PALADIN ENERGY LTD

ACN 061 681 098

22 January 2009

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

QUARTERLY REPORT
FOR PERIOD ENDING – 31 December 2008

HIGHLIGHTS

- **Paladin reaches significant growth milestone by initiating its second uranium mining operation giving capability to increase annual production from 2.6Mlb to 7Mlb U_3O_8.**
- **Langer Heinrich exceeds nameplate production for the second consecutive quarter.**
  - *Stage II expansion commissioning commenced*
- **Kayelekera construction on track with commissioning commencing in January 2009**
  - *Mineral Reserves increased by 27% and full annual production mine life extended to 9 years*
- **Valhalla uranium resources increased by 18.5% to 67.5Mlb U_3O_8**
  - *81% now in Measured and Indicated Category*
  - *Open at depth and along strike*

MARKET COMMENTS

The Ux spot price was US$53/lb U_3O_8 at the end of December 2008, unchanged from the end of September 2008. The long term price indicator was US$70/lb, down $5/lb from the end of September. The spot uranium price responded to global market conditions during the quarter exhibiting significant volatility in October and November, reaching a low of US$44/lb U_3O_8 and a high of US$55/lb U_3O_8, to yield an average spot price of US$50.31/lb U_3O_8.

The outlook for nuclear power worldwide remains extremely positive despite the current recessionary conditions in major economies. The recent disruption of natural gas flows in parts of Europe has reminded governments and consumers of the risks of over-reliance on single energy sources. The global challenge of devising and implementing practical climate change policies continues to support the retention of existing nuclear power plants and adds weight to arguments in favour of a significant expansion of the nuclear electricity over the next twenty years.

Uranium supply growth continues to lag demand from the existing reactor fleet and the fundamental supply/demand imbalance continues to strongly favour uranium producers for the foreseeable future. **In line with this positive outlook Paladin has never waivered in its commitment to growth and continues to build and expand its production base.**

LANGER HEINRICH URANIUM PROJECT, Namibia (Paladin 100%)

Production

The Langer Heinrich operations exceeded nameplate design production for the second consecutive quarter producing 673,982lb for the quarter ending December 2008. A record 402,975t were crushed in this period with an average grade of 935ppm.

This places the operations in a good state of readiness to accept the integration of Stage II expansion and commence the increasing of annual production capacity to 3.7Mlb U_3O_8 (from 2.6Mlb U_3O_8). This new design production target is expected to be achieved during the quarter ending June 2009.

Production for the half year (six month period ending 31 December 2008) was 1,324,537lb being 50,463lb (4%) under the production target for this period due only to the later than scheduled commissioning of the front end section for Stage II.

Sales

Sales in the quarter ending 31 December 2008 were on schedule at 245,000lb U_3O_8 with a value of US$13.23M. The average price per pound U_3O_8 sold was US$54 which reflects lower spot prices during the quarter.

All contracted sales are made in accordance with delivery schedules agreed with each customer and, as a result, delivery quantities and revenues are not evenly distributed in each quarter. Contracted sales in the second half of the financial year are 698,000lb U_3O_8 resulting in annual long term contracted sales of 1.8Mlb U_3O_8.

Mining

Total monthly mined volumes have steadily increased throughout 2008. This is partly in response to a need to double mining productivity by January 2009 and partly due to equipment and personnel efficiency increases. The mine schedule for 2009 and beyond has been revised in response to the increase in plant throughput capacity envisaged with completion of Stage II. Mobilisation of a second fleet of equipment was completed by year end.

Currently grade control drilling is expanding two separate areas for mining; Pit A extension and Pit D. During the quarter Paladin drilled 1532 RC holes for 27,913m in a programme of pre-mining grade control. Reconciliation studies between the Mineral Resource and grade control models indicate a very good correlation.

Process Plant

Recoveries yet again showed a significant improvement over the previous quarter as indicated by the recoveries below:

October	November	December	Oct-Dec Qtr	July-Sept Qtr
81.3%	79.2%	82.3%	81.0%	73.4%

Crushed tonnage design throughput of 4,200tpd can now be exceeded with regularity with December ROM feed totaling 156,768t (versus 125,000t design). It was observed in December that material from Pit D has different breakage characteristics which resulted in a reduced scrubbing efficiency. Additional crushing equipment to be installed as part of the Stage II expansion is expected to resolve this matter. However, a temporary 2 stage mobile crushing system is to be installed before the end of January.

