



PALADIN ENERGY LTD

ACN 061 681 098

17 October 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 September 2014

HIGHLIGHTS

- **Langer Heinrich minority joint venture US\$190M sale completed.**
 - **Langer Heinrich production post quarter is back on track. As signalled on 16 September, production for the September quarter of 1,027,033lb (466t) U₃O₈ was 23% below the previous quarter's production largely because of planned maintenance delays (15%), but these were exacerbated by issues associated with unforeseen processing circuit scaling.**
 - Feed grade for the quarter of 786ppm U₃O₈.
 - Recovery of 82.7%.
 - Scaling issues fully resolved.
 - Resin replacement for both NIMCIX circuits completed.
 - Guidance for the year remains at 5.4-5.8Mlb U₃O₈.
 - **Kayelekera orderly transition from production to care and maintenance successfully completed.**
 - Focus now on optimising care and maintenance and planning rapid restart to exploit market upswing.
 - Further manning reduction successfully completed.
 - Plant modifications for future water treatment completed and successfully trialled.
 - Positive response from Government of Malawi to Kayelekera exploration and plans for future grid power supply.
 - **Paladin continues to focus on the capital structure, with the aim of deleveraging the balance sheet.**
 - **Uranium spot price increased significantly during the quarter, reflecting tightness in product available in the spot market influenced largely by the production cutbacks in FY2014.**
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SAFETY

The Company incurred three lost time injuries (LTIs) during the quarter, two at Langer Heinrich Mine (LHM) and one at Kayelekera Mine (KM).

The Company's 12 month moving average Lost Time Injury Frequency Rate (LTIFR) increased to 4.07 from 3.1 last quarter.

Following a review of existing practices, LHM conducted in-house training during the quarter in formal risk assessments, permit to work, working from heights, Level 1 isolations and general inductions. This training will assist our personnel in identifying and controlling hazards within the work place and providing knowledge on general work place hazards.

QUARTERLY URANIUM SALES

Sales for the quarter totalled 1,250,000lb U₃O₈ generating revenue of US\$38.95M, representing an average sales price of US\$31.16/lb U₃O₈ (average weekly UxC spot price for the quarter was US\$31.17/lb).

Uranium deliveries scheduled for the December quarter total 1.91Mlb with a higher expected average sales price and above the September quarter average, reflecting both improved spot uranium prices and delivering volumes into defined price contracts.

LANGER HEINRICH MINE, Namibia (75%)

Production

LHM	Jun Qtr	Sept Qtr
U ₃ O ₈ Production (lb U ₃ O ₈)	1,338,831	1,027,033

The quarterly production of 1,027,033lb U₃O₈ was down on the preceding quarter by 23%.

Mining

	June Qtr	Sept Qtr
Ore mined (t)	534,259	910,082
Grade (ppm U ₃ O ₈)	949	802
Additional low grade ore mined (t)	500,984	345,943
Grade (ppm U ₃ O ₈)	325	328
Waste (t)	4,028,054	3,803,470
Total ore and waste	5,063,277	5,058,495
Waste/ore ratio	3.9	3.0

Mining activities concentrated mainly on the western side of the deposit in Pit H1 and H2 and were discontinued in Pit G3 on the eastern side of the deposit early in the period. Mining volumes remained on target and consistent with budget.

ROM ore stockpiles were full at the end of the quarter at approximately six weeks' supply and are being supplemented by medium grade ore from long term stockpiles in line with the mine plan.

Process Plant

Throughput, recoveries and hence production were impacted during the quarter, primarily due to planned maintenance, but also due to scale formation in the process plant that led to a further, unanticipated reduction in throughput and recovery. This impact and the reasons for it were reported in the ASX release dated 16 September.

Throughput for the quarter was down 19.2% from the past quarter as was recovery by 2.9%, resulting in the overall production being down by 23% from the June quarter compared to the 20-22.5% reported in the 16 September release.

	Jun Qtr	Sept Qtr
Ore milled (t)	908,238	734,226
Grade (ppm U₃O₈)	781	786
Overall recovery (%)	85.6	82.7
Production (lb U₃O₈)	1,338,831	1,027,033

The source of the scale formation was identified and routine anti-scalant addition procedures were modified during the quarter. By the end of the quarter, scale formation had been brought under control and all major affected equipment had been cleaned. In the case of affected process water pipelines, these have either been replaced or, in the case of major pipelines, duplicated to provide future redundancy.

