



PALADIN RESOURCES LTD

ACN 061 681 098

ANNUAL

REPORT

2002

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The financial report covers both Paladin Resources Ltd as an individual entity and the consolidated entity consisting of Paladin Resources Ltd and its controlled entities.

Paladin Resources Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

***Paladin Resources Ltd
1st Floor, 245 Churchill Avenue
SUBIACO WA 6008***

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities on pages 6-11 and in the directors' report on pages 13-17.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete, and available globally at minimum cost to the company. All press releases, financial statements and other information is available on our website www.paladinresources.com.au.

CORPORATE DIRECTORY

DIRECTORS

Chairman
Dr Douglas Dunnet

Managing Director
Mr John Borshoff

Director
Ms Gillian Swaby

Director
Mr Rick Wayne Crabb

COMPANY SECRETARY

Ms Gillian Swaby

REGISTERED OFFICE

1st Floor, 245 Churchill Avenue
Subiaco Western Australia 6008
(PO Box 201, Subiaco)

Telephone: (+61 8) 9381 4366

Facsimile: (+61 8) 9381 4978

Email: paladin@paladinresources.com.au

Web: www.paladinresources.com.au

SHARE REGISTER

Computershare Investor Services Pty Limited
Level 2, 45 St Georges Terrace
Perth Western Australia 6000

Telephone: (+61 8) 9323 2000

Facsimile: (+61 8) 9323 2033

AUDITORS

PricewaterhouseCoopers
QV1, 250 St George's Terrace
Perth Western Australia 6000

SOLICITORS TO THE COMPANY

Blakiston & Crabb
1202 Hay Street
West Perth Western Australia 6005

COMPANY SNAPSHOT

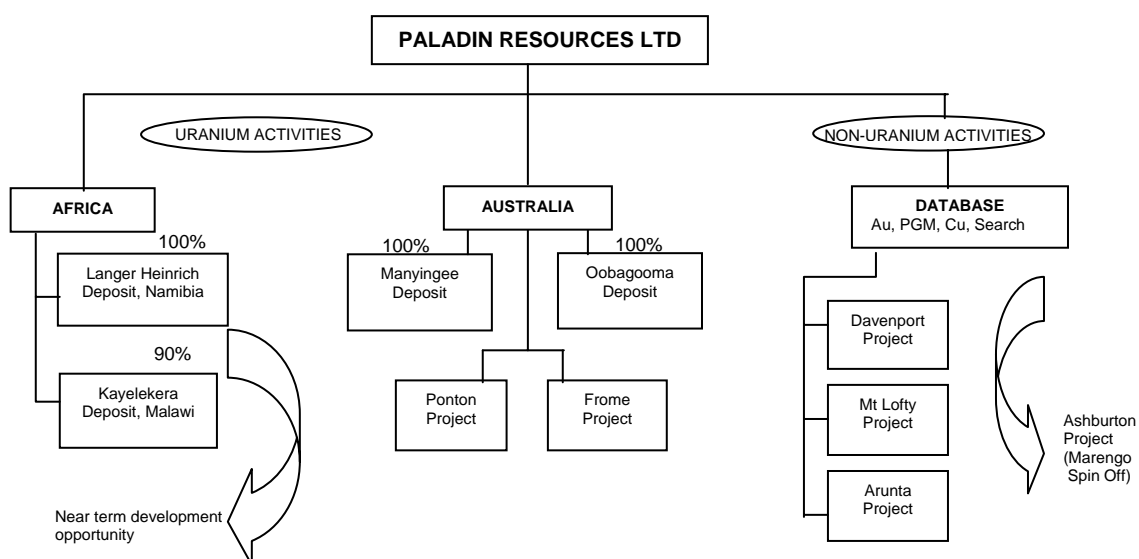
- **URANIUM DEVELOPMENT STRATEGY IN PLACE**

- Langer Heinrich acquisition adds another quality project
- Combined with Kayelekera, owns 2 of the most advanced projects in Africa
- Potential to place Paladin in top 5 uranium producers in world

- **DATABASE ADDS VALUE FOR SHAREHOLDERS**

- Ashburton Project spun out into independent exploration company (Marengo)
- Platinum project farm-outs successfully achieved

MINERAL RESOURCE STRUCTURE



CHAIRMAN'S LETTER

Dear Shareholder

Paladin continues to focus on its resource businesses, primarily to secure and develop uranium assets in Australia and Africa. Additionally, we continue to evaluate and extract wealth from our resource database. Significant advances have been achieved in both fields during the year.

The uranium markets are showing strength with the spot uranium price having risen from a low of US\$6.90 to be poised just below US\$10 per pound. The industry appears to be entering a period of growth with new electricity generation plants and demand for new, long term contracts.

The highlight for Paladin for the year was our acquisition of the Langer Heinrich deposit in Namibia. This deposit has been thoroughly evaluated by Gencor, including trial mining and pilot milling, to show a global resource of 34,730t U₃O₈ at a grade of 0.056% U₃O₈. Langer Heinrich ranks with Kayelekera and Manyingee as a uranium resource ready for updated feasibility study, development and mining. Paladin now has almost 100 million pounds of uranium in its inventory from these three deposits. Our assessment to date on Langer Heinrich is very positive and shows a particularly robust, low production cost deposit. In addition Namibia is a favourable country for uranium mining and for a source of development funds.

We continue to seek funding for the feasibility study for our Kayelekera project. The government of Malawi is very supportive and recognises the premier position Kayelekera represents in the country. We continue to assess several funding avenues.

Previous work on our database resulted in a series of gold properties in the Ashburton region of Western Australia. During the year these properties were vended into an independent company, Marengo Mining Ltd, and the shares distributed to Paladin shareholders. This is a good example of our value adding from the Company's comprehensive database.

The Langer Heinrich and Kayelekera deposits are the two most advanced uranium projects in Africa and our ownership gives Paladin various project and corporate opportunities which can be pursued and are being evaluated. Between them these projects could potentially produce 2,000 tonnes per annum of U₃O₈ which would place Paladin in the top 5 producers in the world. To strengthen our African program we have appointed Leon Pretorius, an African uranium geologist and environmental scientist, as Operations Manager-Africa.

With the focus maintained on the uranium projects, Paladin is seeking to exit its involvement with Coretel; the broadband telco provider. Coretel has not been able to resolve its problems with the supplier; Nortel, and Coretel has entered Voluntary Administration in an attempt to unravel the issue.

This year has been difficult for Paladin, but the positive, strengthening uranium market for the first time in nearly a decade and the very favorable aspects of the Langer Heinrich project both indicate a period of near term growth for the Company.

Dr D Dunnet
CHAIRMAN

REVIEW OF OPERATIONS

Summary

Paladin has pursued its two pronged strategy to create wealth for its shareholders, viz,

- Development of its uranium assets, focusing in Southern Africa; and
- Generation of gold, copper and platinum projects in Australia, leveraging off its database.

The resource arm of Paladin has a strong emphasis on uranium. The positive short and medium term market outlook for this commodity, the strong in-house uranium expertise and the exciting project development opportunities it has identified, particularly in Southern Africa, combine to make a solid platform from which to increase shareholder value.

With the recent acquisition of the Langer Heinrich Deposit, Paladin believes that, in combination with Kayelekera, it has control of the two most advanced uranium projects in Africa. Between them these projects could potentially produce 2,000 tonnes per annum of uranium oxide which would place Paladin in the top 5 uranium producers in the world.

Our opportunity for growth is further enhanced by the extensive proprietary database which we own and the gold and platinum projects which are generated by evaluation of this information resource. Our past activities in this area clearly demonstrate that we are capable of achieving such objectives.

Database evaluation has already resulted in the assembly of the Ashburton gold tenements and the spinning out of a new independent exploration company, Marengo Mining Ltd. Paladin shareholders received a 1:12 in-specie distribution of shares in this company, which is expected to list on ASX. Paladin has also generated two gold/platinum projects from its database. The Mt Lofty Project in South Australia has been joint ventured to a Canadian company and the Arunta Project in the Northern Territory is currently being negotiated for joint venture farm-out.

LANGER HEINRICH URANIUM PROJECT

The Langer Heinrich Uranium Project is situated in Namibia, Southern Africa. It is owned 100% by Paladin through a wholly owned Namibian subsidiary (Langer Heinrich Uranium (Pty) Ltd). Langer Heinrich represents a major underdeveloped uranium resource with A\$22M spent on this project by previous owners – the Southern African mining house, General Mining and Finance Corporation Limited (Gencor) from 1973 to 1998 and Acclaim Uranium NL (now Aztec Mining Ltd– “Acclaim”) 1999 to mid 2002. Paladin acquired the Langer Heinrich Project in August 2002.

Project Details

The project is located 80km east of the major seaport town of Walvis Bay, Namibia in Southern Africa. The Langer Heinrich deposit is covered by Mineral Development Retention License (MDRL) 2236.

Namibia is a politically stable country having excellent infrastructure and an extensive mining industry involving uranium, diamonds, gold and basemetals. Operations include the huge Rossing Uranium Mine which has been in continuous production since 1977. The Namibian Government actively encourages growth of its mining industry and is able to offer attractive loan fund facilities to support development of suitable projects. The Langer Heinrich Uranium Project qualifies for such support.

Project History

Gencor, during its period of ownership, carried out extensive exploration including detailed resource definition work and thorough mining, metallurgical and processing studies to evaluate the project for possible development. Approximately 25,000m of percussion and reverse circulation drilling, 2,000m of diamond drilling and excavation of 32 rectangular 2m x 1m exploratory shafts (up to 22m depth) was carried out to establish the necessary confidence in the ore reserve status of the deposit. The culmination of the Gencor studies involved construction of a 300,000 tonnes per annum (tpa) dry screening plant (1978) and completion of intensive high quality metallurgical work utilising a purpose built pilot plant from 1977 to end of 1979. All work was carried out to the highest of standards and this now provides an excellent database for project reassessment.

When Acclaim purchased Langer Heinrich they carried out a drilling program to verify the Gencor ore resource work (2,800m/107 holes), commenced key environmental baseline data gathering studies and completed a prefeasibility study by December 1999. The prefeasibility study produced a positive outcome indicating that an economic mining operation could be established treating 850,000 tpa of ore utilising tried and proven processing technologies. The Acclaim study indicated the project was capable of strong returns with an IRR of 53% and an NPV (at 10%) of US\$37M on projected sales at US\$14/lb uranium oxide. This prefeasibility model was based on an 11 year mine life operation producing approximately 1,000tpa uranium oxide with an identified mineable resource containing 11,930t U₃O₈ at a grade of 0.11% (0.034% U₃O₈ cut off). Production costs of US\$5.70/lb, as identified by the Acclaim study, place the Langer Heinrich Project in the very low operating cost category confirming existence of an economically robust project with very good justification to pursue its future development. A \$5M bankable feasibility study was recommended for completion as a result of the prefeasibility work and Acclaim's efforts in 2000 and 2001 concentrated mainly on trying to secure the necessary funds. The subsequent downturn in uranium prices and the change of management and corporate direction of Acclaim effectively placed the project into a holding position until its sale to Paladin.

Geology

Langer Heinrich is a calcrete related uranium deposit associated with valley-fill sediments occurring within an extensive Tertiary palaeodrainage system. The calcretes are limestone deposits formed as chemical precipitates developed under arid to semi-arid climate conditions. At Langer Heinrich calcretization has affected a complex sequence of conglomerates, grits, sandstone, silts and clay deposited in a braided stream depositional environment.

The uranium mineralisation takes the form of carnotite which is a secondary oxidised mineral containing both uranium and vanadium. The deposit occurs over a 15km length with seven higher grade pods (Details 1 to 7) occurring within a lower grade mineralised envelope. The carnotite occurs

as thin films lining cavities and fracture planes and as grain coatings and disseminations in the calcretized sediments. Mineralisation is 1m to 30m thick and is 50m to 1,100m wide depending on the width of the palaeovalley.

