

17 January 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 – 31 December 2012

HIGHLIGHTS

- Record sales revenue of US\$133.9M for the quarter, selling 2.78Mlb U_3O_8 at average price of US\$48.10/lb.
- Record quarterly and annual production at both the Langer Heinrich and Kayelekera mines.
 - combined production for the December quarter of 2.191Mlb (994t) U_3O_8 is an increase of 13.6% on the September quarter and is the equivalent of 103.1% of nameplate production of 2.125Mlb U_3O_8 for the quarter.
 - total annual production for CY2012 of 7.946Mlb (3,604t) U_3O_8 is a 34% increase over the previous calendar year.
- Record Langer Heinrich production of 1.419Mlb (644t) U₃O₈ is an increase of 9.9% on the previous quarter.
 - record recovery of 87.4% versus design of 85%.
 - feed grades of 805ppm U₃O₈.
 - demonstrated ability of the project to produce well above nameplate at design of 800ppm feed grades.
 - further optimisation initiatives underway.
 - Stage 3 Bankers' Completion Tests successfully completed.
- Kayelekera production of 772,280lb (350t) U₃O₈ is an increase of 20.9% on the previous quarter and is an all-time quarterly record.
 - quarterly production at 93.6% of nameplate while remaining constraints in the resin-in-pulp circuit (RIP) are being addressed.
 - feed grades of 1,159ppm U₃O₈ (design is 1,100ppm).
 - consistently improved acid plant production continued to provide positive cost implications with reduced dependence on imported acid.
 - increased likelihood of securing low cost grid power to site within the year is progressing well.
 - Cost savings and optimisation initiatives continue successfully with total costs and unit production costs reducing at both mines.
 - FY2013 production guidance of 8.0 8.5Mlb U₃O₈ remains well on target.

SAFETY

The Group continued its high safety performance with a 12-month moving average Lost Time Injury Frequency Rate (LTIFR) of 1.1. During the period, one LTI (foot injury) was recorded at the Langer Heinrich Mine (LHM). The high profile safety management initiatives as part of a comprehensive Safety Action Plan and a new cultural programme (Unwritten Ground Rules – UGRs) implemented at LHM to redress its recent slightly decreased safety trend are bearing fruit with fewer injuries reported and numerous site hazards being addressed over the past quarter. During this time, the annual NOSA HSE grading audit was conducted and the preliminary result has been a 4 Platinum Star rating.

There were no LTIs at the Kayelekera Mine (KM).

QUARTERLY URANIUM SALES

Sales for the quarter were 2,783,424lb U_3O_8 generating revenue of US\$133.9M, representing an average sales price of US\$48.10/lb U_3O_8 (average Ux spot price for the quarter was US\$43.16/lb U_3O_8). Sales were a quarterly record and reflect in part the uneven distribution of contracted deliveries through the year. Sales volume in the March 2013 quarter will be closer to quarterly production.

LANGER HEINRICH MINE, Namibia (100%)

Production by quarter

LHM	Mar 2012 Qtr	Jun 2012 Qtr	Sep 2012 Qtr	Dec 2012 Qtr
U ₃ O ₈ Production (lb)	1,052,364	1,322,480	1,290,462	1,418,583

During the quarter, the plant delivered further improved performance to new record production levels – not only the overall production but also the overall recovery levels. Overall plant throughput also further improved to 914,847t crushed – a 2% increase from the previous quarter.

Production totalled 1,418,583lb U_3O_8 , which was 9.9% higher than the previous quarter. The operation is performing consistently with continuous improvements taking place. During the quarter, the Bankers' Completion Tests for Stage 3 were successfully completed.

Mining

The overall mined quantities decreased over the quarter as one of the primary excavators were taken out of operation as part of the cost rationalisation programme. The mining schedule was revised in order to either reduce or defer mining costs. Ore mining and availability were not affected as excavators were relocated as required.

