



## PALADIN ENERGY LTD

ACN 061 681 098

17 January 2012

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

By Electronic Lodgement

Dear Sir/Madam

### **QUARTERLY ACTIVITIES REPORT FOR PERIOD ENDING – 31 December 2011**

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#### **HIGHLIGHTS**

- Record production at both Langer Heinrich and Kayelekera mines with major step-changing breakthroughs achieved in overall performance at both sites:
  - production of 1.82Mlb U<sub>3</sub>O<sub>8</sub> – an increase of 24% above previous record quarter and 47% over last quarter.
  - demonstrated production and performance benefits achieved from plant upgrades and Stage 3 production ramp-up.
- Langer Heinrich delivered 1,192,785lb U<sub>3</sub>O<sub>8</sub> 40.5% above last quarter:
  - achieved 92% of Stage 3 design capacity for the quarter.
  - crushed 630,400t of ore, an increase of 26% from the previous quarter.
- Kayelekera delivered a record of 632,000lb U<sub>3</sub>O<sub>8</sub>, a 60% increase over the past quarter in spite of 12 days lost in October due to the acid plant being offline:
  - both November and December were record production months averaging 93% of nameplate.
  - the Bankers' Completion Test began 1 November and preliminary results to date indicate Kayelekera will pass the completion requirements.
  - localised ground movement abated with conditions continuing to be stable.
- Average combined C1 cost of sales US\$32.64/lb during the quarter.
- Moratorium on development and production of uranium was lifted by the Nunatsiavut Government enabling access to the world class 100% owned Michelin Uranium Project in Labrador, Canada.
- Company consolidating a strong strategic and independent position in global uranium landscape:
  - early life cycle, technologically advanced, mining operations combined with a bolstered project pipeline.
  - no significant supply growth in the general market over the next 4 years.
  - Paladin ideally situated to benefit.

## SAFETY

Safety throughout the Company continues to improve with the 12 month moving average Lost Time Injury Frequency Rate (LTIFR) decreasing from 0.8 to 0.7. One LTI was recorded at the Kayelekera Mine (KM) when a process operator received a minor chemical burn to the hand and arm whilst taking a plant sample. Following an investigation, corrective actions have been implemented to prevent a reoccurrence of such incidents.

The annual external safety, health and environment National Occupational Safety Association (NOSA) audit at Langer Heinrich Mine (LHM) for the period December 2010 to November 2011 was conducted and a preliminary 5 Star platinum performance rating was achieved. In addition, Karabib Mining and Construction (KMCC), the LHM mining contractors, achieved over 1,200 days LTI free and the LHM Stage 3 Construction workforce achieved over 2.5 million LTI free hours.

## QUARTERLY URANIUM SALES

Sales for the quarter were 1,317,983lb U<sub>3</sub>O<sub>8</sub> generating revenue of US\$69.9M, representing an average sales price of US\$53.06/lb U<sub>3</sub>O<sub>8</sub> (average Ux spot price for the quarter was US\$52.50/lb U<sub>3</sub>O<sub>8</sub>). Uranium sales tend to fluctuate quarter-on-quarter due to the uneven timing of contractual commitments and resultant delivery scheduling by utility customers.

During the October-December period, the uranium spot price, as published by UxC, showed minimal volatility. Effects of Fukushima continued to impact the near-term market as reflected in the spot price averaging \$52.50/lb U<sub>3</sub>O<sub>8</sub>. Spot market volume for the quarter totalled 11.0Mlb U<sub>3</sub>O<sub>8</sub> while aggregate volume reported for calendar year 2011 approached 52Mlb U<sub>3</sub>O<sub>8</sub>, slightly more than in calendar year 2010. The UxC term price (LT U<sub>3</sub>O<sub>8</sub> Price) declined US\$1/lb U<sub>3</sub>O<sub>8</sub> to US\$63/lb U<sub>3</sub>O<sub>8</sub>.

## LANGER HEINRICH MINE, Namibia

### Production by quarter

LHM	Mar Qtr	Jun Qtr	Sep Qtr	Dec Qtr
<b>Production lb</b>	795,808	896,761	849,067	<b>1,192,785</b>

During the quarter the plant produced in excess of 90% of the Stage 3 nameplate production. The majority of the Stage 3 equipment has been commissioned, with commissioning of the final modules having commenced and the ramp-up phase of production expected to continue into the March quarter.

