



Period ending Monday 25<sup>th</sup> June 2018 – ASX Resource Companies

# BREAKAWAY RESEARCH PORTFOLIO UPDATE - 25<sup>TH</sup> JUNE 2018

*Recommendations/ Deals/ Listings/ Resource Updates/ Drilling Results; Drilling Underway/ Production/ Existing Projects/ Existing Projects in the Resources Sector*

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## PORTFOLIO UPDATE BREAKAWAY RESEARCH

As part of our programme to improve our research products, Breakaway Research have made changes to tailor our research to be attuned with investor demand. The first change relates to the structure of our portfolios and our hypothetical return calculations. The second deals with a modification to our alliance with Austex Mining Pty Ltd, the publisher of the Austex Daily Resources Opportunities Report which provides a comprehensive daily review of the previous day's announcements on the ASX. Lastly, we are pleased to report that Breakaway Research now has its own Australian Financial Services Licence (AFSL No 503622) granting it permission to provide general security advice to both retail and wholesale clients. This removes the previous reliance on the Breakaway Investment Group AFSL.

## PORTFOLIO ANALYSIS

Breakaway Research has made some significant changes to the structure of its recommended portfolios to assist investors in making selections that may suit their own investment requirements.

We have traditionally used simple return calculations for the returns derived for each stock and which is based on a \$1,000 investment at first time the stock is recommended.

## **PORTFOLIO ANALYSIS CONTINUED...**

This \$1000 investment buys a specific number of shares reflecting the share price at the time of the recommendation. As the share price moves over time, the value of the investment changes and this is compared directly to initial \$1,000 investment.

As it is now over more than 15 months since the commencement of the portfolios, we are now estimating annualised the returns for the share returns, the portfolios and comparative indices. While this magnifies gains and losses on stocks held for less than 12 months, it is a more accurate measure of investment returns and assessing comparisons with the returns from indices or other parameters.

We have also traditionally presented a Low Risk and Speculative or High Risk Portfolios for investors focused on the resource (mining and energy) sector containing our recommended stocks. We have now split these portfolios into the following categories:

- Total Portfolio (Low and High Risk)
- Base Metals
- Tech Metals
- Gold and other precious metals
- Energy

With each category we provide both the portfolio composition and the annualised returns.

Our intention moving forward is to expand the number of sectors to include non-resource sectors which provide more volatile return where quality research can enhance investor returns. However, we always advise that historical returns may not provide a guidance to future returns.

## **AUSTEX MINING PTY LTD ALLIANCE**

While there is no doubt that the Austex Mining reports are comprehensive, many investors have questioned whether they gain value from receiving these reports on a daily basis and instead prefer Breakaway Research to synthesis this material and provide stock recommendations in a concise format.

There has also been concern at the disparity associated with the different prices of the Austex Mining and Breakaway Research subscriptions (Austex subscriptions are up to \$1,800 pa).

As consequence, Breakaway Research has ceased the distribution of the Mining Daily Report. However, Breakaway Research is continuing its alliance with Austex Mining and will leverage the Austex summaries and comments to provide more regular stock recommendations and updates.

**Breakaway Research Portfolio Returns**

22-Jun-18

	Low Risk Portfolio (Annualised Returns)	High Risk Portfolio (Annualised Returns)	Index Comparisons (Annualised Returns)
Total Portfolio	6%	39%	
Base Metals	27%	22%	
Tech Metals	n/a	47%	
Gold and other precious metals	-4%	7%	
Energy	2%	n/a	

**Index Comparisons**
**Mining and Energy Index Performance**

S&P/ASX 200 Resources	16%
S&P/ASX 300 Metals & Mining	14%
S&P/ASX 200 Energy	-4%
S&P/ASX All-Ordinaries Gold	8%

**Global Mining Index Performance**

S&P/TSX Global Mining	3%
FTSE 350 Mining (UK)	8%
AIM Basic Resources	-8%

**Commodity Indices Performance**

CRB Index	2%
LME Index	9%
S&P GSCI	8%

**Global Majors**

BHP share price	16%
RIO share price	15%

**Broad Market Indices Performance**

Dow Jones Industrial Average	14%
FTSE-100 (UK)	4%
S&P/ASX 200 (Australia)	5%
Nikkei 225 (Japan)	12%
HK Hang Seng (Hong Kong)	16%
Shanghai Composite (China)	-8%

**Note: Past performance may not indicate future returns.**

## PORTFOLIO CONSTRUCTION AND NEW RECOMMENDATIONS

We have included three new recommendations in this report as outlined in the following table. Northern Star will complement Evolution Mining in the *low risk Gold and other precious metals* portfolio.

