



PALADIN ENERGY LTD

ACN 061 681 098

19 October 2018

ASX Market Announcements
Australian Securities Exchange
20 Bridge Street
SYDNEY NSW 2000

By Electronic Lodgement

Dear Sir/Madam

QUARTERLY ACTIVITIES REPORT FOR PERIOD ENDING – 30 SEPTEMBER 2018

HIGHLIGHTS

- Sales for the quarter of 267,423lb U₃O₈ generated gross sales revenue of US\$6.6M.
- December quarter sale of 475,000lb U₃O₈ expected to generate gross revenue of US\$14M to US\$15M.
- Cash and cash equivalents at 30 September 2018 of US\$30.6M expected to increase to approximately US\$40M at 31 December 2018 after receiving expected sales proceeds.
- Langer Heinrich Mine
 - Plant cleanout completed early-August 2018 and operation has now successfully transitioned into care and maintenance.
 - Primary focus to maintain plant infrastructure and complete operational review to assess process optimisation, cost reduction, production capacity and life of mine alternatives to allow for a restart when justified.
- Kayelekera Mine
 - No water treatment carried out during the quarter as target levels achieved for all water storage ponds.
- On 1 August 2018, Paladin announced an off-market takeover offer for all the shares in Summit that Paladin does not already own and after receiving the required acceptances will now exercise its right to acquire the remaining shares in Summit.
- On 31 August 2018, all existing claims which the Michelin Claimants had against Paladin's Canadian subsidiaries and Michelin were irrevocably extinguished, released and discharged and in consideration for the release of these claims, the Michelin Claimants received a 50% participating interest in the Michelin Project. Paladin has an earn back right of 5% p.a., up to 75%, by funding basic project holding costs for the next five year period.

SAFETY

The Kayelekera Mine (KM) achieved 1,548 Lost Time Injury (LTI) free days for ~2.35 million man hours. There were no LTI's reported during the quarter at the Langer Heinrich Mine (LHM).

The Company's 12 month moving average Lost Time Injury Frequency Rate (LTIFR) decreased to 1.0 as compared to 1.7 at the end of the last quarter. The 12 month moving average LTIFR for the previous year was 2.

QUARTERLY URANIUM SALES

Total sales for the quarter were 267,423lb U₃O₈ at an average selling price of US\$24.60/lb, generating gross sales revenue of US\$6.6M.

The Company has a delivery commitment of 475,000lb U₃O₈ in December 2018 and, based on current uranium spot prices, the expected gross sales revenue from this delivery will be between US\$14M and US\$15M. This delivery will be met from existing uranium inventory and uranium inventory already purchased.

LANGER HEINRICH MINE, NAMIBIA (75%)

Plant cleanout was completed early-August 2018 and the operation has now successfully transitioned into care and maintenance. The mine is expected to remain on care and maintenance until the uranium spot price again makes it economical to restart on a sustainable basis.

During this care and maintenance period the mine will ensure that the plant is properly maintained for a restart and several potential projects will be examined to further optimise the operation, reduce operating costs, extend its productive life and potentially increase throughput.

KAYELEKERA MINE, MALAWI (85%)

KM remains on care and maintenance with activities focused on cleaning out and maintenance of the water treatment plant in preparation for treatment of water for the 2018/2019 wet season. The site surface water drainage system is also undergoing annual refurbishment.

EXPLORATION PROJECTS

During the September quarter, the Company has only undertaken the work required to meet minimum tenement commitments.

CORPORATE***Group cash and cash equivalents***

At 30 September 2018, the Group's cash and cash equivalents were US\$30.6M (including restricted cash of US\$11.1M), a decrease of US\$19.6M from US\$50.2M at 30 June 2018.

After the anticipated proceeds have been received from the September and December quarter uranium sales, the Group's cash and cash equivalents are expected to increase to approximately US\$40M (including restricted cash of US\$11.1M) at 31 December 2018.

