



PALADIN RESOURCES LTD

A.C.N. 061 681 098

GRAND CENTRAL 1ST FLOOR, 26 RAILWAY ROAD
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Ref:69281

3 September 2007

Company Announcements Office
Australian Stock Exchange Limited
20 Bridge Street
Sydney NSW 2000

By Electronic Lodgement

Dear Sir/Madam

2007 Annual Report

Attached please find the 2007 Annual Report including the Management Discussion and Analysis and CEO/CFO certification as required in accordance with Canadian reporting requirements together with the news release covering the results. The printed version is expected to be released early October with the Annual General Meeting scheduled for 21 November 2007.

Yours faithfully
Paladin Resources Ltd

JOHN BORSHOFF
Managing Director



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NEWS RELEASE

For Immediate Distribution

30 JUNE 2007 ANNUAL REPORT

Perth, Western Australia – 3 September 2007: Paladin Resources Ltd (“Paladin” or “the Company”) (TSX:PDN / ASX:PDN) announces the release of its 30 June 2007 Annual Report.

Projects:

- Operations commenced at the Langer Heinrich Uranium Project, Namibia with production of 119,586 pounds of U₃O₈ to 30 June 2007. Expect 2.6Mlb U₃O₈ pa nameplate production starting early calendar 2008
- Shipments of Langer Heinrich uranium concentrate made to conversion facilities with first sale of U₃O₈ made under long term contract
- Completion of Bankable Feasibility Study for the Kayelekera Uranium Project, Malawi with construction commencing as scheduled for the designed 3.3Mlb U₃O₈ pa nameplate production at an estimated cost of US\$185 million
- Focus on exploration and evaluation of Australian projects, in particular the Bigryli Uranium Joint Venture in Northern Territory and the Mount Isa Uranium Joint Venture in Queensland
- Completed acquisitions of Summit Resources Ltd (81.9%) and Valhalla Uranium Ltd (100%) with substantial Australian uranium resources

Corporate:

- Loss after tax for the year ending 30 June 2007 of US\$38 million – consisting of US\$7 million loss for Langer Heinrich as a consequence of extended operational ramp up activities; US\$7 million investment in exploration and evaluation expenditure; US\$13 million finance costs; and US\$11 million in net corporate costs
- Strong balance sheet at 30 June 2007 with net assets of US\$1.3 billion including US\$183 million in cash (US\$159 million invested in US treasury bonds)
- Transition to sources of debt and hybrid financing with completion of a US\$250 million Convertible Bond issue on 15 December 2006 and drawdown of Langer Heinrich Project Finance Facilities
- Third party uranium purchase of 250,000 pounds of U₃O₈ as a strategic holding and to assist meeting some early contracted deliveries of Langer Heinrich production while conversion facility inventories are accumulated
- Expanded corporate capability and personnel numbers to enable future growth

These results may be found shortly with the Company's other documents filed on Sedar (<http://www.sedar.com>) or through the Company's web site (<http://www.paladinresources.com.au>). The documents filed comprise the Annual Report, including the Management Discussion and Analysis, Directors' Report, Financial Report, Independent Audit Report and CEO/CFO certifications.

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PALADIN RESOURCES LTD

ACN 061 681 098

ANNUAL

REPORT

2007

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The annual 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
Grand Central, 1st Floor, 26 Railway Road
SUBIACO WA 6008***

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 are available on our website www.paladinresources.com.au.

CORPORATE DIRECTORY

DIRECTORS

Non-executive Chairman

Mr Rick Crabb

Managing Director

Mr John Borshoff

Non-executive Directors

Mr Sean Llewelyn

Mr Donald Shumka

Mr Ian Noble

COMPANY SECRETARY

Ms Gillian Swaby

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Perth Western Australia 6000

STOCK EXCHANGE LISTINGS

**Australian Stock Exchange and
Toronto Stock Exchange**

Code: PDN

**Munich, Berlin, Stuttgart and
Frankfurt Stock Exchanges**

Code: PUR

CHAIRMAN'S LETTER

Dear Shareholders

The Paladin Board of Directors, management and staff have worked with common purpose and steady resolve over the past 12 months to achieve a number of hefty milestones, any one of which would be enough for the average company.

An enduring strategy held by Paladin, to which I have referred in previous letters, is to establish the Company as a substantial, international uranium supplier. At Paladin, our objective is to create sustainable value for our shareholders, employees, host communities, contractors, suppliers and customers. Importantly, we aim to do this whilst achieving leading industry practice in the areas of safety, business conduct, environmental management and social responsibilities.

The Paladin Board, backed by the unique experience, skills and foresight of our Managing Director John Borshoff, laid the foundation for such strategy many years ago. The past 12 months or so has seen Paladin unleashing its strategy on several fronts – Langer Heinrich, Kayelekera and through merger and acquisition activity.

The transformation of Paladin from uranium explorer to miner took place during the 2006/2007 financial year. Commissioning of the Langer Heinrich uranium plant in Namibia proceeded on schedule and shipment of product commenced. Although the production ramp up has been slower than planned, our experienced team is rectifying process bottlenecks and nameplate production of 2.6 million pounds per annum is expected to be achieved by early 2008.

By successfully proving the production model for Langer Heinrich and with a significant resource base, the foundations are now laid for expansion plans to cement Langer Heinrich as a stable long-term uranium production centre.

Concurrently with the Langer Heinrich start up, the Paladin team and its consultants completed the Bankable Feasibility Study for Kayelekera, negotiated a Development Agreement with the Malawian Government, attained a mining licence and environmental approvals (based on international standards) and commenced development of its Kayelekera mine.

On another front, as the uranium phenomenon gathered momentum around the world, Paladin moved to acquire the Valhalla and Skal deposits and highly prospective surrounding ground at Mt Isa, by the takeover of Valhalla Uranium Limited and Summit Resources Limited. I am confident that the strategic value of these acquisitions will further unfold as the current aggressive exploration program completes and political attitudes to uranium evolve in Queensland.

The Company undertook a US\$250 million convertible note raising in December 2006 to ensure that it has ample funding for its immediate plans.

I have been pleased to see growth in the competent and dedicated staff within the Group. A fortunate legacy of Paladin's early start and uranium heritage is that a core group of experts now drive the passing of essential knowledge and skills to enthusiastic young professionals keen to build a career in this industry.

Paladin's share price experienced another year of excellent growth. Changes in overall market conditions, some fallback in the uranium spot price and perhaps some concerns over the rate of Langer Heinrich ramp up saw a recent retreat in the share price. However my Board has no concerns at all about the fundamental strengths of your Company nor the positive long-term outlook for uranium. As our existing projects continue to bed down and our broader international uranium strategies unfold, I am confident we will see renewed strong growth in your Company's share price.

CHAIRMAN'S LETTER (continued)

On behalf of my Board I extend congratulations and a hearty thank you to all employees and consultants worldwide for their hard work and contribution to this landmark year in our Company's life. Sadly, we will also remember this year for the sudden and tragic death of Garnet Halliday, who through his immense skills and unwavering dedication, contributed so much to our Company's success.

Rick Crabb
Chairman

NUCLEAR POWER - Continued Growth Strongly Confirmed

This year has provided another dramatic upward shift in projected new reactor builds.

The changing reality is reflected in the World Nuclear Association's (WNA) own predictions about nuclear power growth. In 2006 the WNA forecast 180 new nuclear plants as "proposed or planned" worldwide. By 2007 that number has been raised to 288! China, Russia, and India have stated plans to significantly increase their use of nuclear power completely reaffirming their need for additional reactor capacity. In the United States there are plans for more than 20 new reactors now in the early licensing and permitting phase.

A robust industry at work

The importance of nuclear power as a source of clean base load electricity has long been recognised by policy makers worldwide. Nuclear power today accounts for 16% of the world's electricity production, a share that has remained almost constant over the last decade. Commitments made during the 1970's and 1980's have resulted in more than thirty countries now operating 438 nuclear power plants. 140 of these reactors were commissioned at least 25 years ago, highlighting the fact that nuclear power is no longer a new technology. Nuclear power is now entrenched as a significant component of electricity production in Europe, Japan and Korea, Russia, and North America. 32 new nuclear power plants are currently under construction in 14 countries, which will raise world nuclear electricity production capacity to 396.3 GWe.

The scale of the recommitment to nuclear power is still not yet widely understood. The International Energy Agency (IEA) notes that nuclear power capacity will grow to around 416 GWe by 2030 under its Reference Scenario, but "more favourable nuclear policies" would see capacity grow to 519 GWe in 2030 as the world energy mix changes. The European Commission's *World Energy Technology Outlook -2050* predicts "massive" use of new technologies, including Generation 4 nuclear plants, with a rapid increase in nuclear occurring from 2020. These views could well be conservative.

Changing attitudes

Ambivalent public attitudes towards nuclear power have been an impediment to the expansion of nuclear programs in some countries. The causes of public anxiety about nuclear power have been widely analysed and the nuclear industry has consistently advocated the merits of nuclear power to a largely unconvinced audience.

It is now clear that attitudes towards nuclear power are undergoing a fundamental re-appraisal worldwide. The catalyst for this is the growing concern about climate change, which is forcing people to start thinking again about energy production and use, and the challenges created by rapid economic growth in populous developing countries.

The big picture begins with energy consumption. The IEA predicts that world energy consumption by 2030 will be two thirds more than today on a business-as-usual forecast. Comparatively low energy consumption growth in the "mature" economies is swamped by the enormous growth rates in China and India. Prices for all energy fuels have been rising in real terms, and there is now significant conjecture about whether world oil production is about to "peak".

Organisations which have been historically negative, or indifferent, towards nuclear power have been revising their policies. Some countries with nuclear "phase out" legislation are reconsidering the wisdom of shutting good nuclear facilities when there are no easy alternatives for replacement power. Some environmental groups have abandoned their past antagonism to nuclear power as they recognise the incontrovertible fact that a nuclear power plant emits very little greenhouse gas while producing large amounts of electricity. Higher prices for oil, gas, and coal have brought the comparative cost of nuclear electricity back into contention.

NUCLEAR POWER - Continued Growth Strongly Confirmed (continued)

Impact of climate change

The problems of meeting increasing energy demand are further complicated by the implications of climate change and rising global greenhouse gas emissions. The Intergovernmental Panel on Climate Change (IPCC) has issued its Fourth Assessment Report which renewed warnings about the impact of man-made greenhouse gas emissions causing higher temperatures and rising sea levels.

Many countries are now grappling with the twin problems of sustaining economic growth with adequate energy supplies while also developing credible greenhouse gas abatement measures.

Nuclear power is one technology that is available now which can play an important role in the technological response to climate change. Nuclear power in use today avoids the production of about 2 billion tonnes of carbon dioxide each year. In the United States it is estimated that nuclear electricity avoids the emission of more than 700 million tonnes of carbon dioxide, more than 3 million tonnes of sulphur dioxide, and over 1 million tonnes of nitrogen dioxide.

A bright outlook

Paladin's long held belief that the world has to move back firmly in favour of nuclear power because of its inherent benefits and its good track record over the past fifty years is being vindicated.

New reactor construction will inevitably speed up as worldwide engineering capacity is reinvigorated and government policies become more supportive. Some countries which currently do not have nuclear power stations are evaluating proposals for new plants. Reactor vendors are working on new designs for future reactors which will offer enhanced safety and proliferation-resistant technology. The United States and Russia are developing plans to provide reactor technology and fuel services to countries which do not have their own nuclear facilities in order to provide security of energy supply without any increased nuclear proliferation risk.

It is Paladin's contention that as the enormity of the twin challenges of securing energy supply while simultaneously exercising greenhouse gas emissions restraint becomes apparent the world will move even more rapidly towards nuclear electricity. Nuclear plants will also play a significant role in the proposed hydrogen cycle, and will also be more commonly combined with other energy-intensive projects such as desalination.

MANAGEMENT DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis (MD&A) for Paladin Resources Ltd (Paladin) should be read in conjunction with the Directors' Report and the audited Financial Report for the year ended 30 June 2007. The effective date of this report is 3 September 2007.

The financial information presented in this MD&A has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other mandatory professional reporting requirements and the Corporations Act 2001.

In addition to these Australian requirements further information has been included in the Consolidated Financial Statements for the year ended 30 June 2007 in order to comply with applicable Canadian securities law, as the Company is listed on the Toronto Stock Exchange.

Additional information relating to the Company, including public announcements, is available at www.paladinresources.com.au.

FORWARD LOOKING STATEMENTS

Some of the statements contained in this MD&A, including those relating to strategies and other statements, are predictive in nature, and depend upon or refer to future events or conditions, or include words such as "expects", "intends", "plans", "anticipates", "believes", "estimates" or similar expressions that are forward looking statements. Forward looking statements include, without limitation, the information concerning possible or assumed further results of operations as set forth herein. These statements are not historical facts but instead represent only expectations, estimates and projections regarding future events and are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations generally.

The forward looking statements contained in this MD&A are not guarantees of future performance and involve certain risks and uncertainties that are difficult to predict. The future results of the Company may differ materially from those expressed in the forward looking statements contained in this MD&A due to, among other factors, the risks and uncertainties inherent in the business of the Company. The Company does not undertake any obligation to update or release any revisions to these forward looking statements to reflect events or circumstances after the date of this MD&A or to reflect the occurrence of unanticipated events.

PALADIN STATUS

"ACHIEVING ACROSS THE SPECTRUM WITH A CLEAR AND ENDURING COMMITMENT TO BECOME A MAJOR GLOBAL URANIUM SUPPLIER"

- **Operating mine at Langer Heinrich, Namibia**
 - ramping up to 2.6Mlb U₃O₈ per annum
 - design Stage II expansion to 3.7Mlb U₃O₈ per annum 2007/2008
- **Constructing another mine at Kayelekera, Malawi**
 - design at 3.3Mlb U₃O₈ per annum
 - commissioning quarter ending December 2008
- **M&A successes introduce future potential developments**
 - Valhalla/Skal Deposits Mt Isa Region (QLD)
 - Bigrlyi Deposit Ngalia Basin (NT)
- **Continuing evaluation of further M&A opportunities on defined strategic expansion path**
- **Aggressive exploration programmes at Langer Heinrich, Kayelekera, Mt Isa and Bigrlyi regions expected to expand resource base significantly**
- **Establishing an integrated uranium trading entity designed to take advantage of fundamental uranium market changes**
- **Cash position US\$182.8M and a strong balance sheet**

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

OVERVIEW

The Company operates in the minerals resources industry with a principal business focus on development and operation of uranium projects in Africa and Australia, as well as evaluation and acquisition opportunities throughout the world. The Company is incorporated under the laws of Western Australia with a primary share market listing on the Australian Stock Exchange and additional listings on the Toronto Stock Exchange in Canada; and Munich, Berlin, Stuttgart and Frankfurt Stock Exchanges in Europe.

2007 has been a momentous year for Paladin. The year signified the achievement of numerous milestones, each one significant in its own right.

Most notable has been the Langer Heinrich Uranium Mine in Namibia coming into operation and achieving first production. Construction of the US\$95M mining and processing facility was completed in 2006 and, although production ramp up has been extended, the project fundamentals are in place to develop a viable long-term uranium production centre for Paladin.

In Malawi, after successful completion of a Bankable Feasibility Study (BFS) and a comprehensive Environmental Impact Assessment (EIA), Paladin received Government approval for the Kayelekera Uranium Project and has, as scheduled, commenced construction in May 2007 at an estimated cost of US\$185M.

In parallel with these activities Paladin secured control of the 3rd largest uranium province in Australia through the acquisition of Valhalla Uranium Limited (VUL) and by achieving an 82% interest in and effective control of Summit Resources Limited (SMM).

Finally, the successful and timely fundraising of US\$250M through a Convertible Bond issue in November 2006 has enabled the Company to move forward in a well funded manner.

Paladin remains confident of the positive outlook for the nuclear industry. Its strategy to establish progressive development of uranium mines and, via M&A activity, achieve a global footprint to give added depth to its project pipeline is essential both to meet growing demand for uranium and for Paladin to become a major player in the uranium supply industry.

SAFETY

The construction of Langer Heinrich was completed with only one lost time injury over a period of 1.35 million worked hours. This considerable achievement reflects the dedication and attention of management and staff.

Since operations commenced in January 2007 there have been two lost time injuries at Langer Heinrich and at the end of June the Lost Time Injury Frequency Rate (LTIFR)¹ was 7.0. The severity rate (days lost per million hours worked) was 8.6. Both of the injuries were minor and the workers were able to return to work quickly and without impairment. The Company continues to focus on the training of its workforce and the elimination, as far as possible, of hazards in the workplace.

¹ LTIFR calculated by dividing the number of injuries by the number of hours worked in the year and multiplying by one million.

OPERATIONS – LANGER HEINRICH URANIUM MINE, NAMIBIA.

Langer Heinrich was officially opened by His Excellency, President Hifikepunye Pohamba of the Republic of Namibia at a formal opening ceremony at the mine on 15 March 2007.

Langer Heinrich produced 119,586lb of uranium oxide (on a contained U₃O₈ basis) to 30 June 2007 which was below the Company's initial expectations due to several issues primarily revolving around deteriorating leach tank liners and consequent damage to the heat exchangers which slowed the ramp up schedule by 3 to 4 months. The heat exchanger problems were resolved in June 2007. A comprehensive plan is in place to increase operating efficiencies, now that plant throughput can be maintained and also to resolve production bottlenecks that have emerged. Nameplate production rate of 2.6Mlb U₃O₈ per annum is anticipated to be achieved by January 2008.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Shipments of Langer Heinrich uranium concentrates have been made to conversion facilities in the USA and Canada, and the first sale of uranium was made under a long-term contract in June 2007. Sales of concentrates (which means transfer of title) are made by book transfer at a conversion facility which is usually several months after physical despatch of concentrates from the mine to allow time for analysis and quality acceptance by the converter. Cash receipts are received within 30 days of each sale.

The Company purchased 250,000lb of uranium (U_3O_8) as a strategic holding and to assist meeting some early contracted deliveries of Langer Heinrich production while the process of inventory-building at each conversion facility takes place. This amount of material is expected to be replaced as inventory by June 2008 from Langer Heinrich production.

Resource drilling program at Langer Heinrich during the year resulted in an increase of 12% in measured and indicated resources and 6% in inferred resources within the Mining Lease. Areas within the Mining Lease still remain open which hold the potential to prove additional uranium resources.

A further 6km of fertile prospective palaeodrainage also remains to be tested on the Company's exploration tenement situated immediately west of the Mining Lease.

DEVELOPMENT – KAYELEKERA URANIUM PROJECT, MALAWI

The BFS was completed in late 2006 and the Company approved the development of the mine and processing plant at Kayelekera in northern Malawi. A comprehensive EIA was undertaken as part of the BFS and submitted to the Malawi statutory authorities for review and approval. In February 2007 the Company, through its subsidiary Paladin (Africa) Limited, and the Government of Malawi executed a Development Agreement covering the Kayelekera Uranium Project which provides fiscal stability for the Project and also obliges the Company to undertake specified community development and infrastructure investment during the life of the Project. Environmental approval was received and a mining licence granted in April 2007.

Capital expenditure for the Project will be approximately US\$185M. On currently stated resources and reserves the project has an 11 year operating life and is designed to produce 3.3Mlb uranium (U_3O_8) per annum for the first 7 years and 1.2Mlb for the remaining period, treating the low grade stockpiles. Paladin will carry out extensive exploration on defined targets in surrounding tenements and is confident additional resources will be discovered to extend the operating life of Kayelekera. The plant will have a 1,500,000tpa throughput. The processing circuit as planned at May 2007 utilises an acid leach/SX flowsheet.

Construction of mine access roads and establishment of construction infrastructure have started and preparations for the erection of the main construction camp, which has been relocated from Langer Heinrich, are well advanced.

A group of Civil Society Organisations (CSO) commenced legal action against Paladin (Africa) Limited and the Government of Malawi challenging certain aspects of the Project approvals. Paladin (Africa) Limited and the Government of Malawi are vigorously defending the proceedings and remain confident that the outcome will be favourable.

ACQUISITIONS – VALHALLA URANIUM LIMITED (VUL) AND SUMMIT RESOURCES LIMITED (SMM)

In July 2006 the Company made a takeover offer for all the shares of VUL which was subsequently declared unconditional on 7 September 2006. The Company obtained acceptances pursuant to the takeover offer for 94.27% of VUL shares and compulsory acquisition of the remaining shareholdings was completed on 27 October 2006.

On 27 February 2007 the Company made a takeover offer for SMM which subsequently became unconditional on 19 March 2007. The Company's initial offer of 1 fully paid ordinary Paladin share for every 2.04 fully paid ordinary SMM shares was raised on 12 April 2007 to 1 Paladin share for every 1.67 SMM shares. The SMM directors unanimously recommended acceptance of the Paladin offer which closed on 1 June 2007 with Paladin holding 81.9% of SMM's issued capital.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

The Mt Isa region represents the 3rd largest uranium province in Australia. The major part of the uranium resources in this region was essentially held by two companies - SMM and VUL (which shared some core assets through joint venture with SMM). Paladin has always regarded the takeover of both of these companies as one strategic play. The outlay by Paladin amounted to US\$153M for VUL and US\$818M for SMM which, when averaged, resulted in a relatively modest overall cost to the Company for such strategic uranium assets.

Directors and Management of Paladin firmly consider the price paid for SMM was justified on the basis of the longer term prospects of the province and the fact that the SMM acquisition only constituted part of the overall acquisition strategy.

Paladin expects that the Mt Isa region will become a cornerstone of its global uranium production objective.

EXPLORATION AND EVALUATION

The Company authorised expenditure on a comprehensive exploration and evaluation program on tenements acquired through the acquisitions of VUL and SMM, primarily in the Mt Isa region of Queensland. An aggressive resource delineation programme involving 50,000m of drilling in the next 12 months is underway to establish an 80Mlb to 100Mlb U₃O₈ resource base.

Exploration and evaluation work also continued at the Bigrlyi Uranium Project in the Northern Territory and, utilising a 0.05% U₃O₈ cut off, this resulted in an increase in indicated resources by 26% to 7Mlb U₃O₈ and inferred resources of 7Mlb U₃O₈. These resources have insignificant vanadium association.

CORPORATE

The Company issued US\$250M in convertible bonds on 15 December 2006 with an underlying coupon rate of 4.5%, maturing on 15 December 2011 and with a conversion price of US\$7.685 for Company shares. Proceeds are being used to further advance the Kayelekera Uranium Project, establish a uranium marketing subsidiary, fund opportunities as they arise for acquisitions and corporate growth, and for general corporate purposes.

AUSTRALIA'S URANIUM POLITICS

Australia's policies on uranium mining and the nuclear industry have undergone significant change during the year. The Federal Government has supported the conclusions of the Uranium Mining, Processing and Nuclear Energy Review Taskforce which endorsed nuclear power as a viable strategy for Australia to combat rising greenhouse gas emissions over the next decades. The review foreshadowed the building of up to 25 nuclear plants in Australia by 2050.

The Australian Labor Party (ALP), currently in opposition federally, abandoned its long-held policy of prohibiting the development of new uranium mines at its National Conference in April. The ALP's decision means that the approval or prohibition of uranium mining will now be a matter for each state under a federal Labor government. South Australia and the Northern Territory are currently receptive to new uranium projects. The states of Queensland and Western Australia are opposed to uranium mining. Paladin believes that both states will reassess their bans as they become more aware of the environmental, economic and strategic significance of their uranium resources.

CURRENT MARKET VOLATILITY AND LONG-TERM URANIUM OUTLOOK

In early July, 2007, the uranium spot market price indicators showed a decline for the first time in more than four years. The spot market price had risen from US\$10.90/lb U₃O₈ (June 2003), reaching more than US\$135.00/lb U₃O₈ in June 2007. Reasons for that persistent price trend included demand as well as uranium supply factors.

The spot market for uranium (near-term delivery of up to 12 months) represents a small proportion of annual uranium transactions, usually no more than 10%-15% of the aggregate market but, at times, has risen to as much as 20% of the overall market activity. The balance of uranium deliveries takes place under long-term (multi-year) sales agreements between uranium suppliers and nuclear utilities.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

The period from mid-2003 until mid-2007 reflected a change in uranium market structure as near-term uranium requirements exerted increasing pressure on available near-term supplies. Key components of uranium demand includes nuclear utilities which needed relatively small quantities of uranium to complete load batches, spot market purchasing by a number of primary uranium producers forced to purchase uranium to cover delivery commitments under long-term sales agreements, as well as inventory accumulation by uranium investment funds, both public and private.

The uranium spot market price began to decline in mid-2007 for a variety of reasons. First of all, on the demand side, nuclear utilities had covered their near-term needs and opted not to purchase any additional material which was not immediately required as approved annual budgets fell short due to the rapidly rising uranium spot price. Primary producers also had reportedly satisfied their short-term needs while some of the privately-held uranium investment funds took the decision to sell some of their inventoried uranium. All of these factors resulted in a slow-down in spot market activity.

Furthermore, the U.S. Department of Energy opted to enter the uranium spot market to sell a small portion of its uranium inventory (equivalent to 520,000lb U₃O₈) and that uranium auction led to a withdrawal from the market of potential demand waiting until that tranche of uranium cleared.

Historically, the Northern Hemisphere summer months have been characterized by relatively low spot market activity, due to holiday/vacation periods. Spot market demand has tended to increase beginning with the fourth calendar quarter of each year. However, over the past few years, that traditional seasonality trend in uranium demand was masked by escalating demand pressures.

Although price volatility is being experienced with the recent downturn this is expected to be a short lived phenomenon as it has little to do with the macro uranium market outlook which remains very strong. Uranium supply is expected to lag demand as the reactor construction programmes begin in earnest and the number of projected new reactor builds continues to increase in the major economies of US, China, Russia and India.

MANAGEMENT TEAM DEVELOPMENT

Paladin recognises that continued growth and development not only hinges on project opportunities but also on the quality and skills of its management team and staff. Uranium presents specific difficulties in this respect as the industry seriously lacks "across the board" expertise due to the downturn this sector has suffered over the past 20 years.

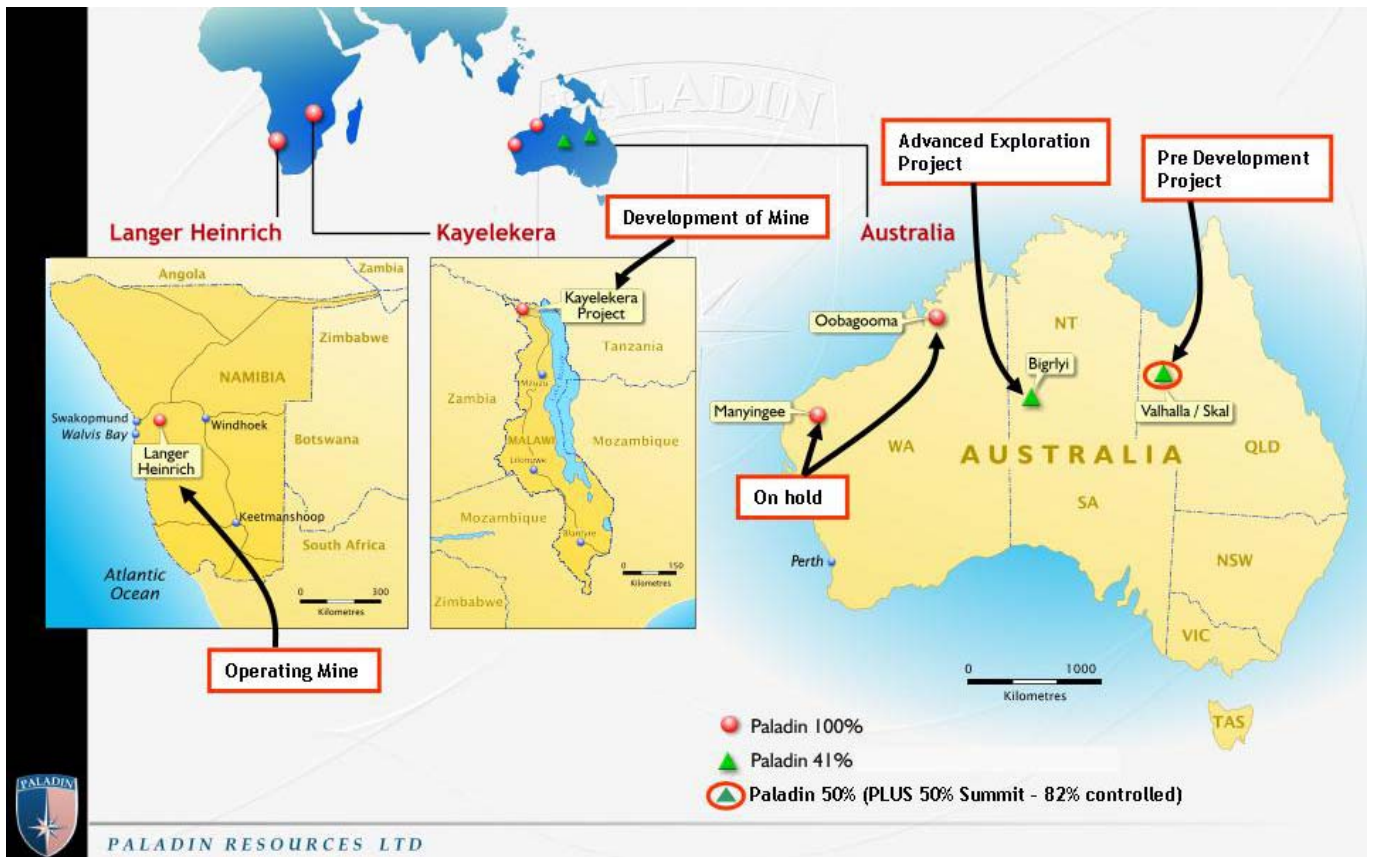
Paladin has an executive team with substantial uranium and resource industry experience operating over a wide spectrum of activities covering production, operations development and construction, technical (geology, engineering, metallurgical, environmental and radiological), marketing, corporate and finance - all in a global context. As the Company grows it will be necessary to expand this team and Paladin, as the premier emerging uranium company, is in the fortunate position of being an attractive employer as there are few companies of scale able to offer such an exciting basis for career development in this growing industry.

M&A ACTIVITIES

Paladin continues to evaluate uranium opportunities as part of its stated strategic objective to achieve an appropriate global production footprint. The Company is considering both specific advanced project opportunities and corporate acquisitions where good assets with clear production potential are identified that show value accretion potential.

MANAGEMENT DISCUSSION AND ANALYSIS REVIEW OF OPERATIONS

Paladin's total mineral resource inventory includes 60,900t U₃O₈ (134.3Mlbs of U₃O₈) at 0.076% U₃O₈ in the Indicated and Measured categories, a 45% increase from that reported in the previous year. Paladin also holds 39,700t of U₃O₈ (88Mlb of U₃O₈) at 0.06% U₃O₈ in the Inferred Resource category a 39% increase from that reported for the previous year. A summary of the status of each of the advanced projects is detailed in the following table.



MANAGEMENT DISCUSSION AND ANALYSIS REVIEW OF OPERATIONS (continued)

The summary of status for each of the advanced projects is detailed in the following table:-

CRITERIA	LANGER HEINRICH PROJECT*	KAYELEKERA PROJECT*	MANYINGEE PROJECT**	OOBAGOOM A PROJECT	VALHALLA DEPOSIT*	SKAL PROJECT	BIGRLYI DEPOSIT*
Paladin equity	100%	85%	100%	100%	90.9%	90.9%	41.7%
Location	Namibia, Southern Africa	Malawi, Southern Africa	West Pilbara, West Australia	West Kimberley, West Australia	Queensland, Australia	Queensland, Australia	Northern Territory, Australia
Deposit Type	Calcrete	Sandstone	Sandstone	Sandstone	Metasomatic	Metasomatic	Sandstone
Measured & Indicated Resources	37.1Mt @ 0.06% U ₃ O ₈ (22,500t U ₃ O ₈) 49.7Mlbs	15.3Mt @ 0.09% U ₃ O ₈ (13,630t U ₃ O ₈) 30.0Mlbs	7.9Mt @ 0.1% U ₃ O ₈ (8,080t U ₃ O ₈) 17.8Mlbs	-----	21.3Mt @ 0.08% U ₃ O ₈ (16,900t U ₃ O ₈) 37.2Mlbs	-----	1.94Mt @ 0.17% U ₃ O ₈ (3,250t U ₃ O ₈) 7.2Mlbs
Inferred Resource	43Mt @ 0.06% U ₃ O ₈ (25,308t U ₃ O ₈) 55.9Mlbs	3.4Mt @ 0.06% U ₃ O ₈ (2,040t U ₃ O ₈) 4.5Mlbs	4.2Mt @ 0.07% U ₃ O ₈ (2,810t U ₃ O ₈) 6.2Mlbs	-----	12Mt @ 0.075% U ₃ O ₈ (9,000t U ₃ O ₈) 19.8Mlbs	-----	2.59Mt @ 0.13% U ₃ O ₈ (3,260t U ₃ O ₈) 7.2Mlbs
Historic Resources (non-JORC compliant)	-----	-----	-----	8.3Mt @ 0.12%-0.14% U ₃ O ₈ (9,950t U ₃ O ₈) 21.9Mlbs	-----	4.2Mt @ 0.1%-0.13% U ₃ O ₈ (5,000t U ₃ O ₈) 11.0Mlbs	-----
Mining Method	Conventional open pit	Conventional open pit	In-Situ Leach	In-Situ Leach	Open pit / Underground	Open pit / Underground	Open pit / Underground
Previous Owners	Gencor Limited (South African Mining Company) and Acclaim	Central Electricity Generating Board (UK utility)	Cogema (French utility)	Cogema (French utility)	Queensland Mines Ltd	Queensland Mines Ltd	AGIP Australia Pty Ltd
Activity Periods	1973 - 1980, 1999 to present	1982 - 1990, 1998 to present	1979 - 1988 Acquired 1998	1982 - 1985 Acquired 1998	1968-1972, 1997 to present	1970-1980, 2005 to present	1974-1983, 2005 to present
Project Status	Production ramp up to 2.6Mlb U ₃ O ₈ pa.	Development commenced	On hold. Feasibility Study in readiness.	On hold. Resource definition drilling required.	Resource definition drilling in progress.	Resource definition drilling in progress.	Resource definition drilling in progress.
Project Significance	Globally first new uranium mine and mill in a decade.	Significant contributor to Malawi economy 3.3Mlbs U ₃ O ₈ pa production	One of only three Australian advanced ISL projects.	Large resource potential.	Large uranium resource.	Large uranium resource.	High uranium grades. Vanadium credits.
Timeframe	Production commenced in 2007. 27 year project life.	Production to commence in late 2008. 11 year project life.	3 year staged feasibility study required.	2 year reserve / resource drilling required.	Development dependent on Government U Policy changes.	Development dependent on Government U Policy changes.	Prefeasibility Study if sufficient resources.

Resources are quoted inclusive of any reserves that may be applicable.

Resources detailed above in all cases represent 100% of the resource – not the participant's share.