Production for the quarter amounted to 1,192,785lb (Sep 2011 quarter – 849,067lb), an increase of 40.5% over the previous quarter and an increase of 33% on the previous quarterly record.

### Mining

	Sep Qtr	Dec Qtr
<b>Ore mined (t)</b>	2,020,638	<b>1,490,963</b>
<b>Grade (ppm)</b>	687	<b>695</b>
<b>Additional low grade ore mined (t)</b>	1,214,524	<b>1,257,414</b>
<b>Grade (ppm)</b>	328	<b>322</b>
<b>Waste/Ore ratio</b>	1.12	<b>1.17</b>

Higher grade ores were mined from Pit B to support Stage 3 commissioning. Cut-back development is continuing on Pit A and Pit C to expose Stage 3 specification grade ore for the March quarter. Waste material is being strategically mined to provide material for the next construction phase of Tailings Facility 2 (TSF2).

## Process Plant

The increased plant throughput and production continued in the December quarter resulting in positive flow-on effects as reflected below:

<u>Operational data</u>	Sep Quarter	Dec Quarter
<b>Ore milled (dry tonnes)</b>	499,384	<b>630,397</b>
<b>Grade (ppm)</b>	962	<b>1,023</b>
<b>Scrub efficiency (%)</b>	96.8	<b>95.7</b>
<b>Leach efficiency (%)</b>	85.0	<b>87.9</b>
<b>Wash efficiency (%)</b>	81.6	<b>79.8</b>
<b>Overall recovery (%)</b>	80.2	<b>83.8</b>

Tonnage through the process plant increased by 26% from the previous quarter with a throughput of 630,397t of ore crushed.

The front end circuits continue to perform well following the introduction of the new crushing and scrubbing circuit. The new bigger scrubber continues to provide much improved scrubbing efficiency and commissioning of the second primary classification unit has also commenced.

The leach extraction circuit is improving primarily due to the addition of steam heating to the leach circuit as commissioning of Stage 3 equipment is ramping-up. The commissioning of the new Flash/Splash heat exchange system will continue during the March quarter and is expected to further improve leach recoveries. Two new leach tanks have been commissioned and put into full operation.

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

The existing Ion Exchange circuit performed well during the quarter with high levels of efficiency recorded. The commissioning of the NIMCIX also started during the quarter.

The overall plant efficiency improved during the quarter to 83.8% from 80.2% in the September quarter.

The drying plant continues to perform well. Batch drying and packaging of the transported "paste" yellowcake product from KM continued without any impediment to LHM production. Batch processing of KM product will be discontinued in early 2012 as the relocated drying and packaging facility at KM is now fully operational.

## Tailings

During the previous quarter the new TSF2 and tailings thickening circuit commenced commissioning. Commissioning is ongoing and modifications to the Magra tailings thickener will continue to improve performance.

## Stage 3 Expansion

The Langer Heinrich Stage 3 expansion project construction phase is now complete.

The overall staged ramp-up phase is well advanced with the steam generation and NIMCIX areas recently coming on stream for production ramp-up. The NIMCIX area is progressing well in its process ramp-up and the steam injection and Flash/Splash areas are undergoing final process optimisation.

The main construction workforce is now de-mobilised.

Ramp-up of the plant is expected to be completed in the March quarter of 2012 with the project at an overall 99% state of completion.

#### Stage 4 Feasibility Study

All technical aspects of the Stage 4 Feasibility Study were completed by year end and the economic modelling and sensitivity analysis are in progress. It is expected that the study economic results will be available March/April. The Environment Impact Assessment (EIA) has been completed and a public meeting is planned for late January 2012 with submission of the EIA planned in the March/April period.

#### KAYELEKERA MINE, Malawi

##### Production by quarter

KM	Mar Qtr	Jun Qtr	Sept Qtr	Dec Qtr
<b>Production lb</b>	606,034	566,248	395,478	<b>631,780</b>

##### Production by month

KM	Oct*	Nov	Dec
<b>Production lb</b>	120,648	253,106	258,026

\* Only 19 days operation in October.

Kayelekera's production performance during the December quarter was up 60% from the previous quarter, largely as a result of the benefits obtained from the recent upgrades and significantly improved operating time achieved during the quarter. This reflects a significant step-change in plant performance with the operation now nearing nameplate production.

