PALADIN ENERGY LTD
ACN 061 681 098

28 July 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 – 30 June 2014

HIGHLIGHTS

- **Langer Heinrich minority Joint Venture US$190M sale successfully completed.**
  - CNNC now formally in joint venture with Paladin.
  - Balance of US$170M paid 23 July 2014.

- **Strong production for FY14 and guidance met.**
  - Combined production of 7.943Mlb (3,603t) U_3O_8 down 3.8% from FY13 and at the upper end of stated guidance (7.8Mlb to 8.0Mlb).
  - Langer Heinrich produced a record 5.592Mlb (2,537t) U_3O_8 up 5.7% from FY13.
  - Kayelekera produced 2.350Mlb (1,066t) U_3O_8 down from FY13 due to the implementation of Care and Maintenance.

- **Langer Heinrich produced 1,338,831lb (607t) U_3O_8 for the June quarter.**
  - Recovery for the quarter was steady at 85.6%.
  - Feed grade for the quarter was 781ppm U_3O_8.

- **Kayelekera produced 262,060lb (119t) U_3O_8 for the June quarter.**
  - Recovery for the quarter was 88.5%.
  - Production ceased on 6 May, plant clean out was completed on 23 May and the project is now on Care & Maintenance.

- **Michelin Project.**
  - Positive mineral resource update with 25% increase in Measured and Indicated Resources.

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SAFETY

The Company incurred two lost time injuries (LTIs) during the quarter, substantially below the nine LTIs during the past quarter – one at Langer Heinrich Mine (LHM) and one at Kayelekera Mine (KM). At LHM an employee suffered a minor eye injury and at KM an employee suffered minor chest trauma following a vehicle accident. Both employees have now fully recovered.

Full investigations have been conducted and recommendations made, which are being implemented. The Company's 12 month moving average Lost Time Injury Frequency Rate (LTIFR) increased to 3.1 from 2.8 last quarter.

A major health and safety review and action plan has been underway since last quarter. This plan includes additional staff and resources in the safety area (particularly at LHM) and intense in-house training.

QUARTERLY URANIUM SALES

Sales for the quarter were 1,811,841lb U_3O_8 generating revenue of US$69.28M, representing an average sale price of US$38.24 U_3O_8 (average weekly Ux spot price for the quarter was $29.65/lb U_3O_8).

Sales for the year ending 30 June 2014 (FY14) were 8,665,264lb U_3O_8 generating revenue of US$328.84M representing an average sales price of US$37.95. Sales volume increased 5% against FY13 deliveries and revenue decreased 19% compared to FY13 (average Ux spot price for FY14 was US$33.88/lb U_3O_8).

LANGER HEINRICH MINE, Namibia (100%)

Production by quarter and FY14 total

LHM	Sep Qtr	Dec Qtr	Mar Qtr	**Jun Qtr**	**FY14**
U_3O_8 Production (lb U_3O_8)	1,429,374	1,431,307	1,392,694	**1,338,831**	**5,592,206**

The quarterly production of 1,338,705lb U_3O_8 was down slightly on the preceding quarter, however the annual production of 5,592,206lb was 5.7% above FY13.

Mining

	Mar Qtr	**June Qtr**	**FY14**
Ore mined (t)	909,533	**534,259**	**3,735,294**
Grade (ppm U_3O_8)	1,021	**949**	**791**
Additional low grade ore mined (t)	357,922	**500,984**	**2,786,886**
Grade (ppm U_3O_8)	325	**325**	**328**
Waste (t)	3,729,823	**4,028,054**	**15,049,032**
Total Ore and Waste	4,997,298	**5,063,277**	**21,571,212**
Waste/ore ratio	2.94	**3.89**	**2.31**

Ore mining activities concentrated on the eastern side of the deposit in Pit G1 and Pit G3. Waste stripping continued from Pit H which is located on the western side of the deposit. Less ore was mined during the period as the focus was on waste stripping in order to expose high grade ore in Pit H, however, overall mined tonnages were slightly greater than the previous quarter consistent with the mine plan. During the next quarter ore mining will resume in Pit H and further waste stripping will be continuing in the Pit H2 area.

ROM ore stocks have been maintained at approximately four weeks' supply and are being supplemented by medium grade ore from long term stockpiles in line with the mine plan.

