PALADIN ENERGY LTD
ACN 061 681 098

18 April 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 MARCH 2016

HIGHLIGHTS

- **Sales of 595,287lb U_3O_8 at an average selling price of US$34.67/lb (vs. average spot price of US$32.73/lb)**

- **Langer Heinrich Mine**
  - U_3O_8 production 1,302,169lb and U_3O_8 drummed 1,268,160lb, up 3% and unchanged respectively vs. last quarter
  - Ore milled of 981,083t, up 9% vs. last quarter
  - Average plant feed grade of 705ppm U_3O_8, down 1% vs. last quarter
  - Overall recovery of 85.5%, down 3% vs. last quarter
  - Record low quarterly C1 cash cost of production of US$24.13/lb (vs. guidance of US$23.00/lb to US$25.00/lb)

- **US$81.4M reduction in total debt, through:**
  - Repurchase of an additional US$25M of the Convertible Bonds due April 2017 for US$23.5M
  - Repayment and termination of the US$56.4M LHM Syndicated Facility

- **Timing of major contract deliveries means sales concentrated in the quarter to 30 June 2016 and expected to be in the range of 1.75Mlb to 2.10Mlb**

- **Cash and cash equivalents at 31 March 2016 within guidance pro-forma, adjusting for the additional repurchase of Convertible Bonds due in April 2017 and repayment of the LHM Syndicated Facility, and forecast to be in the range of US$45M to US$65M at 30 June 2016 in-line with the Company's plan to be cash flow neutral on an 'all in' basis for FY16 excluding one-off restructuring costs and capital management**

- **Company protected in the short-term from uranium spot price volatility due to contracted sales having already been priced. Average selling price for the quarter to 30 June 2016 expected to be in the range of US$34-35/lb**

- **Discussions have advanced with a number of parties regarding potential strategic investment transactions**

Level 4, 502 Hay Street, Subiaco, Western Australia 6008 Postal: PO Box 201, Subiaco, Western Australia 6904
Tel: +61 (8) 9381 4366 Fax: +61 (8) 9381 4978 Email: paladin@paladinenergy.com.au Website: www.paladinenergy.com.au

SAFETY

The Company achieved 635 Lost Time Injury (LTI) free days at the Kayelekera Mine (KM) and 51 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 1.4 as compared to 2.1 at the end of the last quarter and 2.3 for the quarter to 31 March 2015.

One lost time injury occurred at LHM in this quarter, a truck driver sustained an eye injury when lime dust entered his eyes while offloading lime.

QUARTERLY URANIUM SALES

Total sales for the quarter was 595,287lb U_3O_8 at an average selling price of US$34.67/lb, generating gross sales revenue of US$20.6M, which was a 68% decrease over the previous quarter's revenue. Sales volume for the March quarter was lower due to inventory accumulation for a fixed price contract delivery and a major CNNC delivery in April. Higher uranium sales in the range of 1.75Mlb to 2.10Mlb U_3O_8 are anticipated for the June quarter, the majority of which has already been priced at a substantial premium to current spot uranium prices.

The TradeTech weekly spot price average for the March quarter was US$32.73/lb.

LANGER HEINRICH MINE, NAMIBIA (75%)

Production and cash cost of production

	2015 Mar Qtr	2015 Jun Qtr	2015 Sep Qtr	2015 Dec Qtr	**2016 Mar Qtr**
U_3O_8 production (lb)	1,234,325	1,336,826	1,082,983	1,258,833	**1,302,169**
C1 cash cost of production (US$/lb)	29.42	26.03	27.82	25.38	**24.13**

Quarterly U_3O_8 production of 1,302,169lb was up on the preceding quarter by 3%. The amount of drummed material produced (i.e., U_3O_8 drummed) for the quarter was unchanged from last quarter at 1,268,160lb. We anticipate that U_3O_8 drummed will exceed U_3O_8 production (i.e., release of material from in-plant inventory) for the full-year FY16.

