PALADIN ENERGY LTD

ACN 061 681 098

15 October 2008

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

QUARTERLY REPORT
FOR PERIOD ENDING – 30 September 2008

HIGHLIGHTS

- **Langer Heinrich Production reaches nameplate for quarter**
  - ***75% increase in Ore Reserves***
  - ***46% increase in Measured and Indicated Resources***
  - ***64% increase in Inferred Resources***
  - ***Sales of US$51M for the quarter***
- **Kayelekera construction maintains schedule and budget**
  - ***Commissioning and operations teams being recruited***
  - ***Key long term uranium contract signed with major Asian utility***
- **Strong cash position US$279.5M at quarter end**

MARKET COMMENTS

The Ux spot price was US$53/lb at the end of September which was $6/lb lower than at the end of June 2008. The long term price indicator was US$75/lb, down $5/lb from the end of June. The spot uranium price has weakened since the end of the quarter (down to US$46/lb this week according to the price reporter UXC) which is consistent with the sell down of most commodities as a result of the continuing international credit problems and the liquidation of commodity investment positions.

It is important to note that the fundamental under-supply position of the existing, as well as planned, nuclear fleet worldwide has not changed. On the contrary, the US Congressional approval of the 123 Agreement with India and its subsequent signing into law finally allows India to participate in the global market for nuclear fuel and to acquire modern light water reactors from the major international vendors. It has been reported that India is considering buying up to 5Mlb U_3O_8 in the long term market this year.

Reactor construction and forward planning for new plants continues strongly in China and other major Asian countries as well as in Russia. Demand for uranium in the medium to long term remains extremely strong.

Conversely, the impact of the credit tightness on the supply side of the uranium business will probably cause the deferral or cancellation of some planned uranium projects, especially those at the high end of the cost curve, and reduce the money available for exploration companies, which will only exacerbate the supply-demand imbalance in the future.

LANGER HEINRICH URANIUM PROJECT, Namibia (Paladin 100%)

Production

Paladin is pleased to announce that it achieved nameplate production at Langer Heinrich for the quarter ending 30 September 2008, producing 650,554lb U_3O_8 for this period. This quarterly production equates to 2,602,239lb on an annualised basis. Stage I design (or nameplate) production is specified at 2,600,000lb U_3O_8 per annum.

The Board regards this as a significant milestone event for the Company, highlighting that Paladin is establishing itself as the premier emerging uranium mining house. This achievement should provide further confidence that the current Stage II expansion which is underway and the follow up Stage III expansion that is contemplated will reach their stated production targets with the group showing strong evidence of its production and operational competency.

Sales

Sales for the quarter were US$51M comprising 878,000lb U_3O_8 (average realized price US$58/lb) which now brings sales into line with original contract schedules.

Mining

Total mining production for the quarter was 666,369bcm including 232,157bcm (557,154t) of Run of Mine or ROM ore.

Tonnages from the mine have increased throughout the year both as plant throughput has increased through the ramp up period and also in anticipation of meeting the operation expansion needs for 2009. Mine schedules and plans have been revised to include post expansion requirements and efforts are underway to mobilize the doubling of mining equipment essential to carry out these plans.

Pit A was dewatered as planned during the quarter, with completion of mining expected near year-end. This pit will now be utilized as a water catchment area to harvest future rainfall and to protect other mining areas from any significant rainfall events.

Process Plant

Many initiatives in the crushing and scrubbing circuits have now been completed resulting in increased ore throughput rates. Design throughput of 4,200t per day was exceeded with regularity during the latter part of the quarter and will gradually be increased across the next quarter as the Stage II construction nears completion and ramp-up begins. Scrub efficiency has also been increased, running consistently at greater than 90% with a reject ratio (ROM:Barren solids tonnages) of greater than 50%, in line with original design value, and will improve further as additional screening capacity is introduced in the next quarter.

Leach heating systems were expanded to facilitate higher and more consistent temperatures in the circuit. In addition, efforts were focused on reducing the downtime of the heat exchangers through optimization of operating conditions and planned maintenance programmes. These efforts have been very successful in both increasing availability and hence leach tonnages, and also enhancing leach extraction (increased by over 3% across the quarter) as a result of the higher leach temperatures.

The CCD and IX circuits ran efficiently during the quarter and have been further improved with the installation of a sandfilter circuit providing additional clarification to IX feed. The benefits of this installation include improved resin loadings of uranium and elutions, lower barren solution tenors and hence reduced soluble losses to tailings.

Precipitation and drying performance continued to operate above design rates with product specifications continuing to meet customer demands. A new SDU thickener will be commissioned during the next quarter which will lead to improved efficiencies across the precipitation circuit and reduce product recycling.