**JORC(2004) & NI 43-101 Compliant.*

***JORC(1999) Compliant. For Valhalla and Skal, Paladin's interest is based on 50% deriving from the Mt. Isa Joint Venture and 40.9% via Paladin's 81.9% ownership of Summit Resources.*

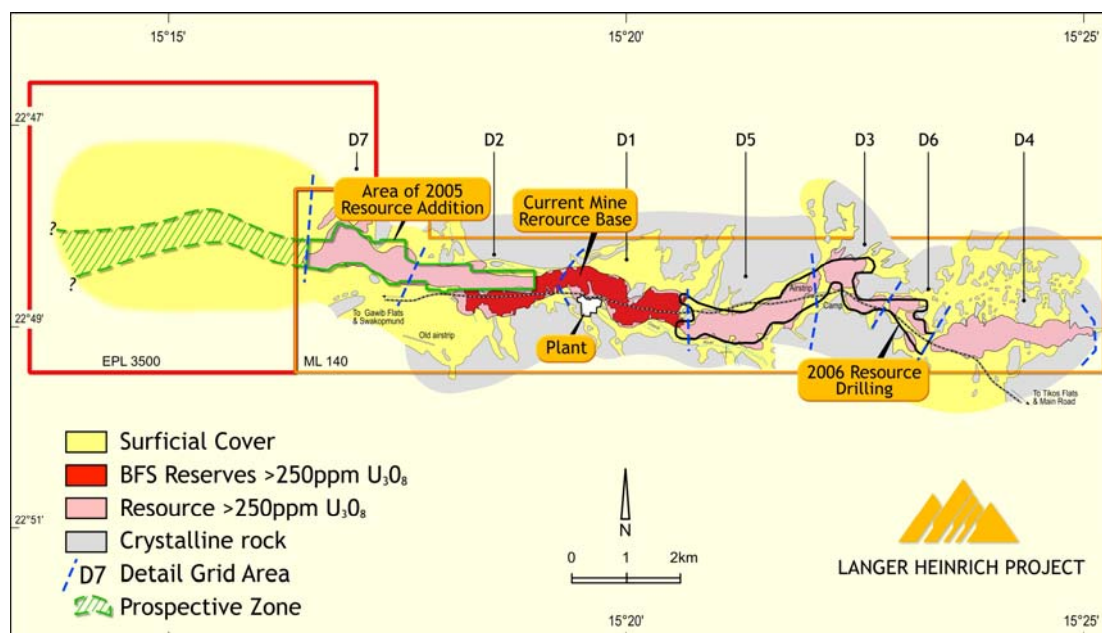
MANAGEMENT DISCUSSION AND ANALYSIS REVIEW OF OPERATIONS (continued)

NAMIBIA

LANGER HEINRICH URANIUM PROJECT

The Langer Heinrich Uranium Mine in Namibia is owned 100% by Paladin through its wholly owned Namibia subsidiary, Langer Heinrich Uranium (Pty) Ltd. Paladin purchased the Langer Heinrich Project in August 2002.

Langer Heinrich is a surficial, calcrete type uranium deposit containing a Mineral Resource of 47,930t U_3O_8 at a grade of 0.06% U_3O_8 (250ppm cut off) in seven mineralised zones designated Detail 1 to 7, within a 15 km length of a contiguous paleodrainage system. The deposit is located in the Namib Desert, 80km from the major seaport of Walvis Bay. The attached figure shows the location of the uranium mineralisation along the length of the Langer Heinrich valley and its potential in the Exploration Licence at the western end of the mining lease.



Construction of the mine started in September 2005 and staged commissioning of the plant commenced in late 2006. Langer Heinrich was officially opened by His Excellency, President Hifikepunye Pohamba, of the Republic of Namibia, on the 15th March 2007 in a ceremony attended by over 200 guests.

In 2006 Paladin carried out a 6,400m RC drilling program to further define the project resources in Details 3, 4, 5 and 6. Mineral resource specialists Hellman & Schofield (H&S) have completed and independently verified a revised mineral resource estimate for Langer Heinrich conforming to both JORC (2004) Code and NI 43-101 guidelines.

The Mineral Resource estimate is shown in Table 1

JORC CATEGORY	CUT OFF % U_3O_8	RESOURCE Mt	GRADE % U_3O_8	U_3O_8 kt
Measured	0.025	22.7	0.060	14.6
Indicated	0.025	14.5	0.060	7.9
Total		37.2	0.060	22.6
Inferred	0.025	43.4	0.060	25.4

Table 1: Langer Heinrich Mineral Resource Statement

MANAGEMENT DISCUSSION AND ANALYSIS REVIEW OF OPERATIONS (continued)

A further resource definition drilling campaign comprising over 10,000m of RC drilling has commenced, with the aim of defining all the mineralisation within the Langer Heinrich Mining Lease. At the same time a resource infill drilling program will upgrade those Inferred Resources in the western portion of Detail 1 and the majority of Detail 2. The intention of the infill drilling is to more than replace those resources depleted by mining during the next two years. An additional 3,500m of drilling is planned for exploration of the recently granted Exploration Licence, EPL3500, to the immediate west of the current Langer Heinrich Mining Lease.

The Ore Reserves shown in Table 2 are based on a US\$30/lb U₃O₈ price and a cut off grade of 250ppm U₃O₈ and are included in the Measured and Indicated Resources shown in Table 1.

JORC CATEGORY	TONNES Mt	GRADE %U ₃ O ₈	U ₃ O ₈ kt
Proved	16.7	0.069	11.6
Probable	8.6	0.067	5.5
Total	25.4	0.068	17.0

Table 2: Langer Heinrich Ore Reserves Statement

The mining operation is designed to produce 1,180tpa (2.6Mlb) of uranium oxide concentrate (U₃O₈) from 1.5Mtpa of calcrete and associated ores by beneficiation, alkaline leaching, counter current decantation, ion exchange, precipitation and drying to produce saleable product.

The 800 strong construction workforce deployed at Langer Heinrich recorded over 1.35 million work hours with only one lost time injury (LTI) during the construction of the project, a credit to both the management team and the largely Namibian work force. The camp used to house the construction workforce has now been disassembled and shipped to Malawi where it will be used in the construction of the Kayelekera process plant. The site currently has 137 employees, all except 6 of these being Namibian nationals.

Staged commissioning of the plant commenced in late 2006 and progressed through scrubber and attrition, leach, counter current decantation, ion exchange, precipitation and packaging. The processing plant continues to ramp up to full capacity at the same time as optimisation of recoveries in the various sections of the plant and improving overall efficiencies. The crushing and scrubbing area of the plant has now been proven to be capable of consistent delivery of 100% of its design capacity; feed tonnage is varied dependant on the characteristics of the ore being processed.

The leaching area of the plant has been the most evident area of difficulty in achieving design capacities and the area of biggest success. Recent installation of screens ahead of the ten spiral heat exchangers and implementing on-site maintenance facilities for the exchangers has resulted in a major improvement to this section of the plant. The consistent delivery of 90t/hr solids at design slurry temperatures to the leach circuit is now achievable. Mineral extraction in leaching was expected to be a challenge and this continues to be an area of focus.

The elution of resins in the ion exchange process is providing higher than design concentrate liquors with 10g/l product easily achievable versus design levels of 7.8g/l. Clarity of liquor from CCD in conjunction with improved backwash capabilities has been valuable in achieving design throughputs. The precipitation circuits have been successfully run at or near design capacities including the conversion of sodium diuranate to UO₄. The dryer circuit is a current focus of attention and has taken longer than expected to optimise, however, this has not hampered production levels.

The site currently has a number of programs in place to improve operational efficiencies and to continue to de-bottleneck the processing plant. Mining systems are being put in place to optimise the delivery of ore to the plant with the aim of achieving design and better production of uranium oxide concentrate.

MANAGEMENT DISCUSSION AND ANALYSIS REVIEW OF OPERATIONS (continued)

MALAWI

KAYELEKERA URANIUM PROJECT

Kayelekera is located in northern Malawi, 40km west of the provincial town of Karonga and 12 km south of the main road that connects Karonga with the township of Chitipa to the west.

Kayelekera is a sandstone hosted uranium deposit associated with the Permian Karoo sediments and is hosted by the Kayelekera member of the North Rukuru sediments of the Karoo. The mineralisation is associated with 7 variably oxidised, coarse grained arkoses, separated by shales and chocolate coloured mudstones. Uranium mineralisation occurs as lenses within these arkose units the lowest of which is at a depth of approximately 130m.



MANAGEMENT DISCUSSION AND ANALYSIS REVIEW OF OPERATIONS (continued)

The Kayelekera Uranium Project is currently owned 100% by Paladin through its wholly owned subsidiary Paladin (Africa) Ltd (PAL). Paladin will transfer a 15% shareholding in PAL to the Government of Malawi under the terms of the Development Agreement signed between PAL and the Government in February 2007.

Several important milestones were achieved during the year which enabled Paladin to start construction of Kayelekera in May 2007.

- A comprehensive Development Agreement was concluded with the Government of Malawi and executed in February 2007.
- The EIA was completed, submitted, and approved by the Government of Malawi.
- The BFS was completed and Project approval given by the Paladin Board.
- The Mining Licence covering the Kayelekera Uranium Project was granted in April 2007 for an initial period of fifteen years (renewable for additional ten year periods).

The Development Agreement provides a stable fiscal regime for the Project for at least ten years from the start of production and will provide a high degree of certainty on a number of matters. Key terms of the Development Agreement are:

- A 15% shareholding in PAL is to be transferred to the Government of Malawi.
- The corporate tax rate applicable to PAL will be reduced from 30% to an effective 27.5%.
- The resource rent tax will be reduced to zero.
- The mineral royalty rate will be reduced from 5% to 1.5% for the first three years of operations, and then set at 3% for the rest of the Project output.
- The 17.5% VAT, and import duties, will not be imposed.
- An immediate 100% capital write-off for tax purposes is permitted.
- PAL has committed to social infrastructure investment in the Kayelekera region, including education and health facilities for the local community, to be funded from the third year of production at the Project.
- A fiscal stability period of ten years during which there will be no increase in taxes or royalties and a commitment to pass on the benefit to PAL of any reductions in taxes or royalties (should they occur).

A comprehensive EIA was undertaken and the EIA document was submitted to the Government of Malawi for stakeholder review in October 2006. The Government's EIA review process included reviews and comments by government agencies, the general public, international experts, Non-Government Organisations, and the International Atomic Energy Agency in Vienna. Following consideration of and in response to the comments a Final EIA was prepared and submitted to the Government in February 2007. The project was then approved and a certificate of project approval was issued to PAL in March 2007 containing conditions covering reporting, environmental management, monitoring, training, and compliance with the terms of the Development Agreement.

The BFS for the Kayelekera Uranium Project was completed in February 2007. Highlights of the BFS are:

- The Kayelekera Uranium Project is financially and technically viable with a planned 11 year operating life.
- Annual production will be 3.3Mlbs U₃O₈ for the first 7 years of the Project (instead of the 2.3Mlbs U₃O₈ originally planned).
- Capital expenditure of US\$185M.

MANAGEMENT DISCUSSION AND ANALYSIS REVIEW OF OPERATIONS (continued)

The BFS document covers all aspects of the Project including resources/reserves, mining, production, tailings disposal and uranium marketing. The BFS is supported by comprehensive environmental studies and management plans. The Project is designed to give an annual production of 3.3Mlbs U₃O₈ from the processing of 1.5Mtpa of sandstone and associated ores by grinding, acid leaching, counter-current decantation, solvent extraction, precipitation and drying to produce saleable product.

The process plant design including infrastructure and utilities has been developed with capital and operating estimates to 15% accuracy and also addresses mining, processing, general administration costs and environmental implications.

Mineral Resources and Reserves

The JORC (2004) and NI 43-101 Code compliant Mineral Resource base (comprising both arkose and mudstone components) used for the BFS pit optimisation work is summarised in Table 3:-

JORC CATEGORY	CUT OFF %U ₃ O ₈	RESOURCE Mt	GRADE %U ₃ O ₈	U ₃ O ₈ kt
Measured	0.03	2.2	0.12	2.7
Indicated	0.03	13.1	0.083	10.9
Total		15.3	0.088	13.6
Inferred	0.03	3.4	0.060	2.0
Measured	0.06	1.6	0.16	2.5
Indicated	0.06	7.0	0.12	8.2
Total		8.6	0.13	10.7
Inferred	0.06	1.2	0.09	1.1

Table 3: Mineral Resources inclusive of Ore Reserves

The BFS results utilising the Measured and Indicated resources stated above (using a blend of 83% arkose and 17% mudstone) and estimated using a uranium price of US\$30/lb U₃O₈ for pit optimisation purposes resulted in Ore Reserves as shown in Table 4.

Type	Proved			Probable			Total		
	Tonnes Mt	Grade %U ₃ O ₈	Metal kt	Tonnes Mt	Grade %U ₃ O ₈	Metal kt	Tonnes Mt	Grade %U ₃ O ₈	Metal kt
Arkose	1.60	0.14	2.27	7.80	0.098	7.6	9.40	0.11	9.9
Mudstone	0.18	0.15	0.28	0.91	0.13	1.2	1.10	0.14	1.5
Total	1.78	0.14	2.54	8.70	0.10	8.8	10.50	0.11	11.4

Table 4: Ore Reserves, arkose cut-off 400ppm, mudstone cut-off 600ppm

Additional marginal material within the pit design not included in the Ore Reserves but expected to be processed at end of mine life (i.e. years 8 to 11) is shown in Table 5. This consists of arkose above 200ppm, mudstone above 400ppm and Inferred Resources contained within the pit design.

Type	Tonnes Mt	Grade % U ₃ O ₈	Metal kt
Arkose	5.7	0.03	2.0
Mudstone	0.7	0.08	0.5
Total	6.4	0.04	2.5

Table 5: Marginal mineralised material contained within the pit design (Non-JORC)

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS (continued)

BFS Results

The Ore Reserves, generated from the Measured and Indicated Resources, occur within a single open pit. The BFS indicated a scheduled mine life of 7 years using the ore reserve base of 10.5Mt at an average grade of 0.11% U₃O₈ and a process plant life of 11 years (including treatment of the marginal material shown in Table 3). Based on the mill throughput of 1.5Mtpa of ore and a 90% recovery an average 1,500tpa (3.3Mlb) U₃O₈ will be produced for the first 7 years from a feed grade of 0.11% U₃O₈ and 530tpa (1.2Mlb) U₃O₈ over the last 4 years, using the accumulated marginal material grading 0.039% U₃O₈.

The BFS cashflow incorporates a flat real price for U₃O₈ of US\$60/lb over the 7 and 11 year period. The BFS financial modelling shows highly attractive returns can be achieved based on using defined reserves only. Even with this conservative pricing schedule, the Project is expected to pay back initial and working capital 30 months after commencement of operations (scheduled to start ramp up in December Quarter 2008) emphasising the robust nature of the Project.

With a focus on exploration drilling planned to test existing uranium targets in the surrounding tenements over the next 3 to 4 years, Paladin is confident satellite deposits will be discovered, offering the potential to extend the project life of Kayelekera beyond the 11 years currently identified in the BFS.

Civil Societies' Action

As announced on 28 May 2007 a group of Malawian Civil Society Organisations (Societies) commenced an action against Paladin and the Government of Malawi. To date a number of preliminary matters of this action has been heard by the Court. Paladin and the Government have prepared and filed their affidavits in defence of all accusations. Paladin considers it is acting in accordance with its legal and contractual rights.

Paladin has endeavoured to engage the disaffected Societies to clarify any misunderstanding, to resolve differences and to involve the groups with the majority of people in the northern part of Malawi (who fully support the project). The matter is still before the Court and Paladin is confident it will be resolved satisfactorily.

Project Development

Paladin is now moving forward with its construction program and expects the operation to be commissioned during the December Quarter 2008.

Site works preparatory to construction start-up have commenced. The 12km branch road is completed, lay down areas for construction material and equipment are established and the 800 person construction camp is currently being transported by truck convoy from Langer Heinrich in Namibia to Kayelekera. A 1MW diesel power station has also been brought to site to supply electricity for the construction phase. Key long lead-time items such as the SAG mill and 10MW diesel powered electricity generating station have been ordered.

Paladin has awarded the EPCM contract to Engineering & Projects Company Ltd (E&PC) a subsidiary of the Aveng Group, a Johannesburg listed multi disciplinary mining, manufacturing, engineering and construction group. "Front End Engineering Design" work is well advanced.

The mining and earth moving contractor has also been selected and civil earthworks commence shortly.

Technical experts involved in environmental, tailings and radiological and engineering areas have visited Malawi and the project site on a number of occasions during the past months both to explain issues to community groups and to conduct reviews as an ongoing part of the project development activities.

Community liaison activities are being increased as a more formal staffing structure takes shape at Kayelekera.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS (continued)

QUEENSLAND

Summit Resources (Aust) Pty Ltd (Summit), a wholly owned subsidiary of SMM, controls approximately 18,800km² of tenements in three major project areas centred on Mt Isa. The Isa North and Isa South areas cover approximately 5,500km² and host a number of uranium – vanadium deposits and resources including the Valhalla and Skäl deposits.

The recently acquired Georgina Basin covers approximately 11,800km² to the west and southwest of Mt Isa. The Georgina Basin is prospective for a variety of styles of uranium deposit along with Mt Isa style base metal deposits.

Centred approximately 250km NNW of Mt Isa and close to Zinifex's Century zinc mine, the Constance Range Project, covering 1,500km², is highly prospective for iron ore, base metals and phosphate.

ISA URANIUM JOINT VENTURE

Summit Resources (Aust) Pty Ltd 50% and Manager Mt Isa Uranium Pty Ltd 50%

The Isa Uranium Joint Venture (IUJV) covers ground containing the Valhalla and Skäl uranium deposits 40km north of Mt Isa in Queensland. Participants in the Joint Venture are Summit and Mt Isa Uranium Pty Ltd (Mt Isa Uranium), each holding a 50% interest with Summit acting as manager.

Mt Isa Uranium is a wholly owned subsidiary of VUL, a formerly listed public company and now a wholly owned subsidiary of Paladin. Following Paladin's successful takeover of VUL in 2006 and Paladin's acquisition of 81.9% of the issued capital in SMM earlier this year Paladin's effective participating interest in the IUJV is now 90.95%.

Ground subject to the IUJV covers 17km² at Valhalla and 10km² at Skäl. These two areas lie within a much larger holding of contiguous tenements of 1,827km² held 100% and managed by Summit.

The IUJV operating committee has approved a budget of A\$8M (US\$7M) for the financial year 2007/08 (a 320% increase over the previous year's expenditure). This amount includes a proposed drilling program (see below), metallurgical test work, environmental and radiation baseline studies. The drilling program at Valhalla and Skäl is aimed at extending the existing resource envelopes along strike and improving the current resource classification.

Valhalla Uranium Deposit

The Valhalla uranium - vanadium deposit is located 40km northwest of Mt Isa on Exploration Permit for Minerals (EPM) 9221. Previous drilling by Queensland Mines Ltd in the 1960's, and Summit in the 1990's, established a combined Measured, Indicated and Inferred resource of 56Mlb of U₃O₈ grading 0.14%. Substantial widths of high grade uranium mineralisation in hematite-albite altered mafic schists have been intersected in the latest drilling at Valhalla. The deposit is hosted within basalts and basaltic sediments of the Eastern Creek Volcanics, trends north-south, is approximately 800m in strike length and is open to the south and at depth.

The drilling plan for 2007 includes 147 drill holes at Valhalla for a total of 50,000m including 33,000m RC and 17,000m diamond drilling. The program is aimed at ensuring that the majority of the upper 400m of the resource will fall into the Measured and Indicated Resource categories. This depth has been targeted as it is the current economic limit of any open pit development and extension into areas that would be mined from underground is not seen as a priority at this time.

In addition, a number of 80m spaced drill lines have been planned to test the expected strike extension of the mineralisation and add to the Inferred portion of the resource. Radiometric down-hole logging will be used to check all drill hole samples in conjunction with geochemical assaying of selected drill holes for verification.

A JORC compliant resource estimate, shown in Table 6, was prepared by Summit and reported during 2006. The resource estimate will be updated at the conclusion of the 2007/2008 drilling campaign.

MANAGEMENT DISCUSSION AND ANALYSIS REVIEW OF OPERATIONS (continued)

JORC CATEGORY	CUT OFF %U ₃ O ₈	RESOURCE Mt	GRADE %U ₃ O ₈	METAL kt
Indicated	0.023	21.3	0.080	16.9
Inferred	0.023	12.0	0.075	9.0
Total		33.3	0.078	25.9
Indicated	0.064	11.2	0.11	12.6
Inferred	0.064	5.1	0.11	6.0
Total		16.3	0.11	18.6

Table 6: Valhalla Resource Statement (resources quoted at 100%)

Resource estimation consultants, Hellman & Schofield, have independently checked and validated Summit's resource estimate.

The resource at Valhalla remains open to the north and south along strike, and down plunge. Along with near surface metallurgical diamond drilling, resource drilling will now be targeted at extending the resource along strike and down plunge.

Metallurgical test work to establish the metallurgical flow sheet, recoveries and metallurgical compatibility with the Skal uranium deposit is ongoing.

Skal Uranium Deposit

The Skal uranium-vanadium deposit is located 32km north of Mt Isa on EPM 14048. Summit commenced drilling the Skal deposit in 2005. Queensland Mines Ltd had previously released a non-JORC compliant resource estimate for the deposit shown in *Table 7*, based on their 1960's drilling. Summit has now released the results of further drilling at Skal but has yet to finalise a resource estimation.

NON-JORC	RESOURCE Mt	GRADE % U ₃ O ₈	U ₃ O ₈ kt
Historic Resources	4.2	0.1	5.0

Table 7: Skal Historic Resource Statement (resources quoted at 100%)

Two mineralised shoots have now been defined at Skal. The uranium mineralisation in both the southern and northern shoots at Skal is yet to be closed off by drilling either along strike or at depth.

Approximately 28 drill holes for 5,000m are planned to test the Skal North and King George mineralised areas during 2007 with the intention of converting historic resources to JORC standards. The program is also aimed at extending and infilling the area between the two deposits. Historic information has recently been sourced indicating the potential for additional mineralisation at King George.

Metallurgical test work to establish the metallurgical flowsheet, recoveries and metallurgical compatibility with Valhalla is ongoing.

MOUNT ISA NORTH URANIUM PROJECT Summit Resources (Aust) Pty Ltd 100% and Operator

Outside the IUJV ground which contains the Valhalla and Skal uranium deposits, Summit has investigated a number of uranium prospects in the 1,827km² Mt Isa North tenement block. Summit has progressively drilled a number of uranium deposits that have the potential to expand the Valhalla-Skal resource base. These uranium deposits and targets now being drilled by Summit at Mt Isa are all uranium bearing iron oxide copper gold (IOCG) style hematite breccias. Deposits that have been drilled and resource estimates completed are shown in *Table 8* Andersons and *Table 9* Watta:

MANAGEMENT DISCUSSION AND ANALYSIS REVIEW OF OPERATIONS (continued)

JORC CATEGORY	CUT OFF	RESOURCE	GRADE	METAL
	%U ₃ O ₈	Mt	%U ₃ O ₈	kt
Inferred	0.023	2.0	0.11	2.1
Inferred	0.046	1.8	0.12	2.1
Inferred	0.069	1.4	0.13	1.8

Table 8: Andersons Resource Statement (resources quoted at 100%)

JORC CATEGORY	CUT OFF	RESOURCE	GRADE	METAL
	%U ₃ O ₈	Mt	%U ₃ O ₈	kt
Inferred	0.011	5.2	0.037	1.9
Inferred	0.023	4.2	0.041	1.7
Inferred	0.046	1.3	0.062	0.8

Table 9: Watta Resource Statement (resources quoted at 100%)

Summit will explore a further fifteen known uranium mineral occurrences within its Mt Isa North Uranium Project area.

GEORGINA BASIN URANIUM PROJECT Summit Resources (Aust) Pty Ltd 100%

Summit has applied for 16 EPM's covering 12,000km² of the Georgina Basin to the west of the Mt Isa Inlier in northwest Queensland. The Cambrian Georgina Basin has geological characteristics which are similar to known sedimentary type uranium deposits being mined and evaluated elsewhere in the world and within Australia. These deposits are in the order of 10 to 200Mlb resources and generally exploited by conventional shallow open pit or in situ leach (ISL) operations.

The Georgina Basin tenement applications are subject to a joint venture with Newland Resources Limited (Newland). Newland has sole funded the first A\$1.0M (US\$0.8M) of exploration expenditure giving it the right to fund a further A\$4.0M (US\$3.5M) to earn a 50% interest in the project. Summit is manager and operator of the joint venture.

This uranium search for basin hosted calcrete channel, paleochannel and roll front style deposits will also include Proterozoic basement uranium deposits under the Cambrian sediments, associated with magnetic features similar to Summit's Mt Isa deposits, the Ernest Henry and Olympic Dam complex breccia deposits.

OTHER PROJECTS (URANIUM PROJECT)

MOUNT ISA SOUTH Summit Resources (Aust) Pty Ltd 100%

The Mt Isa South Project comprises over 2,140km² of prospective Proterozoic terrane along the Mt Isa Paroo Fault (MIPF) from 40km to 160km south of Mt Isa.

To date five of the EPM's have been granted and the remaining four EPM applications are expected to be granted in the coming months. Glengarry Resources Ltd has a 10% carried interest to mine development in EPM14233.

EPM14233 covers 13km of the southern strike extension of the MIPF, which is known to be the structural control on a number of world class deposits to the north including the Mt Isa copper and the Mt Isa, Hilton and George Fisher lead zinc mines.

Three priority base metal targets, located 38km to 50km south of Mt Isa, have been delineated and the first holes drilled. Drilling, totalling 1,600m in four holes, has been completed on two of the targets.

An IP geophysical survey has been completed along the MIPF over the shale sequence. The information will be used to design the next round of drill tests searching for deep-seated copper bodies similar to those being mined by Xstrata to the north at Mt Isa.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS (continued)

MAY DOWNS

Summit Resources (Aust) Pty Ltd 100%

The potential for gold mineralisation in shale sequences along the 12km Golden Fault structure, 35km west of Mt Isa, was drill tested in 2005. Several holes intersected narrow zones of anomalous gold generally associated with elevated copper values.

In September 2005, a further 290 sub block EPM was applied for at May Downs covering the Big Toby uranium prospects to the west and south of the May Downs fault structure. These uranium prospects were previously drilled by Urangesellschaft in the 1970's. On grant uranium exploration will recommence on these prospects and the structures associated with the Big Toby alkaline intrusive stockworks in the area.

As well, sampling massive hematite shale rocks in the southern portion of the tenements at Carters Ridge have returned anomalous gold (40ppbAu), copper (2,545ppmCu) and zinc (2,848ppmZn).

CONSTANCE RANGE

Pacific Mines Limited 100% (owned 100% by Summit)

In the late 1950's and early 1960's BHP identified in excess of 200Mt of iron ore (non JORC) in a number of deposits, hosted by the Train Range Ironstone member of the Middle Proterozoic Mullera Formation, in the area. BHP also identified 38Mt of phosphate rock at Babbling Brook Hill and a further 11Mt at Riversleigh.

The Constance Range project covers 1,480km² in seven EPMs. The tenements are centred 30km southwest to 45km northwest of Zinifex's Century zinc mine in far northwest Queensland. Two of the tenements are subject to a joint venture where Summit as the right to earn an 85% interest.

Sample results have identified several areas with greater than 50% Fe (maximum values of 59% Fe), silica between 8% and 17%, and with low Al and P contaminants. These results are seen as very encouraging. Summit is examining options for future exploration of the Constance Range tenements.

MOUNT KELLY

Summit Resources (Aust) Pty Ltd 100%

EPM14694 of 20km² near CopperCo's Mt Kelly copper gold discovery, 95km northwest of Mt Isa, was granted in October 2005. The target here is copper gold mineralisation in middle Proterozoic shales along northwest trending fault structures.

Satellite imagery and geophysical survey data has been acquired for the area, a review of all previous exploration is underway and field mapping and geochemical sampling to delineate drill targets are planned.

NORTHERN TERRITORY

BIGRLYI URANIUM JOINT VENTURE

Energy Metals Limited 53.29% and Manager

Northern Territory Uranium Pty Ltd 41.71%

Southern Cross Exploration NL 5%

The Bigrlyi Uranium Joint Venture covers ten granted Exploration Retention Licences located approximately 390km northwest of Alice Springs in the Northern Territory. Participants in the joint venture are Energy Metals Limited (53.3% and Manager), Northern Territory Uranium Pty Ltd (41.7%, wholly owned subsidiary of Paladin) and Southern Cross Exploration NL (5.00%).

MANAGEMENT DISCUSSION AND ANALYSIS REVIEW OF OPERATIONS (continued)

Bigrlyi is located on the northern margin of the Neoproterozoic to Paleozoic Ngalia Basin in central Australia. Uranium mineralisation at Bigrlyi is confined to a specific narrow horizon within the lower Mt Eclipse Sandstone for which a local stratigraphic succession has been defined. The principal 16 uranium deposits at Bigrlyi were discovered in 1973 in the course of regional exploration managed by Central Pacific Minerals NL on behalf of various joint venture partners including Magellan Petroleum Australia Ltd, Agip Nucleare Pty Ltd, Urangesellschaft mBH & Co. and the Atomic Energy Commission.

The current JORC (2004) Code compliant uranium resources reported for Bigrlyi are shown in Table 10:

JORC CATEGORY (2004)	CUT OFF %U ₃ O ₈	RESOURCE Mt	GRADE		U ₃ O ₈ kt	V ₂ O ₅ kt
			%U ₃ O ₈	%V ₂ O ₅		
Indicated	0.05	1.94	0.17	0.19	3.25	3.78
Inferred	0.05	2.59	0.13	0.14	3.26	3.60
Total		4.53	0.14	0.16	6.50	7.41
Indicated	0.1	1.2	0.23	0.23	2.71	2.79
Inferred	0.1	1.23	0.19	0.18	2.30	2.20
Total		2.43	0.21	0.20	5.00	4.95

Table 10: Bigrlyi Resource Statement (resources quoted at 100%)

Most of the resources lie within 200m of the surface and are potentially accessible via open pit mining. There is excellent potential to increase resources at depth and along strike at all the current resource areas. Metallurgical testwork has indicated recoveries of 98-99% uranium can be achieved.

Work in progress at Bigrlyi during the 2007 field season has been dominated by drilling. In early April 2007 the Bigrlyi Joint Venture participants approved a substantial drilling program (262 holes for 51,000m) for the annual program with drilling commencing in late April 2007. To date (August 2007) 138 holes have been completed comprised of 20,000m of RC and 7,600m of diamond drilling.

It is expected that the 2007 drilling program will result in a substantial increase in resources and this is likely to positively impact the Project, given the current state of the uranium market and the expected outlook for sustained high prices.

A scoping study on the economics of establishing a uranium mining operation at Bigrlyi commenced earlier this year and is nearing completion with results expected during the September Quarter of 2007.

WESTERN AUSTRALIA

MANYINGEE URANIUM PROJECT

The Manyingee Uranium Project is 100% owned by Paladin and is located in the northwest of Western Australia, 1,100km north of Perth and 85km inland from the coastal township of Onslow. The property is comprised of three mining leases covering 13km².

Paladin purchased the Manyingee Project in 1998 from Afmeco Mining and Exploration Pty Ltd (AFMEX), a subsidiary company of Cogema of France. Paladin's 100% interest in Manyingee is held through its wholly owned subsidiary, Paladin Energy Minerals NL.

AFMEX (previously named Total Mining Australia Pty Ltd) discovered uranium mineralisation at Manyingee in 1973 during regional exploration. Between 1973 and 1984 some 400 holes were drilled and this established the extent and continuity of the sediment hosted uranium mineralisation in permeable sandstone in palaeochannels. Field trials by AFMEX demonstrated that the Manyingee sandstone hosted uranium deposit is amenable to extraction by in-situ leaching (ISL).

MANAGEMENT DISCUSSION AND ANALYSIS REVIEW OF OPERATIONS (continued)

The Manyingee Project contains JORC (1999) Code compliant resources as shown in Table 11:

JORC CATEGORY (1999)	CUT OFF % U ₃ O ₈	RESOURCE Mt	GRADE % U ₃ O ₈	U ₃ O ₈ kt
Indicated	0.03	7.9	0.10	8.1
Inferred	0.03	5.5	0.05	2.8
Total		13.4	0.08	10.9

Table 11: Manyingee Resource Statement

The Manyingee project is currently mothballed due to the negative uranium policies of the State Government and feasibility work has been deferred until the policies are reversed by government.

OOBAGOOMA URANIUM PROJECT

The Oobagooma Project 100% owned by Paladin is located in the West Kimberley region of Western Australia, 1,900km north-north-east of Perth and 75km north east of Derby on freehold land owned by the Commonwealth Government and used by the military for training purposes. The area is covered by two applications for exploration licences covering 392km². Consent of the Commonwealth Government and the Department of Defence will be required before mining tenements can be granted by the State.

Paladin acquired a call option in 1998 in relation to the purchase of the Oobagooma Project and, in turn, granted a put option to the original holder of the Project. Both options are subject to the exploration licences being granted by the State.

The Oobagooma project area was explored by AFMEX from 1983 to 1986 during which time extensive zones of uranium mineralisation were discovered.

An estimate of the uranium resources using geostatistical methods was carried out by AFMEX. This work was done before the JORC Code had been formulated and was thus not carried out in accordance with the Code. The AFMEX historical estimate is shown in Table 12:

NON-JORC	CUT OFF % U ₃ O ₈	RESOURCE Mt	GRADE % U ₃ O ₈	U ₃ O ₈ kt
Historic Resources	0.03	8.3	0.12	10.0

Table 12: Oobagooma Historical Resource Statement

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 preparation of a JORC compliant resource estimate. The mineralisation in this sandstone hosted uranium deposit is open and potential exists to increase the currently known resource base. The style of mineralisation is believed to be amenable to recovery of uranium by ISL methods.

SOUTH AUSTRALIA

QUASAR URANIUM JOINT VENTURE

Paladin 15-20%

Quasar Resources Pty Ltd 80% and Manager

The Joint Venture with Quasar Resources Pty Ltd covers two exploration licences in the northern Frome Basin in South Australia. The two licences cover 1,051km². Paladin holds a 15% free carried interest in Exploration Licence 3001 and a 20% free carried interest in Exploration Licence 3078. Quasar is a wholly owned subsidiary of Heathgate Resources Pty Ltd, operator of the Beverley ISL uranium mine which is situated immediately south of the Joint Venture tenements. Quasar is operator and manager of the Joint Venture. Heathgate Resources is an Australian subsidiary of General Atomics of the USA.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS (continued)

The exploration licences are considered prospective for palaeochannel uranium mineralisation and Quasar has conducted a number of exploration campaigns on the ground.

URANIUM DATABASE

Paladin 100%

Paladin owns a unique uranium database, compiled over 30 years of investigations by the international uranium mining house Uranerzbergbau GmbH of Germany. The database incorporates all aspects of the uranium mining and exploration industry and includes detailed exploration data for Africa and Australia. It can be used to quickly research uranium prospects, deposits and mineralisation on a country by country basis. Paladin continues to evaluate opportunities for acquiring additional uranium projects from this database.

INVESTMENTS

DEEP YELLOW LTD (DYL)

(Paladin 14.34%)

DYL is a dedicated uranium exploration company listed on the Australian Stock Exchange with exploration holdings in Namibia and Australia. Through its wholly owned Namibian subsidiary, Reptile Uranium Namibia (Pty) Ltd, DYL is actively exploring for uranium on its four 100% owned exclusive prospecting licences covering 2,872km² in the Namib Naukluft Desert inland from Walvis Bay and south and west of Paladin's Langer Heinrich uranium mine. Reverse circulation percussion drilling on regional targets and previously known resources has commenced with early results confirming the nature of the Tubas resource discovered by Anglo American in the 1970's.

In Australia DYL is focused on uranium exploration in the Mt Isa district in northwest Queensland and the Tanami Arunta Province in the Northern Territory.

Paladin is also entitled to a 2% gross royalty on production from the Napperby and North East Arunta projects in the Northern Territory.

Paladin's equity in DYL increased to 14.34% on 8 August 2007 via an entitlement issue and subscription to the subsequent shortfall. The additional investment totalled A\$20.7M (US\$17.8M)

MANAGEMENT DISCUSSION AND ANALYSIS FINANCIAL REVIEW

CHANGE IN FUNCTIONAL AND PRESENTATION CURRENCY

The functional currency for a company is the currency of the primary economic environment in which the Company operates. Up to December 2006 the functional currency of the primary economic environment in which the Paladin Group operates was Australian dollars. In December 2006 there were several factors which produced a change in functional currency for the majority of the Paladin Group to United States (US) dollars. These include completion of construction and commissioning at the Langer Heinrich Uranium Project, issue of US\$250 million in convertible bonds, conversion of excess group cash into US dollars resulting in derivation of US interest revenue, and redesignation of all intercompany group loans into US dollars.

The presentation currency for a company is the currency in which the company chooses to present its financial reports. As the functional currency of Paladin Resources Ltd and the majority of the Paladin Group changed in December 2006 to US dollars, the Company has decided to change the presentation currency for financial reporting to US dollars in order to better reflect the Paladin Group's financial position and financial performance.

INCOME STATEMENTS	YEAR ENDED 30 JUNE	
	2007	2006
	US\$m	US\$m
Revenue from continuing operations	11.2	3.2
Gross (loss)/profit	(0.8)	3.2
Exploration and evaluation expenses	(7.4)	(3.2)
Other expenses net of other income	(28.5)	(5.5)
Finance costs	(13.0)	(0.1)
Income tax benefit	11.7	-
Minority interests	0.4	-
Loss after tax from continuing operations attributable to the ordinary equity holders of the Company	(37.6)	(5.6)
	US\$	US\$
Loss per share – basic and diluted	(0.07)	(0.01)

Revenue from Continuing Operations has increased substantially to US\$11.2 million in 2007 as a result of both the first uranium sale to a US energy utility of US\$3.3 million and higher interest revenue derived from higher average cash holdings for the period in 2007 when compared to 2006.

