

Paladin Energy: Financial Report for Nine Months Ended 31 March 2014

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PERTH, WESTERN AUSTRALIA--(Marketwired - May 15, 2014) - [Paladin Energy Ltd.](#) ("Paladin" or "the Company") (**TSX:PDN**)(**ASX:PDN**) announces the release of its consolidated Financial Report for the nine months ended 31 March 2014. The Financial Report is appended to this News Release.

HIGHLIGHTS

OPERATIONS

- Combined production for the nine months ended 31 March 2014 of 6.342Mlb (2,877t) U₃O₈ is an increase of 4% over the nine months ended 31 March 2013.
- Combined production for the quarter ended 31 March 2014 of 2.089Mlb (948t) U₃O₈ is an increase of 5% over the quarter ended 31 March 2013.
- C1 cost of production⁽¹⁾ continues to fall:
 - Langer Heinrich Mine (LHM) C1 cost of production has fallen 3% from US\$29.8/lb in the March 2013 quarter to US\$29.0/lb in the March 2014 quarter.
 - Kayelekera Mine (KM) C1 cost of production has decreased 17% from US\$39.8/lb U₃O₈ in the March 2013 quarter to US\$32.9/lb in the March 2014 quarter.
- LHM produced a record 4.253Mlb (1,929t) U₃O₈ for the nine months ended 31 March 2014, achieving an 8% improvement on the nine months ended 31 March 2013.
- Following the decision to place KM on care and maintenance, Paladin revised its FY14 production guidance to 7.8 - 8.0Mlb U₃O₈ and this remains on track.

SALES AND REVENUE

- Sales revenue totalled US\$259.6M for the nine months from sales of 6.853Mlb U₃O₈.
- Average realised uranium sales price for the nine months was US\$37.9/lb U₃O₈, compared to the average UxC spot price for the period of US\$35.4/lb U₃O₈.

CORPORATE INITIATIVES

- Refinancing of the LHM and the KM project finance facilities completed.
- Completion of sale of a 25% equity stake in LHM in Namibia for US\$190M expected by 30 June 2014, with proceeds to be used to repay debt. US\$20M non-refundable deposit received in April 2014.
- KM to be placed on care and maintenance after production ceases and circuit clean-up in June 2014.
- Institutional placement of shares in August 2013 raised US\$80.6M

OTHER

- **Net debt repayments totaling US\$59.6M.**
- **A number of cost reduction initiatives have been completed with additional measures yet to be implemented.**
- **Impairment of Queensland exploration assets at 31 December 2013 of US\$226.5M after tax.**

C1 cost of production = cost of production excluding product distribution costs, sales royalties and depreciation and amortisation before adjustment for impairment. C1 cost, which is non-IFRS information, is a widely used 'industry standard' term.

Results

(References below to 2014 and 2013 are to the equivalent nine months ended 31 March 2014 and 2013 respectively).

● **Safety and Sustainability:**

- The Group incurred nine lost time injuries (LTIs) across the organisation for the March 2014 quarter - six at LHM, two at KM and one in exploration. At LHM, two were lower back injuries, two ankle injuries, one wrist dislocation and one fingertip injury. At KM, both involved minor fractures (leg and thumb). The exploration injury at Michelin involved low level hypothermia. Full investigations have been conducted and recommendations made are being implemented. The Group's 12-month moving average Lost Time Injury Frequency Rate (LTIFR) increased to 2.8 from 1.0.
- A major health and safety review was undertaken at LHM. This identified several areas for improvement including additional safety training, which is a major initiative for the next 12-24 months. The annual NOSA CMB 253 (HSE) audit was conducted at LHM and resulted in a 3 star Platinum accreditation dropping from its 4 star rating the previous year.

● **Production:**

- Combined production of 6.342Mlb (2,877t) U₃O₈ for the nine months ended March 2014, up 4% on the nine months ended 31 March 2013.
- Combined production for the quarter ended 31 March 2014 of 2.089Mlb (948t) U₃O₈, an increase of 5% over the quarter ended 31 March 2013.

● **Langer Heinrich Mine (LHM):**

- Record production for the nine months to 31 March 2014 was 4.253Mlb (1,929t), an increase of 8% over the nine months to 31 March 2013:
 - overall recovery YTD of 87.4%.
 - feed grades YTD of 784ppm U₃O₈.
 - previous water issues resolved
- LHM C1 cost of production for the nine months has fallen to US\$28.1/lb U₃O₈, down 8% from US\$30.4/lb U₃O₈ for the nine months to March 2013.
- LHM C1 cost of production for the quarter ended 31 March 2014 has fallen to US\$29.0/lb U₃O₈, down 3% from US\$29.8/lb U₃O₈ for the March 2013 quarter.
- C1 cost reductions were due mainly to reductions in soluble loss, reagent usage and impact of foreign exchange movements.