	Sep 2012 Qtr	Dec 2012 Qtr
Ore mined (t)	1,556,040	1,191,756
Grade (ppm)	652	798
Additional low grade ore mined (t)	1,341,345	757,649
Grade (ppm)	321	320
Waste/ore ratio	1.72	2.54

Mining continued in three pits with sufficient ore exposed to fulfil plant feed requirements. The revised mining schedule also included the mining of suitable waste for tailings storage facility (TSF) construction.

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

Process Plant

The increased plant throughput continued in the December quarter as reflected below:

	Sep 2012 Qtr	Dec 2012 Qtr
Ore milled (t)	896,355	914,847
Grade (ppm)	754	805
Scrub efficiency (%)	92.0	92.7
Leach extraction (%)	93.4	95.1
Wash efficiency (%)	86.9	86.7
Overall recovery (%)	86.8	87.4

Ore feed tonnage through the process plant increased by 2% with total throughput of 914,847t.

The front-end circuit continued to perform well, again achieving record throughput. The scrub efficiency has improved to 92.7% (against a design efficiency of 93%). As reported previously, optimisation work in the screening area in order to further improve performance is ongoing, with the classification section remaining the focal area of the optimisation efforts.

The extraction in the leaching circuit improved in line with expectations. This part of the circuit is now operating close to design parameters and the focus will be on improving throughput consistency to gain further extraction improvements and better management of reagents.

Although the efficiencies in the Counter-Current Decantation (CCD) circuit have been maintained, this area of the plant continues to have the biggest opportunity for further improvements. Additional modifications and improved operating procedures are being implemented, which should lead to further improvements in this area.

Modifications on both of the NimCix circuits have been completed and both circuits are now fully commissioned and operational. With both the NimCix circuits and the old Fixed Bed IX circuits available, further improved performance in this area is also expected.

The overall plant efficiency increased to 87.4% against a design recovery rate of 85%. The most significant contributor to this new record overall recovery rate has been the further improved leach recoveries. The improvement in the scrub efficiency also assisted whilst recoveries in the wash section remained consistent.

The detailed designs for TSF3 (the first full in-pit tailing deposition area) were completed during the quarter and construction work was commenced during this period. Tailings deposition is envisaged to change from TSF2 to TSF3 during the first half of CY2013. Construction of TSF2 and TSF2 extension also continued throughout the quarter.

Production Optimisation

During the quarter, an order was placed with Schauenburg MAB for the delivery of the first Hydrosort unit that will demonstrate the benefits of this technology to the beneficiation of the ore. This first unit is scheduled for commissioning at the end of the June quarter this year. Upon a successful demonstration, it is envisaged that at least one further Hydrosort unit will be installed to further improve ore beneficiation performance, reduce operating costs and increase resource utilisation.

There is also significant effort being directed toward the improvement of operating practice at the site now that the operation is consistently achieving nameplate and is in its post-commissioning phase. Material gains are expected as a consequence of these initiatives over the year.

KAYELEKERA MINE, Malawi (85%)

Production by quarter

KM	Mar 2012 Qtr	Jun 2012 Qtr	Sept 2012 Qtr	Dec 2012 Qtr
U ₃ O ₈ Production (lb)	724,552	726,299	638,950	772,280

Production during the December quarter was a record, exceeding the previous quarter by 20.9%.

Mining

Mining data

	Sept 2012 Qtr	Dec 2012 Qtr
Ore mined (t)	193,953	404,261
Grade (ppm) U ₃ O ₈	1,065	1,814
Additional low grade ore mined (t)	145,328	63,201
Grade (ppm)	523	521
Waste/ore ratio	3.93	1.54

Total material mined for the quarter was on target with ore mined 12% above target due to a change in mine sequencing. .

Ore availability on stockpiles (ROM pad) remains in excess of four months of plant requirements.

In line with the wet season weather strategies, ore mining to ROM stockpiles will be maintained in the next quarter to reduce the risk of crusher feed delays due to inclement weather.

