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Paladin Energy Ltd (ASX code: PDN) recently announced it has reached nameplate production at Langer Heinrich, Namibia for the quarter ending 30 September 2008 producing 650,560 lb of U<sub>3</sub>O<sub>8</sub>. Can you provide a broad production profile across all your projects including the current Stage II expansion at Langer Heinrich, which is underway? What are the timeframes?

**MD John Borshoff**

We were very pleased to have reached nameplate production at Langer Heinrich and we also have Kayelekera in the final stages of construction. This significant milestone will provide confidence in stated production targets for both the current Stage II expansion and the follow up Stage III expansion. We expect Kayelekera and Stage II at Langer Heinrich to be commissioning in the first quarter 2009. Our production capacity for Stage I is 2.6 million lb per annum (Mlb pa) of U<sub>3</sub>O<sub>8</sub> and Stage II will increase this to 3.7 Mlb pa. We expect Langer Heinrich to produce about 3 Mlb in FY09.

At the Kayelekera Project, Malawi (Paladin 85%) we expect to commence commissioning and production ramp-up to 3.3 Mlb pa from the beginning of the March 2009 quarter. Its contribution for the first six months of 2009 is expected to be about 300,000 to 400,000 lb. That ramp up will continue over the second half of 2009, and into 2010.

We are also evaluating the Stage III expansion of Langer Heinrich, which is still dependent on design and costing and on some water agreements with the Namibian Government. If this issue is settled within our expected timeframe we expect to increase production to 6 Mlb pa late 2010. The study is scheduled for completion this month. If it goes according to plan, it will be ready for commissioning in mid-2010.

Overall, for the Company, we expect to produce about 8.4 Mlb in fiscal year 2010/11, followed by 9.3 Mlb in 2011/12. This is a considerable ramp up in production and it's encouraging that pre-commissioning of both Stage II of Langer Heinrich and Kayelekera are essentially completed and now we're ready to fire up on those expansions.

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Can you outline the extraction processes for Langer Heinrich and Kayelekera? What is Langer Heinrich's financial performance so far?

**MD John Borshoff**

We're using an alkaline leach process at Langer Heinrich and it is the first time it has been used in a conventional mill since the 1960s in the U.S. We have made some considerable breakthroughs in the metallurgical process, and we have found the alkaline leach process to be robust now that we have optimised it.

The Langer Heinrich open pit is shallow at around 50 metres and the orebody is a consistent medium grade at 0.07% to 0.09% uranium. We upgraded the resources and reserves last quarter with a 75% increase in the reserve status, and we think it will support a plus 20-25 year project.

Kayelekera is a more conventional acid leach, resin-in-pulp process. We don't expect to encounter the same issues there as with Langer Heinrich because it is more conventional and we have a stronger operational skill set and procedure.

We are very pleased with Langer Heinrich's financial performance. Over the longer term, we expect an increase in the uranium spot price to US\$65 – US\$75/lb, which will improve our margins with our cash costs in the mid-US\$20/lb. We believe that pricing outlook is conservative because of the supply shortage that will emerge and this will be exacerbated by the poor performance of other producers.

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What total capex is required to fund the expansion programs at Langer Heinrich and Kayelekera? What are your funding options?

**MD John Borshoff**

We have a very healthy balance sheet with cash of US\$279.5 million at 30 September 2008 and we have sufficient funds for the expansion at Langer Heinrich and Kayelekera. We issued US\$325 million of convertible bonds in February 2008 to fund future growth. US\$50 million was allocated to the Stage II expansion, but the majority of the funds of approximately US\$200 million, will be

allocated to other expansion options including Kayelekera. We have credit approval for Kayelekera's construction and expect drawdown to commence after all conditions precedent are in place.

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What have you learned from commissioning and ramping-up Langer Heinrich that can be applied to your other expansion projects?

**MD John Borshoff**

We are applying a unique model to our Company where we are developing intellectual property around managing construction. We had to develop a unique model because there are very few conventional uranium mines being built. In fact, Langer Heinrich and Kayelekera are the first and second uranium mines in the last 20 years outside of Canada.

Even the major mining companies do not have the depth of knowledge we are compiling from constructing through to producing. The experience in the early stages at Langer Heinrich helped our team to work out critical design issues and to optimise the process flow sheet. We're also on schedule and budget at both projects.

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What are the objectives of future project development initiatives across Paladin's Australian projects? What projects are showing most promise?

