



PALADIN ENERGY LTD

ACN 061 681 098

2 December 2008

The Company Announcements Officer
Australian Securities Exchange Limited
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

A\$17.8 MILLION RECOMMENDED TAKEOVER OFFER BY PALADIN ENERGY LTD FOR FUSION RESOURCES LIMITED

Paladin Energy Ltd (**ASX: PDN, TSX: PDN**) ("**Paladin**") and Fusion Resources Limited (**ASX: FSN, TSX: FNS**) ("**Fusion**") are pleased to announce that Paladin intends to make an off-market scrip takeover offer ("**Offer**") for Australian and Toronto Stock Exchange listed minerals exploration company Fusion.

The consideration under the Offer will comprise 1 fully paid ordinary Paladin share for every 6 fully paid ordinary Fusion shares, implying a price of A\$0.365 per Fusion share based on today's closing price of Paladin shares on the ASX of A\$2.19.

The Offer values Fusion at approximately A\$17.8 million and provides an attractive premium of 59% to the closing price for Fusion shares on the ASX on 1 December 2008 of A\$0.23, being the last trading day prior to Fusion shares being placed in a trading halt. The Offer is subject to a number of conditions, which are set out in detail in Appendix 1 to this announcement.

Fusion's directors have **unanimously recommended** that Fusion shareholders accept the Paladin offer, in the absence of a superior offer. They have also indicated that they intend to accept the Paladin offer in respect of their own shareholdings, in the absence of a superior offer.

Fusion is a minerals exploration company with 100% ownership of a number of uranium exploration projects in the Mt Isa region of Queensland and a portfolio of interests in copper / gold exploration projects in north Queensland. In addition, Fusion is expected to have a closing net cash balance (after allowing for all creditors, contingencies and accruals for any liabilities), of at least \$14.0 million at the end of the Offer period.

Fusion's most advanced project is the Valhalla North Uranium Project, which is located approximately 45 kilometres north of the Valhalla and Skal uranium projects owned by the Isa Uranium Joint Venture ("**IUJV**") participants. Paladin has an effective 90.95% interest in the IUJV through its wholly owned subsidiary Valhalla Uranium Limited ("**Valhalla Uranium**") and its 81.9% interest in Summit Resources Limited ("**Summit**").

Fusion expects to announce a maiden JORC compliant resource for Valhalla North before the end of calendar year 2008 (it is a condition of the Offer that Fusion announces a JORC compliant resource of not less than 6Mlbs at a cut off grade of not less than 250ppm of uranium oxide (U_3O_8) prior to the Offer closing). Fusion's other uranium projects near Mt Isa are the Andersons South uranium project and the Mary Kathleen South project.

The proposed acquisition represents an important addition to the portfolio of uranium exploration projects in the Mt Isa region currently controlled by Paladin, and another step forward in Paladin's aim of developing a world-class uranium mining and processing operation in Queensland. Whilst this ultimately depends on a change in State Government policy in Queensland regarding uranium mining, Paladin plans to continue to progress exploration and appraisal of the Mt Isa projects to ensure readiness if and when this policy change occurs.

Fusion shareholders who accept the Offer will:

- retain the exploration upside associated with Fusion's projects and continued exposure to potential changes in Australian State Government uranium mining policy;
- benefit from becoming shareholders in a uranium producing company, inherit a management team and board with the requisite skills and demonstrated ability to bring a uranium operation into production; and
- obtain increased liquidity of their investment through owning Paladin shares.

Fusion has also agreed to pay Paladin a break fee of approximately A\$400,000 in certain circumstances, including a successful competing takeover proposal. A copy of the Takeover Bid Implementation Agreement is attached as Appendix 2 to this announcement.

Paladin's financial adviser in respect of the proposed acquisition is Azure Capital and its legal adviser is Blakiston & Crabb. Fusion's legal adviser is Hardy Bowen.

Indicative Timetable

Paladin's Bidder's Statement and Fusion's Target Statement are both expected to be available in two to three weeks and despatched to Fusion shareholders as soon as possible thereafter. The Offer is expected to close in mid January, subject to any unforeseen events.

Background Information – Paladin Energy Limited

Paladin is listed on both the Australian Securities Exchange and the Toronto Stock Exchange under the symbol "PDN" with a number of international subsidiary listings.

Paladin is a uranium resources company with a focus on the development and operation of uranium projects in Africa and Australia. During the past three years, Paladin has developed and commissioned the 100% owned Langer Heinrich uranium mine and processing plant in Namibia and begun construction of the Kayelekera uranium mine and processing plant in Malawi (with commissioning of this project expected in the first quarter of 2009). In addition, through its acquisition of 100% of Valhalla Uranium and 81.9% of Summit, Paladin has a majority interest in, and control of, a portfolio of uranium exploration projects in the Mt Isa region of Queensland (complementing its portfolio of existing Australian uranium exploration projects).

Further information regarding Paladin and its key assets can be found in Paladin's latest Annual Report (a copy of which can be found on Paladin's website, www.paladinenergy.com.au)

Background Information – Fusion Resources Limited

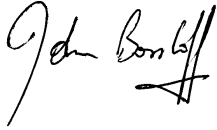
Fusion is a mineral exploration company focused on uranium exploration in Queensland. Fusion has a number of prospective, 100% owned uranium exploration projects in the Mt Isa region, as well as a portfolio of copper / gold projects located in North Queensland.

Fusion's principal asset is the Valhalla North Uranium Project which is located approximately 45 kilometres to the north of Paladin's Valhalla and Skall uranium projects. Fusion has identified two key prospects at Valhalla North; Duke Batman and Honey Pot.

Fusion is currently finalising a uranium mineral resource estimate in accordance with the JORC code and National Instrument 43-101 'Standards of Disclosure for Mineral Projects' in relation to Valhalla North, which is expected to be released in the December 2008 quarter.

Fusion's other Mt Isa uranium projects include the Andersons South project and the Mary Kathleen South project, and has a number of other early stage gold and base metal exploration projects located in Queensland.

Yours faithfully
Paladin Energy Ltd

A handwritten signature in black ink, appearing to read 'John Borshoff', with a stylized flourish at the end.

JOHN BORSHOFF
Managing Director/CEO

Appendix 1
Appendix 2

APPENDIX 1

*of the ASX Announcement dated 2 December 2008
(6 pages)*

The Offer is subject to the fulfilment of the following conditions:

(a) Minimum Acceptance

At or before the end of the Offer Period, Paladin has a relevant interest in such number of Fusion Shares which represents at least 90% of the aggregate of all the Fusion Shares on issue at the end of the Offer Period.

(b) Consent to Quotation

The TSX consents to the issue and quotation of the Paladin Shares to be issued under the Offer on that exchange on an unconditional basis or subject only to customary conditions.

(c) Lender's Consent

The Société Générale, Australia Branch (ABN 71 092 516 286), in its capacity as agent under the Common Terms Agreement:

- (i) irrevocably and unconditionally consents to the acquisition by Paladin of all the Fusion Shares pursuant to the Offer for the purposes of the Common Terms Agreement; and
- (ii) irrevocably and unconditionally waives any default under the Common Terms Agreement which has arisen, or may arise, solely as a result of the announcement or completion of the Offer by Paladin.

(d) Options

During or at the end of the Offer Period, either:

- (i) all Fusion Options have been exercised, cancelled or transferred to Paladin or agreement has been reached between Paladin and the holders of the Fusion Options to do so; or
- (ii) Paladin is entitled to compulsorily acquire all outstanding Fusion Options in accordance with Chapter 6A of the Corporations Act.

(e) Preference Shares

At the end of the Offer Period all Fusion Preference Shares have been, or the holder of the Fusion Preference Shares has agreed that the Fusion Preference Shares will be, converted into a total of 1,500 Fusion Shares, cancelled, revoked, amended and transferred to Paladin or otherwise rendered permanently ineffective.

(f) Valhalla North Uranium Project JORC Code Resource

Before the end of the Offer Period, Fusion announces to ASX that the Valhalla North Uranium Project has a JORC Code compliant resource of not less than 6 million pounds at a cut off of not less than 250ppm of uranium oxide (U₃O₈) based on information compiled by CSA Global Pty Ltd ACN 077 165 532.

(g) Cash Balance

At the end of the Offer Period, Fusion has a net cash balance (after allowing for all creditors, contingencies and accruals for any liabilities, including any amounts due by Fusion to Cazaly pursuant to the settlement and release deed referred to in condition (r)) of not less than \$14.0 million.

