



PALADIN ENERGY LTD

ACN 061 681 098

13 February 2009

Company Announcements Office
Australian Securities Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

By Electronic Lodgement

Dear Sir/Madam

Appendix 4D, Second Quarter and Half Year Report – 31 December 2008

Attached please find the Appendix 4D, Second Quarter and Half Year Report, 31 December 2008. This includes the Management Discussion and Analysis and CEO/CFO Certification as required in accordance with Canadian reporting requirements. Additionally the Second Quarter and Half Year Report, 31 December 2008 includes an Independence Declaration and a Review Opinion from the Company's Auditors.

Yours faithfully
Paladin Energy Ltd

GILLIAN SWABY
Company Secretary



PALADIN ENERGY LTD

A.C.N.061 681 098

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NEWS RELEASE

For Immediate Distribution

FINANCIAL REPORT FOR THE SECOND QUARTER AND HALF YEAR ENDING 31 DECEMBER 2008

Perth, Western Australia – 13 February 2009: Paladin Energy Ltd (“Paladin” or “the Company”) (**TSX:PDN / ASX:PDN**) announces the release of its Financial Report for the Second Quarter and Half Year ending 31 December 2008. The Financial Report is appended to this News Release.

Projects:

- Production of 673,982lb of U₃O₈ at the Langer Heinrich Uranium Project in Namibia for the quarter. Production for the half year was 1,324,537lb being 50,463lb (4%) under the production target for this period due only to the later than scheduled commissioning of the front end section of Stage II.
- Langer Heinrich Stage II production expansion to 3.7Mlb per annum is well advanced. Production ramp up should commence in March and nameplate design throughput should be consistently achievable within first half of 2009. Expenditure to 31 December 2008 was US\$29M. Study evaluating the Stage III expansion to 6Mlb/pa is ongoing with the results expected in the March Quarter.
- Sales of Langer Heinrich uranium concentrate for the quarter of 245,000lb U₃O₈ averaging US\$54/lb. Sales of Langer Heinrich uranium concentrate for the half year of 1,123,000lb U₃O₈ averaging US\$57/lb.
- Kayelekera Uranium Project construction work remained on track with commissioning commencing in January and production ramp-up scheduled later in the March quarter with the Project currently 90% complete.
- Valhalla/Skal Uranium Deposits – resource upgrade at Valhalla representing an 18.5% increase in total contained metal and a 46.5% increase in measured and indicated resources.
- Focus continued on exploration and evaluation of Mount Isa Uranium Joint Venture and Isa North Uranium Project in Queensland, and the Bigryli Uranium Joint Venture in Northern Territory. Total exploration and evaluation expenditure was US\$6.4M.

Corporate:

- Profit and Loss

	3mths to 31 Dec 08 US\$M	6mths to 31 Dec 08 US\$M
Gross Profit	6.4	28.4
Impairment Expenses	(779.8)	(779.8)
Exploration and Evaluation Expenses	(2.8)	(6.4)
Finance Costs	(8.2)	(17.4)
Corporate and Other	(8.9)	(19.0)
Income Tax Benefit	227.0	222.8
Minority Interests	<u>95.5</u>	<u>95.8</u>
Net Loss after Tax (before minority interests)	<u>(470.8)</u>	<u>(475.6)</u>

- Gross profit for the six months up by US\$22.0M year on year reflecting improved operating performance at Langer Heinrich Uranium Project.
- An impairment of US\$527.6M (net of Deferred Tax Liability) in the carrying value of the Mount Isa assets. The Paladin Board elected to impair this asset in order to ensure it both retains a transparent and relevant Balance Sheet as well as demonstrating prudence given the impact of the global financial crisis. The written down value of this asset (as yet non-operating) is now not significantly different from the valuation implied by the market capitalisation of Summit Resources Limited which is observable daily. In electing to impair this asset, it is important to note that Paladin is not wavering whatsoever in its belief in a highly positive uranium outlook and remains resolutely committed to the development of the Mount Isa assets. Paladin is maintaining its stated, aggressive exploration and development programme and budgets for Mount Isa and its commitment to both uranium and the Mount Isa region. This is further evidenced by the recent acquisition of Fusion Resources Ltd. Furthermore, assuming a positive feasibility study, Paladin would develop the assets as soon as the Queensland State Government Policy allows it to do so.
- Under the accounting standards, the Company was required to write down the carrying value of its investment in listed company Deep Yellow Ltd (ASX:DYL) by US\$26M to its market price as at 31 December 2008. This write-down does not in any way reflect the Board's confidence in DYL's resource potential and outlook.
- Strong balance sheet at 31 December 2008 with US\$192.2M in cash invested with Australian banks with a minimum AA Standard & Poor's credit rating.
- Net cash inflow from operating activities for the half year of US\$11.1M primarily due to uranium sales receipts.
- Paladin is continuing to progress satisfaction of the conditions precedent to facilitate drawdown on the project finance loan for the Kayelekera Project. Delays in satisfying remaining conditions related primarily to the due process of attaining various approvals from Malawi Government agencies for a US\$ financing secured against project assets. As this is the first such financing in Malawi, necessary regulations and procedures are required to be drafted and implemented for consistency with international practice. Paladin is anticipating finalising the conditions precedent to first draw down shortly.

These results can be found with the Company's other documents filed on Sedar (<http://www.sedar.com>) or through the Company's website (<http://www.paladinenergy.com.au>). The documents filed comprise the Financial Report for the Second Quarter and Half Year ending 31 December 2008, including the Report to Shareholders, Management Discussion and Analysis, Directors' Report, Financial Report, Ernst & Young Review Opinion and Certifications.

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Appendix 4D - Preliminary Financial Report
Financial half year ended 31 December 2008

Paladin Energy Ltd

ABN or equivalent company reference

ACN. 061 681 098

Results for Announcement to the Market

Revenue from ordinary activities	Increased 39.8% to US\$66.693M	
Loss from ordinary activities after tax attributable to members	Increased 1,743.2% to US\$475.537M	
Net Loss for the year attributable to members	Increased 1,743.2% to US\$475.537M	
Dividends	Amount per security	Franked amount per security
It is not proposed to pay dividends for the period	N/A	N/A
Previous corresponding period: No dividend paid	N/A	N/A

An explanation of the results is included in the Management Discussion & Analysis and the Financial Report attached.

	31 December 2008	31 December 2007
Net tangible assets per share	US\$0.80	US\$2.15

Other

Previous corresponding period is the half-year ended 31 December 2007

All foreign subsidiaries are prepared using IFRS.

Commentary on Results for the Period

A commentary on the results for the period is contained in the press release dated 13 February 2009.



PALADIN ENERGY LTD

A.C.N.061 681 098

SECOND QUARTER AND HALF YEAR REPORT

31 DECEMBER 2008

PALADIN ENERGY LTD

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Report to Shareholders

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(All figures are in US dollars unless otherwise indicated)

MARKET COMMENTS

The Ux spot price was US\$53/lb U₃O₈ at the end of December 2008, unchanged from the end of September 2008. The long term price indicator was US\$70/lb, down \$5/lb from the end of September. The spot uranium price responded to global market conditions during the quarter exhibiting significant volatility in October and November, reaching a low of US\$44/lb U₃O₈ and a high of US\$55/lb U₃O₈, to yield an average spot price of US\$50.31/lb U₃O₈.

The outlook for nuclear power worldwide remains extremely positive despite the current recessionary conditions in major economies. The recent disruption of natural gas flows in parts of Europe has reminded governments and consumers of the risks of over-reliance on single energy sources. The global challenge of devising and implementing practical climate change policies continues to support the retention of existing nuclear power plants and adds weight to arguments in favour of a significant expansion of the nuclear electricity capacity over the next twenty years.

Uranium supply growth continues to lag demand from the existing reactor fleet and the fundamental supply/demand imbalance continues to strongly favour uranium producers for the foreseeable future. **In line with this positive outlook Paladin has never wavered in its commitment to growth and continues to build and expand its production base.**

LANGER HEINRICH URANIUM PROJECT, Namibia (Paladin 100%)

Production

The Langer Heinrich operations exceeded nameplate design production for the second consecutive quarter producing 673,982lb for the quarter ending December 2008. A record 402,975t were crushed in this period with an average grade of 935ppm.

This places the operations in a good state of readiness to accept the integration of Stage II expansion and commence the increasing of annual production capacity to 3.7Mlb U₃O₈ (from 2.6Mlb U₃O₈). This new design production target is expected to be achieved during the quarter ending June 2009.

Production for the half year (six month period ending 31 December 2008) was 1,324,537lb being 50,463lb (4%) under the production target for this period due only to the later than scheduled commissioning of the front end section for Stage II.

Sales

Sales in the quarter ending 31 December 2008 were on schedule at 245,000lb U₃O₈ with a value of US\$13.230M. The average price per pound U₃O₈ sold was US\$54 which reflects lower spot prices during the quarter.

All contracted sales are made in accordance with delivery schedules agreed with each customer and, as a result, delivery quantities and revenues are not evenly distributed in each quarter. Contracted sales in the second half of the financial year are 698,000lb U₃O₈ resulting in annual long term contracted sales of 1.8Mlb U₃O₈.

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Mining

Total monthly mined volumes have steadily increased throughout 2008. This is partly in response to a need to double mining productivity by January 2009 and partly due to equipment and personnel efficiency increases. The mine schedule for 2009 and beyond has been revised in response to the increase in plant throughput capacity envisaged with completion of Stage II. Mobilisation of a second fleet of equipment was completed by year end.

Currently grade control drilling is expanding two separate areas for mining; Pit A extension and Pit D. During the quarter Paladin drilled 1532 RC holes for 27,913m in a programme of pre-mining grade control. Reconciliation studies between the Mineral Resource and grade control models indicate a very good correlation.

Process Plant

Recoveries yet again showed a significant improvement over the previous quarter as indicated by the recoveries below:

October	November	December	Oct-Dec Qtr	July-Sept Qtr
81.3%	79.2%	82.3%	81.0%	73.4%

Crushed tonnage design throughput of 4,200tpd can now be exceeded with regularity with December ROM feed totalling 156,768t (versus 125,000t design). It was observed in December that material from Pit D has different breakage characteristics which resulted in a reduced scrubbing efficiency. Additional crushing equipment to be installed as part of the Stage II expansion is expected to resolve this matter. However, a temporary 2 stage mobile crushing system is to be installed before the end of January.

Leaching operation was a highlight of the quarter with extraction efficiencies at design or above as a result of achieving higher leach temperatures through improved heat exchanger operation. December leach extraction efficiency was 96%.

CCD and IX operation remain a major focus for metallurgical personnel in order to further improve wash efficiencies. Consistency of results will be the target going forward.

Precipitation and drying performance maintained above design rates and product specifications continue to meet customer demands.

As more elements of Stage II are brought on line, particularly in the crushing, CCD and IX circuits, it is anticipated that recoveries will continue to improve and approach the targeted 88-90% range. The final recovery objective is in excess of 90%.

Tailings

The current tailings plan involves an extension of the berm walls to the existing temporary tailings facility. An extension to this temporary facility will be constructed by midyear. This will provide tailings capacity until an in-pit tailings facility is established and will be utilised for thickened tailing placement to approximately year 2015. The initial open pits, Pit A and Pit B, will be kept generally empty to act as control mechanisms for any site seepage or stormwater run-off.

Stage I Status

The exercise to achieve nameplate capacity of the current plant has proven successful with all Stage I initiatives having been completed. The plant has proven that it can now consistently achieve the stated throughput and production rates, following two consecutive quarters of consistent results. The operation is now in a phase of continuous improvement with the major focus on process efficiencies and improved ore blending.

Nine of the ten components of the required Lender's test were successfully completed in mid 2008. The criteria stipulated for the 10th test involving recoveries were successfully achieved over a 90 day period from 1 October. A site visit by independent engineering firm, BDA, to confirm the results is scheduled for February.

Stage II Upgrade progress

The construction phase of the Stage II expansion to 3.7Mlb U₃O₈/pa is well advanced with all bulk earthworks and 80% of the civil foundations completed. This project is running about 2 months behind schedule; however, the forecast cost to completion is still within 10% of the approved US\$49.7M budget. The bulk of the mechanical equipment and vendor packages have been delivered to site. The detailed engineering is 95% complete and all orders for bulk material placed. The first deliveries of steelwork and piping have been received on site.

The civil construction of the two new 3,600m³ leach tanks has been completed. The majority of the structural steel for the tank covers has arrived on site and erection is scheduled for completion by the end of January.

