PALADIN ENERGY LTD

ACN 061 681 098

IMPORTANT INFORMATION FOR SHAREHOLDERS

15 October 2010

Dear Shareholder

Members' Statement
Greenhouse Gas Emissions Reporting

By letter dated 13 September 2010, a group of Paladin Energy Ltd shareholders, calling themselves the "Climate Advocacy Paladin Energy shareholders group" ("the Group"), gave notice that the Group proposed to move a resolution at the Annual General Meeting in the form set out in the **enclosed** "s249P Member Statement" ("Members' Statement"), ("Proposed Resolution").

The Group comprises 109 shareholders in total, holding 135 shares each. The assumption made by your Directors is that the Group has acquired shares in your Company predominantly for the purpose the subject of their 13 September 2010 letter, rather than for investment purposes. In my view, this is an entirely improper purported use of their rights as shareholders of your Company.

The Board considers that the Proposed Resolution is not a matter properly to be raised at a general meeting of members, because it impinges on the Board's exclusive authority to manage the business of the Company.

Accordingly, the Proposed Resolution has not been included in the Notice of Annual General Meeting and will not be put to shareholders at the Annual General Meeting. However, your Directors have decided to circulate the Members' Statement and I will allow a reasonable opportunity for shareholders to ask questions or make comments about it at the Annual General Meeting.

Your Directors would like to address some of the comments made by the Group in the Members' Statement:

1. Australian legislation, namely the National Greenhouse Emissions Reporting Act 2007 ("NGER"), is already in place to deal with reporting of greenhouse gas emissions for the Company's Australian operations. Emissions from Paladin's Australian activities are well below the threshold levels currently requiring the Company to report under NGER.

2. In respect of the Company's African operations, no reporting legislation currently exists.

3. As described in our recent Annual Report, Paladin is in the process of assessing monitoring, measurement and reporting methodologies to determine how CO_2 emissions would best be reported. It should be noted that Paladin's first mine only commenced production in 2007. Both Paladin mines are still being developed and expanded, and that adequate time is needed to ensure an accurate and useful reporting regime is identified and implemented.

4. The Members' Statement refers to an estimate by Trucost Plc based on 2008 data that Paladin's emissions per A$ million of revenue, are over 6 times the average for ASX 200 companies. We are not aware of how Trucost Plc derived the estimate of emissions, given as mentioned above Paladin's operations remain at an early stage and the Company has not completed gathering data. Moreover, due to Paladin's start-up production status for the 2008 period, revenue was low relative to the level of on-ground activity. The very basis therefore upon which the Group targeted Paladin as "the 3rd most carbon intensive ASX 200 company using 2008 data" is misconceived.

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5. Given that NGER applies, it is in your Directors' view not appropriate, in the absence of specific requirements in the Corporations Act, for shareholders to dictate such matters to the Board.

6. Your Directors consider that the Proposed Resolution seeks to impose a reporting obligation on your Company in an inappropriate format, in an inappropriate manner and at a premature time. We do not consider that it is in the interests of the Company and all shareholders for such a resolution to be put.

7. Finally, as shareholders will be aware, Paladin produces uranium oxide, being the fuel source for nuclear power plants. The life cycle greenhouse gas emissions of nuclear energy are significantly lower than for coal and gas energy technologies and compare favourably to renewable energy technologies (source: University of Sydney cited in UMPNER Task Force, 2006). Although it is the aim of the Company to minimise its greenhouse gas emissions in line with the mining industry generally, shareholders will appreciate that Paladin is already substantially contributing to the reduction of the world's reliance on high greenhouse gas emitting electricity generating sources.

Yours faithfully

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

Climate Advocacy Paladin shareholder group
s 249P Member Statement
13 September 2010

"The Earth's climate has changed. The global average surface temperature has increased over the last century and many other associated changes have been observed. The available evidence implies that greenhouse gas emissions from human activities are the main cause. It is expected that, if greenhouse gas emissions continue at business-as-usual rates, global temperatures will further increase significantly over the coming century and beyond."[1]

There is growing international consensus regarding the need to regulate and price greenhouse gas emissions and there is a risk that significant costs will be imposed on emissions-intensive business operations.

