



PALADIN ENERGY LTD

ACN 061 681 098

10 October 2013

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 September 2013

HIGHLIGHTS

- **Sales revenue of US\$69.2M for the quarter, selling 1,673,450Mlb U₃O₈ at average price of US\$41.38/lb. Anticipated sales of approximately 2.6Mlb in the December quarter.**
 - **Solid and steady production achieved at both the Langer Heinrich and Kayelekera mines for the September quarter.**
 - combined production of 2.044Mlb (927t) U₃O₈, on budget and up 6% on the same quarter in 2012.
 - Kayelekera planned 16 day maintenance shutdown in August extended by 7 days however the site achieved strong performance overall.
 - **Langer Heinrich produced a record 1,429,378lb (648t) U₃O₈ for the September quarter, achieving 4% above budget and up 11% on the same quarter in 2012.**
 - record recovery for quarter of 88.7% (design: 85% and target 90%).
 - feed grade for the quarter of 837ppm U₃O₈ (design: 800ppm and target 750ppm).
 - **Kayelekera produced 614,603lb (279t) U₃O₈ for the September quarter, 9% below budget due to the extension of the planned shutdown.**
 - production for July and September on budget
 - feed grade for quarter of 1,261ppm U₃O₈ (budget: 1,150ppm).
 - recovery for quarter of 85.1% for the quarter (budget 87%).
 - **Cost savings and optimisation initiatives were announced for FY14 and FY15 further improving unit cost profiles for Langer Heinrich and Kayelekera over this period and reducing corporate costs.**
 - **Positive responses have been received on the minority sale of Langer Heinrich with the process advancing well.**
 - **Placement raised A\$88M.**
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SAFETY

Tragically on 30 July 2013 a workplace fatality occurred at the Kayelekera Mine. The incident occurred in the mine's motor vehicle workshop where the worker was struck in the chest by a light vehicle wheel he was inflating at the time.

Post quarter on 3 October 2013 there was a serious electrical incident at Langer Heinrich Mine involving one employee and two contractors being hospitalised. Two of the workers received significant burns while the third worker received smoke inhalation and has been discharged. The more seriously injured worker was flown to South Africa where he is undergoing specialist treatment.

The Company is investigating both these incidents, with the findings and outcomes pending. A review of safety procedures within the group was initiated in July of this year and as a result of these serious incidents, this has now been expanded to a full review to examine all aspects of safety.

The Company's 12-month moving average Lost Time Injury Frequency Rate (LTIFR) continues to be low at 1.1. For the September quarter, there were no other LTIs.

QUARTERLY URANIUM SALES

Sales

Sales for the quarter were 1,673,450lb U₃O₈ generating revenue of US\$69.2M, representing an average sales price of US\$41.38/lb U₃O₈ (average Ux spot price for the quarter was US\$35.99/lb U₃O₈). Sales are now more closely aligned with production although variations can be expected from quarter-to-quarter due to customer contractual requirements which are higher in the December quarter.

Sales in the December quarter are anticipated to be approximately 2.6Mlb.

LANGER HEINRICH MINE, Namibia (100%)

Production by quarter

LHM	Dec 2012 Qtr	Mar 2013 Qtr	Jun 2013 Qtr	Sep 2013 Qtr
U ₃ O ₈ Production (lb)	1,418,583	1,230,081	1,353,348	1,429,378

The quarterly production of 1,429,378lb U₃O₈ was 6% higher than the June quarter. The improved production is attributed to a more consistent ore throughput as a result of a more stable supply of water during the later stages of the quarter.

Mining

Ore tonnes mined during the quarter up 17% on the previous quarter.

	Jun 2013 Qtr	Sep 2013 Qtr
Ore mined (t)	885,007	1,036,834
Grade (ppm)	762	641
Additional low grade ore mined (t)	503,628	777,757
Grade (ppm)	323	328
Waste (t)	5,144,873	4,055,551
Waste/ore ratio	3.79	2.23

Mining activities concentrated on the eastern side of the deposit at Pit G and medium grade was predominantly mined.

ROM ore stocks have been maintained at approximately four weeks' supply while being supplemented by medium grade ores in line with the crusher blend requirements.