After calcrete development and mineralisation, part of these sediments were subsequently eroded as a result of uplift rejuvenated river flows. This has dissected and modified both the calcrete and associated mineralisation. Today the deposit is blanketed by up to 8m of river sands and scree associated with the prevailing ephemeral drainage system.

Ore Resources

A resource study was undertaken by Acclaim and the uranium resource inventory for Langer Heinrich has been reported as follows:-

- The deposit has been estimated (JORC category "Inferred") to comprise a Total Global Resource ("in-situ") of 61.63Mt at an average grade of 0.056% U₃O₈ containing 34,753t U₃O₈, using a 0.02% U₃O₈ cut-off. This includes all drilled area (i.e. Details 1 to 7).
- An estimate of optimised "in-situ" total resources for all Details was made on the basis of a Cut-off of 0.034% U₃O₈ determined from pit optimisation studies. This showed a total of 10.9Mt of ore is available at an average grade of 0.11% U₃O₈, which contains 11,930t U₃O₈.

Future Programme

Although Paladin is confirming the favourable potential for development of the Langer Heinrich Project, the viability of such an operation has yet to be fully tested by a bankable feasibility study.

A four month evaluation program is underway (began in August) during which Paladin will re-examine all Gencor and Acclaim findings to determine a more appropriate, technically focussed and lower cost bankable feasibility study. Paladin is confident it will achieve significant optimisation to produce a more streamlined basis for determination of project feasibility. Funding for the bankable feasibility study is available in part via attractive loan arrangements from the Namibian Government and this will be pursued.

KAYELEKERA PROJECT

The Kayelekera project is located in the northern part of Malawi in Southern Africa. The Project is situated 8km south of the main road that connects the townships of Karonga and Chitipa. It is accessible via dirt road and is 40kms to the west of the provincial town of Karonga. Exclusive Prospecting Licence "EPL 070" covers the Kayelekera deposit.

The Kayelekera Deposit offers a robust uranium project development opportunity. A final feasibility study is required and this work will be largely based on, and assisted by, the extensive feasibility studies carried out by its previous owners in the period 1982-1990. Concessional finance to complete an updated bankable feasibility study is currently being sought.

The Kayelekera Uranium Project is owned 90% by Paladin through its wholly owned Malawi subsidiary (Paladin Africa Ltd). This project is technically advanced with A\$9M spent by previous owners (CEGB of UK), culminating in completion of a final feasibility study in 1990 which showed the project to be uneconomic on the parameters then utilised. Paladin reviewed the engineering and mining concept utilised in this existing bankable feasibility study and found project performance could be improved, incorporating modern processing technology and using upgraded mining techniques. Modelling of the new mining concept indicates that the project can be optimised with a positive financial outcome. Approximately US\$2.7M is required for a new updated bankable feasibility study and Paladin is currently seeking concessional funding to initiate Phase I (US\$1.2M) of the study for this project.

The Kayelekera Project presents an ideal platform for initiation of a much needed modern mining industry in Malawi. The Malawi Government is very supportive of the project and the Company is currently working with relevant departments to access the required funds.

MANYINGEE DEPOSIT

The Manyingee Uranium Project is located in the North West of Western Australia, 85 kilometres inland from the coastal township of Onslow. Access to the site is along station tracks, either from the North West Coastal Highway (39km) or from the Barradale-Onslow road 22km to the west. The Tubridgi Natural Gas Pipeline passes 500 metres east of the licence area. The property is protected by 3 Mining Leases totalling 13km².

The Project contains an indicated and inferred resource of 12Mt of ore at a grade of 0.09% U₃O₈ containing 11,000t of U₃O₈ in permeable sandstone and is amenable to In-situ Leach mining (ISL).

Paladin proposes to develop the project to an ISL uranium mine over a three year period starting with an Environmental Impact Statement, followed by reserve drilling, a field leach trial and feasibility study. The Project is currently mothballed and no field work was carried out on the project during the year, with the Southern African projects being given priority for development.

FROME PROJECTS

The Frome Projects are located in South Australia, 500km north of Adelaide, within the Frome Basin which also hosts the Beverley and Honeymoon uranium ISL operations.

Throughout the year Paladin further rationalised its tenement holdings concentrating on the outstanding targets in the region. The Company now holds interests in the Reaphook/Siccus Joint Venture and the Heathgate Joint Venture. Details are as follows:-

Reaphook/Siccus Joint Venture

The joint venture covers EL2392 on the western margin of the Frome Basin. Perilya Limited is earning an 85% interest. Paladin and its joint venture partner Signature Resources Ltd will retain a 15% free carried interest to bankable feasibility stage. The agreement allows Perilya to explore for base metals and gold, with the original joint venture partners retaining 100% of the rights for uranium.

During the year Perilya identified several base metal targets, mainly zinc, within rocks of the Adelaide Geosyncline. Exploration including drilling work is planned to be carried out once Native Title clearance is completed.

Heathgate Joint Venture

In November 2001 Paladin signed a joint venture with Heathgate Resources Ltd, owner of the Beverley ISL uranium mining operation which reached full production earlier this year. Heathgate Resources is an Australian affiliate of General Atomics of the USA.

The two tenements, (EL's 2389 and 2394), cover 1,500km² and are located immediately north of the Beverley Mine tenements. Heathgate will earn an 80% interest in these properties with Paladin retaining a free carried interest of 20% and 15% respectively until completion of a bankable feasibility study and a decision to mine.

Heathgate commenced exploration with an airborne electromagnetic survey to identify prospective palaeochannels. The data is currently being evaluated.

OOBAGOOMA PROJECT

The Oobagooma Project is located 75km north east of Derby in the Kimberley Region of Western Australia on freehold land owned by the Commonwealth and used by the military. The area is covered by two EL applications covering 392km². The project was explored by Afmeco from 1983 to 1986 during which time extensive zones of uranium mineralisation were discovered. Afmeco calculated total geological resources of 8.2Mt of ore at a grade of 0.12% U₃O₈ containing 9,950t U₃O₈ using geostatistical methods employing a 0.03% U₃O₈ cut off.

No work was carried out on this project during the year. The main exploration effort, once the tenements have been granted, will be to confirm continuity of the uranium mineralisation by infill drilling concentrating on mineralised redox fronts as re-interpreted and further develop the reserves for consideration of a future ISL mining operation.

NON URANIUM ACTIVITIES

MT LOFTY PROJECT

The Mt Lofty Project is located in the southern Mt Lofty Ranges east and south of Adelaide in South Australia. Exploration targets for the project include platinum/palladium mineralisation associated with uranium mineralisation in albite altered hosted rocks. The targets are located in Palaeo Proterozoic basement inliers of the Adelaide Geosyncline.

EL2863 covering the Houghton Inlier and EL2862 covering the southern Myponga Inlier total 324km² of prospective ground and were granted in October 2001. Both Inliers contain uranium prospects associated with albite altered host rocks.

A joint venture agreement was reached with Balmain Resources Pty Ltd, who will spend a total of \$750,000 over four years to earn a 45% equity interest. Paladin will be the project operator.

The drillhole sampling of the Inglewood and Houghton Prospects on EL2863 confirmed the Pt/Pd association with the known uranium mineralisation. Sampling from the Inglewood Prospect delineated a core of encouraging Pt/Pd mineralisation including two intersections of 4m of 1.2ppm Pt/Pd and 8m at 0.88ppm Pt/Pd mineralisation. At Houghton the Pt/Pd grades were found to be lower, in the range of 20ppb to 60ppb combined Pt/Pd over 5m and 15m lengths. Further ground mapping and sampling is required along with evaluation of the airborne magnetic and radiometric data to further identify and prioritise target for drilling.

Approval for initial ground access has been cleared with the relevant freehold land owners over the known target areas.

ARUNTA PROJECT

EL9890 is located 200km north east of Alice Springs in the Northern Territory. The tenement includes 43 blocks or 142km². Native Title negotiations with the Central Land Council have been completed and EL9890 was granted for six years on 21 May 2002.

Recent research results by Australian Geological Survey Organisation indicate the metabasic and ultrabasic intrusions in the Eastern Arunta Region have potential for Platinum Group Metals (PGM) and multi-element PGM, Au, Cu, Ag, Pb mineralisation. Explorers working on adjacent ground confirm the potential for high grade multi-element PGM, Au, Cu, Ag mineralisation especially in the Riddoch Amphibolite. Paladin's EL9890 covers a 15km strike length of this prospective unit and shows along with a high grade uranium prospect considerable indications for multi-element mineralisation.

Geochemical blanket exploration methods including stream sediment sampling and modern soil sampling methods have not been applied on the tenement and this has the potential to identify new PGM, Cu, Au, Ag targets on the property.

DATABASE PROJECT GENERATION

Paladin owns a comprehensive **Proprietary Database** covering uranium, platinum, copper and gold exploration results and an extensive technical library. Paladin plans to more fully utilize this asset to identify new high quality PGM and/or gold/copper exploration projects. It is anticipated this component of work will generate a strong portfolio of gold/platinum projects offering the Company good opportunities for both joint venture farm-out and exploration in its own right.

MARENGO GOLD SPIN-OFF

Database evaluation resulted in the assembly of the Ashburton gold tenements which have prospective ground, definable drill targets and an excellent associated project database all emanating from its primary database. Paladin elected to spin off a new gold exploration company (Marengo Mining Ltd) with a specific focus on the Ashburton region. The new company is independent of Paladin with an experienced and respected Managing Director and Board. Paladin will retain 2,500,000 options (exercisable at 20 cents on or before 28 February 2008) and Paladin shareholders have received a 1:12 in-specie distribution of shares in this company which is expected to soon list on the ASX.

OTHER INVESTMENTS

CORETEL PTY LTD

Coretel Pty Ltd, the telecommunications company in which Paladin has the right to an 85% equity, appointed Voluntary Administrators, Mr Louis Nilant and Mr Oren Zohar, of Clout & Associates, Chartered Accountants in August 2002.

The Coretel network was finally established in April 2002 after a 15 month delay. On start-up of this network new customer connections were immediately established in the Mandurah and Bunbury regions and numerous other customer opportunities identified confirming the company's business plan. The start-up delay was caused by the company's principal telco equipment vendor who was unable to provide the necessary service in time severely constraining Coretel's ability to develop its business in the south west target region of Western Australia. The necessary cash flow targets were therefore not possible to achieve and required Paladin to inject additional funds into Coretel while it waited to become fully operational.

Coretel believes it has a justified case against the principal vendor for delays and disruption to establishment of its network and Coretel's legal advice is that the claim has a good chance of succeeding.

Although Coretel's business is now trading cash positive and able to meet current operating expenses, it believes that the step of placing itself in Voluntary Administration is necessary to attempt to resolve the debts accumulated during this period of disruptive delay and ensure that current revenue, potential new business and possible new funds raised will be focused to grow Coretel.

ST SYNERGY LTD

Principal efforts in the past 12 months have been to position ST Synergy correctly in the global marketplace and establish a structure amenable to sustainable profitable growth and accelerate commercialisation of the award winning enterprise knowledge management system.

The company has entered into a strategic partnership with the Spherion Group (a Fortune 500 company). Spherion will be the primary implementation, training and support partner both in Australia and worldwide.

ST Synergy will continue its primary effort of strengthening its marketing and sales areas and is exploring several other avenues to expand into both the US and Asian markets.

Paladin holds a 23% equity interest in ST Synergy.

CORPORATE GOVERNANCE STATEMENT

Corporate Governance

The Board is responsible for the overall Corporate Governance of the Group (“the Group”) including the strategic direction, establishing goals for management and monitoring the achievement of these goals. The Board has also established a framework for the management of the Group including setting levels of remuneration for Executive Directors, Managers and senior personnel, an overall framework of internal control and the establishment of appropriate ethical standards.

The Board regularly reviews operational and financial performance and reviews and approves detailed budgets and investment opportunities. Being a small company at present, the Board works closely with executive management to identify and manage operational, financial and legislative risk. Whilst the Corporate Governance policies and procedures have been in place since the incorporation of the Company, they were formally adopted by the Board in May 1996.

Audit Committee

The Company is not of a size which justifies having a separate Audit Committee, however, matters typically dealt with by such a committee are dealt with by the full Board.

