

SE Finance
HD **Paladin defends sale price of stake**
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PALADIN **Energy** managing director John Borshoff has defended the price fetched from the **sale** of a **stake** in the **company**'s flagship Langer Heinrich mine in Namibia, with the deal set to provide significant relief to the miner's debt position.

Paladin said yesterday it would sell a 25 per cent interest in Langer Heinrich to state-owned heavyweight **China** National Nuclear Corporation for \$US190 **million** (\$216m), ending a drawn-out sales process.

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The proceeds from the deal, which was signed at a formal ceremony in Beijing at the weekend, will go towards relieving the debt obligations that have hung over Paladin in recent years.

Combined with a restructuring of its debt facilities announced last week, Mr Borshoff is confident the **company** is now well positioned to meet its obligations when a \$US300m convertible note matures at the end of next year.

Paladin had been looking to sell off a minority interest in Langer Heinrich to give its balance sheet some breathing space from the current low in **uranium** prices. The spot price of **uranium** has halved to just \$US35 a pound since the Fukushima nuclear disaster in Japan in 2011, leaving many **uranium** miners struggling to remain profitable.

Analysts had previously estimated that a minority **stake** in Langer Heinrich could be worth \$US200m-\$US300m. Mr Borshoff acknowledged the end price was at the lower end of expectations but said the deal needed to be seen in the broader context of the impact on Paladin's debt position and the potential for a closer relationship with **China**.

"In this environment, we reckon it was a fair price," Mr Borshoff told The Australian.

"It's still accretive to us and there's a lot more implications there for us than just the price."

The refinancing of project debt facilities announced by the **company** last week are expected to save the **company** around \$US35.5m in interest repayments a year.

RBC Capital Markets analyst Chris Drew said the Langer Heinrich deal would provide some much-needed relief to Paladin.

"I'd say the price is at the bottom end of expectations, however that's perhaps not too surprising given the state of **uranium** markets and the knowledge (among buyers) that there was probably a bit of pressure on these guys to do a deal," he told The Australian.

"It's positive they've done it. It obviously improves their liquidity position and it's going to make their life a lot easier when it comes to repaying their next debt facility that's due at the end of 2015."

Paladin now needs to see a long-awaited improvement in the **uranium** price, both to restore profit margins but also reignite investor interest in the sector.

Mr Drew said yesterday's deal meant Paladin only needed the **uranium** price to recover to around \$US45 a pound, rather than \$US60 a pound, in order to meet its debt obligations.

Shares in Paladin jumped as much as 9.5c before closing up 0.5c to 56.5c. While the stock has climbed significantly off its lows of late last year, it remains down more than 54 per cent from its high of last February.

CO chinuc : China National Nuclear Corp.

IN i16 : Electricity/Gas Utilities | i16101 : Electric Power Generation | i1610109 : Electric Power Generation - Nuclear | iutil : Electric Utilities | iutil : Utilities

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