Leaching operation was a highlight of the quarter with extraction efficiencies at design or above as a result of achieving higher leach temperatures through improved heat exchanger operation. December leach extraction efficiency was 96%.

CCD and IX operation remain a major focus for metallurgical personnel in order to further improve wash efficiencies. Consistency of results will be the target going forward.

Precipitation and drying performance maintained above design rates and product specifications continue to meet customer demands.

As more elements of Stage II are brought on line, particularly in the crushing, CCD and IX circuits, it is anticipated that recoveries will continue to improve and approach the targeted 88-90% range. The final recovery objective is in excess of 90%.

Tailings

The current tailings plan involves an extension of the berm walls to the existing temporary tailings facility. An extension to this temporary facility will be constructed by mid year. This will provide tailings capacity until an in-pit tailings facility is established and will be utilised for thickened tailing placement to approximately year 2015. The initial open pits, Pit A and Pit B, will be kept generally empty to act as control mechanisms for any site seepage or stormwater run-off.

LHU Stage I Status

The exercise to achieve nameplate capacity of the current plant has proven successful with all Stage I initiatives having been completed. The plant has proven that it can now consistently achieve the stated throughput and production rates, following two consecutive quarters of consistent results. The operation is now in a phase of continuous improvement with the major focus on process efficiencies and improved ore blending.

Nine of the ten components of the required Lender's test were successfully completed in mid 2008. The criteria stipulated for the 10th test involving recoveries were successfully achieved over a 90 day period from 1 October. A site visit by independent engineering firm, BDA, to confirm the results is scheduled for February.

Stage II Upgrade progress

The construction phase of the Stage II expansion to 3.7Mlb pa U_3O_8 is well advanced with all bulk earthworks and 80% of the civil foundations completed. This project is running about 2 months behind schedule, however, the forecast cost to completion is still within 10% of the approved US$49.7M budget. The bulk of the mechanical equipment and vendor packages have been delivered to site. The detailed engineering is 95% complete and all orders for bulk material placed. The first deliveries of steelwork and piping have been received on site.

The civil construction of the two new 3,600m^3 leach tanks has been completed. The majority of the structural steel for the tank covers has arrived on site and erection is scheduled for completion by the end of January.

The floors and walls of all four new 35m diameter thickeners' have been assembled. Welding and bridge erection on the first two units have been completed. The welding and bridge assembly of the last two units will be completed in January. The internals, feed tanks and drive assemblies of all four units will be installed by mid February. The erection of the Ion Exchange expansion package, as well as the interconnecting steelwork, piping and tank and pump modifications, are on schedule to be completed by the end of January. The construction of the majority of the process areas is scheduled for completion by end February, with commissioning to start in March.

Commissioning of the various process circuits is being done progressively as they become available. The commissioning durations are expected to be relatively short as no new process technologies have been introduced. Production ramp-up should commence in March and nameplate design throughput should be consistently achievable within the first half of 2009.

Key elements which will contribute most to increased productivity include the expanded front end recycle crushing circuit (in March), second leach circuit (in March) and expanded IX capacity (for February).

Stage III Expansion Planning

The study investigating a further expansion to about 6Mlb pa for 2010, identified several potential opportunities for savings in both capital and operating costs. These opportunities require further investigation and hence the study duration has been extended into the March quarter of 2009.

Initial heap leach testwork has been concluded with encouraging results and a larger, site-based test programme is now being developed.

Electricity and Water

The erection of the six 1.7MW motor generator sets and ancillary equipment making up the 10MW Package Power Station started in early December with good progress made to date. Commissioning is still on track for an end of February completion.

To date, Namibia has not been subjected to any power outage events plaguing South Africa. Nampower has initiated a scoping study for both a short term diesel fired plant of 50MW in Walvis Bay, potentially followed up by a large (200MW – 800MW) coal fired plant. Additionally, in 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 LHU have begun a co-operative approach with Namwater to ensure desalinated water is available by mid 2010.

KAYELEKERA URANIUM PROJECT, Malawi (Paladin 85%)

The 3.3Mlb U_3O_8 pa Kayelekera Uranium Project is on schedule commencing commissioning in January and production ramp-up scheduled later in the March quarter with the Project currently 90% complete and remaining on budget. The Project achieved a record 2,925,979 lost time injury free man hours during the period.

Several key project milestones and achievements were successfully completed during the last quarter. The most significant highlights were the successful running of the SAG mill and all front-end equipment components during December, followed by the introduction of waste rock during early January. Many major plant areas are now complete and the project has now entered the commissioning phase.

