PALADIN ENERGY LTD

ACN 061 681 098

16 May 2017

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

By Electronic Lodgement

Dear Sir/Madam

STRATEGIC AND FUNDING PROCESS:
ALTERNATIVE PROPOSED BALANCE SHEET RESTRUCTURING

Paladin Energy Limited (**Paladin** or the **Company**) (ASX:PDN / TSX:PDN) refers to its previous announcements regarding the Restructure Proposal and the independent valuation process being undertaken to value Paladin's 75% interest in the Langer Heinrich Mine (**LHM**) in response to the decision by CNNC Overseas Uranium Holdings Limited (**CNNC**) to pursue its potential option to acquire Paladin's interest in LHM (**Potential CNNC Option**).

Paladin remains of the belief that the Restructure Proposal (as announced on 10 January 2017) represents a holistic solution that provides a stable and sustainable capital structure and a platform for future growth when the uranium market improves. Furthermore, the Restructure Proposal quickly received the support of bondholders and shareholders. However, it is subject to the condition that Paladin continues to own 75% of LHM, which is in doubt given CNNC's decision to require the valuation of LHM in order to decide if it will exercise its potential option.

In the event CNNC does not acquire Paladin's 75% interest in LHM, the Company intends to pursue the original Restructure Proposal. However, as is prudent in the current circumstances, Paladin has also progressed with its stakeholders an alternative solvent restructuring proposal which can be implemented in circumstances where it ceases to hold an interest in LHM (**Alternative Restructure Proposal**).

The Alternative Restructure Proposal allows Paladin to materially reduce its debt obligations, extend the maturity of any remaining debt and preserve the Long Term Supply Contract (**LTSC**) dated 8 August 2012 with Électricité de France S.A. (**EDF**).

As opposed to the original Restructure Proposal, existing shareholders will not be immediately diluted on implementation of the Alternative Restructure Proposal. Shareholders will retain an equity position in the Company under the terms of the Alternative Restructure Proposal and the value to shareholders will increase depending on the sale price of Paladin's interest in LHM, the continuation of the LTSC and the value of the non-LHM uranium assets.

Level 4, 502 Hay Street, Subiaco, Western Australia 6008 Postal: PO Box 201, Subiaco, Western Australia 6904
Tel: +61 (8) 9381 4366 Fax: +61 (8) 9381 4978 Email: paladin@paladinenergy.com.au Website: www.paladinenergy.com.au

The key terms of the Alternative Restructure Proposal are set out below.

HIGHLIGHTS

- **Net proceeds from any sale of Paladin's 75% interest in LHM to be distributed between EDF (repaid in priority) and the holders of the Existing Convertible Bonds**
- **Balance of any Existing Convertible Bonds (if any and including accrued interest to the closing date), to be exchanged into New 2022 Secured Convertible Bonds**
- **EDF LTSC to remain on foot on terms acceptable to EDF**
- **Bondholders representing 57.6% of the 2017 Convertible Bonds and 55.0% of the 2020 Convertible Bonds have signed binding undertakings in support of the Alternative Restructure Proposal (and negotiations are continuing with the balance of bondholders)**
- **Key conditions to the Alternative Restructure Proposal:**
    - **CNNC completing the acquisition of Paladin's 75% interest in LHM for net proceeds of at least US$500 million;**
    - **formal approval of holders of the Existing Convertible Bonds;**
    - **approval of EDF;**
    - **approval of shareholders;**
    - **agreement being reached between the Company and an ad-hoc committee of bondholders as to the long form version of documentation to implement the Alternative Restructure Proposal;**
    - **there being no superior proposal; and**
    - **all necessary regulatory approvals, including Australia's Foreign Investment Review Board**
- **Concurrent with implementation of the Alternative Restructure Proposal, Paladin proposes to undertake a 20:1 consolidation of its shares**

Alternative Restructure Proposal

A number of holders of the 2017 Convertible Bonds and 2020 Convertible Bonds (**Existing Convertible Bonds**) have signed binding undertakings (**Commitment Deeds**) pursuant to which those bondholders have agreed to support the Alternative Restructure Proposal in circumstances where Paladin no longer has an interest in LHM.