Periods of reduced plant throughput and availabilities during the quarter (as a result of installing and implementing the above up-grades) were mitigated by periods of increased feed grades which were maintained between 1,000 and 1,100ppm U_3O_8 for much of the quarter.

As a result of the improvements, overall recovery increased in excess of 4% July to September. Further, recent recoveries have regularly exceeded 80% indicating that a normal recovery into the high 80s is achievable. This improvement is on a steady upward trend and most importantly should not be affected by the Stage II ramp up.

Stage II Upgrade Progress

The Stage II expansion to 3.7Mlb/yr U_3O_8 is now well into the construction phase. All long-lead delivery items and bulk materials have been ordered, detailed engineering is 80% complete and the delivery of equipment to site continues.

The construction of the two additional leach tanks is progressing well and they should be ready for hydro testing by late November and early December respectively. Completion of the four new thickeners is forecast to be mid December. The IX expansion civil work is complete and ready to receive the eight new columns, which are scheduled to arrive on site in October.

Stage III Expansion Planning

In addition to the Stage II expansion, a further study has been initiated to evaluate a third expansion to 6Mlb pa for 2010. This study is scheduled for completion in November 2008 when it will be presented to the Board to consider a decision to go ahead.

In addition, the potential for heap leaching of the low grade ore currently being stockpiled is also being explored. An initial leach test program is underway in Johannesburg which, if successful, will be expanded to include some on-site investigations.

Electricity Supply

To date, Namibia, and hence LHU has not been subject to any of the power outage events plaguing South Africa.

The design, procurement and manufacture of the six 1.7 MW motor generator sets and ancillary equipment making up the 10 MW Package Power Station has been completed. The units are currently enroute to site. The erection of the installation will begin in the next quarter, thereby providing the site with emergency power from early 2009.

New Resource and Reserve Estimations

As announced during the quarter new JORC and NI 43-101 Mineral Resource and Reserve estimations have now been completed adding significantly to the previous resource and reserves status of Langer Heinrich.

NEW MINERAL RESOURCE ESTIMATE **for Details 1 to 7, (after mining depletion)**

250ppm Cut-off	**M t**	**Grade % U_3O_8**	**t U_3O_8**	**Mlb U_3O_8**
Measured Resources	32.8	0.06	19,582	43.158
Indicated Resources	23.6	0.06	13,276	29.260
Measured + Indicated	**56.4**	**0.06**	**32,858**	**72.418** (46% increase)
Inferred Resources	**70.7**	**0.06**	**41,557**	**91.591** (64% increase)

Compared to the previous Mineral Resources announced in 2006 the new 2008 resource estimates outlined herein represent a 55% increase in contained U_3O_8 and comprise:

- 46% increase in the Measured and Indicated Resources from 22,548t (49.7Mlb) to 32,858t (72.4Mlb) contained U_3O_8, after depletion for mining.
- 64% increase in the Inferred Resources from 25,308t (55.8Mlb) to 41,557t (91.6Mlb) contained U_3O_8.

Mineral Resources are quoted exclusive of Run of Mine (ROM) stockpiles which, at the end of May 2008, contained 3.5Mt at a grade of 514ppm U_3O_8 for 1,796t (3.96Mlb) U_3O_8. Mineral Resources are quoted inclusive of any Mineral Reserves.

NEW ORE RESERVE ESTIMATE **for Details 1, 2, 3 and 5**

250ppm Cut-off	**M t**	**Grade % U_3O_8**	**t U_3O_8**	**Mlb U_3O_8**
Proved Ore Reserve	30.0	0.06	17,924	39.50
Probable Ore Reserve	20.6	0.06	11,950	26.34
Total Ore Reserve*	**50.6**	**0.06**	**29,874**	**65.84** (75% increase)

*Ore Reserve has been depleted for mining

Compared to the previous ore reserve announced in 2005 (also reported at a 250ppm cut off) grade the new 2008 reserve estimate outlined herein represents a 28.3Mlb (75%) increase in contained U_3O_8. The Ore Reserve has been estimated from the above outlined Measured and Indicated Mineral Resource of 56.4Mt at a grade of 0.06% U_3O_8. The resource estimate is based on Multi Indicator Kriging and incorporates a specific adjustment based on expected mining parameters. As a result additional dilution and mining recovery are not included in the Ore Reserve estimation.

The cost parameters used in the reserve estimation are now well established 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 existing term contracts.

These reserves will form the basis of the detailed mine planning for the Project. The revised mine model will allow a remaining mine life of 11 years, based on the expansion of processing capability to 6.0Mlb per year. The mine model does not include any contribution from the 91.6Mlb of Inferred Mineral Resources.

The Ore Reserve is quoted exclusive of ROM stockpiles which, at the end of May 2008, contained 3.5Mt at a grade of 514ppm U_3O_8 for 1,796t (3.96Mlb) U_3O_8.

