



PALADIN ENERGY LTD

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

By Electronic Lodgement

Dear Sir/Madam

Chairman's Address at 2012 Annual General Meeting

Paladin's core focus over the past 12 months has been building on the foundations of sustainability of its business under extremely challenging market conditions. The depressed uranium price in the wake of the events in Japan in March 2011 has put significant pressure on our Company, concerned our investors and compelled us to closely watch and prudently manage our costs, debt and resources.

Our key response to this challenge has been to focus on optimising the operation of our plants to target an operating surplus and thus maximise their return on investment. The completion of the construction and development of our mining operations in Namibia and Malawi, as well as achieving full production levels this year, has been key to our business sustainability.

We expect next month to launch on the Paladin website the Company's inaugural sustainability report utilising a number of the key indicators suggested by the internationally used Global Reporting Initiative or "GRI". Whilst this report together with the enhanced Sustainability Report within Paladin's current Annual Report, will be valuable for our stakeholders, it is the commitment itself that is critical for the future of our business. We see sustainable business practices as a cornerstone of a successful and responsible enterprise, and it will be our internal yardstick for how we measure our future performance. While our focus this past year has been on the commercial sustainability of our business, we have not lost sight of other sustainability elements that underpin our daily operations. As a uranium producer, aspects such as health and safety, environmental management, human rights, social responsibility and product responsibility are core considerations in our decision-making processes.

We have also taken key steps to further integrate sustainability into the fabric of our business, including establishing an internal Sustainability Committee chaired by Mr Phil Baily, one of our non-Executive Board members with significant experience in the uranium industry. Sustainability has also had significant visibility at Board meetings during the year. From a compliance and due diligence perspective, we have undergone a range of environmental audits as well as establishing a Compliance Committee, to oversee the Company's anti-fraud and corruption policies and procedures.

Accountability and transparency are important parts of our sustainability principles. Unfortunately we must spend a great deal of time dealing with spurious unfounded allegations made in purported news sites usually by people who are anti-mining, anti-uranium or are pushing some other vested interest. I wish to assure shareholders and other stakeholders including the people of Namibia and Malawi that our Company takes its responsibilities seriously. The good governance policies explained in the Annual Report and on the website are actively enforced.

As shareholders you will be acutely aware of the volatility of the Company's share price. Last week in particular was a worrying period for us all. It is fair to say that the Board and management were perplexed and disappointed with the negative share market reaction coinciding with the release of what we considered to be a positive quarterly report.

Following numerous enquiries from our investor base seeking confirmation and clarification I felt it necessary on behalf of the Board and management to reiterate, in Tuesday's stock exchange release, some key points.

The mining operations at both Langer Heinrich and Kayelekera Mines have reached design targets and are producing at or very near nameplate. The production guidance given for FY13 of 8Mlb to 8.5Mlb remains.

The cost cutting targets have been identified and announced to the market. This cost rationalisation programme has been initiated and has already reduced cash outflows. Additional cost benefits are expected when all production optimisation programmes are implemented.

During the September quarter our 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. I am very pleased with the relationship we have developed with EdF.

The uranium spot price recently declined to US\$40.50/lb, its lowest weekly level since March 2010, but has since strengthened to US\$41.80/lb. Paladin believes the current spot price is a result of near term market imbalances and we, like many in the industry, expect that this price level can reasonably be anticipated to recover to the mid to high 40's over the next several months and move to significantly higher levels in the mid-term.

The Company is in full compliance with all covenants applying to its project financing and convertible bond funding. I emphasise that there are no covenants relating to Paladin's market capitalisation, so any decline in the Company's market capitalisation has no impact whatsoever on these debt facilities.

From some quarters there was, in my view, unfair commentary concerning Mr Borshoff's sale of a portion of his shareholding. It should be noted this was done with the Board's knowledge (although not in a blackout period in any event), and recognising the extremely narrow windows the CEO has available to trade shares. I note that this was the first time since inception of the Company in 1994 that Mr Borshoff has parted with some of his shares, was done for personal reasons and I am sure this does not at all change the confidence he has for the future of Paladin.

Fortunately we have seen a turnaround this week in the share price and it was pleasing to see the highly regarded sovereign fund, The Government of Singapore Investment Corporation, become a substantial shareholder of our Company.

I will close by reiterating that Paladin's aspiration to be recognised as a tier 1 international uranium producer is predicated on having multiple high yield operations, backed by deep industry knowledge, technical innovation and excellence in sustainability practice. We may not be at "tier 1" level yet but we are certainly laying these foundations for the future.

Yours faithfully
Paladin Energy Ltd



RICK CRABB *B Juris (Hons), LLB, MBA, FAICD*
Chairman