



## PALADIN ENERGY LTD

ACN 061 681 098

Ref: 174959

19 July 2010

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 JUNE 2010**

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#### **HIGHLIGHTS**

- **Record quarterly production of 1,442,851lb U<sub>3</sub>O<sub>8</sub>.**
  - **Langer Heinrich Mine delivers second consecutive quarter at Stage 2 nameplate capacity.**
  - **Kayelekera Mine touching nameplate during June producing 515,000lb U<sub>3</sub>O<sub>8</sub> for the quarter**
    - **commercial production declared at Kayelekera.**
  - **Overall production for financial year 4.32Mlb U<sub>3</sub>O<sub>8</sub> - 60% increase on previous year.**
  - **3.73Mlb sold at an average realised price of US\$54.21/lb in FY2010.**
  - **Target production 7.0Mlb for FY2011.**
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#### **SAFETY**

Both Langer Heinrich Mine (LHM) and Kayelekera Mine (KM) operations continue their drive to implement the NOSA system, with the initiative showing a positive impact on safety statistics. During the quarter, Langer Heinrich experienced zero Lost Time Incidents (LTI) while Kayelekera had one LTI in April when a warehouse supervisor suffered a bruised shoulder.

Vehicle safety remains a significant factor at both operations and the subject of many initiatives. The majority of vehicles are now fitted with GPS monitoring and driving skills remain under strict review by the relevant site safety department.

Langer Heinrich's Stage 3 expansion is currently into the construction phase, increasing the safety programme complexity at that site. Focus during the next two quarters to mitigate any safety risks is being provided by both Langer Heinrich's safety department and safety representatives from E+PC Engineering & Projects Company Limited.

## QUARTERLY URANIUM SALES

Sales for the quarter were 855,000lb U<sub>3</sub>O<sub>8</sub> generating revenue of US\$49.11M, representing an average sales price of US\$55.50/lb U<sub>3</sub>O<sub>8</sub> (average Ux spot price for the quarter was US\$41.29lb U<sub>3</sub>O<sub>8</sub>).

Sales for FY2010 amounted to 3,726,000lb U<sub>3</sub>O<sub>8</sub> generating revenue of US\$202M at an average sales price of US\$54.21/lb (average Ux spot price for the FY2010 was US\$43.99/lb U<sub>3</sub>O<sub>8</sub>).

## New Sales Contract

Paladin has concluded a new medium term contract with a major Asian utility for the delivery of approximately 1,500,000lb U<sub>3</sub>O<sub>8</sub> between the period 2011 to 2015 on undiscounted market price terms subject to appropriate floor and market price risk-sharing ceiling price conditions.

## PALADIN GLOBAL PRODUCTION

	Sept Qtr	Dec Qtr	Mar Qtr	June Qtr	Full Year
<b>LHM Production lb</b>	654,513	841,995	928,370	927,373	3,352,251
<b>KM Production lb</b>	74,086	145,315	228,996	515,478	963,875
<b>Totals Production lb</b>	<b>728,599</b>	<b>987,310</b>	<b>1,157,366</b>	<b>1,442,851</b>	<b>4,316,126</b>

Overall production for the June quarter of 1,442,851lb was 25% higher than for the preceding quarter and 110% higher than the corresponding quarter in the preceding year. Overall production for FY2010 of 4,316,126lb was 60% higher than the previous year.

## FY2011 Production Outlook

Paladin currently has an installed annual capacity to produce 7Mlb U<sub>3</sub>O<sub>8</sub> at its two operations (3.7Mlb at LHM and 3.3Mlb at KM). It is expected that this production target will be met for the next fiscal year. LHM Stage 3, currently under construction, is scheduled for mechanical completion by the end of calendar year 2010 expanding production to 5.2Mlb pa. Approximately 6 months of ramp-production can be expected as Stage 3 is tied in, however, production from this phase is not currently included in any guidance.

## LANGER HEINRICH MINE (LHM), Namibia

### Production

LHM	Apr	May	Jun	Jun Qtr
<b>Production lb U<sub>3</sub>O<sub>8</sub></b>	310,157	306,116	311,100	<b>927,373</b>

LHM	Sept Qtr	Dec Qtr	Mar Qtr	June Qtr	Full Year
<b>Production lb U<sub>3</sub>O<sub>8</sub></b>	654,513	841,995	928,370	927,373	<b>3,352,251</b>

The processing plant continued to produce at nameplate design with production of 927,373lb (nameplate 925,000lb per quarter). The plant has been running consistently at Stage 2 rates since November 2009 and it is now evident the current levels of production can be sustained. All circuits are running to design capacity, with Ion Exchange remaining as the area of the plant with the most opportunity to further expand production. The previously reported low cost improvements in the Ion Exchange circuit were installed during this quarter. These are currently being optimised and improved recoveries are expected in this area of the plant during the coming months.