The floors and walls of all four new 35m diameter thickeners' have been assembled. Welding and bridge erection on the first two units have been completed. The welding and bridge assembly of the last two units will be completed in January. The internals, feed tanks and drive assemblies of all four units will be installed by mid February. The erection of the Ion Exchange expansion package, as well as the interconnecting steelwork, piping and tank and pump modifications, are on schedule to be completed by the end of January. The construction of the majority of the process areas is scheduled for completion by the end of February, with commissioning to start in March.

Commissioning of the various process circuits is being done progressively as they become available. The commissioning durations are expected to be relatively short as no new process technologies have been introduced. Production ramp-up should commence in March and nameplate design throughput should be consistently achievable within the first half of 2009.

Key elements which will contribute most to increased productivity include the expanded front end recycle crushing circuit (in March), second leach circuit (in March) and expanded IX capacity (for February).

Stage III Expansion Planning

The study investigating a further expansion to about 6Mlb/pa for 2010 identified several potential opportunities for savings in both capital and operating costs. These opportunities require further investigation and hence the study duration has been extended into the March quarter of 2009.

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Initial heap leach test work has been concluded with encouraging results and a larger, site-based test programme is now being developed.

Electricity and Water

The erection of the six 1.7MW motor generator sets and ancillary equipment making up the 10MW Package Power Station started in early December with good progress made to date. Commissioning is still on track for an end of February completion.

To date, Namibia has not been subjected to any power outage events plaguing South Africa. Nampower has initiated a scoping study for both a short term diesel fired plant of 50MW in Walvis Bay, potentially followed up by a large (200MW – 800MW) coal fired plant. Additionally, in early 2009, LHUP will have on-site backup electricity capabilities as earlier reported.

Discussions continue with Namwater regarding desalination for the coastal regions of Namibia. A group of mining companies including Rossing Uranium and LHUP have begun a co-operative approach with Namwater to ensure desalinated water is available by mid 2010.

KAYELEKERA URANIUM PROJECT, Malawi (Paladin 85%)

The 3.3Mlb U₃O₈/pa Kayelekera Uranium Project is on schedule commencing commissioning in January and production ramp-up scheduled later in the March quarter with the Project currently 90% complete and remaining on budget. The Project achieved a record 2,925,979 lost time injury free man hours during the period.

Several key project milestones and achievements were successfully completed during the last quarter. The most significant highlights were the successful running of the SAG mill and all front-end equipment components during December, followed by the introduction of waste rock during early January. Many major plant areas are now complete and the project has now entered the commissioning phase.

The onset of the wet season has commenced later than usual and to date the site is experiencing lighter rainfall than is normal. This has allowed good progress to be made with the completion of outstanding construction earth works areas.

Project Development

The current Project workforce on and off site has peaked at over 1,600 with 85% of workers being Malawian. Although activities continue to be wide-ranging involving structural steel erection, piping and electrical installation and completion of civil works, the main activities this period focused on equipment and facility installation.

The following items/areas were completed or substantially completed during the quarter:

- Front-end (crusher to SAG mill) section of the process plant
- Pre-leach, leaching, resin-in-pulp sections of the process plant (90% complete)
- Tailings neutralisation and disposal sections of the process plant (92% complete)
- Diesel storage tanks (98% complete)

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- Acid storage tanks
- Plant buildings (90% complete)
- Field, cable and pipe installation (86% complete)
- Pipe racking (98% complete)
- Critical stormwater culverts and drains around open pit and plant site (93% complete)
- Run-of-mine (ROM) pad (96% complete)
- Fresh water storage pond
- Raw water ponds #1 and #2 (96% complete)
- Stage 1 walls at, and commissioning ponds within, the tailings storage facility (92% complete)

All key plant areas remain scheduled for completion in the March quarter with the primary focus on all operational buildings including product drying/packing, elution and precipitation areas. The sulphuric acid plant is on schedule for commissioning in April.

The site power station is being load commissioned and plant power distribution, auxiliaries and lighting are energised to most plant areas.

The Malawi Government's Chinese road building contractor has made good progress upgrading the first 13km of the M26 public road from the town of Karonga to the mine site.

Sales Contracts

Paladin is finalising the necessary documentation for a second uranium sales agreement in support of the Kayelekera Uranium Project. The agreement commits Kayelekera to deliver more than 1.0Mlb U₃O₈ to a North American utility customer during 2011-2013 at specified sale prices which are reflective of the current term uranium price.

Project Financing

Paladin is continuing to progress satisfaction of the conditions precedent to facilitate drawdown on the project finance loan for the Kayelekera Project. Delays in satisfying remaining conditions related primarily to the due process of attaining various approvals from Malawi Government agencies for a US\$ financing secured against project assets. As this is the first such financing in Malawi, necessary regulations and procedures are required to be drafted and implemented for consistency with international practice. Paladin is anticipating finalising the conditions precedent to first draw down shortly.

Operations

All key senior management staff and most second level operational staff positions have been appointed. The main focus now is on recruiting Operations and Maintenance personnel, the majority of which will be Malawian. Preparations are ongoing for commissioning and turnover of facilities from Construction to Operations.

The delivery of 'first fill' reagents and consumables has commenced with some being stored either on-site or offsite (Karonga) in a suitable facility.

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Open pit mining activities are in full operation with the focus on pit development and the provision of non mineralised waste rock for shell material on the tailing storage facility and pond walls. A total of 629,534t of waste has been removed from the pit in this quarter with a total of 1,055,342t mined from the area since operations began in 2007. Mining of ore zones is being purposely delayed until all key drainage ditches and culverts have been installed and Raw Water Pond (RWP) #2 is available to contain run-off water in the restricted area. All critical stormwater drains and culverts were completed in the period while RWP #2 is scheduled for completion in January 2009. Several open pit benches have been developed to allow ore to be expeditiously delivered from the open pit for ore commissioning in March 2009.

Construction of the permanent mine office and workshop complex by the mining contractor has commenced and is expected to be completed in April 2009.

Environmental and radiation monitoring continues along with the training of new staff and pit crews in these areas. The Radiation Management Plan is 90% complete. Groundwater monitoring holes around the water management ponds and tailings storage facility were drilled as were piezometer holes in the open pit area. Piezometers were installed in the latter holes.

Community Development Programme

The design of the US\$8.2M Paladin funded water supply project for the Karonga township has been finalised and approved by all stakeholders. Major vendors have been adjudicated and selected with the Northern Region Water Board visiting a key technology provider in Cape Town for the filter selection. Commitments to further detailed engineering and project procurement are awaiting the agreement of the Government of Malawi on the project funding drawdown procedure. This agreement is expected imminently with project commitments to commence immediately thereafter.

New Resources and Reserves Estimation

New JORC and NI 43-101 Mineral Resource and Reserve estimations were reported in November 2008. The results include all data from the 2008 infill and extension drilling programme totalling 132 holes and 9,955m. The NI 43-101 Canadian Statutory Technical Report was filed with SEDAR subsequent to quarter's end.

Results are as follows:

Mineral Resource at 300ppm U₃O₈ Cut-off

	Mt	Grade ppm U ₃ O ₈	Tonnes U ₃ O ₈	Mlb U ₃ O ₈
Measured Resources	3.42	1,211	4,141	9.1
Indicated Resources	18.78	725	13,616	30.0
Total Measured & Indicated	22.20	800	17,757	39.1
Inferred Resources	3.90	552	2,152	4.7

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The previously reported mineral resources (at 300ppm U₃O₈ cut-off) were 15.31Mt of Measured and Indicated Resources grading 886ppm U₃O₈ (13,573t or 29.9Mlb of contained U₃O₈) and 3.4Mt of Inferred Resources grading 596ppm (2,040t or 4.5Mlb of contained U₃O₈).

The Resources for Kayelekera have been increased by 27% with almost all of the deposit reporting as Measured and Indicated Resources. At the 300ppm U₃O₈ cut-off limit, Measured and Indicated Mineral Resources amount to 22.20Mt grading 0.08% U₃O₈ versus the previously stated 15.31Mt grading 0.09% U₃O₈.

Ore Reserves

Economic analysis on this resource has indicated a break-even cut-off grade of 400ppm. This is unchanged from the previous resource due to a number of contributing factors including the changing dynamics of selling price, use of RIP processing and reagent costs.

Ore Reserve at 400ppm U₃O₈ Cut-off

	Mt	Grade ppm U₃O₈	Tonnes U₃O₈	Mlb U₃O₈
Proved Reserve	2.87	1,373	3,943	8.7
Probable Reserve	9.75	959	9,342	20.6
Total Ore Reserve	12.62	1,053	13,285	29.3

Compared to the previous Ore Reserve of 25.1Mlb announced in 2007 (also reported at a 400ppm U₃O₈ cut-off), the new 2008 reserve estimate outlined herein represents a 17% increase in contained U₃O₈.

The cost parameters used in the reserve estimation are now well developed and include contracted schedules for such items as reagents and contract mining, and as such their inclusion can be reasonably justified. The revenue rate used in the estimate was US\$60/lb which is regarded as conservative when compared to the Ux spot price and existing term contracts.

The 2008 reserve suggests an increase in mine life of 1½ years to 9 years at the annual design production rate after year 1 of 3.3Mlb U₃O₈ when the Inferred material occurring within the pit design is included. Processing of marginal ores at the end of mine life is expected to add an additional 3-4 years to the project life.

The 2008 drilling has also shown that the mineralisation is not yet fully delineated, particularly in the north west and west, and thus potential exists to easily identify additional resources with future drilling which is expected to provide for in-pit extensions.

Exploration Activity

Exploration concentrated on tenements located adjacent to the Kayelekera Mining Lease. As reported, two targets - the Mpata and Juma Prospects, have been identified for follow-up drilling in 2009.

OVERALL PRODUCTION GUIDANCE FOR LANGER HEINRICH AND KAYELEKERA

Paladin has reached a significant milestone in the global uranium mining and supply sector, an achievement it believes is of world significance. In a four year period, Paladin has constructed two mining facilities in two countries in Namibia and Malawi. Not only is it producing at design levels at Langer Heinrich but subsequently it has also constructed a substantial production expansion component to increase capacity from 2.6Mlb U₃O₈/pa to 3.7Mlb U₃O₈/pa. This is currently being commissioned.

Parallel with this significant achievement at Langer Heinrich, Paladin has also constructed a new mining facility in Malawi at Kayelekera which is designed to produce 3.3Mlb U₃O₈/pa commencing its commissioning phase at the start of 2009 and beginning ramp-up from March.

Although the commissioning and ramp-up of the two newly constructed operations will have its challenges (and Stage II is running slightly behind schedule), the Company is at this stage hopeful it can achieve its stated production of 3.35Mlb U₃O₈ for the current fiscal year. For this to occur, it will be imperative that a seamless transition is achieved at both Langer Heinrich (Stage II) and Kayelekera from commissioning to production ramp-up.

At Langer Heinrich, it is expected that the trend of increasing production with the continuous improvement efforts and Stage II influence will continue in the March 2009 quarter. Production will be somewhat hampered by several short shutdowns required to tie-in Stage II equipment (expected in aggregate to be approximately 7 days in duration). Management of this downtime will be critical to achieving production targets.

At Kayelekera, it is anticipated that ore will be fed to the plant on a continual basis commencing in March 2009 with throughput at around design capacity reached within six months on low grade ore and recovery at design attained on reserve grade ore within 12 months.

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

The Mount Isa Joint Venture (IUJV) includes the Valhalla and Skal uranium deposits. Resource drilling at Valhalla was completed in late October and a new resource estimate was compiled. A short drilling programme at Skal was completed in December and a new resource estimate is expected in March 2009. The Environmental Baseline Study and metallurgical scoping studies are continuing. Ten hydrogeological monitoring bores were installed at Skal and Valhalla in December.

New Resource Estimation for Valhalla Deposit

Summit Resources (Aust) Pty Ltd as manager of the IUJV advised that, subsequent to quarter's end it has completed a revised resource estimate (conforming to JORC guidelines) for the Valhalla uranium deposit. The estimate includes the original Valhalla deposit as well as the south eastern extension which has been named Valhalla South.

The current Mineral Resource estimate for the Valhalla uranium deposit is tabulated below and is quoted with a cut-off grade at 230ppm U₃O₈ for comparison to the previous resource estimate, individual Mineral Resource figures are quoted on a 100% of project basis.