The resin replacement was undertaken, as planned, during the annual scrubber reline and flash/splash annual maintenance and inspection stoppage. By the end of the quarter, resin had been replaced in both NIMCIX systems and they were each operating, as anticipated, above budget efficiency and uranium transfer levels. This was the first resin replacement undertaken for either NIMCIX systems since they were commissioned in 2012 and resin replacement scheduled in the next financial year is expected to have immaterial impact on production with the optimised procedures now established for this change out.

The process optimisation strategy will continue to focus on the better utilisation of existing equipment and unit operating costs. In addition, specific focus has been directed towards operator training and supervision as well as further integration of process control.

Water supply to the project continues to be sufficient, stable and secure under the water supply agreement executed with NamWater in November 2013. An extension of the agreement is being progressed. The Namibian Government recently has taken up secure and affordable water supply as a national priority and is advancing this critical policy with renewed focus.

Future Cost Optimisation Focus

A nano-filtration circuit, similar in principle to the very successful acid recovery plant at KM, is under construction at LHM. This plant is the first phase in a range of innovations and optimisations aimed at achieving a substantial reduction in IX and leach reagent consumptions as well as increased overall recovery. The plant in question is designed to recycle up to 30% of the sodium bicarbonate needed for the operation of the plant, and, in so doing, will also reduce total sodium hydroxide consumption by up to 30%. These two reagents alone represent a significant proportion (circa 50%) of process operating costs. Construction is now well advanced and the Bicarbonate Recovery Plant (BRP) is scheduled for commissioning in the March quarter 2015.

Production Guidance

The plant now has new resin in the NIMCIX circuits and scale formation has been brought under control to such an extent that it no longer represents a present production risk. The new resin will reduce operating costs through reduced reagent consumption and will also increase the circuit uranium transfer capacity and overall process recovery. As a consequence, the FY2015 annual production guidance of 5.4Mlb to 5.8Mlb U₃O₈ remains.

KAYELEKERA MINE, Malawi (85%)

Care and Maintenance

KM did not operate during the quarter as production was suspended during the June quarter following the earlier decision to place the facility on care and maintenance.

At least 50% of KM's known reserves remain unmined and consequently, KM retains substantial strategic value for the Company as the mothballed operation will enable Paladin to quickly ramp-up total Company production from 5.6Mlb pa (mid-range of guidance) to 8.9Mlb pa when market conditions are more favourable. KM is anticipated to

become a significant cash generator for the Company when the global uranium price reaches the benchmark threshold to resume production of US\$70-US\$75/lb.

Following the cessation of production in May, staffing numbers were further reduced commensurately. This procedure was handled smoothly and without incident. The operation retains sufficient staff to maintain site security, sustain essential services and keep KM's plant and equipment in sound mechanical order, as well as preserving the critical aspects of intellectual property and operational expertise.

Minor modifications to KM's process plant were undertaken during the quarter to facilitate future water treatment requirements at the site. Plant modifications were tested and performed to a satisfactory standard. The Company advanced the relevant permitting process with the Government of Malawi (GoM) during the quarter following a visit to KM by a delegation of senior GoM officials to inspect the plant modifications.

The Company has established a very positive dialogue with the new administration in Malawi following the change of national government in May. The new Minister for Natural Resources, Energy and Mining, Mr Atupele Muluzi, held very constructive talks with senior Paladin officials during a visit to Perth in September. The GoM has advised the Company that it wants to see exploration resume with a view to extending the potential mine-life of Kayelekera and has ranked linking Kayelekera to Malawi's national power grid as a "top priority" for the country's power utility ESCOM. Grid connection is considered a prerequisite to recommencement of production at KM by the Company due to the significant impact it will have on future operating costs and would also lower the cost of maintaining the site on care and maintenance.

MICHELIN PROJECT, Canada (Paladin 100%)

The summer exploration programme was completed by mid-October. The camp has now been closed and is ready for the winter.