The Alternative Restructure Proposal is the result of discussions with a number of key stakeholders over the past few weeks. To date, the bondholders that have entered into Commitment Deeds to support the Alternative Restructure Proposal own 57.6% of the 2017 Convertible Bonds and 55.0% of the 2020 Convertible Bonds. Paladin remains in discussion with the other bondholders and stakeholders in respect of the Alternative Restructure Proposal.

In order to implement the Alternative Restructure Proposal, the Company will require the support of bondholders representing up to 75% of each of the 2017 Convertible Bonds and the 2020 Convertible Bonds. Until there is resolution of the Potential CNNC Option and the other key conditions have been satisfied (set out below), the Alternative Restructure Proposal remains highly conditional. At this stage EDF has not reviewed and/or discussed the Alternative Restructure Proposal.

Paladin believes that in the circumstances where the Company no longer has an interest in LHM, the implementation of the Alternative Restructure Proposal will be a positive outcome. The Alternative Restructure Proposal will enable the Company to address its Existing Convertible Bond obligations whilst preserving value for other stakeholders and shareholders and positioning them to benefit when uranium prices recover with a stable and sustainable debt structure.

Regarding the Alternative Restructure Proposal CEO, Alex Molyneux said: ***"Whilst we're disappointed in the actions of CNNC given all the support our 'Plan A' restructure proposal got, we are pleased that our bondholders remain supportive of the Company and have been able to agree an Alternative Restructuring Proposal in the event that CNNC acquires Paladin's interest in LHM."*** *and* ***"Whilst there are still a significant number of conditions precedent to complete the Alternative Restructure Proposal, we believe it offers us a clear path to address the Company's balance sheet position and maintain an asset portfolio that can capture the substantial potential upside from a recovery in the uranium market."***

Benefits of the Alternative Restructure Proposal

Key benefits of the Alternative Restructure Proposal, if implemented, include:

- **Substantial reduction in total debt** – Paladin's total debt of approximately US$665 million (including US$20 million drawn under the LHM Revolving Credit Facility and US$273 million prepayment from EDF as at 31 March 2017) will be materially reduced and potentially completely eliminated on implementation (depending on the sale price of Paladin's interest in LHM).
- **Resolution of uncertainty** created by the Potential CNNC Option and the maturity of the 2017 Convertible Bonds.
- **Shareholders** – Existing shareholders will not be immediately diluted on implementation of the Alternative Restructure Proposal. Shareholders will retain an equity position in the Company under the terms of the Alternative Restructure Proposal and the value to shareholders will increase depending on the sale price of Paladin's interest in LHM, the continuation of the LTSC, the value of the remaining assets and whether they support any future equity raisings to refinance any remaining debt (if any).
- **Exposure to uranium upside maintained** – The Company will continue to be positioned as the 'senior' ASX listed uranium company with better leverage to an improved uranium market, albeit with a lower risk balance sheet to enable equity investors to benefit from such upside when uranium markets recover further.
- **Extension of maturity profile for debt** – The New Secured Bonds will be repayable in 2022 compared to the present position where all of the Company's Existing Convertible Bond debt is due within or before 2020.
- **Better positioned for growth** – As the market improves, the lower debt position will ensure Paladin is better positioned to consider consolidation and growth opportunities in the future.

Exchange offer

If Paladin implements the Alternative Restructure Proposal, for every US$1,000 in principal amount of the Existing Convertible Bonds, bondholders will receive:

- a cash payment to reduce the outstanding principal amount (including the pro rata share of the relevant portion of the LHM sale proceeds);
- the balance of principal plus accrued interest (if any after the cash payment) will be exchanged for New Secured Bonds; and
- 828 equity warrants, (subject to an adjustment), with a strike price of US$0.0125 (pre-consolidation) (**Equity Warrants**).

The amount of any cash payment will depend on the independent valuation of Paladin's 75% interest in LHM. The Alternative Restructure Proposal is contingent on net proceeds for the 75% interest in LHM of at least US$500 million which represents a discount to the sale price previously agreed with CNNC for the sale of a 24% interest in LHM in July 2016.