The reconciliation between the resource model, mined and plant figures remained good.

Similar to LHM, a detailed review of the mining plan was undertaken with the view to minimise mining requirements as part of overall cost savings initiatives.

Process Plant

Operating data

	Sept 2012 Qtr	Dec 2012 Qtr
Operating time (hrs)	1,708	1,942
Mill feed(t)	323,409	356,764
Grade (ppm) U ₃ O ₈	1,111	1,159
Leach extraction (%)	86.9	90.7
RIP efficiency (%)	93.6	93.9
Overall efficiency (%)	81.4	83.8

Operating time was a quarterly record.

Leach recovery increased to just below 91% due to the ore feed blend, however acid consumption was maintained at budget with on site acid production largely meeting process requirements.

Resin management remains a primary focus. Improvements in RIP efficiency are expected as the RIP Refurbishment Project reaches completion in February. Resin deliveries have stabilised.

Overall recovery increased from the previous quarter as a result of the improved leach recovery and a slightly improved RIP efficiency.

Production of 261,929lb U_3O_8 was achieved in October and 262,299lb U_3O_8 in November, equating to 94.5% of nameplate, and 248,052lb U_3O_8 in December, equating to 90.2% of nameplate.

December production was down largely as a result of a partial mill liner change out and various other mechanical restrictions in other parts of the plant as well as temporary restrictions in RIP.

Production Optimisation

The key area of process optimisation for KM is in acid recovery. Detailed engineering for this project is almost complete and the plant is scheduled for commissioning in July this year. Detailed testing and pilot work have indicated that approximately 30tpd of acid will be recycled within the process, reducing overall acid demand by an equivalent amount and reducing the demand for neutralisation reagents. When complete, this will represent a significant reduction in operating costs for the project.

In addition to the acid recovery project, a further project to convert the operation from diesel fired power to grid power is now advanced. Current scheduling provides for the conversion to grid power in the first quarter of FY2014 and will result in a further significant reduction in operating costs.

Exploration

The exploration drilling was halted at the onset of the rainy season in early December, with a large number of holes not completed due to drilling issues.

A total of 12 holes for 1,647m were completed with all holes drilled in the Mpata area. Although uranium mineralisation was frequently encountered, no mineralisation of economic grade and thickness was intersected.

Drilling in 2013 will now concentrate south of the minesite in the South Rukuru Basin in the Nthalire area.

COMBINED ANNUAL PRODUCTION FOR CY2012

	Mar	Jun	Sep	Dec	Total CY2012
LHM	1,052,364	1,322,480	1,290,462	1,418,583	5,083,889
KM	724,552	726,299	638,950	772,280	2,862,081
Total	1,776,916	2,048,779	1,929,412	2,190,863	7,945,970

Considering Stage 3 expansion at LHM was still in construction/commissioning phase until mid CY2012, the 12 month production of 5.084Mlb U_3O_8 that was achieved at LHM came to within 98% of nameplate production of 5.2Mlb U_3O_8 . At KM, where the operation was still in commissioning phase until September requiring plant upgrade with considerable downtime involved, it achieved a 12-month production of 2.862Mlb U_3O_8 , achieving 87% of nameplate of 3.3Mlb U_3O_8 .

Nevertheless, the total annual production for CY2012 from both operations reached 7.946Mlb U_3O_8 or 93.5% of the final production design capability of LHM and KM and is considered a very good result, particularly in light of the fact that the first quarter included the final stages of Stage 3 ramp-up at LHM.

PRODUCTION GUIDANCE FY2013

The strong combined production over the past two quarters on LHM and KM of 4.12Mlb U_3O_8 , with signs for continued improvement, place the Group in a good position to achieve its stated production target guidance of 8.0 to 8.5Mlb U_3O_8 given for FY2013, with the opportunity to deliver in the upper end of this range.

