

Paladin Energy: Financial Report for the Six Months Ended 31 December 2014

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PERTH, WESTERN AUSTRALIA--(Marketwired - February 12, 2015) - [Paladin Energy Ltd.](#) ("Paladin" or "the Company") (TSX: PDN) (ASX: PDN) announces the release of its consolidated Financial Report for the six months ended 31 December 2014. The Financial Report is attached here (http://media3.marketwire.com/docs/141231_31December2014HalfYearReport.pdf).

HIGHLIGHTS

OPERATIONS

- Langer Heinrich Mine (LHM) produced 1.304Mlb U₃O₈ for the three months ended 31 December 2014, up 27% from the last quarter.
- C1 cost of production⁽¹⁾:
 - LHM C1 unit cost of production for the quarter decreased by 14% from US\$35.1/lb in the September 2014 quarter to US\$30.2/lb in the December 2014 quarter.
- FY2015 production guidance revised to 5.2 - 5.5Mlb U₃O₈.

SALES AND REVENUE

- Sales revenue of US\$108.6M for the six month period ended 31 December 2014, selling 3.161Mlb U₃O₈.
- The average realised uranium sales price for the six months was US\$34.35/lb U₃O₈ compared to the average UxC spot price for the period of US\$34.30/lb U₃O₈.
- Uranium spot price continued to demonstrate significant volatility, having risen from US\$28.10/lb in mid-CY2014, reaching US\$44.00/lb by the middle of November 2014 and declining to US\$35.50/lb at 31 December 2014. During CY2015, the spot price has risen to US\$38.25/lb at 10 February 2015.
- Japan reactor restart programme continued to make progress.

CORPORATE

- Successful recapitalisation was completed in December 2014. Two capital raising initiatives were completed to strengthen the balance sheet and deal with repayment of its US\$300M convertible bond due in November 2015. These included the introduction of a cornerstone strategic investor -- HOPU Clean Energy (Singapore) Pte. Ltd. (HOPU), via a 15% placement, and an entitlement offer (fully underwritten by JP Morgan), together raising A\$205M.
- On 12 February 2015, the Board resolved to launch an offering to raise US\$100M of senior, unsecured convertible bonds due 31 March 2020. There may be up to an additional US\$50M of senior, unsecured convertible bonds issued to current or potential strategic partners, on the same terms, at the discretion of the Company for additional balance sheet flexibility. These issues will be subject to shareholder approval at a General Meeting scheduled to be held at the end of March 2015. The proceeds of the US\$100M issue along with the existing cash balance will be used to fund Paladin's concurrent tender offer to acquire any or all of its US\$300M convertible bonds due November 2015 issued by the Company on 4 November 2010.
- Future cost optimisation focus continues for both production and corporate costs.

⁽¹⁾ 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 six months ended 31 December 2014 and 2013)

respectively).

- **Safety and Sustainability:**

- Paladin has operated for over 150 days without a lost time injury (LTI) due to new initiatives and improvements implemented across the group.

- **Langer Heinrich Mine (LHM):**

- As reported in January LHM produced 1.304Mlb U₃O₈ for the three months ended 31 December 2014, up 27% from the previous quarter's production.
 - Feed grade for the quarter: 773ppm U₃O₈.
 - Recovery: 84.5%, up from 82.7% last quarter.
 - Ore feed for the quarter of 916,576t, up 25% from the last quarter.
 - Remediation of scaling issues now successfully completed and production back to budget levels.
 - Bi-carbonate recovery project well advanced and commissioning commenced in February. This facility will reduce reagent costs and improve site water balance.
- LHM C1 unit cost of production for the December 2014 quarter has decreased by 14% to US\$30.2/lb from US\$35.1/lb U₃O₈ in the September 2014 quarter.

- **Cost Reduction Initiatives:**

- The bi-carbonate recovery project is now well advanced with commissioning underway. After a short assessment period, the next phase of this innovation based optimisation programme will commence.
- Target for LHM is C1 unit cost below US\$26/lb by the end of FY2015, and US\$22/lb in FY2017 (in FY2014 terms) focusing primarily on reagent recycling, increased recovery and plant utilisation.

- **Kayelekera Mine (KM) remains on care and maintenance:**

- The feasibility study for a recommencement of production when market conditions allow has been commenced and will incorporate a detailed re-start plan.
- Preparations have been completed for water treatment in order to maintain the site in a secure and safe state during the care and maintenance period.
- The modified water treatment process has been successfully tested at full scale to satisfy the stringent discharge conditions placed upon the Company by the Government of Malawi (GoM).
- A discharge licence for the release of treated water has been issued by GoM.

- **Profit and Loss:**

- Total sales volume for the six months of 3.161Mlb U₃O₈.
- Sales revenue for the six months decreased 36% from US\$171.0M in 2013 to US\$108.6M in 2014, as a result of an 11% decrease in realised sales price and a 29% decrease in sales volume predominantly due to KM being placed on care and maintenance. The average realised uranium sales price for the six months ended 31 December 2014 was US\$34.35/lb U₃O₈ (2013: US\$38.40/lb U₃O₈), compared to the TradeTech weekly spot price average for the six months of US\$34.30/lb U₃O₈.
- Gross Profit for the six months of US\$3.9M is a turnaround from a US\$29.3M gross loss in 2013. In 2013 KM recorded a gross loss of US\$31.4M which included a US\$24.9M impairment of inventory, stores and consumables.
- Net loss before tax attributable to members of the Group for the six months was US\$59.3M.

