



PALADIN ENERGY LTD

ACN 061 681 098

16 July 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 – 30 June 2015

HIGHLIGHTS

The June quarter has been the strongest quarter of the financial year for the Company. It has seen the successful culmination of 12 months' effort across the Group with important outcomes achieved including the balance sheet recapitalisation and debt rationalisation, introduction of key supportive new shareholders, re-purchasing of the US\$300M 2015 CB, further cost reductions at both corporate and operational levels, implementing of innovative and low cost process optimisation benefits at Langer Heinrich and enhancing of its project pipeline with the opportunistic acquisition of the Carley Bore project in Western Australia.

- **Sales revenue of US\$73.3M for the quarter, a 340% increase over the previous quarter**
- **Langer Heinrich**
 - Production for the March quarter up 8% from last quarter to 1,336,826lb U₃O₈.
 - Feed grade for the quarter of 779ppm U₃O₈.
 - Overall recovery 87.8%.
- **Bicarbonate Recovery Plant (BRP)**
 - Operated smoothly across the quarter with 93.3% overall utilisation.
 - Recovery of sodium bicarbonate at 118% of design.
 - Further BRP innovation/optimisation expected to increase capacity to more than 200% of design by December 2015 without further capital investment.
- **Safety performance continues to improve with focussed initiatives in place**
- **Kayelekera**
 - Restart Feasibility Study near completion.
 - Discharge of treated water continued successfully during the quarter.
- **Cash and cash equivalents at end of FY15 of US\$183.7M**
 - Finalisation of US\$300M CB re-purchase settled in May.
- **FY16 Guidance**
 - Guidance for FY15 achieved, with annual production of 5.04Mlb U₃O₈.
 - Guidance for FY16 is 5.0Mlb to 5.4Mlb U₃O₈, with an 11% forecast reduction in feed grade from 768ppm to 683ppm U₃O₈ and a continuing reduction in unit production costs.
- **First Japanese reactor (post Fukushima) scheduled to start 10 August 2015**
- **Further corporate cost reduction of 20% targeted for FY16 with ongoing review**

SAFETY

The Company incurred one lost time injury (LTI), at Langer Heinrich Mine (LHM), during the quarter.

The Company's 12 month moving average Lost Time Injury Frequency Rate (LTIFR) was 2.07 as compared to 2.27 last quarter and 3.11 in the previous year to 30 June 2014.

The Kayelekera Mine (KM) conducted a bi-annual internal audit to prepare for the July 2015 NOSA Health, Safety and Environment (HSE) External Audit. The NOSA auditor has recommended the highest 5 Star Platinum rating for KM subject to confirmation by the NOSA Review Board.

Paladin's safety record has continued to improve in the past year as a result of a long-term commitment to identify new initiatives and improvements, increases in in-house and external training, more formal risk assessments, more rigorous permits to work and more thorough site inductions. The Company remains fully focussed on improving on this positive trend.

QUARTERLY URANIUM SALES

Total sales for the quarter were 1,766,210lb at an average selling price of US\$41.50/lb, generating gross sales revenue of US\$73.3M. As advised at the end of the March quarter, the aggregate sales volume this quarter reflected a major delivery to CNNC in late April. Sales volume during the September quarter will, as in the March quarter, be lower due to inventory accumulation for a major CNNC delivery early in the December quarter. However, the September quarter average sales price is expected to be above the average sales price achieved for the June quarter, reflecting planned deliveries into defined price contracts.

The TradeTech weekly spot price average for the June quarter was US\$36.80/lb.

LANGER HEINRICH MINE, Namibia (75%)**Production**

LHM U ₃ O ₈ Production (lb U ₃ O ₈)	Sep Qtr	Dec Qtr	Mar Qtr	June Qtr	Year to Date
	1,089,560	1,376,578	1,234,325	1,336,826	5,037,289

The quarterly production of 1,336,826lb U₃O₈ was 8% higher than the preceding quarter.

Mining

	Sep Qtr	Dec Qtr	Mar Qtr	June Qtr	Year to Date
Ore mined (t)	910,082	703,901	598,341	700,831	2,913,156
Grade (ppm U₃O₈)	802	928	868	792	851
Low grade ore mined (t)	345,943	183,341	353,664	354,559	1,237,507
Grade (ppm U₃O₈)	328	325	316	325	319
Waste (t)	3,803,470	4,119,374	4,021,724	4,143,019	16,087,586
Total ore and waste (t)	5,059,495	5,006,616	4,973,729	5,198,410	20,238,250
Waste/ore ratio	4.6	6.1	7.3	6.4	6.0

Mining production volumes remained on target (700,000 bcm/month) and consistent within budget. The ore-to-waste ratio during the quarter was slightly lower due to mining both the deeper western pit areas as well as a new pit in the east (G2A) with a much lower strip ratio.

