



PALADIN ENERGY LTD

ACN 061 681 098

14 January 2014

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 2013

HIGHLIGHTS

- **Sales revenue of US\$101.75M for the quarter, selling 2,774,814lb U₃O₈ at average price of US\$36.67/lb.**
 - **Record combined production for Langer Heinrich and Kayelekera mines in December quarter, demonstrating stable operation near or above budget production and below budget unit cost.**
 - combined production of 2.208Mlb (1,001t) U₃O₈.
 - **Langer Heinrich produced a record 1,431,307lb (649t) U₃O₈ for the December quarter, 4% above budget.**
 - overall recovery for quarter of 87.8%.
 - feed grades for the quarter down to 771ppm U₃O₈.
 - previous water issues resolved.
 - **Kayelekera produced 777,015lb (352t) U₃O₈ for the quarter, 8% below budget.**
 - record production for December of 280,082lb U₃O₈.
 - recovery of 85.9% for the quarter.
 - acid recovery plant successfully commissioned.
 - **CY13 production.**
 - Langer Heinrich produced 5.444Mlb (2,469t) U₃O₈ in CY13, an increase of 7% over CY12.
 - Kayelekera produced 2.943Mlb (1,335t) U₃O₈ in CY13, an increase of 3% over CY12.
 - combined production of 8.387Mlb (3,804t) U₃O₈ in CY13, an increase of 5% over CY12.
 - **Cost saving and optimisation initiatives continue to make significant improvements.**
 - **Positive progress continues on the sale of a minority interest in Langer Heinrich.**
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SAFETY

As reported in the previous quarterly report, an employee and two contractors were involved in a serious electrical incident at Langer Heinrich Mine (LHM) on 2 October 2013. Two of the workers received serious burns while the third worker received smoke inhalation. The more seriously injured worker passed away on 29 October 2013 while the second injured worker has since returned to work. The findings and outcomes of a full investigation into the incident are pending.

The Company's 12-month moving average Lost Time Injury Frequency Rate (LTIFR) continues to be low at 1.0. For the December quarter, two LTIs were recorded, both from the October electrical incident at LHM.

Corporate Health and Safety Standards to complement the Paladin Occupational Health and Safety Policy are currently under review by Paladin management and it is envisaged their implementation will begin in early 2014 at all Paladin operating sites.

QUARTERLY URANIUM SALES

Sales

Sales for the quarter were 2,774,814lb U₃O₈, generating revenue of US\$101.75M, representing an average sales price of US\$36.67/lb U₃O₈ (average weekly Ux spot price for the quarter was US\$35.14/lb U₃O₈). December quarter sales were higher than production due to an uneven distribution of customer contracted deliveries.

Sales in the March quarter are anticipated to be approximately 1.8Mlb.

LANGER HEINRICH MINE, Namibia (100%)

Production by quarter

LHM	Mar 2013 Qtr	Jun 2013 Qtr	Sep 2013 Qtr	Dec 2013 Qtr	CY 2013
U ₃ O ₈ Production (lb)	1,230,081	1,353,348	1,429,378	1,431,307	5,444,114

The December quarterly production of 1,431,320lb U₃O₈ was another record. This consistent improvement in production (and unit cost) is the result of the Company's ongoing optimisation strategy that will continue to deliver further benefits.

Production for CY13 of 5,444,114lb U₃O₈ was up 7% from CY12.

Mining

Ore tonnes mined during the quarter were up 21% from the September quarter.

	Sep 2013 Qtr	Dec 2013 Qtr
Ore mined (t)	1,036,834	1,254,668
Grade (ppm)	641	664
Additional low grade ore mined (t)	777,757	1,150,223
Grade (ppm)	328	331
Waste (t)	4,055,551	3,235,604
Waste/ore ratio	2.23	1.35

Mining activities concentrated on the eastern side of the deposit at Pit G and medium grade ore was predominantly mined in this area. Waste mining started in Pit H during the last month of the quarter.

ROM ore stocks have been maintained at approximately four weeks' supply, while being supplemented by medium grade ores from long term stockpiles in line with the crusher blend requirements.

Process plant

The plant performed well during the quarter with record throughput and substantially reduced feed grade as reflected below:

	Sep 2013 Qtr	Dec 2013 Qtr
Ore milled (t)	870,178	962,930
Grade (ppm)	837	771
Overall recovery (%)	88.7	87.8
Production (lb)	1,429,378	1,431,320

The processing optimisation strategy during the quarter focussed on continuous improvement utilising existing equipment and continued to achieve material gains in both production and unit cost:

- Quarterly ore processed increased by 10.6% from the previous quarter to a new record high.
- Feed grade down to 771ppm U₃O₈.
- Soluble loss was further reduced.
- Overall recovery was down slightly due largely to the reduced scrub efficiency and lower head grade.
- C1 costs for the quarter expected to show reductions from the September 2013 quarter.

In-pit tailings deposition began into TSF 3 early in October. This is the first use of full in-pit tailings disposal and a major step forward for the operation.

KAYELEKERA MINE, Malawi (85%)

Production by quarter

KM U ₃ O ₈ Production (lb)	Mar 2013 Qtr	Jun 2013 Qtr	Sep 2013 Qtr	Dec 2013 Qtr	CY2013
	761,992	789,430	614,603	777,015	2,943,040

Uranium production was 777,015lb U₃O₈ at KM during the quarter, 0.6% above the same quarter in 2012 and 26% above the September quarter.

Production for CY13 was 2,943,040lb U₃O₈ up 3% from CY12.

C1 costs for the quarter expected to show reductions from the September 2013 quarter.

