PALADIN ENERGY LTD
ACN 061 681 098

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

By Electronic Lodgement

Dear Sir/Madam

Cost Reductions of US$60M to US$80M Over 2 years

As stated in the Paladin Energy Ltd September quarterly report, the Company has undertaken a comprehensive cost and production optimisation review as part of the process of moving from development to a sustained production phase. Focus on improving operational efficiency will be an ongoing objective with substantial gains expected over the next 2 years. This optimisation exercise has now become even more relevant with the recent weakening of the uranium spot price. Although, in Paladin's opinion, this price decrease does not detract from the very strong fundamentals of this commodity in the mid to long term. The cost review encompassed examination of all activities within the Paladin Group from its mining operations, corporate/administration overheads, future development considerations, exploration, sales and business development some of which is still ongoing. Opportunity for re-negotiation of key mining and consumables contracts has arisen, paving the way for material cost reductions over the next 2 years. Paladin expects to realise total savings of US$60M to US$80M during FY2013 and FY2014.

FY2013 Cost reductions:-

- **Langer Heinrich Mine ($10M)** – Key improvements in mining costs, discretionary spending and contractor rationalisation resulting in a 7.5% reduction in unit costs.

- **Kayelekera Mine ($10M)** - Key improvements in mining costs and discretionary spending resulting in a 7.5% reduction in unit costs.

- **Exploration** – This will be scaled back by 20% ($4M) of budget mainly through deferring non essential drilling.

- **Inventory management** - The Company has revisited its inventory management policy and explored ways to maximise cash generation resulting in an expected revenue benefit of $15M for FY2013.

- **Corporate overheads** – Targeting a reduction of 10% ($3M).

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FY2014 Cost reductions:-

- **Langer Heinrich Mine ($10M)** – An additional 7.5% reduction in unit costs is targeted as the operation is fully optimised with continued process refinement and further reductions in mining costs.

- **Kayelekera Mine ($20M)** – An additional 15% reduction in unit costs is expected by gaining access to grid power supply and completion of the key production optimisation programmes.

Overall these initiatives represent a significant reduction in operating expenditure. However, these cost reductions and production optimisation efforts do not include the additional benefits anticipated from identified technical innovation which will deliver further operational efficiencies and improved recoveries. The benefits of this technology and other production optimisation improvements will be detailed in the December quarterly report.

After 8 years of concentrated effort developing an emerging uranium mining house with producing mines, a formidable project pipeline and a strong technical and management team, Paladin has established a unique position in the uranium supply sector. The current price environment does not support any expansion strategy or new development. Paladin is of the view it would require a sustainable uranium price at or above US$85/lb to warrant any further expansion or new mine development.

Paladin management and its Board are fully committed to do everything necessary to fully optimise efficiencies as the Company shifts from a predominately development phase into production and maintain a readiness to capitalise with growth when the situation changes.

Yours faithfully
Paladin Energy Ltd

JOHN BORSHOFF
Managing Director/CEO