

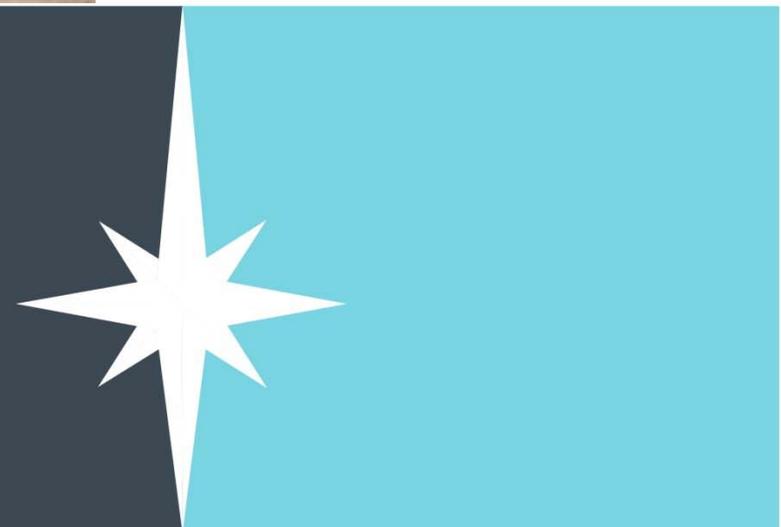


PALADIN ENERGY LTD

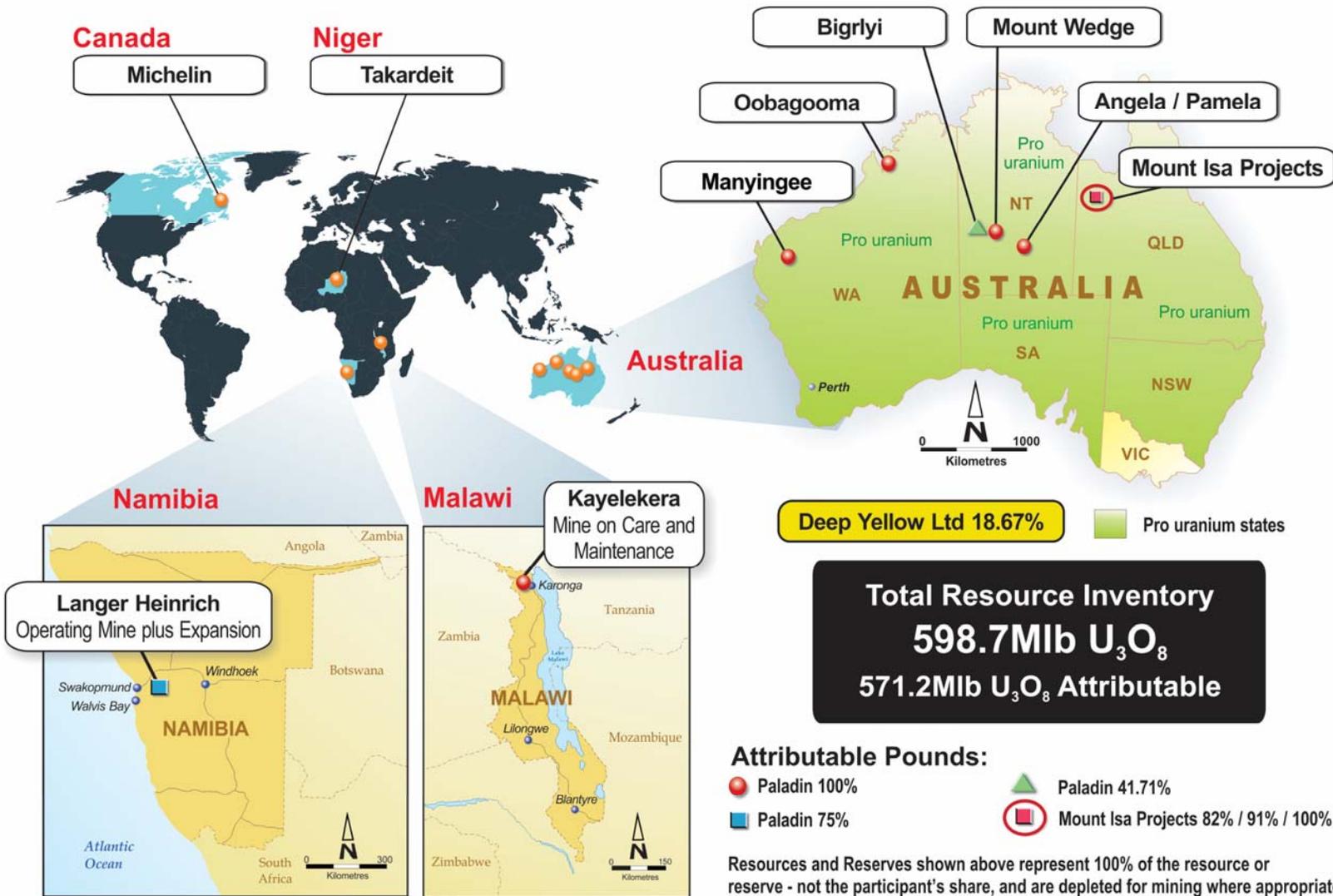
## Transition to Care and Maintenance with an African Perspective

