



PALADIN ENERGY LTD

ACN 061 681 098

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The Company Announcements Officer
Australian Stock Exchange Limited
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

QUARTERLY REPORT FOR PERIOD ENDING – 30 June 2008

HIGHLIGHTS

- **Langer Heinrich production for June quarter 568,670lb U₃O₈ a 12% shortfall against the plant design production of 650,000lb U₃O₈ per quarter**
 - *construction for Stage II expansion underway*
 - *design of Stage III expansion ongoing*
- **Kayelekera Uranium Project construction on schedule and on budget.**
 - *plant erection well advanced*
 - *construction tailings dam and water retention ponds underway*
- **Mount Isa Project – resources attributable to Paladin increased by 30% with Valhalla Deposit resource upgrade yet to come**

MARKET COMMENTS

The Ux U₃O₈ spot price was US\$59/lb at the end of June, down from US\$71/lb in March and the long term price indicator quoted by Ux has dropped to US\$80/lb from US\$95/lb in March. This market weakness which has existed for 6 to 8 months is regarded as temporary condition and strong evidence exists of a fundamental uranium supply shortage resulting from anticipated accelerating growth in global nuclear power coupled with relatively static production schedules in the mid term.

It is incredible to observe the worldwide phenomenon that is occurring where key countries are now beginning to come to grips with the almost overwhelming challenge that lies ahead in order to manage global electricity growth and reduce greenhouse emissions. For example, a dramatic sea change is taking place in Western European attitudes towards nuclear power. Germany's Chancellor, has emphatically rejected legislation passed by the previous government to phase out nuclear power by 2021, saying the decision was "absolutely wrong" and that an affordable national energy policy needed nuclear power.

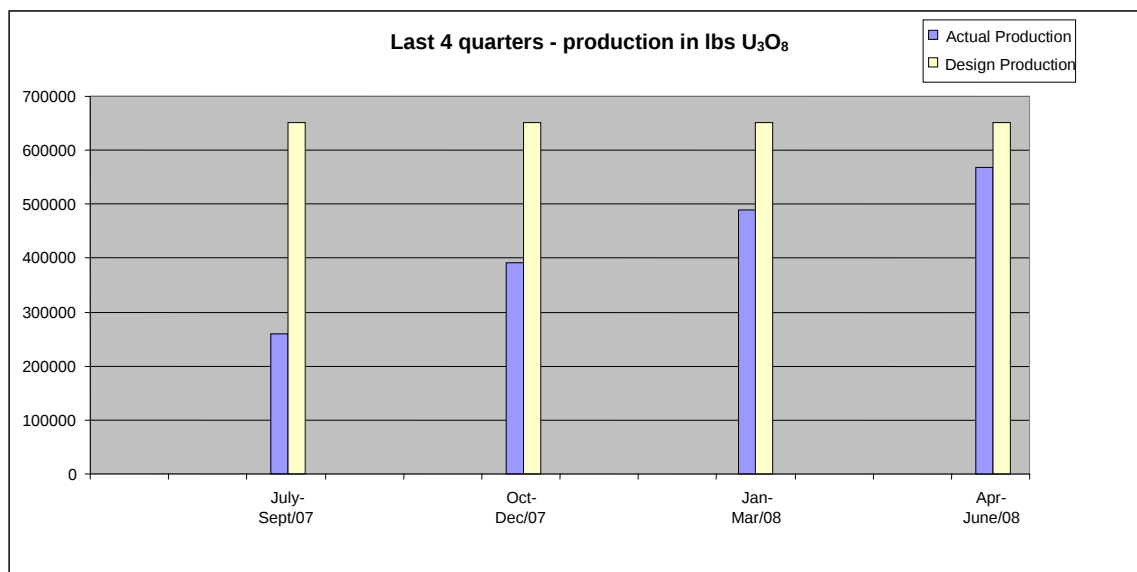
Sentiment in other anti-nuclear European countries, such as Sweden and Belgium which both have mandated nuclear phase-out programs, is also changing in the light of indications that they cannot both generate the electricity needed and meet their emission targets under the Kyoto Protocol without nuclear power. Italy expects to reverse its existing ban on nuclear power during the current government's term in office.

