



## PALADIN ENERGY LTD

ACN 061 681 098

13 July 2012

ASX Market Announcements  
Australian Securities Exchange  
20 Bridge Street  
SYDNEY NSW 2000

*By Electronic Lodgement*

Dear Sir/Madam

### QUARTERLY ACTIVITIES REPORT FOR PERIOD ENDING – 30 June 2012

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#### HIGHLIGHTS

- **FY 2012 production of 6.894Mlb (3,128t) U<sub>3</sub>O<sub>8</sub> – an increase of 21% on previous year.**
  - Langer Heinrich production of 4.417Mlb (2,004t) U<sub>3</sub>O<sub>8</sub> – an increase of 25% on previous year.
  - Kayelekera production of 2.478Mlb (1,124t) U<sub>3</sub>O<sub>8</sub> – an increase of 14% on previous year (despite 2 months of unplanned shutdowns for plant upgrade and remediation work due to land movement).
- **Record production at both the Langer Heinrich and Kayelekera mines for June quarter.**
  - combined production of 2.049Mlb (930t) U<sub>3</sub>O<sub>8</sub> – an increase of 15.3% above the March quarter.
  - production at 96.4% of combined nameplate (2.05Mlb vs 2.125Mlb) despite the industrial action at Kayelekera.
- **Langer Heinrich produced a record 1,322,480lb (600t) U<sub>3</sub>O<sub>8</sub> during the period – an increase of 26% over March quarter and 102% of Stage 3 design capacity.**
  - crushed 838,988 tonnes(t) of ore – an all-time record and an increase of 23% over the previous quarter.
  - record production rates in both May and June representing in excess of 106% of Stage 3 design capacity.
- **Kayelekera delivered a record 726,299lb (330t) U<sub>3</sub>O<sub>8</sub> – a slight increase over the previous quarter and 88% of nameplate. Production was reduced by approximately 35,000-45,000lb as a result of the industrial action in May.**
  - delivered record production of 265,563lb for the month of June achieving nameplate.
- **Sales for quarter of 2.241Mlb recorded at average price of US\$56.16/lb in line with forecast. Annual revenue for FY12 of US\$365.5M at average price of US\$54.62/lb, an increase of 140% over previous year.**
- **Strategic initiatives are advancing well with selected nuclear parties with the potential to form long term, mutually beneficial relationships.**
- **Guidance for FY 2013 in the range 8.0Mlb to 8.5Mlb (3,630-3,856t) U<sub>3</sub>O<sub>8</sub> in a period where, for the first time, the Company has no major parallel expansion/construction programmes underway.**

## SAFETY

The Company has maintained its high safety performance with a 12-month moving average Lost Time Injury Frequency Rate (LTIFR) of 0.9. Three LTIs were recorded for the period, all at the Langer Heinrich Mine (LHM), involving one soft tissue injury and two bone fractures. Follow-up corrective actions have been implemented. In addition, high profile safety management initiatives as part of a comprehensive Safety Action Plan are being introduced. There were no LTIs at the Kayelekera Mine.

During the period, the annual external safety, health and environmental NOSA audit at Kayelekera Mine (KM) for the period May 2011 to May 2012 was conducted and a preliminary 4 Star Platinum of 89% result was achieved improving on last year's 86%. This result is expected to be confirmed in the next quarter following receipt of the NOSA audit report.

## QUARTERLY URANIUM SALES

Sales for the quarter were a record 2,241,213lb U<sub>3</sub>O<sub>8</sub> at an average sales price of US\$56.16/lb U<sub>3</sub>O<sub>8</sub> generating revenue of US\$125.8M (average UxC spot price for the quarter was US\$51.40/lb U<sub>3</sub>O<sub>8</sub>). Sales for the financial year 2012 were 6,698,346lb U<sub>3</sub>O<sub>8</sub>, (an increase of 39% on FY2011) at an average price of US\$54.26/lb generating revenue of US\$365.8M (average UxC spot price for the year was US\$51.88/lb). Deliveries to customers do not occur evenly through the year and we expect sales in the next quarter to be below comparable quarterly production in anticipation of higher deliveries in the December quarter.

