PALADIN ENERGY LTD

ACN 061 681 098

18 January 2016

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 2015

HIGHLIGHTS

- **Sales of 1,698,517lb U_3O_8 at an average selling price of US$37.90/lb (vs. average spot price of US$36.03/lb)**

- **Langer Heinrich Mine**
  - Accounting production 1,258,833lb U_3O_8 and drummed production 1,263,882lb U_3O_8, up 16% and 5% respectively vs. last quarter.
  - Average plant feed grade of 714ppm U_3O_8.
  - Overall recovery of 88.5%.
  - Record low quarterly C1 cash cost of production of US$25.38/lb (vs. guidance of US$25.00/lb to US$27.00/lb).
  - Record low monthly C1 cash cost achieved during the month of December of US$23.73/lb.

- **Kayelekera Mine**
  - Newly commissioned Nano-filtration unit provided treated water meeting all discharge licence criteria and World Health Organisation, Malawi, and Australia drinking water guidelines.
  - Application for renewal of licence to discharge treated water approved by the Technical Committee of the Water Resources Authority and is awaiting Ministerial review.

- **Cash and cash equivalents at 31 December 2015 of US$136.8M (an increase of US$28.4M from 30 September 2015 and better vs. guidance pro-forma US$122.5M to US$132.5M after adjusting for the additional repurchase of Convertible Bonds due in April 2017 and sales proceeds from the last physical delivery of the quarter)**

- **Repurchased an additional US$17M of the Convertible Bonds due April 2017 for approximately US$15.5M**

- **An additional three Japanese reactors (Takahama 3 & 4 and Ikata 3) were cleared for re-start in the December quarter and are expected to commence operations in early 2016**

- **Company continues to be on track to be cash flow neutral on an 'all in' basis at current spot uranium price and foreign exchange rates excluding one-off restructuring costs and capital management or strategic initiatives for FY16 full-year**

SAFETY

The Company achieved 544 Lost Time Injury (LTI) free days at the Kayelekera Mine (KM) and 13 LTI free days at the Langer Heinrich Mine (LHM) at the end of this quarter.

The Company's 12 month moving average Lost Time Injury Frequency Rate (LTIFR) was 2.10 as compared to 1.39 at the end of the last quarter and 4.14 for the quarter to 31 December 2014.

The increase in the LTIFR in this quarter was a result of two lost time injuries at LHM. The lost time injuries were as follows:

- A process operator sustained caustic burns when his Tyvek protective suit became torn and or saturated while moving in and out of a caustic tank.
- A cleaning contractor slipped and fractured a bone in her foot whilst changing clothes in the change house.

QUARTERLY URANIUM SALES

Total sales for the quarter was 1,698,517lb U_3O_8 at an average selling price of US$37.90/lb, generating gross sales revenue of US$64.4M, which was a 75% increase over the previous quarter's revenue.

The TradeTech weekly spot price average for the December quarter was US$36.03/lb.

LANGER HEINRICH MINE, NAMIBIA (75%)

Production and cash cost of production

	2014 Dec Qtr	2015 Mar Qtr	2015 Jun Qtr	2015 Sep Qtr	**2015 Dec Qtr**
Accounting production (lb U_3O_8)	1,376,578	1,234,325	1,336,826	1,082,983	**1,258,833**
C1 cash cost of production (US$/lb)	28.58	29.42	26.03	27.82	**25.38**

Quarterly accounting production of 1,258,833lb U_3O_8 was up on the preceding quarter by 16%. The amount of drummed material produced (i.e., drummed production) for the quarter was up 5% from last quarter to 1,263,882lb U_3O_8. We anticipate a continued trend of drummed production exceeding accounting production (i.e., release of material from in-plant inventory) for the remainder of FY16.

LHM unit C1 cash cost of production for the quarter decreased by 9% from US$27.82/lb in the September quarter to a record low US$25.38/lb. Unit C1 cash cost of production was 11% lower than in the quarter to 31 December 2014.