LHM unit C1 cash cost of production for the quarter decreased by 5% from US$25.38/lb in the December quarter to set a new record low US$24.13/lb. Unit C1 cash cost of production was 18% lower than in the quarter to 31 March 2015.

Guidance previously provided was for LHM unit C1 cash cost of production for the March quarter to be within the range of US$23.00/lb to US$25.00/lb.

Mining

	2015 Mar Qtr	2015 Jun Qtr	2015 Sep Qtr	2015 Dec Qtr	**2016 Mar Qtr**
Ore mined (t)	598,341	700,831	833,057	680,892	**673,517**
Grade (ppm U_3O_8)	868	792	705	757	**789**
Additional low grade ore mined (t)	353,664	354,559	811,805	535,358	**304,267**
Grade (ppm U_3O_8)	316	325	317	319	**323**
Waste (t)	4,021,724	4,143,019	4,679,474	5,334,716	**5,056,750**
Total Ore and Waste (t)	4,973,729	5,198,410	6,324,336	6,550,966	**6,034,534**
Waste/ore ratio	7.3	6.4	6.6	8.6	**8.0**

Total mined volume for the quarter was down 8% on the prior quarter. Mining activities were completed in Pits H5A and H3 with the current focus being in Pits H5B, H3-South and G3A. Ore mining occurred in Pits H5A and G3A. Aggressive waste stripping was carried out in Pit H3-South and will continue in the next quarter.

Ore (high and medium grade) mining for the quarter was above target both in tonnage and grade as was forecast in the previous quarter. This was due to depletion of all ore in Pits H3 and H5A as well as the actual mining sequence being varied from the budget sequence. For the next quarter, the opposite will be true as Pit H3-South will be the only main high grade ore source.

The Run-of-mine (RoM) ore stockpiles decreased at the end of the quarter as predicted in the previous quarter. Lower stockpile levels will remain until high grade ore is exposed in Pit H3-South by the end of April 2016. The RoM medium grade is still being supplemented by medium grade ore from long term stockpiles in line with the mine plan.

The next TSF construction will be TSF #5, west of TSF #1. Construction will only commence in FY17.

Processing

	2015 Mar Qtr	2015 Jun Qtr	2015 Sep Qtr	2015 Dec Qtr	**2016 Mar Qtr**
Ore milled (t)	860,337	886,520	847,016	903,187	**981,083**
Grade (ppm U_3O_8)	736	778	706	714	**705**
Overall recovery (%)	88.4	87.8	82.2	88.5	**85.5**
U_3O_8 production (lb)	1,234,325	1,336,826	1,082,983	1,258,833	**1,302,169**

U_3O_8 production for the March quarter was up 3% on the prior quarter mainly due to a 9% increase in throughput which was partially offset by a 3% decrease in overall recovery and a 1% decrease in grade. The lower overall recovery was associated with lower beneficiation recovery from an increase in ore competency and high uranium tenors in barren liquor caused by poor ion exchange (IX) performance. IX performance was adversely affected in January by an unexpected increase in sulphate and chloride concentrations in the Pregnant Leach Solution (PLS) believed to originate from the ore which caused high uranium tenors in the barren solution. This also caused an increase in carbonate levels in PLS and the combination of high sulphate, chlorides and carbonate resulted in low uranium transfer within IX. Bicarbonate Recovery Plant configuration was changed in late January and carbonate levels in PLS and barren uranium grades decreased, although sulphate and chloride levels remain historically high.

Innovation / optimisation

A plant audit by a recognised industry expert on potential improvements to achieve greater plant reliability was received and these improvements will be implemented in FY17.