## LANGER HEINRICH MINE, Namibia

### Production by quarter and overall FY12 performance

LHM U <sub>3</sub> O <sub>8</sub> Production (lb)	Sep 2011 Qtr	Dec 2011 Qtr	Mar 2012 Qtr	Jun 2012 Qtr	FY 2012
	849,067	1,192,785	1,052,364	<b>1,322,480</b>	<b>4,416,696</b>

During the quarter the plant completed its Stage 3 ramp-up. Plant throughput increased significantly during the last 2 months of the quarter. Ore feed grade for the quarter averaged 840ppm, 5% above Stage 3 design grade of 800ppm.

Production totalled 1,322,480lb U<sub>3</sub>O<sub>8</sub>, an increase of 26% over the March quarter. The plant has now effectively achieved Stage 3 design performance and further optimisation work will continue.

Production for the year totalled 4,416,696lb U<sub>3</sub>O<sub>8</sub>, an increase of 25% over FY 2011. This substantial increase reflects the progressive utilisation of Stage 3 equipment during the year. A total of 2,649,139t ore at an average grade of 909ppm U<sub>3</sub>O<sub>8</sub> was fed into the plant with an average recovery of 83.2%. Production for the year straddled Stage 2 design and Stage 3 design production rates.

## Mining

The overall mined quantities remained stable during the quarter, with the strip ratio increasing during this period in line with the current mine plan as reflected below:

	Mar 2012 Qtr	Jun 2012 Qtr
Ore mined (t)	1,961,631	<b>1,104,028</b>
Grade (ppm) U <sub>3</sub> O <sub>8</sub>	706	<b>605</b>
Additional low grade ore mined (t)	1,559,790	<b>1,182,368</b>
Grade (ppm) U <sub>3</sub> O <sub>8</sub>	321	<b>318</b>
Waste/ore ratio	1.48	<b>2.69</b>

Mining continues to move west, and the cutback to Pit A has been completed yielding significant quantities of high grade ore. Backfilling of Pit B continued during the quarter. This material will form the aquifer re-instatement prior to construction of the in-pit tailings facility. Backfilling also occurred in the mined out Pit D which will be completely re-filled and prepared for rehabilitation.

ROM ore stocks have been maintained at around 4 weeks supply and have been augmented by medium and lower grade ores which are being increasingly consumed as feed grade declines to Stage 3 specification. Currently, over half the ore crushed is medium or low grade reflecting the improved efficiencies in line with Stage 3 design.

### Process Plant

Increases in plant throughput and overall plant efficiency continued in the June quarter as reflected below:

	Mar 2012 Quarter	Jun 2012 Quarter
<b>Ore milled (t)</b>	680,369	<b>838,988</b>
<b>Grade (ppm) U<sub>3</sub>O<sub>8</sub></b>	850	<b>840</b>
<b>Scrub efficiency (%)</b>	94.2	<b>92.0</b>
<b>Leach extraction (%)</b>	91.0	<b>91.2</b>
<b>Wash efficiency (%)</b>	84.2	<b>86.1</b>
<b>Overall recovery (%)</b>	82.2	<b>85.2</b>

Ore feed tonnage through the process plant increased by 23% from the previous quarter with total throughput of 838,988t.

The front-end circuit continued to perform well, again achieving record throughput. Scrubbing efficiency has reduced slightly to 92.0% (compared to design efficiency of 93%), mainly as a result of the significant increase in volumes through the front-end of the circuit. Ongoing optimisation work is expected to improve the performance in this area.

Extraction in the leaching circuit remained consistent with the previous quarter due to the ongoing success with the new Flash/Splash heat exchanger and increasing leach temperatures. Direct steam injection that was installed to the old leach circuit at the end of the previous quarter contributed significantly towards achieving increased throughput whilst maintaining and improving leach extraction performance. Further improvement in leach extraction is expected in the September quarter.

The initial bottlenecks experienced in the Counter-Current Decantation (CCD) circuit were overcome at the end of the previous quarter and performance in this part of the circuit has reached satisfactory levels.

Minor modification work on the NIMCIX circuit has commenced. Both IX circuits performed well during the quarter and contributed towards the improved wash efficiency of 86.1%.

Overall plant efficiency increased during the quarter to 85.2%. Wash efficiency has further improved and, in addition, the ability to return uranium bearing solution from the TSF has also improved, further contributing towards the increased overall recovery of the plant.