Production at LHM for the June 2010 quarter of 927,373lb was 34% higher than for the corresponding period in 2009.

Production for FY2010 at LHM was 3,352,251lb (FY2009 - 2,703,550lb), an increase of 24%.

## Mining

The mining and plant ore feed during the six months ending June 2010 were as follows:

	Jan	Feb	Mar	Apr	May	Jun
<b>Ore mined (t)</b>	645,684	586,395	814,430	409,017	205,193	110,791
<b>Grade (ppm)</b>	812	703	789	865	938	845

<b>Additional low grade mined (t)</b>	142,141	176,328	189,905	94,291	34,257	40,981
<b>Grade (ppm)</b>	286	258	276	318	347	307

<b>Waste/ore ratio</b>	0.69	0.73	0.46	1.39	3.28	7.00
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	Jan	Feb	Mar	Apr	May	Jun
<b>Ore crushed, (t)</b>	171,615	171,687	187,332	179,837	188,656	179,525
<b>Ore grade, ppm U<sub>3</sub>O<sub>8</sub></b>	884	1015	1012	1005	920	953

Mining during this quarter showed some variance from the original mine plan as additional waste rock was required for the construction of the tailings facility TSF 2 wall. Processing was not impacted by this diversion of mining activity as the ROM pad had adequate stockpiles to meet plant requirements. Mining will return to plan upon completion of TSF 2.

## Process Plant

Tonnage through the process plant has continued to increase during this quarter with a new record quarterly throughput of 548,018t of ore crushed.

The leaching circuits had a slightly reduced extraction rate of 93.7%. The insulation of the leach tanks is progressing well with 5 of the 8 leach tanks being completed (including the 2 bigger tanks). As a consequence reduced energy consumption is expected for the September quarter, compared to the same period in 2009. The insulation of the remaining 3 tanks should also be completed during the September quarter.

Counter-Current Decantation (CCD) is operating as expected. A campaign is underway to replace the underflow pump gland seals with mechanical sealed units and is continuing to reduce fresh water consumption and improving Ion Exchange performance.

Ion Exchange performance decreased slightly during the quarter, with the wash efficiency reducing from slightly above 80% to 78.9%. Two high priority projects reported previously have been constructed and installed during the quarter. The two projects, namely CO<sub>2</sub> injection into the bi-carbonate solution and a system to remove resin from the fixed columns for cleaning to improve wash efficiency, have been installed and initial performance during commissioning has been encouraging. Optimisation of these components is currently underway and the improved performance in the wash efficiency is expected to be evident during the September quarter results.

The new dryer system is running well, with product being produced with very low moisture content.

## Tailings

The extension to the TSF 1 was completed during the quarter. At planned production rates this will provide additional storage capacity until at least mid 2011.

The construction work on the first in-pit tailings facility (TSF 2) has commenced and progressed well during the quarter. Construction work on TSF 2 is expected to continue during the quarter and it is scheduled to receive tailings by the March quarter 2011.

### Stage 3 Expansion Programme

Construction on the Stage 3 expansion to take LHM from 3.7Mlb pa to 5.2Mlb pa is progressing well and is currently causing very limited interruptions on the normal plant operations. During the next 3 quarters, however, some plant operating downtime is expected to facilitate the tie-in of major components. In some instances the tie-ins will start contributing to increased performance of the existing plant.