Paladin Energy has restructured its unsustainable debt position late last year and while its main asset, the Langer Henrich uranium mine remains on care and maintenance, it nevertheless provides significant leverage to the uranium price. The outlook for the uranium remains positive on the back of future nuclear power plant demand in China and elsewhere while new production has been curtailed with the current weak uranium prices while permitting for new mines takes considerable time.

Real Energy is a junior Queensland gas play with projects in the Cooper basin providing exposure to the Eastern Australian Gas market. It has significant mean prospective gas resources. Both Real Energy and Paladin Energy are additions to the *speculative* Energy Portfolio.

Stock	ASX Code	Price (A\$)	Recommendation	Market Capitalisation (\$m)	Portfolio Sector	Portfolio Risk
Northern Star	NST	6.89	Buy	4008	Gold	Low Risk
Paladin Energy	PDN	0.175	Buy	308	Energy	Speculative
Real Energy	RLE	0.09	Buy	24	Energy	Speculative

The three stocks are separately reported later in this report.

## PORTFOLIO COMPOSITION

### Low Risk Portfolio

Company	ASX Code	Share Price (as at 22 June 18)	Annualised Returns since purchase	Market Capitalisation (\$M)	Main Commodity Exposures	Rationale
Senex Energy	SXY	0.44	52%	637	gas/oil	Exposure to onshore oil and gas assets in the Cooper and Surat basins. Exposure to Eastern Australian gas crisis.
Evolution Mining	EVN	3.48	59%	5,890	Au	Australian diversified gold producer which is pro-active
Northern Star	NST	6.89	n/a	4,008		Western Australian focus gold producer
Oz Minerals	OZL	9.73	-2%	2,906	Cu	Copper play (Prominent Hill, SA) with portfolio of growth projects
Sandfire	SFR	9.48	37%	1,501	Cu	Copper play (DeGrussa, WA) with active management
South32	S32	3.63	19%	18,616	Al, Mn, Zn, Pb, Ag, Met Coal	Diversified portfolio of assets in 'industrial' commodities, particularly leveraged to steel and aluminium demand
Western Areas	WSA	3.47	15%	947	Ni	Strong leverage to the nickel price
Whitehaven Coal	WHC	5.65	42%	5,797	Coal	NSW dominantly thermal coal producer
Alumina Limited	AWC	2.76	0%	7,948	Alumina (linked to aluminium price)	Bauxite mining and alumina production in Australia and overseas

An addition to the Low Risk Portfolio is Northern Star, a western Australian focused gold producer which has just achieved a 600,000 oz pa production rate.

## Speculative or High- Risk Portfolio

Company	ASX Code	Share Price (as at 22 June 18)	Annualised Returns since purchase	Market Capitalisation (\$M)	Main commodity exposure	Rationale
Doray Minerals	DRM	0.31	69%	138	Au	Australian gold producer with two WA operations: the Deflector Gold/Copper Mine and the Andy Well Gold Mine.
Highlands Pacific	HIG	0.13	210%	142	Cu, Au, Ni	Exposure to world class copper, gold and nickel projects in PNG.
Kidman Resources	KDR	1.91	185%	761	Li	Advancing a world class lithium project in WA
Lepidico	LPD	0.035	115%	102	Li	Lithium 'game-changer' technology
Paladin Energy	PDN	0.175	n/a	308	U	Leverage to a forecast increase in the uranium price.
Panoramic Resources	PAN	0.57	35%	278	Ni, Co	Selected Co play, diversified nickel operations
Peel Mining	PEX	0.53	182%	97	Au, Cu, Pb/Zn	Exploration in the Cobar region, NSW. Recent discoveries including Mallee Bull highlight the potential of the area
Platina Resources	PGM	0.097	-64%	26	Sc, PGM, Co, Ni	Strategically located in NSW near Clean Teq's Sunrise project with a similar style of mineralisation.
Real Energy	RLE	0.090	n/a	24	Gas	Exposure to East Coast Gas Market and exploration success
S2 Resources	S2R	0.110	-38%	27	Au, Cu, Ni, PGM	Aggressive explorer with proven track record. WA and Finland focus.
West African Resources	WAF	0.35	31%	242	Au	Its Sanbrando Gold Project in Burkino Faso is being developed and moving towards 150koz pa production in 2019.
Silver City Minerals	SCI	0.037	-65%	9	Cu	Copper Blow is a IOCG project near Broken Hill. Exploration to-date has been promising and there is spare mill capacity nearby at Broken Hill.