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Updated Valhalla Mineral Resource at 230ppm U₃O₈ Cut-off

	Mt	Grade ppm U ₃ O ₈	t U ₃ O ₈	Mlb U ₃ O ₈
Measured Resources	8.31	883	7,334	16.2
Indicated Resources	19.49	894	17,431	38.4
Total Measured + Indicated	27.80	891	24,765	54.6
Inferred	7.30	799	5,864	12.9

The updated resource represents an 18.5% increase in total contained metal when compared to the previously announced total resource of 57Mlb and a 46.5% increase in Measured and Indicated metal content (up from 37Mlb U₃O₈).

The main Valhalla deposit now has a strike length in excess of 1,100m. The mineralisation extends from surface to a depth of over 650m and is structurally controlled with a characteristic southerly plunge. Valhalla South is located approximately 600m along strike to the south east of the main mineralised zone and has a strike length of at least 400m.

The revised resource estimate has been derived predominantly from drilling completed recently by the IUJV. The most recent drilling programme completed at Valhalla was 121 RC and diamond drill holes for a total of 34,466m. These holes have been drilled on a nominal 80m x 40m grid pattern to infill the existing drill holes and replace some historic drill holes. The majority of these drill holes have been downhole gamma logged and gyroscopically surveyed to obtain an accurate hole orientation using company-owned equipment. In addition, a significant number of bulk density determinations have been undertaken. All of this information has been incorporated into the resource model.

The resource dataset consists of both geochemically assayed grades and downhole gamma logging derived grades. A significant number of holes within the recently completed drill programme, as well as historic holes that were open to mineralisation depths, were used to define appropriate calibration factors for the gamma probes. The resource has been fully classified into Measured, Indicated and Inferred categories, allowing for the full use of the resource in scoping and feasibility studies which are planned for the near future. The deposit remains open at depth to the south and appears to be fault offset to the south.

Skal Uranium Deposit

At Skal a total of 13 RC holes including 2,670m and three diamond core holes totalling 463m were completed during the quarter. The drilling was designed to test additional resource potential, mainly at Skal East, which had previously been identified by geological mapping and associated ground geophysical surveys.

At Skal East, located approximately 300m east of Skal North and South, drilling has identified a new uranium mineralisation zone in north east trending albites along a strike length of 250m. The centre of the mineralisation is up to 30m thick narrowing to the north and south. The best intersections in hole SR061 included 71m at 650ppm U₃O₈ from 130 to 200m. A new resource estimation for Skal is expected to be completed in the March quarter.

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(All figures are in US dollars unless otherwise indicated)

Overall Paladin Attributed Mineral Resources in Mount Isa Project

With the resource upgrade at Valhalla, total JORC Resources attributable to Paladin in the Mount Isa Region include 49.6Mlb U₃O₈ of Measured and Indicated Resources and 35.6Mlb U₃O₈ of Inferred Resources as follows:

Deposit		Measured and Indicated Resources			Inferred Resources			Paladin Share
	Cut-off ppm U ₃ O ₈	Mt	Grade ppm	t U ₃ O ₈	Mt	Grade ppm	t U ₃ O ₈	
Valhalla	230	27.80	891	24,765	7.3	799	5,863	90.9%
Skal	250				7.6	508	3,781	90.9%
Bikini	250				10.1	517	5,200	82.0%
Andersons	230				2.0	1,050	2,100	82.0%
Watta	230				4.2	410	1,720	82.0%
Total		27.80	891	24,765 (54.6Mlb)	31.2	597	18,664 (41.1Mlb)	
Total Resource Attributable to Paladin		25.27	891	22,511 (49.6Mlb)	26.9	601	16,154 (35.6Mlb)	

Individual Mineral Resource figures are quoted on a 100% of project basis.

MOUNT ISA NORTH URANIUM PROJECT (100% Summit – Paladin 82.0% shareholder)

Exploration continues on Summit's 100% owned Mount Isa North Project where Summit holds 1,938km² of applications and granted tenements that are prospective for uranium, copper and base metals. The tenements are centred on the city of Mount Isa. The project includes the Bikini, Watta and Anderson uranium deposits as well as numerous other uranium prospects.

Detailed geological and geophysical groundwork started at the Bikini deposits, including the Woomera and Mirrioola Prospects to the north and south of Bikini, to identify new drill targets in this extensively uranium mineralised region. Although mapping and ground geophysical surveys are not yet completed early results show that the north-western edge of the Bikini deposit was previously inadequately drilled, offering potential to readily expand the Bikini resource. Geological mapping at Spring Creek was completed at 1:1000 scale identifying three adjacent anomalies at Spring Creek, Printi and Minga along a strike length of 2km. Preliminary 2009 drill planning is for 4 holes at Printi, the central anomaly, and 2 holes each undercutting the southern and northern anomalies.

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ANGELA JOINT VENTURE, Northern Territory - Australia (Paladin 50%)

During the quarter Exploration Licence 25758, which contains the Angela Uranium Deposit, was granted by the Northern Territory Government to the Cameco/Paladin 50:50 Joint Venture. Cameco Australia Pty Ltd is manager of the exploration stage of this joint venture.

Development of the Joint Venture Project Team has continued with the arrival of the Project Manager and appointment of an Environmental and Community Co-ordinator and a Community Relations Officer. The recruitment of geologists and field technicians is now in progress. Non-ground disturbing work has commenced and includes an archaeological survey, downhole geophysical probing of some existing holes and establishing ground control points for the photographic survey.

Currently a land access agreement is being negotiated with the Central Lands Council. All necessary government approvals will be obtained prior to the anticipated start of resource drilling in March 2009.

CORPORATE

Fusion Resources Limited Takeover

During the quarter Paladin announced its intention to make an off-market scrip takeover offer for Australian and Toronto Stock Exchange listed minerals exploration company Fusion Resources Limited (Fusion). The consideration under the Offer will comprise 1 fully paid ordinary Paladin share for every 6 fully paid ordinary Fusion shares, implying a price of A\$0.365 per Fusion share based on closing price of Paladin shares on the ASX of A\$2.190 as of 2 December 2008. Fusion's directors unanimously recommended that Fusion shareholders accept the Paladin offer, in the absence of a superior offer.

Fusion is a minerals exploration company with 100% ownership of several uranium exploration projects in the Mount Isa region of Queensland and a portfolio of interests in copper/gold exploration projects in north Queensland.

Resources announced by Fusion on 10 December 2008 include Honey Pot at 3.96Mlb U₃O₈ (2.56Mt @ 700ppm U₃O₈ Inferred) and Duke Batman at 3.1Mlb U₃O₈ (2.1Mt @ 666ppm U₃O₈ Indicated and Inferred) totalling 7.06Mlb U₃O₈ at a grade of 690ppm. These two resources are robust in terms of grade and geological continuity. Narrow high-grade 500 - 2000ppm U₃O₈ zones at Duke Batman were drilled over a strike length of 600m. Drilling over a strike length of 1.4km at Honey Pot has defined 5 to 10m wide albitite mineralised zones grading 300 to 1000ppm U₃O₈. There is potential to expand and upgrade the resources with improved geological interpretation, ground surveys and further drilling. Smaller, less well developed, prospects at Sunshine, Bohra and Gidgee have potential to be advanced to resource status. Recommended 2009 programmes include confirmation geological mapping, ground magnetometer and radiometric surveys, gyro and downhole gamma surveys and airborne anomaly field checking of multiple anomalies.

The Valhalla North project is located on three tenements totalling 622km², situated 40 to 75km north of the Valhalla deposit. The geological setting is similar to the Summit/Paladin projects to the south

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where albitised basalts with interbedded metasediments are mineralised along east-west and north-south structures in Eastern Creek Volcanics.

The Fusion takeover by Paladin is near completion with 96.86% acceptance and compulsory acquisition of the remaining securities to commence shortly.

Debt Repayment Status

Paladin continues to monitor cash flows and the ability to meet future operating and capital expenditure together with debt servicing obligations. The Langer Heinrich project to date has made principal debt repayments of US\$10.17M to the outstanding project loan from sales of its uranium production. We anticipate that Langer Heinrich will continue to meet its financial debt obligations from product sales whilst also providing free cash flows to be utilised for Paladin's wider funding requirements. In the medium term, our current forecasting based on a range of pricing assumptions indicates there will be sufficient internally generated cash flows to meet the repayment of the US\$250M convertible bond maturing in December 2011.

Key Staff Appointments

Paladin Nuclear Limited: Paladin Energy Ltd is pleased to announce that Mr. Ganpat Mani joined the Company effective 1 January 2009. He is based at the Paladin Nuclear Ltd. offices in Denver, Colorado, USA and his efforts are focused on marketing and business development activities to support Paladin's global strategic initiatives. His responsibilities include the emerging Indian nuclear market as well as North America and selected clients in Europe and Asia/Pacific.

Prior to joining Paladin full time, Ganpat was Principal of Ganman Consulting LLC, and provided consulting services to nuclear and non-nuclear companies, including Paladin. He retired from Honeywell International Inc. in June 2007 after a 35 year career spanning a variety of functional areas and product lines. His last position was Senior Vice President for marketing and sales at ConverDyn, the sole US converter, owned by General Atomics and Honeywell International Inc.

Acting Chief Financial Officer: During the quarter it was announced that Paladin elected to replace its recently employed Chief Financial Officer Ross Glossop with Mark Bolton who took over this position in an acting role from 17 November.

Mark is a qualified accountant and has almost twenty years experience in the resource industry including ten years with Ernst & Young where he was Director of Corporate Finance. Since stepping down from professional practice, Mark has held a number senior executive officer positions including Chief Financial Officer and Vice President Corporate Development with companies listed on the ASX, TSX and AIM with activities in Australia, southern and central Africa, Asia and South America and brings a wealth of corporate expertise to Paladin.

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Annual General Meeting

The Annual General Meeting was held on 26 November 2008 and all resolutions presented to the shareholders were passed.

Yours faithfully
Paladin Energy Ltd

A handwritten signature in black ink, appearing to read "John Borshoff". The signature is stylized with a large initial "J" and a long horizontal stroke at the end.

JOHN BORSHOFF
Managing Director/CEO

PALADIN ENERGY LTD

Management Discussion and Analysis

For the Six Months Ended 31 December 2008
(All figures are in US dollars unless otherwise indicated)

The following Management Discussion and Analysis (“MD&A”) for Paladin Energy Ltd (“Company”) should be read in conjunction with the Report to Shareholders and the Consolidated Financial Statements for the six months ended 31 December 2008. The effective date of this report is 13 February 2009.

The financial information presented in this MD&A has been prepared in accordance with Australian Accounting Standards Board (AASB) 134 *Interim Financial Reporting*, the Corporations Act 2001 and other mandatory professional reporting requirements.

In addition to these Australian requirements further information has been included in the Consolidated Financial Statements for the six months 31 December 2008 in order to comply with applicable Canadian securities law, as the Company is listed on the Toronto Stock Exchange.

Additional information relating to the Company, including the Company’s most recent Annual Report for the year ended 30 June 2008 and other public announcements are available at www.paladinenergy.com.au.

FORWARD LOOKING STATEMENTS

Some of the statements contained in this MD&A, including those relating to strategies and other statements, are predictive in nature, and depend upon or refer to future events or conditions, or include words such as “expects”, “intends”, “plans”, “anticipates”, “believes”, “estimates” or similar expressions that are forward looking statements. Forward looking statements include, without limitation, the information concerning possible or assumed further results of operations as set forth herein. These statements are not historical facts but instead represent only expectations, estimates and projections regarding future events and are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations generally.

The forward looking statements contained in this MD&A are not guarantees of future performance and involve certain risks and uncertainties that are difficult to predict. The future results of the Company may differ materially from those expressed in the forward looking statements contained in this MD&A due to, among other factors, the risks and uncertainties inherent in the business of the Company. The Company does not undertake any obligation to update or release any revisions to these forward looking statements to reflect events or circumstances after the date of this MD&A or to reflect the occurrence of unanticipated events.

OVERVIEW

The Company operates in the minerals resources industry with a principal business focus on development and operation of uranium projects in Africa and Australia, as well as evaluation and acquisition opportunities throughout the world. The Company is incorporated under the laws of Western Australia with a primary share market listing on the Australian Securities Exchange and additional listings on the Toronto Stock Exchange in Canada; Munich, Berlin, Stuttgart and Frankfurt Stock Exchanges in Europe; and the Namibian Stock Exchange in Africa.