AURORA – MICHELIN URANIUM PROJECT, Canada (100%)

The summer drilling programme was completed in October. A total of 23 diamond core holes for 4,648m were drilled, of which 19 holes were drilled at the Michelin Project and four were completed at the Running Rabbit Lake Prospect, 1km ENE of the Michelin Project.

All holes intersected mineralisation as expected, with only a sub-set of drill holes sampled to provide assay data for use in developing an appropriate set of gamma logging factors and these are shown in the table below. It is expected that in the future only 10% of the drilling will be sampled to provide on-going validation of equivalent uranium grades. Geological mapping, prospecting and ground geophysical surveys continued along the Michelin trend east and west of the mineralised zone. The results will now be combined to develop detailed targets for future follow-up scout drilling.

Significant results received to date included:

Hole	East	North	RI	Grid	Azimuth	Dip	EOH Depth	From	То	Interval (m)	Grade U ₃ O ₈ (ppm)
Michelin Pr	oject										
M12-123	6,052,612.9	307,268.9	337.7	NAD83-21	334	-67	156.9	4.6	10	5.4	272
								13	15	2	734
								89	97	8	2,342
M12-126	6,052,526.7	307,189.7	337.5	NAD83-21	334	-75	198.0	47	64	17	277
								118	124	6	502
								145.8	151	5.2	890
								182	185	3	552
M12-127	6,052,679.6	307,336.7	339.0	NAD83-21	336	-61	142.0	46	49	3	672
								57	59	2	327
								70	82	12	1,124
M12-131	6,052,181.7	306,602.0	334.1	NAD83-21	334	-80	194.9	151	168	17	539
Including								153.48	158	4.52	1,226
M12-133	6,052,173.6	306,576.5	335.2	NAD83-21	334	-80	210.0	149	158	9	666
								162	167	5	409
M12-134	6,052,216.3	306,686.4	333.0	NAD83-21	334	-78	232.2	153	163	10	1,384
M12-135	6,052,216.9	306,686.2	332.9	NAD83-21	334	-55	177.0	132	140.92	8.92	1,242
M12-136	6,052,216.9	306,686.2	332.9	NAD83-21	334	-55	177.0	107	131	24	690
M12-138	6,052,221.3	306,637.7	333.1	NAD83-21	334	-83	165.0	143	153	10	1,046
Running Ra	bbit Lake Pros	spect									
RR12-007	6,053,160.6	308,611.6	340.6	NAD83-21	334	-50	285.0	97	105	8	906
								260	269	9	410

Currently, the planning for a winter drilling programme is being completed. Drilling is expected to start in February and will continue into March and April as weather permits.

MANYINGEE PROJECT, Australia (100%)

Drilling continued into November with a total of 96 holes for 9,036m of rotary mud and 242m of core being completed.

Drilling continued to confirm the previously identified mineralisation. Assay results have recently been received and are in the process of being validated. Current work concentrates on comparing assay, equivalent gamma and equivalent Prompt Fission Neutron (PFN) tool uranium grades to confirm the grades to be used for an updated resources estimate.

A total of 35 water bores were installed. Initial pump testing was carried out in November and monitoring of physical and chemical properties continued into December. The pump tests show permeabilities in the main mineralised aquifer sufficient for an ISR operation. The results will be used to develop a new, up-to-date, ground water model for the Manyingee aquifer to be applied in any future ISR leach trials and/or operations.

MT ISA PROJECTS, Australia (91.04% effective)

The Queensland Government lifted the 27 year old ban on uranium mining in Queensland on 22 October 2012. Paladin's response to this positive change is to pursue a long-term investment strategy in Australia.

Generally, strategies are under consideration to develop an economic flowsheet for uranium ores of the area and to further define new targets for substantial resource increases based on recent geological mapping, geophysical results and new modelling.

CORPORATE

Strategic Initiative Efforts

With the improving production and cost performance of both LHM and KM in parallel with what is essentially a global moratorium on supply growth due to low uranium prices, interest has increased to seek a strategic association with Paladin and attain a de-risked leverage to growth.

