PALADIN ENERGY LTD

ACN 061 681 098

Ref: 225183

20 July 2011

Company Announcements Office
Australian Securities Exchange
20 Bridge Street
SYDNEY NSW 2000

By Electronic Lodgement

Dear Sir/Madam

QUARTERLY ACTIVITIES REPORT
FOR PERIOD ENDING – 30 June 2011

HIGHLIGHTS

Annual (FY2011)

- **Lost Time Injury Frequency rate decreasing from 5.6 to 1.2.**
- **Overall production a 32% year on year increase to 5.7Mlb.**
  - **at Kayelekera Mine a 225% increase year on year to 2.2Mlb.**
  - **at Langer Heinrich Mine a 5% increase year on year to 3.5Mlb.**
- **4.81Mlb sold in FY2011 (increase of 29% on FY2010) at an average price of US$55.44/lb for US$266.8M (increase of 32% on FY2010).**

Quarter

- **Quarter production of 1,462,995lb increase of 4% over previous quarter.**
- **All time monthly record at Langer Heinrich Mine of 355,513lb in June (82% of Stage 3 nameplate production).**
  - **Stage 3 scrub efficiencies have increased from 90% to 96%, improving the overall uranium recovery during the quarter.**
- **Kayelekera Mine plant upgrade commenced early**
  - **mine achieved an all-time record operating hours with further improvements expected**
- **Quarter sales of 1.1Mlb at average price US$54.23/lb**

SAFETY

Safety throughout the Company for 2010/11 has made a dramatic improvement over the previous 12 month period (2009/10) with the 12 month moving average Lost Time Injury Frequency rate (LTIFR) decreasing from 5.6 to 1.2. There were no LTIs at Langer Heinrich Mine (LHM) or in construction during the quarter. One LTI was recorded at Kayelekera (KM) – leg fracture and one at Mount Isa - soft tissue injury.

During the period, an external safety and health NOSA audit for the period June 2010 to May 2011 was conducted at KM and a preliminary 4 Star performance was achieved. This result is expected to be confirmed in the next quarter after receipt of the NOSA audit report.

QUARTERLY URANIUM SALES

Sales for the quarter were 1,099,712lb U_3O_8 generating revenue of US$59.6M, representing an average sales price of US$54.23/lb U_3O_8. Spot uranium prices declined following the Fukushima nuclear accident which impacted Paladin's average sales price. During the March quarter 2011, the Ux U_3O_8 price averaged more than US$67.00/lb U_3O_8 with a number of market analysts forecasting firming prices through the year.

Sales for FY2011 amounted to 4,812,135lb generating revenue of US$266.8M at an average sales price of US$55.44/lb U_3O_8. The average Ux spot price for FY2011 was US$56.45/lb U_3O_8.

Additional inventories of almost 1,000,000lb U_3O_8 were held at the end of the June 2011 quarter to meet July 2011 customer delivery obligations.

LANGER HEINRICH MINE (LHM), Namibia

Production

LHM	Sep Qtr	Dec Qtr	Mar Qtr	**Jun Qtr**
Production lb	899,735	932,731	795,808	**896,761**

Langer Heinrich Mine Production by Month

LHM	April	May	**Jun**
Production lb	233,409	307,832	**355,513**

The production for the quarter amounted to 896,761lb, an increase of 12.7% recovering from the rain affected production of the March quarter. The effects of the high rainfall continued through to April (75,000lb shortfall), however operations recovered by May and achieved record production in June. Commissioning of the Stage 3 expansion front end in May and June reaped immediate benefits enabling the plant to meet 82% of Stage 3 nameplate production in June.

Mining

Mining activities regained access to previously rain affected areas. As a result the average mining grade to the plant increased by 14.6% from 779ppm in the March quarter to 893ppm in the June quarter.