Process Plant

The plant experienced improved throughput in the September quarter as reflected below:

	Jun 2013 Qtr	Sep 2013 Qtr
Ore milled (t)	831,010	870,178
Grade (ppm)	886	837
Scrub efficiency (%)	90.8	92.5
Leach extraction (%)	93.4	96.8
Wash efficiency (%)	87.6	90.5
Overall recovery (%)	83.3	88.7

Ore feed tonnage through the process plant increased by 5%, which can be attributed to both steady feed and plant conditions.

The scrub efficiency improved to 92.5% from 90.8% the previous quarter (against a budget of 94%).

The extraction in the leaching circuit improved to 96.8% from the record previous quarter due mainly to the implementation of improved leach temperature control and steam utilisation.

The efficiencies in the Counter-Current Decantation (CCD) circuit improved to 90.5% for the quarter.

The consequence of the improved performance outlined above was significant overall plant recovery improvements to 88.7% from 83.3% the previous quarter.

Production Optimisation

Langer Heinrich C1 cash costs are targeted to be reduced by 15% to approximately US\$25/lb over FY14 and FY15 before the impact of inflation.

Target for FY14

A reduction in discretionary capital expenditure is targeted of US\$10.4M.

Further production optimisation efforts, particularly in process reagents and recoveries, are expected to further reduce C1 costs by up to 7.5% by the end of FY14 from that achieved for the June 2013 quarter (US\$29.40/lb). The C1 cost reduction achieved over FY13 was greater than the target previously announced for that year. Target process recovery is 90%, an increase of 4% from FY13.

Target for FY15

An additional 7.5% reduction in C1 costs is targeted as the operation is further optimised with continued process refinement and innovation. Particular targets, now in the refinement and developmental phase, will once again focus on process reagent, water consumption, operating efficiencies and process recovery.

KAYELEKERA MINE, Malawi (85%)

Production by quarter

KM	Dec 2012 Qtr	Mar 2013 Qtr	Jun 2013 Qtr	Sep 2013 Qtr
U₃O₈ Production (lb)	772,280	761,992	789,430	614,603

Uranium production was 614,603lb U₃O₈ at KM during the quarter, 4% below the same quarter in 2012. Production was 22% below the June quarter as result of the planned annual maintenance shutdown during August. The plant was down for a total of 22 days which was approximately 1 week longer than expected due to process re-start requirements.

Mining

Mining data

	Jun Qtr 2013	Sep Qtr 2013
Ore mined (t)	186,521	364,128
Grade (ppm) U₃O₈	1,766	1,084
Additional low grade ore mined (t)	43,680	186,332
Grade (ppm)	487	473
Waste (t)	714,722	734,200
Waste/ore ratio	3.10	1.33

The total material mined for the September quarter was below budget by 4% and 36% greater than the previous quarter performance. The outlook for the next quarter is to meet budget following increased equipment availability.

The ore availability on stockpiles is now in excess of six months of plant requirements. In preparation for the rainy season, there remains a deliberate effort to increase ore stockpile quantities during the more productive dry season. The effort to optimise ore blending at the ROM pad to achieve reduced acid consumption is ongoing.

Other mining activities have included finalising drains for the wet season and systematic monitoring of ground movement.

Process Plant

Operating data

	Jun Qtr 2013	Sep Qtr 2013
Operating time (hrs)	1,803	1,466
Mill feed(t)	344,726	269,467
Grade (ppm) U₃O₈	1,211	1,261
Leach extraction (%)	91.4	88.1
RIP efficiency (%)	94.2	95.4
Overall efficiency (%)	85.9	85.1

September quarterly production and mill throughput dropped from the June quarter due to the planned annual shutdown in August, mainly for acid plant maintenance and mill relining.

Leach extraction efficiency dropped from the previous quarter largely as the result of higher acid consumption and treating ore blends with a greater component of reduced ore. RIP extraction was up from 92.4% in the June quarter to 95.4% in the September quarter.

Ore blend management remained a significant focus area for the entire quarter in an attempt to provide blends which were acid neutral in terms of onsite capacity.

KM commenced installation of the Nano-filtration Acid Recovery Plant that is scheduled to be commissioned by the end of October 2013.

Production Optimisation

Kayelekera C1 cash costs are targeted to be reduced by 22% to approximately US\$30.6/lb over FY14 and FY15 before the impact of inflation.

Target for FY14

A reduction in discretionary capital expenditure is targeted of US\$2M.

