

A growing uranium producer

Annual Report 2010

Paladin Energy Ltd



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Paladin Energy Ltd

ACN 061 681 098

The annual report covers the Group consisting of Paladin Energy Ltd (referred throughout as the Company or Paladin) and its controlled entities.

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
Level 4
502 Hay Street,
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.cpm.au.

A pipeline of projects to meet the world's growing demand for uranium

Paladin Energy Ltd is a uranium production company with projects in Australia and two of the world's newest operating mines in Africa.

The Company's strategy is to become a major uranium mining house and has accumulated an exciting, high quality portfolio of advanced uranium projects, each having production potential.

The Langer Heinrich Mine in Namibia is Paladin's flagship project. The mine has recently completed its Stage 2 ramp-up with further expansion set to take production to 10Mlb U_3O_8 by 2014.

The Kayelekera Mine in Malawi was opened in April 2009 and is expected to achieve nameplate production of 3.3Mlb U_3O_8 per annum in 2010.

Paladin is listed on the Australian Securities Exchange, the Toronto Stock Exchange and the Namibian Stock Exchange under the symbol "PDN".

This year's achievements

✦ Sales revenue up 81% to US\$202M

✦ Production up 60% to 4.3Mlb U₃O₈

✦ Exploration spend up 40% to US\$17.1M

✦ Group employees increased to 896

✦ 2 mine expansions announced

✦ Industry leading average sales price achieved for year

2009

August

Initial investment in NGM Resources Limited.

September

Placement completed raising US\$374M. Valhalla resources increased by 10% to 70Mlb U₃O₈. Skal resources increased by 38% to 6.2Mlb U₃O₈.

October

Expansion plans announced. Proposed Stage 4 for Langer Heinrich Mine increasing annual production to 10Mlb U₃O₈ by mid 2014. Kayelekera Mine optimisation targeting increased production rate to 3.8Mlb U₃O₈ pa by mid 2013.

December

Langer Heinrich Mine achieves Stage 2 production levels. Commencement of Stage 3 construction expanding to 5.2Mlb U₃O₈ pa.

2010

March

Kayelekera resource increased to 46.4Mlb U₃O₈; (inferred increased by 63%, measured and indicated by 6%)

May 2010

30,000m of drilling completed at Langer Heinrich Mine to provide basis for upgraded resource and Stage 4 expansion.

June

Overall production for FY2010 a 60% year on year increase to 4.32Mlb U₃O₈.

August

MOU signed with China Guangdong Nuclear Power Corporation providing framework for long-term sales, participation in future growth and expansion of current JV relationships.

September

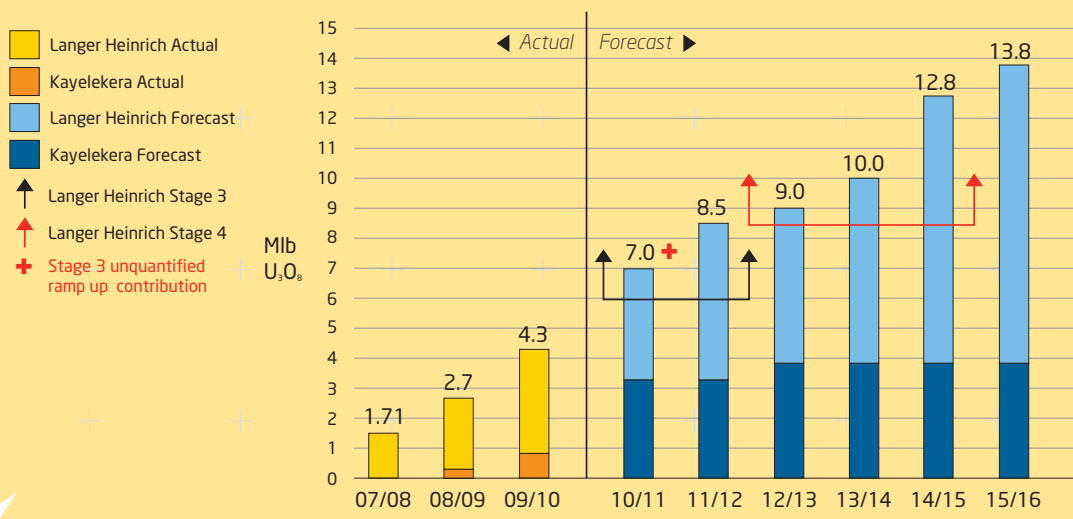
Recommended takeover offer for NGM Resources Limited, establishing a footprint in Niger.

What we set out to do in 2010

- ✓ Establish world-class Safety, Health, Environment and Radiation (SHER) framework across the organisation.
- ✓ Successfully integrate Stage 2 expansion at Langer Heinrich Mine.
- ✓ Initiate expansion with Stage 3 at Langer Heinrich Mine.
- ✓ Achieve commercial production at Kayelekera Mine.
- ✓ Complete Garnet Halliday Water Treatment Project in Malawi.
- ✓ Expand global resource inventory.
- ✓ Expand global footprint through M&A activity.
- ✓ Establish and maintain a strong balance sheet.
- ✓ Increase depth of uranium expertise across all staffing levels.
- ✓ Develop appropriate long-term incentive plan to more appropriately reward employees.