	Mar Qtr	**Jun Qtr**
Ore mined (t)	841,240	**1,686,727**
Grade (ppm)	666	**769**

Additional low grade ore mined (t)	360,445	**618,445**
Grade (ppm)	304	**328**

Waste/Ore ratio	3.25	**1.52**

Process Plant

Operational Data

	Mar Qtr	**Jun Qtr**
Ore milled t	572,524	**543,859**
Grade ppm	779	**893**
Scrub efficiency %	90.1	**95.6**
Leach efficiency %	94.8	**90.3**
Wash efficiency %	70.8	**79.0**
Overall Recovery %	79.9	**82.5**

(note: process recycling contributes to overall recovery)

Tonnage through the process plant was reduced by 5% from the previous quarter. Higher throughput was required in the March quarter to compensate for the low feed grade. Crushed ore throughput of 543,900t was recorded versus 572,500t in the March quarter. During May and June plant throughput returned to normal levels.

Performance of the front end circuits improved significantly. The Stage 3 front end crushing and scrubbing circuit helped to mitigate issues resulting from high rainfall. This section of plant now has excess capacity and the commissioning of further downstream equipment is awaited.

A decision to trial a change in the barren reject cut size from -500 micron to -800 micron improved scrubbing efficiency by 7% to 10%, with 3% more material reporting to the leach circuit. The scrubbing efficiency improved from 90.1% to 95.6% on the previous quarter.

The leaching circuit had a reduced extraction rate of 90.3%. Performance in this area was impacted by lower temperatures as a result of heat transfer challenges. The soon to be commissioned flash splash plant will address the current issues with the heating circuit.

Ion Exchange performance improved significantly during the quarter, with the wash efficiency increasing from 70.8% to 79.0%. Ore blending is well controlled in order to ensure the optimum performance of this circuit.

Tailings

The construction of the TSF2 is now complete and awaits the commissioning of the Stage 3 tailings thickener in order to put this facility into use.

Stage 3

The Langer Heinrich Stage 3 expansion project is nearing completion with staged ramp-up and commissioning of the various processing areas progressing well. Commissioning of the flash splash, leach, acid storage, CCD, reverse osmosis and tailings thickener areas has commenced.

The NIMCIX area is expected to be commissioned in August.

The project has achieved 1.5 million man-hours without a lost time injury. A staged demobilisation of the construction workforce is now in progress.

Ramp-up of Stage 3 is still is on track to reach nameplate by the end of the December quarter.

Stage 4

The Stage 4 expansion study is well advanced in regards to process design and capability estimation. The current target is to produce 8.7Mlb pa by conventional ore processing and a further 1.3Mlb pa from the treatment of low grade material. Efforts to date have focused largely on the conventional ore treatment plant plus optimisation of the mining sequence. The study completion date has been moved out to October/November to accommodate various process optimisation studies.

KAYELEKERA MINE (KM), Malawi

Production

Kayelekera	Sep Qtr	Dec10 Qtr	Mar Qtr	**Jun Qtr**
Production lb	462,977	534,201	606,034	**566,248**

Production for the quarter amounted to 566,248lb, a slight decrease of 6.6% from the March quarter of 606,034lb.

April production was affected by operating time losses due to the extended wet season (which resulted in significant materials handling issues in the ore receiving and crushing areas) and mechanical issues within the mill. These mechanical issues were resolved resulting in substantially improved operating times and availabilities during the last two months of the quarter.

Reduced leach and RIP efficiencies were experienced throughout the quarter as the plant processed greater proportions of mudstone. The treatment of this material requires more aggressive leach conditions, changes to operating procedures and adjustments to reagent requirements. Operations are now familiarised with handling mudstone and leach extractions returned to +/-90% in July in accordance with metallurgical testwork.

The Lenders' Tests were suspended because bottlenecks were identified in the plant's front end and time was required to optimise the blend and handling of mudstone and arkose ore. This brought the decision for the planned upgrade to commence in June rather than the September quarter. Work has commenced on the implementation of a number of planned plant upgrades aimed firstly at simplifying operations and maintenance and secondly at increasing nameplate capacity. Target areas include the front end (crusher and conveyor) and the inter-tank leach launders. A two week tie-in and maintenance shutdown is planned for late August. The benefits of the initial work were experienced in July with improved crusher availability and increased capacity through leach.

