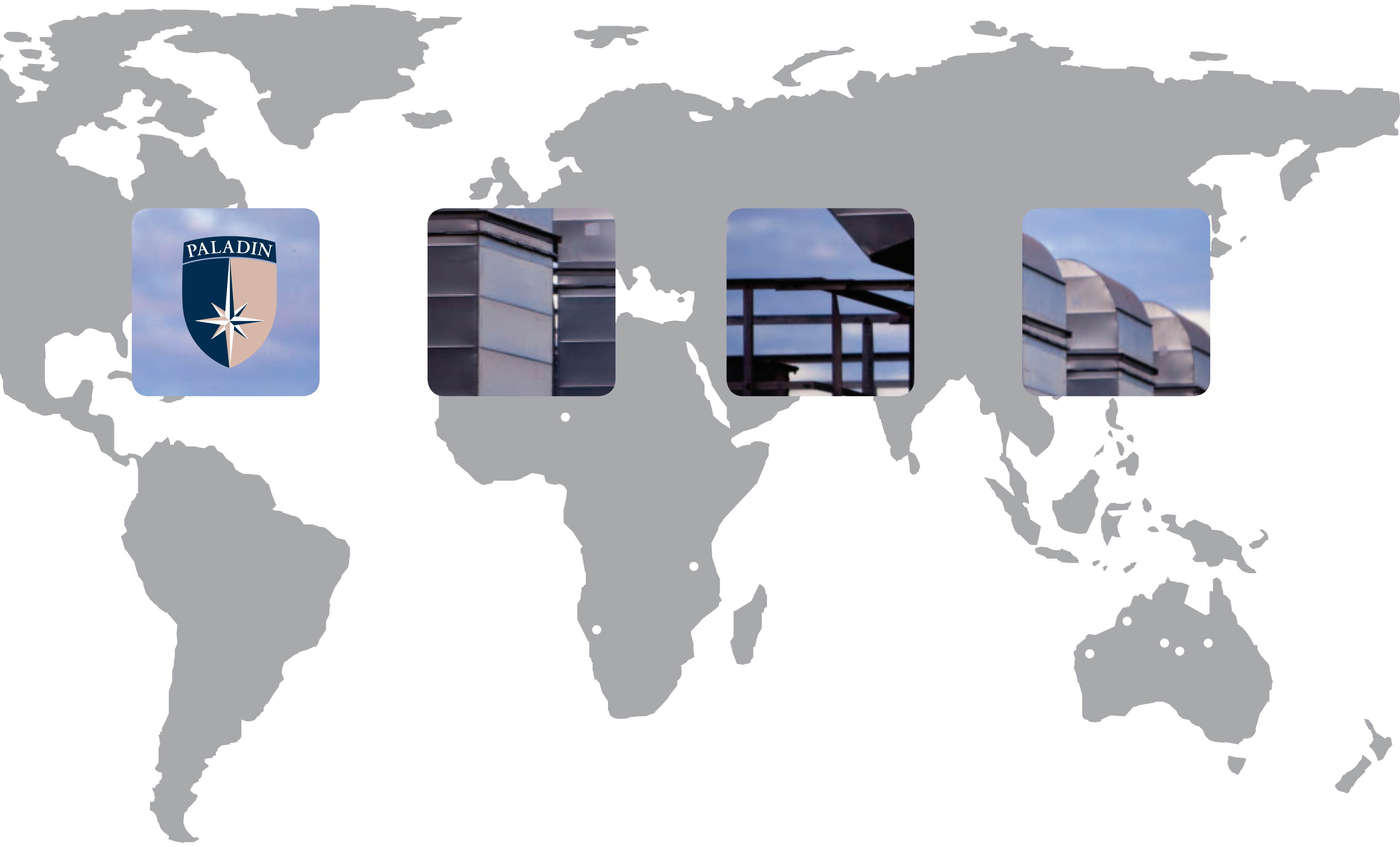


PALADIN ENERGY LTD
ANNUAL REPORT
2009

A GLOBAL PERSPECTIVE

REALISING TODAY'S OPPORTUNITIES AND IDENTIFYING TOMORROWS

Langer Heinrich

CONTENTS

COMPANY PROFILE

Paladin Energy Ltd's principal activity is the acquisition, exploration, evaluation, development and operation of uranium mines and the sale and trading of uranium oxide (U_3O_8).

It is listed on the Australian Securities Exchange (Member of S&P/ASX100), the Toronto Stock Exchange and the Namibian Stock Exchange under the symbol "PDN" and currently operates two uranium mines in Namibia (Langer Heinrich) and Malawi (Kayelekera).

Paladin is a world leader in modern uranium extraction, with its two mines being the first new conventional uranium mines developed in the past 25 years, both at the forefront of new technology.

CORPORATE VALUES

CREATE shareholder wealth and develop the considerable opportunities it has generated to become a major player in the global uranium supply market.

OPERATE with a safe best practice philosophy having due regard for the environment.

REWARD employee performance and provide a fulfilling work environment.

CONTRIBUTE to the growth and prosperity of the countries in which Paladin operates by conducting operations in an efficient and effective manner and by seeking out opportunities for expansion.

RESPOND to the attitudes and expectations of the communities in which it operates as part of its corporate social responsibility obligations.

ACT with integrity, honesty and cultural sensitivity in all of its dealings.

The Annual Report covers both Paladin Energy Ltd (referred throughout as the Company or Paladin) as an individual entity and the Group consisting of Paladin Energy Ltd and its controlled entities.

HIGHLIGHTS
KEY ACHIEVEMENTS FOR THE YEAR

2008

AUGUST

Langer Heinrich Resource increased by 64%

New Ore Reserve Estimate 75% increase

SEPTEMBER

Interest in Deep Yellow Limited (ASX: "DYL") increased from 15.3% to 19.6%

OCTOBER

Langer Heinrich reached nameplate production for September quarter

OCTOBER

Angela/Pamela Exploration Licence granted to Cameco/Paladin joint venture

NOVEMBER

Kayelekera Resource increased by 27%

2009

JANUARY

Valhalla Resource increased by 18.5%

MARCH

Initial investment in NGM Resources Limited (ASX: "NGM") (14%) with exploration holdings in Niger

60%
INCREASE IN PRODUCTION

36%
INCREASE IN GROSS PROFIT

16.4%
INCREASE IN MEASURED & INDICATED RESOURCES

372Mlb
TOTAL RESOURCES

2.74Mlb
TOTAL PRODUCTION FOR YEAR

$12.2M
TOTAL EXPLORATION SPEND

Mr John Borshoff
Managing Director/CEO

MARCH
Skal Resource increased by 46%

APRIL
Takeover of Fusion Resources Ltd adds 7Mlb of resources

APRIL
Kayelekera Mine officially opened

JUNE
Paladin added to MSCI Global Standard Indices for Australia, and Dow Jones African Titans 50 Index

JUNE
Langer Heinrich Stage III expansion to 5.2Mlb pa receives Board approval and Project Finance Completion Test Satisfied

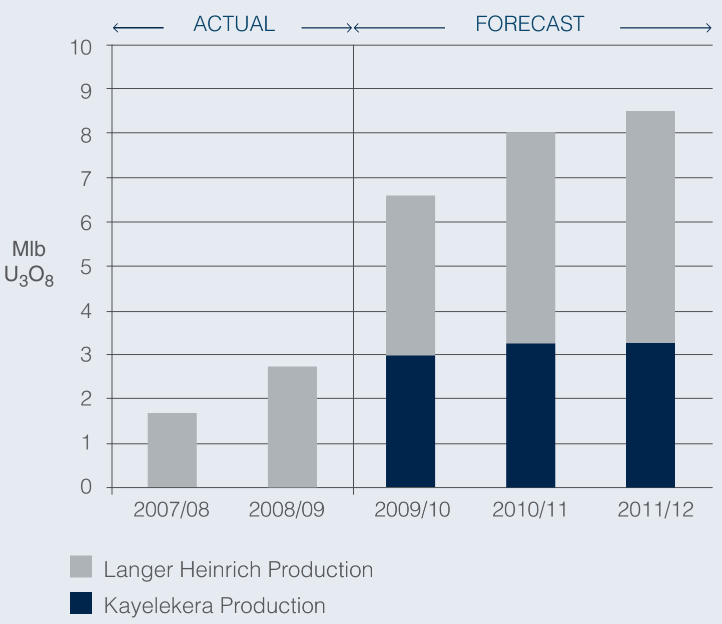
AUGUST
First drawdown of Kayelekera US$167M project finance facility

MARCH
Paladin completes A$429M private placement

OVER 30
ANALYSTS COVER PALADIN

2nd Mine
COMMISSIONED IN 2 YEARS

3 Year Production Outlook



CHAIRMAN'S LETTER

In June 2009, The Board approved a further expansion (Stage III) to the Langer Heinrich Mine which will increase production from 3.7Mlb pa to 5.2Mlb pa.

Rick Crabb
Chairman

A growing international presence

The 2008/09 financial year may have been tumultuous on credit and equity markets, but the economic turmoil had no impact on the business at hand for Paladin. Thanks to a clear strategy, dedicated staff, a stable contracted uranium price and comfortable cash reserves, the Company continued to develop its two uranium mines and various exploration and pre-development projects.

Certainly the Company's share price retreated during the stock market trough, to a low of A$1.60, but responded well to reach a high of A$5.47 on 3 June 2009. In my view, this recovery reflects the positive outlook for nuclear power and thus for the uranium market. More particularly, it reflects what I believe to be the unique characteristics of Paladin, namely proven capacity to build and operate new mines; a large resource base and substantially uncommitted future production. My Board also has a firmly-held view that Paladin should remain independent and thus we have not taken the path of some other uranium companies in bringing power utilities or other nuclear industry participants onto the share register. We believe that the world needs another major independent uranium producer and that Paladin has the capacity to fulfil that role.

In April 2009, the President of Malawi, Dr Bingu wa Mutharika, officially opened the Kayelekera Mine. This operation is ramping up production and is achieving expectations. It will make a significant contribution to shareholder wealth and to the Malawian economy. Sadly, after a sustained injury free period throughout an intensive development programme, fatal accidents have occurred on site during this year, underscoring the risks inherent in large-scale construction enterprises. A thorough review of safety procedures is being undertaken, as the expectation of all involved in our Company is that workplace safety is paramount.

Our flagship project, the Langer Heinrich Mine, has comfortably performed above design capacity for Stage I despite the challenges of operational coexistence with the Stage II expansion project, which will boost production to 3.7Mlb U_3O_8. Although some delay was experienced with construction of Stage II, it was substantially completed by June 2009 and is now nearing full operational capacity. As announced on 30 June, the Board has approved the Stage III expansion, which will take nominal production to 5.2Mlb pa U_3O_8, utilising existing water and power infrastructure. By 2011, therefore, Langer Heinrich will be a true world class mine with at least a 20-year life in a stable regime.

The Company continued to build its Mount Isa uranium resource base, both by ongoing exploration drilling of existing projects and by the acquisition of additional ground through the takeover of Fusion Resources Limited. Work is continuing on the project pre-feasibility study and we would expect to progress to a full feasibility study during 2010. As I have stated before, Paladin is prepared to progress this project whilst patiently awaiting Queensland's uranium policy to come into line with the position of the Federal Government and the other resource-based States.

Following the change of government in Western Australia to one supportive of uranium mining, the Company has re-activated work on its Manyingee in-situ recovery uranium project. Initial work will focus on resource expansion and environmental evaluation.

The Board and management continued during the year to evaluate a number of international acquisition opportunities within clearly understood parameters designed to achieve the Company's strategic goals. This process will be ongoing and I feel confident that rewarding outcomes for shareholders will eventuate.

I believe that I should inform shareholders of the Board's current position concerning executive remuneration. During the past year, employee salaries, as a general rule, were increased in accordance with movement of the Consumer Price Index only. This applied also to our Managing Director/CEO. Bonuses were paid to modest levels, having regard to the outstanding achievements of management in delivering the only new conventional uranium mines built in the world for more than a decade. The Remuneration Committee resolved to offer a bonus of A$720,000 to Managing Director/CEO John Borshoff, recognising his achievements on a number of fronts (as detailed elsewhere in this Annual Report), however Mr Borshoff chose not to receive any bonus, as he felt it was important to show leadership and restraint - a selfless act in these extraordinary times.

Nevertheless, shareholders do need to understand that the market is very competitive for experienced personnel in the uranium business. Due to its early mover status, Paladin is fortunate having a strong contingent of people rich with uranium experience (and enhanced by Paladin's own activities over recent years). The Company therefore needs to remunerate its key staff appropriately to ensure that we retain them.

For the past financial year, Directors' fees remained unchanged and the Board has resolved that this should be the case also for this current financial year.

Once again, it is my pleasure to thank John Borshoff and his dedicated team in Australia, Africa and elsewhere for another year of hard work and outstanding achievements.

I commend you to closely study the information provided in this Annual Report, as I think it will provide you with good insight into the uranium market and the great potential that I firmly believe Paladin offers its shareholders, customers and stakeholders in this dynamic industry.

Mr Rick Crabb
Chairman

NUCLEAR POWER - RESILIENCE & GROWTH

The Kayelekera Mine was officially opened by the President of Malawi, Dr. Bingu wa Mutharika, in April 2009.

Kayelekera Mine

Mine in ramp-up
Reserves 29Mlb
Resource 44Mlb

Mr Dustin Garrow
Executive General Manager
- Marketing

Mr James Eggins
General Manager
- Sales and Contract Adminstraton

The global recession's dramatic impact on demand for most major commodities has highlighted by exception the fundamental resilience of the nuclear electricity industry and emphasises why sustained long-term growth in nuclear power is inevitable.

Despite a fall in primary energy consumption worldwide as a result of decreased economic activity, the production of electricity by nuclear generators remained unchanged at 2601 terawatt hours (TWh) in 2008 compared with 2608 TWh in 2007. Nuclear electricity again accounted for about 15% of world electricity production.

In June 2008, there were 439 nuclear power plants in operation and 35 new plants under construction. In June this year, the number is 436 in operation, the decline due to the final shutdown of three plants, and 49 under construction. There are now 136 nuclear power plants in the planned category (93 in June 2008) and a further 277 (218 in June 2008) in the proposed category. 68 of the new reactors will be built in Asia, with 31 planned for China alone over the next 12 years.

The robustness of nuclear electricity during the serious economic downturn illustrates the low cost base load characteristic of its contribution to power supply and confirms the determination of many countries to maintain and expand nuclear power regardless of short-term economic conditions.

The International Atomic Energy Agency's 2008 forecasts of nuclear power generation in 2030 have been significantly increased from their 2007 estimates, raising the high case to 748 gigawatt electric (GWe), which is double today's capacity, and forecasting a low case of 473 GWe. The 2007 estimates were a high case of 691 GWe and a low case of 447 GWe.

Stability of reactor operations means that demand for nuclear fuel has not been negatively affected by the recession, which makes it virtually unique, and the medium to long-term outlook is similarly undiminished.

On the uranium supply side, the shortfall between uranium production and reactor requirements remains significant. World uranium production increased in 2008 by 6.5%, still leaving a gap between supply and demand of more than 33% of reactor requirements. The major contributor to the production increase was Kazakhstan where production rose 28% from 2007 making Kazakhstan the second largest uranium producer and pushing Australia into third place. Namibia also increased uranium production significantly due to the increasing output at Langer Heinrich as well as at Rössing Uranium.

Kayelekera

As of 1 August 2009, a total of 436 commercial nuclear reactors were operating globally while a further 49 new nuclear units were under active construction.

An interesting development has been the aggressive movement of uranium consumer groups, either directly or by proxy through trading organisations or state-owned foreign investment entities, into the direct acquisition of uranium resources considered feasible for development or into joint venture arrangements with more experienced partners to pursue new mine and mill construction. This phenomenon is a characteristic of recent Kazakhstan developments, but is also evident in Australia and the USA. The willingness of buyer groups to finance new mining operations is indicative of the strategic challenges facing uranium supply in the future.

It is interesting to note, however, that despite several years of strong uranium prices in a positive political and economic environment for the growth of nuclear electricity there has not yet been a significant diversification of the global uranium supply base. In fact, the only new country to enter the commercial uranium market in volume since the shift of traditional uranium production from Ontario to Saskatchewan in Canada, and from post-war small production in Queensland, South Australia and the Northern Territory to the Alligator Rivers region of the Northern Territory in Australia, both in the early eighties, is Malawi with the commissioning of Paladin's Kayelekera mine in early 2009.

Current and Long-Term Market Outlook

The future role of nuclear power in the global energy mix remains highly encouraging. Escalating concerns regarding climate change and the basic need for electricity are driving an increasing number of countries to either actively pursue the nuclear option or, at least, seriously consider the technology.

As of 1 August 2009, a total of 436 commercial nuclear reactors were operating globally while a further 49 new nuclear units were under active construction. China leads the way with 15 reactors under construction followed by the Russian Federation (9 reactors), India (6 reactors) and South Korea (5 reactors). The number of reactors either on order or planned has risen to 136 involving a broad range of countries including Egypt, Indonesia, South Africa, the United States, Thailand, Turkey and the UAE. Importantly, an additional 277 reactors are now proposed to be built in a spectrum of countries across the globe.

China remains the centre of expected nuclear power growth. Projected installed nuclear generating capacity is expected to rise from its current level of less than 10,000 up to more than 80,000 Mwe by 2020.

In the United States, more than half (54) of the operating reactors (104) have now been granted license extensions which permit a further 20 years of operation.

Uranium production continues to lag growing worldwide demand. During 2008, aggregate global uranium production (114Mlb) fell well short of estimated uranium requirements (170Mlb). Since 2004 when total world uranium production was 104.5Mlb, global output of uranium has increased less than 10%. Some of the major producing countries such as Australia and Canada actually experienced declines in production (6.4% and 22.3%) during that period while Kazakhstan (130%) and Namibia (44%) experienced significant percentage increases.

Uranium prices continued to moderate over the year, failing to reflect the persistent imbalance in uranium demand and supply forecast for the mid-to-long term. Spot uranium prices declined from around US$65.00/lb in September 2008 down to US$52.00/lb by end of calendar year 2008, influenced to a great degree by the de-leveraging of investment funds which were forced to liquidate physical inventories. Since early 2009, the spot price has remained somewhat volatile, declining to US$40.00/lb before rising into the US$54.00-55.00/lb range. As of late August, reported spot prices stood at US$47.00/lb.

MANAGEMENT DISCUSSION AND ANALYSIS

During the 2008/09 financial year the Langer Heinrich Mine produced 2.7Mlb of U_3O_8 versus 1.71Mlb U_3O_8 the previous year, an increase of over 60%.

Mr Simon Solomons
Executive General Manager
- Operations Development

The following Management Discussion and Analysis (MD&A) for Paladin Energy Ltd (Paladin or the Company) should be read in conjunction with the Directors' Report and the audited Financial Report for the year ended 30 June 2009. The effective date of this report is 24 September 2009.

The financial information presented in this MD&A has been prepared in accordance with applicable International Financial Reporting Standards (IFRS), 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 2009 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.paladinenergy.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.

Overview

Paladin is a uranium production company with projects currently in Australia and two operating mines in Africa with a strategy to become a major uranium mining house. The Company is incorporated under the laws of Western Australia with a primary share market listing on the Australian Securities Exchange (ASX) and additional listings on the Toronto Stock Exchange in Canada; and Munich, Berlin, Stuttgart and Frankfurt Stock Exchanges in Europe, and on the Namibian Stock Exchange.

Langer Heinrich Mine, Namibia

During the 2008/09 financial year, the Langer Heinrich Mine (LHM) produced 2.7Mlb of U_3O_8 versus 1.71Mlb U_3O_8 the previous year, an increase of over 60%. At the end of June 2009, LHM had exceeded Stage I design of 2.6Mlb pa over the 12 month period. Stage II construction, which will expand production to 3.7Mlb pa, was completed by the end of June 2009 and commissioning is well underway with design parameters expected to be met during the September quarter of 2009.

Mining activities, through the contractor Karibib Mining and Construction Company, are continuing and the mining fleet was expanded at the beginning of 2009 in preparation for the additional feed required for the Stage II expansion. Both operations and construction teams worked closely throughout the year as the expansion project was finalised, limiting disruptions caused by construction activities.

The Board has approved a further expansion (Stage III) which will increase production from 3.7Mlb pa to 5.2Mlb pa. Initial construction will begin in the September 2009 quarter at an estimated capital cost of US$71M. Construction is expected to take 12 months.

In summary, the Langer Heinrich operations performed well during the year. The operation will ramp up production of the Stage II expansion in the new financial year which will further enhance the performance of this already successful operation. The Company is proud of the achievement of everyone at LHM and considers this operation to be one of the cornerstones for continued growth in the Company. The announced Stage III expansion will position the operation in the top-tier of global uranium operations.

Kayelekera Mine, Malawi

During the past year, efforts focused on final construction, with the project remaining within 5% of its capital works budget at an estimated US$215M cost. This construction project was the first of its type and magnitude ever to be undertaken in Malawi and was achieved with an average of over 75% of the workforce being Malawian.

The 3.3Mlb pa Kayelekera Mine (KM) was officially opened on 17 April 2009 by his Excellency, Dr. Bingu wa Mutharika, President of Malawi. Final commissioning of this operation commenced in the June quarter of 2009. Currently the operation has a commercial life of 12-14 years, however, exploration at the minesite and within the immediate district could add to the existing resource base. Commercial scale production is expected to be achieved during the September 2009 quarter and first product has made its journey through Zambia to Walvis Bay in Namibia for shipment.

Kayelekera

Kayelekera represents Paladin's second conventional uranium mining operation put into production over the last four years, and the first commercial mining venture for Malawi. A 15% equity interest in the subsidiary, Paladin (Africa) Ltd (PAL), the holder of the Kayelekera Mining Licence, is held by the Government of Malawi. The project will be the most significant contributor to the GDP of Malawi.

As of year end mill throughput has been maintained at around 110t per hour and will be stepped to design capacity of 190t per hour. Kayelekera's commissioning remains on track for nameplate capacity by early 2010.

Exploration And Evaluation

Across the Group, exploration and evaluation expenditures totalled US$12.2M to aggressively advance organic growth opportunities in Australia, in particular the Mount Isa Uranium Joint Venture and Isa North Uranium Project in Queensland, as well as the Angela Uranium Joint Venture in the Northern Territory.

Following completion of resource drilling in 2008, new estimates were completed for both Valhalla and Skal. The Valhalla Mineral Resource now stands at 30,630t (67.5Mlb) U_3O_8 and at Skal, resources for the Skal East deposit were added to the existing resources for the Skal Far North, North and South estimates for a total of 5,560t (12.3Mlb) U_3O_8. Both areas have now been subjected to extensive ground geophysical surveys and associated geological mapping and this is expected to aid in further drill planning.

Following the granting of an exploration licence to the Cameco Australia/Paladin Angela Joint Venture, a resource definition and validation programme was commenced. At year end, the Joint Venture partners had completed some 11,649m of RC and diamond drilling and the balance of 14,593m is expected to be completed by the end of the September 2009 quarter.

Following a change of government in Western Australia which saw the lifting of the administrative ban on uranium mining, Paladin has re-commenced work on both the Manyingee and Oobagooma projects, compiling and re-evaluating the historical data for the deposits as well as the Spinifex Well prospect located near Manyingee. Following this period of re-assessment, planning for a resource definition drilling programme was completed for Manyingee and Spinifex Well and access approval and agreements are being negotiated. In conjunction with this work, the granting of the Oobagooma tenement application is being actively pursued.

This construction project was the first of its type and magnitude ever to be undertaken in Malawi and was achieved with an average of over 75% of the workforce being Malawian.

Several promising areas adjacent to KM in Malawi were also drilled during the latter part of the year following on from extensive ground and airborne surveys completed in late 2008. Whilst the majority of the work is still at an early stage, preliminary results are very encouraging.

Exploration of EPL3500 at Langer Heinrich started in 2008 with a helicopter borne EM survey to better define the palaeochannel. Widespaced follow-up drilling has now been completed. A new drilling programme is currently being carried out to better define any possible westward extensions of the uranium mineralisation.

Health & Safety

Paladin is committed to achieving the highest performance in Occupational Health and Safety to create and maintain a safe and healthy workplace. Paladin's approach to health and safety management is guided by its policy where the safety, health and well being of employees, contractors and the community are of core value to Paladin's operations. A healthy workforce contributes to business success. Paladin's aim is for zero injuries and to achieve this objective, the Company:

- established a mindset in the workforce that injuries are preventable;
- implemented and assigned accountability for the Company's policies, standards, guidelines, systems and procedures;
- encouraged safe behaviour by employees and contractors;
- promoted management leadership in safety;
- provided ongoing education and training in safety;
- provided the correct and safe equipment to the workforce; and
- conducted hazard identification, risk assessments and proposed risk management measures

Corporate Social Responsibility

The work Paladin does in relation to its host countries and neighbouring communities strives to achieve a balance between economic, social and environmental needs. The Company maintains significant social development in-house capability and undertakes community assistance programmes with the objective of building strong communal bonds within the communities in which it operates. In Malawi, the Company has committed under the terms of its Development Agreement, to expend US$10M on social infrastructure projects agreed in consultation with the Government of Malawi and the community and has undertaken a significant number of community projects in Namibia during the year.

Corporate

Paladin successfully achieved project financing of US$167M for KM, provided by a syndicate of banks made up of Société Générale, Standard Bank Limited and Nedbank Capital, the same syndicate that provided project finance for LHM. With the support of the Export Credit Insurance Corporation of South Africa and the commitment to source materials from South Africa during construction, Paladin achieved a very competitive cost of funding. The successful drawdown on this facility in August, 2009, in the face of difficult credit markets, stands testament to the robust economics of the mine and the ongoing support from the lenders.

The takeover of Fusion Resources Limited (Fusion) by Paladin was completed in April 2009. This added Fusion's Valhalla North Project uranium resources, including Honey Pot and Duke Batman, on 622km^2 of prospective ground to the suite of Queensland uranium properties.

Paladin continues to maintain an aggressive M&A strategy.

Our People

Paladin's employee numbers increased across the Group, with the impact of the Global Financial Crisis increasing the availability of skilled and experienced candidates. In the face of improving economies and competition across the uranium sector, the Company will continue to create relevant and globally competitive compensation strategies to both attract and retain a quality workforce.

Australia's Uranium Politics

At its national conference in April 2007, the Federal Australian Labor Party abandoned its traditional opposition to the development of new uranium mines. Subsequent to this change, the Labor Party was elected to Federal Government in November 2007. Its policy is to encourage further development of the uranium industry. As a result of this change in policy and government, approval or prohibition of uranium mining is now a matter within the residual jurisdiction of each state government to decide.

The Labor governments of South Australia and the Northern Territory support existing mines and are receptive to new uranium projects in those states.

A state election held in Western Australia on 6 September 2008 resulted in a change of government from Labor to a Liberal-National Party coalition, which is committed to allowing uranium mining in Western Australia. This has reversed the no-development policy of the former state Labor Government, which held power in Western Australian for seven years. The change of policy has triggered a resurgence of uranium activity in Western Australia and clears the way for further work on the Company's Manyingee and Oobagooma Projects in the State.

Mr Justin Reid
General Manager
- Corporate Development

At present, the State Labor Government in Queensland will not grant a mining licence for a uranium mine. To progress the currently defined uranium resources at Valhalla and Skal to reserve status will require a State Government policy change in Queensland either by a change to state Labor's existing policy or a change in government. Through membership of industry bodies, such as the Australian Uranium Association and the Queensland Resources Council, Paladin is involved in debate and research to facilitate a change in government policy. Although Queensland Premier Bligh recently reiterated her government's opposition to uranium mining, the Federal Minister for Resources, the Hon Martin Ferguson, has recently publicly stated that he considers uranium mining in Queensland is inevitable.

Current Market And Long-Term Uranium Outlook

Although the underlying imbalance between uranium supply and demand has not changed significantly over the last 12 months, the global recession has undoubtedly put pressure on the published uranium spot market and long-term market prices. The liquidation of trading positions which was visible last year continued into early 2009 causing the spot price to reach a low of US$40/lb U3O8 in April 2009 before recovering to US$52/lb U3O8 by June 2009. The published long-term price declined from $90/lb U3O8 to US$65/lb U3O8 over the same period. The volatility in the spot price has been accompanied by historically high volumes which have in turn pushed back some utility long-term procurement and temporarily retarded the long-term price. Nevertheless, the Company is of the firm view that the continued growth in demand for uranium for existing and new plants is superimposed on a constrained supply base which creates conditions for strong pricing and good business opportunities well into the future.

Review of Operations

Paladin's total Mineral Resource inventory includes 83,380t U_3O_8 (183.8Mlb of U_3O_8) at 0.074% U_3O_8 in the Indicated and Measured categories, a 16% increase from that reported in the previous year. Paladin also holds 69,300t of U_3O_8 (152.8Mlb of U_3O_8) at 0.06% U_3O_8 in the Inferred Resource category, a 2% 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. This table does not include Inferred Resources from Bikini, Andersons and Watta deriving from Paladin's 81.99% ownership of Summit Resources Ltd.

Paladin Uranium Project Summary

Criteria	Langer Heinrich Mine*	Kayelekera Mine*	Manyingee Project**	Oobagooma Project	Valhalla Deposit*	Skal Deposit*	Bigrlyi Deposit*	Angela Deposit
Paladin Attribution	100%	100%	100%	100%	91%	91%	42.06%	50%
Location	Namibia, Southern Africa	Malawi, Southern Africa	West Pilbara, Western Australia	West Kimberley, Western Australia	Queensland, Australia	Queensland, Australia	Northern Territory, Australia	Northern Territory, Australia
Deposit Type	Calcrete	Sandstone	Sandstone	Sandstone	Metasomatic	Metasomatic	Sandstone	Sandstone
Measured & Indicated Resources	56.4Mt @ 0.06% (32,858t U_3O_8) 72.4Mlb	22.2Mt @ 0.08% U_3O_8 (17,767t U_3O_8) 39.2Mlb	7.9Mt @ 0.1% U_3O_8 (8,080t U_3O_8) 17.8Mlb	-	27.8Mt @ 0.09% U_3O_8 (24,765t U_3O_8) 54.6Mlb	-	2.7Mt @ 0.15% U_3O_8 (4,190t U_3O_8) 9.2Mlb	-
Inferred Resource	70.7Mt @ 0.06% U_3O_8 (41,557t U_3O_8) 91.6Mlb	3.9Mt @ 0.06% U_3O_8 (2,152t U_3O_8) 4.7Mlb	5.5Mt @ 0.05% U_3O_8 (2,810t U_3O_8) 6.2Mlb	-	7.3Mt @ 0.08% U_3O_8 (5,864t U_3O_8) 12.9Mlb	11.5Mt @ 0.05% U_3O_8 (5,560t U_3O_8) 12.3Mlb	4.5Mt @ 0.11% U_3O_8 (5,150t U_3O_8) 11.4Mlb	-
Historic Resources (non-JORC compliant)	-	-	-	8.3Mt @ 0.12%-0.14% U_3O_8 (9,950t U_3O_8) 21.9Mlb	-	-	-	11Mt @ 0.1%-0.13% U_3O_8 (12,000-13,000t U_3O_8) 26-28Mlb
Mining Method	Conventional open pit	Conventional open pit	In-Situ Leach	In-Situ Leach	Open pit / Underground	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	Uranerz Australia Pty Ltd

Paladin Uranium Project Summary (continued)

Criteria	Langer Heinrich Mine*	Kayelekera Mine*	Manyingee Project**	Oobagooma Project	Valhalla Deposit*	Skal Deposit*	Bigrlyi Deposit*	Angela Deposit
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	1972 – 1983, 2009 to present
Project Status	Stage III planning underway.	Ramp-up commenced.	Resource definition planning commenced.	Re-assessment underway. Resource definition drilling required.	Resource definition drilling in progress.	Resource definition drilling in progress.	Resource definition drilling in progress.	Resource definition and confirmation drilling underway.
Project Significance	Globally first new uranium mine and mill in a decade.	Significant contributor to Malawi economy. Approx. 10% GDP.	One of only three Australian advanced ISL projects.	Large resource potential.	Large uranium resource.	Large uranium resource.	High uranium grades.	Large uranium resource.
Timeframe	Production commenced in 2007. 27 year project life. Ramp-up to 3.7Mlb/pa September quarter 2009. Expansion to 5.2Mlb/pa 2010	Commissioning commenced in early 2009. 11 year project life. Ramp-up to 3.3Mlb/pa underway.	3 year staged feasibility study required.	2 year reserve / resource drilling required.	Development dependent on Queensland Government U Policy changes.	Development dependent on Queensland Government U Policy changes.	Prefeasibility Study if sufficient resources.	Prefeasibility Study to follow resource validation.

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.

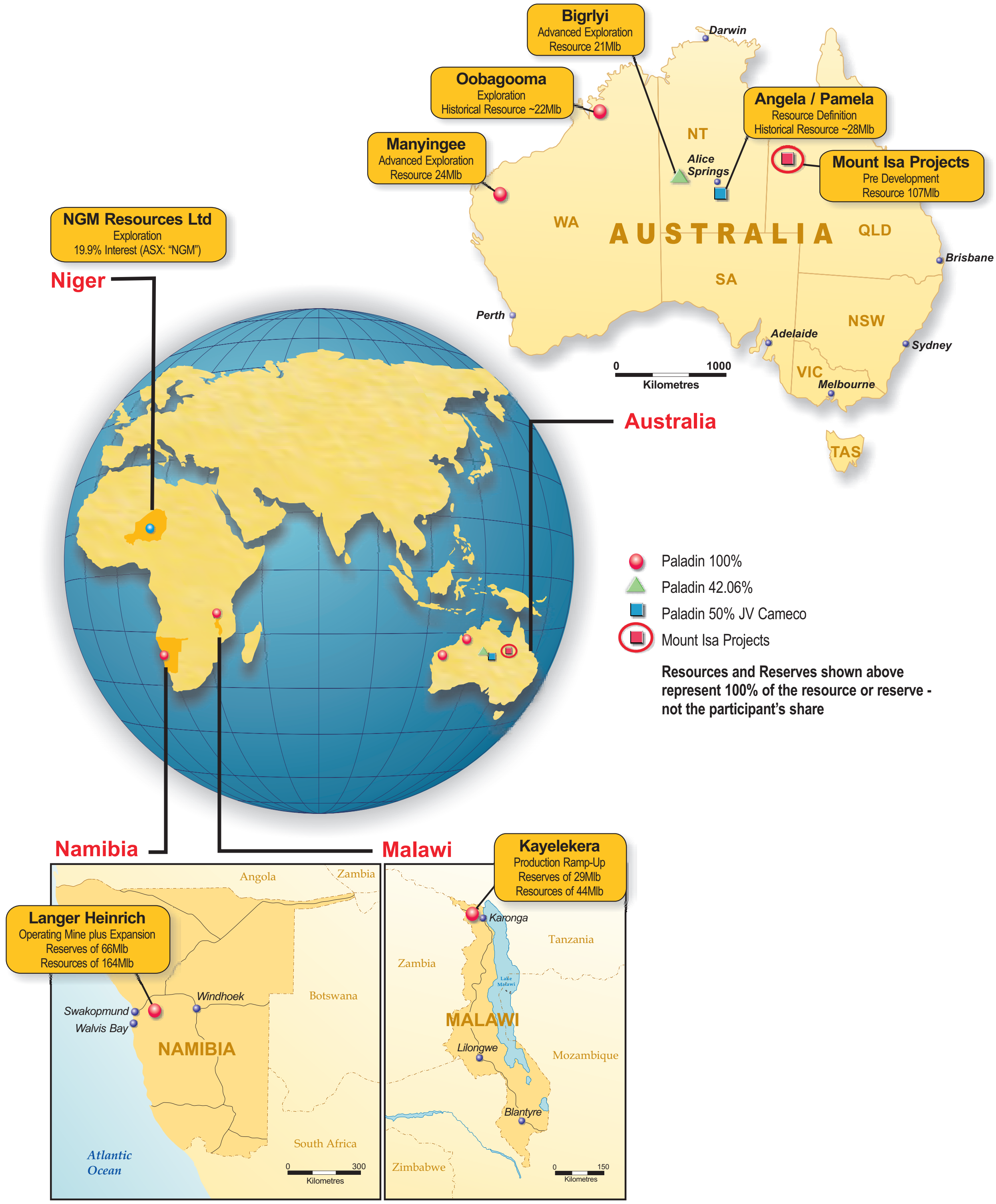
* JORC(2004) & NI 43-101 Compliant.

** JORC(1999) Compliant

For Valhalla and Skal, Paladin's interest is based on 50% deriving from the Mount Isa Joint Venture and 41% via Paladin's 81.99% ownership of Summit Resources Ltd.

For Kayelekera, the Government of Malawi holds a 15% equity interest in the subsidiary, Paladin (Africa) Ltd, the holder of the Kayelekera Mining Licence

Review of Operations



In addition to the resources illustrated above, the Company has a 19.6% interest in Deep Yellow Ltd (ASX: "DYL") which has projects located near Langer Heinrich in Namibia and Mount Isa in Australia.