What we plan to do in 2011

- ⊙ Complete Stage 3 construction at Langer Heinrich Mine with ramp-up commencing early CY2011.
- ⊙ Progress Stage 4 Langer Heinrich Mine feasibility study.
- ⊙ 2011 production objectives of 7Mlb.
- ⊙ Optimise production at Kayelekera Mine.
- ⊙ Ongoing implementation of NOSA health and safety system.
- ⊙ Continue resource expansion at Mount Isa.
- ⊙ Develop Paladin's term contract sales to targeted levels.
- ⊙ Ongoing commitment to global exploration.
- ⊙ Continue to populate Paladin's growth pipeline through M&A and expand through organic growth.
- ⊙ Focus on talent management and career development across the Group.



Building a company that the world needs

Chairman's Letter



Stage 3 construction, Langer Heinrich Mine.



Rick Crabb
Chairman

Dear Fellow Shareholders

Although it is now four years since Paladin commenced the production of uranium oxide, the Company is still very much in “development” mode. This will continue for many years. Such is the nature of the renaissance of the nuclear power industry, the substance of Paladin’s many projects around the world, the depth of the Company’s expertise and the passion of its CEO, its directors and employees.

During the past financial year, the Paladin team has principally been focused on achieving production targets at the Langer Heinrich and Kayelekera mines. Early problems and delays with the production ramp-up at Kayelekera were systematically overcome and the mine is now positioned to confirm nameplate production in the September quarter. The Langer Heinrich Mine continued its strong performance at Stage 2 nameplate capacity, whilst construction of Stage 3 progressed and Stage 4 feasibility commenced.

The achievements of Paladin management, employees and contractors in building, expanding and operating two new mines to modern international standards in Africa, with quite different geographical locations, ore body types and process flow-sheets cannot be under estimated. The intellectual property accumulated by the Paladin Group over the past 15 years since embarking on its uranium strategy, lays the foundation for the Company to achieve its long held goal to become a major global uranium mining house.

With this goal in mind, the Board and senior management continue to focus on improvements to health & safety, environmental management, corporate governance and career path training.

The Company recognises the important role it has to play within the communities in which it operates. I urge you to read with interest and pride the section of this Annual Report summarising the contribution to communities in Namibia and Malawi made by the Company, as well as privately by its employees. This positive attitude to community support is also reflected in the Company’s Australian exploration projects.

This past reporting period has seen continued fluctuation in Paladin’s share price, from A\$3.37 to A\$5.18. However, despite some continued global market uncertainty, the outlook for both spot and long-term uranium prices is positive and, coupled with Paladin’s consolidation as a reliable producer with growth potential, I am confident that shareholders will be rewarded for their support.

I again thank John Borshoff and all employees for their ongoing dedication and hard work. I acknowledge the mutual decision by John and his technical General Managers (supported by the Board) to not be considered for any annual bonuses due to safety incidents and a disappointing ramp-up at the Kayelekera Mine. Clearly it is in the interests of all stakeholders that executive bonuses be aligned to overall Company performance, as well as personal performance.

I welcome our new Non-executive Director Peter Donkin, whose significant banking experience in the resources sector has further strengthened the governance capacity of the Board.

Welcome also to Non-executive Director Philip Bailey, who will join the Board on 1 October. His extensive experience as a metallurgist in senior management roles, particularly in the uranium sector, will be invaluable to the Board’s oversight of operations.

At the forthcoming Annual General Meeting we will farewell Ian Noble as a director. Ian joined the Board in June 2005 and, with his strong uranium technical background, made an enormous contribution to the Board and the Company as a whole, during the last five highly active years.

Yours faithfully

RICK CRABB
Chairman



John Borshoff
Managing Director/CEO

I thought you may find it interesting to read some excerpts from a couple of the many presentations I have given throughout the past year. They cover two topics about which I am passionate: the benefits and responsibilities of operating in Africa; and my perspective on the supply and demand dynamics of the uranium market.

Survival and opportunity

Africa Down Under, Perth, 3-4 September 2009.

“ I decided to entitle my talk – SURVIVAL AND OPPORTUNITY - as it does, I think, combine the two key words essential to create success and I feel this aptly describes my topic for today.

Someone recently carried out an interesting survey on the 500 or so junior exploration companies currently listed on the ASX to determine what we can learn from those companies that have survived over the past 10 years. There are some observations which I found particularly interesting and relevant...

The major conclusion that can be drawn from this survey is that the winners were those exploration companies that adapted to new approaches and were prepared to move out of their comfort zones. Those that had the vision and commitment to take anti-cyclical positions, acquire big company discards, took courage and trusted their own judgment while taking risks along the way generally succeeded. Clear examples that this attitude can lead to success are the emerging Australian producer companies in Africa today such as Equinox, Arvil, Platinum Australia, Resolute and ourselves to name a few (and apologies to any that I have missed) and fully exemplify the benefits of what “having a go”, as they say, can achieve...

The impact of corporate Australia moving into foreign countries has mostly been felt in Africa. This influx of Aussies into Africa has been an astonishing development and certainly will, I believe, have a profound influence in positively recalibrating attitudes and relations between the people of countries within which we work and Australia.

We all know Africa is a continent very rich in mineral resources and that mining represents an extremely important industry on this fascinating landmass. We have all heard statistics to underscore this. Facts like of the 53 countries in Africa, 8 have greater than 50% of their export revenues derived from minerals. Interestingly, about 70% of all mineral exports out of the African continent come from South Africa and, if this can be used as a gauge, serves to indicate the huge potential for expansion of mining that lies in the countries of Africa outside of South Africa.