New Secured Bonds

The New Secured Bonds will have a maturity date of 5 years from the closing date and carry a coupon rate of 7.50% per annum capitalised in arrears in equal instalments on 31 December and 30 June in each year.

The New Secured Bonds will have second-ranking security over certain assets currently subject to security which security will not be released (**Existing Security**); and a first-ranking security over other assets that are not subject to the Existing Security or new material assets or an asset acquired after the closing date with a value above US$2 million (together, **Bond Security**). Paladin will have the right to redeem any of the New Secured Bonds at any time at a redemption price equal to the outstanding principal amount plus any accrued but unpaid interest. Paladin will also undertake quarterly mandatory purchases of the New Secured Bonds for rolling cash balances above an agreed threshold.

The New Secured Bond documentation will contain a clause that restricts the payment of dividends to shareholders until the New Secured Bonds are repaid.

Equity warrant issue

Each Equity Warrant will confer on the holder the right to receive 1 fully-paid ordinary Paladin share. The exercise price will be US$0.0125 (pre-consolidation) and the Equity Warrants will expire 5 years from the closing date. It is proposed that the Equity Warrants will be listed on the ASX and TSX and include customary anti-dilution protections.

The equity warrants have been provided to the holders of the Existing Convertible Bonds as an incentive for them to vote in favour of the Alternative Restructure Proposal in the event that they are substantially fully repaid from proceeds from the sale of Paladin's 75% interest in LHM.

Alternative Restructure Proposal Key Conditions and Indicative Milestones

The Alternative Restructure Proposal is subject to a number of conditions as outlined above.

The bondholders that have provided their support for the Alternative Restructure Proposal have agreed a standstill on obligations under the Existing Convertible Bonds until 30 September 2017 to facilitate sufficient time for the launch of the Alternative Restructure Proposal. The standstill can lapse on certain events, for example bondholders may elect to terminate the standstill where an insolvency event occurs.

In the circumstances where the Company no longer has an interest in LHM, a timeline of indicative key milestones for completion of the Alternative Restructure Proposal includes:

- May to July 2017:
  - resolution of the Potential CNNC Option.
  - EDF to agree in principle to the Alternative Restructure Proposal with binding agreements to follow; and
  - receipt of undertakings from 75% of holder of 2017 Convertible Bonds and 2020 Convertible bonds, or failing that, proceeding to formal bondholder extraordinary general meetings.
- Late July to early-December 2017: Complete conditions.
- Late-December 2017: Close transaction, issue New Secured Bonds and Equity Warrants.

<u>Other creditor discussions</u>

EDF: As announced on 28 December 2016, if the expert appointed by EDF and Paladin determines that the value of the additional security proposed by Paladin for the prepayment made by EDF is less than the value required by the LTSC, the outstanding amount (being approximately US$273 million as at 31 March 2017)) must be repaid within 30 days of that determination. Based on initial feedback from the expert, and subject to finalisation of the expert's report, the value of the additional security is likely to be insufficient. The expert's final decision is expected to be made by the end of May. Paladin and EDF are in discussions about a possible standstill from EDF if that repayment becomes due and payable.

Nedbank: Discussions between the Company and Nedbank also continue in relation to the preservation of Nedbank's security position under the Alternative Restructure Proposal and Nedbank's current rights under their facilities given the continuing Event of Default under those facilities. Nedbank remains supportive and terms of the earlier standstill are subject to ongoing constructive negotiations.

<u>Suspension of Paladin's securities</u>

As Paladin has now outlined the terms on which it expects the Restructure Proposal or the Alternative Restructure Proposal to progress, and reflecting Paladin's view that trading in its securities is no longer likely to be materially prejudicial to its ability to successfully complete a solvent restructure, Paladin's shares will now resume trading on both the ASX and TSX. Paladin recommends that investors exercise caution and seek independent professional advice before trading in the Company's shares at this time.

Yours faithfully
Paladin Energy Ltd

ALEXANDER MOLYNEUX
CEO