Gross Profit/(loss) in 2007 is a gross loss of US\$0.8 million despite the increase in revenue from continuing operations, as a consequence of the commencement of ramp up activities for Langer Heinrich. From an accounting perspective the project was deemed to be in operation from 1 April 2007, which is the date that the project was in the location and condition necessary for it to be capable of operating in the manner intended by management. As a consequence the year ended 30 June 2007 income statement only includes the Langer Heinrich operation result for three months. The gross loss includes a loss of US\$5.4 million relating to the first uranium sale as the sales commitment was met by third party uranium purchase and a loss of US\$3.3 million from operations for the three months ended 30 June 2007 relating to delayed ramp up in production; both net of US\$7.9 million in interest and other revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (continued)

Exploration and Evaluation Expenditure increased in 2007 to US\$7.4 million primarily as a result of the completion of the Bankable Feasibility Study for the Kayelekera Uranium Project and the addition of expenditure on the Summit, Valhalla/Skal and Bigryi Uranium Projects since they were acquired.

Other Expenses Net of Other Income has increased in 2007 to US\$28.5 million net expense as a result of a sales contracts expense and higher corporate/marketing costs, share based payments and employee benefits expenses. The sales contracts expense amounts to US\$7.8 million and is attributable to the requirement to meet July 2007 Langer Heinrich sales commitments by use of third party uranium purchases. The higher expenses relate to both the growth of the Company and the expanded corporate capability in the last year to enable future growth.

Finance Costs of US\$13.0 million in 2007 relates to both the issue of the US\$250 million in convertible bonds in December 2006 and the Langer Heinrich project finance facilities from 1 April 2007 being the accounting operation date - prior to this date finance costs for the project were capitalised as part of the costs of construction.

Income Tax Benefit of US\$11.7 million relates to both the recognition of Namibian deferred net tax assets and the reversal of a deferred net tax liability relating to the convertible bonds over the term of the bond. As a consequence of commencing ramp up activities at the Langer Heinrich Uranium Project realisation of Namibian net tax benefits has been deemed to be probable resulting in a US\$10.4 million income tax benefit for the year ending 30 June 2007. The convertible bond deferred tax liability has been recognised through reserves and relates to the equity component of the convertible bonds - US\$1.3 million has been reversed as an income tax benefit during the year ending 30 June 2007.

Minority Interests of US\$0.4 million have been recorded in 2007 attributable to the 18.1% of Summit Resources Ltd not acquired by the Company during the year.

The *Loss after tax* for the year ended 30 June 2007 of US\$37.6 million is an increase to the year ended 30 June 2006 loss after tax of US\$5.6 million as a consequence of the gross loss in 2007, an increased investment in exploration and evaluation expenditure, higher other net expenses and recognition of interest expense and minority interests; despite the income tax benefit recorded in 2007.

Earnings Per Share

The *Earnings per Share* noted on the Income Statements reflected the underlying result for the specific reported periods and the additional shares issued in 2007 compared to 2006.

Segment Disclosure

In the Namibian geographical segment the Company reflected a loss after tax of US\$7.0 million as the Langer Heinrich Uranium Project production ramp up phase was slower than anticipated. The Malawian geographical segment loss after tax of US\$4.2 million primarily reflected the exploration and evaluation expenditure for the Kayelekera Uranium Project Bankable Feasibility Study. In the Australian geographical segment the Company reflected the remaining Income Statement activities.

MANAGEMENT DISCUSSION AND ANALYSIS
FINANCIAL REVIEW (continued)

BALANCE SHEETS	30 JUNE 2007 US\$m	30 JUNE 2006 US\$m
Total Current Assets	233.4	46.3
Total Non Current Assets	<u>1,825.0</u>	<u>70.6</u>
Total Assets	<u>2,058.4</u>	<u>116.9</u>
Total Current Liabilities	30.2	8.5
Total Non Current Liabilities	<u>719.9</u>	<u>17.4</u>
Total Liabilities	<u>750.1</u>	<u>25.9</u>
Net Assets	<u>1,308.3</u>	<u>91.0</u>

Current Assets have increased to US\$233.4 million at 30 June 2007 attributable to higher cash levels and recognition of inventories for the Langer Heinrich Uranium Project and third party uranium purchases.

Cash has increased as a result of the issue of US\$250 million in convertible bonds, proceeds from exercise of share options, interest received and cash acquired from both the Valhalla and Summit acquisitions. This increase occurred despite the cash spend on the Bankable Feasibility Study and construction work for the Kayelekera Uranium Project, exploration and evaluation project expenditure, additional Deep Yellow Ltd share investment, third party uranium purchases and corporate costs for the year ended 30 June 2007. Funding for the Langer Heinrich Uranium Project construction, commissioning and commencement of ramp up activities did not significantly impact cash as it has been primarily provided by drawdown of project finance facilities and use of third party uranium purchases.

Of the US\$182.8 million held in cash as at 30 June 2007, US\$159.1 million has been invested in short-term US treasury bonds and the balance of cash is held with banks.

Inventories of US\$38.0 million have been recognised at 30 June 2007 relating to both inventories for the Langer Heinrich Uranium Project of US\$13.3 million and third party uranium purchases of US\$24.7 million. The project inventories relate to finished goods, work in progress and stores and spares for the Langer Heinrich Uranium Project.

Non Current Assets increased to US\$1,825.0 million during the year mainly attributable to the acquisition of both Summit Resources Ltd and Valhalla Uranium Ltd; mine construction, commissioning and ramp up activities for the Langer Heinrich Uranium Project; increased market value and percentage holding in Deep Yellow Ltd; and recognition of deferred net tax assets for the Langer Heinrich Uranium Project.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (continued)

The Summit Resources Ltd acquisition has resulted in the recognition of a US\$1,433.1 million additional exploration and evaluation expenditure asset as part of the allocation of the consideration paid, which consisted of 101,157,400 shares plus acquisition costs and the tax effect of the acquisition.

The Valhalla Uranium Ltd acquisition has resulted in the additional recognition of a US\$149.8 million additional exploration and evaluation expenditure asset as part of the allocation of the consideration paid, which consisted of 37,974,256 shares plus acquisition costs.

The Langer Heinrich Uranium Project assets have primarily been classified under property, plant and equipment at 30 June 2007, with the power and water supply rights classified under intangible assets. From an accounting perspective the project has been depreciated from 1 April 2007 which is the date that it was in the location and condition necessary for it to be capable of operating in the manner intended by management.

At 30 June 2007 the Company holds 117,585,704 shares in Deep Yellow Ltd (12% interest) with a value of US\$59.9 million.

Deferred tax net assets of US\$10.4 million have been recognised at 30 June 2007 as a consequence of commencing ramp up activities at the Langer Heinrich Uranium Project with realisation of all Namibian tax net benefits now deemed to be probable.

Current Liabilities have increased to US\$30.2 million at 30 June 2007 as a result of ramp up activities for the Langer Heinrich Uranium Project, interest payable on both the Langer Heinrich project finance facilities and the convertible bonds, initial recognition of a rehabilitation provision for the Langer Heinrich Uranium Project, acquisition of Summit Resources Ltd, booking of sales contracts provision and classification of a portion of the Langer Heinrich project finance facilities as current.

At 30 June 2007 a US\$7.8 million sales contracts provision has been recognised attributable to the requirement to meet July 2007 Langer Heinrich sales commitments by use of third party uranium purchases.

Non Current Liabilities increased to US\$719.9 million at 30 June 2007 attributable to the issue of convertible bonds, the drawdown on the Langer Heinrich project finance facilities and the recognition of deferred tax liabilities.

On 15 December 2006, the Company issued US\$250 million in convertible bonds with an underlying coupon rate of 4.5%, maturity 15 December 2011 and a conversion price of US\$7.685 for Company shares. Under AIFRS these convertible bonds are essentially both a liability (underlying bond) and equity instrument (conversion rights into Company shares). Based on AIFRS US\$212.2 million has been initially allocated to a non-current liability (underlying effective interest rate of 8.75%) and US\$37.8 million to a non-distributable convertible bonds reserve.

At 30 June 2007 the Langer Heinrich project finance facilities have been drawn down to US\$66.6 million (current US\$5.6 million and non current US\$61.0 million) to fund construction, commissioning and ramp up activities, leaving available facilities of US\$4.4 million at year end.

In relation to the Summit Resources Ltd acquisition a US\$415.7 million deferred tax liability was initially recorded relating to the recognition of acquired exploration and evaluation expenditure from the allocation of consideration paid. No deferred tax liability was recognised for the Valhalla Uranium Ltd acquisition as this was deemed not to meet the definition of a business combination and as a consequence, in accordance with the Company accounting policy for income tax, no temporary differences were recorded upon the initial recognition of this asset.

A deferred tax liability of US\$23.4 million has been recognised through reserves which relates to both the equity component of the convertible bonds and the increase in value of Deep Yellow share investments above cost.

MANAGEMENT DISCUSSION AND ANALYSIS FINANCIAL REVIEW (continued)

Segment Disclosure

In the Balance Sheet at 30 June 2007 the Company reflected a significant increase in the Australian geographical segment assets and liabilities as a result of acquisition of both Summit Resources Ltd and Valhalla Uranium Ltd, issue of the convertible bonds, increase in value of Deep Yellow share investments and third party uranium purchases. For the Namibian geographical segment an increase occurred in assets and liabilities attributable to construction, commissioning and ramp up activities for the Langer Heinrich Uranium Project. For the Malawi geographical segment an increase occurred in assets and liabilities as a result of construction activities for the Kayelekera Uranium Project.

STATEMENTS OF CHANGES IN EQUITY	YEAR ENDED 30 JUNE	
	2007	2006
	US\$m	US\$m
Total Equity at the Beginning of the Financial Year	91.0	33.5
Loss for the Year Ended 30 June, after Minority Interests	(37.6)	(5.6)
Movement in Reserves, net of Foreign Currency	70.9	4.4
Movement in Equity, net of Foreign Currency	959.2	62.1
Foreign Currency Translation	40.1	(3.4)
Minority Interests, net of Foreign Currency	184.7	-
Total Equity at the End of the Financial Year	1,308.3	91.0

Loss for the Year Ended 30 June 2007 is discussed under the Income Statements section and is an increase from the loss in the comparative period.

Movement in Reserves in 2007 of US\$70.9 million increase is higher than 2006 and relates to the creation of the non-distributable reserve for the convertible bonds (net of tax), the revaluation increment attributable to the increase in Deep Yellow Ltd share price from the prior period (net of tax), acquisition reserve for Summit Resources Ltd and recognised value of unlisted employee options. Unlisted employee options exercised during the year amounted to 8,770,000 with an exercise price between A\$1.00 and A\$2.80; and 4,533,670 unlisted employee options were granted during the year with an exercise price between A\$5.50 and A\$8.77.

Movement in Equity increased to US\$959.2 million in 2007 as a consequence of the issue of 101,157,400 shares to acquire 81.9% of Summit Resources Ltd and 37,974,256 shares to acquire 100% of Valhalla Uranium Ltd, which were valued at US\$798.9 million and US\$151.4 million respectively, and exercise of unlisted employee options. The number of fully paid ordinary shares on issue at 30 June 2007 is 602,437,369 an increase of 148,201,656 during the year.

Share options of 19,678,670 remain outstanding at 30 June 2007 to Directors, employees, and consultants directly engaged in corporate, mine construction, operations, exploration and evaluation work for the Company.

Foreign Currency Translation relates to both the transition of functional and presentation currency from Australian dollars to United States dollars in December 2006, and the translation of presentation currency into US dollars on an ongoing basis and for the comparative year.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (continued)

Minority Interests recognised during the year relate to the 18.1% interest in Summit Resources Ltd not acquired from the takeover bid that closed on 1 June 2007. The Development Agreement for the Kayelekera Uranium Project signed on 23 February 2007 entitles the Government of Malawi with 15% of Paladin (Africa) Ltd, owner of the project, in exchange for a reduction of 2.5% in corporate tax, the full amount of rent resource tax and royalty offsets. No minority interests have been reflected for this as at 30 June 2007 as Paladin (Africa) Ltd is in a net liability position as a consequence of the Company's policy to expense exploration and evaluation expenditure prior to the decision made to proceed to development.

CASH FLOW STATEMENTS	YEAR ENDED 30 JUNE	
	2007	2006
	US\$m	US\$m
Net Cash (Outflow)/Inflow from Operating Activities	<u>(38.6)</u>	<u>0.5</u>
Net Cash Outflow from Investing Activities	<u>(122.0)</u>	<u>(57.2)</u>
Net Cash Inflow from Financing Activities	<u>298.7</u>	<u>71.0</u>
Net Increase in Cash Held	138.1	14.3
Cash at the Beginning of Financial Year	43.6	30.1
Effects of Exchange Rate Changes	<u>1.1</u>	<u>(0.8)</u>
Cash at the End of the Financial Year	<u>182.8</u>	<u>43.6</u>

Net Cash Outflow from Operating Activities was US\$38.6 million outflow in 2007 primarily from higher payments to suppliers and employees relating to the ramp up activities for the Langer Heinrich Uranium Project, the growth of the Company, expanded corporate capability and interest payments on debt facilities. Included in cash outflows from operating activities is US\$10.7 million of Summit Resources Ltd takeover defence activities from 27 April 2007, the acquisition date by the Company. This occurred despite an increase in interest receipts as a consequence of higher average cash holdings. No uranium sales receipts occurred to 30 June 2007 as a result of the standard industry credit terms of sale.

Net Cash Outflow from Investing Activities increased to US\$122.0 million in 2007 as a result of the construction, commissioning and initial ramp up activities for the Langer Heinrich Uranium Project, completion of the Bankable Feasibility Study for the Kayelekera Uranium Project, exploration and evaluation project expenditure, acquisition of additional investments in Deep Yellow Ltd and third party uranium purchases. This increase occurred despite proceeds from sale of investments and property, plant and equipment and US\$21.3 million cash acquired from the Summit Resources Ltd and Valhalla Uranium Ltd acquisitions net of payments for these acquisitions.

Net Cash Inflow from Financing Activities of US\$298.7 million in 2007 is attributable to US\$250 million received from issue of convertible bonds, US\$49.6 million drawn under the project finance facilities for the Langer Heinrich Uranium Project and proceeds from the exercise of 8,770,000 unlisted employee options; despite US\$7.7 million in establishment costs for the convertible bonds and project finance facilities.

Net Increase in Cash in 2007 was US\$138.1 million, which is higher than the net increase in cash in 2006 of US\$14.3 million, as a consequence of the issue of the convertible bonds and amounts drawn under the project finance facilities for the Langer Heinrich Uranium Project; despite increased cash outflows from investing and operating activities.

MANAGEMENT DISCUSSION AND ANALYSIS FINANCIAL REVIEW (continued)

Effects of Exchange Rate Changes reflects a US\$1.1 million gain for 2007 and a US\$0.8 million loss for 2006.

The *Cash* at 30 June 2007 of US\$182.8 million represents a significant increase in cash to the comparative period of 2006.

LIQUIDITY AND CAPITAL RESOURCES

The Company's principal source of liquidity as at 30 June 2007 is cash of US\$182.8 million (30 June 2006 – US\$43.6 million). Of this amount in 2007 US\$159.1 million has been invested in short-term US treasury bonds.

The Company's principal sources of cash for the year ended 30 June 2007 were the issue of US\$250 million in convertible bonds, project finance facilities drawdowns, interest received from cash investments, proceeds from exercise of unlisted employee options and cash acquired on acquisition of Summit Resources Ltd and Valhalla Uranium Ltd.

The Company has in place Langer Heinrich project finance facilities of US\$71 million of which a total of US\$66.6 million had been drawn by 30 June 2007, leaving available facilities of US\$4.4 million.

The following is a summary of the Company's outstanding commitments as at 30 June 2007:

<i>Payments due by period</i>	<i>Total US\$m</i>	<i>Less than 1 yr US\$m</i>	<i>1 to 5yrs US\$m</i>	<i>Unknown US\$m</i>
Tenements	2.6	2.6	-	-
Mine construction	9.3	9.3	-	-
Operating leases	0.5	0.2	0.3	-
Manyingee acquisition costs	0.6	-	-	0.6
<i>Total commitments</i>	<i>13.0</i>	<i>12.1</i>	<i>0.3</i>	<i>0.6</i>

In relation to the Manyingee Uranium Project, the acquisition terms provide for a payment of A\$0.75 million (US\$0.6 million) by the Company to the vendors when all project development approvals are obtained.

In addition to the outstanding commitments above, the Company acquired a call option on 19 June 1998 in relation to the purchase of the Oobagooma Uranium Project and, in turn, granted a put option to the original holder of the Project. Both the call and put options have an exercise price of A\$0.75 million (US\$0.6 million) and are subject to the Western Australian Department of Minerals & Energy granting tenements comprising 2 exploration licence applications. The A\$0.75 million (US\$0.6 million) is payable by the Company 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 the tenements are granted.

The Company has no other off balance sheet arrangements.

MANAGEMENT DISCUSSION AND ANALYSIS FINANCIAL REVIEW (continued)

OUTSTANDING SHARE INFORMATION

As at 3 September 2007 the Company had 654,646,943 fully paid ordinary shares issued and outstanding. The following table sets out the fully paid ordinary outstanding shares and those issuable under the Company Executive Share Option Plan and in relation to the Convertible Bond:

<i>As at 3 September 2007</i>	<i>Number</i>
Outstanding shares	602,437,369
Issuable under Executive Share Option Plan	19,678,670
Issuable in relation to the Convertible Bond	32,530,904
<i>Total</i>	654,646,943

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of the following: carrying value or impairment of inventories, financial investments, property, plant and equipment, intangibles, mineral properties and deferred tax assets; carrying value of rehabilitation, mine closure, sales contracts provisions and deferred tax liabilities; allocation of convertible bond debt and equity components; calculation of share based payments expense; assessment of reserves; and commencement date of operations for the Langer Heinrich Uranium Project.

FINANCIAL INSTRUMENTS

At 30 June 2007 the Company has exposure to interest rate risk which is limited to the floating market rate for cash and project finance debt facilities. As the convertible bonds are a fixed interest financial instrument, the Company has no exposure to interest rate risk for the convertible bonds.

The Company does not have significant foreign currency translation risk for non-monetary assets and liabilities of the Namibian and Malawian operations as these are deemed to have a functional currency of United States dollars, and the Company has adopted a presentation currency of United States dollars. The Company does have significant foreign currency translation risk for non-monetary assets and liabilities of the Australian exploration and evaluation operations as these are deemed to have a functional currency of Australian dollars, and the Company has adopted a presentation currency of United States dollars. The Company has no significant monetary foreign currency assets and liabilities apart from Namibian dollar cash, receivables, payables and provisions and Australian dollar cash, payables and deferred tax liabilities.

The Company currently does not engage in any hedging or derivative transactions to manage interest rate or foreign currency risks.

TRANSACTIONS WITH RELATED PARTIES

During the year ended 30 June 2007 no payments were made to Director related entities. Directors of the Company receive standard personal based compensation.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (continued)

DISCLOSURE CONTROLS

The Company has applied its Disclosure Control Policy to the preparation of the Annual Report for the year ended 30 June 2007, associated Consolidated Financial Statements, Management Discussion and Analysis and Directors' Report. An evaluation of the Company's disclosure controls and procedures used has been undertaken and concluded that the disclosure controls and procedures were effective.

INTERNAL CONTROLS

The Company has designed appropriate internal controls over financial reporting (ICFR) and ensured that these were in place for the year ended 30 June 2007. An evaluation of the design of ICFR has concluded that it is adequate to prevent a material misstatement of the Company's annual financial statements as at 30 June 2007.

During the year the Company has implemented an internal audit function which is externally contracted to Deloitte Touche Tohmatsu. Internal audit reports were completed on the key finance processes in Namibia and Australia during the year and the Company is well advanced in addressing the recommendations from these reports.

The resultant changes to the internal controls over financial reporting have improved and will continue to improve the Company's framework of internal control in relation to financial reporting.

SUBSEQUENT EVENTS

Since the end of the financial period, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this report or the Financial Statements, that has significantly or may significantly affect the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in subsequent years with the exception of the following, the financial effects of which have not been provided for in the 30 June 2007 Financial Report:

Board Changes

On 9 July 2007, the Company appointed Mr Donald Shumka as a Non-executive Director of Paladin Resources Ltd. Mr Shumka is Vancouver based and is the President and Managing Director of Walden Management Ltd., a consulting firm specialising in natural resources.

Mr. Shumka's appointment followed the resignation of Mr. George Pirie who, due to his increasing time commitment as the President and Chief Executive Officer of Breakwater Resources Ltd (a TSX listed company), no longer had sufficient time available to undertake his duties in his role as a Non-executive Director of Paladin.

Increased Holding in Deep Yellow Ltd

On 26 July 2007, the Consolidated Entity acquired an additional 9,789,808 shares in Deep Yellow Ltd pursuant to an entitlement issue. Subsequently, on 8 August 2007, the Consolidated Entity acquired an additional 31,673,949 shares in Deep Yellow Ltd via subscription for the shortfall of the entitlement issue. The additional investments totalled A\$20.7 million (US\$17.8 million). After these acquisitions the Consolidated Entity now holds 14.34% of Deep Yellow Ltd.

Mt Isa Uranium Joint Venture Litigation

On 3 August 2007, the Company announced that its wholly owned subsidiary, Mt Isa Uranium Pty Ltd had settled the court proceedings commenced by Summit Resources (Aust) Pty Ltd (ultimately 81.9% owned by the Company) against it and Resolute Ltd in relation to alleged breaches of confidentiality provisions in the Mt Isa Uranium Project joint venture agreement.

MANAGEMENT DISCUSSION AND ANALYSIS FINANCIAL REVIEW (continued)

Subsequently, Areva NC (Australia) Pty Ltd has advised that it intends to apply to the Supreme Court of Western Australia for orders under Section 237 of the Corporations Act 2001 to be granted leave to intervene in the court proceedings.

The Company has always remained confident that the court proceedings could be successfully defended but a change in ownership of the joint venture deposits is not of significance to the Company, as a consequence of the indemnity given by Resolute Ltd and the fact that the Company holds an ultimate 81.9% interest in Summit Resources (Aust) Pty Ltd.

Kayelekera Uranium Project, Malawi – Major Development Contracts Signed

On 15 August 2007, the Company announced that its subsidiary Paladin (Africa) Ltd had signed three major contracts for the development of its Kayelekera Uranium Project.

The EPCM contract was awarded to Engineering and Projects Company appointing them as the Project Engineers and the mining and earthworks contracts were awarded to Mota Engil Engineering.

CORPORATE GOVERNANCE STATEMENT

INTRODUCTION

CORPORATE GOVERNANCE FRAMEWORK

The Board of Directors of Paladin Resources Ltd is responsible for the corporate governance of the Consolidated Entity.

Paladin has adopted systems of control and accountability as the basis for the administration of corporate governance.

This Corporate Governance Statement outlines the key principles and practices of the Company which, taken as a whole, is the system of governance.

Shareholders are reminded that Paladin operates with a dual listing in Australia on the Australian Stock Exchange (ASX) and in Canada on the Toronto Stock Exchange (TSX). In formulating our governance framework, the regulatory requirements in both Australia and Canada have been taken into account.

The Company has complied with each of the Ten Essential Corporate Governance Principles and the corresponding Best Practice Recommendations as published by the ASX Corporate Governance Council. Further the Company also complies with the Ontario Securities Commission's corporate governance requirements as set out in National Instrument 58-101.

The Company reviews and amends its corporate governance policies as appropriate to reflect the growth of the Company, current legislation and good practice. The website (www.paladinresources.com.au) includes copies or summaries of key corporate governance policy documents.

RELATIONSHIP WITH SHAREHOLDERS

The Company places a high priority on communications with and accountability to shareholders. The Board recognises that shareholders, as the ultimate owners of the Company, are entitled to receive timely and relevant high quality information about their investment. Similarly, prospective investors should be able to make an informed decision when considering the purchase of shares in Paladin.

To safeguard the effective dissemination of information, the Board has implemented a Disclosure Control Policy, detailed later in this Statement, and adopted a Shareholder Communications Policy. These reinforce the Company's commitment to its continuous disclosure obligations imposed by law.

Information will be communicated to shareholders by:-

- Ensuring that published financial and other statutory reports are prepared in accordance with applicable laws and industry best practice;
- Ensuring the disclosure of full and timely information about the Company's activities in accordance with the general and continuous disclosure principles in the ASX Listing Rules, the Corporations Act in Australia and all relevant legislation in Canada;
- Providing detailed reports from the Chairman and the Managing Director at the Annual General Meeting;
- Placing all material information released to the market (including notices of meeting and explanatory materials) on the Company's website as soon as practical following release;

CORPORATE GOVERNANCE STATEMENT (continued)

RELATIONSHIP WITH SHAREHOLDERS (continued)

- Placing the Company's market announcements and financial data for the preceding three years on its website. Earlier announcements are available on request; and
- Providing the Annual Report in a "user friendly" electronic format on its website.

In addition, the website includes a facility to allow interested parties to subscribe to receive, electronically, public releases and other relevant material concerning the Company.

Shareholders are encouraged to attend Annual General Meetings and ask questions of Directors and senior management and also the Company's external auditors, who are required to be in attendance. In the event that shareholders are unable to attend meetings, they are encouraged to lodge proxies signifying their approval or otherwise of the business to be considered.

At the 2007 Annual General Meeting to be held in November 2007, a resolution will be proposed to allow for direct voting by shareholders. This will enable shareholders to vote directly, as an alternative to appointing a proxy to vote on their behalf. Direct voting is similar to voting by postal vote in an election.

BOARD OF DIRECTORS

Role of the Board

The Board guides and monitors the business of Paladin on behalf of shareholders, by whom they are elected and to whom they are accountable. The Board is responsible for setting corporate direction, defining policies and monitoring the business of the Company, to ensure it is conducted appropriately and in the best interests of shareholders.

The role of the Board is to oversee and guide the management of the Company with the aim of protecting and enhancing the interests of its shareholders, taking into account the interests of other stakeholders including employees, customers, suppliers and the wider community.

The Board operates under a Charter and has a written Code of Conduct which establishes guidelines for its conduct. The purpose of the Code is to ensure that Directors act honestly, responsibly, legally and ethically and in the best interests of the Company.

The Board is responsible for setting the strategic direction and establishing goals for management and the monitoring of the achievements against these goals.

Composition of the Board

The Board comprises four Non-executive Directors, including the Chairman and one Executive Director, being the Managing Director. The names of the Directors, both in office at the date of this report and those who held the position during the past year, are set out in the Directors' Report. This information includes their status as Non-executive, executive or independent, their qualifications and experience and length of service.

The structure of the Board has evolved over time to reflect the changing needs of the Company to ensure an appropriate mix of skills and experience are available to oversee the growth of Paladin to its full potential. This was particularly relevant given the progress towards becoming a uranium supplier and, in the last quarter of the 2005 financial year, Board membership underwent a major restructure.

Skills sets represented at Board level include managerial, technical, financial, corporate, legal and commercial. Particularly, members have a broad range of qualifications, experience and expertise in the uranium business.

CORPORATE GOVERNANCE STATEMENT (continued)

Director Independence

Directors are expected to bring independent views and judgement to the Board's deliberations. All of the Non-executive Directors are considered by the Board to be independent. In considering whether a Director is independent, the Board has regard to the independence criteria set out in the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations and the Corporate Governance Guidelines developed by the Ontario Securities Commission pursuant to National Policy 58-201 and other facts, information and circumstances that the Board considers relevant.

The Board assesses the independence of new Directors prior to appointment and reviews the independence of all Directors as appropriate.

Mr Rick Wayne Crabb was a principal of the legal firm, Blakiston and Crabb, until 30 June 2004. Blakiston and Crabb has been within the last 3 years a material provider of legal services to the Company in respect of matters concerning Australian law. Accordingly, Mr Crabb does not fit within paragraph 3 of the Independence Test as determined by box 2.1 of ASX Corporate Governance Council Principles (Independence Test) because this paragraph excludes any person who has been a principal of a material advisor within the previous 3 year period. Mr Crabb passes all other aspects of the Independence Test. The Board of Paladin (in the absence of Mr Crabb) considered Mr Crabb demonstrates he consistently makes decisions and takes actions which are designed to be in the best interest of the Company. The Board notes the fees paid to Blakiston and Crabb are not material to the Company and were not high enough to be material to Mr Crabb's practice at the firm Blakiston and Crabb during the time he was a partner there and are not relevant at all past his date of retirement from that firm. The Board also noted that another law firm (Freehills) also provided legal services of a material nature to the Company over the previous 18 month period. Therefore, the Board considers Mr Crabb to be independent.

Meetings of the Board

The Board meets formally at least four times a year (each over a 2 day period) and on other occasions, as required. On the day preceding the Board meeting, members of senior management attend and make presentations to the Board covering all aspects of the Company's operations. Non-executive Directors are able to meet without the Managing Director and management being present, as considered appropriate. Each of the four principle Board meetings provided this opportunity.

The Board holds an annual strategic planning session with management at which the Company's strategic plans for each operating activity and the Group as a whole are presented. This was held as part of the budget review process in May 2007. The Managing Director encourages full access to executive Managers by the Board to ensure transparency at a senior management level and Non-executive Directors are encouraged to visit the Company's operations.

Retirement and Re-election

The Constitution of the Company requires one third of the Directors, other than the Managing Director, to retire from office at each Annual General Meeting. Directors who have been appointed by the Board are required to retire from office at the next Annual General Meeting and are not taken into account in determining the number of Directors to retire by rotation at that Annual General Meeting. Directors cannot hold office for a period in excess of three years without submitting themselves for re-election. Retiring Directors are eligible for re-election by shareholders. Details of those Directors seeking re-election at the 2007 Annual General Meeting are set out in the Directors' Report.

The Board does not believe that any Director has served on the Board for a period which could, or be perceived to, materially interfere with his ability to act in the best interests of the Company.

CORPORATE GOVERNANCE STATEMENT (continued)

Retirement and Re-election

In reaching this conclusion, the Board has noted that each of R Crabb (the Chairman) and J Borshoff (the Managing Director) will have each served on the Board for 13 years. Notwithstanding their period of service, the Board concluded that both Directors retain independence of character and judgement and continue to make outstanding contributions at Board level. Both bring their unique skills to the Board and participate in robust constructive debate. The Board considers that Mr Borshoff's uranium experience and Mr Crabb's international resource law experience remains valuable at Board level during this critical stage of the Company's development.

Nomination and Appointment of New Directors

If it is necessary to appoint a new Director to fill a vacancy on the Board or to complement the existing Board, a wide potential base of possible candidates is considered and external consultants are engaged to assist in the selection process, if required. The Board assesses the qualifications of the proposed new Director against a range of criteria including background, experience, professional skills, personal qualities, the potential for the candidate's skills to augment the existing Board and the candidate's availability to commit to the Board's activities. If these criteria are met and the Board appoints the candidate as a Director, that Director must retire at the next following Annual General Meeting and will be eligible for re-election by shareholders at that Annual General Meeting.

New Directors appointed to the Board are invited to participate in an induction programme which includes provision of comprehensive written material regarding the Company such as:-

- Information on the financial, strategic and operational position of the Company;
- A comprehensive letter of appointment which sets out the Company's expectations on acceptance of the position;
- A written statement which sets out the duties, rights and responsibilities they undertake on becoming a Director together with material detailing the operations, policies and practices of the Company; and
- Copies of previous minutes of Board meetings together with recent Annual Reports and interim financial statements.

Further, new Directors are invited to attend briefing sessions with the Managing Director and key members of the senior management team where they may ask questions and direct any queries they may have to the Chairman or the Managing Director or obtain any other briefings they feel necessary from the Chairman or the Managing Director. They are encouraged to attend site visits in liaison with the Managing Director, at appropriate times. Directors agree to participate in continuous improvement programs from time to time, as considered appropriate.

During the past year, Mr George Pirie indicated that, due to his increasing time commitment as the President and Chief Executive Officer of Breakwater Resources Ltd (a TSX listed company), he no longer had sufficient time available to undertake his duties in his role as a Non-executive Director of Paladin. Accordingly, following an extensive search and review period by the Nomination Committee, the Board was pleased to secure the appointment of Mr Donald Shumka.

Evaluation of Board Performance

Improvement in Board processes and effectiveness is a continuing objective and the primary purpose of Board evaluation is to identify ways to improve performance. The Chairman is responsible for conducting an annual review of the Board performance.

An evaluation of the performance of the Board was carried out in the last quarter of the 2007 financial year. This process involved completion of individual questionnaires focused on process, structure, effectiveness and contributions. Responses to the questionnaire were collated and discussed by the Board in an open forum and recommendations for improvement considered.

CORPORATE GOVERNANCE STATEMENT (continued)

Knowledge, Skills and Experience

To assist Directors to maintain an appropriate level of knowledge, skill and experience in the operations of the Company, Directors have the opportunity to undertake site visits to familiarise themselves with the Company's operations.

Directors are also provided with papers, presentations and briefings on the Company's operations and on matters which may affect the Company. These are provided in addition to Board papers and are designed to assist the Directors to gain relevant and timely information to assist in their decision making process. Directors are also encouraged to undertake continuing education relevant to the discharge of their obligations as Directors of the Company. Subject to prior approval by the Company Secretary, the reasonable cost of such education is met by the Company.

Position Descriptions

The Board has developed and adopted written position descriptions for the Non-executive Chairman of the Board, the Chairman of each Board Committee, the Managing Director and the Company Secretary.

These delineate the role and responsibility of each position and provide clarity on the expectations for those individuals occupying these key positions within the Company.

Conflicts of Interest

The Code of Conduct for Directors, a copy of which is available on the Company's website, sets out the procedure to be followed if there is, or may be, a conflict between the personal or other interests of a Director and the business of the Company. A Director with an actual or potential conflict of interest in relation to a matter before the Board does not receive the Board papers relating to that matter and when the matter comes before the Board for discussion, the Director withdraws from the meeting for the period the matter is considered and takes no part in the discussions or decision-making process.

Minutes reporting on matters in which a Director is considered to have a conflict of interest are not provided to that Director, however, the Director is given notice of the nature of the matter for discussions and, as much as practicable, of the general nature of the discussion or decision reached.

Remuneration

Details of the remuneration policies and practices of the Company and the remuneration paid to the Directors (Executive and Non-executive) and Senior Executives are set out in the Remuneration Report included in the Directors' Report. Shareholders will be invited to consider and to approve the Remuneration Report at the Annual General Meeting in November 2007.

In relation to the Non-executive Directors there are no termination or retirement benefits.

Independent advice

The Board and its Committees may seek advice from independent experts whenever it is considered appropriate. With the consent of the Chairman, individual Directors may seek independent professional advice, at the expense of the Company, on any matter connected with the discharge of their responsibilities. No Director availed himself of this right during the course of the year.

CORPORATE GOVERNANCE STATEMENT (continued)

BOARD COMMITTEES

The Board has established Audit, Nomination and Remuneration Committees which assist in the discharge of the Board's responsibilities.

Board approved charters set out the terms of reference and rules governing these Committees.

Audit Committee

The Audit Committee assists the Board in discharging its responsibilities to ensure that the Company complies with appropriate and effective accounting, auditing, internal control and compliance and reporting practices in accordance with the Audit Committee Charter.

The role of the Audit Committee is to:

- Monitor the integrity of the financial statements of the Company, reviewing significant financial reporting judgments;
- Review the Company's internal financial control system and, unless expressly addressed by a separate risk committee or by the Board itself, risk management systems;
- Monitor and review the effectiveness of the Company's internal audit function;
- Monitor and review the external audit function including matters concerning appointment and remuneration, independence and non-audit services; and
- Perform such other functions as assigned by law, the Company's constitution, or the Board.

The Audit Committee comprises three members, all of whom are independent Non-executive Directors. The current members of the Audit Committee are:-

- Donald Shumka – Chairman (appointed 9 July 2007)
Non-executive, Independent Director
(George Pirie undertook this role to the date of his resignation , 9 July 2007)
- Sean Llewelyn – Non-executive Director
Independent Director
- Ian Noble – Non-executive Director
Independent Director

The Audit Committee meets at least once a quarter and at any other time requested by a Board member, Company Secretary or external auditor. The external auditors attend each quarterly meeting and on other occasions where circumstances warrant. At the discretion of the Chairman, having regard to the nature of the agenda, relevant members of management may be invited to attend meetings.

