



PALADIN ENERGY LTD

## December 2013 Half Year and Quarter Results Conference Call and Investor Update

14 February 2014

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February 2014

# Disclaimer and Notes for JORC and NI 43-101 Mineral Resources and Ore Reserves



This presentation includes certain statements that may be deemed “forward-looking statements”. All statements in this presentation, other than statements of historical facts, that address future production, reserve or resource potential, exploration drilling, exploitation activities and events or developments that Paladin Energy Ltd (the “Company”) expects to occur, are forward-looking statements.

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In the following presentation, for those deposits that are reported as conforming to the Joint Ore Reserves Committee (JORC) 2004 or 2012 code, the terms Inferred Mineral Resources, Indicated Mineral Resources, Measured Mineral Resources, Ore Reserves, Proved Ore Reserves, Probable Ore Reserves and Competent Person are equivalent to the terms Inferred Mineral Resources, Indicated Mineral Resources, Measured Mineral Resources, Mineral Reserves, Proven Mineral Reserves, Probable Mineral Reserves and Qualified Person, respectively, used in Canadian National Instrument 43-101 (NI 43-101).

The technical information in this presentation that relates to Exploration Results, Mineral Resources and Ore Reserves is based on information compiled by David Princep B.Sc. and Andrew Hutson B.E., both of whom are Fellows of the Australasian Institute of Mining and Metallurgy. Messrs Princep and Hutson each have sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that they are undertaking to qualify as Competent Persons as defined in the 2012 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”, and as Qualified Persons as defined in NI 43-101. Messrs Princep and Hutson are full-time employees of the Company and consent to the inclusion of the relevant information in this announcement in the form and context in which it appears.

**Previous tonnages, grades, assays and other technical data relating to the Oobagooma deposit are taken from historical records prior to the implementation of the current NI 43-101. While the data is believed to have been acquired, processed and disclosed by persons believed to be technically competent, they were estimated prior to the implementation of NI 43-101 and are therefore regarded as historical estimates for the purposes of NI 43-101 and as an exploration target for the purposes of JORC disclosure. A Qualified Person as defined in NI 43-101 has not done sufficient work to classify the historical estimate as current Mineral Resources. The Company is not treating the historical estimates as current Mineral Resources as defined in NI 43-101 and for this reason the historical estimates should not be relied upon. At present, the Company considers that these resources have no equivalent classification under NI 43-101 and should therefore be considered as unclassified. The historical information is presented on the basis that it may be of interest to investors.**

# Presentation Outline



- ★ Key Achievements and Update
- ★ Uranium Market Update
- ★ Financial Review
- ★ Project Update
- ★ Positioning for the Future

# Material Achievements are Redefining Paladin



## The 4 Key Company Initiatives Achieved

- ✦ **Operations – solid production/unit cost reduction continues**
- ✦ **Minority Equity Sale - successful**
- ✦ **Project Refinancing – collateral utilisation**
- ✦ **KM Care & Maintenance – cost reduction / asset preservation**

### Bottom line over benefit next 18 months to end FY15

Cash injected by equity sale	US\$190M	Incoming
Refinancing benefit	US\$59M	Saving
KM C&M	US\$27M-US\$35M	Saving
<b>TOTAL NET CASH BENEFIT</b>	<b>US\$276M-US\$285M</b>	

# Highlights



- ✦ **Record combined production for Langer Heinrich and Kayelekera**
  - 4.253Mlb (1,929t) U<sub>3</sub>O<sub>8</sub> for six months to December 2013
- ✦ **Minority sale of Langer Heinrich**
  - introduces a world class JV party with access to world's fastest growing market
  - sale proceeds of US\$190M including non refundable deposit of US\$20M
- ✦ **Kayelekera care and maintenance commencing May/June**
  - unavoidable in current uranium price environment
  - preserving the ore body for when it can be mined profitably
- ✦ **Recalibration of cash flows**
  - LHM & KM refinancing to save US\$59M over CY14 and CY15
  - KM C&M to save US\$27M-US\$35M over CY14 and CY15
  - LHM sale proceeds to be applied predominantly to debt reduction
- ✦ **Further expansion potential of existing production centres when sufficient uranium price incentive**
  - diversified global project pipeline for future development
  - proven builder/operator

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# Supply Fundamentals Deteriorating