(h) No Change of Control Rights

Between the Announcement Date and the end of the Offer Period (each inclusive), there is no person having any rights, being entitled to have any rights, alleging an entitlement, or expressing or announcing an intention (whether or not that intention is stated to be a final or determined decision of that person) (in all cases whether subject to conditions or not), as a result of any change of control event in respect of Fusion (including Paladin acquiring shares in Fusion) or any of its subsidiaries or assets, to:

- (i) terminate or alter any contractual relations between any person and Fusion or any of its subsidiaries (for this purpose an alteration includes of the operations of a contract, whether or not that altered operation is provided for under the existing terms of the contract);
- (ii) require the termination, modification or disposal (or offer to dispose) of any interest or asset, corporate body, joint venture or other entity; or
- (iii) accelerate or adversely modify the performance of any obligations of Fusion or any of its subsidiaries under any agreements, contracts or other legal arrangements.

(i) Access to Information

Between the Announcement Date and the end of the Offer Period, Fusion promptly, and in any event within two Business Days, provides to Paladin a copy of all material information which Paladin may from time to time reasonably request, whether or not generally available (within the meaning of section 1042C of the Corporations Act) relating to Fusion or any of its subsidiaries, or their respective assets, liabilities or operations.

(j) No Regulatory Actions

Between the Announcement Date and the end of the Offer Period (each inclusive):

- (i) there is not in effect any preliminary or final decision, order or decree issued by a Government Agency;
- (ii) no action or investigation is announced, commenced or threatened by any Government Agency; and
- (iii) no application is made to any Government Agency (other than by Paladin or any of its associates),

in consequence of or in connection with the Offer (other than an application to, or a decision or order of, ASIC or the Takeovers Panel under, or relating to a breach of, Chapter 6, 6A, 6B or 6C of the Corporations Act or relating to unacceptable circumstances within the meaning of section 657A of the Corporations Act) which restrains, prohibits or impedes, or threatens to restrain, prohibit or impede, the making of the Offer or the acquisition of Fusion Shares under the Offer or the completion of any transaction contemplated by the Bidder's Statement, or seeks to require the divestiture by Paladin of any Fusion Shares, or the divestiture of any material assets of the Fusion Group or Paladin Group.

(k) No Material Adverse Change

Between the Announcement Date and the end of the Offer Period, no event, change or condition occurs, is announced or becomes known to Paladin (whether or not it becomes public) where that event, change or condition has had, or could reasonably be expected to have, a material adverse effect on:

- (i) the business, assets, liabilities, financial or trading position, profitability or prospects of the Fusion Group, taken as a whole, since 30 June 2008;
- (ii) the status or terms of arrangements entered into by the Fusion Group; or
- (iii) the status or terms of any approvals, licences or permits from Public Authorities applicable to the Fusion Group,

except for events, changes and conditions publicly announced by Fusion or otherwise disclosed in public filings by Fusion or any of its subsidiaries prior to the Announcement Date where the relevant disclosure is not, and is not likely to be, incomplete, incorrect, untrue or misleading.

(l) No Material Acquisitions, Disposals or New Commitments

Except for any proposed transaction publicly announced by Fusion before the Announcement Date, none of the following events occurs during the period from the Announcement Date to the end of the Offer Period (each inclusive):

- (i) Fusion or any subsidiary of Fusion acquires, offers to acquire or agrees to acquire one or more entities, businesses or assets (or any interest in one or more entities, businesses or assets) for an amount in aggregate greater than \$100,000, or makes an announcement in relation to such an acquisition, offer or agreement;
- (ii) Fusion or any subsidiary of Fusion disposes of, offers to dispose of or agrees to dispose of one or more entities, businesses or assets (or any interest in one or more entities, businesses or assets) for an amount, or in respect of which the book value (as recorded in Fusion's consolidated balance sheet as at 30 June 2008) is, in aggregate, greater than \$100,000, or makes an announcement in relation to such a disposition, offer or agreement; or
- (iii) Fusion or any subsidiary of Fusion enters into, or offers to enter into or agrees to enter into, any agreement, joint venture or partnership which would require expenditure, or the foregoing of revenue, by the Fusion Group of an amount which is, in aggregate, more than \$100,000, other than in the ordinary course of business, or makes an announcement in relation to such an entry, offer or agreement.

(m) Non-Existence of Certain Rights

No person (other than a member of the Paladin Group) has or will have any right (whether subject to conditions or not) as a result of Paladin acquiring Fusion Shares under the Offer to:

- (i) acquire, or require the disposal of, or require Fusion or a subsidiary of Fusion to offer to dispose of, any material asset of Fusion or a subsidiary of Fusion; or

- (ii) terminate, or vary the terms or performance of, any material agreement with Fusion or a subsidiary of Fusion.

(n) **No Prescribed Occurrences**

During the period from the date of the Bidder's Statement to the end of the Offer Period (each inclusive), none of the following occurrences (being the prescribed occurrences listed in section 652C of the Corporations Act) happens:

- (i) Fusion converts all or any of its shares into a larger or smaller number of shares under section 254H of the Corporations Act;
- (ii) Fusion or a subsidiary of Fusion resolves to reduce its share capital in any way (other than a selective capital reduction in connection with the Fusion Preference Shares);
- (iii) Fusion or a subsidiary of Fusion enters into a buy-back agreement or resolves to approve the terms of a buy-back agreement under section 257C(1) or 257D(1) of the Corporations Act;
- (iv) Fusion or a subsidiary of Fusion issues shares (other than as a result of the exercise of Fusion Options or conversion of Fusion Preference Shares) or grants an option over its shares, or agrees to make such an issue or grant such an option;
- (v) Fusion or a subsidiary of Fusion issues, or agrees to issue, convertible notes;
- (vi) Fusion or a subsidiary of Fusion disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
- (vii) Fusion or a subsidiary of Fusion charges, or agrees to charge, the whole, or a substantial part, of its business or property;
- (viii) Fusion or a subsidiary of Fusion resolves to be wound up;
- (ix) a liquidator or provisional liquidator of Fusion or of a subsidiary of Fusion is appointed;
- (x) a court makes an order for the winding up of Fusion or of a subsidiary of Fusion;
- (xi) an administrator of Fusion or of a subsidiary of Fusion is appointed under section 436A, 436B or 436C of the Corporations Act;
- (xii) Fusion or a subsidiary of Fusion executes a deed of company arrangement; or
- (xiii) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of Fusion or a subsidiary of Fusion.

(o) **No Prescribed Occurrences between the Announcement Date and date of Bidder's Statement**

During the period from the Announcement Date to the date that is the day before the date of the Bidder's Statement (each inclusive), none of the occurrences listed in subparagraphs (i) to (xiii) of paragraph (n) above happened.

(p) **Fall in Indices**

That the All Ordinaries Index published by the ASX at the close of business on any 5 consecutive trading days after the Announcement Date is not below 3121.

(q) **Paladin Share Price**

That the closing price on Paladin's Shares as traded on ASX does not exceed \$4.00 per Paladin Share for any 5 consecutive trading days during the Offer Period provided for the avoidance of doubt that this defeating condition shall cease to operate as such in the event, during the Offer Period, of any conversion of Paladin Shares into a smaller number pursuant to section 254H of the Corporations Act.

(r) **Settlement of Contingent Liability**

Fusion enters into a settlement and release deed with Cazaly settling all outstanding claims and liabilities due or claimed by Cazaly to be due by Fusion to Cazaly in relation to the decision by the Minister for State Development to terminate Cazaly's application with respect to the Shovelanna Iron Ore Project (notified to Cazaly and Fusion on 21 April 2006), including any and all appeals, applications for review or applications for special leave to appeal concerning such decision which have been or could be made by Cazaly, and releasing Fusion from any and all claims and liabilities to Cazaly including as a result of any costs order made against Cazaly in such proceeding or proceedings or any costs resulting from agreement or agreements, written or otherwise, between Cazaly and Fusion concerning any costs (whether legal, professional, advisory or otherwise whatsoever).

