



## PALADIN ENERGY LTD

ACN 061 681 098

16 July 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 June 2013

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#### HIGHLIGHTS

- **Strong sales revenue of US\$107.4M for the quarter, selling 2.325Mlb U<sub>3</sub>O<sub>8</sub> at average price of US\$46.22/lb.**
- **Annual revenue of US\$408.4M from sale of 8.253Mlb U<sub>3</sub>O<sub>8</sub> (up 23% on FY12) at average price of US\$49.48/lb U<sub>3</sub>O<sub>8</sub>.**
- **Record production for FY13 of 8.255Mlb (3,745t) U<sub>3</sub>O<sub>8</sub> – up 20% on the previous year.**
  - annual production well within stated guidance of between 8.0 and 8.5Mlb.
- **Solid production at both the Langer Heinrich and Kayelekera mines for June quarter.**
  - combined production of 2.143Mlb (972t) U<sub>3</sub>O<sub>8</sub>, up 8% on the March quarter.
  - overall quarter production at 101% of combined nameplate.
- **Langer Heinrich produced a record 1,353,348lb (614t) U<sub>3</sub>O<sub>8</sub> for June quarter, achieving 104% of nameplate and an annual production for FY13 of 5.292Mlb (2,401t) U<sub>3</sub>O<sub>8</sub>, up 20% on the previous year.**
  - recovery for fiscal year of 86.0% (design: 85%).
  - feed grade for the year of 812ppm U<sub>3</sub>O<sub>8</sub> (design: 800ppm).
- **Kayelekera delivered a record 789,430lb (358t) U<sub>3</sub>O<sub>8</sub> for June quarter, achieving 96% of nameplate with an annual production for FY13 of 2.963Mlb (1,344t) U<sub>3</sub>O<sub>8</sub>, up 20% on the previous year.**
  - feed grade of 1,143ppm U<sub>3</sub>O<sub>8</sub> (design: 1,150ppm) for the year.
  - recovery of 85.9% for the quarter and 84.6% (design 87%) for the year.
  - an independent safety audit awarded a 5 Star Platinum NOSA rating.
- **Cost savings and optimisation initiatives in FY13 successfully achieved unit production cost reductions better than the stated targets.**
- **Strategic Initiative to unlock value extended to mid-late August due to a positive revised bid.**

## SAFETY

The Company's safety performance improved during the period with no lost time injuries (LTIs) incurred and the 12-month moving average Lost Time Injury Frequency Rate (LTIFR) decreased significantly from 1.2 to 0.7. For FY13, there were four LTIs compared to seven LTIs for the previous year.

During the June quarter, the annual external safety, health and environment NOSA audit at Kayelekera Mine (KM) for the period May 2012 to May 2013 was conducted and a 5 Star Platinum result achieved with a higher effort performance (92%) than last year (90%). In addition, KM also achieved a milestone of 459 LTI free days at period end.

## QUARTERLY URANIUM SALES

Sales for the quarter were 2,325,000lb U<sub>3</sub>O<sub>8</sub> generating revenue of US\$107.4M, representing an average sales price of US\$46.22/lb U<sub>3</sub>O<sub>8</sub> (average Ux spot price for the quarter was US\$40.57/lb U<sub>3</sub>O<sub>8</sub>). Sales for FY13 were a record 8,253,131lb U<sub>3</sub>O<sub>8</sub> (up 23% on FY12) with revenue of US\$408.4M (up 14% on FY12), generating an average price of US\$49.48/lb U<sub>3</sub>O<sub>8</sub> (average UX spot price for FY13 was US\$43.86/lb U<sub>3</sub>O<sub>8</sub>).