KAYELEKERA MINE, MALAWI (85%)

Operations

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

Quarterly activities at site focussed on water treatment and monitoring. Water treatment commenced using filtration in mid-January 2016 with potable quality water being discharged to the local mine water supply dam. The renewal of the Water Discharge Licence was received from the Malawi Government on 20 January 2016 and discharge off site was commenced in early February when the on-site storages reached threshold capacity. Following the highest February rainfall on record, the lime water treatment plant was brought back on line in late February to maximise the volume of water able to be discharged from the site in conformance with the site's Water Management Plan and Discharge Licence. This plant will be maintained in operation until water inventories have been sufficiently reduced in preparation for the next wet season's runoff flows.

Exploration

As reported previously, the Government of Malawi Parliamentary approval of, and the introduction of the new Mining Act in Malawi is continuing, 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 calendar 2016.

Exploration in the March quarter continued the surface geophysical surveys, stream sediment sampling and geological mapping previously undertaken in areas around the mine on ML152 and EPL225. The Annual report for EPL225 was completed and submitted to the Mines Department during the quarter.

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

Manyingee

A regional and local conceptual groundwater model for the greater Manyingee area has now been completed in draft form. The report is expected to be finalised early in the June quarter following review by Company staff resulting in the inclusion of additional sections on the project geochemistry and the impact of the previous in-situ recovery field leach trial (FLT). The groundwater study, along with detailed geological modelling of areas suitable for an FLT, is expected to be used to complete an FLT application document in the first half of FY17.

Carley Bore

State government approvals for exploration drilling were finalised to allow for drilling in FY17. The 3D geological model previously generated has identified potential extensions to known mineralisation which are expected to be tested during future drilling campaigns. Tenement transfer to the company is scheduled to be completed early in the June quarter and, once this has been finalised, it is planned to undertake a passive seismic survey over portions of the tenement package in order to improve drill targeting.

AURORA-MICHELIN URANIUM PROJECT, CANADA (100%)

Analysis of the 2015 northern summer soil survey is ongoing and an infill and extension soil survey has been planned. The information generated from both soil surveys will be combined with the ongoing historic Brinex drill hole re-logging exercise to both update the existing mineral resource geological model and provide inputs into drill planning for future exploration.

Analysis of the geophysical studies completed previously is continuing 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 soil survey described above, prospective areas under cover will be more easily identified.

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 have now been completed by ANSTO with only the final report outstanding and it is expected that this will be finalised early in the June quarter. 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 they will be incorporated into an updated optimisation study for the project.

CORPORATE

Convertible Bond Repurchase

In February 2016, Paladin repurchased another US$25.0M of the Convertible Bonds due April 2017. The cash expenditure for the repurchase was approximately US$23.5M (including interest) as the bonds were bought back at an average price of 92.0 per cent. This repurchase of US$25.0M together with earlier repurchases of US$37.0M (i.e., a combined total of US$62.0M), has reduced the principal amount outstanding on the Convertible Bonds due 30 April 2017 from US$274.0M to US$212.0M. Combined cash savings net of the purchase outlay resulting from Paladin's repurchase activities are approximately US$10.7M in the form of avoided principal and coupon payments over the period to maturity of the Convertible Bonds.

Repayment of the LHM Syndicated Facility

In March 2016, Paladin repaid the entire US$56.4M remaining drawn under the LHM Syndicated Facility and terminated it. Cash expenditure for the termination was approximately US$57.1M, which includes the principal outstanding plus accrued interest up to the date of termination. The LHM Syndicated Facility had an interest rate of approximately 5.08%. Terminating the LHM Syndicated Facility has a number of benefits for the Company, including: (i) release of US$28.2M of cash which had been restricted and was held in a debt service reserve account in support of the LHM Syndicated Facility; (ii) elimination of a relatively expensive and inflexible source of funding; and (iii) release of the security arrangements so that such security can be applied to the new working capital facility.