● **Kayelekera Mine (KM):**

- KM to be placed on care and maintenance to preserve the remaining ore body until the Company determines that a sustained recovery in the price of uranium oxide will enable production to resume on a profitable basis.
- Mining operations at KM have been suspended however the processing of ore has continued during a transitional rundown phase. This rundown/sterilisation phase will be completed during June 2014. At this time, the plant will be sterilised, shut down and placed on care and maintenance.
- Paladin is committed to maintaining the mine and infrastructure at KM in good working order to facilitate a rapid resumption of production when market conditions dictate that it is possible to do so profitably. For this reason, KM will retain a core group of Malawi national employees and expatriate staff to maintain the site, including staff to strengthen physical security measures at KM.
- During the period of care and maintenance, subject to being granted the necessary exploration licences, exploration work will be carried out on the existing Mining Lease and adjoining tenements. This work will be focused on expanding the current mineral resource base in order to extend the project life once operations resume. A number of social community programmes will be continued.
- Placing KM on care and maintenance will improve Paladin's forecast cash flow position by US\$7M-US\$10M (net of care and maintenance establishment costs) in calendar year 2014 and US\$20M-US\$25M in calendar year 2015. Paladin anticipates that the ongoing cost of maintaining KM on care and maintenance of approximately US\$16M per annum will be funded from proceeds to be received from the sale of uranium oxide on hand and produced during the rundown phase.
- approximately US\$16M per annum will be funded from proceeds to be received from the sale of uranium oxide on hand and produced during the rundown phase.
- Production for the nine months to 31 March 2014 was 2.089Mlb, a decrease of 4% over the nine months to 31 March 2013 in line with care and maintenance budget:
 - overall recovery for March 2014 quarter of 86.7%.
 - acid recovery plant successfully commissioned.
- KM C1 cost of production for the nine months has fallen to US\$34.8 U₃O₈, down 21% from US\$43.9/lb U₃O₈ for the nine months to March 2013.
- KM C1 cost of production for the March 2014 quarter has fallen to US\$32.9/lb U₃O₈, down 17% from US\$39.8/lb U₃O₈ for the March 2013 quarter.
- C1 cost reductions were due mainly to improvements in resin in pulp (RIP) recovery and ore blend, and commissioning of the nano-filtration/acid recovery plant which has led to a reduction in acid consumption.

● **Cost Reduction Initiative:**

- Further cost savings and optimisation initiatives are being implemented to further improve unit costs for LHM and reduce corporate costs over financial years 2014 and 2015.

● **Profit and Loss:**

- Total sales volume for the nine months of 6.853Mlb U₃O₈ reflected a 16% increase over sales of 5.928Mlb U₃O₈ for the nine months ended 31 March 2013.
- Sales revenue decreased 14% from US\$301.0M in 2013 to US\$259.6M for the nine months ended 31 March 2014, as a result of a 25% decrease in realised sales price offset by a 16% increase in sales volume. The average realised uranium sales price in the nine months ended 31 March 2014 was US\$37.9/lb U₃O₈ (2013: US\$50.8/lb U₃O₈) compared to the average UxC spot price for the nine months of US\$35.4/lb U₃O₈.
- Gross loss for the nine months of US\$27.6M compared to a gross profit in 2013 of US\$25.4M was due to lower uranium prices and a higher impairment of KM inventory of US\$24.9M (2013: US\$13.7M). This has been partially offset by a 16% increase in sales volume.
- Impairment of Queensland exploration assets at 31 December 2013 of US\$226.5M after tax.
- Net loss after tax attributable to members of the Group of US\$274.9M was recorded for the nine months.

● **Cash Flow:**

- Positive cash flow from operating activities totalled US\$33.5M for the nine months ended 31 March 2014 after interest payments of US\$17.0M. The remaining expenditure was US\$1.2M for exploration.
- Cash outflow from investing activities of US\$23.4M for the nine months:
 - plant and equipment acquisitions of US\$19.2M, predominantly the new tailings facility at LHM and nano filtration equipment and tailings pipeline at KM; and
 - capitalised exploration expenditure of US\$5.0M. Exploration expenditure in foreseeable periods will be lower.
- Cash inflow from financing activities of US\$15.5M in the nine months ended 31 March 2014 is mainly attributable to:
 - the net proceeds received from the share placement of US\$78.2M; and
 - net debt repayments of US\$59.6M. Full repayment of the existing project finance facilities for KM of US\$68.1M and LHM of US\$101.5M which have been partially offset by proceeds received from the drawdown of the new LHM project finance facility of US\$110M.

● **Cash Position:**

- Cash of US\$103.3M at 31 March 2014.
- Sale of a 25% joint-venture equity stake in LHM for US\$190M to China Uranium Corporation Limited, a wholly owned subsidiary of China National Nuclear Corporation (CNNC), announced in January 2014.
- Completion is subject to certain Chinese regulatory approvals which are expected to be obtained by June 2014. Paladin satisfied the conditions to allow release of the escrowed US\$20M non-refundable deposit from CNNC. The escrow agent forwarded these funds to Paladin's bank account in April 2014.