In these conditions:

"**Agreement**" means the takeover bid implementation agreement;

"**Agreed Announcement**" means an announcement in the terms agreed in writing between the parties;

"**Announcement Date**" means the date on which Paladin and Fusion release the Agreed Announcement to the ASX;

"**ASIC**" means the Australian Securities and Investments Commission;

"**ASX**" means the Australian Securities Exchange;

"**Bidder's Statement**" means the bidder's statement and acceptance form under sections 636 and 637 of the Corporations Act, and which includes the Offer;

"**Business Day**" means a day on which the banks are open for business in Perth, Australia, excluding a Saturday, Sunday or public holiday;

"**Cazaly**" means Cazaly Resources Limited ACN 101 049 334;

"Common Terms Agreement" means the agreement dated 25 May 2006 between Paladin Finance Pty Ltd, Paladin Energy Ltd, Langer Heinrich Mauritius Holdings Ltd, Langer Heinrich Uranium (Pty) Ltd, Société Générale, Australia Branch, N.B.S.A. Nominees Ltd and Standard Bank;

"Corporations Act" means the *Corporations Act 2001* (Cth);

"Fusion Group" means Fusion and its Related Bodies Corporate;

"Fusion Option" means an option to subscribe for a Fusion Share;

"Fusion Preference Shares" means the B class convertible cumulative preference shares in the capital of Fusion;

"Fusion Share" means a fully paid ordinary share issued in the capital of Fusion;

"Fusion Shareholder" means a person who is recorded in Fusion's register of members as the holder of one or more Fusion Shares;

"Government Agency" means any government or representative of a government or any governmental, semi-governmental, administrative, fiscal, regulatory or judicial body, department, commission, authority, tribunal, agency, competition authority or entity whether foreign, federal, state, territorial or local in any part of the world. It includes ASIC and ASX (and any other stock exchange);

"JORC Code" means the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves current as at the date of the Agreement;

"Offer" means each offer to acquire Fusion Shares to be made by Paladin to Fusion Shareholders in connection with the Takeover Bid;

"Offer Period" means the period during which the Offer is open for acceptance;

"Paladin Group" means Paladin and its Related Bodies Corporate;

"Paladin Share" means a fully paid ordinary share issued in the capital of Paladin;

"Related Body Corporate" has the meaning given in the Corporations Act;

"Shovelanna Iron Ore Project" means the iron ore project between Cazaly Resources Limited, Cazaly Iron Pty Ltd and Fusion over the land subject to Exploration Licence Application 46/678, evidenced by the document entitled 'Shovelanna Deed' dated on or about 25 November 2005; and

"TSX" means the Toronto Stock Exchange.

For personal use only

APPENDIX 2

*of the ASX Announcement dated 2 December 2008
(30 pages)*

PALADIN ENERGY LIMITED

FUSION RESOURCES LIMITED

TAKEOVER BID IMPLEMENTATION AGREEMENT

BLAKISTON & CRABB
LAWYERS

1202 Hay Street
WEST PERTH WA 6005
Tel: +61 (0) 8 9322 7644
Fax: +61 (0) 8 9322 1506
Website: www.blakcrab.com.au
Ref: MC.PDN/15610

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TAKEOVER BID IMPLEMENTATION AGREEMENT

THIS Agreement is dated 2 December 2008

BETWEEN:

PALADIN ENERGY LIMITED ACN 061 681 098 of 1st Floor, Grand Central 26 Railway Road, Subiaco, Western Australia ("**Paladin**");

AND

FUSION RESOURCES LIMITED ACN 100 287 385 of Level 9, BGC Centre, 28 The Esplanade, Perth, Western Australia ("**Fusion**").

RECITALS:

- A. Paladin is proposing to make a Takeover Bid to acquire Fusion Shares.
- B. The Fusion Directors are proposing to recommend the Takeover Bid, in the absence of a Superior Proposal.
- C. It is a pre-requisite to Paladin making the Takeover Bid and the Fusion Directors making the recommendation that the parties enter into this Agreement.

AGREED as follows:

1. DEFINED TERMS AND INTERPRETATION

1.1 Defined terms

In this Agreement, the following definitions apply unless the context requires otherwise:

"**Adviser**" means, in relation to an entity, a financier, financial adviser, corporate adviser, legal adviser, or technical or other expert adviser or consultant who provides advisory services in a professional capacity to the market in general and who has been engaged by that entity;

"**Agreed Announcement**" means an announcement in the terms agreed in writing between the parties;

"**Agreed Bid Terms**" means the terms and conditions set out in Schedule 1;

"**Agreement**" means this takeover bid implementation agreement;

"**Announcement Date**" means the date on which Paladin and Fusion release the Agreed Announcement to the ASX;

"**ASIC**" means the Australian Securities and Investments Commission;

"**ASX**" means the Australian Securities Exchange;

"Bidder's Statement" means the bidder's statement and acceptance form under sections 636 and 637 of the Corporations Act, and which includes the Offer;

"Break Fee" has the meaning given in clause 8.1;

"Business Day" means a day on which the banks are open for business in Perth, Australia, excluding a Saturday, Sunday or public holiday;

"Cazaly" means Cazaly Resources Limited ACN 101 049 334;

"Common Terms Agreement" means the agreement dated 25 May 2006 between Paladin Finance Pty Ltd, Paladin Energy Ltd, Langer Heinrich Mauritius Holdings Ltd, Langer Heinrich Uranium (Pty) Ltd, Société Générale, Australia Branch, N.B.S.A. Nominees Ltd and Standard Bank;

"Competing Proposal" means a proposal pursuant to which a person (other than Paladin or another entity in the Paladin Group) would, if the proposal were implemented:

- (a) directly or indirectly, acquire an interest, a relevant interest in or become the holder of:
 - (i) more than 20% of the Fusion Shares; or
 - (ii) the whole or a substantial part or a material part of the business or property of Fusion;
- (b) acquire control of Fusion, within the meaning of section 50AA of the Corporations Act; or
- (c) otherwise acquire or merge with Fusion (including by way of a scheme of arrangement, reverse takeover bid or dual listed companies structure);

"Communications" means all forms of communications, whether written, oral, in electronic format or otherwise, and whether direct or indirect via agents or Representatives;

"Confidentiality Deed" means the deed dated 13 November 2008 between Paladin and Fusion;

"Corporations Act" means the *Corporations Act 2001* (Cth);

"Department" means the Department of Mines and Energy (Queensland) being the department of the government of Queensland responsible for the administration of the Mining Act or any other government body, department or authority as may replace it from time to time;

"Encumbrance" means any mortgage, pledge, lien, hypothecation, charge or other form of security interest or interest in the nature of a security interest;

"Fusion Board" means the board of directors of Fusion;

"Fusion Director" means a director of Fusion;

"Fusion Group" means Fusion and its Related Bodies Corporate;

"Fusion Option" means an option to subscribe for a Fusion Share;

"Fusion Preference Shares" means the B class convertible cumulative preference shares in the capital of Fusion;

"Fusion Share" means a fully paid ordinary share issued in the capital of Fusion;

"Fusion Shareholder" means a person who is recorded in Fusion's register of members as the holder of one or more Fusion Shares;

"Government Agency" means any government or representative of a government or any governmental, semi-governmental, administrative, fiscal, regulatory or judicial body, department, commission, authority, tribunal, agency, competition authority or entity whether foreign, federal, state, territorial or local in any part of the world. It includes ASIC and ASX (and any other stock exchange);

"JORC Code" means the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves current as at the date of this Agreement;

"Listing Rules" means the Listing Rules of the ASX and/or the TSX, as appropriate, and as amended from time to time;

"Market Event" means either or both of the following occurring:

- (a) Paladin's closing Share price is less than \$1.85 for 5 consecutive trading days during the Offer Period; or
- (b) that the All Ordinaries Index published by the ASX at the close of business on any 5 consecutive trading days after the Announcement Date is below 3121;

"Material Adverse Change" means any event, change or condition that has, or could reasonably be expected to have, a material adverse effect on:

- (i) the business, assets, liabilities, financial or trading position, profitability or prospects of the Fusion Group, taken as a whole, since 30 June 2008;
- (ii) the status or terms of arrangements entered into by the Fusion Group; or
- (iii) the status or terms of any approvals, licences or permits from Public Authorities applicable to the Fusion Group,

except for events, changes and conditions publicly announced by Fusion or otherwise disclosed in public filings by Fusion or any of its subsidiaries

prior to the Announcement Date where the relevant disclosure is not, and is not likely to be, incomplete, incorrect, untrue or misleading;

"Mining Act" means the Minerals Resources Act (1989) (Queensland);

"Offer" means each offer to acquire Fusion Shares to be made by Paladin to Fusion Shareholders in connection with the Takeover Bid;

"Offer Period" means the period during which the Offer is open for acceptance;

"Officer" means, in relation to an entity, its directors, officers and employees;

"Paladin Group" means Paladin and its Related Bodies Corporate;

"Paladin Share" means a fully paid ordinary share issued in the capital of Paladin;

"Related Body Corporate" has the meaning given in the Corporations Act;