The number of meetings of the Audit Committee during the reporting period and the names on the attendance record is set out in the Directors' Report.

The external auditors are Ernst and Young who were appointed as the Company's auditors in June 2005.

CORPORATE GOVERNANCE STATEMENT (continued)

Nomination Committee

The responsibilities of the Nomination Committee include:-

- Reviewing the size and composition of the Board and making recommendations to the Board on any appropriate changes;
- Developing and planning for identifying, assessing and enhancing Director competencies;
- Making recommendations on the appointment and removal of Directors;
- Evaluating Board performance so that individual and collective performance is regularly and fairly assessed; and
- Providing new Directors with an induction into the Company and provide all Directors with access to on going education relevant to their position.

The Chairman of the Board chairs the Nomination Committee. The Board considers that given the importance of Board composition, it is appropriate that all members of the Board are members of the Nomination Committee.

The number of meetings of the Nomination Committee during the reporting period and the names on the attendance record is set out in the Directors' Report.

Remuneration Committee

The role of the Committee, in accordance with the Remuneration Committee Charter, is to assist the Board with respect to remuneration by reviewing and making appropriate recommendations on:-

- Remuneration packages of executive Directors, Non-executive Directors and senior executives; and
- Employee incentive and equity based plans including the appropriateness of performance hurdles and total payments proposed.

The ASX Listing Rules and the Constitution require that the maximum aggregate amount of remuneration to be allocated among the Non-executive Directors be approved by the shareholders in general meeting. In proposing the maximum amount for consideration by shareholders, and in determining the allocation, the Remuneration Committee will take into account the time demands made on Directors given the increasing complexity of the Paladin Group and such factors as fees paid to Non-executive Directors in comparable Australian companies.

The remuneration paid to Directors and senior executives is shown in the Directors' Report.

The Remuneration Committee comprises three members, all of whom are independent Directors. The Chairman of the Board is the Chairman of the Remuneration Committee and the Committee shall meet at least twice a year and otherwise as required.

CORPORATE GOVERNANCE STATEMENT (continued)

Remuneration Committee (continued)

The current members of the Remuneration Committee are:-

- Rick Crabb – Chairman
Non-executive, Independent Director
- Sean Llewelyn – Non-executive Director
Independent Director
- Donald Shumka – Non-executive Director (appointed 10 August 2007)
Independent Director
(George Pirie undertook this role to the date of his resignation , 9 July 2007)

The number of meetings of the Remuneration Committee during the reporting period and the names on the attendance record is set out in the Directors' Report.

FINANCIAL REPORTING

CEO and CFO Sign-offs

In accordance with the Corporations Act 2001, ASX Corporate Governance Principle 4 (Safeguard Integrity in Financial Reporting) and Canadian Securities Law, relevant declarations, statements and certifications have been provided by the Managing Director and the Chief Financial Officer in relation to the Company's 30 June 2007 Annual Report, including financial statements.

DISCLOSURE CONTROLS

Paladin is committed to ensuring that shareholders and the market are provided with full and timely information and that all stakeholders have equal and timely access to material information concerning the Company.

The Company understands and respects that timely disclosure of price sensitive information is central to the efficient operation of the Australian Stock Exchange's and Toronto Stock Exchange's securities market and has adopted a Disclosure Control Policy with underlying procedures covering public announcements, the prevention of selective or inadvertent disclosure, conduct of investor and analysts briefings, and media communications. This policy reflects the commitment of the Directors and management to promoting consistent disclosure practices aimed at accurate, timely and broadly disseminated disclosure of material information to the market. The Company has formed a Disclosure Control Committee which has responsibility for overseeing and co-ordinating disclosure of all public information. Members of this Committee are the Managing Director, Company Secretary and Chief Financial Officer.

RISK MANAGEMENT

The Company has established policies on risk oversight and management and has a risk management and internal control system to manage the Company's material business risks. The Company has developed its risk management policy in line with the implementation of the risk management system and a risk management framework.

CORPORATE GOVERNANCE STATEMENT (continued)

RISK MANAGEMENT (continued)

The Company's Risk Management Policy is to identify, assess, and mitigate risks which are deemed unacceptable to the Company. Operational business controls have been identified and are in place to ensure unwanted threats to the business are managed. Paladin has also developed the business environment for managers and senior personnel to assess risks and make sound business decisions. Whilst all personnel have a responsibility to identify and report to management risks which may materially affect the Company, the Managing Director has the overall responsibility for the management of risk in the Company. Paladin has adopted the Australian and New Zealand Standard 4360:2004, "Risk Management" in managing the risk management process.

The risk management system is designed and implemented by the Managing Director, with assistance from senior executives, and is subject to the review of the Board of Directors.

The Company maintains a Risk Register, which sets out all of the enterprise risks that have been identified and includes an assessment of the risk (risks analysed and evaluated), and treatment plans to mitigate risks. The risk register has been compiled and is subject to periodic review by the Managing Director and senior management to ensure adequate risk control measures have been identified. An operational risk assessment system is in place at the Langer Heinrich operations, which is continuously reviewed and updated.

ENVIRONMENT

The Company seeks to prevent, minimise, mitigate and remediate any harmful effects of its operations on the environment and strives to achieve continuous improvement in environmental performance. The Company promotes an excellent standard of environmental performance across its business and has adopted an environmental policy which includes compliance with all applicable environmental laws as a minimum standard, development and implementation of Environmental Management Systems, including Environmental and Radiological Management Plans to identify, assess and manage environmental risks, ensuring its employees and contractors are aware of their environmental responsibilities, consulting with government and community in relation to the Company's operations and proposed projects, and undertaking regular audits and reviews on environmental performance.

SAFETY AND OCCUPATIONAL HEALTH

The safety, health and wellbeing of employees, contractors and the community are of core value to Paladin Resources' operations. A healthy workforce contributes to business success and Paladin's aim is for zero injuries. The safety and health performance of Paladin will be measured through internal and external internationally recognised auditing and reporting processes.

SECURITIES OWNERSHIP AND DEALINGS

The Company has a Policy for Trading in Company Securities which is binding on all Directors and employees. The purpose of this policy is to provide a brief summary of the law on insider trading and other relevant laws, set out the restrictions on dealing in securities by people who work for or are associated with Paladin and assist in maintaining market confidence in the integrity of dealings in Paladin's securities.

The Company's policy prohibits hedging of options granted under share options plans. This relates to both vested and unvested options. Prohibited hedging practices include put/call arrangements over "in money" options to hedge against a future drop in share price. The Board considers such hedging to be against the spirit of a share option plan and inconsistent with shareholder objectives.

CORPORATE GOVERNANCE STATEMENT (continued)

CODES OF CONDUCT

The Board has approved a **Code of Conduct for Directors** (incorporating underlying Guidelines for the Interpretation of Principles) together with a **Code of Business Conduct and Ethics**, which applies to all Directors, Officers and Employees including those employed by subsidiaries, in all countries where Paladin does business. A copy of the Code is available on the Company's website.

These Codes demonstrate and codify Paladin's commitment to appropriate and ethical corporate practices. Compliance with the Codes will also assist the Company to effectively manage its operating risks and meeting its legal and compliance obligations, as well as enhancing Paladin's corporate reputation.

The principles outlined in this document are intended to:

- Establish a minimum global standard of conduct by which all Paladin employees are expected to abide;
- Protect the business interests of Paladin, its employees and customers;
- Maintain Paladin's reputation for integrity; and
- Facilitate compliance by Paladin employees with applicable legal and regulatory obligations.

The Code of Business Conduct and Ethics addresses honesty and integrity, following the law, conflicts of interest, confidentiality, protection of Company assets, dealing with public officials, responsibility for international operations, employment practices, record keeping and community relations.

The Board has appointed the Company Secretary as the Company's compliance officer in the case of employees, and the Chairman of the Audit Committee in the case of Directors and officers, as the person responsible for receiving reports of breaches of the Code and this is the mechanism by which compliance with the Code is monitored.

The Board has also approved a **Whistleblower Policy** which documents commitment to maintaining an open working environment in which employees and contractors are able to report instances of unethical, unlawful or undesirable conduct without fear of intimidation or reprisal.

The purpose of the Whistleblower Policy is to:

- Help detect and address unacceptable conduct;
- Help provide employees and contractors with a supportive working environment in which they feel able to raise issues of legitimate concern to them and to the Company; and
- Help protect people who report unacceptable conduct in good faith.

The Company has a firm commitment to protecting the privacy of any personal information that it collects and holds and recognises its obligations under the existing privacy legislation. It has adopted a **Privacy Policy** which provides details on the collection and use of personal information, circumstances under which it can be disclosed, management and security of personal information and how it can be accessed.

Any changes to the above Codes and Policies are considered by the Board for approval.

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 2007.

Directors

The following persons were Directors of Paladin Resources Ltd (Company) and were in office for this entire period unless otherwise indicated:

Mr Rick Wayne Crabb (Non-executive Chairman)

Mr John Borshoff (Managing Director)

Mr Sean Llewelyn (Non-executive Director)

Mr George Pirie (Non-executive Director), resigned 9 July 2007

Mr Ian Noble (Non-executive Director)

Mr Donald Shumka (Non-executive Director), appointed 9 July 2007

Principal Activity

The principal activity of the Consolidated Entity was exploration, evaluation, development and operation of uranium projects in Africa and Australia.

Review and Results of Operations

A detailed operational and financial review of the Consolidated Entity is set out on pages 8 to 37 of this report under the section entitled Management Discussion and Analysis.

Dividends

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

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the Consolidated Entity during the financial year not otherwise dealt with in this report or listed below.

The takeover bid for Valhalla Uranium Ltd was announced on 10 July 2006 and completed on 27 October 2006 with acquisition of 100% of the issued capital.

The takeover bid for Summit Resources Ltd was announced on 27 February 2007 and eventually closed on 1 June 2007 with acquisition of 81.9% of the issued capital.

DIRECTORS' REPORT (continued)

Significant Events After The Balance Sheet Date

Since the end of the financial period, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this report or the Financial Statements, that has significantly or may significantly affect the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in subsequent years with the exception of the following, the financial effects of which have not been provided for in the 30 June 2007 Financial Report:

Board Changes

On 9 July 2007, the Company appointed Mr Donald Shumka as a Non-executive Director of Paladin Resources Ltd. Mr Shumka is Vancouver based and is the President and Managing Director of Walden Management Ltd., a consulting firm specialising in natural resources.

Mr. Shumka's appointment followed the resignation of Mr. George Pirie who, due to his increasing time commitment as the President and Chief Executive Officer of Breakwater Resources Ltd (a TSX listed company), no longer had sufficient time available to undertake his duties in his role as a Non-executive Director of Paladin.

Increased Holding in Deep Yellow Ltd

On 26 July 2007, the Consolidated Entity acquired an additional 9,789,808 shares in Deep Yellow Ltd pursuant to an entitlement issue. Subsequently, on 8 August 2007, the Consolidated Entity acquired an additional 31,673,949 shares in Deep Yellow Ltd via subscription for the shortfall of the entitlement issue. The additional investments totalled A\$20.7 million (US\$17.8 million). After these acquisitions the Consolidated Entity now holds 14.34% of Deep Yellow Ltd.

Mt Isa Uranium Joint Venture Litigation

On 3 August 2007, the Company announced that its wholly owned subsidiary, Mt Isa Uranium Pty Ltd had settled the court proceedings commenced by Summit Resources (Aust) Pty Ltd (ultimately 81.9% owned by the Company) against it and Resolute Ltd in relation to alleged breaches of confidentiality provisions in the Mt Isa Uranium Project joint venture agreement.

Subsequently, Areva NC (Australia) Pty Ltd has advised that it intends to apply to the Supreme Court of Western Australia for orders under Section 237 of the Corporations Act 2001 to be granted leave to intervene in the court proceedings.

The Company has always remained confident that the court proceedings could be successfully defended but a change in ownership of the joint venture deposits is not of significance to the Company, as a consequence of the indemnity given by Resolute Ltd and the fact that the Company holds an ultimate 81.9% interest in Summit Resources (Aust) Pty Ltd.

Kayelekera Uranium Project, Malawi – Major Development Contracts Signed

On 15 August 2007, the Company announced that its subsidiary Paladin (Africa) Ltd had signed three major contracts for the development of its Kayelekera Uranium Project.

The EPCM contract was awarded to Engineering and Projects Company appointing them as the Project Engineers and the mining and earthworks contracts were awarded to Mota Engil Engineering.

Likely Developments

Likely developments in the operations of the Consolidated Entity constituted by the Company and the entities it controls from time to time are set out under the section entitled Management, Discussion and Analysis.

DIRECTORS' REPORT (continued)

Environmental Regulations

The Consolidated Entity is subject to significant environmental regulation in respect to its exploration, evaluation, development and operational activities for uranium projects under the laws of the countries in which its activities are conducted. The Consolidated Entity currently has an operation in Namibia, a development in Malawi and exploration projects in Australia. The Consolidated Entity's Policy is to comply with all applicable environmental laws and regulations in the countries in which it conducts business.

Specific environmental regulations contained within the approvals and licences for the exploration, development and operation apply to the activities conducted at each site. In addition there are many other international and industry standards applied to the Consolidated Entity's activities. These environmental laws, regulations and standards relate to environmental factors such as radiation, water, flora, fauna, air quality, noise, waste management and pollution control.

The Directors are not aware of any environmental matters which would have a significant adverse effect on the Consolidated Entity.

Information on Directors

Mr Rick Wayne Crabb (*Non-executive Chairman*) Age 50
B. Juris (Hons), LLB, MBA, FAICD

Mr Crabb holds degrees of Bachelor of Jurisprudence (Honours), Bachelor of Laws and Master of Business Administration from the University of Western Australia. He has practiced as a solicitor from 1980 to 2004 specialising in mining, corporate and commercial law. He has advised on all legal aspects including financing, marketing, government agreements and construction contracts for many resource development projects in Australia and Africa. Mr Crabb now focuses on his public company directorships and investments. He has been involved as a director and strategic shareholder in a number of successful public companies. He is presently also a director of Golden Rim Resources Ltd (since 2001), Ashburton Minerals Ltd (since 1999), Otto Energy Ltd (since 2004), Port Bouvard Ltd (since 1996) and Royal Resources Limited (since 2004).

Mr Crabb was appointed a director on 8 February 1994 and Chairman on 27 March 2003.

Former directorships of listed companies in last three years
 ST Synergy Ltd from 2001 to 2005
 Aldershot Resources Ltd from 2004 to 2005
 Thundelarra Exploration Ltd from 2003 to 2007

Special Responsibilities

Chairman of the Board
 Chairman of Remuneration Committee from 1 June 2005
 Chairman of Nomination Committee from 1 June 2005

Mr John Borshoff (*Managing Director*) Age 62
B.Sc., F.AusIMM, FAICD

Mr Borshoff is a geologist who has been involved in the Australian and African exploration and mining industry for over 30 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. The primary focus of the Uranerz Group was the search and development of uranium with the company operating extensively throughout Australia, North America and Africa.

DIRECTORS' REPORT (continued)

Information on Directors (continued)

He has extensive knowledge of the uranium industry and experience in company management, strategic planning and administration. He serves on a number of industry organisations including the board of the Australian Uranium Association, he is Chair of the Association of Mining and Exploration Companies' Uranium Working Committee and is a member of the Steering Committee of the Uranium Industry Framework established by the Commonwealth Government.

Mr Borshoff founded Paladin Resources Ltd and was appointed a Director on 24 September 1993.

Special Responsibilities

Managing Director

Member of Nomination Committee from 1 June 2005

Mr Sean Reveille Llewelyn (Non-executive Director) Age 59

LL.B

Mr Llewelyn first qualified as a solicitor in Australia and England, however he has worked in the finance and merchant banking industries for more than 20 years in Australia, the UK, the USA and South Africa. His considerable experience has been on derivatives, structured finance and early stage investment relating to the metal markets. He has been involved with uranium for over 12 years and has a comprehensive understanding of the uranium market.

Mr Llewelyn was involved as a key player in the formation of a joint venture company between Anglo Gold and First Rand International to assume marketing responsibility for uranium on behalf of Nuclear Fuels Corporation of South Africa (Nufcor).

Mr Llewelyn was appointed to the Board on 12 April 2005.

Special Responsibilities

Member of Audit Committee from 12 April 2005

Member of Remuneration Committee from 1 June 2005

Member of Nomination Committee from 1 June 2005

Mr Donald Shumka (Non-executive Director) Age 65

B.A., MBA

Mr Shumka is Vancouver based and is the President and Managing Director of Walden Management Ltd., a consulting firm specialising in natural resources. From 1989 to 2004, he was Managing Director, Investment Banking with CIBC World Markets and Raymond James Ltd. Prior to 1989, Mr Shumka was Vice President, Finance and Chief Financial Officer of West Fraser Timber Co. Ltd., one of Canada's largest forest products companies. He holds a Bachelor of Arts Degree in Economics from the University of British Columbia and a Master of Business Administration Degree from Harvard University. He currently sits on the boards of Eldorado Gold Corporation and Northern Peru Copper Corp.

Mr Shumka was appointed to the Board on 9 July 2007.

Special Responsibilities

Chairman of Audit Committee from 9 July 2007

Member of Remuneration Committee from 10 August 2007

Member of Nomination Committee from 10 August 2007

DIRECTORS' REPORT (continued)

Information on Directors (continued)

Mr George Edward Pirie (Non-executive Director) Age 54
B.Com (Hons)

Mr Pirie has over 20 years experience in the mining business, more recently as President and Chief Executive Officer of Placer Dome, Canada. Mr Pirie resigned his position with that company effective 31 December 2004 and effective 4 July 2005, was appointed President and Chief Executive Officer of Breakwater Resources Inc.

Mr Pirie was appointed to the Board on 1 June 2005 and resigned on 9 July 2007.

Special Responsibilities

Chairman of Audit Committee from 1 June 2005 to 9 July 2007

Member of Remuneration Committee from 1 June 2005 to 9 July 2007

Member of Nomination Committee from 1 June 2005 to 9 July 2007

Mr Ian Urquhart Noble (Non-executive Director) Age 66
BSc (Metallurgy), F.AusIMM, ARCST

Mr Noble has more than 40 years experience covering the mining, chemical and nuclear industries with a strong emphasis in the mining and mineral processing fields. He is an internationally recognised consultant, specialising in hydrometallurgy and comminution, and has been involved in many of the major mining developments within Australia and overseas. He has held senior management positions with both Wright Engineers Australia Ltd and Fluor Australia and took a lead role in the design of Australia's two major uranium processing plants.

Mr Noble's initial involvement with uranium was with Wright Engineers Pty Limited on the Rabbit Lake project in Canada. In Australia, in 1976, he was Lead Engineer on the Ranger Uranium Feasibility Study, followed by a three year involvement in the design construction phase, initially as Process Engineering Manager, and then a period as Project Engineer for the hydrometallurgical plant, and finally a year on site as Pre-Commissioning and Commissioning Manager. He was subsequently Lead Process Engineer for the design of Western Mining Corporation's Olympic Dam Project.

Mr Noble was appointed to the Board on 29 June 2005.

Special Responsibilities

Member of Audit Committee from 29 June 2005

Member of Nomination Committee from 29 June 2005

Interests in the shares and options of the Company

As at date of this report, the interests of the Directors in the shares and options of Paladin Resources Ltd were:

	Number of Ordinary Shares	Number of Options over Ordinary Shares
Mr Rick Crabb	8,964,746	3,250,000
Mr John Borshoff	18,091,394	5,250,000
Mr Ian Noble	16,000	-

DIRECTORS' REPORT (continued)

Company Secretary

Ms Gillian Swaby Age 47
B.Bus, FCIS, FAICD

Ms Swaby has been involved in financial and corporate administration for listed companies, as both Director and Company Secretary covering a broad range of industry sectors, for over 25 years. Ms Swaby has extensive experience in the area of secretarial practice, management accounting and corporate and financial management.

Ms Swaby is past Chair of the Western Australian Council of Chartered Secretaries of Australia, a former Director on their National Board and lecturer for the Securities Institute of Australia. Ms Swaby is the principal of a corporate consulting company and was a member of the Paladin Board for a period of 9 years. She currently serves as a Non-executive Director on Deep Yellow Limited, in which Paladin holds a 14.34% interest at 3 September 2007.

Directors' Meetings

The number of Directors' meetings and meetings of committees held in the period each Director held office during the financial year, and the number of meetings attended by each Director are:

Name	Board of Directors' meetings		Audit Committee meetings		Remuneration Committee meetings		Nomination Committee meetings	
	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend
Mr Rick Crabb	19	19	-	-	3	3	3	3
Mr John Borshoff	19	19	-	-	-	-	3	3
Mr Sean Llewelyn	19	19	6	6	3	3	3	3
Mr George Pirie	11	19	3	6	2	3	1	3
Mr Ian Noble	19	19	6	6	-	-	3	3

Resignation, Election and Continuation in Office of Directors

In accordance with the Constitution of the Company, Rick Crabb and Ian Noble retire by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election. Mr Donald Shumka seeks re-appointment at the Annual General Meeting as he was appointed by the Board to fill a casual vacancy on 9 July 2007 following the resignation of George Pirie and, in accordance with the Constitution, must seek re-election at the first Annual General Meeting following his appointment.

Remuneration Report

This Remuneration Report outlines the director and executive remuneration arrangement of the Company and the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations. It also provides the remuneration disclosures required by paragraphs Aus 25.4 to Aus 25.7.2 of AASB 124 *Related Party Disclosures*, which have been transferred to the Remuneration Report in accordance with Corporations Regulation 2M.6.04.

Compensation of Key Management Personnel

i) Compensation Policy (audited)

The Remuneration Committee, on behalf of the Board of Directors, monitors compensation of Directors and Executives of the Company.

DIRECTORS' REPORT (continued)

Remuneration Report (continued)

Generally, compensation is provided by the Company to its Executives (including the Managing Director), by way of base salary, short-term bonus, granting of employee options and superannuation. The overall objective is to ensure that remuneration is fair and reasonable and sufficient to attract and retain qualified and experienced Directors and Executives.

The compensation programme for the Executives of the Company is designed to ensure that the level and form of compensation achieves certain objectives, including:

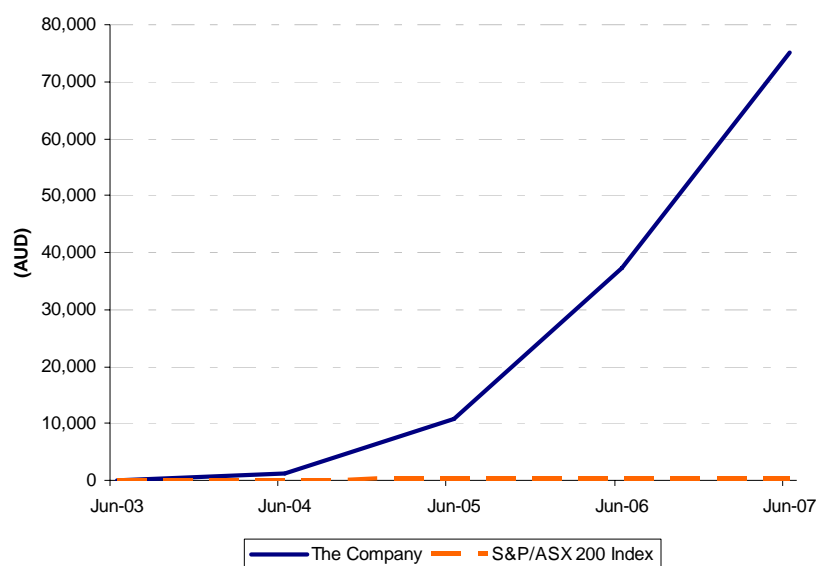
- (a) attracting and retaining talented, qualified and effective Executives;
- (b) motivating their short and long-term performance; and
- (c) aligning their interests with those of the Company's shareholders.

In line with Corporate Governance principles, Non-executive Directors are remunerated solely by way of fees and statutory superannuation. The total pool of fees available is set by shareholders in general meeting.

Given the evolving nature of the Company's business, the Remuneration Committee continues to review and redesign the overall compensation plan for all employees so as to continue to address the objectives identified above. During the year, it undertook an extensive review with the assistance of external specialist remuneration consultants to both revise the share option plan and determine parameters for the payment of cash bonuses. The new Executive Share Option Plan, approved by shareholders at the Annual General Meeting held in November 2006, is designed to increase the motivation of key staff and create a stronger link between increasing shareholder value and employee reward.

Company Performance

The overall level of compensation takes into account the growth in shareholder wealth of the Company. The chart below compares, assuming an initial investment of A\$100, the yearly percentage change in the cumulative total shareholder return on the Company's Ordinary Shares against the cumulative total shareholder return of the S&P/ASX 200 Index for the Company's five most recently completed financial years.



	30 June 2003	30 June 2004	30 June 2005	30 June 2006	30 June 2007
The Company	A\$100	A\$1,227	A\$10,682	A\$37,364	A\$75,091
S&P/ASX 200 Index	A\$100	A\$117	A\$141	A\$168	A\$207

DIRECTORS' REPORT (continued)

Remuneration Report (continued)

i) Compensation Policy (audited) (continued)

As the Company has only recently entered the production phase and is still in ramp up, the overall level of compensation does not focus on the earnings of the Company. The Board is, however, cognisant of general shareholder concern that long-term equity-based reward for key staff should be linked to the achievement by the Company of a performance condition. Accordingly, options granted are subject to performance conditions which must be satisfied before the options vest.

Directors' Fees

At the 2006 Annual General Meeting, shareholders approved an increase in the total pool of fees available to be paid to Non-executive Directors to A\$500,000. Given the growth of the Company such an increase was considered necessary to attract and retain directors of a calibre required to effectively guide and monitor the business of the Company and to remunerate them appropriately for the expectations placed upon them both by the Company and the regulatory environment in which it operates.

Fees payable to Non-executive Directors are set at A\$105,000 per annum each, effective 1 January 2007, inclusive of any superannuation obligations. Exceptions to this fee structure are the Chairman of the Audit Committee who receives an additional A\$5,000 per annum, and the Chairman of the Board who receives an additional A\$70,000 per annum. The increased fees were arrived at on the basis of a review by external independent remuneration consultants looking at companies with similar market capitalisation.

Compensation paid to the Managing Director is set out under (iv) Contracts for Services.

In addition, the Company's Constitution provides for additional compensation to be paid if any of the Directors are called upon to perform extra services or make any special exertions on behalf of the Company or the business of the Company. The Directors may compensate such Director in accordance with such services or exertions, and such compensation may be either in addition to or in substitution for the Directors' fees referred to above.

Base Salary

The first step to attracting and retaining talented, qualified and effective Executives is paying base salaries which are competitive in the markets in which the Company operates. Competitive salary information on companies of a comparable size in the resource industry is compiled from a variety of sources, including surveys conducted by independent consultants and national and international publications. In addition, external remuneration consultants are involved in the process of salary determination.

Expatriate Benefits

Executives who are required to fulfil their responsibilities as an expatriate receive benefits which may include health insurance, housing and car allowances, educational fees and tax advisory services.

Short-term Bonus

The Company provides short-term bonuses to Executives of up to 20% of base salary. The short-term bonuses are based on achieving the following measures where these are applicable to the specific Executive:

- (a) production performance;
- (b) project development performance;
- (c) additional uranium resources delineated;
- (d) performance of the Company in meeting its various other objectives;
- (e) financial performance of the Company; and
- (f) such other matters determined by the Remuneration Committee in its discretion.

In respect of the Managing Director, a bonus of up to 100% of base salary can be achieved, to be determined by the Remuneration Committee having consideration to outcomes achieved during the year.

DIRECTORS' REPORT (continued)

Remuneration Report (continued)

i) Compensation Policy (audited) (continued)

Outcomes to be considered include:

- acceptable safety and environmental performance by the Group;
- Langer Heinrich commissioning, ramp up and production;
- completion of the Kayelekera Bankable Feasibility Study;
- increases in uranium resource under Company control;
- continued successful recruitment of senior personnel;
- increase in market capitalisation;
- acquisition of new projects; and
- achievement of financial budget targets.

The above measures have been selected to align the interests of Executives with shareholders. The Remuneration Committee is responsible for assessing whether the measures are met.

The short-term bonus payments may be adjusted up or down in line with under or over achievement against the measures. This is at the discretion of the Remuneration Committee.

Share Incentive Option Plan

The Company believes that encouraging its key employees to become shareholders is the best way of aligning their interests with those of its shareholders. Equity participation is accomplished through the Company's Executive Share Option Plan which was approved by shareholders in November 2006. This replaced the previous plan and the Board believes that grants made under this Plan provide a powerful tool to achieve the following objectives:-

- enable the Company to recruit and retain the talented people needed to achieve the Company's business objectives;
- link the reward of key staff with the achievement of strategic goals and the long-term performance of the Company;
- align the financial interests of Plan participants with those of the shareholders; and
- provide incentives to Plan participants to focus on superior performance that creates shareholder value.

The Board determines the number of options offered to an employee by reference to their base package and the option value, based on the binomial tree method with reference to the following formula:-

$$\text{Number of Options} = \frac{\text{Base Package} \times \text{Stretch LTI}\%}{\text{Option value (based on the binomial tree model)}}$$

The resultant number of options may be adjusted, at the Board's discretion, to deal with any special circumstances or other factors.

"Stretch LTI" refers to the long-term incentive percentage of the Base Package that allows the maximum number of options to vest (i.e. become able to be exercised) if the performance condition is satisfied to the maximum.

The "binomial tree model" for determining the option value is the mathematical model used in accordance with the International Accounting Practice.

By way of example, the stretch LTI is, in the case of the Managing Director, 180%; and senior executives 100%.

Information on the Option Plan is set out under Note 28 Share Based Payment Plan. During the financial year, a number of options were granted to attract high calibre executives, in what continues to be a highly competitive and tight market for human capital. These options granted during the year included specific vesting periods.

The Company's policy prohibits hedging of options granted under share option plans. Prohibited hedging practices include put/call arrangements over "in money" options to hedge against a future drop in share price. The Board considers such hedging to be against the spirit of a share option plan and inconsistent with shareholder objectives.

DIRECTORS' REPORT (continued)

Remuneration Report (continued)

ii) Compensation of Key Management Personnel for the year ended 30 June 2007 (audited)(Consolidated and Company)

	Short-term				Post Employment	Share Based Payment	Total	Total	Total Performance Related
	Salary & fees	Cash bonus	Non Monetary Benefits	Other	Superannuation	Options			
	A\$000	A\$000	A\$000	A\$000	A\$000	A\$000	A\$000	US\$'000	A\$000
Directors									
Mr Rick Crabb	174	-	-	-	13	-	215	169	-
Mr John Borshoff	988	600	-	-	13	1,098	2,632	2,064	1,698
Mr Sean Llewelyn	95	-	-	-	9	-	104	82	-
Mr George Pirie	109	-	-	-	-	-	109	85	-
Mr Ian Noble	95	-	-	-	9	-	104	82	-
Executives									
Mr Garnet Halliday	355	150	-	178 ⁽¹⁾	9	-	692	543	150
Ms Gillian Swaby	-	50	-	302 ⁽²⁾	-	55	407	319	105
Mr Ron Chamberlain	212	20	-	-	13	167	432	339	187
Mr Wyatt Buck	315	30	21	-	-	1,136	1,502	1,178	1,166
Mr James Eggins	264	35	-	-	13	532	920	722	567
Mr Dustin Garrow	266	-	-	5,249 ⁽³⁾	-	554	6,069	4,760	554
Mr David Marsh	263	38	127	-	13	1,354	1,812	1,421	1,392
Mr Brendan O'Hara	180	5	-	-	12	1,052	1,249	980	1,057
Total	3,390	928	148	5,729	104	5,948	16,247	12,744	6,876

⁽¹⁾ Other represents a death benefit.

⁽²⁾ Other represents fees paid for company secretarial services to a company of which Ms Gillian Swaby is a director and shareholder.

⁽³⁾ Other represents a discretionary payment relating to the 2004 to 2006 formative period for the Company.

DIRECTORS' REPORT (continued)

Remuneration Report (continued)

ii) Compensation of Key Management Personnel for the year ended 30 June 2006 (audited) (Consolidated and Company)

	Short-term				Post Employment	Share Based Payment	Total	Total	Total Performance Related
	Salary & fees	Cash bonus	Non Monetary Benefits	Other	Superannuation	Options			
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	US\$'000	A\$'000
Directors									
Mr Rick Crabb	86	-	-	-	8	321	415	310	321
Mr John Borshoff	488	200	-	-	12	370	1,070	800	570
Mr Sean Llewelyn	61	-	-	-	5	-	66	49	-
Mr George Pirie	75	-	-	-	-	-	75	56	-
Mr Ian Noble	61	-	-	-	5	-	66	49	-
Executives									
Mr Garnet Halliday	460	-	46	-	12	256	774	579	256
Ms Gillian Swaby	-	-	-	153 ⁽¹⁾	-	244	397	297	244
Mr Ron Chamberlain	163	-	-	-	12	134	309	231	134
Mr Wyatt Buck	81	-	16	-	9	506	612	458	506
Mr James Eggins	110	-	12	-	6	247	375	280	247
Mr Dustin Garrow	-	-	-	144 ⁽²⁾	-	259	403	301	259
Mr David Marsh	-	-	-	-	-	225	225	168	225
Total	1,585	200	74	297	69	2,562	4,787	3,578	2,762

⁽¹⁾ Other represents fees paid for company secretarial services to a company of which Ms Gillian Swaby is a director and shareholder.

⁽²⁾ Other represents fees paid for marketing consulting services to a company of which Mr Dustin Garrow is a director and shareholder.

DIRECTORS' REPORT (continued)

Remuneration Report (continued)

iii) Compensation by Category: Key Management Personnel

	CONSOLIDATED/ COMPANY	
	2007 US\$'000	2006 US\$'000
Short-Term	7,998	1,613
Post Employment	81	51
Share-Based Payment	4,665	1,914
	12,744	3,578

iv) Contracts for Services (audited)

Remuneration and other terms of employment for the Key Management Personnel are normally formalised in contracts for services.

All contracts with Key Management Personnel may be terminated early by either party providing between 3 to 6 months written notice or providing payments in lieu of the notice period (based on fixed component of remuneration). On termination notice by the Company, any options that have vested, or that will vest during the notice period, will be released. Options that have not yet vested will be forfeited.

Mr John Borshoff, *Managing Director*

Term of agreement – 3 years commencing 1 March 2005 renewable for a further 2 year term subject to agreement.

Base salary, inclusive of superannuation, of A\$600,000 increased to A\$1,400,000 effective 1 January 2007.

Payment of a benefit on retirement or early termination by the Company, other than for gross misconduct, equal to 2 times base salary for the two years immediately preceding the termination date. This benefit was approved by the Company shareholders on 9 November 2005.

Mr Garnet Halliday, *Executive General Manager - Operations and Development (deceased 8 March 2007)*

Term of agreement – no fixed term.

Base salary, inclusive of superannuation, of A\$400,000 plus 20% expatriate allowance, increased to A\$550,000 plus 20% expatriate allowance effective 1 January 2007.

No termination benefit was specified in the agreement.

Ms Gillian Swaby, *Company Secretary*

No contract for service exists for Ms Gillian Swaby and fees are paid in the ordinary course of business for company secretarial services to a company of which Ms Gillian Swaby is a director and shareholder.

DIRECTORS' REPORT (continued)

Remuneration Report (continued)

iv) Contracts for Services (audited) (continued)

Mr Ron Chamberlain, *Chief Financial Officer*

Term of agreement – no fixed term.

Base salary, inclusive of superannuation, of A\$196,585 increased to A\$250,000 effective 1 January 2007.

No termination benefit is specified in the agreement.

Mr Wyatt Buck, *General Manager – Langer Heinrich Operations*

Term of agreement – no fixed term.

Base salary, inclusive of superannuation, of A\$220,000 + 10% expatriate allowance increased to A\$280,000 plus 10% expatriate effective 1 January 2007.

No termination benefit is specified in the agreement.

Mr James Eggins, *Executive General Manager - Sales and Contract*

Term of agreement – no fixed term.

Base salary, inclusive of superannuation, of A\$231,585, increased to A\$320,000 effective 1 January 2007.