Mr Wyatt Buck
General Manager
- Production & Langer Heinrich Operations

Mr David Marsh
General Manager
- Technical Project Development

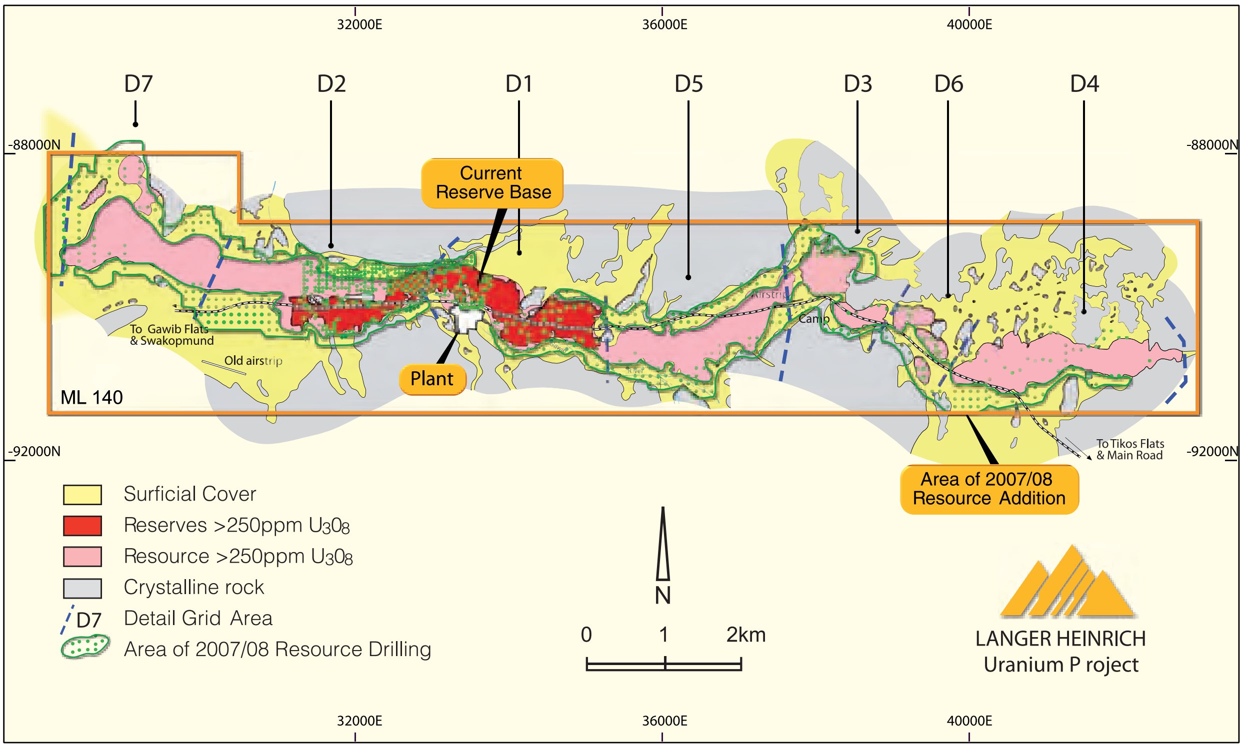
NAMIBIA

Langer Heinrich Mine

LHM in Namibia is owned 100% by Paladin through its wholly owned Namibian subsidiary Langer Heinrich Uranium (Pty) Ltd (LHUPL). Paladin purchased the Langer Heinrich project in August 2002 and following development and construction commenced producing in 2008/2009 production of 2.7Mlb of U_3O_8 achieved. With the completion of Stage II construction during the year, this will increase to 3.7Mlb pa. Stage III expansion has been approved with a forecast increase in production to 5.2Mlb pa. Construction of Stage III will commence in the September quarter of 2009.

Langer Heinrich is a surficial, calcrete type uranium deposit containing a Mineral Resource of 74,415t U_3O_8 at a grade of 0.06% U_3O_8 (250ppm U_3O_8 cut-off grade) in seven mineralised zones designated Detail 1 to 7, within the 15km 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.

Resources stand as announced in 2008. The updated resource announced on 28 August 2008 represented a significant uplift to the resource previously announced in early 2006 with an increase of 68% in tonnes and 3% decrease in grade combining to produce a 64% increase in contained metal. The Mineral Resource is detailed below at a cut-off grade of 250ppm U_3O_8.



Review of Operations

Mineral Resource estimate (depleted for mining) for Details 1 to 7:-

250ppm Cut-off	Mt	Grade % U_3O_8	t U_3O_8	Mlb U_3O_8
Measured Resources	32.8	0.06	19,582	43.158
Indicated Resources	23.6	0.06	13,276	29.260
Measured + Indicated	56.4	0.06	32,858	72.418
Inferred Resources	70.7	0.06	41,557	91.591

(Figures may not add due to rounding and are quoted inclusive of any Reserves)

Langer Heinrich Exploration (EPL3500)

EPL3500 abuts the Langer Heinrich Mining Lease to the west and includes the sediment covered western extension of the mineralised Langer Heinrich palaeochannel.

Exploration of the EPL started in 2008 with a helicopter borne EM survey to better define the palaeochannel. Widespaced follow-up drilling has now been completed. Results from the 2008 drilling programme indicate that the channel widens considerably when entering EPL3500 causing the uranium mineralisation to disperse, resulting in low grade and thin mineralisation. A new drilling programme is currently being carried out to better define any possible westward extensions of the Langer Heinrich uranium mineralisation.

Operations

During the 2008/09 financial year LHM produced 2.7Mlb of U_3O_8 versus 1.71Mlb U_3O_8 the previous year, an increase of over 60%. At the end of June 2009, LHM had exceeded Stage I design of 2.6Mlb pa over the 12 month period. Stage II construction, which will expand production to 3.7Mlb pa, was completed in June 2009 and commissioning is well underway with design parameters expected to be met during the September quarter of 2009.

Steady state Stage I production was achieved throughout the year with limited interruptions related to the tying in of the Stage II expansion. Both operations and construction teams worked closely throughout the year. Continued efforts of improvement by the plant employees resulted in the operation producing at above original design rates. A culture of operational improvement, environmental responsibility and increasing profitability has been adopted by all employees.

Through the contractor Karibib Mining and Construction Company, the mining fleet was expanded at the beginning of 2009 in preparation for the additional feed required for the Stage II expansion. Mining in the initial two pits has been completed and has now progressed to the west in Pit D and to the north at the Pit A extension.

Slurry heating systems are a critical element of LHM and rely heavily on spiral heat exchangers, The spiral heat exchangers have performed well throughout the year. A suitable maintenance regime was implemented to not only prevent future damage to the units but to also ensure optimal performance at all times. These units remain critical to the performance of the operation.

The Board has approved a further expansion (Stage III) which will increase production from 3.7Mlb pa to 5.2Mlb pa. Initial construction will begin in the September 2009 quarter at an estimated capital cost of US$71M. Construction is expected to take 12 months.

Mr Andrew (Jim) Morgan
General Manager
- Project Construction

Mr Ed Becker
General Manager
- Geology & Exploration

MALAWI

Kayelekera Mine

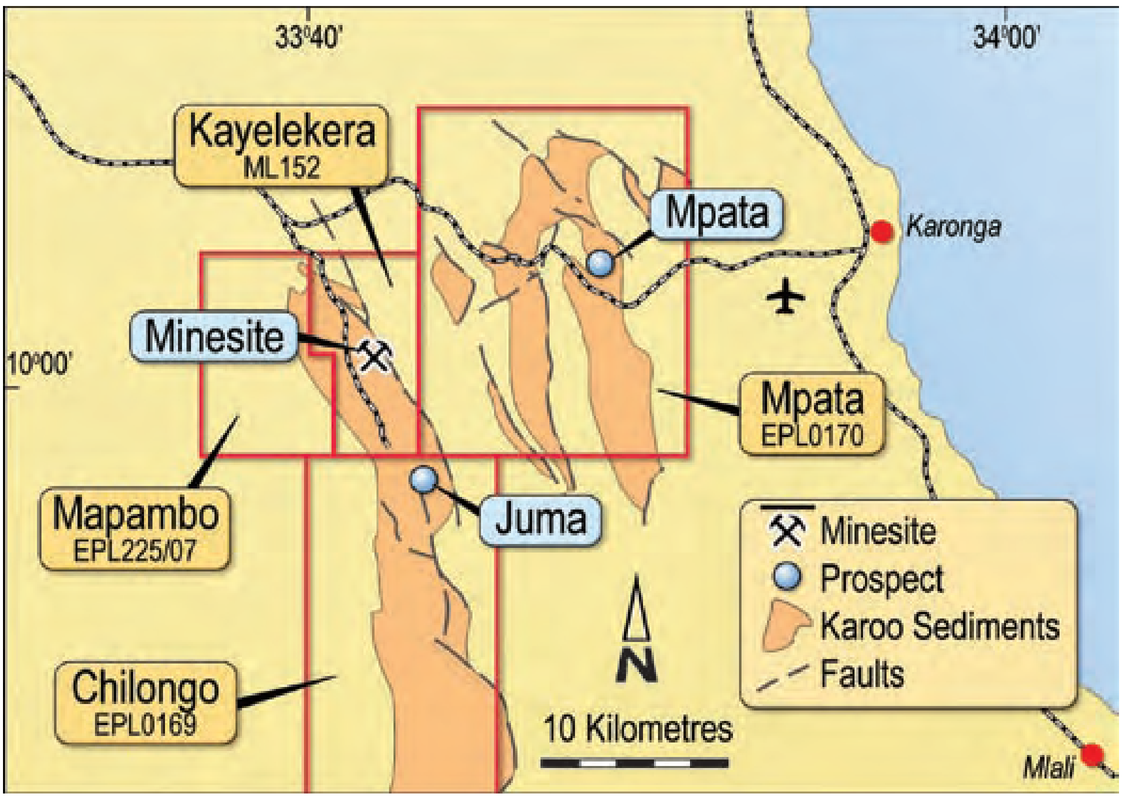
Kayelekera is located in northern Malawi, 52km west (by road) of the provincial town of Karonga and 12km south of the main road that connects Karonga with the township of Chitipa to the west.

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 seven 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 below surface.

Kayelekera is owned 100% by Paladin through its subsidiary PAL. In July 2009, Paladin issued 15% of equity in PAL to the Government of Malawi under the terms of the Development Agreement signed between PAL and the Government in February 2007.

The Mining Licence, ML152, covering 5,550 hectares was granted in April 2007 for a period of 15 years, following the completion of a Development Agreement with the Malawi Government, a Bankable Feasibility Study and Environmental Impact Assessment. Construction started in June 2007 and was completed in early 2009. The mine is currently in the commissioning phase, ramping-up to full scale production.

The mine is designed to give an annual production of 3.3Mlb U_3O_8 from the processing of 1.5Mt pa of sandstone and associated ores by grinding, acid leaching, resin-in-pulp extraction, elution, precipitation and drying to produce saleable product.



Review of Operations

New Resources and Reserves Estimation

New JORC and Canadian National Instrument 43-101 (NI 43-101) Mineral Resource and Reserve estimations were reported in November 2008 for the Kayelekera ore body. The results include all data from the 2008 infill and extension drilling programme totalling 132 holes and 9,955m.

Results are as follows:

Mineral Resource at 300ppm U_3O_8 Cut-off

	Mt	Grade ppm U_3O_8	Tonnes U_3O_8	Mlb U_3O_8
Measured Resources	3.42	1,211	4,141	9.1
Indicated Resources	18.78	725	13,616	30.0
Total Measured & Indicated	22.20	800	17,757	39.1
Inferred Resources	3.9	552	2,152	4.7

(Figures may not add due to rounding and are quoted inclusive of any Ore Reserves)

The previously reported mineral resources (at 300ppm U_3O_8 cut-off) were 15.31Mt of Measured and Indicated Resources grading 886ppm U_3O_8 (13,573t or 29.9Mlb of contained U_3O_8) and 3.4Mt of Inferred Resources grading 596ppm (2,040t or 4.5Mlb of contained U_3O_8).

The Resources for Kayelekera have been increased by 27% with the majority of the deposit reporting as Measured and Indicated Resources. At the 300ppm U_3O_8 cut-off limit, the Measured and Indicated Mineral Resources amount to 22.20Mt grading 0.08% U_3O_8 versus the previously stated 15.31Mt grading 0.09% U_3O_8.

Ore Reserves

Economic analysis on this Resource has indicated a break-even cut-off grade of 400ppm. This is unchanged from the previous Resource due to a number of contributing factors including the changing dynamics of selling price, use of RIP processing and reagent costs.

Ore Reserve at 400ppm U_3O_8 Cut-off

	Mt	Grade ppm U_3O_8	Tonnes U_3O_8	Mlb U_3O_8
Proved Reserve	2.87	1,373	3,943	8.7
Probable Reserve	9.75	959	9,342	20.6
Total Ore Reserve	12.62	1,053	13,285	29.3

Compared to the previous Ore Reserve of 25.1Mlb announced in 2007 (also reported at a 400ppm U_3O_8 cut-off), the new 2008 Reserve estimate outlined herein represents a 17% increase in contained U_3O_8.

The cost parameters used in the reserve estimation are now well developed and include contracted schedules for such items as reagents and contract mining, and as such their inclusion can be reasonably justified. The revenue rate used in the estimate was US$60/lb.

The 2008 Reserve suggests an increase in mine life of 1½ years to 9 years at the annual design production rate after year 1 of 3.3Mlb U_3O_8 when the Inferred material occurring within the pit design is included. Processing of marginal ores at the end of mine life is expected to add an additional 3 - 4 years to the mine life.

The 2008 drilling has also shown that the mineralisation is not yet fully delineated, particularly in the north-west and west, and thus potential exists to easily identify additional resources with future drilling which is expected to provide for in-pit extensions.

Resource Drilling

Resource definition drilling to accurately define the new limits of the ore body and further upgrade the Inferred Resources to Indicated and Measured status, comprising 7,061m in 67 holes, was completed during July 2009. An updated resource and reserve estimation is currently being carried out.

Kayelekera Exploration

Exploration in 2008 identified the Mpata Prospect on EPL 170 and the Juma Prospect on EPL 169. Two short RC scout drilling programmes totalling 5,839m in 50 holes were completed on the Mpata Prospect in September 2008 and June 2009. The drilling identified two mineralised arkose units within a relatively small area with significant intersections including:

Hole	From (m)	To (m)	Thickness (m)	Provisional Grade eU_3O_8
MMP17	18	28	10	600ppm
MP31	23	29	6	350ppm
MP35	24	27	4	750ppm
MP49	14	19	4	490ppm

The intersections above have a cut-off grade of 200ppm U_3O_8 and maximum width of included waste of 1m and cover two zones of approximately 200m of strike length each.

Scout RC drilling at the Juma Prospect, 5km south of the Kayelekera mine site, started in August 2008.

Exploration evaluated the Uliwa limestone deposit, 70km south of Karonga, in October/November 2008. Geological mapping and limited RC drilling identified an area of limestone of sufficient quality to be used in tailings neutralisation at Kayelekera.

Project Development

Construction of Kayelekera began in June 2007 at a budgeted cost of US$200M with total construction taking almost two years. During this period Paladin completed major infrastructure upgrades to the local roads, initiated substantial earth works and commenced commissioning. The construction workforce peaked at around 2000 persons, with more than 75% of workers being Malawian nationals.

The mine is designed to give an annual production of 3.3Mlb U_3O_8 from the processing of 1.5Mtpa of sandstone and associated ores by grinding, acid leaching, resin-in-pulp extraction, elution, precipitation and drying to produce saleable product. Kayelekera represents Paladin's second construction project and the first commercial mining venture in Malawi's history contributing around 10% of Malawi's GDP.

The project currently remains within 5% of its capital works budget coming in at an estimated US$215M.

Operations

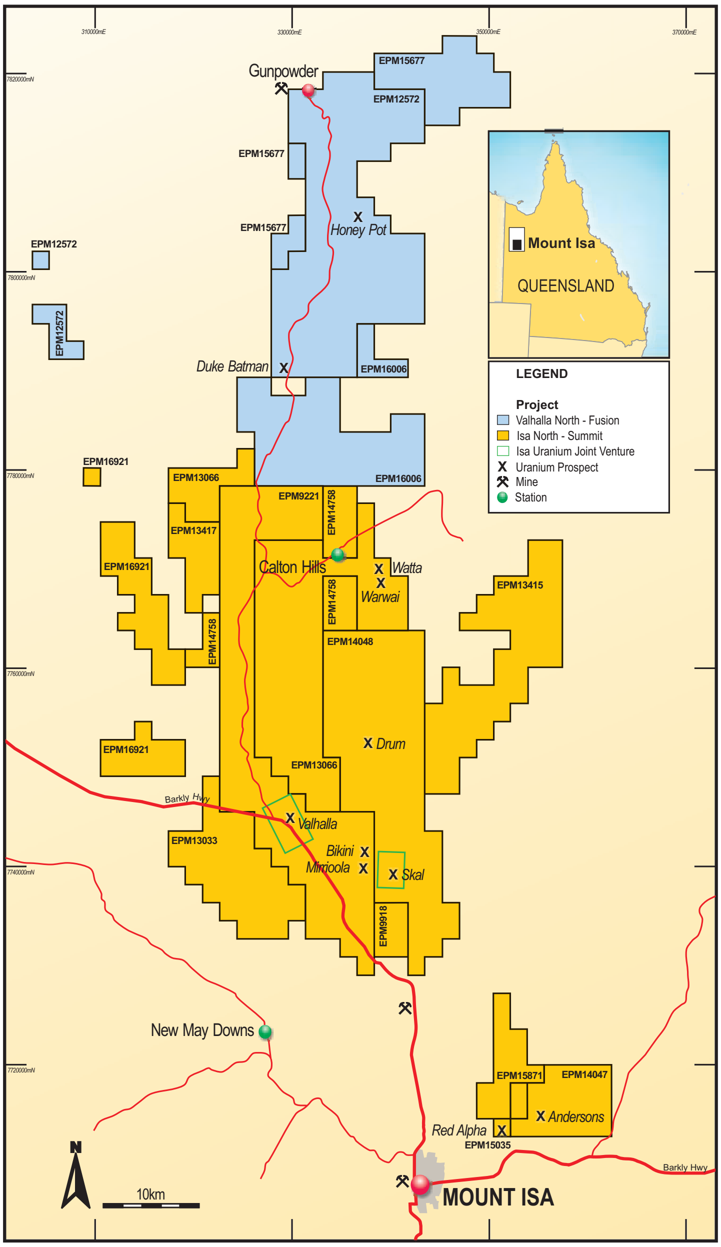
The mine, Paladin's second, was officially opened on 17 April 2009 by his Excellency, Dr. Bingu wa Mutharika, President of Malawi. Final commissioning commenced in the June quarter of 2009, with all major process areas now in the production ramp-up phase. The sulphuric acid plant is the last critical component to be integrated.

The uranium plant produced its first product during April 2009 with all production related areas operating under the management of the operations group. Production levels are expected to increase steadily during the September quarter. Transport of the first containerised drummed product consignment to Walvis Bay, Namibia via Zambia took place on 17 August 2009.

Mining operations, which had commenced on a single shift basis in June 2008, concentrated on providing sufficient ore in stockpiles ahead of plant commissioning. During the year, approximately 2.4Mt were mined comprising 0.2Mt averaging 1,030 ppm U_3O_8 and 2.2Mt of waste rock. By the end of June 2009, there were over 200,000t of ore on the ROM pad with a further 200,000t of ore exposed within the pit.

As of year end, mill throughput has been maintained at around 110t per hour and will be stepped up to design capacity of 190t per hour. Modifications of screens, installation and resizing of pumps and valve re-routing have addressed a number of minor issues.

Kayelekera's commissioning remains on track for nameplate capacity by early 2010.



Isa North and Valhalla North Project Areas

Mr Brendan O'Hara
General Manager
- Special Projects & Risk
Executive Chairman
- Summit Resources Ltd.

QUEENSLAND

Summit Resources (Aust) Pty Ltd (SRA), a wholly owned subsidiary of Summit Resources Ltd (Summit), operates the Isa Uranium Joint Venture (IUJV) as well as the Mount Isa North Uranium Project. These areas cover approximately 1,356km² and host a number of uranium deposits and resources including the Valhalla and Skal deposits.

In January 2009 Paladin completed the takeover of Fusion. This added Fusion's Valhalla North Project uranium resources, including Honey Pot and Duke Batman, on 622km² of prospective ground to the suite of Queensland uranium properties.

Isa Uranium Joint Venture

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

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

MIU is a wholly owned subsidiary of Valhalla Uranium Ltd (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 Summit, Paladin's effective participating interest in the IUJV is now 90.95%.

Ground subject to the IUJV covers 17km² at Valhalla and 10km² at Skal. These two areas lie within a much larger holding of contiguous tenements of 1,978km² held 100% and managed by SRA and Paladin.

Preliminary Assessment

Mineralogical investigations and preliminary metallurgical testwork programmes have succeeded in developing a process flowsheet for the treatment of the Valhalla material which, together with the current resource model, was used as the basis for an internal project assessment. The study was conducted primarily as a basis for determining resource requirements for a viable project and to provide some focus for exploration and further investigations.

The study identified a number of areas where project economics can be improved particularly with respect to mining and processing costs. Exploration efforts are now focused on increasing the mineable resource base, in close proximity to Valhalla, to satisfy this production criteria.

Valhalla Uranium Deposit

The Valhalla uranium deposit is located 40km north-west of Mount Isa on Exploration Permit for Minerals (EPM) 9221. Previous drilling by Queensland Mines Ltd in the 1960's, and SRA in the 1990's and 2000's, established a combined Measured, Indicated and Inferred Resource of 56Mlb of U_3O_8 grading 0.14%. Substantial widths of high grade uranium mineralisation in albite-carbonate-hematite breccias and mylonites as well as 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 and is approximately 1,100m in strike length.

The Phase I resource drilling programme at Valhalla, including 121 RC and diamond holes totalling 34,466m, was completed in late October 2008 and Summit announced a new JORC compliant resource in February 2009. The majority of these drill holes have been downhole gamma logged and gyroscopically surveyed to obtain an accurate hole orientation using company-owned equipment. In addition, a significant number of bulk density determinations have been undertaken. All of this information has been incorporated into the resource model.

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

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

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

(Figures may not add due to rounding)

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

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

A second resource drilling programme including 52 RC and diamond holes totalling 11,738m was completed at Valhalla in May 2009. The drilling showed positive results at the Valhalla South deposit and an updated resource is expected during the September 2009 quarter.

Skal Uranium Deposit

The Skal uranium deposit is located 32km north of Mount Isa city on EPM 14048. In December 2008, a 13 hole drilling programme including 2,670m of RC and 463m of diamond drilling was completed. The drilling was designed to test additional resource potential at Skal East, which had previously been identified by geological mapping and associated ground geophysical surveys, as well as depth extensions at Skal South.

At Skal East, located approximately 300m east of Skal North and South, drilling has identified a new uranium mineralisation zone in north-east trending albites along a strike length of 250m. The centre of the mineralisation is up to 30m thick narrowing to the north and south. Two holes planned for the extension drilling at Skal South were also completed.

A new resource estimation for the Skal East deposit was completed in March 2009 and is detailed below. The resource dataset comprises both geochemically assayed grades and downhole gamma logging derived grades following application of appropriate calibration factors. The resource has been classified as Inferred due to the current drilling density.

Skal East Mineral Resource at 250ppm U_3O_8 Cut-off

	Mt	Grade ppm U_3O_8	Tonnes U_3O_8	Mlb U_3O_8
Inferred Resources	3.9	455	1,779	3.9

Skal (all deposits) Mineral Resource at 250ppm U_3O_8 Cut-off

	Mt	Grade ppm U_3O_8	Tonnes U_3O_8	Mlb U_3O_8
Inferred Resources	11.5	483	5,560	12.3

A drill programme has now been completed to both infill and extend this promising area as well as add depth and continuity extensions to the adjacent Skal South deposit. It is expected that the resource estimation following this drilling will allow for the re-classification of the Skal resources to higher categories in the December quarter of 2009.

Mount Isa North Uranium Project

Summit Resources (Aust) Pty Ltd 100% and Operator

The project is located 10 to 70km north and east of Mount Isa and contains numerous uranium anomalies, most of which still have to be investigated thoroughly.

Exploration continues on Summit's 100% owned Mount Isa North Project where Summit holds 1,356km^2 of granted tenements that are prospective for uranium, copper and base metals. The tenements are centred on the city of Mount Isa. The project includes the Bikini, Watta and Anderson uranium deposits as well as numerous other uranium prospects.

Detailed geological and geophysical groundwork has been completed at the Bikini deposits, which include the Woomera and Mirrioola prospects to the north and south of Bikini. A drilling programme has been planned for both Bikini and Woomera where new targets have been identified. A significant ground mapping programme at the Andersons deposit has identified a number of additional mineralised zones and a limited number of RC holes have been planned to test these targets. Other prospects, including Spring Creek, have also been selected for scout drilling in the 2009/10 period.

The detailed evaluation of the airborne radiometric and regional gravity data has identified 207 anomalies for follow-up work of which 51 are considered priority 1. This work was started in 2009 after the wet season which has allowed for easier ground access to some of the more remote areas.

Fusion – Valhalla North Project

Paladin 100%

The Fusion takeover by Paladin was completed in April 2009. The Valhalla North Project is located on three tenements totalling 622km^2, situated 40 to 75km north of the Valhalla deposit. The geological setting is similar to the Summit/Paladin projects to the south where albitised basalts with interbedded metasediments are mineralised along east-west and north-south structures in Eastern Creek Volcanics.

Resources announced by Fusion in December 2008 include Honey Pot at 3.96Mlb U_3O_8 (2.56Mt @ 700ppm U_3O_8 Inferred) and Duke Batman at 3.1Mlb U_3O_8 (0.5Mt @ 780ppm U_3O_8 Indicated and 1.6Mt @ 630ppm U_3O_8 Inferred) totalling 7.06Mlb U_3O_8 at a grade of 690ppm. These two resources are robust in terms of grade and geological continuity. Narrow high-grade 500 - 2000ppm U_3O_8 zones at Duke Batman were drilled over a strike length of 600m. Drilling over a strike length of 1.4km at Honey Pot has defined 5 to 10m wide albitite mineralised zones grading 300 to 1000ppm U_3O_8. There is potential to expand and upgrade these resources, especially at Duke Batman, with improved geological interpretation, ground surveys and further drilling. Smaller, less well developed, prospects at Sunshine, Bohra and Gidgee have potential to be advanced to resource status. Recommended 2009 programmes include confirmation geological mapping, ground magnetometer and radiometric surveys, gyro and downhole gamma surveys and airborne anomaly field checking of multiple anomalies.

Resource Status Mount Isa Region - All Projects

The total JORC Resources under Summit and Paladin management in the Mount Isa region are now 55.4Mlb U_3O_8 Measured and Indicated Resources and 51.2Mlb U_3O_8 Inferred Resources. Of this 50.5Mlb U_3O_8 Measured and Indicated Resources as well as 45.4Mlb U_3O_8 Inferred Resources (which includes the Fusion Mineral Resources) are attributable to Paladin. 68% of the Mineral Resources are located at Valhalla; the rest are distributed over the Bikini, Skal, Andersons, Watta, Duke Batman and Honey Pot orebodies.

Details are as follows:-

Individual JORC compliant Mineral Resource figures for the Mount Isa area quoted on 100% basis.

Deposit		Measured Resources			Indicated Resources			Inferred Resources			Paladin Attribution
	Cut-off ppm U_3O_8	Mt	Grade ppm	t U_3O_8	Mt	Grade ppm	t U_3O_8	Mt	Grade ppm	t U_3O_8	
Valhalla	230	8.31	883	7,334	19.49	894	17,431	7.3	799	5,863	91.0%
Skal	250							11.5	483	5,560	92.0%
Bikini	250							10.1	517	5,200	82.0%
Andersons	230							2.0	1,050	2,100	82.0%
Watta	230							4.2	410	1,720	82.0%
Duke Batman	250				0.5	780	388	1.6	630	1,016	100%
Honey Pot	250							2.6	700	1,799	100%
Total		8.31	883	7,334	19.99	891	17,819	39.3	591	23,258	
Total Resource Attributable to Paladin		7.55	883	6,670 (14.7Mlb)	18.21	889	16,233 (35.8Mlb)	34.5	597	20,606 (45.5Mlb)	

OTHER PROJECTS (NON-URANIUM)

Mount Isa South, May Downs, Constance Range and Mount Kelly comprise the non-uranium projects of SRA. A brief description of these projects follows.

In December 2007, SRA entered into an agreement with unlisted UK company MM Mining Plc for the farm-out of 80% of SRA's interest in these tenements. SRA will retain a 20% interest in these projects, will retain the uranium rights and will be free carried through to any decision to mine. To earn its interest, MM Mining Plc, through its wholly owned subsidiary MM Mining Pty Ltd ("MM Mining"), must spend A$8M by 7 December 2009. MM Mining is the manager.

Over recent years, the focus of Summit has shifted to its uranium projects to the point that these projects have assumed overwhelming significance. The joint venture with MM Mining will allow Summit to concentrate its management time, in partnership with Paladin, on its uranium projects.

Mount Isa South

The Mount Isa South Project comprises 9 EPM's and applications covering 1,777km^2 of prospective proterozoic terrain along the Mount Isa Paroo Fault from 40km to 160km south of Mount 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.

May Downs

The May Downs Project consists of three granted EPM's covering 689km^2, 35km west of Mount Isa.

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

Constance Range

In the late 1950's and early 1960's, BHP reportedly identified in excess of 200Mt of iron ore (not conforming to either JORC or NI 43-101 codes) in a number of deposits, hosted by the Train Range Ironstone member of the Middle Proterozoic Mullera Formation, in the area.

The Constance Range project covers 573km^2 in five granted EPM's. The tenements are centred 30km south-west to 45km north-west of Zinifex's Century Zinc mine in far north-west Queensland.

Mount Kelly

EPM14694 of 13km^2 near CopperCo's Mount Kelly copper gold discovery, 95km north-west of Mount Isa, was granted in October 2005. The target here is copper gold mineralisation in middle proterozoic shales along north-west 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 53.7% and Manager
Northern Territory Uranium Pty Ltd 42.1%
Southern Cross Exploration NL 4.2%

The Bigrlyi Uranium Joint Venture (BJV) covers ten granted Exploration Retention Licences located approximately 390km north-west of Alice Springs in the Northern Territory. Participants in the Joint Venture are Energy Metals Limited (53.7% and Manager), Northern Territory Uranium Pty Ltd (a wholly owned subsidiary of Paladin) (42.1%) and Southern Cross Exploration NL (4.2%).

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 Mount Eclipse Sandstone for which a local stratigraphic succession has been defined. The principal 16 uranium occurrences 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 GmbH & Co. and the Atomic Energy Commission.

Energy Metals Ltd, as manager of the BJV, announced in May the results of a recently completed resource estimate for the Bigrlyi uranium project in the Northern Territory. This resource estimate incorporates the results from an infill drilling programme (83 holes) which was completed in December 2008. Results at a 500ppm U_3O_8 cut-off are as follows:

Resource Category	Mt	Grade ppm U_3O_8	Tonnes U_3O_8	Mlb U_3O_8
Indicated Resources	2.74	1,530	4,190	9.2
Inferred Resources	4.53	1,140	5,150	11.4

The resources were estimated using ordinary kriging (OK) by Hellman & Schofield Pty Ltd. At a cut-off grade of 500ppm U_3O_8, the Bigrlyi resource totals 20.6Mlb of U_3O_8. 45% of the contained uranium metal (or 4.19Kt U_3O_8) now reports to the Indicated Resource category, compared with 39% in the previous (March 2008) resource estimate.

Various metallurgical and mining studies have been completed during the year. The studies concluded that additional open pit resources were required to maintain a viable project. Drilling for additional resources will continue.

Angela Joint Venture

Cameco Australia Pty Ltd 50% and Manager
Paladin NT Pty Ltd 50%

In early 2008, the Northern Territory Government advised a 50:50 Joint Venture between Paladin and Cameco Australia Pty Ltd (manager) that it had been chosen as the successful applicant for an exploration licence covering the Angela and Pamela uranium deposits, located 25km south of Alice Springs in the Northern Territory. Paladin's interest is held through its wholly owned subsidiary, Paladin NT Pty Ltd. Historical work indicates a potential resource of between 26 to 28Mlb of U_3O_8.

In October 2008, an Exploration Licence (EL 25758) was granted by the Department of Regional Development, Primary Industry, Fisheries and Resources the government department responsible for approving the Mining Management Plan in April 2009. All compliances necessary to begin exploration were obtained before drilling commenced on site early in May 2009. Furthermore, an exploration agreement covering arrangements with Native Title holders was executed with the Central Land Council in August 2009.

To end of August 2009 a total of 26,242m of diamond and RC drilling has been completed. This drilling programme is scheduled for completion in September 2009 and a JORC Resource estimate is anticipated to be undertaken in early 2010.

Extensive evaluation work was undertaken previously on the Angela and Pamela uranium deposits by Uranerz Australia Pty Ltd between 1972 and 1983. Historic uranium mineralisation defined at the time comprised approximately 12,000t to 13,000t of U_3O_8 in the general range of 0.10% to 0.13% U_3O_8 and remains open at depth and laterally. Paladin owns all the original drill hole data for the deposit, including geology, geochemistry, down hole gamma surveys and feasibility studies and is in the process of capturing all the drill hole data digitally and validating it with the current drill programme results. This exercise should be completed early in 2010. Preliminary metallurgical test work and geotechnical investigations have commenced.

As part of the licence conditions, baseline groundwater and dust monitoring commenced prior to drilling activities, and is ongoing as part of a series of environmental studies, including water, fauna and flora, dust, radiation, meteorology and soils.

Cameco, the Project Manager, is managing a project office in Alice Springs and is active in promoting project awareness programmes within the community and engaging interested and affected parties.

Previous tonnages, grades, assays and other technical data are taken from historical records prior to the implementation of JORC or Canadian National Instrument (NI 43-101). While the data are believed to have been acquired, processed and disclosed by persons believed to be technically competent, it is unverifiable at present. A Competent Person as defined under the JORC Code or Qualified Person as defined in NI 43-101 has not done sufficient work to classify the historical estimate as current Mineral Resources. Paladin is not treating the historical estimates as current Mineral Resources as defined in either the JORC Code or NI 43-101 and the historical estimates should not be relied upon.


Langer Heinrich

WESTERN AUSTRALIA

Manyingee Uranium Project

Paladin Energy Minerals NL 100%

The Manyingee Uranium Project is located in the north-west 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 1,307 hectares. Paladin also holds one granted Exploration Licence (EPL 08/1496) totalling 89km^2 at Spinifex Well, 25km north-east of Manyingee.

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 recovery (ISR).

The Manyingee Project contains JORC (1999) Code compliant Mineral Resources as shown below:

	Cut-off % U_3O_8	Resource Mt	Grade % U_3O_8	U_3O_8 Kt
Indicated Resources	0.03	7.9	0.10	8.1
Inferred Resources	0.03	5.5	0.05	2.8

The change of State Government in Western Australia in late 2008 resulted in the removal of uranium mining restrictions in Western Australia. Subsequently Paladin reactivated the Manyingee Project and is planning to start field exploration at the Manyingee site in early 2010. Currently work is concentrating on achieving land access by obtaining all required permits and negotiating an Exploration Access Agreement with the Traditional Owners.

At Spinifex Well, where previous explorers identified uranium mineralisation in the same strata which includes the Manyingee ore body, limited drilling is planned for late 2009.

Oobagooma Uranium Project

Paladin Energy Minerals NL 100%

The Oobagooma Project, beneficially held 100% by Paladin, through its wholly owned subsidiary, is located in the West Kimberley region of Western Australia, 1,900km north-north-east of Perth and 75km north-east of the regional centre of Derby. The project comprises two long-standing applications for exploration licences covering 452km^2.

In 1998 Paladin acquired a call option in relation to the purchase of the Oobagooma Project and, in turn, granted a put option to the original holder of the project. Exercise of both options is subject to the exploration licences being granted by the State. The exploration licences are situated on freehold land owned by the Commonwealth Government and used by the military for training purposes. Consent of the Commonwealth Government and the Department of Defence will be required before the mining tenements can be granted.

The Oobagooma project area was explored by AFMEX in the period 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 the following table:

Non-JORC	Cut-off % U_3O_8	Resource Mt	Grade % U_3O_8	U_3O_8 Kt
Historic Resources	0.03	8.3	0.12	10.0

Previous tonnages, grades, assays and other technical data are taken from historical records prior to the implementation of JORC or NI 43-101. While the data are believed to have been acquired, processed and disclosed by persons believed to be technically competent, it is unverifiable at present. A Competent Person as defined under the JORC Code or Qualified Person as defined under NI 43-101 has not done sufficient work to classify the historical estimate as current Mineral Resources. Paladin is not treating the historical estimates as current Mineral Resources as defined in either the JORC Code or NI 43-101 and the historical estimates should not be relied upon.

In November 2008 the State Government of Western Australia changed and the restrictions on uranium mining were lifted. Subsequently Paladin started to engage the Commonwealth Government Departments of Finance and Defence to obtain permission to carry out exploration on the Oobagooma tenement applications. The tenements can be granted by the Western Australian Department of Mines and Energy after consent from the land owners, the Federal Government, has been obtained.

SOUTH AUSTRALIA

Quasar Uranium Joint Venture

Paladin Energy Ltd 15-20%
Quasar Resources Pty Ltd 80% And Manager

The Joint Venture with Quasar Resources Pty Ltd, established in 2001, encompasses two exploration licences covering 1,051km^2 in the north-east of South Australia. Paladin holds a 15% free carried interest in Exploration Licence 3903 at Mount Yerila and a 20% free carried interest in Exploration Licence 4134 at Petermorra. The Joint Venture is managed by Quasar Resources Pty Ltd, a wholly owned subsidiary of Heathgate Resources Pty Ltd, operator of the Beverley ISR (in-situ recovery) uranium mine which is situated immediately south of the Joint Venture tenements. Heathgate Resources Pty Ltd is an Australian subsidiary of General Atomics of the USA.