Composition of the Board

The composition of the Board is determined using the following principles:

- The Board should comprise four Directors. This number may be increased where it is felt that additional expertise is required in specific areas, or when an outstanding candidate materialises.
- The Chairman of the Board should be a Non-Executive Director.
- The Board should comprise Directors with a broad range of expertise.

When a vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the services of a new director with particular skills, the Board selects a candidate or panel of candidates with the appropriate expertise and experience. The Board then appoints the most suitable candidate who must stand for election at the next general meeting of shareholders. The Company does not have a formal Nomination Committee.

Independent Professional Advice

Each Director has the right to seek independent professional advice at the Group’s expense. However, prior approval of the Chairman is required, which may not be unreasonably withheld.

Remuneration

Remuneration levels are set by the Board in accordance with industry standards to attract suitably qualified and experienced Directors and senior executives. The Board obtains independent advice on the appropriateness of remuneration packages.

Ethical Standards

All Directors, managers and employees are to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Group.

DIRECTORS' REPORT

The Directors present their report on the consolidated entity consisting of Paladin Resources Ltd and the entities it controlled at the end of, or during, the year ended 30 June 2002.

Directors

The Directors in office at the date of this report are:

Dr Douglas Dunnet (Chairman - Non-Executive)
B.Sc. (Hons) PhD. F.AusIMM

Dr Dunnet is a geologist with over 30 years experience. He has a strong background in financial management of mineral project initiation and development in Australia and North America, including 14 years with the Anaconda group of companies.

In 1984 Dr Dunnet became a principal of Aurex Pty Ltd, a contracting and consulting company. In 1987 he initiated the listing of and became Managing Director of Orion Resources NL. He was subsequently instrumental in acquiring a 45% interest in the Yilgarn Star Gold Mine near Southern Cross and guiding Orion to its market capitalisation of over \$130 million prior to the takeover by Sons of Gwalia NL. This included the successful transition from significant open pit mining to major underground mining operations producing in excess of 100,000ozs per annum.

Mr John Borshoff (Managing Director)
B.Sc. F.AusIMM

Mr Borshoff is a geologist who has been involved in the Australian exploration and mining industry for 26 years. Mr Borshoff worked for International Nickel and Canadian Superior Mining before joining a German mining group, Uranerz from 1976 to 1991. He became Chief Geologist/Exploration Manager during the period 1981-1986 and served as its chief executive from 1987 to mid 1991 when the German parent of Uranerz made the decision to close its Australian operations. Uranerz primary focus was for the search and development of uranium projects with the company operating extensively throughout Australia, North America and Africa.

Mr Borshoff has extensive experience in uranium, gold and base metal exploration, company management and administration.

Ms Gillian Swaby (Director/Company Secretary)
B.Bus. FCIS

Ms Gillian Swaby has been involved in financial and corporate administration for listed companies, covering a broad range of industry sectors, for over 20 years. Gillian has extensive experience in the area of secretarial practice, management accounting and corporate and financial management and sits on a number of advisory committees. She is past Chair of the WA Council of Chartered Secretaries of Australia, a Director on the National Board and lecturer for the Securities Institute of Australia. Gillian is the principal of a corporate consulting company and is also a Director and Company Secretary of a number of listed and unlisted companies. Gillian brings to the Board a high level of technical competence and experience in the corporate arena.

DIRECTORS' REPORT (Contd)

Directors (Contd)

Mr Rick W. Crabb (Director - Non-Executive) B. Juris (Hons), LLB, MBA

Mr Crabb is a partner with the legal practice, Blakiston and Crabb and a Director of the investment bank, Chatsworth Stirling Pty Ltd. He holds degrees of Bachelor of Jurisprudence (Honours), Bachelor of Laws and Master of Business Administration from the University of Western Australia. He has practised as a solicitor since 1980 and was previously a partner with a major law firm. He specialises in mining, corporate and commercial law. Mr Crabb is also a director of Menzies Court Holdings Limited, Ashburton Minerals NL, Alcaston Mining NL, ST Synergy Ltd, Thundelarra Exploration Ltd and Chatsworth Stirling Pty Ltd.

Principal Activity

The principal activity of the economic entity constituted by Paladin Resources Ltd and the entities it controlled during the financial year was mineral exploration and investments in technology companies.

Results of Operations

The economic entity's policy is to write off acquisition and exploration costs associated with abandoned or non-commercial areas and to this extent an amount of \$96,079 (2001: \$892,065) was written off. Expenditure totalling \$2,808,937(2001: \$2,574,398) has been carried forward on other areas where operations are continuing. The consolidated results are as follows:

| | 2002 | 2001 |
|---------------------------------|-------------------------|-------------------------|
| | \$ | \$ |
| Operating loss after income tax | <u>2,226,113</u> | <u>1,795,117</u> |

Dividends

No dividend has been paid during the financial year and no dividend is recommended for the current year.

Review of Operations

A detailed review of the economic entity's operations is set out on pages 6 to 11 of this report.

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the economic entity during the financial year not otherwise dealt with in this report.

DIRECTORS' REPORT (Contd)

Matters Subsequent to the End of the Financial Year

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect substantially the operations of the economic entity, the results of these operations or the state of affairs of the economic entity in subsequent financial years with the exception of those matters disclosed in Note 28 of the financial statements.

Environmental Regulations

The consolidated entity is subject to significant environmental regulation in respect to its exploration

The Company aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The Directors of the Company reviewed the Company's projects during the year and are not aware of any breach of environmental legislation for the financial year under review.

Likely Developments

Likely developments in the operations of the economic entity constituted by Paladin Resources Ltd and the entities it controls from time to time are set out in the attached review of operations.

Options over Unissued Capital

| | Number of Options | |
|---|--------------------------|-------------|
| | 2002 | 2001 |
| <u>Unlisted Options</u> | | |
| (i) Unlisted and exercisable at 20 cents, on or before 31 July 2000 | | |
| Balance at 1 July 2001 | - | 230,000 |
| Expired during year | - | (230,000) |
| Balance at date of this report | <u>-</u> | <u>-</u> |
| (ii) Exercisable at 35 cents, on or before 30 July 2000. | | |
| Balance at 1 July 2001 | - | 1,500,000 |
| Expired during year | - | (1,500,000) |
| Balance at date of this report | <u>-</u> | <u>-</u> |
| (iii) Exercisable at 15 cents, on or before 30 November 2004. | | |
| Balance at 1 July 2001 | - | - |
| Issued during year | <u>4,700,000</u> | - |
| Balance at date of this report | <u>4,700,000</u> | <u>-</u> |
| (iv) Exercisable at 25 cents, on or before 31 August 2000 | | |
| Balance at 1 July 2001 | - | 2,275,000 |
| Expired during year | - | (2,275,000) |
| Balance at date of this report | <u>-</u> | <u>-</u> |

DIRECTORS' REPORT (Contd)**Options over Unissued Capital (Contd)**

| | Number of Options | |
|--|--------------------------|-------------------|
| | 2002 | 2001 |
| <u>Unlisted Options (Contd)</u> | | |
| (v) Exercisable at 20 cents, on or before 31 March 2001 | | |
| Balance 1 July 2001 | - | 2,000,000 |
| Expired during year | - | (2,000,000) |
| Balance at date of this report | <u>-</u> | <u>-</u> |
| <u>Listed Options</u> | | |
| (vi) Exercisable at 10 cents, on or before 21 January 2004 | | |
| Balance at 1 July 2001 | - | - |
| Issued during year | <u>62,250,000</u> | - |
| Balance at date of this report | <u>62,250,000</u> | - |
| (vii) Exercisable at 20 cents, on or before 31 October 2000 | | |
| Balance at 1 July 2001 | - | 18,936,638 |
| Expired during year | - | (18,936,638) |
| Balance at date of this report | <u>-</u> | <u>-</u> |
| (viii) Exercisable at 15 cents, on or before 31 May 2003 | | |
| Balance 1 July 2001 | 52,203,071 | - |
| Issued during year | 100,000 | 52,226,294 |
| Less exercised during year | - | (23,223) |
| Balance at date of this report | <u>52,303,071</u> | <u>52,203,071</u> |

Directors' Interests**2002**

| | Fully Paid Shares | Options* | Options** | Options *** |
|------------|------------------------------|-----------------|------------------|--------------------|
| D Dunnet | 6,087,828 | 376,367 | 645,201 | 1,000,000 |
| J Borshoff | 12,458,394 | 776,263 | 1,779,774 | 1,500,000 |
| G Swaby | 1,595,515 | 132,960 | 227,931 | 1,200,000 |
| R W Crabb | 3,848,572 | 322,381 | 566,940 | 1,000,000 |

2001

| | Fully Paid Shares | Options* |
|------------|------------------------------|-----------------|
| D Dunnet | 6,087,828 | 376,367 |
| J Borshoff | 12,158,394 | 576,263 |
| G Swaby | 1,595,515 | 132,960 |
| R W Crabb | 3,968,572 | 322,381 |

The particulars of Directors' interests in shares and options are as at the date of this report.

* Listed and exercisable at 15 cents on or before 31 May 2003

** Listed and exercisable at 10 cents on or before 21 January 2004

*** Unlisted and exercisable at 15 cents on or before 30 November 2004

DIRECTORS' REPORT (Contd)

Directors' and Executives' Emoluments

Remuneration levels are set by the Board in accordance with industry standards to attract suitably qualified and experienced Directors and senior executives and is not performance linked.

Non-executive Directors of Paladin Resources Ltd

| Name | Directors' Fees ¹ | | Consulting Fees | | Options | | Total | |
|----------|------------------------------|--------|-----------------|-------|--------------|------|---------------|--------|
| | \$ | | \$ | | \$ | | \$ | |
| | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 |
| D Dunnet | 20,000 | 20,000 | 11,097 | 3,150 | 6,000 | - | 37,097 | 23,150 |
| R Crabb | 15,000 | 15,000 | - | - | 6,000 | - | 21,000 | 15,000 |

Executive Directors of Paladin Resources Ltd

| Name | Directors' Fees ¹ | | Consulting Fees | | Options | | Total | |
|------------|------------------------------|--------|-----------------|---------|--------------|------|----------------|---------|
| | \$ | | \$ | | \$ | | \$ | |
| | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 |
| J Borshoff | 15,000 | 15,000 | 144,375 | 150,000 | 9,000 | - | 168,375 | 165,000 |
| G Swaby | 15,000 | 15,000 | 70,800 | 80,800 | 7,200 | - | 93,000 | 95,800 |

There are no other executives in the Company.

The amounts disclosed above for remuneration relating to options are the assessed fair values of options at the date they were granted during the year ended 30 June 2002. Fair values have been assessed using the Black Scholes option pricing models. This value has not been included in the statement of Financial Performance.

¹ During the year the Directors of the Company waived their fees in relation to the 1999/2000 and 2000/2001 years totalling \$96,000.

Meetings of Directors

The following table sets out the number of meetings of the Company's Directors held during the year ended 30 June 2002 and the number of meetings attended by each Director.

| | |
|---------------------------------|----|
| Number of meetings held | 10 |
| Number of meetings attended by: | |
| D Dunnet | 10 |
| J Borshoff | 10 |
| G Swaby | 10 |
| R W Crabb | 10 |

Insurance of Officers

During the financial year, the Company has paid premiums to insure each of the following persons against certain liabilities arising out of their conduct while acting in the capacity of officer of the company.

J. Borshoff
D. Dunnet
G. Swaby
R. Crabb

Under the terms of the insurance contract, the nature of liabilities insured against and the premium paid cannot be disclosed.

DATED at Perth this 27th day of September 2002

Signed in accordance with a resolution of Directors.

