



PALADIN ENERGY LTD

ACN 061 681 098

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31 October 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 September 2011

HIGHLIGHTS

- **Production of 1.24Mlb U₃O₈ - a decrease of 15% from last quarter.**
 - **operations affected by combination of planned shutdowns and unscheduled remediation work.**
- **Langer Heinrich impacted by Stage 3 tie-in shutdowns but increasing production benefits evident as new equipment comes on-line.**
- **Kayelekera planned shutdown for plant upgrade plus unscheduled shutdown for remedial action on acid and drying plant caused 6 weeks loss of production in the quarter.**
 - **localised ground movement caused the packaging/drying plant and acid plant to be taken off-line for remedial work.**
 - **record plant run hours in July producing 234,281lb (85% of nameplate).**
- **Record sales for quarter: 2,001,673lb sold for US\$102.74M.**

Post quarter

- **Langer Heinrich producing at record levels and in excess of 90% of Stage 3 nameplate to 30th October.**
- **Kayelekera production was off-line for 13 days due to acid shortage and recommenced on schedule 14th October with acid plant coming on line 7th October.**
 - **upgrades positive with the plant operating at nameplate operating hours and throughput. Uranium production increasing and expected to be 90% of nameplate for start of Lenders' Test 1st November as feed grades reach design capacity.**

SAFETY

One LTI was recorded for the quarter. This occurred at Langer Heinrich and involved lightly heated slurry splashes to the face and neck.

QUARTERLY URANIUM SALES

Sales for the quarter were a record 2,001,673lb U₃O₈ generating revenue of US\$102.74M, representing an average sales price of US\$51.33/lb U₃O₈, generally in-line with the average uranium spot market price over the quarter. Spot uranium prices continued to languish extending from the Fukushima nuclear accident. The persistent deterioration of the uranium spot price post-Fukushima is impacting financial returns and for this quarter has negatively affected average sales price by a further \$5/lb from that forecasted internally. As other producers have also indicated, these low uranium price levels will dramatically impact the supply growth outlook and are therefore considered unsustainable if a viable and vibrant supply industry is to be established to support the growth in global nuclear power now being reaffirmed.

Uranium Sales Agreements Signed

As advised in August, Paladin signed a series of term uranium sales agreements for production from the Langer Heinrich Stage 3 expansion. The agreements were signed with three new customers in the United States further strengthening Paladin's already significant presence within the U.S. nuclear market.

Production commitments from the new agreements total more than 2.8Mlb U₃O₈ with deliveries beginning in 2012 and extending through to 2016. Contractual pricing provisions incorporate both fixed and base (escalated) mechanisms ranging from the low to mid \$60's per pound U₃O₈.

During the quarter, Paladin has also been engaging with a number of parties in relation to new sales contracts with a view to confirming further term agreements in the coming months.

LANGER HEINRICH MINE (LHM), Namibia

Production by quarter

LHM	Dec Qtr	Mar Qtr	Jun Qtr	Sept Qtr
Production lb	932,731	795,815	896,754	849,067

Production by month

LHM	Jul	Aug	Sept
Production lb	265,421	265,453	318,193

During the quarter the plant consistently produced at the Stage 2 production levels with periods exceeding the Stage 2 capacity as the benefit of newly commissioned equipment started to make contributions. Production for the quarter however did suffer with 6 days of shutdowns required for the tie-in of Stage 3 equipment. Although further minor production disruptions are scheduled, production is expected to be well above Stage 2 nameplate during the December quarter.

The production for the quarter amounted to 849,067lb (Jun 2011 quarter – 896,754lb), a decrease of 5.3%.

Mining

Mining activities had a twofold focus: providing the required ore to the processing plant and also making provision for the soon to be increased ROM feed required as part of Stage 3 throughput requirements.