Regarding the longer term, the International Energy Agency (IEA) concluded in a major report that 1400 new reactors are needed by 2050 to attain a 50% reduction in greenhouse gases. Even though there are aggressive plans for the development of renewable energy sources, there is a realization that these technologies alone cannot significantly contribute to reducing greenhouse gases and they are not able to be a credible provider of base load electricity.

LANGER HEINRICH URANIUM PROJECT, Namibia (Paladin 100%)

Production

June quarter production was 568,670lb U₃O₈ which is a 12% shortfall against the nameplate design of the plant to produce 650,000lb U₃O₈ per quarter. As can be seen from figure below showing the last four quarters of production, plant performance is improving significantly and nameplate production is now essentially assured.



The main contributor to this shortfall for the latest quarter was an inability to get the heat exchangers to operate at their full performance level and maintain temperature above 75°C which is crucial for optimal leaching conditions. A second contributor was a loss of time resulting from operator issues with the Ion Exchange circuit. Both of these conditions were under control by the end of the quarter.

Production for the first six months of 2008 reached 1.06Mlb U₃O₈ against the stated forecast 1.3Mlb U₃O₈. With the production shortfall of 240,000lb that has occurred for the first half of calendar year 2008 Paladin has revised its current forecast production for calendar year 2008 of 2.6Mlb U₃O₈ to between 2.45Mlb U₃O₈ and 2.6Mlb U₃O₈ for the year. With Stage II optimisation, timing of equipment deliveries and improving operator efficiency, the Company is confident of producing within this revised target range.

Sales

Sales for the quarter were US\$36.3M comprising 601,614lb U₃O₈ (average realized price US\$60/lb) which was in line with the revised sales and shipping plan foreshadowed in the last quarter.

Mining

Tonnages from the mine increased during the quarter to a record high of 758,000bcm including 435,000bcm ore. This will continue to escalate to meet the operation expansion needs for calendar year end. Mine schedules and plans have been revised to include post expansion requirements and efforts are under way to mobilise the essential mining equipment to carry out these plans. Essentially a doubling of mining equipment is expected to mobilise to site by year end.

Process Plant

As part of the Stage II works, the main feed conveyor was increased from a 600mm width to a 750mm width belt thereby achieving the desired increase in capacity of the feed system and the additional screens have arrived at site and will be installed during July/August to improve scrubbing efficiencies.

Leach heating systems were expanded to facilitate higher and more consistent temperatures in the circuit and since commissioning in early June, leach extraction efficiencies much closer to design have been experienced. Spiral heat exchangers remain a high priority with much attention being paid to achieving higher availabilities. This is being achieved through planned maintenance plus an additional bank of exchangers to ensure that five operating exchanger banks are available at all times.

Additional heating capacity has been installed mid way down the leach train to provide a top up in temperature and present a more uniform leach temperature profile. Counter Current Decantation (CCD) and Ion Exchange (IX) circuits ran efficiently during the quarter, with only minor enhancements introduced. Testwork was completed on a sandfilter clarification investigation, with the installation of a sandfilter bank slated for the third quarter providing opportunity to increase performance in the IX.

Precipitation and drying performance was hampered for the past few months when mechanical failures of the centrifuge drive equipment were experienced. These failures were overcome with the installation of more robust centrifuge drives and drying performance improved significantly.

Tailings

Tailings management has been an area of particular focus recently as a result of the continued ramp up in tonnage treated plus the planned Stage II expansion scheduled for the end of 2008. An updated tailings plan has been prepared which includes extending the berm walls of the existing tails facility and adding a second facility east and adjacent to the existing dam. This will give tailings capacity to the end of 2009 when an in-pit tailings facility will be set up for a newly mined area directly north of the current water reservoirs.

Stage II Upgrade progress

The Stage II expansion to 3.7Mlb/yr U_3O_8 remains both on schedule and budget for completion by the end of 2008. Earthworks are well advanced and both civil construction and the early stages of additional leach tank construction are underway. Almost all long delivery items of equipment have been ordered and detailed design is well advanced in many areas.