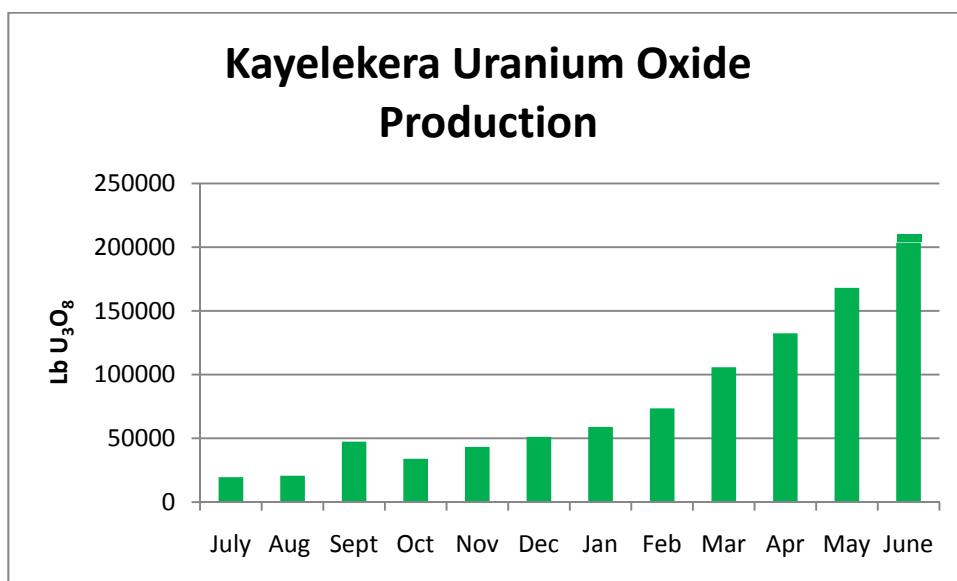
### Stage 4 Feasibility Study Resource Upgrade Drilling

The drilling programme to upgrade the bulk of the previously defined uranium resources to the Indicated and Measured JORC categories was completed in May. A total of 1,203 holes for 38,592m were drilled. An upgraded resource estimate is expected in the next quarter. It will be used for a new reserve estimation to underpin the Stage 4 feasibility study to expand LHM to 9Mlb U<sub>3</sub>O<sub>8</sub> pa.

## KAYELEKERA MINE (KM), Malawi

### Production

As expected, Kayelekera showed a significant quarter over quarter improvement in production resulting from continued plant debottlenecking and mine-wide material handling improvements. In the June quarter, production totalled 515,478lb U<sub>3</sub>O<sub>8</sub>, an increase of 125% over the preceding quarter. Kayelekera production ramp-up, although slower than initially forecasted, has produced a steady improvement in performance. June production for the first time exceeded 200,000lb while further improved operations are expected to continue this positive trend.



Through June the 3<sup>rd</sup> party efficiency group that assisted with the ramp-up performance/process improvement programme was expanded to incorporate maintenance and procurement activities in order to streamline this part of plant operations. This extended initiative is proving highly successful ensuring both sustained and continual increases in the production value chain and in the production support activities. Ongoing training of staff has led to an improved level of cohesion and teamwork within the operation. These activities are expected to assist KM reaching targeted operating efficiencies earlier than scheduled.

### Commercial Production

As previously foreshadowed, the plant operated at its design capacity for significant periods during June 2010. Based on this performance the plant has proven operations at up to design capacity and is producing commercial quantities of uranium that meet specification. Consequently, the Company has taken the decision to declare that the Kayelekera Mine is in commercial production from 1 July 2010 and that no further costs will be capitalised after 30 June 2010. This represents another significant milestone achieved by Kayelekera.

## Mining

The mining and plant ore feed during the quarter were as follows:

	Apr	May	Jun	Total
<b>Ore mined (t)</b>	117,858	131,797	80,108	<b>329,763</b>
<b>Grade (ppm)</b>	1,484	1,459	1,491	<b>1,476</b>

<b>Additional low grade mined (t)</b>	32,314	61,292	52,928	<b>146,534</b>
<b>Grade (ppm)</b>	503	498	510	<b>503</b>

<b>Waste/ore ratio</b>	1.3	0.9	1.7	
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	Apr	May	Jun	Total
<b>Operating time, hrs</b>	428	474	574	
<b>Ore crushed, dt</b>	64,078	74,960	86,911	<b>225,949</b>
<b>Ore grade, ppm U<sub>3</sub>O<sub>8</sub></b>	1,548	1,377	1,646	<b>1,529</b>

Mining activities at Kayelekera are currently dictated by production ramp-up progress. The mining schedule effectively maintains a 3 month supply of feed ore at the ROM pad sorted according to grade and physicals (mudstone, arkose) as well as separating oxidised and non oxidised ore while the pit is being mined near surface. The contractor has proven capable of handling design feed levels, particularly in June where feed levels often exceeded design tonnages.

Mill feed to the plant has purposely been blending at a higher percentage of arkose vs mudstone resulting in a slightly higher feed grade to the plant than the 1,350ppm budget numbers. The plant's material handling capabilities have improved significantly and management expects feed grade to average budgeted numbers in the September quarter.