The operation is currently reviewing various options with regards to the best sustainable deposition of tailings – especially considering the long term commitment to in-pit tailings deposition and to optimise water recovery.

**KAYELEKERA MINE, Malawi****Production by quarter and overall FY12 performance**

<b>KM</b>	Sep 2011 Qtr	Dec 2011 Qtr	Mar 2012 Qtr	<b>Jun 2012 Qtr</b>	<b>FY 2012</b>
<b>U<sub>3</sub>O<sub>8</sub> Production (lb)</b>	395,478	631,780	724,552	<b>726,299</b>	<b>2,478,109</b>

Kayelekera achieved record uranium production during the March quarter increasing slightly above the previous quarter. Production was impacted by the industrial action in May which lasted 7 days and resulted in reduced production of approximately 35,000–45,000lb.

Production for the year was 2,478,109lb U<sub>3</sub>O<sub>8</sub>, 14% higher than FY 2011. The main impediment to higher production was the 2 month shutdown in September/October which was largely as a result of the landslip which has now stabilised. A total of 1,201,533t ore at an average grade of 1,183ppm U<sub>3</sub>O<sub>8</sub> was fed into the plant with an average recovery of 82.1%.

**Mining**Mining data

	Mar 2012 Qtr	<b>Jun 2012 Qtr</b>
<b>Ore mined (t)</b>	305,322	<b>563,521</b>
<b>Grade (ppm) U<sub>3</sub>O<sub>8</sub></b>	1,167	<b>1,501</b>
<b>Additional low grade ore mined (t)</b>	128,464	<b>159,654</b>
<b>Grade (ppm)</b>	523	<b>534</b>
<b>Waste/ore ratio</b>	1.54	<b>1.22</b>

Total material mined for the quarter was 2% above budget. Ore mined was 71% above target due to a change in mine sequencing which targeted higher grade areas in the central pit. The additional ore mined resulted in a strip ratio of 1.22 compared to a forecast of 2.74.

A record volume of contained metal totalling 486t of U<sub>3</sub>O<sub>8</sub> was moved onto stockpiles in May. In terms of total production, June was a record month with a total of nearly 262,000 bcm mined. As a consequence of the significant ore tonnes mined, current ROM pad stocks (supplemented by rehandle material from the dumps) are sufficient to supply approximately 6 months mill feed based on a 1,160ppm headgrade and 20% mudstone ore blend.

**Process Plant**Operating data

	Mar 2012 Qtr	<b>Jun 2012 Qtr</b>
<b>Operating time (hrs)</b>	1,884	<b>1,842</b>
<b>Mill feed(t)</b>	360,429	<b>347,265</b>
<b>Grade (ppm) U<sub>3</sub>O<sub>8</sub></b>	1,205	<b>1,247</b>
<b>Leach extraction (%)</b>	87.0	<b>88.3</b>
<b>RIP efficiency (%)</b>	95.6	<b>92.6</b>
<b>Overall efficiency (%)</b>	82.6	<b>83.0</b>

Operating time remained at high levels, affected slightly by the industrial action at the beginning of May.

Leach recovery increased through the quarter due to improved ore feed blend management. Leach recovery for June was in excess of 90% with decreased acid consumption.

Resin-in-Pulp (RIP) and elution operational issues continue to focus primarily on resin management and corrosion mitigation. Resin deliveries were delayed by the supplier and third parties, which caused a decrease in

the RIP efficiency due to lower resin volumes in the circuit. Refurbishment projects focused on corrosion mitigation in these circuits are progressing well.

Overall recovery increased from the previous quarter as a result of improved leach recovery.

Record production of 265,563lb was achieved in June equating to 98% of nameplate.

### Completion Test

The Kayelekera project financiers have completed their due diligence for the Completion Test and are in the process of taking it to their respective credit committees for approval. This will also be combined with a site visit by the lenders at the end of July and Paladin expects final approval shortly thereafter.

### Cost Optimisation

Cost optimisation is continuing, focusing on savings in acid, reagents, diesel and transport. Acid imports remain the highest priority for cost management. New technology and blend management are also a management priority and will be instrumental in reducing costs in the near term.