The installation of a new sodium diuranate (SDU) thickener is expected by end of October which will free up 15t to 20t of SDU on a one time basis from the existing unit.

Electricity and Water

To date, Namibia has not been subject to any of the power outage events plaguing South Africa. Nampower has initiated a scoping study for both a short term 50MW diesel fired plant in Walvis Bay, potentially followed up by a large (200MW – 800MW) coal fired plant. Additionally, by early 2009, LHU 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 Langer Heinrich Uranium have begun a co-operative approach with Namwater to ensure desalinated water is available by mid 2010. Namwater has proven to be a successful supplier to Langer Heinrich as demonstrated by over 18 months of un-interrupted water supply. An updated design to the 85km water delivery pipeline is in progress to handle the upscaled water requirement.

Resource Drilling

Paladin has now completed the resource drilling of ML 140. A total of 17,751m in 717 holes has been drilled and all drill data including assays and down hole radiometric logs have now been compiled. A new resource estimation currently in progress will be completed in the next quarter and is expected to show an upgrade of the current published Mineral Resource for a number of reasons:-

- Mining has clearly shown that an increase in the current bulk density used from 2.1g/cm³ to 2.4g/cm³ is warranted.
- Some parts of Detail 7 now have a continuous sample density leading to the inclusion of previously excluded resource panels
- Infill drilling at the palaeochannel edges has identified additional Mineral Resources due to steeper than previously estimated palaeochannel slopes.

Exploration drilling started in EPL 3500 to investigate the western extension of the Langer Heinrich palaeochannel. This initial exploration phase is planned to be completed in the next quarter.

KAYELEKERA URANIUM PROJECT, Malawi (Paladin 85%)

The 3.3Mlb per annum Kayelekera Uranium Project remains on schedule, with commissioning and production ramp up anticipated to commence in January 2009. The Project is currently 54% complete and remains within budget. The Project achieved 1,500,000 lost time injury free man hours on 22 June 2008 confirming the Paladin's strong commitment to operate its projects in a safe and healthy environment.

Several key project milestones and achievements were successfully completed during the past quarter as set out below.

Project Development

The current Project workforce on and off site has increased to over 1100 with 85% of workers being Malawian. Activities continue to be wide-ranging involving civil works, concrete and foundation preparation (crusher, SAG mill and tailings thickener) and equipment and facility installation (SAG mill, power station, main pipe rack and acid storage tanks).

The following activities were completed or substantially completed during the quarter:

- Intermediate upgrade works to M26 public road to allow heavy equipment access (all major SAG mill components safely delivered to site)
- SAG mill foundation and civil works
- 10 MW power station including no-load testing
- Process water and fresh water storage tanks including hydro testing
- Acid storage tanks (88% complete)
- Mine to plant haul roads including the run-of-mine (ROM) pad (80% complete)
- Fresh water storage pond (71% complete)
- Grout curtain works at tailings storage facility
- Camp facilities to accommodate up to 500 persons on site

The tender evaluations for plant reagents and electrical & instrumentation packages were completed. Planning for Project commissioning continues and is expected to be completed within the next quarter. The Government of Malawi has appointed a major Chinese road building contractor to fast track completing road upgrade work on the M26 public access road to site. Contractor mobilisation and the start of road works are expected to commence in the next quarter.

Minor landslip: On Sunday 13 July a minor landslip occurred within a mudstone layer that comprises part of the western cut bedrock slope of the run-off water pond, currently under construction at the mine site.

Some damage was caused to an access road running along the bedrock upslope and the road may need to be realigned. Geotechnical studies are being undertaken to fully define the nature of the movement and decide remedial action which will be scheduled into the construction phase works.

The geotechnically engineered processing plant pad, situated over competent arkose sandstone material, was unaffected by the landslide.

Operations

Key operational staff continue to be progressively recruited and it is expected that most senior management positions will be completed within the next quarter.

Mining pre-strip activities are now in operation and the open pit is on schedule to deliver ore material in readiness for commissioning at the start of 2009. Current site work also involves environmental and radiation monitoring as well as the development of Safety & Health, Radiation and Environment Management Plans for use when operations commence.

