



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

Paladin Update and Confirmation

On Tuesday 13 November Paladin management provided an investor update on its conference call presenting the Company's September quarterly activities and financial results.

Since that presentation and conference call, Paladin has received numerous enquiries from its investor base seeking confirmation and clarification on the key matters of this update and questioning if there are any further issues that could be influencing the share price decline that has occurred post what has in effect been a quarter of positive achievements for the Company. To reiterate:-

- 1) **Production:** The mining operations at both Langer Heinrich Mine (LHM) and Kayelekera Mine (KM) are going well, have definitely reached design targets and are essentially re-risked producing at or very near nameplate. Post quarter LHM has produced 10% above design and KM is at 96% of design. The production guidance given for FY13 of 8Mlb to 8.5Mlb remains.
- 2) **Cost Cutting and Optimisation of Production:** The cost cutting targets have been identified and announced to the market. This cost rationalisation programme has been part initiated and already benefitting with reduced cash outflows. Some of the production optimisation programmes have also been included for integration and along with cost cutting measures, over FY13 and FY14 substantial cost reduction outcomes of 15% minimum for LHM and 22% for KM can be achieved. Additional cost benefits are expected when all production optimisation programmes are implemented.
- 3) **Debt Management:** During the quarter the strategic initiative efforts resulted in the announcement of the Long Term Contract finalised with Électricité de France, (the largest nuclear utility in the world) incorporating a break-through US\$200M prepayment. The remaining US\$150M payment, which is unconditional, is due to be received at the end of January and will be used to pay the balance of the US\$134M remaining on the original US\$300M March 2013 convertible bonds.
- 4) **Uranium Price Outlook:** The uranium spot price (the "Ux U₃O₈ price") recently declined to US\$40.75/lb, its lowest weekly level since March 2010, but has since strengthened to \$41.25/lb. Paladin believes the current spot price is a result of a near term market imbalances with. It should be noted that because of its blend of term price and fixed price contracts, together with spot sales, Paladin is likely to achieve average sales prices about 10-15% above the prevailing average uranium spot price in the current market.

- 5) **Debt Covenants:** The Company is in full compliance with all covenants applying to its project financing and convertible bond funding. There are no covenants relating to Paladin's market capitalisation so the recent decline in the Company's market capitalisation has no impact whatsoever on these debt facilities.
- 6) **Continued Disclosure Compliance:** Paladin remains in full compliance with continuous disclosure obligations under the Australian and the Toronto stock exchange rules.
- 7) **Managing Director Selling Paladin Shares:** It was noted this was done with Board approval (although not in a blackout period in any event), selling at this time because of the extremely narrow windows the CEO has available and stating this was the first time since inception of the Company in 1994 that he has parted with some of his shares. This was done for personal reasons and I am sure this does not at all change the confidence he has for the future of Paladin.

As stated, the Paladin Board and management believe the Company is ticking all the boxes across the whole range of its activities and with its cost cutting measures will make the Company more sustainable even at low prices. This strengthening of the Company will enable it to be in full readiness to take advantage when the uranium price makes its expected recovery.

Yours faithfully
Paladin Energy Ltd



RICK CRABB
Chairman