PALADIN ENERGY LTD

ACN 061 681 098

29 January 2008

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

Dear Sir/Madam

QUARTERLY REPORT
FOR PERIOD ENDING – 31 December 2007

HIGHLIGHTS

- **Langer Heinrich Uranium Project**
  - ***Plant achieves designed production level of 2.6Mlb U_3O_8 per annum.***
  - ***Design work progressing on Stage Two Expansion to increase capacity to 3.7Mlb/annum by the end of 2008.***
- **Kayelekera Uranium Project**
  - ***On schedule for construction completion at the end of 2008, allowing commissioning and production ramp-up to begin in the first quarter 2009.***
- **Uranium spot price US$90/lb U_3O_8 at end December (up US$5/lb from end September quarter). The long term price remains at US$95/lb U_3O_8.**

MARKET COMMENTS

The UxC industry benchmark uranium oxide (U_3O_8) spot price recovered from its September quarter correction to end 2007 at US$90/lb, after reaching a high of US$93/lb in November. Of more importance, the long term price indicator quoted by UxC has remained at US$95/lb since May 2007. Paladin uses both the spot price and the long term price in its term contracts.

2007 was a significant year for the world nuclear power industry. Four new reactors were connected to grids in India, China, Romania and the United States of America. Construction commenced on a further 10 power-generation plants, bringing the number of reactors under construction to 34. In addition, another 93 units are on order or planned and a further 222 new units are proposed – 64 more than at the end of 2006.

The growing realisation that the challenge of combating global climate change will entail significant and substantive shifts in energy production and use in the developed world has stimulated a resurgence of reactor building and planning worldwide. In Europe, the European Parliament voted overwhelmingly in favour of adopting a report stating that nuclear energy would be indispensable if the European Union is to meet its basic energy needs in the medium term. This is the first time the Parliament explicitly has endorsed nuclear power as Europe's largest carbon-free energy source, providing one-third of Europe's electricity.

In the United Kingdom, the government has invited companies to submit proposals for the construction of new generation reactors, significantly stating that "set against the challenges of climate change and security of supply, the evidence in support of new nuclear power stations is compelling".

The magnitude of the global challenge to meet energy growth was highlighted by the International Energy Agency's ***World Energy Outlook,*** which stated that energy demand growth in India and China would account for four-fifths of the increase in coal consumption worldwide in the period to 2030 in order to accommodate their planned rapid economic growth. Both India and China have announced ambitious plans for new nuclear power capacity, however their predicted massive energy consumption growth suggests these initial plans mark only the beginning of a major conversion to nuclear power over the next 50 years.

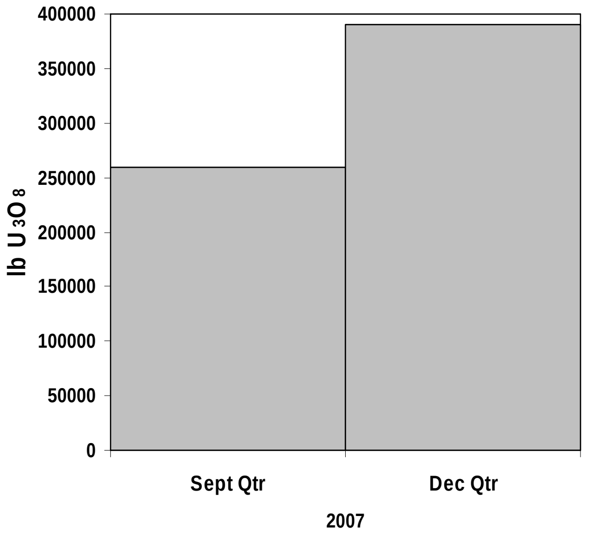
Paladin is well positioned to take advantage of the dynamic and exciting market for nuclear fuel as more countries turn to nuclear-based electricity generation as a primary solution to providing for growing energy needs, while reducing their greenhouse gas emissions.