"Representative" means, in relation to a party:

- (a) a Related Body Corporate of the party;
- (b) an Officer of the party or any of the party's Related Bodies Corporate; or
- (c) an Adviser to the party or any of the party's Related Bodies Corporate;

"Shovelanna Iron Ore Project" means the iron ore project between Cazaly Resources Limited, Cazaly Iron Pty Ltd and Fusion over the land subject to Exploration Licence Application 46/678, evidenced by the document entitled 'Shovelanna Deed' dated on or about 25 November 2005;

"Stakeholder" means any community group, industry group, environmental group, landowners, traditional landowners or native title applicants or holders;

"Superior Proposal" means a bona fide Competing Proposal which the Fusion Directors have determined, in good faith after consultation with their external legal and financial advisers, is:

- (a) reasonably capable of being valued, taking into account all aspects of the Competing Proposal and the person making it;
- (b) reasonably capable of being completed on a timely basis and is no more conditional than the Offer as at the time of announcement of the Offer; and
- (c) is more favourable to Fusion Shareholders than the Offer, taking into account all the terms and conditions of the Competing Proposal;

"TSX" means the Toronto Stock Exchange;

"Takeover Bid" means a takeover bid for Fusion by Paladin that satisfies the requirements in clause 2.1;

"Target's Statement" means the target's statement under sections 638 and 639 of the Corporations Act in relation to the Offer; and

"VWAP" means volume weighted average price.

1.2 Interpretation

In this Agreement, headings are for convenience only and do not affect the interpretation of this Agreement and, unless the context otherwise requires:

- (a) words importing the singular include the plural and vice versa;
- (b) words importing a gender include any gender;
- (c) an expression importing a natural person includes any company, partnership, joint venture, association, corporation or other body corporate and any Government Agency;
- (d) a reference to any thing (including, but not limited to, any right) includes a part of that thing but nothing in this clause 1.2(d) implies that performance of part of an obligation constitutes performance of the obligation;
- (e) a reference to a clause, party, annexure, exhibit or schedule is a reference to a clause of, and a party, annexure, exhibit and schedule to, this Agreement and a reference to this Agreement includes any annexure, exhibit and schedule;
- (f) a reference to a statute, regulation, proclamation, ordinance or by-law includes all statutes, regulations, proclamations, ordinances or by-laws amending, consolidating or replacing it, whether passed by the same or another Government Agency with legal power to do so, and a reference to a statute includes all regulations, proclamations, ordinances and by-laws issued under that statute;
- (g) a reference to a document includes:
 - (i) all amendments or supplements to, or replacements or novations of, that document; and
 - (ii) any agreement in writing, or any certificate, notice, instrument or other document of any kind whether stored or provided in paper or electronic form;
- (h) a reference to a party to a document includes that party's successors and permitted assigns;

- (i) no provision of this Agreement will be construed adversely to a party solely on the ground that the party was responsible for the preparation of this Agreement or that provision;
- (j) a reference to an agreement other than this Agreement includes an undertaking, agreement or legally enforceable arrangement or understanding whether or not in writing;
- (k) a reference to an asset includes all property of any nature, including, but not limited to, a business, and all rights, revenues and benefits;
- (l) a reference to a body, other than a party to this Agreement (including, without limitation, an institute, association or authority), whether statutory or not:
- (i) which ceases to exist; or
 - (ii) whose powers or functions are transferred to another body,
- is a reference to the body which replaces it or which substantially succeeds to its powers or functions;
- (m) (without limiting the ways in which information can be provided or disclosed) information will be deemed to have been provided or disclosed by one party to the other if the party provides the other party or its agents or advisers with a document and the relevant piece of information is disclosed in the document;
- (n) where a word or phrase is given a defined meaning, any other part of speech or grammatical form of that word or phrase has a corresponding meaning;
- (o) the word "includes" in any form is not a word of limitation;
- (p) a reference to "\$" or "dollar" is to Australian currency; and
- (q) a reference to any time is a reference to that time in Perth, Australia.

1.3 Consents and approvals

If the doing of any act, matter or thing under this Agreement is dependent on the consent or approval of a party or is within the discretion of a party, such consent or approval may be given or such discretion may be exercised conditionally or unconditionally or withheld by the party in its absolute discretion (unless this Agreement specifies otherwise).

1.4 Business Day

Except where otherwise expressly provided, where under this Agreement the day on which any act, matter or thing is to be done is a day other than a Business Day, such act, matter or thing will be done on the next Business Day.

2. THE TAKEOVER BID

2.1 Making of the Takeover Bid

Paladin must make offers pursuant to an off-market takeover bid under Chapter 6 of the Corporations Act to acquire Fusion Shares on terms no less favourable than the Agreed Bid Terms.

2.2 Announcement of Takeover Bid

- (a) As soon as practicable after both parties have executed this Agreement, Paladin must publicly release to the ASX the Agreed Announcement.
- (b) As soon as practicable after both parties have executed this Agreement, Fusion must publicly release to the ASX the Agreed Announcement.

2.3 Paladin may use members of Paladin Group

Paladin may satisfy its obligations under clauses 2.1 and 2.2(a) by causing another entity in the Paladin Group to perform the obligations referred to in those clauses, in which case references to:

- (a) the Takeover Bid are references to the Takeover Bid by that entity; and
- (b) Paladin making the Takeover Bid are references to Paladin causing that entity to make the Takeover Bid.

2.4 Fusion's Assessment of the Takeover Bid

Fusion represents and warrants that the:

- (a) Fusion Board has met and considered the possibility of Paladin agreeing to make the Takeover Bid; and
- (b) Fusion Directors have informed Fusion that, if Paladin complies with clause 2.1, they will announce to ASX that they unanimously recommend that Fusion Shareholders accept an offer under the Takeover Bid and will accept the Offer in respect of any Fusion Shares that they own or control, subject in each case to there being no Superior Proposal.

3. FACILITATION OF OFFER

3.1 Bidder's Statement and Target's Statement

- (a) Paladin must prepare a Bidder's Statement.
- (b) Paladin will give Fusion a reasonable opportunity to review one or more drafts of the Bidder's Statement, and will consult in good faith with Fusion with respect to any comments Fusion may have.

- (c) Fusion must prepare a Target's Statement.
- (d) Fusion will give Paladin a reasonable opportunity to review one or more drafts of the Target's Statement and will consult in good faith with Paladin with respect to any comments Paladin may have.
- (e) Fusion will include in its Target's Statement particulars of:
- (i) any right (whether subject to conditions or not) which any person (other than a member of the Paladin Group) has or will have as a result of Paladin making the Offer or acquiring Fusion Shares to:
 - A. acquire, or require the disposal of, or require Fusion or a subsidiary of Fusion to offer to dispose of, any material asset of Fusion or the Fusion Group; or
 - B. terminate, or vary the terms or performance of, any material agreement with Fusion or the Fusion Group; and
 - (ii) any litigation or dispute which is material to Fusion or in the context of the Fusion Group as a whole; and
 - (iii) all such other information required to be included under the Corporations Act.
- (f) Fusion must provide any assistance and information reasonably requested by Paladin to enable Paladin to prepare and finalise the Bidder's Statement.
- (g) Paladin must provide any assistance and information reasonably requested by Fusion to enable Fusion to prepare and finalise the Target's Statement.
- (h) Fusion and Paladin must consult with each other a reasonable time in advance of any action which may cause a breach or non-fulfilment of the conditions of the Takeover Bid.

3.2 Early despatch of Offers

- (a) Fusion agrees that the Offers and accompanying documents to be sent by Paladin under the Takeover Bid under item 6 of section 633(1) of the Corporations Act may be sent on a date nominated by Paladin that is earlier than the date for sending under item 6 of section 633(1) of the Corporations Act.
- (b) Paladin agrees to use its best endeavours to send Offers and accompanying documents under the Takeover Bid to Fusion Shareholders within 4 weeks of the date of this Agreement, but must do so no later than 2 months after the Announcement Date.
- (c) Unless prevented from doing so by prevailing law or regulations, Fusion agrees to use its best endeavours to ensure that its Target's

Statement is despatched to Fusion Shareholders together with the Offers and accompanying documents to be sent by Paladin under the Takeover Bid.

3.3 Reasonable access and information

- (a) From the date of this Agreement until the end of the Offer Period, Fusion must provide Paladin with reasonable access to the management, offices, books, records and business operations of Fusion.
- (b) Fusion acknowledges that as at the date of this Agreement it has not given Paladin any information which is not generally available (as that term is defined in section 1042C of the Corporations Act) which a reasonable person would expect to have a material effect on the price or value of the Fusion Shares.