Process Plant

The plant again maintained steady improvement during the quarter and the fiscal year. Throughput for the year was up 8.2% and feed grade down by 3.6% from the previous year. Overall recovery for the year increased from 86.0% in FY13 to 87% this year.

The IX resin replacement disclosed in the previous quarterly is well underway and process recoveries and uranium production are expected to increase in the coming quarters as a consequence. Scale build-up identified during the quarter, which also restricted production, was rectified post quarter.

	Mar Qtr	**Jun Qtr**	**FY14**
Ore milled (t)	982,209	**908,238**	**3,723,555**
Grade (ppm U_3O_8)	750	**781**	**783**
Overall recovery (%)	85.8	**85.6**	**87.0**
Production (lb U_3O_8)	1,392,694	**1,338,831**	**5,592,206**

The process optimisation strategy has focussed on continuous improvement during the year, seeking to better utilise existing equipment to make further production and unit cost gains where possible. This process has also focussed on reducing unit water consumption with considerable success. Over the last two years, water consumption per tonne of leach feed has been reduced from greater than 1Kl/t to less than 0.5Kl/t.

Water supply to the project continues to be sufficient, stable and secure under the water supply agreement executed with NamWater in November 2013. This initial one-year agreement which is based upon the supply of desalinated sea water from existing infrastructure is being re-negotiated to extend the term and rationalise the price.

Future Cost Optimisation Focus

The focus has also remained on process innovation with considerable success and further substantial gains expected. There are many targets for innovation in the Langer Heinrich process due to it being new and consequently at the start of its evolution to a mature and optimised process. In particular leach and IX reagents, which represent a high proportion of the current C1 costs, represent a significant opportunity. The successful use of nano-filtration at the Kayelekera mine has also opened this pathway for innovation at Langer. Flowsheet improvements incorporating this emerging technology and other established technologies are currently being considered and developed, all of which Paladin believes will provide a pathway to C1 costs reaching $22/lb U_3O_8 (in FY14 terms) by FY16.

The sustained reduction in operating cost and improved plant performance demonstrated over the past is a reflection of the prior success of these twin strategies of optimisation and innovation.

KAYELEKERA MINE, Malawi (85%)

Production by quarter and FY14 total

KM	Sep Qtr	Dec Qtr	Mar Qtr	**Jun Qtr**	**FY14**
U_3O_8 Production (lb)	614,603	777,015	696,710	**262,060**	**2,350,388**

Uranium production for the June quarter was affected by the transitioning of the mine towards Care and Maintenance, although it was in line with revised estimates. Production ceased on 6 May when most reagents were depleted. The production for FY14 was 2,350,388lb U_3O_8 down from the previous year as a result this early operational cessation.

Mining

There was no mining production during the June quarter as a result of the decision to implement a period of Care and Maintenance. There were sufficient existing ROM stockpiles to feed the plant while the mine transitioned towards Care and Maintenance. The mining contractor continued the process of fleet demobilisation at the end of the quarter with the target of being completely off site in July.

Mining data

	Mar Qtr	June Qtr	FY14
Ore mined (t)	No mining	No mining	**571,320**
Grade (ppm) U_3O_8			**1,200**
Additional low grade ore mined (t)			**285,463**
Grade (ppm)			**445**
Waste (t)			**1,377,030**
Waste/ore ratio			**1.61**

Process plant

Operating data

	Mar Qtr14	Jun Qtr14	FY14
Mill feed (t)	**325,416**	**129,097**	**1,043,365**
Grade (ppm) U_3O_8	**1,141**	**1,052**	**1,207**
Overall recovery (%)	**86.7**	**88.5**	**86.2**
Production (lb)	**696,710**	**262,060**	**2,350,388**

Production ceased on 6 May as the operation went into a transition phase where all mining, processing and administrative activities were focused on preparations for Care and Maintenance.

The Acid Recovery Plant, one of the recent successful products of the Innovation Initiative at Kayelekera was operational up to the cessation of ore processing and continued to improve beyond its design criteria.

Care and Maintenance

On 7 February, the Company announced that the mine would be placed on Care and Maintenance due to the low uranium price and non-profitability of the operation. With this decision being taken, the plant operated until all reagents in the supply chain were consumed to the maximum extent possible and the plant stopped production on 6 May. After a transition period, during which the site was made safe, the plant cleaned and all remaining product dispatched to customers, the Care and Maintenance period was commenced on 26 May. During Care and Maintenance the project will be maintained on near ready status with an adequate component of staffing to keep the project in good working order and to preserve the critical aspects of IP and operational knowhow.