Two additions to the Speculative or High Risk portfolio are Paladin Energy and Real Energy. As mentioned earlier, Paladin is a uranium producer with its main project being held on care and maintenance until the uranium price increases. Real Energy is a Cooper Basin gas play and which is exposed to the Eastern Australian Gas market

## INDIVIDUAL SECTOR PORTFOLIOS

We have segregated out individual sector portfolios to provide investors with a list of recommended stocks in these sectors along with our two different portfolio risk profiles. Individual sectors perform better at different times during the commodity price cycle as we have been witnessing with commodities associated with the battery tech sector, e.g. the changing performances of the lithium stocks to cobalt stocks and now copper stocks.

## BASE METAL PORTFOLIOS

### Low Risk Portfolio

Company	ASX Code	Share Price (as at 22 June 18)	Annualised Returns since purchase	Market Capitalisation (\$M)	Main Commodity Exposures	Rationale
Oz Minerals	OZL	9.73	-2%	2,906	Cu	Copper play (Prominent Hill, SA) with portfolio of growth projects
Sandfire	SFR	9.48	37%	1,501	Cu	Copper play (DeGrussa, WA) with active management
South32	S32	3.63	19%	19,283	Al, Mn, Zn, Pb, Ag, Met Coal	Diversified portfolio of assets in 'industrial' commodities, particularly leveraged to steel and aluminium demand
Western Areas	WSA	3.47	15%	947	Ni	Strong leverage to the nickel price
Alumina Limited	AWC	2.76	106%	7,948	Alumina (linked to aluminium price)	Bauxite mining and alumina production in Australia and overseas

No changes to the above portfolio. Annualised returns to-date remain above 20% pa for both the Low Risk and Speculative/High Risk portfolios.

## Speculative or High-Risk Portfolio

Company	ASX Code	Share Price (as at 22 June 18)	Annualised Returns since purchase	Market Capitalisation (\$M)	Main commodity exposure	Rationale
Highlands Pacific	HIG	0.13	149%	142	Cu, Au, Ni	Exposure to world class copper, gold and nickel projects in PNG.
Panoramic Resources	PAN	0.57	33%	275	Ni, Co	Selected Co play, diversified nickel operations
Peel Mining	PEX	0.53	162%	97	Au, Cu, Pb/Zn	Exploration in the Cobar region, NSW. Recent discoveries including Mallee Bull highlight the potential of the area
S2 Resources	S2R	0.110	-36%	27	Au, Cu, Ni, PGM	Aggressive explorer with proven track record. WA and Finland focus.
Silver City Minerals	SCI	0.037	-50%	9	Cu	Copper Blow is a IOCG project near Broken Hill. Exploration to-date has been promising and there is spare mill capacity nearby at Broken Hill.

## TECH METALS PORTFOLIOS

### Speculative or High-Risk Portfolio

Company	ASX Code	Share Price (as at 22 June 18)	Annualised Returns since purchase	Market Capitalisation (\$M)	Main commodity exposure	Rationale
Kidman Resources	KDR	1.19	89%	761	Li	Advancing a world class lithium project in WA
Lepidico	LPD	0.035	106%	102	Li	Lithium 'game-changer' technology
Platina Resources	PGM	0.097	-53%	26	Sc, PGM, Co, Ni	Strategically located in NSW near Clean Teq's Sunrise project with a similar style of mineralisation.