## LANGER HEINRICH MINE, Namibia (100%)

### Production by quarter

LHM	Sep 2012 Qtr	Dec 2012 Qtr	Mar 2013 Qtr	Jun 2013 Qtr	FY 2013
<b>U<sub>3</sub>O<sub>8</sub> Production (lb)</b>	1,290,462	1,418,583	1,230,081	<b>1,353,348</b>	<b>5,292,474</b>

The quarterly production of 1,353,348lb U<sub>3</sub>O<sub>8</sub> was 10% higher than the March quarter. The annual production for FY13 totalled 5,292,474lb, 20% higher than the previous year. The ongoing efforts to make the operation more water efficient continued to improve production per unit water consumption.

The negotiations to obtain desalinated water from the Areva plant were delayed but have since progressed well and finalisation is imminent. Despite this delay, no adverse impacts on production are expected as the site is now self-sufficient in water due to the successful implementation of a number of initiatives.

### Mining

The overall mined quantities remained in line with the March quarter as planned, with the high and medium grade ore mined increasing by 7%. Ore mining and availability remained healthy and met all processing requirements.

	Mar 2013 Qtr	Jun 2013 Qtr
<b>Ore mined (t)</b>	829,366	<b>885,007</b>
<b>Grade (ppm)</b>	823	<b>762</b>
<b>Additional low grade ore mined (t)</b>	531,667	<b>503,628</b>
<b>Grade (ppm)</b>	314	<b>323</b>
<b>Waste (t)</b>	5,286,056	<b>5,144,873</b>
<b>Waste/ore ratio</b>	3.88	<b>3.79</b>

Mining continued in three pits with sufficient ore exposed to fulfil plant feed requirements. For scheduling purposes, mining activities moved to focus on the eastern side of the deposit towards the end of the quarter.

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 June quarter as reflected below:

	Mar 2013 Qtr	Jun 2013 Qtr
<b>Ore milled (t)</b>	797,696	<b>831,010</b>
<b>Grade (ppm)</b>	810	<b>886</b>
<b>Scrub efficiency (%)</b>	91.1	<b>90.8</b>
<b>Leach extraction (%)</b>	95.8	<b>93.4</b>
<b>Wash efficiency (%)</b>	88.8	<b>87.6</b>
<b>Overall recovery (%)</b>	86.7	<b>83.3</b>

Ore feed tonnage through the process plant increased by 4%, which can be attributed to more steady feed and plant conditions, with no water constraints experienced as was the case during the previous quarter.

The scrub efficiency reduced to 90.8% (against a design of 93%). The screening section posed some challenges during the quarter and optimisation work in this area is ongoing; however, the installation of the Hydrosort equipment during the current September quarter will improve this section's performance.

The extraction in the leaching circuit reduced to 93.4% from the record previous quarter caused mainly by reduced boiler availability due to statutory annual certification maintenance required on the three steam boiler units. For the majority of April and May one boiler was off-line for this purpose, which led to reduced leach temperature and hence leach extraction. The operation has already identified alternative procedures to avoid a similar impact on production during future boiler maintenance.

The efficiencies in the Counter-Current Decantation (CCD) circuit reduced to 87.6% for the quarter, offsetting some of the earlier gains. This was mainly due to short term issues and towards the end of the quarter the results improved notably. The reduction of overall and unit water consumption and, as a consequence, reagent consumption, continued to deliver positive results.

The consequence of the issues discussed above was overall plant recovery reduced to 83.3% and recovery is expected to improve in the September quarter.

Construction work on the newest tailings storage facility ("TSF3") is ongoing (first in-pit tailing deposition area for the mine) and remains scheduled for completion in the December quarter. Construction of the final TSF2 extension was mostly completed during the quarter.

## Production Optimisation

During the quarter, the focus on production optimisation was maintained and most of the improvements achieved in the March quarter through the optimisation process were retained. The positive trend continues in all optimisation targets.

The addition of the demonstration Hydrosort unit is progressing well in terms of both time and cost and commissioning of this unit is expected in the September quarter.

Further specific optimisation targets have been developed and initiatives resulting in further material reductions in reagent consumption are expected in the coming quarter.