A number of countries including the European Union countries have introduced emission trading schemes. It appears probable over the next decade, that many more countries will introduce some form of carbon emissions regulation or pricing.

The International Energy Agency has estimated that to stabilise the concentration of greenhouse gas emissions in the atmosphere at 450 parts per million the price of carbon emissions in industrialised countries will reach US$50 per tonne in 2020 rising to US$110 by 2030 (and US$65 per tonne in other major economies).[2] This level of concentration is consistent with limiting the increase in global temperatures to 2°C - a goal recognised under the Copenhagen Accord.[3]

Putting a price on carbon emissions will bring significant economic and financial benefit to most countries, industries and companies. However, some carbon intensive industries and companies may suffer significant losses.[4]

Trucost Plc is a UK based provider of information about the carbon footprint of organisations. Paladin Energy (our Company) was estimated by Trucost to be the 3rd most carbon intensive ASX 200 company using 2008 data, with estimated emissions exceeding 2,500 tonnes of carbon dioxide equivalent ($C0_2$-e) per $A million of revenue (over six times the ASX 200 average).[5] If this estimate is correct it means our Company may be highly exposed to carbon costs that are anticipated to be introduced both domestically and globally as governments seek to implement regulations to limit and reduce greenhouse gas emissions.

As far as we are aware, our Company does not currently disclose its carbon footprint or provide details on how it is managing climate change risks in its annual Director's Report or elsewhere. In our view it should. Disclosure of such information is becoming a pre-requisite for many investors in emissions-intensive industries as potential carbon liabilities have an increasing influence on company valuations. Institutional investors in particular are increasingly interested in integrating environmental, social and governance (ESG) research into their investment decisions with approximately half of the funds under management of Australian asset managers now falling under the United Nations' Principles for Responsible Investment (PRI, the Principles) commitments to ESG integration.[6] These investors are committed to seeking appropriate disclosure of ESG issues (such as the impact of carbon regulation and pricing) into company annual reports.

[1] *The Science of Climate Change: Questions and Answers* (Australian Academy of Science, August 2010)
[2] *World Energy Outlook 2009* (International Energy Agency, 2009)
[3] Copenhagen Accord, 18 December 2009
[4] Climate Change Justice, Posner, E. A. & Weisbach, D. (Princeton University Press, 2010) page 20 and Chapter 8
[5] *VicSuper Carbon Count 2009* (VicSuper/Trucost, 2009)
[6] *Responsible Investment 2009* (Responsible Investment Association of Australasia, 2009)

In our view our Company should disclose, at reasonable cost, its carbon footprint and provide details on how it is managing climate change related risks. The resolution does not require any proprietary information to be disclosed. We recommend use of a standardised reporting protocol such as that used worldwide by the Carbon Disclosure Project.

The Carbon Disclosure Project is an annual survey on behalf of 534 institutional investors holding US$64 trillion in assets under management - the largest coalition of institutional investors in the world. Our Company has previously been invited to participate in the Carbon Disclosure Project. Its response to the 2008 survey indicated that it intended to respond in due course. However, the Carbon Disclosure Project website lists our Company as declining to participate in the 2009 survey.

We are keen to ensure that our Company is positioned to prosper in the transition to a low-carbon economy. We invite other shareholders to vote in support of the following resolution we propose to move at the forthcoming AGM.

This resolution has been lodged with the PRI Clearinghouse and the Interfaith Center on Corporate Responsibility.

Resolution

Therefore, be it resolved:

"That, shareholders consider that the annual director's report should include:

a) a description of the level and composition of, and recent trends in, our company's greenhouse gas emissions; and

b) a description of our company wide policies and management systems utilised to manage the risks posed by both climate change and the actions of governments to regulate or price greenhouse gas emissions,

so that the members can make a better informed assessment of the operations of our company and our company's business strategies and its prospects for future financial years, these descriptions to be prepared at reasonable cost, to omit proprietary information and to use a standardised reporting protocol such as that used worldwide by the Carbon Disclosure Project - CDP."