Resource Drilling

The final dataset from the resource drilling of the Kayelekera orebody has been completed and an updated resource estimation is expected in the next quarter (the delay is due to the late receipt of XRF data). A short drilling program investigating the uranium mineralisation in the x-arkose unit showed an extension west of the pit, not previously identified. A drilling program to investigate this extension is planned for later in the year. A total of 3,000m in 30 to 40 holes is planned.

On EPL 0170, the ground radiometric survey was completed covering an area of 4km x 2km at the Mpata Prospect. This prospect is located 12km north east of the Kayelekera mine site. The area was geologically mapped and ground work identified three clear radiometrically anomalous arkose units. Preparations are currently underway to test this prospect with a 2,000m to 3,000m RC drilling program when the drill rig becomes available after the Kayelekera extension drilling.

Exploration has also started on EPL 0169, located 5km south of the Kayelekera minesite. An exploration camp was established near Yuma in the north part of the EPL and ground prospecting and geological mapping started late in the Quarter.

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

The Mount Isa Joint Venture includes the Valhalla and Skal uranium deposits. Drilling is underway at the Valhalla uranium deposit and has been completed at the Skal deposit, with the aim of extending the existing resource envelopes along strike and improving the current resource classification. The Environmental Baseline Study is underway and hydrological monitoring equipment has also been installed.

Skal Uranium Deposit:

A Mineral Resource estimate conforming to the JORC guidelines for the Skal deposit located 32km north of Mount Isa city on EPM14048 has now been completed. This estimate covered all three identified Skal mineralised zones, **Skal South**, **Skal North** and **Skal Far North**, adjacent to the historic King George copper workings. All three zones are structurally controlled, high grade, southerly plunging shoots with an accompanying low grade halo and have significant surface expression.

The current Mineral Resource at Skal is estimated to be:

Inferred Resource at 250ppm cut off grade			
Tonnes	Grade U₃O₈ (ppm)	Metal U₃O₈ (t)	Metal U₃O₈ (lb)
7.6M	508	3,781	8.5M

The current Mineral Resource estimate compares very favourably to the historic Skal resource of approximately 11Mlb U₃O₈, reported at a slightly lower cut-off grade, as the current Mineral Resource has only been estimated to approximately 200m depth whilst the previous historic resource appears to have been extrapolated to over 300m depth. Documentation on the historic resource indicates that approximately 36% of the resource tonnes were located below 200mRL. It is likely that future drilling to extend the resource at depth and replace the historic QML holes will result in a re-classification and extension of the Skal Mineral Resource.

Valhalla Deposit:

The Valhalla deposit is located immediately adjacent to the Barkly Highway, 40km north-west of Mount Isa City on EPM 9221. Summit completed **4,510m of RC drilling in 22 holes and 5,701 of diamond drilling in 21 holes** at the Valhalla deposit during the quarter as part of a 50,000m resource drilling program to be completed in the September quarter with an updated Mineral Resource estimation expected in the December quarter.

MOUNT ISA NORTH URANIUM PROJECT (100% Summit)

Exploration continues on Summit's 100% owned Mount Isa North Project where Summit holds 1,938km² of applications and granted tenement that are prospective for uranium, copper and base metals. The tenements are centred on the city of Mount Isa.

Summit completed an extensive detailed aeromagnetic and radiometric survey across much of the northern half of the Isa North Project area and the Anderson areas to the east of Mount Isa during the quarter. The survey was flown on east – west oriented flight lines, at a flight height of 50m mean terrain clearance and at 50m flight line spacings. The bulk of the survey was completed in May 2008. Initial imaged products from the survey have been received from the survey contractor.

Bikini Uranium Deposit

A Mineral Resource estimate conforming to the JORC guidelines for the Bikini uranium deposit located 36km north of Mount Isa on EPM 9221 has now been completed. The estimate covered the original Bikini deposit as well as the south western extension which was historically known as Pile.

The current Mineral Resource estimate for the Bikini uranium deposit is:

Inferred Resource at 250ppm cut off grade			
Tonnes	Grade U₃O₈ (ppm)	Metal U₃O₈ (t)	Metal U₃O₈ (lb)
10.1M	517	5,216	11.5M

The Bikini deposit now has a strike length in excess of 1100m with mineralisation extending from surface to a depth of over 400m and is structurally complex with a characteristic southerly plunge.