It is expected that production will recommence once the uranium price provides a sufficient incentive (circa US$75/lb) and a grid power supply (ESCOM) is available on site to replace the existing diesel generators with low cost hydroelectricity.

PRODUCTION GUIDANCE

Revised production guidance for FY14 was achieved at 7.943Mlb U_3O_8 which was at the upper end of the range (7.8Mlb – 8Mlb U_3O_8) advised on 7 February 2014.

As Kayelekera is now on Care and Maintenance, guidance for Langer Heinrich for FY15 is 5.4Mlb to 5.8Mlb.

It should be noted that, as a result of the scheduled resin replacement programme and de-scaling works carried out, production for the September quarter is expected to be slightly lower than the pro-rata component of guidance.

AURORA, MICHELIN PROJECT, Canada (Paladin 100%)

On 26 June 2014 Paladin announced that a revised mineral resource estimate for the Michelin Deposit (the "**2014 Mineral Resource Estimate**"), conforming to both the JORC(2012) Code and National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* of the Canadian Securities Administrators ("NI 43-101") was completed. For a more detailed review of the new resource please consult the complete announcement of that date.

The 2014 Mineral resources estimate for the Michelin Deposit was successful in converting some 13.2Mlb U_3O_8 of previously Inferred category material into the Measured and Indicated categories as well as adding an additional 3.8Mlb U_3O_8 for **a Measured and Indicated mineral resource total of 84.1Mlb U_3O_8**. This is equivalent to a 25% increase in Measured and Indicated material and a 36% increase in the grade of the resources recoverable using open pit mining techniques. Mineral resources remaining in the **Inferred category now stand at 22.9Mlb U_3O_8**.

Classification	Open Pit portion Cut-off grade 250ppm			
	Volume M bcm	M tonnes	Grade ppm	M lb
Measured	3.88	10.46	938	21.63
Indicated	2.21	5.94	937	12.26
M + I	**6.09**	**16.39**	**938**	**33.89**
Inferred	0.61	1.64	1,343	4.86
	Underground portion Cut-off grade 500ppm			
Measured	1.89	5.11	1,104	12.45
Indicated	5.93	16.00	1,072	37.79
M + I	**7.82**	**21.11**	**1,080**	**50.24**
Inferred	2.66	7.17	1,140	18.02
Combined	**Combined**			
Measured	5.78	15.57	993	34.08
Indicated	8.13	21.93	1,035	50.05
M + I	**13.91**	**37.50**	**1,017**	**84.13**
Inferred	3.27	8.81	1,178	22.88

All historical data, both Brinex from the 1970's and more recent Aurora data for the period 2005 to 2008 has been validated and entered into the geological database. The additional drilling that Paladin completed in 2012 and 2013 has infilled some areas within the previous mineral resource and has allowed for the creation of a much more robust geological interpretation.

The Michelin Deposit is still open along strike and at depth and, due to the difficulty in drilling from lake based platforms, still has a number of internal under-drilled areas. Drilling programmes have already been designed to both infill and extend the existing mineral resource. In addition there are also a number of promising targets within the Michelin – Rainbow trend which are actively being explored and are expected to contribute to the economic viability of the project. Additional mineral resources for other deposits within the Michelin project are detailed below.

Deposit	**Measured Mineral Resource**			**Indicated Mineral Resource**			**Inferred Mineral Resource**		
Cut-off 0.05% & 0.02% U_3O_8	**Mt**	**Grade %**	**t U_3O_8**	**Mt**	**Grade %**	**t U_3O_8**	**Mt**	**Grade %**	**t U_3O_8**
Jacques Lake	0.9	0.09	747	6.0	0.07	4,327	8.1	0.05	4,103
Rainbow	0.2	0.09	193	0.8	0.09	655	0.9	0.08	739
Inda				1.2	0.07	826	3.3	0.07	2,171
Nash				0.7	0.08	564	0.5	0.07	367
Gear				0.4	0.08	270	0.3	0.09	279
Total	**1.1**	**0.09**	**940 (2.1Mlb)**	**9.1**	**0.07**	**6,642 (14.6Mlb)**	**13.1**	**0.06**	**7,659 (16.9Mlb)**

The mineral resources for the satellite deposits are reported at cut-off grades that contemplated underground (0.05% U_3O_8 cut-off) and open pit (0.02% U_3O_8 cut-off) mining, based on preliminary economic assumptions carried out by Aurora.

