

KAYELEKERA MINE

Malawi, Southern Africa

In Production Ramp-up

September 2010

INTRODUCTION

In April 2007 a Mining Licence permitting the development of the Kayelekera Uranium Project (KUP) was granted to Paladin (Africa) Limited (PAL) by the Minister of Energy, Mines and Natural Resources of Malawi, and which, together with the Environmental Approval, allowed Paladin to start construction on its second uranium project in the June quarter of 2007.

The Kayelekera uranium deposit is located in northern Malawi, southern Africa, 52km west (by road) of Karonga. Kayelekera is owned 100% by Paladin Energy Ltd (Paladin), an Australian listed public company, through its subsidiary PAL. In July 2009, Paladin issued 15% of equity in PAL to the Government of Malawi under the terms of the Development Agreement signed between PAL and the Government in February 2007.



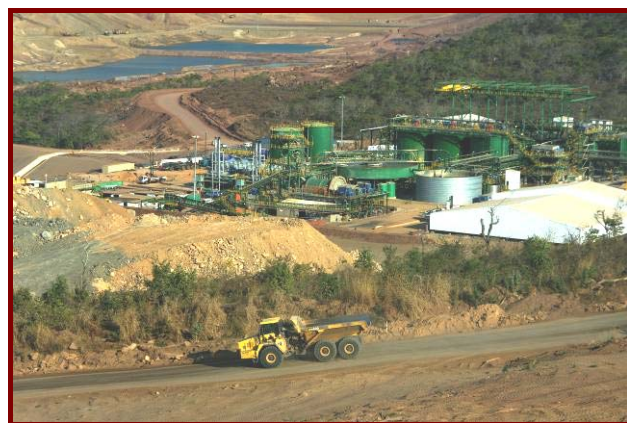
The Central Electricity Generating Board of Great Britain (CEGB) discovered the Kayelekera sandstone uranium deposit in the early 1980's. CEGB spent US\$9 million working on the project over an 8-year period, culminating in a full feasibility

study in 1991 assessing the viability of a conventional open pit mining operation. This study concluded that the project was uneconomic due to low uranium prices prevailing at that time. The project was abandoned in 1992 due largely to the poor uranium outlook, as well as privatisation of CEEB and resultant pressure to return to its core business. In 1998 Paladin acquired a 90% interest in Kayelekera through a Joint Venture with Balmain Resources Pty Ltd (Balmain), which then held exploration rights over the Project area. In July 2005 Paladin acquired the remaining 10% interest in the Project held by Balmain.

MALAWI

Malawi has undergone a positive social and political transformation in recent years, shifting from a one-party state to a multi-party democracy. The Government is particularly committed to supporting and encouraging the private sector to assume a leading role in the economic development of projects in the mining sector.

The Kayelekera Mine makes a very substantial fiscal contribution to Malawi and opens up opportunities for employment and improvements to social infrastructure in northern Malawi.



View of the Kayelekera Plant with Tailings Storage Facility A in background

DEVELOPMENT AGREEMENT SIGNED

In February 2007, Malawian Cabinet approved and executed a Development Agreement (DA) which provides a stable fiscal regime for at least 10 years from the start of production and ensures a high degree of certainty for the Project.

PROJECT DEVELOPMENT

In April 2005, the Company announced the go-ahead of a US\$2.3M Bankable Feasibility Study (BFS) as a result of the improved economics shown by the pre-feasibility work. After completing a Development Agreement with the Malawi Government and the BFS together with a full Environmental Impact Assessment, the Mining Licence, ML 152, covering 5,550 hectares was granted in April 2007 for a period of fifteen years. Construction started in June 2007 at a budgeted cost of US\$200M.

The construction project workforce peaked at around 2000 persons, with more than 75% of workers being Malawian nationals.

Open pit mining commenced in May 2008 to develop initial stockpiles, with the first blast occurring on 24 July 2008. A comprehensive grade control drilling programme is in place with results to date showing a strong correlation to the updated resource model and that used in the BFS.

Kayelekera is designed to give an annual production of 3.3Mlb U_3O_8 from the processing of 1.5 million tonnes per annum (Mtpa) of sandstone and associated ores by grinding, acid leaching, resin-in-pulp extraction, elution, precipitation and drying to produce saleable product.