- **Cash Flow:**

- Cash outflow from operating activities for the six months was US\$40.5M, after net interest payments of US\$15.1M and exploration expenditure of US\$0.9M.
- Cash outflow from investing activities for the six months totalled US\$9.7M:
 - plant and equipment acquisitions of US\$7.4M, including, the nano-filtration equipment and spiral heat exchangers at LHM; and,
 - capitalised exploration expenditure of US\$2.4M.
- Cash inflow from financing activities for the six months of US\$297.0M is mainly attributable to:
 - the final proceeds from the sale of a 25% interest in LHM of US\$170M, the proceeds from the entitlement offer of US\$119.7M and the share placement to HOPU of US\$52.7M, all of which has been partially offset by a US\$30.8M repayment of the LHM project finance facility, US\$4.6M repayment of the LHM syndicated loan facility and US\$5.5M in equity capital raising costs.

- **Cash Position:**

- Cash of US\$333.9M at 31 December 2014.
- Final settlement of the sale of a 25% interest in LHM of US\$170M, US\$119.7M proceeds from the entitlement offer and US\$52.7M from the share placement to HOPU.
- US\$30.8M repayment of the existing LHM project finance facility and US\$4.6M principal repayment of the LHM syndicated loan facility.

- **Production Guidance**

- Paladin's FY2015 production guidance has been revised to 5.2 - 5.5Mlb U₃O₈.

- **Sales Volumes**

- Uranium sales volumes are expected to fluctuate quarter-on-quarter due to the uneven timing of contractual commitments and resultant delivery scheduling by customers. Sales, production volumes and inventories are expected to be comparable on an annualised basis.

- **Capital Management**

- During November and December 2014, Paladin successfully completed two capital raising initiatives to strengthen its balance sheet and deal with repayment of its US\$300M convertible bond due in November 2015. This involved introducing a cornerstone strategic investor -- HOPU, via a 15% placement as well as the completion of a well-supported entitlement offer (fully underwritten by JP Morgan), together raising A\$205M.
- HOPU is part of a private equity firm focusing on China-related investment opportunities. With offices in Beijing, Hong Kong, and Singapore, HOPU's team has unique expertise in investment, financing and capital markets, as well as diverse experience working with State Owned Chinese Enterprises and private entrepreneurs.
- HOPU's key investment focus is to create, develop and pursue investment opportunities that are driven by China's ongoing economic reforms and developments, in particular, in consumer, energy, mining, agriculture and financial services sectors.
- After receiving Foreign Investment Review Board (FIRB) approval on 21 November 2014, HOPU acquired a 15% interest in Paladin via a placement at A\$0.42 per share and it participated pro rata in the general entitlement offer at A\$0.26 per share, leading to a final shareholding post fundraising of 14.99%.

- **Uranium Outlook**

- During the December quarter, the uranium spot price continued to demonstrate significant volatility, having risen from US\$28.10/lb in mid-CY2014, reaching US\$44.00/lb by the middle of November. During the latter half of the quarter, the spot price declined to US\$35.50/lb, as near-term demand decreased and a limited number of suppliers reduced offer prices to complete end-of-year sales. During CY2015, the spot price has risen to 38.25/lb at 10 February 2015.
- The term contracting market showed a substantially greater volume for CY2014, exceeding 80Mlb as compared to slightly more than 20Mlb during CY2013. As has been the case in the recent past, the majority of the long-term agreements involved non-US utilities, which were predominately located in the Asia/Pacific region. US utilities tended to execute smaller volume agreements with deliveries generally confined to the mid-term market period (2015-2018), providing for limited deliveries post-2019/2021. TradeTech's long-term U₃O₈ price, which had declined to US\$44/lb-US\$45/lb through most of CY2014, increased during the December quarter to US\$50/lb at the end of November and held at that level to year-end.
- The Japanese reactor restart programme continued to make progress during the December quarter. In mid-November, the governor of Kagoshima Prefecture granted his approval for the restart of the Sendai 1&2 reactors (Kyushu Electric Power Company), which are undergoing final documentation reviews and plant inspections by the Nuclear Regulatory Authority (NRA). Actual operations are now anticipated to commence during the second quarter of CY2015.
- Furthermore, the NRA released its draft report, which states that the Takahama 3 & 4 reactors (Kansai Electric Power Company) met safety standards introduced subsequent to the Fukushima accident. The Takahama reactors will now move into the local government approval phase.
- Global uranium production totalled 155Mlb during CY2013. However, due to operational cut-backs at facilities such as Rossing (Namibia) as well as placing Paladin's Kayelekera Mine (Malawi) and Uranium One's Honeymoon ISR Mine (South Australia) on care and maintenance, CY2014 worldwide uranium output is expected to be reported close to 145Mlb, a decrease of more than six percent year-on-year.

The documents comprising the Appendix 4D - Financial Report for the six months ended 31 December 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 (sedar.com) and on the Company's website (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.

Conference Call

Conference Call and Investor Update is scheduled for 06:30 Perth & Hong Kong, Friday 13 February 2015, 17:30 Toronto and 22:30 London, Thursday 12 February 2015. Details are included in a separate news release dated 9 February 2015.

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