	Jun Qtr	Sept Qtr
Ore mined t	1,686,727	2,020,638
Grade ppm	769	687
Additional low grade ore mined t	360,445	1,214,524
Grade (ppm)	304	328
Waste/Ore ratio	3.25	1.86
Ore crushed t	543,859	499,384
Grade ppm	893	961

Mining primarily focused on opening up the new Pit C, as the other pits are currently ore-bound and only mined when ROM stocks dictate. At the close of the quarter there was over 6 weeks of ore feed on the ROM pad and another 4 weeks of broken ore remaining in the pits.

Mining was also directed by the need to source construction-quality waste for the new tailings embankments. Phase 1 construction of the embankments passed the 605mRL and the facility is receiving tailings from the plant. Work on the tailings dam is now on a 24/7 roster to ensure that the rate of rise of the embankment exceeds that of the tailings deposition.

Process Plant

Operational Data

	Jun Qtr	Sept Qtr
Ore milled t	543,859	499,384
Grade ppm	893	961
Scrub efficiency %	95.6	96.8
Leach efficiency %	90.3	85.1
Wash efficiency %	79.0	81.5
Overall recovery %	82.5	80.2

Tonnage through the process plant reduced slightly from the previous quarter with a throughput of 499,400t of ore crushed (543,900t in June quarter) due to the interruptions experienced as a result of the tie-in shutdowns for Stage 3 equipment and constraints on heat in the leach circuits.

The front-end circuits continued to perform well subsequent to the introduction of the new crushing and scrubbing circuit during the previous quarter. The new larger capacity scrubber provides much improved scrubbing efficiency and availability.

The extraction in the leaching circuit performed below target expectations due to sub-optimal performance of the dated spiral heat exchangers. The new “flash-splash” system will be commissioned during the December quarter and much improved performance as a result in additional heat input is expected. During the quarter the two new Stage 3 leach tanks were commissioned and put into full operation. The resultant increased residence time in the leach circuit yielded immediate improved leach results.

Counter-Current Decantation (CCD) continues to operate according to expectations. The additional Stage 3 CCD tanks have also been fully commissioned and put into operation.

Ion Exchange performed well during the quarter with high levels of efficiency recorded.

The overall plant efficiency reduced slightly during quarter, but showed significant improvements during the months of August (82.5%) and September (84%) as more equipment was commissioned and put into operation.

Tailings

During the quarter the tailings thickener circuit started to be commissioned and this work is ongoing whilst the tailings disposal has been permanently diverted to the new tailings facility.

Stage 3 Expansion

The Stage 3 expansion to take production from 3.7Mlb pa to 5.2Mlb pa is nearing completion with ramp-up and commissioning of the various processing areas progressing well. The recently completed crushing, conveying, scrubbing, classification, leach, CCD, boiler and tailings areas are now in operation and post quarter are contributing significantly to production output. The boiler plant has commenced steam production. The commissioning of the steam injection to the “flash-splash” and leach tank areas is awaiting final completion and certification of the steam distribution pipe work.

The NIMCIX structures, equipment and electrical installation are complete and the NIMCIX columns have been undergoing final water filling and hydro testing. Process commissioning and ramp-up of the NIMCIX area will shortly commence upon completion of the outstanding pipe work connections in that area.

The project has achieved two million man-hours without a lost time injury.

Industrial actions between the main construction contractor and their employees, during the quarter, have now been resolved and a staged demobilisation programme for the construction workforce has been implemented.

The project is at an overall 99% state of completion.

Stage 4 Feasibility Study

The technical aspects of the study are almost complete with cost estimations underway. The study is expected to be finalised at the end of December along with the Environmental Impact Assessment.

KAYELEKERA MINE (KM), Malawi

Production by quarter

KM	Dec Qtr	Mar Qtr	Jun Qtr	Sept Qtr
Production	534,201	606,034	566,248	395,478

Production by month

KM	Jul	Aug	Sept
Production lb	234,281	43,853	117,344

Kayelekera's production performance during the September quarter dropped 30% from that of the previous quarter as a result of the planned plant upgrade shutdown in August and the unscheduled shutdown of the drying and packaging plant and the acid plant caused by localised ground movement.