The Company has project financing totalling US\$167 million, consisting of a seven year project finance facility of US\$145 million, a standby cost overrun facility of US\$12 million and a performance bond facility of US\$10 million. The facilities are being provided by Société Générale Corporate and Investment Banking (as intercreditor agent and commercial lender), Nedbank Capital, a division of Nedbank Limited (ECIC Lender) and The Standard Bank of South Africa Ltd (as ECIC facility agent and lender).

The 3.3Mlb/a Kayelekera Mine commenced commissioning in January 2009 with production ramp-up beginning late April 2009.

The mine was officially opened on 17 April 2009 by the President of Malawi, His Excellency Dr Bingu wa Mutharika.

CURRENT STATUS

The operation continues to increase production levels as at mid 2010, and expects to achieve nameplate design levels by end Sept 2010. Commercial production was declared as of 1 July 2010.



Feeding the crusher



Night view of the Kayelekera Plant



Hydraulic excavator loading diesel mine truck



Blast hole drilling

MINERAL RESOURCES AND RESERVES

The JORC (2004) Code and NI 43-101 compliant Mineral Resource, following an update announced in April 2010, is summarised below:

Cut-off ppm	Measured			Indicated			Inferred		
	Tonnes Mt	U ₃ O ₈ ppm	Metal t	Tonnes Mt	U ₃ O ₈ ppm	Metal t	Tonnes Mt	U ₃ O ₈ ppm	Metal t
300	3.51	1,241	4,357	17.22	769	13,242	5.50	625	3,433

The resource is still open to the west and north-west and a drilling programme is currently being undertaken to extend and infill the resource in these directions.

Economic analysis on the 2008 resource has indicated a breakeven cut-off grade of 400ppm U₃O₈. This is unchanged from the previous resource due to a number of factors including change in selling price, use of RIP processing and changes in reagent and diesel fuel costs. These economic parameters were used in pit optimisation studies and resulted in an updated Ore Reserve as shown below:

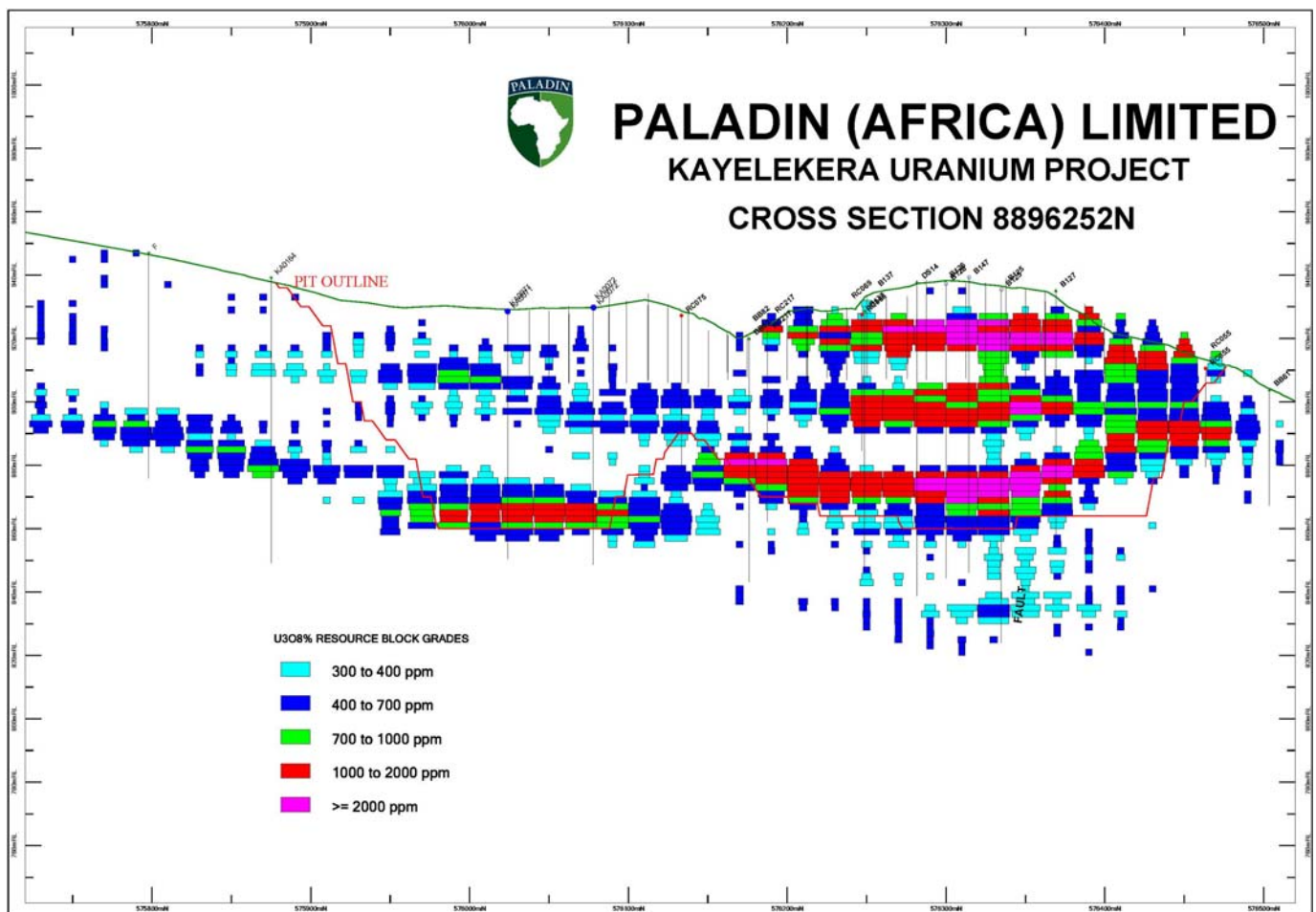
Cut-off ppm	Proven			Probable			Total		
	Tonnes Mt	U ₃ O ₈ ppm	Metal t	Tonnes Mt	U ₃ O ₈ ppm	Metal t	Tonnes Mt	U ₃ O ₈ ppm	Metal t
400	2.87	1,373	3,943	9.75	959	9,342	12.62	1,053	13,285