Mining

Mining data

	Sep Qtr 2013	Dec Qtr 2013
Ore mined (t)	364,128	207,192
Grade (ppm) U₃O₈	1,084	1,403
Additional low grade ore mined (t)	186,332	96,026
Grade (ppm)	473	383
Waste (t)	734,200	642,830
Waste/ore ratio	1.33	2.12

The mining fleet shut down scheduled for the Christmas/wet season was brought forward as ore stockpiles were in excess of requirements. Consequently, total material mined for the December quarter was below budget by 25%. At the end of the quarter, five-months' ore supply still remained.

Process plantOperating data

	Sep Qtr 2013	Dec Qtr 2013
Mill feed (t)	269,467	319,385
Grade (ppm) U₃O₈	1,261	1,291
Overall recovery (%)	85.1	85.9
Production (lb)	614,603	777,015

In a similar manner to Langer Heinrich, Kayelekera is benefiting from the continuous improvement strategy being implemented at the site:

- Quarterly throughput increased by 19% from the September quarter as the project came back to normal production following the planned annual maintenance shut down in August.
- Leach extraction remains variable, depending on the ore type being processed, but is optimised.
- Resin-In-Pulp (RIP) recovery was up substantially from 95.4% in the September quarter to a record 98.4% due to the completion of the RIP refurbishment and improved mill classification efficiency. RIP recovery in excess of 98% is now established as a benchmark. These same initiatives have resulted in a significant decline in resin losses.

Ore blend management remained a significant focus area for the entire quarter in an attempt to provide blends which were acid neutral in terms of onsite capacity.

Kayelekera completed installation and commissioning of the nano-filtration acid recovery plant. The plant is now operating successfully within the design criteria and is contributing to the on-site acid requirements. The circuit is now being optimised and further gains, in excess of design, are expected.

PRODUCTION GUIDANCE FORECAST FOR FY14

Combined production guidance for FY14 remains at 8.3Mlb to 8.7Mlb U₃O₈.

AURORA – MICHELIN URANIUM PROJECT, Canada (100%)

The winter field work programme has commenced at Michelin. The camp was opened in preparation for drilling start up in the last week of January. Drilling will involve two rigs concentrating on infill work at the Michelin and Rainbow deposits. The winter conditions will also be utilised for geophysical ground surveys over areas not accessible in summer (e.g. lakes and swamps).

MANYINGEE PROJECT, Western Australia (100%)

As announced on 13 January 2014, a revised Mineral Resources estimate for the Manyingee Deposit conforming to both the JORC (2012) code and Canadian National Instrument 43-101 has been completed.

The results include an Indicated Mineral Resource of 15.7Mlb U₃O₈ and an Inferred Mineral Resource of 10.2Mlb U₃O₈, both at an average grade of 850ppm U₃O₈, using a 250ppm and 0.2m minimum thickness cut off.

Compared to the previous Mineral Resource estimate announced in 1999 (reported at a 300ppm U₃O₈ cut off), the updated 2014 Mineral Resource estimate shows a minor reduction in contained U₃O₈ for the Indicated portion of the Mineral Resource and an increase in the Inferred portion of the Mineral Resource. Despite the change in disequilibrium factor used to determine uranium grades, resulting in a reduction in the Indicated Mineral Resource material grade, the overall grade of the deposit has increased due to revised geological modelling and estimation techniques.

LANGER HEINRICH MINORITY INTEREST SALE

Strong interest from a variety of parties to sell a minority interest in Langer Heinrich continues. Paladin offers a unique platform in the uranium supply sector generating competition from the nuclear industry for an association both for current production and future growth. Paladin has confidence in an outcome which will alleviate shareholder concerns regarding debt, noting the next tranche of Convertible Bonds is not due until November 2015.

MARKET URANIUM OUTLOOK

Amidst moderate transactional volume levels, the Ux spot price moved in a narrow range between US\$34.50/lb U₃O₈ and US\$36.25/lb U₃O₈ during the quarter. Activity continued to be extremely limited in the longer-term market, with the Ux term price flat over the quarter at \$50.00/lb U₃O₈.

During CY13, construction began on ten reactors located in Belarus, China, the United Arab Emirates and the United States, bringing the total number of reactors in active construction to 71, nine more than immediately prior to the Fukushima accident in March 2011.

In September, the Russian government announced its official nuclear new build programme consisting of 24 new nuclear reactors is scheduled to be operational by 2030. The Turkish government announced that the initial reactor at its Akkuyu Nuclear Power Plant is scheduled for operation in 2020 and that governmental approval for the country's second nuclear project, Sinop, is anticipated by June of this year.

Persistent low uranium prices have resulted in a number of production cut-backs and deferrals of planned expansions. In early November, Kazakhstan's state-owned uranium production company, Kazatomprom, placed all output expansion projects on hold pending an improvement in the uranium market. The Russian uranium production company, ARMZ, announced that the Honeymoon ISR Mine in South Australia would be placed on care-and-maintenance status while ceasing all new capital investment in new Russia-based uranium projects. In the United States, Energy Fuels announced that it was deferring the development of its Canyon Mine in Arizona while also deferring the production at the Pinenut Mine.

Leach tank failures at both the Rossing Mine (Namibia) and the Ranger Mine (Northern Territory) have resulted in reduced operations in Namibia and a production halt at Ranger, both facilities operated by Rio Tinto affiliates.

Investment analysts specialising in uranium including Cantor Fitzgerald, Cormark Securities, Raymond James and ScotiaBank have recently underscored the looming market imbalance in uranium demand and supply and the crucial imperative for higher sustainable incentive prices of at least US\$70.00/lb, to support new supply, virtually twice the current spot uranium price level. These independent analytical conclusions are in complete agreement with Paladin's long-standing perspectives on the uranium market.

Yours faithfully
Paladin Energy Ltd



JOHN BORSHOFF
Managing Director

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.