We currently have not presented a Low Risk Tech Metals portfolio as we have not seen any opportunities which represent reasonable value. We will continue to monitor opportunities in this space.



## GOLD AND OTHER PRECIOUS METALS PORTFOLIO

### Low Risk Portfolio

Company	ASX Code	Share Price (as at 22 June 18)	Annualised Returns since purchase	Market Capitalisation (\$M)	Main Commodity Exposures	Rationale
Evolution Mining	EVN	3.48	59%	5,890	Au	Australian diversified gold producer
Northern Star	NST	6.89	n/a	4,008	Au	Australian diversified gold producer

We have added Northern Star to the Low Risk Portfolio. We will keep this portfolio relatively tight and probable limit this portfolio to only two or three stocks.

### Speculative or High-Risk Portfolio

Company	ASX Code	Share Price (as at 22 June 18)	Annualised Returns since purchase	Market Capitalisation (\$M)	Main commodity exposure	Rationale
Doray Minerals	DRM	0.31	61%	138	Au	Australian gold producer with two WA operations: the Deflector Gold/Copper Mine and the Andy Well Gold Mine.
S2 Resources	S2R	0.11	-36%	27	Au, Cu, Ni, PGM	Aggressive explorer with proven track record. WA and Finland focus.
West African Resources	WAF	0.35	29%	242	Au	Its Sanbrando Gold Project in Burkino Faso is being developed and moving towards 150koz pa production in 2019.

While S2 Resources has been a weak performer and represents an exploration play, we maintain the faith given its management expertise and significant ground position. It may move to our base metals portfolio, depending future developments.

## ENERGY PORTFOLIOS

### Low Risk Portfolio

Company	ASX Code	Share Price (as at 25 May 18)	Annualised Returns since purchase	Market Capitalisation (\$M)	Main Commodity Exposures	Rationale
Senex Energy	SXY	0.44	52%	637	gas/oil	Exposure to onshore oil and gas assets in the Cooper and Surat basins. Exposure to Eastern Australian gas crisis.
Whitehaven Coal	WHC	5.65	42%	5,797	Coal	NSW dominantly thermal coal producer

Our low risk portfolio includes both an oil and gas and thermal coal plays.

### Speculative or High-Risk Portfolio

Company	ASX Code	Share Price (as at 22 June 18)	Annualised Returns since purchase	Market Capitalisation (\$M)	Main commodity exposure	Rationale
Real Energy	RLE	0.09	n/a	24	Gas	Exposure to East Coast Gas Market and exploration success
Paladin Energy	PDN	0.175	n/a	308	Uranium	Leverage to a forecast increase in the uranium price.

Both Real Energy and Paladin Energy are new additions to commence the development of this portfolio.

**COMMODITY PRICE MOVEMENTS**

<b>Commodity Prices</b>		<b>Price/Level</b>	<b>Price/Level at</b>	<b>Change</b>
		<b>22<sup>nd</sup> June 2018</b>	<b>1<sup>st</sup> June 2018</b>	
<b>Precious Metal Prices</b>				
Gold	(US\$/oz)	1269	1294	-1.9%
Gold ETFs		70.6	74.7	-5.5%
Silver	(US\$/oz)	16.38	16.45	-0.4%
Platinum	(US\$/oz)	869	908	-4.3%
Palladium	(US\$/oz)	954	995	-4.1%
<b>Base Metal Prices</b>				
Copper	(USc/lb)	3.08	3.12	-1.3%
Lead	(USc/lb)	1.09	1.10	-1.1%
Zinc	(USc/lb)	1.35	1.41	-4.0%
Nickel	(USc/lb)	6.89	6.98	-1.3%
Aluminium	(USc/lb)	0.99	1.05	-5.6%
Tin	(USc/lb)	9.29	9.43	-1.5%
<b>Minor Metals</b>				
Cobalt	(USc/lb)	35.90	39.92	-10.1%
Lithium	(USc/lb)	1.26	1.29	-2.4%
Molybdenum	(USc/lb)	11.29	11.29	0.0%
Tungsten (APT Europe)	(US\$/t)	350	340	2.9%
<b>Energy</b>				
Oil WTI	(US\$/bbl)	69.26	66.75	3.8%
Thermal coal	(US\$/t)	84.00	87.40	-3.9%
Uranium	(US\$/lb)	22.90	23.00	-0.4%
<b>Steel</b>				
Metallurgical coal	(US\$/t)	200.80	188.80	6.4%
Iron ore	(US\$/t)	64.00	64.50	-0.8%
<b>Commodity Indices</b>				
CRB Index		199.12	206.38	-3.5%
LME Index		3271.20	3350.60	-2.4%
S&P GSCI		2683.34	2759.11	-2.7%
Baltic Dry		1341.00	1156.00	16.0%
<b>Exchange Rates</b>				
AUD/USD		0.743	0.755	-1.6%
EUR/USD		1.163	1.166	-0.2%
USD/ZAR		13.42	12.65	6.1%
USD/CNY		6.50	6.42	1.3%