3.4 Promote the Takeover Bid

- (a) During the Offer Period, Fusion will use its best endeavours to procure that all of the Fusion Directors maintain (including by statements in the Target's Statement):
 - (i) their unanimous recommendation that Fusion Shareholders accept the Offer, in the absence of a Superior Proposal; and
 - (ii) their stated intention to accept the Offer in respect of Fusion Shares that they own or control, in the absence of a Superior Proposal.
- (b) During the Offer Period, Fusion will procure that the chairman of directors, the managing director and such other senior executives as reasonably requested by Paladin will participate in efforts reasonably required by Paladin to promote the merits of the Takeover Bid, including (at Paladin's request):
 - (i) meeting with key Fusion Shareholders; and
 - (ii) communicating with Fusion's employees and any other persons,subject only to a qualification that there is no Superior Proposal.
- (c) Fusion will direct its share registry to co-operate with Paladin in implementing and promoting the Offer.

3.5 Bid conditions

- (a) Fusion and Paladin agree not to knowingly do (or knowingly omit to do) anything which will, or is likely to, result in any of the conditions of the Takeover Bid being breached.
- (b) To avoid any doubt in this Agreement, a reference to a condition of the Takeover Bid being breached includes a reference to a condition

of the Takeover Bid not being, or not being capable of being, satisfied.

- (c) If any event occurs or becomes apparent which would cause any of the conditions of the Takeover Bid to be breached or prevent them from being able to be satisfied, Fusion or Paladin must, to the extent such information is within the relevant party's actual knowledge, immediately notify the other party of the event.
- (d) Nothing in this clause 3.5 prevents Fusion or the Fusion Directors from taking or refusing to take any action provided that the Fusion Directors have determined, in good faith after having consulted with their external legal and financial advisers, that failing to take, or failing to refuse to take, such action would or would be likely to constitute a breach of the Fusion Directors' fiduciary or statutory obligations.

3.6 Fusion Preference Shares

Fusion must ensure that the Fusion Board:

- (a) does all things and takes all actions:
 - (i) required by the terms of the Fusion Preference Shares, the Listing Rules, the Corporations Act and the Fusion Constitution; or
 - (ii) reasonably requested by Paladin,
to satisfy condition 4(e) of the Agreed Bid Terms, including giving notices in accordance with the terms of the Fusion Preference Shares, the Listing Rules, the Corporations Act, the Fusion Constitution and any general law requirement;
- (b) does not exercise any discretion given to Fusion or the Fusion Board under the terms of the Fusion Preference Shares or the Fusion Constitution with respect to the Fusion Preference Shares without the prior written consent of Paladin; and
- (c) recommends that Fusion Shareholders vote in favour of any resolutions, either at a meeting or by written resolution, or take any other steps or actions, required to satisfy condition 4(e) of the Agreed Bid Terms.

3.7 No independent expert

Fusion agrees that an expert's report for the Target's Statement is not required under section 640 of the Corporations Act.

3.8 Conduct of business

From the date of this Agreement until the end of the Offer Period, Fusion covenants it will, except for events, changes and conditions publicly announced by Fusion or otherwise disclosed in public filings by Fusion or

any of its subsidiaries prior to the Announcement Date where the relevant disclosure is not, and is not likely to be, incomplete, incorrect, untrue or misleading or unless Paladin agrees otherwise in writing:

- (a) not knowingly take any action which causes a breach of any of the Agreed Bid Terms;
- (b) conduct the Fusion Group's business in the usual and ordinary course consistent with past practice;
- (c) maintain its current liabilities at normal levels and discharge current liabilities as they fall due;
- (d) promptly notify Paladin of anything of which it becomes aware that:
 - (i) is or may be a Material Adverse Change; or
 - (ii) makes any warranty in this Agreement false, inaccurate, misleading or deceptive;
- (e) not acquire, dispose of or create any Encumbrance over, or agree to acquire or dispose of or create an Encumbrance over an asset (other than in the ordinary course of business as an exploration company);
- (f) not acquire or dispose of one or more assets, entities or businesses for an amount in aggregate of more than \$100,000;
- (g) Fusion will provide Paladin, as soon as practicable, with copies of any correspondence received by it from the Department or any Stakeholder in respect of any of the mining tenements;
- (h) Fusion will not:
 - (i) contact or correspond (directly or indirectly); or
 - (ii) make or lodge any submission, report or application (whether formal or informal),

with the Department or any Stakeholder in respect of any mining tenement without obtaining Paladin's prior written consent as to the form and content of any relevant contact, correspondence, submission, report or application;
- (i) not relinquish, surrender or otherwise dispose of any right or interest in any mining tenement (other than in accordance with the Mining Act or the conditions of the relevant mining tenement);
- (j) Fusion will not enter into any:
 - (i) farm-in, joint venture, partnership or similar arrangements; or
 - (ii) royalty, offtake, marketing or similar arrangements,in respect of any of its mining tenements;

- For personal use only
- (k) not enter into any or resolve to enter into any compromise, arrangement, scheme or other form of arrangement with a receiver, receiver and manager, administrator or other controller in relation to any of its assets or undertakings;
 - (l) not incur or commit to incur capital expenditure (other than in the ordinary course of business) and to not undertake, or commit to undertake any exploration, development or capital investment activities in respect of any of its mining tenements other than those activities conducted in the ordinary course of ordinary business or as required to comply with the Mining Act or the conditions of a mining tenement;
 - (m) preserve its relationships with suppliers, licensors, licensees, joint venturers and others with whom it has business dealings,
 - (n) keep available the services of its officers and employees;
 - (o) not alter the terms of engagement or benefits provided to any director or consultant;
 - (p) not (except as required by law) do, agree or offer to do, any of the following:
 - A. increase the remuneration of or pay any bonus (whether due or otherwise and howsoever to be paid or given) or issue any securities or options to, or otherwise vary the employment agreements with, any of its directors, employees or consultants;
 - B. accelerate the rights of any of its directors or employees to benefits of any kind; or
 - C. pay a director, executive, employee or consultant a termination payment by way of termination payment or as provided for in an existing employment or services contract in place as at the date of this Agreement;
 - (q) not agree to do any of the matters set out in paragraph (p) above.
 - (r) not hire a person (whether as an employee or consultant) or end the employment of an employee, or alter the terms of employment or benefits of an employee;
 - (s) not appoint any person as a director of Fusion (other than as contemplated by this Agreement);
 - (t) not, other than as contemplated by this Agreement:
 - (i) convert all or any of its shares into a larger or smaller number of shares;

- (ii) resolve to reduce its share capital in any way (other than a selective capital reduction in connection with the Fusion Preference Shares);
- (iii) enter into a buy-back agreement or resolve to approve the terms of a buy-back agreement;
- (iv) except with respect to shares in any party issued on the conversion of options or preference shares in existence at the Announcement Date, issue shares, grant an option to subscribe for its shares or agree to make such an issue or grant such an option;
- (v) agree to issue convertible notes;
- (vi) dispose or agree to dispose of the whole or a substantial part of its business or property; or
- (vii) resolve to be wound up.

3.9 Market Event

Other than as required by the Listing Rules or the Corporations Act, if a Market Event occurs Fusion and the Fusion Directors are released from their obligations under this clause 3.

4. TAKEOVER BID – VARIATION AND WAIVER

4.1 Variation

Paladin may vary the terms and conditions of the Takeover Bid in any manner which is permitted by the Corporations Act.

4.2 Waiver of conditions and extension

Subject to the Corporations Act, Paladin may declare the Takeover Bid to be free from any condition or to extend the Takeover Bid at any time.

5. PUBLIC ANNOUNCEMENTS AND COMMUNICATIONS

5.1 Announcements

- (a) Subject to paragraph (b), each party must use its best endeavours to consult with the other party prior to making any public announcements in connection with the Offer (other than the Agreed Announcement which has already been agreed).
- (b) Where a party is required by applicable law or stock exchange rules to make any announcement or make any disclosure relating to matters the subject of the Offer (including any supplementary Bidder's Statement or Target's Statement), it may do so only after it has to the maximum extent possible in the circumstances:

- (i) given the other party as much notice as is reasonably practicable in the context of any deadlines imposed by law or a Government Agency; and
- (ii) has consulted with the other party as to the content of that announcement or disclosure.