As announced during the quarter a total of 12 days were lost during October due to the acid plant being offline. Once the acid plant was restarted on 7 October and the main plant was operational on 14 October, there was only minor downtime for the remainder of the quarter.

Both November and December were record production months and represented an average of 93% of nameplate production. Production for the quarter was 631,780lb (77% of nameplate) with the production deficit largely the result of the lost days in October.

#### Mining

A total of 1,086,500t were mined during the quarter.

	Sept Qtr	Dec Qtr
<b>Ore mined t</b>	213,416	<b>338,716</b>
<b>Grade ppm</b>	1,301	<b>1,196</b>
<b>Additional low grade mined t</b>	101,076	<b>165,483</b>
<b>Grade ppm</b>	519	<b>511</b>
<b>Waste t</b>	421,912	<b>582,280</b>

## Process Plant

### Operating data

	Sept Qtr	Oct	Nov	Dec	Dec Qtr
<b>Operating time hrs</b>	<b>1,119</b>	416	596	638	<b>1,650</b>
<b>Mill feed, t</b>	<b>181,537</b>	73,764	113,472	125,066	<b>312,302</b>
<b>Grade ppm</b>	<b>1,217</b>	955	1,113	1,269	<b>1,112</b>
<b>Leach extraction %</b>	<b>85.6</b>	84.7	90.1	90.1	<b>88.3</b>
<b>RIP efficiency %</b>	<b>89.7</b>	96.5	96.2	96.9	<b>96.5</b>
<b>Overall efficiency %</b>	<b>76.1</b>	81.4	85.5	85.4	<b>84.1</b>

The positive trend of improved running times and increased throughput was clearly evident during November and December and this is continuing into January. The plant improvements completed in August have substantially improved plant operability, nameplate throughput rates and efficiencies.

Overall uranium recovery levels for the quarter improved significantly to a record high of 84.1% as operator knowledge and operational conditions were optimised on the various ore blends utilised.

The crushing/grinding circuit operated well during the latter part of October and the months of November and December. Run time was 1,650hrs for the quarter with 638 hours in December, which was an all time record. Slurry handling leach launders, which have had limited plant throughput since startup, now have throughput capability in excess of 190t per hour after the plant upgrade in August. The new launders have significantly contributed to the plant performance now approaching nameplate tonnages. The focus going forward in the Resin-in-Pulp circuit will be on resin and elution management and maintaining an effective maintenance regime to manage acid corrosion and reduce downtime.

As previously reported, the relocated drying and packaging plant came back online on 12 November and is operating very well at near nameplate capacity. During the period that the KM packaging and drying section was under construction a "paste" yellowcake product was transported to LHM, where drying and final packaging was undertaken as an interim solution. The treatment of the paste product at LHM will cease in early 2012.

### Completion Test

The Bankers' Completion Test commenced 1 November and is scheduled to be completed on 31 January 2012. On preliminary evaluation all indicators for November and December appear to be passing the Bankers' criteria.

### Cost Optimisation

A key focus for the KM project is cost optimisation now that production is nearing design performance. Fourteen areas have been identified with specific targeted cost savings opportunities. The key areas of focus are acid, reagents, diesel and transport.

### KM Ground Movement

During the period, ground movement to the west of the plant continued to decrease appreciably and appears stabilised. Several remedial programmes were completed and included the partial movement of a waste dump, hydrogeological drilling for possible dewatering and drainage works throughout the area in preparation for the wet season. Some ground movement may return during the wet season but it is expected to be manageable due to the above remediation works.

## OVERALL QUARTERLY PRODUCTION

The Company achieved record production at both sites for the December quarter and the long sought after production uplift toward nameplate design on both operations is finally being achieved.

### Combined Production

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

Combined	Mar Qtr	Jun Qtr	Sep Qtr	Dec Qtr
<b>Production lb</b>	1,401,842	1,463,009	1,244,545	<b>1,824,565</b>

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

Combined	Oct	Nov	Dec
<b>Production lb</b>	550,687	654,802	619,076

Currently a guidance range of 7.4M to 7.9Mlb U<sub>3</sub>O<sub>8</sub> is in place for FY2012, which was provided in July 2011. Due to the combination of the unscheduled shutdowns at KM of the acid plant and drying and packaging circuit to complete remediation work made necessary due to localised ground movement and the later than scheduled ramp-up of Stage 3 at LHM, guidance has been revised to between 7.1Mlb and 7.4Mlb U<sub>3</sub>O<sub>8</sub>.