LANGER HEINRICH URANIUM PROJECT (Paladin 100%)

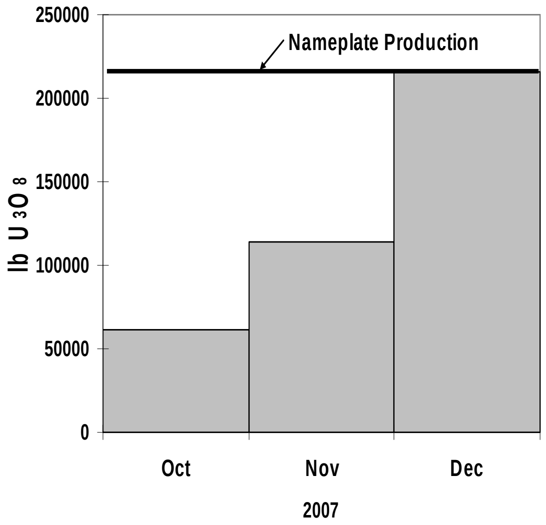
Paladin achieved a significant production milestone at its Langer Heinrich Project during the December quarter. Production amounted to 390,807lb U_3O_8, giving a total production of 650,562lb for the six-month period, 1 July to 31 December 2007, thus meeting the Company's target for this period of 650,000lb.

Monthly U_3O_8 production for December reached 215,984lb. Quarterly production ramp-up performance for the past six months and monthly ramp-up production for the current quarter are shown below indicating nameplate production was reached in December.

Six Month Quarterly Production



Current Quarter (by month) Production



Plant Improvements

The production uplift achieved in December essentially resulted from the culmination of general metallurgy modification of the plant: the most significant being the installation of the four new Ion Exchange (IX) columns that were commissioned on 21 December with excellent results. Production from the IX section to the dryer/precipitation circuit averaged 7,692lb U_3O_8 per day for December (i.e. nameplate), including an average of 10,470lb per day from 21 December when three of the four new IX columns were put on-line. The fourth column is being held in reserve and will be utilised for water polishing to further optimise counter-current decanter (CCD) wash efficiency.

During the March Quarter 2008, work at Langer Heinrich will focus on further improving plant operating efficiencies. These efforts principally will focus on improving throughput and recovery in the crushing and scrubbing section, improving CCD wash efficiencies and drying capability.

Production Ramp-Up Analysis (Jan to Dec 2007)

The initial ramp-up schedule, as announced in early 2005, forecast a design production of 2.6Mlb/annum of U_3O_8 to be achieved by 1 July 2007. The subsequent target deferral to January 2008 was caused primarily by material failure of leach tank liners in late January 2007 (one month into the ramp-up phase), which caused consequential damage to the heat exchangers and took five months to rectify. In this period, the Company's ability to optimise plant throughput was heavily constrained. With this limitation, most of the plant could not be adequately tested for bottlenecks and optimisation.

The major optimisation/ramp-up work could only begin after July 2007, when all heat exchangers were on-line and involved modification to the CCD circuit in October 2007, installation of the additional IX columns and improving dryer capability. These were the key areas driving the significant production rate improvement achieved during the December quarterly.

In addition, ore-body definition and mining development scheduling continue to favourably exceed expectations, providing a solid foundation for further plant optimisation and expansion.

Stage II Expansion

Work is progressing on the engineering design and specification for the Stage II production expansion to 3.7Mlb/annum. Construction is expected to commence during the first half of 2008, with mechanical completion scheduled for calendar year-end 2008.

Deliveries

Sales for the quarter comprised 268,000lb $U_3O_{8,}$ at an average realised price of US$66/lb. As foreshadowed in the September Quarterly Report, customers have assisted Langer Heinrich by re-scheduling some deliveries from 2007 to the first half of 2008 to ensure sales commitments in the 2007-08 Financial Year are maintained. Paladin anticipates a significant increase in Langer Heinrich sales volumes from the March quarter.

KAYELEKERA URANIUM PROJECT (Paladin 85%)

Activities on the Kayelekera Project continue to escalate with civil works and foundation preparation taking priority. In addition to the construction work (approximately 500 people on site), operations personnel are also becoming involved, principally preparing for pre-stripping mining activities anticipated to start as weather conditions permit in early 2008, including grade control drilling and environmental management.

Project Development

The Kayelekera Uranium Project is on budget and on schedule to complete construction by the end of 2008 and begin commissioning and production ramp-up during the March quarter of 2009.

A number of key project milestones were achieved in the last quarter:

- Plant area earthworks now 95% complete.
- The project's 10 MWe containerized power plant has been factory tested and delivered to Dar es Salam for transport to site.
- The semi-autogenous grinding mill has been delivered to Paladin Africa's storage yard in Karonga.
- Construction camp facilities for 500 people on-site have been completed.
- Construction phase environmental water management structures have been completed.
- Acid plant long lead time items have been purchased.
- Mining fleet equipment has been delivered to site and commissioned.
- Significant progress has been achieved with the cooperation of various Malawian government departments on the government's commitments to upgrade the M26 mine access road from Karonga.