The concentrated exploration effort included a combination of geological mapping and prospecting, trenching, soil and biogeochemical surveys, systematic radon analysis in soil and water as well as a heli-borne frequency domain EM survey. Work concentrated mainly along the previously identified, prospective Michelin Rainbow Trend (MRT) within a 5km radius of the Michelin deposit.

Early results defined a new target for future testing at the Kojak prospect 3.5km northeast of Michelin. Here a 30m long, and up to 8m wide, radiometric anomaly of 20-50 times background was identified in strongly altered rhyolite. This new target is situated within an area generally blanketed by glacial till and the anomaly could extend further beneath this cover material. At Melody Hill, 10km north of Michelin, a strong east-west trending magnetic anomaly under glacial till cover has emerged as the possible source for three, previously identified, radioactive boulder trains containing over 800 radiometrically significant boulders, with 19 previously returning grades >1% U₃O₈.

All results from the summer programme will be collated and evaluated over the coming months, with new targets expected to emerge as more results become available.

CORPORATE

Langer Heinrich Minority Joint Venture Sale

Paladin advised on 23 July 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 (COUHL), for consideration of US\$190M was completed at a signing/settlement ceremony held in Beijing. COUHL is a wholly owned subsidiary of China National Nuclear Corporation (CNNC), the leading Chinese nuclear utility.

The offtake component of the agreement allows CNNC to purchase its pro-rata share of LHM product at the then prevailing market spot price.

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.

Capital Management

As previously highlighted to the market, Paladin is proactively working towards achieving its balance sheet objectives with a number of work streams running in parallel aimed at addressing its debt maturities. The alternatives being considered look to capitalise on Paladin's unique position in the global uranium market as a platform to growth, whilst ensuring the maximisation of shareholder value.

URANIUM MARKET COMMENTS

During the September quarter, the uranium spot price experienced a significant increase rising from a low of US\$28.25/lb in July to reach US\$36.50/lb in late September. Several market factors stimulated this price uplift including utility concerns regarding U.S. and E.U. economic sanctions on the Russian Federation, a short-lived labour action at Cameco's McArthur River Mine and, more importantly, trader/intermediary buying exposed tightness in the spot market supply.

Production available for the spot market declined essentially due to production cutbacks that occurred during FY2014, which are all now affecting supply into the spot market for FY2015 and beyond. Amongst those contributing to production cutbacks are: Paladin placing KM on care and maintenance; Paladin's sale of a minority equity stake in Langer Heinrich with its associated off-take arrangement deflecting product from the spot market; the sole uranium producer in Uzbekistan (Navoi) reportedly entering into multi-year sales agreements with two major utility buyers, which removed several million pounds from the prompt market; and US ISL producers and Rossing restricting production only to what they need to deliver into long term contracts, which has further removed another several million pounds from the spot market.

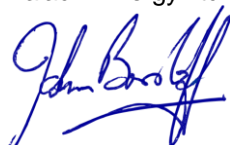
As reported by UxC, spot market volume for the quarter aggregated 12.5Mlb (of which 50% is estimated to be "churn"), is slightly higher than third calendar quarter averages during 2010-2013. Likewise, the number of transactions was generally in-line with the comparable period over the past several years.

Total contracted volume in the term market continued to increase and now exceeds 70Mlb for future delivery with the majority contracted for delivery through 2018. Term contracts for the year were reported for nuclear utilities in China, Eastern Europe, India and North America. Additional requests for offers for long term supply anticipated during the final quarter of CY2014 into CY2015 are expected to apply increased pressure on available quantities of uranium in the post-2015/2016 time frame.

Additional positive market events that took place during the quarter included construction approval for the third reactor at the Barakah NPP in the UAE, China's announcements of additional approvals for reactors to be built in the coastal areas of that country, as well as Australia and India executing nuclear safeguards agreements, which will allow the future exportation of natural uranium concentrates from Australian production sources to Nuclear Power Corporation of India.

In Japan, the Sendai 1 & 2 reactors continue to progress towards probable restart in late CY2014 or early CY2015, while Hokuriku Electric submitted an application for the restart of its Shika-2 reactor bringing the total of safety evaluation applications to 20 reactors located at 13 sites across Japan.

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.