## KAYELEKERA MINE, Malawi (85%)

### Production by quarter

<b>KM</b>	Sep 2012 Qtr	Dec 2012 Qtr	Mar 2013 Qtr	Jun 2013 Qtr	FY2013
<b>U<sub>3</sub>O<sub>8</sub> Production (lb)</b>	638,950	772,280	761,992	<b>789,430</b>	<b>2,962,652</b>

Uranium production at KM was a record and 4% above the March quarter with 789,430lb U<sub>3</sub>O<sub>8</sub> produced during the June quarter. The record annual production of 2,962,652lb U<sub>3</sub>O<sub>8</sub> for FY13 was 20% greater than FY12.

## Mining

### Mining data

	Mar Qtr 2013	Jun Qtr 2013
<b>Ore mined (t)</b>	29,192	<b>186,521</b>
<b>Grade (ppm) U<sub>3</sub>O<sub>8</sub></b>	1,816	<b>1,766</b>
<b>Additional low grade ore mined (t)</b>	6,096	<b>43,680</b>
<b>Grade (ppm)</b>	471	<b>487</b>
<b>Waste (t)</b>	633,247	<b>714,722</b>
<b>Waste/ore ratio</b>	17.94	<b>3.10</b>

Total material mined for the June quarter was 35% below target due to poor equipment availability and wet ramps during the first two months. Five of seven new trucks arrived on site in June and the increase in truck availability resulted in higher production. Outlook for next quarter is good with the commencement of the dry season and increased equipment availability.

Ore availability on stockpiles still remains in excess of four months of plant requirements. Low grade arkose ore is being targeted for the coming period to ensure the correct ore blends to best manage acid consumption requirements.

General mining activities have continued, including preparation for the FY14 wet season. Ongoing monitoring of ground movement shows that the area has now been effectively stable for nearly two years.

## Process Plant

### Operating data

	Mar Qtr 2013	Jun Qtr 2013
<b>Operating time (hrs)</b>	1,853	<b>1,803</b>
<b>Mill feed(t)</b>	364,381	<b>344,726</b>
<b>Grade (ppm) U<sub>3</sub>O<sub>8</sub></b>	1,094	<b>1,211</b>
<b>Leach extraction (%)</b>	91.4	<b>91.4</b>
<b>RIP efficiency (%)</b>	96.6	<b>94.2</b>
<b>Overall efficiency (%)</b>	87.2	<b>85.9</b>

The June quarter was the best ever quarter for production, up 4% from the March quarter.

Leach recovery was excellent during the quarter with emphasis concentrated on improving ore blend management. Acid consumption was within budget and in equilibrium with the on-site acid production.

The annual 14-day plant maintenance shutdown is scheduled for August. This shutdown is budgeted and included in market guidance.

## Production Optimisation

The acid recycling (Nano technology) project and grid power supply remain the two key elements of production optimisation at Kayelekera.

Acid recycling initiatives remain on schedule for commissioning in the September quarter, but delays have been experienced with the grid power initiative. This project is now scheduled for completion in the March quarter of 2014.

The improved leach performance is attributable in part to the successful completion of a mill classification optimisation initiative, which has resulted in consistently finer leach feed material at the same mill power consumption. Consistent ore feed blend management is the other key element of this strategy.

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**Exploration**

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

**UNIT COST IMPROVEMENT**

The FY13 cost reductions forecast in early November 2012 have been exceeded at both sites and more gains are expected during FY14.

- Langer Heinrich Mine – C1 cost of production for FY13 were reduced by 9%, compared to June 2012.
- Kayelekera Mine – C1 cost of production for FY13 were reduced by 24%, compared to June 2012.

With realisation of the acid recycling and grid power initiatives at KM, significant further cost reductions are expected at this site.

**PRODUCTION GUIDANCE FY13 and FORECAST for FY14**

The combined operations achieved a total production of 8.255Mlb for FY13, which was well within the stated guidance range of 8.0 to 8.5Mlb U<sub>3</sub>O<sub>8</sub>.