There can be very little doubt that Australian companies have been experiencing a very, very steep learning curve in the past 10 to 15 years operating in other people's countries and are contributing much to the development of their resources. The quality of technical input and expertise that Australian companies offer is, I feel, very good and, if on occasion lacking and mistakes made, can be compensated somewhat by the good intention and honesty that is generally displayed. I have found that the African people and their governments can be forgiving when they feel you are genuinely striving to improve their economy and the plight of their people.

I am told there are about 120–125 Australian exploration, mining and related service industry companies operating in about 40 African countries and the overall investment has amounted to about A\$20bn in the last 12 years. In sub Saharan Africa the investment growth during this period has been a staggering 10% pa and is a substantial contribution and commitment under any measure. Companies that have taken the path to Africa have taken that first step to success by encouraging investors to fund exploration in highly prospective regions. Hopefully the opportunities they uncover with discovery will make them a company that benefits both the country in which they operate and their long suffering shareholders by arriving at the ultimate goal - and that is to be a profitable mining company.

People should take comfort that Paladin has had many, many opportunities in the past 10 years to make a wrong turn, give up or just disappear with a vision still intact but nowhere to apply it. It is from a background of embracing Africa and taking chances that Paladin has now become the 2nd largest pure uranium listed company in Australia (after ERA) and also the 2nd largest in Canada (after Cameco) and today is one of the top 10 mining companies in Australia.” ”

A perspective on supply and demand

Australian Uranium Conference, Fremantle, 21-22 July 2010.

So here we have two states of mind occurring simultaneously and it's a sort of madness. Utilities working from the depressed platform [viz Europe and America] look at utilities working from the optimistic platform [viz China, India, Korea, Middle East and Russia] wondering what is going on and vice versa. Each calibrates their supply requirements from their version of reality. Is it no wonder that uranium markets are in confusion and why everybody looking on, investors and the miners alike, don't know why spot and term markets have no logic and at times appear to resist normal market dynamics. This state, of course, cannot last.

“ The 55 or so nuclear utilities worldwide are at their best when building reactors and managing the complexities of electricity generation. They do these tasks fantastically well, and it is these people who have created one of the safest and most efficient industries in the world. Nevertheless, despite this high skill level, they are completely and utterly ignorant about supply – that dirty, uncertain end of town where odd ball explorers and crazy miners try to raise money to discover something rare and hopefully, in 10-20 years, build a mine to reward long suffering shareholders. All this is as far away from the business they know as could be possible - in other words, we are poles apart. So it is not only the schizophrenic nature of the nuclear demand side that causes the supply to be misread. It is also the lack of understanding, knowledge and empathy by utilities as to what is really going on in “supply land”. All this is contributing to complacency and the misguided hope that supply will somehow sort itself out, no matter what your version of reality. Unfortunately, however, massive effort and investment is required to ensure supply will be ready and available for the next 80 to 100 years, as reactor numbers reach 1,000-1,200 units by mid century. Critically, it will be in the next 10 to 15 years that all this will need to be put on a clearer path to assure that the long-term supply needs will be maintained...

Whatever one thinks about the demand side, one thing is for certain – it is assured, it is up there, clear and present, and there should be no doubting we are heading for a major nuclear renaissance if we are not in it already...