No termination benefit is specified in the agreement.

Mr Dustin Garrow, *Executive General Manager - Marketing*

Term of agreement – no fixed term.

Base salary, of US\$310,000, effective 1 January 2007.

No termination benefit is specified in the agreement.

Mr Brendan O'Hara, *General Manager – Special Projects (commenced 14 August 2006)*

Term of agreement – no fixed term.

Base salary, inclusive of superannuation, of A\$210,000, increased to A\$220,000 effective 1 January 2007.

No termination benefit is specified in the agreement.

Mr David Marsh, *Executive General Manager - New Business Development*

Term of agreement – no fixed term.

Base salary, inclusive of superannuation, of A\$250,000, increased to A\$300,000 effective 1 January 2007.

No termination benefit is specified in the agreement.

Options were granted on acceptance of the position prior to his commencement on 1 July 2006.

Remuneration for all parties referred to above includes provision of an annual discretionary bonus and initial and ongoing discretionary grant of options.

DIRECTORS' REPORT (continued)

Remuneration Report (continued)

v) Compensation Options: Granted and vested during the year (audited) (Consolidated and Company)

During the financial year options were granted as equity compensation benefits under the long-term incentive plan to certain Key Management Personnel. The options were issued at no consideration. Each option entitles the holder to subscribe for one fully paid ordinary share in the entity at the exercise price. The contractual life of each option granted is five years (2006: three years). There are no cash settlement alternatives. No options have been granted since the end of the year to the Key Management Personnel listed below. For further details relating to the options, refer to Note 28.

30 June 2007	Vested	Granted	Grant Date	Fair Value per option at grant date (A\$) (Note 28)	Terms & Conditions for each Grant			
	No.	No.			Exercise Price per option (A\$) (Note 28)	Expiry Date	First Exercise Date	Last Exercise Date
Directors								
Mr John Borshoff	-	1,500,000	1/02/07	A\$5.27	A\$8.77	1/02/12	1/02/10	1/02/12
Executives								
Ms Gillian Swaby	-	75,000	1/02/07	A\$5.27	A\$8.77	1/02/12	1/02/10	1/02/12
Mr Ron Chamberlain	-	35,700	1/02/07	A\$4.65	A\$8.77	1/02/12	1/02/10	1/02/12
Mr Wyatt Buck	500,000	150,000	1/02/07	A\$4.65	A\$8.77	1/02/12	1/02/10	1/02/12
Mr James Eggins	-	100,000	1/02/07	A\$4.65	A\$8.77	1/02/12	1/02/10	1/02/12
Mr Dustin Garrow	-	78,570	1/02/07	A\$4.65	A\$8.77	1/02/12	1/02/10	1/02/12
Mr David Marsh	-	100,000	1/02/07	A\$4.65	A\$8.77	1/02/12	1/02/10	1/02/12
Mr Brendan O'Hara	-	1,000,000	5/07/06	A\$1.96	A\$5.50	5/07/09	5/01/08	5/07/09
Mr Brendan O'Hara	-	31,400	1/02/07	A\$4.65	A\$8.77	1/02/12	1/02/10	1/02/12
Total	500,000	3,070,670						

30 June 2006	Vested	Granted	Grant Date	Fair Value per option at grant date (A\$) (Note 28)	Terms & Conditions for each Grant			
	No.	No.			Exercise Price per option (A\$) (Note 28)	Expiry Date	First Exercise Date	Last Exercise Date
Directors								
Mr Rick Crabb	3,250,000	-	-	-	-	-	-	-
Mr John Borshoff	3,750,000	-	-	-	-	-	-	-
Executives								
Mr Garnet Halliday	3,000,000	-	-	-	-	-	-	-
Ms Gillian Swaby	2,750,000	-	-	-	-	-	-	-
Mr Ron Chamberlain	800,000	200,000	13/01/06	A\$1.44	A\$2.80	13/01/09	13/01/08	13/01/09
Mr Wyatt Buck	-	1,000,000	16/02/06	A\$1.84	A\$2.80	13/01/09	16/02/07	13/01/09
Mr James Eggins	350,000	650,000	13/01/06	A\$1.44	A\$2.80	13/01/09	19/01/08	13/01/09
Mr Dustin Garrow	400,000	600,000	19/01/06	A\$1.68	A\$2.80	13/01/09	19/01/08	13/01/09
Mr David Marsh	-	1,000,000	27/04/06	A\$2.42	A\$5.50	28/04/09	27/10/07	28/04/09
Total	14,300,000	3,450,000						

DIRECTORS' REPORT (continued)

Remuneration Report (continued)

vi) Shares Issued on Exercise of Compensation Options (audited)(Consolidated and Company)

30 June 2007	Shares issued No.	Paid per share (Note 28) A\$	Unpaid per share A\$	Value at exercise date A\$
Executives				
Mr Ron Chamberlain	500,000	A\$1.00	-	3,990,000
Mr Ron Chamberlain	300,000	A\$1.25	-	1,248,000
Mr Garnet Halliday	2,000,000	A\$1.00	-	14,240,000
Mr Garnet Halliday	1,000,000	A\$1.25	-	7,120,000
Mr James Eggins	350,000	A\$1.00	-	1,456,000
Mr Dustin Garrow	<u>400,000</u>	A\$1.00	-	1,816,000
Total	<u>4,550,000</u>			

No other Key Management Personnel exercised options during the year ended 30 June 2007.

30 June 2006	Shares issued No.	Paid per share (Note 28) A\$	Unpaid per share A\$	Value at exercise date A\$
Directors				
Mr Rick Crabb	2,250,000	A\$0.22	-	10,192,500
	750,000	A\$0.32	-	3,397,500
Mr John Borshoff	2,500,000	A\$0.22	-	11,325,000
	1,000,000	A\$0.32	-	4,530,000
Executives				
Ms Gillian Swaby	2,000,000	A\$0.22	-	9,060,000
	<u>500,000</u>	A\$0.32	-	2,265,000
Total	<u>9,000,000</u>			

No other Key Management Personnel exercised options during the year ended 30 June 2006.

vii) Options granted as part of remuneration

	Value of options granted during the Year A\$000	Value of options exercised during the year A\$000	Value of options lapsed during the year A\$000	Total value of options granted, exercised and lapsed during the year A\$000	% Remuneration consisting of options for the year
John Borshoff	7,905	-	-	7,905	41.7%
Gillian Swaby	395	-	-	395	13.5%
Ron Chamberlain	166	187	-	353	38.7%
Wyatt Buck	697	-	-	697	75.6%
James Eggins	465	85	-	550	57.8%
Dustin Garrow	365	97	-	463	9.1%
David Marsh	465	-	-	465	74.7%
Brendan O'Hara	2,102	-	-	2,102	84.2%
Garnet Halliday	-	705	-	705	Nil

There were no alterations to the terms and conditions of options granted as remuneration since their grant date. There were no forfeitures during the period.

The maximum grant, which will be payable assuming that all service and performance criteria are met, is equal to the number of options granted multiplied by the fair value at the grant date. The minimum grant payable assuming that service and performance criteria are not met is zero.

DIRECTORS' REPORT (continued)

Shares Under Option

Unissued ordinary shares of the Company under option at the date of this report are as follows:

Date options granted	Expiry date	Exercise price of options	Number under option
30 November 2004	30 November 2007	A\$1.00	3,570,000
20 December 2004	20 December 2007	A\$1.00	7,000,000
15 July 2005	15 July 2008	A\$1.50	190,000
13 January 2006	13 January 2009	A\$2.80	1,020,000
19 January 2006	13 January 2009	A\$2.80	600,000
16 February 2006	13 January 2009	A\$2.80	1,200,000
27 April 2006	28 April 2009	A\$5.50	1,565,000
3 July 2006	3 July 2009	A\$5.50	1,000,000
20 July 2006	20 July 2009	A\$5.50	400,000
1 February 2007	1 February 2012	A\$8.77	2,733,670
29 June 2007	29 June 2012	A\$8.77	400,000
Total			19,678,670

No option holder has any right under the options to participate in any other share issue of the Company or of any other entity.

Shares issued as a result of the exercise of options

During the financial year, directors, employees and consultants have exercised options to acquire 9,070,000 fully paid ordinary shares in Paladin Resources Ltd at a weighted average price of A\$1.04. Since the end of the financial year, no further options have been exercised.

Insurance of Officers

During the financial year, the Company has paid premiums to insure the Directors and Specified Executives against certain liabilities arising out of their conduct while acting as an officer of the Company. Under the terms and conditions of the insurance contract, the nature of liabilities insured against and the premium paid cannot be disclosed.

Rounding

The amounts contained in this report, the Financial Report and the Management, Discussion and Analysis have been rounded to the nearest US\$100,000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

Auditor

Ernst & Young were appointed auditors for the Company on 21 June 2005, which was approved by shareholders at the 2005 Annual General Meeting on 9 November 2005.

DIRECTORS' REPORT (continued)

Auditor Independence and Non-Audit Services

The Directors received the following declaration from the auditor of Paladin Resources Ltd.



■ The Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000
Australia

■ Tel 61 8 9429 2222
Fax 61 8 9429 2436

GPO Box M939
Perth WA 6843

Auditor's Independence Declaration to the Directors of Paladin Resources Limited

In relation to our audit of the financial report of Paladin Resources Limited for the financial year ended 30 June 2007, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

A handwritten signature in cursive script that reads "Ernst & Young".

Ernst & Young

A handwritten signature in cursive script that reads "V. W. Tidy".

V W Tidy
Partner
Perth
3 September 2007


DIRECTORS' REPORT (continued)

Non-Audit Services

The following non-audit and assurance services were provided by the Company's auditor, Ernst & Young. The Directors are satisfied that the provision of non-audit and assurance services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit and assurance service provided means that auditor independence was not compromised.

Ernst & Young received or are due to receive US\$167,000 for the year ended 30 June 2007 for the provision of taxation services.

Signed in accordance with a resolution of the Directors.



Mr John Borshoff
Managing Director

Perth, Western Australia
3 September 2007

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2007**

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**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2007**

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PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
CONSOLIDATED INCOME STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

	Notes	CONSOLIDATED		PARENT ENTITY	
		2007	2006	2007	2006
		US\$m	US\$m	US\$m	US\$m
Revenue from continuing operations					
Revenue	5(a)	11.2	3.2	10.8	3.2
Cost of sales	5(c)	(12.0)	-	-	-
Gross (loss)/profit		<u>(0.8)</u>	<u>3.2</u>	<u>10.8</u>	<u>3.2</u>
Other income	5(b)	0.1	0.8	0.1	1.9
Exploration and evaluation expenses	13	(7.4)	(3.2)	-	-
Other expenses	5(e)	(28.6)	(6.3)	(28.0)	(14.8)
Finance costs	5(d)	(13.0)	(0.1)	(11.1)	-
Loss before income tax benefit		(49.7)	(5.6)	(28.2)	(9.7)
Income tax benefit	6	11.7	-	1.2	-
Loss after tax from continuing operations		(38.0)	(5.6)	(27.0)	(9.7)
Minority interests	20	0.4	-	-	-
Loss after tax from continuing operations attributable to the ordinary equity holders of the Company		<u>(37.6)</u>	<u>(5.6)</u>	<u>(27.0)</u>	<u>(9.7)</u>
Earnings per share		US\$	US\$		
Loss from continuing operations attributable to ordinary equity holders – basic and diluted	33	(0.07)	(0.01)		

The above Consolidated Income Statements should be read in conjunction with the accompanying notes.

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
CONSOLIDATED BALANCE SHEETS
AS AT 30 JUNE 2007

	Notes	CONSOLIDATED		PARENT ENTITY	
		2007 US\$m	2006 US\$m	2007 US\$m	2006 US\$m
ASSETS					
Current assets					
Cash and cash equivalents	7	182.8	43.6	169.7	16.6
Trade and other receivables	8	12.6	2.7	4.2	0.1
Inventories	9	38.0	-	-	-
TOTAL CURRENT ASSETS		<u>233.4</u>	<u>46.3</u>	<u>173.9</u>	<u>16.7</u>
Non current assets					
Trade and other receivables	8	-	-	81.3	32.3
Other financial assets	10	60.3	5.6	1,027.3	36.2
Deferred borrowing costs	11	0.2	-	-	-
Property, plant and equipment	12	135.1	58.7	17.3	0.3
Exploration and evaluation expenditure	13	1,601.4	6.3	-	-
Deferred tax asset	6	10.4	-	-	-
Intangible assets	14	17.6	-	-	-
TOTAL NON CURRENT ASSETS		<u>1,825.0</u>	<u>70.6</u>	<u>1,125.9</u>	<u>68.8</u>
TOTAL ASSETS		<u>2,058.4</u>	<u>116.9</u>	<u>1,299.8</u>	<u>85.5</u>
LIABILITIES					
Current liabilities					
Trade and other payables	15	13.8	8.1	2.8	0.8
Unearned revenue	16	0.2	0.2	-	-
Interest bearing loans and borrowings	17	5.6	-	-	-
Provisions	18	10.6	0.2	0.5	0.2
TOTAL CURRENT LIABILITIES		<u>30.2</u>	<u>8.5</u>	<u>3.3</u>	<u>1.0</u>
Non current liabilities					
Trade and other payables	15	-	-	2.7	0.1
Unearned revenue	16	0.6	0.7	-	-
Interest bearing loans and borrowings	17	268.0	14.1	209.2	-
Deferred tax liabilities	6	448.2	-	16.1	-
Provisions	18	3.1	2.6	-	-
TOTAL NON CURRENT LIABILITIES		<u>719.9</u>	<u>17.4</u>	<u>228.0</u>	<u>0.1</u>
TOTAL LIABILITIES		<u>750.1</u>	<u>25.9</u>	<u>231.3</u>	<u>1.1</u>
NET ASSETS		<u>1,308.3</u>	<u>91.0</u>	<u>1,068.5</u>	<u>84.4</u>
Equity					
Contributed equity	19(a)	1,075.3	112.3	1,075.3	112.3
Reserves	19(d)	113.2	5.1	51.0	2.0
Accumulated losses		(65.0)	(26.4)	(57.8)	(29.9)
Parent interests		1,123.5	91.0	1,068.5	84.4
Minority interests	20	184.8	-	-	-
TOTAL EQUITY		<u>1,308.3</u>	<u>91.0</u>	<u>1,068.5</u>	<u>84.4</u>

The above Consolidated Balance Sheets should be read in conjunction with the accompanying notes.

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2007

	Notes	Contributed Equity US\$m	Reserves US\$m	Accumulated Losses US\$m	Minority Interests US\$m	Total US\$m
CONSOLIDATED						
At 1 July 2005		50.2	4.1	(20.8)	-	33.5
Changes in fair value of available-for-sale financial assets		-	2.1	-	-	2.1
Loss for the year ended		-	-	(5.6)	-	(5.6)
Recognised value of unlisted employee options over vesting period		-	2.7	-	-	2.7
Exercise of unlisted employee options	19(b)	0.4	(0.4)	-	-	-
Contributions of equity, net of transactions costs	19(b)	61.7	-	-	-	61.7
Foreign currency translation		-	(3.4)	-	-	(3.4)
At 30 June 2006		112.3	5.1	(26.4)	-	91.0
CONSOLIDATED						
At 1 July 2006		112.3	5.1	(26.4)	-	91.0
Changes in fair value of available-for-sale financial assets		-	37.5	-	-	37.5
Loss for the year ended		-	-	(37.6)	(0.4)	(38.0)
Recognised value of unlisted employee options over vesting period		-	6.2	-	-	6.2
Exercise of unlisted employee options	19(b)	1.8	(1.8)	-	-	-
Contributions of equity, net of transactions costs	19(b)	957.4	-	-	-	957.4
Convertible bonds - equity component		-	37.8	-	-	37.8
Foreign currency translation (Note 3)		-	33.5	-	0.1	33.6
Functional currency transition adjustment (Note 3)		3.8	3.7	(1.0)	-	6.5
Income tax on items taken directly to equity		-	(23.7)	-	-	(23.7)
Acquisition of Summit Resources Ltd		-	14.9	-	-	14.9
Recognition of minority interests on acquisition of Summit Resources Ltd		-	-	-	185.1	185.1
At 30 June 2007		1,075.3	113.2	(65.0)	184.8	1,308.3

The above Consolidated Statements of Changes in Equity should be read in conjunction with the accompanying notes.

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
PARENT ENTITY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2007

	Notes	Contributed Equity US\$m	Reserves US\$m	Accumulated Losses US\$m	Total US\$m
PARENT ENTITY					
At 1 July 2005		50.2	2.8	(20.0)	33.0
Change in fair value of available-for-sale financial assets		-	-	-	-
Loss for the year ended		-	-	(9.7)	(9.7)
Recognised value of unlisted employee options over vesting period		-	2.7	-	2.7
Exercise of unlisted employee options	19(b)	0.4	(0.4)	-	-
Contributions of equity, net of transactions costs	19(b)	61.7	-	-	61.7
Foreign currency translation		-	(3.1)	(0.2)	(3.3)
At 30 June 2006		112.3	2.0	(29.9)	84.4
PARENT ENTITY					
At 1 July 2006		112.3	2.0	(29.9)	84.4
Change in fair value of available-for-sale financial assets		-	18.6	-	18.6
Loss for the year ended		-	-	(27.0)	(27.0)
Recognised value of unlisted employee options over vesting period		-	6.2	-	6.2
Exercise of unlisted employee options	19(b)	1.8	(1.8)	-	-
Contributions of equity, net of transactions costs	19(b)	957.4	-	-	957.4
Convertible bonds - equity component		-	37.8	-	37.8
Foreign currency translation (Note 3)		-	2.0	-	2.0
Functional currency transition adjustment (Note 3)		3.8	3.1	(0.9)	6.0
Income tax on items taken directly to equity		-	(16.9)	-	(16.9)
At 30 June 2007		1,075.3	51.0	(57.8)	1,068.5

The above Parent Entity Statements of Changes in Equity should be read in conjunction with the accompanying notes.

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
CONSOLIDATED CASH FLOW STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

	Notes	CONSOLIDATED		PARENT ENTITY	
		2007	2006	2007	2006
		US\$m	US\$m	US\$m	US\$m
CASH FLOWS FROM OPERATING ACTIVITIES					
Payments to suppliers and employees		(38.2)	(2.7)	(11.4)	(2.6)
Interest received		6.8	3.2	6.3	3.1
Interest received from controlled entities		-	-	3.6	0.3
Interest paid		(7.2)	-	(5.6)	-
Dividend received from controlled entities		-	-	-	0.3
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	7(a)	<u>(38.6)</u>	<u>0.5</u>	<u>(7.1)</u>	<u>1.1</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Exploration and evaluation expenditure		(8.6)	(3.5)	-	(0.1)
Payments for property, plant and equipment		(88.9)	(53.2)	(18.7)	-
Loans to controlled entities		-	-	(56.7)	(35.4)
Loans from controlled entities		-	-	2.6	-
Additional investment in controlled entities		-	-	-	(35.5)
Payments for available-for-sale financial assets		(13.2)	(0.5)	(12.3)	-
Payments for controlled entities net of cash acquired	10(a)	21.3	-	(5.5)	-
Proceeds on sale of land and buildings		0.2	-	-	-
Proceeds from sale of available-for-sale investments		0.6	-	0.6	-
Payments for third party uranium		(33.4)	-	-	-
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		<u>(122.0)</u>	<u>(57.2)</u>	<u>(90.0)</u>	<u>(71.0)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Share placement		-	57.6	-	57.6
Proceeds from exercise of share options		7.4	2.6	7.4	2.6
Equity fundraising costs		(0.3)	(3.3)	(0.3)	(3.3)
Convertible bonds and project finance facility establishment costs		(8.0)	(2.8)	(7.9)	-
Repayment of borrowings		-	(0.4)	-	(0.4)
Proceeds from convertible bonds and borrowings		299.6	17.3	250.0	-
NET CASH INFLOW FROM FINANCING ACTIVITIES		<u>298.7</u>	<u>71.0</u>	<u>249.2</u>	<u>56.5</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		<u>138.1</u>	<u>14.3</u>	<u>152.1</u>	<u>(13.4)</u>
Cash and cash equivalents at the beginning of the financial year		43.6	30.1	16.6	29.7
Effects of exchange rate changes on cash and cash equivalents		1.1	(0.8)	1.0	0.3
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	7	<u>182.8</u>	<u>43.6</u>	<u>169.7</u>	<u>16.6</u>

The above Consolidated Cash Flow Statements should be read in conjunction with the accompanying notes.

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 1. CORPORATE INFORMATION

The financial report of Paladin Resources Limited (the Company) for the year ended 30 June 2007 was authorised for issue in accordance with a resolution of the Directors on 10 August 2007 subject to final drafting and audit clearance.

Paladin Resources Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on Australian Stock Exchange Ltd, with additional listings on the Toronto Stock Exchange in Canada, and Munich, Berlin, Stuttgart and Frankfurt stock exchanges in Germany.

The nature of the operations and principal activities of the Group are described in Management Discussion and Analysis on pages 8 to 37.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general purpose financial report, which complies with the requirements of the *Corporations Act 2001* and Australian Accounting Standards which include Australian equivalents to International Financial Reporting Standards. The financial report also complies with International Financial Reporting Standards. The financial report has also been prepared on a historical cost basis, except for available-for-sale investments, which have been measured at fair value.

In addition to these Australian requirements further information has been included in the Consolidated Financial Statements for the year ended 30 June 2007 in order to comply with applicable Canadian securities law.

The financial report is presented in United States dollars and all values are rounded to the nearest hundred thousand dollars (US\$100,000) unless otherwise stated under the option available to the Company under Australian Securities and Investments Commission (ASIC) Class Order 98/100. The Company is an entity to which the class order applies.

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Statement of compliance

The following Australian Accounting Standards that have recently been issued or amended but are not yet effective, have not been applied by Paladin Resources Ltd:

Reference	Title	Summary	Application Date of Standard	Impact on Group Financial report	Application Date of Group*
AASB	Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]	Amendments arise from the release in August 2005 of AASB 7 Financial Instruments: Disclosures.	1 January 2007	AASB 7 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements. However, the amendments will result in changes to the financial instrument disclosures included in the Group's financial report.	1 July 2007
AASB 2007-1	Amendments to Australian Accounting Standards arising from AASB Interpretation 11 [AASB 2]	Amending standard issued as a consequence of AASB Interpretation 11 Group and Treasury Share Transactions	1 March 2007	This is consistent with the Group's existing accounting policies for share-based payments so will have no impact.	1 July 2007
AASB 2007-2	Amendments to Australian Accounting Standards arising from AASB Interpretation 12 [AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 & AASB 139]	Amending standard issued as a consequence of AASB Interpretation 12 Service Concession Arrangements.	1 January 2008	As the Group currently has no service concession arrangements or public-private-partnerships (PPP), it is expected that this Interpretation will have no impact on its financial report.	1 July 2008
AASB 2007-3	Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]	Amending standard issued as a consequence of AASB 8 Operating Segments.	1 January 2009	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements. However, the new standard may have an impact on the segment disclosures included in the Group's financial report.	1 July 2009
AASB 2007-4	Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments	The standard is a result of the AASB decision that, in principle, all accounting policy options currently existing in IFRS should be included in the Australian equivalents to IFRS and the additional Australian disclosures should be eliminated, other than those considered particularly relevant in the Australian reporting environment	1 July 2007	As the Group does not anticipate changing any of its accounting policy choices as a result of the issue of AASB 2007-4 this standard will have no impact on the amounts included in the Group's financial statements. Changes to disclosure requirements will have no direct impact on the amounts included in the Group's financial statements. However, the new standard may have an impact on the disclosures included in the Group's financial report.	1 July 2007

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Statement of compliance (continued)

Reference	Title	Summary	Application Date of Standard	Impact on Group Financial report	Application Date of Group*
AASB 2007-6	Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]	Amending standard issued as a consequence of AASB 123 (revised) Borrowing Costs.	1 January 2009	The Group does currently construct qualifying assets which are financed by borrowings, however, the revised standard will have no impact as it is consistent with the current group policy.	1 July 2009
AASB 2007-7	Amendments to Australian Accounting Standards [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 & AASB 128]	Amending standard issued as a consequence of AASB 2007-4.	1 July 2007	Refer to AASB 2007-4 above.	1 July 2007
AASB 7	Financial Instruments: Disclosures.	New standard replacing disclosure requirements of AASB 132.	1 January 2007	Refer to AASB 2005-10 above.	1 July 2007
AASB 8	Operating Segments	This new standard will replace AASB 114 Segment Reporting and adopts a management approach to segment reporting.	1 January 2009	Refer to AASB 2007-3 above.	1 July 2009
AASB 101 (revised October 2006)	Presentation of Financial Statements	Many of the disclosures from previous GAAP and all of the guidance from previous GAAP are not carried forward in the October 2006 version of AASB 101. The revised standard includes some text from IAS 1 that is not in the existing AASB 101 and has fewer additional Australian disclosure requirements than the existing AASB 101.	1 January 2007	AASB 101 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements. However, the revised standard may result in changes to the disclosures included in the Group's financial report.	1 July 2007
AASB 123 (revised June 2007)	Borrowing Costs	AASB 123 previously permitted entities to choose between expensing all borrowing costs and capitalising those that were attributable to the acquisition, construction or production of a qualifying asset. The revised version of AASB 23 requires borrowing costs to be capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset.	1 January 2009	Refer to AASB 2007-6 above.	1 July 2009

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Statement of compliance (continued)

Reference	Title	Summary	Application Date of Standard	Impact on Group Financial report	Application Date of Group*
AASB Interpretation 10	Interim Financial Reporting and Impairment	Addresses an inconsistency between AASB 134 Interim Financial Reporting and the impairment requirements relating to goodwill in AASB 136 Impairment of Assets and equity instruments classified as available-for-sale in AASB 139 Financial Instruments: Recognition and Measurement.	1 November 2006	The prohibitions on reversing impairment losses in AASB 136 and AASB 139 to take precedence over the more general statement in AASB 134 that interim reporting is not expected to have any impact on the Group's financial report.	1 July 2007
AASB Interpretation 11	Group and Treasury Share Transactions	Specifies that a share-based payment transaction in which an entity receives services as consideration for its own equity instruments shall be accounted for as equity-settled.	1 March 2007	Refer to AASB 2007-1 above	1 July 2007
AASB Interpretation 12	Service Concession Arrangements	Clarifies how operators recognise the infrastructure as a financial asset and/or as intangible asset – not as property, plant and equipment.	1 January 2008	Refer to AASB 2007-2 above.	1 July 2008
AASB Interpretation 129 (revised June 2007)	Service Concession Arrangements: Disclosures	The revised interpretation was issued as a result of the issue of Interpretation 12 and requires specific disclosures about service concession arrangements entered into by an entity, whether as a concession provider or a concession operator.	1 January 2008	Refer to AASB 2007-2 above.	1 July 2008

* designates the beginning of the applicable annual reporting period

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Paladin Resources Ltd (Company or Parent Entity) as at 30 June 2007 and the results of all subsidiaries for the twelve months then ended. Paladin Resources Ltd and its subsidiaries together are referred to in this financial report as the Group or the Consolidated Entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to Note 2(j)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Significant accounting judgements, estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

(i) Net realisable value of inventories

The Group reviews the carrying value of inventories regularly to ensure that their cost does not exceed net realisable value. In determining net realisable value various factors are taken into account including sales prices and costs to complete inventories to their final form.

(ii) Impairment of property, plant and equipment; and intangibles

The Group determines whether property, plant and equipment; and intangibles are impaired at least on a quarterly basis. This requires an estimation of the recoverable amount of cash-generating units to which the property, plant and equipment; and intangibles are allocated.

(iii) Available-for-sale financial assets

The Group measures the fair value of available-for-sale financial assets by reference to the fair value of the equity instruments at the date at which they are valued. The fair value of the unlisted securities is determined by an external valuer using a binomial model.

(iv) Carrying value of exploration and evaluation expenditure

The Group reviews the carrying value of exploration and evaluation expenditure at least on a quarterly basis. This requires judgement as to the status of the individual projects and their future economic value.

(v) Deferred tax assets and liabilities

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining deferred tax assets and liabilities. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Significant accounting judgements, estimates and assumptions (continued)

(vi) Mine closure provision

The value of this provision represents the discounted value of the present obligation to restore, dismantle and close the mine. The discounted value reflects a combination of management's assessment of the cost of performing the work required, the timing of the cash flows and the discount rate.

A change in any, or a combination, of the three key assumptions used to determine the provision could have a material impact to the carrying value of the provision.

(vii) Share based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a binomial model using assumptions detailed in Note 28.

(viii) Proved and probable reserves

The Group uses the concept of a life of mine as an accounting value to determine such things as depreciation rates and the appropriate period to discount mine closure provisions. In determining life of mine the proved and probable reserves measured in accordance with the 2004 edition of the Joint Ore Reserves Committee (JORC) Code specific to a mine are taken into account which by their very nature require judgements, estimates and assumptions.

(ix) Commencement of operations for Langer Heinrich Uranium Project

The Company has concluded that the Langer Heinrich Uranium Project was in the location and condition necessary for it to be capable of operating in the manner intended by management on 1 April 2007.

This requires judgements, estimates and assumptions based on statistics including plant run time, plant throughput, operating recoveries and plant production.

(e) Segment reporting

A geographical segment is a group of assets and operations engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments.

(f) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in United States dollars, which is Paladin Resources Ltd's functional and presentation currency from 1 December 2006. Prior to this date the functional and presentation currency for Paladin Resources Ltd was Australian dollars – see Note 3.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges. Translation differences on available-for-sale financial assets are included in the available-for-sale reserve.

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Foreign currency translation (continued)

(iii) Group companies

Some Group entities have a functional currency of United States dollars which is consistent with the presentation currency of this financial report. For all other group entities the functional currency has been translated into United States dollars for presentation purposes. Assets and liabilities are translated using exchange rates prevailing at the balance sheet date; revenues and expenses are translated using average exchange rates prevailing for the income statement year; and equity transactions are translated at exchange rates prevailing at the dates of transactions. The resulting difference from translation is recognised in a foreign currency translation reserve.

(g) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised for the major business activities as follows:

(i) Sale of uranium

Revenue from sale of uranium is recognised when the product passes from the control of the Consolidated Entity pursuant to an enforceable contract, when selling prices are known or can be reasonably estimated and when the product is in a form that requires no further treatment by the Consolidated Entity.

(ii) Interest revenue

Interest revenue from investments in cash and convertible notes is recognised in the Income Statement as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(iii) Database licence revenue

Licence revenue generated from granting third parties access to proprietary databases information on mineral property regions is recognised in the Income Statement on a straight line basis over the licence term.

(h) Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the notional income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Income tax (continued)

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the Parent Entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Paladin Resources Ltd and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian tax law. The head entity, Paladin Resources Ltd and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. In addition to its own current and deferred tax amounts, Paladin Resources Ltd also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group. Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(i) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Incentives received on entering into operating leases are recognised as liabilities. Lease payments are allocated between rental expense and reduction of the lease incentive liability on a straight line basis over the period of the lease.

(j) Acquisitions of assets

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Income Statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(l) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet.

(m) Trade and other receivables

Trade receivables, which generally have 30 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the group will not be able to collect the debt.

(n) Inventories

Consumable stores inventory are valued at the lower of cost and net realisable value using the average cost method; after appropriate allowances for redundant and slow moving items.

Finished goods and work in progress inventory are valued at the lower of cost and net realisable value using the average cost method. Cost is derived on an absorption costing basis including both fixed and variable production costs and attributable overheads incurred up to the delivery point where legal title to the product passes. No accounting value is attributed to ore in situ or stockpiles containing ore at less than the cut-off grade.

Any inventory produced during the pre-production phase is recognised at net realisable value and deducted from capitalised development costs.

The costs of production include labour costs, materials and contractor expenses which are directly attributable to the extraction and processing of ore (including any recognised expense of stripping costs); the depreciation of property, plant and equipment used in the extraction and processing of ore; and production overheads.

(o) Investments and other financial assets

The Group classifies its investments in the following categories: loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Investments and other financial assets (continued)

(i) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non current assets. Loans and receivables are included in receivables in the Balance Sheet.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

(iii) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Unrealised gains and losses arising from changes in the fair value of non monetary securities classified as available-for-sale are recognised in equity in the available-for-sale reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the Income Statement as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss - is removed from equity and recognised in the Income Statement.

(p) Interests in jointly controlled operations

The Group has interests in joint ventures that are jointly controlled operations. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled operation involves use of assets and other resources of the venturers rather than establishment of a separate entity. The Group recognises its interest in jointly controlled operations by recognising its interest in the assets and the liabilities of the joint venture. The Group also recognises the expenses that it incurs and its share of the income that it earns from the sale of goods or services by jointly controlled operations.

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Fair value estimation

The fair value of financial assets must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, unlisted securities) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Estimated discounted cash flows are used to determine the fair value of most financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

(r) Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

Property, plant and equipment costs include both the costs associated with construction of equipment associated with establishment of an operating mine, and the estimated costs of dismantling and removing the asset and restoring the site on which it is located.

Pre-production costs are deferred as development costs until such time as the asset is able to be used as intended by management. Post-production costs are recognised as a cost of production.

For the Langer Heinrich Uranium Project the Company has concluded that the asset was in the location and condition necessary for it to be capable of operating in the manner intended by management on 1 April 2007. As a consequence all pre-production costs up to and including 31 March 2007 has been deferred as development costs.

Stripping costs (removal of overburden and other mine waste material) are deferred as a classification within property, plant and equipment where actual stripping ratios vary from average stripping ratios. Stripping costs are recognised as production costs on a unit of production basis utilising average stripping ratios.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost amount, net of their residual values, over their estimated useful lives, as follows:

- Buildings	20 years
- Databases	10 years
- Plant and equipment	3-6 years
- Leasehold improvements	2-5 years
- Mine plant and equipment	lesser of life of mine and life of asset

Property, plant and equipment for an operating mine are depreciated to estimated residual value over the shorter of the life of mine or the specific period that the asset will be utilised, using the units of production method.

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Property, plant and equipment (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the Income Statement. When revalued assets are sold, it is Group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(s) Exploration and evaluation expenditure

Exploration and evaluation expenditure is charged against earnings as incurred.

Exploration and evaluation expenditure is allocated separately to specific areas of interest. Each area of interest is limited to a size related to a known or probable mineral resource capable of supporting a mining operation. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure directly related to activities in the area of interest.

Costs related to the acquisition of properties that contain mineral resources are allocated separately to specific areas of interest. These costs are capitalised until the viability of the area of interest is determined.

If no mineable ore body is discovered, capitalised acquisition costs are expensed in the period in which it is determined that the area of interest has no future economic value.

When a decision to proceed to development is made the exploration and evaluation capitalised to that area is transferred to mine development within property, plant and equipment. All costs subsequently incurred to develop a mine prior to the start of mining operations within the area of interest are capitalised and carried at cost. These costs include expenditure incurred to develop new ore bodies within the area of interest, to define further mineralisation in existing areas of interest, to expand the capacity of a mine and to maintain production.

Capitalised amounts for an area of interest may be written down if discounted future cash flows related to the area of interest are projected to be less than its carrying value.

(t) Intangibles

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on the intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Intangibles (continued)

A summary of the policies applied to the Group's intangible assets is as follows:

Right to use water and power supply

Useful lives

Finite

Amortisation method used

Amortised over the life of the mine on a straight-line basis

Impairment testing

Annually and more frequently when an indication of impairment exists. The amortisation method is reviewed at each financial year-end.

The rights to use water and power supply have been granted for a minimum of 17 years by the relevant utilities with the option of renewal without significant cost at the end of this period.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

(u) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(v) Interest bearing loans and borrowings

Bank loan borrowings are initially recognised at fair value, net of transaction costs incurred. Bank loan borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective interest method.

The component of convertible bonds that exhibits characteristics of a borrowing is recognised as a liability in the balance sheet, net of transaction costs. On issue of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a long-term liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds is allocated to a convertible bond reserve that is recognised and included in shareholders' equity. The carrying amount of the reserve is not remeasured in subsequent years.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(w) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed as incurred including the unwinding of discounts related to mine closure provisions, and amortisation of ancillary costs incurred in connection with the arrangement of borrowings.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year.

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Contributions to defined contribution funds are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Share-based payments

Share-based compensation benefits were provided to employees via the Paladin Resources Ltd Employee Share Incentive Option Plan (ESOP). Following the implementation of the Paladin Resources Ltd Executive Share option Plan (EXSOP) detailed in Note 28, no further options will be issued pursuant to the ESOP.