This represents a 17% increase in Ore Reserve over the one used for the original BFS studies. The reserve has allowed for a 1½ year extension to the mine life envisaged in the BFS to 9 years. Processing of marginal ores at the end of mine life is expected to add an additional 3 – 4 years to the project life.

A drilling programme immediately to the west of the design pit has recently been completed and an updated resource and reserve are expected in late 2010.



Excavator and trucks



IMPROVING URANIUM MARKET

The spot price for uranium has been negatively affected by the general economic turbulence over the last eighteen months which largely reflects conditions in the commodity investment sector but not in the primary market for nuclear fuel. The medium and long term outlook for uranium is extremely buoyant and is underpinned by a fundamental imbalance between increasing demand for uranium to fuel existing and new reactors and the inability of the current uranium supply sector to significantly increase production.

The spot market for uranium (near-term delivery within twelve months) traditionally accounts for only 10-15 percent of annual transactions. However the entry of investment funds and other financial participants has seen the spot market increase in volume and volatility with a pronounced rise in activity during 2008 and 2009. Spot prices moved through a range from US\$44.50/lb U₃O₈ in January 2010 to a low of US\$40.50/lb U₃O₈ in March and remaining in the low to mid \$40's/lb through to August. In 2009 spot volumes increased to 52 million pounds marked by opportunistic buying on the part of nations with aggressive nuclear growth plans. However the larger proportion of uranium is traded between suppliers and utilities under multi-year term contracts which

do not exclusively reference spot market prices. The relevant long term price indicator has exhibited less volatility during the recent downturn, moving from US\$62/lb U₃O₈ in January 2010 down to US\$60/lb U₃O₈ in August.

With the uranium market outlook predicted to remain strong during the mid to long term, the Kayelekera Mine offers excellent potential for reward for both Malawi and Paladin's shareholders.



Drums of product in the Packaging Room

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Scientific or technical information in this communication has been prepared under the supervision of John Borshoff, Managing Director, a Fellow of the Australasian Institute of Mining and Metallurgy and a qualified person under National Instrument 43-101



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