J Borshoff (Director)

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
STATEMENTS OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2002

| | Notes | CONSOLIDATED | | PARENT ENTITY | |
|---|-------|--------------------|------------|--------------------|------------|
| | | 2002 \$ | 2001 \$ | 2002 \$ | 2001 \$ |
| Revenue from ordinary activities | 2 | 258,724 | 74,963 | 325,858 | 46,843 |
| Exploration costs written off | | (96,079) | (892,065) | (37,326) | (52,143) |
| Borrowing costs | 3 | (51,585) | (30,837) | - | - |
| General and administration | | (489,268) | (535,267) | (501,771) | (547,226) |
| Write down of investments | | (1,445,000) | (80,731) | (1,574,531) | (884,517) |
| Written down value of exploration property sold | | - | - | (57,470) | - |
| Share of net loss of associate accounted for using the equity method | | (402,905) | (331,180) | - | - |
| Loss from ordinary activities before income tax | | 2,226,113 | 1,795,117 | 1,845,240 | 1,437,043 |
| Income tax expense | 4 | - | - | - | - |
| Total changes in equity other than those resulting from transactions with owners as owners | 20 | 2,226,113 | 1,795,117 | 1,845,240 | 1,437,043 |
| Basic and diluted earnings per share (cents) | 31 | (1.05) | (1.18) | | |

The above statements of financial performance should be read in conjunction with the accompanying notes.

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2002

| | Notes | CONSOLIDATED | | PARENT ENTITY | |
|--------------------------------------|-------|------------------|------------------|------------------|------------------|
| | | 2002 \$ | 2001 \$ | 2002 \$ | 2001 \$ |
| CURRENT ASSETS | | | | | |
| Cash | 5 | 286,890 | 576,841 | 175,509 | 577,250 |
| Receivables | 6 | 210,158 | 23,092 | 183,931 | 22,500 |
| Investments | 7 | - | 28,604 | - | 28,604 |
| Other | 8 | - | 8,530 | - | 8,530 |
| TOTAL CURRENT ASSETS | | 497,048 | 637,067 | 359,440 | 636,884 |
| NON CURRENT ASSETS | | | | | |
| Receivables | 9 | - | - | 3,039,009 | 2,865,909 |
| Investments in associate | 10 | 236,991 | 639,896 | 1,056,709 | 1,056,709 |
| Other financial assets | 11 | 544,000 | 1,602,578 | 1,241,953 | 2,342,665 |
| Property, plant & equipment | 12 | 1,566,997 | 1,661,825 | 23,469 | 35,807 |
| Other | 13 | 2,808,937 | 2,574,398 | - | - |
| TOTAL NON CURRENT ASSETS | | 5,156,925 | 6,478,697 | 5,361,140 | 6,301,090 |
| TOTAL ASSETS | | 5,653,973 | 7,115,764 | 5,720,580 | 6,937,974 |
| CURRENT LIABILITIES | | | | | |
| Accounts payable | 14 | 236,517 | 317,824 | 230,333 | 314,980 |
| Provisions | 15 | 32,610 | 35,311 | 32,610 | 35,311 |
| TOTAL CURRENT LIABILITIES | | 269,127 | 353,135 | 262,943 | 350,291 |
| NON CURRENT LIABILITIES | | | | | |
| Interest bearing liabilities | 16 | 731,787 | 588,651 | - | - |
| Other | 17 | 20,000 | 30,000 | - | - |
| TOTAL NON CURRENT LIABILITIES | | 751,787 | 618,651 | - | - |
| TOTAL LIABILITIES | | 1,020,914 | 971,786 | 262,943 | 350,291 |
| NET ASSETS | | 4,633,059 | 6,143,978 | 5,457,637 | 6,587,683 |
| PARENT ENTITY INTEREST EQUITY | | | | | |
| Contributed equity | 18 | 19,099,393 | 18,565,369 | 19,099,393 | 18,565,369 |
| Reserves | 19 | 181,170 | - | 181,170 | - |
| Accumulated losses | 20 | (14,647,504) | (12,421,391) | (13,822,926) | (11,977,686) |
| TOTAL EQUITY | 22 | 4,633,059 | 6,143,978 | 5,457,637 | 6,587,683 |

The above statements of financial position should be read in conjunction with the accompanying notes.

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2002

| | Notes | CONSOLIDATED | | PARENT ENTITY | |
|---|-------|------------------|--------------------|------------------|--------------------|
| | | 2002 \$ | 2001 \$ | 2002 \$ | 2001 \$ |
| Cash flows from operating activities | | | | | |
| Payments to suppliers and employees | | (521,486) | (226,334) | (468,157) | (230,629) |
| Interest received | | 6,275 | 19,681 | 6,242 | 19,668 |
| Interest paid | | (51,585) | (30,837) | - | - |
| Rental income | | 82,833 | 28,107 | - | - |
| Net cash outflow from operating activities | 29 | (483,963) | (209,383) | (461,915) | (210,961) |
| Cash flows from investing activities | | | | | |
| Payments for property, plant and equipment | | (19,805) | (36,606) | (4,749) | - |
| Exploration and evaluation expenditure | | (299,537) | (465,080) | (94,796) | (3,750) |
| Mines Department bond redeemed | | - | 5,000 | - | - |
| Payments for investments | | (386,422) | (1,609,244) | (386,422) | (1,609,244) |
| Investment in controlled entity | | - | (250,231) | - | (261,602) |
| Loans to controlled entities | | - | - | (210,497) | (754,465) |
| Sale proceeds on investments | | 42,066 | 27,175 | 42,066 | 27,175 |
| Net cash outflow from investing activities | | (663,698) | (2,328,986) | (654,398) | (2,601,886) |
| Cash flows from financing activities | | | | | |
| Share placement | | 867,650 | 3,438,030 | 867,650 | 3,438,030 |
| Fundraising costs | | (153,078) | (63,077) | (153,078) | (63,077) |
| Repayment of borrowings | | (3,305) | (282,244) | - | - |
| Mortgage funding | | 146,443 | - | - | - |
| Net cash inflow from financing activities | | 857,710 | 3,092,709 | 714,572 | 3,374,953 |
| Net increase/(decrease) in cash held | | | | | |
| Cash at the beginning of the financial year | | (289,951) | 554,340 | (401,741) | 562,106 |
| | | 576,841 | 22,501 | 577,250 | 15,144 |
| Cash at the end of the financial year | 5 | 286,890 | 576,841 | 175,509 | 577,250 |
| Non-cash financing and investing activities | 30 | | | | |

The above statements of cash flows should be read in conjunction with the accompanying notes.

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE
FINANCIAL REPORT
30 JUNE 2002

1. STATEMENT OF ACCOUNTING POLICIES

(A) BASIS OF ACCOUNTING

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001.

It is prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year. Comparative information is reclassified where appropriate to enhance comparability.

(B) PRINCIPLES OF CONSOLIDATION

The consolidated accounts incorporate the assets and liabilities and results of all entities controlled by Paladin Resources Ltd as at 30 June 2002 and the results of all controlled entities for the year then ended. Paladin Resources Ltd and its controlled entities together are referred to in this financial report as the economic entity. The effects of inter-entity transactions have been eliminated from the consolidated accounts. Where controlled entities are acquired during the year, their results are included only from the date control commences.

On acquisition of some or all of the shares in a controlled entity, the identifiable net assets acquired are measured at their fair value. The excess of the fair value of the purchase consideration over the fair value of identifiable assets acquired (ie: goodwill) is amortised over a period of twenty years. Where a discount on acquisition arises, that discount is accounted for by reducing proportionately the fair value of the non monetary assets acquired until the discount is eliminated. Any residual discount is immediately recognised in the statement of financial performance.

Investments in associates are accounted for in the consolidated financial statements using the equity method. Under this method, the consolidated entity's share of the profits or losses of associates is recognised as revenue in the consolidated statement of financial performance and its share of movements in reserves is recognised in consolidated reserves. Associates are those entities over which the consolidated entity exercises significant influence, but not control.

(C) EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE

Costs incurred during the exploration, evaluation and development stages of specific areas of interest are accumulated. Such costs are written off unless the Directors consider that the costs are expected to be fully recouped through the successful development of the area, or where activities to date have not reached a stage to allow reasonable assessment regarding existence of economically recoverable reserves.

Costs are written off as soon as an area has been abandoned or is considered to be non-commercial.

Expenditure is not carried forward in respect of any area of interest/mineral resource unless the Company's rights of tenure to that area of interest are current. Once production commences, expenditure accumulated in respect of areas of interest will be amortised on a unit of production basis against the economically recoverable mineral resources.

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE
FINANCIAL REPORT (Contd)
30 JUNE 2002

1. STATEMENT OF ACCOUNTING POLICIES (Contd)

(D) EARNINGS PER SHARE

(i) Basic Earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(E) CASH

For the purposes of the statements of cash flows, cash includes deposits which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis, net of outstanding bank overdrafts.

(F) DATABASES

(i) Project Generation Database

The project generation database, consists of unpublished and generally unavailable exploration, geological and other data. The cost of this database is amortised on a straight line basis over a period of 10 years.

(ii) Technical Database

The technical database includes an extensive technical library and published exploration data. The Directors consider that this information diminishes in value over time and accordingly periodic amortisation charges are raised on a straight line basis over a period of 10 years.

(G) VALUATION OF NON-CURRENT ASSETS

The carrying amounts of non-current assets are reviewed to determine whether they are in excess of their recoverable amounts at balance date. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower amount. Unless otherwise stated, in assessing recoverable amounts, the relevant cash flows have not been discounted to their present value.

(H) ACQUISITION OF ASSETS

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is at the value agreed between the parties. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE
FINANCIAL REPORT (Contd)
30 JUNE 2002

1. STATEMENT OF ACCOUNTING POLICIES (Contd)

(I) INCOME TAX

Tax effect accounting procedures are followed whereby the income tax expense in the statement of financial performance is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

(J) RECEIVABLES

All trade debtors are recognised at the amounts receivable as they are due for settlement no more than 30 days.

Collectibility of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists.

(K) INVESTMENTS

Interests in listed and unlisted securities, other than controlled entities and associates in the consolidated financial statements, are brought to account at cost and dividend income is recognised in the statement of financial performance when receivable. Controlled entities and associates are accounted for in the consolidated financial statements as set out in note 1(a).

(L) TRADE AND OTHER CREDITORS

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(M) BORROWING COSTS

Borrowing costs are recognised as expenses in the period in which they are incurred.

Borrowing costs include interest on bank overdrafts and short-term and long-term borrowings.

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE
FINANCIAL REPORT (Contd)
30 JUNE 2002

| | CONSOLIDATED | | PARENT ENTITY | |
|---|----------------|---------------|----------------|---------------|
| | 2002 | 2001 | 2002 | 2001 |
| | \$ | \$ | \$ | \$ |
| 2. REVENUE | | | | |
| Revenue from outside the operating activities | | | | |
| Interest | 6,275 | 19,681 | 6,242 | 19,668 |
| Property rental | 104,333 | 28,107 | - | - |
| Proceeds on sale of investments | 42,116 | 27,175 | 42,116 | 27,175 |
| Building contribution | 10,000 | - | - | - |
| Reversal of accrual for Directors' fees | 96,000 | - | 96,000 | - |
| Proceeds from sale of exploration property | - | - | 181,500 | - |
| | 258,724 | 74,963 | 325,858 | 46,843 |
| 3. OPERATING LOSS | | | | |
| Loss from ordinary activities before income tax expense includes the following specific net gains and expenses: | | | | |
| Net gains | | | | |
| Net gain on disposal | | | | |
| - investments | 13,462 | 2,128 | 13,462 | 2,128 |
| - exploration properties | - | - | 124,030 | - |
| - subsidiary | 124,030 | - | - | - |
| Loan forgiven | 10,000 | - | - | - |
| Expenses: | | | | |
| Depreciation | | | | |
| - property, plant and equipment | 17,087 | 23,665 | 17,087 | 23,665 |
| - buildings | 11,903 | 11,903 | - | - |
| Total depreciation | 28,990 | 35,568 | 17,087 | 23,665 |
| Amortisation | | | | |
| - technical database | 26,250 | 26,250 | - | - |
| - project generation database | 59,393 | 59,393 | - | - |
| Total amortisation | 85,643 | 85,643 | - | - |