## 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 Energy Ltd holds 100% of Fusion).

### Odin Uranium Deposit (IUJV)

At Odin, resource delineation drilling was completed for 2011 with an additional 28 RC holes. Mineralisation plunging 20-30° to the south was drilled over widths of 20-30m with grades in the range of 300-6,000ppm eU<sub>3</sub>O<sub>8</sub> about 400m north of Valhalla. This mineralisation was highlighted by hole VR0432 (340m-371m/31m @ 1,006ppm eU<sub>3</sub>O<sub>8</sub>). 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 from -70°E to -40°E; grades in this area range from 200-700ppm eU<sub>3</sub>O<sub>8</sub>. 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. For the first time, Indicated Mineral Resources have now been defined.

Resource Category	Mt	U <sub>3</sub> O <sub>8</sub> (ppm)	U <sub>3</sub> O <sub>8</sub> (t)	U <sub>3</sub> O <sub>8</sub> (Mlb)
<b>Indicated</b>	8.2	555	4,534	9.99
<b>Inferred</b>	5.8	590	3,430	7.6

The total mineral resource represents a 70.3% increase on the previous, all Inferred category, mineral resource.

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## Skal Uranium Deposit (IUJV)

Skal resource drilling has now been completed following a nine-month hiatus. The objective was to complete 40m x 40m resource drill-outs at Skal South, East, North and Far North and to test new targets at Skal Southwest and Grendel. A total of 57 RC holes for 9,592m have now been added to the Skal dataset.

All holes have been radiometrically logged and downhole surveyed and are now only awaiting confirmation assays to be received. It is expected that an updated mineral resource model will be completed during the March quarter.

## Exploration

Evaluation of auger drilling data from 1,675 holes along the Valhalla-Gunpowder corridor identified a number of new drill targets. These are located along magnetic lineaments coincident with magnetic highs and spectrometric anomalies, where overburden thickness is 1-3m. Additional assay work is currently underway on samples from the auger programme in order to better define and prioritise follow-up drill targets.

## AURORA – MICHELIN URANIUM PROJECT, Canada

### Uranium Moratorium Lifted

On 15 December 2011, Paladin announced that the Nunatsiavut Government voted to lift the three-year moratorium on the mining, development and production of uranium on Labrador Inuit Lands at the Nunatsiavut Assembly sitting on Wednesday 14 December 2011. The effective date of the moratorium lifting will be at the proclamation of the Nunatsiavut Environmental Protection Act, which was passed by the Assembly in February 2011. The proclamation is scheduled for early March 2012, to allow for the Act's regulations to be completed.

Paladin holds title to significant uranium assets through its wholly owned subsidiary Aurora Energy Ltd. ("Aurora") within the highly prospective Central Mineral Belt (CMB) of Labrador, Eastern Canada, including 15.1Mlb U<sub>3</sub>O<sub>8</sub> at a grade of 0.08% of Measured Mineral Resources, 68.7Mlb U<sub>3</sub>O<sub>8</sub> at a grade of 0.10% Indicated Mineral Resources and 53.0Mlb U<sub>3</sub>O<sub>8</sub> at a grade of 0.08% of Inferred Mineral Resources, using a cut off of 0.02% U<sub>3</sub>O<sub>8</sub> for open pit resources and 0.05% U<sub>3</sub>O<sub>8</sub> for underground, across six deposits: Michelin, Jacques Lake, Rainbow, Nash, Inda and Gear. A technical report titled 'Michelin Uranium Project, Labrador, Canada, NI 43-101 Technical Report on Preliminary Assessment' with an effective date of 1 August 2009 was previously filed by Fronteer Gold (previous owner of Aurora) on Sedar. The technical report has been reviewed by David Princep, Principal Geologist-Resources with Paladin. Paladin is not aware of any new information that would make this disclosure of the mineral resources either inaccurate or misleading. The Aurora tenements hold excellent potential for both expanding the resource base within the existing identified deposits and making additional discoveries.

The Nunatsiavut Government is a regional, aboriginal government formed in 2005. Five of Paladin's six deposits fall within the Labrador Inuit Lands, the area administered by the Nunatsiavut Government.

With the lifting of the moratorium and no impediments from the Federal and Provincial Governments, Paladin will be planning for a mid-2012 exploration programme.

