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29 September 2010

Australian Securities Exchange
Company Announcements Office

ELS 4 2011

NGM to challenge Paladin's withdrawal

NGM Resources Limited (NGM) will today apply to the Takeovers Panel to challenge the validity of the announcement by Paladin Energy Limited (Paladin) late on Friday 24 September 2010 that two of the defeating conditions to its takeover offer for NGM have become incapable of being fulfilled such that its offer will lapse on 8 October 2010.

Paladin's belief that the conditions have been triggered is alleged to have arisen from the kidnapping of seven employees of Areva and its construction contractor, Vinci, from their accommodation in the town of Arlit.

While the recent events occurring in Niger are regrettable, the risks associated with doing business in Niger are well known and NGM believes that there is currently no basis to believe that NGM's operations at Agadez have been, or are likely to be, materially adversely affected by the events in Arlit.

From the time of its announcement, the Paladin takeover offer has been unanimously recommended by the Board, in the absence of a superior offer. Subject to the bid being capable of being successfully completed, the Board considers that the offer remains in NGM shareholders' interests.

The offer is subject to a number of defeating conditions, including a 90% minimum acceptance condition. At 28 September 2010, Paladin has disclosed that it has an interest in approximately 60% of NGM. If Paladin's interest has not increased its interest to 90% or more by the expiry of its offer, the offer will lapse irrespective of the outcome of the Takeovers Panel application.

Subject to the outcome of the Takeovers Panel application, Paladin's takeover offer is scheduled to close on 8 October 2010. If all of the defeating conditions to the takeover offer have not been satisfied by the close of that offer, the takeover offer will fail and NGM shareholders who have accepted the offer will have their NGM shares returned to them.

The Board recommends that shareholders closely monitor developments in relation to the Takeover Panel application and decide whether or not to accept the offer before its expiry.

BACKGROUND

Paladin Announcement

Late on Friday, 24 September 2010, NGM was advised that Paladin considered that two of the defeating conditions of its takeover offer for NGM were no longer capable of being fulfilled. Shortly after that, Paladin released an ASX announcement to that effect.

Defeating conditions in Paladin's takeover offer

Paladin's takeover offer specifies a number of defeating conditions which, if not fulfilled, allows Paladin to let its takeover offer lapse with all contracts arising on acceptance of the offer becoming void. The conditions which Paladin alleges have become incapable of being fulfilled are set out in paragraphs 10.12 (l) and (m) of the takeover offer and in essence, provide that during the period from the announcement of Paladin's takeover offer on 21 July 2010 to the close of that offer:

- I. there is no outbreak of hostilities (whether war was declared or not), or terrorism, or mobilisation of armed forces, material increase in the intensity of any of the above events beyond control of NGM or the relevant subsidiary which affects, or is likely to affect, the assets, liabilities, financial position, performance, profitability or prospects of NGM or any of its subsidiaries; and
- II. no change occurs, is discovered or becomes public which has or could reasonably be expected to have a materially adverse effect on the assets, liabilities, financial position, performance, profitability or prospects of NGM or any of its subsidiaries.

Paladin's disclosure regarding the basis for reliance on the conditions

Paladin asserted in its ASX announcement dated 24 September 2010 that "In light of these material unforeseen circumstances NGM's ability to safely access, explore and develop the resource base of its exploration tenements following the completion of the takeover bid would be seriously compromised. Safety concerns would prevent Paladin expatriate personnel from working in Niger's uranium region with a suitably secure environment for an as yet, unknown period of time." A full copy of Paladin's announcement is available on the ASX website.

Impact on NGM

NGM notes that its operations at Agadez have not been adversely affected by the events in Arlit.

NGM completed its Phase Three drilling program in June 2010. Based on the information currently available, NGM does not believe that the events in Arlit will materially adversely impact upon its future exploration activities on its Niger uranium concessions, which are in the Agadez region.

NGM is continuing to monitor developments and is communicating with the Niger Government in relation to the events and the Government's assessment of their impact. NGM is also in discussions with companies operating in the region to ascertain their response to the incident. NGM continues to ensure that appropriate security measures are maintained at its Agadez base.

NGM has no reason to believe that the kidnappings are likely to adversely affect its operations in the future. In this regard, NGM notes that:

- This is not the first incident of this kind in northern Niger. There have been several kidnappings this year alone and the border region with Mali and Algeria is notorious for actions of this kind. NGM is not aware of, and has not suffered, the same sorts of incidents that have historically occurred in the north of Niger.

- NGM is not aware of any evidence to suggest that this single event signals a new, and ongoing, level of political risk for companies operating in Niger.
- The Niger Government has not issued a Mise en Garde (State of Alert/Security) and so far as NGM is aware, companies are continuing to operate in the region. In particular, NGM understands that Goviex¹ continues to operate normally at its operation near Arlit. From discussions with other mining and exploration companies in the region, NGM understands that they intend to continue with their existing work programs.
- Recent postings to Islamist web sites (the authenticity of which cannot be verified) suggest that the personnel of the French government controlled company, Areva may have been specifically targeted and that the kidnappings may have been directed predominantly at French based companies.

Response to Paladin

NGM is disappointed that Paladin did not engage in any meaningful discussions with NGM before forming its view on the potential ramifications on NGM of the relevant events and announcing its position on 24 September 2010.

Since becoming aware of Paladin's position in regards to the impact of this incident, NGM has provided Paladin with its account of and views on the incident and has requested Paladin to reconsider its position.

Paladin has notified NGM that it does not intend to change its position in relation to the status of the defeating conditions.

Accordingly, NGM will today make an application to the Takeovers Panel to consider the validity of the defeating conditions which Paladin believes may have been triggered by the incident referred to above, and if those defeating conditions are found to be valid, whether those defeating conditions have become incapable of being fulfilled.

NGM will inform shareholders as soon as the outcome of the Takeovers Panel proceedings is known.

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¹ GoviEx Uranium Inc, was founded in 2006 and engages in the exploration of uranium, principally in Niger. Cameco Corporation has an alliance with GoviEx Uranium Inc to develop the Madaoula mine.