### Kayelekera Industrial Action

On 11 May the majority of the local work force at Kayelekera walked off the minesite in protest of the Company's refusal to accede to an unprecedented demand to grant an immediate 66% pay increase (pegged in US dollars) following the recent 50% devaluation of the national currency, the Kwacha, by the Government of Malawi to stimulate the economy.

This was resolved on 18 May with employee demands dropped. Paladin in turn agreed to review salaries within six months determined by the CPI at that time and as affected by the devaluation of the Kwacha.

### Near Mine Exploration

Due to the late finish of the wet season imposing access restrictions to regional exploration areas, it is expected that drilling will commence in mid to late July. Drill pads were cleared prior to the onset of the wet season which will enable a rapid start to drilling once ground conditions permit.

## OVERALL ANNUAL PRODUCTION AND FY2013 GUIDANCE

Combined (LHM & KM) production by quarter is as follows:

Combined	Sep 2011 Qtr	Dec 2011 Qtr	Mar 2012 Qtr	June 2012 Qtr	FY 2012
<b>U<sub>3</sub>O<sub>8</sub> Production (lb)</b>	1,244,545	1,824,565	1,776,915	<b>2,048,779</b>	<b>6,894,804</b>

Combined production for the quarter was slightly below target as a result of industrial action at the Kayelekera mine site which resulted in a loss of approximately 35,000lb. However, production was 96.4% of combined nameplate for the quarter and 99.6% of nameplate for the months of May and June placing the company in a strong position heading into FY 2013.

For FY 2012, Paladin achieved record production of 6,894,804lb up 21% over the previous year and in line with the revised guidance that was provided in the previous quarter.

For FY 2013, Paladin provides guidance in the range of 8.0Mlb to 8.5Mlb. Both the Langer Heinrich and Kayelekera mines have reached design capacity and, for the first time in the operational history of the Company, no major construction is planned and work will concentrate on technical process innovation to improve on production and sustainability. The September quarter is expected to be affected by a planned 14 day annual scheduled shutdown of the Kayelekera mine in August for maintenance and minor upgrades. This will result in a one-off reduction in September quarter production of about 130,000lb for this project.

## MOUNT ISA REGION PROJECTS, Queensland

The Mount Isa regional projects comprise the Isa Uranium Joint Venture (IUJV) (Paladin Energy Ltd 50%, Summit Resources (Aust) Pty Ltd 50% (Operator)), the Mount Isa North Uranium Project (MINUP) (Summit Resources (Aust) Pty Ltd 100% - Paladin holds 82.08% of Summit), and the Valhalla North Project (VNP) (Fusion Resources 100% - Paladin holds 100% of Fusion).

### Skal Uranium Deposit

An update to the Skal Mineral Resource was completed in March 2012. This followed the drilling of 14 DD holes and 79 RC holes. A total of 319 holes have now been drilled at Skal. The Skal deposit contains a number of ore lenses which are concentrated in four zones within an area of approximately 2km<sup>2</sup>. The mineralised lenses dip steeply from -85°E to -75°W. Individual lenses can be up to 50m thick and have a combined strike length of over 1,300m. Grades range from 100 – 7,088ppm (downhole radiometrically logged equivalent U<sub>3</sub>O<sub>8</sub> grades eU<sub>3</sub>O<sub>8</sub>). The mineralisation was highlighted by hole SRD0078B (186m-252m/66m @ 1,089ppm U<sub>3</sub>O<sub>8</sub>). High grade intervals are associated with quartz veins within brecciated and albitised siltstones and basalts.

A Mineral Resource update has now been completed and is reported below at a 250ppm U<sub>3</sub>O<sub>8</sub> cut-off grade. The Mineral Resource estimate was undertaken using Kriging methodologies with search radii dependant on variography results and drill hole spacing. Approximately 72% of the dataset was derived from downhole radiometrically logged equivalent U<sub>3</sub>O<sub>8</sub> grades. The remainder was from geochemical assays. Downhole logging was carried out using company owned and calibrated equipment, with derived grades being validated against assays in a number of drill holes. All recent holes were downhole surveyed for deviation and collars were located using DGPS equipment.