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The main activities undertaken during the six months ended 31 December 2008 were:

- Langer Heinrich Uranium Project exceeded nameplate design production for the six months
 - 75% increase in Ore Reserves
 - 46% increase in Measured and Indicated Resources
 - 64% increase in Inferred Resources
 - Sales revenue of US\$64.271M for the half year. Sales volume of 1,123,000lb at an average realised price of US\$57/lb
 - Production for the half year of 1,324,537lb
 - Stage II expansion to 3.7Mlbr U₃O₈/pa is now well into the construction phase and undergoing commissioning
 - Study evaluating the Stage III expansion to 6Mlb/pa from 2010 is ongoing with the results expected shortly
- Kayelekera Uranium Project construction remains on track with commissioning commencing in January
 - All key commissioning and operations teams have been recruited
 - Key long term uranium contract signed with major Asian utility
- Valhalla/Skal Uranium Deposits – resource drilling and evaluation continues.
 - Updated resource represents an 18.5% increase in total contained metal and a 46.5% increase in measured and indicated resources
 - Impairment of Mount Isa exploration and evaluation asset by US\$527.642M
- Paladin and Cameco Joint Venture granted Exploration Licence for the Angela Uranium Deposit by the Northern Territory Government
- Corporate
 - Fusion Resources Limited - The Fusion takeover by Paladin is advancing with 96.86% acceptance and compulsory acquisition of the remaining securities to commence shortly
 - Deep Yellow Limited – increase in shareholding to 220,258,461 (19.65% interest) after exercise of 12.5M options and purchase of an additional 48.7M shares
 - Impairment of investment in Deep Yellow Limited of US\$25.983M to its market price at 31 December 2008 as required under the accounting standards

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INCOME STATEMENTS

	Three Months Ended 31 December		Six Months Ended 31 December	
	2008 US\$'000	2007 US\$'000	2008 US\$'000	2007 US\$'000
Revenue from continuing operations	14,247	19,397	66,693	47,712
Gross profit	6,354	2,725	28,422	6,837
Exploration and evaluation expenses	(2,764)	(2,783)	(6,402)	(6,606)
Other expenses and income	(7,847)	(6,665)	(17,958)	(16,018)
Impairment of exploration and evaluation	(753,774)	-	(753,774)	-
Impairment of available-for-sale financial assets	(25,983)	-	(25,983)	-
Finance costs	(8,231)	(6,617)	(17,421)	(13,452)
Share of loss of an associate	(1,040)	-	(1,040)	-
Income tax benefit	226,963	1,895	222,783	2,728
Minority interests	95,488	276	95,836	711
Loss after tax from continuing operations attributable to the ordinary equity holders of the Company	(470,834)	(11,169)	(475,537)	(25,800)
	US\$	US\$	US\$	US\$
Loss per Share - basic & diluted	(0.76)	(0.02)	(0.77)	(0.04)

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Management Discussion and Analysis

*For the Six Months Ended 31 December 2008
(All figures are in US dollars unless otherwise indicated)*

Three Months Ended 31 December 2008

Note – references to 2007 refer to the equivalent three months ended 31 December 2007.

Revenue from Continuing Operations decreased to US\$14.247M in 2008 predominantly due to lower contracted sales of uranium of US\$13.230M. All contracted sales are made in accordance with delivery schedules agreed with each customer from time to time and, as a result, delivery quantities and revenues are not evenly distributed in each quarter. Total sales volume for the quarter was 245,000lb and total production for the quarter was 673,982lb.

Gross Profit in 2008 of US\$6.354M is higher than in 2007 as a consequence of the improved operating performance of Langer Heinrich Uranium Project (LHUP) during the quarter ended 31 December 2008.

Exploration and Evaluation Expenditure of US\$2.764M remained the same in 2008 compared to 2007 as a result of ongoing expenditure on the Valhalla/Skal, Isa North, Bigryli, Langer Heinrich and Kayelekera Uranium Projects. Of this total, US\$1.069M was spent on the Valhalla/Skal joint venture project.

Other Expenses and Income increased in 2008 by US\$1.182M to US\$7.847M predominantly as a result of higher share-based payments expense and a foreign exchange loss.

Impairment of Mount Isa exploration and evaluation asset of US\$527.642M (net of Deferred Tax Liability) in the carrying value of the Mount Isa assets. The Paladin Board elected to impair this asset in order to ensure it both retains a transparent and relevant Balance Sheet as well as demonstrating prudence given the impact of the global financial crisis. The written down value of this asset (as yet non-operating) is now not significantly different from the valuation implied by the market capitalisation of Summit Resources Limited which is observable daily. In electing to impair this asset, it is important to note that Paladin is not wavering whatsoever in its belief in a highly positive uranium outlook and remains resolutely committed to the development of the Mount Isa assets. Paladin is maintaining its stated, aggressive exploration and development programme and budgets for Mount Isa and its commitment to both uranium and the Mount Isa region. This is further evidenced by the recent acquisition of Fusion Resources Ltd. Furthermore, assuming a positive feasibility study, Paladin would develop the assets as soon as the Queensland State Government Policy allows it to do so.

Impairment of available-for-sale financial assets of US\$25.983M due to the recognition of an impairment of the investment in Deep Yellow Limited (DYL) in 2008. Under the accounting standards, the Company was required to write down the carrying value of its investment in listed company DYL to its market price at 31 December 2008. This does not in any way reflect the Board's confidence in DYL's resource potential and outlook.

Finance Costs increased to US\$8.231M in 2008 reflecting increased average borrowings year on year. This relates primarily to interest payable on the US\$250.000M convertible bonds issued on 15 December 2006 and, the US\$325.000M convertible bonds issued on 11 March 2008.

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For the Six Months Ended 31 December 2008
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Income Tax Benefit of US\$226.963M is primarily as result of a decrease in deferred tax liabilities. The deferred tax liability substantively arose from the acquisition accounting of Summit Resources Limited in 2007 with the current period decline reflecting both the impairment of the A\$ exploration carrying value and the foreign exchange movement on this A\$ exploration carrying value.

Minority Interests credit of US\$95.488M has been recorded in 2008 attributable to the 18.0% of Summit Resources Ltd not owned by the Group.

The loss after tax for 2008 of US\$470.834M was higher than the loss after tax for 2007 of US\$11.169M predominantly as a result of the recognition of an impairment of the Mount Isa exploration and evaluation asset of US\$527.642M net of the deferred tax liability and of the recognition of an impairment of the investment in DYL by US\$25.983M in 2008. The impairment in 2008 was partially offset by improved operating profitability at LHUP.

Six Months Ended 31 December 2008

Note – references to 2007 refer to the equivalent six months ended 31 December 2007.

Revenue from Continuing Operations increased to US\$66.693M in 2008 as a result of sales of uranium of US\$64.271M. All contracted sales are made in accordance with delivery schedules agreed with each customer from time to time and, as a result, delivery quantities and revenues are not evenly distributed in each quarter. Total sales volume for the six months was 1,123,000lb and total production for the six months was 1,324,537lb.

Gross Profit in 2008 of US\$28.422M is higher than in 2007 as a consequence of the improved operating performance of LHUP during the six months ended 31 December 2008.

Exploration and Evaluation Expenditure of US\$6.402M remained approximately the same in 2008 compared to 2007 as a result of ongoing expenditure on the Valhalla/Skal, Isa North, Bigryli, Langer Heinrich and Kayelekera Uranium Projects. Of this total, US\$3.243M was spent on the Valhalla/Skal joint venture project.

Other Expenses and Income increased in 2008 by US\$1.94M to US\$17.958M predominantly as a result of the recognition of an impairment of inventory expense of US\$3.680M in September 2008 quarter as a result of the inventory held for trading by Paladin Nuclear Ltd being reduced to net realisable value at spot prices. No further adjustment was made during the December 2008 quarter. This was partly offset by a foreign exchange gain of US\$1.538M.

Impairment of Mount Isa exploration and evaluation asset of US\$527.642M (net of Deferred Tax Liability) in the carrying value of the Mount Isa assets. For further information, refer to narrative for the three months ended 31 December 2008 set out on the previous page.

Impairment of available-for-sale financial assets of US\$25.983M due to the recognition of an impairment of the investment in DYL in 2008. Under the accounting standards, the Company was required to write down the carrying value of its investment in listed company DYL to its market price at 31 December 2008. This does not in any way reflect the Board's confidence in DYL's resource potential and outlook.

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Finance Costs increased to US\$17.421M in 2008 reflecting increased average borrowings year on year. This relates primarily to interest payable on the US\$250.000M convertible bonds issued 15 December 2006 and the US\$325.000M convertible bonds issued 11 March 2008.

Income Tax Benefit of US\$222.783M is primarily as result of a decrease in deferred tax liabilities. The deferred tax liability substantively arose from the acquisition accounting of Summit Resources Limited with the current period decline reflecting both the impairment of the A\$ exploration carrying value and the foreign exchange movement on this A\$ exploration carrying value.

Minority Interests credit of US\$95.836M has been recorded in 2008 attributable to the 18.0% of Summit Resources Ltd not owned by the Group.

The loss after tax for 2008 of US\$475.537M was higher than the loss after tax for 2007 of US\$25.8M predominantly as a result of the recognition of an impairment of the Mount Isa exploration and evaluation asset of US\$527.642M net of the deferred tax liability and of the recognition of an impairment of the investment in DYL by US\$25.983M. The impairment in 2008 was partially offset by improved operating profitability at LHUP.

Summary of Quarterly Financial Results

	2008 Dec Qtr US\$'000	2008 Sep Qtr US\$'000	2008 Jun Qtr US\$'000	2008 Mar Qtr US\$'000
Total revenues	14,247	52,446	38,920	15,250
Loss after tax	(470,834)	(4,703)	(1,808)	(8,434)
Basic and diluted loss per share	(0.76)	(0.01)	(0.01)	(0.01)
	2007 Dec Qtr US\$'000	2007 Sep Qtr US\$'000	2007 Jun Qtr US\$'000	2007 Mar Qtr US\$'000
Total revenues	19,397	28,316	6,684	3,101
Loss after tax	(11,169)	(14,631)	(17,484)	(11,414)
Basic and diluted loss per share	(0.02)	(0.02)	(0.03)	(0.02)

Total revenues for the quarter to 31 December 2008 are lower than the comparative quarter to 31 December 2007 due to shipping and contracted sales schedules. On 2 January 2009 sales were delivered of 208,000lb at an average realised price of US\$55/lb generating sales revenues of US\$11.511M.

Total revenues for the quarters ended March, June and September have increased for each of the quarters when compared to the equivalent comparative quarter as a result of improved production at LHUP. We note that LHUP production costs were capitalised to 31 March 2007 pursuant to the commissioning of the plant.

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Loss after tax for the quarter to 31 December 2008 is higher than the comparative quarter to 31 December 2007 predominantly as a result of the recognition of an impairment of the Mount Isa exploration and evaluation asset of US\$527.642M net of the deferred tax liability.

Loss after tax has decreased for the other quarters ended March, June and September when compared to the equivalent comparative quarter as a consequence of the increase in gross profit due to the improving production at LHUP.

Loss Per Share

The *Loss per Share* noted on the Income Statements reflects the underlying result for the specific reported periods and the additional shares issued in 2008 compared to 2007.

Segment Disclosure (refer to Note 3)

In the Namibian geographical segment the Group reflected a higher profit after tax than in 2007 of US\$8.996M as a consequence of the improved operating performance of LHUP and increased sales volume for the six months ended 31 December 2008. The Malawian geographical segment loss after tax of US\$5.899M relates to exploration and evaluation expenditure and corporate costs. In the Australian geographical segment the Group reflected the remaining Income Statement activities.

BALANCE SHEETS	31 December 2008 unaudited US\$'000	30 June 2008 audited US\$'000
Total current assets	294,362	447,853
Total non current assets	1,080,346	2,115,282
Total assets	1,374,708	2,563,135
Total current liabilities	48,131	54,125
Total non current liabilities	835,454	1,079,703
Total liabilities	883,585	1,133,828
Net Assets	491,123	1,429,307

Current Assets have decreased to US\$294.362M at 31 December 2008 attributable to a decrease in cash and trade receivables.

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Management Discussion and Analysis

*For the Six Months Ended 31 December 2008
(All figures are in US dollars unless otherwise indicated)*

Cash has decreased to US\$192.186M at 31 December 2008 as a result of expenditure on the construction of the Kayelekera Uranium Project and Stage II expansion at Langer Heinrich Uranium Project, exploration and evaluation project expenditure, additional Deep Yellow Ltd share investment, finance costs, third party uranium purchases and corporate costs for the six months ended 31 December 2008.

The cash is currently invested over a range of maturities with Australian banks with a minimum AA Standard & Poor's credit rating.

Trade and other receivables have decreased to US\$22.519M during the half year ended 31 December 2008 reflecting the timing of deliveries and therefore recognition of sales as compared to June 2008.

