



PALADIN ENERGY LTD

ACN 061 681 098

ASX Announcement

30 July 2020

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDING 30 JUNE 2020



QUARTERLY HIGHLIGHTS

Langer Heinrich Mine Restart Plan

- Paladin Energy Limited (“Paladin” or “the Company”) was pleased to announce the results of the Langer Heinrich Mine Restart Plan (“The Restart Plan”) during the quarter confirming restart capital, costs and operational performance
- The Restart Plan has a low restart capital intensity (US\$14/lb) and competitive C1 Cost of Production (US\$27/lb) and confirms the Langer Heinrich Mine is well positioned alongside other Tier 1 operations to deliver product into a recovering Uranium market
- The Company continues to monitor the uranium price and market, with an ultimate view towards securing uranium term-price contracts with sufficient term and value to underpin the restart of the Langer Heinrich operation

Health & Safety

- No lost-time injuries or reportable environmental incidents were recorded during the quarter
- The Company implemented appropriate protocols across all locations to minimise the potential transmission of COVID-19, with no reported confirmed cases to our people, or onsite contractors

Corporate

- FY2020 expenditure of US\$16.8M, compared to guidance of US\$17M
- US\$34.2M of cash and cash equivalents as at 30 June 2020 (excluding restricted cash of \$1M)
- Paladin continues to focus on minimising expenditure whilst progressing work packages at the Langer Heinrich Mine
- The Company’s guidance for FY2021 total expenditure is US\$9.5M, a 44% reduction from FY2020

Paladin CEO, Ian Purdy said *“The completion of the Langer Heinrich Mine Restart Plan is a significant step forward for the Company and highlights the potential economic returns that can be delivered under the right Uranium price environment. The Company continues to focus on minimising expenditure, and our FY2021 budget of \$9.5M - which includes the refinement and progression of work packages at the Langer Heinrich Mine – is significantly below historic expenditure levels. I look forward to updating the market on our ongoing activities”.*

MINING PRODUCTION AND DEVELOPMENT ACTIVITIES

Langer Heinrich Mine Restart Plan

The Company announced the results of the Langer Heinrich Mine Restart Plan to the ASX on 30 June 2020. All of the material assumptions underpinning the Restart Plan have not materially changed since the release of those results on 30 June 2020 and continue to apply. The Restart Plan concluded that:

- Langer Heinrich can be brought back into production for US\$81M of pre-production expenditure, allocated as follows:
 - operational readiness (US\$34M) required to mobilise the workforce, undertake maintenance and provide the working capital requirements to commence production; and
 - discretionary capital (US\$47M) specifically aimed at improving process plant availability and reliability to lift production capacity by more than 10%
- Low restart capital intensity (US\$14/lb) and competitive C1 Cost of Production (US\$27/lb) confirms Langer Heinrich is well positioned alongside other Tier 1 operations to deliver product into a recovering uranium market
- The Restart Plan has confirmed a 17-year mine life for Langer Heinrich with peak production of 5.9Mlb U₃O₈ per annum for 7 years
- The Life of Mine Plan outlines three distinct operational phases being Ramp-up (Year 1), Mining (Years 2-8) and Stockpile (Years 9-17). The utilisation of stockpile material in the Ramp-up phase greatly reduces operational start up risk and provides a strong platform for the operation to move towards name plate capacity within a 12-month period
- Langer Heinrich remains fully permitted to resume mining and Uranium exports; and
- Paladin's current cash position of US\$34.2M provides financial flexibility and the Company will only consider a restart when it secures an appropriate term-price contract with sufficient term and value to deliver an appropriate return to all stakeholders

Restart Costs (US\$81M)

Operational Readiness	US\$34M	Improving Plant Availability and Process Stability	US\$47M
Maintenance	\$13	Product Drying and Packaging	\$14
Working Capital Replenishment	\$14	Leach Surge Capacity and Water Storage	\$7
Workforce and Mobilisation	\$7	Process Control and Stability	\$6
		Infrastructure Asset Integrity	\$16
		Tailings Dam	\$4

Key Operational Metrics

	Ramp-up Phase (Year 1)	Mining Phase (Year 2-8)	Stockpile Phase (Year 9-17)
Mining Rate (TMM Mt pa)	0	28.8	0
Mill Throughput (Mt pa)	3.3 (from stockpile)	5.1	5.3 (from stockpile)
Mill Availability (%)	71	95	95
Mill Feed Grade (ppm)	520	593	336
Process Recovery (%)	88.5	88.4	88.5
Production (Mlb pa U₃O₈)	3.3	5.9	3.5
Mining & Stockpile Rehandling Cost (\$M pa) ^{1, 3}	11	72	16
Processing & Maintenance Cost (\$M pa)	57	81	67
G&A and Other (\$M pa)	9	9	9
Capex (\$M pa) ²	1.5	14.5	13.1

1. Excludes stockpile inventory adjustments. 2. Sustaining, minor improvements, progressive rehab and tailings mgt capex. 3. No in-situ mining occurs in Ramp-up and Stockpile phases. Stockpile re-handling only. 4. Figures quoted in table reflect yearly average over the operational phases.