Notable movements include a broad softening in line with mid-year slow down and the threat of US trade war with China. Precious metals and gold ETFs positions have decreased in line with US – North Korea tensions following a positive meeting with President Trump and Kim Jong-Un, North Korean's supreme leader. Some froth has also dissipated out of the cobalt market.

Breakaway Research notes that June and July tend to be subdued months for commodity price movements and often represent the low point for the year. Seasonal commodity price increases often occur in August and continue to early in the following year.

The potential for an ongoing trade war between the US and China has spooked markets although *Breakaway Research* believes that President Trump's no-back down policy will deliver a compromise from China without China losing face. China certainly has more to lose if a trade war escalates

## **BREAKAWAY RESEARCH**

### **Breakaway Research Pty Ltd**

Breakaway Research is an authorised representative of the Breakaway Investment Group Pty Ltd (AFSL 290093). Breakaway has been researching mining and energy companies for more than 10 years and successfully combines technical and financial assessment of companies, leading to superior research.

Breakaway Research offers products to meet the particular requirements of its clients:

- **Subscription Research** for investors with our Daily and Weekly reports summarising ASX releases, commodity price movements, overnight market news, investment themes, recommendations and portfolios.
- **Company Commissioned Research** which promotes the inherent value in companies and their projects to a broad range of investors utilising Breakaway's extensive distribution network including publishing in The Digger Newsletter.
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Breakaway Research screens companies for suitability and merit prior to issuing a mandate for a Company Commissioned Research Report – hence there is a bias in our recommendations.

For enquiries, please contact:

Rachel Szabo  
Manager Client Services

+61 2 9392 8032

[rachel.szabo@breakawayinvestmentgroup.com](mailto:rachel.szabo@breakawayinvestmentgroup.com)

[www.breakawayresearch.com.au](http://www.breakawayresearch.com.au)

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## **APPENDICES**

**Appendix One: Paladin Energy Report**

**Appendix Two: Northern Star (to be sent on 26/6/18)**

**Appendix Three: Real Energy (to be sent on 26/6/18)**

Appendix One: Paladin Energy Report

## Paladin Energy Ltd (PDN)

### Pure Uranium Leverage

PORTFOLIOS	RISK
Energy	High
Speculative Portfolio	High
<b>Recommendation</b>	<b>BUY</b>
Price (A\$ cents)	17.5
ASX Code	PDN
Date	22 June 2018

MARKET PRICING	
Share Price (A\$)	0.175
Ord Shares	1715.8 m
<b>Market Cap undiluted (A\$)</b>	<b>300.3 m</b>
Options (likely to be exercised)	0.0 m
<b>Market Cap - diluted (A\$m)</b>	<b>300.3 m</b>
Est. Cash (post restructure facility) (A\$m)	60.0 m
Cash raised from option exercise (A\$m)	0.0 m
Total Debt (post restructure) (A\$m)	165.0 m
<b>Enterprise Value (A\$m)</b>	<b>405.3 m</b>

DIRECTORS & CEO	
Chairman (non-exec)	Rick Crabb
Director (non-exec)	David Reikie
Director (non-exec)	Daniel Harris
Director (non-exec)	John Hodder
CEO	Alexander Molyneux