● **Exploration and Development:**

- Manyingee Project, Western Australia - As announced on 13 January 2014, a revised Mineral Resources estimate for the Manyingee Deposit conforming to both the JORC (2012) code and Canadian National Instrument 43-101 has been completed. The results include an Indicated Mineral Resource of 15.7Mlb U₃O₈ and an Inferred Mineral Resource of 10.2Mlb U₃O₈, both at an average grade of 850ppm U₃O₈, using a 250ppm and 0.2m minimum thickness cut off. Compared to the previous Mineral Resource estimate announced in 1999 (reported at a 300ppm U₃O₈ cut off), the updated 2014 Mineral Resource estimate shows a minor reduction in contained U₃O₈ for the Indicated portion of the Mineral Resource and an increase in the Inferred portion of the Mineral Resource. Despite the change in disequilibrium factor used to determine uranium grades, which resulted in a reduction in the Indicated Mineral Resource material grade, the overall grade of the deposit has increased due to revised geological modelling and estimation techniques.
- Aurora - Michelin Uranium Project, Canada - As announced on 7 May 2014, the winter infill drilling programme was successfully completed confirming both the robust nature and high grade of this deposit. The drilling was successful in further defining the extensive mineralisation at the Michelin deposit with all 13 holes intersecting mineralisation, 6 returning significant intersections and infilling a number of key data voids within the Mineral Resource estimate. The results from this drilling will be incorporated into an upcoming Mineral Resource estimate update expected during the June 2014 quarter. From work already completed using data from the 2012 and 2013 drilling campaigns it is expected that there will be a significant improvement to the current mineral resource classification as well as a small increase in total mineral resource.

● **Guidance FY2014**

- Following the decision to place KM on care and maintenance, Paladin's revised FY14 production guidance of 7.8-8.0Mlb U₃O₈ remains on track.

● **Sales Volumes**

- Uranium sales volumes are expected to fluctuate quarter-on-quarter due to the uneven timing of contractual commitments and resultant scheduling by customers. Now that production has reached design levels, sales, production volumes and inventories are expected to be comparable on an annualised basis.

● **Langer Heinrich Minority Interest Sale**

- On 20 January 2014, the Company announced that it had signed an agreement on 18 January 2014 to sell a 25% joint-venture equity stake in its flagship Langer Heinrich uranium mining operation in Namibia to China Uranium Corporation Limited, a wholly owned subsidiary of CNNC, the leading Chinese nuclear utility, for consideration of US\$190M.
- An offtake component of the agreement will allow CNNC to purchase its pro-rata share of product based on the prevailing market spot price at the time of sale. There is also an opportunity for Paladin to benefit by securing additional long term offtake arrangements with CNNC, at arm's length market rates, from Paladin's share of Langer Heinrich production.
- Completion is now subject only to certain Chinese regulatory approvals (including the National Development and Reform Commission), which are expected to be obtained by 30 June 2014. Consents for the transaction from Paladin's project financiers and the Bank of Namibia have been received and as a consequence on 16 April 2014 the US\$20M deposit paid by CNNC was released from escrow to Paladin and is non-refundable.
- Proceeds from the sale will be utilised to repay debt across the Company.

● Successful Refinancing of Langer Heinrich and Kayelekera Facilities

- On 17 January 2014, the Company announced it had entered into agreements with its lenders to refinance the LHM and the KM project finance facilities.
- This new facility provides significant cash flow benefits to both projects and leaves the Company in a much stronger financial position. The annual principal repayments across both projects have been reduced from US\$53.8M to US\$18.3M in calendar year 2014, a substantial reduction of US\$35.5M, with the first repayment not being due until June 2014.
- In calendar year 2015, annual principal repayments under the existing facilities compared to the new facility will be reduced by a further US\$23.7M.
- The KM finance facility was repaid in full immediately, however, the facility and existing security arrangements will remain in place to support the US\$10M Performance Bond.
- Overall, this rationalisation in the project financing reduces the Company's debt position and, by substantially reducing repayments over the next three years, conserves operational cash flow.

The documents comprising the Financial Report for the nine months ended 31 March 2014, including the Management Discussion and Analysis, Financial Statements and Certifications are [attached](#) and will be filed with the Company's other documents on Sedar (www.sedar.com) and on the Company's website (www.paladinenergy.com.au).

Generally Accepted Accounting Practice

The news release includes non-GAAP performance measures: C1 cost of production, non-cash costs as well as other income and expenses. The Company believes that, in addition to the conventional measures prepared in accordance with GAAP, the Company and certain investors use this information to evaluate the Company's performance and ability to generate cash flow. The additional information provided herein should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

Declaration

The information in this announcement that relates to minerals exploration and mineral resources is based on information compiled by David Princep BSc, FAusIMM (CP) who 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 Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code). Mr Princep is a full-time employee of [Paladin Energy Ltd.](#) Mr. Princep consents to the inclusion of the information in this announcement in the form and context in which it appears. The mineral resources for the Manyingee deposit were announced to the ASX on the 13 January 2014 and the information contained within has not materially changed since it was last reported.

Conference Call

Conference Call and Investor Update is scheduled for 06:30 Perth & Hong Kong, Friday 16 May 2014, 18:30 Toronto and 23:30 London, Thursday 15 May 2014. Details are included in a separate news release dated 13 May 2014.

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