The onset of the wet season has commenced later than usual and to date the site is experiencing lighter rainfall than is normal. This has allowed good progress to be made with the completion of outstanding construction earth works areas.

Project Development

The current Project workforce on and off site has peaked at over 1,600 with 85% of workers being Malawian. Although activities continue to be wide-ranging involving structural steel erection, piping and electrical installation and completion of civil works, the main activities this period focused on equipment and facility installation.

The following items/areas were completed or substantially completed during the quarter:

- Front-end (crusher to SAG mill) section of the process plant
- Pre-leach, leaching, resin-in-pulp sections of the process plant (90% complete)
- Tailings neutralisation and disposal sections of the process plant (92% complete)
- Diesel storage tanks (98% complete)
- Acid storage tanks
- Plant buildings (90% complete)
- Field, cable and pipe installation (86% complete)
- Pipe racking (98% complete)
- Critical stormwater culverts and drains around open pit and plant site (93% complete)
- Run-of-mine (ROM) pad (96% complete)
- Fresh water storage pond
- Raw water ponds #1 and #2 (96% complete)
- Stage 1 walls at, and commissioning ponds within, the tailings storage facility (92% complete)

All key plant areas remain scheduled for completion in the March quarter with the primary focus on all operational buildings including product drying/packing, elution and precipitation areas. The sulphuric acid plant is on schedule for commissioning in April.

The site power station is being load commissioned and plant power distribution, auxiliaries and lighting are energised to most plant areas.

The Malawi Government's Chinese road building contractor has made good progress upgrading the first 13km of the M26 public road from the town of Karonga to the mine site.

Sales Contracts

Paladin is finalising the necessary documentation for a second uranium sales agreement in support of the Kayelekera Uranium Project. The agreement commits Kayelekera to deliver more than 1.0Mlb U_3O_8 to a North American utility customer during 2011-2013 at specified sale prices which are reflective of the current term uranium price.

Project Financing

Paladin is continuing to progress satisfaction of the conditions precedent to facilitate drawdown on the project finance loan for the Kayelekera Project. Delays in satisfying remaining conditions related primarily to the due process of attaining various approvals from Malawi Government agencies for a US$ financing secured against project assets. As this is the first such financing in Malawi, necessary regulations and procedures are required to be drafted and implemented for consistency with international practice. Paladin is anticipating finalising the conditions precedent to first draw down shortly, with drawdown scheduled to take place in the coming months.

Operations

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

The delivery of 'first fill' reagents and consumables has commenced with some being stored either on-site or offsite (Karonga) in a suitable facility. Most of these items will be delivered by late January 2009.

Open pit mining activities are in full operation with the focus on pit development and the provision of non mineralised waste rock for shell material on the tailing storage facility and pond walls. A total of 629,534t of waste has been removed from the pit in this quarter with a total of 1,055,342t mined from the area since operations began in 2007. Mining of ore zones is being purposely delayed until all key drainage ditches and culverts have been installed and Raw Water Pond (RWP) #2 is available to contain run-off water in the restricted area. All critical stormwater drains and culverts were completed in the period while RWP #2 is scheduled for completion in January 2009. Several open pit benches have been developed to allow ore to be expeditiously delivered from the open pit for ore commissioning in March 2009.

Construction of the permanent mine office and workshop complex by the mining contractor has commenced and is expected to be completed in April 2009.

Environmental and radiation monitoring continues along with the training of new staff and pit crews in these areas. The Radiation Management Plan is 90% complete. Groundwater monitoring holes around the water management ponds and tailings storage facility were drilled as were piezometer holes in the open pit area. Piezometers were installed in the latter holes.

Community Development Programme

The design of the US$8.2M Paladin funded water supply project for the Karonga township has been finalised and approved by all stakeholders. Major vendors have been adjudicated and selected with the Northern Region Water Board visiting a key technology provider in Cape Town for the filter selection. Commitments to further detailed engineering and project procurement are awaiting the agreement of the Government of Malawi on the project funding drawdown procedure. This agreement is expected imminently with project commitments to commence immediately thereafter.

New Resources and Reserves Estimation

New JORC and NI 43-101 Mineral Resource and Reserve estimations were reported in November 2008. The results include all data from the 2008 infill and extension drilling programme totaling 132 holes and 9,955m. The NI 43-101 Canadian Statutory Technical Report was filed with SEDAR subsequent to quarter's end.