Mining

The mining operations were impacted by heavy rains in the March quarter. This altered the mining plan and reduced the amount of higher grade ore immediately available for blending; the consequence of which was 15% lower ROM grade than budgeted. This problem was rectified in June and a change in the mine planning has been implemented to ensure plant sustainability.

	Sept Qtr	Dec Qtr	Mar Qtr	**Jun Qtr**
Ore mined (t)	319,882	228,358	123,626	**274,544**
Grade (ppm)	1813	1632	906	**1115**
Additional low grade mined (t)	122,226	87,497	121,742	**250,716**
Grade (ppm)	513	514	526	**509**
Waste (t)	538,374	531,233	343,768	**341,202**

Process Plant

Operating data

	Mar Qtr	**Jun Qtr**
Operating time hrs	1,457	**1,752**
Mill feed, t	222,433	**287,473**
Grade (ppm)	1,454	**1,239**
Leach extraction %	89.6	**85.7**
RIP efficiency %	92.8	**91.8**
Overall efficiency %	81.9	**80.0**

While production continues to lag nameplate, the plant operating time continues to improve significantly. During May and June the operating times were 626 hours and 612 hours respectively representing all time records for plant uptime. The main reasons for the production shortfall in the quarter were low recovery in May and June and reduced plant operating time in April.

Overall recovery levels for the quarter averaged 80% but dropped to approximately 78% during the last two months mainly as a result of reduced leach and RIP efficiencies. These issues have since been resolved along with improved resin management. The crushing/grinding circuit is now operating well. Further improvements are expected in the following quarter with upgrades and improvements to the mineral sizer.

Slurry handling leach launders which had limited plant throughput since startup, are currently being replaced. This will allow smoother operation at higher tonnages and improve leach extraction. Acid production on-site continues to run as per demand. Resin-in-Pulp operational issues continue to focus mostly on resin and elution management and reducing acid corrosion.

The back end of the plant including uranium precipitation and packaging is operating satisfactorily. Modifications are being considered with some upgrades underway that will raise this circuit's capacity.

Cost optimisation efforts are continuing with the inclusion of a steam turbine in the acid plant, a review of mining contractor unit rates and reagent logistics and pricing.

A landslip west of the plant is being assessed with various consulting reviews and reports nearing completion. A rectification programme for the land slip is underway, which will most likely include relocating a portion of the waste rock stockpile.

Lenders' Tests

As mentioned the operating issues outlined above resulted in the postponement of the lenders' tests until after the planned maintenance shutdown in August. This is now scheduled to commence in the December 2011 quarter.

OVERALL PRODUCTION AND GUIDANCE STATUS

LHM + KM	Sept qtr	Dec qtr	Mar Qtr	Jun qtr	**Year Total**
LHM lb U_3O_8	899,735	932,731	795,808	896,761	**3,525,035**
KM lb U_3O_8	462,977	534,201	606,034	566,248	**2,169,460**
Totals	1,362,712	1,466,932	1,401,842	1,463,009	**5,694,495**

Production for FY2011 totalled 5,694,000lb which was 250,000lb short of the lower guidance limit given in the March quarter. The 4 month (Jan to April) unprecedented wet period at LHM had the greatest impact on annual production resulting in a shortfall of at least 300,000lb in production of which 75,000lb occurred in April.

Production at KM fell short of the revised forecast by 150,000lb largely due to the leach recovery issues associated with the increased treatment of mudstone (now resolved), ore handling difficulties associated with the extended wet season and downtime associated with initiating plant upgrades earlier than originally planned.

Production guidance for FY2012 has been revised to 7.4Mlb to 7.9Mlb U_3O_8. This revision is necessary to accommodate the impact of delays in LHM Stage 3 commissioning.

NIGER

A scout drilling programme was started in March and completed early July. The programme included drilling of 11,813m in 51 holes. This was a wide spaced drilling programme with hole spacings of 400m to 800m along profiles up to 8km apart. Numerous narrow downhole radiometric anomalies were encountered, mainly in the prospective carboniferous strata. Mineralised zones could be correlated over distances of up to 8km delineating large areas for follow-up work. A follow-up drilling programme is planned to start in November after results are evaluated and the hot summer season ends.

