

PERTH, WESTERN AUSTRALIA--(Marketwired - February 14, 2017) - [Paladin Energy Ltd.](#) ("Paladin" or "the Company") (ASX: PDN) (TSX: PDN) announces the release of its condensed consolidated interim financial report for the half-year reporting period ended 31 December 2016. The condensed consolidated financial report is appended to this News Release.

HIGHLIGHTS

References below to 2016 and 2015 are to the equivalent six months ended 31 December 2016 and 2015 respectively.

Operations

- Langer Heinrich Mine (LHM) produced¹ 2.500Mlb U₃O₈ for the six months ended 31 December 2016, up 7% from 2015.
- Ore milled of 1,853,219t, up 6% vs. 2015.
- Average plant feed grade of 698ppm U₃O₈, down 2% vs. 2015.
- Overall recovery of 87.6%, up 2% vs. 2015.
- C1 unit cost of production² for 2016 was US\$16.25/lb, a decrease of 39% from US\$26.50/lb in 2015.
- LHM mine plan adjustment involving reduced mining material movement, combined with processing plant feed coming from stockpiled low and medium grade ores was implemented in November 2016.

Sales and revenue

- Sales revenue of US\$55.2M for 2016, selling 2.125Mlb U₃O₈.
- Average realised uranium sales price for 2016 was US\$25.96/lb U₃O₈ compared to the average TradeTech weekly spot price for the period of US\$22.63/lb U₃O₈.

Corporate

- Underlying EBITDA³ for 2016 of US\$5.7M, an US\$11.3M deterioration from an underlying EBITDA of US\$17.0M for 2015.
- Underlying all-in cash expenditure⁴ per pound of uranium production for 2016 was US\$28.38/lb, a decrease of 33% compared to 2015 of US\$42.66/lb.
- Gross loss for 2016 of US\$17.7M compared to a gross profit for 2015 of US\$23.7M.
- Cash and cash equivalents at 31 December 2016 of US\$26.7M, which was within the guidance range previously provided of US\$20M to US\$30M.
- On 10 January 2017, the Company announced a proposal to restructure its balance sheet (Restructure Proposal) which contemplates the exchange of its existing 2017 Convertible Bonds (US\$212M) and 2020 Convertible Bonds (US\$150M) into US\$115M (of New Secured Bonds due 2022, US\$102M of New 2024 Convertible Bonds and US\$145M of Paladin shares). The Restructure Proposal continues to progress and as at the date of this Financial Report, bondholders representing 71.6% of the 2017 Convertible Bonds and 45.9% of the 2020 Convertible Bonds have already signed undertakings to support the Restructure Proposal.
- Previously announced Manyingee transaction is expected to close late March/early April 2017. Avira Energy Limited (AVW) (formerly MGT Resources Limited) has received shareholder and Foreign Investment Review Board approvals to acquire 30% of the Manyingee Uranium Project (Manyingee) for US\$10M cash. AVW is to acquire an initial interest of 30% in Manyingee, with an option to acquire an additional 45% of Manyingee for US\$20M cash. The sale remains subject to certain conditions.
- In December 2016, Paladin sold a number of non-core Australian exploration assets to Uranium Africa Ltd for approximately US\$1.9M. The assets sold included the Oobagooma and Angela/Pamela projects located in Western Australia and the Northern Territory respectively and Paladin's interest in the Bigryli project located in the Northern Territory. It is expected that these asset sales will result in annual cost savings due to reductions in rates, rentals and statutory commitments payable to keep the tenements in good standing.
- Paladin also sold its entire shareholding in [Deep Yellow Ltd.](#) for approximately US\$2.6M in the December quarter.