Information in the table above in relation to the Michelin project area mineral resources was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with JORC Code 2012 on the basis that the information that the estimates are derived from has not materially changed since it was last reported.

The updated 2014 Mineral Resource Estimate for the Michelin Deposit has provided added confidence in the character of the mineralisation with the significant increase in Measured and Indicated category material. Importantly, in addition, the near surface open pittable portion of the deposit now contains a substantial increase in both uranium grade and contained metal. Future drilling will concentrate on expanding the mineral resources at both the Michelin Deposit and the deposits and prospects occurring in the immediate surrounds.

CORPORATE

Langer Heinrich Minority JV Sale

Paladin advised on 24 June that settlement associated with the sale of a 25% joint venture equity stake in its flagship Langer Heinrich uranium mining operation in Namibia to CNNC Overseas Uranium Holding Limited, a wholly owned subsidiary of China National Nuclear Corporation (CNNC), the leading Chinese nuclear utility, for consideration of US$190M was completed at a signing/settlement ceremony held in Beijing.

The offtake component of the agreement allowing CNNC to purchase its pro-rata share of product at the prevailing market spot price has also been finalised.

Paladin has been successful in attracting a highly-respected organisation such as CNNC because of the Company's achievements within the conventional uranium mining industry.

With this major initiative to joint venture a minority equity stake in Langer Heinrich now completed, the door is open to pursue other opportunities, utilising the unique platform Paladin has developed in the global uranium mining industry, to further consolidate and strengthen its balance sheet. This will, in turn, also prepare the Company for growth into a major Tier 1 uranium producer.

Successful Refinancing of Langer Heinrich Facility

As also advised Paladin has refinanced the existing US$110M project finance facility and US$20M working capital facility into a new US$70M syndicated loan facility. Proceeds from the LH minority sale were utilised to prepay US$30.83M of the existing facility, taking the outstanding balance to US$70M.

This new facility will provide significant cash flow benefits and further strengthens Paladin's financial position. As shown below, the annual principal repayments will be reduced by US$32.4M over the first 3.5 years of the facility, from US$18.33M pa to US$9.09M pa with the first repayment of US$4.55M not due until December 2014.

New CFO Appointment

In May Paladin announced the appointment of Mr Craig Barnes as Chief Financial Officer, effective 1 July 2014, replacing the current CFO.

Craig joins Paladin as a member of the Institute of Chartered Accountants of Australia and South Africa with more than 15 years of experience in a career comprising both financial services and resource industry experience including the last 7 years as CFO.

Craig brings to Paladin a broad range of finance skills, experience in international financing of mining projects and well-credentialed commercial experience in the mining sector.

URANIUM MARKET COMMENTS

The June quarter saw a decline in the Ux spot price to US$29.00/lb U_3O_8 in early May before seeing trading in a narrow range of US$28.00/lb U_3O_8 - $28.25/lb U_3O_8 for the remainder of the period. June quarter spot market volume (5.7Mlb U_3O_8) was noticeably lower than over the past several years when the three month period showed an average of more than 9Mlb U_3O_8 being transacted.

Contracting activity in the longer-term market increased somewhat with mid-year volumes reported as slightly above 50Mlb U_3O_8. The Ux long-term price which began the quarter at US$47/lb U_3O_8 weakened further to US$45/lb U_3O_8 at the end of April and has remained flat since that time.

During May, China announced the commercial operation of two reactors, Ningde-2 and Hongyanhe-2, bringing the total operating nuclear fleet to 20 reactors. A further 29 reactors (33.0Gwe) are under active construction with 57 units (61.2Gwe) in the planned category. The country anticipates adding 8.6Gwe of nuclear capacity during 2014, as compared to 3.2Gwe in 2013.

Post reporting period, on 16 July, the Japanese Nuclear Regulatory Authority (NRA) released its safety evaluation report on the Sendai 1 & 2 reactors stating that these units comply with the newly-promulgated nuclear safety criteria. The two reactors will now proceed into a 30 day public comment period before local authorities are requested to grant their assent to commence operations.

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.