Results are as follows:

Mineral Resource 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 Measured & Indicated	**22.20**	**800**	**17,757**	**39.1**
Inferred Resources	**3.9**	**552**	**2,152**	**4.7**

The previously reported mineral resources (at 300ppm U_3O_8 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).

The Resources for Kayelekera have been increased by 27% with almost all of the deposit reporting as Measured and Indicated Resources. At the 300ppm U_3O_8 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.

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

Ore Reserve 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 Ore Reserve	**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 U_3O_8 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 the annual design production rate after year 1 of 3.3Mlb 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 Activity

Exploration concentrated on tenements located adjacent to the Kayelekera Mining Lease. As reported, two targets - the Mpata and Juma Prospects, have been identified for follow-up drilling in 2009.

OVERALL PRODUCTION GUIDANCE FOR LANGER HEINRICH AND KAYELEKERA

Paladin has reached a significant milestone in the global uranium mining and supply sector, an achievement it believes is of world significance. In a four year period, Paladin has constructed two mining facilities in two countries in Namibia and Malawi. Not only is it producing at design levels at Langer Heinrich but subsequently it has also constructed a substantial production expansion component to increase capacity from 2.6Mlb U_3O_8 pa to 3.7Mlb U_3O_8 pa. This is currently being commissioned.

Parallel with this significant achievement at Langer Heinrich, Paladin has also constructed a new mining facility in Malawi at Kayelekera which is designed to produce 3.3Mlb pa U_3O_8 commencing its commissioning phase at the start of 2009 and beginning ramp-up from March.

Although the commissioning and ramp-up of the two newly constructed operations will have its challenges (and Stage II is running slightly behind schedule), the Company is at this stage hopeful it can achieve its stated production of 3.35Mlb U_3O_8 for the current fiscal year. For this to occur, it will be imperative that a seamless transition is achieved at both Langer Heinrich (Stage II) and Kayelekera from commissioning to production ramp-up.

At Langer Heinrich, it is expected that the trend of increasing production with the continuous improvement efforts and Stage II influence will continue in the March 2009 quarter. Production will be somewhat hampered by several short shutdowns required to tie-in Stage II equipment (expected in aggregate to be approximately 7 days in duration). Management of this downtime will be critical to achieving production targets.

At Kayelekera, it is anticipated that ore will be fed to the plant on a continual basis commencing in March 2009 with throughput at around design capacity reached within six months on low grade ore and recovery at design attained on Reserve grade ore within 12 months.

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

The Mount Isa Joint Venture (IUJV) includes the Valhalla and Skal uranium deposits. Resource drilling at Valhalla was completed in late October and a new Resource estimate was compiled. A short drilling programme at Skal was completed in December and a new Resource estimate is expected in March 2009. The Environmental Baseline Study and metallurgical scoping studies are continuing. Ten hydrogeological monitoring bores were installed at Skal and Valhalla in December.

New Resource Estimation for Valhalla Deposit

Summit Resources Ltd as manager of the IUJV advised that, subsequent to quarter's end it has completed a revised Resource estimate (conforming to JORC guidelines) for the Valhalla uranium deposit. The estimate includes the original Valhalla deposit as well as the south eastern extension which has been named Valhalla South.

The current Mineral Resource estimate for the Valhalla uranium deposit is tabulated below and is quoted with a cut-off grade at 230ppm U_3O_8 for comparison to the previous Resource estimate, individual Mineral Resource figures are quoted on a 100% of project basis.

Updated Valhalla Mineral Resource (at 230ppm U_3O_8 Cut-off)

	Mt	**Grade ppm U_3O_8**	**t U_3O_8**	**Mlb U_3O_8**
Measured Resources	8.31	883	7,334	16.2
Indicated Resources	19.49	894	17,431	38.4
Total Measured + Indicated	**27.80**	**891**	**24,765**	**54.6**
Inferred	**7.3**	**799**	**5,864**	**12.9**

The updated resource represents an 18.5% increase in total contained metal when compared to the previously announced total resource of 57Mlb and a 46.5% increase in Measured and Indicated metal content (up from 37Mlb U_3O_8).

The main Valhalla deposit now has a strike length in excess of 1,100m. The mineralisation extends from surface to a depth of over 650m and is structurally controlled with a characteristic southerly plunge. Valhalla South is located approximately 600m along strike to the south east of the main mineralised zone and has a strike length of at least 400m.