The two exploration licences are located in the northern part of the Curnamona Province, a 90,000km^2 block of shallow to outcropping basement rocks that extends from Olary, in the north-east of South Australia, 450km north-east of Adelaide, to east of Broken Hill across the New South Wales border. The exploration licences are considered prospective for palaeochannel uranium mineralisation similar to that found and successfully developed at Beverley. Quasar is actively exploring the Joint Venture tenements and has conducted a number of drilling campaigns on the ground.

The information above relating to exploration, mineral resources and ore reserves is, except where stated, based on information compiled by Eduard Becker B.Sc, David Princep B.Sc and Andrew Hutson B.E., all of whom are members of the AusIMM. Messrs Becker, Princep and Hutson each have sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking to qualify as Competent Persons as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves", and as a Qualified Person as defined in NI 43-101. Messrs Becker, Princep and Hutson are full-time employees of Paladin Energy Ltd and consent to the inclusion of this information in the form and context in which it appears.

URANIUM DATABASE

Paladin 100%

Paladin owns a substantial uranium database, compiled over 30 years of investigations by the international uranium mining house Uranerzbergbau in Germany, incorporating all aspects of the uranium mining and exploration industry worldwide and including detailed exploration data for Africa and Australia.

Uniquely among Australian exploration companies, the primary focus of Paladin's activities for the past years has been uranium. In that time the Company has maintained and expanded the library of databases consisting of extensive collections of technical, geological, metallurgical, geophysical and geochemical resources including resource evaluations, drill hole data, downhole logging data, airborne radiometric surveys results, open-file data, and photographic archives.

The library also holds a large collection of topical industry reference material and country specific information such as mining laws or investment conditions comprising an estimated 60,000 individual monographs and conference papers, project evaluation and exploration reports, documents, reprints, maps and technical journals kept in hardcopy, microfiche and a rapidly increasing number of resources in electronic format, including networked or internet databases and full-text resources.

The library is managed through online information management and retrieval systems enabling the sharing of knowledge throughout the Company and to quickly research uranium prospects, deposits and mineralisation on a country by country basis.

The geology resource database is managed in an integrated relational database system readily available for processing of exploration and mining data. The data continues to be utilised by the Company as an asset for project generation to evaluate opportunities and generate new uranium prospects and projects for acquisition and exploration.

INVESTMENTS

Deep Yellow Ltd (DYL)

Paladin Energy Ltd 19.6%

DYL is a dedicated uranium exploration company listed on the ASX and the Namibian Stock Exchange with advanced 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 (EPLs) covering 2,872km^2 and three joint venture EPLs covering 1,323km^2, (earning 65% from Nova Energy (Namibia) (Pty) Ltd) in the Namib Naukluft Desert Park inland from Walvis Bay and south and west of Paladin's LHM. Seven RC and one to two diamond rigs are being used to drill between 9,000m and 12,000m per month on a number of different projects within these tenements. Additional JORC resource announcements were made during the financial year. In Australia, DYL is focused on uranium exploration in the Mount Isa district in north-west Queensland and the Tanami Arunta Province in the Northern Territory. Both RC and diamond drilling is underway on a number of these projects.

During the year Paladin invested a further A$12.9M to increase its equity in DYL to 19.6%.

NGM Resources Ltd (NGM)

Paladin Energy Ltd 19.9%

During the year Paladin invested A$800,000 in ASX listed NGM Resources Limited to allow work on its Niger uranium concessions.

Subsequent to year end Paladin further increased its shareholding in NGM to 19.9% with a further investment of A$1.2M.

NGM is exploring three contiguous exploration licences in the Tim Mersoi Basin in Northern Niger. Two Areva operated uranium mines, located 150km north-north-west of the NGM tenements in the Arlit area of the Tim Mersoi Basin, have produced in excess of 120,000t of U_3O_8 since 1975. The Tim Mersoi Basin is known as one of the most productive uranium provinces in the world.

NGM carried out exploration including a 1,500m drilling programme in June and July 2009. Early drill results are encouraging, confirming the prospectivity of the tenements.

Health & Safety

Paladin is committed to achieving the highest performance in Occupational Health and Safety to create and maintain a safe and healthy workplace. Paladin's approach to health and safety management is guided by policies where the safety, health and well being of employees, contractors and the community are of core value to Paladin's operations. A healthy workforce contributes to business success. Paladin's aim is for zero injuries and to achieve this objective, the Company:

- established a mindset in the workforce that injuries are preventable;
- implemented and assigned accountability for the Company's policies, standards, guidelines, systems and procedures;
- encouraged safe behaviour by employees and contractors;
- promoted management leadership in safety;
- provided ongoing education and training in safety;
- provided the correct and safe equipment to the workforce; and
- conducted hazard identification, risk assessments and proposed risk management measures.

Paladin is developing internal Occupational Health and Safety Standards to be adhered to by all of its operational subsidiaries and is working to align site standards with contractors to improve contractor performance. The safety and health performance of Paladin will be measured through internal and external internationally recognised auditing and reporting processes.

Langer Heinrich Mine

During the year under review, LHM continued its focus on safety, health, environmental and radiation management. The Company experienced good performance with no reported lost time injuries (LTI's) for LHUPL employees and similarly no LTI's were reported for the mining contractor Karibib Mining and Construction Company (KMCC). During 2007, KMCC achieved a NOSA 5 Star rating for its Langer Heinrich operations and maintained this rating during the year. Five LTI's were, however, reported from the contractors constructing the Stage II expansion.

At Langer Heinrich, Paladin has sponsored the establishment of a Uranium-in-Urine testing facility in Namibia. LHUPL committed more than NAD1M in interest-free funding to establish the facility. The facility began operating in Swakopmund in July, following installation of laboratory equipment imported from the USA.

Lost Time Injury Frequency Rate (LITFR) per million hours worked

	Langer Heinrich Mine			Kayelekera Mine			Perth	Qld	Group	
Operational Area	LHM Employees	Mining Contractor	Construction Contractors	KM Employees	Mining Contractor	Construction Contractors	Head Office	Mount Isa	Paladin Employees	All Contractors
Hours Worked	401,021	351,788	961,201	196,540	984,573	4,555,461	89,514	36,790	723,865	6,853,023
Lost Time Injuries	0	0	5	1	3	4	0	0	1	12
Fatalities	0	0	0	0	0	2	0	0	0	2
LTIFR	0	0	5.2	5.1	3	1.3	0	0	1.4	2.0
	Langer Heinrich Mine Total LITFR = 2.9			Kayelekera Mine Total LITFR = 1.7			Paladin Group LITFR = 1.4		Paladin Group + All Contractors LITFR = 2.0	

Previously, samples from Namibian mine workers were sent to South Africa for analysis of uranium concentrations, a process which took two to three weeks to complete. The laboratory is also being used by other companies in the area.

Kayelekera Mine

For 2008/09, KM had four LTI's one involving an employee and three occurring to employees of Mota-Engil, the mining contractor. None of the LTI's were of a serious nature.

During construction, however, a flash vapour fire occurred in an eluate storage tank and resulted in serious burns to three construction workers working for a sub-contractor. The injured workers were transferred by air ambulance to a leading South African burns treatment centre in Johannesburg. Unfortunately, two of the three workers subsequently died of their injuries. The third person is receiving ongoing treatment and making good progress in his recovery. The Company is undertaking an ongoing investigation into the cause of the accident. To that point, Kayelekera during construction had a safety record of almost three million hours LTI-free. The project accumulated six million man hours during the construction period.

In reviewing health and safety performance, the Company aims to improve contractor performance at its sites and introduce common site safety systems.

Mount Isa

At Mount Isa there has been a focus on ensuring the exploration activities are compliant with the requirements of the Queensland mining safety legislation. A comprehensive occupational health, safety and environmental management (OHSE) plan has been developed which includes radiation safety. This OHSE plan outlines methods for establishing, assessing and reviewing the effectiveness of OHSE procedures to protect people and the environment and comply with the Queensland Mining and Quarrying Health and Safety legislation. During the year there were no reported LTI's from either employees or drilling contractors.

Paladin's approach to health and safety management is guided by policies where the safety, health and wellbeing of employees, contractors and the community are of core value to Paladin's operations.

Financial Review

Income Statements

	Year Ended 30 June 2009 US$M	2008 US$M
Revenue from continuing operations	114.8	101.9
Gross profit	48.4	35.5
Exploration and evaluation expenses	(12.2)	(13.1)
Other expenses net of other income	(38.4)	(35.7)
Impairment of exploration and evaluation	(753.8)	-
Impairment of available-for-sale financial assets	(26.0)	-
Finance costs	(30.5)	(30.7)
Share of loss of an associate	(0.9)	(0.2)
Income tax benefit	237.0	7.0
Minority interests	96.2	1.2
Loss after tax from continuing operations attributable to the ordinary equity holders of the Company	(480.2)	(36)
	US$	US$
Loss per share – basic and diluted	(0.78)	(0.06)

References to 2008 refer to the equivalent 12 months ended 30 June 2008.

Revenue from Continuing Operations increased to US$114.8M in 2009 as a result of increased sales of uranium of US$111.8M (2008: US$93.8M). Total sales volume for the year was 2.02Mlb U_3O_8 (2008: 1.41Mlb) and total production for the year was 2.70Mlb U_3O_8 (2008: 1.71Mlb). The average realised uranium sales price in 2009 was US$55/lb U_3O_8 (2008: US$66/lb). All sales for 2008 and 2009 relate to Stage I of LHM.

Interest income decreased to US$2.7M (2008: US$6.9M) as a result of decreased cash and cash equivalents.

Gross Profit in 2009 of US$48.4M is higher than in 2008 as a consequence of increased uranium sales and the improved operating performance of LHM during the year ended 30 June 2009. The cost of sales decreased in 2009 to US$26/lb U_3O_8 (2008: US$40/lb).

Exploration and Evaluation Expenditure of US$12.2M in 2009 related predominantly to the Valhalla/Skal, Isa North, Bigrlyi, Angela, LHM and KM projects. Of this total, US$6.4M was spent on the Valhalla/Skal joint venture project. Aggregate expenditure decreased in 2009 primarily as a result of significant rains throughout the Mount Isa area.

Other Expenses and Income increased in 2009 by US$2.7M to US$38.4M predominantly as a result of share-based payments expense of US$5.7M for the allotment of a 15% interest in PAL to the Government of Malawi and the recognition of an impairment of the Paladin Nuclear Ltd inventory of US$3.7M in the September 2008 quarter. This was partly offset by a US$1.1M foreign exchange gain in 2009 compared to a US$3.7M foreign exchange loss in 2008 and a one-off sales contract expense of US$2.9M in 2008.

Impairment of Mount Isa exploration and evaluation asset of US$527.6M (net of Deferred Tax Liability) in the carrying value of the Mount Isa assets. The Paladin Board has impaired this asset in the December 2008 quarter in order to ensure it both retains a transparent and relevant Balance Sheet as well as demonstrating prudence given the impact of the global financial crisis. The written down value of this asset (as yet non-operating) was not significantly different from the valuation implied by the market capitalisation of Summit at that time. In impairing this asset, it is important to note that Paladin is not wavering whatsoever in its belief in a highly positive uranium outlook and remains resolutely committed to the development of the Mount Isa assets. Paladin is maintaining its stated, aggressive exploration and development programme and budgets for Mount Isa and its commitment to both uranium and the Mount Isa region. This is further evidenced by the recent acquisition of Fusion. Furthermore, assuming a positive feasibility study, Paladin would develop the assets as soon as the Queensland State Government Policy allows it to do so.

Impairment of available-for-sale financial assets of US$26.0M predominantly due to the recognition of an impairment of the investment in DYL in the quarter ended 31 December 2008. Under the accounting standards, the Company was required to write down the carrying value of its investment in listed company DYL to its market price of US$0.079 per share at 31 December 2008. This does not in any way reflect the Board's confidence in DYL's resource potential and outlook.

Following the impairment as at 31 December 2008, the DYL share price has strengthened to US$0.270 per share at 30 June 2009 and accordingly, no further impairment to the carrying value has been made.

Finance Costs have remained relatively unchanged at US$30.5M in 2009 despite increased average borrowings year on year due to a proportion of the interest payable on the convertible bonds being capitalised as part of the construction of KM. Finance costs relate primarily to interest payable on the US$250.0M convertible bonds issued 15 December 2006 and the US$325.0M convertible bonds issued 11 March 2008.

Income Tax Benefit of US$237.0M is primarily as a result of a decrease in deferred tax liabilities. The deferred tax liability substantively arose from the acquisition accounting of Summit with the current period decline reflecting both the impairment of the A$ exploration carrying value and the foreign exchange movement on this A$ exploration carrying value.

Minority Interests credit of US$96.2M has been recorded in 2009 attributable to the 18.0% of Summit not owned by the Company. The substantial credit reflects the minority interest share of the impairment in the carrying value of the Mount Isa exploration and evaluation asset.

The *Loss after* Tax for 2009 of US$480.2M was higher than the loss after tax for 2008 of US$36.0M predominantly as a result of the recognition of an impairment of the Mount Isa exploration and evaluation asset of US$527.6M net of the deferred tax liability and of the recognition of an impairment of the investment in DYL by US$26.0M. The impairment in 2009 was partially offset by improved operating profitability at LHM.

Total revenues for the quarters ended March and September have increased for each of the quarters when compared to the equivalent comparative quarter as a result of higher contracted sales of uranium and improved production at LHM.

Summary of Quarterly Financial Results

	2009 Total US$M	2009 Jun Qtr US$M	2009 Mar Qtr US$M	2008 Dec Qtr US$M	2008 Sep Qtr US$M
Total revenues	114.8	23.2	25.0	14.2	52.4
(Loss)/profit after tax	(480.2)	2.1	(6.8)	(470.8)	(4.7)
Basic and diluted loss per share	(0.78)	-	(0.01)	(0.76)	(0.01)

	2008 Total US$M	2008 Jun Qtr US$M	2008 Mar Qtr US$M	2007 Dec Qtr US$M	2007 Sep Qtr US$M
Total revenues	101.9	38.9	15.3	19.4	28.3
Loss after tax	(36.0)	(1.9)	(8.4)	(11.2)	(14.5)
Basic and diluted loss per share	(0.06)	(0.01)	(0.01)	(0.02)	(0.02)

Financial Review

Total revenues for the quarters ended June and December are lower than the comparative quarters due to shipping and contracted sales schedules.

All contracted sales are made in accordance with delivery schedules agreed with each customer from time to time and, as a result, delivery quantities and revenues are not evenly distributed between quarters.

A profit after tax was recorded for the June 2009 quarter due to the loss before tax for the quarter being offset by a tax benefit recognised for LHM. Total revenues for the quarter ended June decreased when compared to the equivalent comparative quarter as a consequence of lower contracted sales.

Loss after tax has decreased for the quarters ended March and September when compared to the equivalent comparative quarter as a consequence of the increase in gross profit due to the improving production at LHM and higher contracted sales.

Loss after tax for the quarter ended December is higher than the comparative quarter predominantly as a result of the recognition of an impairment of the Mount Isa exploration and evaluation asset of US$527.642M net of the deferred tax liability.

Loss Per Share

The Loss per Share noted on the Income Statements reflects the underlying result for the specific reported periods and the additional shares issued in 2009 compared to 2008.

Segment Disclosure (refer to Note 3)

In the Namibian geographical segment the Company reflected a higher profit before tax than in 2008 of US$39.6M as a consequence of the improved operating performance of LHM and increased sales volume for the year ended 30 June 2009. The Malawian geographical segment loss after tax of US$11.2M relates to exploration and evaluation expenditure, corporate costs and a share-based payment expense of US$5.7M for the allotment of 15% interest in PAL to the Government of Malawi. In the Australian geographical segment the Company reflected the remaining Income Statement activities.

Balance Sheets

	As At 30 June	
	2009 US$M	2008 US$M
Total current assets	182.0	447.9
Total non current assets	1,281.5	2,115.2
Total assets	1,463.5	2,563.1
Total current liabilities	91.3	55.3
Total non current liabilities	741.0	1,078.5
Total liabilities	832.3	1,133.8
Net Assets	631.2	1,429.3

Current Assets have decreased to US$182.0M as at 30 June 2009 due to a decrease in cash and trade receivables which are partially offset by an increase in inventories.

Cash and cash equivalents has decreased to US$66.2M at 30 June 2009 as a result of expenditure on the construction of KM and Stage II expansion at LHM, exploration and evaluation project expenditure, additional DYL share investment, finance costs, third party uranium purchases and corporate costs for the year ended 30 June 2009. This has been partially offset by US$26.9M cash inflow from LHM operations and the US$9.2M cash held by Fusion, which was acquired during the March 2009 quarter.

The cash and cash equivalents is currently invested over a range of maturities with Australian banks with a minimum AA Standard & Poor's credit rating.

Trade and other receivables have decreased to US$29.0M during the year ended 30 June 2009 reflecting the timing of deliveries and therefore recognition of sales as compared to June 2008.

Inventories have increased to US$85.8M at 30 June 2009 as a result of higher production levels quarter-on-quarter relative to sales volumes during the year ended 30 June 2009. Finished goods at cost as at 30 June 2009 have increased by US$24.4M to US$38.6M. No inventory has been recognised for KM as the project was in a commissioning phase as at 30 June 2009. All contracted sales are made in accordance with delivery schedules agreed with each customer from time to time and, as a result, delivery quantities and revenues are not evenly distributed between quarters.

During the September 2008 quarter, the uranium held by Paladin Nuclear Ltd, the Company's marketing entity, was reduced to net realisable value resulting in an impairment loss of US$3.7M. There were no further adjustments made to the uranium held by Paladin Nuclear Ltd.

Non Current Assets have decreased to US$1,281.5M at 30 June 2009 primarily as a result of the foreign exchange movement on the Australian dollar denominated exploration assets and an impairment of US$753.8M in the carrying value of the Mount Isa asset. This was partially offset by the capital expenditure at LHM and KM.

Current Liabilities have increased from US$55.3M to US$91.3M as at 30 June 2009 primarily as a result of construction activities at KM.

Non Current Liabilities have decreased from US$1,078.5M to US$741.0M at 30 June 2009 primarily as a result of a decrease in deferred tax liabilities which has been partially offset by an increase in provisions. The deferred tax liability which arose from the acquisition accounting of Summit has decreased due to both the impairment of the Australian dollar exploration carrying value and the foreign exchange movement on this Australian dollar exploration carrying value during the year. Provisions have increased from US$8.4M to US$32.3M predominantly due to the initial recognition of rehabilitation and mine closure provisions for KM, an increase in the rehabilitation and mine closure provisions for LHM and the initial recognition of the social responsibility provision of US$9.7M at KM.

Segment Disclosure (refer to Note 3)

In the Balance Sheet as at 30 June 2009, the Company reflected a decrease in the Australian geographical segment assets and liabilities for the year as a result of the impairment in the carrying value of Mount Isa exploration and evaluation asset, the foreign exchange movement on the Australian dollar denominated exploration assets and decreased cash on hand. For the Namibian geographical segment an increase occurred in the year in assets and liabilities due to the Stage II expansion, operations and exploration and evaluation activities for LHM. For the Malawian geographical segment, an increase occurred in the year in the assets and liabilities as a result of mine construction and, exploration and evaluation activities for KM.

Statements of Changes In Equity

	Year Ended 30 June 2009 US$M	2008 US$M
Total equity at the beginning of the financial year	1,429.3	1,308.3
Loss for the year ended 30 June, after minority interests	(480.2)	(36.0)
Movement in reserves, net of foreign currency	43.9	(10.7)
Movement in equity, net of foreign currency	23.2	13.1
Foreign currency translation	(295.9)	155.8
Minority interests, net of foreign currency	(89.1)	(1.2)
Total Equity at the End of the Financial Year	631.2	1,429.3

Loss for the Year Ended 30 June 2009 is discussed under the Income Statements' section and is an increase from the loss in the comparative period.

Foreign Currency Translation Reserve relates to the translation of subsidiaries with Australian dollar functional currencies into the Company presentation currency of US dollars on an ongoing basis and for the comparative period.

Movement in Other Reserves in 2009 of a US$43.9M increase relates to the transfer in December 2008 to profit and loss of the revaluation decrement in DYL (net of tax and foreign exchange movements) and the subsequent revaluation increment attributable to the increase in DYL share price (net of tax and foreign exchange movements) and the recognised value of unlisted employee options. Unlisted employee options exercised during the year amounted to 2,060,000 with exercise prices ranging from A$2.80 to A$5.50. During the year 1,950,000 employee options were granted with exercise prices ranging from A$2.07 to A$4.48 per share, 1,314,617 were forfeited with exercise prices ranging from A$2.14 to A$8.77 per share and 2,425,000 expired with exercise prices ranging from A$2.80 to A$5.50.

Financial Review

Movement in Equity in 2009 of a US$23.2M increase relates to the issue of 8,135,433 shares as consideration for the acquisition of Fusion and the exercise of 2,060,000 unlisted employee options. The number of fully paid ordinary shares on issue at 30 June 2009 is 623,692,802, an increase of 10,195,433 during the year.

Share options of 15,227,455 remain outstanding at 30 June 2009 to the employees, and consultants directly engaged in corporate, mine construction, operations, exploration and evaluation work.

Minority Interests recognised during the year relate to the 18.0% interest in Summit held by third parties and the 15% interest in PAL held by the Government of Malawi. The minority interest changed from 18.1% during the year following a renounceable rights issue by Summit.

Cash Flow Statements

	Year Ended 30 June 2009 US$M	2008 US$M
Net cash outflow from operating activities	(7.9)	(18.4)
Net cash outflow from investing activities	(257.9)	(150.9)
Net cash (outflow)/inflow from financing activities	(6.7)	324.0
Net increase in cash held	(272.5)	154.7
Cash at the beginning of financial year	337.6	182.8
Effects of exchange rate changes	1.1	0.1
Cash at the End of the Financial Year	66.2	337.6

Net Cash Outflow from Operating Activities was US$7.9M in 2009 primarily due to payments to suppliers and employees of US$105.7M relating to the mine operations at LHM, the growth of the Company and interest payments of US$32.3M on project finance facilities and convertible bonds which was partly offset by increased uranium sales receipts of US$127.2M.

Net Cash Outflow from Investing Activities was US$257.9M in 2009 as a result of mine construction at KM, Stage II expansion at LHM, exploration and evaluation project expenditure, the acquisition of shares in NGM, the additional investments in DYL and third party uranium purchases. This was partially offset by the US$9.2M cash held by Fusion upon consolidation, which was acquired during the March 2009 quarter.

Net Cash Outflow from Financing Activities of US$6.7M in 2009 is attributable to the US$12.2M repayment of project finance facilities for LHM which has been partly offset by US$5.2M proceeds from the exercise of 2,060,000 unlisted employee options and US$1.1M net proceeds from third parties from the Summit renounceable rights issue. The net cash inflow in 2008 was the result of the issue of US$325M in convertible bonds.

Net Decrease in Cash in 2009 was US$272.5M, as compared to the net increase in cash over the previous corresponding period in 2008 of US$154.7M. The change is predominantly the result of the proceeds from issue of the US$325M convertible bonds in 2008 and a significant capital expenditure programme in 2009.

Effect of Exchange Rate Changes is a gain of US$1.1M for 2009.

Liquidity And Capital Resources

The Company's principal source of liquidity as at 30 June 2009 is cash of US$66.2M (2008: US$337.6M). The cash is currently invested over a range of maturities with Australian banks with a minimum AA Standard & Poor's credit rating.

The Company's principal sources of cash for the year ended 30 June 2009 were uranium sales receipts, interest received from cash investments, proceeds from exercise of unlisted employee options, the rights issue by Summit and cash acquired on acquisition of Fusion.

The Company has in place LHM project finance facilities of US$54.1M which have been fully drawn down.

For KM, the Company has financing totalling US$167M, consisting of a six year Project Finance Facility of US$145M, a Standby Cost Overrun Facility of US$12M and a Performance Bond Facility of US$10M. The facilities are being provided by Société Générale Corporate and Investment Banking (as inter-creditor agent and commercial lender), Nedbank Capital a division of Nedbank Limited (ECIC lender) and Standard Bank Limited (as ECIC facility agent and lender). At 30 June 2009, US$Nil had been drawn of the project finance facilities leaving available facilities of US$167M. On 17 August 2009, the Company announced initial drawdown of US$84.5M pursuant to this facility. The Company has drawdown an additional US$47.5M since the year end.

The following is a summary of the Company's outstanding commitments as at 30 June 2009:

Payments due by period	Total US$M	Less than 1 yr US$M	1 to 5yrs US$M	5yrs+ or unknown US$M
Tenements	15.1	7.1	8.0	-
Mine construction	4.4	4.4	-	-
Operating leases	5.1	0.8	2.7	1.6
Manyingee acquisition costs	0.6	-	-	0.6
Total Commitments	25.2	12.3	10.7	2.2

In relation to the Manyingee Uranium Project, the acquisition terms provide for a payment of A$0.75M (US$0.6M) 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$0.75M (US$0.6M) and are subject to the Western Australian Department of Minerals & Energy granting tenements comprising two exploration licence applications. The A$0.75M (US$0.6M) 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 three months after the date the tenements are granted.

The Company has no other material off balance sheet arrangements.

Outstanding Share Information

As at 24 September 2009, Paladin had 717,142,802 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 Bonds:

As at 24 September 2009	Number
Outstanding shares	717,142,802
Issuable under Executive Share Option Plan	14,050,45
Issuable in relation to the US$250M Convertible Bonds	32,530,904
Issuable in relation to the US$325M Convertible Bonds	49,317,147
Total	813,041,308

Future Accounting Changes

For a list of Australian Accounting Standards that have recently been issued or amended but are not yet effective refer to Note 2(b).

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.

Financial Review

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; calculation of share-based payments expense and assessment of reserves (refer to Note 2(d)). Actual results could differ from these estimates.

Financial Instruments

At 30 June 2009 the Company has exposure to interest rate risk which is the risk that the Company's financial position will be adversely affected by movements in interest rates that will increase the cost of floating rate project finance debt or opportunity losses that may arise on fixed rate convertible bonds in a falling interest rate environment. Interest rate risk on cash and short-term deposits is not considered to be a material risk due to the short-term nature of these financial instruments.

The Company's main foreign currency translation risk is for monetary assets and liabilities of the Namibian and Malawian operations. These are deemed to have a functional currency of US dollars, and the Company has adopted a presentation currency of US dollars therefore eliminating any foreign currency translation risk for non-monetary assets and liabilities. The Company also has 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 US 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.

The Company's credit risk is the risk that a contracting entity will not complete its obligation under a financial instrument that will result in a financial loss to the Company. The carrying amount of financial assets represents the maximum credit exposure. The Company trades only with recognised, credit worthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

The Company's treasury function is responsible for the Company's capital management, including management of the long term debt and cash as part of the capital structure. This involves the use of corporate forecasting models which enable analysis of the Company's financial position including cash flow forecasts to determine the future capital management requirements. To ensure sufficient funding for operational expenditure and growth activities, a range of assumptions are modelled so as to provide the flexibility in determining the Company's optimal future capital structure.

Other Risks And Uncertainties

Risk Factors

The Company is subject to other risks that are outlined in the Annual Information Form 51-102F2 which is available on SEDAR at www.sedar.com

Transactions With Related Parties

During the year ended 30 June 2009 no payments were made to Director related entities. Directors of the Company receive standard personal based compensation.

Disclosure Controls

The Company has applied its Disclosure Control Policy to the preparation of the Consolidated Financial Statements for the year ended 30 June 2009, associated Management Discussion and Analysis and Report to Shareholders. 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 2009. An evaluation of the design of ICFR has concluded that it is adequate to prevent a material misstatement of the Company's Consolidated Financial Statements as at 30 June 2009.

During the year the Company continued to have an internal audit function externally contracted to Deloitte Touche Tohmatsu. Internal audit reports and follow-up reviews were completed during the year and the Company continues to address their recommendations. 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 year, 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 2009 Financial Report:

Langer Heinrich Mine, Namibia Project Finance – Completion Test Satisfied

On 1 July 2009, the Company announced, in accordance with the LHM project finance loan, the Completion Test had been satisfied.

On 30 June 2009, Société Générale advised on behalf of the Bankers' Syndicate, which also includes Nedbank Capital and Standard Bank Limited, that LHM had successfully met all conditions required by the Project Lenders including the entire host of Completion Tests. Additionally, the previously outstanding construction related condition of leach tank lining remediation had been satisfied enabling the declaration of Construction Practical Completion.

As a result of achieving Completion the interest margin on the outstanding LHM project finance debt will reduce by 1% per annum and the loan becomes non-recourse to Paladin.

Issue of Employee Options

On 2 July 2009, the Company announced the granting of 700,000 unlisted incentive options, exercisable at A$4.48 vesting after three years, subject to performance conditions as outlined in the Executive Share Option Plan, with a five year expiry.

Kayelekera Mine, Malawi US$167M Project Finance Completed – First Drawdown

On 17 August 2009, the Company announced the first drawdown of US$84.5M under the KM Financing Loan (Facility).

KM is currently in its production ramp-up phase. The first drawdown was reimbursed to Paladin for expenditure on the project, with the remainder of the facility to be applied to the project and working capital expenditure.

The facility is provided by a syndicate of banks made up of Société Générale, Standard Bank Limited and Nedbank Capital and is the same syndicate of banks that provided project finance for LHM Stage I.

Financial Review

The US$167M project finance package consists of:-

- US$145M Project Financing Facility – currently drawn to US$84.5M
- US$12M Cost overrun Facility – currently funded with US$8M cash
- US$10M Performance Bond Facility

Increased holding in NGM Resources Limited

On 20 August 2009, the Company announced it will increase its shareholding from 16.7% to 19.9% following an additional investment of US$1.5M.

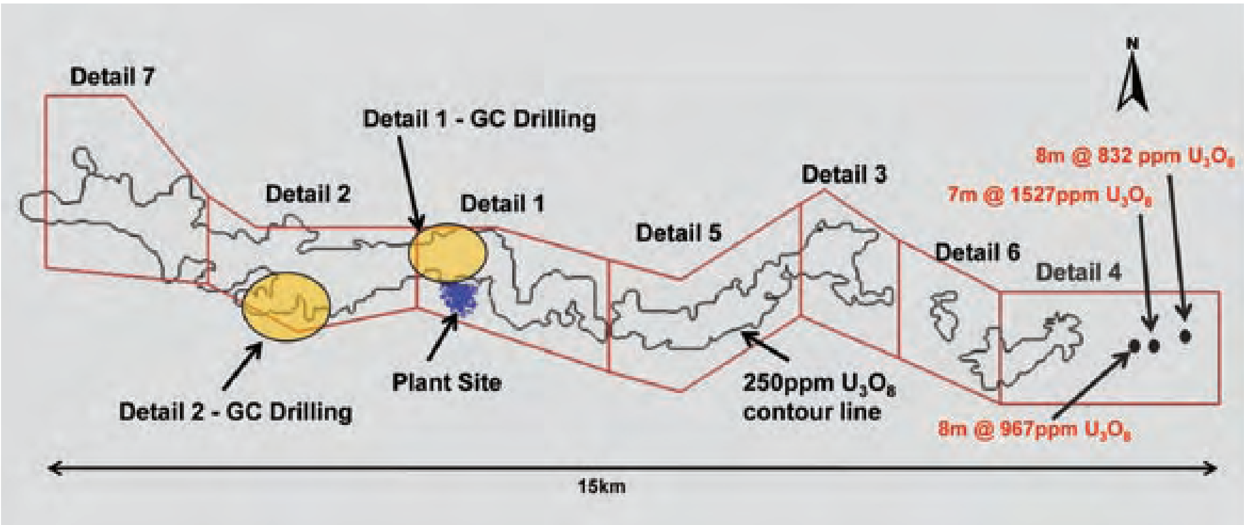
Langer Heinrich Mine, Namibia – Infill Drilling and Pre Mining Pit Definition Drilling

On 1 September 2009, the Company announced exploration drilling results from its infill and resource definition programme at LHM in Namibia.

Recent exploration drilling in the area of Detail 4 in the far east of Mining Lease ML140 has intersected significant thicknesses and grades of mineralisation confirming the value of this area. Previous wide spaced drilling in this area by Gencor in the early 1980's had only intersected limited mineralisation. To date there have been 270 holes drilled for a total of 6,080m within Details 4 and Detail 6, immediately to the west of Detail 4. Intersections of 8m @ 967ppm eU_3O_8, 7m @ 1,527ppm eU_3O_8 and 8m @ 832ppm eU_3O_8 have been recorded and are shown on the plan below. It is expected that drilling results from this area will be incorporated into an updated Mineral Resource to be completed late in the December 2009 quarter.

Infill drilling ahead of mining in the areas of Detail 1 and Detail 2 has also returned appreciable thicknesses and grades of mineralisation. This information is used to better define the limits of the current pit design to capture additional ore and limit the volumes of waste removed. In the area of Detail 2 this is particularly important as it will allow for the most efficient conversion of the pit voids to tailings storage.

All intersections detailed were calculated at a cut-off grade of 100ppm U_3O_8 and a maximum included waste of 1m. Locations of the drilling areas are shown on the plan below.



Detail 2 Drilling

Hole	Intersection m	Grade ppm eU_3O_8
GC13191	17	646
GC13214	7	872
GC13244	5	1295
GC17055	7	1163
GC17093	11	846

Detail 1 Drilling

Hole	Intersection m	Grade ppm eU_3O_8
GC10027	11	1356
GC10198	16	1191
GC10200	13	917
GC10284	18	696

Acting CFO

On 4 September 2009, the Company announced the Company's Acting CFO, Mr Mark Bolton, who had been employed under contract, will leave the Company to take up a permanent appointment. He will remain with Paladin until completion of the September 2009 Quarterly Financial Statements and his replacement will be announced in due course.

Institutional Placement of Shares

On 9 September 2009, the Company announced that it had agreed to undertake an institutional private placement of 93.45M ordinary shares (representing 15% of Paladin's issued capital) to raise approximately A$419M net of fees payable to the placing agents.

The placement was priced at A$4.60 per share which represented a 6.1% discount to Paladin's last closing price on ASX and a 0.5% discount to Paladin's 5 day volume weighted average price on ASX. The transaction was completed and shares issued on 16 September 2009. No adjustment will be required to the terms of either of Paladin's convertible bond series.

Paladin intends to use the funds raised to:

- provide Paladin with the financial capacity to advance M&A and inorganic growth opportunities;
- progress the Langer Heinrich Stage III project (recently approved by the Board);
- expand exploration and pre-development programmes in Australia; and
- enhance Paladin's balance sheet flexibility to ensure Paladin remains well placed to take advantage of other international nuclear industry opportunities as they arise

SUSTAINABLE DEVELOPMENT

Paladin has developed a Standard for Water Use and Water Quality to ensure that its operations apply efficient, safe and sustainable use of water and protect the water resources and ecosystems around its sites.

Ms Cathy Gupanis
General Manager
- Sustainable Development

Paladin has committed itself to the principles of sustainable development in the conduct of its activities in Africa and around the world. In doing so, it is important that Paladin shares a common understanding with its stakeholders as to what this commitment means and how it governs the Company's actions and behaviour. The term "sustainable development" came into common usage following the work of a United Nations commission convened in 1983 to consider the impact of Mankind's development of natural resources on our physical and social environment. The Brundtland Commission's landmark report, "Our Common Future", in 1987 termed a specific definition for sustainable development as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs." The Commission also urged striving for a balance to be found between economic, social and environmental needs and, in particular, for the needs of the world's poor to be given priority. The work that Paladin does in relation to its own employees and its host countries and neighbouring communities reflects its efforts to strive for that balance and, in so doing, to operate consistently with the corporate values that Paladin proudly declares. Inevitably, it is a work in progress. Paladin has made a good start and is particularly proud to have developed Malawi's first modern industrial mine. It will continue to strive to benefit both present and future generations in all of its activities.

Environment

Our Commitment

Paladin is committed to ensure that effective environmental management is planned and undertaken for all aspects of its operations. The approach to environmental management is guided by its Environmental Policy that promotes a standard of excellence for environmental performance across its operations. The key points of the policy include:

- compliance with applicable environmental legislation;
- developing standards and systems to identify, assess and manage environmental risk;
- continuous improvement in environmental performance;
- communicating environmental responsibility to employees and contractors;
- effective consultation with stakeholders; and
- inspections and audits of environmental performance.

Paladin has developed internal Environmental Standards for application in all of its operational subsidiaries. The Standards prepared so far are for Environmental Management System, Environmental Audit, Closure, Water Use and Water Quality, Air Quality and Radiation. Operational compliance with the Standards will form part of the Corporate Audit Programme.

Environment

Environmental Management System

Each operating site is required to develop and implement an Environmental Management System (EMS) that is consistent with the requirements of ISO14001:2004. LHM has developed an EMS based on the ISO standard and has implemented the system across the site operations. In April 2009, LHM obtained ISO14001 certification for its EMS following certification audits by Lloyds Quality Register. The KM Environment Department is in the process of developing an EMS for operations. Once completed, the EMS will be rolled out and implemented across the operation.

As part of the EMS, Environmental Management Plans (EMP) have been prepared for site operations and submitted for review by Government and other stakeholders. The EMP's are regularly updated and revised as part of the sites' continual improvement process.

Operational EMP's for both LHM and KM have been submitted and reviewed by the respective Governments and also by international financial lending institutions as part of the project financing process. A revised EMP for LHM, including for the Stage II expansion, was submitted and approved by the Government during the reporting period. This process involved extensive stakeholder consultation to ensure any issues and concerns were addressed.