Source: Company

SUBSTANTIAL SHAREHOLDERS	
Tembo 13.1%	13.10%
Burlington Loan Management (Davidson Kempner)	12.40%
Value Partners	11.80%
Deutsche Bank AG and its affiliates	10.20%
JPMorgan	9.90%
HOPU	7.00%
China Investment Corporation	5.60%

COMPANY DETAILS	
Address	Level 4, 502 Hay Street, Subiaco WA 6008
Phone	+61 (8) 9381 4366
Web	<a href="http://www.paladinenergy.com.au">www.paladinenergy.com.au</a>



Source: ASX

### Company Background

Paladin is an Australian-based global uranium leader with two fully built mines in Africa and a portfolio of development assets in Australia and North America.

The Company's main asset is the Langer Heinrich mine in Namibia which is in the top 10 global uranium mine producers with cash costs in the first quartile. It has a 20-year projected mine life and cumulative production to-date has been 42.4 M lb.

Paladin also owns the Kayelekera mine located in northern Malawi. The Company announced in February 2014 that processing would cease at Kayelekera and that the site would be placed on care and maintenance as consequence of the low uranium price prevailing at that time.

With the ongoing weak uranium prices and Paladin's high debt levels creating an unsustainable situation, the Company formulated a recapitalisation proposal which has been agreed with debtors and presented to shareholders late in 2017. This has involved a debt for equity swap, restructuring of the Board and final clarification of capital structure for investors.

The unknown issue has been the Company's approach to Langer Heinrich given the ongoing weak uranium prices resulting in ongoing operating losses.

### What's new?

The current global supply glut is being partly addressed with Paladin's decision to shutter its Langer Heinrich mine in Namibia and which removes at least 2 million pounds of supply from the market this year. While requirements from power stations steadily grow, contraction of global supply has boosted nuclear fuel prices which have gained approximately 8% during May although the price has remained relatively flat in June. However, the price increase in May has been the most since November last year.

*PDN represents a pure leverage play on the uranium price now that there is clarity on its capital structure and its care and maintenance approach to Langer Heinrich. Breakaway Research expects the PDN share price to react positively to upward movements in the uranium price and which appears to be a matter of 'when' rather than 'if'. Indeed, the downside appears limited so all the investment may require is patience!*

*Breakaway Research recommends Paladin at a Buy around 18 cents.*

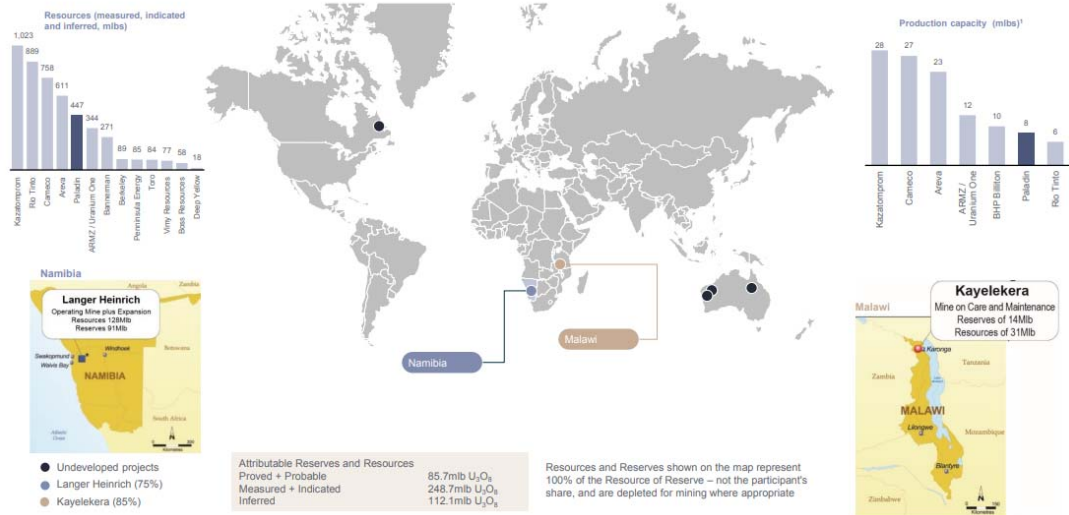




## Background

Paladin is not a complicated company comprising two developed mines on care and maintenance. We have extracted five slides from a recent shareholder update which summarises the salient points.