The revised Resource estimate has been derived predominantly from drilling completed recently by the IUJV. The most recent drilling programme completed at Valhalla was 121 RC and diamond drill holes for a total of 34,466m. These holes have been drilled on a nominal 80m x 40m grid pattern to infill the existing drill holes and replace some historic drill holes. The majority of these drill holes have been downhole gamma logged and gyroscopically surveyed to obtain an accurate hole orientation using company-owned equipment. In addition, a significant number of bulk density determinations have been undertaken. All of this information has been incorporated into the resource model.

The resource dataset consists of both geochemically assayed grades and downhole gamma logging derived grades. A significant number of holes within the recently completed drill programme, as well as historic holes that were open to mineralisation depths, were used to define appropriate calibration factors for the gamma probes. The Resource has been fully classified into Measured, Indicated and Inferred categories, allowing for the full use of the Resource in scoping and feasibility studies which are planned for the near future. The deposit remains open at depth to the south and appears to be fault offset to the south.

Skal Uranium Deposit:

At Skal a total of 13 RC holes including 2,670m and three diamond core holes totalling 463m were completed during the quarter. The drilling was designed to test additional resource potential, mainly at Skal East, which had previously been identified by geological mapping and associated ground geophysical surveys.

At Skal East, located approximately 300m east of Skal North and South, drilling has identified a new uranium mineralisation zone in north east trending albites along a strike length of 250m. The centre of the mineralisation is up to 30m thick narrowing to the north and south. The best intersections in hole SR061 included 71m at 650ppm eU_3O_8 from 130 to 200m. A new resource estimation for Skal is expected to be completed in the March quarter.

Overall Paladin Attributed Mineral Resources in Mt Isa Project

With the resource upgrade at Valhalla, total JORC Resources attributable to Paladin in the Mount Isa Region include 49.7Mlb U_3O_8 of Measured and Indicated Resources and 35.7Mlb U_3O_8 of Inferred Resources as follows:

Deposit		Measured and Indicated Resources			Inferred Resources			Paladin Share
	Cut-off ppm U_3O_8	Mt	Grade ppm	t U_3O_8	Mt	Grade ppm	t U_3O_8	
Valhalla	230	27.80	891	24,765	7.3	799	5,863	**90.9%**
Skal	250				7.6	508	3,781	**90.9%**
Bikini	250				10.1	517	5,200	**81.9%**
Andersons	230				2.0	1,050	2,100	**81.9%**
Watta	230				4.2	410	1,720	**81.9%**
Total		**27.80**	**891**	**24,765 (54.6Mlb)**	**31.2**	**597**	**18,664 (41.1Mlb)**	
Total Resource Attributable to Paladin		**25.27**	**891**	**22,511 (49.6Mlb)**	**26.9**	**601**	**16,154 (35.6Mlb)**	

Individual Mineral Resource figures are quoted on a 100% of project basis.

MOUNT ISA NORTH URANIUM PROJECT (100% Summit – Paladin 81.9% shareholder)

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 tenements are centred on the city of Mount Isa. 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. Although mapping and ground geophysical surveys are not yet completed early results show that the north-western edge of the Bikini deposit was previously inadequately drilled, offering potential to readily expand the Bikini resource. Geological mapping at **Spring Creek** was completed at 1:1000 scale identifying three adjacent anomalies at Spring Creek, Printi and Minga along a strike length of 2km. Preliminary 2009 drill planning is for 4 holes at Printi, the central anomaly, and 2 holes each undercutting the southern and northern anomalies.

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

During the quarter Exploration Licence 25758, which contains the Angela Uranium Deposit, was 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.

Development of the Joint Venture Project Team has continued with the arrival of the Project Manager and appointment of an Environmental and Community Co-ordinator and a Community Relations Officer. The recruitment of geologists and field technicians is now in progress. Non-ground disturbing work has commenced and includes an archaeological survey, downhole geophysical probing of some existing holes and establishing ground control points for the photographic survey.

Currently a land access agreement is being negotiated with the Central Lands Council. All necessary government approvals will be obtained prior to the anticipated start of resource drilling in March 2009.

CORPORATE

Fusion Resources Limited Takeover

During the quarter Paladin announced its intention to make an off-market scrip takeover offer for Australian and Toronto Stock Exchange listed minerals exploration company Fusion Resources Limited (Fusion). The consideration under the Offer will comprise 1 fully paid ordinary Paladin share for every 6 fully paid ordinary Fusion shares, implying a price of A$0.365 per Fusion share based on closing price of Paladin shares on the ASX of A$2.190 as of 2 December 2008. Fusion's directors unanimously recommended that Fusion shareholders accept the Paladin offer, in the absence of a superior offer. They have accepted the Paladin offer in respect of their own shareholdings.