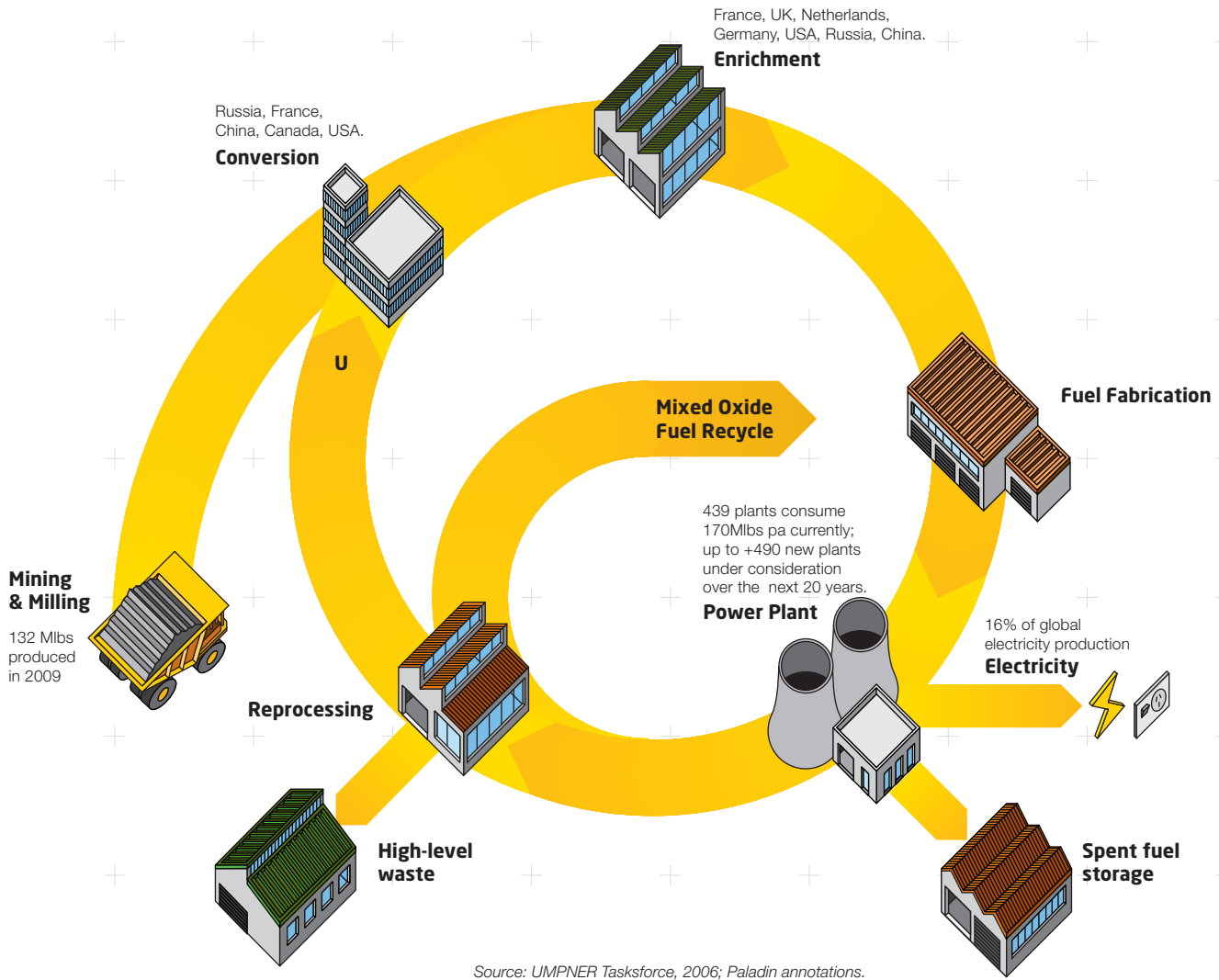
Although confusing, the uranium market as it stands today does not overly concern me with regard to the future and, by that, I mean the near future! The lacklustre performance of what I refer to as the “incidental” market, and what you call the spot market, denies the reality of fundamental long-term contracted supply shortage and it is the long-term contract market that fundamentally and essentially assures that the nuclear industry is able to be sustainably fuelled and re-fuelled. It is the supply and delivery into this market for which the shortage will be abruptly felt. It is this supply that is structurally compromised and for which there is no short-term fix, and which is so poorly understood. It is also in this space that Paladin is so well placed and set to take full advantage of this fabulous emerging situation.

When one examines our development objectively it can be seen that, from inception, Paladin has been one of those start-up companies that commenced with a demonstrable knowledge of uranium (particularly its supply side dynamics) and the nuclear industry as a whole. This has been the principal foundation that has enabled Paladin to lead and to understand, from a historical perspective, what needs to be done and changed to establish a reliable, sustainable and modern uranium mining company.”

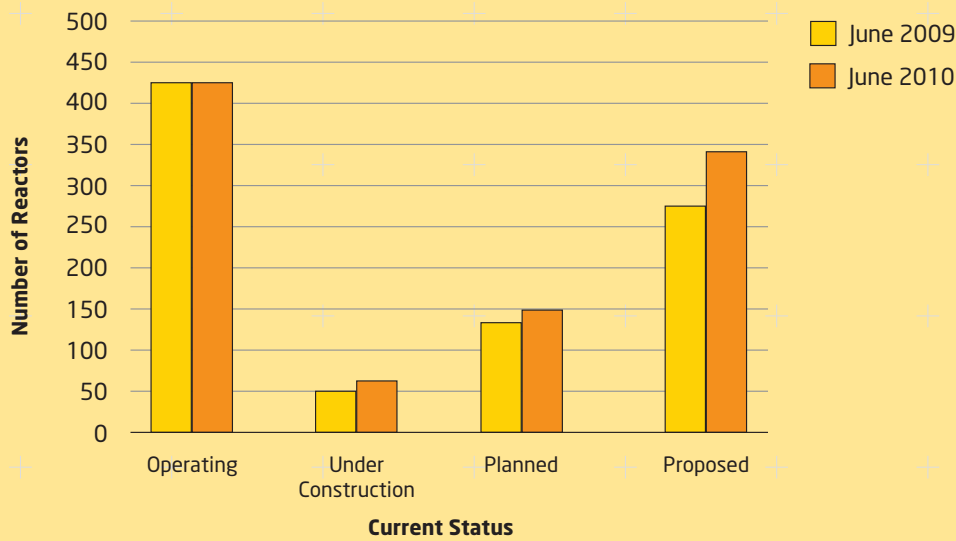
Nuclear power - growth assured

The Nuclear Fuel Cycle

Nuclear Power



Source: UMPNER Taskforce, 2006; Paladin annotations.



Last year in the aftermath of the global financial crisis we observed that the nuclear electricity industry was resilient and that long-term growth was assured. Those comments are equally valid this year.