An Operational EMP for KM was provided to the project lenders' technical reviewers as part of the overall environmental review requirements. The EMP contains details on the Kayelekera management programmes to be implemented to minimise potential impacts.

Environmental Impact Assessment

The Environmental Impact Assessment (EIA) process for the proposed Langer Heinrich Stage III expansion commenced in early 2009. Stakeholder consultation was conducted and a Scoping Report prepared and submitted to Government in May 2009. Various technical specialist studies were undertaken with the results input into the EIA. The EIA process will be completed in the latter half of 2009.

Inspection and Audit Programme

Inspection and audit programmes have been established to ensure that the environmental performance of Paladin's operations is reviewed, audited and reported to the Board. These programmes include 1st, 2nd and 3rd party audits and ensure that there is not only compliance with regulatory and Paladin requirements but also with the Equator Principles and other industry standards, in particular those standards specified for the uranium industry.

Several such audits were undertaken both at LHM and KM during the reporting period with findings of the inspections and audits documented and acted upon to close out any issues.

Water

Water resource is a major issue that requires management at most mining operations. Paladin's projects do not differ in this matter as LHM is located in a desert environment where water supply is limited, and KM is located in a high rainfall area where the management of surface water runoff is paramount.

Paladin has developed a Standard for Water Use and Water Quality to ensure that its operations apply efficient, safe and sustainable use of water and protect the water resources and ecosystems around its sites. Both operational sites have prepared detailed water balances, flow models and have developed water management strategies and implemented water management measures to ensure that Paladin's objective is met.

LHM and KM have each engaged hydrological specialists to provide advice on the design, construction, operation and management of water and water infrastructure at their respective sites. The design and water management strategies have also been subject to external technical peer review and audit to provide a level of comfort that the water management, as proposed, meets international standards.

Tailings

Tailings management continues to be a high priority at Paladin's operational sites. This includes ensuring that the tailings storage facilities (TSF) are appropriately designed and operated according to internationally acceptable standards, and that tailings properties meet design specifications.

Specialist tailings facility engineers have designed and defined the operational practice and management of the TSFs to ensure that tailings are managed in an acceptable manner, and any potential environmental impacts from the tailings and TSF are minimised. Independent and internationally recognised uranium tailings experts conduct reviews of the design, construction and operations of the TSF's and continue to provide an ongoing external review role. The appointment of tailings management specialists and the external technical review process ensures that tailings storage on site meets industry standards and those specific for uranium tailings.

Land Use and Biodiversity

Land use and biodiversity management is of importance to Paladin, particularly as LHM is located in a desert National Park. Extensive biodiversity studies were undertaken in the Langer Heinrich area during the reporting period with results of these studies applied in the revision of Langer Heinrich's EMP, the Stage III expansion EIA and mine planning.

Closure

Mine closure planning is a key component of Paladin's commitment to the environment. A Closure Standard has been developed for all developing and operational sites to comply with. The intent of this is to ensure that Paladin's sites are left in a safe and stable manner and that environmental impacts are minimised so that tenements can be relinquished without future liability to the Company, Government or the community.

The Closure Planning Process at LHM progressed during the year with the establishment of a Closure Steering Committee which has developed a Mine Closure Strategy and commenced the preparation of a detailed Draft Closure Plan.

CO_2-e Emissions

Over the last two years Paladin has transitioned from exploration to mining and has been fully occupied on ensuring its African projects, in Namibia and Malawi, have a smooth path into production. At this stage Paladin does not currently publish greenhouse gas emissions, although it is in the process of assessing monitoring, measurement and reporting methodologies to determine how the group CO_2 emissions will be reported.

Currently Paladin is focussed on determining its obligations to report under Australian greenhouse gas emission and related legislation. Its limited Australian output, which is confined to exploration and corporate activities, forms only one component of its overall activity and does not address emissions from offshore operations where there is no legislated requirement to report.

Initial broad base estimations of diesel consumption and purchased electricity indicates that Paladin will not meet threshold levels to require registration and reporting in Australia under the National Greenhouse Emissions Reporting Act (NGER) 2007.

Paladin's obligations in this regard are under continual review with oversight by senior management.

The President of Malawi, Dr. Bingu wa Mutharika, said the Kayelekera Mine marked a shift from the Southern African nation's dependence on agriculture.

Industry Bodies

The Company is a participating member of the Australian Uranium Association (AUA) and, as such, is committed to abide by and implement the terms of the AUA Industry Code of Practice. Along with the Code, the Group observes the AUA's Charter and Principles of Uranium Stewardship, which provide a guide to doing business ethically, responsibly and safely. Together, the Code, Charter and Stewardship Principles make up a vital standards framework for the uranium industry.

Paladin regards its membership of the AUA and observance of the AUA standards framework as part of its commitment to the safe and responsible conduct of its business and to ensure its long-term sustainability.

Further information on the AUA can be found on its website at www.aua.org.au.

The Company is also a member of the Minerals Council of Australia (MCA) which represents Australia's exploration, mining and minerals processing industry, nationally and internationally, in its contribution to sustainable development and society. As a member, Paladin supports the Enduring Value principles as a framework for sustainable development.

Further information on the MCA can be found on its website at www.minerals.org.au.

Paladin is also a member of the local Chamber of Mines in both Malawi and Namibia.

Mr Greg Walker
General Manager
- International Affairs

Social Responsibility

Paladin (Africa) Ltd – Kayelekera, Malawi

While Paladin's focus in Malawi during the past year has been the successful completion of construction and commissioning ramp-up of KM, the Company has also made solid progress in the continued strengthening of its relationship with the local community and in fulfilling its Social Responsibility objectives. Paladin's Social Responsibility Programme works to address needs in four key areas: Health Issues, Food Production, Education and Business Development.

Garnet Halliday Karonga Water Supply Project

Work on the Paladin's most significant community assistance project, the Garnet Halliday Karonga Water Supply Scheme, named in honour of the former Paladin senior executive, is scheduled to begin delivering potable water to the town of Karonga by the end of 2009. Paladin has donated US$8.2M to pay for construction of the project, being developed in conjunction with Malawi's Northern Region Water Board. A 9km pipeline is being laid from Lake Malawi and a new filtration plant will be installed. Some 265 local people are working on the project. Karonga is the northern region's commercial and administrative centre and is located near Lake Malawi, some 52km from the Company's recently-developed KM. The President of Malawi, Dr Bingu wa Mutharika, launched the water project after inaugurating KM in April 2009. Karonga's 41,000 inhabitants suffer chronic water shortages and the project will provide the town with a clean and reliable water supply which will meet projected growth until 2025.

Community Health Care

Paladin has responded to community health care needs at the Kayelekera Village, located near KM, by establishing the Kayelekera Medical Clinic. Previously, the nearest medical assistance was provided at the Wiliro Community Clinic, located some 17km from Kayelekera. The Kayelekera Medical Clinic has become the focus of health care activities for local communities and treats some 600 patients per month.

The clinic is accredited as an HIV/AIDS testing and counselling centre and the Malawi AIDS Counselling and Resource Organisation (MACRO) now provides a monthly clinic in Kayelekera. In regional health care, Paladin has renovated the Wiliro Medical Clinic, which services 6,000 people in the district and funded connection of the clinic to the regional power-grid, providing electricity to enable emergency medical treatment after dark. Paladin has produced community health literature in the Chitumbuka language for distribution to local communities, including advice on "Care of the Newborn," distributed through weekly antenatal and paediatric clinics.

Kayelekera Schools Upgrade

Paladin has undertaken a number of renovation and expansion projects in local primary and secondary schools, including teacher housing and work is currently underway on some 10 schools situated between Karonga and KM. Work involves replacing or repairing cracked walls and floors; replacing wooden doors and window frames; repainting renovated buildings and providing basic school furniture and desks. The Company also pays for an additional seven teachers at the local village school, which has 350 pupils.

Other Community Assistance

Paladin is erecting a community hall for Kayelekera Village, utilising a surplus prefabricated building donated by one of the construction project contractors, Group 5 Limited. The Company has upgraded water access in Kayelekera Village by repairing a bore and installing piping to three water collection points. Paladin has supplied spares to enable three broken pumps in local villages to be repaired.

Agricultural Initiatives

Paladin contributes significantly to the economy of the Karonga region by buying local food and fresh produce to feed the KM construction and operations workforce, injecting more than 350M kwacha (US$2.5M) into the local economy over the past 20 months. At its peak, the construction workforce numbered 2,500 people and local food purchases totalled eight tonnes per week - sufficient to produce 100,000 meals per month. As a result of post-construction demobilisation, Paladin now purchases locally about two tonnes of food each week and support of regional growers will continue with the mining operations.

Paladin's Agricultural Training Scheme continues in co-operation with the area's six regional chiefs, who identify farmers for training. A project to develop a model vegetable farm and fruit tree nursery has commenced with the objective of improving local growers' incomes by supplying fruit to KM and the Karonga marketplace.

Social Responsibility

Community Liaison

Paladin engages formally with the Government of Malawi and with local communities via committees established for the purpose. A Government of Malawi/Paladin Liaison Committee has held three meetings to-date. At the local level, Paladin holds a bi-monthly meeting with community stakeholders through its Uranium Liaison Committee (ULICO), which includes local community leadership, civic societies and senior civil servants. On a quarterly basis, the Company meets formally with traditional leaders, headed by the region's Paramount Chief. Regular meetings take place with the Karonga Natural Resources Development Association (KANREDA), which represents local communities, and the Kayelekera Village Authority, to discuss local matters such as road safety, water and hygiene and minimising the impact of unemployment arising from demobilisation of construction workers.

Business Development

Business development workshops are being held in Karonga as part of a series initiated and organised by Paladin to identify opportunities for local entrepreneurs. An independent presenter provides commercial information and guidance and local banking institutions are co-operating. To-date, three workshops have been held, attended by more than 100 participants.

Communication and Awareness

Paladin employs various initiatives designed to inform the local and national communities about KM and the mining and use of uranium.

Paladin supports the Karonga Sustainable Environment Project (KASEP) initiative, a National Schools Quiz Programme which has operated in Malawi for several years. The final round of the 2009 Schools Quiz competition was held in Lilongwe, with a Karonga school being a finalist for the first time.

The Company publishes a quarterly KM information newsletter, "Nkhani ya Mgodi" (News about the Mine), which is inserted in leading national newspapers and distributed regionally.

A weekly, Paladin sponsored programme on radio, which is the most popular medium in Malawi, entitled "Kayelekera Uranium Corner" continues to attract very positive public response. The programme provides information about KM, includes social messages about HIV/AIDS and features a popular quiz, which recently attracted a response from Tokyo, from a Malawian student studying in Japan and accessing the programme via the Internet!

Langer Heinrich Uranium Pty Ltd, Namibia

C28 Highway Upgrade Programme

A 16.5km section of gravel road of the C28 central Namibian Highway has been upgraded and bituminised in a NAD4.5M (US$545,000) road improvement project funded by LHUPL. The Roads Authority of Namibia completed road works and line marking in July. LHUPL has contributed some NAD10M (US$1.2M) to the Namibian Roads Authority over the past three years to fund improvements to the C28 highway, which is used daily by LHUPL employees and contractors travelling between Swapokmund and the mine.

The improved road provides for a safer and more comfortable ride to work for Langer Heinrich employees and contractors, and also benefits Namibia's tourism industry and the country in general. After bituminising, upkeep on C28 road maintenance has been significantly lowered, allowing the Namibian Roads Authority to divert funding to repair roads elsewhere. This contribution was been very well received by the community, particularly among local farmers who are regular road users.

Vocational Training Centre Support

LHUPL is assisting the Namibian Institute of Mining and Technology (NIMT), which operates one of the largest vocational training centres in Namibia and supplies skilled workers to the country's mining sector. The Institute's maintenance is government-funded, but the level of government support has remained unchanged for 10 years and no longer covers all maintenance costs. There was a need to replace floor-coverings in its engineering drawing room, computer training centre and multi-purpose hall and to tile the 1450m^2 floor area of these three facilities. Funding for this was provided by LHUPL to enable the NIMT to carry out this necessary upgrade to its facilities.

National Mathematics Congress

In 2009, LHUPL became the main sponsor of Namibia's National Mathematics Congress, a programme aimed to improve mathematics education in the country. Mathematics has been identified as a major shortcoming in Namibia and the National Mathematics Congress is an initiative aimed at upgrading teaching skills in this area. This year's Congress was attended by more than 300 delegates, with international speakers introducing local teachers to the latest developments in the education industry.

Campaign Against Gender-based Violence

LHUPL is sponsoring a media campaign being undertaken by the Namibian Ministry of Gender Equality and Child Welfare (MGECW) to combat gender-based violence in Namibia. The MGECW is conducting a national campaign to promote zero tolerance for gender-based violence, which is seen to be linked, amongst other things, to the high rates of HIV/AIDS infections in Namibia. LHUPL is sponsoring the airing of the campaign on national radio in five local languages.

Southern Africa HIV Therapeutic Vaccine Project

Paladin and LHUPL are supporting clinical trials in southern Africa of an HIV therapeutic vaccine developed by the Melbourne-based biopharmaceutical research firm, Virax Holdings Limited. The VIR201 vaccine is designed to treat people already infected by HIV and has been tested successfully in two clinical trials in Australia. LHUPL and Paladin have joined a consortium of international mining companies active in Africa by contributing $US150, 000 towards the cost of the more extensive follow-up trial currently underway at four HIV/AIDS clinics across South Africa. Virax has reported good progress with the clinical trial to-date.

Other Community Assistance

LHUPL continues to support community events and projects, such as sporting development, school projects and environmental support initiatives.

Kauko Immanuel
Junior Electrical Engineer
Langer Heinrich Mine

"I've been with Langer Heinrich for 14 months. It is very good that Langer Heinrich puts great emphasis on employing local people because this empowers as many Namibians as possible so that, in the future when Langer Heinrich is no longer here, we have the necessary skills to continue creating wealth and employment for the people of Namibia."

Kerrie Garwood
Environmental Technician
Mount Isa, Queensland, Australia

"I moved to Mount Isa in November 2007 to start work as a field technician. Whilst challenging and interesting, the development from exploration to a pre-feasibility study will provide further opportunities to advance and expand on my training, knowledge and experience."

Our People

Most organisations touched by the Global Financial Crisis in 2008/2009 have had the unfortunate position of reducing numbers and making hard decisions about their workforce. In the current Paladin Group, staff numbers have not decreased, but increased across all sites, to cope with the continued growth and expansion of Paladin.

The Company's most valuable asset is its employees so future workforce strategies will focus on retaining and developing the current workforce. The focus for the Company's sites is to encourage local employment, and to create an environment where local communities can develop their skills and provide a future workforce.

As the global economy improves and as competition in the global uranium mining industry escalates, a key strategy for maintaining talent is to create relevant and globally competitive compensation and benefit strategies. In addition, Paladin believes that employee loyalty and commitment is closely connected to leadership behavior and values. The Company will continue to refresh and create policies and practices which ensure leadership behaviour characterised by transparency, ethics and fair treatment of employees, contractors and community stakeholder groups.

Total employees across the Group amounts to 511. At Head Office, the number of employees increased during the year from 40 to 53 with new employees within Head Office bringing a range of skills and experience from many different industries to the Company.

Langer Heinrich Mine

Employees have increased by 10% with turnover of 12% and a total of 210 employees at year end. The majority of employees are Namibian citizens or holders of Resident Permits (93%) with 80% of this workforce comprising previously disadvantaged Namibian citizens.

There has been a focus on introducing trainee mechanical students from Namibian Vocational Training Colleges with these students participating in onsite training. In the past year, 26 students completed this training.

In collaboration with the Ministry of Education, LHM also embarked on an "on the job training programme" for geologists and metallurgists currently studying at the Zimbabwe School of Mines.

Ellasy Gulule

Mine Geologist
Kayelekera Mine

"I started working at Kayelekera in April 2007, this is my first job working as a geologist after graduating. I have received a lot of 'on-the-job' training from Paladin and I have visited the Langer Heinrich Mine in Namibia twice for training and found that very valuable."

Dave Princep

Principal Geologist
Perth Head Office, Western Australia

"After having worked with Paladin for over six years, the diversity and interest in each day and the freedom to express myself and further my experience and knowledge keeps me a very happy employee. It helps to know that senior management, all the way up to John Borshoff, have a level of dedication and drive that is rare in today's mining industry."

Key Achievements

- LHUPL was awarded its Affirmative Action Compliance Certificate during the year.
- 19 Namibian employees were identified to be trained as understudies for the non Namibians and training and development commenced with the respective non Namibians as mentors.
- Two senior employees are currently undergoing an extensive Executive Development Programme which will prepare them for future executive position opportunities within the Group.
- Middle management staff were enrolled for an annual Management Development Programme at the University of Stellenbosch.
- In line with its policy to create HIV/AIDS awareness, a group of employees were nominated and trained as HIV/AIDS Peer Educators. On average, this group reaches out to about 80 employees per month and is currently very effective. The Chairperson of the group was elected Best Peer Educator for the year 2008 through the OHEAP (Occupational Health Education and Awareness Programme), an initiative of the Namibian Chamber of Mines.

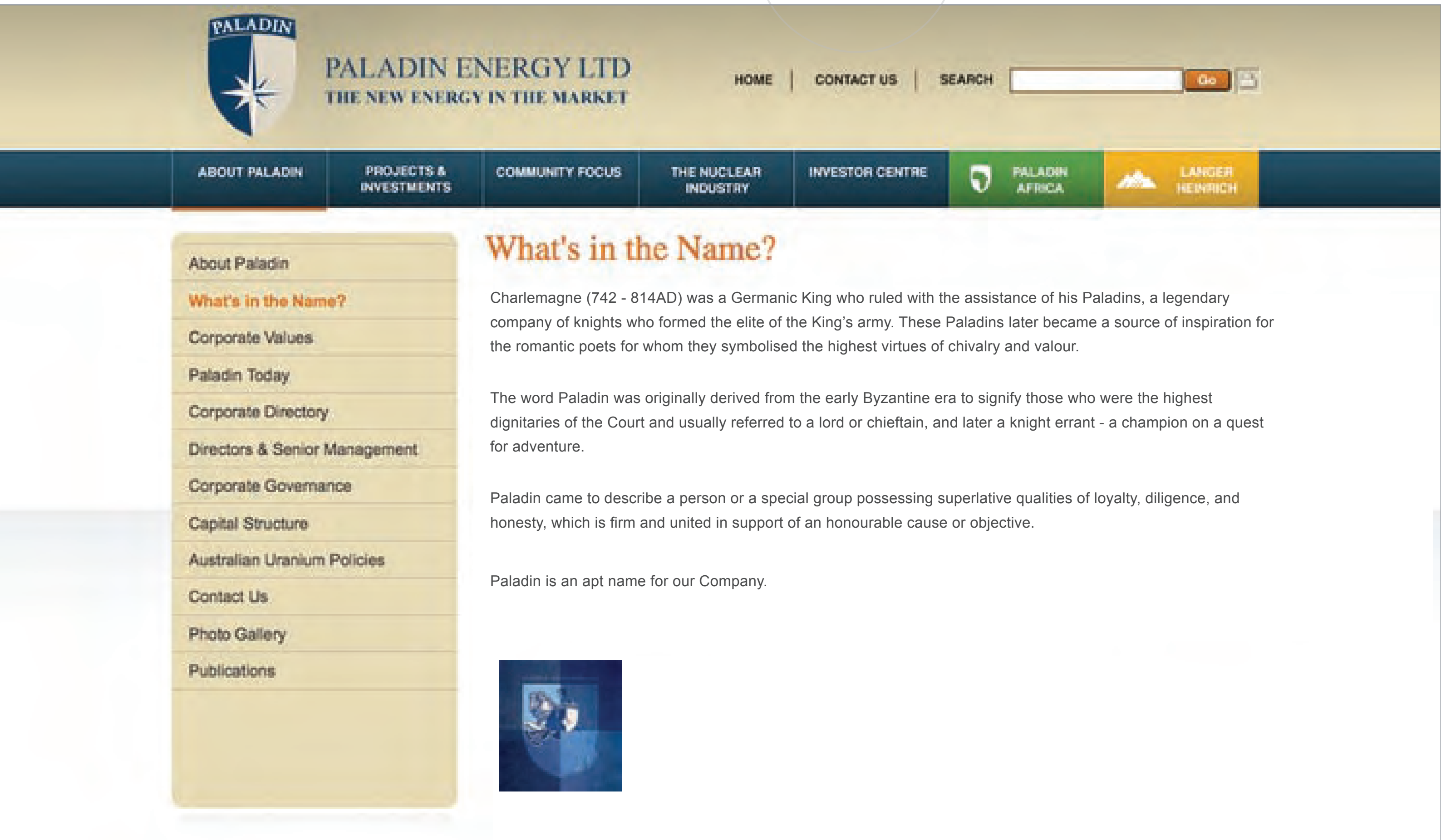
Kayelekera Mine

Operational staff numbers at the end of June 2008 totalled 218. There are over 815 construction personnel on site, which is reducing as construction projects close over the next year. Of the total operational workforce, 143 employees are local Malawian staff, the remainder being expatriate from African nations. There is a minority of Australian and Canadian expatriates in senior managerial positions. Turnover of local staff has been relatively low at 2.8%.

Key Achievements

In 2008/2009, the focus has been on recruiting a solid team to lead the operation from construction to production. All senior management roles were filled, and there is a team of people who will guide the Malawian employees to be a competent mining workforce for the future. As an example, there are currently 50 Malawians being trained in the process plant.

A significant achievement has been the recruitment of the Malawian workforce using a sophisticated selection process which focused on ensuring that the best staff from a non-mining country were selected on the basis of their innate skills and abilities. Industrial psychologists were consulted to ensure that the process was fair, consistent, and could determine best fit when it is not possible to compare previous mining experience or work in related areas.



The Company places a high priority on communications with and accountability to shareholders. Company announcements, project updates and presentations can all be found on the redesigned website at www.paladinenergy.com.au

Ms Gillian Swaby
Company Secretary

Corporate Governance Framework

The Board of Directors of Paladin Energy Ltd is responsible for the corporate governance of the Group.

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 ASX and in Canada on the Toronto Stock Exchange (TSX). In formulating the governance framework, the regulatory requirements in both Australia and Canada have been taken into account.

The Company has complied with each of the Eight Corporate Governance Principles and the corresponding 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.paladinenergy.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/CEO 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;

- placing the Company's market announcements and financial data for the preceding seven years on its website;
- providing the Annual Report in a "user friendly" electronic format on its website; and
- providing quarterly conference calls incorporating Q&A together with investor updates.

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 2009 AGM shareholders will be able to directly lodge their votes online via the Company's website and the Computershare voting platform.

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. The Board is also responsible for CEO succession planning.

Composition of the Board

The Board comprises four Non-executive Directors, including the Chairman and one Executive Director, being the Managing Director/CEO.

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 evolution from explorer to miner.

Skill 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.

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 Corporate Governance and Principles 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.

Meetings of the Board

The Board meets formally at least four times a year (each over a 3 day period) and on other occasions, as required. Video conferencing facilities have been installed to provide greater ease of communications between face to face meetings. 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 meet together without the Managing Director/CEO and management being present, prior to each of the four principal Board meetings.

The entire Board is required to attend the Annual General Meeting (AGM) of the Company and all attended the 2008 AGM.

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 is held as part of the budget review process. The Managing Director/CEO encourages full access to executive Managers by the Board to ensure transparency at a senior management level. Non-executive Directors are encouraged to visit the Company's operations and these visits provide the Non-executive Directors with unlimited access to all site personnel.

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 AGM. Directors who have been appointed by the Board are required to retire from office at the next AGM and are not taken into account in determining the number of Directors to retire by rotation at that AGM. Directors cannot hold office for a period in excess of three years or later than the third AGM following their appointment without submitting themselves for re-election. Retiring Directors are eligible for re-election by shareholders. Details of those Directors seeking re-election at the 2009 AGM 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.

In reaching this conclusion, the Board has noted that each of R Crabb (the Chairman) and J Borshoff (the Managing Director/CEO) will have each served on the Board for 15 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. The Board further agrees that time in office should only be considered from 2004, as the period prior to 2004 the Company was a junior explorer. It is also noted that the Company did not enter the ASX/S&P 200 until June 2005.

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 AGM and will be eligible for re-election by shareholders at that AGM.

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/CEO 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/CEO or obtain any other briefings they feel necessary from the Chairman or the Managing Director/CEO. They are encouraged to attend site visits in liaison with the Managing Director/CEO, at appropriate times. Directors agree to participate in continuous improvement programmes from time to time, as considered appropriate.

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 has been carried out. 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.

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. The Company has implemented a secure electronic information repository to facilitate access to past and present Board documentation and other relevant reference material. 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/CEO 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 AGM in November 2009.

In relation to the Non-executive Directors there are no termination or retirement benefits other than those contained in statutory superannuation plans.

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.

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 Audit Committee charter is reviewed annually by the Board and no changes were made to the charter during the financial year.

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 – Committee Chairman
  (appointed 9 July 2007)
  Non-executive, Independent Director

- Sean Llewelyn
  Non-executive, Independent Director
- Ian Noble
  Non-executive, 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 Audit Committee carries out periodic self evaluation of its effectiveness and performance.

The Chairman of the Board includes an evaluation of the Audit Committee's effectiveness and performance within his overall Board evaluation.

The external auditors are Ernst and Young who were appointed as the Company's auditors in June 2005. In November 2008, the audit partner was changed as part of the partner rotation process.

The external internal auditors meet with the Audit Committee without management present periodically throughout the year.

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 ongoing education relevant to their position.

Sean Llewelyn 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.

There were no meetings of the Nomination Committee during the reporting period. This was due to there being no proposed changes in Board membership during the year.

The Chairman of the Board includes an evaluation of the Nomination Committee's effectiveness and performance within his overall Board evaluation.

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. Sean Llewelyn is the Chairman of the Remuneration Committee.

The current members of the Remuneration Committee are:

- Sean Llewelyn – Committee Chairman,
  Non-executive, Independent Director
- Rick Crabb – Non-executive,
  Independent Director, Board Chairman
- Donald Shumka – Non-executive,
  Independent Director

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.

The Chairman of the Board includes an evaluation of the Remuneration Committee's effectiveness and performance within his overall Board evaluation.

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/CEO and the Chief Financial Officer in relation to the Company's 30 June 2009 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 ASX'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/CEO, 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.

The Company's Risk Management Policy is to identify, assess, evaluate, monitor and mitigate risks which are considered 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/CEO has the overall responsibility for the management of risk in the Company. The Managing Director/CEO is assisted by the heads of operational business units who "champion" risks within the business unit. 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/CEO, 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/CEO and senior management to ensure adequate risk control measures have been identified. An operational risk assessment system is in place at the Langer Heinrich and Kayelekera operations, which is continuously reviewed and updated.

Paladin is committed to continual improvement of the risk management process and procedures to ensure the highest return to shareholders and stakeholders.

The Company has developed a Crisis and Emergency Management System with individual site plans for LHM and KM. The Company also conducts scenario-based exercises to practise crisis and emergency response.

Environment

The Company promotes an excellent standard of environmental performance across its business. 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 has adopted an Environmental Policy which includes compliance with all applicable environmental laws as a minimum standard, development and implementation of Environmental Management Systems, preparation of Environmental and Radiological Management Plans and Standards to identify, assess and manage environmental risks, ensuring that its employees and contractors are aware of their environmental responsibilities, consulting with government and other stakeholders in relation to the Company's operations and proposed projects, and undertaking regular audits and reviews and reporting on environmental performance.

Safety And Occupational Health

The safety, health and wellbeing of employees, contractors and the community are of core value to Paladin's operations. A healthy workforce contributes to business success and the Company's aim is for zero injuries. The Company will encourage safe behaviour by employees and contractors, establish a mindset that injuries are preventable, provide safety education and training, and conduct safety risk assessments. 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 Policy was updated and subsequently approved by the Board on 22 August 2008. This was due to the Company's progress from explorer to producer and to keep the Company at the forefront of best practice in corporate governance. Prescribed 'blackout' periods have been introduced, during which all Directors, officers and employees will be prohibited from dealing in the Company's securities. This is in addition to the overriding prohibition against dealing in the Company's securities when a person is in possession of inside information. In addition, all Directors, officers and employees are required to complete an application form to gain the written acknowledgement of either; the Chairman, Managing Director/CEO or the Company Secretary before they deal in the Company's securities.

The Company's policy also 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.

At the end of 2008 the Company introduced an online compliance training module to assist in monitoring understanding of this policy. This was initially trialled with head office staff and, due to the positive results and increased awareness of the policy, this will now be rolled-out to across the Group.

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 Kayelekera Mine produced its first product during April 2009. Transport of the first containerised drummed product consignment to Walvis Bay, Namibia via Zambia took place on 17 August 2009.

The Directors present their report on the Group consisting of Paladin Energy Ltd and the entities it controlled at the end of, or during, the year ended 30 June 2009.

Directors

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

Mr Rick Crabb
(Non-executive Chairman)

Mr John Borshoff
Managing Director/CEO)

Mr Sean Llewelyn
(Non-executive Director)

Mr Ian Noble
(Non-executive Director)

Mr Donald Shumka
(Non-executive Director)

Principal Activity

The principal activity of the Group 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 Group is set out on pages 10 to 43 of this report under the section entitled Management Discussion and Analysis.

The Group's loss after tax for the year is US$480.2M (2007:US$36M) representing an increase of 1,234% from the previous year.

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 Group during the financial year not otherwise dealt with in this report.

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 Group, the results of those operations or the state of affairs of the Group in subsequent years with the exception of the following, the financial effects of which have not been provided for in the 30 June 2009 Financial Report.

Langer Heinrich Mine, Namibia Project Finance – Completion Test Satisfied

On 1 July 2009, the Company announced, in accordance with the LHM project finance loan, the Completion Test had been satisfied.

On 30 June 2009, Société Générale advised on behalf of the Bankers' Syndicate, which also includes Nedbank Capital and Standard Bank Limited, that LHM had successfully met all conditions required by the Project Lenders including the entire host of Completion Tests. Additionally, the previously outstanding construction related condition of leach tank lining remediation had been satisfied enabling the declaration of Construction Practical Completion.

As a result of achieving Completion the interest margin on the outstanding LHM project finance debt will reduce by 1% per annum and the loan becomes non-recourse to Paladin.

Issue of Employee Options

On 2 July 2009, the Company announced the granting of 700,000 unlisted incentive options, exercisable at A$4.48 vesting after 3 years, subject to performance conditions as outlined in the Executive Share Option Plan, with a 5 year expiry.

Kayelekera Mine, Malawi US$167M Project Finance Completed – First Drawdown

On 17 August 2009, the Company announced the first drawdown of US$84.5M under the KM Financing Loan (Facility). The Company has drawdown an additional US$47.5M since the year end.

KM is currently in its production ramp-up phase. The first drawdown was reimbursed to Paladin for funds spent on completing the project, with the remainder of the facility to be applied to the project and working capital expenditure.

The facility is provided by a syndicate of banks made up of Société Générale, Standard Bank Limited and Nedbank Capital and is the same syndicate of banks that provided project finance for LHM Stage I.

The US$167M project finance package consists of:-

- US$145M Project Financing Facility – currently drawn to US$84.5M
- US$12M Cost overrun Facility – currently funded with US$8M cash
- US$10M Performance Bond Facility

Increased holding in NGM Resources Limited

On 20 August 2009 it was announced that the Company will increase its shareholding from 16.7% to 19.9% following an additional investment of US$1.5M.

Langer Heinrich Mine, Namibia – Infill Drilling and Pre Mining Pit Definition Drilling

On 1 September 2009, the Company announced exploration drilling results from its infill and resource definition programme at LHM in Namibia.

Recent exploration drilling in the area of Detail 4 in the far east of Mining Lease ML140 has intersected significant thicknesses and grades of mineralisation confirming the value of this area. Previous wide spaced drilling in this area by Gencor in the early 1980's had only intersected limited mineralisation. To date there have been 270 holes drilled for a total of 6,080m within Details 4 and Detail 6, immediately to the west of Detail 4. Intersections of 8m @ 967ppm eU_3O_8, 7m @ 1,527ppm eU_3O_8 and 8m @ 832ppm eU_3O_8 have been recorded and are shown on the plan on page 42 of this Annual Report. It is expected that drilling results from this area will be incorporated into an updated Mineral Resource to be completed late in the December 2009 quarter.

Infill drilling ahead of mining in the areas of Detail 1 and Detail 2 has also returned appreciable thicknesses and grades of mineralisation. This information is used to better define the limits of the current pit design to capture additional ore and limit the volumes of waste removed. In the area of Detail 2 this is particularly important as it will allow for the most efficient conversion of the pit voids to tailings storage.

All intersections detailed were calculated at a cut off grade of 100ppm U_3O_8 and a maximum included waste of 1m. Locations of the drilling areas are shown on the plan on page 42 of this Annual Report.

Acting CFO

On 4 September 2009, the Company announced the Company's Acting CFO, Mr Mark Bolton, who had been employed under contract, will leave the Company to take up a permanent appointment. He will remain with Paladin until completion of the September 2009 Quarterly Financial Statements and his replacement will be announced in due course.

Institutional Placement of Shares

On 9 September 2009, the Company announced that it had agreed to undertake an institutional private placement of 93.45M ordinary shares (representing 15% of Paladin's issued capital) to raise approximately A$419M net of fees payable to the placing agents.

The placement was priced at A$4.60 per share which represented a 6.1% discount to Paladin's last closing price on ASX and a 0.5% discount to Paladin's 5 day volume weighted average price on ASX. The transaction was completed and shares issued on 16 September 2009. No adjustment will be required to the terms of either of Paladin's convertible bond series.

Likely Developments

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

Environmental Regulations

The Group 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 Group currently has mining and processing operations in Namibia and Malawi, and exploration projects in Africa and Australia. The Group's Policy is to comply with all applicable environmental laws and regulations in the countries in which it conducts business.

Specific environmental regulations, approvals and licences for the exploration, development and operation are applied to the activities conducted at each site. In addition many other international and industry standards are also applied to the Group's activities, including those specified for the global uranium industry. 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 Group.

Information On Directors

Mr Rick Wayne Crabb

(Non-executive Chairman) Age 52
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) and Otto Energy Ltd (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

Royal Resources Limited
from 2004 to 11 August 2009

Port Bouvard Ltd
from 1996 to 30 March 2009

Thundelarra Exploration Ltd
from 2003 to 13 June 2007

Special Responsibilities

Chairman of the Board

Member of Remuneration Committee
from 1 June 2005

Member of Nomination Committee
from 1 June 2005

Mr John Borshoff

(Managing Director/CEO) Age 64
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.

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 that Association's Code of Practice working committee, and is a Board member of the Minerals Council of Australia. Recently, he was awarded the honour of Ernst & Young Entrepreneur of the Year, Western Region and goes forward as a nominee for the Australian National Awards to be held later this year.

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

Special Responsibilities

Managing Director/CEO

Member of Nomination Committee
from 1 June 2005

Mr Sean Reveille Llewelyn

(Non-executive Director) Age 61
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 many 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

Chairman of Remuneration Committee
from 26 November 2008
(member from 1 June 2005)

Chairman of Nomination Committee
from 26 November 2008
(member from 1 June 2005)

Mr Donald Shumka

(Non-executive Director) Age 67
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 Magma Energy Corporation.

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

Mr Ian Urquhart Noble

(Non-executive Director) Age 68
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 Energy Ltd were:

	Number of Ordinary Shares	Number of Options over Ordinary Shares
Mr Rick Crabb	*4,581,528	-
Mr John Borshoff	21,591,394	2,750,000
Mr Ian Noble	21,000	-
Mr Sean Llewelyn	100,000	-
Mr Donald Shumka	50,000	-

* Between 11 and 14 April 2008, a secured creditor of Lift Capital Pty Limited in the exercise of purported rights, sold 6,383,218 ordinary shares on behalf of Mr Rick Crabb and his associates. No consideration was received by Mr Rick Crabb or his associates from this involuntary sale. Legal action for the recovery of these shares which were sold without consent or authority is being pursued.

Company Secretary

Ms Gillian Swaby Age 49
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 a 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 10 years.

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 were:

The Nomination Committee did not meet during the year.

	Board of Directors		Audit Committee		Remuneration Committee	
Name	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend
Mr Rick Crabb	6	6	-	-	1	1
Mr John Borshoff	6	6	-	-	-	-
Mr Sean Llewelyn	6	6	5	5	1	1
Mr Donald Shumka	6	6	5	5	1	1
Mr Ian Noble	6	6	5	5	-	-

Resignation, Election And Continuation In Office of Directors

In accordance with the Constitution of the Company, Mr Donald Shumka retires by rotation at the Annual General Meeting and, being eligible, offers himself for re-election.

Remuneration Report (Audited)

This remuneration report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 (Cth) and its Regulations. For the purposes of this report, key management personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director whether executive or otherwise of the parent company, and includes the five executives in the Parent and the Group receiving the highest remuneration.

For the purposes of this report, the term 'Executive' encompasses the managing director, senior executives, managers and secretaries of the Parent and the Group.