Outlook

- Key relevant guidance items for the quarter to 31 March 2017 include:
- Uranium production - In line with the reduced mining plan, the feed grade will be lower and uranium production is expected to be in the range of 0.9Mlb to 1.0Mlb.
- Uranium sales -- Anticipated to be in the range of 700,000lb to 800,000lb U₃O₈.
- LHM C1 cash costs -- Expected to be within the range of US\$17/lb to US\$19/lb.
- Cash and cash equivalents balance as at 31 March 2017 - Forecast to be in the range of US\$10M to US\$20M (excluding one-off items such as any proceeds received from the previously announced strategic initiatives).
- Due to the successful first half to 31 December 2016, Paladin has revised certain items in its guidance for the full-year to 30 June 2017, including:
- Uranium production -- Revised guidance of in excess of 4.0Mlb U₃O₈ (vs. previous guidance of 3.8-4.0Mlb).
- LHM C1 cash costs -- Expected to be within the range of US\$16.50/lb to US\$18.50/lb (vs. previous guidance of US\$17/lb to US\$19/lb).

Results

(References below to 2016 and 2015 are to the equivalent six months ended 31 December 2016 and 2015 respectively).

Safety and sustainability

The Company's 12 month moving average Lost Time Injury Frequency Rate⁵ (LTIFR) decreased to 1.9 as compared to 2.5 at the end of the last quarter. The 12 month moving average LTIFR for the previous year was 2.10.

The Company achieved 910 Lost Time Injury (LTI) free days at the Kayelekera Mine (KM) for ~1.6 Million man hours. Two LTI's were reported during the six months: a process operator sustained an injury to the right ankle descending a fixed ladder and a maintenance tradesman injured a shoulder while using a drill.

Langer Heinrich Mine (LHM)

LHM produced 2.500Mlb U₃O₈ for the six months ended 31 December 2016, up 7% from the previous year (2015: 2.342Mlb U₃O₈).

- Ore milled of 1,853,219t, up 6% vs. 2015.
- Average plant feed grade of 698ppm U₃O₈, down 2% vs. 2015.
- Overall recovery of 87.6%, up 2% vs. 2015.

The unit C1 cost of production for the six months decreased by 39% from US\$26.50/lb in 2015 to US\$16.25/lb in 2016 primarily due to strong operating performance and the impact of the US\$168.9M write-down of LHM's ore stockpiles that occurred at 30 June 2016.

Kayelekera Mine (KM) remains on care and maintenance

Activities at site focused on water treatment, discharge and monitoring.

Profit and Loss

Total sales volume for 2016 was 2.125Mlb U₃O₈ (2015: 2.499Mlb).

Sales revenue for 2016 decreased by 46% from US\$101.3M in 2015 to US\$55.2M in 2016, as a result of a 36% decrease in realised sales price and a 15% decrease in sales volume.

The average realised uranium sales price for 2016 was US\$25.96/lb U₃O₈ (2015: US\$40.54/lb U₃O₈), compared to the TradeTech weekly spot price average for the period of US\$22.63/lb U₃O₈.

Gross loss for the period decreased by 175% from a gross profit of US\$23.7M in 2015 to a gross loss of US\$17.7M in 2016 due to a 36% decrease in realised sales price, a 15% decrease in sales volume, and an impairment of inventory of US\$22.3M (2015: US\$Nil), which was partially offset by a 35% decrease in cost of sales.

Impairments of inventory of US\$22.3M were recognised in 2016 (2015: US\$Nil)

Impairments comprise of a US\$16.2M impairment of LHM ore stockpiles, US\$2.9M impairment of LHM product-in-circuit due to the write-off of the build-up of solubilised uranium present in the interstitial water in TSF3 and a US\$3.2M impairment of finished goods due to low uranium prices. The impairment of LHM ore stockpiles resulted from a change in LHM's life of mine plan and lower forecast uranium prices.

Net loss after tax attributable to members of the Parent for 2016 of US\$46.0M (2015: Net loss US\$24.2M).

Underlying EBITDA has deteriorated by US\$11.3M for the period from an underlying EBITDA of US\$17.0M for 2015 to US\$5.7M for 2016.

