PALADIN (AFRICA) LIMITED
A Member of the Paladin Energy Ltd Group of Companies

Project Update
Kayelekera Mine

February 2012

Kayelekera Mine

Introduction

In April 2007, a Mining Licence was granted to Paladin (Africa) Limited (PAL) which, together with the Environmental Approval, allowed Paladin to start construction on its second uranium project in the June quarter of 2007.

The Kayelekera uranium deposit is located in northern Malawi, southern Africa, 52km west (by road) of the township, Karonga. Kayelekera is owned 100% by Paladin Energy Ltd (Paladin), an Australian listed public company, through its subsidiary PAL. In July 2009, Paladin issued 15% of equity in PAL to the Government of Malawi under the terms of the Development Agreement signed between PAL and the Government in February 2007.

The Central Electricity Generating Board of Great Britain (CEGB) discovered the Kayelekera sandstone uranium deposit in the early 1980's. CEGB spent US$9 million working on the project over an eight-year period, culminating in a full feasibility study in 1991 assessing the viability of a conventional open pit mining operation. This study concluded that the project was uneconomic due to low uranium prices prevailing at that time. The project was abandoned in 1992 due largely to the poor uranium outlook, as well as privatisation of CEGB and resultant pressure to return to its core business. In 1998 Paladin acquired a 90% interest in Kayelekera through a Joint Venture with Balmain Resources Pty Ltd (Balmain), which then held exploration rights over the Project area. In July 2005 Paladin acquired the remaining 10% interest in the Project held by Balmain.

Malawi

Malawi has undergone a positive social and political transformation in recent years, shifting from a one-party state to a multi-party democracy. The Government is particularly committed to supporting and encouraging the private sector to assume a leading role in the economic development of projects in the mining sector.

The Kayelekera Mine makes a very substantial fiscal contribution to Malawi and opens up opportunities for employment and improvements to social infrastructure, particularly in northern Malawi.

Development Agreement

In February 2007, the Malawian Cabinet approved and executed a Development Agreement, which provides a stable fiscal regime for at least ten years from the start of production and ensures a high degree of certainty for the Project.

Project Development

In April 2005, the Company announced the go-ahead of a US$2.3M Bankable Feasibility Study (BFS) as a result of the improved economics shown by the pre-feasibility work. After completing the Development Agreement with the Malawi Government, the BFS and a full Environmental Impact Assessment, the Mining Licence, ML 152, covering 5,550 hectares, was granted in April 2007 for a period of 15 years. Construction started in June 2007 at a budgeted cost of US$200M.

The construction project workforce peaked at around 2,000 persons, with more than 75% of workers being Malawian nationals.

Open pit mining commenced in May 2008 to develop initial stockpiles, with the first blast occurring on 24 July 2008. A comprehensive grade control programme is in place with results to date showing a strong correlation to the updated resource model.

Kayelekera is designed to provide an annual production of 3.3Mlb U_3O_8 from the processing of 1.5 million tonnes per annum (Mtpa) of sandstone and associated ores by grinding, acid leaching, resin-in-pulp extraction, elution, precipitation and drying to produce saleable product.

The Kayelekera Mine commenced commissioning in January 2009 with production ramp-up beginning late April 2009.

The mine was officially opened on 17 April 2009 by the President of Malawi, His Excellency Dr Bingu wa Mutharika.

Current Status

Commercial production was declared as of 1 July 2010. Operations to date have successfully mined the deposit as per plan, while keeping all Health, Safety and Environmental objectives in focus, achieving ever improving results.

New resin-in-pulp technology is the highlight of this operation and represents a first-of-its-kind project within the Western World. Production levels have climbed steadily since start up and continue to improve in each successive quarter. Metallurgical staff are engaged in the true spirit of “continuous improvement” to maximise return.

Radiation Management Staff Checking Product Drums for Surface Contamination

Night View of the Kayelekera Plant

Mineral Resources and Reserves

The JORC (2004) Code and NI 43-101 compliant Mineral Resource, following an update announced in April 2010, is summarised below, depleted for mining to 30th June 2011.

	Measured			Indicated			Inferred		
Cut-off ppm	Tonnes Mt	U_3O_8 ppm	Metal t	Tonnes Mt	U_3O_8 ppm	Metal t	Tonnes Mt	U_3O_8 ppm	Metal t
300	1.80	1,193	2,149	16.39	769	12,579	5.50	625	3,447

In addition the site held 0.94Mt @ 822ppm U_3O_8 for 771t U_3O_8 in ROM stockpiles.

The mineralisation remains open to the west and north-west and a drilling programme has been undertaken to extend and infill the resource in these directions.

Economic analysis on the 2008 Mineral Resource has indicated a breakeven cut-off grade of 400ppm U_3O_8. This is unchanged from the previous Mineral Resource due to a number of factors including change in selling price, use of RIP processing and changes in reagent and diesel fuel costs.

