PALADIN ENERGY LTD
ACN 061 681 098

18 April 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 MARCH 2018

HIGHLIGHTS

- **Sales of 560,000lb U_3O_8 at an average selling price of US$22.15/lb**
- **Timing of major contract deliveries means sales concentrated in the quarter to 30 June 2018 and expected to be in the range of 1.1Mlb to 1.2Mlb**
- **Langer Heinrich Mine**
  - **U_3O_8 production 670,456lb, down 23% vs. prior quarter**
  - **Ore milled of 782,447t, down 9% vs. prior quarter**
  - **Average plant feed grade of 439ppm U_3O_8, down 17% vs. prior quarter**
  - **Overall recovery of 88.5%, up 2% vs. prior quarter**
  - **C1 cash cost of production of US$29.82/lb, up 32% vs. prior quarter**
  - **Continued consideration of operating strategy in light of continued weak spot uranium market**
- **Kayelekera Mine**
  - **Water treatment continued successfully during the quarter**
- **Cash and cash equivalents at 31 March 2018 of US$50.5M**
- **On 18 January 2018, the Supreme Court of New South Wales approved the transfer of Paladin shares to creditors and the Deed of Company Arrangement (DOCA) was effectuated on 1 February 2018. In accordance with the DOCA, 98% of Paladin shares were transferred to creditors and other investors pursuant to section 444GA of the Corporations Act 2001 and 2% were retained by pre-DOCA shareholders**
- **The offer for US$115M new 2023 secured notes was fully subscribed and the notes were issued on 25 January 2018**

SAFETY

The Kayelekera Mine (KM) achieved 1,365 Lost Time Injury (LTI) free days for ~2.2 million man hours. There were no LTI's reported during the quarter at the Langer Heinrich Mine (LHM).

The Company's 12 month moving average Lost Time Injury Frequency Rate (LTIFR) decreased to 2.4 as compared to 3.1 at the end of the last quarter. The 12 month moving average LTIFR for the previous year was 2.4.

QUARTERLY URANIUM SALES

Total sales for the quarter were 560,000lb U_3O_8 at an average selling price of US$22.15/lb, generating gross sales revenue of US$12.4M, which was a 55% decrease over the previous quarter's revenue. The TradeTech weekly spot price average for the March quarter was US$22.31/lb.

Sales volume for the March quarter was lower due to inventory accumulation for a major CNNC delivery in April. Higher uranium sales in the range of 1.1Mlb to 1.2Mlb U_3O_8 are anticipated in the June quarter.

LANGER HEINRICH MINE, NAMIBIA (75%)

Production and cash cost of production

	2017 Mar Qtr	2017 Jun Qtr	2017 Sep Qtr	2017 Dec Qtr	**2018 Mar Qtr**
U_3O_8 production (lb)	896,070	753,573	840,664	873,107	**670,456**
U_3O_8 drummed (lb)	878,713	696,392	838,011	890,230	**733,946**
C1 cash cost of production (US$/lb)	21.02	25.08	23.56	22.67	**29.82**

Quarterly U_3O_8 production of 670,456lb was down on the preceding quarter by 23%. The amount of drummed material produced (i.e. U_3O_8 drummed) for the quarter was down 18% from last quarter at 733,946lb.

LHM unit C1 cash cost of production for the quarter increased by 32% from US$22.67/lb in the December quarter to US$29.82/lb in the March quarter. Unit C1 cash cost of production was 42% higher than in the quarter to 31 March 2017.

Mining

No mining activities were carried out during the March 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

	2017 Mar Qtr	2017 Jun Qtr	2017 Sep Qtr	2017 Dec Qtr	**2018 Mar Qtr**
Ore milled (t)	837,990	830,204	878,421	862,961	**782,447**
Grade (ppm U_3O_8)	547	475	488	529	**439**
Overall recovery (%)	88.6	86.7	89.0	86.8	**88.5**
U_3O_8 production (lb)	896,070	753,573	840,664	873,107	**670,456**

U_3O_8 production for the March quarter was down 23% on the prior quarter mainly due to 17% lower plant feed grade and a 9% decrease in ore milled. The decrease in ore milled was predominantly due to ore type on the medium grade 3 ore stockpile exhibiting poor settling and compaction characteristics. The lower tons were exacerbated by reduced water supply from the national water supplier. Water supply was restricted due to high sulphur levels contaminating the sea water feed stream to the desalination reverse osmosis plant.