	Mt	Grade ppm U <sub>3</sub> O <sub>8</sub>	t U <sub>3</sub> O <sub>8</sub>	Mlb U <sub>3</sub> O <sub>8</sub>
<b>Indicated Mineral Resource</b>	14.3	640	9,177	20.2
<b>Inferred Mineral Resource</b>	1.4	519	708	1.6

The total mineral resource represents a 50.0% increase on the previous Mineral Resource.

## AURORA – MICHELIN URANIUM PROJECT, Canada

Extensive validation of the existing resource datasets for the 7 deposits occurring within the project area has been undertaken and this information has been used to complete planning for a 14,000m drilling programme for the up-coming drilling season. The initial focus is on infill and confirmation drilling on the Michelin Deposit and also target strike extensions. The exploration camp at Michelin has been re-activated and personnel are expected to mobilise there during early July. Drilling is currently targeted to commence in early August.

The focus for exploration will be aimed at increasing the mineral resources within the Michelin trend, located inside a 5km to 10km radius of the Michelin site. At the same time Paladin will be field mapping and prospecting all the geological domains and styles of uranium mineralisation within the tenement package.

U<sub>3</sub>O<sub>8</sub> Mineral Resources, conforming to the JORC guidelines and NI 43-101, reported by Aurora for the Michelin Project are as follows:

**Table 1: Summary of Aurora's uranium resources in Labrador**

Deposit	Measured Mineral Resources			Indicated Mineral Resources			Inferred Mineral Resources		
	Mt	Grade %	t U <sub>3</sub> O <sub>8</sub>	Mt	Grade %	t U <sub>3</sub> O <sub>8</sub>	Mt	Grade %	t U <sub>3</sub> O <sub>8</sub>
<b>Cut-off 0.05% &amp; 0.02% U<sub>3</sub>O<sub>8</sub></b>									
<b>Michelin</b>	7.1	0.08	5,926	23.0	0.11	24,522	16.0	0.10	16,370
<b>Jacques Lake</b>	0.9	0.09	747	6.0	0.07	4,327	8.1	0.05	4,103
<b>Rainbow</b>	0.2	0.09	193	0.8	0.09	655	0.9	0.08	739
<b>Inda</b>				1.2	0.07	826	3.3	0.07	2,171
<b>Nash</b>				0.7	0.08	564	0.5	0.07	367
<b>Gear</b>				0.4	0.08	270	0.3	0.09	279
<b>Total</b>	8.1	0.08	6,866 (15.1Mlb)	32.0	0.10	31,164 (68.7Mlb)	29.1	0.08	24,029 (53.0Mlb)

The resources are reported at cut-off grades that contemplated underground (0.05% U<sub>3</sub>O<sub>8</sub> cut-off) and open pit (0.02% U<sub>3</sub>O<sub>8</sub> cut-off) mining.

#### **MANYINGEE PROJECT, Australia**

A significant amount of work has been undertaken to digitise and validate all of the drilling and geological data for the Manyingee project ahead of the anticipated re-start of the project in the second half of CY2012. The current geological and mineralisation model for the deposit has been updated and has been used to plan a significant 15,000m drilling programme. The aim of the programme is to infill prospective high grade areas to define suitable locations for future field leach trials, confirm the historical drilling within the area, and extend the Mineral Resource through areas of limited or no drilling. It is expected that drilling will commence during the September quarter once all approvals are in place. In addition, additional environmental reviews and water quality analysis will be undertaken. An internal scoping study on the project has been indicating strong project economics.

#### **CORPORATE**

##### **Asset sales and strategic options**

Paladin stated in May 2012 that it was considering joint venture and strategic options offered to the Company by participants in the nuclear industry. The high level of interest from these parties has confirmed both the global demand for high quality uranium assets and the desire to partner with Paladin. Due to the continued cancellation and postponement of new projects and brownfield expansions within the uranium sector, parties are increasingly interested in securing a partnership with a company that offers proven technical capabilities and low development risk.

Paladin is assessing three mutually exclusive outcomes which are being evaluated concurrently. The Company's decision to enter into all or any of these initiatives is dependent on the results and subsequent analysis of the strategic merits of the proposals. Discussions and analysis are well advanced and results are expected in the August to October period once the Company has completed its assessments.