The fair value of options granted under both the ESOP after 7 November 2002 and the EXSOP are recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using the Cox, Ross and Rubinstein Binomial Tree option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, positive outcome of bankable feasibility study and completion of acceptable project funding). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

(y) Mine closure and rehabilitation

Mine closure and restoration costs include the costs of dismantling and demolition of infrastructure or decommissioning, the removal of residual material and the remediation of disturbed areas specific to the infrastructure. Mine closure costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the mine development or during the production phase, based on the net present value of estimated future costs.

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Mine closure and rehabilitation (continued)

As the value of the provision for mine closure represents the discounted value of the present obligation to restore, dismantle and close the mine, the increase in this provision due to the passage of time is recognised as a borrowing cost. The discount rate used is a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability.

Provision is made for rehabilitation work when the obligation arises and this is recognised as a cost of production or development. Mining areas are rehabilitated systematically over the life of the mine operation, and as such the effect of the time value of money is not considered material. All costs for this rehabilitation work are charged to the provision as incurred.

(z) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting the obligations under the contract. The provision is stated at the present value of the future net cash outflows expected to be incurred in respect of the contract.

(aa) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

(ab) Earnings per share

(i) Basic earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

(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.

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 3. CHANGE IN FUNCTIONAL AND PRESENTATION CURRENCY

The functional currency for a company is the currency of the primary economic environment in which the company operates. Up to 30 November 2006 the functional currency of the Paladin Group was Australian dollars. In December 2006 there were several factors which produced a change in functional currency for the majority of the Paladin Group to United States (US) dollars. These include completion of construction and commissioning at the Langer Heinrich Uranium Project, issue of US\$250 million convertible bonds, conversion of excess group cash into US dollars resulting in derivation of US interest revenue, and redesignation of all intercompany group loans into US dollars.

The presentation currency for a company is the currency in which the company chooses to present its financial reports. As the functional currency of Paladin Resources Ltd and the majority of the Paladin Group changed on 30 November 2006 to US dollars, the Company has decided to change the presentation currency for financial reporting to US dollars in order to better reflect the Paladin Group's financial position and financial performance.

The Paladin Group has accounted for the change in functional currency in December 2006 in accordance with Australian Accounting Standards which involves initial translation of Australian dollar functional currency accounts into US dollars at a fixed exchange rate on the day of transition – 1 December 2006, rate US\$: A\$ 1.27647.

In order to derive US dollar comparatives for the consolidated financial statements, the Paladin Group has accounted for this change in presentation currency in accordance with Australian Accounting Standards which involves translation of assets and liabilities at the 30 June 2006 rate US\$: A\$ 1.36966; revenue and expenses at the twelve month average rate US\$: A\$ 1.33720 and equity balances at historical rates from 1 July 2005, rates US\$: A\$ 1.32897 to 1.30939.

The following material operating subsidiaries have a US dollar functional currency:

- Paladin Finance Pty Ltd
- Paladin (Africa) Ltd
- Langer Heinrich Uranium (Pty) Ltd
- Paladin Nuclear Ltd

The following material operating subsidiaries have a Australian dollar functional currency:

- Northern Territory Uranium Pty Ltd
- Mt Isa Uranium Pty Ltd
- Paladin Energy Minerals NL
- Summit Resources (Aust) Pty Ltd

NOTE 4. SEGMENT INFORMATION

The Group's primary segment reporting format is geographical segments as the Group's risks and rates of return are affected predominately by differences in the particular economic environments in which it operates. The Group does not separately disclose any financial information for business segments (secondary reporting) as it only operates in the resource industry.

Geographical segments - primary reporting

The Company operates in Australia, Namibia and Malawi. The principal activity in these locations is the exploration, evaluation, development and operation of uranium projects.

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 4. SEGMENT INFORMATION (continued)

Geographical segments –primary reporting

The Group's geographical segments are determined based on the location of the Group's assets.

The following tables present revenue, expenditure and certain asset information regarding geographical segments for the years ended 30 June 2007 and 30 June 2006.

Year Ended 30 June 2007	Australia US\$m	Namibia US\$m	Malawi US\$m	Consolidated US\$m
Sales to external customers	-	3.3	-	3.3
Other revenue	7.8	0.1	-	7.9
Total segment revenue	7.8	3.4	-	11.2
Loss from ordinary activities before income tax benefit	(28.1)	(17.4)	(4.2)	(49.7)
Income tax benefit	1.3	10.4	-	11.7
Loss from ordinary activities after income tax benefit/segment result	(26.8)	(7.0)	(4.2)	(38.0)
Total assets/segment assets	1,882.3	163.0	13.1	2,058.4
Segment liabilities	732.3	16.3	1.5	750.1
Acquisitions of non current assets	1,434.9	64.0	8.2	1,507.1
Cash flow information				
Net cash outflow from operating activities	(25.7)	(12.9)	-	(38.6)
Net cash outflow from investing activities	(45.7)	(64.9)	(11.4)	(122.0)
Net cash inflow/(outflow) from financing activities	298.9	-	(0.2)	298.7
Non cash expenses:				
Depreciation and amortisation	(0.3)	(1.8)	-	(2.1)
Inventory impairment losses	-	(3.3)	-	(3.3)
Sales contract impairment provision	-	(7.8)	-	(7.8)

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 4. SEGMENT INFORMATION (continued)

Geographical segments – primary reporting (continued)

Year Ended 30 June 2006	Australia US\$m	Namibia US\$m	Malawi US\$m	Consolidated US\$m
Other revenue	3.1	0.1	0	3.2
Total segment revenue	3.1	0.1	0	3.2
Loss from ordinary activities before income tax expense	(1.7)	(1.0)	(2.9)	(5.6)
Income tax expense	-	-	-	-
Loss from ordinary activities after income tax expense/segment result	(1.7)	(1.0)	(2.9)	(5.6)
Total assets/segment assets	45.6	66.8	4.5	116.9
Segment liabilities	18.9	6.3	0.7	25.9
Acquisitions of non current assets	0.1	58.8	4.2	63.1
Cash flow information				
Net cash inflow from operating activities	0.4	0.1	-	0.5
Net cash outflow from investing activities	(1.0)	(54.0)	(2.2)	(57.2)
Net cash inflow from financing activities	71.0	-	-	71.0
Non cash expenses:				
Depreciation and amortisation	0.2	-	-	0.2

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 5. REVENUES AND EXPENSES

	CONSOLIDATED		PARENT ENTITY	
	2007 US\$m	2006 US\$m	2007 US\$m	2006 US\$m
(a) Revenue				
Sale of uranium	3.3	-	-	-
Interest income from non related parties	7.6	3.0	7.1	2.9
Interest income from wholly owned Group	-	-	3.6	0.3
Database licence revenue	0.2	0.2	-	-
Other revenue	0.1	-	0.1	-
	<u>11.2</u>	<u>3.2</u>	<u>10.8</u>	<u>3.2</u>
(b) Other income				
Profit on sale of tenements	-	0.3	-	0.3
Profit on sale of investments	0.1	-	0.1	-
Dividends received from wholly owned Group	-	-	-	0.3
Foreign exchange gains (net)	-	0.5	-	1.3
	<u>0.1</u>	<u>0.8</u>	<u>0.1</u>	<u>1.9</u>
(c) Cost of sales ⁽¹⁾				
Cost of production	(9.7)	-	-	-
Royalties	(0.3)	-	-	-
Depreciation – property, plant and equipment	(1.6)	-	-	-
Amortisation – intangibles	(0.2)	-	-	-
Product distribution costs	(0.2)	-	-	-
	<u>(12.0)</u>	<u>-</u>	<u>-</u>	<u>-</u>
⁽¹⁾ Includes both a US\$3.3 million (2006: US\$Nil) impairment of inventories as a consequence of the extended ramp up of operations for the Langer Heinrich Uranium Project; and US\$8.7 million (2006: US\$Nil) relating to the first uranium sale which was met by third party uranium purchase.				
(d) Finance costs				
Interest expense	(11.8)	(0.1)	(10.2)	-
Mine closure provision discount interest expense	(0.1)	-	-	-
Facility costs	(1.1)	-	(0.9)	-
	<u>(13.0)</u>	<u>(0.1)</u>	<u>(11.1)</u>	<u>-</u>
(e) Other expenses				
Corporate and marketing costs	(9.6)	(2.2)	(8.6)	(2.0)
Employee benefits expense	(3.3)	(1.0)	(2.8)	(1.0)
Share-based payments expense	(6.2)	(2.7)	(6.2)	(2.7)
Minimum lease payments – operating lease	(0.2)	(0.2)	(0.2)	(0.2)
Write down of intercompany investments	-	-	-	(0.2)
Write down of intercompany receivables	-	-	(9.9)	(8.6)
Sales contracts expense ⁽¹⁾	(7.8)	-	-	-
Foreign exchange loss (net)	(1.0)	-	(0.1)	-
Depreciation – property, plant and equipment	(0.3)	(0.2)	(0.2)	(0.1)
Loss on sale of property, plant and equipment	(0.2)	-	-	-
	<u>(28.6)</u>	<u>(6.3)</u>	<u>(28.0)</u>	<u>(14.8)</u>

⁽¹⁾ The sales contracts expense is attributable to the requirement to meet July 2007 Langer Heinrich sales commitments by use of third party uranium purchases.

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 6. INCOME TAX

	CONSOLIDATED		PARENT ENTITY	
	2007	2006	2007	2006
	US\$m	US\$m	US\$m	US\$m
(a) Income tax benefit				
<i>Current income tax</i>				
Current income tax credit	(14.7)	(1.2)	(6.8)	(2.4)
<i>Deferred income tax</i>				
Tax benefits not brought to account as future income tax benefits	5.5	1.5	5.6	2.6
Prior year tax benefits brought to account as current income tax	(2.5)	(0.3)	-	(0.2)
Income tax benefit reported in the income statement	<u>(11.7)</u>	<u>-</u>	<u>(1.2)</u>	<u>-</u>
(b) Numerical reconciliation of income tax benefit to prima facie tax payable				
Loss from continuing operations before income tax expense	<u>(49.7)</u>	<u>(5.6)</u>	<u>(28.2)</u>	<u>(9.8)</u>
Tax at the Australian tax rate of 30% (2006 – 30%)	(14.9)	(1.7)	(8.5)	(2.9)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Share-based payments	1.9	0.8	1.9	0.8
Other expenditure not allowable	0.1	-	0.1	-
Specific tax expenditure allowable	(0.3)	(0.2)	(0.3)	(0.3)
	(13.2)	(1.1)	(6.8)	(2.4)
Difference in overseas tax rates	(1.5)	(0.1)	-	-
Prior year tax benefits not recognised now recouped	(2.5)	(0.3)	-	(0.2)
Current year tax benefits not recognised	5.5	1.5	5.6	2.6
Income tax benefit reported in the income statement	<u>(11.7)</u>	<u>-</u>	<u>(1.2)</u>	<u>-</u>

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 6. INCOME TAX (continued)

	CONSOLIDATED		PARENT ENTITY	
	2007	2006	2007	2006
	US\$m	US\$m	US\$m	US\$m
(c) Deferred income tax				
<i>Deferred tax liabilities</i>				
Accelerated prepayment deduction for tax purposes	(0.1)	-	-	-
Accelerated stores and consumables deduction for tax purposes	(0.6)	-	-	-
Revaluations of available-for-sale investments to fair value	(13.2)	(1.0)	(6.0)	-
Accelerated deduction for debt establishment and interest costs	(2.5)	-	-	-
Accelerated depreciation for tax purposes	(20.8)	(0.1)	-	(0.1)
Recognition of fair value of acquired exploration and evaluation expenditure	(425.8)	-	-	-
Delayed revenue recognition for tax purposes	(0.1)	(0.1)	-	-
Recognition of convertible bond for accounting purposes	(10.1)	-	(10.1)	-
Gross deferred tax liabilities	(473.2)	(1.2)	(16.1)	(0.1)
Set off of deferred tax assets	25.0	1.2	-	0.1
Net deferred tax liabilities	(448.2)	-	(16.1)	-
<i>Deferred tax assets</i>				
Revenue losses available for offset against future taxable income	32.8	4.8	5.4	1.7
Equity raising costs	0.9	-	0.9	-
Foreign currency balances	0.6	-	-	-
Provision for sales contracts	2.9	-	-	-
Investment cash acquisition costs for accounting purposes	0.9	-	-	-
Provisions for employee benefits	0.2	0.1	0.2	0.1
Delayed exploration expenditure recognition for tax purposes	-	0.5	-	-
Provisions for write down of intercompany receivables	-	-	9.4	4.4
Provisions for write down of intercompany investments	-	-	0.4	0.3
Gross deferred tax assets	38.3	5.4	16.3	6.5
Set off of deferred tax assets	(25.0)	(1.2)	-	(0.1)
Deferred tax assets not recognised as not probable	(2.9)	(4.2)	(16.3)	(6.4)
Net deferred tax assets recognised	10.4	-	-	-

The net deferred tax assets recognised are attributable to Langer Heinrich Uranium (Pty) Ltd, a Namibia company that owns the Langer Heinrich Uranium Project. The utilisation of the net deferred tax assets is dependent upon future taxable profits in excess of profits arising from reversal of existing temporary differences and Langer Heinrich Uranium (Pty) Ltd has suffered a loss in the current and preceding periods in Namibia. The recognition of the net deferred tax assets is supported by the production ramp up at the Langer Heinrich Uranium Project.

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 6. INCOME TAX (continued)

(d) Tax losses

	CONSOLIDATED		PARENT ENTITY	
	2007	2006	2007	2006
	US\$m	US\$m	US\$m	US\$m
Australian unused tax losses for which no deferred tax asset has been recognised	27.8	5.1	18.0	5.5
Namibia unused tax losses for which no deferred tax asset has been recognised	-	7.7	-	-
Malawi unused tax losses for which no deferred tax asset has been recognised	<u>2.7</u>	<u>1.2</u>	<u>-</u>	<u>-</u>
Total unused tax losses for which no deferred tax asset has been recognised	30.5	14.0	18.0	5.5
Potential tax benefit at tax rates between 30% - 37.5% This benefit for tax losses will only be obtained if:	<u>9.2</u>	<u>4.8</u>	<u>5.4</u>	<u>1.7</u>

- (i) the Consolidated 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 Consolidated Entity continues to comply with the conditions for deductibility imposed by tax legislation; and
- (iii) no changes in tax legislation adversely affect the Consolidated Entity in realising the benefit from the deductions for the losses.

(e) Members of the tax consolidation group and the tax sharing arrangements

Paladin Resources Ltd and its 100% owned Australian resident subsidiaries formed a tax consolidated group (the Group) with effect from 1 July 2003. Paladin Resources Ltd is the head entity of the Group. Members of the Group have entered into a tax sharing agreement that provides that the head entity will be liable for all taxes payable by the Group from the consolidation date. The parties have agreed to apportion the head entity's taxation liability within the Group based on each contributing member's share of the Group's taxable income.

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 7. CASH AND CASH EQUIVALENTS

	CONSOLIDATED		PARENT ENTITY	
	2007 US\$m	2006 US\$m	2007 US\$m	2006 US\$m
Cash at bank and in hand	4.3	3.8	0.4	0.1
Short-term bank deposits	19.4	39.8	10.2	16.5
US\$ treasury bonds	159.1	-	159.1	-
	<u>182.8</u>	<u>43.6</u>	<u>169.7</u>	<u>16.6</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

At 30 June 2007, the Group had available US\$4.4million (2006: US\$54.0million) of undrawn committed borrowing facilities in respect of which all conditions precedent have been met.

(a) Reconciliation of net loss after tax to net cash flows from operating activities

Net loss	(38.0)	(5.6)	(27.0)	(9.7)
<i>Adjustments for</i>				
Depreciation and amortisation	2.1	0.2	0.2	0.1
Exploration expenditure	7.4	3.2	-	-
Provision for non-recovery of intercompany loan	-	-	9.9	8.6
Provision for non-recovery of intercompany investments	-	-	-	0.2
Loss on disposal of land and buildings	0.2	-	-	-
Profit on sale of investments	(0.1)	-	(0.1)	-
Profit on disposal of tenements	-	(0.3)	-	(0.3)
Database licence revenue	(0.2)	(0.2)	-	-
Net exchange differences	1.0	(0.5)	0.1	(1.3)
Share options expensed	6.2	2.7	6.2	2.7
<i>Changes in assets and liabilities</i>				
(Increase)/decrease in trade and other receivables	(6.3)	0.3	(2.5)	0.2
(Decrease)/increase in trade and other payables	(12.2)	0.5	1.9	0.4
Increase in provisions	8.5	0.2	0.4	0.2
Increase in borrowings	5.3	-	5.0	-
Increase in inventories	(0.9)	-	-	-
Decrease in deferred tax liabilities	(1.2)	-	(1.2)	-
Increase in deferred tax assets	(10.4)	-	-	-
Net cash from operating activities	<u>(38.6)</u>	<u>0.5</u>	<u>(7.1)</u>	<u>1.1</u>

(b) Disclosure of financing facilities

Refer to Note 17.

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 8. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED		PARENT ENTITY	
	2007 US\$m	2006 US\$m	2007 US\$m	2006 US\$m
Current				
Trade receivables - (a)	3.3	-	-	-
Less provision for doubtful debts	-	-	-	-
Net trade receivables	<u>3.3</u>	<u>-</u>	<u>-</u>	<u>-</u>
Interest receivable	0.8	-	0.8	-
Prepayments	0.3	0.1	0.2	-
GST and VAT - (b)	6.6	2.6	2.1	0.1
Sundry debtors - (c)	<u>1.6</u>	<u>-</u>	<u>1.1</u>	<u>-</u>
Total current receivables	<u>12.6</u>	<u>2.7</u>	<u>4.2</u>	<u>0.1</u>

- (a) Trade receivables are non-interest bearing and are generally on 30 day terms. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired. An allowance of US\$Nil (2006: US\$Nil) has been recognised as an expense for the current year for specific debtors for which such evidence exists.
- (b) GST and VAT debtor relates to Australia and Namibia respectively. Interest is not normally charged and collateral is not normally obtained.
- (c) Sundry debtors generally arise from transactions outside the usual operating activities of the Consolidated Entity and Company. Interest is not normally charged and collateral is not normally obtained. Sundry debtors includes amounts receivable by the Company from subsidiaries US\$1.0m (2006: US\$Nil).

	CONSOLIDATED		PARENT ENTITY	
	2007 US\$m	2006 US\$m	2007 US\$m	2006 US\$m
Non Current				
Unsecured loans to wholly owned Group - (d)	-	-	107.1	47.1
Less provision for non-recovery	-	-	<u>(25.8)</u>	<u>(14.8)</u>
Net unsecured loans to the wholly owned Group	<u>-</u>	<u>-</u>	<u>81.3</u>	<u>32.3</u>
Total non current receivables	<u>-</u>	<u>-</u>	<u>81.3</u>	<u>32.3</u>

- (d) Of the unsecured loans to the wholly owned Group, the Company charges interest only on the loan to Paladin Finance Pty Ltd (2006: Paladin Finance Pty Ltd). At 30 November 2006 the loan was converted from A\$ to US\$ as part of the change in functional currency. The interest rate payable is the one month US\$ LIBOR plus 2% (2006: standard commercial lending rate of National Australia Bank plus 2%). In the year ending 30 June 2007 the average rate charged was 11.87% for 1 July 2006 to 30 November 2006 and 7.32% from 1 December 2007 to 30 June 2007 (2006: 11.4%) and disclosure of interest revenue earned is set out in Note 5(a).

The other unsecured loans are repayable on demand however Paladin Resources Ltd will, for the foreseeable future, continue to provide financial support and has no intention of demanding repayment until the subsidiary has the capacity to repay.

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 9. INVENTORIES

	CONSOLIDATED		PARENT ENTITY	
	2007	2006	2007	2006
	US\$m	US\$m	US\$m	US\$m
Stores and spares (at cost)	1.8	-	-	-
Work-in-progress (at net realisable value)	2.1	-	-	-
Finished goods (at cost)	24.7	-	-	-
Finished goods (at net realisable value)	9.4	-	-	-
Total inventories at the lower of cost and net realisable value	38.0	-	-	-

(a) Inventory expense

Inventories sold recognised as an expense for the year ended 30 June 2007 totalled US\$8.7million (2006: US\$Nil) for the Group and US\$Nil (2006: US\$Nil) for the Company. This expense has been included in the cost of sales -refer Note 5(c). Impairment of inventories included in the cost of sales for the Consolidated Entity is US\$3.3M (2006: US\$Nil).

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 10. OTHER FINANCIAL ASSETS

Non Current

	CONSOLIDATED		PARENT ENTITY	
	2007 US\$m	2006 US\$m	2007 US\$m	2006 US\$m
Investments in controlled entities – (a)	-	-	994.4	35.9
Less provision for non-recovery	-	-	(1.2)	(1.2)
Net investment in controlled entities	-	-	993.2	34.7
Available-for-sale financial assets – (b)	60.3	5.6	34.1	1.5
Total non current other financial assets	60.3	5.6	1,027.3	36.2

(a) Investments in material controlled entities

NAME	COUNTRY OF INCORPORATION INVESTMENT	PERCENTAGE INTEREST HELD		COST OF PARENT ENTITY'S INTEREST	
		2007 %	2006 %	2007 US\$m	2006 US\$m
Paladin Finance Pty Ltd ⁽ⁱ⁾⁽ⁱⁱ⁾	Australia	100	100	37.2 [#]	34.7
Paladin Energy Minerals NL ⁽ⁱ⁾	Australia	100	100	-	-
Eden Creek Pty Ltd ⁽ⁱⁱ⁾⁽ⁱ⁾	Australia	100	100	1.3 [#]	1.2
Paladin (Africa) Ltd ⁽ⁱⁱⁱ⁾	Malawi	85 [*]	100	-	-
Langer Heinrich Uranium (Pty) Ltd	Namibia	100	100	-	-
Tarquin Investments (Pty) Ltd ^(vii)	Namibia	-	100	-	-
Valhalla Uranium Ltd ^{(i)(viii)}	Australia	100	-	153.2	-
Northern Territory Uranium Pty Ltd ^{(iv)(ii)}	Australia	100	-	-	-
Mt Isa Uranium Pty Ltd ^{(iv)(ii)}	Australia	100	-	-	-
Paladin Nuclear Ltd ^{(i)(ix)}	Australia	100	-	-	-
Summit Resources Ltd ^{(i)(x)}	Australia	81.9	-	802.7	-
Summit Resources (Aust) Pty Ltd ^{(v)(ii)}	Australia	81.9	-	-	-
Pacific Mines Ltd ^(vi)	Australia	81.9	-	-	-
Total investments in controlled entities				994.4	35.9
Less provision for non-recovery of investments				(1.2)	(1.2)
Net investments in controlled entities				993.2	34.7

^(*) The Development Agreement for the Kayelekera Uranium Project signed on 23 February 2007 provides the Government of Malawi with 15% of Paladin (Africa) Ltd, owner of the project, in exchange for a reduction of 25% in corporate tax, the full amount of rent resource tax and royalty offsets.

^(#) Adjustment relates to the transition from a functional and presentation currency of Australian dollars to a functional and presentation currency of United States dollars – refer Note 3.

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 10. OTHER FINANCIAL ASSETS (continued)

(a) Investments in controlled entities (continued)

All investments comprise ordinary shares and all shares held are unquoted, with the exception of Summit Resources Ltd shares which are quoted on the Australian Stock Exchange.

- (i) Held by Paladin Resources Ltd
- (ii) These entities are not required to prepare or lodge audited accounts
- (iii) Held by Paladin Energy Minerals NL
- (iv) Held by Valhalla Uranium Ltd
- (v) Held by Summit Resources Ltd
- (vi) Held by Summit Resources (Aust) Pty Ltd
- (vii) Disposed of on 15 February 2007
- (viii) Acquired on 7 September 2006 with the eventual issue of 37,974,256 Paladin shares plus US\$1.7 million in transaction costs
- (ix) Incorporated on 27 April 2007
- (x) Acquired majority interest on 27 April 2007 with the eventual issue of 101,157,400 Paladin shares plus US\$3.8 million in transaction costs

Acquisition Disclosure

	CONSOLIDATED		PARENT ENTITY	
	2007	2006	2007	2006
	US\$m	US\$m	US\$m	US\$m
Inflow of cash on acquisition of controlled entities				
Cash balances acquired	26.8	-	-	-
Less: Cash consideration	<u>(5.5)</u>	-	<u>(5.5)</u>	-
Net inflow/(outflow) of cash	<u>21.3</u>	-	<u>(5.5)</u>	-

Included in the net inflow of cash is US\$1.9 million from the acquisition of Valhalla Uranium Ltd and US\$19.4 million from the acquisition of Summit Resources Ltd – refer Note 30.

(b) Available-for-Sale financial assets

The Consolidated Entity has an investment in Deep Yellow Ltd (Deep Yellow) and at 30 June 2007 holds 117,585,704 (2006: 30,450,000) fully paid ordinary shares and 12,500,000 unlisted securities exercisable at 8.1⁽¹⁾ Australian cents on or before 31 July 2008 (2006: 25,000,000 unlisted securities exercisable at 1 Australian cent on or before 31 December 2007, and 12,500,000 unlisted securities exercisable at 12 Australian cents on or before 31 July 2008).

The holding of these fully paid ordinary shares represents 12% interest at 30 June 2007 (2006: less than 5% interest) of the ordinary shares of Deep Yellow, a uranium explorer listed on ASX. The market value of the shares and unlisted securities in Deep Yellow at 30 June 2007 is A\$76.5 million (US\$59.9 million) (2006: A\$7.7 million/ US\$5.4 million) based on a share price of 55 Australian cents per share (2006: 12.5 Australian cents).

⁽¹⁾ The exercise price has been revised after adjustments for entitlement issues.

The Consolidated Entity also holds other minor investments in other companies.

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
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NOTE 11. DEFERRED BORROWING COSTS

	CONSOLIDATED		PARENT ENTITY	
	2007	2006	2007	2006
	US\$m	US\$m	US\$m	US\$m
Non Current				
Deferred borrowing costs	0.2	-	-	-

Deferred borrowing costs represent the initial capitalised costs of establishing project finance for the Kayelekera Uranium Project.

NOTE 12. PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED		PARENT ENTITY	
	2007	2006	2007	2006
	US\$m	US\$m	US\$m	US\$m
Plant and equipment – at cost	124.1	0.9	17.8	0.7
Less provision for depreciation	(2.4)	(0.5)	(0.5)	(0.4)
Total plant and equipment	121.7	0.4	17.3	0.3
Mine development	2.1	-	-	-
Less provision for depreciation	(0.1)	-	-	-
Total mine development	2.0	-	-	-
Technical database – at cost	0.7	0.6	-	-
Less provision for amortisation	(0.6)	(0.5)	-	-
Total technical database	0.1	0.1	-	-
Land and buildings - at cost	3.4	0.2	-	-
Less provision for depreciation	(0.2)	-	-	-
Total land and buildings	3.2	0.2	-	-
Construction work in progress – at cost	8.1	58.0	-	-
Total non current property, plant and equipment	135.1	58.7	17.3	0.3

Property, plant and equipment pledged as security for liabilities

Refer to Note 17 for information on property, plant and equipment pledged as security.

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 12. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliations

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

	Total	Plant and Equipment	Databases	Land and Building	Mine Development	Construction Work in Progress
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Consolidated – 2007						
Carrying amount at start of year	58.7	0.4	0.1	0.2	-	58.0
Additions	89.2	20.6	-	-	0.5	68.1
Acquisition of subsidiary (Note 30)	1.4	0.5	-	0.9	-	-
Depreciation and amortisation expense	(1.9)	(1.6)	-	(0.2)	(0.1)	-
Disposals	(0.3)	(0.1)	-	(0.2)	-	-
Reclassification to intangibles	(17.8)	-	-	-	-	(17.8)
Reallocation from exploration	1.6	-	-	-	1.6	-
Reclassification of assets	-	101.8	-	2.5	-	(104.3)
Functional currency transition adjustment ⁽¹⁾	4.3	0.1	-	-	-	4.2
Foreign currency translation reserve	(0.1)	-	-	-	-	(0.1)
Carrying amount at end of year	<u>135.1</u>	<u>121.7</u>	<u>0.1</u>	<u>3.2</u>	<u>2.0</u>	<u>8.1</u>
Parent Entity - 2007						
Carrying amount at start of year	0.3	0.3	-	-	-	-
Additions	17.2	17.2	-	-	-	-
Depreciation and amortisation expense	(0.2)	(0.2)	-	-	-	-
Carrying amount at end of year	<u>17.3</u>	<u>17.3</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Consolidated – 2006						
Carrying amount at start of year	0.8	0.4	0.1	0.2	-	0.1
Additions	58.1	0.2	-	-	-	57.9
Depreciation and amortisation expense	(0.2)	(0.2)	-	-	-	-
Depreciation capitalised	-	-	-	-	-	-
Carrying amount at end of year	<u>58.7</u>	<u>0.4</u>	<u>0.1</u>	<u>0.2</u>	<u>-</u>	<u>58.0</u>
Parent Entity - 2006						
Carrying amount at start of year	0.3	0.3	-	-	-	-
Additions	0.1	0.1	-	-	-	-
Depreciation and amortisation expense	(0.1)	(0.1)	-	-	-	-
Carrying amount at end of year	<u>0.3</u>	<u>0.3</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

⁽¹⁾ Adjustment relates to the transition from a functional and presentation currency of Australian dollars to a functional and presentation currency of United States dollars – refer Note 3.

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 13. EXPLORATION AND EVALUATION EXPENDITURE

Canadian securities law requires the following description of the Consolidated Entity's interests in mineral property tenements:

Langer Heinrich Uranium Project (Namibia) - Paladin 100%

The Langer Heinrich Uranium Project consists of one Mining Licence – ML 140 - covering 4,375 hectares in the Namibia Naukluft Desert 180km west of Windhoek, the capital of Namibia, and 80 kilometres east of the major seaport of Walvis Bay. The licence was granted on 26 July 2005 for a 25 year term expiring on 25 August 2030. Rights conferred by the licence include the right to mine and sell base and rare metals and nuclear fuel groups of minerals and to carry on prospecting operations. The project was purchased from Acclaim Uranium NL (now Aztec Mining Ltd) in August 2002. The Langer Heinrich Uranium Project is owned through a wholly owned Namibian entity, Langer Heinrich Uranium (Pty) Ltd.

Construction of the processing plant was commenced in late 2005 with staged commissioning being completed in December 2006. The plant and mine are currently in ramp up status with full production expected to be achieved in financial year 2007-2008. Paladin has also had an additional Exploration Licence to the west of the mining licence, EPL 3500, covering 30 sq. km. granted.

Kayelekera Uranium Project (Malawi) – Paladin 85%

The Kayelekera Uranium Project consists of one Exclusive Prospecting Licence – EPL 070 - covering 15,700 hectares in northern Malawi 650 kilometres north of Lilongwe, the capital of Malawi, and 40 kilometres west of the provincial town of Karonga on the shore of Lake Malawi. Rights conferred by the licence include the exclusive right to carry on prospecting operations for uranium and associated minerals. EPL 070 was granted on 26 January 1998 and the licence was renewed on 25 July 2005 for a further two years to 25 July 2007. The Consolidated Entity acquired its interest in the Kayelekera Uranium Project in February 1988 when it entered into a joint venture with Balmain Resources Pty Ltd, an unlisted company based in Perth Western Australia. In 2000 the Consolidated Entity increased its interest in the Kayelekera Project to 90% and in July 2005 acquired the remaining 10% interest held by Balmain Resources Pty Ltd.

A Development Agreement was enacted between the Government of Malawi and Paladin (Africa) Ltd in which Paladin received certain taxation and royalty concessions and in return the Government of Malawi received a free carried interest in the project of 15% thus reducing Paladin's share to 85%. Subsequent to the Development Agreement and the acceptance of the project Environmental Impact Assessment the Government of Malawi granted a Mining Licence covering the project area to Paladin (Africa) Ltd. Paladin retains the original Exploration Licence outside the Mining licence and has had 3 additional Exploration Licences, within the northern Malawi area, granted.

Manyingee Uranium Project (Australia) – Paladin 100%

The Manyingee Uranium Project consists of three granted Mining Leases – M08/86, M08/87 and M08/88 - covering 1,307 hectares in the north west of Western Australia, 1,100 kilometres north of Perth, the State capital and 90 kilometres south of the township of Onslow on the North West coast. The Consolidated Entity purchased the Manyingee Uranium Project in 1998 from Afmeco Mining and Exploration Pty Ltd (AFMEX), a subsidiary company of Cogema of France. Under the terms (as amended) of the purchase agreement a final payment of A\$0.75 million is payable to AFMEX when all development approvals have been obtained. Royalties of 2.5% for the first 2,000 tonnes of uranium oxide and 1.5% for the following 2,000 tonnes of uranium oxide are also payable to AFMEX and associated companies which formerly held interests in the project. The three Mining Leases were granted on May 18, 1989 for a 21-year term renewable for a further term or terms of 21 years. Rights conferred by the three Mining Leases include the exclusive right to explore and mine minerals, subject to environmental and other approvals. The interest in Manyingee is held through the wholly owned entity, Paladin Energy Minerals NL.

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
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FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 13. EXPLORATION AND EVALUATION EXPENDITURE (continued)

Oobagooma Uranium Project (Australia) – Paladin 100%

The Oobagooma Uranium Project consists of four applications for exploration licences covering 45,200 hectares in the West Kimberley region of northern Western Australia, 1,900 kilometres north-north-east of Perth, the State capital and 70 kilometres north east of the regional town of Derby. The four applications for exploration licences are 04/145 and 04/146 lodged on December 28, 1983 and 04/776 and 04/777 lodged on November 28, 1991 which largely overlie the earlier applications. The Consolidated Entity purchased the Oobagooma Project in 1998 from AFMEX. Under the terms of the purchase agreement a final payment of A\$0.75 million is payable to AFMEX when the tenements are granted. A gross royalty of 1.0% on production is also payable to AFMEX. The applications for exploration licences remain in the name of Afmeco Pty Ltd (a company associated with AFMEX) until the date that they are granted after which title will be transferred. The interest in Oobagooma is held through the wholly owned entity, Paladin Energy Minerals NL.

Bigrlyi Deposit (Australia) - Paladin 41.7%

The Bigrlyi deposit project covers a number of ERL's (46-55) amounting to some 1213 hectares, these were originally granted in 1983 and have been subject to 5 yearly renewals since 1988. The project is a Joint Venture between Energy Metals 53.3%, Southern Cross Exploration 5% and Northern Territory Uranium Pty Ltd 41.7% (100% owned by Paladin Resources Ltd) with Energy Metals as operator and manager. Resource definition drilling is ongoing at the project and an engineering and metallurgy scoping study is currently underway. The project lies in the Northern Territory of Australia approximately 320km north west of Alice Springs and was originally discovered by Agip in the mid 1970's before being transferred to Central Pacific Minerals in the early 1980's. Ore resource studies were carried out during the 1980's and 1990's but no drilling was undertaken until recently. During 2005/2006 a drilling campaign was undertaken by the Joint Venture partners which resulted in an initial JORC Resource. Resource definition drilling on the project is on going with an updated resource expected later this year.

Valhalla (Australia) - Paladin 90.9%

The Valhalla project in Northern Queensland is a 50:50 joint venture between Summit Resources Ltd (Paladin 81.9% ownership) and Mt Isa Uranium Pty Ltd (100% owned by Paladin Resources Ltd) in which Summit Resources Ltd is the operator and manager. The Valhalla deposit is situated on EPL 9221 and is located some 40km North of Mt Isa and straddles the Berkly Highway. EPL 9221 was originally granted to Summit Resources Ltd in 1993 but had been worked on, particularly by Mt Isa Mines and Queensland Mines from the mid 1950's to the early 1970's. Queensland Mines, particularly conducted extensive exploration over the Valhalla project between 1968 and 1972 including the estimation of resources and reserves. Queensland Mines allowed the tenement to lapse in 1991 and this was subsequently acquired by Summit in 1992. Paladin's share in the deposit was increased from 50% to 90.9% following the acquisition of 81.9% of Summit Resources Ltd.