Details of Key Management Personnel (including the five highest paid executives of the Company and the Group)

Compensation of Key Management Personnel

i) Compensation Policy

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

Generally, compensation is provided by the Company to its Executives (including the Managing Director/CEO), by way of base salary, superannuation, short-term bonus and granting of employee options or performance rights. 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;

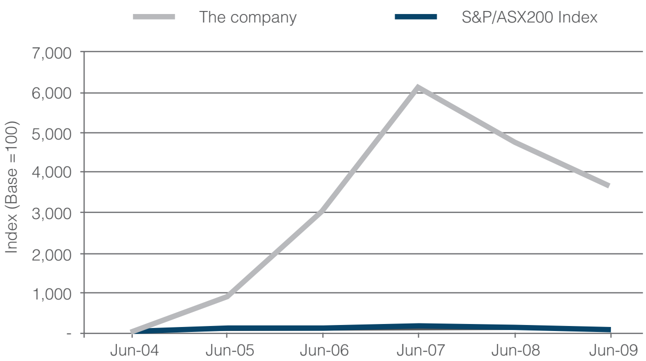
(b) motivating their short and long-term performance; and

(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.

Company Performance

The overall level of compensation takes into account the Company's earnings and growth in shareholder wealth of the Company. Consideration of the Company's earnings will be more relevant as the Company matures and becomes profitable. 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 2005	30 June 2006	30 June 2007	30 June 2008	30 June 2009
The Company (A$)	869	3,043	6,118	4,747	3,651
S&P/ASX 200 Index (A$)	120	143	177	147	111
EPS (US$)	(0.01)	(0.01)	(0.07)	(0.06)	(0.78)

As the Company has only recently entered the production phase, 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

Fees payable to Non-executive Directors are set at A$160,000 per annum each, effective 1 February 2008, inclusive of any superannuation obligations. The Chairman of the Audit Committee receives an additional A$20,000 per annum, and the Chairman of the Board receives an additional A$165,000 per annum. Fees are arrived at on the basis of a review by external independent remuneration consultants looking at companies with similar market capitalisation. There were no fee increases during the financial year and the Board has resolved to maintain the current fee level for the 2009/2010 financial year.

Compensation paid to the Managing Director/CEO is set out under (iii) 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.

Executives

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. As the global economy improves and as competition in the global uranium mining industry escalates, a key strategy for maintaining talent is to create relevant and globally competitive compensation and benefits strategy. 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.

During the past year, employee's salary, as a general rule, were increased in accordance with movements of the Consumer Price Index only. This applied also to the Managing Director/CEO.

Expatriate Benefits

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

Short-term Cash Bonus

The Company provides short-term bonuses to Executives of up to 20% of base salary. The short-term cash bonuses are entirely discretionary, however, the following measures are taken into account 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.

Specific targets for individuals have not been set.

On an annual basis, as part of the remuneration review process and taking into account both the individuals and the Company's performance, the Remuneration Committee in accordance with its charter, determines the amount, if any, of the short-term bonus to be paid.

In respect of the Managing Director/CEO, 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.

Outcomes to be considered include:

- production at Langer Heinrich materially in line with, or better than, guidance;
- Kayelekera commissioning and production ramp-up continuing on schedule;
- continued high safety and environmental achievements;
- continued effective social programmes in operational regions in Namibia and Malawi;
- development of the Paladin Nuclear Ltd business model;
- successful M&A activity;
- exploration and pre-development work on projects meeting or exceeding expectations;
- ongoing improvement (to handle corporate growth) of organisational structure, controls, reporting and infrastructure;
- financial performance; and
- impact on total shareholder return.

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.

During the past financial year, bonuses were paid to modest levels, having regard to the outstanding achievements of management in delivering the only new conventional uranium mines built in the world for more than a decade. The Remuneration Committee resolved to offer a bonus of A$720,000 to Managing Director/CEO John Borshoff, recognising his achievements on a number of fronts (as detailed elsewhere in this Annual Report), however Mr Borshoff chose not to receive any bonus, as he felt it was important to show leadership and restraint in the difficult economic times.

Share Incentive Option Plan and Proposed Performance Rights Plans

The Company believes that encouraging its employees to become shareholders is the best way of aligning their interests with those of its shareholders. Equity participation has been accomplished through the Company's Executive Share Option Plan which was approved by shareholders in November 2006.

A review of the existing Plan, however, has identified a number of limitations which compromise the Plans' intent. That is:

- the existing Plan does not provide certainty as to any benefits being derived by the employee, irrespective of their individual contribution to the Company and or achievement of the hurdles put in place for the options to vest; and
- the capacity of staff to fund the exercise of options, even when those options are in the money, is often limited and therefore, the benefits earned cannot be crystallised.

The above limitations are exacerbated by the taxation consequences.

The Directors now propose to introduce Performance Rights Plans for employees and key individual contractors to become the principal incentive tool. Shareholders will be asked to approve the new Plans at the forthcoming 2009 Annual General Meeting (full details of the proposed Performance Rights Plan are set out in the Notice of Annual General Meeting). This will provide a powerful tool to achieve the following objectives:


Head Office Staff

- 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 the plan participants with those of the shareholders; and
- provide incentives to plan participants to focus on superior performance that creates shareholder value.

The existing Share Incentive Option Plan will be retained but if the proposed Performance Rights Plans are adopted, the Board proposes that no further options will be issued under that Plan. The following information in respect of the Share Incentive Option Plan is provided to provide an understanding on the basis and terms upon which options were issued in the past. The Board determined 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:-

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

The resultant number of options could 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 Financial Reporting Standards.

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

During the financial year, share 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 EXSOP was designed to create a stronger link between increasing shareholder value and employee reward. Under the EXSOP, the exercise price of the options was set at the market price of the shares on the date of grant and performance was 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's ranking against the peer group TSR growth over the performance period.

- when Paladin 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 is ranked at the 50th percentile, 50% of the share options will vest;
- when Paladin 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 other than for misconduct or death. In the event of a change of control all the awards will vest and may be exercised by the participant.

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.

ii) Compensation of Key Management Personnel for the year ended 30 June 2009 (Consolidated and Company)

	Short-term				Post Employment	Share-Based Payment	Total	Total (2)	Total Perfor-mance Related	Total Perfor-mance Related
	Salary & fees	Cash bonus	Non Monetary Benefits	Other	Superan-nuation	Options				
	A$'000	A$'000	A$'000	A$'000	A$'000	A$'000	A$'000	US$'000	A$'000	%
Directors										
Mr Rick Crabb	312	-	-	-	14	-	326	240	-	-
Mr John Borshoff	1,813	-	-	-	14	3,843	5,670	4,168	3,843	67.7
Mr Sean Llewelyn	147	-	-	-	13	-	160	118	-	-
Mr Ian Noble	147	-	-	-	13	-	160	118	-	-
Mr Donald Shumka	180	-	-	-	-	-	180	132	-	-
Subtotal	2,599	-	-	-	54	3,843	6,496	4,776	3,843	
Executives										
Ms Gillian Swaby	-	75	-	428[1]	-	361	864	635	436	50.5
Mr Ron Chamberlain[3]	45	-	-	-	1	(116)	(70)	(51)	-	-
Mr Wyatt Buck	486	100	13	-	62	411	1,072	788	511	47.6
Mr Dustin Garrow	808	163	-	-	-	358	1,329	977	521	39.2
Mr Simon Solomons	423	20	-	-	14	532	989	727	552	55.8
Mr Ross Glossop[4]	147	-	-	103[6]	5	(15)	240	176	-	-
Mr Mark Bolton[5]	241	-	-	-	9	-	250	184	-	-
Subtotal	2,150	358	13	531	91	1,531	4,674	3,436	2,020	
Total	**4,749**	**358**	**13**	**531**	**145**	**5,374**	**11,170**	**8,212**	**5,863**	

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

(2) Exchange rate used in average for year US$ 1 = AU$ 1.36035

(3) Chief Financial Officer – resigned 18th July 2008

(4) Chief Financial Officer – resigned 27th October 2008

(5) Acting Chief Financial Officer – appointed 17th November 2008

(6) Ex-gratia termination payment

ii) Compensation of Key Management Personnel for the year ended 30 June 2008 (Consolidated and Company)

	Short-term				Post Employment	Share-Based Payment	Total	Total [3]	Total Performance Related	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	256	-	-	-	13	-	269	240	-	-
Mr John Borshoff	1,587	600	-	-	13	3,145	5,345	4,779	3,745	70.1
Mr Sean Llewelyn	127	-	-	-	11	-	138	123	-	-
Mr George Pirie	2	-	-	-	-	-	2	2	-	-
Mr Ian Noble	127	-	-	-	11	-	138	123	-	-
Mr Donald Shumka	151	-	-	-	-	-	151	135	-	-
Subtotal	2,250	600	-	-	48	3,145	6,043	5,402	3,745	
Executives										
Ms Gillian Swaby	-	35	-	390[1]	-	229	654	585	264	40.4
Mr Ron Chamberlain	272	20	-	-	13	170	475	425	190	40.0
Mr Wyatt Buck	341	50	10	-	41	598	1,040	930	648	62.3
Mr Dustin Garrow	575	-	-	-	-	501	1,076	962	501	46.6
Mr Simon Solomons	211	-	22	-	7	225	465	416	225	48.4
Mr Ross Glossop	-	-	-	-	-	15[2]	15	13	15	100.0
Subtotal	1,399	105	32	390	61	1,738	3,725	3,331	1,843	
Total	3,649	705	32	390	109	4,883	9,768	8,733	5,558	

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

(2) Options were granted on acceptance of the position prior to commencement

(3) Exchange rate used in average for year US$ 1 = AU$ 1.11832

iii) Contracts for Services

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/CEO

Term of agreement – 2 years commencing 1 March 2008.

Base salary, inclusive of superannuation, of A$1,800,000 increased to A$1,872,640 effective 1 January 2009.

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.

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.

Mr Mark Bolton, Acting Chief Financial Officer (Commenced 17th November 2008)

Term of agreement – 6 month, then rolling 3 month.

Base salary, inclusive of superannuation of A$375,000.

Notice period 3 months.

Mr Dustin Garrow,
Executive General Manager - Marketing

Term of agreement – no fixed term.

Base salary, of A$600,000, increased to A$782,000 effective 1 January 2009.

No termination benefit is specified in the agreement.

Notice period 6 months.

Mr Ron Chamberlain, Chief Financial Officer (Resigned 18th July 2008)

Term of agreement – no fixed term.

Base salary, inclusive of superannuation, of A$320,000 effective 1 January 2008.

No termination benefit is specified in the agreement.

Mr Ross Glossop, Chief Financial Officer (Resigned 27th October 2008)

Term of agreement – no fixed term.

Base salary, inclusive of superannuation of A$425,000.

No termination benefit is specified in the agreement.

Options were granted on acceptance of the position prior to his commencement on 18th July 2008.

Mr Simon Solomons,
Executive General Manager - Operations Development

Term of agreement – no fixed term.

Base salary, inclusive of superannuation of A$430,000, increased to A$447,840 effective 1 January 2009.

No termination benefit is specified in the agreement.

Notice period 6 months.

Mr Wyatt Buck, General Manager – Production & Langer Heinrich Operations

Term of agreement – no fixed term.

Base salary, inclusive of superannuation and expatriate allowance A$480,000, increased to A$499,200 effective 1 March 2009.

No termination benefit is specified in the agreement.

Notice period 6 months.

Remuneration for all parties referred to above includes provision of an annual discretionary bonus and initial and ongoing discretionary participation in the Company's Share Incentive Plan.

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

During the financial year no options were granted as equity compensation benefits under the long-term incentive plan to Key Management Personnel and none lapsed. In the 2008 financial year 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. There are no cash settlement alternatives. No options granted to Key Management Personnel vested during the financial year.

v) Shares Issued on exercise of Compensation Options (Consolidated and Company)

30 June 2009	Shares issued No.	Paid per share (Note 29) A$	Unpaid per share A$	Value at exercise date A$
Executives				
Mr Wyatt Buck	310,000	A$2.80	-	920,700
Mr Dustin Garrow	600,000	A$2.80	-	2,030,000
Total	910,000			

No other Key Management Personnel exercised options during the year ended 30 June 2009.

vi) Options granted as part of remuneration

30 June 2009	Value of options exercised during the year A$'000
Wyatt Buck	53
Dustin Garrow	350

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

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.

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
1 February 2007	1 February 2012	A$8.77	2,697,970
29 January 2008	29 January 2013	A$4.50	7,377,485
15 February 2008	15 February 2011	A$5.37	700,000
15 February 2008	15 February 2013	A$5.37	450,000
18 April 2008	18 April 2013	A$4.59	1,075,000
14 October 2008	14 October 2013	A$2.54	750,000
11 December 2008	11 December 2013	A$2.07	300,000
24 June 2009	24 June 2014	A$2.48	700,000
Total			14,050,455

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 2,060,000 fully paid ordinary shares in Paladin at a weighted average price of A$3.32.

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.

Auditor Independence And Non-audit Services

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

Auditor's Independence Declaration to the Directors of Paladin Energy Ltd

In relation to our audit of the financial report Paladin Energy Ltd for the year ended 30 June 2009, 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.

Ernst & Young

G H Meyerowitz
Partner
Perth

24 September 2009

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$788,000 for the year ended 30 June 2009 for the provision of taxation services.

Signed in accordance with a resolution of the Directors.

Mr John Borshoff
Managing Director/CEO

Perth, Western Australia
24 September 2009

FINANCIAL REPORT

Contents

Consolidated Income Statements

for the year ended 30 June 2009

	Notes	Consolidated 2009 US$M	Consolidated 2008 US$M	Parent Entity 2009 US$M	Parent Entity 2008 US$M
Revenue					
Revenue	4(a)	114.8	101.9	11.1	11.2
Cost of sales		(53.0)	(56.7)	-	-
		61.8	45.2	11.1	11.2
Depreciation and amortisation		(8.8)	(7.1)	-	-
Product distribution costs		(1.3)	(1.0)	-	-
Royalties		(3.3)	(1.6)	-	-
Gross profit		48.4	35.5	11.1	11.2
Other income	4(b)	1.1	-	1.9	-
Exploration and evaluation expenses	15	(12.2)	(13.1)	-	-
Other expenses	4(c)	(39.5)	(35.7)	(482.4)	(28.5)
Impairment of exploration and evaluation	15	(753.8)	-	-	-
Impairment of available-for-sale financial assets		(26.0)	-	(25.9)	-
Finance costs	4(d)	(30.5)	(30.7)	(20.4)	(27.1)
Share of loss of an associate	11(b)	(0.9)	(0.2)	-	-
Net loss before income tax benefit		(813.4)	(44.2)	(515.7)	(44.4)
Income tax benefit	5(a)	237.0	7.0	17.9	2.6
Net loss after tax from operations		(576.4)	(37.2)	(497.8)	(41.8)
Attributable to:					
Minority interests	22	(96.2)	(1.2)	-	-
Members of the parent		(480.2)	(36.0)	(497.8)	(41.8)

Loss per share		US$	US$
Loss after tax from operations attributable to ordinary equity holders of the Company			
– basic and diluted	34	(0.78)	(0.06)

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

Consolidated Balance Sheets

as at 30 June 2009

	Notes	Consolidated 2009 US$M	Consolidated 2008 US$M	Parent Entity 2009 US$M	Parent Entity 2008 US$M
ASSETS					
Current assets					
Cash and cash equivalents	6	66.2	337.6	16.8	317.4
Trade and other receivables	7	29.0	40.0	1.3	9.4
Inventories	8	85.8	68.9	-	-
Financial assets held for trading	9	1.0	1.4	-	-
TOTAL CURRENT ASSETS		182.0	447.9	18.1	326.8
Non current assets					
Trade and other receivables	7	2.2	-	498.2	218.6
Inventories	8	24.9	-	-	-
Other financial assets	10	69.2	41.7	612.1	1,019.7
Investment in associate	11	-	2.6	-	-
Deferred borrowing costs	12	8.2	1.7	-	-
Property, plant and equipment	13	457.8	229.5	17.0	17.8
Mine development	14	54.2	12.2	-	-
Exploration and evaluation expenditure	15	635.5	1,797.9	-	-
Deferred tax assets	5(d)	3.9	13.0	-	-
Intangible assets	16	25.6	16.6	-	-
TOTAL NON CURRENT ASSETS		1,281.5	2,115.2	1,127.3	1,256.1
TOTAL ASSETS		1,463.5	2,563.1	1,145.4	1,582.9
LIABILITIES					
Current liabilities					
Trade and other payables	17	67.1	41.4	8.7	7.5
Unearned revenue	18	0.2	0.2	-	-
Interest bearing loans and borrowings	19	14.2	12.2	-	-
Provisions	20	9.8	1.5	1.2	1.0
TOTAL CURRENT LIABILITIES		91.3	55.3	9.9	8.5
Non current liabilities					
Trade and other payables	17	-	-	-	1.0
Unearned revenue	18	0.2	0.5	-	-
Interest bearing loans and borrowings	19	572.0	570.3	532.1	517.4
Deferred tax liabilities	5(d)	136.5	499.3	-	10.8
Provisions	20	32.3	8.4	0.1	0.1
TOTAL NON CURRENT LIABILITIES		741.0	1,078.5	532.2	529.3
TOTAL LIABILITIES		832.3	1,133.8	542.1	537.8
NET ASSETS		631.2	1,429.3	603.3	1,045.1
EQUITY					
Contributed equity	21(a)	1,111.6	1,088.4	1,111.6	1,088.4
Reserves	21(d)	31.9	234.1	89.1	56.3
Accumulated losses		(581.2)	(101.0)	(597.4)	(99.6)
Parent interests		562.3	1,221.5	603.3	1,045.1
Minority interests	22	68.9	207.8	-	-
TOTAL EQUITY		631.2	1,429.3	603.3	1,045.1

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

Consolidated Statements of Changes in Equity

for the year ended 30 June 2009

	Notes	Contributed Equity US$M	Reserves US$M	Accumulated Losses US$M	Minority Interests US$M	Total US$M
CONSOLIDATED						
At 1 July 2007		1,075.3	113.2	(65.0)	184.8	1,308.3
Changes in fair value of available-for-sale financial assets		-	(44.6)	-	-	(44.6)
Foreign currency translation		-	131.6	-	24.2	155.8
Income and expense recognised directly in equity		-	87.0	-	24.2	111.2
Loss for the year		-	-	(36.0)	(1.2)	(37.2)
Total income and expense for the year		-	87.0	(36.0)	23.0	74.0
Recognised value of unlisted employee options over vesting period		-	10.6	-	-	10.6
Exercise of unlisted employee options	21(b)	2.6	(2.6)	-	-	-
Contributions of equity, net of transactions costs	21(b)	10.5	-	-	-	10.5
Convertible bonds - equity component		-	17.8	-	-	17.8
Income tax on items taken directly to equity		-	8.1	-	-	8.1
At 30 June 2008		1,088.4	234.1	(101.0)	207.8	1,429.3
CONSOLIDATED						
At 1 July 2008		1,088.4	234.1	(101.0)	207.8	1,429.3
Changes in fair value of available-for-sale financial assets		-	41.4	-	0.1	41.5
Transfer of impairment loss to P&L		-	0.5	-	-	0.5
Foreign currency translation		-	(246.1)	-	(49.8)	(295.9)
Income and expense recognised directly in equity		-	(204.2)	-	(49.7)	(253.9)
Loss for the year		-	-	(480.2)	(96.2)	(576.4)
Total income and expense for the year		-	(204.2)	(480.2)	(145.9)	(830.3)
Recognised value of unlisted employee options over vesting period		-	10.9	-	-	10.9
Exercise of unlisted employee options	21(b)	2.8	(2.8)	-	-	-
Contributions of equity, net of transactions costs	21(b)	20.4	-	-	1.1	21.5
Allotment of 15% interest in Paladin (Africa) Ltd to Government of Malawi		-	(0.2)	-	5.9	5.7
Income tax on items taken directly to equity		-	(5.9)	-	-	(5.9)
At 30 June 2009		1,111.6	31.9	(581.2)	68.9	631.2

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

Parent Entity Statements of Changes in Equity

for the year ended 30 June 2009

	Notes	Contributed Equity US$M	Reserves US$M	Accumulated Losses US$M	Total US$M
PARENT ENTITY					
At 1 July 2007		1,075.3	51.0	(57.8)	1,068.5
Change in fair value of available-for-sale financial assets		-	(28.4)	-	(28.4)
Foreign currency translation		-	4.7	-	4.7
Income and expense recognised directly in equity		-	(23.7)	-	(23.7)
Loss for the year		-	-	(41.8)	(41.8)
Total income and expense for the year		-	(23.7)	(41.8)	(65.5)
Recognised value of unlisted employee options over vesting period		-	10.6	-	10.6
Exercise of unlisted employee options	21(b)	2.6	(2.6)	-	-
Contributions of equity, net of transactions costs	21(b)	10.5	-	-	10.5
Convertible bonds - equity component		-	17.8	-	17.8
Income tax on items taken directly to equity		-	3.2	-	3.2
At 30 June 2008		1,088.4	56.3	(99.6)	1,045.1
PARENT ENTITY					
At 1 July 2008		1,088.4	56.3	(99.6)	1,045.1
Change in fair value of available-for-sale financial assets		-	35.5	-	35.5
Transfer of impairment loss to P&L		-	0.5	-	0.5
Foreign currency translation		-	(1.0)	-	(1.0)
Income and expense recognised directly in equity		-	35.0	-	35.0
Loss for the year		-	-	(497.8)	(497.8)
Total income and expense for the year		-	35.0	(497.8)	(462.8)
Recognised value of unlisted employee options over vesting period		-	10.9	-	10.9
Exercise of unlisted employee options	21(b)	2.8	(2.8)	-	-
Contributions of equity, net of transactions costs	21(b)	20.4	-	-	20.4
Income tax on items taken directly to equity		-	(10.3)	-	(10.3)
At 30 June 2009		1,111.6	89.1	(597.4)	603.3

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

Consolidated Cash Flow Statements

for the year ended 30 June 2009

	Notes	Consolidated 2009 US$M	Consolidated 2008 US$M	Parent Entity 2009 US$M	Parent Entity 2008 US$M
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		127.2	68.4	-	-
Payments to suppliers and employees		(105.7)	(77.1)	(8.6)	(9.8)
Interest received		2.8	7.5	2.0	6.5
Interest paid		(32.3)	(17.4)	(27.5)	(11.2)
Other income		0.1	0.2	-	-
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	6(a)	(7.9)	(18.4)	(34.1)	(14.5)
CASH FLOWS FROM INVESTING ACTIVITIES					
Exploration and evaluation expenditure		(12.0)	(11.7)	-	-
Payments for property, plant and equipment		(237.3)	(99.6)	(0.6)	(1.1)
Loans to controlled entities		-	-	(274.3)	(160.9)
Loans repaid from controlled entities		-	-	22.1	14.6
Payments for available-for-sale financial assets		(11.7)	(17.8)	(11.7)	(15.7)
Payments for controlled entities net of cash acquired	10(a)	8.8	-	-	-
Investment in subsidiary		-	-	(9.1)	-
Proceeds from sale of property, plant & equipment		0.2	1.9	-	-
Proceeds from sale of tenements		0.1	2.1	-	-
Payments for third party uranium		(6.0)	(25.8)	-	-
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(257.9)	(150.9)	(273.6)	(163.1)
CASH FLOWS FROM FINANCING ACTIVITIES					
Rights issue		1.1	-	-	-
Proceeds from exercise of share options		5.2	10.5	5.2	10.5
Equity fundraising costs		(0.1)	-	-	-
Convertible bonds and project finance facility establishment costs		(0.7)	(11.2)	-	(9.7)
Repayment of borrowings		(12.2)	(4.6)	-	-
Proceeds from borrowings		-	4.3	-	-
Proceeds from convertible bonds		-	325.0	-	325.0
NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES		(6.7)	324.0	5.2	325.8
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(272.5)	154.7	(302.5)	148.2
Cash and cash equivalents at the beginning of the financial year		337.6	182.8	317.4	169.7
Effects of exchange rate changes on cash and cash equivalents		1.1	0.1	1.9	(0.5)
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	6	66.2	337.6	16.8	317.4

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

Note 1. Corporate Information

The financial report of Paladin for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the Directors on 20 August 2009, subject to final drafting and audit clearance.

Paladin is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange with additional listings on the Toronto Stock Exchange in Canada; Munich, Berlin, Stuttgart and Frankfurt Stock Exchanges in Europe; and the Namibian Stock Exchange in Africa.

The nature of the operations and principal activities of the Group are described in Management Discussion and Analysis on pages 10 to 33.

Note 2. Summary of Significant Accounting Policies

(a) Basis of preparation and statement of compliance

The financial report is a general purpose financial report, which complies with the requirements of the *Corporations Act 2001* and Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report complies with International Financial Reporting Standards as issued by the International Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for available-for-sale investments and financial assets held for trading, which have been measured at fair value. Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

In addition to these Australian requirements further information has been included in the Consolidated Financial Statements for the year ended 30 June 2009 in order to comply with applicable Canadian securities law, as the Company is listed on the Toronto Stock Exchange.

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.

(b) New accounting standards and interpretations

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

Reference	Title	Summary	Application Date of Standard	Impact on Group Financial report	Application Date for Group
AASB Int.15	Agreements for the Construction of Real Estate	This Interpretation requires that when the real estate developer is providing construction services to the buyer's specifications, revenue can be recorded only as construction progresses. Otherwise, revenue should be recognised on completion of the relevant real estate unit.	1 January 2009	The Group does not engage in the construction of real estate. It is expected that this Interpretation will have no impact on its Financial Statements.	1 July 2009

Note 2. Summary of Significant Accounting Policies (continued)

(b) New accounting standards and interpretations (continued)

Reference	Title	Summary	Application Date of Standard	Impact on Group Financial report	Application Date for Group
AASB Int. 16	Hedges of a Net Investment in a Foreign Operation	This Interpretation requires that the hedged risk in a hedge of a net investment in a foreign operation is the foreign currency risk arising between the functional currency of the net investment and the functional currency of any parent entity. This also applies to foreign operations in the form of joint ventures, associates or branches.	1 October 2008	The Group does not engage in hedging net investments in foreign operations. It is expected that this Interpretation will have no impact on its Financial Statements.	1 July 2009
AASB Int. 17 and AASB 2008-13	Distributions of Non-cash Assets to Owners and consequential amendments to Australian Accounting Standards AASB 5 and AASB 110	The Interpretation outlines how an entity should measure distributions of assets, other than cash, as a dividend to its owners acting in their capacity as owners. This applies to transactions commonly referred to as spin-offs, split offs or demergers and in-specie distributions.	1 July 2009	The Group does not engage in the distribution of non-cash assets to Owners. It is expected that this Interpretation will have no impact on its Financial Statements.	1 July 2009
AASB Int. 18	Transfers of Assets from Customers	This Interpretation provides guidance on the transfer of assets such as items of property, plant and equipment or transfers of cash received from customers. The Interpretation provides guidance on when and how an entity should recognise such assets and discusses the timing of revenue recognition for such arrangements and requires that once the asset meets the condition to be recognised at fair value, it is accounted for as an 'exchange transaction'.	Applies prospectively to transfer of assets from customers received on or after 1 July 2009	The Group does not engage in the transfer of assets from customers. It is expected that this Interpretation will have no impact on its Financial Statements.	1 July 2009

Note 2. Summary of Significant Accounting Policies (continued)

(b) New accounting standards and interpretations (continued)

Reference	Title	Summary	Application Date of Standard	Impact on Group Financial report	Application Date for Group
AASB Int. 18 (contd)		Once an exchange transaction occurs the entity is considered to have delivered a service in exchange for receiving the asset. Entities must identify each identifiable service within the agreement and recognise revenue as each service is delivered.			
AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	New Standard replacing AASB 114 *Segment Reporting*, which adopts a management reporting approach to segment reporting.	1 January 2009	The Group will assess the impact this may have on its Financial Statements.	1 July 2009
AASB 1039 (revised)	Concise Reporting	AASB 1039 was revised in August 2008 to achieve consistency with AASB 8 *Operating Segments*. The revisions include changes to terminology and descriptions to ensure consistency with the revised AASB 101 *Presentation of Financial Statements*.	1 January 2009	The Group does not prepare a concise report. This Standard will have no impact on its Financial Statements.	1 July 2009
AASB 123 (Revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised.	1 January 2009	The revised standard will have no impact as it is consistent with current Group policy.	1 July 2009

Note 2. Summary of Significant Accounting Policies (continued)

(b) New accounting standards and interpretations (continued)

Reference	Title	Summary	Application Date of Standard	Impact on Group Financial report	Application Date for Group
AASB 101 (Revised) AASB 2007-8 and AASB 2007-10	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	The Group will assess the impact this may have on its Financial Statements.	1 July 2009
AASB 2008-1	Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations	The amendments clarify the definition of "vesting conditions", introducing the term "non-vesting conditions" for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied.	1 January 2009	The Group will assess the impact this may have on its Financial Statements.	1 July 2009
AASB 2008-2	Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation	The amendments provide a limited exception to the definition of a liability so as to allow an entity that issues puttable financial instruments with certain specified features, to classify those instruments as equity rather than financial liabilities.	1 January 2009	The Group does not issue puttable financial instruments. It is expected that this Standard will have no impact on its Financial Statements.	1 July 2009

Note 2. Summary of Significant Accounting Policies (continued)

(b) New accounting standards and interpretations (continued)

Reference	Title	Summary	Application Date of Standard	Impact on Group Financial report	Application Date for Group
AASB 3 (Revised)	Business Combinations	The revised Standard introduces a number of changes to the accounting for business combinations, the most significant of which includes the requirement to have to expense transaction costs and a choice (for each business combination entered into) to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.	1 July 2009	The Group will assess the impact this may have on its Financial Statements.	1 July 2009
AASB 127 (Revised)	Consolidated and Separate Financial Statements	There are a number of changes arising from the revision to AASB 12 relating to changes in ownership interest in a subsidiary without loss of control, allocation of losses of a subsidiary and accounting for the loss of control of a subsidiary. Specifically in relation to a change in the ownership interest of a subsidiary (that does not result in loss of control) – such a transaction will be accounted for as an equity transaction.	1 July 2009	The Group will assess the impact this may have on its Financial Statements.	1 July 2009

Note 2. Summary of Significant Accounting Policies (continued)

(b) New accounting standards and interpretations (continued)

Reference	Title	Summary	Application Date of Standard	Impact on Group Financial report	Application Date for Group
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	Amending Standard issued as a consequence of revisions to AASB 3 and AASB 127. Refer above.	1 July 2009	The Group will assess the impact this may have on its Financial Statements.	1 July 2009
AASB 2008-5	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated into two parts: Part 1 deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact. This was the first omnibus of amendments issued by the IASB arising from the Annual Improvements Project and it is expected that going forward, such improvements will be issued annually to remove inconsistencies and clarify wording in the standards. The AASB issued these amendments in two separate amending standards; one dealing with the accounting changes effective from 1 January 2009 and the other dealing with amendments to AASB 5, which will be applicable from 1 July 2009 (refer below AASB 2008-6).	1 January 2009	The Group will assess the impact this may have on its Financial Statements.	1 July 2009

Note 2. Summary of Significant Accounting Policies (continued)

(b) New accounting standards and interpretations (continued)

Reference	Title	Summary	Application Date of Standard	Impact on Group Financial report	Application Date for Group
AASB 2008-6	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	This was the second omnibus of amendments issued by the IASB arising from the Annual Improvements Project. Refer to AASB 2008-5 above for more details.	1 July 2009	The Group will assess the impact this may have on its Financial Statements.	1 July 2009
AASB 2008-7	Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	The main amendments of relevance to Australian entities are those made to AASB 127 deleting the “cost method” and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in or loss in an entity’s separate profit financial statements (i.e., parent company accounts). The distinction between pre- and post- acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment. AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value.	1 January 2009	The Group will assess the impact this may have on its Financial Statements.	1 July 2009

Note 2. Summary of Significant Accounting Policies (continued)

(b) New accounting standards and interpretations (continued)

Reference	Title	Summary	Application Date of Standard	Impact on Group Financial report	Application Date for Group
AASB 2008-8	Amendments to Australian Accounting Standards – Eligible Hedged Items	The amendment to AASB 139 clarifies how the principles underlying hedge accounting should be applied when (i) a one-sided risk in a hedged item is being hedged and (ii) inflation in a financial hedged item existed or was likely to exist.	1 July 2009	The Group does apply hedge accounting. It is expected that this Standard will have no impact on its Financial Statements.	1 July 2009
AASB 2009-2	Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments (AASB 4, AASB 7, AASB 1023 & AASB 1038)	The main amendment to AASB 7 requires fair value measurements to be disclosed by the source of inputs, using the following three-level hierarchy: - quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and - inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). These amendments arise from the issuance of *Improving Disclosures about Financial Instruments (Amendments to IFRS 7)* by the IASB in March 2009.	Annual reporting periods beginning on or after 1 January 2009 that end on or after 30 April 2009	The Group will assess the impact this may have on its Financial Statements.	1 July 2009

Note 2. Summary of Significant Accounting Policies (continued)

(b) New accounting standards and interpretations (continued)

Reference	Title	Summary	Application Date of Standard	Impact on Group Financial report	Application Date for Group
AASB 2009-2 (contd)		The amendments to AASB 4, AASB 1023 and AASB 1038 comprise editorial changes resulting from the amendments to AASB 7			
AASB 2009-4	Amendments to Australian Accounting Standards arising from the Annual Improvements Project (AASB 2 and AASB 138 and AASB Interpretations 9 & 16)	The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting. The main amendment of relevance to Australian entities is that made to IFRIC 16 which allows qualifying hedge instruments to be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements in AASB 139 that relate to a net investment hedge are satisfied. More hedging relationships will be eligible for hedge accounting as a result of the amendment. These amendments arise from the issuance of the IASB's *Improvements to IFRSs.* The amendments pertaining to IFRS 5, 8, IAS 1,7, 17, 36 and 39 have been issued in Australia as AASB 2009-5 (refer below).	1 July 2009	The Group will assess the impact this may have on its Financial Statements.	1 July 2009

Note 2. Summary of Significant Accounting Policies (continued)

(b) New accounting standards and interpretations (continued)

Reference	Title	Summary	Application Date of Standard	Impact on Group Financial report	Application Date for Group
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (AASB 5, 8, 101, 107, 117, 118, 136 & 139)	The amendments to some Standards result in accounting changes for presentation recognition or measurement, purposes while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting. The main amendment of relevance to Australian entities is that made to AASB 117 by removing the specific Guidance on classifying land as a lease so that only the general guidance remains. Assessing land leases based on the general criteria may result in more land leases being classified as finance leases and if so, the type of asset which is to be recorded (intangible v property, plant and equipment) needs to be determined. These amendments arise from the issuance of the IASB's *Improvements to IFRSs*. The AASB has issued the amendments to IFRS 2, IAS 38, IFRIC 9 as AASB 2009-4 (refer above).	1 January 2010	The Group will assess the impact this may have on its Financial Statements.	1 July 2010
AASB 2009-Y	Amendments to Australian Accounting Standards (AASB 5, 7, 107, 112, 136 & 139 and Interpretation 17)	These comprise editorial amendments and are expected to have no major impact on the requirements of the amended pronouncements	1 July 2009	The Group will assess the impact this may have on its Financial Statements.	1 July 2009

Note 2. Summary of Significant Accounting Policies (continued)

(b) New accounting standards and interpretations (continued)

Reference	Title	Summary	Application Date of Standard	Impact on Group Financial report	Application Date for Group
Amendments to International Financial Reporting Standards.	Amendments to IFRS 2	The amendments clarify the accounting for group cash- settled share- based payment transactions, in particular: - the scope of AASB 2; and - the interaction between IFRS 2 and other standards. An entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. A "group" has the same meaning as in IAS 27 *Consolidated and Separate Financial Statements*, that is, it includes only a parent and its subsidiaries. The amendments also incorporate guidance previously included in IFRIC 8 *Scope of IFRS 2* and IFRIC 11 *IFRS 2—Group and Treasury Share Transactions.* As a result, IFRIC 8 and IFRIC 11 have been withdrawn.	1 January 2010	The Group will assess the impact this may have on its Financial Statements.	1 July 2010

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 Energy Ltd (Company or Parent Entity) as at 30 June 2009 and the results of all subsidiaries for the 12 months then ended. Paladin Energy 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.

Transactions with minority interests are accounted for using the equity method, whereby the difference between the consideration paid/received and share of net assets acquired/disposed of is recognised as an equity transaction.

(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; mine development and intangibles

Property, plant and equipment; mine development and intangibles are tested for impairment 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; mine development and intangibles are allocated.

(iii) Available-for-sale financial assets and financial assets held for trading

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 using valuation techniques. Such techniques include using recent arm's length market transactions, net asset values and 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.

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) Rehabilitation provision

The value of this provision represents the discounted value of the present obligation to rehabilitate 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.

(viii) 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 29.

(ix) 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.

(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 (US dollars), which is the Company's functional and presentation currency from 1 December 2006. Prior to this date the functional and presentation currency was Australian dollars. In December 2006 there were several factors which produced a change in functional currency for the majority of the Group to US dollars. These included completion of construction and commissioning at the LHUP, issue of US$250M 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 the Company and the majority of the Group changed on 1 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 Group's financial position and financial performance.

(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. Translation differences on available-for-sale financial assets are included in the available-for-sale reserve.

Note 2. Summary of Significant Accounting Policies (continued)

(f) Foreign currency translation (continued)

(iii) Group companies

Some Group entities have a functional currency of US dollars which is consistent with the presentation currency of this financial report. For all other group entities the functional currency has been translated into US 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.

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 an Australian dollar functional currency:

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

(g) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of 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 title of the product passes from 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 US Treasury Bonds 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 database 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 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.

Note 2. Summary of Significant Accounting Policies (continued)

(h) Income tax (continued)

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.

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. Deferred tax assets and liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Paladin and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian tax law. The head entity, Paladin 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 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.

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.

(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.

Collectability 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. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment.

(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 at time of sale 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.