Combined production guidance for FY14 is forecast to be 8.3 to 8.7Mlb U<sub>3</sub>O<sub>8</sub>.

**AURORA – MICHELIN URANIUM PROJECT, Canada (100%)**

Work is now substantially complete on an updated mineral resource estimate for the Michelin deposit. Final Quality Analysis/Quality Control and peer review of the mineral resource is now underway and announcement of the results is expected in the next quarter.

Preparation for the upcoming summer exploration programme is ongoing.

**ANGELA PROJECT, Australia (Paladin 100%)**

With Paladin becoming the sole owner of the Angela project following the completion of an agreement to purchase the 50% interest previously held by Cameco Australia Pty Ltd, the Company gained an additional 15.4Mlb U<sub>3</sub>O<sub>8</sub> to its attributable mineral resource base.

The Angela-Pamela sandstone uranium deposits are located 25km south of Alice Springs in the Northern Territory. The deposit contains an Inferred mineral resource of 30.8Mlb (10.7Mt) U<sub>3</sub>O<sub>8</sub> at an average grade of 1,310ppm U<sub>3</sub>O<sub>8</sub> at a 300ppm cut-off grade. The mineral resource was estimated by Paladin in 2010/11, reported in 2011, and is in compliance with both the NI 43-101 and JORC guidelines.

**MANYINGEE PROJECT, Australia (100%)**

Work at Manyingee concentrated on updating the geological model to provide input into an updated mineral resource estimate. Water sampling was undertaken to obtain baseline data and hydrogeological modelling was commenced in support of an application for a future Field Leach Trial.

Preliminary metallurgical test results indicate that an alkaline leach solution under six bars of oxygen pressure (approximately equivalent to the depth of the ore body under the water table) will leach up to 90% of the contained uranium.

## NIGER

Terrorist attacks on the Areva mining operations at Arlit and in the nearby town of Agadez in Niger have halted the Company's planned activities on its nearby exploration properties. Paladin is currently in discussion with the relevant Niger authorities and has applied for a Force Majeure consideration so it can halt expenditure until the security situation improves.

## STRATEGIC INITIATIVE EFFORTS

In June, Paladin advised that the strategic initiative outcome expected to be finalised at the end of June has been delayed until mid to late August. Advanced negotiations have been ongoing regarding finalising a minority equity position in the Company's flagship Langer Heinrich Mine in Namibia.

The Company is confident a sale will be successfully achieved; however, a revised bid from one of the parties requires reconsideration and the approval process will be extended. Paladin believes it is in its best interest to accommodate this and, as such, finalisation of the transaction moved into the September quarter.

## URANIUM MARKET COMMENTS

The Ux spot price moved in a narrow range during the quarter from a high of US\$42.25/lb U<sub>3</sub>O<sub>8</sub> in April before softening to \$39.65/lb U<sub>3</sub>O<sub>8</sub> in June. The Ux term price rose by US\$1/lb to US\$57.00/lb U<sub>3</sub>O<sub>8</sub> for the quarter.

## Outlook

The recent weakness in uranium prices is partially attributable to uncertainty surrounding the timetable for reactor re-starts in Japan where 48 out of 50 operable nuclear power plants have been offline since the Fukushima events of March 2011.

On July 8 the independent Nuclear Regulation Authority of Japan (NRA) promulgated new safety reassessment standards to apply to all nuclear power plants in Japan. Four utilities subsequently applied to re-start 10 idled plants as soon as inspections can be undertaken and national and local government approvals obtained, which might be as soon as early 2014. The re-start plan for the remaining plants is still not certain, although the national government has adopted a pro-nuclear policy and is known to support returning as many plants as possible to service once they comply with the NRA standards.

On May 28 construction formally began on Barakah-2, a 1345MWe Pressurised Water Reactor being built for Emirates Nuclear Energy Corporation in the United Arab Emirates, which joins its twin, Barakah-1, which began construction in July 2012. Worldwide, there are now 68 nuclear power plants under construction, six more than at the time of the Fukushima events.

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.