Production and Development Activities

- Care and maintenance (C&M) activities at the Langer Heinrich Mine (“LHM”) continued under the Optimised C&M Transition Plan
- Quarterly activities focused on routine C&M activities including the continuation of restart and debottlenecking planning
- During the quarter, the Company released an updated Mineral Resources applying the Measured category classification to the Run of Mine (“ROM”) stockpiles. These ROM stockpiles were created during mining from 2006 to 2016 as part of the long-term processing strategy for the Langer Heinrich Mine
- There were no production or development activities during the quarter

MINING EXPLORATION ACTIVITIES

- The Company completed the work required to meet minimum tenement commitments during the quarter
- Under the terms of the Michelin Joint Venture Agreement, a mandatory transfer of 5% from Michelin Nominees Ltd to Aurora Energy Ltd (a wholly owned subsidiary of the Company) was executed, increasing the Company’s interest from 55% to 60%
- The mining tenements held at the end of the quarter and their location are detailed in Appendix One
- Two minority interest, non-strategic tenements were surrendered during the quarter and are listed in Appendix One

CORPORATE ACTIVITIES

- During the quarter, the Company advised that the shareholder cooperation agreement between Paradise Investment Management Pty Ltd and Maso Capital Partners Limited was terminated.

Cash and Expenditure

- FY2020 expenditure of US\$16.8M, compared to previous guidance of US\$17M
- Cash and cash equivalents as at 30 June 2020 were US\$34.2M (excluding restricted cash of US\$1M)
- Cash expenditure during the quarter was US\$1.6M, as detailed in the following table:

Cash Expenditure	US\$M
LHM Care & Maintenance	(0.6)
Exploration	(0.2)
Corporate Costs	(1.6)
Other Net Proceeds	0.1
Foreign Exchange Movement	0.7
TOTAL	(1.6)

- Expenditure during the quarter on C&M at the Langer Heinrich Mine was lower than forecast due to optimisation of C&M activities. COVID-19 lockdowns in the region also had an impact on business activities
- The Company confirms FY2021 full year total expenditure guidance of US\$9.5M. The FY2021 expenditure is a significant decrease from the US\$16.8M expenditure in FY2020, reflecting the sale of the Kayelekera Mine, the optimisation of C&M activities at the Langer Heinrich Mine, reduced restart planning costs and lower corporate costs
- Details of the FY2021 expenditure guidance are highlighted in the following table:

Expenditure	FY2021 FORECAST	FY2020 ACTUAL
	US\$M	US\$M
LHM Care & Maintenance	(3.1)	(3.7)
LHM Restart Planning & Uranium Marketing	(2.1)	(3.1)
Exploration	(0.9)	(0.8)
Kayelekera	0.0	(4.1)
Corporate Costs	(3.4)	(5.1)
TOTAL	(9.5)	(16.8)

- The Company's business priorities may be impacted by the current COVID-19 environment and travel restrictions. The execution of the Company's business plan will be adjusted to adapt to this changing environment. The market will be updated accordingly of changes to business activities and related expenditure
- The Company's expenditure is principally in AUD, NAD and USD and consequently changes in foreign exchange rates may also impact the guidance provided
- The Company held US\$145.7M of senior debt, including accrued interest (10% per annum, non-cash), as at 30 June 2020. The debt and accrued interest are repayable in January 2023

Sale of Kayelekera Mine

- The Company became a substantial shareholder in Lotus Resources Limited on 13 March 2020, holding a 14.46% interest following the issue of 90,000,000 shares at 2cps issue price. These shares are subject to a 12-month voluntary escrow and are trading at 8cps as at 29 July 2020
- Future receivables from the Kayelekera Sale include A\$3M in shares in Lotus Resources Limited, US\$6M repayment of the environmental performance bond and a 3.5% production royalty derived from future production at the Kayelekera Mine, capped at A\$5M

Related Party Payments

Payments of \$41,271 were made to related parties and their associates during the quarter, being the payment of Director's Fees as noted in Section 6 of Appendix 5B.