MOUNT ISA REGION PROJECTS, Queensland

An RC drilling programme of 26 holes including 2,772m was completed in the joint venture area at the Anderson and Red Alpha prospects on EPM 17511. The drilling confirmed the Anderson resource but prospects outside the main mineralised zone proved to be narrow, although some encouraging grades were intersected. Highlight results included:

	Hole	**Depth from m**	**Depth to m**	**Interval m**	**Grade ppm eU_3O_8**
Andersons	ANR46	39	81	42	2,312
Father's Day	ANR55	18	20	2	1,042
Neo	ANR52	15	27	7	868
Red Alpha	RAR03	0	13	13	445

ANGELA JOINT VENTURE, Northern Territory - Australia (Paladin 50% - Cameco 50% Manager)

A Mineral Resource estimate conforming to the JORC (2004) and NI 43-101 guidelines has now been completed for the Angela-Pamela uranium deposits located 25km south of Alice Springs on EL25758. This follows extensive compilation and validation of historic data and a drilling programme of 172 drillholes for 32,810m completed by the JV partners.

The Mineral Resource estimate is based on 794 holes totalling 180,468m and covers the Angela (1 to 5) and Pamela deposits. The mineralisation plunges shallowly, approximately 9°, to the west and the larger of the deposits, Angela 1, has been defined up to 4.3km to the west at depths up to 600m and remains open. The

mineralisation is contained within nine individual stratigraphic sequences with mineralised thicknesses of up to 10.4m.

The cut-off for the Mineral Resource is a combination of grade greater than or equal to 300ppm U_3O_8 and thickness greater than 0.5m. In addition, areas of low grade probability were removed from the model.

	Tonnes Mt	Grade ppm U_3O_8	Metal t U_3O_8	Metal Mlb U_3O_8
Inferred Mineral Resource	10.7	1,310	13,980	30.8

(Figures in the table above may not add due to rounding)

The Mineral Resource estimation was completed using a two dimensional conditional simulation. The dataset was derived predominantly from recent and historic downhole radiometric logging. The radiometric grades have been extensively validated against laboratory assays.

The Mineral Resource is currently classified as Inferred, primarily due to drill spacing and the large volume of historic drilling data within the dataset. A higher confidence classification is expected as additional drilling is completed. This updated resource estimate improves on the historic resources previously announced providing a 10% increase in both grade and tonnage U_3O_8.

A short 3 hole test drilling programme in April established that the mud drilling method can be utilised to drill the target strata at the Angela Project in a much more cost effective manner.

BIGRLYI URANIUM JOINT VENTURE, Northern Territory - Australia (Paladin 41.71%)

A prefeasibility study was released by the JV Manager (Energy Metals Ltd) which found that a substantial increase in the resource base is required to sufficiently improve the project economics. Based on this result, the JV partners approved a programme budget targeted at increasing the resources of the project.

In late June Energy Metals Ltd released an updated mineral resource estimate based on all drilling to date. The revised geological model and estimation parameters based on the close spaced drilling completed previously has resulted in a slightly reduced total mineral resource than previously announced. The breakdown of resource category is detailed below and is reported at a 500ppm U_3O_8 cut-off grade.

Mineral Resource Classification	Tonnes Mt	Grade ppm U_3O_8	Metal t U_3O_8	Metal Mlb U_3O_8
Indicated	4.7	1,366	6,400	14.0
Inferred	2.8	1,144	3,200	7.1

AURORA – MICHELIN URANIUM PROJECT, Canada

Aurora Energy Resources Inc. (Aurora) which holds significant uranium assets in the prospective Central Mineral Belt of Newfoundland and Labrador in Eastern Canada was acquired by Paladin in February 2011. This contains the Michelin deposit (67.12Mlb Measured and Indicated and 36.08Mlb Inferred Resources U_3O_8) as well as the Jacques Lake, Nash, Inda, Gear and Rainbow Deposits.