Additional Resource Potential

The potential for increasing the resource base even further within ML140 is still regarded as high. All Details contain substantial mineralisation which remains in the Inferred category and future drilling will concentrate on raising resource confidence in these areas. Whilst the majority of the mineralisation has been closed off laterally, there are still a number of substantial areas which need to be infilled within the main body of the resource.

A considerable amount of currently sub-economic mineralisation exists above a cut off grade of 100ppm U_3O_8 and below the current economic cut off grade of 250ppm U_3O_8. This has the potential to be of significant value should heap leach processing of calcrete uranium mineralization be viable. The new resource that has been estimated indicates (in the cut off grade range of 100ppm and 250ppm U_3O_8) that there is 29.1Mt at a grade of 176ppm for 11.3Mlb U_3O_8 in the Measured and Indicated categories and 47.5Mt at a grade of 172ppm for 17.9Mlb in the Inferred category. Heap leach studies are currently underway to determine the feasibility of processing this material.

EPL 3500 Drilling

The initial exploration drilling program on EPL 3500 has been completed. The RC drilling included 31 holes totalling 2,919m. The drilling was carried out along six lines, 400m apart with drill hole spacing of 100m to 200m. At this stage, the drilling has identified narrow mineralization of low grade only. Further exploration drilling is planned in 2009.

KAYELEKERA URANIUM PROJECT, Malawi (Paladin 85%)

The 3.3Mlb per annum Kayelekera Uranium Project remains on schedule to commence commissioning and production ramp-up from the beginning of the March quarter 2009 with the Project currently 75% complete. The Project also remains within budget. The Project achieved 2,500,000 lost time injury free man hours during the quarter.

Project Development

The current Project workforce on and off site has increased to over 1,500 with 80% 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
- SAG mill major components on civil foundations
- Acid and leach tanks plate work hydro tested
- Acid storage tanks (95% complete)
- Mine to plant haul roads
- Run-of-mine (ROM) pad (90% complete)
- Fresh water storage pond
- Stage I tailings storage facility (80% complete)

The tender evaluation for plant reagents and electrical & instrumentation packages were completed. Planning for Project commissioning continues and commissioning production ramp-up is expected to commence in the March quarter. The Chinese road building contractor mobilised at the beginning of September and is currently upgrading the first 13 km of the M26 public road from the town of Karonga to the mine site.

New Sales Contract

A contract for the sale of 1,500,000lb U_3O_8 has been signed with a significant Asian power utility for delivery over the period 2009 to 2011 at prices reflective of the longer term nature of the contract. The contract does not reference the spot price.

Operations

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

First fill reagents have been ordered and preparations are being made for delivery and storage.

Open pit mining activities are in full operation with the focus on opening up ore zones and providing sandstone rock for material to cover the walls of the tailing storage facility and water ponds. A total of 333,105 bcm of waste has been removed from the pit since July, 2008, with a total of 375,865 bcm from the area since operations began in 2007. No ore has yet been uncovered, but the open pit is on schedule to deliver ore in readiness for commissioning in the March 2009 quarter.

Environmental and radiation monitoring continues as does the training of new staff and pit crews in these disciplines. The Safety & Health and Environmental Management plans have been completed, while the Radiation Management plan is 80% complete.

Exploration Activity/Resource Drilling

The second resource drilling program targeting a previously unknown extension of the lower arkose sandstone unit west of the planned Kayelekera pit was completed. RC drilling included 31 holes totalling 3,090m. The new drill data will be incorporated into the Kayelekera resource dataset to carry out a new resource and reserve estimation.

Ground surveying including mapping and radiometry was completed in the Mpata area approximately 15km north east of the mine site on EPL 0170. RC drilling in the area started late September targeting two radiometric anomalous arkose units. The drilling program is expected to be completed late October.

During the quarter, UTS Geophysics Pty Ltd was commissioned to carry out a low-level airborne magnetic and radiometric survey over the Company's tenements in Malawi. The survey involved 16,950 line km flown on 50m spacing at an average altitude of 50m.

It is anticipated that the data acquired during the survey will become a highly valuable exploration tool to assist planned exploration activities over all tenements. Drilling targets for uranium should be identified following thorough and detailed analysis of these data.

OVERALL PRODUCTION GUIDANCE FOR LANGER HEINRICH AND KAYELEKERA

At the commencement of July 2008, the production guidance including Langer Heinrich Stages I, II and III and Kayelekera was provided out to 2012 but changed from calendar year to fiscal year, so that forecast production could better equate with annual financial reporting.

The production forecast for the next 2 years incorporating Stages I and II of Langer Heinrich and Kayelekera was advised as follows: FY08/09 – 3.6Mlb U_3O_8 (3.1Mlb Langer Heinrich with Stage II in ramp up and 0.5Mlb Kayelekera in ramp up) and FY09/10 – 6.6Mlb U_3O_8 (3.7Mlb Langer Heinrich and 2.9Mlb Kayelekera with only Kayelekera in ramp up during the first half of this period).