5.2 Communications

Except in relation to Communications regulated by clause 2.2 or 5.1 and to the extent permitted by applicable law:

- (a) the parties must in good faith consult with each other in advance on the proposals or plans for any Communications in relation to the Offer with:
 - (i) Fusion Shareholders (including scripts for telephone call centres established or maintained in connection with the Offer);
 - (ii) any Government Agency; and
 - (iii) any rating agency or any other third party, including the media; and
- (b) each party must provide copies to each other of any written Communications sent to or received from a person referred to in subparagraphs (i), (ii) or (iii) of paragraph (a) as soon as practicable following despatch or receipt (as the case may be), provided that such copies may mask any confidential and sensitive information.

6. WARRANTIES

6.1 Joint Warranties

Each party represents and warrants to the other that, at the date of this Agreement:

- (a) it is duly incorporated under the laws of the place of its incorporation;
- (b) it has the power and authority to sign this Agreement and perform and observe all its terms;
- (c) this Agreement has been duly executed and is a legal, valid and binding agreement, enforceable against it in accordance with its terms;
- (d) it is not bound by any contract which may restrict its right or ability to enter into or perform this Agreement; and
- (e) it is not aware of any act, omission, event or fact that would result in one or more of the conditions to the Offer set out in Schedule 1

being triggered, except as disclosed by a party to the other party in writing prior to the date of this Agreement.

6.2 Fusion Warranties

Fusion represents and warrants to Paladin that:

- (a) as at the date of the Offer, holders of Fusion Shares whose last address as shown in the register of Fusion Shareholders is in Canada hold less than 10% of the Fusion Shares on issue; and
- (b) the published market on which the greatest volume of trading in Fusion Shares occurred during the 12 months preceding the date of the Offer was not in Canada.

7. EXCLUSIVITY

7.1 No-shop restriction

During the term of this Agreement, Fusion must ensure that neither it nor any of its Representatives directly or indirectly solicits, initiates, invites, facilitates or encourages any person, or communicates any intention to do any of these things, with a view to obtaining any offer or proposal from any person in relation to a Competing Proposal.

7.2 No-talk restriction

Subject to clause 7.5, during the term of this Agreement, Fusion must ensure that neither it nor any of its Representatives initiates, negotiates or enters into, continues or participates in negotiations or discussions with any other person regarding a Competing Proposal, even if:

- (a) that person's Competing Proposal was not directly or indirectly solicited, initiated, or encouraged by Fusion or any of its Representatives; or
- (b) that person has publicly announced their Competing Proposal.

7.3 No due diligence

Without limiting the general nature of clause 7.2 but subject to clause 7.5, during the term of this Agreement Fusion must not without Paladin's prior written consent:

- (a) solicit, invite, facilitate or encourage any party (other than Paladin or its Representatives) to undertake due diligence investigations on Fusion or any of its Related Bodies Corporate where to do so would involve a breach of clause 7.1; or
- (b) make available to any person (other than to Paladin or its Representatives) or permit any such person to receive any non-public information relating to Fusion or any of its Related Bodies Corporate.

7.4 Notification

Subject to clause 7.5, during the term of this Agreement Fusion must immediately inform Paladin if it is approached by any person to engage in any activity that would breach its obligations in clauses 7.2 or 7.3 (or would breach its obligations in clauses 7.2 or 7.3 if it were not for clause 7.5), in which case Fusion must also keep Paladin reasonably informed about the nature of any further or ongoing interaction with any such persons.

7.5 Exceptions

The obligations in clauses 7.2, 7.3 and 7.4 do not apply to the extent that they:

(a) restrict Fusion or the Fusion Board from taking any action in respect of a bona fide Competing Proposal which was not initiated, encouraged, solicited, invited, facilitated or initiated by Fusion in contravention of clause 7.1; or

(b) require Fusion to provide the notification referred to in clause 7.4,

provided in each case that the Fusion Board has determined in good faith and acting reasonably, that failing to respond to that Competing Proposal or providing the notification referred to in clause 7.4 (as applicable) would be likely to constitute a breach of the Fusion Directors' fiduciary or statutory obligations, after receiving written advice to that effect from Fusion's external lawyers.

7.6 No existing negotiations or discussions

Fusion represents and warrants to Paladin that, at the date of this Agreement, it is not engaged in any negotiations or discussions with any entity or person in relation to the possible making of a Competing Proposal and has not received any communications indicating that Fusion will be approached to commence such negotiations or discussions.

8. BREAK FEE

8.1 Undertaking to pay Break Fee

Unless a Market Event has occurred, Fusion undertakes to pay Paladin a compensating amount of A\$400,000 (plus any GST) (the "**Break Fee**") if:

(a) the following occur:

(i) before the end of the Offer Period, a Competing Proposal is announced or open for acceptance; and

(ii) a person acquires an interest in all or a substantial part of the assets of the Fusion or its subsidiaries or a relevant interest in more than 50% of the Fusion Shares under that Competing Proposal; and

- (iii) in the case of a Competing Proposal that is a takeover bid made under Chapter 6 of the Corporations Act, the Competing Proposal becomes free from all defeating conditions either before or after the end of the offer period under the Competing Proposal; or
- (b) all of the Fusion Directors do not recommend the Takeover Bid or any one or more Fusion Directors withdraws an earlier recommendation or recommends a Competing Proposal (or announces an intention to do any of the foregoing); or
- (c) Fusion or any of the Fusion Directors knowingly does (or knowingly omits to do) anything (whether or not it may be permitted by the terms of this Agreement) which results in any of the conditions of the Takeover Bid being breached and Paladin does not declare the Takeover Bid free of the breached condition (which Paladin is under no obligation to do); or
- (d) there is a breach of clause 7 of this Agreement by Fusion.

8.2 Payment

Fusion must pay the Break Fee to Paladin in immediately available funds within one Business Day after the first to occur of any of the events described in clause 8.1 above.

8.3 Repayment

If, notwithstanding the occurrence of any of the events referred to in clause 8.1, Paladin ultimately declares the Offer unconditional (whether after the satisfaction or waiver of the conditions) and acquires a relevant interest in at least 50.1% of the Fusion Shares, Paladin must repay to Fusion any amount received by it under clause 8.1 which has not already been refunded under 8.7.

8.4 Paladin warranty

Paladin warrants to Fusion as at the date of this Agreement that the entry into this Agreement is necessary to procure Paladin to make the Takeover Bid.

8.5 Fusion acknowledgements

Fusion acknowledges that:

- (a) the amount of the Break Fee is reasonable in the context of the Takeover Bid and has been calculated to reimburse Paladin for the following:
- (i) fees for legal and financial advice in planning and implementing the Takeover Bid;

- (ii) reasonable opportunity costs incurred in engaging in the Takeover Bid or not engaging in other alternative acquisitions or strategic initiatives;
- (iii) costs of management and directors' time in planning and implementing the Takeover Bid;
- (iv) out of pocket expenses incurred by Paladin's employees, advisers and agents in planning and implementing the Takeover Bid;
- (v) any damages to Paladin's reputation associated with a failed transaction and the implications of those damages if Paladin seeks to executive alternative acquisitions in the future; and
- (vi) losses associated with any damage to Paladin's goodwill with its customers, suppliers or employees,

in each case, incurred by Paladin directly or indirectly as a result of pursuing the Takeover Bid;

- (b) significant benefits will flow to Fusion and Fusion Shareholders from Paladin making the Takeover Bid; and
- (c) Fusion's entering into the obligations set out in this clause 8 is necessary to induce Paladin to make the Takeover Bid.

8.6 Quantification

The parties acknowledge and agree that the loss actually incurred by Paladin under clause 8.5(a) will be of such a nature that it cannot accurately be ascertained. The amount of the Break Fee is a genuine and reasonable pre-estimate of those fees, costs and losses.

8.7 Compliance with law

If:

- (a) it is found by the Takeovers Panel or a court that all or any part of the Break Fee is unlawful, involves a breach of director's duties or constitutes unacceptable circumstances within the meaning of section 657A of the Corporations Act and the period for lodging an application for review or a notice of appeal (as applicable) has expired without such an application or notice having been lodged; or
- (b) an application for review or a notice of appeal having been lodged with the Takeovers Panel or a court within the prescribed period, it is found by the relevant review panel or appeal court that all or any part of the Break Fee is unlawful, involves a breach of director's duties or constitutes unacceptable circumstances within the meaning of section 657A of the Corporations Act,

then:

- For personal use only
- (c) the undertaking under clause 8.1 does not apply in respect of that part of the payment which is found to be unlawful, involve a breach of director's duties or constitute unacceptable circumstances; and
 - (d) Paladin must refund to Fusion that part of the payment paid to Paladin under this Agreement.