The strategic initiative endeavours that have been announced in broad terms are continuing with a modified and more focussed approach and results of this work are expected by March/April 2013. The strategic initiative to date has already resulted in the far-reaching Long Term Sales Contract negotiated with the major international nuclear utility, EdF, which involved a US\$200M prepayment. The final tranche of US\$150M is scheduled to be paid at the end of January 2013.

Cost Reduction/Production Optimisation Initiative

In November, Paladin announced its programme to reduce costs within the Group expected to realise US\$60M to US\$80M total savings over the next two years. The comprehensive cost and production optimisation review is part of the process of moving from development to a sustained production phase. The cost review encompassed examination of all activities within the Paladin Group from its mining operations, corporate/administration overheads, future development considerations, exploration, sales and business development, some of which is still ongoing. Opportunity for re-negotiation of key mining and consumables contracts has arisen, paving the way for material cost reductions over the next two years.

FY2013 Cost reductions:-

- Langer Heinrich Mine (US\$10M) Key improvements in mining costs, discretionary spending and contractor rationalisation resulting in a 7.5% reduction in unit costs.
- Kayelekera Mine (US\$10M) Key improvements in mining costs and discretionary spending resulting in a 7.5% reduction in unit costs.
- **Exploration** This will be scaled back by 20% (US\$4M) of budget, mainly through deferring non-essential drilling.
- **Inventory management** The Company has revisited its inventory management policy and explored ways to maximise cash generation resulting in an expected revenue benefit of US\$15M for FY2013.
- Corporate overheads Targeting a reduction of 10% (US\$3M).

FY2014 Cost reductions:-

- Langer Heinrich Mine (U\$10M) An additional 7.5% reduction in unit costs is targeted as the operation is fully optimised with continued process refinement and further reductions in mining costs.
- **Kayelekera Mine (U\$20M)** An additional 15% reduction in unit costs is expected by gaining access to grid power supply and completion of the key production optimisation programmes.

These cost saving initiatives are being implemented and will represent a significant reduction in operating expenditure. However, these cost reductions and production optimisation efforts do not include the additional benefits anticipated from identified technical innovation, which will deliver further operational efficiencies and improved recoveries, which are briefly described in the LHM and KM sections of this report.

URANIUM MARKET COMMENTS

The Ux spot price weakened during the quarter, moving from US\$46.50/lb U_3O_8 in July to a low of US\$40.75/lb U_3O_8 in November before recovering to US\$43.50/lb U_3O_8 in December. The Ux term price also fell from US\$60.00/lb U_3O_8 to US\$56.00/lb U_3O_8 .

Outlook

Four key developments that have occurred recently are expected to re-focus attention on the dynamics of mid to long term uranium supply growth, which is currently at a standstill.

- The new government elected in Japan in December has promised to review the previous government's nuclear phase-out policy and has expressed support for the construction of new nuclear plants. Restarts of the 48 nuclear plants currently offline for safety inspections will begin once the Nuclear Regulation Authority releases its new safety guidelines, which is expected by mid-year.
- Nuclear power plant construction has resumed in China with four new construction starts in November and December bringing the total number of new plants under construction to 29 (28,753 MW).
 Worldwide, there are now 67 plants under construction and 437 in operation (including the 48 on standby in Japan).
- Uranium producers are shelving variously stated plans for further production increases or have deferred new projects until the market recognises the need for consistently higher prices to ensure adequate sustainable uranium supply in the future.
- Industry consolidation continues with the recent announcement of the planned acquisition of full ownership of Canadian producer Uranium One Inc. by JSC Atomredmetzoloto (ARMZ), which is a subsidiary of the Russian Rosatom State Energy Corporation.

This dual event of the return to positive growth in the nuclear industry and a virtual standstill in uranium supply growth is unsustainable and only uranium price increases will rectify this major problem for the industry to be incentivised and start new development.

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 AuslMM. 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.