LHM achieved a record low monthly unit C1 cash cost of production in the December month of US$23.73/lb.

Guidance previously provided was for LHM unit C1 cash cost of production for the December quarter to be within the full-year guidance range of US$25.00/lb to US$27.00/lb.

Mining

	2014 Dec Qtr	2015 Mar Qtr	2015 Jun Qtr	2015 Sep Qtr	**2015 Dec Qtr**
Ore mined (t)	703,901	598,341	700,831	833,057	**680,892**
Grade (ppm U_3O_8)	928	868	792	705	**757**
Additional low grade ore mined (t)	183,341	353,664	354,559	811,805	**535,358**
Grade (ppm U_3O_8)	325	316	325	317	**319**
Waste (t)	4,119,374	4,021,724	4,143,019	4,679,474	**5,334,716**
Total Ore and Waste (t)	5,006,616	4,973,729	5,198,410	6,324,336	**6,550,966**
Waste/ore ratio	6.1	7.3	6.4	6.6	**8.6**

Mining production for the quarter was up 4% on the prior quarter. Mining activities were completed in Pits H4 and G3B while the current focus is in Pits H5A, H3, H3-South and G3A. Ore mining occurred in Pits H3, H4, H5A and G3B. Pit H3-South top/sub-soil stripping was completed and waste stripping will commence in the next quarter.

Ore (high and medium grade) mining for the quarter was below target both in tonnage and grade due to more waste stripping in Pit H5A, top/sub-soil stripping in Pit H3 extension as well as the actual mining sequence being varied from the budget sequence. For the next quarter, more ore will be mined.

Run-of-Mine (RoM) ore stockpiles decreased at the end of the quarter. Lower stockpile levels will remain due to the increasing ore-to-waste stripping ratio in the western ore body. The RoM medium grade is being supplemented by medium grade ore from long-term stockpiles in line with the life of mine plan.

Processing

	2014 Dec Qtr	2015 Mar Qtr	2015 Jun Qtr	2015 Sep Qtr	**2015 Dec Qtr**
Ore milled (t)	916,576	860,337	886,520	847,016	**903,187**
Grade (ppm U_3O_8)	773	736	778	706	**714**
Overall recovery (%)	88.2	88.4	87.8	82.2	**88.5**
Accounting production (lb U_3O_8)	1,376,578	1,234,325	1,336,826	1,082,983	**1,258,833**

Accounting production for the December quarter was up 16% on the prior quarter mainly due to a 7% increase in throughput and a 6% increase in overall recovery. However soluble recovery was below budget caused by lower than budget tailings density as a result of poor settling ore, worn cyclones and CCD thickener #7 centre well bogging. In addition, ion exchange performance was also lower than budget caused by poor performance from the BRP plant from late November, which resulted in higher barren liquor being returned as CCD circuit wash water as more concentrated eluate bypassed the circuit due to membrane fouling. The cyclone issue has been resolved while the BRP membrane issue is in progress. Modifications to CCD thickener #7 centre well are being investigated.

Innovation / optimisation

An external review of LHM's processing operations was undertaken by a third-party consultant during the quarter, resulting in a number of action items. Such items include a heavy focus on initiatives to increase plant operating uptime, which combined with other innovations already in the implementation or design phase, will be rolled out in the remainder of FY16 and FY17.

KAYELEKERA MINE, MALAWI (85%)

Operations

The Kayelekera Mine (KM) remains on Care and Maintenance.

Quarterly activities at site focussed on water treatment testing during October and November using filtration only. The water quality was good throughout the testing period with successful rejection of uranium and sulphate removal. Controlled treated water release will recommence in 2016 when the Malawi Government has renewed KM's licence for the discharge of treated water.