Further staff cuts and production optimisation are targeted and expected to reduce C1 costs by 17% from the US\$39.20/lb achieved for the June 2013 quarter. The C1 cost reduction achieved over FY13 was greater than the target previously announced for FY13 and FY14 combined. The further reduction targeted, expected to be achieved in the June 2014 quarter, will come principally (90%) from the previously flagged initiatives of grid power coming on line and the acid saving nano technology being integrated into the circuit.

Target for FY15

An additional 5% reduction in C1 costs is targeted with further innovation in the key production optimisation programmes aimed at increasing process recovery (RIP circuit) and production capacity (de-bottlenecking).

Exploration

Exploration in the June quarter concentrated on surface geophysical surveys and geological mapping in preparation for the next drilling programme.

PRODUCTION GUIDANCE FORECAST FOR FY14

Combined production guidance for FY14 remains at 8.3Mlb to 8.7Mlb U₃O₈.

AURORA – MICHELIN URANIUM PROJECT, Canada (100%)

The Michelin summer exploration programme was completed at the end of September. Work included extensive geological mapping and prospecting including ground magnetometer and spectrometer geophysical surveys.

Work concentrated along a highly prospective east-northeast trending 10km corridor centred on the Michelin deposit (referred to as the Michelin Rainbow Trend). Geologic interpretation was significantly enhanced through mapping, assessment of new magnetic data and core logging. Targets for future drilling were identified west and east of Michelin, especially at the Running Rabbit Lake, Mickey Lake and Rainbow prospects. Drill pads were constructed at both Michelin and Rainbow in preparation for the 2014 winter drilling.

LANGER HEINRICH MINORITY INTEREST SALE

On 1 August 2013 negotiations were terminated for the sale of a minority interest in the Langer Heinrich Mine after the preferred bidder advised at a late stage that because of the recent weakness in the uranium spot price it wanted to renegotiate the terms, including price, to a level that in the Board's view was unacceptable. The Board determined that it would not accept such value destruction and that a price was required that more appropriately reflected Langer Heinrich's intrinsic and strategic value.

Strong interest from a variety of parties has been received from late August and the process to sell a minority interest in Langer Heinrich has resumed. Paladin offers a unique platform in the uranium supply sector generating competition from the nuclear industry for an association both for current production and assured growth. Paladin expects to be able to provide more detail on the status of negotiations in relation to this transaction by the end of November. Based on bids received during the prior process and initial engagement in the new round, Paladin has reasonable confidence in an outcome which will alleviate shareholder concerns regarding debt, noting the next tranche of Convertible Bonds is not due for a further 2 years in November 2015.

CORPORATE**Private Placement**

In August Paladin completed a private placement to institutional and accredited investors of 125.6M ordinary shares (representing 15% of Paladin's existing issued capital) to raise gross proceeds of approximately A\$88M / C\$81M.

The placement was priced at A\$0.70 (C\$0.65) per share which represented a 30% discount to Paladin's last closing price on ASX.

UBS AG, Australia Branch acted as Global Lead Placing Agent to the placement.

Cost Reduction (Post reporting period)

Post the reporting period Paladin announced a cost rationalisation review and production optimisation analysis for FY14 and FY15, to further improve operational efficiency continuing on from the 9% and 25% C1 cash cost reductions achieved during the June 2013 quarter compared with the June 2012 quarter for Langer Heinrich and Kayelekera respectively.

The combined corporate overhead and exploration cash budgets have been cut by US\$10.8M, achieving an overall reduction in forecast cash costs of 24% for FY14.

- Head office rationalisation has included both a cut in personnel and a 10% reduction to management personnel base salaries compared to FY13. This cash cost reduction to those affected will be offset with a one-time allocation of Paladin share rights. No issues of share rights were made during FY13. The 10% cut also applies to Paladin Board members, including the Managing Director, with no share rights offset being applied. This latest cut for the Managing Director is in addition to the 25% reduction announced previously. All bonus plans have been suspended and salaries will be frozen until the uranium price demonstrates sustainable improvement.
- Exploration budgets have been cut by 50%, with activities suspended on all projects except essential work on the Michelin Project in Labrador, Canada and some necessary follow-up work on the Mount Isa, Queensland project.

Uranium Market Comments

The Ux spot price moved in a range during the quarter from a high of US\$39.50/lb U₃O₈ in July to a low of US\$34.00/lb U₃O₈ and recovered slightly to US\$35.15/lb U₃O₈ at the end of September. The Ux term price fell by US\$5/lb to US\$50.00/lb U₃O₈ at the end of the quarter.

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.