## Mine Location



Source: Company

## Recapitalisation

Paladin has summarised its recent recapitalisation in the following slide.



### Key Elements of Recent Recapitalisation

- **Debt for equity swap** – Previous bondholders and former EDF pre-payment debt (note: EDF's claims were acquired by Deutsche Bank during the restructuring) were transferred 70% of existing pre-restructure Paladin shares outstanding pro-rata to the value of their claims
- **New US\$115M bond issue (New Notes)** – New senior secured bond with 5-year term (bullet) and interest of 9.0% (note: interest can be paid at 10.0% PIK instead of cash interest). New Notes subscribers were transferred 25% of existing pre-restructure Paladin shares outstanding
- **Underwriter shares** – New Notes issue was fully underwritten prior to completion and underwriters received (via transfer) 3% of existing pre-restructure Paladin shares outstanding
- **Pre-restructure shareholders** – Kept the remaining 2% of existing pre-restructure Paladin shares outstanding
- **Paladin acquisition of LHM working capital facility** – Paladin acquired the US\$60M LHM working capital facility using some of the funds from the New Notes issue
- **Extinguishment of all "subordinated claims" against Paladin**
- **New board** – All directors new other than the ongoing Chairman (Rick Crabb)
- **No material change in underlying assets or business** – Paladin continues to own 75% of its 'flagship' operating Langer Heinrich Mine in Namibia, together with Kayelekera Mine (care and maintenance) and its suite of pre-development properties in Australia and Canada. Paladin remains listed on the ASX under the ticker PDN
- **Recapitalisation completed** – All relevant elements to the transaction completed on or before 1 February 2018

A summary of the key outcomes from the above proposal were presented by the Company as follows.



## Key Outcomes

Significant reduction in debt and debt servicing



The changing shareholder base with the restructure is presented below.



## Substantial Shareholders

Pre-Restructure	
■ HOPU	14.6%
■ GIC	7.0%
Post -Restructure	
■ Tembo	13.1%
■ Burlington Loan Management (Davidson Kempner)	12.4%
■ Value Partners	11.8%
■ Deutsche Bank AG and its affiliates	10.2%
■ JPMorgan	9.9%
■ HOPU	7.0%
■ China Investment Corporation	5.6%

*During the restructure, Deutsche Bank purchased the EDF's claim and largely brokered it to equity-minded investors – Paladin now enjoys a stronger institutional equity base*

*New cornerstone investors Tembo and HOPU have helped relieve any potential overhang and help broaden the equity base*

## Langer Heinrich Mine Status

The mine status is summarised below and highlights that the mine has been focused on reducing operating costs. It is important to note the 6 month lag to restarting operations so investment returns are likely to be delivered from increases in the uranium price rather than necessarily waiting for operational cash flows.



## Langer Heinrich Mine – Status

Located near the west coast of central Namibia, 85km northeast of Walvis Bay

- To reduce cash operating costs, LHM ceased physical mining in November 2016 maintaining processing feed from medium grade ore stockpiles
- C1 cash costs reduced from US\$25.27/lb to a record low of US\$16.25/lb (half to Dec 2016)
- LHM's current mining curtailment strategy relies on processing medium grade stockpiled ore
- Such stockpiles will be exhausted by mid-2019
- A decision needs to be made at least six months prior as to whether to restart physical mining, process low grade stockpiles or place LHM on care and maintenance
- Total resource of 128.9Mlb at 465ppm containing a total reserve of 91Mlb at 464ppm<sup>1</sup>



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#### Breakaway Research Pty Ltd

ABN: 39 602 490 906,  
AFSL 503622  
T+61293928010 F+61292792727  
PO Box H116 Australia Square  
Sydney, NSW 2001  
Suite 505, 35 Lime Street,  
Sydney, NSW 2000