Inventories have increased to US\$79.137M at 31 December 2008 as a result of higher production levels quarter-on-quarter and lower sales volumes during the quarter ended 31 December 2008. All contracted sales are made in accordance with delivery schedules agreed with each customer from time to time and, as a result, delivery quantities and revenues are not evenly distributed in each quarter.

During the first quarter, the uranium held for trading by Paladin Nuclear Ltd, the Group's recently-established marketing entity, was reduced to net realisable value at spot prices during the September quarter resulting in an impairment loss of US\$3.68M for the six months. There were no further adjustments to the uranium held for trading by Paladin Nuclear Ltd in the second quarter.

Non Current Assets have decreased to US\$1,080.346M at 31 December 2008 primarily as a result of the foreign exchange movement on the A\$ denominated exploration assets and an impairment of US\$753.774M in the carrying value of the Mount Isa asset. This was partially offset by ongoing capital expenditure at LHUP and Kayelekera.

Current Liabilities have decreased from US\$54.125M to US\$48.131M at 31 December 2008.

Non Current Liabilities have decreased from US\$1,079.703M to US\$835.454M at 31 December 2008 primarily as result of a decrease in deferred tax liabilities. The deferred tax liability substantively arose from the acquisition accounting of Summit Resources Limited with the current period decline reflecting both the impairment of the A\$ exploration carrying value and the foreign exchange movement on this A\$ exploration carrying value. Provisions have increased from US\$8.372M to US\$23.448M due to the initial recognition of rehabilitation and mine closure provisions for the Kayelekera Uranium Project and a minor increase in the rehabilitation and mine closure provisions for LHUP.

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Management Discussion and Analysis

For the Six Months Ended 31 December 2008
(All figures are in US dollars unless otherwise indicated)

Segment Disclosure (refer to Note 3)

In the Balance Sheet at 31 December 2008 the Group reflected a decrease in the Australian geographical segment assets and liabilities for the six months as a result of the impairment in the holding value of Mount Isa exploration and evaluation asset, the foreign exchange movement on the A\$ denominated exploration assets, decreased cash as a result of Stage II expansion at LHUP and the mine construction at the Kayelekera Uranium Project, decrease in the market value of the investment in DYL and foreign exchange movement on A\$ deferred tax liabilities. For the Namibian geographical segment an increase occurred in the six months in assets and liabilities attributable to the Stage II expansion, operations and exploration and evaluation activities for the LHUP. For the Malawi geographical segment, an increase occurred in the six months in assets and liabilities as a result of mine construction and exploration and evaluation activities for the Kayelekera Uranium Project.

STATEMENTS OF CHANGES IN EQUITY

	Six Months Ended 31 December	
	2008	2007
	US\$'000	US\$'000
Total equity at the beginning of the financial period	1,429,307	1,308,386
Loss for the six months ended 31 December, after minority interests	(475,537)	(25,800)
Foreign currency translation	(377,595)	37,807
Movement in other reserves, net of foreign currency	6,596	(12,800)
Movement in equity, net of foreign currency	3,132	11,530
Minority interests, net of foreign currency	(94,780)	(711)
Total Equity at the End of the Financial Period	491,123	1,318,412

Loss for the Six Months Ended 31 December 2008 is discussed under the Income Statements section and is an increase from the loss in the comparative period.

Foreign Currency Translation Reserve relates to the translation of subsidiaries with Australian dollar functional currencies into the Group presentation currency of US dollars on an ongoing basis and for the comparative period.

Movement in Other Reserves in 2008 of a US\$6.596M increase relates to the transfer to profit and loss of the revaluation decrement attributable to the decrease in Deep Yellow Ltd share price from the prior period (net of tax and foreign exchange movements) and the recognised value of unlisted employee options. Unlisted employee options exercised during the six months amounted to 500,000 with exercise prices ranging from A\$2.80 to A\$5.50. 1,250,000 employee options were granted with

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For the Six Months Ended 31 December 2008
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exercise prices ranging from A\$2.07 to A\$2.54 per share and 1,094,617 were forfeited during the six months with exercise prices ranging from A\$4.50 to A\$8.77 per share.

Movement in Equity in 2008 of a US\$3.132M increase relates to the exercise of unlisted employee options. The number of fully paid ordinary shares on issue at 31 December 2008 is 613,997,369, an increase of 500,000 during the period.

Share options of 18,732,455 remain outstanding at 31 December 2008 to the employees, and consultants directly engaged in corporate, mine construction, operations, exploration and evaluation work.

Minority Interests recognised during the six months relate to the 18.0% interest in Summit Resources Ltd held by third parties. The minority interest changed from 18.1% during the six months following a renounceable rights issue by Summit Resources Ltd. The Development Agreement for the Kayelekera Uranium Project signed on 23 February 2007 entitles the Government of Malawi to a 15% equity interest in Paladin (Africa) Ltd, the owner of the project, in exchange for reductions of 2.5% in corporate tax, nil rent resource tax payable and royalty offsets. No minority interests have been reflected for this as at 31 December 2008 as Paladin (Africa) Ltd is in a net liability position as a consequence of the Group's policy to previously expense exploration and evaluation expenditure prior to the decision made to proceed to development.

CASH FLOW STATEMENTS

	Three Months Ended 31 December		Six Months Ended 31 December	
	2008	2007	2008	2007
	US\$'000	US\$'000	US\$'000	US\$'000
Net Cash (Outflow)/Inflow from Operating Activities	(4,463)	1,852	11,065	9,721
Net Cash Outflow from Investing Activities	(75,697)	(29,035)	(151,309)	(55,335)
Net Cash (Outflow)/Inflow from Financing Activities	(5,649)	10,618	(2,656)	12,009
Net Decrease in Cash Held	(85,809)	(16,565)	(142,900)	(33,605)
Cash at the Beginning of the Financial Period	279,744	165,775	337,530	182,787
Effects of Exchange Rate Changes	(1,749)	(219)	(2,444)	(191)
Cash at the End of the Financial Period	192,186	148,991	192,186	148,991

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*For the Six Months Ended 31 December 2008
(All figures are in US dollars unless otherwise indicated)*

Three Months Ended 31 December 2008

Net Cash Outflow from Operating Activities was US\$4.463M in 2008 primarily due to payments to suppliers and employees of US\$27.268M mainly relating to the mine operations at the LHUP, the growth of the Group and interest payments of US\$7.861M on project finance facilities and convertible bonds which was partly offset by uranium sales receipts of US\$29.628M.

Net Cash Outflow from Investing Activities was US\$75.697M in 2008 as a result of mine construction at the Kayelekera Uranium Project, Stage II expansion at LHUP, exploration and evaluation project expenditure and the acquisition of additional investments in Deep Yellow Ltd.

Net Cash Outflow from Financing Activities of US\$5.649M in 2008 is attributable to repayment of project finance facilities for LHUP.

Net Decrease in Cash in 2008 was US\$85.809M, an increase over the previous corresponding period in 2007 of US\$16.565M as a result of the higher cash outflows from investing, operating and financing activities.

Effects of Exchange Rate Changes are a loss of US\$1.749M for 2008 due to exchange rate fluctuations.

Six Months Ended 31 December 2008

Net Cash Inflow from Operating Activities was US\$11.065M in 2008 primarily due to uranium sales receipts of US\$79.704M which was partly offset by payments to suppliers and employees of US\$53.826M mainly relating to the mine operations at the LHUP, the growth of the Group and interest payments of US\$16.994M on project finance facilities and convertible bonds.

Net Cash Outflow from Investing Activities was US\$151.309M in 2008 as a result of mine construction at the Kayelekera Uranium Project, Stage II expansion at LHUP, exploration and evaluation project expenditure, the acquisition of additional investments in Deep Yellow Ltd and third party uranium purchases.

Net Cash Outflow from Financing Activities of US\$2.656M in 2008 is attributable to US\$5.585M repayment of project finance facilities for LHUP which has been partly offset by US\$2.356M proceeds from the exercise of 500,000 unlisted employee options and US\$1.08M net proceeds from external parties from the Summit Resources Ltd renounceable rights issue.

Net Decrease in Cash in 2008 was US\$142.9M, an increase over the previous corresponding period in 2007 of US\$33.605M as a result of the higher cash outflows from investing and financing activities, despite increased cash inflows from operating activities.

Effects of Exchange Rate Changes are a loss of US\$2.444M for 2008 due to exchange rate fluctuations.

PALADIN ENERGY LTD

Management Discussion and Analysis

For the Six Months Ended 31 December 2008
(All figures are in US dollars unless otherwise indicated)

LIQUIDITY AND CAPITAL RESOURCES

The Group's principal source of liquidity as at 31 December 2008 is cash of US\$192.186M (30 June 2008 – US\$337.53M). The cash is currently invested over a range of maturities with Australian banks with a minimum AA Standard & Poor's credit rating.

The Group's principal sources of cash for the six months ended 31 December 2008 were uranium sales receipts, interest received from cash investments, proceeds from exercise of unlisted employee options and the rights issue for Summit Resources Ltd.

The Group has in place Langer Heinrich project finance facilities of US\$60.684M which have been fully drawn down, leaving available facilities of US\$Nil.

For the Kayelekera Uranium Project the Group has accepted credit committee approved offers of financing totalling US\$167M, consisting of a seven year Project Finance Facility of US\$145M, a Standby Cost Overrun Facility of US\$12M and a Performance Bond Facility of US\$10M. The facilities are being provided by Société Générale Corporate and Investment Banking (as inter-creditor agent and commercial lender), Nedbank Capital a division of Nedbank Limited (ECIC lender) and The Standard Bank of South Africa Ltd (as ECIC facility agent and lender). Drawdown on the financing is subject to completion of legal documentation and fulfilment of other conditions precedent usual for this type of funding.

The following is a summary of the Group's outstanding commitments as at 31 December 2008:

Payments due by period	Total US\$'000	Less than 1 yr US\$'000	1 to 5 yrs US\$'000	5 yrs+ or unknown US\$'000
Tenements	5,160	5,160	-	-
Mine construction	27,391	27,391	-	-
Operating leases	4,496	569	2,315	1,612
Manyingee acquisition costs	518	-	-	518
Total commitments	37,565	33,120	2,315	2,130

In relation to the Manyingee Uranium Project, the acquisition terms provide for a payment of A\$0.75M (US\$0.518M) by the Group to the vendors when all project development approvals are obtained.

In addition to the outstanding commitments above, the Group acquired a call option on 19 June 1998 in relation to the purchase of the Oobagooma Uranium Project and, in turn, granted a put option to the original holder of the Project. Both the call and put options have an exercise price of A\$0.75M (US\$0.518M) and are subject to the Western Australian Department of Minerals & Energy granting tenements comprising 2 exploration licence applications. The A\$0.75M (US\$0.518M) is payable by the Group within 10 business days of the later of the grant of the tenements or the exercise of either the call or put option. The options will expire 3 months after the date the tenements are granted.

The Group has no other off balance sheet arrangements.

PALADIN ENERGY LTD

Management Discussion and Analysis

For the Six Months Ended 31 December 2008
(All figures are in US dollars unless otherwise indicated)

As at 13 February 2009 Paladin had 615,557,369 fully paid ordinary shares issued and outstanding. The following table sets out the fully paid ordinary outstanding shares and those issuable under the Company Executive Share Option Plan and in relation to the Convertible Bonds:

As at 13 February 2009	Number
Outstanding shares	615,557,369
Issuable under Executive Share Option Plan	16,298,455
Issuable under off-market takeover offer for Fusion Resources Ltd	9,888,813
Issuable in relation to the US\$250M Convertible Bonds	32,530,904
Issuable in relation to the US\$325M Convertible Bonds	<u>49,317,147</u>
Total	<u>723,592,688</u>

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amount of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of the following: carrying value or impairment of inventories, financial investments, property, plant and equipment, intangibles, mineral properties and deferred tax assets, carrying value of rehabilitation, mine closure, sales contracts provisions and deferred tax liabilities, calculation of share based payments expense and assessment of reserves.

FINANCIAL INSTRUMENTS

At 31 December 2008 the Group has exposure to interest rate risk which is the risk that the Group's financial position will be adversely affected by movements in interest rates that will increase the cost of floating rate project finance debt or opportunity losses that may arise on fixed rate convertible bonds in a falling interest rate environment. Interest rate risk on cash and short-term deposits is not considered to be a material risk due to the short-term nature of these financial instruments.