## Process Plant

The mechanical downtime of various circuits has improved significantly in the June quarter and continuous improvement is expected to increase plant availability further. All plant circuits (crushing, milling, leach, RIP contactors, precipitation and drying), with the exception of Resin Elution, have shown that they are now capable of operating at design rates or higher, including mechanical availabilities. There is a minor issue with the solution flow rate through elution, which is currently being addressed.

The crushing plant, now able to utilise both a mineral sizer and jaw crusher, is operating well with impacts on the operation at a minimum.

Leaching continues to perform reasonably, increasing from 76% in April to 84% in June, although improvements to extraction rates are expected as reagent dosing control is optimised. Efficiency in RIP averaged 86% for the quarter.

The back end of the plant (uranium precipitation and packaging) underwent a number of optimisation initiatives including a change out of the drying centrifuge. The capacity in this circuit is now at a level where the section can operate well above design.

Throughout the June quarter, operational efforts successfully brought tonnages and uranium feed consistently higher.

## Exploration

A 9,000m RC drilling programme started west of the Kayelekera pit to upgrade the previously announced resources to the Indicated and Measured JORC categories. An upgraded resource estimate is expected in the December quarter. The upgraded resource will be used for a new reserve estimation which is expected to extend the mine life beyond the current 9 years.

Exploration drilling involving 32 holes for 3,832m was completed at the Mpata Prospect on EPL 0170, 15km north-west of the Kayelekera Mine but failed to identify any significant mineralisation.

## Post Quarter Trend

As described earlier, Kayelekera has produced consistent monthly increases in production levels. During the last weeks of the quarter and the first 10 days of July, uranium feed to RIP has been approximately 11,000lb (U<sub>3</sub>O<sub>8</sub> basis) per day (nameplate is 9,040lb per day), with RIP efficiencies averaging in the high 80%'s, and regularly exceeding 90%. Management is confident that consistent design production levels of 275,000lb per month will be the norm for the forthcoming quarters.

## MOUNT ISA REGION PROJECTS, Queensland

Work in the quarter concentrated on the Fusion owned tenements (Paladin Energy Ltd 100%) at the Duke Batman and Honey Pot/Sunshine Prospects, approximately 50km north of Valhalla.

Drilling continued on the newly identified Odin Prospect on the Mount Isa Uranium Joint Venture ground (Paladin Energy Ltd 50%, Summit Resources (Aust) Pty Ltd 50% Operator) after access clearance was obtained from the traditional owners in May/early June.

### FUSION AREA - Mount Isa Project (Paladin Energy Ltd 100%)

Drilling at the Duke Batman orebody did not extend the mineralisation but identified a high grade core to the mineralisation. Drill results include:

**Duke Batman**  
**May/June 2010 significant drillhole intercepts**

Drillhole No.	From (m)	To (m)	Interval (m)	Grade* eU <sub>3</sub> O <sub>8</sub>
DBD001	19	47	28	746
	52	56	4	1925
	91	124	33	814
DBRD002	171	182	11	1375
DBRD003	336	342	6	1073
DBD004	54	83	29	1191
	91	97	6	655
	115	121	6	2137
DBR010	15	22	7	1097
DBR011	20	24	4	522
DBD013	16	21	5	523
DBD015	95	145	50	3009
DBD018	149	153	4	373
	203	214	11	1971
DBD020	82	86	4	466
DBRD023	180	184	4	639
DBD024	29	60	31	1236
	63	67	4	374
	102	108	6	656
DBR026	137	145	8	1257

*\*grade determined by down hole radiometric gamma logging  
Cut-off >3m @250ppmU<sub>3</sub>O<sub>8</sub>*

An updated resource estimate for Duke Batman is expected late in the next quarter.

Drilling at the Honey Pot/Sunshine Prospects confirmed the previous drill results and closed off the mineralisation to the north and south. Drill results include:

**Honey Pot/Sunshine**  
**June 2010 significant drill hole intercepts**

Drillhole No.	From (m)	To (m)	Interval (m)	Grade* eU <sub>3</sub> O <sub>8</sub>
HSD003	138	141	3	835
HSD009	81	92	11	749
HSD016	156	161	5	1525
HSRD017	195	202	7	721
HSR018	94	97	3	547
HSR019	44	48	4	435
HSD020	17	21	4	964
HSR022	176	183	7	1218

