

FINANCIAL REVIEW

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HD **Paladin OKs bid for 25pc of Langer Heinrich**
BY Peter Ker
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Paladin **Energy** shareholders should be spared another dilutive **equity** raising this year, after the **company** reached a preliminary deal to sell a **stake** in its flagship mine for \$US190 **million**.

In a significant step for the **uranium** miner, a subsidiary of the influential **China** National Nuclear Corporation has offered to buy 25 per cent of Paladin's Langer Heinrich mine in Namibia, under a deal that would link Paladin to one of world's most important nuclear entities.

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The announcement comes after months of speculation about the health of Paladin's balance sheet, and should allow the loss-making miner to pay down debt and significantly ease its balance sheet pressures for the immediate future.

The **sale** will not be confirmed until **China**'s National Development and Reform Commission gives approval, and Paladin boss John Borshoff said he hoped to see that approval within six months.

The NDRC has refused to be a simple rubber stamp for **Chinese** acquisitions in Australia over recent years, having interfered with – and ultimately helped to block – Sichuan Hanlong's takeover bid for ASX listed Sundance Resources in 2012.

But Mr Borshoff said a \$US20 **million** (\$22.7 **million**) non-refundable deposit on the **sale** made him confident the NDRC would give its blessing to the deal.

"If they don't come to the party they lose that money, and I can assure you they are not going to try and lose that, so we are confident that this deal will happen," he said.

"There is hardly anybody else in the world available with **operations** like Paladin, and they know it."

After rising strongly in early trading, Paladin shares finished 0.5¢ higher at 56.5¢.

RBC analyst Chris Drew said Paladin would have started the **sale** process expecting to value Langer Heinrich at more than \$US1 **billion**, rather than the \$US760 **million** valuation that Monday's deal implied.

But with both **uranium** prices and Paladin's balance sheet under pressure, Mr Drew said it was reasonable to expect "a degree of opportunism" to come into the bidding process.

"The price they have got is certainly toward the lower end of expectations, but given the circumstances i think it's good to see them do the deal rather than not," he said.

"It's not wildly below expectations, but it's towards the bottom end of the range that people would have been looking for."

Paladin's next debt deadline falls due in November 2015, and Mr Drew said the miner will need a **uranium** price of \$US45 per pound – rather than the \$US36.7 per pound it averaged in the December

quarter – to be able to cover that maturity of close to \$US300 **million**. "With a significant amount of cash now on the balance sheet, they are not going to have any liquidity issues until they need to pay that November 2015 maturity," he said.

CO chinuc : China National Nuclear Corp. | palrs : Paladin Energy Limited

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