9. TERMINATION

9.1 Termination for material breach

A party (the **Terminating Party**) may terminate this Agreement at any time, by notice to the other party, if:

- (a) the other party is in breach of any clause of this Agreement, which breach is material in the context of the Offer;
- (b) the Terminating Party has given notice to the other party setting out the material breach and stating an intention to terminate this Agreement; and
- (c) the material breach has continued to exist for five Business Days from the time such notice is given.

9.2 Other termination rights

A party may terminate this Agreement at any time, by notice to the other, if:

- (a) Paladin withdraws the Offer for any reason including non-satisfaction of a condition to the Offer; or
- (b) Fusion recommends a Superior Proposal provided such proposal was not encouraged, solicited, invited, facilitated or initiated by Fusion in contravention of clause 7.1; or
- (c) Paladin sends compulsory acquisition notices under Part 6A.1, Division 1 of the Corporations Act in relation to Fusion.

9.3 Effect of termination

If this Agreement is terminated under clause 9.1 or 9.2, this Agreement will have no further force or effect and the parties will have no further obligations under this Agreement, other than in respect of any accrued rights or remedies including in respect of any liability for an antecedent breach of this Agreement and provided that this clause 9, and clauses 6 and 10 survive termination.

10. MISCELLANEOUS

10.1 Notices

- (a) Any notice given under this Agreement:

must be in writing addressed to the intended recipient at the address shown below or the address last notified by the intended recipient to the sender:

Paladin

Address: 1st Floor, Grand Central
26 Railway Road
SUBIACO WA 6008

Attention: Company Secretary
Fax: + 61 8 9381 4978

Fusion

Address: Level 9, BGC Centre
28 The Esplanade
PERTH WA 6000

Attention: Company Secretary
Fax: +61 8 9322 6558

- (b) must be signed by a person duly authorised by the sender; and
- (c) will be taken to have been given when delivered, received or left at the above address. If delivery or receipt occurs on a day when business is not generally carried on in the place to which the notice is sent, or is later than 5.00 pm (local time), it will be taken to have been duly given at the commencement of business on the next day when business is generally carried on in that place.

10.2 Entire agreement

Subject to the Confidentiality Deed, this Agreement contains the entire agreement between the parties with respect to its subject matter. It sets out the only conduct relied on by the parties and supersedes all earlier conduct and prior agreements and understandings between the parties in connection with its subject matter.

10.3 Amendment

This Agreement may be amended only by another agreement executed by all parties.

10.4 Assignment

The rights and obligations of each party under this Agreement are personal. They cannot be assigned, charged or otherwise dealt with, and no party shall attempt or purport to do so, without the prior written consent of the other party.

10.5 Severance

Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction will be ineffective in that jurisdiction to the extent of the

prohibition or unenforceability. That will not invalidate the remaining provisions of this Agreement nor affect the validity or enforceability of that provision in any other jurisdiction.

10.6 No waiver

A failure to exercise or a delay in exercising any right, power or remedy under this Agreement does not operate as a waiver. A single or partial exercise or waiver of the exercise of any right, power or remedy does not preclude any other or further exercise of that or any other right, power or remedy. A waiver is not valid or binding on the party granting that waiver unless made in writing.

10.7 Further assurances

Each party must do anything necessary (including executing agreements and documents) to give full effect to this Agreement and the transactions contemplated by it.

10.8 No merger

The rights and obligations of the parties will not merge on completion of any transaction under this Agreement. They will survive the execution and delivery of any assignment or other document entered into for the purpose of implementing any transaction.

10.9 Costs and expenses

Each party will pay its own costs and expenses in connection with:

- (a) the negotiation, preparation, execution, and performance of this Agreement;
- (b) the proposed, attempted or actual implementation of this Agreement; and
- (c) the Offer generally.

10.10 GST

- (a) Unless otherwise expressly stated, all amounts payable under this Agreement are expressed to be exclusive of GST. If GST is payable on a Taxable Supply made under or in connection with this Agreement, the recipient of the supply must pay the supplier an additional amount equal to the GST payable on that supply provided that the supplier first issues a tax invoice for that supply.
- (b) Without limiting clause 10.10(a), if an amount payable under this Agreement is calculated by reference to a liability incurred by a party, then the amount of the liability must be reduced by the amount of any Input Tax Credit to which that party is entitled in respect of the acquisition of the supply to which that liability relates. A party will be assumed to be entitled to a full Input Tax Credit unless it

demonstrates that its entitlement is otherwise prior to the date on which payment must be made.

- (c) Words and expressions used in this clause 10.10 have the same meaning as in *A New Tax System (Goods and Services) Tax Act 1999 (Cth)*.

10.11 Governing law

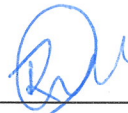
This Agreement is governed by the laws of Western Australia. The parties submit to the non-exclusive jurisdiction of courts exercising jurisdiction there.

10.12 Counterparts

This Agreement may be executed in any number of counterparts. All counterparts taken together will be taken to constitute one agreement. The parties agree that a facsimile copy of a counterpart received from a party shall be regarded as an original copy of the counterpart received from that party.

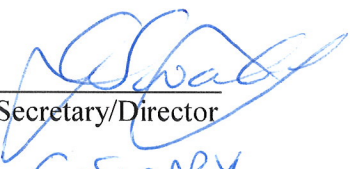
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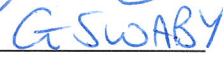
SIGNED for and on behalf of)
PALADIN ENERGY LIMITED)
by authority of its Directors in)
accordance with section 127 of)
the Corporations Act)



Director

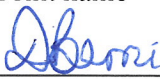

Print name



Secretary/Director


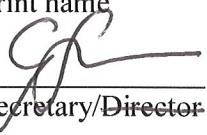
Print name

SIGNED for and on behalf of)
FUSION RESOURCES)
LIMITED)
by authority of its Directors in)
accordance with section 127 of)
the Corporations Act)



Director


Print name



Secretary/Director


Print name

SCHEDULE 1

AGREED BID TERMS

1. Takeover Offer

Paladin will make an off-market takeover offer to acquire 100% of the Fusion Shares which are not already held by Paladin. The offer will extend to Fusion Shares which are issued during the Offer Period due to a conversion or exercise of rights attached to securities which exist or will exist, as at the date of the Offer.

2. Offer Price

Subject to the terms of the Offer, Paladin will offer 1 Paladin Share for every 6 Fusion Shares. If a Fusion Shareholder becomes entitled to a fraction of a Paladin Share that fraction will be rounded to the nearest whole number of shares, with a fraction of 0.5 being round down.

3. Offer Period

The Offer will remain open for a minimum period of 1 month (unless withdrawn during that period under section 652B of the Corporations Act).

4. Offer Conditions

The Offer is subject to the fulfilment of the following conditions:

(a) Minimum Acceptance

At or before the end of the Offer Period, Paladin has a relevant interest in such number of Fusion Shares which represents at least 90% of the aggregate of all the Fusion Shares on issue at the end of the Offer Period.

(b) Consent to Quotation

The TSX consents to the issue and quotation of the Paladin Shares to be issued under the Offer on that exchange on an unconditional basis or subject only to customary conditions.

(c) Lender's Consent

The Société Générale, Australia Branch (ABN 71 092 516 286), in its capacity as agent under the Common Terms Agreement:

- (i) irrevocably and unconditionally consents to the acquisition by Paladin of all the Fusion Shares pursuant to the Offer for the purposes of the Common Terms Agreement; and
- (ii) irrevocably and unconditionally waives any default under the Common Terms Agreement which has arisen, or may arise, solely as a result of the announcement or completion of the Offer by Paladin.

(d) **Options**

During or at the end of the Offer Period, either:

- (i) all Fusion Options have been exercised, cancelled or transferred to Paladin or agreement has been reached between Paladin and the holders of the Fusion Options to do so; or
- (ii) Paladin is entitled to compulsorily acquire all outstanding Fusion Options in accordance with Chapter 6A of the Corporations Act.

(e) **Preference Shares**

At the end of the Offer Period all Fusion Preference Shares have been, or the holder of the Fusion Preference Shares has agreed that the Fusion Preference Shares will be, converted into a total of 1,500 Fusion Shares, cancelled, revoked, amended and transferred to Paladin or otherwise rendered permanently ineffective.