- ✦ **Mine suspension or closures**
  - Kayelekera, Honeymoon, Priargunsky Mine No. 2
- ✦ **Supply disruptions**
  - Ranger, Rossing, Somair, Cominak
- ✦ **Production delays**
  - Cigar Lake, Imouraren, Husab
- ✦ **Suspension / Delays of future planned developments**
  - **Greenfield** - Kintyre, Toro's Wiluna, Mkuju River, Talvivaara, Matoush, Letlhakane
  - **Brownfield** - LHM Stage 4, Kazakstan expansion, Olympic Dam, Priargunsky Mine No. 6
  - Cameco suspends 2018 expansion target
- ✦ **Lead-time for new production underestimated**
  - 4 to 7 year lead time for new uranium mines
- ✦ **Secondary supplies under Russia-U.S. HEU programme ceased end of 2013 (24Mlb pa)**

# Price Catalysts – demand and shortage



- ✦ **Reactors under construction continue to increase (now 70 and growing)**
- ✦ **Japanese reactor restarts**
  - 16 reactors undergoing safety evaluations by Nuclear Regulation Authority (NRA)
  - economically unsustainable and uncompetitive without nuclear
  - political support strengthening (e.g. recent Tokyo Governorship election)
- ✦ **Further mine suspensions or closures inevitable**
  - Kayelekera and Honeymoon just the first
  - UxC 2013 production cost report – 50% of global production above current spot price
- ✦ **Suppliers unwilling to commit to long-term contracts**
  - increasing momentum among producers not committing to long-term commitments under current term prices
  - recent tenders for ultra-long term schemes unfulfilled (operating life of reactor)
- ✦ **Market realisation production unable to meet demand**
  - no further new mines whilst price below US\$65/lb-US\$75lb
  - lead time for new mines
  - time has already passed to meet 2016/2017 market requirements



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# Profit & Loss

## December 2013 Half Year



- ✦ **Revenue of US\$171.4M**
  - 4.448Mlb sold at average realised price of US\$38.4/lb
  - sales of 2.775Mlb in December 2013 quarter
  
- ✦ **Gross loss from operations (excluding impairments) of US\$4.4M**
  - average cost of sales of US\$39.5/lb before KM inventory impairment
  - KM (inventory, stores and consumables) impairment of US\$24.9M
  
- ✦ **Admin, marketing and non production costs of US\$8.5M down 39%**
  
- ✦ **Loss attributable to members of the parent of US\$255.0M post-tax (Queensland exploration asset impairment of US\$226.5M)**

# Cash Flow

## December 2013 Half Year



- ✦ **Cash and cash equivalents of US\$99.4M**
  
- ✦ **Cash inflow from operating activities of US\$4.3M**
  - includes interest paid of US\$16.6M
  
- ✦ **Cash outflow from investing activities of US\$17.2M**
  - US\$15M plant and equipment acquisitions
  - US\$2.6M exploration expenditure
  
- ✦ **Cash inflow from financing activities of US\$34.3M**
  - US\$78.1M net share placement proceeds
  - US\$43.8M project debt repayment

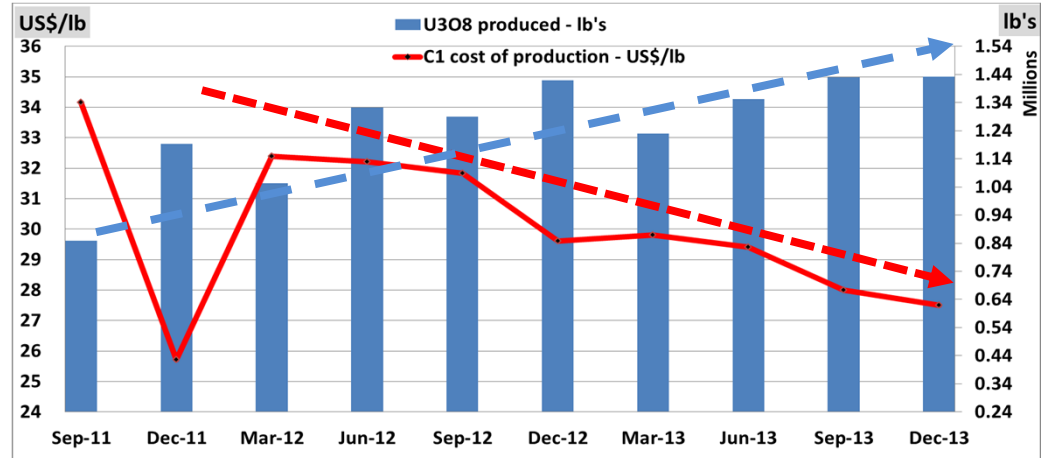
# C1 Cost of Production - Positive Trends Continue