The Group's main foreign currency translation risk is for monetary assets and liabilities of the Namibian and Malawian operations. These are deemed to have a functional currency of United States dollars, and the Group has adopted a presentation currency of United States dollars therefore eliminating any foreign currency translation risk for non-monetary assets and liabilities. The Group also has significant foreign currency translation risk for non-monetary assets and liabilities of the Australian exploration and evaluation operations as these are deemed to have a functional currency of Australian dollars, and the Group has adopted a presentation currency of United States dollars. The Group has no significant monetary foreign currency assets and liabilities apart from Namibian dollar cash, receivables, payables and provisions and Australian dollar cash, payables and deferred tax liabilities.

The Group currently does not engage in any hedging or derivative transactions to manage interest rate or foreign currency risks.

PALADIN ENERGY LTD

Management Discussion and Analysis

For the Six Months Ended 31 December 2008
(All figures are in US dollars unless otherwise indicated)

TRANSACTIONS WITH RELATED PARTIES

During the six months ended 31 December 2008 no payments were made to Director related entities. Directors of the Company receive standard personal based compensation.

DISCLOSURE CONTROLS

The Company has applied its Disclosure Control Policy to the preparation of the Consolidated Financial Statements for the six months ended 31 December 2008, associated Management Discussion and Analysis and Report to Shareholders. An evaluation of the Company's disclosure controls and procedures used has been undertaken and concluded that the disclosure controls and procedures were effective.

INTERNAL CONTROLS

The Company has designed appropriate internal controls over financial reporting (ICFR) and ensured that these were in place for the six months ended 31 December 2008. An evaluation of the design of ICFR has concluded that it is adequate to prevent a material misstatement of the Company's Consolidated Financial Statements as at 31 December 2008.

During the year the Company continued to have an internal audit function externally contracted to Deloitte Touche Tohmatsu. Internal audit reports and follow up reviews were completed during the six months and the Company continues to address their recommendations.

The resultant changes to the internal controls over financial reporting have improved and will continue to improve the Company's framework of internal control in relation to financial reporting.

SUBSEQUENT EVENTS

Allotment of Shares

On 16 January 2009 the Company announced the allotment of 1,560,000 fully paid ordinary shares after the exercise of employee options and 860,000 unlisted options exercisable at A\$2.80 and expiring on 13 January 2009 had lapsed.

Fusion Takeover

The Fusion takeover by Paladin is near completion with 96.86% acceptance and compulsory acquisition of the remaining securities to commence shortly.

The accompanying Consolidated Financial Statements for the six months ended 31 December 2008 and 31 December 2007 have been prepared in accordance with AASB 134. The effective date of these Consolidated Financial Statements is 13 February 2009.

PALADIN ENERGY LTD

Directors' Report

For the Six Months Ended 31 December 2008
(All figures are in US dollars unless otherwise indicated)

The Directors present their report on the Group consisting of Paladin Energy Ltd and the entities it controlled at the end of, or during, the six months ended 31 December 2008.

Directors

The following persons were Directors of Paladin Energy Ltd (Company) during the whole of the six months and up to the date of this report unless otherwise indicated:

Mr Rick Wayne Crabb (Non-executive Chairman)
Mr John Borshoff (Managing Director/CEO)
Mr Sean Llewelyn (Non-executive Director)
Mr Ian Noble (Non-executive Director)
Mr Donald Shumka (Non-executive Director)

Review of Operations

A detailed operational and financial review of the Group is set out on pages 3 to 29 under the sections titled Report to Shareholders and Management Discussion and Analysis.

The loss after tax attributable to the ordinary equity holders for the six months ended 31 December 2008 was US\$475.537M (loss after tax of US\$25.8M for the six months ended 31 December 2007).

Auditor's Independence Declaration

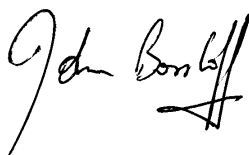
A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 31, which forms part of the Directors' Report.

Rounding

The Company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report and Financial Report. Amounts in the Directors' Report and Financial Report have been rounded off to the nearest thousand dollars (US\$1,000) in accordance with that class order.

This report is made in accordance with a resolution of the Directors.

Mr John Borshoff
Managing Director/CEO



Perth, Western Australia
13 February 2009

Auditor's Independence Declaration to the Directors of Paladin Energy Ltd

In relation to our review of the financial report of Paladin Energy Ltd for the second quarter and half-year ended 31 December 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'G H Meyerowitz'.

G H Meyerowitz
Partner
Perth

13 February 2009

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
CONSOLIDATED INCOME STATEMENTS
EXPRESSED IN US DOLLARS
REVIEWED BUT NOT AUDITED

	Notes	Three Months Ended 31 December		Six Months Ended 31 December	
		2008 US\$'000	2007 US\$'000	2008 US\$'000	2007 US\$'000
Revenue from continuing operations					
Revenue	4(a)	14,247	19,397	66,693	47,712
Cost of sales		(4,034)	(11,873)	(29,440)	(33,071)
		10,213	7,524	37,253	14,641
Depreciation and amortisation		(2,889)	(3,473)	(5,759)	(5,357)
Product distribution costs		(587)	(106)	(1,033)	(220)
Royalties		(383)	(1,220)	(2,039)	(2,227)
Gross profit		6,354	2,725	28,422	6,837
Other income	4(b)	-	-	1,538	-
Exploration and evaluation expenses	10	(2,764)	(2,783)	(6,402)	(6,606)
Other expenses	4(d)	(7,847)	(6,665)	(19,496)	(16,018)
Impairment of exploration and evaluation	10	(753,774)	-	(753,774)	-
Impairment of available-for-sale financial assets		(25,983)	-	(25,983)	-
Finance costs	4(c)	(8,231)	(6,617)	(17,421)	(13,452)
Share of loss of an associate		(1,040)	-	(1,040)	-
Loss before income tax benefit		(793,285)	(13,340)	(794,156)	(29,239)
Income tax (expense)/benefit		226,963	1,895	222,783	2,728
Net loss after tax from continuing operations		(566,322)	(11,445)	(571,373)	(26,511)
Attributable to:					
Minority interests	15	(95,488)	(276)	(95,836)	(711)
Members of the parent		(470,834)	(11,169)	(475,537)	(25,800)
Loss per share					
Loss after tax from continuing operations attributable to ordinary equity holders of the Company - basic and diluted		US\$ (0.76)	US\$ (0.02)	US\$ (0.77)	US\$ (0.04)

The above Consolidated Income Statements should be read in conjunction with the accompanying notes.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
CONSOLIDATED BALANCE SHEETS
EXPRESSED IN US DOLLARS
REVIEWED BUT NOT AUDITED

	Notes	31 December 2008 US\$'000	30 June 2008 US\$'000
ASSETS			
Current assets			
Cash and cash equivalents	5	192,186	337,530
Trade and other receivables	6	22,519	39,986
Inventories	7	79,137	68,913
Financial assets held for trading		520	1,424
TOTAL CURRENT ASSETS		294,362	447,853
Non current assets			
Trade and other receivables	6	1,877	-
Other financial assets		17,914	41,743
Investment in associate		875	2,578
Deferred borrowing costs		1,847	1,670
Property, plant and equipment	8	344,344	229,508
Mine development	9	39,078	12,150
Exploration and evaluation expenditure	10	538,416	1,797,998
Deferred tax asset		119,887	13,036
Intangible assets	11	16,108	16,599
TOTAL NON CURRENT ASSETS		1,080,346	2,115,282
TOTAL ASSETS		1,374,708	2,563,135
LIABILITIES			
Current liabilities			
Trade and other payables		34,140	41,401
Unearned revenue		167	232
Interest bearing loans and borrowings	12	12,566	10,961
Provisions	13	1,258	1,531
TOTAL CURRENT LIABILITIES		48,131	54,125
Non current liabilities			
Trade and other payables		3	7
Unearned revenue		257	475
Interest bearing loans and borrowings	12	572,268	571,511
Deferred tax liabilities		239,478	499,338
Provisions	13	23,448	8,372
TOTAL NON CURRENT LIABILITIES		835,454	1,079,703
TOTAL LIABILITIES		883,585	1,133,828
NET ASSETS		491,123	1,429,307
Equity			
Contributed equity	14(a)	1,091,484	1,088,351
Reserves		(78,239)	234,125
Accumulated losses		(576,494)	(100,957)
Parent interests		436,751	1,221,519
Minority interests	15	54,372	207,788
TOTAL EQUITY		491,123	1,429,307

The above Consolidated Balance Sheets should be read in conjunction with the accompanying notes.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
EXPRESSED IN US DOLLARS
REVIEWED BUT NOT AUDITED

	Contributed Equity US\$'000	Reserves US\$'000	Accumulated Losses US\$'000	Minority Interests US\$'000	Total US\$'000
At 1 July 2007	1,075,244	113,299	(64,916)	184,759	1,308,386
Changes in fair value of available- for-sale financial assets	-	(21,387)	-	-	(21,387)
Foreign currency translation	-	31,906	-	5,901	37,807
Income and expense recognised directly in equity	-	10,519	-	5,901	16,420
Loss for the period	-	-	(25,800)	(711)	(26,511)
Total income and expense for the period	-	10,519	(25,800)	5,190	(10,091)
Recognised value of unlisted employee options over vesting period	-	3,963	-	-	3,963
Exercise of unlisted employee options (Note 14(b))	2,066	(2,066)	-	-	-
Contributions of equity, net of transactions costs (Note 14(b))	9,464	-	-	-	9,464
Income tax on items taken directly to equity	-	6,690	-	-	6,690
At 31 December 2007	1,086,774	132,405	(90,716)	189,949	1,318,412
At 1 July 2008	1,088,351	234,125	(100,957)	207,788	1,429,307
Changes in fair value of available- for-sale financial assets	-	(24,983)	-	(10)	(24,993)
Foreign currency translation	-	(318,959)	-	(58,636)	(377,595)
Income and expense recognised directly in equity	-	(343,942)	-	(58,646)	(402,588)
Loss for the period	-	-	(475,537)	(95,836)	(571,373)
Total income and expense for the period	-	(343,942)	(475,537)	(154,482)	(973,961)
Recognised value of unlisted employee options over vesting period	-	6,119	-	-	6,119
Exercise of unlisted employee options (Note 14(b))	777	(777)	-	-	-
Contributions of equity, net of transactions costs (Note 14(b))	2,356	-	-	1,066	3,422
Income tax on items taken directly to equity	-	267	-	-	267
Transfer to profit & loss of impairment on available-for-sale financial assets	-	25,969	-	-	25,969
At 31 December 2008	1,091,484	(78,239)	(576,494)	54,372	491,123

The above Consolidated Statements of Changes in Equity should be read in conjunction with the accompanying notes.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
CONSOLIDATED CASH FLOW STATEMENTS
EXPRESSED IN US DOLLARS
REVIEWED BUT NOT AUDITED

	Three Months Ended		Six Months Ended	
	31 December		31 December	
	2008	2007	2008	2007
	US\$'000	US\$'000	US\$'000	US\$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	29,628	23,672	79,704	43,717
Payments to suppliers and employees	(27,268)	(16,038)	(53,826)	(29,967)
Interest received	1,022	1,578	2,160	4,452
Interest paid	(7,861)	(7,389)	(16,994)	(8,693)
Other income	16	29	21	212
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	(4,463)	1,852	11,065	9,721
CASH FLOWS FROM INVESTING ACTIVITIES				
Exploration and evaluation expenditure	(3,134)	(4,107)	(7,287)	(7,077)
Payments for property, plant and equipment	(71,864)	(24,928)	(127,091)	(30,500)
Proceeds from sale of property, plant and equipment	5	-	220	-
Payments for available-for-sale financial assets	(704)	-	(11,151)	(17,758)
Payments for uranium	-	-	(6,000)	-
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(75,697)	(29,035)	(151,309)	(55,335)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from exercise of share options	-	9,250	2,355	9,464
Proceeds from rights issue	-	-	1,080	-
Equity fundraising costs	(12)	-	(124)	-
Loans and borrowings establishment costs	(51)	(355)	(381)	(421)
Proceeds from borrowings	-	1,723	-	2,966
Repayment of borrowings	(5,586)	-	(5,586)	-
NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES	(5,649)	10,618	(2,656)	12,009
NET DECREASE IN CASH AND CASH EQUIVALENTS	(85,809)	(16,565)	(142,900)	(33,605)
Cash and cash equivalents at the beginning of the financial period	279,744	165,775	337,530	182,787
Effects of exchange rate changes on cash and cash equivalents	(1,749)	(219)	(2,444)	(191)
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	192,186	148,991	192,186	148,991

The above Consolidated Cash Flow Statements should be read in conjunction with the accompanying notes.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2008
EXPRESSED IN US DOLLARS
REVIEWED BUT NOT AUDITED

NOTE 1. CORPORATE INFORMATION

The financial report of Paladin Energy Ltd (the Company) for the six months ended 31 December 2008 was authorised for issue in accordance with a resolution of the directors on 12 February.