There are now 440 nuclear power plants in operation worldwide, providing 14% of the world's electricity production. There are also 59 new plants under construction, 10 more than last year. 24 of the new plants are being built in China where the government has ambitious plans to operate over 180 nuclear plants by mid century. 149 plants are in the "planned" category (136 last year) including 4 plants ordered by the United Arab Emirates, which currently has no nuclear power reactors, and 20 plants planned in India which is now fully engaged in the world civil nuclear fuel cycle for the first time. Several countries are evaluating nuclear power for the first time with Poland, Jordan and Turkey each likely to make commitments for new reactors over the next year. The number of reactors in the "proposed" category has also risen significantly from 277 last year to 344 today. These are encouraging statistics which describe an industry in growth, but behind the numbers are changes of possibly greater significance.

There have been profound changes in public and official attitudes towards nuclear power which mean that the industry's future is more certain now than at any time since its inception in the 1950's. People today have a deeper understanding of energy and environmental issues and no longer accept at face value the objections of strident anti-nuclear advocates. It is now widely understood that nuclear

power is a low-carbon energy source on a whole fuel cycle basis, ending a long running but futile campaign by opponents asserting the opposite despite the facts. Spent fuel storage and disposal is now being seen in context with the challenge of carbon capture and storage which inevitably counter balances the position of nuclear's critics. Debates about nuclear power are now more likely to focus on costs and benefits, conceding that the industry now has an excellent environmental and safety record. The World Nuclear Association points out that the civil nuclear industry today has recorded more than 14,000 reactor-years of operation and is a mature and proven technology.

The positive attitude towards nuclear power is reflected in changing national policies. Several countries which had nuclear phase-out policies have abandoned them or are in process of modifying them (Sweden, Belgium, Spain, Germany), and countries which were ambivalent have returned to a pro-nuclear position (U.K., USA, Italy). Several countries which have no nuclear power are well advanced towards building nuclear power plants (United Arab Emirates, Turkey, Poland, Jordan). In the USA, which has the largest number of nuclear power plants but which has not ordered a new plant for over 20 years, there has been a marked shift in public opinion in favour of nuclear energy to the extent that those who "strongly favour" nuclear energy now outnumber those who "strongly oppose" by more than three to one.

Nuclear power - growth assured

Nuclear Power Worldwide

Country	% Nuclear	Reactors Operating	Reactors Under Construction	Reactors Planned	Reactors Proposed	Comments
Belgium	52%	7	0	0	0	Phase-out under reconsideration. Lifetime extension for certain plants.
Canada	15%	18	2	4	3	Leader in civil nuclear technology.
China	2%	12	24	33	120	Target 5% nuclear by 2020. Nuclear a key climate change policy.
Czech Republic	34%	6	0	2	1	Firm government support for more nuclear.
Finland	33%	4	1	0	2	Firm commitment to nuclear on environment and cost grounds.
France	75%	58	1	1	1	Highly dependent on nuclear.
Germany	26%	17	0	0	0	Phase-out under reconsideration.
India	2%	19	4	20	40	Target 25% nuclear by 2050. Now under IAEA safeguards umbrella.
Japan	29%	55	2	12	1	Target 40% nuclear by 2017.
Korea	35%	20	6	6	0	Nuclear power and technology is a national strategic priority.
Russia	18%	32	10	14	30	Progressive target to reach 70%-80% nuclear by 2100.
Spain	18%	8	0	0	0	Phase-out plans uncertain but 2 plants obtained 10 year lifetime extensions.
Sweden	35%	10	0	0	0	Phase-out abandoned and policy now permits new plants to replace existing capacity.
Taiwan	20%	6	2	0	0	Taiwan is planning a 20% power up-rate and 20 year lifetime extension for existing plants.
United Kingdom	18%	10	0	4	6	New government supports new reactors to replace ageing fleet.
USA	20%	104	1	9	22	Current administration favourable to nuclear and new builds highly likely.
Other countries*		61	6	44	118	11 additional countries planning nuclear programmes.
World		440	59	149	344	Potential to increase nuclear capacity by 2.5 times.

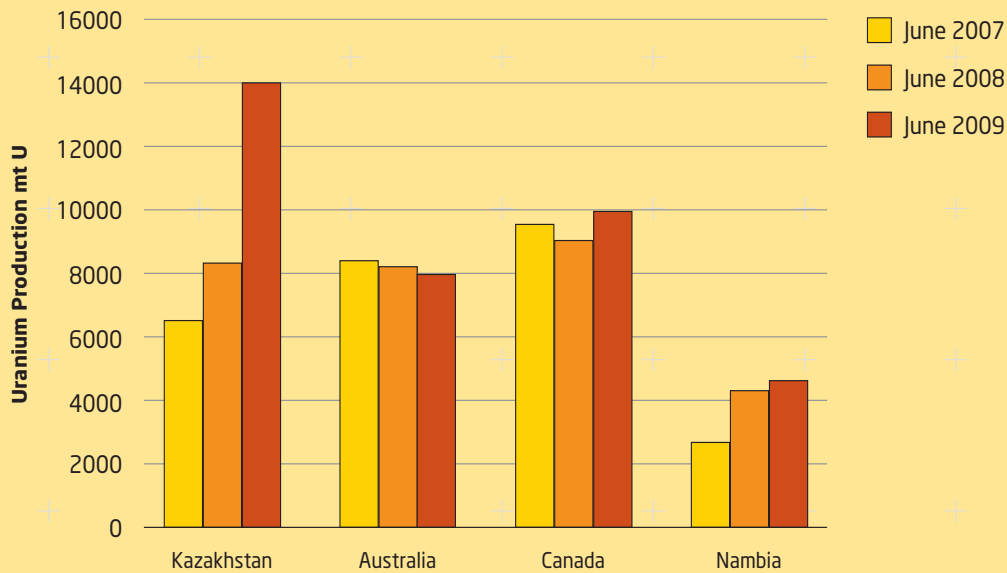
* (Argentina, Armenia, Belarus, Brazil, Bulgaria, Egypt, Hungary, Indonesia, Iran, Israel, Italy, Jordan, Malaysia, Mexico, Netherlands, Pakistan, Poland, Romania, Slovakia, Slovenia, South Africa, Thailand, Turkey, Ukraine, UAE, Vietnam).