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE
FINANCIAL REPORT (Contd)
30 JUNE 2002

| | CONSOLIDATED | | PARENT ENTITY | |
|--|------------------|---------|------------------|---------|
| | 2002 | 2001 | 2002 | 2001 |
| | \$ | \$ | \$ | \$ |
| 3. OPERATING LOSS (Contd) | | | | |
| Other charges against assets: | | | | |
| Provision for non-recovery of | | | | |
| - convertible notes and unsecured loan | 1,445,000 | - | 1,445,000 | - |
| - intercompany loan | - | - | 87,397 | 803,786 |
| - investment in controlled entity | - | - | 42,134 | 121,779 |
| Exploration expenditure written off | 96,079 | 892,065 | 37,326 | 52,143 |
| Write down of investment | - | 55,684 | - | 55,684 |
| Other provisions: | | | | |
| Employee entitlements | (2,701) | 4,297 | (2,701) | 4,297 |
| Borrowing costs: | | | | |
| Interest paid/payable | 51,585 | 30,837 | - | - |

4. INCOME TAX

The aggregate amount of income tax attributable to the financial year differs from the amount calculated on the operating loss. The differences are reconciled as follows:

| | | | | |
|---|--------------------|-------------|--------------------|-------------|
| Operating loss before income tax | (2,226,113) | (1,795,117) | (1,845,240) | (1,437,043) |
| Income tax (benefit) calculated at 30% (2001: 34%) | (667,834) | (610,340) | (553,572) | (488,595) |
| Tax effect of permanent differences: | | | | |
| Non-deductible expenditure | 579,086 | 434,836 | 472,359 | 351,353 |
| | (88,748) | (175,504) | (81,213) | (137,242) |
| Tax benefit not recognised | 88,748 | 175,504 | 81,213 | 137,242 |
| Income tax attributable to operating loss | - | - | - | - |
| The Directors estimate that the potential future income tax benefit at 30 June 2002 in respect of tax losses not brought to account is: | 1,753,129 | 1,664,381 | 1,147,838 | 1,066,625 |

This benefit for tax losses will only be obtained if:

- (i) the economic entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- (ii) the economic entity continues to comply with the conditions for deductibility imposed by tax legislation; and
- (iii) no changes in tax legislation adversely affect the economic entity in realising the benefit from the deductions for the losses.

5. CASH

| | | | | |
|--------------------------|----------------|---------|----------------|---------|
| Cash at bank and on hand | 286,890 | 576,841 | 175,509 | 577,250 |
|--------------------------|----------------|---------|----------------|---------|

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE
FINANCIAL REPORT (Contd)
30 JUNE 2002

| | CONSOLIDATED | | PARENT ENTITY | |
|--|----------------|-----------|--------------------|-------------|
| | 2002 | 2001 | 2002 | 2001 |
| | \$ | \$ | \$ | \$ |
| 6. CURRENT RECEIVABLES | | | | |
| Sundry debtors | 210,158 | 23,092 | 183,931 | 22,500 |
| 7. CURRENT INVESTMENTS | | | | |
| Listed investment – at cost | - | 579,034 | - | 579,034 |
| Less write-down | - | (550,430) | - | (550,430) |
| Listed investment – at Directors' Valuation | - | 28,604 | - | 28,604 |
| The market value of shares listed on a prescribed stock exchange | - | 28,604 | - | 28,604 |
| 8. OTHER | | | | |
| Prepayments | - | 8,530 | - | 8,530 |
| 9. NON CURRENT RECEIVABLES | | | | |
| Loan to controlled entities | | | | |
| - unsecured | - | - | 5,973,945 | 5,713,448 |
| Less provision for non-recovery | - | - | (2,934,936) | (2,847,539) |
| | - | - | 3,039,009 | 2,865,909 |
| 10. NON CURRENT INVESTMENTS – ACCOUNTED FOR USING THE EQUITY METHOD | | | | |
| Shares in associate | 236,991 | 639,896 | 1,056,709 | 1,056,709 |

Shares in associate

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the parent entity.

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE
FINANCIAL REPORT (Contd)
30 JUNE 2002

10. NON CURRENT INVESTMENTS (Contd)
ACCOUNTED FOR USING THE EQUITY METHOD

Investment in associate

| Name | Principal Activity | Ownership Interest | | Consolidated Carrying Amount | | Parent Entity Carrying Amount | |
|----------------|-------------------------------|--------------------|------|------------------------------|---------|-------------------------------|-----------|
| | | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 |
| Traded* | | | | \$ | \$ | \$ | \$ |
| ST Synergy Ltd | Knowledge Management Software | 23% | 23% | 236,991 | 639,896 | 1,056,709 | 1,056,709 |

Of the total shareholding of 5,897,353 fully paid shares held in ST Synergy Ltd, 4,397,353 shares are held in escrow pursuant to Australian Stock Exchange Ltd Listing Rules following the listing of the company on ASX and cannot be traded before 11 May 2003. The balance are freely tradable and are quoted on Australian Stock Exchange Ltd. At 30 June 2002, the shares traded at 25¢ per share.

| | CONSOLIDATED | | PARENT ENTITY | |
|--|--------------|-----------|---------------|------|
| | 2002 | 2001 | 2002 | 2001 |
| | \$ | \$ | \$ | \$ |
| <u>Movements in carrying amount of investment in associate</u> | | | | |
| Carrying amount at start of year | 639,896 | 964,410 | - | - |
| Investment | - | 6,666 | - | - |
| Amortisation of goodwill | (200,000) | (200,000) | - | - |
| Share of operating loss | (202,905) | (131,180) | - | - |
| Carrying amount at the end of the financial year | 236,991 | 639,896 | - | - |

Summary of the performance and financial position of associate

The aggregate losses, assets and liabilities of associates are:

| | | |
|---------------------------------|-----------|-----------|
| Losses from ordinary activities | 882,197 | 437,266 |
| Assets | 1,524,085 | 2,393,561 |
| Liabilities | 278,162 | 279,503 |

11. OTHER FINANCIAL ASSETS

| | | | | |
|--|-------------|-----------|-------------|-------------|
| Shares at cost – controlled entities (i) | - | - | 1,961,605 | 1,961,605 |
| Less provision for non-recovery | - | - | (1,263,652) | (1,221,518) |
| Convertible notes (ii) | 1,635,000 | 1,602,578 | 1,635,000 | 1,602,578 |
| Loan-unsecured (ii) | 354,000 | - | 354,000 | - |
| Less provision for non-recovery | (1,445,000) | - | (1,445,000) | - |
| | 544,000 | 1,602,578 | 1,241,953 | 2,342,665 |

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE
FINANCIAL REPORT (Contd)
JUNE 2002

11 OTHER FINANCIAL ASSETS (Contd)

(i) Investments in Controlled Entities

| NAME | COUNTRY OF INCORPORATION | PERCENTAGE INTEREST HELD | | COST OF PARENT ENTITY'S INVESTMENT | |
|--|--------------------------|--------------------------|------|------------------------------------|-------------|
| | | 2002 | 2001 | 2002 \$ | 2001 \$ |
| Eden Creek Pty Ltd * | Australia | 100% | 100% | 1,700,002 | 1,700,002 |
| Paladin Energy Minerals NL * | Australia | 100% | 100% | 1 | 1 |
| Etron Properties Pty Ltd * | Australia | 100% | 100% | 261,602 | 261,602 |
| Paladin (Africa) Ltd | Malawi | 100% | 100% | - | - |
| | | | | 1,961,605 | 1,961,605 |
| Less provision for non-recovery of investment – Eden Creek Pty Ltd | | | | (1,263,652) | (1,221,518) |
| | | | | 697,953 | 740,087 |

All investments comprise ordinary shares and all shares held are unquoted.

* These entities are not required to prepare or lodge audited accounts.

Acquisition of controlled entities

2001

On 29th October 2000 the parent entity acquired 100% of the issued share capital of Etron Properties Pty Ltd for \$261,602. On 4th August 2000, the parent entity acquired 100% of the issued capital of Paladin (Africa) Ltd for 10¢ (2 kwacha). At the time of acquisition Paladin (Africa) Ltd had cash of 10¢ and issued share capital of 10¢. The operating results of these newly controlled entities have been included in the consolidated statement of financial performance since the date of acquisition.

Details of the acquisition of Etron Properties Pty Ltd are as follows:

Fair value of identifiable net assets of controlled entity acquired.

| | |
|---------------------|----------------|
| Cash | 11,371 |
| Receivables | 34,279 |
| Land & Buildings | 1,123,812 |
| Trade Creditors | (6,965) |
| Bank Loan – Secured | (569,228) |
| Unsecured Loans | (331,667) |
| Cash Consideration | <u>261,602</u> |

2002

On the 6 February 2002 the parent entity incorporated Paladin Exploration Pty Ltd with \$1 issued capital.

In May 2002, Paladin Exploration Pty Ltd converted its status to that of a public company and changed its name to Marengo Mining Limited. In May 2002, Paladin was issued with a total of 9,438,684 shares at a total issue price of \$94. In April 2002, Paladin sold its Ashburton tenement interests to Marengo for \$181,500 by way of an issue of 9,361,315 shares that were issued in May 2002. The Ashburton tenements were originally represented by eight applications for exploration licences and since the applications were made, four had been converted into full exploration licences. Paladin is also entitled to reimbursement of costs of \$132,122 that will be paid out of the proceeds of the public issue pursuant to the prospectus issued by Marengo.

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11 OTHER FINANCIAL ASSETS (Contd)

Acquisition of controlled entities (Contd)

Through an in specie distribution involving Paladin and the shareholders of Paladin, Paladin in June 2002 distributed the 18,800,000 shares held in Marengo to the Paladin shareholders as a return of capital/in specie distribution. The in specie distribution was on a one for twelve basis (one Marengo share for every 12 shares held in Paladin).

On 29 May 2002 Paladin granted Marengo an exclusive licence to use for mineral exploration, mining and development all information which has been collected, captured collated, organised and arranged by Paladin in relation to a defined area of influence in the Ashburton region.

As consideration for the grant of the licence, Paladin received 2,500,000 unlisted share options in Marengo, exercisable at 20 cents per share, on or before 28 February 2008.

| | CONSOLIDATED | | PARENT ENTITY | |
|--|---------------------|-------------|----------------------|-------------|
| | 2002 | 2001 | 2002 | 2001 |
| | \$ | \$ | \$ | \$ |
| Outflow of cash to acquire controlled entity, net of cash acquired | | | | |
| Cash consideration | - | 261,602 | - | 261,602 |
| Less: balances acquired | | | | |
| Cash | - | 11,371 | - | - |
| | | | | |
| Outflow of cash | - | 250,231 | - | 261,602 |

ii) Funding to Coretel Pty Ltd

Paladin Resources Ltd holds \$1,635,000 (2001: \$1,602,578) in unsecured convertible notes in Coretel Pty Ltd, entitling it on conversion to 85% of the issued capital of that company. Interest is accruing at 9.85% per annum with conversion at the election of Paladin. In addition a further \$354,000 was advanced during the year. The carrying amount of these receivables has been written down to \$544,000 as at 30 June 2002 by the directors to reflect their assessment of the recoverable amount.