Paladin Energy Ltd is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange with additional listings on the Toronto Stock Exchange in Canada; Munich, Berlin, Stuttgart and Frankfurt Stock Exchanges in Europe; and the Namibian Stock Exchange in Africa.

The nature of the operations and principal activities of the Group are described in the Management Discussion and Analysis on pages 16 to 29.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

This financial report for the six months ended 31 December 2008 has been prepared in accordance with Australian Accounting Standards Board (AASB) 134 *Interim Financial Reporting*, the Corporations Act 2001 and other mandatory professional reporting requirements.

In addition to these Australian requirements further information has been included in the Consolidated Financial Statements for the six months ended 31 December 2008 in order to comply with applicable Canadian securities law, as the Company is listed on the Toronto Stock Exchange.

This financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2008 and any public announcements made by Paladin Energy Ltd during the interim reporting period in accordance with the continuous disclosure requirements of ASX listing rules.

Apart from the changes in accounting policy noted below, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

The financial report is presented in United States dollars and all values are rounded to the nearest thousand dollars (US\$1,000) unless otherwise stated under the option available to the Company under Australian Securities and Investments Commission (ASIC) Class Order 98/100. The Company is an entity to which the class orders applies.

(b) Changes in accounting policy

Since 1 July 2008 the Group has adopted the following Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2008. Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the Group.

- AASB 2008-10 Amendment to Australian Accounting Standards – Reclassification of Financial Assets (amendments to AASB 139 Financial Instruments: Recognition and Measurement and AASB 7 Financial Instruments Disclosures)
- Interpretation 12 and AASB 2007-2 Service Concession Arrangements and consequential amendments to other Australian Accounting Standards
- Interpretation 4 (revised) Determining whether an arrangement contains a lease

The Group has not elected to early adopt any new standards or amendments.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2008
EXPRESSED IN US DOLLARS
REVIEWED BUT NOT AUDITED

NOTE 3. SEGMENT INFORMATION

The Group's primary segment reporting format is geographical segments as the Group's risks and rates of return are affected predominately by differences in the particular economic environments in which it operates. The Group does not separately disclose any financial information for business segments (secondary reporting) as it only operates in the resource industry.

Geographical segments - primary reporting

The Company operates in Australia, Namibia and Malawi. The principal activity in these locations is the exploration, evaluation, development, construction and operation of uranium projects. The Group's geographical segments are determined based on the location of the Group's assets.

The following tables present revenue, expenditure and certain asset, liability and cash flow information regarding geographical segments for the six months ended 31 December 2008 and 31 December 2007.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2008
EXPRESSED IN US DOLLARS
REVIEWED BUT NOT AUDITED

NOTE 3. SEGMENT INFORMATION (continued)

Geographical segments - primary reporting (continued)

Six Months Ended 31 December 2008	Australia US\$'000	Namibia US\$'000	Malawi US\$'000	Consolidated US\$'000
Sales to external customers	-	64,271	-	64,271
Other revenue	2,168	251	3	2,422
Total segment revenue	2,168	64,522	3	66,693
(Loss)/Profit from continuing operations before income tax (expense)/benefit	(811,562)	20,026	(2,620)	(794,156)
Income tax benefit/(expense)	237,092	(11,030)	(3,279)	222,783
(Loss)/Profit from continuing operations after income tax (expense)/benefit segment result	(574,470)	8,996	(5,899)	(571,373)
Segment assets/total assets	807,703	271,081	295,924	1,374,708
Segment liabilities/total liabilities	730,961	63,250	89,374	883,585
Acquisitions of non current assets	12,866	31,531	118,434	162,831
Cash flow information				
Net cash (outflow)/inflow from operating activities	(12,948)	24,656	(643)	11,065
Net cash outflow from investing activities	(25,457)	(24,116)	(101,736)	(151,309)
Net cash outflow from financing activities	(2,298)	-	(358)	(2,656)
Non cash expenses:				
Depreciation and amortisation	426	5,760	147	6,333
Impairment of inventory	3,680	-	-	3,680
Impairment of exploration and evaluation	753,774	-	-	753,774
Impairment of available-for-sale assets	25,983	-	-	25,983
Share based payments	4,965	664	490	6,119
Finance costs	7,338	1,002	-	8,340

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2008
EXPRESSED IN US DOLLARS
REVIEWED BUT NOT AUDITED

NOTE 3. SEGMENT INFORMATION (continued)

Geographical segments – primary reporting (continued)

Six Months Ended 31 December 2007	Australia US\$'000	Namibia US\$'000	Malawi US\$'000	Consolidated US\$'000
Sales to external customers	-	43,719	-	43,719
Other revenue	3,839	154	-	3,993
Total segment revenue	3,839	43,873	-	47,712
Loss from continuing operations before income tax benefit	(26,393)	(2,040)	(806)	(29,239)
Income tax benefit	2,558	170	-	2,728
Loss from continuing operations after income tax benefit/ segment result	(23,835)	(1,870)	(806)	(26,511)
Segment assets/total assets	1,857,606	183,069	41,788	2,082,463
Segment liabilities/total liabilities	737,774	19,092	7,186	764,052
Acquisitions of non current assets	19,195	2,952	28,291	50,438
Cash flow information				
Net cash (outflow)/inflow from operating activities	(7,523)	17,765	(521)	9,721
Net cash outflow from investing activities	(28,387)	(4,141)	(22,807)	(55,335)
Net cash inflow/(outflow) from financing activities	12,240	-	(231)	12,009
Non cash expenses				
Depreciation and amortisation	374	5,404	42	5,820
Inventory impairment reversal	-	(2,000)	-	(2,000)
Sales contract impairment provision	-	2,880	-	2,880
Share based payments	3,561	297	104	3,962
Finance costs	4,576	896	-	5,472

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2008
EXPRESSED IN US DOLLARS
REVIEWED BUT NOT AUDITED

NOTE 4. REVENUE AND EXPENSES

	Three Months Ended		Six Months Ended	
	31 December		31 December	
	2008	2007	2008	2007
	US\$'000	US\$'000	US\$'000	US\$'000
(a) Revenue				
Sale of uranium	13,230	17,685	64,271	43,719
Interest income from non related parties	958	1,601	2,303	3,720
Database licence revenue	43	54	98	105
Other revenue	16	57	21	168
	<hr/>			
Total revenue	14,247	19,397	66,693	47,712
	<hr/>			
(b) Other income				
Foreign exchange gain (net)	-	-	1,538	-
	<hr/>			
Total other income	-	-	1,538	-
	<hr/>			
(c) Finance costs				
Interest expense	(4,086)	(3,800)	(9,081)	(7,981)
Non-cash convertible bond interest	(2,782)	(1,890)	(5,563)	(3,779)
Mine closure provision discount interest expense	(173)	(198)	(397)	(454)
Facility costs	(1,190)	(729)	(2,380)	(1,238)
	<hr/>			
Total finance costs	(8,231)	(6,617)	(17,421)	(13,452)
	<hr/>			
(d) Other Expenses				
Corporate and marketing costs	(2,732)	(3,154)	(6,255)	(5,716)
Employee benefits expense	(1,409)	(1,062)	(2,993)	(1,847)
Share-based payments expense	(2,332)	(1,808)	(5,455)	(3,963)
Minimum lease payments – operating lease	(48)	(47)	(89)	(152)
Sales contracts expense	-	-	-	(2,880)
Impairment of inventory	-	-	(3,680)	-
Movement in financial assets held for trading	(243)	-	(451)	-
Foreign exchange loss (net)	(787)	(341)	-	(998)
Depreciation – property, plant and equipment	(296)	(253)	(573)	(462)
	<hr/>			
Total other expenses	(7,847)	(6,665)	(19,496)	(16,018)
	<hr/>			

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2008
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NOTE 5. CASH AND CASH EQUIVALENTS

	31 December 2008 US\$'000	30 June 2008 US\$'000
Cash at bank and in hand	7,878	7,206
Short-term bank deposits	184,308	80,587
US\$ treasury bonds	-	249,737
	<hr/>	<hr/>
Total cash and cash equivalents	192,186	337,530

NOTE 6. TRADE AND OTHER RECEIVABLES

Current

Trade receivables	13,231	28,664
Less provision for doubtful debts	-	-
Net trade receivables	<hr/>	<hr/>
	13,231	28,664
Interest receivable	217	72
Prepayments	2,858	1,153
GST and VAT	5,658	5,004
Sundry debtors	555	5,093
	<hr/>	<hr/>
Total current receivables	22,519	39,986

Non Current

Other receivables	1,877	-
Less provision for doubtful debts	-	-
Net other receivables	<hr/>	<hr/>
	1,877	-

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 7. INVENTORIES

	31 December 2008 US\$'000	30 June 2008 US\$'000
Stores and spares (at cost)	5,722	3,872
Stockpiles (at cost)	18,152	13,378
Work-in-progress (at cost)	3,886	5,643
Finished goods (at net realisable value) - third party uranium purchased	28,090	31,770
Finished goods (at cost)	23,287	14,250
Total inventories at the lower of cost and net realisable value	<u>79,137</u>	<u>68,913</u>

NOTE 8. PROPERTY, PLANT AND EQUIPMENT

Plant and equipment – at cost	145,113	125,852
Less provision for depreciation	<u>(15,405)</u>	<u>(10,537)</u>
Total plant and equipment	<u>129,708</u>	<u>115,315</u>
Technical database – at cost	624	868
Less provision for amortisation	<u>(591)</u>	<u>(819)</u>
Total technical database	<u>33</u>	<u>49</u>
Land and buildings – at cost	5,643	5,367
Less provision for depreciation	<u>(409)</u>	<u>(300)</u>
Total land and buildings	<u>5,234</u>	<u>5,067</u>
Construction work in progress – at cost	<u>209,369</u>	<u>109,077</u>
Total non current property, plant and equipment	<u>344,344</u>	<u>229,508</u>

NOTE 9. MINE DEVELOPMENT

Mine development – at cost	41,380	13,735
Less provision for depreciation	<u>(2,302)</u>	<u>(1,585)</u>
Total mine development	<u>39,078</u>	<u>12,150</u>

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
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NOTE 10. EXPLORATION AND EVALUATION EXPENDITURE

The following table details the expenditure on interests in mineral properties by area of interest for the half year ended 31 December 2008:

Areas of interest	Valhalla/Skal Projects ⁽¹⁾ US\$'000	Isa North Project ⁽¹⁾ US\$'000	Georgina Basin Project ⁽¹⁾ US\$'000	Other Projects Non Uranium ⁽¹⁾ US\$'000	Bigrlyi Project US\$'000	Kayelekera Project US\$'000	Langer Heinrich Project US\$'000	Other Uranium Projects US\$'000	Total US\$'000
Balance 30 June 2008 (audited)	1,389,810	389,857	-	-	17,052	-	-	1,279	1,797,998
Acquisition property payments	-	-	-	-	-	-	-	-	-
Project exploration and evaluation expenditure									
Tenement costs	(4)	7	13	-	-	-	-	26	42
Labour	660	215	-	7	14	140	-	249	1,285
Consultants and contractors	157	15	1	2	5	-	-	23	203
Materials and utilities	93	9	-	-	3	71	-	38	214
Transportation and communications	101	27	-	-	6	188	-	58	380
Outside services	1,928	44	-	-	-	480	-	48	2,500
Camp expenses	24	7	-	-	1	53	-	8	93
Overheads	125	21	-	-	19	19	-	28	212
Joint venture contributions	-	-	-	-	1,304	-	-	-	1,304
Other expenses	159	67	-	-	-	6	95	14	341
Total Expenditure	3,243	412	14	9	1,352	957	95	492	6,574
Exploration expenditure expensed	(3,243)	(412)	(14)	(9)	(1,352)	(758)	(122)	(492)	(6,402)
Exploration expenditure capitalised	-	-	-	-	-	199	(27)	-	172
Cost of tenements sold	-	-	-	-	-	-	-	-	-
Foreign exchange differences	(391,016)	(109,684)	50	-	(4,798)	-	-	(360)	(505,808)
Impairment of exploration and evaluation	(574,620)	(179,154)	-	-	-	-	-	-	(753,774)
Transferred to Mine Development	-	-	-	-	-	(199)	27	-	(172)
Balance 31 December 2008 (unaudited)	424,174	101,019	50	-	12,254	-	-	919	538,416