Drilling is expected to start in the third quarter of CY2012. Initially, camp and support infrastructure will be re-established to allow ground geological and geophysical work to go ahead, to define drilling targets. Drilling is planned to start with infill and extension drilling of the Michelin mineralisation.

The ending of the three-year moratorium validates Paladin's vision to acquire the Aurora uranium assets in February 2011 at the highly discounted pricing of US\$1.90/lb, which reflected the development risk prevailing at that time. The Company now controls a highly attractive asset with significant uranium resources in a region available for potential development in what is expected will become the second most important uranium province in Canada and considered to be of worldwide significance. This positive development further consolidates the value of Paladin's deep and diverse project pipeline in an industry where significant uranium deposits with development potential, combined with a proven builder/operator, remain scarce.

Field work in October concentrated mainly on the Croteau concessions, which are located on Crown land to the west of the Nunatsiavut lands. Geological mapping, prospecting and ground scintillometry identified clusters of radiometric anomalies in an area of 800m x 150m. Some of these areas were trenched using a small excavator, substantially adding to the geological understanding of the area and identifying zones of significant mineralisation.

### **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 has recently announced results including:

- BRC11138: 16.95m @ 0.87% eU<sub>3</sub>O<sub>8</sub> from 72.4m  
24.15m @ 0.23% eU<sub>3</sub>O<sub>8</sub> from 39.3m
- BDD11115: 19.70m @ 0.50% eU<sub>3</sub>O<sub>8</sub> from 1m
- BDD11088: 9.05m @ 0.59% eU<sub>3</sub>O<sub>8</sub> from 27.7m
- BDD11133: 13.90m @ 0.33% eU<sub>3</sub>O<sub>8</sub> from 21.4m
- BRC11114: 50.4m @ 0.095% eU<sub>3</sub>O<sub>8</sub> from 74.3m

Intersections are at a cut-off of 100ppm eU<sub>3</sub>O<sub>8</sub>, minimum thickness 1m and 3m maximum internal waste.

Following completion of the drilling, it is anticipated that a revised geological model and improved understanding of the controls on mineralisation will be developed in early 2012.

### **ANGELA JOINT VENTURE, Northern Territory – Australia (Paladin 50% - Cameco 50%)**

In September Cameco handed over management of the joint venture to Paladin. Active exploration at Angela is currently not planned to resume before the June quarter of 2012.

## **CORPORATE**

### **Selected Asset Farm-outs**

The process of seeking joint venture parties for farming-out minority interests in selected non-producing Australian assets is continuing. The Company has received strong interest to date and expects good progress to be made in this programme in the March quarter.



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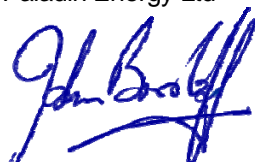
**URANIUM MARKET COMMENTS and OUTLOOK**

In November, the *International Energy Agency (IEA)* released its latest World Energy Outlook covering forecasts through to 2035. The IEA still projects nuclear energy production to increase by 70% by 2035, which is only slightly lower than its previous forecast, but warns that if nuclear power is adversely affected by post-Fukushima uncertainty then a decline in the nuclear contribution would lead to higher electricity costs, greater security of supply concerns, and increased difficulties dealing with carbon emissions.

Paladin has completed a comprehensive assessment of current and future uranium demand and supply dynamics, the results of which were presented before the World Nuclear Association 36<sup>th</sup> Annual Symposium in mid-September (“A Perspective on Supply from a New Producer”). That study analysed approximately 100 producing and proposed development projects, worldwide, incorporating assessments of technical risk, political/regulatory risk, costs and the probability of achieving production. The study concluded that primary production must at least double by 2020 and that projected demand requirements can only be met with the development of mines with operating costs significantly higher than those currently in production. A follow-on, detailed analysis of the economics of 10 industry projects representing a combined 80Mlb of potential annual production showed that, on average, a life-of-mine realised sales price greater than \$80/lb U<sub>3</sub>O<sub>8</sub> would be required to provide adequate returns in the context of the general global resource boom and to incentivise project development.

Moving into CY2012, the spot price is beginning to show signs of strengthening as new demand emerges. As the market effects of the Fukushima incident continue to work their way through the overall nuclear/uranium market, price improvement is anticipated throughout the year, although periods of volatility can be expected.

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.*