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### **Successful raising of US\$274M through Convertible Bonds**

In April Paladin raised US\$274M through convertible bonds. These carry a coupon of 6.00% per annum payable semi-annually in arrears and are convertible into Paladin shares at an initial conversion price of US\$2.190 per share, representing a conversion premium of approximately 25% above the reference price of Paladin shares at the time of pricing (C\$1.739 at close of trading on TSX on 20 April 2012 or US\$1.752/A\$1.690 based on exchange rates at the time of fixing the reference price).

Unless previously redeemed, purchased or cancelled, the Convertible Bonds will be redeemed at par on 30 April 2017. The Convertible Bonds were offered to institutional, professional and sophisticated investors only.

The proceeds of the issue were used in part to fund Paladin's concurrent tender offer to acquire approximately US\$191M of its US\$325M issue of convertible bonds due in March 2013, with the US\$81M not applied to the tender offer utilised to strengthen the Company's balance sheet and pursue future growth opportunities. The outstanding balance of US\$134M bonds remains due in March 2013.

The Joint Bookrunners and Joint Lead Managers were Barclays Bank PLC, Royal Bank of Canada and UBS AG, Australia Branch. The Sole Global Co-ordinator was Barclays.

### **Darryl Butcher - Executive General Manager - Project Development**

Paladin is pleased to advise that Mr Darryl Butcher has joined the Company as Executive General Manager-Project Development. Darryl commenced work with Paladin on 4 July 2012 and has over 25 years of mining and processing experience in the uranium, base metal and gold sectors. Darryl has directed project development and operations in both Australia and Africa and was project consultant for Paladin at the conceptual stages for both LHM and KM. He is a metallurgist with a strong chemical background and completed his tertiary education at the University of Western Australia in 1980.

Darryl replaces Bruce Dumville who held the role previously but has been relocated back to St. John's, Newfoundland Canada to resume his role as President of Aurora Energy Ltd heading the activities on the important Michelin Uranium Project in New Labrador.

Darryl has worked in all facets related to his area of responsibility and is well suited for this role. His appointment ensures that the Company will continue to apply high priority to both project development and process optimisation work through technical innovation and optimisation. He will play a critical role in the further optimisation of Paladin's existing operations and the development of new projects.

### **URANIUM MARKET COMMENTS**

The Ux spot price remained in a narrow range during the quarter on comparatively low volumes. The Ux term price increased US\$1.50/lb U<sub>3</sub>O<sub>8</sub> to US\$61.50/lb U<sub>3</sub>O<sub>8</sub>.

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**Outlook<sup>1</sup>**

The re-start of Kansai Electric Power Company's Ohi No 3 & 4 reactors and the creation of a new nuclear regulatory regime in Japan signal the slow resumption of nuclear operations in that country after the devastating incident at Fukushima. Japan still has 48 nuclear power plants off-line and it seems likely their progressive re-start will be slow but inevitable as the country faces severe shortages of electricity.

Global uranium production growth has slowed significantly in the last year, suggesting that future supply constraints will still have a significant impact on the uranium market as the world nuclear industry regains confidence post-Fukushima. Production in 2011 was 53,494tU (WNA data), which was a very small decrease on 2010 production of 53,663tU. Kazakhstan was again the number one producer at 19,451tU, raising production by 9% over 2010, which was a considerable drop from the 27% increase recorded in the previous year. Kazakhstan's production increase offset falls in Canada, Namibia, and Russia. Total world uranium production is still below world uranium demand, a situation likely to persist for some time.

Yours faithfully  
Paladin Energy Ltd



**JOHN BORSHOFF**  
Managing Director/CEO

**Declaration**

*The information in this Announcement relating to exploration and mineral resources is, except where stated, based on information compiled by David Princep B.Sc who is a Fellow of the AusIMM. Mr Princep has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves", and as a Qualified Person as defined in NI 43-101. Mr Princep is a full-time employee of Paladin Energy Ltd and consents to the inclusion of this information in the form and context in which it appears*

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<sup>1</sup> All industry data is sourced from the World Nuclear Association ([www.world-nuclear.org](http://www.world-nuclear.org)), the Ux Consulting Company LLC publication "Ux Weekly" ([www.uxc.com](http://www.uxc.com)) and the Nuclear Energy Institute ([www.nei.org](http://www.nei.org)).