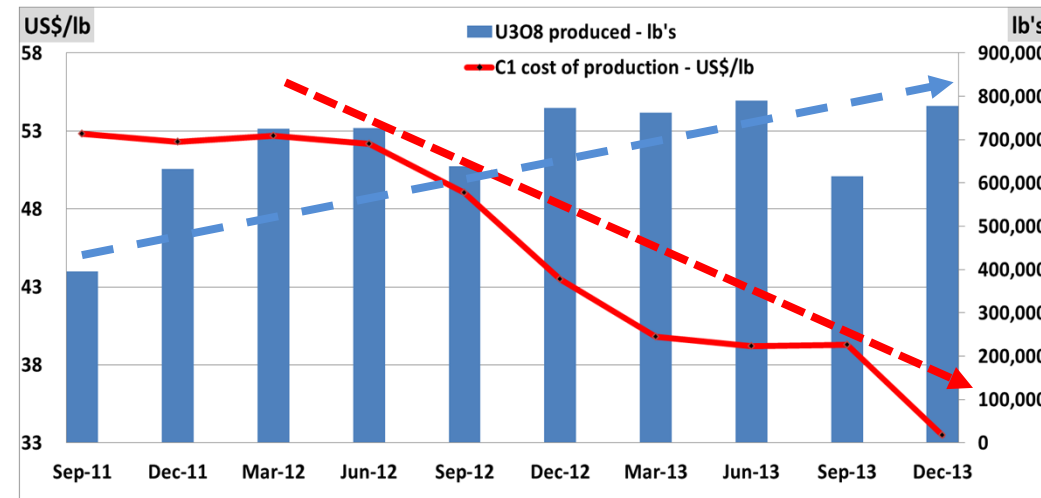
Langer Heinrich

Significant cost reductions and production optimisation at site

Focus also on corporate cost efficiencies



Kayelekera



“Proven ability to reduce costs through production optimisation”

# Material Changes to Future Cashflows



## ✦ **Langer Heinrich/Kayelekera Refinancing**

- US\$59M reduction in debt repayments over CY14 and CY15
- Langer Heinrich debt repayments reduced by US\$5.5M pa
- overall reduction in debt US\$14.5M

## ✦ **Minority Sale Proceeds**

- will be applied predominantly to debt reduction across the Paladin Group

## ✦ **Kayelekera Care & Maintenance**

- saving of US\$27M-US\$35M over the next two CY's
- sales revenue from expected run-down production of 690,000lb

## ✦ **Corporate Costs continue to reduce**

- admin, marketing and non production costs down US\$4.6M (6 months to 31 Dec)
- senior management 10% pay reduction and pay freeze
- additional corporate savings from KM C&M

**“Positioning the Company for sustainable cashflows”**

# Langer Heinrich Minority Sale



- ✦ **25% JV equity stake to China National Nuclear Corporation (CNNC)**
  - consideration of US\$190M
- ✦ **US\$20M non-refundable deposit to Paladin**
  - currently held in escrow, with release upon receipt of:
    - (i) Lenders consent
    - (ii) Bank of Namibia approval to assign intercompany loans
- ✦ **Conditions precedent to completion**
  - same as those for release of deposit plus approval from Chinese regulatory authorities
  - Paladin sees no issue to satisfying these CP's
- ✦ **Transaction to conclude latest by 30 June 2014**

“High degree of confidence transaction will close within timeframe”

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# Langer Heinrich Project Update



## ✦ Three successful production capacity expansions completed

- 5.2Mlb with Stage 3 starting mid 2012
- currently producing above budget
- Dec qtr >5.7Mlb pa rate

## ✦ Low quartile cost producer

- Dec qtr 2013 C1 cost US\$27.5/lb
- long term C1 target sub US\$25/lb
- C1 cash cost reduction targeting 15% for FY14 & FY15

## ✦ Production optimisation with further unit cost reduction

- hydrosort for improved beneficiation recovery
- increased leach temperature
- improved wash and IX performance
- reduced reagent and water consumption