Exploration

Government of Malawi Parliamentary approval of, and the introduction of the new Mining Act in Malawi is still ongoing, as a consequence the Malawi Mines Department has delayed the issue of all licences until a new cadastral system has been introduced and all overlapping tenure issues have been resolved. It is expected that this process will be completed in the first half of 2016.

The Company continues to monitor the situation and liaise with the Malawi Mines Department to ensure that the introduction of the new legislation goes as smoothly as possible.

Exploration in the December quarter continued the surface geophysical surveys, stream sediment sampling and geological mapping previously started in areas around the mine on ML152 and EPL225. Analysis of the data obtained to date on these studies is ongoing.

MANYINGEE-CARLEY BORE PROJECT, WESTERN AUSTRALIA (100%)

Manyingee

A regional and local conceptual groundwater model for the greater Manyingee area was completed by external consultants during the quarter. The report is expected to be finalised in the March quarter following review by Company staff. The groundwater study, along with detailed geological modelling of areas suitable for in-situ recovery field leach trials (FLT), is expected to be used to complete an FLT application document in the first half of 2016.

Carley Bore

State government approvals for exploration drilling were finalised to allow for proposed drilling in FY17. Subsequent to the completion of the drill hole database audit a 3D geological model of the host stratigraphy and the redox front related to mineralisation was created. The 3D geological model has identified potential extensions to known mineralisation which are expected to be tested during future drilling campaigns.

AURORA-MICHELIN URANIUM PROJECT, CANADA (100%)

Results have been received for the orientation soil sampling survey completed over the Michelin and Rainbow deposits and surrounding areas during the northern summer field season. The aim of the survey was to confirm that Michelin style deposits can be identified through the existing cover sequence and additionally identify prospective areas adjacent to the existing deposits. Analysis of the results is currently underway and it is expected that initial planning for follow-up surveys and ground truthing will be completed in the first half of 2016 in order to make efficient use of any limited summer field season.

Analysis of the geophysical studies completed in the previous quarter is currently underway and the results will be used to enhance the regional prospectivity mapping that has already been commenced. It is expected that, when combined with the results from the orientation soil survey, prospective areas under cover will be more easily identified. It is hoped that this work can be completed sufficiently ahead of any exploration re-start in order to quickly identify readily accessible drill targets.

MOUNT ISA URANIUM PROJECTS, QUEENSLAND (82% to 100%)

Radiometric ore sorting tests for samples from the Odin, Bikini, Andersons, Watta, Duke Batman and Honey Pot deposits are currently underway at ANSTO. It is expected that the majority of the sorting samples will progress through to subsequent leach testwork during the remainder of 2016. Once the results from the leaching testwork have been received the results will be incorporated into an updated optimisation study for the project.

CORPORATE

Financial

In November and December 2015, Paladin repurchased US$17.0M of the Convertible Bonds due April 2017. The cash expenditure for the repurchase was approximately US$15.5M as the bonds were bought back at an average price of 90.6 per cent. The repurchase of US$17.0M in the December quarter together with the repurchase of US$20.0M in the September quarter (i.e., combined total of US$37.0M), has reduced the principal amount outstanding of the Convertible Bonds due 30 April 2017 from US$274.0M to US$237.0M. Combined cash savings net of the purchase outlay resulting from Paladin's repurchase activities are approximately US$7.0 million in the form of avoided principal and coupon payments over the period to maturity of the 2017 Convertible Bonds.

At 31 December 2015, the Group's cash and cash equivalents were US$136.8M, an increase of US$28.4M from US$108.4M at 30 September 2015. Guidance previously provided was for the 31 December 2015 cash balance to be in the range of US$110M to US$120M, with such guidance provided prior to the implementation of the convertible bond repurchase in the December quarter and excluding the sales proceeds from the last physical delivery of the quarter of approximately US$28M in value, which resulted in adjusted guidance pro-forma for those items of US$122.5M to US$132.5M.