Inventory held for trading by Paladin Nuclear Ltd, the Group's marketing entity, is valued at net realisable value, which utilises a blend of spot and long-term prices.

(o) Investments and other financial assets

The Group classifies its investments in the following categories: loans and receivables, held-to-maturity investments, available for sale financial assets and financial assets held for trading. 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.

(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. Loans and receivables are carried at amortised cost using the effective interest method.

Note 2. Summary of Significant Accounting Policies (continued)

(o) Investments and other financial assets (continued)

(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. Held-to-maturity investments are carried at amortised cost using the effective interest method.

(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 which is 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 de-recognised 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. Unrealised gains and loss which arise 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.

(iv) Financial Assets Held for Trading

Financial assets are classified as held for trading if they are derivative instruments or acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognised in the Income Statement.

Fair value of Financial Instruments

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.

Impairment of Financial Instruments

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 which is 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 assets

The Group has interests in joint ventures that are jointly controlled assets. 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 asset 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 assets 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 assets.

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. 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 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.

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

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) Mine development

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.

Overburden cost is capitalised and depreciated over the expected useful life of the relevant pit. Stripping costs are recognised as a production cost as incurred.

Note 2. Summary of Significant Accounting Policies (continued)

(t) Exploration and evaluation expenditure

Exploration and evaluation expenditure is charged against earnings as incurred and included as part of cash flows from investing activities.

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.

(u) 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 are 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.

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.

Note 2. Summary of Significant Accounting Policies (continued)

(u) Intangibles (continued)

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.

Kayelekera Mining Lease

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.

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.

(v) Trade and other payables

Trade payables and other payables are carried at amortised cost 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.

(w) 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 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.

(x) 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.

(y) 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 as a current liability 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.

Note 2. Summary of Significant Accounting Policies (continued)

(y) Employee benefits (continued)

(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.

(iii) Share-based payments

Share-based compensation benefits were provided to employees via the Paladin Employee Share Incentive Option Plan (ESOP). Following the implementation of the Paladin Executive Share option Plan (EXSOP) detailed in Note 29, 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 tradeable 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 Monte Carlo method is used to model the future value of the Company's shares and the movement of the comparator companies' Total Shareholder Return on the various vesting dates associated with vesting requirements of the options.

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.

The Group measures the cost of equity-settled transactions with other parties by reference to the fair value of the goods or services received. Where the fair value of the goods or services cannot be reliably determined, or where the goods or services cannot be identified, the Group measures the cost of the transaction by reference to the fair value of the equity instruments granted.

(z) 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.

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 assessment 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. The rehabilitation costs, provided for are the present value of the estimated costs to restore operating locations. The value of the provision represents the discounted value of the current estimate to restore and the discount rate used is the pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability.

Note 2. Summary of Significant Accounting Policies (continued)

(aa) 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.

(ab) 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.

(ac) 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.

(ad) Investments in associates

The Group's investment in its associates is accounted for using the equity method of accounting in the Consolidated Financial Statements and at cost in the parent. The associates are entities over which the Group has significant influence and that are neither subsidiaries nor joint ventures.

The Group generally deems they have significant influence if they have over 20% of the voting rights. Under the equity method, investments in the associates are carried in the Consolidated Balance Sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in associates.

The Group's share of its associates' post-acquisition profits or losses is recognised in the Income Statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's Income Statement, while in the Consolidated Financial Statements they reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If an associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments shall be made to conform the associate's accounting policies to those of the Group.

Note 3. 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 Group operates in Australia, Namibia and Malawi. The principal activity in these locations is the exploration, evaluation, development, construction and operation of uranium projects.

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, liability and cash flow information regarding geographical segments for the years ended 30 June 2009 and 30 June 2008.

Year Ended 30 June 2009	Australia US$M	Namibia US$M	Malawi US$M	Consolidated US$M
Sales to external customers	-	111.8	-	111.8
Other revenue	0.3	-	-	0.3
Total segment revenue	0.3	111.8	-	112.1
Unallocated revenue				2.7
Total consolidated revenue				114.8
(Loss)/Profit before income tax and finance costs	(810.3)	39.6	(11.2)	(781.9)
Finance costs				(30.5)
Share of loss of associate				(1.0)
Loss from continuing operations before income tax benefit/(expense)	(813.4)			
Income tax benefit/(expense)	246.1	(7.7)	(1.4)	237.0
Loss from continuing operations after income tax benefit				(576.4)
Segment assets/total assets	799.4	301.8	362.3	1,463.5
Segment liabilities/total liabilities	737.4	37.2	57.7	832.3
Acquisitions of non current assets	14.5	75.7	222.8	313.0
Cash flow information:				
Net cash (outflow)/inflow from operating activities	(29.0)	26.9	(5.8)	(7.9)
Net cash outflow from investing activities	(23.3)	(60.5)	(174.1)	(257.9)
Net cash outflow from financing activities	(6.1)	-	(0.6)	(6.7)
Non cash expenses:				
Depreciation and amortisation	0.6	8.8	0.4	9.8
Impairment of available-for-sale assets	26.0	-	-	26.0
Impairment of inventory	3.7	-	-	3.7
Impairment of exploration and evaluation	753.8	-	-	753.8
Share-based payments	8.7	1.3#	6.6	16.6
Borrowing costs	14.7	2.2	-	16.9

Recognised in cost of goods sold.

Note 3. Segment Information (continued)

Geographical segments - primary reporting (continued)

Year Ended 30 June 2008	Australia US$M	Namibia US$M	Malawi US$M	Consolidated US$M
Sales to external customers	-	93.8	-	93.8
Other revenue	1.2	-	-	1.2
Total segment revenue	1.2	93.8	-	95.0
Unallocated revenue				6.9
Total consolidated revenue				101.9
(Loss)/Profit before income tax and finance costs	(28.8)	17.4	(1.9)	(13.3)
Finance costs				(30.7)
Share of loss of associate				(0.2)
Loss from continuing operations before income tax benefit				(44.2)
Income tax benefit	4.4	1.2	1.4	7.0
Loss from continuing operations after income tax benefit				(37.2)
Segment assets/total assets	2,232.0	220.7	110.4	2,563.1
Segment liabilities/total liabilities	1,106.2	12.0	15.6	1,133.8
Acquisitions of non current assets	21.0	14.0	94.4	129.4
Cash flow information				
Net cash (outflow)/inflow from operating activities	(29.8)	12.3	(0.9)	(18.4)
Net cash outflow from investing activities	(56.8)	(13.5)	(80.6)	(150.9)
Net cash inflow/(outflow) from financing activities	325.4	-	(1.4)	324.0
Non cash expenses:				
Depreciation and amortisation	0.7	10.0	0.2	10.9
Inventory impairment reversal	-	(2.0)	-	(2.0)
Sales contract impairment provision	-	2.9	-	2.9
Share-based payments	8.9	1.2#	0.5	10.6
Borrowing costs	11.8	0.5	-	12.3

Recognised in cost of goods sold.

Note 4. Revenues and Expenses

		Consolidated		Parent Entity	
		2009 US$M	2008 US$M	2009 US$M	2008 US$M
(a)	**Revenue**				
	Sale of uranium	111.8	93.8	-	-
	Interest income from non-related parties	2.7	6.9	2.0	5.8
	Interest income from wholly owned Group	-	-	9.1	3.3
	Database licence revenue	0.2	0.2	-	-
	Other revenue	0.1	1.0	-	2.1
	Total revenue	114.8	101.9	11.1	11.2
(b)	**Other income**				
	Foreign exchange gain (net)	1.1	-	1.9	-
	Total other income	1.1	-	1.9	-
(c)	**Other expenses**				
	Corporate and marketing costs	(12.9)	(11.5)	(5.9)	(8.6)
	Employee benefits expense	(6.3)	(5.6)	(4.0)	(5.3)
	Share-based payments expense	(15.3)	(10.6)	(7.7)	(8.9)
	Minimum lease payments – operating lease	(0.2)	(0.1)	(0.1)	(0.1)
	Write down of intercompany receivables	-	-	(11.0)	(4.8)
	Write down of intercompany investments	-	-	(453.1)	(0.1)
	Sales contracts expense	-	(2.9)	-	-
	Impairment of inventory	(3.7)	-	-	-
	Movement in financial assets held for trading	(0.1)	-	-	-
	Foreign exchange loss (net)	-	(3.7)	-	(0.1)
	Depreciation – property, plant and equipment	(1.0)	(0.9)	(0.6)	(0.6)
	Loss on sale of property, plant and equipment	-	(0.4)	-	-
	Total other expenses	(39.5)	(35.7)	(482.4)	(28.5)
(d)	**Finance costs**				
	Interest expense	(13.6)	(18.4)	(5.7)	(16.3)
	Accretion relating to convertible bonds (non-cash)	(11.1)	(8.6)	(11.1)	(8.6)
	Mine closure provision discount interest expense	(1.0)	(0.5)	-	-
	Facility costs	(4.8)	(3.2)	(3.6)	(2.2)
	Total finance costs	(30.5)	(30.7)	(20.4)	(27.1)

Note 5. Income Tax

		Consolidated		Parent Entity	
		2009 US$M	2008 US$M	2009 US$M	2008 US$M
(a)	**Income tax benefit**				
	Current income tax				
	Current income tax credit	(82.5)	(42.5)	(12.1)	(8.2)
	Deferred income tax				
	Related to the origination and reversal of temporary differences	(159.7)	-	(4.2)	-
	Tax benefits not brought to account as future income tax benefits	24.6	40.0	-	5.6
	Adjustments relating to prior period	15.1	-	(1.6)	-
	Foreign exchange movement	(34.5)	(4.5)	-	-
	Income tax benefit reported in the Income Statement	(237.0)	(7.0)	(17.9)	(2.6)
(b)	**Amounts charged or credited directly to equity**				
	Deferred income tax related to items charged or credited directly to equity:				
	Unrealised foreign exchange on translation of investments	(6.3)	-	-	-
	Unrealised loss on available for sale investments	12.2	-	10.3	-
	Income tax expense reported in equity	5.9	-	10.3	-
(c)	**Numerical reconciliation of income tax benefit to prima facie tax payable**				
	Loss from continuing operations before income tax expense	(813.4)	(44.2)	(515.7)	(44.4)
	Tax at the Australian tax rate of 30% (2008 – 30%)	(244.0)	(13.3)	(154.7)	(13.3)
	Tax effect of amounts which are not deductible/ (taxable) in calculating taxable income:				
	Share-based payments	4.6	2.7	2.3	2.7
	Other expenditure not allowable	15.2	-	-	-
	Specific tax expenditure allowable	(0.2)	(0.4)	(3.2)	(0.4)
		(224.4)	(11.0)	(155.6)	(11.0)
	Difference in overseas tax rates	2.1	0.5	-	-
	Prior year tax benefits not recognised now recouped	(4.8)	(2.4)	-	0.2
	Current year tax benefits not recognised	24.6	10.4	137.7	8.2
	Foreign exchange movement	(34.5)	(4.5)	-	-
	Income tax benefit reported in the Income Statement	(237.0)	(7.0)	(17.9)	(2.6)

Note 5. Income Tax (continued)

	Consolidated		Parent Entity	
	2009 US$M	2008 US$M	2009 US$M	2008 US$M
(d) Deferred income tax				
Deferred tax liabilities				
Accelerated prepayment deduction for tax purposes	(0.1)	(0.3)	-	-
Accelerated stores and consumables deduction for tax purposes	(2.7)	(0.2)	-	-
Revaluations of available-for-sale investments to fair value	(6.1)	-	(1.8)	2.1
Foreign currency differences on available-for-sale investments	-	(1.0)	-	-
Accelerated deduction for debt establishment and interest costs	-	(0.3)	-	-
Accelerated depreciation for tax purposes	(115.3)	(56.4)	-	
Exploration expenditure	(8.6)	(6.5)	(0.5)	-
Recognition of fair value of acquired exploration and evaluation expenditure	(425.8)	(425.8)	-	-
Impairment of acquired exploration	226.1	-	-	-
Foreign currency differences on fair value of acquired exploration and evaluation expenditure	69.7	(53.2)	-	-
Delayed revenue recognition for tax purposes	(15.6)	-	(15.6)	-
Foreign currency balances	(3.9)	-	-	-
Interest receivable	-	-	(6.5)	-
Recognition of convertible bond for accounting purposes	(7.9)	(12.9)	-	(12.9)
Gross deferred tax liabilities	(290.2)	(556.6)	(24.4)	(10.8)
Set off of deferred tax assets	153.7	57.3	24.4	-
Net deferred tax liabilities	(136.5)	(499.3)	-	(10.8)
Deferred tax assets				
Revenue losses available for offset against future taxable income	191.5	95.3	27.3	16.4
Equity raising costs	1.4	0.5	0.6	0.5
Provision for audit services	-	0.1	-	0.1
Provisions for employee benefits	0.4	0.4	0.4	0.4
Provisions for write-down of intercompany receivables	-	-	-	9.2
Provision for mine rehabilitation	-	0.1	-	-
Provision for write-down of intercompany investments	-	-	139.2	0.4
Foreign currency balances	-	6.5	-	-
Exploration	3.1	-	-	-
Interest Payable	1.6	-	1.6	-
Inventory	1.1	-	-	-
Other	2.5	-	-	-
Gross deferred tax assets	201.6	102.9	169.1	27.0
Set off against deferred tax liabilities	(153.7)	(57.3)	(24.4)	-
Deferred tax assets not recognised as probable	(44.0)	(32.6)	(144.7)	(27.0)
Net deferred tax assets recognised	3.9	13.0	-	-

Note 5. Income Tax (continued)

(d) Deferred income tax (continued)

The net deferred tax assets recognised are attributable to LHUPL, a Namibian company that owns LHM. 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 losses suffered in the current and preceding periods. The recognition of the net deferred tax assets is supported by the production ramp-up at LHM.

(e) Tax losses

	Consolidated		Parent Entity	
	2009 US$M	2008 US$M	2009 US$M	2008 US$M
Australian unused tax losses for which no deferred tax asset has been recognised	54.2	105.6	27.9	54.9
Namibian unused tax losses for which no deferred tax asset has been recognised	-	-	-	-
Malawian unused tax losses for which no deferred tax asset has been recognised	82.1	-	-	-
Total unused tax losses for which no deferred tax asset has been recognised	136.3	105.6	27.9	54.9
Potential tax benefit at tax rates between 27.5% - 37.5%	38.9	31.7	8.4	16.5

This benefit for tax losses will only be obtained if:

(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.

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

Paladin and its 100% owned Australian resident subsidiaries formed a tax consolidated group (the Group) with effect from 1 July 2003. Paladin 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 and losses.

Note 6. Cash And Cash Equivalents

	Consolidated		Parent Entity	
	2009 US$M	2008 US$M	2009 US$M	2008 US$M
Cash at bank and in hand	18.8	15.5	3.1	1.4
Short-term bank deposits	47.4	72.4	13.7	66.3
US$ treasury bonds	-	249.7	-	249.7
Total cash and cash equivalents	66.2	337.6	16.8	317.4

Total cash and cash equivalents includes US$7.7M restricted to social responsibility projects in Malawi (refer to Note 16(b)(iii)) and US$7.8M in a debt service reserve account in respect of the LHM project finance facility (refer to Note 19).

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.

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

	Consolidated 2009 US$M	Consolidated 2008 US$M	Parent Entity 2009 US$M	Parent Entity 2008 US$M
Net loss	(576.4)	(37.2)	(497.8)	(41.8)
Adjustments for				
Depreciation and amortisation	9.8	10.9	0.6	0.6
Exploration expenditure	12.2	13.1	-	-
Provision for non-recovery of intercompany loan	-	-	11.0	4.8
Provision for non-recovery of intercompany investments	-	-	453.1	0.1
Loss recognised on re-measurement to fair value	1.1	-	-	-
Loss on disposal of property, plant and equipment	-	0.4	-	-
Database licence revenue	(0.2)	(0.2)	-	-
Net exchange differences	(1.1)	3.7	(1.9)	0.1
Share-based payments	15.3	10.6	7.7	8.9
Non-cash financing costs	16.9	12.3	14.7	10.8
Inventory impairment	3.7	-	-	-
Available for sale investment impairment	26.0	-	25.9	-
Exploration impairment	753.8	-	-	-
Interest capitalised as property, plant and equipment	(17.9)	(3.9)	-	-
Changes in assets and liabilities				
Increase in prepayments	(1.5)	(0.8)	-	-
Decrease/(increase) in trade and other receivables	9.0	(26.0)	(30.8)	(0.4)
Increase in trade and other payables	18.4	5.1	1.1	4.5
Increase/(decrease) in provisions	0.6	(6.7)	0.2	0.5
(Increase)/decrease in inventories	(40.6)	7.3	-	-
Decrease in deferred tax liabilities	(246.1)	(4.4)	(17.9)	(2.6)
Decrease/(increase) in deferred tax assets	9.1	(2.6)	-	-
Net cash flows used in operating activities	(7.9)	(18.4)	(34.1)	(14.5)

(b) Disclosure of financing facilities - Refer to Note 19.

Note 7. Trade And Other Receivables

	Note	Consolidated 2009 US$M	Consolidated 2008 US$M	Parent Entity 2009 US$M	Parent Entity 2008 US$M
Current					
Trade receivables	(a)	13.2	28.7	-	-
Less provision for doubtful debts	-	-	-	-	
Net trade receivables		13.2	28.7	-	-
Interest receivable		-	0.1	-	-
Prepayments		2.7	1.1	0.1	0.1
GST and VAT	(b)	11.1	5.0	0.2	0.3
Sundry debtors	(c)	2.0	5.1	1.0	9.0
Total current receivables		29.0	40.0	1.3	9.4

(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. No expense has been recognised for the current year or the previous year for specific debtors for which such evidence exists.

(b) GST and VAT debtor relates to Australia, Namibia and Malawi. Interest is not normally charged and collateral is not normally obtained.

(c) Sundry debtors include an A$0.1M (US$0.1M) (2008: A$3.1M/US$3.0M) debtor due from the sale of non-uranium properties and Georgina Basin Project held by Summit. Interest is not normally charged and collateral is not normally obtained. Sundry debtors include amounts receivable by the Company from subsidiaries of US$0.9M (2008: US$9.0M).

	Note	Consolidated 2009 US$M	Consolidated 2008 US$M	Parent Entity 2009 US$M	Parent Entity 2008 US$M
Non Current					
Unsecured loans to wholly owned Group	(d)	-	-	539.8	249.2
Less provision for non-recovery		-	-	(41.6)	(30.6)
Net unsecured loans to the wholly owned Group		-	-	498.2	218.6
Sundry debtors	(e)	2.2	-	-	-
Total non current receivables		2.2	-	498.2	218.6

(d) Of the unsecured loans to the wholly owned Group, the Company charges interest only on the loan to Paladin Finance Pty Ltd. The interest rate payable is the one month US$ LIBOR plus 2% (2008: one month US$ LIBOR plus 2%). In the year ending 30 June 2009 the average rate charged was 3.53% (2008: 6.19%) and disclosure of interest revenue earned is set out in Note 4(a).

The other unsecured loans are repayable on demand however the Company, for the foreseeable future, has no intention of demanding repayment until the subsidiary has the capacity to repay.

(e) Sundry debtors include an A$2.8M (US$2.2M) (2008: ANil/USNil) debtor due from the sale of non-uranium properties and Georgina Basin Project held by Summit . Interest is not normally charged and collateral is not normally obtained.

Note 8. Inventories

	Note	Consolidated 2009 US$M	Consolidated 2008 US$M	Parent Entity 2009 US$M	Parent Entity 2008 US$M
Current					
Stores and spares (at cost)		12.8	3.9	-	-
Stockpiles (at cost)		2.3	13.4	-	-
Work-in-progress (at cost)		4.0	5.6	-	-
Finished goods (at cost)		38.6	14.2	-	-
Third party uranium purchased:					
Finished goods (at cost)		-	31.8	-	-
Finished goods (at net realisable value)	(b)	28.1	-	-	-
Total current inventories at the lower of cost and net realisable value		85.8	68.9	-	-

(a) **Inventory expense**

Inventories sold recognised as an expense for the year ended 30 June 2009 totalled US$66.4M (2008: US$66.4M) for the Group and US$Nil (2008:US$Nil) for the Company. Impairment of inventories included in the cost of sales for the Consolidated Entity is US$Nil (2008:US$Nil).

(b) **Inventory expense**

During the September quarter, the uranium held by Paladin Nuclear Ltd, the Company's recently-established marketing entity, was reduced to net realisable value resulting in an impairment loss of US$3.7M for the year.

	Note	Consolidated 2009 US$M	Consolidated 2008 US$M	Parent Entity 2009 US$M	Parent Entity 2008 US$M
Non Current					
Stockpiles (at cost)	(c)	24.9	-	-	-
Total non current inventories at the lower of cost and net realisable value		24.9	-	-	-

(c) Stockpiles at LHM that are unlikely to be processed within 12 months of the Balance Sheet date.

Note 9. Investments Held For Trading

	Consolidated 2009 US$M	Consolidated 2008 US$M	Parent Entity 2009 US$M	Parent Entity 2008 US$M
Current				
At fair value:				
Options – unlisted	1.0	1.4	-	-
	1.0	1.4	-	-

The Consolidated Entity has an investment in MM Mining Plc (MMM), an unlisted public UK company that explores for base metals. At 30 June 2009 the Consolidated Entity holds 20M (2008:20M) warrants. Each warrant entitles it to acquire one fully paid ordinary share in MMM at an exercise price of 15 GB pence on or before 31 December 2012.

As MMM is unlisted the options have been valued using the Black and Scholes option pricing methodology using the most recent market transaction to determine the appropriate underlying value.

Note 10. Other Financial Assets

	Notes	Consolidated 2009 US$M	Consolidated 2008 US$M	Parent Entity 2009 US$M	Parent Entity 2008 US$M
Non Current					
Investments in controlled entities	(a)	-	-	1,018.8	994.4
Less provision for non-recovery		-	-	(454.4)	(1.3)
Net investment in controlled entities		-	-	564.4	993.1
Available-for-sale financial assets	(b)	69.2	41.7	47.7	26.6
Total non current other financial assets		69.2	41.7	612.1	1,019.7

(a) Investments in material controlled entities

Name	Country of Incorporation Investment	Percentage Interest Held 2009 %	Percentage Interest Held 2008 %	Cost Of Parent Entity's Interest 2009 US$M	Cost Of Parent Entity's Interest 2008 US$M
Paladin Finance Pty Ltd (i)(ii)	Australia	100	100	37.2	37.2
Paladin Energy Minerals NL (i)	Australia	100	100	-	-
Eden Creek Pty Ltd (i)(ii)	Australia	100	100	1.3	1.3
Paladin (Africa) Ltd (iii)	Malawi	85	100	-	-
Kayelekera Holdings SA	Switzerland	100	100	-	-
Kayelekera Finance BV	Netherlands	100	100	-	-
Langer Heinrich Uranium (Pty) Ltd	Namibia	100	100	-	-
Valhalla Uranium Ltd (i)	Australia	100	100	153.2	153.2
Northern Territory Uranium Pty Ltd (ii)(iv)	Australia	100	100	-	-
Mount Isa Uranium Pty Ltd (ii)(iv)	Australia	100	100	-	-
Paladin Nuclear Ltd (i)	Australia	100	100	-	-
Summit Resources Ltd (i)	Australia	82	81.9	811.3	802.7
Summit Resources (Aust) Pty Ltd (ii)(v)	Australia	82	81.9	-	-
Pacific Mines Ltd (vi)	Australia	82	81.9	-	-
Fusion Resources Pty Ltd (i)(vii)	Australia	100	-	15.8	-
Total investments in controlled entities				1,018.8	994.4
Less provision for non-recovery of investments				(454.4)	(1.3)
Net investments in controlled entities				564.4	993.1

All investments comprise ordinary shares and all shares held are unquoted, with the exception of Summit's shares which are quoted on the Australian Securities Exchange.

(i) Held by Paladin Energy Ltd
(ii) These entities are not required to prepare or lodge audited accounts
(iii) Held by Paladin Energy Minerals NL. The conditions precedent and issue of the 15% interest in Paladin (Africa) Ltd to the Government of Malawi were met on 25 June 2009 and 3 July 2009 respectively.
(iv) Held by Valhalla Uranium Ltd
(v) Held by Summit Resources Ltd
(vi) Held by Summit Resources (Aust) Pty Ltd
(vii) Acquired on 1 April 2009 with the eventual issue of 8,135,433 Paladin shares plus US$0.4M in transaction costs

Note 10. Other Financial Assets (continued)

Acquisition Disclosure

	Consolidated 2009 US$M	Consolidated 2008 US$M	Parent Entity 2009 US$M	Parent Entity 2008 US$M
Inflow of cash on acquisition of controlled entities				
Cash balances acquired	9.2	-	-	-
Less: Cash consideration	(0.4)	-	-	-
Net inflow of cash	8.8	-	-	-

(b) Available-for-sale financial assets

The Consolidated Entity has an investment in DYL and at 30 June 2009 held 220,258,461 (2008: 159,058,461) fully paid ordinary shares and nil unlisted securities (2008: 12,500,000 unlisted securities exercisable at 8.1 Australian cents on or before 31 July 2008).

The holding of these fully paid ordinary shares represents a 19.61% interest at 30 June 2009 (2008: 14.34% interest) of the ordinary shares of DYL, a uranium explorer listed on ASX. The market value of the shares and unlisted securities in DYL at 30 June 2009 is A$73.8M (US$59.4M) (2008: A$42.7M / US$41.1M) based on a share price of 33.5 Australian cents per share (2008: 25.5 Australian cents).

The Consolidated Entity has an investment in NGM and at 30 June 2009 held 24,280,000 (2008: Nil) fully paid ordinary shares.

The holding of these fully paid ordinary shares represents 16.72% interest at 30 June 2009 (2008: Nil) of the ordinary shares of NGM, a uranium explorer listed on ASX. The market value of the shares and unlisted securities in NGM at 30 June 2009 is A$5.5M (US$4.4M) based on a share price of 22.5 Australian cents per share.

The Consolidated Entity also holds minor investments in other companies, including MMM (Refer to Note 11).

Note 11. Investment In Associate

	Consolidated 2009 US$M	Consolidated 2008 US$M	Parent Entity 2009 US$M	Parent Entity 2008 US$M
(a) Investment details				
Unlisted:				
MM Mining Plc – ownership 19% (2008 : 35%)	-	2.6	-	-
Investment in associate	-	2.6	-	-

The Group, through Summit, has an investment in MMM, an unlisted UK company that explores base metals. At 30 June 2009 it holds 20M (2008:20M) fully paid ordinary shares. This is in addition to the warrants held as disclosed in Note 9. During the year ended 30 June 2009 MMM ceased to be an associate of the Group and at the date it ceased to be an associate it was categorised as an Available-for-Sale Financial Asset (Refer to Note 10 (b)).

Note 11. Investment In Associate (continued)

		Consolidated		Parent Entity	
		2009	2008	2009	2008
		US$M	US$M	US$M	US$M
(b)	Movements in the carrying amount of the Group's investment in associate				
	MM Mining Plc:				
	At 1 July	2.6	-	-	-
	Investment in associate	-	2.8	-	-
	Transferred to available-for-sale financial assets	(1.7)	-	-	-
	Loss on deemed disposal	(0.1)	-	-	-
	Share of losses after income tax	(0.8)	(0.2)	-	-
	At 30 June	-	2.6	-	-
(c)	Summarised financial information				
	The following table illustrates summarised financial information relating to the Group's associate.				
	Extract from the associate's balance sheet:				
	Current assets	-	0.3	-	-
	Non current assets	-	10.8	-	-
		-	11.1	-	-
	Current liabilities	-	(3.5)	-	-
	Non current liabilities	-	-	-	-
		-	(3.5)	-	-
	Net assets	-	7.6	-	-
	Share of associate's net assets	-	2.6	-	-
	Extract from the associate's income statement				
	Revenue	-	-	-	-
	Net loss	3.3	0.6	-	-

Note 12. Deferred Borrowing Costs

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	US$M	US$M	US$M	US$M
Non Current				
Deferred borrowing costs	8.2	1.7	-	-

Deferred borrowing costs represent the initial capitalised costs of establishing project finance for KM.

Note 13. Property, Plant And Equipment

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	US$M	US$M	US$M	US$M
Plant and equipment – at cost	169.4	126.7	19.5	18.9
Less provision for depreciation	(22.4)	(11.4)	(2.5)	(1.1)
Total plant and equipment	147.0	115.3	17.0	17.8
Land and buildings - at cost	6.4	5.3	-	-
Less provision for depreciation	(0.6)	(0.2)	-	-
Total land and buildings	5.8	5.1	-	-
Construction work in progress – at cost	305.0	109.1	-	-
Total property, plant and equipment	457.8	229.5	17.0	17.8

Property, plant and equipment pledged as security for liabilities

Refer to Note 19 for information on property, plant and equipment pledged as security.

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	Land and Building	Construction Work in Progress
	US$M	US$M	US$M	US$M
Consolidated – 2009				
Carrying amount at start of year	229.5	115.3	5.1	109.1
Additions [1]	241.7	44.4	1.4	195.9
Depreciation and amortisation expense	(12.8)	(12.5)	(0.3)	-
Foreign currency translation	(0.6)	(0.2)	(0.4)	-
Carrying amount at end of year	457.8	147.0	5.8	305.0
Parent Entity - 2009				
Carrying amount at start of year	17.8	17.8	-	-
Additions	0.6	0.6	-	-
Depreciation and amortisation expense	(1.4)	(1.4)	-	-
Carrying amount at end of year	17.0	17.0	-	-

[1] Includes US$17.9M of capitalised interest.

Note 13. Property, Plant And Equipment (continued)

	Total	Plant and Equipment	Land and Building	Construction Work in Progress
	US$M	US$M	US$M	US$M
Consolidated – 2008				
Carrying amount at start of year	133.1	121.8	3.2	8.1
Additions (1)	106.8	3.9	1.9	101.0
Depreciation and amortisation expense	(8.4)	(8.2)	(0.2)	-
Disposals	(2.3)	(2.3)	-	-
Foreign currency translation	0.3	0.1	0.2	-
Carrying amount at end of year	229.5	115.3	5.1	109.1
Parent Entity - 2008				
Carrying amount at start of year	17.3	17.3	-	-
Additions	1.1	1.1	-	-
Depreciation and amortisation expense	(0.6)	(0.6)	-	-
Carrying amount at end of year	17.8	17.8	-	-

Capital Work in Progress includes US$3.8M of capitalised interest.

Note 14. Mine Development

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	US$M	US$M	US$M	US$M
Mine development	57.4	13.8	-	-
Less provision for depreciation	(3.2)	(1.6)	-	-
Total mine development	54.2	12.2	-	-
Carrying amount at start of year	12.2	2.0	-	-
Additions	43.4	4.8	-	-
Depreciation and amortisation expense	(1.6)	(1.5)	-	-
Reallocation from exploration	0.2	6.9	-	-
Carrying amount at end of year	54.2	12.2	-	-

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

Note 14. Mine Development (continued)

Langer Heinrich Mine (Namibia) - Paladin 100%

LHM consists of one mining licence - ML 140 - covering 4,375 hectares in the Namib Naukluft Desert 180km west of Windhoek, the capital of Namibia, and 80km 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 out prospecting operations. The project was purchased from Acclaim Uranium NL (now Aztec Resources Ltd) in August 2002. LHM is owned through a wholly owned Namibian entity, LHUPL.

Construction of the processing plant was commenced in late 2005 with staged commissioning being completed in December 2006. Following an extended ramp-up phase the plant and mine achieved nameplate production in 2007. Work has now been completed on the Stage II plant upgrade and ramp-up is underway with planning in progress for a further Stage III upgrade.

LHUPL also holds an exclusive prospecting licence, EPL 3500, covering 30 km^2 to the west of the mining licence.

Kayelekera Mine (Malawi) - Paladin 100%

KM consists of one mining licence - ML 152 - covering 5,550 hectares in northern Malawi 650km north of Lilongwe, the capital of Malawi, and 52km west of the provincial town of Karonga on the shore of Lake Malawi. The licence was granted on 2 April 2007 for a 15 year term expiring on 1 April 2022. Rights conferred by the licence include the exclusive right to mine and sell uranium and associated minerals. The Consolidated Entity acquired its interest in the Kayelekera project in February 1998 when it entered into a joint venture with Balmain Resources Pty Ltd, a private 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. Paladin's interest in KM is held through a Malawian entity, PAL, in which the Government of Malawi has a 15% interest.

A Development Agreement has been entered into between the Government of Malawi and PAL in which Paladin received certain taxation and royalty concessions and in return the Government of Malawi received a 15% interest in PAL. Subsequent to the Development Agreement and the acceptance of the project's Environmental Impact Assessment the Government of Malawi granted the mining licence covering the project area to PAL. Construction of the plant was commenced in 2007 and the mine was officially opened in April 2009. It is currently in ramp-up phase.

PAL also holds four exclusive prospecting licences in northern Malawi covering 1,298km^2 surrounding and to the south of the KM mining licence and these are being actively explored.

Note 15. Exploration and Evaluation Expenditure

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

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, 1,100km north of Perth, the State capital and 90km 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$0.75M is payable to AFMEX when all development approvals have been obtained. Royalties of 2.5% for the first 2,000t of uranium oxide and 1.5% for the following 2,000t 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. Following the lifting of the ban on uranium mining in Western Australia in late 2008 exploration planning has been undertaken with the intention of expediting a drilling programme.

Note 15. Exploration and Evaluation Expenditure (continued)

Oobagooma Uranium Project (Australia) - Paladin 100%

The Oobagooma Uranium Project consists of four applications for exploration licences covering 452km^2 in the West Kimberley region of northern Western Australia, 1,900km north-north-east of Perth, the State capital and 70km 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$0.75M 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. Following the change of government in Western Australia in late 2008 the granting of the lease applications is being actively pursued with both the Federal and State governments.

Valhalla North Uranium Project (Australia) - Paladin 100%

The Valhalla North Uranium Project consists of three granted exploration permits - EPM12572, EPM15677 and EPM16006 - covering 622km^2 to the north of Mount Isa in north-western Queensland. The Consolidated Entity acquired the Valhalla North Uranium Project following the successful takeover of Fusion in February 2009. EPM 12572 was granted on 11 January 2006, EPM15677 was granted on 8 November 2007 and EPM 16006 was granted on 26 March 2008, each for a period of five years with the potential to be renewed for further five year periods. The area was investigated during the 1950's and resulted in the discovery of the Duke and Batman deposits, with limited mining of surface high grade mineralisation being undertaken with subsequent treatment at the Mary Kathleen mine. During the 1970's the area was explored by both Queensland Mines Limited and Agip Australia Pty Ltd. Prior to the completion of the takeover, Fusion announced Mineral Resources conforming to the JORC guidelines on two deposits, Duke Batman and Honeypot. Limited exploration activities have been undertaken to date however this is expected to change following drill planning and ground geophysical surveys conducted recently.

Bigrlyi Uranium Project (Australia) - Paladin 42.06%

The Bigrlyi Uranium Project lies in the Northern Territory of Australia approximately 320km north-west of Alice Springs and is comprised of ten exploration retention licences (ERLs 46-55) covering 1,214 hectares. These tenements were originally granted in 1983 and have been subject to five yearly renewals since 1988. The project is now a joint venture between Energy Metals Limited 53.74%, Southern Cross Exploration NL 4.20% and Northern Territory Uranium Pty Ltd 42.06% (100% owned by Paladin) with Energy Metals Limited being operator and manager.

The Bigrlyi uranium deposit was originally discovered by Agip Australia Pty Ltd in the mid 1970's before being transferred to Central Pacific Minerals NL in the early 1980's. Ore Reserve 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 is ongoing at the project and an Initial Scoping Study was released in November 2007 and an Updated Scoping Study released in July 2008. Metallurgical and environmental studies are ongoing with further resource definition drilling expected to be undertaken in 2009.

Isa Uranium Joint Venture (Australia) - Paladin 90.9%

The IUJV in Northern Queensland is a 50:50 joint venture between SRA (Paladin 81.9% effective ownership) and MIU (Paladin 100% ownership) with SRA being the operator and manager. The IUJV covers two defined blocks of land totalling 27km^2 containing the Valhalla and Skal uranium deposits. Paladin's effective equity in the IUJV was increased from 50% to 90.9% following the acquisition of 81.9% of Summit in 2007.

Note 15. Exploration and Evaluation Expenditure (continued)

Valhalla Uranium Deposit (Australia) - Paladin 81.9%

The Valhalla Uranium Deposit is situated on Exploration Permit for Minerals 9221 (EPM 9221) and is located approximately 40km north of Mount Isa and straddles the Barkly Highway. EPM 9221 was originally granted to SRA in 1993 with the ground had previously been worked on by Mount Isa Mines Limited and Queensland Mines Limited from the mid 1950's to the early 1970's. Queensland Mines Limited, in particular, conducted extensive exploration over the Valhalla ground between 1968 and 1972 including the estimation of resources and reserves. Queensland Mines Limited allowed the tenement to lapse in 1991 and the ground was subsequently acquired by SRA in 1992. During 2008 resource definition drilling was commenced to enable completion of a detailed scoping study. As a result of the scoping study additional resource drilling was undertaken in 2009 with the intention of re-estimating the current resource. Geotechnical and metallurgical studies are ongoing.

Skal Uranium Deposit (Australia) - Paladin 100%

The Skal Uranium Deposit is located approximately 8km southeast of the Valhalla Uranium Deposit and 32km north of Mount Isa. Skal was originally discovered by Mount Isa Mines Limited in the mid 1950's and was subject to mapping and drilling at that time. Queensland Mines Limited 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 Exploration Permit for Minerals 14048 and the IUJV re-commenced drilling in 2005. An initial JORC compliant resource estimate was completed in mid 2008, with an updated resource reported in early 2009. Additional resource definition drilling has been undertaken in 2009 with the intention of further updating the existing resource.