Issues continue to be experienced with the ore exhibiting poor settling characteristics, which is impacting plant throughput and efficiency. Blending of ore to minimise these effects is difficult due to limited ore sources. The introduction of a Counter Current Decantation (CCD) revised control strategy has stabilised the CCD circuit, 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 slightly improved NIMCIX performance. Plans are in place to replace the resin in the next financial year. The Bicarbonate Recovery Plant continues to operate successfully with bicarbonate recovery slightly below design specifications for the plant. Initiatives to minimise metal recycle from the precipitation area are complete and a reduction has been observed in bicarbonate consumption.

Operating strategy

The medium grade ore stockpiles which are currently the processing feed for LHM's processing plant are expected to be exhausted before mid-2019. As previously disclosed, a decision needs to be made at least six months prior to the exhaustion of those stockpiles as to whether to restart physical mining, process low grade stockpiles or place LHM on care and maintenance. The Company continues very active consideration of this issue in light of continued weak spot uranium market conditions.

KAYELEKERA MINE, MALAWI (85%)

KM remains on Care and Maintenance. Quarterly activities at site focused on the water treatment programme.

EXPLORATION PROJECTS

During the March quarter, the Company has only undertaken the work required to meet minimum tenement commitments.

CORPORATE

On 1 February 2018, a DOCA was effectuated and a capital restructure was completed. In accordance with the DOCA, 98% of Paladin shares were transferred to certain creditors and other investors in consideration for the Group's debt obligations covered by the DOCA and 2% were retained by pre-DOCA shareholders. In addition, an offer for US$115M new 2023 secured notes resulted in net proceeds of US$36.9M following the repayment of the US$60M Deutsche Bank facility, a US$10M payment to cash back the KM performance bond due to the Government of Malawi and the payment of various advisors' fees.

URANIUM MARKET

The TradeTech weekly spot price average for the March quarter was US$22.31/lb, a 1% decrease compared to the December 2017 quarter and a 7% decrease compared to the March 2017 quarter.

Amidst scepticism of what producer 'cut-backs' would actually amount to plus additional uncertainty created by the Section 232 petition in the USA, uranium prices have continued to drift in the early part of 2018, trending to around the US$21-22/lb level.

A Section 232 petition was filed with the US Department of Commerce (DOC) in mid-January 2018 by US producers Energy Fuels and Ur-Energy. The petition requests a DOC investigation into the uranium market with the petitioners contending US customers should be mandated to purchase 25% of their uranium from domestic sources. US utilities, traditionally represent a large part of spot market activity and they have backed away from the market pending the DOC's review of the petition and clarity on whether a full investigation will be launched in response to it.

Recent indications of up to 4 interest rate rises for the US$ over the course of 2018 have steepened uranium forward price curves. Notwithstanding, all of the forward price indicators remain at levels below the majority of miners' cost of production and, as such, are yet to offer incentives for producers to commit to new long-term supply transactions. In this environment, financial carry-trades over the mid-term period (2019-22) remain the most competitive source of supply for utilities.

Kansai's Ohi 3 and Kyushu's Genkai 3 became the sixth and seventh reactors to re-start in Japan after they commenced operations in March/April 2018. Ohi 4 and Genkai 4 are expected to follow back into operation by mid-year.

India's government announced in February 2018 that it had given administrative approval and financial sanction for the construction of 12 new reactors (10x indigenous 700MWe PHWR and 2x 1,000MWe Russian VVER). In further news released in March 2018, EDF and Nuclear Power Corp of India announced plans to construct 6x 1600MWe EPR's in the country. A binding tender is expected to be in place before the end of 2018.

Yours faithfully
Paladin Energy Ltd

ALEXANDER MOLYNEUX
CEO

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