The Nunatsiavut Government is progressing in its formulation of the land use plan which, together with Environmental Legislation, will allow evaluation and regulation of significant development projects. In May 2011 the Nunatsiavut Government announced a plan to prepare for the review of the moratorium which includes research on uranium mining, conducting a workshop and consulting Beneficiaries. In preparing for the review Nunatsiavut has sought the assistance of a qualified contractor to prepare the workshop scheduled for mid September. The Company is awaiting the lifting of the three year moratorium on uranium mining by the Nunatsiavut Government which is expected towards the end of 2011.

Activities are being maintained at the minimum level possible and this status will not change until the moratorium is lifted. Currently the Aurora technical data is being integrated into the Paladin data system. Work has started on geological and geophysical interpretation of the regional data set to identify new prospective targets to guide future exploration and drilling.

CORPORATE

Corporate Development Team

The Company has successfully established its Perth-based Corporate Development and Investor Relations Team. The team comprises of Matthew Keane, Manager Corporate Development and Kerry Smart, Senior Analyst Corporate Development. Matthew is an exploration and mining geologist with 12 years' experience in multiple commodities. He has joined Paladin after spending 10 years with BHP Billiton. Matthew has a BSc(Hons) Geology and a Masters in Business and Technology. Kerry previously worked with Dundee Securities Corporation for four years in their Vancouver office and was part of their successful Mining Investment Banking Department where she assisted in company research, asset screening and due diligence. Kerry has a BCom with a triple major in Corporate Investment and Quantitative Finance. Dr. Nicole Adshead-Bell who was working in the Corporate Development capacity for the Company on a half time basis has reverted to a consulting role and will be available to work on a project basis, effective 1st July. We thank Nicole very much for her fine contribution and look forward to her continued association with Paladin.

Executive General Manager - Production

On 29th April Paladin announced the appointment of Mr Mark Chalmers to this role following the resignation of Mr Wyatt Buck. Mark has over 30 years of international uranium experience, a large part of which has been associated with project development and operations. He is qualified as a mining engineer and his technical and management skills are well suited for this role.

URANIUM MARKET COMMENTS

The Ux LT Price (long-term) indicator fell from US$72/lb U_3O_8 to US$68/lb U_3O_8 during the quarter. Contracting activity in the term market slowed noticeably during the quarter as utilities re-evaluate/confirm future uranium requirements and gauge market effects post-Fukushima. Term inquiries are expected to increase during the second half of CY2011.

Following the earthquake and tsunami in Japan, a limited number of countries announced either a phase-out of existing nuclear programmes (e.g. Germany), policies not to replace retiring nuclear units (Switzerland) or decisions not to re-implement nuclear power (Italy). In the case of Germany, the now-approved phase-out envisions all commercial reactors being closed by 2022 which will have a minimal impact on anticipated future worldwide uranium demand.

During the quarter, the UK released a White Paper on future energy security viewed as strongly supportive of new nuclear capacity construction in the UK. Positive affirmations of a commitment to nuclear power were also released by China, India, South Korea, Russia, Brazil, Poland and Slovenia. The United Arab Emirates reconfirmed its commercial nuclear power programme while Saudi Arabia announced its programme to construct 16 nuclear power plants by 2030 with the first two units to enter operation within 10 years.

With few exceptions, countries are taking the decision to move forward with nuclear power recognising the technology's long history of safe operations and environmental benefits in a carbon-focused world. The uranium supply sector remains under considerable stress at the moment with some long-standing producers stating that their operations are uneconomic at present prices. Difficulty in financing new uranium operations under current circumstances places Paladin in a good position with its relatively new mining operations in Namibia and Malawi. Paladin fully anticipates that market conditions will recalibrate in order to provide the necessary incentives to progress new uranium developments.

Yours faithfully
Paladin Energy Ltd

JOHN BORSHOFF
Managing Director/CEO

Declaration
The information in this announcement that relates to mineral resources is based on information compiled by David Princep BSc FAusIMM for Mineral Resources. 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 Competent Persons 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 Canadian National Instrument 43-101. Mr. Princep is full-time employees of Paladin Energy Ltd and consents to the inclusion of the information in this announcement in the form and context in which it appears.