## ✦ +20 years project life

- further expansion potential up to 8.2Mlb pa

	Actual FY13	Budget Dec'13 YTD	Actual Dec'13 YTD
Ore processed	3.54Mt	1.84Mt	1.83Mt
Ore feed grade	812ppm	753ppm	803ppm
Recovery	86%	90%	88.1%
U <sub>3</sub> O <sub>8</sub> production	5.30Mlb	2.75Mlb	2.86Mlb

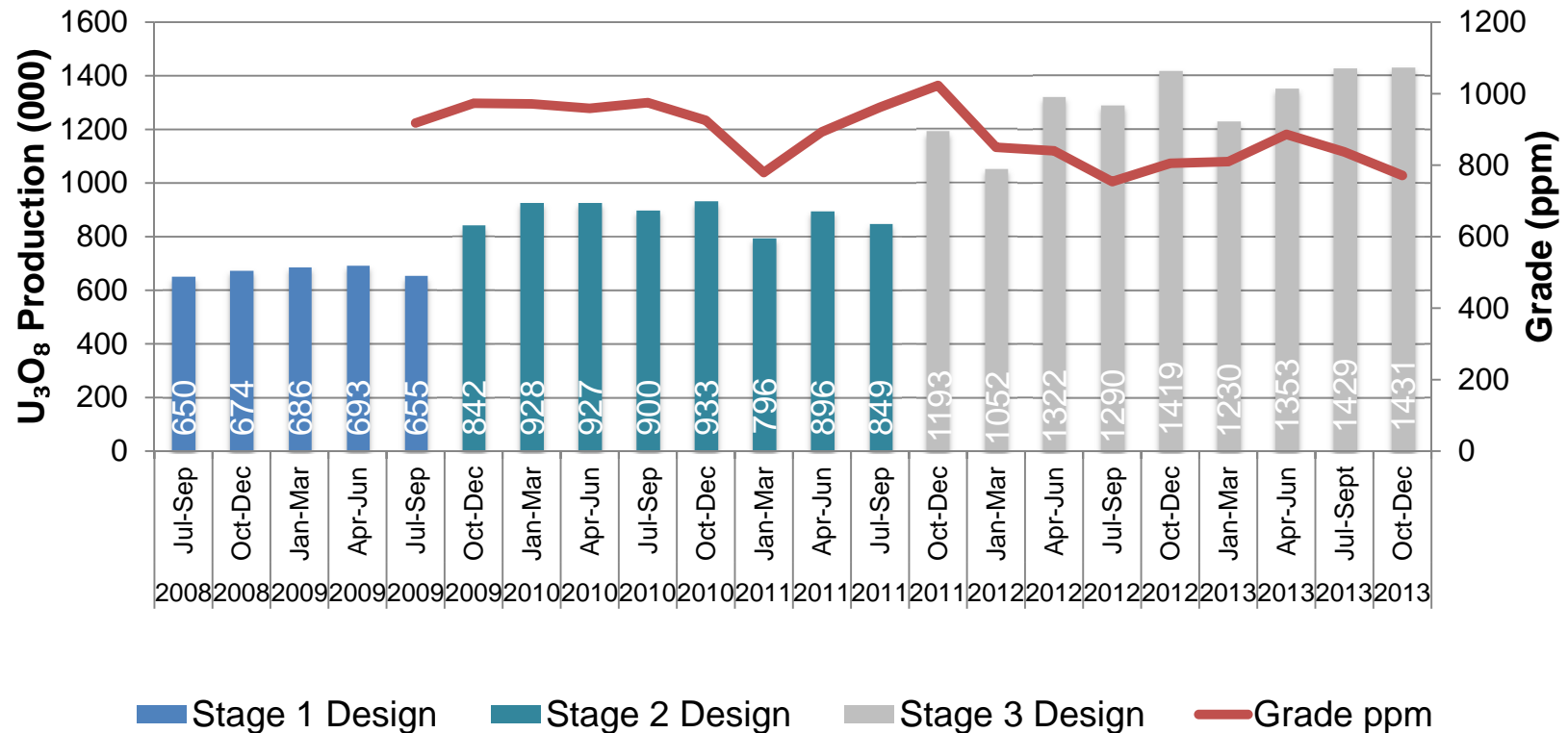




# Langer Heinrich Quarterly Production



## LHM Quarterly Production & Feed Grade



“Last two quarters production >5.7Mtp.a. annualised”