A total of 6 weeks were lost during the quarter due to the combination of the planned plant upgrade shutdown and the remedial work.

As a result, the production for the quarter was reduced and amounted to 395,478lb (50% of nameplate production).

Production for August of 43,853lb was 30,000lb short of target in addition the extension of remediation work into September caused a further production shortfall in the order of 140,000lb.

Mining

The mining operations were impacted by the activities in the process plant during the quarter. The bulk of work undertaken involved drainage preparation ahead of the rain season and a select partial waste dump relocation which forms part of the ground movement remediation programme.

The mining and process plant will continue working closely to fine tune the blending ratio associated with oxide and reduced ores to optimise acid consumption and other operating parameters.

	Jun Qtr	Sept Qtr
Ore mined t	274,544	231,416
Grade ppm	1115	1301
Additional low grade mined t	250,716	101,076
Grade ppm	509	519
Waste t	341,202	421,912

Process Plant

Operating data

	Jun Qtr	Jul	Aug *	Sept *	Sept Qtr
Operating time hrs	1,752	632	155	332	1,119
Mill feed, t	287,473	103,422	23,942	54,173	181,537
Grade ppm	1,239	1,287	1,267	1,097	1,227
Leach extraction %	85.7	86.12	84.0	85.16	85.6
RIP efficiency %	91.8	90.13	87.53	89.68	89.7
Overall efficiency %	80.0	75.8	75.15	77.10	76.1

* Plant operational time reduced substantially as a result of planned upgrade shutdown as well as the shutdown of the packaging/drying and acid plants caused by localised ground movement.

Process Plant

The trend of improved running times seen in May and June carried over into July. The plant did start up in September but production was constrained by a shortage of sulphuric acid with the acid plant off-line.

During the planned shutdown in August all of the scheduled work required to achieve nameplate was completed.

Overall recovery levels for the quarter remained below desired levels as various ore blends were being trialled to optimise acid consumption.

The crushing/grinding circuit operated well, after the modifications were completed in August. Run time was however limited due to acid stock limitations while the acid plant was off line. Slurry handling leach launders, which have had limited plant throughput since startup, are now upgraded and initial indications are very positive. This should result in smoother operation at nameplate tonnages. Resin-in-Pulp operational issues continue to focus mostly on resin and elution management and adoption of an effective maintenance regime to manage acid corrosion and reduce downtime.

As reported, the operation of the drying and packaging section was suspended late August. Production recommenced on the 12th September. Relocation of the centrifuge was undertaken in order to produce a “paste” product, for transport to LHM, where drying and final packaging is planned to be undertaken. All necessary approvals and permitting have been received from the Namibian and Malawian Authorities to use the LHM drying and packaging facilities while the necessary remediation work is being completed at KM. Reclamation and relocation of the drying equipment has commenced and the drying and packaging facility is expected to be running in early November.

Costs optimisation efforts are continuing with the consideration of inclusion of a steam turbine on the acid plant, a review of mining contractor unit rates and reagent logistics and pricing. Already a significant reduction has been achieved in mining costs, with strong opportunity to reduce the cost both of some of the key reagents and transportation.

Ground movement mitigation of the areas to the West of the plant is continuing. A formal rectification plan for the land slip was started in the September quarter with the partial movement of a waste dump and hydrogeological assessment for possible future dewatering. Ground movement reduced appreciably during the latter part of the quarter.

Lenders' Test

The Lenders' Test will commence 1st November.

Exploration

The drilling at the mine site, targeting deeper mineralisation to the west of the current resource area with the intention of upgrading the current mineral resource from inferred to indicated or measured, was completed in early September. A total of 62 holes for 9,554m were completed. All holes were downhole logged to obtain equivalent uranium grades. Control samples are currently being collected and will be sent for assaying. Assay results are expected late in 2011 with an updated mineral resource and subsequent ore reserve anticipated early in 2012.

Exploration drilling in outlying target areas started with a total of 22 holes with 3,867m completed to date.