Fusion is a minerals exploration company with 100% ownership of several uranium exploration projects in the Mt Isa region of Queensland and a portfolio of interests in copper/gold exploration projects in north Queensland. In addition, Fusion is expected to have a closing net cash balance (after allowing for all creditors, contingencies and accruals for any liabilities), of a least A$14.0M at the end of the Offer period. A further takeover condition required Fusion to announce a JORC compliant resource of greater than 6Mlb U_3O_8 at a cut-off grade of at least 250ppm U_3O_8 from its most advanced project, the Valhalla North Uranium Project, which is located approximately 45km north of the Valhalla and Skal uranium projects.

Resources announced by Fusion on 10 December 2008 include Honey Pot at 3.96Mlb U_3O_8 (2.56Mt @ 700ppm U_3O_8 Inferred) and Duke Batman at 3.1Mlb U_3O_8 (2.1Mt @ 666ppm U_3O_8 Indicated and Inferred) totalling 7.06Mlb U_3O_8 at a grade of 690ppm. These two resources are robust in terms of grade and geological continuity. Narrow high-grade 500 - 2000ppm U_3O_8 zones at Duke Batman were drilled over a strike length of 600m. Drilling over a strike length of 1.4km at Honey Pot has defined 5 to 10m wide albitite mineralised zones grading 300 to 1000ppm U_3O_8. There is potential to expand and upgrade the resources with improved geological interpretation, ground surveys and further drilling. Smaller, less well developed, prospects at Sunshine, Bohra and Gidgee have potential to be advanced to resource status. Recommended 2009 programmes include confirmation geological mapping, ground magnetometer and radiometric surveys, gyro and downhole gamma surveys and airborne anomaly field checking of multiple anomalies.

The Fusion takeover by Paladin is advancing well and expected to be finalised in late January 2009 with a 79.25% acceptance already achieved by 22 January 2009. The Valhalla North project is located on three tenements totalling 622km^2, situated 40 to 75km north of the Valhalla deposit. The geological setting is similar to the Summit/Paladin projects to the south where albitised basalts with interbedded metasediments are mineralised along east-west and north-south structures in Eastern Creek Volcanics.

Debt Repayment Status

Paladin continues to monitor cash flows and the ability to meet future operating and capital expenditure together with debt servicing obligations. The Langer Heinrich project to date has made principal debt repayments of US$10.17M to the outstanding project loan from sales of its uranium production. We anticipate that Langer Heinrich will continue to meet its financial debt obligations from product sales whilst also providing free cash flows to be utilised for Paladin's wider funding requirements. In the medium term, our current forecasting based on a range of pricing assumptions indicates there will be sufficient internally generated cash flows to meet the repayment of the US$250,000,000 convertible bond maturing in December 2011.

Key Staff Appointments

Paladin Nuclear Limited: Paladin Energy Ltd is pleased to announce that Mr. Ganpat Mani joined the Company effective 1 January, 2009. He is based at the Paladin Nuclear Ltd. offices in Denver, Colorado, USA and his efforts are focused on marketing and business development activities to support Paladin's global strategic initiatives. His responsibilities include the emerging Indian nuclear market as well as North America and selected clients in Europe and Asia/Pacific.

Prior to joining Paladin full time, Ganpat was Principal of Ganman Consulting LLC, and provided consulting services to nuclear and non-nuclear companies, including Paladin. He retired from Honeywell International Inc. in June 2007 after a 35 year career spanning a variety of functional areas and product lines. His last position was Senior Vice President for marketing and sales at ConverDyn, the sole US converter, owned by General Atomics and Honeywell International Inc.

Acting Chief Financial Officer: During the quarter it was announced that Paladin elected to replace its recently employed Chief Financial Officer Ross Glossop with Mark Bolton who took over this position in an acting role from 17 November.

Mark is a qualified accountant and has almost twenty years experience in the resource industry including ten years with Ernst & Young where he was Director of Corporate Finance. Since stepping down from professional practice, Mark has held a number senior executive officer positions including Chief Financial Officer and Vice President Corporate Development with companies listed on the ASX, TSX and AIM with activities in Australia, southern and central Africa, Asia and South America and brings a wealth of corporate expertise to Paladin.

Annual General Meeting

The Annual General Meeting was held on 26 November 2008 and all resolutions presented to the shareholders were accepted.

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 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.