ROM ore stockpiles decreased at the end of the quarter. Lower stockpile levels will remain until mid-July when high grade ore is exposed in Pit H4. The ROM medium grade is being supplemented by medium grade ore from long term stockpiles in line with the mine plan.

Extension of the current in-pit tailings storage facility (TSF #3) and re-establishment of a major south-north drainage channel for flood mitigation were completed on target at the end of June 2015.

Process Plant

Plant production for the June quarter was up 8% over the prior quarter, due mainly to higher leach ore throughput (14%). Throughput and feed grade for the quarter were 3% and 6% higher respectively from the previous quarter while recovery was down slightly by 0.4% with overall recovery for FY15 at 87.6% (in line with budget).

	Sept Qtr	Dec Qtr	Mar Qtr	June Qtr	Year to Date
Ore milled (t)	734,226	916,576	860,337	886,520	3,397,659
Grade (ppm U ₃ O ₈)	786	773	736	778	768
Overall recovery (%)	85.6	88.2	88.4	87.8	87.6
Production (lb U ₃ O ₈)	1,089,560	1,376,578	1,234,325	1,336,826	5,037,289

Innovation

The BRP operated well throughout the quarter, achieving 115% to 120% of design capacity in terms of both volume processed and sodium bicarbonate recovered. Significant process optimisation has taken place during the quarter such that, for the month of June, the plant achieved 147% of its design capacity, a level of performance that is expected to be maintained, or exceeded, through the September quarter. This equates to a potential direct annual saving of approximately 22,500tpa of sodium bicarbonate and 10,700tpa of caustic soda totalling about US\$16M in reagent cost savings

Further optimisation is ultimately expected to lift the BRP performance to higher than 200% of design (in terms of sodium bicarbonate recycled and caustic savings) by December 2015 and without the need for the installation of any additional equipment. Further associated innovations are either in the implementation or design phase and scheduled for both FY16 and FY17.

As expected, the BRP has had a significant additional positive impact on broader process plant performance and subsequent unit operating cost with:

- Soluble loss down approximately 70%;
- Resin loadings approximately double previous levels and consequently planned resin replacement (\$0.50/lb cost) may no longer be required;
- Stabilised process operability; and
- Stabilised site water balance with greater discretionary control.

The high degree of success from the BRP project augers well for the ongoing success of Paladin's innovation programme. The new technology underpinning this programme is the key driver of the forecast further reductions in C1 costs at LHM. It should be noted that at the end of FY14 the combined sodium bicarbonate and caustic reagent costs represented approximately 56% of process operating costs. This is expected to fall to 32% in FY16 with potential remaining for further reductions.

Production Guidance for FY16

Annual production was 5.04Mlb U₃O₈ toward the lower end of the stated guidance of 5.0Mlb to 5.2Mlb U₃O₈. Production performance was affected by plant availability and utilisation with improvement in both factors being targeted in FY16.

Annual production guidance in FY16 is 5.0Mlb to 5.4Mlb U₃O₈, which includes a planned 11% reduction in milled ore grade to 683ppm U₃O₈. C1 cost reductions that have been achieved are expected to be maintained despite the lower head grade. Langer Heinrich remains the lowest cost open pit uranium mining operation in the world. Due to low prevailing uranium prices, the Company will focus on continuing to lower unit costs and generally increasing production efficiencies rather than production volumes in the current price environment in order to preserve ore reserves and maximise long-term financial returns.

KAYELEKERA MINE, Malawi (85%)

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

Quarterly activities at site focussed on treating and discharging water in order to reduce KM's water balance prior to the onset of the next rainfall season and on maintaining idled plant and equipment in good working order. Controlled treated water release commenced in mid-April 2015 and continued without incident. In late June, discharge was suspended due to the very low receiving water level in the local river system.

The Feasibility Study for recommencement of production at KM is near completion with a final internal review of the study underway. The study to date has confirmed that KM remains a valuable strategic asset that can be quickly returned to production when justified by a higher uranium price environment. KM will provide an additional 2.5Mlb pa in production and has clear potential to produce strong cash flow for at least six years, as more than 50% of the

project's total reserves and resources remain for future development. Further regional exploration has the potential to provide additional upside.

Exploration

The anticipated early approval by the Department of Mines of applications for five Exclusive Prospecting Licences (EPLs) covering areas north, south and east of KM that would have enabled exploration activity to commence in July 2015 did not eventuate. The Department has informed Paladin that the Government of Malawi has imposed a moratorium on applications and grants of all mining and exploration tenements while it introduces a new cadastral system and a new minerals act. Paladin anticipates that its five EPL applications are unlikely to be granted before the March quarter 2016. As a result, the Company has suspended exploration activities in Malawi until there is clarity on the provisions of the new mining code and its EPL applications have been granted.