More reactors will require more fuel and fuel cycle services. Total world uranium production in 2009 was 50.772Mt U, an increase of 6.919Mt U (+16%) from 2008. Most of the increased production is attributable to significant growth in Kazakhstan's output which rose from 8.521Mt U in 2008 to 14.020Mt U in 2009 as well as from the Company's Langer Heinrich Mine in Namibia and Kayelekera Mine in Malawi. Despite the rise in production, uranium requirements in 2009 exceeded uranium supply by approximately 17.800Mt U.

The pressures on the supply industry which we have been pointing out for some time are still real and unresolved.

Uranium supply will not constrain the growth of the nuclear power industry in the long-term, but the need for a significant increase in uranium production will ensure the Company will continue to enjoy good opportunities in a vibrant and strategically important industry.

The Company anticipates uranium price strengthening in both the spot (near-term) and the term (multi-year) market segments.



Current Market And Long-term Uranium Outlook

Uranium prices turned in a lacklustre performance during the 12 month period. After showing a slight rise in June 2009, reaching \$US52/lb U_3O_8 at the end of June 2009, the spot uranium price tended to drift downwards to US\$44.50/lb U_3O_8 at year's end then reporting at US\$41.75/lb U_3O_8 at the end of June 2010. Compared to historical spot market volumes, monthly transactional quantities remained robust averaging close to 4Mlb U_3O_8 per month over the 12 month period.

The term uranium price, which generally applies to the future balance between utility uranium demand and primary uranium supply, fell incrementally during the 12 month period from its mid-year 2009 level of US\$65/lb U_3O_8 to around US\$60/lb

during most of the first half of CY2009. Moreover, volumes contracted in the term market were somewhat modest especially when compared to the CY2005-2007 time period.

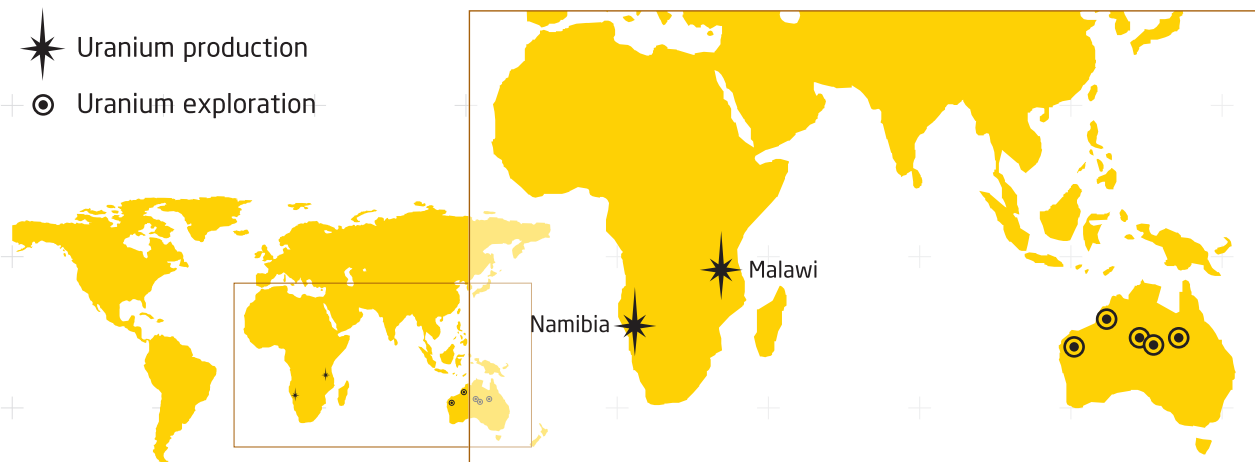
Looking forward, the Company anticipates uranium price strengthening in both the spot (near-term) and the term (multi-year) market segments. Annual uranium requirements will be increasing at an accelerating rate as new reactor build programmes bring more reactors into commercial operations over the next 10-20 years. Much greater primary uranium production will be needed to fuel these units and that expansion in uranium output will only be forthcoming at higher sustainable uranium prices.

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The year in review

Management Discussion and Analysis





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 2010. The effective date of this report is 22 September 2010.

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 2010 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.

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.

The year in review

Langer Heinrich Mine, Namibia

(refer to page 18 for more detail)

During the year, the Langer Heinrich Mine (LHM or Langer Heinrich) produced 3.352Mlb of U₃O₈ versus 2.7Mlb U₃O₈ the previous year, an increase of over 24%. Stage 2 commissioning was completed during the year and the March and June quarters of 2010 saw LHM exceed the Stage 2 nameplate design of 3.7Mlb pa. Construction of the Stage 3 upgrade to 5.2Mlb is well underway with ramp-up expected to start in early calendar year 2011. In October 2009, plans were announced for a Stage 4 expansion targeting 10Mlb pa (including 1Mlb heap leach). Following recent drilling, an upgraded resource estimate is expected at the end of the September quarter to underpin the Stage 4 feasibility study.