The smooth integration of Stage II into Stage I at Langer Heinrich and an uninterrupted commissioning of Kayelekera (which may be affected for example by an abnormal wet season) will be critical for achieving the stated guidance outcome for FY08/09. However, even with the impact of such influences the combined production from both mines is not expected to vary more than 250,000lb from the 3.6Mlb U_3O_8 which has been forecast for this period.

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 is also planned to start again at the Skal deposit in the next quarter, with the aim of extending the existing resource envelopes along strike and improving the current resource classification. The Environmental Baseline Study is underway. Hydrogeological monitoring bores are planned to be drilled in the next quarter.

Valhalla Deposit:

The joint venture completed 7,956m of RC drilling in 34 holes and 2,558m 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 October with an updated Mineral Resource estimation expected late in the December quarter.

Skal Uranium Deposit:

The mineral resource study in conjunction with ground geological studies and a detailed ground magnetic survey identified additional resource potential at Skal. It is planned to test these targets starting in October after the Valhalla drilling program is completed.

MOUNT ISA NORTH URANIUM PROJECT (100% Summit)

Exploration continues on Summit's 100% owned Mount Isa North Project where Summit holds 1,938km^2 of applications and granted tenements that are prospective for uranium, copper and base metals. 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. Ground work at Anderson identified new uranium mineralisation 500m south east of the deposit, which is currently being investigated in more detail.

Fugro Airborne Surveys conducted an airborne magnetic and radiometric survey over two specified areas. This involved 22,650 line km and was flown at 50m spacing at an altitude of 50m. The survey was flown in the previous quarter and the final located and processed data were received in August.

The primary objective of the survey is to provide higher resolution geophysical data than is already available over the tenements and, therein, better delineate the known anomalies and hopefully to identify further anomalies.

Detailed analysis is underway. Initial indications suggest that the geophysical data will provide invaluable assistance in the future ongoing exploration programs.

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 U_3O_8 Indicated Resources and 5.23Mt @ 1,250ppm for 6,537t U_3O_8 Inferred Resources. Full details of the resource estimation can be found on the Energy Metals Limited website www.energymetals.net.

The joint venture partners approved a A$4.8M exploration budget for the period. Drilling commenced in August and is currently continuing to extend and improve the known mineralisation. Environmental baseline studies are planned to commence in 2008.

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

As previously announced Exploration Licence 25758 which contains the Angela Uranium Deposit has been 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. Cameco has set up an office in Alice Springs and hired an experienced Project Manager to start in November.

Resource drilling is planned to start in 2009 after all necessary government approvals and agreements with the Traditional Owners have been obtained.

Participation in the Angela/Pamela project is fundamental to Paladin's strategy to become a significant contributor to the anticipated growth of the uranium mining industry in Australia, with the Company holding projects in the Northern Territory, Queensland and Western Australia.

CORPORATE

New Staff Appointment – Paladin Nuclear Limited

Paladin is pleased to announce the appointment of Mr Gary Stoker to the position of Marketing Manager – Europe. Gary brings a wealth of nuclear industry experience including nine years in various roles with British Nuclear Fuels Limited and eight years in a senior commercial role with Nufcor International Limited. Gary holds a BSc (Hons) Physics and a Post-Graduate Diploma in Management Studies. Gary joins the other experienced members of Paladin's marketing group, Dustin Garrow, based in Denver, and James Eggins, based in Perth, and will operate from the UK.

Acquisition of Shares in Deep Yellow Ltd

During the quarter Paladin acquired 44,700,000 shares in Deep Yellow Ltd (ASX:DYL) (**Deep Yellow**) taking its investment in this company from 15.3% to 19.29%.

Paladin recognises the extensive tenement position of Deep Yellow and Deep Yellow's strong uranium management and exploration team. The acquisition of the additional shares is a strategic investment for Paladin. Paladin looks forward to continuing to be a supportive shareholder of Deep Yellow and information on Deep Yellow can be found at www.deepyellow.com.au

Yours faithfully
Paladin Energy Ltd

JOHN BORSHOFF
Managing Director

Declaration

The information in this announcement that relates to Exploration, Mineral Resources and Ore Reserves is based on information compiled by Eduard Becker B.Sc, David Princep B.Sc and Andrew Hutson B.E., all of whom are members of the AusIMM. Messrs Becker, Princep and Hutson each have sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking to qualify as Competent Persons 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 Canadian National Instrument 43-101. Messrs Becker, Princep and Hutson are full-time employees of Paladin Energy Ltd and consent to the inclusion of the information in this announcement in the form and context in which it appears.