**MD John Borshoff**

One of the most prospective projects is the Angela/Pamela Joint Venture in the Northern Territory (Cameco 50%, Paladin 50%), where resource drilling is planned to commence in 2009 after all approvals have been obtained. We then plan to move into a feasibility study.

The Mount Isa Uranium Joint Venture, Queensland (PDN 50%, Summit Resources 50%), includes the Valhalla and Skal uranium deposits. We are well advanced and have commenced drilling at Valhalla and expect to drill Skal in the March quarter 2009. If the drilling proves successful, we'll move into feasibility by the end of calendar 2009.

We also have two other prospective uranium projects in Western Australia, the Manyingee Project, West Pilbara and Oobagooma, West Kimberley.

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The world is still reliant on cheap fossil fuels to meet its energy requirements. What factors do you see driving future global energy demand? What role is uranium and Paladin likely to play in meeting the world's increasing energy requirements?

**MD John Borshoff**

The urbanisation of China and to a lesser extent India, will ensure strong demand for cheap energy is maintained. The amount of new base load electricity needed

for these emerging economies going forward is enormous. Base load fuels currently generate approximately 90% of all electricity with coal and uranium the only fuels capable of supplying sufficient, cheap base load electricity capacity. However, coal requires large mining and transportation infrastructure, whereas uranium requires lower volumes to supply similar levels of energy.

Nuclear energy is the only electricity generating base load energy source that is environmentally responsible. Under a potential global emissions trading agreement it is likely that coal and gas will face cost increases to meet stricter environmental standards. In a carbon-constrained world, uranium is increasingly being seen as an important substitute for reliable base-load power. This makes a move to nuclear energy increasingly compelling and environmentally sensible.

In Namibia, Paladin is located in the most strategic address for uranium development and production. As our production increases, we will begin to investigate additional exports of uranium to Europe, North America and Asia and seek to establish a footprint in the emerging markets of China, India and Russia.

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What are the strategic objectives for your trading subsidiary, Paladin Nuclear Limited? How will Paladin Nuclear add value?

**MD John Borshoff**

The uranium industry is undergoing a transformation from a highly segmented market to a truly global market. To prepare uranium for use in a reactor, the process involves mining, milling, conversion, enrichment and fuel fabrication. This 'front end' of the nuclear fuel cycle requires inventories to be held at all levels that need to be supplied and managed.

We see an opportunity for Paladin Nuclear to service the expanding global market where companies are able to fulfil short and long term supply needs and ensure efficiency in what is a very complex fuel cycle.

Paladin Nuclear will facilitate short and long term delivery arrangements to properly deliver uranium achieving optimal pricing to benefit the Group. The considerable amount of uranium we will be producing gives the Group added flexibility, and also offers us a high degree of intelligence in a market that few people understand. This enables us to explore strategic opportunities in a much more confident way. Paladin Nuclear is not just focused on sales, we're going to have an appropriately skilled team analysing the market demand and developing opportunities with other players in the nuclear industry to develop additional uranium projects.

We've appointed experienced executives to this business. It will be run out of our Perth office, but headed by Dustin Garrow who operates out of Denver and we have recently appointed London based Gary Stoker to the position of Marketing Manager in Europe and we'll have James Eggins based in Perth. We think Paladin Nuclear will be of great benefit to the Company.

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What impact do you expect the world financial crisis to have on the uranium industry and in particular Paladin?

**MD John Borshoff**

The situation facing the world financial markets is profound. When this crisis eases, we will continue to look ahead and build our projects. It's difficult to predict a specific longer term strategy at the moment, but in progressing our projects we believe funding will be the key requirement. Paladin is entering this period with a strong cash position. We are currently cash flow positive at one mine and near production at a second.

We are seeing companies whose uranium production schedules are slipping and our projects are underpinned by the increasing demand for energy in the 21<sup>st</sup> century, especially in China, India, Russia and the Middle-East. I believe the fundamental under-supply position of the uranium industry worldwide has not changed. Uranium is a highly regulated commodity and all these factors will cause the supply of uranium to be behind schedule.

Paladin also sees greater opportunities for M&A as a result of the financial crisis. We have a clear growth path, which has not diminished in this environment. It presents an opportunity for further growth and where it otherwise may have taken 4 or 5 years, we can achieve our targets in a shorter timeframe.

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Thank you John.

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For further information on Paladin Energy please call John Borshoff on (08) 9381 4366.

**Declaration**

The information in this announcement that relates to mineral resources is based on information compiled by Andrew Hutson BE, M.AusIMM for ore reserve estimates. Mr Hutson has 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. Mr Hutson 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.

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