



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

Kayelekera Production Ceases – C&M Begins

On 7 February 2014 Paladin Energy Ltd (“**Paladin**” or the “**Company**”) advised its Kayelekera Mine in Malawi was to be placed on Care and Maintenance (C&M) status due to reasons beyond the Company’s control and related to the depressed uranium prices. The Company stated at the time that processing of ore would continue during a rundown phase until reagents and consumables on site had been depleted, anticipated to be by April/May of this year. Accordingly, the Company provides the following update on the status of the transition to C&M at Kayelekera.

On 21 May, uranium production (including circuit inventory clean up) ceased at the Kayelekera Mine and the operation now will cease supplying the global uranium market, resulting in a reduction in global supply for the foreseeable future of around 3.3Mlb U₃O₈ pa.

This outcome is an unfortunate but direct consequence of the continuing deterioration in the uranium price. Certain estimates now place up to 60% of current annual global production with costs above the current spot price, which is unsustainable.

Paladin considers that by placing Kayelekera on C&M and preserving a large part of the uranium resources of the deposit for future production, this project has become a considerable asset of the Company. This is in light of the continuous improvements in operating performance achieved over the last two years and particularly the last 9 months demonstrating that this project can be operated in future with costs in the first quartile of global producer costs (once national grid power is connected).

Paladin is committed to maintaining the mine and its infrastructure at Kayelekera in good working order to facilitate a rapid resumption of production when market conditions make it possible to do so profitably. Production at this project can now be recommenced with minimal risk and within a short lead-time of about 9 months. This will allow Paladin to take advantage of any increase in the uranium spot price in a relatively rapid manner.

Paladin has previously stated that the incentive price for operational restart, considering the looming supply shortfall, is US\$70 to US\$75/lb U₃O₈. At this price, and the demonstrated operating costs of the project, the future value of this de-risked project to the Company is clearly substantial.

While on C&M, Paladin intends to continue exploration activities with the objective of identifying and delineating additional uranium resources in order to enhance the long term future of Kayelekera.

In successfully establishing the first modern resin-in-pulp plant for a conventional uranium mining operation, Paladin has created a valuable technological asset. The Company believes this treatment process will likely replace older, less efficient technologies currently in use, for future developments because of the distinct advantages it delivers. This position has recently been further enhanced with the successful addition of nano-filtration technology (patent pending) to the process, which has materially reduced operating costs.

On behalf of the Paladin Board and Senior Management, I would like to express our appreciation to Paladin's employees for their focused dedication to the Kayelekera Mine development and operation. Paladin looks forward to the day when Kayelekera will resume its role as a significant contributor to the Company's production profile.

Yours faithfully
Paladin Energy Ltd

A handwritten signature in blue ink, appearing to read "John Borshoff". The signature is stylized and cursive.

JOHN BORSHOFF
Managing Director/CEO