The Mineral Resource has been classified as an Inferred Resource, primarily due to drill spacing and it is expected that any future infill drilling will lead to an uplift in the resource classification. Details of this resource estimation is given on the announcement made by Summit and can be viewed at www.summitresources.com.au.

RESOURCE STATUS MOUNT ISA REGION - ALL PROJECTS

The Indicated Resources attributable to Paladin in the Mount Isa Region now stand at 33.9Mlb U₃O₈ with attributable Inferred Resources standing at 41.9Mlb U₃O₈. This translates to an overall increase of 30% in the Mount Isa uranium JORC compliant resource base. As advised the Valhalla resource upgrade will be completed at the end of 2009 after the current drilling has been carried out and is expected to further increase the growing resource base at Mount Isa. Details of individual JORC compliant Mineral Resource figures for the deposits quoted are as follows:

Project	Indicated Resources			Inferred Resources			Paladin Share
	Mt	Grade ppm	t U ₃ O ₈	Mt	Grade ppm	t U ₃ O ₈	
Valhalla	21.3	800	16,900	12.0	750	9,000	90.9%
Skal				7.6	508	3,800	90.9%
Bikini				10.1	517	5,200	81.9%
Andersons				2.0	1,010	2,100	81.9%
Watta				4.2	410	1,700	81.9%
Total	21.3	800	16,900	35.9	607	21,800	
Total Resource Attributable to Paladin	19.36	800	15,362 (33.9Mlbs)	31.17	607	19,006 (41.9Mlbs)	

Individual JORC compliant Mineral Resource figures quoted on 100% basis

BIGRLYI URANIUM JOINT VENTURE, Northern Territory - Australia (Paladin 42.06%)

This project is a joint venture between Paladin's wholly owned subsidiary, Valhalla Uranium Ltd (42.06%), Energy Metals (53.74%), and Southern Cross Exploration NL (4.2%), with Energy Metals as manager. The project is located approximately 390km north west of Alice Springs in the Northern Territory.

The current Mineral Resource for Bigrlyi stands at 2.33Mt @ 1,739ppm for 4,053t U₃O₈ Indicated Resources and 5.23Mt @ 1,250ppm for 6,537t U₃O₈ Inferred Resources. Full details of the resource estimation can be found on the Energy Metals Limited website www.energymetals.net. During the quarter, Energy Metals, the operator, announced good recoveries and relatively low acid consumption from metallurgical testwork.

An in-house Scoping Study was completed by the manager. Assumptions used in this Study include a U₃O₈ price of US\$75/lb, a V₂O₅ price of US\$4/lb and an Australian dollar exchange rate of US\$0.75. Other key assumptions include the results of the metallurgical tests and a treatment rate of 0.5Mt per annum and U₃O₈ and V₂O₅ recoveries of 90% and 50% respectively. The Updated Scoping Study indicates that under the assumed conditions the Project is economically viable and has a potential to produce in excess of 15.0Mlb U₃O₈ and 13.7Mlb V₂O₅ over a ten year period, with some additional product possible from underground methods.

There is scope to increase the overall resource base and further drilling will be carried out in the 2nd half of 2008, targeted towards identifying further shallow open pitable resources.

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

The Project is located 15km south of the Alice Springs airport. Historic uranium mineralisation as defined in the late 1970's/early 1980's comprised 12,000t to 13,000t of U_3O_8 at approximately 0.1% to 0.13% U_3O_8 . The Licence Application is currently progressing through the administrative process as set out in the Northern Territory Mining Act. Cameco, the Project Manager, is starting to set up infrastructure to support the Project in Alice Springs.

Yours faithfully
Paladin Energy Ltd



JOHN BORSHOFF
Managing Director

Declaration

The information in this announcement that relates to Mineral Resources is based on information compiled by Ed Becker BSc MAusIMM. Mr Becker has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' and as a Qualified Person as defined in NI 43-101. Mr Becker is a full-time employee of Paladin Energy Ltd and consents to the inclusion of the information in this announcement in the form and context in which it appears.