OVERALL QUARTERLY PRODUCTION

As explained, production for the quarter was impacted by both scheduled and unscheduled shutdowns particularly at KM. Due to scheduled shutdowns, a lower quarterly production was anticipated for both operations in preparation for expected solid December quarter production as LHM Stage 3 capacity and KM plant upgrade ramp-up. Unscheduled stoppages emanating from the ground movement effects caused a loss of about 140,000lb in production in September at KM.

Combined Production

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

Combined	Dec Qtr	Mar Qtr	Jun Qtr	Sep Qtr *
Production acct lb	1,466,932	1,401,842	1,463,009	1,244,545

Combined (LHM & KM) contribution by Month is as follows:

Combined	Jul	Aug	Sept
Production lb	499,702	309,306	435,542

* Production during the quarter was largely down as a result of shutdowns for upgrades, packaging/drying and acid plants at KM.

Post Quarter Performance

Both LHM and KM, as of 30th October, were operating well. For October LHM is achieving 90% of Stage 3 nameplate production rate.

As reported, production was also hampered after the plant upgrade by the inability of suppliers to meet sulphuric acid delivery commitments. This caused a further cessation of production early in October until the acid plant could be brought back into operation. KM began production on schedule on 14th October operating at improved efficiencies as well as nameplate rates with regards to operating hours and throughput. In this ramp-up feed grades are being steadily increased and production is expected to be 90% of nameplate for the Lenders' Test commencing 1st November 2011.

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 (Summit Resources (Aust) Pty Ltd 100% - Paladin holds 82.08% of Summit), and the Valhalla North Project (100% Paladin).

Resource drilling during the quarter was completed in the IUJV area at Odin and commenced at Skal.

Odin Uranium Deposit

At Odin, resource delineation drilling was completed for 2011 in 28 RC holes. Mineralisation plunging 20° to 30° to the south was drilled over widths of 20m to 30m with grades in the range of 300ppm to 6,000ppm eU₃O₈ about 400m north of Valhalla. This mineralisation was highlighted by hole VR0432 (340m-371m/31m @ 1,006ppm eU₃O₈). High-grade intervals occur within brecciated and albitised sandstones near contacts with basalt. Down-dip drilling to the east identified thick (40-70m) mineralised zones that flatten with grades in this area ranging from 200ppm to 700ppm eU₃O₈. Overall, drilling was successful in defining significant resource extensions that will be pursued in 2012 with diamond drilling. A mineral resource update is expected during the December quarter.

Skal Uranium Deposit

Skal resource drilling resumed with the objective to complete 40m x 40m resource drill outs at Skal South, East, North and Far North by December, and to test new targets at Skal Southwest and Grendel. A total of 45 holes have been planned for 7,420m. Ten RC holes (1,428m) were drilled in September at Skal South. Drilling highlights include hole SR0157, collared towards the south west end of Skal South, returning a 42m thick mineralised zone which included 10m (from 193m down hole) @ 1,280ppm eU₃O₈ and 8m @ 380ppm eU₃O₈ from 226m down hole.

The drilling is expected to be completed in November/December 2011 with a new resource update to be announced in the March quarter of 2012.

Other Areas

Exploration drilling of the blind Elbow target, located 8km NNW of Valhalla, was completed in 5, 200m spaced, RC holes. Strong alteration was encountered in three holes and included 4m @ 485ppm eU₃O₈ from 102m down hole in RR009. Follow-up drilling is planned in 2012.

Evaluation of shallow auger drilling data in 1,675 holes along the Valhalla-Gunpowder corridor has identified 4 new drill targets. These are located along magnetic lineaments coincident with magnetic highs and spectrometric anomalies, where overburden thickness is 1-3m.

AURORA – MICHELIN URANIUM PROJECT, Canada

Aurora Energy Resources Inc. (Aurora) a wholly owned subsidiary of Paladin holds significant uranium assets in the prospective Central Mineral Belt of Newfoundland and Labrador in Eastern Canada. This contains the Michelin deposit (67.12Mlb U₃O₈ Measured and Indicated Mineral Resources and 36.08Mlb U₃O₈ Inferred Mineral Resources) as well as the Jacques Lake, Nash, Inda, Gear and Rainbow Deposits.