URANIUM MARKET

The TradeTech weekly spot price average for the December quarter was US$36.03/lb, representing a 1% decrease compared to US$36.48/lb for the prior quarter and a 4% decrease compared to US$37.66/lb for the quarter to 31 December 2014.

In late December, the Fukui District Court lifted an injunction that had prevented the re-start of Units 3 and 4 at Kansai's Takahama nuclear power plant in Japan. The court decision cleared the way for resumption of operations at the two units and fuel loading was completed for Unit 3 on 28 December. Takahama 3 is expected to re-start before the end of January 2016, with Unit 4 following in late February. Shikoku Electric's Ikata Unit 3 is also expected to resume operations in early 2016. With the Japanese reactor re-start programme finally gathering some momentum, at least eight units are expected to be operating by the end of 2016.

2015 was a strong year for development of nuclear power in China with 8 new units entering commercial operation. China had 30 reactors in operation at the end of 2015 providing almost 27GWe of installed capacity. Another 24 units are currently under construction, with as many as 15 additional reactors planned to start construction during 2016. China is targeting 58GWe installed nuclear capacity by 2020 and a minimum of 110GWe by 2030.

China's nuclear power ambitions extend beyond its own borders. In addition to ongoing projects in Pakistan, Chinese companies announced agreements in November 2015 to construct two new units in Romania and a further two in Argentina. Chinese companies will also compete for new projects in Turkey and South Africa and have also taken a one-third stake in the project to construct two new reactors in the UK. China General Nuclear's stake in the Hinkley Point C consortium represented a major step forward for the UK project.

In early December, 195 nations reached agreement on a new Climate Change treaty in Paris. The new treaty to reduce greenhouse gas emissions is expected to mark an accelerated move away from fossil fuels and towards carbon dioxide free energy sources. Nuclear power is the only major source of base load electricity generation that is largely carbon dioxide free and stands to be a key beneficiary from the anticipated change in the global energy mix.

GUIDANCE UPDATE

Accounted uranium sales for the FY16 March quarter are anticipated to be in the range of 450,000lb to 650,000lb.

The Company is reviewing its annual production guidance for FY16, which was previously in the range of 5.0Mlb to 5.4Mlb U_3O_8 and included a planned 10% reduction in milled ore grade to 694ppm U_3O_8. Incorporating performance for the first half of FY16, annual production is more likely to be in the range of 5.0Mlb to 5.2Mlb.

Average selling price premium guidance for FY16 full-year continues to be more than US$4/lb above average spot price, based on current spot uranium price.

March quarter C1 unit cash costs are expected to be in the range of US$23/lb to US$25/lb.

Paladin is also reviewing its full-year average FY16 C1 unit cash cost guidance range of US$25/lb to US$27/lb with the potential for a downward revision. The Company's full-year FY16 C1 unit cost guidance was provided at the commencement of FY16 based on an internal operating budget prepared using a US$ to Namibian Dollar (NAD) exchange rate of 12.6. As a general 'rule of thumb' medium-term US$ C1 unit cost is impacted by approximately US$0.50/lb for every NAD 1.0 move in the US$ to NAD exchange rate. The NAD is pegged on a one for one ratio to the South African Rand and has experienced substantial depreciation in recent months. The average US$ to NAD exchange rate for the FY16 December quarter was 14.1 and the current rate is approximately 16.5.

At the outset of the financial year, Paladin provided guidance to be cash flow neutral on an 'all in' basis at current spot uranium price and foreign exchange rates excluding one-off restructuring costs and capital management (e.g., convertible bond repurchases) or strategic initiatives. The Company continues to expect the remainder of FY16 to be cash generative and for it to achieve this guidance under current conditions.

Paladin currently forecasts the cash and cash equivalents balance at 31 March 2015 to be in the range of US$100M to US$110M, with the reduction in cash mainly due to the timing of sales receipts resulting in an anticipated cash build in the following quarter.

Yours faithfully
Paladin Energy Ltd

ALEXANDER MOLYNEUX
Interim 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.