LHM revolving working capital facility and reassignment of Kayelekera environmental performance bond

Subject to approval of final terms and key consents, Paladin intends to put a US$25.0M 24-month revolving working capital facility in place at LHM. The purpose will be to provide a buffer facility that can be drawn in periods where LHM-level working capital requirements are in deficit, mainly due to the timing of sales receipts. The provider of the revolving working capital facility is one of the Company's existing lenders under the LHM Syndicated Facility. The same lender would take over the Kayelekera environmental performance bond on an exclusive basis.

Group cash and cash equivalents

At 31 March 2016, the Group's cash and cash equivalents were US$21.4M, a decrease of US$115.4M from US$136.8M at 31 December 2015. Guidance previously provided was for the 31 March 2016 cash balance to be in the range of US$100M to US$110M, with such guidance provided prior to the implementation of the Convertible Bond repurchase and the repayment of the LHM Syndicated Facility in the March quarter, which resulted in adjusted guidance pro-forma for those items of US$19M to US$29M.

The cash and cash equivalents balance at 31 March 2016 does not include any drawing under the 24-month revolving working capital facility being put in place at LHM.

URANIUM MARKET

The TradeTech weekly spot price average for the March quarter was US$32.73/lb, a fall of 9% compared to the December 2015 quarter and a 14% decrease compared to the March 2015 quarter.

The uranium market continues to be impacted by demand reductions arising as a result of the March 2011 Fukushima accident. Units 3 and 4 of Kansai's Takahama NPP became the third and fourth Japanese reactors to re-start, however, positive progress was short-lived as a district court injunction caused operations to be suspended at both reactors in March. Kansai has appealed against the injunction, however, the reactors are likely to remain offline for several months during the legal process. In more positive news, in early April the Fukuoka High Court rejected an appeal seeking suspension of operations at Sendai 1 & 2. In addition, pre-service inspections have commenced at the Ikata 3 power plant, with July targeted for re-start of the reactor.

Nuclear power development in China continued with two additional reactors connected to the grid during the March quarter. China now has 32 reactors in operation and a further 22 units under construction. During the March quarter, China National Nuclear Corporation and China General Nuclear announced plans to construct four new reactors at inland sites. Development of inland projects had previously been on-hold following post-Fukushima safety reviews.

In February, South Africa announced definitive plans to embark on a nuclear power plant procurement process that seeks to add 9,600 MWe of nuclear energy to South Africa by 2030. In the Middle East, Abu Dhabi's ENEC reported substantive progress in the construction and testing of Units 1 & 2 of its Barakah NPP. Unit 1 is on schedule to commence operations in 2017.

GUIDANCE UPDATE

Operating and financial

Key relevant guidance items for the quarter to 30 June 2016 include:

- Uranium Sales – Anticipated to be in the range of 1.75Mlb to 2.10Mlb U_3O_8, of which approximately 1.2Mlb has already been priced and shipped at the date of this release.
- LHM C1 cash costs – Expected to be within the range of US$23/lb to US$25/lb.
- Cash and cash equivalents balance as at 30 June 2016 – Forecast to be in the range of US$45M to US$65M and then continue to build further into July as the company anticipates receiving more than one third of its FY16 sales receipts in the next 11-weeks due to the timing of deliveries and payments from customers.

Annual U_3O_8 production guidance for FY16 is expected to be approximately 5.0Mlb.

Average selling price premium guidance for FY16 full-year continues to be approximately US$4/lb above average spot price, based on current spot uranium price. A US$4.32/lb selling price premium was achieved for the nine months to 31 March 2016. Average selling price for the quarter to 30 June 2016 is expected to be in the range of US$34/lb to US$35/lb.

Corporate

As previously disclosed, the Company had an intention to progress strategic initiatives with respect to partnerships, strategic investment, funding and corporate transactions. Discussions have advanced with a number of parties regarding various potential transactions. Such discussions continue to progress but remain incomplete at this time and subject to continued due diligence being performed by the relevant counter-parties. Paladin expects to update shareholders as soon as a complete proposal can be put forward.

Yours faithfully
Paladin Energy Ltd

ALEXANDER MOLYNEUX
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.