# Kayelekera Project Update



- ✦ **First modern resin-in-pulp (RIP) uranium processing facility**
- ✦ **Production capacity of 3.3Mlb U<sub>3</sub>O<sub>8</sub> pa**
- ✦ **C1 cost initiatives for FY13 successful and better than target**
  - C1 cost Dec qtr US\$33.10/lb
  - Cost targets achieved without commercial power
  - Target C1 costs <\$30/lb
- ✦ **Significant achievements through production optimisation**
  - improvements in “RIP” efficiency
    - Dec qtr RIP recovery a record 98.4%
  - acid recovery operating successfully in excess of design
    - acid independence achieved
  - resin advance will give further recovery and cost improvement
- ✦ **Grid power still able to reduce C1 cost by up to \$5/lb**

	Actual FY13	Budget Dec'13 YTD	Actual Dec'13 YTD
Ore processed	1.3Mt	0.67Mt	0.59Mt
Ore feed grade	1,143ppm	1,181ppm	1,275ppm
Recovery	84.6%	87.0%	85.8%
U <sub>3</sub> O <sub>8</sub> production	3.0Mlb	1.52Mlb	1.39Mlb



# Kayelekera – Care & Maintenance from May/June 2014



- ✦ **7 February 2014 decision to go to care and maintenance**
  - unavoidable in current uranium price environment
  - preserve resource to allow better utilisation and future profitability
  
- ✦ **Transition from operating to care and maintenance**
  - processing will continue until reagents and consumables depleted – May/June
  - plant then sterilised and placed on C&M June/July
  
- ✦ **Financial impact on Paladin**
  - at U\$35/lb, Paladin would have injected US\$20M-US\$25M for each of CY14 & CY15
  - C&M will improve cash flow by US\$7M-US\$10M in CY14 and US\$20M-US\$25M in CY15
  - ongoing C&M costs of approximately US\$12M pa funded by sales from rundown production and inventory recovery
  - sales revenue from expected run-down production of 690,000lb
  
- ✦ **Paladin remains committed to Malawi**
  - 194 locals will remain employed and 27 expat staff
  - continue exploration to expand resource base
  - Corporate Social Responsibility programme sustained, albeit at reduced level

**“Preserving the ore body for when it can be mined profitably”**

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# New Joint Venture Partner for Langer Heinrich



- ✦ **CNNC is a major nuclear organisation of China**
  - is engaged in the scientific research and development, construction and operation in such fields as nuclear power, nuclear fuel cycle, nuclear technology application and nuclear environmental engineering, as well as foreign economic co-operation and import and export businesses
  - CNNC’s electrification ambitions will dovetail in with Paladin’s growth ambitions
- ✦ **Introduces a strong partner at project level**
  - will enable the value of LHM asset to be maximised
  - will provide funding support for future growth
- ✦ **Reinforces the importance of Namibia in the global uranium mining sector**
- ✦ **Recognises Paladin as a partner of choice with proven builder & operator capability**

**“Paladin is perfectly positioned to benefit from China’s nuclear growth targets”**

# Positioned for the Future



- ✦ **Solid reputable JV partner for LHM in place**
  - Company now in strong position to achieve future goals
- ✦ **Proven builder/operator**
  - extensive uranium expertise in the group (technical, environmental, health, social)
  - only company in the world to have successfully developed two greenfield conventional mines in past 20 years
  - developed, implemented and de-risked innovative technologies
- ✦ **Continuation of optimisation and innovation**
  - production innovation and optimisation for continued unit cost reduction
  - maximise return on investment
- ✦ **Positioning for the next phase of rapid growth**
  - development and feasibility studies for next growth phase (pipeline projects)
  - staged project development schedule to 2025 and beyond
  - seek strategic alliances and partnerships with key industry participants

# Conclusion



- ✦ **Paladin on track to continue solid production results**
  - on track with revised guidance of 7.8Mlb to 8Mlb for FY14
- ✦ **Focused on further cost rationalisation and production optimisation**
- ✦ **Proven management team that has delivered on both operational and strategic goals**
- ✦ **Strategic initiatives to strengthen the balance sheet and leverage growth achieved**
  - CNNC 25% JV partner at LHM
  - LHM refinancing completed
  - KM on C&M
- ✦ **Paladin's pipeline projects**
  - ready for expansion when incentive prices are sufficient
  - production potential to 2030 and beyond

**“Focus remains to maintain strong operational performance, deleverage, establish sustainable cashflows and remain positioned for the future uranium price resurgence”**

# Paladin Energy Ltd

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