Malawi
Kayelekera Uranium Mine

Financial Model

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Context

- Biggest mining project in Malawi's history
- Producing uranium since 2009
- Operated by Paladin Energy (listed in Australia and Canada)
- Continued controversy over investment incentives such as reduced royalty rate, income tax
- Production was suspended in 2014 due to slump in uranium prices and high operating costs

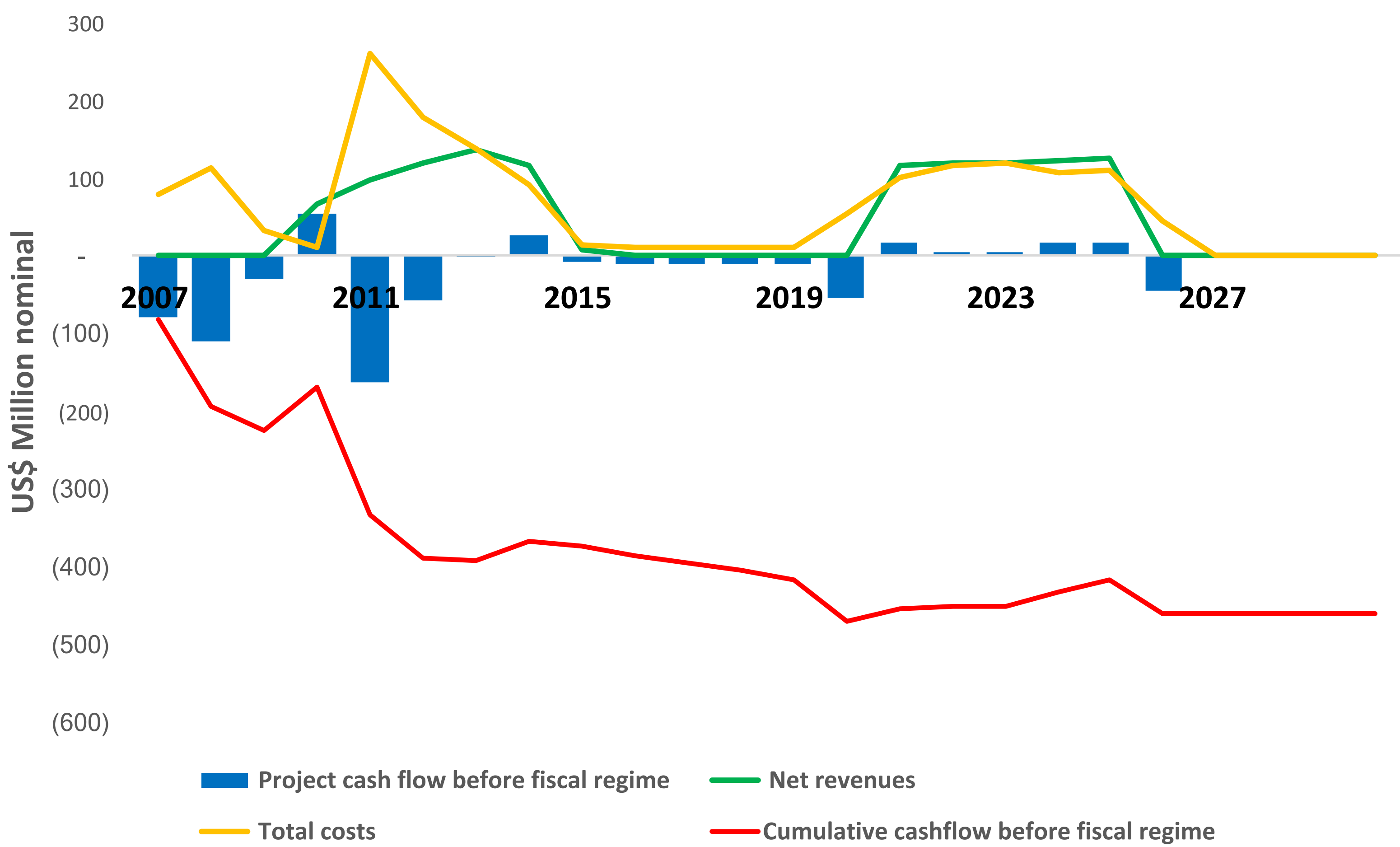
Project Features & Assumptions

Economics		
Production profile	10.9m lb produced, 14m lb remaining reserves	Ann. Rep. 2016
Realised contract prices	$71/lb (2010) to $35/lb (2014)	Ann. Rep. 2011-2015
Exploration costs	Actual total $15.08m; forecast $5m to prove up resources	Ann. Rep. 2006-16/assumption
Development costs	$215m (initial estimate of $253m)	Tech. Rep. 2009, Ann. Rep. 2009
Care & maintenance costs	$10m assumed per year	Ann. Rep. 2016
Fiscal		
Royalty	1.5% (years 1-3) and then 3%	Mining Dev. Agreement 2007
Profit-related taxes	27.5% income tax	
Depreciation	Immediate write-off of capital investment	
Tax Exemptions	Duty-free imports	
Stability	10 years	
Government free equity	15%	

Key Findings

- Kayelekera needs a breakeven price of $58 per lb to reopen (compared to uranium spot price of $20-26/lb in October 2016)
- Paladin Africa has lost $387 million to date
- Government revenue to date $12 million
- Reduction of the general royalty rate for this project has cost government $15 million so far

Project Cashflows



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Information Gap Analysis

- Assumption on cost for restart of production (restart feasibility study is not yet complete)
- Sustaining capital (company does not report on project-by-project basis)
- Uranium price forecasts from 2022 onwards are not available