**12. NON CURRENT PROPERTY
PLANT & EQUIPMENT**

| | | | | |
|---------------------------------------|------------------|-----------|------------------|-----------|
| Land and buildings - at cost | 1,175,474 | 1,160,418 | - | - |
| Less provision for depreciation | (23,806) | (11,903) | - | - |
| | 1,151,668 | 1,148,515 | - | - |
| Plant and equipment – at cost | 400,856 | 400,886 | 400,856 | 400,886 |
| Less provision for depreciation | (377,387) | (365,079) | (377,387) | (365,079) |
| | 23,469 | 35,807 | 23,469 | 35,807 |
| Technical database – at cost | 262,500 | 262,500 | - | - |
| Less amortisation | (227,464) | (201,214) | - | - |
| | 35,036 | 61,286 | - | - |
| Project generation database – at cost | 593,932 | 593,932 | - | - |
| Less amortisation | (237,108) | (177,715) | - | - |
| | 356,824 | 416,217 | - | - |
| | 1,566,997 | 1,661,825 | 23,469 | 35,807 |

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**12. NON CURRENT PROPERTY
PLANT & EQUIPMENT (Contd)**

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current are set out below:

| | Total \$ | Freehold Land & Buildings \$ | Plant & Equipment \$ | Database \$ |
|---|---------------------|---------------------------------------|----------------------------|----------------|
| Consolidated – 2002 | | | | |
| Carrying amount at start of year | 1,661,825 | 1,148,515 | 35,807 | 477,503 |
| Additions | 19,805 | 15,056 | 4,749 | - |
| Depreciation/amortisation expense (Note 3) | (114,633) | (11,903) | (17,087) | (85,643) |
| Carrying amount at end of year | 1,566,997 | 1,151,668 | 23,469 | 391,860 |
| Parent Entity - 2002 | | | | |
| Carrying amount at start of year | 35,807 | - | 35,807 | - |
| Additions | 4,749 | - | 4,749 | - |
| Depreciation/amortisation expense (Note 3) | (17,087) | - | (17,087) | - |
| Carrying amount at end of year | 23,469 | - | 23,469 | - |
| | CONSOLIDATED | | PARENT ENTITY | |
| | 2002 | 2001 | 2002 | 2001 |
| | \$ | \$ | \$ | \$ |
| 13. NON CURRENT ASSETS - OTHER | | | | |
| (a) Exploration Expenditure | | | | |
| Carrying amount at start of year | 2,574,398 | 3,001,383 | - | 48,393 |
| Movements: | | | | |
| Direct expenditure for year | 388,088 | 465,080 | 94,796 | 3,750 |
| Sale of tenements | - | - | (57,470) | - |
| Deconsolidation of subsidiary | (57,470) | - | - | - |
| Expenditure written off | (96,079) | (892,065) | (37,326) | (52,143) |
| | 2,808,937 | 2,574,398 | - | - |
| 14. ACCOUNTS PAYABLE | | | | |
| Trade creditors and accruals | 236,517 | 317,824 | 230,333 | 314,980 |

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| | CONSOLIDATED | | PARENT ENTITY | |
|---|----------------|----------------|---------------|------------|
| | 2002 \$ | 2001 \$ | 2002 \$ | 2001 \$ |
| 15. CURRENT PROVISIONS | | | | |
| Employee entitlements (See Note 32) | 32,610 | 35,311 | 32,610 | 35,311 |
| 16. NON CURRENT INTEREST BEARING LIABILITIES | | | | |
| Secured | | | | |
| Bank loans | 731,787 | 588,651 | - | - |
| Total secured non-current interest bearing liabilities | 731,787 | 588,651 | - | - |
| <p>The bank loans of the controlled entity are secured by a first mortgage over the controlled entity's freehold land and buildings, being charged interest at the rate of 7.2% on \$260,000 and 8.35% on \$472,500 (2001: 7.9% on \$116,151 and 8.35% on \$472,500).</p> <p>Assets pledged as security The carrying amounts of non-current assets pledged as security are:</p> | | | | |
| First mortgage | | | | |
| Freehold land and buildings | 1,151,668 | 1,148,515 | - | - |
| 17. OTHER | | | | |
| Loan from non-related party (unsecured) | 20,000 | 30,000 | - | - |

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
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| | PARENT ENTITY | | PARENT ENTITY | |
|-------------------------------|---------------|-------------|---------------|------------|
| | 2002 | 2001 | 2002 | 2001 |
| | Shares | Shares | \$ | \$ |
| 18. CONTRIBUTED EQUITY | | | | |
| (a) Share Capital | | | | |
| Ordinary shares Fully paid | 226,744,825 | 201,094,825 | 19,099,393 | 18,565,369 |

| Date | (b) Movements in ordinary share capital: | Number of Shares | Issue Price ¢ | Total \$ |
|---------------|---|--------------------|------------------|-------------------|
| | Balance at start of year | 115,610,888 | | 15,190,416 |
| July 2000 | Entitlement Issue | 23,122,143 | 3.5¢ | 809,275 |
| October 2000 | Placement | 21,673,360 | 6¢ | 1,300,402 |
| | Option Conversions | 23,223 | 15¢ | 3,483 |
| June 2001 | Placement | 40,765,211 | 3.25¢ | 1,324,870 |
| | Less: Transaction costs arising on share issues | - | | (63,077) |
| | | 201,194,825 | | 18,565,369 |
| July 2001 | Issue to acquire joint venture interest | 1,000,000 | 5¢ | 50,000 |
| December 2001 | Placement | 1,500,000 | 2¢ | 30,000 |
| January 2002 | Placement | 12,500,000 | 2¢ | 250,000 |
| March 2002 | Placement | 10,550,000 | 3.8¢ | 400,900 |
| | Less: Transaction costs arising on share issues | - | | (147,498) |
| | Capital reduction (refer Note 11) | | | (49,378) |
| | | 226,744,825 | | 19,099,393 |

(c) Issued Options

| | Number of Options | |
|---|-------------------|-------------|
| | 2002 | 2001 |
| (i) Unlisted and exercisable at 20 cents, on or before 31 July 2000 | | |
| Balance at 1 July 2001 | - | 230,000 |
| Expired during year | - | (230,000) |
| Balance at 30 June 2002 | - | - |
| (ii) Unlisted and exercisable at 35 cents, on or before 30 July 2000. | | |
| Balance at 1 July 2001 | - | 1,500,000 |
| Expired during year | - | (1,500,000) |
| Balance at 30 June 2002 | - | - |
| (iii) Unlisted and exercisable at 15 cents, on or before 30 November 2004 | | |
| Balance at 1 July 2001 | - | - |
| Issued during year | 4,700,000 | - |
| Balance at 30 June 2002 | 4,700,000 | - |

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18. CONTRIBUTED EQUITY (Contd)**(c) Issued Options (Contd)**

| | Number of Options | |
|---|-------------------|--------------|
| | 2002 | 2001 |
| (iv) Unlisted and exercisable at 25 cents, on or before 31 August 2000 | | |
| Balance at 1 July 2001 | - | 2,275,000 |
| Expired during year | - | (2,275,000) |
| Balance at 30 June 2002 | - | - |
| (v) Unlisted and exercisable at 20 cents on or before 31 March 2001 | | |
| Balance at 1 July 2001 | - | 2,000,000 |
| Expired during year | - | (2,000,000) |
| Balance at 30 June 2002 | - | - |
| (vi) Listed and exercisable at 10 cents, on or before 21 January 2004 | | |
| Balance at 1 July 2001 | - | - |
| Issued during year | 62,250,000 | - |
| Balance at 30 June 2002 | 62,250,000 | - |
| (vii) Listed and exercisable at 20 cents, on or before 31 October 2000 | | |
| Balance at 1 July 2001 | - | 18,936,638 |
| Less expired during year | - | (18,936,638) |
| Balance at 30 June 2002 | - | - |
| (iv) Exercisable at 15 cents, on or before 31 May 2003 | | |
| Balance 1 July 2001 | 52,203,071 | - |
| Issued during year | 100,000 | 52,226,294 |
| Less exercised during year | - | (23,223) |
| Balance at 30 June 2002 | 52,303,071 | 52,203,071 |

(d) Ordinary Shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

| | CONSOLIDATED | | PARENT ENTITY | |
|--|--------------|------|---------------|------|
| | 2002 | 2001 | 2002 | 2001 |
| | \$ | \$ | \$ | \$ |
| 19. RESERVES | | | | |
| Option Application Reserve | | | | |
| Issue of 62,250,000 options at \$0.003 | 186,750 | - | 186,750 | - |
| Less expenses of issue | (5,580) | - | (5,580) | - |
| | 181,170 | - | 181,170 | - |

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| | CONSOLIDATED | | PARENT ENTITY | |
|---|--------------|------------|---------------|------------|
| | 2002 | 2001 | 2002 | 2001 |
| | \$ | \$ | \$ | \$ |
| 20. ACCUMULATED LOSSES | | | | |
| Accumulated losses at beginning of financial year | 12,421,391 | 10,626,274 | 11,977,686 | 10,540,643 |
| Net loss attributable to members of Paladin Resources Ltd | 2,226,113 | 1,795,117 | 1,845,240 | 1,437,043 |
| Accumulated losses at the end of the financial year | 14,647,504 | 12,421,391 | 13,822,926 | 11,977,686 |

21. COMMITMENTS AND CONTINGENT LIABILITIES

There were no outstanding commitments or contingent liabilities, which are not disclosed in the financial statements of the economic entity and the Company as at 30 June 2002 other than:

(a) Exploration Tenement Leases

In order to maintain the tenements in which the Company and other parties are involved, all parties are committed to meet the conditions under which the tenements were granted in accordance with the relevant mining legislation in Australia. These commitments relate to tenement lease rentals and the minimum expenditure requirements of the Western Australian, Northern Territory and South Australian Mines Departments attaching to the tenements and are subject to re-negotiation upon expiry of the exploration leases or when application for a mining licence is made. In 2002/2003, estimated outlays by the Company and the economic entity are \$295,200 (2001: \$473,209). Commitments beyond 2002/2003 are dependent upon whether existing rights of tenure are renewed or new rights of tenure are acquired.

(b) Acquisition Costs

The economic entity acquired a call option on 19 June 1998 in relation to the purchase of the Oobagooma Uranium Deposit. As a condition to the option contract, the economic entity granted a put option to the current holder of the Oobagooma Uranium Deposit. Both the call and put options have an exercise price of \$750,000. Both of the options are subject to the Department of Minerals & Energy granting tenements comprising 2 exploration licence applications. The \$750,000 is payable by the economic entity within 10 business days of the later of the grant of the tenements or the exercise of either the call or put option. The options will expire 3 months after the date on which either of the tenements are granted.

In relation to the Manyingee Uranium Project, the re-negotiated acquisition terms provide for a payment of \$750,000 to the vendors only if all project development approvals have been obtained.

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| 22. EQUITY | CONSOLIDATED | | PARENT ENTITY | |
|--|---------------------|-------------|----------------------|-------------|
| | 2002 | 2001 | 2002 | 2001 |
| | \$ | \$ | \$ | \$ |
| Total equity at beginning of financial year | 6,143,978 | 4,564,142 | 6,587,683 | 4,649,774 |
| Total changes in equity recognised in the statement of financial performance | (2,226,113) | (1,795,117) | (1,845,240) | (1,437,043) |
| Transactions with owners as owners: | | | | |
| Contributions of equity, net of transaction costs | 764,572 | 3,374,953 | 764,572 | 3,374,953 |
| Capital reduction | (49,378) | - | (49,378) | - |
| <hr/> | | | | |
| Total equity at the end of the financial year | 4,633,059 | 6,143,978 | 5,457,637 | 6,587,683 |

| 23. AUDITOR'S REMUNERATION | CONSOLIDATED | | PARENT ENTITY | |
|--|---------------------|-------------|----------------------|-------------|
| | 2002 | 2001 | 2002 | 2001 |
| | \$ | \$ | \$ | \$ |
| Remuneration for audit or review of the financial reports of the parent entity or any entity in the economic entity: | | | | |
| Auditors of parent entity | 22,050 | 22,674 | 22,050 | 22,674 |
| Taxation advisory services | 12,460 | 50,658 | 12,460 | 50,658 |
| <hr/> | | | | |
| | 34,510 | 73,332 | 34,510 | 73,332 |

| 24. REMUNERATION OF DIRECTORS | Directors of Entities in the Economic Entity | | Directors of Parent Entity | |
|---|---|-------------|-----------------------------------|-------------|
| | 2002 | 2001 | 2002 | 2001 |
| | \$ | \$ | \$ | \$ |
| Income paid or payable, or otherwise made available to directors by entities in the economic entity and related parties | 319,472 | 299,450 | 319,472 | 299,450 |

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| 24. REMUNERATION OF DIRECTORS (Contd) | Directors of Entities in the Economic Entity | | Directors of Parent Entity | |
|---------------------------------------|--|------|----------------------------|------|
| | 2002 | 2001 | 2002 | 2001 |

Number of parent entity Directors whose total income from the parent entity or related parties was within the following bands:

| | | | | | | |
|-----------|----|-----------|---|---|---|---|
| \$10,000 | to | \$19,999 | - | 1 | - | 1 |
| \$20,000 | to | \$29,999 | 1 | 1 | 1 | 1 |
| \$30,000 | to | \$39,999 | 1 | - | 1 | - |
| \$70,000 | to | \$79,999 | - | 1 | - | 1 |
| \$90,000 | to | \$99,999 | 1 | - | 1 | - |
| \$160,000 | to | \$169,999 | 1 | 1 | 1 | 1 |

Included in the above are directors fees, consulting fees and the fair value of options granted to directors. Consulting fees in the form of management fees and geological fees were paid during the year in the normal course of business to firms of consultants, of which Directors are the principals (refer Note 27). The amounts disclosed above for remuneration relating to options are the assessed fair values of options at the date they were granted during the year ended 30 June 2002. Fair values have been assessed using the Black Scholes option pricing models. This value has not been included in the statement of Financial Performance.