Cash flow

The Group's principal source of liquidity as at 31 December 2016, was cash of US\$26.7M (30 June 2016: US\$59.2M). Any cash available to be invested is held with Australian banks with a minimum AA- Standard &

Poor's credit rating over a range of maturities. Of this, US\$20.9M is held in US dollars.

Cash outflow from operating activities was US\$40.9M in 2016 (2015: outflow US\$2.9M), primarily due to payments to suppliers and employees of US\$76.5M and net interest paid of US\$14.0M, which were partially offset by receipts from customers of US\$50.0M.

Cash outflow from investing activities for 2016 was US\$1.3M (2015: US\$5.3M):

- plant and equipment acquisitions of US\$4.6M
- capitalised exploration expenditure of US\$1.2M
- partially offset by the proceeds from the sale of non-core assets of US\$4.5M.

Cash inflow from financing activities was US\$9.6M in 2016 (2015: outflow US\$38.0M), was attributable to the drawdown of US\$20M under the LHM secured Revolving Credit Facility, which was partially offset by a US\$10.4M distribution to CNNC by way of repayment of intercompany loans owing by LHM that have been assigned to CNNC.

Cash position

At 31 December 2016, the Group's cash and cash equivalents were US\$26.7M, which was within the guidance range previously provided of US\$20M to US\$30M.

The documents comprising the condensed consolidated interim financial report for the half-year reporting period ended 31 December 2016, including Management Discussion and Analysis, Financial Statements and Certifications will be filed with the Company's other documents on Sedar (sedar.com) and on the Company's website (paladinenergy.com.au).

Outlook

Uranium market

The TradeTech weekly spot price average for 2016 was US\$22.63/lb, a fall of 38% compared to the weekly spot average for 2015 average of US\$36.26. TradeTech's end-November spot price of US\$17.75/lb was the lowest level observed since May 2004.

Uranium spot prices increased in late-December 2016 and, following KazAtomProm's announcement of a 10% cut in planned 2017 uranium production, improved further in early January 2017. The spot price currently stands around US\$26.50/lb. Increased term market activity has been seen since December 2016 and improved demand levels are expected to continue into 2017.

Mixed signals continue to be seen in the US market. The election of Donald Trump to the US Presidency is anticipated to be positive for nuclear power and the approval of the Future Energy Jobs Bill in Illinois in December 2016 will allow Exelon's Clinton and Quad Cities nuclear power plants to continue operating. On the other hand, the past 2 months have seen early closure announcements for Entergy's Palisades and Indian Point facilities and speculation that First Energy Corp could try to sell or close the Davis-Besse plant.

In the UK, January saw the award of further contracts for the construction of the Hinkley Point C nuclear power plant. French contractor Bouygues SA will work with UK builder Laing O'Rourke on a US\$1.8Bn contract to construct the buildings that will house the two reactors. Meanwhile, EdF anticipates French nuclear availability to return to normal levels in early 2017 as 11 out of the 12 reactors offline for safety evaluation are expected to return to service.

Kyushu's Sendai 1 was returned to service in December 2016 after completing its first periodic inspection since re-start in August 2015. Sendai 2 was taken out of service for periodic inspection in December and is expected to be back online in late-February 2017. Japan's Nuclear Regulation Authority cleared Kyushu's Genkai 1 & 2 reactors for restart and also approved a life extension for Kansai's Mihama 3 in late-2016. The Genkai reactors are targeted to return to service during 2017.

Company strategy

Paladin believes a uranium industry turnaround is imminent. However, given the current low pricing environment, its current strategies are focused on optimising actions to maximise cash flow whilst also prudently enacting capital management actions. Paladin's strategies are aimed at maximising shareholder value through the uranium price downturn whilst remaining positioned for a future normalisation of the uranium market and price. Key elements of the Company's strategy include:

- Maximising LHM operating cash flows through optimisation initiatives that preserve the integrity of the long-term life of mine plan.
- Maintaining KM and the Company's exploration assets on a minimal expenditure, care and maintenance basis.
- Minimise corporate and administrative costs.
- Progress strategic initiatives with respect to partnerships, strategic investment, funding and corporate transactions, that result in de-risking Paladin's funding structure or provide clear value accretion for stakeholders.
- Prepare for growth