Kayelekera Mine, Malawi

(refer to page 22 for more detail)

During the year the Kayelekera Mine (KM or Kayelekera) produced 963,000lb U₃O₈ as production was ramped-up towards the designed 3.3Mlb pa. In July 2010 commercial production was achieved. All circuits have been proven at or above design, with final optimisation in process. Recent drilling led to an upgraded resource of 46.4Mlb U₃O₈. During the year an expansion from the current 3.3Mlb pa design to 3.8Mlb was announced and is targeted for mid-2013.

Exploration and Evaluation

Within the Group, exploration and evaluation expenditure totalled US\$17M to significantly advance the Company's projects within Australia and overseas. Exploration has focused on Mount Isa in Queensland, Kayelekera in Malawi and Langer Heinrich in Namibia.

Following the completion of drilling during the year, resource updates were released for Skål, Valhalla and Kayelekera.

Health And Safety

(refer to page 32 for more detail)

As part of its commitment to establishing a world-class Safety, Health, Environment and Radiation (SHER) framework across the organisation, Paladin committed to the implementation of the NOSA system throughout the Group as its formal safety system, the grading audit at LHM resulting in a commendable 4 star platinum rating. At KM, a baseline audit was undertaken with a view to grading in early 2011.

Corporate Social Responsibility

(refer to page 48 for more detail)

Paladin continued to evolve its Corporate Social Responsibility (CSR) model for infrastructure development, capacity-building and community engagement in Namibia and Malawi during the year and commenced relationship-building in Niger in anticipation of the Company's direct engagement in that country. Amongst its other varied projects in both Namibia and Malawi, Paladin completed its flagship social development project in Malawi – the \$US9.3M Karonga Water Supply Project - handing over the state-of-the-art facility to the local utility in March 2010, to the acclaim of the community. Paladin's approach to CSR has attracted the attention of industry-watchers, such as the United States-based human rights organisation, Nomogaia Foundation, which concluded a comprehensive review of Paladin's approach to CSR in developing the Kayelekera Mine in Malawi. The report found that Kayelekera was "an extremely rights-responsible project - a model for other projects planned in remote areas with no mining history."

Corporate

Paladin completed a successful institutional private placement in September 2009 raising US\$374M net of fees with the issuance of 93.45M shares at a price of A\$4.60 per share.

On the M&A front, following an initial investment in August 2009, Paladin launched a recommended takeover offer for NGM Resources Limited (NGM) in July 2010. This acquisition will represent a significant addition to Paladin's portfolio of early stage uranium exploration projects and give a presence in Niger, a country with a long history of uranium production.

Our People

(refer to page 53 for more detail)

The focus on future growth has seen staff numbers continue to rise with the overall complement of employees increasing to almost 900. At both operations, the focus on training and development continues to assist local employees gain the necessary skills and knowledge to further progress in the organisation.



Review of operations

Paladin's total Mineral Resource inventory includes 88,513t U₃O₈ (195.1Mlb of U₃O₈) at 0.074% U₃O₈ in the Indicated and Measured categories, a 6% increase from that reported in the previous year. Paladin also holds 67,560t of U₃O₈ (148.9Mlb of U₃O₈) at 0.06% U₃O₈ in the Inferred Resource category, a 2% decrease 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 82.05% ownership of Summit Resources Ltd.

Project	Overview	Mining Method/ Deposit Type	Outlook	Resources
Uranium Production				
*Langer Heinrich Mine - 100% (Namibia, Southern Africa)	The Company's cornerstone asset commenced production in 2007. The Stage 3 expansion is under construction expanding output to 5.2Mlb pa starting in early CY 2011. Studies are underway for a further expansion to 10Mlb pa by 2014.	Conventional open pit; calcrete	16 year current mine life.	M&I: 56.4Mt @0.06% (72.4Mlb U ₃ O ₈) Inferred: 70.7Mt @0.06% (91.6 Mlb U ₃ O ₈)
*Kayelekera Mine – 100% (Malawi, Southern Africa)	Paladin's second operational uranium mine announced commercial production in July 2010. Final optimisation to the designed 3.3Mlb pa is underway. A further Stage 2 expansion to 3.8Mlb is being considered for early 2013.	Conventional open pit; sandstone	11 year project life.	M&I: 20.7Mt @ 0.08% (38.8Mlb U ₃ O ₈) Inferred: 5.5Mt @ 0.06% (7.6Mlb U ₃ O ₈)

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.

* Complies with JORC(2004) guidelines & is NI 43-101 Compliant.