**John Borshoff, Managing Director/CEO**

Africa Down Under Conference, 3-5 September 2014



# Project Locations with Africa Focus



# Key Economic Benefits To Malawi



During production, Kayelekera Mine injected US\$1.2M into Malawi's economy every week and **produced 10 percent of the nation's Gross Domestic Product (GDP)**

Contributions From Inception to 31 July 2014	
Uranium Export Proceeds – 10,756,999lb exported	US\$561M
Goods & Services Purchased from Malawian Businesses	US\$320M
Kwacha Purchases with Foreign Currency	US\$225M
Taxes Paid – Payroll Tax, Withholding Tax and Non-Residence Tax (US\$ 34.8M)	US\$ 37M
Royalties Paid	US\$ 9.8M
Social Development Projects – Karonga Water Project, schools, clinics, etc.	US\$ 17M
Malawian National Employed (+ indirect x 7 = 5,000 during Operations)	200 (previously 780)
Exploration Expenditure – in order to extend the life of mine	US\$ 5.2M



## Extension Planning and Preparation

### \* **5 teams**

- operational
- treasury and finance
- government and social
- legal
- sales and marketing

### \* **7 options studied all in parallel**

### \* **3 months of evaluation and extreme planning covering**

- financial analysis
- notifications/political
- community
- retrenchment selection
- redundancy packages/ongoing support
- security
- media/communication – local and Australia
- risk/contingency planning

# Kayelekera – Options Considered



## ✦ Options considered in the strategic review

- maintain status quo **NO**
- attract a joint venture partner **NO**
  - likely to take several years and not at optimal value
- high grading production **NO**
  - severe reduction in mine life
- seek GoM concessions **NO**
  - in the circumstances no offset would help
- further cost cutting **NO**
  - reached a limit
- closure of KM **NO**
  - remaining resource not utilised
  - inappropriate
- suspend production and place KM on care and maintenance **YES**
  - “ride out the storm” and then restart

## ✦ Decision after comparative analysis with recommendations to Boards in Malawi and Australia just prior to announcement 7 Feb

# Key Parameters of C&M Option



- ✦ **Commitment made to maintaining mine and infrastructure at KM in good order to facilitate rapid resumption of production and market conditions allow this to be done profitably**
- ✦ **Exploration to be continued on EPLs with defined budgets for proposed FY15 and FY16**
- ✦ **Commitment to the social and environmental status of Kayelekera although at reduced levels (HIV/AIDS, teachers, clinic support and labor in future projects)**
- ✦ **The Government of Malawi fully advised and supportive**
- ✦ **The long term value of Kayelekera is recognised and protected**
- ✦ **Malawian stakeholders affected by the decision clearly addressed (training and HR development programme for retained Malawi Nationals)**
- ✦ **Maintain office in Lilongwe**

# Implementation Phases transitioning to C&M Status



## Four main phases involved

- ✦ **Immediate phase**
  - decision announced to all stakeholders, media, security
  - bulk of the redundancies – generous redundancy packages
- ✦ **Run-down phase (approx. 2-3 months)**
  - production continued at, or near, budget rates to reduce reagents and other consumable inventory
  - mining operations focused on running down Run-of-Mine (RoM) stocks
- ✦ **Transition phase (approx. 2 months)**
  - all sections of the plant sequentially cleaned of ore, or product
- ✦ **Care & maintenance (“C&M”) phase**
  - minimal work required is undertaken with as few personnel as possible do the tasks
  - keep mining facility in good condition with a core workforce (from 800 to around 200 staff)

# Uranium Market Snapshot



Source: UxC Daily Broker Average Price

- steady uranium spot price increase since late July (+15%)
- spot market fundamentals improving
- term market contract volumes already triple that of entire 2013

	Current Nuclear Capacity	Under Construction	Planned	Proposed
Reactors / (Capacity)	435 (375.3GWe)	72 (76.8GWe)	174 (190.2GWe)	299 (329.4GWe)

