

On 15 April 2015, Cameco announced that the company had signed a long-term uranium sales agreement with the Department of Atomic Energy of India calling for the delivery of 7.1Mlb U<sub>3</sub>O<sub>8</sub> over the period 2015-2020. While not the first uranium agreement by a Western uranium supplier and the Indian government, this contract is being heralded as a watershed event and will likely result in further such contracting in support of the growing Indian civilian nuclear power programme.

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.*