During the year the Directors of the Company waived their fees in relation to the 1999/2000 and 2000/2001 years totalling \$96,000.

25. REMUNERATION OF EXECUTIVES

One executive, being a director, received \$168,375 during the year ended 30 June 2002 (2001: 1 executive \$165,000). The remuneration relating to options are the assessed fair values of options at the date they were granted during the year ended 30 June 2002. Fair values have been assessed using the Black Scholes option pricing models. This value has not been included in the statement of Financial Performance.

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26. SEGMENT REPORTING

Business segments

The consolidated entity operates in the following segments:-

Resources

Strong resource focus on uranium together with a proprietary database covering gold, copper and platinum.

Software

23% investment in ST Synergy Ltd, a Knowledge Management software company listed on ASX.

Telecommunications

Convertible notes with a right to an 85% equity interest in Coretel Pty Ltd, a niche telecommunications company.

Property

Commercial premises located in Belmont, Perth, Western Australia.

**Industry Segments
2002**

| | Resources \$ | Soft- ware \$ | Tele- communications \$ | Property \$ | Consolidated \$ |
|---|------------------|---------------------|-------------------------------|------------------|--------------------|
| Other revenue | 48,391 | - | - | 114,333 | 162,724 |
| Unallocated revenue | | | | | <u>96,000</u> |
| Total segment revenue | | | | | <u>258,724</u> |
| Profit/(loss) from ordinary activities before income tax expense | (411,254) | (402,905) | (1,445,000) | 33,046 | (2,226,113) |
| Income tax expense | - | - | - | - | - |
| Loss from ordinary activities after income tax expense | <u>(411,254)</u> | <u>(402,905)</u> | <u>(1,445,000)</u> | <u>33,046</u> | <u>(2,226,113)</u> |
| Total assets | <u>3,583,707</u> | <u>236,991</u> | <u>544,000</u> | <u>1,289,275</u> | <u>5,653,973</u> |
| Segment liabilities | 262,941 | - | - | - | 262,941 |
| Unallocated liabilities | | | | | <u>757,973</u> |
| Total liabilities | | | | | <u>1,020,914</u> |
| Investment in associate | - | <u>236,991</u> | - | - | <u>236,991</u> |
| Acquisitions of property, plant and equipment, and other non-current segment assets | <u>392,837</u> | - | - | <u>15,056</u> | <u>407,893</u> |
| Depreciation and amortisation expense | <u>102,730</u> | - | - | <u>11,903</u> | <u>114,633</u> |
| Other non-cash expenses | <u>23,957</u> | - | <u>1,445,000</u> | - | <u>1,468,957</u> |

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26. SEGMENT REPORTING (Contd)

Industry Segments
2001

| | Resources | Soft- ware | Tele- communications | Property | Consolidated |
|---|-------------|---------------|-------------------------|-----------|----------------|
| | \$ | \$ | \$ | \$ | \$ |
| Other revenue | 46,843 | - | - | 28,120 | 74,963 |
| Total segment revenue | 46,843 | - | - | 28,120 | 74,963 |
| Loss from ordinary activities before income tax expense | (1,437,043) | (331,180) | - | (26,894) | (1,795,117) |
| Income tax expense | - | - | - | - | - |
| Loss from ordinary activities after income tax expense | (1,437,043) | (331,180) | - | (26,894) | (1,795,117) |
| Total assets | 3,723,214 | 639,896 | 1,602,578 | 1,150,076 | 7,115,764 |
| Segment liabilities | 348,911 | - | - | - | 348,911 |
| Unallocated liabilities | | | | | <u>622,875</u> |
| Total liabilities | | | | | 971,786 |
| Investment in associate | - | 824,514 | - | - | 824,514 |
| Acquisitions of property, plant and equipment, and other non-current segment assets | 465,080 | - | - | 1,160,418 | 1,625,498 |
| Depreciation and amortisation expense | 109,308 | - | - | 11,903 | 121,211 |
| Other non-cash expenses | 945,621 | - | - | - | 945,621 |

Geographical Segments

| | Segment revenues | | Segment assets | | Acquisitions of property, plant and equipment, and other non-current segment assets | |
|-----------|-----------------------|------------|-------------------------|------------|---|------------|
| | 2002 \$ | 2001 \$ | 2002 \$ | 2001 \$ | 2002 \$ | 2001 \$ |
| Australia | 258,724 | 74,963 | 4,856,707 | 6,390,077 | 336,314 | 1,290,778 |
| Africa | - | - | 797,266 | 725,687 | 71,579 | 334,720 |
| | <u>258,724</u> | 74,963 | <u>5,653,973</u> | 7,115,764 | <u>407,893</u> | 1,625,498 |

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27. RELATED PARTIES

Related parties of Paladin Resources Ltd fall into the following categories:

Directors

- (a) The following persons were Directors of Paladin Resources Ltd during the financial year:
D Dunnet
J Borshoff
G Swaby
R W Crabb

- (b) Remuneration of Directors is disclosed in Note 24 and the Directors' Report.

(c) Transactions with director-related entities

The following transactions with Directors and director-related entities occurred during the year on normal commercial terms and conditions:

- (i) Fees for geological and consulting services were paid/payable (balance outstanding at 30 June 2002 and included in trade creditors \$75,625) to a company in which J Borshoff is a director and shareholder;
- (ii) Fees for geological and consulting services were paid/payable (balance outstanding at 30 June 2002 and included in trade creditors \$4,257) to a company in which D Dunnet is a director and shareholder;
- (iii) Fees for company secretarial and consulting services were paid/payable (balance outstanding at 30 June 2002 and included in trade creditors \$8,800) to a company in which G Swaby is a director and shareholder; and

All of the above have been included in Directors' remuneration in Note 24.

- (iv) Fees for legal services totalling \$25,969 (2001: \$93,582) were paid/payable (balance outstanding at 30 June 2002 and included in trade creditors \$8,459) to Blakiston and Crabb, Solicitors, a firm in which R Crabb is a partner.

(d) Directors' holdings

Aggregate number of shares and share options of Paladin Resources Ltd held directly, indirectly or beneficially by directors of their director related entities at balance date:

| | 2002 | | | |
|------------|-------------------|-----------------|------------------|--------------------|
| | Number | | | |
| | Shares | Options* | Options** | Options *** |
| D Dunnet | 6,087,828 | 376,367 | 645,201 | 1,000,000 |
| J Borshoff | 12,458,394 | 776,263 | 1,779,774 | 1,500,000 |
| G Swaby | 1,595,515 | 132,960 | 227,931 | 1,200,000 |
| R W Crabb | 3,848,572 | 322,381 | 566,940 | 1,000,000 |
| | 2001 | | | |
| | Number | | | |
| | Fully Paid | Options* | | |
| | Shares | Options* | | |
| D Dunnet | 6,087,828 | 376,367 | | |
| J Borshoff | 12,158,394 | 576,263 | | |
| G Swaby | 1,595,515 | 132,960 | | |
| R W Crabb | 3,968,572 | 322,381 | | |

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27. RELATED PARTIES (Contd)

(d) Directors' holdings (Contd)

The particulars of Directors' interests in shares and options are as at the date of this report.

* Listed and exercisable at 15 cents on or before 31 May 2003

** Listed and exercisable at 10 cents on or before 21 January 2004

*** Unlisted and exercisable at 15 cents on or before 30 November 2004

Wholly-owned Group Transactions

The wholly-owned group consists of Paladin Resources Ltd, the ultimate parent entity and the wholly-owned controlled entities set out in Note 11. Transactions between Paladin Resources Ltd and its controlled entities consist of the transfer of funds amongst the companies for day to day financing. Inter-company balances are unsecured and are not interest bearing. The balance in respect of inter-group loans is set out in Note 9.

28. EVENTS SUBSEQUENT TO BALANCE DATE

There has not arisen since the end of the financial year any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect substantially the operations of the economic entity in subsequent financial years with the exception of:-

Acquisition of Langer Heinrich Uranium Project

On 9 September 2002, Paladin announced it had satisfactorily completed its due diligence resulting in completion of the acquisition of the Langer Heinrich Uranium Project in Namibia, Southern Africa. The project is held in a Namibian company, Langer Heinrich Uranium (Pty) Ltd which in turn is wholly owned by Lahndrik Holdings SA ("Lahndrik"), a company incorporated in Luxemburg. Paladin, through its subsidiary Paladin Energy Minerals Ltd, acquired 100% of Lahndrik from Aztec Resources Ltd for cash consideration of \$10,000 together with a production royalty of 12 cents per kilogram of yellowcake sold and delivered to a buyer. In addition \$5,000 was paid in respect of intercompany loans.

Issue of Shares and Options

On 5 September 2002 the Company allotted 1,795,000 fully paid shares and 750,000 options (10¢ - 21 January 2004) as part of remuneration arrangements for technical consulting in connection with the Southern African uranium projects (Langer Heinrich and Kayelekera deposits).

On 10 September 2002 the Company announced a Share Purchase Plan Offer for shareholders at a price of 2.3 cents per share. This was partially underwritten to the amount of \$350,000 on a best endeavours basis by Kirke Securities Ltd.

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE
FINANCIAL REPORT (Contd)
30 JUNE 2002

29. RECONCILIATION OF NET CASH OUTFLOW FROM OPERATING ACTIVITIES TO OPERATING LOSS AFTER INCOME TAX

| | CONSOLIDATED | | PARENT ENTITY | |
|---|--------------|-----------|---------------|-----------|
| | 2002 | 2001 | 2002 | 2001 |
| | \$ | \$ | \$ | \$ |
| Operating loss after income tax | 2,226,113 | 1,795,117 | 1,845,240 | 1,437,043 |
| Non cash items: | | | | |
| Depreciation and amortisation | (114,633) | (121,211) | (17,087) | (23,665) |
| Exploration expenditure written off | (96,079) | (892,065) | (37,326) | (52,143) |
| Provision for non-recovery of intercompany loan | - | - | (87,397) | (803,785) |
| Provision for non-recovery of investments | (1,445,000) | (55,684) | (1,487,134) | (177,463) |
| Provision for non-recovery of Profit on sale of exploration | - | - | 124,030 | - |
| Gain on disposal of subsidiary | 124,030 | - | - | - |
| Profit on sale of investments | 13,462 | 2,128 | 13,462 | 2,128 |
| Share of loss in associate using equity method | (402,905) | (331,180) | - | - |
| Liabilities forgiven | 106,000 | - | - | - |
| Change in operating assets and liabilities: | | | | |
| Increase (Decrease) in trade debtors | 54,944 | (38,474) | 29,309 | (4,787) |
| Decrease (Increase) in operating liabilities | 26,561 | (157,778) | 87,348 | (174,897) |
| (Decrease) Increase in prepayments | (8,530) | 8,530 | (8,530) | 8,530 |
| Net cash outflow from operating activities | 483,963 | 209,383 | 461,915 | 210,961 |

30. NON CASH FINANCING AND INVESTMENT ACTIVITIES

| | | | | |
|---|--------|---|--------|---|
| Acquisition of mining tenements satisfied by issue of shares | 50,000 | - | - | - |
| Increase in receivable from controlled entity due to issuance of shares | - | - | 50,000 | - |
| Reduction in capital due to in-specie distribution of subsidiary | 49,378 | - | 49,378 | - |

31. EARNINGS PER SHARE

| | Consolidated | |
|---|---------------|---------------|
| | 2002 | 2001 |
| | (cents) | (cents) |
| (a) Basic and diluted Loss Per Share | (1.05) | (1.18) |
| Weighted average number of ordinary shares on issue during the year used in the calculation of basic earnings per share | 211,336,743 | 151,377,525 |
| Earnings used in calculated diluted and basic earnings per share | (2,226,113) | (1,795,117) |

(b) Diluted Earnings Per Share

Diluted earnings per share is the same as basic earnings per share as there are no potential ordinary shares that are dilutive.