Impairment of Mount Isa Exploration and Evaluation Asset

An impairment of US$527.642M (net of Deferred Tax Liability) in the carrying value of the Mount Isa assets was recognised in the 2009 financial year. The Paladin Board has impaired this asset to reflect its current fair value less costs to sell and was recognised as a result of changes the current economic climate. In determining the fair value less costs to sell a variety of valuation techniques were used particularly the discounted cash flow method, comparable market transactions and market value yardsticks.

Summit Resources Ltd (Australia) - Paladin 81.9%

Paladin acquired an 81.9% interest in Summit as a result of a takeover bid which closed on 1 June 2007. Summit holds a large number of exploration tenements surrounding and to the north of Mount Isa in Northern Queensland. Other than the Andersons, Bikini and Watta Projects, for which JORC inferred resource estimates have been completed, limited exploration activities have taken place on these tenements in recent years and as such they are not considered material to Paladin at this point in time.

Angela and Pamela Projects (Australia) - Paladin 50%

In early 2008, the Northern Territory Government advised that the Angela Project Joint Venture (Paladin 50% and Cameco 50%) had been selected to explore the Angela and Pamela uranium deposits located near Alice Springs in the Northern Territory. Exploration Licence 25758 covering 3,767 hectares was granted on 3 October 2008 for a six year term with the potential for further renewal and exploration and resource definition drilling are now underway.

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 financial statements.

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.

Note 15. Exploration and Evaluation Expenditure (continued)

Areas of interest	Valhalla /Skal[1] US$M	Isa North US$M	Fusion US$M	Angela Pamela US$M	Bigrlyi US$M	KM US$M	LHM US$M	Other Uranium Projects US$M	Total US$M
Balance 30 June 2008	**1,389.810**	**389.857**	**-**	**-**	**17.052**	**-**	**-**	**1.279**	**1,797.998**
Acquisition property payments	**-**	**-**	**6.486**	**-**	**-**	**-**	**-**	**-**	**6.486**
Project exploration and evaluation expenditure									
Tenement costs	-	0.050	-	-	-	0.001	-	0.067	0.118
Labour	1.439	0.515	0.037	0.028	0.018	0.252	-	0.710	2.999
Consultants and contractors	0.551	0.023	0.009	0.004	0.005	0.003	-	0.065	0.660
Materials and utilities	0.222	0.023	0.001	-	0.004	0.238	-	0.013	0.501
Transportation and communications	0.176	0.055	0.013	0.017	0.012	0.069	-	0.132	0.474
Outside services	3.389	0.060	-	0.034	0.004	0.568	0.122	0.116	4.293
Legal and accounting	-	-	-	0.009	-	-	-	0.007	0.016
Camp expenses	0.032	0.012	-	-	-	0.072	-	0.019	0.135
Overheads	0.288	0.056	-	-	-	0.036	-	0.066	0.446
Joint venture contributions	-	-	-	0.967	1.304	-	-	-	2.271
Other expenses	0.291	0.115	0.006	0.007	0.040	0.009	-	0.004	0.472
Total expenditure	6.388	0.909	0.066	1.066	1.387	1.248	0.122	1.199	12.385
Exploration expenditure expensed	(6.388)	(0.909)	(0.066)	(1.066)	(1.387)	(1.040)	(0.122)	(1.199)	(12.177)
Exploration expenditure capitalised	**-**	**-**	**-**	**-**	**-**	**0.208**	**-**	**-**	**0.208**
Foreign exchange differences	**(320.804)**	**(92.963)**	**1.569**	**-**	**(2.769)**	**-**	**-**	**(0.208)**	**(415.175)**
Impairment of exploration and evaluation	**(574.620)**	**(179.154)**	**-**	**-**	**-**	**-**	**-**	**-**	**(753.774)**
Transferred to Mine Development	**-**	**-**	**-**	**-**	**-**	**(0.208)**	**-**	**-**	**(0.208)**
Balance 30 June 2009	**494.386**	**117.740**	**8.055**	**-**	**14.283**	**-**	**-**	**1.071**	**635.535**

(1) Summit has a 50% interest in the Valhalla/Skal Projects with the other 50% interest held by the Paladin Group. As a consequence of the takeover of the Summit Group, the above table now reflects 100% of the Valhalla/Skal Projects with the minority interest reflected on the face of the Balance Sheet.

Note 15. Exploration and Evaluation Expenditure (continued)

The following table details the expenditures on interests in mineral properties by area of interest for the year ended 30 June 2008:

Areas of interest	Valhalla /Skal[1] US$M	Isa North US$M	Georgina Basin US$M	Other Projects Non Uranium US$M	Bigrlyi US$M	KM US$M	LHM US$M	Other Uranium Projects US$M	Total US$M
Balance 30 June 2007	**1,227.896**	**344.437**	**1.178**	**7.124**	**15.065**	**4.560**	**-**	**1.129**	**1,601.389**
Acquisition property payments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Project exploration and evaluation expenditure									
Tenement costs	-	0.061	0.377	0.075	-	0.001	-	0.038	0.552
Labour	1.213	0.383	0.149	0.045	0.031	0.430	-	0.286	2.537
Consultants and contractors	0.353	0.049	0.063	0.001	0.003	0.032	-	0.042	0.543
Materials and utilities	0.184	0.016	0.001	0.002	0.006	0.068	-	0.019	0.296
Transportation and communications	0.209	0.086	-	0.010	0.009	0.170	-	0.043	0.527
Outside services	5.327	0.642	0.001	0.039	-	0.544	1.021	-	7.574
Legal and accounting	-	0.002	0.002	0.003	-	(0.015)	-	0.020	0.012
Camp expenses	0.049	0.015	-	-	-	0.012	-	0.015	0.091
Overheads	0.301	0.048	0.001	0.005	0.023	0.025	-	0.050	0.453
Joint venture contributions	-	-	(1.317)	-	2.372	-	-	-	1.055
Other expenses	0.215	0.053	0.001	0.001	0.003	0.341	-	0.004	0.618
Total expenditure	7.851	1.355	(0.722)	0.181	2.447	1.608	1.021	0.517	14.258
Exploration expenditure expensed	(7.851)	(1.355)	(0.463)	(0.181)	(2.447)	(0.290)	-	(0.517)	(13.104)
Exploration expenditure capitalised	**-**	**-**	**(1.185)**	**-**	**-**	**1.318**	**1.021**	**-**	**1.154**
Cost of tenements sold	**-**	**-**	**-**	**(7.350)**	**-**	**-**	**-**	**-**	**(7.350)**
Foreign exchange differences	**161.914**	**45.420**	**0.007**	**0.226**	**1.987**	**-**	**-**	**0.150**	**209.704**
Transferred to Mine Development	**-**	**-**	**-**	**-**	**-**	**(5.878)**	**(1.021)**	**-**	**(6.899)**
Balance 30 June 2008	**1,389.810**	**389.857**	**-**	**-**	**17.052**	**-**	**-**	**1.279**	**1,797.998**

[1] Summit has a 50% interest in the Valhalla/Skal Projects with the other 50% interest held by the Paladin Group. As a consequence of the takeover of the Summit Group, the above table now reflects 100% of the Valhalla/Skal Projects with the minority interest reflected on the face of the Balance Sheet.

Note 16. Intangible Assets

		Consolidated		Parent Entity	
		2009 US$M	2008 US$M	2009 US$M	2008 US$M
(a)	**Reconciliation of carrying amount at the beginning and end of the period**				
	At 1 July - Net of accumulated amortisation	16.6	17.6	-	-
	Additions – Kayelekera Mining Lease	10.0	-	-	-
	Amortisation	(1.0)	(1.0)	-	-
	At 30 June - Net of accumulated amortisation	25.6	16.6	-	-
	At 30 June				
	Cost	27.8	17.8	-	-
	Accumulated amortisation	(2.2)	(1.2)	-	-
	Net carrying amount of non current intangible assets	25.6	16.6	-	-

Amortisation of US$1.0M (2008: US$1.0M) is included in costs of sales in the Income Statement.

(b) **Movements in intangible assets**

Movements in each group of intangible asset during the financial year are set out below:

	Right to Supply of Power US$M	Right to Supply of Water US$M	Kayelekera Mining Lease US$M	Total US$M
Consolidated - 2009				
Carrying amount at 1 July 2008	4.7	11.9	-	16.6
Additions	-	-	10.0	10.0
Amortisation expense	(0.2)	(0.8)	-	(1.0)
Carrying amount at 30 June 2009	4.5	11.1	10.0	25.6
Consolidated - 2008				
Carrying amount at 1 July 2007	4.9	12.7	-	17.6
Additions	-	-	-	-
Amortisation expense	(0.2)	(0.8)	-	(1.0)
Carrying amount at 30 June 2008	4.7	11.9	-	16.6

Note 16. Intangible Assets (continued)

(c) Description of the Group's intangible assets (continued)

(i) Right to supply of power

LHUPL has entered into a contract with NamPower in Namibia for the right to access power at LHM. In order to obtain this right, the power line connection to the mine was funded by LHM, however, ownership of the power line rests with NamPower. The amount funded is being amortised over a period of 14.75 years on a straight-line basis.

(ii) Right to supply of water

LHUPL has entered into a contract with NamWater in Namibia for the right to access water at LHM. In order to obtain this right, the water pipeline connection to the mine was funded by LHM; however, ownership of the pipeline rests with NamWater. The amount funded is being amortised over a period of 14.75 years on a straight-line basis.

(iii) Kayelekera Mining Lease

Paladin Energy Minerals NL and PAL have entered into a Development Agreement with the Government of Malawi for the development of the Garnet Halliday Karonga Water Supply Project and other social development projects. The amount funded is being amortised over the life of mine on a straight-line basis (refer to Note 20(b)(iv)).

Note 17. Trade And Other Payables

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	US$M	US$M	US$M	US$M
Current				
Trade and other payables	67.1	41.4	8.7	7.5
Total current payables	67.1	41.4	8.7	7.5
Trade payables are non-interest bearing and are normally settled on 60 day terms.				
Non Current				
Unsecured loans from wholly owned Group Companies	-	-	-	1.0
Total non current payables	-	-	-	1.0

The unsecured loans from wholly owned Group Companies are interest free and have no fixed terms of repayment, however, the companies for the foreseeable future have no intention of demanding repayment.

Note 18. Unearned Revenue

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	US$M	US$M	US$M	US$M
Current				
Unearned revenue	0.2	0.2	-	-
Non Current				
Unearned revenue	0.2	0.5	-	-

Note 19. Interest Bearing Loans And Borrowings

	Maturity	Consolidated 2009 US$M	Consolidated 2008 US$M	Parent Entity 2009 US$M	Parent Entity 2008 US$M
Current					
Secured bank loan		**14.2**	12.2	**-**	-
Non Current					
Unsecured convertible bonds	2011	**227.5**	218.4	**227.5**	218.4
Unsecured convertible bonds	2013	**304.6**	299.0	**304.6**	299.0
Secured bank loan	2012	**39.9**	52.9	**-**	-
Total non current		**572.0**	570.3	**532.1**	517.4

The above figures include deferred borrowing costs.

Fair value disclosures

Details of the fair value of the Group's interest bearing liabilities are set out in Note 23.

Unsecured convertible bonds

On 15 December 2006, the Company issued US$250M 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$212.2M has been initially allocated to interest bearing loans and borrowings in non current liabilities (underlying effective interest rate of 8.75%) and US$37.8M to non-distributable convertible bond reserve in equity. A deferred tax liability of US$11.3M 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.

On 11 March 2008, the Company issued US$325M in convertible bonds with an underlying coupon rate of 5.0%, maturity 11 March 2013 and a conversion price of US$6.59 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 treated as both a liability (underlying bond) and an equity instrument (conversion rights into Company shares).

Based on this treatment of the convertible bonds, US$307.1M has been allocated to interest bearing loans and borrowings in non current liabilities (underlying effective interest rate of 7.13%) and US$17.8M to non-distributable convertible bond reserve in equity. A deferred tax liability for the bonds of US$5.4M 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 obtained project finance facilities amounting to US$71M for construction of LHM. The financing has been provided by Société Générale Australia Branch, Nedbank Capital and Standard Bank Limited and consists of a seven year Project Finance Facility of US$65M and a Standby Cost Overrun Facility of US$6M. The Project Finance Facility bears interest at the London Interbank Offered Rate (LIBOR) plus 2.5%. 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 LHUPL and its immediate holding company.

At 30 June 2009, US$54.1M (2008: US$66.3M) had been drawn of the project finance facilities, following principal repayments of US$12.2m.

Note 19. Interest Bearing Loans And Borrowings (continued)

On 31 July 2009, the Company announced the completion of all conditions precedent to enable drawdown under the US$167M KM project finance. The project finance consists of a six year Project Finance Facility of US$145M, a Standby Cost Overrun Facility of US$12M and a Performance Bond Facility of US$10M. The facilities are being provided by Société Générale Corporate and Investment Banking (as inter-creditor agent and commercial lender), Nedbank Capital a division of Nedbank Limited (ECIC lender) and Standard Bank Limited (as ECIC facility agent and lender). On 17 August the company announced the first drawdown of US$84.5M under this facility (refer to Note 32). The Company has drawdown an additional US$47.5M since the year end.

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

Consolidated Entity – US$Nil (2008: US$9.9M)
Parent Entity – US$Nil (2008: US$9.8M)
100% of borrowing costs incurred for the construction of any qualifying asset are capitalised.

Financing facilities available

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

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	US$M	US$M	US$M	US$M
Total facilities:				
Unsecured convertible bonds	575.0	575.0	575.0	575.0
Secured bank loans	54.1	66.3	-	-
	629.1	641.3	575.0	575.0
Facilities used at reporting date:				
Unsecured convertible bonds	575.0	575.0	575.0	575.0
Secured bank loans	54.1	66.3	-	-
	629.1	641.3	575.0	575.0
Total facilities:				
Facilities used at reporting date	629.1	641.3	575.0	575.0

There were no unused facilities as at the reporting date.

Note 19. Interest Bearing Loans And Borrowings (continued)

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	
	2009 US$M	2008 US$M	2009 US$M	2008 US$M
Current				
Floating charge				
- Cash and cash equivalents	19.6	14.4	-	-
- Trade and other receivables	24.1	35.8	-	-
- Inventories	52.6	37.1	-	-
Total current assets pledged as security	96.3	87.3	-	-
Non Current				
- Inventories	24.9	-	-	-
- Property, plant and equipment	153.0	103.3	-	-
- Exploration and evaluation expenditure	14.6	6.3	-	-
- Deferred tax asset	3.9	11.6	-	-
- Intangible assets	15.6	16.6	-	-
Total non current assets pledged as security	212.0	137.8	-	-
Total assets pledged as security	308.3	225.1	-	-

Note 20. Provisions

		Consolidated		Parent Entity	
	Note	2009 US$M	2008 US$M	2009 US$M	2008 US$M
Current					
Social responsibility		7.7	-	-	-
Employee benefits	27	2.1	1.5	1.2	1.0
Total current provisions		9.8	1.5	1.2	1.0
Non Current					
Social responsibility		2.0	-	-	-
Employee benefits	27	0.1	0.1	0.1	0.1
Rehabilitation provision		16.7	4.4	-	-
Mine closure		11.7	3.9	-	-
Demobilisation provision		1.8	-	-	-
Total non current provisions		32.3	8.4	0.1	0.1

Note 20. Provisions (continued)

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, excluding provisions relating to employee benefits, are set out below :

	Demob-ilisation US$M	Social Responsibility US$M	Rehab-ilitation US$M	Mine Closure US$M	Total US$M
Consolidated					
At 1 July 2008	-	-	4.4	3.9	8.3
Arising during the year	1.5	10.0	11.3	6.5	29.3
Utilised	-	(0.3)	-	-	(0.3)
Effects of changes in discount rates	-	-	0.5	0.6	1.1
Foreign currency movements	0.3	-	0.5	0.7	1.5
At 30 June 2009	1.8	9.7	16.7	11.7	39.9
2009					
Current	-	7.7	-	-	7.7
Non current	1.8	2.0	16.7	11.7	32.2
	1.8	9.7	16.7	11.7	39.9
2008					
Current	-	-	-	-	-
Non current	-	-	4.4	3.9	8.3
	-	-	4.4	3.9	8.3

(b) Nature and timing of provisions

(i) Rehabilitation

A provision for rehabilitation has been recorded in relation to LHM and KM. A provision is made for rehabilitation work when the obligation arises and this is recognised as a cost of production or development as appropriate.

(ii) Mine closure

A provision for mine closure has been recorded in relation to LHM and KM 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.

(iii) Employee benefits

Refer to Note 27.

(iv) Demobilisation

A provision for demobilisation has been recorded in relation to LHM for the costs of demobilising the mining contractor.

(v) Social responsibility

A provision for social responsibility has been recorded in relation to KM for the costs of social responsibility projects to be incurred under the Development Agreement (refer to Note 16(b)(iii)).

Note 21. Contributed Equity And Reserves

(a) Issued and paid up capital

	Number of Shares 2009	Number of Shares 2008	Consolidated/ Parent Entity 2009 US$M	Consolidated/ Parent Entity 2008 US$M
Ordinary Shares				
Issued and fully paid	**623,692,802**	613,497,369	**1,111.6**	1,088.4

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 or 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	Issue Price A$	Exchange Rate US$: A$	Total US$M
	Balance 30 June 2007	602,437,369			1,075.3
September 2007	Option conversions	250,000	1.00	1.22122	0.2
November 2007	Option conversions	50,000	1.00	1.08369	0.1
November 2007	Option conversions	3,270,000	1.00	1.08369	3.0
December 2007	Option conversions	7,000,000	1.00	1.12974	6.2
April 2008	Option conversions	100,000	1.50	1.09343	0.1
April 2008	Option conversions	94,600	2.80	1.09343	0.3
June 2008	Option conversions	90,000	1.50	1.04671	0.1
June 2008	Option conversions	200,000	2.80	1.04671	0.5
June 2008	Option conversions	5,400	2.80	1.04671	-
	Transfer from reserves				2.6
	Balance 30 June 2008	**613,497,369**			**1,088.4**
July 2008	Option conversions	100,000	5.50	1.04005	0.5
July 2008	Option conversions	200,000	5.50	1.04005	1.1
July 2008	Option conversions	100,000	5.50	1.04005	0.5
September 2008	Option conversions	100,000	2.80	1.16633	0.2
January 2009	Option conversions	1,560,000	2.80	1.55581	2.8
February 2009	Fusion acquisition	8,135,433	2.91	1.54760	15.3
	Transfer from reserves				2.8
	Balance 30 June 2009	**623,692,802**			**1,111.6**

Note 21. Contributed Equity And Reserves (continued)

(c) Issued options

		Number of Options 2009	2008
(i)	Exercisable at A$1.00, on or before 30 November 2007 (granted 30 November 2004)		
	Balance at 1 July	-	3,570,000
	Exercised during year	-	(3,570,000)
	Balance at 30 June	-	-

Vest on positive outcome for LHM Bankable Feasibility Study together with completion of acceptable project funding. Vesting conditions were met by 30 June 2006.

In September 2007, 250,000 options above were exercised raising A$250,000 (US$204,713) in contributed equity and at the time of exercise the shares had a market value of A$1,450,000.

In November 2007, 50,000 options above were exercised raising A$50,000 (US$46,139) in contributed equity and at the time of exercise the shares had a market value of A$358,500.

In November 2007, 3,270,000 options above were exercised raising A$3,270,000 (US$3,017,468) in contributed equity and at the time of exercise the shares had a market value of A$22,236,000.

		Number of Options 2009	2008
(ii)	Exercisable at A$1.00, on or before 20 December 2007 (granted 20 December 2004)		
	Balance at 1 July	-	7,000,000
	Exercised during year	-	(7,000,000)
	Balance at 30 June	-	-

Vest on positive outcome for LHM Bankable Feasibility Study together with completion of acceptable project funding. Vesting conditions were met by 30 June 2006.

In December 2007, 7,000,000 options above were exercised raising A$7,000,000 (US$6,196,116) in contributed equity and at the time of exercise the shares had a market value of A$43,120,000

		Number of Options 2009	2008
(iii)	Exercisable at A$1.50, on or before 15 July 2008 (granted 15 July 2005)		
	Balance at 1 July	-	190,000
	Exercised during year	-	(190,000)
	Balance at 30 June	-	-

Vest on positive outcome for LHM Bankable Feasibility Study together with completion of acceptable project funding. Vesting conditions were met by 30 June 2006.

In April 2008, 100,000 options above were exercised raising A$150,000 (US$137,183) in contributed equity and at the time of exercise the shares had a market value of A$430,000.

In June 2008, 90,000 options above were exercised raising A$135,000 (US$128,976) in contributed equity and at the time of exercise the shares had a market value of A$536,400.

Note 21. Contributed Equity And Reserves (continued)

(c) Issued options (continued)

		Number of Options 2009	2008
(iv)	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	2,520,000	2,820,000
	Exercised during year	(1,660,000)	(300,000)
	Expired during year	(860,000)	-
	Balance at 30 June	-	2,520,000

In April 2008, 94,600 options above were exercised raising A$264,880 (US$242,247) in contributed equity and at the time of exercise the shares had a market value of A$406,780.

In June 2008, 205,400 options above were exercised raising A$575,120 (US$549,455) in contributed equity and at the time of exercise the shares had a market value of A$1,224,184.

In September 2008, 100,000 options above were exercised raising A$280,000 (US$240,069) in contributed equity and at the time of exercise the shares had a market value of A$545,000.

In January 2009, 1,560,000 options above were exercised raising A$4,368,000 (US$2,807,541) in contributed equity and at the time of exercise the shares had a market value of A$4,633,200.

		Number of Options 2009	2008
(v)	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	1,565,000
	Expired during year	(1,565,000)	-
	Balance at 30 June	-	1,565,000
(vi)	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	1,400,000	1,400,000
	Exercised during year	(400,000)	-
	Balance at 30 June	1,000,000	1,400,000

In July 2008 400,000 options above were exercised raising A$2,200,000 (US$2,115,283) in contributed equity and at the time of exercise the shares had a market value of A$2,637,000.

(vii)	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	2,733,670	2,733,670
	Forfeited during year	(35,700)	-
	Balance at 30 June	2,697,970	2,733,670

Note 21. Contributed Equity And Reserves (continued)

(c) Issued options (continued)	Number of Options 2009	2008
(vii) 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	-	400,000
Forfeited during year	-	(400,000)
Balance at 30 June	-	-
(ix) Exercisable at A$4.50 on or before 29 Jan 2013 (granted 29 January 2008) (8,541,620 vest 29 Jan 2011)		
Balance at 1 July	8,133,402	-
Granted during year	-	8,541,620
Forfeited during year	(578,917)	(408,212)
Balance at 30 June	7,554,485	8,133,402
(x) Exercisable at A$5.37 on or before 15 Feb 2011 (granted 15 February 2008) (700,000 vest 15 Feb 2009)		
Balance at 1 July	700,000	-
Granted during year	-	700,000
Balance at 30 June	700,000	700,000
(xi) Exercisable at A$5.37 on or before 15 Feb 2013 (granted 15 February 2008) (525,000 vest 15 Feb 2011)		
Balance at 1 July	500,000	-
Granted during year	-	525,000
Forfeited during year	(50,000)	(25,000)
Balance at 30 June	450,000	500,000
(xii) Exercisable at A$4.59 on or before 18 April 2013 (granted 18 April 2008) (1,075,000 vest 18 April 2011)		
Balance at 1 July	1,075,000	-
Granted during year	-	1,075,000
Balance at 30 June	1,075,000	1,075,000
(xiii) Exercisable at A$5.27 on or before 18 June 2013 (granted 18 June 2008) (450,000 vest 18 June 2011)		
Balance at 1 July	450,000	-
Forfeited during year	(450,000)	-
Granted during year	-	450,000
Balance at 30 June	-	450,000

Note 21. Contributed Equity And Reserves (continued)

(c) Issued options (continued)

		Number of Options 2009	2008
(xiv)	Exercisable at A$2.54 on or before 14 October 2013 (granted 14 October 2008) (750,000 vest 14 October 2011)		
	Balance at 1 July	-	-
	Granted during year	750,000	-
	Balance at 30 June	750,000	-
(xv)	Exercisable at A$2.14 on or before 25 November 2013 (granted 25 November 2008) (200,000 vest 25 November 2011)		
	Balance at 1 July	-	-
	Granted during year	200,000	-
	Forfeited during year	(200,000)	-
	Balance at 30 June	-	-
(xvi)	Exercisable at A$2.07 on or before 25 November 2013 (granted 25 November 2008) (300,000 vest 25 November 2011)		
	Balance at 1 July	-	-
	Granted during year	300,000	-
	Balance at 30 June	300,000	-
(xvii)	Exercisable at A$4.48 on or before 24 June 2014 (granted 24 June 2009) (700,000 vest 24 June 2012)		
	Balance at 1 July	-	-
	Granted during year	700,000	-
	Balance at 30 June	700,000	-

Note 21. Contributed Equity And Reserves (continued)

(d) Reserves

	Consolidation reserve US$M	Listed option application reserve US$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 2007	-	0.1	9.7	31.7	30.3	26.5	14.9	113.2
Net unrealised movement on available-for-sale investments	-	-	-	(44.6)	-	-	-	(44.6)
Share-based payments	-	-	8.1	-	-	-	-	8.1
Foreign currency translation	-	-	-	7.0	124.6	-	-	131.6
Convertible bonds – equity component	-	-	-	-	-	17.8	-	17.8
Income tax	-	-	-	13.4	-	(5.4)	-	8.0
At 30 June 2008	-	0.1	17.8	7.5	154.9	38.9	14.9	234.1
At 1 July 2008	-	0.1	17.8	7.5	154.9	38.9	14.9	234.1
Net unrealised movement on available-for-sale investments	-	-	-	41.4	-	-	-	41.4
Share-based payments	-	-	8.1	-	-	-	-	8.1
Foreign currency translation	-	-	-	(4.6)	(241.5)	-	-	(246.1)
Transfer of impairment loss to P&L	-	-	-	0.5	-	-	-	0.5
Allotment of 15% interest in Paladin (Africa) Ltd to Government of Malawi	(0.2)	-	-	-	-	-	-	(0.2)
Income tax	-	-	-	(12.2)	6.3	-	-	(5.9)
At 30 June 2009	(0.2)	0.1	25.9	32.6	(80.3)	38.9	14.9	31.9

Note 21. Contributed Equity And Reserves (continued)

(d) Reserves (continued)

	Listed option application reserve US$M	Share-based payments reserve US$M	Available for sale reserve US$M	Convertible bond non-distributable reserve US$M	Foreign currency translation US$M	Total US$M
Parent						
At 1 July 2007	0.1	9.7	14.7	26.5	-	51.0
Foreign currency translation	-	-	4.7	-	-	4.7
Convertible bonds – equity component	-	-	-	17.8	-	17.8
Income tax	-	-	8.5	(5.4)	-	3.1
Net unrealised movement on available-for-sale investments	-	-	(28.4)	-	-	(28.4)
Share-based payments	-	8.1	-	-	-	8.1
At 30 June 2008	0.1	17.8	(0.5)	38.9	-	56.3
At 1 July 2008	0.1	17.8	(0.5)	38.9	-	56.3
Foreign currency translation	-	-	(1.0)	-	-	(1.0)
Income tax	-	-	(10.3)	-	-	(10.3)
Net unrealised movement on available-for-sale investments	-	-	35.5	-	-	35.5
Transfer of impairment loss to P&L	-	-	0.5	-	-	0.5
Share-based payments	-	8.1	-	-	-	8.1
At 30 June 2009	0.1	25.9	24.2	38.9	-	89.1

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 29 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 US dollars and have been translated into US 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 and on 11 March 2008, as described in Note 19.

Note 21. Contributed Equity And Reserves (continued)

(d) Reserves (continued)

Acquisition reserve

This reserve recognises the difference in value of investments in Summit, 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.

Consolidation reserve

This reserve recognises the difference between the fair value of the 15% interest in PAL allotted to the Government of Malawi, at the net present value of the Kayelekera Project on the date the Development Agreement was signed (22 February 2007), and the minority interest share of the net assets of PAL.

Note 22. Minority Interests

	Consolidated		Parent Entity	
	2009 US$M	2008 US$M	2009 US$M	2008 US$M
Minority interests comprise:				
Share capital	22.0	11.0	-	-
Opening accumulated losses	(12.1)	(6.9)	-	-
Reserves	155.2	204.9	-	-
Current period loss	(96.2)	(1.2)	-	-
Total minority interests	68.9	207.8	-	-

The minority interests recognised during the year relate to the 18.0% (2008: 18.1%) interest in Summit not acquired from the takeover bid that closed on 1 June 2007 and the 15% (2008: Nil) interest in PAL held by the Government of Malawi as at 26 June 2009.

Opening accumulated losses in 2009 include 15% interest of losses acquired by the Government of Malawi at the time of the share issue as well as a share of current year losses to that time.

A share-based payment expense of US$5.7M has been recognised for the allotment of 15% interest in PAL to the Government of Malawi, which has a corresponding increase in the minority interest reserve. In determining the fair value for PAL, a discounted cash flow model ("DCF") was adopted as the primary valuation methodology.

Note 23. Financial Instruments

(a) Financial risk management objectives and policies

The Group's management of financial risk is aimed at ensuring net cash flows are sufficient to:

- meet all its financial commitments and;
- maintain the capacity to fund corporate growth activities

The Group monitors its forecast financial position on a regular basis.

Market, liquidity and credit risk (including foreign exchange, commodity price and interest rate risk) arise in the normal course of the Group's business. These risks are managed under Board approved directives which underpin treasury practices and processes. The Group's principal financial instruments comprise interest bearing debt, US treasury bills (a negotiable US government security with a maturity of less than one year that pays no periodic interest, but yields the difference between its par value and its discounted purchase price), cash and short-term deposits. Other financial instruments include trade receivables and trade payables, which arise directly from operations.

The Group's forecast financial risk position with respect to key financial objectives and compliance with treasury practice is regularly reported to the Board.

Note 23. Financial Instruments (continued)

(b) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures.

Foreign exchange risk arises from future commitments, assets and liabilities that are denominated in a currency that is not the functional currency of the relevant Group company.

The Group's borrowings and deposits are largely denominated in US dollars. Currently there are no foreign exchange hedge programmes in place, however, the Group treasury function manages the purchase of foreign currency to meet operational requirements.

The financial instruments exposed to movements in the Australian dollar are as follows:

	Consolidated		Parent Entity	
	2009 US$M	2008 US$M	2009 US$M	2008 US$M
Financial assets				
Cash and cash equivalents	3.1	1.5	3.1	1.5
Trade and other receivables	0.7	0.3	1.0	0.1
Financial and other assets	47.3	26.1	47.3	26.1
	51.1	27.9	51.4	27.7
Financial liabilities				
Trade and other payables	4.6	3.2	4.6	3.2
	4.6	3.2	4.6	3.2

The financial instruments exposed to movements in the Namibian dollar are as follows:

	Consolidated		Parent Entity	
	2009 US$M	2008 US$M	2009 US$M	2008 US$M
Financial assets				
Cash and cash equivalents	0.4	3.2	-	-
Trade and other receivables	12.0	6.2	-	-
Financial and other assets	-	-	-	-
	12.4	9.4	-	-
Financial liabilities				
Trade and other payables	18.4	8.5	-	-
	18.4	8.5	-	-

Note 23. Financial Instruments (continued)

(b) Market risk (continued)

(i) Foreign exchange risk (continued)

The following table summarises the sensitivity of financial instruments held at balance date to movements in the exchange rate of the Australian dollar to the US dollar and the Namibian dollar to the US dollar, with all other variables held constant. The 5% sensitivity is based on reasonably possible changes, over a financial year, using the observed range of actual historical rates for the preceding five year period.

	Impact on Profit				Impact on Equity			
	Consolidated		Parent Entity		Consolidated		Parent Entity	
	2009 US$M	2008 US$M	2009 US$M	2008 US$M	2009 US$M	2008 US$M	2009 US$M	2008 US$M
Post-Tax Gain/Loss								
AUD/USD +5% (2008: +5%)	-	-	-	0.1	(1.6)	(0.9)	(1.6)	(0.9)
AUD/USD -5% (2008: -5%)	-	(0.1)	-	(0.1)	1.7	1.0	1.7	1.0
NAD/USD +5% (2008: +5%)	0.2	-	-	-	-	-	-	-
NAD/USD -5% (2008: -5%)	(0.2)	-	-	-	-	-	-	-

(ii) Interest rate risk

Interest rate risk is the risk that the Group's financial position will be adversely affected by movements in interest rates that will increase the cost of floating rate debt or opportunity losses that may arise on fixed rate borrowings in a falling interest rate environment. Interest rate risk on cash and short-term deposits is not considered to be a material risk due to the short-term nature of these financial instruments.

The Group's main interest rate risk arises from long-term debt. Floating rate debt exposes the Group to cash flow interest rate risk and fixed rate debt exposes the Group to fair value 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.

The floating rate financial instruments exposed to interest rates movements are as follows:

	Consolidated		Parent Entity	
	2009 US$M	2008 US$M	2009 US$M	2008 US$M
Financial assets				
Cash and cash equivalents	66.2	337.5	16.8	317.4
Trade and other receivables	-	-	411.2	106.1
	66.2	337.5	428.0	423.5
Financial liabilities				
Interest-bearing liabilities	54.1	66.3	-	-
	54.1	66.3	-	-

Note 23. Financial Instruments (continued)

(b) Market risk (continued)

(ii) Interest rate risk (continued)

The following table summarises the cash flow sensitivity of cash and cash equivalent financial instruments held at balance sheet date following a movement to LIBOR, with all other variables held constant. The sensitivity is based on reasonably possible changes over a financial year, using the observed range of actual historical rates for the preceding five year period. The sensitivity analysis below excludes impact on borrowing costs arising from interest bearing liabilities as these are capitalised as part of long-term qualifying development projects.

	Impact on Profit			
	Consolidated		Parent Entity	
	2009 US$M	2008 US$M	2009 US$M	2008 US$M
Post-Tax Gain/Loss				
LIBOR +1% (2008: +1%)	0.1	1.8	3.0	3.0
LIBOR -0.3% (2008: -1%)	0.1	(1.8)	(0.9)	(3.0)

(iii) Market price risk

Price risk is the risk that the Group's financial position will be adversely affected by movements in the market value of its available-for-sale financial assets.

The financial instruments exposed to movements in market value are as follows:

	Consolidated		Parent Entity	
	2009 US$M	2008 US$M	2009 US$M	2008 US$M
Financial assets				
Other financial assets	69.1	41.7	47.7	26.6

No impact on profit as movement in the market price is taken to the reserve.

The following table summarises the sensitivity of financial instruments held at balance date to movements in the market price of available-for-sale financial instruments, with all other variables held constant the 10% sensitivity is based on reasonable possible changes, over a financial year, using the observed range of actual historical prices for 2009 and 2008.

	Impact on Equity			
	Consolidated		Parent Entity	
	2009 US$M	2008 US$M	2009 US$M	2008 US$M
Post-tax impact on reserve				
Market price +25% (2008: +10%)	17.3	4.2	11.9	2.7
Market price -25% (2008: -10%)	(17.3)	(4.2)	(11.9)	(2.7)

Note 23. Financial Instruments (continued)

(c) Liquidity risk

The liquidity position of the Group is managed to ensure sufficient liquid funds are available to meet the Group's financial commitments in a timely and cost effective manner.

The Group treasury function continually reviews the Group's liquidity position including cash flow forecasts to determine the forecast liquidity position and maintain appropriate liquidity levels. Sensitivity analysis is conducted on a range of pricing and market assumptions to ensure the Group has the ability to meet repayment commitments. This enables the Group to manage cash flows on a long term basis and provides the flexibility to pursue a range of funding alternatives if necessary. Note 23 (e) details the repayment obligations in respect of the amount of the facilities.

The ageing of payables at the reporting date was as follows:

		Payables ageing analysis			
2009	Total US$M	<1 year US$M	1-2 years US$M	2-3 years US$M	>3 years US$M
Consolidated					
Trade and other payables	67.1	67.1	-	-	-
Loans and borrowings	629.1	14.2	15.2	266.2	333.5
Interest payable	96.6	28.9	28.7	22.6	16.4
Total payables	792.8	110.2	43.9	288.8	349.9
Parent Entity					
Trade and other payables	8.7	8.7	-	-	-
Loans and borrowings	575.0	-	-	250.0	325.0
Interest payable	92.8	27.4	27.4	21.8	16.2
Total payables	676.5	36.1	27.4	271.8	341.2
2008					
Consolidated					
Trade and other payables	41.4	41.4	-	-	-
Loans and borrowings	641.3	12.2	14.2	15.2	599.7
Interest payable	134.1	32.4	31.4	30.3	40.0
Total payables	816.8	86.0	45.6	45.5	639.7
Parent Entity					
Trade and other payables	7.5	7.5	-	-	-
Loans and borrowings	575.0	-	-	-	575.0
Interest payable	120.2	27.4	27.4	27.4	38.0
Total payables	702.7	34.9	27.4	27.4	613.0

Note 23. Financial Instruments (continued)

(d) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligation under a financial instrument that will result in a financial loss to the Group. The carrying amount of financial assets represents the maximum credit exposure. 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.