(f) **Valhalla North Uranium Project JORC Code Resource**

Before the end of the Offer Period, Fusion announces to ASX that the Valhalla North Uranium Project has a JORC Code compliant resource of not less than 6 million pounds at a cut off of not less than 250ppm of uranium oxide (U_3O_8) based on information compiled by CSA Global Pty Ltd ACN 077 165 532.

(g) **Cash Balance**

At the end of the Offer Period, Fusion has a net cash balance (after allowing for all creditors, contingencies and accruals for any liabilities, including any amounts due by Fusion to Cazaly pursuant to the settlement and release deed referred to in condition (r)) of not less than \$14.0 million.

(h) **No Change of Control Rights**

Between the Announcement Date and the end of the Offer Period (each inclusive), there is no person having any rights, being entitled to have any rights, alleging an entitlement, or expressing or announcing an intention (whether or not that intention is stated to be a final or determined decision of that person) (in all cases whether subject to conditions or not), as a result of any change of control event in respect of Fusion (including Paladin acquiring shares in Fusion) or any of its subsidiaries or assets, to:

- (i) terminate or alter any contractual relations between any person and Fusion or any of its subsidiaries (for this purpose an alteration includes of the operations of a contract, whether or not that altered operation is provided for under the existing terms of the contract);

- (ii) require the termination, modification or disposal (or offer to dispose) of any interest or asset, corporate body, joint venture or other entity; or
- (iii) accelerate or adversely modify the performance of any obligations of Fusion or any of its subsidiaries under any agreements, contracts or other legal arrangements.

(i) **Access to Information**

Between the Announcement Date and the end of the Offer Period, Fusion promptly, and in any event within two Business Days, provides to Paladin a copy of all material information which Paladin may from time to time reasonably request, whether or not generally available (within the meaning of section 1042C of the Corporations Act) relating to Fusion or any of its subsidiaries, or their respective assets, liabilities or operations.

(j) **No Regulatory Actions**

Between the Announcement Date and the end of the Offer Period (each inclusive):

- (i) there is not in effect any preliminary or final decision, order or decree issued by a Government Agency;
- (ii) no action or investigation is announced, commenced or threatened by any Government Agency; and
- (iii) no application is made to any Government Agency (other than by Paladin or any of its associates),

in consequence of or in connection with the Offer (other than an application to, or a decision or order of, ASIC or the Takeovers Panel under, or relating to a breach of, Chapter 6, 6A, 6B or 6C of the Corporations Act or relating to unacceptable circumstances within the meaning of section 657A of the Corporations Act) which restrains, prohibits or impedes, or threatens to restrain, prohibit or impede, the making of the Offer or the acquisition of Fusion Shares under the Offer or the completion of any transaction contemplated by the Bidder's Statement, or seeks to require the divestiture by Paladin of any Fusion Shares, or the divestiture of any material assets of the Fusion Group or Paladin Group.

(k) **No Material Adverse Change**

Between the Announcement Date and the end of the Offer Period, no event, change or condition occurs, is announced or becomes known to Paladin (whether or not it becomes public) where that event, change or condition has had, or could reasonably be expected to have, a material adverse effect on:

- (i) the business, assets, liabilities, financial or trading position, profitability or prospects of the Fusion Group, taken as a whole, since 30 June 2008;

- (ii) the status or terms of arrangements entered into by the Fusion Group; or
- (iii) the status or terms of any approvals, licences or permits from Public Authorities applicable to the Fusion Group,

except for events, changes and conditions publicly announced by Fusion or otherwise disclosed in public filings by Fusion or any of its subsidiaries prior to the Announcement Date where the relevant disclosure is not, and is not likely to be, incomplete, incorrect, untrue or misleading.

(l) No Material Acquisitions, Disposals or New Commitments

Except for any proposed transaction publicly announced by Fusion before the Announcement Date, none of the following events occurs during the period from the Announcement Date to the end of the Offer Period (each inclusive):

- (i) Fusion or any subsidiary of Fusion acquires, offers to acquire or agrees to acquire one or more entities, businesses or assets (or any interest in one or more entities, businesses or assets) for an amount in aggregate greater than \$100,000, or makes an announcement in relation to such an acquisition, offer or agreement;
- (ii) Fusion or any subsidiary of Fusion disposes of, offers to dispose of or agrees to dispose of one or more entities, businesses or assets (or any interest in one or more entities, businesses or assets) for an amount, or in respect of which the book value (as recorded in Fusion's consolidated balance sheet as at 30 June 2008) is, in aggregate, greater than \$100,000, or makes an announcement in relation to such a disposition, offer or agreement; or
- (iii) Fusion or any subsidiary of Fusion enters into, or offers to enter into or agrees to enter into, any agreement, joint venture or partnership which would require expenditure, or the foregoing of revenue, by the Fusion Group of an amount which is, in aggregate, more than \$100,000, other than in the ordinary course of business, or makes an announcement in relation to such an entry, offer or agreement.

(m) Non-Existence of Certain Rights

No person (other than a member of the Paladin Group) has or will have any right (whether subject to conditions or not) as a result of Paladin acquiring Fusion Shares under the Offer to:

- (i) acquire, or require the disposal of, or require Fusion or a subsidiary of Fusion to offer to dispose of, any material asset of Fusion or a subsidiary of Fusion; or

- (ii) terminate, or vary the terms or performance of, any material agreement with Fusion or a subsidiary of Fusion.

(n) **No Prescribed Occurrences**

During the period from the date of the Bidder's Statement to the end of the Offer Period (each inclusive), none of the following occurrences (being the prescribed occurrences listed in section 652C of the Corporations Act) happens:

- (i) Fusion converts all or any of its shares into a larger or smaller number of shares under section 254H of the Corporations Act;
- (ii) Fusion or a subsidiary of Fusion resolves to reduce its share capital in any way (other than a selective capital reduction in connection with the Fusion Preference Shares);
- (iii) Fusion or a subsidiary of Fusion enters into a buy-back agreement or resolves to approve the terms of a buy-back agreement under section 257C(1) or 257D(1) of the Corporations Act;
- (iv) Fusion or a subsidiary of Fusion issues shares (other than as a result of the exercise of Fusion Options or conversion of Fusion Preference Shares) or grants an option over its shares, or agrees to make such an issue or grant such an option;
- (v) Fusion or a subsidiary of Fusion issues, or agrees to issue, convertible notes;
- (vi) Fusion or a subsidiary of Fusion disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
- (vii) Fusion or a subsidiary of Fusion charges, or agrees to charge, the whole, or a substantial part, of its business or property;
- (viii) Fusion or a subsidiary of Fusion resolves to be wound up;
- (ix) a liquidator or provisional liquidator of Fusion or of a subsidiary of Fusion is appointed;
- (x) a court makes an order for the winding up of Fusion or of a subsidiary of Fusion;
- (xi) an administrator of Fusion or of a subsidiary of Fusion is appointed under section 436A, 436B or 436C of the Corporations Act;
- (xii) Fusion or a subsidiary of Fusion executes a deed of company arrangement; or

- (xiii) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of Fusion or a subsidiary of Fusion.

(o) **No Prescribed Occurrences between the Announcement Date and date of Bidder's Statement**

During the period from the Announcement Date to the date that is the day before the date of the Bidder's Statement (each inclusive), none of the occurrences listed in sub-paragraphs (i) to (xiii) of paragraph (n) above happened.

(p) **Fall in Indices**

That the All Ordinaries Index published by the ASX at the close of business on any 5 consecutive trading days after the Announcement Date is not below 3121.

(q) **Paladin Share Price**

That the closing price on Paladin's Shares as traded on ASX does not exceed \$4.00 per Paladin Share for any 5 consecutive trading days during the Offer Period provided for the avoidance of doubt that this defeating condition shall cease to operate as such in the event, during the Offer Period, of any conversion of Paladin Shares into a smaller number pursuant to section 254H of the Corporations Act.

(r) **Settlement of Contingent Liability**

Fusion enters into a settlement and release deed with Cazaly settling all outstanding claims and liabilities due or claimed by Cazaly to be due by Fusion to Cazaly in relation to the decision by the Minister for State Development to terminate Cazaly's application with respect to the Shovelanna Iron Ore Project (notified to Cazaly and Fusion on 21 April 2006), including any and all appeals, applications for review or applications for special leave to appeal concerning such decision which have been or could be made by Cazaly, and releasing Fusion from any and all claims and liabilities to Cazaly including as a result of any costs order made against Cazaly in such proceeding or proceedings or any costs resulting from agreement or agreements, written or otherwise, between Cazaly and Fusion concerning any costs (whether legal, professional, advisory or otherwise whatsoever).