Financing

Paladin's Kayelekera Project finance is progressing well with all required information provided to the banking syndicate for their respective credit committee approvals which are anticipated to be received during the March 2008 quarter.

Resource Drilling

Resource definition drilling to accurately define the limits of the ore body and upgrade the inferred resources to indicated and measured status - comprising 6458m in 95 holes - was completed during the quarter. An upgraded resource and reserve estimation will be carried out in March after all assay results are available. Grade control drilling on the Kayelekera ore body is underway to prepare for pre-strip and mining operations scheduled to start in April 2008.

Civil Societies' Action

Paladin Africa Limited has resolved outstanding social issues of concern to six Civil Society Organisations (CSO) active in Malawi. An agreement was reached on a positive and amicable basis in November 2007, enabling construction of the Kayelekera Uranium Project to proceed without interruption or modification. Terms of settlement have been reported previously and are summarised as follows:-

1. The Government of Malawi has undertaken to establish a working group involving the CSO participation to amend the Mines and Minerals Act and develop appropriate legislation with respect to the handling and transport of radioactive substances,

2. The CSOs will participate in the monitoring team which is to be established to monitor Paladin's environmental and health obligations.

3. At the request of the Karonga community, the Government and Paladin have agreed to amend the Social Responsibility Programme and now agreed that US$8.2M of the US$10M which was to be spent on a school and boarding facilities three years after the commencement of production, will now be applied to the urgently needed upgrading of the community water supply at Karonga.

All Parties have agreed that, in going forward they will engage in constructive dialogue so as to ensure that there is a good understanding of the issues affecting each group.

SUMMIT RESOURCES LIMITED (Paladin 81.82%)

Isa Uranium Joint Venture (IUJV)

Interest: Paladin Energy Ltd 50%, Summit Resources (Aust) Pty Ltd 50% (Operator)

Drilling is underway at the Valhalla and Skal deposits with the aim of extending the existing resource envelopes along strike and improving the current resource classification. The Environmental Baseline Study has commenced and hydrological monitoring equipment was installed before the current wet season.

All of Summit's non-uranium projects have been farmed out to MM Mining Plc.

The Summit Resources Limited Quarterly Report provides more detailed information on the deposits listed below (www.summitresources.com.au).

SKAL Uranium Deposit

The Skal uranium deposit is located 32km north or Mount Isa City on EPM 14048. Summit expects to report a new resource estimate for the three mineralized shoots (Skal South, Skal North and Skal Far North) within the next quarter.

Valhalla Uranium Deposit

The Valhalla uranium deposit is located immediately adjacent to the Barkly Highway, 40km north-west of Mount Isa City on EPM 9221. Summit completed 3,903m of RC drilling in 22 holes during the quarter, as part of a drilling program of approximately 50,000m of RC and diamond drilling scheduled for nine months.

BIGRLYI URANIUM JOINT VENTURE – Northern Territory, Australia (Paladin 41.7%)

This project is a joint venture between Valhalla Uranium Ltd (41.7%), Energy Metals (53.3% and Southern Cross Exploration NL (5%), with Energy Metals as manager.

An Initial Scoping Study in respect of the Bigrlyi Uranium and Vanadium Project has demonstrated attractive economics and the potential to produce 8.43Mlb U_3O_8 and 6.97Mlb V_2O_5 over a mine life of eight years. Subject to Joint Venture approval, Energy Metals proposes to move forward to a Prefeasibility Study.

The 2007 drilling program indicates that an upgrade to the existing resources will be announced by the end of March 2008. Current JORC compliant resources (indicated and inferred 0.05% U_3O_8 cut-off) at Bigrlyi total 14.3Mlb U_3O_8 and 16.3Mlb $V_2O_{5,}$ with most of the resources located within 200m of the surface and potentially accessible via open pit mining.

CORPORATE

Company Name Change

At the Annual General Meeting on 21 November 2007, the Company resolved to change its name to Paladin Energy Ltd. The new name more aptly reflects the reality by emphasizing its focus in the energy sector rather than being a general resources company.

Yours faithfully
Paladin Energy Ltd

JOHN BORSHOFF
Managing Director