



PALADIN ENERGY LTD

ACN 061 681 098

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

By Electronic Lodgement

Dear Sir/Madam

Langer Heinrich Uranium Project, Namibia Stage III Expansion to 5.2Mlb pa U₃O₈ Approved

Paladin Energy Ltd (Paladin) is pleased to announce that it has concluded a Feasibility Study on expansion options for its 100% owned Langer Heinrich Uranium Mine in Namibia. After investigating a number of production and technical scenarios the Board has given its approval to proceed with the Stage III expansion on this flagship project on the following basis:

- Nominal production to increase to 5.2Mlb pa U₃O₈ with a target completion date of September 2010.
- Minimised capital cost now estimated at US\$71M with no significant additional infrastructure required.
- Adoption of new expansion concept has achieved 87% of the originally stated production utilising only 41% of the original CAPEX that was planned.
- Payback 15 months based on current U₃O₈ term pricing.
- Mine life maintainable at approximately 20 years with further infill drilling.
- Potential for further expansion.

Target Production

Original investigations targeted a nominal production of 6Mlb pa U₃O₈ which required a significant expenditure to upgrade both the power and water supply infrastructure. This expansion model required project commitment of US\$174M.

A revised scenario was developed based upon maximum utilisation of the current water allowances such that the Stage III expansion was not vulnerable to delays in achieving additional water supply. Using a conservative consumption figure, this approach redefined the leach tonnage to 2Mt pa (tonnes per annum) or 3.33Mt pa crushed, with a nominal production rate of 5.2Mlb pa.

Life of Mine

At the revised anticipated Stage III production rates there are currently sufficient ore reserves and stockpiles available to sustain the operation for a minimum of 12-13 years with a Run of Mine grade of 800ppm U_3O_8 .

Infill drilling will commence in the near future to upgrade a portion of the remaining 91.5Mlb U_3O_8 of Inferred Resources to enable sequential integration into mine planning. Historical conversion rate of 75% to 80% from the Inferred Resources category to Indicated and Measured Resources are expected to be maintained.

Such a conversion rate would sustain a mine life in excess of 20 years at 800ppm, at the expanded production rate of 5.2Mlb pa. After this the project will have available 40Mt of low grade stockpiles at 350ppm U_3O_8 for which a mining model is expected to be determined.

The resource base used for these mine life forecasts is based on the Resource and Reserve statements released to the ASX and TSX on 28 May 2008 and 26 September 2008 respectively.

Plant Upgrade Requirements:

To enable the expansion key upgrades are required across the processing plant, particularly in the following unit operations:

- Crushing & scrubbing - a complete second feed line required with minor increases to the existing screening plant.
- Leaching - one additional tank needed (with heat exchangers etc).
- Counter Current Decantation (CCD) Thickening – two additional units needed.
- Ion Exchange circuit – additional adsorption and elution capacity.

The Stage II expansion currently being finalised has already made provision for such a Stage III expansion to the pre-leach thickening, precipitation, product drying and reagent dosing facilities.

As well as no requirement for an upgrade to the water supply, no expansion of the power supply facilities are necessary as ample grid and onsite generator capacities are already available. It should be noted that the amount of onsite generated electricity will be small (+/-5MW) with a minimal cost premium as a result of the current grid supply costs.

Implementation Schedule

The implementation schedule is driven largely by the procurement and delivery of the new scrubber, likely to take approximately 12 months. Efforts are therefore currently focusing on achieving an early placement of the scrubber purchase order.

In addition, as part of full life-of-mine planning the existing Environmental Impact Assessment (EIA) is being updated to include this and other potential future site facilities currently under consideration. Final approval of the new EIA and subsequent permitting is anticipated by the end of the September 2009 quarter. This is expected to have minimal impact on the overall schedule as detailed engineering will to be undertaken in the interim period

A 15 month total execution period (including commissioning) is currently anticipated. Risk, both in terms of operations and implementation schedule, is minimised as the existing flowsheet is being maintained.

Capital payback is estimated at between 13-15 months on the basis that production costs per pound will remain at, or just below, current levels.

Currently, long term production guidance is 6.6Mlb for financial year (FY) ending June 2010, 8.4Mlb for FY ending June 2011 and 9.3Mlb for FY ending June 2012. Although the Stage III production is now scheduled for 5.2Mlb instead of the original planned 6.0Mlb the Company feels confident that water availability will improve by end 2011 thereby allowing further expansion possibilities.

In Summary

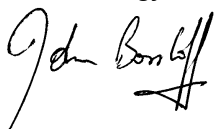
The expansion model adopted by Paladin for Stage III provides an excellent basis for further progressing and expanding this remarkable uranium project. **The expansion concept adopted has achieved 87% of the originally stated production utilising only 41% of the original CAPEX that was planned.**

In addition the expanded project offers potential upside in terms of additional production capacity on the basis that:-

- A relatively conservative factor has been used for calculating the mass split to barren solids.
- Major items of equipment will be designed to accommodate above normal design tonnages.
- Water consumption has been conservatively estimated. Any reduction in consumption could be used to treat more tonnes.

This Stage III expansion therefore presents Paladin Energy, through the Langer Heinrich operation, with yet another opportunity to demonstrate its already proven capability for developing uranium production facilities. It also moves the Company yet another step towards becoming acknowledged as a true Tier 1 uranium producer.

Yours faithfully
Paladin Energy Ltd



JOHN BORSHOFF
Managing Director/CEO

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 fulltime 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.