

## If Langer Heinrich can't cut it get out

The uranium price has been on a downward trend since it peaked in 2007 at US\$136 per pound. Since that peak, the industry as a whole has battled falling prices and shifting social attitudes. Given the capital reconstruction completed under a Deed of Company Arrangement while the company was in voluntary liquidation and our subdued outlook for uranium we recommend exiting the stock.

Despite operating an efficient mine in Langer Heinrich, Paladin Energy was not able to survive the extended period of languishing uranium prices. The following chart shows the uranium price:



Source: Paladin Energy

We believe the company was driving in the right direction in optimising its' Langer Heinrich operations, to adjust to the weak pricing environment. It was this action that warranted our hold recommendations as the company battled the ongoing weak uranium price. We were disappointed when the company declared voluntary liquidation and delisted from the Australian Stock Exchange (ASX).

We believed at the time of the voluntary liquidation declaration that the Langer Heinrich mine did retain value, albeit very diminished, and eventually that allowed the company to relist on the ASX.

Paladin Energy Ltd - PDN (ASX) - 1 Day CandleStick Chart - AUD



Given the significant capital reconstruction that the company underwent during its period of voluntary liquidation, we believe any top up or new entry to the stock is not warranted. **Our view on the uranium sector remains very subdued and with that, we believe, the uranium price will also remain subdued.** Our prognosis on the sector is not likely to change for the foreseeable future.

Paladin Energy Ltd - PDN (ASX) - 1 Month CandleStick Chart - AUD



We will use the relisting of Paladin Energy on the ASX as an opportunity to exit. **We recommend Members who hold Paladin Energy sell their holding at the current market price.** Fat Prophets will cease coverage of Paladin Energy immediately.

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## Snapshot PDN

### **Paladin Energy**

Paladin has a focus on uranium exploration and production in Australia and Africa. The company's first mine, Langer Heinrich in Namibia, was commissioned in 2007 and was the first conventional new uranium mine in the world for a decade. The mine is now ramping up to full capacity, with a planned Stage II expansion during early 2009. The company has recently announced a 55% increase in the resource base and a 75% increase in the reserve base at Langer Heinrich, boosting mine-life out to at least 11 years. The company's second mine, Kayelekera in Malawi, is also on track for production during 2009. Paladin is based in Australia, but has listings on the Australian, Toronto and Namibian Stock Exchanges. It also trades on the Munich, Berlin, Stuttgart and Frankfurt exchanges.

**Market Capitalisation:\$282.62m**

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