⁽¹⁾ Summit has a 50% interest in the Valhalla/Skal Projects with the other 50% interest held by the Paladin Group. As a consequence of the takeover of the Summit Group, the above table now reflects 100% of the Valhalla/Skal Projects with the minority interest reflected on the face of the Balance Sheet.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
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NOTE 11. INTANGIBLE ASSETS

	31 December 2008 US\$'000	30 June 2008 US\$'000
Cost – right to supply of power and water	17,803	17,803
Accumulated amortisation	(1,695)	(1,204)
	<hr/>	<hr/>
Net carrying amount of non current intangible assets	16,108	16,599
	<hr/>	<hr/>

NOTE 12. INTEREST BEARING LOANS AND BORROWINGS

	Maturity		
Current			
Secured bank loan		12,566	10,961
		<hr/>	<hr/>
Non Current			
Unsecured convertible bonds	2011	222,939	218,363
Unsecured convertible bonds	2013	301,816	299,050
Secured bank loan	2012	47,513	54,098
		<hr/>	<hr/>
Total non current interest bearing loans and borrowings		572,268	571,511
		<hr/>	<hr/>

NOTE 13. PROVISIONS

Current			
Employee benefits		1,258	1,531
		<hr/>	<hr/>
Total current provisions		1,258	1,531
		<hr/>	<hr/>
Non Current			
Employee benefits		77	142
Rehabilitation provision		12,195	4,401
Mine closure		11,176	3,829
		<hr/>	<hr/>
Total non current provisions		23,448	8,372
		<hr/>	<hr/>

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
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NOTE 14. CONTRIBUTED EQUITY

(a) Issued and paid up capital

	31 December 2008	30 June 2008	31 December 2008	30 June 2008
Ordinary shares	Number of Shares		US\$'000	US\$'000
Issued and fully paid	613,997,369	613,497,369	1,091,484	1,088,351

(b) Movements in ordinary shares on issue

Date	Number of Shares	Issue Price A\$	Exchange Rate US\$: A\$	Total US\$'000
Balance 30 June 2007	602,437,369			1,075,244
September 2007	Option conversions 250,000	1.00	1.22122	205
November 2007	Option conversions 50,000	1.00	1.08369	46
November 2007	Option conversions 3,270,000	1.00	1.08369	3,017
December 2007	Option conversions 7,000,000	1.00	1.12974	6,196
	Transfer from reserves			2,066
Balance 31 December 2007	613,007,369			1,086,774

Date	Number of Shares	Issue Price A\$	Exchange Rate US\$: A\$	Total US\$'000
Balance 30 June 2008	613,497,369			1,088,351
July 2008	Option conversions 400,000	5.50	1.04005	2,116
September 2008	Option conversions 100,000	2.80	1.16633	240
	Transfer from reserves			777
Balance 31 December 2008	613,997,369			1,091,484

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 14. CONTRIBUTED EQUITY (continued)

(c) Options

Issued unlisted employee options outstanding to the employees and consultants directly engaged in corporate, mine construction, operations and exploration and evaluation work for the Company are as follows:

	31 December 2008 Number
Number of unlisted employee options	<u>18,732,455</u>

Consisting of the following:

Date options granted	Exercisable	Expiry date	Exercise price of options	Number under option
13 January 2006	13 January 2007	13 January 2009	A\$2.80	170,000
13 January 2006	13 January 2008	13 January 2009	A\$2.80	650,000
19 January 2006	13 January 2008	13 January 2009	A\$2.80	500,000
16 February 2006	13 January 2007	13 January 2009	A\$2.80	600,000
16 February 2006	13 January 2008	13 January 2009	A\$2.80	500,000
27 April 2006	31 October 2007	28 April 2009	A\$5.50	782,500
27 April 2006	31 October 2008	28 April 2009	A\$5.50	782,500
5 July 2006	5 January 2008	5 July 2009	A\$5.50	100,000
5 July 2006	5 January 2009	5 July 2009	A\$5.50	500,000
20 July 2006	5 January 2008	5 July 2009	A\$5.50	200,000
20 July 2006	5 January 2009	5 July 2009	A\$5.50	200,000
1 February 2007	1 February 2010	1 February 2012	A\$8.77	2,697,970
29 January 2008	29 January 2011	29 January 2013	A\$4.50	7,574,485
15 February 2008	15 February 2009	15 February 2011	A\$5.37	700,000
15 February 2008	15 February 2011	15 February 2013	A\$5.37	450,000
18 April 2008	18 April 2011	18 April 2013	A\$4.59	1,075,000
14 October 2008	14 October 2011	14 October 2013	A\$2.54	750,000
11 December 2008	25 November 2011	25 November 2013	A\$2.14	200,000
11 December 2008	25 November 2011	25 November 2013	A\$2.07	300,000
Total				18,732,455

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 15. MINORITY INTERESTS

	31 December 2008 US\$'000	30 June 2008 US\$'000
Minority interests comprise:		
Share capital	12,109	11,043
Reserves	146,200	204,846
Opening accumulated losses	(8,101)	(6,888)
Current period loss	(95,836)	(1,213)
	<hr/>	<hr/>
Total minority interests	54,372	207,788

The minority interests recognised relate to the 18.0% interest in Summit Resources Ltd not acquired from the takeover bid that closed on 1 June 2007. The minority interest changed from 18.1% during the six months ended 31 December 2008 as a result of a renounceable rights issue by Summit Resources Ltd. No minority interests have been reflected for the 15% of Paladin (Africa) Ltd to which the Government of Malawi is entitled as this company is in a net liability position as a consequence of the policy to expense exploration and evaluation expenditure prior to the decision made to proceed to development.

NOTE 16. CONTINGENT LIABILITIES

No change has occurred in the contingent liabilities for the Company from those reported in the Annual Report for the year ended 30 June 2008 with the exception of the following:

Legal actions - Mount Isa Uranium Joint Venture

On 3 August 2007 the Company's wholly owned subsidiary, Mount Isa Uranium (MIU) entered into a settlement agreement with respect to proceedings which had been commenced by Summit Resources (Aust) Pty Ltd (which had, by the time of the settlement, become ultimately 82.0% owned by the Company) against MIU and the unrelated entity, Resolute Pty Ltd (Summit Proceedings). The Summit Proceedings related to alleged breaches of confidentiality provisions in the Mount Isa Uranium Project joint venture agreement. If successful, Summit Resources (Aust) Pty Ltd would have been entitled to the transfer of MIU's 50% interest in the Mount Isa Uranium Project joint venture for 85% of its market value.

Areva NC (Australia) Pty Ltd (Areva), being a 10.01% shareholder of the parent company of Summit Resources (Aust) Pty Ltd subsequently applied to the Supreme Court of Western Australia for, relevantly, orders under Section 237 of the Corporations Act 2001 to be granted leave to intervene in and effectively re-open the Summit Proceedings, notwithstanding the settlement. The Areva intervention proceedings are ongoing and are listed for a trial commencing on 18 May 2009.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 16. CONTINGENT LIABILITIES (continued)

The Company does not expect the Areva intervention proceedings to be successful. In any event, even if the Summit Proceedings are re-opened as a consequence of the Areva intervention proceedings, the Company has always remained confident that the Summit Proceedings could be successfully defended. Further, the Company has the benefit of an indemnity from Resolute Mining Ltd (the parent of Resolute Pty Ltd) and an ultimate 82.0% interest in Summit Resources (Aust) Pty Ltd. As a consequence, a change in the ownership of the 50% interest in the Mount Isa Uranium joint venture from MIU to Summit Resources (Aust) Pty Ltd would not be of significance to the Company.

NOTE 17. EVENTS AFTER THE BALANCE SHEET DATE

Allotment of Shares

On 16 January 2009 the Company announced the allotment of 1,560,000 fully paid ordinary shares after the exercise of employee options and 860,000 unlisted options exercisable at A\$2.80 and expiring on 13 January 2009 had lapsed.

Fusion Takeover

The Fusion takeover by Paladin is near completion with 96.86% acceptance and compulsory acquisition of the remaining securities to commence shortly.


DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Paladin Energy Ltd, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
- (i) giving a true and fair view of the financial position as at 31 December 2008 and the performance for the second quarter and half-year ended on that date of the consolidated entity; and
 - (ii) comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'John Borshoff', with a stylized flourish at the end.

Mr John Borshoff
Managing Director/CEO

Perth, Western Australia
13 February 2009

Report on the second quarter and half-year financial report to the Directors of Paladin Energy Ltd

Scope

We have reviewed the accompanying second quarter and half-year financial report of Paladin Energy Ltd (the “company”), which comprises the balance sheet as at 31 December 2008, and the income statements and cash flow statements for the second quarter and half-year ended on that date, statement of changes in equity for the half-year ended on that date, other selected explanatory notes and the directors’ declaration of the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the half-year ended 31 December 2008 or from time to time during the half-year.

Directors’ Responsibility for the Second Quarter and Half Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the second quarter and half-year financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor’s Responsibility

Our responsibility is to express a conclusion on the second quarter and half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity’s financial position as at 31 December 2008 and its performance for the second quarter and half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Paladin Energy Ltd and the entities it controlled during the half-year ended 31 December 2008, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor’s Independence Declaration, a copy of which is included in the Directors’ Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Paladin Energy Ltd is not in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the second quarter and half-year ended on that date; and
- ii. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink, appearing to read 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink, appearing to read 'G H Meyerowitz'.

G H Meyerowitz
Partner
Perth

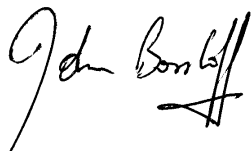
13 February 2009

Form 52-109F2 – Certification of Interim Filings

I, John Borshoff, Managing Director/CEO, Paladin Energy Ltd, certify the following:

1. *Review:* I have reviewed the interim financial statements and interim MD&A (together, the “interim filings”) of Paladin Energy Ltd (the “issuer”) for the interim period ended 31 December 2008.
2. *No misrepresentations:* Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.
3. *Fair presentation:* Based on my knowledge, having exercised reasonable diligence, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.
4. *Responsibility:* The issuer’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 Certification of Disclosure in Issuers’ Annual and Interim Filings, for the issuer.
5. *Design:* Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer’s other certifying officer(s) and I have, as at the end of the period covered by the interim filings:
 - a. designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that
 - i. material information relating to the issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and
 - ii. information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarised and reported within the time periods specified in securities legislation; and
 - b. designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s GAAP.
- 5.1 *Control framework:* The control framework the issuer’s other certifying officer(s) and I used to design the issuer’s ICFR is the Internal Control - Integrated Framework (COSO Framework) published by the Committee of Sponsoring Organisations of the Treadway Commission.
- 5.2 N/A.
- 5.3 N/A.
6. *Reporting changes in ICFR:* The issuer has disclosed in its interim MD&A any change in the issuer’s ICFR that occurred during the period beginning on 1 October 2008 and ended on 31 December 2008 that has materially affected, or is reasonably likely to materially affect, the issuer’s ICFR.

Date: 13 February 2009



John Borshoff
Managing Director/CEO

Form 52-109F2 – Certification of Interim Filings

I, Mark Bolton, Acting Chief Financial Officer, Paladin Energy Ltd, certify the following:

1. *Review:* I have reviewed the interim financial statements and interim MD&A (together, the “interim filings”) of Paladin Energy Ltd (the “issuer”) for the interim period ended 31 December 2008.
2. *No misrepresentations:* Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.
3. *Fair presentation:* Based on my knowledge, having exercised reasonable diligence, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.
4. *Responsibility:* The issuer’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 Certification of Disclosure in Issuers’ Annual and Interim Filings, for the issuer.
5. *Design:* Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer’s other certifying officer(s) and I have, as at the end of the period covered by the interim filings:
 - a. designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that
 - i. material information relating to the issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and
 - ii. information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarised and reported within the time periods specified in securities legislation; and
 - b. designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s GAAP.
- 5.1 *Control framework:* The control framework the issuer’s other certifying officer(s) and I used to design the issuer’s ICFR is the Internal Control - Integrated Framework (COSO Framework) published by the Committee of Sponsoring Organisations of the Treadway Commission.
- 5.2 N/A.
- 5.3 N/A.
6. *Reporting changes in ICFR:* The issuer has disclosed in its interim MD&A any change in the issuer’s ICFR that occurred during the period beginning on 1 October 2008 and ended on 31 December 2008 that has materially affected, or is reasonably likely to materially affect, the issuer’s ICFR.

Date: 13 February 2009



Mark Bolton
Acting Chief Financial Officer