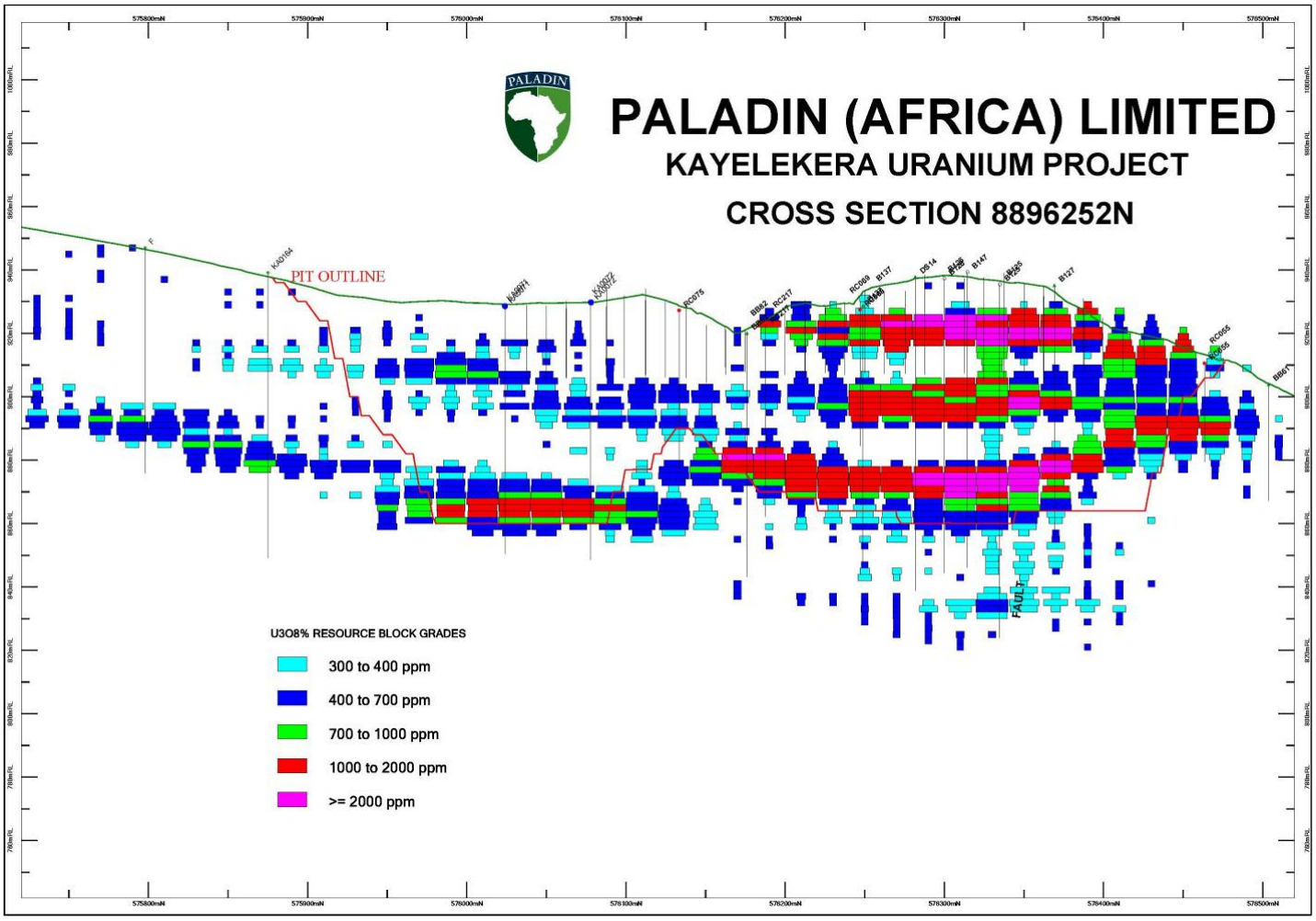
These economic parameters were used in pit optimisation studies and resulted in an updated Ore Reserve as shown below, depleted for mining to 30th June 2011.

	Proven			Probable			Total		
Cut-off ppm	Tonnes Mt	U_3O_8 ppm	Metal t	Tonnes Mt	U_3O_8 ppm	Metal t	Tonnes Mt	U_3O_8 ppm	Metal t
400	1.18	1,333	1,578	8.73	948	8,282	9.91	994	9,860

In addition the site held ROM stockpiles as previously described.

This represented a 17% increase in Ore Reserve over that used for the original BFS studies. The Ore Reserve has allowed for a one-and-a-half year extension to the mine life to nine years. Processing of marginal ores at the end of mine life is expected to add an additional three-to-four years to the project life.

A drilling programme immediately to the west of the design pit has recently been completed and an updated Mineral Resource and Ore Reserve are expected in 2012.



Robust Uranium Market

The spot price for uranium has been recovering from the global financial crisis low point of US$40.75/lb U_3O_8 in mid 2010 to reach US$73/lb U_3O_8 in February 2011. This recovery, which reflected renewed pressure on supplies and prices, would most probably have continued its sustained upwards trend except for the occurrence of the Fukushima accident in March 2011. Although in the longer term this will have minimal effect on new reactor building, it has dented public confidence and raised the possibility of some delays while regulators review safety systems and designs for new plants. The medium and long term outlook for uranium is still extremely buoyant and is underpinned by the increasing demand for uranium to fuel existing and new reactors and the inability of the current uranium supply sector to significantly increase production, which rose only 6% in 2010 to 59,800t U_3O_8 (in contrast to an increase of nearly 16% from 2008 to 2009) compared with demand of almost 80,000t U_3O_8.

Load and Haul Operations

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