Company outlook

LHM's adjusted Life of Mine plan (LOM) was implemented in November 2016, which involves reducing mining material movement combined with processing plant feed coming from stockpiled low and medium grade ores. The revised mine plan effectively shifts higher-grade ore processing into later years when uranium prices are expected to be higher. The FY2017 average feed grade will be reduced into the range of 550ppm to 570ppm vs our previous internal Company budget of 700ppm. The impact of the change will reduce finished U₃O₈ production by up to 1.0Mlb to 1.5Mlb per year for each of the next two years. However, the requirement for less movement of mined material on site during the period reduces cash operating costs by well in excess of any lost revenue. Using Paladin's internal assumptions the initiative will generate approximately US\$40M of cumulative incremental operating cash flow for FY2017 and FY2018.

Key relevant guidance items for the quarter to 31 March 2017 include:

- Uranium production - In line with the reduced mining plan, the feed grade will be lower and uranium production is expected to be in the range of 0.9Mlb to 1.0Mlb.
- Uranium sales -- Anticipated to be in the range of 700,000lb to 800,000lb U₃O₈.
- LHM C1 cash costs -- Expected to be within the range of US\$17/lb to US\$19/lb.
- Cash and cash equivalents balance as at 31 March 2017 - Forecast to be in the range of US\$10M to US\$20M (excluding one-off items such as any proceeds received from the previously announced strategic initiatives), with this forecast heavily dependent on the timing of VAT and certain sales receipts.

Due to the successful first half to 31 December 2016, Paladin has revised certain items in its guidance for the full-year to 30 June 2017, including:

- Uranium production -- Revised guidance of in excess of 4.0Mlb U₃O₈ (vs. previous guidance of 3.8-4.0Mlb).
- LHM C1 cash costs -- Expected to be within the range of US\$16.50/lb to US\$18.50/lb (vs. previous guidance of US\$17/lb to US\$19/lb).

Other full-year guidance items to remain unchanged at this time. However, 'all in' cash expenditure guidance may be subsequently revised downwards depending on the progress of the Proposed Restructure and update to the Company's internal financial forecast subsequently.

GENERALLY ACCEPTED ACCOUNTING PRACTICE

The news release includes non-GAAP performance measures: C1 cost of production, EBITDA, 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, P.Geo 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). and as a Qualified Person as defined in NI 43-101. 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 07:30 Perth & Hong Kong, Wednesday 15 February 2017; 23:30 London, Tuesday 14 February 2017 and 18:30 Toronto, Tuesday 14 February 2017. Details are included in a separate news release dated 3 February 2017.

The documents comprising the Conference Call and Investor Update will be filed with the Company's other documents on Sedar

(sedar.com) and on the Company's website (paladinenergy.com.au).

¹ LHM production volumes and unit C1 cost of production include an adjustment to in-circuit inventory relating to leached uranium within process circuit.

² 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.

³ EBITDA = The Company's Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) represents profit before finance costs, taxation, depreciation and amortisation, impairments, foreign exchange gains/losses, restructure costs and other income. EBITDA, which is non-IFRS information, is a widely used 'industry standard' term.

⁴ Underlying All-In Cash Expenditure = total cash cost of production plus non-production costs, capital expenditure, KM care & maintenance expenses, corporate costs, exploration costs and debt servicing costs and mandatory repayments, excluding one-off restructuring and non-recurring costs. Underlying All-In Cash Expenditure, which is a non-IFRS measure, is widely used in the mining industry as a benchmark to reflect operating performance.

⁵ All frequency rates are per million personnel hours.

Contact

CONTACTS

For additional information, please contact:

Andrew Mirco
Investor Relations Contact (Perth)
Tel: +61-8-9423-8162
Mobile: +61-409-087-171
Email: andrew.mirco@paladinenergy.com.au