Skal (Australia) - Paladin 90.9%

The Skal deposit is located approximately 8km away from the Valhalla deposit and 32km north of Mt Isa in Northern Queensland and is a 50:50 joint venture between Summit Resources Ltd (Paladin 81.9% ownership) and Mt Isa Uranium Pty Ltd (100% owned by Paladin Resources Ltd). Skal was originally discovered by Mt Isa Mines in the mid 1950's and was subject to mapping and drilling at that time. Queensland Mines acquired the project in the 1960's and conducted further drilling resulting in an estimation of a resource for the project. The deposit is situated on EPM14048 and the joint venture re-commenced drilling in 2005. The intention of the joint venture partners is to estimate a JORC compliant resource in the near future.

Summit Resources Ltd (Australia) - Paladin 81.9%

Paladin acquired an 81.9% interest in Summit Resources Ltd as a result of a takeover bid which closed on 1 June 2007. Summit Resources Ltd has a large number of exploration tenements surrounding and to the north of Mt Isa in Northern Queensland. Other than the Andersons, Bikini & Watta Projects, limited exploration activities have taken place on these leases in recent years and as such they are not considered material to Paladin at this point in time. Paladin's share in these deposits was increased from 50% to 90.9% following the acquisition of 81.9% of Summit Resources Ltd.

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 13. EXPLORATION AND EVALUATION EXPENDITURE (continued)

Other mineral property interests

The Consolidated Entity holds various other mineral property interests, however, these are not considered material and as a result no further disclosure of mineral property tenement information has been included in the consolidated schedules of information.

Environmental contingency

The Consolidated Entity's exploration, evaluation, development and operation activities are subject to various national, federal, provincial and local laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Consolidated Entity has made, and expects to make in the future, expenditures to comply with such laws and regulations. The impact, if any, of future legislative or regulatory changes cannot be determined.

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 13. EXPLORATION AND EVALUATION EXPENDITURE (continued)

The following table details the Consolidated expenditures (Parent Entity expenditure US\$Nil) on interests in mineral properties by area of interest for the year ended 30 June 2007:

Areas of interest	Langer Heinrich Project US\$m	Kayelekera Project US\$m	Manyingee Project US\$m	Oobagooma Project US\$m	Bigryli Project US\$m	Valhalla/Skal Projects US\$m	Summit Group ⁽¹⁾ Projects US\$m	Other Projects US\$m	Total US\$m
Balance 30 June 2006	1.149	4.223	0.845	0.127	-	-	-	-	6.344
Acquisition Property Payments	-	-	-	-	13.908	135.915	1,433.100	-	1,582.923
Project exploration and evaluation expenditure									
Tenement costs	0.001	0.005	0.027	-	-	-	0.004	0.007	0.044
Labour	0.050	0.443	-	-	0.006	0.009	0.168	0.107	0.783
Consultants and contractors	0.002	0.566	0.006	0.001	0.017	0.026	0.174	0.032	0.824
Materials and utilities	0.005	0.122	-	-	-	-	0.031	0.011	0.169
Transportation and communications	0.029	0.312	-	-	-	-	0.047	0.059	0.447
Outside services	0.254	2.168	-	-	-	-	0.958	-	3.380
Legal and accounting	-	0.185	0.018	-	-	-	-	0.089	0.292
Camp expenses	0.002	0.098	-	-	-	-	0.017	0.017	0.134
Overheads	-	0.048	-	-	-	-	0.044	0.048	0.140
Joint venture contributions	-	-	-	-	1.345	0.671	(0.577)	-	1.439
Other	0.008	0.103	-	-	-	-	0.028	0.005	0.144
Total expenditure	0.351	4.050	0.051	0.001	1.368	0.706	0.894	0.375	7.796
Exploration expenditure expensed	-	(4.050)	(0.051)	(0.001)	(1.368)	(0.706)	(0.894)	(0.375)	(7.445)
Exploration expenditure capitalised	0.351	-	-	-	-	-	-	-	0.351
Foreign exchange differences Transferred to property, plant and equipment	0.083	0.337	0.147	0.010	1.157	11.310	0.310	-	13.354
	(1.583)	-	-	-	-	-	-	-	(1,583)
Balance 30 June 2007	-	4.560	0.992	0.137	15.065	147.225	1,433.410	-	1,601.389

⁽¹⁾ The Summit Group projects were acquired on 27 April 2007 and allocation of the acquisition value to each project has yet to be completed.

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 13. EXPLORATION AND EVALUATION EXPENDITURE (continued)

The following table details the Consolidated expenditures (Parent Entity expenditures US\$Nil) on interests in mineral properties by area of interest for the year ended 30 June 2006:

Areas of Interest	Langer Heinrich US\$m	Kayelekera Project US\$m	Manyingee Project US\$m	Oobagooma Project US\$m	Other Projects US\$m	Total Projects US\$m
Balance 30 June 2005	0.140	0.130	0.881	0.132	-	1.283
Acquisition Property Payments	-	4.295	-	-	-	4.295
Project exploration and evaluation expenditure						
Interest received	(0.009)	-	-	-	-	(0.009)
Tenement costs	-	0.001	0.022	-	0.004	0.027
Labour	0.191	0.285	-	-	0.102	0.578
Consultants and contractors	0.055	0.322	0.001	-	0.082	0.460
Materials and utilities	0.026	0.051	-	-	0.003	0.080
Transportation and communications	0.070	0.240	-	-	0.110	0.420
Outside services	0.653	1.517	-	-	-	2.170
Legal and accounting	0.001	0.136	-	-	-	0.137
Insurance	-	0.019	-	-	-	0.019
Camp expenses	0.010	0.070	-	-	0.013	0.093
Other	0.042	0.156	-	-	0.031	0.229
Total expenditure	1.039	2.797	0.023	-	0.345	4.204
Exploration expenditure expensed	-	(2.797)	(0.023)	-	(0.345)	(3.165)
Exploration expenditure capitalised	1.039	-	-	-	-	1.039
Foreign exchange differences	(0.030)	(0.202)	(0.036)	(0.005)	-	(0.273)
Balance 30 June 2006	1.149	4.223	0.845	0.127	-	6.344

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 14. INTANGIBLE ASSETS

	CONSOLIDATED		PARENT ENTITY	
	2007	2006	2007	2006
	US\$m	US\$m	US\$m	US\$m
(a) Reconciliation of carrying amount at the beginning and end of the period				
Year ended 30 June 2007				
At 1 July 2006,				
net of accumulated amortisation	-	-	-	-
Reclassification from property, plant and equipment	17.8	-	-	-
Amortisation	(0.2)	-	-	-
At 30 June 2007,				
Net of accumulated amortisation	17.6	-	-	-
At 30 June 2007				
Cost (gross carrying amount)	17.8	-	-	-
Accumulated amortisation	(0.2)	-	-	-
Net carrying amount	17.6	-	-	-

Amortisation of US\$0.2million (2006: US\$Nil) is included in costs of sales in the income statement.

(b) Description of the Group's intangible assets

(i) Right to supply of power

Langer Heinrich Uranium Pty Ltd has entered into a contract with NamPower in Namibia for the right to access power at the Langer Heinrich mine. In order to obtain this right, the power line connection to the mine was funded by Langer Heinrich; however, ownership of the power line rests with NamPower. The amount funded is being amortised over the life of mine on a straight-line basis.

(ii) Right to supply of water

Langer Heinrich Uranium Pty Ltd has entered into a contract with NamWater in Namibia for the right to access water at the Langer Heinrich mine. In order to obtain this right, the water pipeline connection to the mine was funded by Langer Heinrich; however, ownership of the pipeline rests with NamWater. The amount funded is being amortised over the life of mine on a straight-line basis.

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 15. TRADE AND OTHER PAYABLES

	CONSOLIDATED		PARENT ENTITY	
	2007 US\$m	2006 US\$m	2007 US\$m	2006 US\$m
Current				
Trade and other payables	13.8	8.1	2.8	0.8
Total current payables	<u>13.8</u>	<u>8.1</u>	<u>2.8</u>	<u>0.8</u>
Trade payables are non-interest bearing and are normally settled on 60 day terms.				
Non Current				
Lease incentive	-	-	-	0.1
Unsecured loans from wholly owned Group	-	-	2.7	-
Total non current payables	<u>-</u>	<u>-</u>	<u>2.7</u>	<u>0.1</u>

The unsecured loans from wholly owned Group are interest free and have no fixed terms of repayment.

NOTE 16. UNEARNED REVENUE

	CONSOLIDATED		PARENT ENTITY	
	2007 US\$m	2006 US\$m	2007 US\$m	2006 US\$m
Current				
Unearned revenue	0.2	0.2	-	-
Non Current				
Unearned revenue	<u>0.6</u>	<u>0.7</u>	<u>-</u>	<u>-</u>

Unearned revenue represents the database licence revenue received from Deep Yellow Ltd for the use of the Frome Basin database from 15 July 2005 for a period of 6 years.

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 17. INTEREST BEARING LOANS AND BORROWINGS

	Maturity	CONSOLIDATED		PARENT ENTITY	
		2007 US\$m	2006 US\$m	2007 US\$m	2006 US\$m
Current					
Secured bank loan		5.6	-	-	-
Non-Current					
Unsecured convertible bonds	2011	216.3	-	216.3	-
Secured bank loan	2012	61.0	17.0	-	-
Deferred borrowing costs		(9.3)	(2.9)	(7.1)	-
Total non current		268.0	14.1	209.2	-

Fair value disclosures

Details of the fair value of the Group's interest bearing liabilities are set out in Note 22.

Unsecured convertible bonds

On 15 December 2006, the Company issued US\$250 million in convertible bonds with an underlying coupon rate of 4.5%, maturity 15 December 2011 and a conversion price of US\$7.685 for Company shares.

In disclosing the convertible bonds in the consolidated financial statements, the Company has accounted for them in accordance with Australian Accounting Standards. Under these standards the convertible bonds are essentially both a liability (underlying bond) and an equity instrument (conversion rights into Company shares).

Based on this allocation of the convertible bonds, US\$212.2 million has been initially allocated to interest bearing loans and borrowings in non-current liabilities (underlying effective interest rate of 8.75%) and US\$37.8 million to non-distributable convertible bond reserve in equity. A deferred tax liability of US\$11.3 million has been recognised through reserves which relates to the equity component of the bond and this deferred tax liability reverses to the Income Statement over the term of the bond.

Secured bank loan

During the year ended 30 June 2006 the Consolidated Entity completed project finance facilities amounting to US\$71 million for construction of the Langer Heinrich Uranium Project. The financing has been provided by Société Générale Australia Branch (as lead arranger), Nedbank Capital and Standard Bank Plc and consists of a 7 year Project Finance Facility of US\$65 million and a Standby Cost Overrun Facility of US\$6 million. The Project Finance Facility bears interest at the London Interbank Offered Rate (LIBOR) plus 3.5% up to and including practical completion of the project, and the interest cost reduces to LIBOR plus 2.5% after practical completion. No requirement for political risk insurance exists under the terms of the Project Finance Facility. The facilities are secured with fixed and floating charges over the assets of Langer Heinrich Uranium (Pty) Ltd and its immediate holding companies. Paladin Resources Ltd has provided a project completion guarantee as part of the facilities.

At 30 June 2007 US\$66.6 million (2006: US\$17.0 million) had been drawn of the project finance facilities, leaving available facilities of US\$4.4 million (2006: US\$54.0 million).

Deferred borrowing costs capitalised during the year relating to establishment of facilities

Consolidated Entity – US\$8.3 million (2006: US\$2.9 million)

Parent Entity – US\$8.0 million (2006: US\$Nil)

100% of borrowing costs incurred for the construction of any qualifying asset are capitalised.

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 17. INTEREST BEARING LOANS AND BORROWINGS (continued)

Financing facilities available

At reporting date, the following financing facilities had been negotiated and were available:

	CONSOLIDATED		PARENT ENTITY	
	2007	2006	2007	2006
	US\$m	US\$m	US\$m	US\$m
Total facilities:				
Unsecured convertible bonds	250.0	-	250.0	-
Secured bank loans	71.0	71.0	-	-
	<u>321.0</u>	<u>71.0</u>	<u>250.0</u>	<u>-</u>
Facilities used at reporting date				
Unsecured convertible bonds	250.0	-	250.0	-
Secured bank loans	66.6	17.0	-	-
	<u>316.6</u>	<u>17.0</u>	<u>250.0</u>	<u>-</u>
Facilities unused at reporting date				
Unsecured convertible bonds	-	-	-	-
Secured bank loans	4.4	54.0	-	-
	<u>4.4</u>	<u>54.0</u>	<u>-</u>	<u>-</u>
Total facilities				
Facilities used at reporting date	316.6	17.0	250.0	-
Facilities unused at reporting date	4.4	54.0	-	-
	<u>321.0</u>	<u>71.0</u>	<u>250.0</u>	<u>-</u>

Assets pledged as security

The carrying amounts of assets pledged as security for non current interest bearing liabilities (secured bank loans) are:

	CONSOLIDATED		PARENT ENTITY	
	2007	2006	2007	2006
	US\$m	US\$m	US\$m	US\$m
Current				
<i>Floating charge</i>				
-Cash and cash equivalents	2.6	26.9	-	-
-Trade and other receivables	7.7	2.6	-	-
-Inventories	13.4	-	-	-
Total current assets pledged as security	<u>23.7</u>	<u>29.5</u>	<u>-</u>	<u>-</u>
Non current				
-Property, plant and equipment	108.3	58.2	-	-
-Exploration and evaluation expenditure	-	1.1	-	-
-Deferred tax asset	10.4	-	-	-
-Intangible assets	17.6	-	-	-
Total non current assets pledged as security	<u>136.3</u>	<u>59.3</u>	<u>-</u>	<u>-</u>
Total assets pledged as security	<u>160.0</u>	<u>88.8</u>	<u>-</u>	<u>-</u>

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 18. PROVISIONS

	CONSOLIDATED		PARENT ENTITY	
	2007 US\$m	2006 US\$m	2007 US\$m	2006 US\$m
Current				
Rehabilitation	2.0	-	-	-
Sales contracts	7.8	-	-	-
Employee benefits (Note 26)	0.8	0.2	0.5	0.2
Total current provisions	10.6	0.2	0.5	0.2
Non Current				
Employee benefits (Note 26)	0.1	-	-	-
Mine closure	3.0	2.6	-	-
Total non current provisions	3.1	2.6	-	-

For a description of the nature and timing of cash flows associated with the above provisions, refer to section (b) below :

(a) Movements in provisions

Movements in each class of provision during the financial year, other than provisions relating to employee benefits, are set out below :-

	Rehabilitation US\$m	Sales Contracts US\$m	Mine Closure US\$m	Total US\$m
CONSOLIDATED				
At 1 July 2006	-	-	2.6	2.6
Arising during the year	1.9	7.8	0.3	10.0
Utilised	-	-	-	-
Functional currency transition adjustment ⁽¹⁾	-	-	0.2	0.2
Foreign currency movements	0.1	-	(0.1)	-
At 30 June 2007	2.0	7.8	3.0	12.8
Current 2007	2.0	7.8	-	9.8
Non Current 2007	-	-	3.0	3.0
	2.0	7.8	3.0	12.8
Current 2006	-	-	-	-
Non Current 2006	-	-	2.6	2.6
	-	-	2.6	2.6

⁽¹⁾ Adjustment relates to the transition from a functional and presentation currency of Australian dollars to a functional and presentation currency of United States dollars – refer Note 3.

(b) Nature and timing of provisions**(i) Rehabilitation**

A provision for rehabilitation has been recorded in relation to Langer Heinrich Uranium Project. A provision is made for rehabilitation work when the obligation arises and this is recognised as a cost of production or development as appropriate. Mining areas are rehabilitated systematically over the life of the mine operation, and as such the effect of the time value of money is not considered material. All costs for this rehabilitation work are charged to the provision as incurred.

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 18. PROVISIONS (continued)

(ii) Sales contracts

A provision for sales contracts is recognised when the expected benefits to be derived by the Group from a sales contract are lower than the unavoidable cost of meeting the obligations under the sales contract. The provision is stated at the present value of the future net cash outflows expected to be incurred in respect of the contract. At 30 June 2007 a US\$7.8 million sales contract provision has been recognised attributable to the requirement to meet July 2007 Langer Heinrich sales commitments by use of third party uranium purchases.

(iii) Mine Closure

A provision for mine closure has been recorded in relation to the Langer Heinrich Uranium Project for the costs of dismantling and demolition of infrastructure or decommissioning, the removal of residual material and the remediation of disturbed areas specific to the infrastructure to a state acceptable to various authorities. Final mine closure is not expected until the cessation of operations, currently estimated to be beyond 2020.

(iv) Employee Benefits

Refer to Note 26.

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 19. CONTRIBUTED EQUITY AND RESERVES

(a) Issued and paid up capital

	Number of Shares		CONSOLIDATED/ PARENT ENTITY	
	2007	2006	2007 US\$m	2006 US\$m
Ordinary shares				
Issued and fully paid	602,437,369	454,235,713	1,075.3	112.3

Effective 1 July 1998, the Corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly, the Company does not have authorised capital nor par value in respect of its issued shares.

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

(b) Movements in ordinary shares on issue

Date		Number of Shares Price	Issue Rate A\$	Exchange US\$: A\$	Total US\$m
	Balance 30 June 2005	400,885,713			50.2
July 2005	Option conversions	150,000	0.22	1.32897	-
August 2005	Option conversions	350,000	0.22	1.31317	0.1
September 2005	Option conversions	550,000	0.22	1.30712	0.1
September 2005	Kayelekera acquisition	4,350,000	1.29	1.30712	4.3
October 2005	Option conversions	2,250,000	0.22	1.32580	0.4
October 2005	Option conversions	750,000	0.32	1.32580	0.2
October 2005	Placement	35,000,000	2.20	1.32580	58.1
February 2006	Option conversions	100,000	0.22	1.34809	-
May 2006	Option conversions	7,600,000	0.22	1.30939	1.3
May 2006	Option conversions	2,250,000	0.32	1.30939	0.5
	Transfer from reserves				0.4
	Less: Transaction costs arising on share issues				(3.3)
Balance 30 June 2006		454,235,713			112.3

PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

NOTE 19. CONTRIBUTED EQUITY AND RESERVES (continued)

(b) Movements in ordinary shares on issue (continued)

Date		Number of Shares Price	Issue Rate A\$	Exchange US\$: A\$	Total US\$m
	Balance 30 June 2006	454,235,713			112.3
July 2006	Option conversions	350,000	1.00	1.27647	0.3
July 2006	Option conversions	300,000	1.25	1.27647	0.3
August 2006	Option conversions	400,000	1.00	1.27647	0.3
September 2006	Option conversions	600,000	1.00	1.27647	0.5
September 2006	Option conversions	6,000	1.50	1.27647	-
September 2006	Valhalla acquisition	37,151,830	5.09	1.27647	148.1
October 2006	Valhalla acquisition	822,426	5.09	1.27647	3.3
October 2006	Option conversions	3,400,000	1.00	1.27647	2.6
November 2006	Option conversions	2,090,000	1.00	1.27647	1.6
November 2006	Option conversions	1,000,000	1.25	1.27647	1.0
November 2006	Option conversions	4,000	1.50	1.27647	-
December 2006	Functional currency Transition adjustment ⁽¹⁾				3.8
December 2006	Option conversions	590,000	1.00	1.27175	0.4
January 2007	Option conversions	30,000	2.80	1.26855	0.1
March 2007	Summit acquisition	691,117	9.52	1.24395	5.3
April 2007	Option conversions	275,000	1.00	1.23753	0.3
April 2007	Summit acquisition	71,633,205	9.70	1.20060	579.0
May 2007	Summit acquisition	27,825,681	9.04	1.21269	207.4
June 2007	Summit acquisition	1,007,397	8.60	1.21219	7.2
June 2007	Option conversions	25,000	1.00	1.21215	-
	Transfer from reserves				1.8
	Less: Share issue costs				(0.3)
	Balance 30 June 2007	602,437,369			1,075.3

⁽¹⁾ Adjustment relates to the transition from a functional and presentation currency of Australian dollars to functional and presentation currency of United States dollars – refer Note 3.

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 19. CONTRIBUTED EQUITY AND RESERVES (continued)

(c) Issued Options

	Number of Options	
	2007	2006
(i) Exercisable at A\$0.22 cents, on or before 26 May 2006 (granted 28 May 2004 to 30 June 2004) (No vesting requirements)		
Balance at 1 July	-	11,000,000
Exercised during year	-	(11,000,000)
Balance at 30 June	-	-

In July 2005 150,000 options above were exercised raising A\$33,000 (US\$24,831) in contributed equity and at the time of exercise the shares had a market value of A\$208,500.

In August 2005 350,000 options above were exercised raising A\$77,000 (US\$58,637) in contributed equity and at the time of exercise the shares had a market value of A\$546,000.

In September 2005 550,000 options above were exercised raising A\$121,000 (US\$92,570) in contributed equity and at the time of exercise the shares had a market value of A\$1,078,000.

In October 2005 2,250,000 options above were exercised raising A\$495,000 (US\$373,359) in contributed equity and at the time of exercise the shares had a market value of A\$4,905,000.

In February 2006 100,000 options above were exercised raising A\$22,000 (US\$16,319) in contributed equity and at the time of exercise the shares had a market value of A\$340,000.

In May 2006 7,600,000 options above were exercised raising A\$1,672,000 (US\$1,276,930) in contributed equity and at the time of exercise the shares had a market value of A\$34,428,000.

	Number of Options	
	2007	2006
(ii) Exercisable at A\$0.32 cents, on or before 26 May 2006 (granted 28 May 2004 to 30 June 2004) (No vesting requirements)		
Balance at 1 July	-	3,000,000
Exercised during year	-	(3,000,000)
Balance at 30 June	-	-

In October 2005 750,000 options above were exercised raising A\$240,000 (US\$181,023) in contributed equity and at the time of exercise the shares had a market value of A\$1,635,000.

In May 2006 2,250,000 options above were exercised raising A\$720,000 (US\$549,874) in contributed equity and at the time of exercise the shares had a market value of A\$10,192,500.

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 19. CONTRIBUTED EQUITY AND RESERVES (continued)

(c) Issued Options (continued)

	Number of Options	
	2007	2006
(iii) Exercisable at A\$1.00, on or before 30 November 2007 (granted 30 November 2004)		
Balance at 1 July	8,050,000	8,050,000
Exercised during year	(4,480,000)	-
Balance at 30 June	3,570,000	8,050,000

Vest on positive outcome for Langer Heinrich Uranium Project Bankable Feasibility Study together with completion of acceptable project funding. Vesting conditions were met by 30 June 2006.

In July 2006 350,000 options above were exercised raising A\$350,000 (US\$274,194) in contributed equity and at the time of exercise the shares had a market value of A\$1,456,000.

In August 2006 400,000 options above were exercised raising A\$400,000 (US\$313,364) in contributed equity and at the time of exercise the shares had a market value of A\$1,816,000.

In September 2006 600,000 options above were exercised raising A\$600,000 (US\$470,046) in contributed equity and at the time of exercise the shares had a market value of A\$2,640,000.

In October 2006 150,000 options above were exercised raising A\$150,000 (US\$117,512) in contributed equity and at the time of exercise the shares had a market value of A\$866,500.

In November 2006 2,090,000 options above were exercised raising A\$2,090,000 (US\$1,637,328) in contributed equity and at the time of exercise the shares had a market value of A\$14,880,800.

In December 2006 590,000 options above were exercised raising A\$590,000 (US\$463,928) in contributed equity and at the time of exercise the shares had a market value of A\$4,708,200.

In April 2007 275,000 options above were exercised raising A\$275,000 (US\$222,217) in contributed equity and at the time of exercise the shares had a market value of A\$2,655,500.

In June 2007 25,000 options above were exercised raising A\$25,000 (US\$20,625) in contributed equity and at the time of exercise the shares had a market value of A\$206,500.

	Number of Options	
	2007	2006
(iv) Exercisable at A\$1.00, on or before 20 December 2007 (granted 20 December 2004)		
Balance at 1 July	10,250,000	10,250,000
Exercised during year	(3,250,000)	-
Balance at 30 June	7,000,000	10,250,000

Vest on positive outcome for Langer Heinrich Uranium Project Bankable Feasibility Study together with completion of acceptable project funding. Vesting conditions were met by 30 June 2006.

In October 2006 3,250,000 options above were exercised raising A\$3,250,000 (US\$2,546,084) in contributed equity and at the time of exercise the shares had a market value of A\$16,737,500.

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 19. CONTRIBUTED EQUITY AND RESERVES (continued)

(c) Issued Options (continued)

		Number of Options	
		2007	2006
(v)	Exercisable at A\$1.25, on or before 30 November 2007 (granted 30 November 2004)		
	Balance at 1 July	1,300,000	1,300,000
	Exercised during year	(1,300,000)	-
	Balance at 30 June	-	1,300,000

Vest on positive outcome for Langer Heinrich Uranium Project Bankable Feasibility Study together with completion of acceptable project funding. Vesting conditions were met by 30 June 2006.

In July 2006 300,000 options above were exercised raising A\$375,000 (US\$293,779) in contributed equity and at the time of exercise the shares had a market value of A\$1,248,000.

In November 2006 1,000,000 options above were exercised raising A\$1,250,000 (US\$979,263) in contributed equity and at the time of exercise the shares had a market value of A\$7,120,000.

		Number of Options	
		2007	2006
(vi)	Exercisable at A\$1.50, on or before 15 July 2008 (granted 15 July 2005)		
	Balance at 1 July	200,000	-
	Granted during year	-	250,000
	Lapsed during year	-	(50,000)
	Exercised during year	(10,000)	-
	Balance at 30 June	(190,000)	200,000

Vest on positive outcome for Langer Heinrich Uranium Project Bankable Feasibility Study together with completion of acceptable project funding. Vesting conditions were met by 30 June 2006.

In September 2006 6,000 options above were exercised raising A\$9,000 (US\$7,051) in contributed equity and at the time of exercise the shares had a market value of A\$26,400.

In November 2006 4,000 options above were exercised raising A\$6,000 (US\$4,700) in contributed equity and at the time of exercise the shares had a market value of A\$27,000.

		Number of Options	
		2007	2006
(vii)	Exercisable at A\$2.80, on or before 13 January 2009 (granted 13 January 2006 to 16 February 2006) (900,000 vest 13 January 2007 and 1,950,000 vest 13 January 2008).		
	Balance at 1 July	2,850,000	-
	Granted during year	-	2,850,000
	Exercised during year	(30,000)	-
	Balance at 30 June	2,820,000	2,850,000

In January 2007 30,000 options above were exercised raising A\$84,000 (US\$66,217) in contributed equity and at the time of exercise the shares had a market value of A\$261,000.

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 19. CONTRIBUTED EQUITY AND RESERVES (continued)

(c) Issued Options (continued)

		Number of Options	
		2007	2006
(viii)	Exercisable at A\$5.50, on or before 28 April 2009 (granted 27 April 2006) (782,500 vest 31 October 2007 and 782,500 vest 31 October 2008).		
	Balance at 1 July	1,565,000	-
	Granted during year	-	1,565,000
	Exercised during year	-	-
	Balance at 30 June	1,565,000	1,565,000
(ix)	Exercised at A\$5.50 on or before 5 July 2009 (granted 5 July 2006 to 20 July 2006) (700,000 vest 5 January 2008 and 700,000 vest 5 January 2009).		
	Balance at 1 July	-	-
	Granted during year	1,400,000	-
	Balance at 30 June	1,400,000	-
(x)	Exercisable at A\$8.77 on or before 1 February 2012 (granted 1 February 2007) (2,733,670 vest 1 February 2010)		
	Balance at 1 July	-	-
	Granted during year	2,733,670	-
	Balance at 30 June	2,733,670	-
(xi)	Exercisable at A\$8.77 on or before 29 June 2012 (granted 29 June 2007) (400,000 vest 29 June 2010)		
	Balance at 1 July	-	-
	Granted during year	400,000	-
	Balance at 30 June	400,000	-

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 19. CONTRIBUTED EQUITY AND RESERVES (continued)

(d) Reserves

	Listed option application reserve US\$m	Share based payments reserve US\$m	Available for sale reserve US\$m	Foreign currency translation reserve US\$m	Convertible bond non-distributable reserve US\$m	Acquisition reserve US\$m	Total US\$m
CONSOLIDATED							
At 1 July 2005	0.1	2.7	1.3	-	-	-	4.1
Net unrealised gains on available-for-sale investments	-	-	2.1	-	-	-	2.1
Share based payments	-	2.3	-	-	-	-	2.3
Foreign currency translation	-	-	-	(3.4)	-	-	(3.4)
At 30 June 2006	0.1	5.0	3.4	(3.4)	-	-	5.1
Net unrealised gains on available-for-sale investments	-	-	37.5	-	-	-	37.5
Share based payments	-	4.4	-	-	-	-	4.4
Functional currency transition adjustment	-	-	-	3.7	-	-	3.7
Foreign currency translation	-	0.3	3.2	30.0	-	-	33.5
Convertible bonds – equity component	-	-	-	-	37.8	-	37.8
Acquisition of Summit Resources Ltd	-	-	-	-	-	14.9	14.9
Income tax	-	-	(12.4)	-	(11.3)	-	(23.7)
At 30 June 2007	0.1	9.7	31.7	30.3	26.5	14.9	113.2

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 19. CONTRIBUTED EQUITY AND RESERVES (continued)

(d) Reserves (continued)

	Listed option application reserve	Share based payments reserve	Available for sale reserve	Convertible bond non- distributable reserve	Foreign currency translation reserve	Total
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
PARENT						
At 1 July 2005	0.1	2.7	-	-	-	2.8
Share based payments	-	2.3	-	-	-	2.3
Foreign currency translation	-	-	-	-	(3.1)	(3.1)
At 30 June 2006	0.1	5.0	-	-	(3.1)	2.0
Functional currency transition adjustment	-	-	-	-	3.1	3.1
Foreign currency translation	-	0.3	1.7	-	-	2.0
Convertible bonds – equity Component	-	-	-	37.8	-	37.8
Income tax	-	-	(5.6)	(11.3)	-	(16.9)
Net unrealised gains on available- for-sale investments	-	-	18.6	-	-	18.6
Share based payments	-	4.4	-	-	-	4.4
At 30 June 2007	0.1	9.7	14.7	26.5	-	51.0

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 19. CONTRIBUTED EQUITY AND RESERVES (continued)

(d) Reserves (continued)

Nature and purpose of reserves

Listed option application reserve

This reserve consists of proceeds from the issue of listed options, net of expenses of issue. These listed options expired unexercised and no restriction exists for the distribution of this reserve.

Share based payments reserve

This reserve is used to record the value of equity benefits provided to Directors, employees and consultants as part of their remuneration. Refer to Note 28 for further details on share based payments.

Available-for-sale reserve

This reserve records the fair value changes on the available-for-sale financial assets as set out in Note 10(b).

Foreign currency translation reserve

This reserve is used to record exchange differences arising on translation of the group entities that do not have a functional currency of United States dollars and have been translated into United States dollars for presentation purposes, as described in Note 2(f).

Convertible bond non-distributable reserve

This reserve records the equity portion of the convertible bonds issued on 15 December 2006, as described in Note 17.

Acquisition reserve

This reserve recognises the difference in value of investments in Summit Resources Ltd, at the share price on the date control was obtained (27 April 2007), and the share price on the date of acquisitions after the date of control.

NOTE 20. MINORITY INTERESTS

	CONSOLIDATED		PARENT ENTITY	
	2007	2006	2007	2006
	US\$m	US\$m	US\$m	US\$m
Minority interests comprise:				
Share capital	11.0	-	-	-
Accumulated losses	(6.5)	-	-	-
Reserves	180.7	-	-	-
Loss for the period 27 April to 30 June 2007	(0.4)	-	-	-
	<hr/> 184.8	<hr/> -	<hr/> -	<hr/> -

The minority interests recognised during the year relate to the 18.1% interest in Summit Resources Ltd not acquired from the takeover bid that closed on 1 June 2007. No minority interests have been reflected for the 15% of Paladin (Africa) Ltd to which the Government of Malawi is entitled. As this company is in a net liability position as a consequence of the policy to expense exploration and evaluation expenditure prior to the decision made to proceed to development.

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans, convertible bonds, cash, short-term deposits, US treasury bonds and investment in shares.

The main purpose of these financial instruments is to either raise finance, or maintain finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2 to the Financial Statements.

(a) Credit Risk Exposure

The credit risk on financial assets of the Group which have been recognised on the Consolidated Balance Sheets, other than investments in shares, equates to the carrying amount, net of any provisions for doubtful debts or non-recovery. The Group trades only with recognised, credit worthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. With respect to credit risk arising from other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

(b) Interest Rate Risk Exposure

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash, short-term deposits, US treasury bonds and long-term debt obligations with floating interest rates. These financial assets and liabilities with variable rates expose the Group to cash flow interest rate risk. The convertible bonds are a fixed interest rate debt instrument and as such do not expose the group to interest rate risk. All other financial assets and liabilities, in the form of receivables, investments in shares, payables and provisions, are non-interest bearing.

The Group currently does not engage in any hedging or derivative transactions to manage interest rate risk.

(c) Net Fair Value of Financial Assets and Liabilities

The net fair value of cash, secured bank loans, convertible bonds and non-interest bearing financial assets and financial liabilities of the Group equates to their carrying amount, net of any provision for doubtful debts or non-recovery.

The net fair value of other monetary financial assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risks profiles.

The net fair value of equity investments traded on organised markets have been valued by reference to market prices prevailing at balance date. For non-traded equity investments, the net fair value is an assessment of circumstances pertaining to a particular investment.

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Price risk

The Group is exposed to uranium price risk. Uranium prices can be volatile and are influenced by factors beyond the Group's control. In order to reduce the exposure to extreme price volatility the Group enters into sales contracts for future production which contain floor prices set at reasonable levels to provide protection in the event of significant price reduction.

(e) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and convertible bonds.

(f) Foreign currency risk

The Group does not have foreign currency risk for non-monetary assets and liabilities of the Namibia and Malawi operations as these are deemed to have a functional currency of United States dollars and the Group has adopted a presentation currency of United States dollars. The Group had no significant monetary foreign currency assets and liabilities during the year apart from Namibian dollar cash, receivables and payables and Australian dollar cash and payables.

The Group currently does not engage in any hedging or derivative transactions to manage foreign currency risk.

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 22. FINANCIAL INSTRUMENTS

Fair values

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments recognised in the financial statements.

Market values have been used to determine the fair value of listed available-for-sale investments.

The fair values of interest bearing loans and borrowings have been calculated by discounting the expected future cash flows at prevailing interest rates.