\*Grade determined by down hole radiometric gamma logging

**Cut-off >3m@250ppm U<sub>3</sub>O<sub>8</sub>**

**MOUNT ISA URANIUM JOINT VENTURE (Paladin Energy Ltd 50%, Summit Resources (Aust) Pty Ltd 50% Operator)**

Drilling at the newly discovered Odin Prospect 500m north of the Valhalla orebody continued. Further drilling is required to define the shape of the mineralisation. Current interpretation includes at least 3 mineralised lenses of up to 25m thickness. The mineralisation strikes north-south and extends over 500m. New drill results include:

**Odin**  
**June/early July 2010 significant drill hole intercepts**

Drillhole No.	From (m)	To (m)	Interval (m)	Grade* eU <sub>3</sub> O <sub>8</sub>
VR0308	83	88	5	460
VR0311	81	112	31	787
VR0312	133	137	4	314
VD0313	23	40	17	518
VD0314	28	33	5	353
	61	69	8	221
VD0317	33	37	4	349
VR0319	121	141	20	487
VR0320	247	291	44	606
VD0322	34	50	16	871
VD0326	85	287	202	624

\*Grade determined by down hole radiometric gamma logging

**Cut-off >3m@250ppm U<sub>3</sub>O<sub>8</sub>**

Drilling at Odin is planned to continue throughout July and August 2010 with a maiden resource expected to be announced in the December quarter of 2010.

An updated resource estimation for the Valhalla orebody incorporating the early 2010 drill results is currently in progress and is expected to be released in the September quarter.

## CORPORATE

### Uranium One Inc. - Share purchase and disposal

As advised in announcements dated 30 April 2010 and 11 May 2010 Uranium One Inc. progressively purchased a 3% holding in Paladin and on 9 June 2010 advised it had “sold substantially all of its previously acquired shares in Paladin”.

Paladin has not been contacted directly with regard to their intention concerning these activities.

## URANIUM MARKET COMMENTS

The Ux spot price moved in a very narrow range around US\$41.75/lb U<sub>3</sub>O<sub>8</sub> from the beginning of April 2010 and ended the quarter at the same level. The Ux long term price indicator remained stable over the quarter at US\$58/lb U<sub>3</sub>O<sub>8</sub>.

In June the *International Energy Agency* in conjunction with the *OECD Nuclear Energy Agency* released their report “Technology Roadmap – Nuclear Energy” which assessed the likely role of nuclear energy in global clean electricity production by 2050. The report noted that nuclear energy is a mature low-carbon technology which has 50 years of development and technical experience on which to build significant growth without requiring major technological breakthroughs. Based on the *IEA's target* of a 50% reduction in energy-related CO<sub>2</sub> emissions by 2050, the report forecasts nuclear energy could provide up to 24% of global electricity and be the largest single source of electricity. Nuclear capacity would increase from around 370 GWe today to 1,200 GWe over the next 40 years, requiring significant investment in and expansion of fuel cycle capacities, especially uranium production and fuel services. The report emphasises that tripling of installed nuclear capacity, while ambitious, is within the technical and industrial capabilities of today's nuclear organisations but will require substantial investment in uranium production over the period.

The *IEA* report is the latest of many such assessments which predict significant growth for nuclear energy worldwide which will maintain pressure on the uranium supply sector for many years.

Yours faithfully  
Paladin Energy Ltd



**JOHN BORSHOFF**  
Managing Director/CEO

### Declaration

*The information in this announcement that relates to Exploration, Mineral Resources and Ore Reserves is based on information compiled by Eduard Becker B.Sc, David Princep B.Sc and Andrew Hutson B.E., all of whom are members of the AusIMM. Messrs Becker, Princep and Hutson each have 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. Messrs Becker, Princep and Hutson are full-time employees of Paladin Energy Ltd and consent to the inclusion of the information in this announcement in the form and context in which it appears.*

### **Caution Regarding Forward Looking Statements:**

*The forward-looking statements made in this quarterly activities report are based on management's assumptions and judgments regarding future events and results. Such forward-looking statements, including but not limited to those with respect to the Company's plans for expansions of the Langer Heinrich and Kayelekera mines and Financial Years 2010 and 2011 production guidance, involve known and unknown risks, uncertainties and other factors which may cause the Company's actual results, performance or achievements to be materially different from any anticipated future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the actual market prices of uranium, changes in project parameters as plans continue to be evaluated, and the possibility of cost overruns, as well as those factors disclosed in the Company's filed documents. There can be no assurance that the expansion of the Langer Heinrich and Kayelekera mines will proceed as planned or be successfully completed within expected time limits and budgets or that, when completed, the expanded facilities will operate as anticipated.*