Source: World Nuclear Association (August 2014)

- globally, number of reactors under construction and planned have increased since Fukushima
- phased restart of Japanese reactors imminent
- Chinese reactor programme accelerating

Nuclear Reactor Fleet – Growth Forecast	2014	2020	2025	2030
Reactors	435	504	550	650

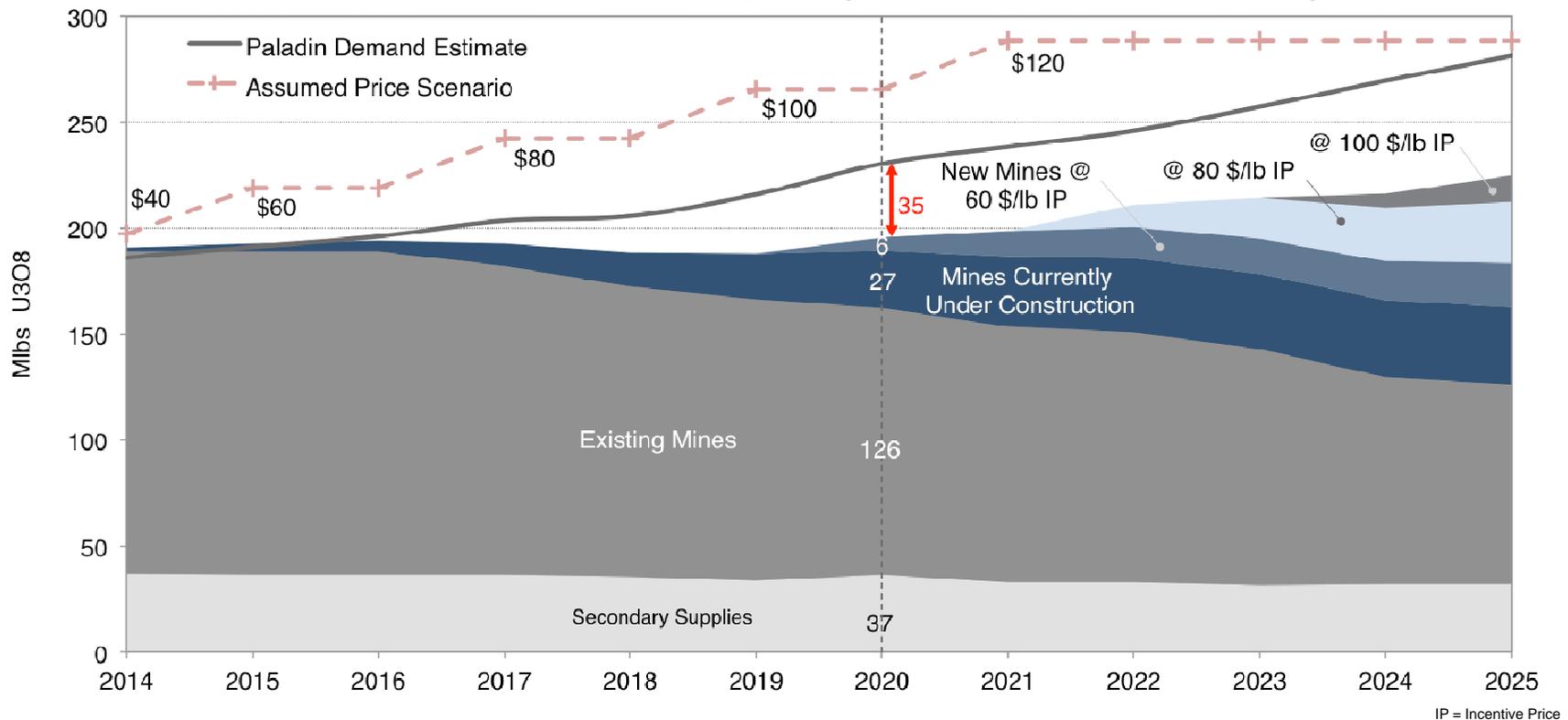
Source: World Nuclear Association / Paladin Nuclear

- exponential global reactor fleet growth post 2020
- long-term market demand fundamentals require extraordinary growth in uranium supply

# Price Increase Delay Exacerbating Supply Shortfall

## Key considerations

- even compared to Paladin's previous study update (Oct. 2013), **2020 supply shortfall has increased 13%** under revised incentive price scenario
- depressed prices and lack of new mines create **structural supply shortfall**
- Paladin S/D study **focused on realistic mine investment criteria**, not what is possible independent of incentive pricing and other decision making factors



# THANK YOU!