GROUP COST REDUCTION STATUS

For several years now Paladin has been focused on reducing costs, both at its operations and at its corporate head office. Cost reduction remains an ongoing priority for the Company. Cost cutting initiatives have resulted in significant cost reductions across the Group and the following results have been achieved up to the end of FY15, with additional expected cost savings in FY16:-

- From FY12 to FY15, Paladin has reduced its corporate costs by 35%. For FY16, corporate costs will be cut by a further 20%.
- Total unit cash costs at LHM have dropped by 21% since FY12 and the further optimisation of the BRP is expected to decrease cash costs by a further 10% in FY16.
- Continuing optimisation of the LHM plant using improved technology is expected to result in further cost reductions at LHM beyond FY16.
- C1 costs for the quarter were US\$26.03/lb, in line with the expectation of US\$26/lb. C1 costs for the month of June 2015 were further improved at US\$24.72/lb.
- Capital expenditure at LHM was cut by 27% in FY15.
- C&M costs at KM are planned to fall by 21% in FY16.

The achieved cost reductions noted above demonstrate the clear and continuing focus the Company has on this important area. Further cost cutting initiatives are ongoing, focussing on both corporate overhead costs and operational aspects, namely mining, process recovery, operator training and continuity of operation, all of which are capable of delivering sustained benefits in the short and medium term. Regardless, safety will not be compromised by these cost cutting initiatives.

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

All preparations for the summer exploration programme have been completed and the camp is being prepared for occupation. An area of 12km² within 5km of the Michelin deposit has been selected for intense geochemical investigations in order to identify additional drilling targets beneath glacial sediment cover.

Historic NROP Exemption Granted

As announced on 22 June 2015, Paladin was advised by the Canadian Government that its request to be the majority owner of a future uranium mine at the Michelin Project in Canada had been approved. Under the current Canadian Non-Resident Ownership Policy (**NROP**), non-resident mining companies can own 100% of an exploration project but, by the stage of first production, there must be a minimum level of Canadian resident company ownership in individual uranium mining projects of 51%. Given Paladin's global uranium mining experience and reputation, it has always considered itself as an appropriate owner and operator of its uranium projects in Canada. The granting of an exemption from NROP allowing Paladin to proceed eventually to production at the Michelin Project without this ownership restriction provides Paladin with the flexibility to introduce a suitable minority joint venture partner at the appropriate time, should this be desired.

Paladin underwent an extensive and rigorous evaluation process by the relevant authorities in Canada conducted over a five-month period. The approval required the support of the Canadian Minister of Natural Resources, and ultimately, the Prime Minister. During the familiarisation and due diligence process that was

conducted to assess the submission for an exemption from NROP, Paladin's technical abilities, environmental performance, commodity knowledge and commitment to social responsibility, particularly with the local Nunatsiavut government, were closely scrutinised. Paladin, acknowledges the Canadian Government for taking this historic decision and, more importantly, the trust the government and those authorities involved have shown in Paladin which we take very seriously.

MANYINGEE, Western Australia (Paladin 100%)

The Manyingee ISR Project in Western Australia continued to advance toward a Field Leach Trial (FLT) application with the initiation of hydrogeological, environmental, radiation and metallurgical speciality studies during the period. Currently, it is anticipated that a completed application for an FLT will be submitted to the Western Australian Department of Mines and Petroleum in early CY16. Meetings with government authorities, together with the development of a stakeholder consultation process, are also being advanced. Based on current progress, the FLT may be possible during FY17.

Current field work at Manyingee centres around base-line ground water sampling and analysis as well as background radiological data collection.

Mount ISA URANIUM PROJECTS, QLD (Paladin 100% to 82%)

Samples for metallurgical variability testing were collected from the Odin, Bikini, Andersons, Watta, Duke Batman and Honey Pot Projects. The samples have been sent to ANSTO for radiometric sorting and subsequent leach testing.

CORPORATE

Financial

In April 2015, Paladin repurchased US\$289.25M of the US\$300M Convertible Bonds due November 2015. Paladin exercised its rights to purchase the balance of US\$10.75M Convertible Bonds, which settled in May 2015.

At 30 June 2015, the cash and cash equivalents position of the Group stood at US\$183.7M.

Carley Bore Project, WA (100% Paladin – under acquisition)

The opportunity to transform the comparatively small Manyingee project into a more dominant regional play was presented during the quarter when the adjacent Carley Bore project became available. Paladin is not actively seeking to acquire new projects; however, this small, value accretive, regional consolidation opportunity around its advanced Manyingee project was considered compelling. This acquisition has the potential to underpin a long mine life project with low production costs producing in the order of 3Mlb U₃O₈ per annum, fulfilling the Company's goal of Australian production when warranted by a higher uranium price.