URANIUM MARKET UPDATE

The TradeTech weekly spot price average for the June 2020 quarter was US\$32.71/lb, up 32% from the March quarter. Spot uranium prices surged by almost \$10/lb in April in response to a series of COVID-19 related mine suspensions announced late March and early April.

Production disruption was focussed in Canada and Kazakhstan, with initial estimates suggesting a loss of at least 16Mlb (approximately 12%) of 2020 output. Cameco's Cigar Lake mine in northern Saskatchewan and various Kazakh operations remained suspended at the end of June. A recent surge in COVID-19 cases in Kazakhstan has resulted in a resumption of lockdown measures in the country and an extension to operational curtailments at the country's ISR mines. Kazatomprom has further announced it may make purchases in the spot market to meet its sales commitments.

Spot market activity spiked in April and continued at elevated levels throughout the quarter. Of the record 40Mlb transacted, more than 10Mlb of spot purchases were made by uranium producers covering production shortfalls. Higher spot market prices are expected to flow through to long-term markets, with increased activity supporting price improvements. Uranium inventory levels have continued to decline with overall US inventory levels (including suppliers) the lowest observed since 2012. In Europe, utility inventory levels have declined by 20% since the end of 2015.

This release has been authorised for release by the Board of Directors of Paladin Energy Ltd.

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About Paladin

Paladin Energy Limited (ASX: PDN) is an Australian listed uranium company focussed on maximising the value of its 75% stake in the Langer Heinrich Uranium mine in Namibia.

Langer Heinrich is a globally significant, long-life operation, having already produced over 43Mlb U₃O₈ to date. Operations at Langer Heinrich were suspended in 2018 due to low uranium prices.

Beyond Langer Heinrich, the Company also owns a large global portfolio of uranium exploration and development assets. Nuclear power remains a cost-effective, low carbon option for electricity generation.

APPENDIX ONE

TENEMENT INFORMATION REQUIRED BY LISTING RULE 5.3.3

Tenement	Location	Ownership	Change in Quarter
EPM 11898	QLD, Australia	20%	
EPM 13412	QLD, Australia	20%	
EPM 13413	QLD, Australia	20%	
EPM 13682	QLD, Australia	20%	
EPM 14040	QLD, Australia	20%	
EPM 14233	QLD, Australia	18%	
EPM 14694	QLD, Australia	20%	
EPM 14712	QLD, Australia	20%	
EPM 14713	QLD, Australia	20%	Full Surrender 18.06.2020
EPM 14821	QLD, Australia	20%	
EPM 14935	QLD, Australia	20%	
EPM 15156	QLD, Australia	20%	
EPM 15186	QLD, Australia	20%	Full Surrender 18.06.2020
MDL 507	QLD, Australia	100%	
MDL 508	QLD, Australia	100%	
MDL 509	QLD, Australia	100%	
MDL 510	QLD, Australia	100%	
MDL 511	QLD, Australia	100%	
MDL 513	QLD, Australia	100%	
M08/86	WA, Australia	100%	
M08/87	WA, Australia	100%	
M08/88	WA, Australia	100%	
E08/1645	WA, Australia	100%	
E08/1646	WA, Australia	100%	
EL 6132	SA, Australia	7.5%	
ML 140	Namibia, Africa	75%	
ML 172	Namibia, Africa	75%	
022147M	NL, Canada	60%	5% increase 31.05.2020
024697M	NL, Canada	60%	5% increase 31.05.2020
024995M	NL, Canada	60%	5% increase 31.05.2020
025621M	NL, Canada	60%	5% increase 31.05.2020
025641M	NL, Canada	60%	5% increase 31.05.2020
025649M	NL, Canada	60%	5% increase 31.05.2020
025651M	NL, Canada	60%	5% increase 31.05.2020
025658M	NL, Canada	60%	5% increase 31.05.2020
025675M	NL, Canada	60%	5% increase 31.05.2020
025676M	NL, Canada	60%	5% increase 31.05.2020
025677M	NL, Canada	60%	5% increase 31.05.2020
025678M	NL, Canada	60%	5% increase 31.05.2020
025680M	NL, Canada	60%	5% increase 31.05.2020
025681M	NL, Canada	60%	5% increase 31.05.2020
025932M	NL, Canada	60%	5% increase 31.05.2020