PALADIN ENERGY LTD
ACN 061 681 098

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Company Announcements Office
Australian Securities Exchange
20 Bridge Street
SYDNEY NSW 2000

By Electronic Lodgement

Dear Sir/Madam

Further Significant Cost Reductions and Production Optimisation (FY14 & FY15)

Paladin Energy Ltd (**Paladin**) has completed a cost rationalisation review and production optimisation analysis for FY14 and FY15, continuing its aggressive focus on constant performance enhancement. Improving operational efficiency is the Company's priority objective and further gains are expected to be maintained over the next two years continuing on from the 9% and 25% C1 cash cost reductions achieved during the June 2013 quarter compared with the June 2012 quarter for Langer Heinrich and Kayelekera respectively.

Reviewing and implementing far reaching rationalisation and optimisation strategies have now become even more pertinent with the further incremental 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 detailed cost review encompassed examination of all activities within the Paladin Group, from its mining operations and exploration to corporate/administration overheads, sales and business development areas.

Key Points

- Cash cost cuts for FY14 are forecast to total US$23M including:
    - corporate overhead and exploration costs to be cut by US$10.8M, a 24% reduction over FY13.
    - discretionary capital expenditure has been reduced by US$12.4M, with the majority of those cuts coming during FY14.
- Board and management base salaries cut by 10%.
- Langer Heinrich C1 cash costs are targeted to be reduced by 15% to approximately US$25/lb over FY14 and FY15 before the impact of inflation.
- Kayelekera C1 cash costs are targeted to be reduced by 22% to approximately US$30.6/lb over FY14 and FY15 before the impact of inflation.
- The Paladin Board also remains committed to ongoing strategic rationalisation of its asset base. This includes re-igniting discussions and negotiations to sell a minority stake in Langer Heinrich. Paladin is also pursuing potential joint venture partners for its undeveloped advance stage assets.

FY14 Corporate Overheads and Exploration Cash Cost Reduction

The combined corporate overhead and exploration cash budgets have been cut by $10.8M, achieving an overall reduction in forecast cash costs of 24% for FY14.

- Head office rationalisation has included both a cut in personnel and a 10% reduction to management personnel base salaries compared to FY13. This cash cost reduction to those affected will be offset with a one-time allocation of Paladin share rights. No issues of share rights were made during FY13. The 10% cut also applies to Paladin Board members, including the Managing Director, with no share rights offset being applied. This latest cut for the Managing Director is in addition to the 25% reduction announced previously. All bonus plans have been suspended and salaries will be frozen until the uranium price demonstrates sustainable improvement.

- Exploration budgets have been cut by 50%, with activities suspended on all projects except essential work on the Michelin Project in Labrador, Canada and some necessary follow-up work on the Mount Isa Queensland project.

FY14 & FY15 Operations - Production Optimisation

FY14 Operations

LANGER HEINRICH MINE

- reduction in discretionary capital expenditure of US$10.4M.

- further production optimisation efforts, particularly in process reagents and recoveries, are expected to reduce C1 costs by up to 7.5% by the end of FY14 from that achieved for the June 2013 quarter (US$29.40/lb). Target process recovery is 90%, an increase of 4% from FY13**.**

KAYELEKERA MINE

- reduction in discretionary capital expenditure of US$2M.

- further staff cuts and production optimisation are targeted and expected to reduce C1 costs by 17% from the US$39.20/lb achieved for the June 2013 quarter. This reduction, expected to be achieved in the June 2014 quarter, will come principally (90%) from the previously flagged initiatives of grid power coming on line and the acid saving nano technology being integrated into the circuit.

FY15 Operations

LANGER HEINRICH MINE

– an additional 7.5% reduction in C1 costs is targeted as the operation is further optimised with continued process refinement and innovation. Particular targets, now in the refinement and developmental phase, will once again focus on process reagent, water consumption, operating efficiencies and process recovery.

KAYELEKERA MINE

– an additional 5% reduction in C1 costs is targeted with further innovation in the key production optimisation programmes aimed at increasing process recovery (RIP circuit) and production capacity (de-bottlenecking).

Paladin is also continuing to review and optimise management of its existing assets. Efforts to complete the sale of a minority interest in Langer Heinrich to reduce debt have recommenced in a rejuvenated process and the Company will also pursue negotiations for suitable joint venture of its advanced undeveloped projects.

Paladin's flagship Langer Heinrich operation continues to perform exceptionally well. The reducing unit cost profile of this project going forward as identified above, along with its 20 year mine life and opportunity to expand production when uranium price justifies, makes this project of world class quality demonstrating also the sound capability residing within the Paladin Group to deliver value.

Paladin management and its Board are fully committed to doing everything necessary to fully optimise operations and achieve cost reduction whilst maintaining a readiness to capitalise when the uranium price strengthens.

Yours faithfully
Paladin Energy Ltd

JOHN BORSHOFF
Managing Director/CEO