On 1 June 2015 Paladin announced the acquisition of the Carley Bore Uranium Project from Energia Minerals Limited (EMX) for a consideration of 45M Paladin fully paid ordinary shares and a cash payment A\$1.6M. The project is located in the north west of Western Australia, 100km south of Paladin's Manyingee uranium project. The Carley Bore deposit as estimated by EMX contains an Indicated Mineral Resource of 5.0Mlb U₃O₈ grading 420ppm and an Inferred Mineral Resource of 10.6Mlb U₃O₈ grading 280ppm (JORC (2012)) at a cut-off grade of 150ppm U₃O₈.

This 1,004km² Carley Bore tenement package is considered a highly strategic acquisition that will substantially increase Paladin's foothold in a new and emerging uranium province along the southern margin of the Carnarvon Basin. This is expected to enhance both production and project life of a potential In-Situ Recovery (ISR) Operation at Manyingee and strengthens the flexibility to introduce a high quality joint venture partner in the future.

This acquisition by Paladin adds significant value to its 100% owned nearby Manyingee project as the integration of Carley Bore alone increases the JORC (2012) defined combined resources base to 20.7Mlb U₃O₈ of Indicated Mineral Resources at a grade of 685ppm and 20.8Mlb of Inferred Mineral Resources at a grade of 413ppm with good potential to increase this resource base by at least 15Mlb to 25Mlb in the same grade range.

Paladin believes the Carley Bore project could potentially be operated as a satellite operation to a central processing hub at Manyingee as is common in the USA and the Beverley Four Mile project in South Australia. It will deliver operational synergies and significantly lower the capital costs for a combined future ISR development.

Key Staff Change

Due to Paladin's current single mine operating status with KM on care and maintenance, Mark Chalmers, who held the position of Executive General Manager Production, ceased his full time role on 1 July 2015 and has accepted a core, part time consultancy role.

His current focus is on finalising the KM feasibility project and the FLT at the Manyingee project. Although Mark is no longer a full-time employee of Paladin, he remains an important member of the senior leadership team, providing guidance and input into areas requiring his specific expertise and experience.

URANIUM MARKET COMMENTS

In May, the U.S. Energy Information Administration (USDOE) released its annual "Uranium Marketing Report" which provides comprehensive data for the U.S. utility sector. According to its annual survey of U.S. nuclear utilities, future unfilled uranium requirements continue to increase with yet-to-be-contracted uranium requirements sharply rising from 21% in 2017 (10.4Mlb) to 68% in 2020 (33.5Mlb) and then reaching 90% in 2024 (47.3Mlb), exposing large deficits needing to be filled through the term market.

The operational restart of Japanese nuclear reactors continues to progress. Fuel loading in the Sendai 1 & 2 reactors (Kyushu EPC) commenced in early July with Unit 1 operations scheduled for start-up 10 August. Sendai Unit 2 is scheduled to be restarted in October. While the restart of Takahama 3 & 4 (Hokuriku EPC) has been impacted by a temporary court injunction, those units are expected to work their way through the final stages of approval. Furthermore, the Nuclear Regulatory Authority (NRA) has given its initial safety evaluation approval to Ikata 3 (Shikoku EPC).

In early April, the NRA approved a 10-year operating licence extension for the Takahama-2 reactor (Kansai EPC) which followed the November 2014 approval for a similar lifetime extension for Takahama-1. Both reactors were nearing the end of their initial 40-year operating licence. Then, at its 13 May meeting, the NRA agreed to evaluate both reactors for a 20-year extension of their operating licences which, if granted, would allow the units to operate for a total of 60 years.

The Japanese Cabinet approved a tentative "Strategic Energy Plan" on 10 April calling for nuclear power to provide 20 – 22% of total electricity generation by 2030. An estimated 35 reactors would be required to be operational at that time in order to support this anticipated contribution.

Future uranium supply assurance was dealt a further blow during the quarter on 11 June when Energy Resources of Australia Ltd announced that it would not proceed with final feasibility study for the proposed Ranger 3 Deeps project, which could have extended the operating life of the Ranger Mine in the Northern Territory of Australia.

Supply/Demand Study- Annual Update

Paladin has commenced the annual update of its internal uranium supply, demand and price study which has consistently forecast a significant uranium supply shortage beginning prior to the end of the decade. Preliminary results once again indicate supply shortfalls in the near future, now anticipated with increased certainty due to the difficulties facing some of the major producers. This view supports the conclusion being reached by a growing number of industry investment analysts. New term contracting which began late in the March quarter involves nuclear utilities in the United States, Asia (non-Chinese) as well as within the European Union. These negotiations will test the increasing pressure on the demand for uranium for the period 2017/2018 and beyond. Significantly, higher uranium prices are required in the immediate future to incentivise new production and mitigate an inevitable supply shortfall which looms ahead.

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.

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