The maximum exposure to credit risk at the reporting date was as follows:

	Consolidated		Parent Entity	
	2009 US$M	2008 US$M	2009 US$M	2008 US$M
Current				
Cash and cash equivalents	66.2	87.8	16.8	67.7
Trade receivables	13.2	28.7	-	-
Other receivables – controlled entities	-	-	1.0	-
Other receivables – other entities	2.1	5.2	0.2	9.0
	81.5	121.7	18.0	76.7
Non-Current				
Other receivables – other entities	2.2	-	-	-
Total	83.7	121.7	18.0	76.7

The ageing of receivables at the reporting date was as follows:

		Receivables ageing analysis			
2009	Total US$M	Current US$M	<1 year US$M	1-2 years US$M	>2 years US$M
Consolidated					
Trade receivables	13.2	13.2	-	-	-
Other receivables	4.3	2.1	-	2.2	-
Total receivables	17.5	15.3	-	2.2	-
Parent Entity					
Other receivables	1.2	1.2	-	-	-
Total receivables	1.2	1.2	-	-	-

All receivables are not past due and are not impaired.

		Receivables ageing analysis			
2008	Total US$M	Current US$M	<1 year US$M	1-2 years US$M	>2 years US$M
Consolidated					
Trade receivables	28.7	28.7	-	-	-
Other receivables	5.2	5.2	-	-	-
Total receivables	33.9	33.9	-	-	-
Parent Entity					
Other receivables	9.0	9.0	-	-	-
Total receivables	9.0	9.0	-	-	-

Note 23. Financial Instruments (continued)

(e) Financing facilities

Unsecured convertible bonds

On 15 December 2006, the Company issued US$250M 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.

On 11 March 2008, the Company issued US$325M in convertible bonds with an underlying coupon rate of 5.0%, maturity 11 March 2013 and a conversion price of US$6.59 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 treated as both a liability (underlying bond) and an equity instrument (conversion rights into Company shares).

Secured bank loans

During the year ended 30 June 2006 the Consolidated Entity completed project finance facilities amounting to US$71M for construction of LHM. The financing has been provided by Société Générale Australia Branch (as lead arranger), Nedbank Capital and Standard Bank Limited and consists of a seven year Project Finance Facility of US$65M and a Standby Cost Overrun Facility of US$6M. 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 LHUPL and its immediate holding companies. Paladin has provided a project completion guarantee as part of the facilities.

At 30 June 2009 US$54.1M (2008: US$66.3M) had been drawn of the project finance facilities, following principal repayments of US$12.2m, leaving available facilities of US$Nil (2008: US$Nil).

On 31 July 2009, the Company announced the completion of all conditions precedent to enable drawdown under the US$167M KM project finance. The project finance consists of a six year Project Finance Facility of US$145M, a Standby Cost Overrun Facility of US$12M and a Performance Bond Facility of US$10M. The facilities are being provided by Société Générale Corporate and Investment Banking (as inter-creditor agent and commercial lender), Nedbank Capital a division of Nedbank Limited (ECIC lender) and Standard Bank Limited (as ECIC facility agent and lender). On 17 August 2009, the company announced the first drawdown of US$84.5M under this facility (refer to Note 32). The Company has drawdown an additional US$47.5M since the year end.

Financing facilities available	Consolidated		Parent Entity	
At reporting date, the following financing facilities had been negotiated and were available:	2009 US$M	2008 US$M	2009 US$M	2008 US$M
Total facilities:				
Unsecured convertible bonds	575.0	575.0	575.0	575.0
Secured bank loans	54.1	66.3	-	-
	629.1	641.3	575.0	575.0
Facilities used at reporting date:				
Unsecured convertible bonds	575.0	575.0	575.0	575.0
Secured bank loans	54.1	66.3	-	-
	629.1	641.3	575.0	575.0
Total facilities:				
Facilities used at reporting date	629.1	641.3	575.0	575.0

There were no unused facilities at reporting date.

Note 23. Financial Instruments (continued)

(f) Capital management

The Group treasury function is responsible for the Group's capital management, including management of the long term debt and cash as part of the capital structure. This involves the use of corporate forecasting models which enable analysis of the Group's financial position including cash flow forecasts to determine the future capital management requirements. To ensure sufficient funding for operational expenditure and growth activities, a range of assumptions are modelled so as to provide the flexibility in determining the Group's optimal future capital structure.

Group treasury monitors gearing and compliances with various contractual financial covenants. The gearing ratio as at balance date is 32% (2008:19%). The company's project finance facility is subject to various financial undertakings including a negative pledge, debt service coverage ratio, loan life coverage ratio and project life coverage ratio. At the time of reporting, the Company was in compliance with all of the facility's financial undertakings.

(g) Fair value of financial assets and financial liabilities

The fair value representing the mark to market of a financial asset or a financial liability is the amount at which the asset could be exchanged or liability settled in a current transaction between willing parties after allowing for transaction costs.

The fair values of cash and cash equivalents, trade and other receivables and trade and other payables approximate to their carrying values, as a result of their short maturity or because they carry floating rates of interest.

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

The fair value of financial instruments that are not traded in an active market such as unlisted securities is determined using valuation techniques. Such techniques include using recent arm's length market transactions, net asset values and by an external valuer using a binomial model.

All financial assets and liabilities where the fair value does not approximate to the carrying value are as follows:

	2009 US$M		2008 US$M	
Consolidated / Parent Entity	Carrying amount	Fair value	Carrying amount	Fair value
Convertible bonds	543.2	510.3	532.1	637.9

(h) Commodity price risk

Uranium is not traded in any significant volume on global commodity exchanges. The Consolidated Entity has customer sales contracts in place for 8.2Mlb for delivery over the period 2009 to 2013.

The contracted selling price is determined by a formula which references common industry published prices for spot and term contracts and is subject to an escalating floor price and also escalating ceiling prices.

Uranium purchased by the trading entity, Paladin Nuclear Ltd, is valued at US$28.1M at the lower of cost and net realisable value in accordance with our accounting policy for inventories.

Note 24. Key Management Personnel

(a) Details of Key Management Personnel

(i) Directors

Mr Rick Crabb	Chairman (Non-executive)
Mr John Borshoff	Managing Director/CEO
Mr Sean Llewelyn	Director (Non-executive)
Mr Ian Noble	Director (Non-executive)
Mr Donald Shumka	Director (Non-executive)

(ii) Executives

Ms Gillian Swaby	Company Secretary
Mr Mark Bolton	Acting Chief Financial Officer (Appointed 1 November 2008)
Mr Ross Glossop	Chief Financial Officer (Appointed 18 July 2008; Resigned 27 October 2008)
Mr Ron Chamberlain	Chief Financial Officer (Resigned 18 July 2008)
Mr Wyatt Buck	General Manager – Production & Langer Heinrich Operations
Mr Dustin Garrow	Executive General Manager – Marketing
Mr Simon Solomons	Executive General Manager – Operations Development

(b) Compensation of Key Management Personnel: compensation by category

	Consolidated		Parent Entity	
	2009 US$M	2008 US$M	2009 US$M	2008 US$M
Short-term	4,154	4,270	3,000	3,910
Post employment	107	97	61	61
Share-based payment	3,951	4,366	3,351	3,832
	8,212	8,733	6,412	7,803

Decrease in compensation of Key Management Personnel due to foreign exchange rate movements between United States and Australian dollar. Average exchange rate used for year to 30 June 2009, US$1 = AU$1.36035. (Average exchange rate used for year to 30 June 2008, US$1 = AU$1.11832).

Note 24. Key Management Personnel (continued)

(c) Option Holdings of Key Management Personnel (Consolidated and Parent Entity)

30 June 2009	01 Jul 08	Granted as Remuneration	Options Exercised	Net Change Other	30 Jun 09	Vested/ Exercisable	Not vested/ Not Exercisable
Directors							
Mr John Borshoff	2,750,000	-	-	-	2,750,000	-	2,750,000
Executives							
Ms Gillian Swaby	333,785	-	-	-	333,785	-	333,785
Mr Ron Chamberlain	136,245	-	-	(136,245)#	-	-	-
Mr Wyatt Buck	1,351,533	-	(310,000)	(690,000)	351,533	-	351,533
Mr Dustin Garrow	944,769	-	(600,000)	-	344,769	-	344,769
Mr Simon Solomons	600,000	-	-	-	600,000	-	600,000
Mr Ross Glossop	450,000	-	-	(450,000)#	-	-	-
Total	6,566,332	-	(910,000)	(1,276,245)	4,380,087	-	4,380,087

Forfeited on resignation of employee

No other Key Management Personnel held options during the year ended 30 June 2009.

30 June 2008	01 Jul 07	Granted as Remuneration	Options Exercised	Net Change Other	30 Jun 08	Vested/ Exercisable	Not vested/ Not Exercisable
Directors							
Mr Rick Crabb	3,250,000	-	(3,250,000)	-	-	-	-
Mr John Borshoff	5,250,000	1,250,000	(3,750,000)	-	2,750,000	-	2,750,000
Executives							
Ms Gillian Swaby	2,825,000	258,785	(2,750,000)	-	333,785	-	333,785
Mr Ron Chamberlain	235,700	100,545	(200,000)	-	136,245	-	136,245
Mr Dustin Garrow	678,570	266,199	-	-	944,769	344,769	600,000
Mr Simon Solomons	-	600,000	-	-	600,000	-	600,000
Mr Ross Glossop	-	450,000	-	-	450,000	-	450,000
Total	12,239,270	2,925,529	(9,950,000)	-	5,214,799	344,769	4,870,030

No other Key Management Personnel held options during the year ended 30 June 2008.

Note 24. Key Management Personnel (continued)

(d) Shareholdings of Key Management Personnel (Consolidated and Parent Entity)

Shares held in Paladin Energy Ltd (number)

30 June 2009	Balance 01 Jul 08	On Exercise of Options	Net Change Other	Balance 30 June 09
Directors				
Mr Rick Crabb	5,581,528	-	(1,000,000)	4,581,528
Mr John Borshoff	21,591,394	-	-	21,591,394
Mr Ian Noble	21,000	-	-	21,000
Mr Sean Llewelyn	-	-	100,000	100,000
Mr Donald Shumka	-	-	50,000	50,000
Executives				
Ms Gillian Swaby	5,091,140	-	(54,485)	5,036,655
Mr Ron Chamberlain	600,000	-	(600,000)#	-
Mr Wyatt Buck	16,350	310,000	(230,000)	96,350
Mr Simon Solomons	1,000	-	2,000	3,000
Mr Dustin Garrow	-	600,000	(600,000)	-
Total	32,902,412	910,000	(2,332,485)	31,479,927

No longer employed by Paladin so not required to disclose share holdings.

No other Key Management Personnel held shares during the year ended 30 June 2009.

30 June 2008	Balance 01 Jul 07	On Exercise of Options	Net Change Other	Balance 30 June 08
Directors				
Mr Rick Crabb	8,964,746	3,250,000	(6,633,218)#	5,581,528
Mr John Borshoff	18,091,394	3,750,000	(250,000)	21,591,394
Mr Ian Noble	16,000	-	5,000	21,000
Executives				
Ms Gillian Swaby	10,216,140	2,750,000	(7,875,000)#	5,091,140
Mr Ron Chamberlain	400,000	200,000	-	600,000
Mr Wyatt Buck	-	-	16,350	16,350
Mr Simon Solomons	-	-	1,000	1,000
Total	37,688,280	9,950,000	(14,735,868)	32,902,412

Between 11 and 14 April 2008, a secured creditor of Lift Capital Pty Limited in the exercise of purported rights, sold 6,383,218 and 7,038,345 ordinary shares on behalf of Mr Rick Crabb and his associates and Ms Gillian Swaby respectively. No consideration was received by Mr Rick Crabb or his associates or Ms Swaby from this involuntary sale. Legal action for the recovery of these shares which were sold without their consent or authority is being pursued.

No other Key Management Personnel held shares during the year ended 30 June 2008.

All equity transactions with Key Management Personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Consolidated Entity would have adopted if dealing at arm's length.

Note 24. Key Management Personnel (continued)

(e) Other Transactions and Balances with Key Management Personnel

Fees paid in the normal course of business in 2009 for company secretarial services totalling US$426,572 (2008: US$380,034) were paid/payable (balance outstanding at 30 June 2009 and included in trade creditors US$Nil (2008: US$Nil)) to a company of which Ms Gillian Swaby is a director and shareholder. All amounts are excluding GST.

Note 25. Auditors' Remuneration

The auditor of the Paladin Energy Ltd Group is Ernst & Young.

	Consolidated		Parent Entity	
	2009 US$000	2008 US$000	2009 US$000	2008 US$000
Amounts received or due and receivable by Ernst & Young (Australia) for:				
• Audit or review of the financial report of the entity and any other entity in the consolidated Group [(1)]	326	389	269	314
• Other assurance services	38	14	35	14
• Taxation services:				
Tax compliance services	388	99	374	99
International tax consulting	189	27	171	27
Tax advice on mergers and acquisitions	103	171	96	171
Other tax advice	53	10	53	10
Sub-total	1,097	710	998	635
Amounts received or due and receivable by related practices of Ernst & Young (Australia) for:				
• Audit or review of the financial report of subsidiaries	55	23	-	-
• Other assurance services	-	5	-	-
• Taxation services:				
Tax compliance services	55	18	-	-
	1,207	756	998	635

(1) Decrease in audit fees due to foreign currency exchange rate movements between the US and Australian dollar.

Note 26. 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 2009 other than:

(a) Tenements

	Consolidated		Parent Entity	
	2009 US$M	2008 US$M	2009 US$M	2008 US$M
Commitments for tenements contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	7.1	2.6	-	-
Later than one year but not later than 5 years	8.0	-	-	-
More than 5 years	-	-	-	-
Total tenements commitment	15.1	2.6	-	-

These include commitments relating to tenement lease rentals and, the minimum expenditure requirements of the Namibian, Malawian, Western Australian, South Australian, Northern Territorian 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	
	2009 US$M	2008 US$M	2009 US$M	2008 US$M
Commitments for mine construction contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	4.4	61.0	-	-
Later than one year but not later than 5 years	-	-	-	-
More than 5 years	-	-	-	-
Total mine construction	4.4	61.0	-	-

These commitments in 2009 relate to construction of KM and Stage II at LHM (2008: construction of the KM and Stage II at LHM).

(c) Operating lease commitments

The Group has entered into various property leases relating to rental of offices and residential accommodation.

These non-cancellable leases have remaining terms of between 1 month and 12 years. All leases include a clause to enable upward revision of rental charge on an annual basis according to prevailing market conditions.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	Consolidated		Parent Entity	
	2009 US$M	2008 US$M	2009 US$M	2008 US$M
Within one year	0.8	0.4	0.6	0.2
Later than one year but not later than 5 years	2.7	3.3	2.6	3.2
More than 5 years	1.6	2.7	1.6	2.7
Total operating lease commitment	5.1	6.4	4.8	6.1

Note 26. Commitments And Contingencies (continued)

(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$0.75M (US$0.6M) (2008:A$0.75M (US$0.7M)) and are subject to the Department of Minerals & Energy granting tenements comprising two exploration licence applications. The A$0.75M (US$0.6M) (2008:A$0.75M (US$0.7M)) 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 three 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$0.75M (US$0.6M) (2008:A$0.75M (US$0.7M)) by the Consolidated Entity to the vendors when all project development approvals are further obtained.

(e) Bank guarantees

As at 30 June 2009 the Group and Parent have outstanding US$87,051 (A$108,201) (2008:US$61,401 / A$63,926) as a current guarantee provided by a bank for the corporate office lease.

(f) Legal actions

(i) Mount Isa Uranium Joint Venture

On 3 August 200,7 the Company's wholly owned subsidiary, MIU entered into a settlement agreement with respect to proceedings which had been commenced by SRA (which had, by the time of the settlement, become ultimately 82.0% owned by the Company) against MIU and the unrelated entity, Resolute Pty Ltd (Summit Proceedings). The Summit Proceedings related to alleged breaches of confidentiality provisions in the Mount Isa Uranium Project joint venture agreement. If successful in the Summit Proceedings, SRA would have been entitled to the transfer of MIU's 50% interest in the Mount Isa Uranium Project joint venture for 85% of its market value.

Areva NC (Australia) Pty Ltd (Areva), being a 10.01% shareholder of the parent company of SRA subsequently applied to the Supreme Court of Western Australia for, relevantly, orders under Section 237 of the Corporations Act 2001, to be granted leave to intervene in and effectively re-open the Summit Proceedings, notwithstanding the settlement. The trial of the Areva intervention proceedings was heard over the period from 18 May 2009 to 3 June 2009 and the Court reserved its decision. It is currently expected that judgment will be handed down in September 2009.

The Company does not expect the Areva intervention proceedings to be successful.

In any event, even if the Summit Proceedings are re-opened as a consequence of the Areva intervention proceedings, the Company has always remained confident that the Summit Proceedings could be successfully defended. Further, the Company has the benefit of an indemnity from Resolute Mining Ltd (the parent of Resolute Pty Ltd) and an ultimate 82% interest in SRA. As a consequence, a change in the ownership of the 50% interest in the Mount Isa Uranium joint venture from MIU to SRA would not be of significance to the Company.

Note 27. Employee Benefits

	Consolidated		Parent Entity	
	2009 US$M	2008 US$M	2009 US$M	2008 US$M
Provision for annual leave and long service leave aggregate employment benefit liabilities	2.2	1.6	1.3	1.1
Employee benefits expense				
Wages and salaries	18.5	14.6	3.1	4.4
Defined contribution superannuation	1.9	1.5	0.3	0.4
Share-based payments	10.9	10.6	7.7	8.9
Other employee benefits	0.7	0.6	0.6	0.5
Total employee benefits expense	32.0	27.3	11.7	14.2

Employee numbers	Number	Number
Average number of employees during the financial year	107	47

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 29.

Note 28. 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 Energy Ltd.

(c) Key management personnel

Details relating to key management personnel can be found at Note 24.

(d) Transactions with subsidiaries

Transactions entered into with subsidiaries during the years ended 30 June 2009 and 2008 consisted of:

(i) sundry debtors receivable by the Company (Note 7(c));
(ii) loans advanced by the Company (Note 7(d));
(iii) loans advanced to the Company (Note 17); and
(iv) the payment of interest on the loans advanced by the Company (Note 4(a)).

Note 29. 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 2009 and 2008.

(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's ranking against the peer group TSR growth over the performance period.

- when Paladin 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 is ranked at the 50th percentile, 50% of the share options will vest;
- when Paladin 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 other than for misconduct 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.

(b) Types of share-based payment plans

Expense recognised in the Income Statement in respect to share-based payments is disclosed in Note 4.

Note 29. Share-Based Payment Plan (continued)

(c) 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:

	2009 No.	2009 WAEP A$	2008 No.	2008 WAEP A$
Outstanding at the beginning of the year	19,077,072	5.12	19,678,670	3.18
Granted during the year	1,950,000	3.12	11,291,620	4.63
Forfeited during the year	(1,314,617)	4.55	(833,218)	6.58
Exercised during the year	(2,060,000) [1]	3.32	(11,060,000) [2]	1.06
Expired during the year	(2,425,000)	4.54	-	-
Outstanding at the end of the year	15,227,455	5.25	19,077,072	5.12
Exercisable at the end of the year	1,700,000	5.45	4,002,500	3.80

1. The weighted average share price at the date of exercise is A$3.79
2. The weighted average share price at the date of exercise is A$6.31

The outstanding balance as at 30 June 2009 is represented by:

Date options granted	Exercisable	Expiry date	Exercise price of options	Number under option
5 July 2006	5 January 2008	5 July 2009	A$5.50	100,000
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	2,697,970
29 January 2008	29 January 2011	29 January 2013	A$4.50	7,554,485
15 February 2008	15 February 2009	15 February 2011	A$5.37	700,000
15 February 2008	15 February 2011	15 February 2013	A$5.37	450,000
18 April 2008	18 April 2011	18 April 2013	A$4.59	1,075,000
14 October 2008	14 October 2011	14 October 2013	A$2.54	750,000
11 December 2011	11 December 2011	11 December 2013	A$2.07	300,000
24 June 2009	24 June 2012	24 June 2014	A$4.48	700,000
Total				15,227,455

Please refer to Outstanding Share Information table in the Management Discussion & Analysis for movements since the year end.

(d) Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 30 June 2009 is between Nil and 3 years (2008: Nil and 3 years).

(e) Range of exercise price

The range of exercise prices for options outstanding at the end of the year was A$2.07 – A$8.77 (2008: A$2.80 – A$8.77).

Note 29. Share-Based Payment Plan (continued)

(f) Weighted average fair value

The weighted average fair value of options granted during the year was A$1.79 (2008: A$2.73).

(g) 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 2009 and 30 June 2008:

	2009	2008
Dividend yield (%)	Nil%	Nil%
Expected volatility (%)	70% - 72%	66% - 77%
Risk-free interest rate (%)	3.69% - 4.93%	6.22% - 6.87%
Expected life of option (years)	3.75 years	1.75 - 5 years
Option exercise price ($)	A$2.07 - A$4.48	A$4.50 - A$5.37
Closing share price at grant date ($)	A$2.45 - A$4.41	A$4.64 - A$5.95

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.

Note 30. Interests In Jointly Controlled Assets

(a) Joint venture details

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 53.74%, Southern Cross Exploration NL 4.2% and Northern Territory Uranium Pty Ltd (NTU) 42.06% (NTU is 100% owned by Paladin) with Energy Metals Ltd as manager and operator of the joint venture.

Angela Joint Venture

The Angela joint venture is involved in the identification of and exploration for uranium resources on tenements to the south of Alice Springs in the Northern Territory, Australia. The joint venture is between Cameco Australia Pty Ltd (Cameco) 50% and Paladin NT Pty Ltd (PNT) 50% (PNT is 100% owned by Paladin) with Cameco 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(t) and no revenue is generated. The Consolidated Entity's share of the assets and liabilities in respect of these joint ventures is not material.

Note 30. Interests In Jointly Controlled Assets (continued)

(b) **Assets utilised in the Bigrlyi Uranium and Angela Joint Ventures**

The Group's share of the assets utilised in these jointly controlled assets, which are included in the Consolidated Financial Statements, are as follows:

	Consolidated		Parent Entity	
	2009 US$M	2008 US$M	2009 US$M	2008 US$M
Non current assets				
Exploration and evaluation expenditure	14.3	17.1	-	-
Total assets	14.3	17.1	-	-

The interest of NTU in the Bigrlyi uranium joint venture was acquired on 7 September 2006 and includes the allocation of the acquisition value.

The interest of PNT in the Angela joint venture was acquired on 20 February 2008.

(c) **Commitments relating to the joint venture**

	Consolidated		Parent Entity	
	2009 US$M	2008 US$M	2009 US$M	2008 US$M
Share of tenement commitments (Note 26)	-	-	-	-

(d) **Impairment**

No assets employed in the jointly controlled assets were impaired during the year (2008: US$Nil).

Note 31. Asset Acquisition

Acquisition of Fusion Resources Limited

Paladin acquired a controlling interest on 5 February 2009 of the voting shares of Fusion (formerly listed on ASX – "FSN"), a public company based in Australia involved in the exploration for uranium resources. The takeover was completed on 1 April 2009 with the acquisition of 100% of the issued share capital for the issue of 8,135,433 Paladin shares plus US$0.4M in transaction costs for a total cost of US$15.7M.

The acquisition was treated as an acquisition of an asset as the transaction involved the acquisition of exploration licences only and no employees were retained and the Fusion office was closed.

Note 32. Events After The Balance Sheet Date

Since the end of the financial year, 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 2009 Financial Report:

Langer Heinrich Mine, Namibia Project Finance – Completion Test Satisfied

On 1 July 2009, the Company announced in accordance with the LHM project finance loan the Completion Test has been satisfied.

On 30 June 2009, Société Générale advised on behalf of the Bankers' Syndicate, which also includes Nedbank Capital and Standard Bank Limited, that LHM had successfully met all conditions required by the Project Lenders including the entire host of Completion Tests. Additionally, the previously outstanding construction related condition of leach tank lining remediation had been satisfied enabling the declaration of Construction Practical Completion.

As a result of achieving Completion the interest margin on the outstanding LHM project finance debt will reduce by 1% per annum and the loan becomes non-recourse to Paladin.

Note 32. Events After The Balance Sheet Date (continued)

Issue of Employee Options

On 2 July 2009, the Company announced the granting of 700,000 unlisted incentive options, exercisable at A$4.48 vesting after three years, subject to performance conditions as outlined in the EXSOP, with a five year expiry.

Kayelekera Mine, Malawi US$167M Project Finance Completed – First Drawdown

On 17 August 2009, the Company announced the first drawdown of US$84.5M under the KM Financing Loan (Facility). The Company has drawdown an additional US$47.5M since the year end.

KM is currently in its production ramp-up phase. The first drawdown will be reimbursed to Paladin for funds spent on completing the project, with the remainder of the facility to be applied to the project and working capital expenditure.

The facility is provided by a syndicate of banks made up of Société Générale, Standard Bank Limited and Nedbank Capital and is the same syndicate of banks that provided project finance for LHM Stage I.

The US$167M project finance package consists of:-

- US$145M Project Financing Facility – currently drawn to US$84.5M
- US$12M Cost overrun Facility – currently funded with US$8M cash
- US$10M Performance Bond Facility

Increased holding in NGM Resources Limited

On 20 August 2009 it was announced that the Company had increased its shareholding from 16.7% to 19.9% following an additional investment of US$2.0M.

Institutional Placement of Shares

On 9 September 2009, the Company announced that it had agreed to undertake an institutional private placement of 93.45M ordinary shares (representing 15% of Paladin's issued capital) to raise approximately A$419M (approximately C$391M) net of fees payable to the placing agents.

The placement was priced at A$4.60 (approximately C$4.30) per share which represents a 6.1% discount to Paladin's last closing price on ASX and a 0.5% discount to Paladin's 5 day volume weighted average price on ASX. The new shares will rank equally with existing shares. The placement was made pursuant to exemptions from registration and prospectus requirements under applicable securities laws and is subject to receipt of all applicable regulatory approvals, including approval of the Toronto Stock Exchange. The transaction was completed and shares were issued on 15 September 2009. No adjustment was required to the terms of either of Paladin's convertible bond series.

Azure Capital acted as Corporate Adviser to Paladin. RBC Capital Markets and UBS AG, Australia Branch acted as Global Joint Lead Placing Agents and Cormark Securities Inc., Dundee Securities Corporation and GMP Securities L.P. were Co-Managers to the placement.

Paladin intends to use the funds raised to:

- provide Paladin with the financial capacity to advance M&A and inorganic growth opportunities;
- progress the Langer Heinrich Stage III project (recently approved by the Board);
- expand exploration and pre-development programmes in Australia; and
- enhance Paladin's balance sheet flexibility to ensure Paladin remains well placed to take advantage of other international nuclear industry opportunities as they arise.

Note 33. Non-Cash Financing And Investment Activities

	Consolidated		Parent Entity	
	2009 US$M	2008 US$M	2009 US$M	2008 US$M
Non-Cash Financing and Investment Activities				
Issue of shares to acquire 100% of Fusion	15.3	-	15.3	-
Allotment of 15% interest in PAL to Government of Malawi [1]	5.7	-	-	-

(1) A share-based payment expense has been recognised for the allotment of a 15% interest in PAL to the Government of Malawi. In determining the Fair Value for PAL, a DCF was adopted as the primary valuation methodology.

Note 34. 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 2009 and 2008 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	
	2009 US$M	2008 US$M
Net loss attributable to ordinary equity holders of the Parent from continuing operations	(480.2)	(36.0)
	2009 Number of Shares	**2008 Number of Shares**
Weighted average number of ordinary shares for basic and diluted earnings per share	617,953,844	608,341,416
Weighted average number of options issuable under the Company's option plans that could be potentially dilutive	3,311,233	14,746,269

In accordance with a resolution of the Directors of Paladin Energy 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 2009 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 2009.

On behalf of the Board

Mr John Borshoff
Managing Director/CEO

Perth, Western Australia
24 September 2009

to the members of Paladin Energy Ltd

Report on the Financial Report

We have audited the accompanying financial report of Paladin Energy Ltd ("the Company"), which comprises the balance sheet as at 30 June 2009, 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.

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 1, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board. 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 1, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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.

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.

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, 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 Energy Ltd is in accordance with the Corporations Act 2001, including:

   i giving a true and fair view of the financial position of Paladin Energy Ltd and the consolidated entity at 30 June 2009 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 Regulation 2001.*

2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 68 to 76 of the Directors' Report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Paladin Energy Ltd and its controlled entities for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001.*

Ernst & Young

G H Meyerowitz
Partner
Perth
24 September 2009

Pursuant to the Listing Requirements of Australian Securities Exchange Limited as at 21 September 2009:

(a) Distribution and number of holders

Range			Total Holders
1	-	1,000	11,986
1,001	-	5,000	11,288
5,001	-	10,000	2,494
10,001	-	100,000	1,838
100,001	-	maximum	178
			27,784

1,337 shareholders hold less than a marketable parcel of shares issued.

(b) The twenty largest shareholders hold 77.01% of the total shares issued.

Holder	No. of Shares	%
CDS & Co	137,445,770	19.17
HSBC Custody Nominees (Australia) Limited	122,305,233	17.05
National Nominees Limited	64,603,700	9.01
JP Morgan Nominees Australia Limited	47,135,479	6.57
Cede & Co	36,413,718	5.08
ANZ Nominees Limited	31,785,848	4.43
Citicorp Nominees Pty Limited	24,825,211	3.46
Aylworth Holdings Pty Ltd	19,486,222	2.72
UBS Wealth Management Australia Nominees Pty Ltd	15,802,780	2.20
HSBC Custody Nominees (Australia) Limited-GSCO ECA	8,164,527	1.14
UBS Nominees Pty Ltd	6,542,802	0.91
Credit Suisse Securities (Europe) Ltd	6,540,000	0.91
Merrill Lynch (Australia) Nominees Pty Limited	4,791,216	0.67
AMP Life Limited	4,738,573	0.66
Ms Gillian Swaby	4,000,000	0.56
Queensland Investment Corporation	3,970,580	0.55
Cogent Nominees Pty Limited	3,820,762	0.53
Citicorp Nominees Pty Limited	3,470,063	0.48
HSBC Custody Nominees (Australia) Limited – A/C 3	3,336,612	0.47
Brispot Nominees Pty Ltd	3,109,097	0.43
	552,288,193	77.01

(c) Voting rights

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

(d) Tenements held

URANIUM PROJECTS

Project	Tenements		Interest %	JV Partner/s	Operator	Note
NAMIBIA – AFRICA						
Langer Heinrich	1 MLI		100.00%	-	LHU	
Gawib	1 EPL		100.00%	-	LHU	
MALAWI – AFRICA						
Kayelekera	1 MLI		100.00%	-	PAL	1
Chilumba	1 EPL		100.00%	-	PAL	1
Chilongo	1 EPL		100.00%	-	PAL	1
Mpata	1 EPL		100.00%	-	PAL	1
Mapambo	1 EPL		100.00%	-	PAL	1
QUEENSLAND (See Note 2)						
Isa North	11 EPMs		81.90%	(see Note 3)	SRA	3
	5 EPMs	(A)	81.90%	-	SRA	
	3 MDLs	(A)	81.90%	(see Note 3)	SRA	3
Valhalla North	3 EPMs		100.00%	-	FSN	
Mary Kathleen S.	1 EPM		100.00%	-	FSN	
NORTHERN TERRITORY						
Angela and Pamela	1 EL		50.00%	Cameco Australia Pty Ltd	Cameco	
	1 EL	(A)	50.00%	Cameco Australia Pty Ltd	Cameco	
Bigrlyi	10 ERLs		42.06%	) Energy Metals Limited	EME	
	20 MCs	(A)	42.06%	)- Southern Cross Exploration NL	EME	
	2 MLs	(A)	42.06%	)	EME	
Walbiri	1 ERL	(A)	58.13%	Energy Metals Limited	EME	
Malawi	1 ERL	(A)	47.96%	Energy Metals Limited	EME	
Minerva	12 ERLs	(A)	100.00%		NTU	
Beatrice South	1 EL	(A)	33.33%	Afmeco Mining and Exploration Pty Ltd	Afmeco	
Mount Gilruth	1 EL	(A)	33.33%	Afmeco Mining and Exploration Pty Ltd	Afmeco	
WESTERN AUSTRALIA						
Manyingee	3 MLs		100.00%	-	PEM	
Spinifex Well	1 EL		100.00%	-	PEM	
Oobagooma	4 ELs	(A)	100.00%	-	PEM	
SOUTH AUSTRALIA						
Petermorra	1 EL		20.00%	Quasar Resources Pty Ltd	Quasar	
Mt Yerila	1 EL		15.00%	Quasar Resources Pty Ltd J E Risinger	Quasar	

(d) Tenements held (continued)

NON-URANIUM PROJECTS

Project	Tenements		Interest %	JV Partner/s	Operator	Note
QUEENSLAND (See Note 2)						
Western Isa Joint Venture						
Isa South	4 EPMs		81.90%	MM Mining Pty Ltd	MMM	4
	4 EPMs	(A)	81.90%	MM Mining Pty Ltd	MMM	4
	1 EPM		73.71%	MM Mining Pty Ltd Glengarry Resources Limited	MMM	4
May Downs	3 EPMs		81.90%	MM Mining Pty Ltd	MMM	4
Mount Kelly	1 EPM		81.90%	MM Mining Pty Ltd	MMM	4
Constance Range	5 EPMs		81.90%	MM Mining Pty Ltd	MMM	4
Other Queensland Joint Ventures						
Tate River	3 EPMs		100.00%	Sovereign Metals Ltd	SOV	5
	1 EPM	(A)	100.00%	Sovereign Metals Ltd	SOV	5
Tributary Creek	1 EPM		30.00%	BHP Billiton Minerals Pty Ltd	BHP	6
Perisher	2 EPMs		100.00%	Cloncurry Metals Ltd	CML	7
SOUTH AUSTRALIA						
Reaphook JV	1 EL		7.50%	Perilya Limited Signature Resources NL	Perilya	

Operators		Paladin Equity (direct and indirect)	Note
BHP	BHP Billiton Minerals Pty Ltd	0%	
CML	Cloncurry Metals Limited	0%	
EME	Energy Metals Limited	0%	
FSN	Fusion Resources Pty Ltd	100%	
LHU	Langer Heinrich Uranium (Pty) Limited	100%	
MIU	Mount Isa Uranium Pty Ltd	100%	
MMM	MM Mining Pty Ltd	31.25%	4
NTU	Northern Territory Uranium Pty Ltd	100%	
PAC	Pacific Mines Limited	100%	
PAL	Paladin (Africa) Ltd	85%	1
PEM	Paladin Energy Minerals NL	100%	
SOV	Sovereign Metals Limited	0%	
SRA	Summit Resources (Aust) Pty Ltd	81.9%	2

Notes

1. Paladin holds 85% equity in PAL with 15% equity having been issued to the Government of Malawi pursuant to the terms of the Development Agreement for KM between the Government of Malawi, PAL and Paladin Energy Minerals NL.
2. Paladin's interest in these tenements is held by virtue of Paladin's 81.9% equity holding in Summit which in turn holds 100% equity interest in SRA and Pacific Mines Limited.
3. The Vallhalla and Skal uranium deposits lie within the Isa North tenement block within defined blocks of land (17 km^2 and 10 km^2 respectively) subject to the IUJV between SRA (50% and Operator) and MIU (50%).
4. The Western Isa Joint Venture tenements are held by SRA/Pacific Mines Limited. MM Mining can earn 80% equity in the Western Isa Joint Venture tenements through expenditure of A$8M within two years of commencement (10 December 2007). Summit holds 20M fully paid shares or 31.25% of the issued capital in MMM, the UK registered parent of MM Mining .
5. The Tate River Joint Venture tenements are held by Fusion. Sovereign Metals Limited has earned 50% equity and can earn up to 75% through further staged expenditure of A$1.5M.
6. The Tributary Creek Joint Venture tenement is held by Fusion. BHP Billiton has earned 70% equity and will earn further equity if Fusion elects to dilute by not contributing to ongoing exploration expenditure.
7. The Perisher Joint Venture tenements are held by Fusion. Cloncurry Metals Limited is earning 51% equity through expenditure of A$500,000 and can earn a further 10% equity through expenditure of A$300,000. Cloncurry Metals Limited can earn up to 100% equity if Fusion elects to dilute by not contributing to ongoing exploration expenditure during subsequent stages of the Joint Venture.

Tenement Types

EL	Exploration Licence (Australia)	MC	Mineral Claim (Australia)
EPL	Exclusive Prospecting Licence (Africa)	ML	Mining Lease (Australia)
EPM	Exploration Permit for Minerals (Australia)	MLI	Mining Licence (Africa)
ERL	Exploration Retention Licence (Australia)	(A)	Pending Application

CORPORATE DIRECTORY

Directors

Non-executive Chairman
Mr Rick Crabb

Managing Director/CEO
Mr John Borshoff

Non-executive Directors
Mr Sean Llewelyn

Mr Ian Noble

Mr Donald Shumka

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Stock Exchange Listings

Australian Securities Exchange and Toronto Stock Exchange
Code: PDN

Munich, Berlin, Stuttgart and Frankfurt Stock Exchanges
Code: PUR

Namibian Stock Exchange
Code: NM-PDN

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

Paladin Energy 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.paladinenergy.com.au.

Please note the Registered Office/Head Office will be relocated as of November 2009 to:

Level 4,
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Subiaco, WA 6008

(All other contact details remain the same)

Jaime McDowall
Corporate Receptionist
Head Office

PALADIN

www.paladinenergy.com.au