	CARRYING AMOUNT/FAIR VALUE			
	CONSOLIDATED		PARENT ENTITY	
	2007	2006	2007	2006
	US\$m	US\$m	US\$m	US\$m
FINANCIAL ASSETS				
Current financial assets				
Cash and cash equivalents	182.8	43.6	169.7	16.6
Trade and other receivables	12.6	2.7	4.2	0.1
Non current financial assets				
Trade and other receivables	-	-	81.3	32.3
Other financial assets	-	-	993.2	34.7
Available-for-sale financial assets	60.3	5.6	34.1	1.5
FINANCIAL LIABILITIES				
Current liabilities				
Trade and other payables	13.8	8.1	2.8	0.8
Interest bearing loans and borrowings	5.6	-	-	-
Non current liabilities				
Trade and other payables	-	-	2.7	0.1
Interest bearing loans and borrowings	268.0	14.1	209.2	-

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 22. FINANCIAL INSTRUMENTS (continued)

Interest rate risk

The following tables set out the carrying amount, by maturity, of the financial instruments exposed to interest rate risk:

Year ended 30 June 2007	<1-year US\$m	>1-<2 years US\$m	>2-<3 years US\$m	>3-<4 years US\$m	>4-<5 years US\$m	>5 years US\$m	Total US\$m	Weighted Average Effective Interest rate %
CONSOLIDATED								
FINANCIAL ASSETS								
<i>Floating rate</i>								
Cash assets	182.8	-	-	-	-	-	182.8	4.8%
<i>Weighted average effective Interest rate</i>	4.8%	-	-	-	-	-		
FINANCIAL LIABILITIES								
<i>Fixed rate</i>								
Unsecured convertible bonds	-	-	-	-	209.2	-	209.2	4.5%
<i>Weighted average effective Interest rate</i>	-	-	-	-	4.5%	-		
<i>Floating rate</i>								
Secured bank loans	64.4	-	-	-	-	-	64.4	8.9%
<i>Weighted average effective Interest rate</i>	8.9%	-	-	-	-	-		

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 22. FINANCIAL INSTRUMENTS (continued)

Interest rate risk (continued)

Year ended 30 June 2007	<1-year US\$m	>1-<2 years US\$m	>2-<3 years US\$m	>3-<4 years US\$m	>4-<5 years US\$m	>5 years US\$m	Total US\$m	Weighted Average Effective Interest rate %
PARENT								
FINANCIAL ASSETS								
<i>Floating rate</i>								
Cash assets	169.7	-	-	-	-	-	169.7	4.7%
Intercompany receivables	31.5	-	-	-	-	-	31.5	7.3%
	<u>201.2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>201.2</u>	<u>5.1%</u>
<i>Weighted average effective Interest rate</i>	5.1%	-	-	-	-	-		
FINANCIAL LIABILITIES								
<i>Fixed rate</i>								
Unsecured convertible bonds	-	-	-	-	209.2	-	209.2	4.5%
<i>Weighted average effective Interest rate</i>	-	-	-	-	4.5%	-		
Year ended 30 June 2006	<1-year US\$m	>1-<2 years US\$m	>2-<3 years US\$m	>3-<4 years US\$m	>4-<5 years US\$m	>5 years US\$m	Total US\$m	Weighted Average Effective Interest rate %
CONSOLIDATED								
FINANCIAL ASSETS								
<i>Floating rate</i>								
Cash assets	43.6	-	-	-	-	-	43.6	5.6%
<i>Weighted average effective Interest rate</i>	5.6%	-	-	-	-	-		
FINANCIAL LIABILITIES								
<i>Floating rate</i>								
Secured bank loans	14.1	-	-	-	-	-	14.1	9.1%
<i>Weighted average effective Interest rate</i>	9.1%	-	-	-	-	-		

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 22. FINANCIAL INSTRUMENTS (continued)

Interest rate risk (continued)

Year ended 30 June 2006	<1-year US\$m	>1-<2 years US\$m	>2-<3 years US\$m	>3-<4 years US\$m	>4-<5 years US\$m	>5 years US\$m	Total US\$m	Weighted Average Effective Interest rate %
PARENT								
FINANCIAL ASSETS								
<i>Floating rate</i>								
Cash assets	16.6	-	-	-	-	-	16.6	5.9%
Intercompany receivables	<u>31.8</u>	-	-	-	-	-	<u>31.8</u>	<u>11.6%</u>
	<u>48.4</u>	-	-	-	-	-	<u>48.4</u>	<u>9.7%</u>
<i>Weighted average effective Interest rate</i>	9.7%	-	-	-	-	-		

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate until maturity of instrument. The unsecured convertible bond is considered a fixed interest financial instrument. The other financial instruments of the Group and Parent Entity that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 23. DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of Key Management Personnel

(i) Directors

Mr Rick Crabb	Chairman (Non-executive)
Mr John Borshoff	Managing Director
Mr Sean Llewelyn	Director (Non-executive)
Mr George Pirie	Director (Non-executive)
Mr Ian Noble	Director (Non-executive)

(ii) Executives

Mr Garnet Halliday	Executive General Manager – Operations and Development – deceased 8 March 2007
Ms Gillian Swaby	Company Secretary
Mr Ron Chamberlain	Chief Financial Officer
Mr Wyatt Buck	General Manager – Langer Heinrich Operations
Mr James Eggins	Executive General Manager – Sales and Contract Administration
Mr Dustin Garrow	Executive General Manager – Marketing
Mr David Marsh	Executive General Manager – New Business Development
Mr Brendan O'Hara	General Manager – Special Projects – appointed 14 August 2006

(b) Compensation of Key Management Personnel: Compensation by Category

	CONSOLIDATED/ PARENT ENTITY	
	2007 US\$000	2006 US\$000
Short-Term	7,998	1,613
Post Employment	81	51
Share-Based Payment	<u>4,665</u>	<u>1,914</u>
	<u>12,744</u>	<u>3,578</u>

The Company has applied the exemption under Corporations Amendments Regulation 2006 which exempts listed companies from providing remuneration disclosures in relation to their Key Management Personnel in the annual financial reports by Accounting Standard AASB 124 Related Party Disclosures. These remuneration disclosures are provided in the Remuneration Report contained in the Directors' Report and are designated as audited.

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 23. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

(c) Option Holdings of Key Management Personnel (Consolidated and Parent Entity)

30 June 2007	Balance at beginning of period 01 Jul 06	Granted as Remune- ration	Options Exercised	Net Change Other #	Balance at end of period 30 Jun 07	Total	Vested/ Exercisable	Not vested/ Not Exercisable
Directors								
Mr Rick Crabb	3,250,000	-	-	-	3,250,000	3,250,000	3,250,000	-
Mr John Borshoff	3,750,000	1,500,000	-	-	5,250,000	5,250,000	3,750,000	1,500,000
Executives								
Mr Garnet Halliday	3,000,000	-	(3,000,000)	-	-	-	-	-
Ms Gillian Swaby	2,750,000	75,000	-	-	2,825,000	2,825,000	2,750,000	75,000
Mr Ron Chamberlain	1,000,000	35,700	(800,000)	-	235,700	235,700	-	235,700
Mr Wyatt Buck	1,000,000	150,000	-	-	1,150,000	1,150,000	500,000	650,000
Mr James Eggins	1,000,000	100,000	(350,000)	-	750,000	750,000	-	750,000
Mr Dustin Garrow	1,000,000	78,570	(400,000)	-	678,570	678,570	-	678,570
Mr David Marsh	1,000,000	100,000	-	-	1,100,000	1,100,000	-	1,100,000
Mr Brendan O'Hara	-	1,031,400	-	-	1,031,400	1,031,400	-	1,031,400
Total	17,750,000	3,070,670	(4,550,000)	-	16,670,670	16,270,670	10,250,000	6,020,670

30 June 2006	Balance at beginning of period 01 Jul 05	Granted as Remuner- ation	Options Exercised	Net Change Other #	Balance at end of period 30 Jun 06	Total	Vested/ Exercisable	Not vested/ Not Exercisable
Directors								
Mr Rick Crabb	6,250,000	-	(3,000,000)	-	3,250,000	3,250,000	3,250,000	-
Mr John Borshoff	7,250,000	-	(3,500,000)	-	3,750,000	3,750,000	3,750,000	-
Executives								
Mr Garnet Halliday	3,000,000	-	-	-	3,000,000	3,000,000	3,000,000	-
Ms Gillian Swaby	5,250,000	-	(2,500,000)	-	2,750,000	2,750,000	2,750,000	-
Mr Ron Chamberlain	800,000	200,000	-	-	1,000,000	1,000,000	800,000	200,000
Mr Wyatt Buck	-	1,000,000	-	-	1,000,000	1,000,000	-	1,000,000
Mr James Eggins	-	650,000	-	350,000	1,000,000	1,000,000	350,000	650,000
Mr Dustin Garrow	-	600,000	-	400,000	1,000,000	1,000,000	400,000	600,000
Mr David Marsh	-	1,000,000	-	-	1,000,000	1,000,000	-	1,000,000
Total	22,550,000	3,450,000	(9,000,000)	750,000	17,750,000	17,750,000	14,300,000	3,450,000

Mr James Eggins commenced as Key Management Personnel on 1 January 2006 and as such the required disclosure at this date in the above table has been reflected in the net change other column.

Mr Dustin Garrow commenced as Key Management Personnel on 1 January 2006 and as such the required disclosure at this date in the above table has been reflected in the net change other column.

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 23. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

(d) Shareholdings of Key Management Personnel (Consolidated and Parent Entity)

Shares held in Paladin Resources Ltd (number)

30 June 2007	Balance 01 Jul 06	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 07
Directors					
Mr Rick Crabb	8,964,746	-	-	-	8,964,746
Mr John Borshoff	18,091,394	-	-	-	18,091,394
Mr Ian Noble	16,000	-	-	-	16,000
Executives					
Mr Garnet Halliday	125,000	-	3,000,000	(3,125,000)	-
Ms Gillian Swaby	10,216,140	-	-	-	10,216,140
Mr Ron Chamberlain	-	-	800,000	(400,000)	400,000
Mr James Eggins	25,000	-	350,000	(50,000)	325,000
Mr Dustin Garrow	-	-	400,000	(400,000)	-
Mr David Marsh	-	-	-	9,050	9,050
Total	37,438,280	-	4,550,000	(3,965,950)	38,022,330

No other Key Management personnel held shares during the year ended 30 June 2007.

Mr Garnet Halliday deceased on 8 March 2007 and as such is no longer required to be disclosed in the above table and this fact has been reflected in the net change other column.

30 June 2006	Balance 01 Jul 05	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 06
Directors					
Mr Rick Crabb	6,464,746	-	3,000,000	(500,000)	8,964,746
Mr John Borshoff	14,591,394	-	3,500,000	-	18,091,394
Mr Ian Noble	-	-	-	16,000	16,000
Executives					
Mr Garnet Halliday	-	-	-	125,000	125,000
Ms Gillian Swaby	6,600,000	-	2,500,000	1,116,140	10,216,140
Mr James Eggins	-	-	-	25,000	25,000
Total	27,656,140	-	9,000,000	782,140	37,438,280

No other Key Management Personnel held shares during the year ended 30 June 2006.

Mr James Eggins commenced as a Key Management Personnel on 1 January 2006 and as such this fact has been reflected in the net change other column.

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 23. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

(e) Other Transactions and Balances with Key Management Personnel

Fees paid in the normal course of business in 2007 for company secretarial services totalling US\$259,616 (2006: US\$114,418) were paid/payable (balance outstanding at 30 June 2007 and included in trade creditors US\$27,053 (2006: US\$24,823)) to a company of which Ms Gillian Swaby is a director and shareholder.

Fees paid in the normal course of business in 2007 for marketing consulting services totalling US\$130,571 (2006: US\$107,580) were paid/payable (balance outstanding at 30 June 2007 and included in trade creditors US\$Nil (2006: US\$Nil)) to a company of which Mr Dustin Garrow is a director and shareholder.

Amounts recognised at the reporting date in relation to other transactions:

	CONSOLIDATED/ PARENT ENTITY	
	2007	2006
	US\$000	US\$000
Liabilities		
<i>Current liabilities</i>		
Trade and other payables	<u>27</u>	<u>24</u>
Expenses		
Other expenses	<u>390</u>	<u>222</u>

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 24. AUDITORS' REMUNERATION

The auditor of the Paladin Resources Ltd Group is Ernst & Young.

	CONSOLIDATED		PARENT ENTITY	
	2007 US\$000	2006 US\$000	2007 US\$000	2006 US\$000
<i>Amounts received or due and receivable by Ernst & Young (Australia) for:</i>				
• Audit or review of the financial report of the entity and any other entity in the consolidated Group	255	85	206	73
• Other assurance services:				
Compilation report	12	-	12	-
Convertible bonds comfort letter	53	-	53	-
• Taxation services:				
Tax compliance services	-	5	-	4
International tax consulting	109	-	109	-
Tax advice on mergers and acquisitions	25	-	25	-
Other tax advice	23	5	23	5
Sub-total	477	95	428	82
<i>Amounts received or due and receivable by related practices of Ernst & Young (Australia) for:</i>				
• Audit or review of the financial report of subsidiaries	18	18	-	13
• Other assurance services:				
Malawi development agreement	3	23	-	-
• Taxation services:				
Tax compliance services	8	-	-	-
International tax consulting	2	-	-	-
	508	136	428	95
<i>Amounts received or due and receivable by non Ernst & Young audit firms for:</i>				
• Audit or review of the financial report of subsidiaries	17	-	-	-
• Taxation services:				
Tax compliance services	1	-	-	-
	18	-	-	-

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 25. COMMITMENTS AND CONTINGENCIES

There were no outstanding commitments or contingencies, which are not disclosed in the financial report of the Consolidated Entity and the Company as at 30 June 2007 other than:

(a) Tenements

	CONSOLIDATED		PARENT ENTITY	
	2007	2006	2007	2006
	US\$m	US\$m	US\$m	US\$m
Commitments for tenements contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	2.6	0.4	-	-
Later than one year but not later than 5 years	-	-	-	-
More than 5 years	-	-	-	-
Total tenements commitment	2.6	0.4	-	-

These include commitments relating to tenement lease rentals and, the minimum expenditure requirements of the Namibia, Malawi, Western Australian, South Australian, Northern Territory and Queensland 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.

These are necessary in order to maintain the tenements in which the Consolidated Entity 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 Namibia, Malawi and Australia.

(b) Mine Construction Commitments

	CONSOLIDATED		PARENT ENTITY	
	2007	2006	2007	2006
	US\$m	US\$m	US\$m	US\$m
Commitments for mine construction contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	9.3	23.0	-	-
Later than one year but not later than 5 years	-	-	-	-
More than 5 years	-	-	-	-
Total mine construction	9.3	23.0	-	-

These commitments in 2007 relate to mine construction in Malawi (2006: Namibia).

(c) Operating Lease Commitments

The Group has entered into commercial property leases relating to rental of offices.

These non-cancellable leases have remaining terms of between 1 and 3 years. All leases include a clause to enable upward revision of rental charge on an annual basis according to prevailing market conditions.

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 25. COMMITMENTS AND CONTINGENCIES (continued)

(c) Operating Lease Commitments (continued)

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	CONSOLIDATED		PARENT ENTITY	
	2007	2006	2007	2006
	US\$m	US\$m	US\$m	US\$m
Within one year	0.2	0.2	0.2	0.2
Later than one year but not later than 5 years	0.3	0.4	0.3	0.4
More than 5 years	-	-	-	-
Total operating lease commitment	0.5	0.6	0.5	0.6

(d) Acquisition Costs

The Consolidated Entity acquired a call option on 19 June 1998 in relation to the purchase of the Oobagooma Uranium Project and, in turn, granted a put option to the original holder of the Project. Both the call and put options have an exercise price of A\$0.75 million (US\$0.6 million) and are subject to the Department of Minerals & Energy granting tenements comprising 2 exploration licence applications. The A\$0.75 million (US\$0.6 million) is payable by the Consolidated 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 the tenements are granted.

In relation to the Manyingee Uranium Project, the re-negotiated acquisition terms provide for a payment of A\$0.75 million (US\$0.6 million) by the Consolidated Entity to the vendors when all project development approvals are further obtained.

(e) Bank Guarantees

As at 30 June 2007 the Group has outstanding A\$60,000 (2006: A\$60,000) as a current guarantee provided by a bank for the corporate office lease.

(f) Legal Actions

(i) Kayelekera Uranium Project, Malawi

On 28 May 2007, the Company announced that its subsidiary Paladin (Africa) Ltd and the Government of Malawi had been named defendants in two legal actions in Malawi commenced by a group of Malawian Civil Society Organisations. The two actions seek to delay the Kayelekera Uranium Project until, amongst other things; alleged deficiencies in the process associated with the grant of approval under the Malawi Environment Management Act are rectified, and additional protective measures affecting both the local community and the country are put in place. Both the Government of Malawi and Paladin (Africa) Ltd intend to rigorously defend all claims. No orders, interim or otherwise, have to date been made by the court and Project construction is continuing as usual.

(ii) Mt Isa Uranium Joint Venture

On 3 August 2007, the Company announced that its wholly owned subsidiary, Mt Isa Uranium Pty Ltd had settled the court proceedings commenced against it and Resolute Ltd by Summit Resources (Aust) Pty Ltd in relation to alleged breaches of confidentiality provisions in the Mt Isa Uranium Project joint venture agreement. Subsequently, Areva NC (Australia) Pty Ltd has advised that it intends to apply to the Supreme Court of Western Australia for orders under Section 237 of the Corporations Act 2001 to be granted leave to intervene in the court proceedings.

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 25. COMMITMENTS AND CONTINGENCIES (continued)

(f) Legal Actions (continued)

(ii) Mt Isa Uranium Joint Venture (continued)

The Company has always remained confident that the court proceedings could be successfully defended. Further, the Company has the benefit of an indemnity from Resolute Ltd and an ultimate 81.9% interest in Summit Resources (Aust) Pty Ltd. As a consequence, a change in the ownership of the joint venture deposits would not be of significance to the Company.

NOTE 26. EMPLOYEE BENEFITS

	CONSOLIDATED		PARENT ENTITY	
	2007	2006	2007	2006
	US\$m	US\$m	US\$m	US\$m
Provision for annual leave and long service leave aggregate employment benefit liabilities	0.9	0.2	0.5	0.2

Employee numbers

Average number of employees during the financial year

	Number	Number
	41	31

Superannuation

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

Employee Share Incentive Option Plan

Details of the Employee Share Incentive Option Plan for the Company are disclosed in Note 28.

NOTE 27. RELATED PARTIES

(a) Subsidiaries

Interests in subsidiaries are set out in Note 10(a).

(b) Ultimate parent

The ultimate Parent Entity in the wholly owned Group is Paladin Resources Ltd.

(c) Key management personnel

Details relating to key management personnel, including remuneration paid, are included in the Directors' Report under the section entitled Remuneration Report and in Note 23.

(d) Transactions with subsidiaries

Transactions entered into with subsidiaries during the years ended 30 June 2007 and 2006 consisted of:

- (a) sundry debtors receivable by the Company (Note 8(c));
- (b) loans advanced by the Company (Note 8(d));
- (c) loans advanced to the Company (Note 15);
- (d) the payment of interest on the loans advanced by the Company (Note 5(a)); and
- (e) the receipt of dividends by the Company (Note 5(b)).

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 28. SHARE-BASED PAYMENT PLAN

The share-based payment plans are described below. There have been no cancellations or modifications to any of the plans during 2007 and 2006.

(a) Types of share-based payment plans

Employee Share Incentive Option Plan (ESOP)

On 23 March 2004, the Directors approved the ESOP.

Staff eligible to participate in the plan were those who had been continuously employed by the Company for a period of at least one year.

Options were granted under the plan for no consideration. Options were granted for a three year period, and 100% of each new tranche became exercisable after one year of the date of grant. Entitlements to the options were vested as soon as they become exercisable and performance conditions had been met. There were no cash settlement alternatives. Options granted under the plan carried no dividend or voting rights.

Following implementation of the EXSOP detailed below, no further options will be issued pursuant to the ESOP.

Executive Share Option Plan (EXSOP)

On 21 November 2006, the EXSOP was approved by shareholders at the Company's Annual General Meeting. The number of shares that may be issued under the EXSOP must not exceed 5% of the total number of shares on issue.

Share options are granted to employees under the EXSOP which is designed to create a stronger link between increasing shareholder value and employee reward. Under the EXSOP, the exercise price of the options is set at the market price of the shares on the date of grant and performance is measured by comparing the Company's Total Shareholder Return ('TSR') (share price appreciation plus dividends reinvested) with a group of peer companies. The Company's performance will be measured over three years from the date of grant. To the extent that maximum performance is not achieved under the performance condition, performance will be retested every six months following the first three years until the end of the fourth year.

In assessing whether the TSR hurdle for each grant has been met, the Group receives independent data from an external advisor, who provides both the Group's TSR growth from the commencement of each grant and that of the pre-selected peer group. The peer group chosen for comparison is the resource companies in the S&P/ASX200 Index at the date of grant. This peer group reflects the Group's competitors for capital and talent.

The Group's performance against the hurdle is determined according to Paladin Resources Limited's ranking against the peer group TSR growth over the performance period.

- when Paladin Resources Limited is ranked over the 75th percentile, 100% of the share options will vest;
- for rankings above the 50th and below the 75th percentile, the percentage of options to vest will be pro-rata between 50% and 100%.
- when Paladin Resources Limited is ranked at the 50th percentile, 50% of the share options will vest;
- when Paladin Resources Limited is ranked below the 50th percentile the share options will not vest.

When a participant ceases employment prior to the vesting of their share options, the share options are forfeited unless cessation of employment is due to termination initiated by the Group or death. In the event of a change of control all the awards will vest and may be exercised by the participant.

The contractual life of each option granted is five years. There are no cash settlement alternatives.

The expense recognised in the income statement in relation to share-based payments is disclosed in Note 5(e).

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 28. SHARE BASED PAYMENT PLAN (continued)

(b) Summaries of options granted under ESOP and EXSOP arrangements:

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of and movements in share options issued during the year:

	2007 No.	2007 WAEP A\$	2006 No.	2006 WAEP A\$
Outstanding at the beginning of the year	24,215,000	1.52	33,600,000	0.69
Granted during the year	4,533,670	7.76	4,665,000	3.64
Forfeited during the year	-	-	(50,000)	1.50
Exercised during the year	(9,070,000)	1 1.04	(14,000,000)	2 0.24
Expired during the year	-	-	-	-
Outstanding at the end of the year	<u>19,678,670</u>	<u>3.18</u>	<u>24,215,000</u>	<u>1.52</u>
Exercisable at the end of the year	11,630,000	1.14	20,225,000	1.03

1. The weighted average share price at the date of exercise is A\$6.03

2. The weighted average share price at the date of exercise is A\$3.81

The outstanding balance as at 30 June 2007 represented by:

Date options granted	Exercisable	Expiry date	Exercise price of options	Number under option
30 November 2004	30 June 2006	30 November 2007	A\$1.00	3,570,000
20 December 2004	30 June 2006	20 December 2007	A\$1.00	7,000,000
15 July 2005	30 June 2006	15 July 2008	A\$1.50	190,000
13 January 2006	13 January 07	13 January 2009	A\$2.80	170,000
13 January 2006	13 January 08	13 January 2009	A\$2.80	850,000
19 January 2006	13 January 08	13 January 2009	A\$2.80	600,000
16 February 2006	13 January 07	13 January 2009	A\$2.80	700,000
16 February 2006	13 January 08	13 January 2009	A\$2.80	500,000
27 April 2006	31 October 07	28 April 2009	A\$5.50	782,500
27 April 2006	31 October 08	28 April 2009	A\$5.50	782,500
5 July 2006	5 January 2008	5 July 2009	A\$5.50	500,000
5 July 2006	5 January 2009	5 July 2009	A\$5.50	500,000
20 July 2006	5 January 2008	5 July 2009	A\$5.50	200,000
20 July 2006	5 January 2009	5 July 2009	A\$5.50	200,000
1 February 2007	1 February 2010	1 February 2012	A\$8.77	2,733,670
29 June 2007	29 June 2010	29 June 2012	A\$8.77	400,000
Total				19,678,670

Please refer to Shares Under Option table in the Directors' Report for movements since the year end.

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 28. SHARE BASED PAYMENT PLAN (continued)

(c) Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 30 June 2007 is between 1 and 3 years (2006: 1 and 3 years).

(d) Range of exercise price

The range of exercise prices for options outstanding at the end of the year was A\$1.00 – A\$8.77 (2006: A\$1.00 – A\$5.50).

(e) Weighted average fair value

The weighted average fair value of options granted during the year was A\$4.04 (2006: A\$1.87).

(f) Option pricing model: ESOP and EXSOP

The fair value of the equity-settled share options granted under the option plan is estimated as at the date of grant using a binominal model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used for the years ended 30 June 2006 and 30 June 2007:

	2007	2006
Dividend yield (%)	Nil%	Nil%
Expected volatility (%)	60% - 81%	83% - 126%
Risk-free interest rate (%)	5.81% - 6.44%	5.13% - 5.67%
Expected life of option (years)	2.5 - 5 years	2.5 years
Option exercise price (\$)	A\$5.50 - A\$8.77	A\$1.50 - A\$5.50
Weighted average share price at grant date (\$)	A\$4.16 - A\$9.07	A\$1.36 - A\$4.88

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

The fair value of the cash-settled options is measured at the grant date using the Cox, Ross and Rubinstein Binomial Tree option pricing model taking into account the terms and conditions upon which the instruments were granted. The services received are recognised over the expected vesting period.

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 29. INTERESTS IN JOINTLY CONTROLLED OPERATIONS

(a) Joint venture details

Mount Isa Uranium joint venture

The Mount Isa Uranium joint venture, which includes the Valhalla and Skal uranium deposits, is involved in the identification of and exploration for uranium resources in Queensland, Australia. Summit Resources (Australia) Pty Ltd (SRA) is manager and operator, holding a 50% interest. Mount Isa Uranium Pty Ltd (MIU) holds the other 50% interest. Paladin Resources Ltd ultimately owns 81.9% of SRA and 100% of MIU.

Bigrlyi Uranium joint venture

The Bigrlyi Uranium joint venture is involved in the identification of and exploration for uranium resources in the Northern Territory, Australia. The joint venture is between Energy Metals Ltd 53.3%, Southern Cross Exploration NL 5% and Northern Territory Uranium Pty Ltd (NTU) 41.7% (NTU is 100% owned by Paladin Resources Ltd) with Energy Metals Ltd as manager and operator of the joint venture.

Other joint ventures

The Consolidated Entity also has a number of other interests in joint ventures to explore for uranium and other minerals. The Consolidated Entity's share of expenditure in respect of these exploration activities is expensed in accordance with the accounting policy stated in Note 2(s) and no revenue is generated. The Consolidated Entity's share of the assets and liabilities in respect of these joint ventures is not material.

(b) Assets utilised in the Mount Isa and Bigrlyi Uranium joint ventures

The Group's share of the assets utilised in these jointly controlled operations, which are included in the consolidated financial statements, are as follows:

	CONSOLIDATED		PARENT ENTITY	
	2007	2006	2007	2006
	US\$m	US\$m	US\$m	US\$m
Non-current assets				
Exploration and evaluation expenditure	<u>164.0</u>	-	-	-
Total assets	<u>164.0</u>	-	-	-

The interests of MIU in the Mount Isa Uranium joint venture and of NTU in the Bigrlyi Uranium joint venture were acquired on 7 September 2006 and include the allocation of the acquisition value.

The interest of SRA in the Mount Isa Uranium joint venture was acquired on 27 April 2007 and the allocation of the acquisition value to this project has yet to be completed.

(c) Commitments relating to the joint venture

Share of tenement commitments (Note 25)	-	-	-	-
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(d) Impairment

No assets employed in the jointly controlled operation were impaired during the year (2006: US\$Nil).

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 30. BUSINESS COMBINATION AND ASSET ACQUISITION

Acquisition of Summit Resources Ltd

Paladin Resources Ltd acquired a controlling interest on 27 April 2007 of the voting shares of Summit Resources Ltd, a public company based in Australia and listed on the Australian Stock Exchange involved in the exploration for uranium resources. The takeover bid closed on 1 June 2007 with the acquisition of 81.9% of the issued share capital.

The total cost of the combination was US\$817.6 million and comprised an issue of equity instruments and costs directly attributable to the combination. The Company issued 101,157,400 ordinary shares with an average fair value of A\$9.51 each, based on the quoted price of the shares of Paladin Resources Ltd at the date of exchange.

The initial accounting for the acquisition of Summit Resources Ltd can be determined only provisionally at 30 June 2007 because the fair values assigned to the identifiable assets, liabilities and the cost of the combination can be determined only provisionally.

The provisional fair value of the identifiable assets and liabilities of the Summit Resources Ltd Group as at the date of acquisition were:

	Recognised on Acquisition US\$m	CONSOLIDATED Carrying Value US\$m
Cash and cash equivalents	23.2	23.2
Trade and other receivables	1.1	1.1
Plant and equipment	1.6	1.6
Capitalised exploration and evaluation expenditure	1,402.6	13.1
	1,428.5	39.0
Trade and other payables	14.2	14.2
Deferred tax liability	415.7	-
	429.9	14.2
Net assets	998.6	24.8
Minority interests	(181.0)	
Fair value of net identifiable assets acquired	817.6	
Cost of the combination:		
Shares issued, at fair value	813.8	
Direct costs relating to the acquisition	3.8	
Total cost of the combination	817.6	
The cash inflow on acquisition is as follows:		
Net cash acquired with the subsidiary	23.2	
Direct costs relating to acquisition	(3.8)	
Net consolidated cash inflow	19.4	

From the date of acquisition, the Summit Resources Ltd Group has contributed US\$2.0 million to the net loss of the Group (including Minority Interests).

If the combination had taken place at the beginning of the year, the loss from continuing operations for the Summit Resources Ltd Group would have been US\$33.7 million and revenue from continuing operations would have been US\$1.2 million.

Acquisition of Valhalla Uranium Ltd

Paladin Resources Ltd acquired a controlling interest on 7 September 2006 of the voting shares of Valhalla Uranium Ltd, a public company based in Australia involved in the exploration for uranium resources. The takeover was completed on 27 October 2006 with the acquisition of 100% of the issued share capital for the issue of 37,974,256 Paladin shares plus US\$1.7 million in transaction costs for a total cost of US\$153.1 million.

The acquisition was treated as an acquisition of an asset as the Valhalla Uranium Ltd Group had no employees and its business consisted of minority or non-manager joint venture interests.

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 31. EVENTS AFTER THE BALANCE SHEET DATE

Since the end of the financial period, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this report or the Financial Statements, that has significantly or may significantly affect the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in subsequent years with the exception of the following, the financial effects of which have not been provided for in the 30 June 2007 Financial Report:

Board Changes

On 9 July 2007, the Company appointed Mr Donald Shumka as a Non-executive Director of Paladin Resources Ltd. Mr Shumka is Vancouver based and is the President and Managing Director of Walden Management Ltd., a consulting firm specialising in natural resources.

Mr. Shumka's appointment followed the resignation of Mr. George Pirie who, due to his increasing time commitment as the President and Chief Executive Officer of Breakwater Resources Ltd (a TSX listed company), no longer had sufficient time available to undertake his duties in his role as a Non-executive Director of Paladin.

Increased Holding in Deep Yellow Ltd

On 26 July 2007, the Consolidated Entity acquired an additional 9,789,808 shares in Deep Yellow Ltd pursuant to an entitlement issue. Subsequently, on 8 August 2007, the Consolidated Entity acquired an additional 31,673,949 shares in Deep Yellow Ltd via subscription for the shortfall of the entitlement issue. The additional investments totalled A\$20.7 million (US\$17.8 million). After these acquisitions the Consolidated Entity now holds 14.34% of Deep Yellow Ltd.

Mt Isa Uranium Joint Venture Litigation

On 3 August 2007, the Company announced that its wholly owned subsidiary, Mt Isa Uranium Pty Ltd had settled the court proceedings commenced by Summit Resources (Aust) Pty Ltd (ultimately 81.9% owned by the Company) against it and Resolute Ltd in relation to alleged breaches of confidentiality provisions in the Mt Isa Uranium Project joint venture agreement.

Subsequently, Areva NC (Australia) Pty Ltd has advised that it intends to apply to the Supreme Court of Western Australia for orders under Section 237 of the Corporations Act 2001 to be granted leave to intervene in the court proceedings.

The Company has always remained confident that the court proceedings could be successfully defended but a change in ownership of the joint venture deposits is not of significance to the Company, as a consequence of the indemnity given by Resolute Ltd and the fact that the Company holds an ultimate 81.9% interest in Summit Resources (Aust) Pty Ltd.

Kayelekera Uranium Project, Malawi – Major Development Contracts Signed

On 15 August 2007, the Company announced that its subsidiary Paladin (Africa) Ltd had signed three major contracts for the development of its Kayelekera Uranium Project.

The EPCM contract was awarded to Engineering and Projects Company appointing them as the Project Engineers and the mining and earthworks contracts were awarded to Mota Engil Engineering.

**PALADIN RESOURCES LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 32. NON CASH FINANCING AND INVESTMENT ACTIVITIES

	CONSOLIDATED		PARENT ENTITY	
	2007	2006	2007	2006
	US\$m	US\$m	US\$m	US\$m
<i>Non Cash Financing and Investment Activities</i>				
Issue of shares to acquire 100% of Valhalla Uranium Ltd	151.4	-	-	151.4
Issue of shares to acquire 81.9% of Summit Resources	798.9	-	798.9	-
Disposal of 15% interest in Paladin (Africa) Ltd on Signing of development agreement	-	-	-	-
Issue of shares to acquire remaining 10% joint venture interest in the Kayelekera Uranium Project	-	4.3	-	4.3
Value of Deep Yellow shares and unlisted securities acquired from the sale of exploration properties	-	0.3	-	0.3
Value of Deep Yellow shares and unlisted securities acquired from grant of licence over the Frome Basin database	-	1.1	-	-

NOTE 33. EARNINGS PER SHARE

(i) Basic earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

(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. Diluted earnings per share is the same as basic earnings per share in 2007 and 2006 as the Consolidated Entity is in a loss position.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	CONSOLIDATED	
	2007	2006
	US\$m	US\$m
Net loss attributable to ordinary equity holders of the Parent from continuing operations	(37.6)	(5.6)
	2007	2006
	#	#
Weighted average number of ordinary shares for basic earnings per share	511,189,193	433,062,353

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Paladin Resources Ltd, I state that:

1. In the opinion of the Directors:
 - (a) the financial report and the additional disclosures included in the Directors' Report designated as audited, of the Company and of the Consolidated Entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporation Regulations 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.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with sections 295A of the Corporations Act 2001 for financial period ending 30 June 2007.

On behalf of the Board



Mr John Borshoff
Managing Director

Perth, Western Australia
3 September 2007

INDEPENDENT AUDIT REPORT



■ The Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000
Australia

■ Tel 61 8 9429 2222
Fax 61 8 9429 2436

GPO Box M939
Perth WA 6843

Independent auditor's report to the members of Paladin Resources Limited

We have audited the accompanying financial report of Paladin Resources Limited which comprises the balance sheet as at 30 June 2007 and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

The company has disclosed information as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard AASB 124 *Related Party Disclosures* ("remuneration disclosures"), under the heading "Remuneration Report" on pages 53 to 62 of the directors' report, as permitted by Corporations Regulation 2M.6.04.

Directors Responsibility for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2(a), the directors also state that the financial report, comprising the consolidated financial statements and notes complies with International Financial Reporting Standards. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement and that the remuneration disclosures comply with Accounting Standard AASB 124 *Related Party Disclosures*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDIT REPORT

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the Company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report and the remuneration disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion

In our opinion:

1. the financial report of Paladin Resources Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of Paladin Resources Limited and the consolidated entity at 30 June 2007 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations); and the *Corporations Regulations 2001*.
2. the consolidated financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).
3. the remuneration disclosures that are contained on pages 53 to 62 of the directors' report comply with Accounting Standard AASB 124 *Related Party Disclosures*.

Ernst & Young

Ernst & Young

V. W. Tidy

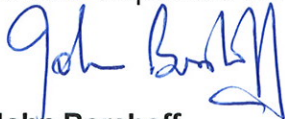
V W Tidy
Partner
Perth
3 September 2007

Form 52-109F1 – Certification of Annual Filings

I, John Borshoff, Managing Director of Paladin Resources Ltd, certify that:

1. I have reviewed the annual filings (as this term is defined in Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) of Paladin Resources Ltd (the issuer) for the year ending 30 June 2007;
2. Based on my knowledge, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the annual filings;
3. Based on my knowledge, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the annual filings;
4. The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the issuer, and we have:
 - (a) designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the annual filings are being prepared;
 - (b) designed such internal control over financial reporting, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP; and
 - (c) evaluated the effectiveness of the issuer's disclosure controls and procedures as of the end of the period covered by the annual filings and have caused the issuer to disclose in the annual MD&A our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by the annual filings based on such evaluation; and
5. I have caused the issuer to disclose in the annual MD&A any change in the issuer's internal control over financial reporting that occurred during the issuer's most recent interim period that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

Dated: 3 September 2007



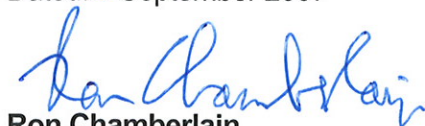
John Borshoff
Managing Director

Form 52-109F1 – Certification of Annual Filings

I, Ron Chamberlain, Chief Financial Officer of Paladin Resources Ltd, certify that:

1. I have reviewed the annual filings (as this term is defined in Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) of Paladin Resources Ltd (the issuer) for the year ending 30 June 2007;
2. Based on my knowledge, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the annual filings;
3. Based on my knowledge, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the annual filings;
4. The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the issuer, and we have:
 - (a) designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the annual filings are being prepared;
 - (b) designed such internal control over financial reporting, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP; and
 - (c) evaluated the effectiveness of the issuer's disclosure controls and procedures as of the end of the period covered by the annual filings and have caused the issuer to disclose in the annual MD&A our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by the annual filings based on such evaluation; and
5. I have caused the issuer to disclose in the annual MD&A any change in the issuer's internal control over financial reporting that occurred during the issuer's most recent interim period that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

Dated: 3 September 2007



Ron Chamberlain
Chief Financial Officer