Michelin Joint Venture Agreement

Several of Paladin's Canadian subsidiaries had previously given guarantees and provided security (Michelin Security) over their 60.1% interest in the Michelin Project in respect of Paladin's obligations under the Électricité de France S.A. (EDF) Long Term Supply Agreement between EDF and Paladin dated 8 June 2012. On 29 November 2017 EDF issued a demand under these guarantees and sought to exercise its security. These claims were sold to Deutsche Bank AG, who subsequently sold down parts of its interest in the Michelin Security to a number of parties (Michelin Claimants).

On 31 August 2018, all existing claims which the Michelin Claimants had against Paladin's Canadian subsidiaries and Michelin were irrevocably extinguished, released and discharged and in consideration for the release of these claims, the Michelin Claimants received a 50% participating interest in the Michelin Project.

There is a farm out over a five year period whereby the Michelin Claimants will transfer a 5% participating interest in the Michelin Project to Paladin on an annual basis in return for Paladin funding all obligations for the Michelin Project over this period.

Off-Market Takeover Bid for Summit Resources Limited

On 1 August 2018, Paladin announced its intention to make an off-market takeover offer (Offer) for all the shares in Summit Resources Limited (Summit) that Paladin does not already own, on a scrip for scrip basis. Under the Offer, third-party Summit shareholders will receive one new Paladin share for every one Summit share held.

Paladin made the Offer for Summit in line with its continued cost optimisation initiatives. The Company already owns 82.08% of Summit and by purchasing the shares owned by third-party shareholders and de-listing Summit, cost savings can be achieved in the areas of compliance and regulatory costs.

The Offer is subject to the satisfaction or waiver of the conditions which are summarised below:

- Paladin acquiring a relevant interest in more than 90% of all Summit shares on issue, and at least 75% of the Summit shares that Paladin is offering to acquire under the Offer;
- no material adverse change occurring in relation to Summit during the offer period;
- no prescribed occurrence occurring in relation to Summit during the offer period; and
- no material litigation being threatened or commenced against Summit during the offer period

Each of the conditions can be waived in Paladin's sole discretion.

On 11 October 2018, Paladin announced that based on acceptances received to date it has acquired a relevant interest in 90% of all Summit shares on issue and 75% of the Summit shares that were the subject of the Offer. Paladin will now exercise its right to acquire the remaining Summit shares under the compulsory acquisition provisions of the Corporation Act.

URANIUM MARKET

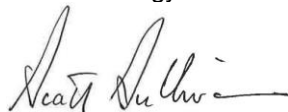
The TradeTech weekly spot price average for the September quarter was US\$25.82/lb, an 18% increase compared to the June quarter and a 27% increase compared to the September 2017 quarter. Following on from Cameco's production announcement and amidst robust purchasing activity, spot prices continued strengthening reaching \$27.65/lb at the end of September 2018.

On 25 July 2018, Cameco announced an indefinite extension to the suspension of production at its McArthur River/Key Lake operation. The announcement, referencing challenging market conditions, removes an additional 3Mlb of supply in 2018 and as much as 20Mlb p.a. from 2019 onwards. Spot market volumes have remained at historically high levels exceeding the previous annual record level (from 2011) by late-August and currently standing at 72Mlb.

The US Department of Commerce announced mid-July the launch of a Section 232 investigation into whether US uranium imports are a threat to national security. Further market intervention in support of threatened nuclear and coal power plants is also being pursued by the US government. Both initiatives have the potential to positively impact forward uranium prices.

The co-owners of the Vogtle new-build project in the southern US voted to continue construction in late-September. The vote was triggered in light of cost overruns for the two new units which are the first new nuclear plants to be built in the US in over 30 years. The units are expected to come into service in 2021 and 2022 respectively.

Yours faithfully
Paladin Energy Ltd



SCOTT SULLIVAN
CHIEF EXECUTIVE OFFICER