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE
FINANCIAL REPORT (Contd)
30 JUNE 2002

32. EMPLOYEE ENTITLEMENTS

| | PARENT ENTITY | |
|--|----------------------|---------------|
| Provision for Annual Leave & Long Service Leave | 2002 | 2001 |
| | \$ | \$ |
| Aggregate employment entitlement liability | 32,610 | 35,311 |
| <hr/> | | |
| Employee numbers | Number | Number |
| Average number of employees during the financial year | 4 | 4 |
| <hr/> | | |

Superannuation

The Company contributes to employees' superannuation plans in accordance with the requirements of Occupational Superannuation Legislation. Contributions by the parent entity represent a defined percentage of each employee's salary. Employee contributions are voluntary.

33. FINANCIAL INSTRUMENTS**(a) Credit Risk Exposure**

The credit risk of financial assets of the consolidated entity which have been recognised on the statement of financial position is generally the carrying amount, net of any provisions for doubtful debts.

(b) Interest Rate Risk Exposure

The consolidated entity's exposure to interest rate risk is limited to the floating market rate for the cash deposit, convertible debt and a property mortgage. All other financial assets and liabilities are non interest bearing. The weighted average interest rate on cash deposits, convertible debt and property mortgage is 5%, 9.85% and 8.1%, respectively.

(c) Net Fair Value of Financial Assets and Liabilities.

The net fair value of cash, convertible debt and non interest bearing monetary financial assets and financial liabilities of the consolidated entity approximates their carrying value.

DIRECTORS' DECLARATION

The Directors declare that the financial statements and notes set out on pages 18 to 42.

- a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- b) give a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2002 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the Directors' opinion

- (a) the financial statements and notes are in accordance with the Corporations Act 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

This declaration is made in accordance with a resolution of the Directors.

Signed at Perth this 27th day of September 2002 in accordance with a resolution of the Directors.

J Borshoff (Director)

**Independent Audit Report to the Members of
Paladin Resources Limited**

**Independent Audit Report to the Members of
Paladin Resources Limited (contd)**

ADDITIONAL INFORMATION

Pursuant to the Listing Requirements of Australian Stock Exchange Limited as at 24 September 2002.

| (a) | Distribution and number of holders | | | 31.05.2003 | | 21.01.2004 |
|-----|------------------------------------|---|---------|--------------|---------------|---------------|
| | | | | SHAREHOLDERS | OPTIONHOLDERS | OPTIONHOLDERS |
| | 1 | - | 1,000 | 22 | 218 | 30 |
| | 1,001 | - | 5,000 | 109 | 381 | 213 |
| | 5,001 | - | 10,000 | 220 | 121 | 109 |
| | 10,001 | - | 100,000 | 1,144 | 95 | 205 |
| | 100,001 | - | maximum | 386 | 74 | 63 |
| | | | | 1,881 | 889 | 620 |

746 shareholders hold less than a marketable parcel of shares.
 861 optionholders (31.05.2003) hold less than a marketable parcel of options.
 583 optionholders (21.01.2004) hold less than a marketable parcel of options.

(b) Substantial shareholders (5% or more of issued capital)

J Borshoff and associated companies

(c) The twenty largest shareholders hold 29.96% of the total shares issued.

| Holder | No. of Shares | % |
|--|---------------|-------|
| Aylworth Holdings Pty Ltd | 11,843,237 | 5.18 |
| Resource Capital Invest Corp | 10,769,230 | 4.71 |
| Grundy Nominees Pty Ltd | 6,750,000 | 2.95 |
| Shar Holdings Pty Ltd | 3,778,401 | 1.65 |
| Merrill Lynch (Australia) Nominees Pty Ltd | 3,746,049 | 1.64 |
| Mr R W Crabb & Mrs C J Crabb | 3,704,572 | 1.62 |
| Plough Lane Superannuation Pty Ltd | 2,820,000 | 1.23 |
| Mr J U Blanchard III | 2,777,778 | 1.22 |
| Mr G Buchanan & Mrs H Buchanan | 2,700,000 | 1.18 |
| Wakeford Holdings Pty Ltd | 2,601,800 | 1.14 |
| Ms Kim Heron | 2,100,000 | 0.92 |
| Mr R Pilley | 2,000,000 | 0.88 |
| Alpenrose Investments Inc | 1,730,000 | 0.76 |
| National Nominees Limited | 1,724,200 | 0.75 |
| Citywide Investments Pty Ltd | 1,666,667 | 0.73 |
| Mr B Marks | 1,666,667 | 0.73 |
| Aurex Pty Ltd | 1,571,427 | 0.69 |
| Bellcourt Holdings Pty Ltd | 1,500,000 | 0.66 |
| Roxtel Pty Ltd | 1,500,000 | 0.66 |
| Berne No 132 Nominees Pty Ltd | 1,499,625 | 0.66 |
| | 68,449,653 | 29.96 |

ADDITIONAL INFORMATION (Contd)

(d) The twenty largest optionholders (31.05.2003) hold 64.09% of the total options issued.

| Holder | No. of Options | % |
|------------------------------------|-----------------------|----------|
| Resource Capital Invest Corp | 10,769,230 | 20.59 |
| Plough Lane Superannuation Pty Ltd | 4,250,000 | 8.13 |
| Mr L McKenzie | 2,500,000 | 4.78 |
| Mr A Graf | 1,523,867 | 2.91 |
| Bellcourt Holdings Pty Ltd | 1,500,000 | 2.87 |
| Mr G Deacon | 1,450,000 | 2.77 |
| Mr R Martorella | 1,165,000 | 2.23 |
| Mr A Miller | 1,051,000 | 2.01 |
| Jis Corporation | 1,039,000 | 1.99 |
| J D Trading Pty Limited | 1,036,672 | 1.98 |
| Lusend and Company | 1,020,000 | 1.95 |
| Comsec Nominees Pty Limited | 1,000,000 | 1.91 |
| Dimi Pty Ltd | 1,000,000 | 1.91 |
| Mr M Boyne | 741,000 | 1.42 |
| Mr R Pilley | 600,000 | 1.15 |
| Mr J Hellier & Mrs D Hellier | 595,885 | 1.14 |
| Mr A Harrison | 595,500 | 1.14 |
| Mrs A Borg | 560,000 | 1.07 |
| Miss M Du Toit | 560,000 | 1.07 |
| Aylworth Holdings Pty Ltd | 557,500 | 1.07 |
| | <hr/> | |
| | 33,514,654 | 64.09 |
| | <hr/> | |

ADDITIONAL INFORMATION (Contd)

- (e) The twenty largest optionholders (21.01.2004) hold 71.03% of the total options issued.

| Holder | No. of Options | % |
|-----------------------------|-----------------------|----------|
| Social Investments Pty Ltd | 8,250,000 | 13.10 |
| Mr L Evans | 8,000,000 | 12.70 |
| Dr S-L Chiam | 5,120,301 | 8.13 |
| Kapiri Holdings Pty Ltd | 3,000,000 | 4.76 |
| Mr A Dimmock | 2,544,843 | 4.04 |
| Ms S Proud | 2,398,594 | 3.81 |
| Wakeford Holdings Pty Ltd | 2,256,886 | 3.58 |
| Mandevilla Pty Ltd | 2,071,429 | 3.29 |
| Goffacan Pty Ltd | 2,000,000 | 3.17 |
| Aylworth Holdings Pty Ltd | 1,691,892 | 2.69 |
| Cossack Resources Pty Ltd | 1,321,703 | 2.10 |
| Hermes Capital Pty Ltd | 1,000,000 | 1.59 |
| Redclaw Enterprises Pty Ltd | 1,000,000 | 1.59 |
| Mr A Todarello | 800,000 | 1.27 |
| Mr L Pretorius | 750,000 | 1.19 |
| Grundy Nominees Pty Ltd | 678,572 | 1.08 |
| Shar Holdings Pty Ltd | 539,772 | 0.86 |
| Largess Corporation Pty Ltd | 537,594 | 0.85 |
| Mr R Crabb & Mrs C Crabb | 529,225 | 0.84 |
| Mr M Carter | 500,000 | 0.79 |
| | 44,990,811 | 71.43 |

- (f) Voting rights

For all shares, voting rights are one vote per member on a show of hands and one vote per share in a poll.

ADDITIONAL INFORMATION (Contd)

Pursuant to the Listing Requirements of Australian Stock Exchange Limited as at 24 September 2002.

(g) Mining Tenements held –

URANIUM PROJECTS**WESTERN AUSTRALIA**

| Project | Tenement | Interest % | JV Partner/s | Operator |
|-----------|-----------|------------|--------------|----------|
| Manyingee | 3 ML's | 100% | - | - |
| Oobagooma | 4 EL(A)'s | 100% | - | - |
| Ponton | 1 EL | 100% | - | - |

SOUTH AUSTRALIA

| Project | Tenement | Interest % | JV Partner/s | Operator |
|------------|----------|------------|---|-----------------------------|
| Curnamona | 1 EL | 100% | - | - |
| Siccus | 1 EL | 90% | Signature Resources NL | Paladin |
| Lake Elder | 1 EL | 20% | Heathgate Resources Pty Ltd | Heathgate Resources Pty Ltd |
| Mt Yerila | 1 EL | 15% | Heathgate Resources Pty Ltd J E Risinger | Heathgate Resources Pty Ltd |

NORTHERN TERRITORY

| Project | Tenement | Interest % | JV Partner/s | Operator |
|------------|----------|------------|--------------|----------|
| Napperby | 1 EL | 100% | - | - |
| N E Arunta | 1 EL | 100% | - | - |

MALAWI - AFRICA

| Project | Tenement | Interest % | JV Partner/s | Operator |
|------------|----------|------------|---------------------------|----------|
| Kayelekera | 1 EPL | 90% | Balmain Resources Pty Ltd | Paladin |

NAMIBIA – AFRICA

| Project | Tenement | Interest % | JV Partner/s | Operator |
|-----------------|----------|------------|--------------|----------|
| Langer Heinrich | 1 MDRL | 100% | - | - |

ADDITIONAL INFORMATION (Contd)

(g) Mining Tenements held (Contd)

NON-URANIUM PROJECTS**SOUTH AUSTRALIA**

| Project | Tenement | Interest % | JV Partner/s | Operator |
|-----------------|-----------------|-------------------|---------------------------|-----------------|
| Mt Lofty Ranges | 2 EL's | 100% | Balmain Resources Pty Ltd | Paladin |
| Reaphook Jv | 1 EL | 7.5% | Perilya Limited | Perilya Limited |

NORTHERN TERRITORY

| Project | Tenement | Interest % | JV Partner/s | Operator |
|----------------|-----------------|-------------------|---------------------|---------------------|
| Davenport | 3 EL(A)'s | 30% | Newmont NFM Pty Ltd | Newmont NFM Pty Ltd |

EL Exploration Licence (Australia)
 EPL Exclusive Prospecting Licence (Malawi)
 MDRL Mineral Deposit Retention Licence (Namibia)
 ML Mining Lease (Australia)
 (A) Pending Application

E Exploration Licence (WA)
E(A) Exploration Licence Application (WA)
M Mining Lease (WA)
EL Exploration Licence (SA and NT)
EL(A) Exploration Licence Application (SA and NT)
EPL Exclusive Prospecting Licence (Malawi)