PALADIN ENERGY LTD

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

Dear Sir / Madam

KAYELEKERA URANIUM PROJECT, MALAWI
MINERAL RESOURCE AND ORE RESERVE ESTIMATE SIGNIFICANTLY IMPROVED

- **Mineral Resource increased by 27% or 9.4Mlb U_3O_8**
- **Ore Reserve increased by 17% to 29.3Mlb U_3O_8**
- **Mine life increased by 20%**
- **Resource still open to west and north west**
- **Highly encouraging exploration results in surrounds**

Paladin Energy Ltd (Paladin) is pleased to advise that infill and extension drilling of the Kayelekera Deposit has returned very encouraging results. This work has produced a threefold benefit. Firstly the results have added significantly to the previously stated Mineral Resource estimates for Kayelekera; secondly, this allows most of these resources to be classified into the Measured and Indicated Resource categories with a small percentage retained as Inferred Resources; and thirdly, this permits the calculation of a new Ore Reserve which will extend the life of the operation.

The drilling programme, which was carried out during 2008, consisted of 132 RC drill holes for a total of 9,955m. An updated NI43-101 report is in preparation and will be submitted to the Canadian authorities by late December 2008.

Mineral Resource Upgrade

The Mineral Resource estimations are based on the use of a combination of analytical assays (XRF) and downhole gamma logging results, following the application of standard practice radiometric calibration methods for U_3O_8. Approximately 50% of the mineralised holes were assayed for U_3O_8 using analytical methods (XRF) for check purposes and to establish disequilibrium parameters for subsequent application to un-assayed, radiometrically logged drill hole intervals.

Grand Central, First Floor, 26 Railway Road, Subiaco Western Australia 6008 Postal: PO Box 201, Subiaco Western Australia 6904
Tel: +61 (8) 9381 4366 Fax: +61 (8) 9381 4978 Email: paladin@paladinenergy.com.au Website: www.paladinenergy.com.au

Mineral Resource estimates conforming to both JORC(2004) and NI 43-101 codes are as follows.

At 300ppm U_3O_8 Cut-off

	Mt	Grade ppm U_3O_8	Tonnes U_3O_8	Mlb U_3O_8
Measured Resources	3.42	1,211	4,141	9.1
Indicated Resources	18.78	725	13,616	30.0
Total	**22.20**	**800**	**17,757**	**39.1**
Inferred Resources	**3.9**	**552**	**2,152**	**4.7**

The previously reported mineral resources (at 300ppm cut off) were 15.31Mt of Measured and Indicated Resources grading 886ppm U_3O_8 (13,573t or 29.9Mlb of contained U_3O_8) and 3.4Mt of Inferred Resources grading 596ppm (2,040t or 4.5Mlb of contained U_3O_8).

At 600ppm U_3O_8 Cut-off

	Mt	Grade ppm U_3O_8	Tonnes U_3O_8	Mlb U_3O_8
Measured Resources	2.26	1,612	3,643	8.0
Indicated Resources	8.13	1,121	9,114	20.1
Total	**10.39**	**1,227**	**12,756**	**28.1**
Inferred Resources	**1.0**	**945**	**945**	**2.1**

Following the infill and extension drilling almost all of the deposit reports as Measured and Indicated Resources giving a very high level of reliability for subsequent pit optimisation and scheduling.

As can be compared from the above, the resources for Kayelekera have been increased substantially. At the 300ppm cut-off limit, Measured and Indicated Mineral Resources amount to 22.20Mt grading 0.08% U_3O_8 versus the previously stated 15.31Mt grading 0.09% U_3O_8.

The increase in tonnage and minor decrease in grade from the previously stated resources is because the high grade core of the deposit was well defined by previous drilling and the new drilling focussed mostly on defining the peripheral zones of the deposit. As a consequence this work added mainly lower grade material to the resource estimations. In total, however, the new estimate has increased the contained uranium metal in the deposit by 4,239t U_3O_8 (9.4Mlb) or 27% which is regarded highly significant.

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 changing dynamics of selling price, use of RIP processing and reagent costs.

The Ore Reserve estimate, conforming to both the JORC and NI 43-101 codes is;

At 400ppm U_3O_8 Cut-off

	Mt	Grade ppm U_3O_8	Tonnes U_3O_8	Mlb U_3O_8
Proved Reserve	2.87	1,373	3,943	8.7
Probable Reserve	9.75	959	9,342	20.6
Total	**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 cut-off) the new 2008 Reserve estimate outlined herein represents a 17% increase in contained U_3O_8.

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 a production rate after Year 1 of 3.3Mlb pa U_3O_8 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 Update – New Satellite Projects

Exploration work on the Paladin tenements located immediately adjacent to the Kayelekera Mining Lease has delineated two prime targets which have strong potential to contribute additional resources to the Kayelekera mining operations.

Mpata Prospect

The Mpata Prospect is located 15km north east of the minesite. Consistent radiometric anomalism is associated with oxidised and reduced sandstones along a 2.5km strike length. Initial limited scout drilling of 21 RC holes identified mineralisation in a 4 hole cluster 6 holes with a maximum value of 10m at 600ppm eU_3O_8 in reduced and oxidised sandstone in the final hole drilled and the mineralisation remains open. This target will be followed up with further drilling in the next field season commencing April 2009.

Juma Prospect

The Juma prospect is located 5km south, and along strike from, the Kayelekera deposit. Geological mapping and prospecting has identified reduced and oxidised Arkose units from the prospective Kayelekera Sandstone Member. Radiometric anomalies were found in both Arkose types as well as along the contact between oxidised and reduced Arkose. These anomalies occur along a 3km strike length in a structural setting that appears identical to the geological setting seen at the Kayelekera deposit. Exploration drilling in the area will start as a matter of priority in early 2009.

Conclusion

The improved resource status of the Project and good exploration results overall give high confidence that, with further exploration drilling on the defined prospective targets and more pit-side drilling, the life of the Kayelekera operation is able to be expanded considerably from that which is presently indicated.

In addition the solid improvement of the spot uranium price over the past 3 weeks together with market indicators showing evidence that the uranium price will continue to strengthen confirms that the Kayelekera Project is in a very strong position to benefit, at a time when it is getting ready to start its commissioning and ramp-up phase at the commencement of the March 2009 Quarter.

Yours faithfully
Paladin Energy Ltd

JOHN BORSHOFF
Managing Director/CEO

Declaration

The information in this announcement that relates to Mineral Resources and Ore Reserves is based on information compiled by David Princep BSc MAusIMM for the Mineral Resources and Andrew Hutson BE, M.AusIMM for Ore Reserves, each of whom have more than five years experience in estimation of Mineral Resources or Ore Reserves. Mr Princep and Mr Hutson are full-time employees of Paladin Energy Ltd. Each of the above named consents to the inclusion of the information in this announcement in the form and context in which it appears.

Please note the above declaration is also applicable in relation to the technical information contained in the September 2008 Quarterly Financial Report and MD&A released on 10 November 2008.