The Nunatsiavut Government has now embarked on a final round of consultation with the local population with an early January 2012 decision expected on lifting of the three year moratorium on uranium mining.

BIGLRYI JOINT VENTURE, Northern Territory – Australia (Paladin 41.71%)

The joint venture manager, Energy Metals Ltd, is carrying out resource extension and infill drilling. Energy Metals have recently announced encouraging results including:

- 27m @ 0.21% eU₃O₈ from 47.8m in BRC11045
- 15.2m @ 0.32% eU₃O₈ from 49m in BRC11077
- 13.55m @ 0.26% eU₃O₈ from 121.1m in BRC11047
- 8.15m @ 0.34% eU₃O₈ from 79.25m in BRC11049
- 5.65m @ 0.50% eU₃O₈ from 136m in BRC11081

Drilling is expected to continue with 2 drill rigs on site for the remainder of the year.

CORPORATE

Group Wide Cost Rationalisation

The announced cost rationalisation programme is underway. As part of this process, particularly in addressing the corporate overhead cost area, the MD/CEO has elected to reduce his salary by 25% for a period of 12 months.

Selected Asset Farm outs

The process of seeking joint venture parties for farming out minority interests in selected non-producing Australian assets is underway. The Company has received very encouraging responses to date and expects good progress to be made in this programme in the December and March quarters.

US\$141M Project Finance Facility For Stage 3 Expansion

Paladin reported that the financing documentation required for the Stage 3 expansion was finalised and executed in September. Paladin drew-down US\$127.2M from this facility and the majority of these funds were used to reimburse Paladin as it had funded the Stage 3 expansion from existing cash reserves. The undrawn portion of the facility post drawdown (US\$7.8M) will be used to meet the remaining construction expenditure.

The US\$141M Facility consists of US\$135M Project Financing Facility (currently drawn to US\$127.2M) and a US\$6M Cost Overrun Facility (currently undrawn).

In accordance with the terms of the Facility, an equity cost overrun account is funded with a further US\$6M.

Banks involved with this project financing were Société Générale (as Agent), Nedbank Capital, Standard Bank Plc, Barclays Capital (the investment banking division of Barclays Bank PLC) and Rand Merchant Bank, a division of FirstRand Bank Limited.

A\$68M Private Placement

Paladin completed an institutional private placement of ordinary shares with RBC Capital Markets and UBS AG, Australia Branch acting as Global Joint Lead Placing Agents in late September. The Private Placement consisted of the issuance of 56,866,232 ordinary shares of the Company at a price of A\$1.20 per share, for gross proceeds of A\$68,239,478.40. Paladin intends to use the funds raised to strengthen Paladin's balance sheet to ensure the Company is well placed to meet all future commitments and pursue identified growth initiatives.

URANIUM MARKET COMMENTS

Tokyo Electric Power Company (Tepco), the operator of the earthquake-damaged Fukushima nuclear plants, has reported solid progress towards achieving cold shutdown status for the nuclear power plants earlier than originally predicted. Most nuclear energy countries have now completed post-Fukushima stress tests or revised risk assessments of their nuclear plants and have, where appropriate, identified and recommended additional safety or design modifications arising from the Fukushima experience. It remains that no nuclear plants apart from those in Germany (and the Fukushima plants) have been permanently shut, and no other country (except Italy which did not have any operational reactors) has abandoned nuclear power as a result of the Fukushima events.

Looking forward, industry attention will now return to the fundamental issues of uranium supply and demand where the impact of Fukushima has been minimal in respect of medium and long term uranium demand but has highlighted once again the limited capacity of the uranium supply industry to invest in and sustain production growth in an orderly manner.

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 employee of Paladin Energy Ltd and consents to the inclusion of the information in this announcement in the form and context in which it appears.