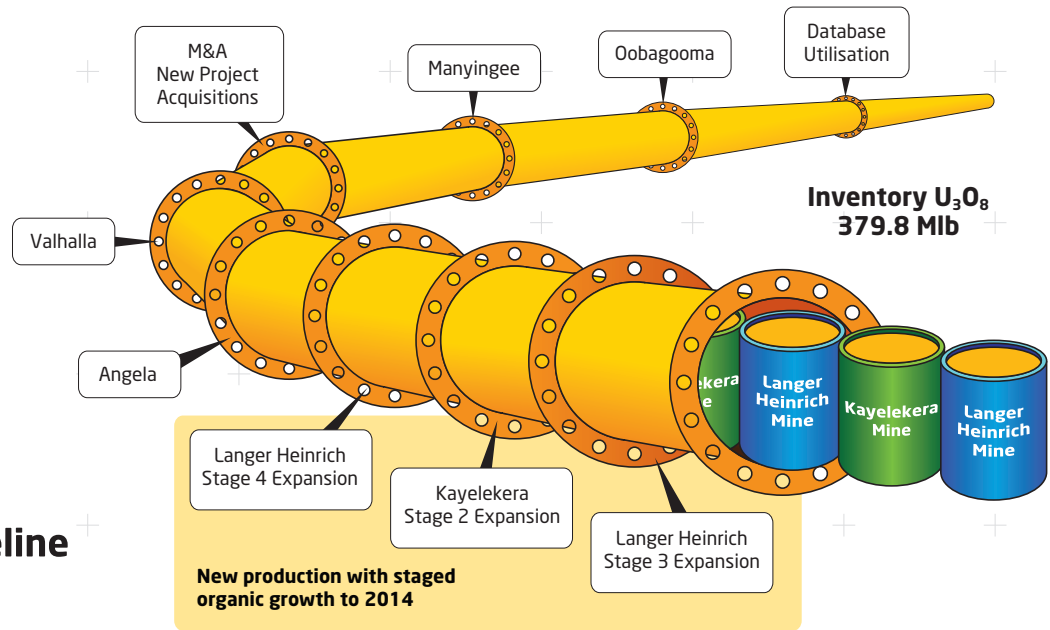
** Complies with JORC(1999) guidelines.

For Valhalla and Skal, Paladin's interest is based on 50% deriving from the Mount Isa Joint Venture and 41.03% via Paladin's 82.05% 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.

Langer Heinrich and Kayelekera Mineral Resources have been depleted for mining at the time of resource estimation and are inclusive of any Ore Reserves that may be applicable.

M&I = Measured and Indicated.



Project Pipeline

Assets acquired & projects developed

Project	Overview	Mining Method/ Deposit Type	Outlook	Resources
Uranium Development				
**Manyingee Project – 100% (Western Pilbara, Western Australia)	A key pipeline asset for Paladin. Resource definition drilling is currently planned and expected to commence after access is achieved.	In-situ leach; sandstone	3 year staged feasibility study required	Inferred: 5.5Mt @ 0.05% (6.2Mlb U ₃ O ₈)
*Oobagooma Project – 100% (West Kimberley, Western Australia)	A key pipeline asset for Paladin.	In-situ leach; sandstone	3 year reserve/resource drilling required	Exploration target: 8.0Mt @ 0.12%-0.14% U ₃ O ₈
*Valhalla Deposit – 91.03% (Queensland, Australia)	Paladin's primary Australian asset advancing towards future production. A large effort is being made to expand the current resource, continue environmental studies and move towards a Definitive Feasibility Study in 2011.	Open pit - underground; metasomatic	Development dependent on Queensland Government U Policy changes	M&I: 31.2Mt @ 0.09% (60.0Mlb U ₃ O ₈) Inferred: 5.2Mt @ 0.09% (9.9Mlb U ₃ O ₈)
*Skal Deposit – 91.03% (Queensland, Australia)	Part of Paladin's Mount Isa strategy with definition drilling underway. The deposit is expected to make a material contribution to our future regional production model.	Open pit - underground; metasomatic	Development dependent on Queensland Government U Policy changes.	M&I: 4.3Mt @ 0.06% (5.4Mlb U ₃ O ₈) Inferred: 8.4Mt @ 0.05% (9.1Mlb U ₃ O ₈)
*Bigryli Deposit – 41.71% (Northern Territory, Australia)	An important joint venture for Paladin. An expanded exploration budget for the year will target increasing the known resources and accessing untested regional targets with our partners, Energy Metals.	Open pit - underground; sandstone	Prefeasibility Study if sufficient resources	M&I: 4.7Mt @ 0.13% (13.5Mlb U ₃ O ₈) Inferred: 3.4Mt @ 0.12% (8.9Mlb U ₃ O ₈)
Angela Deposit – 50% (Northern Territory, Australia)	In conjunction with our partner Cameco we are advancing both resource definition and preliminary economic analysis of the asset during 2011.	Open pit - underground; sandstone	Prefeasibility Study to follow resource validation	Exploration target: 13Mt @ 0.1%-0.13% U ₃ O ₈

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 with production of 2.7Mlb of U_3O_8 achieved. The commissioning of Stage 2 during the year has increased production to 3.7Mlb pa, this rate having been achieved for the first half of 2010. Stage 3 expansion has commenced with a budgeted increase in production to 5.2Mlb pa. Construction of Stage 3 is expected to be completed in the March quarter 2011.

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 figure on page 20 shows the location of the uranium mineralisation along the length of the Langer Heinrich valley.

Operations

Production totalled 3.352Mlb, up 24% from 2.7Mlb the previous year. The successful Stage 2 expansion to 3.7Mlb pa finalised commissioning in the last months of 2009 and design

production was achieved for the balance of the financial year.

The 164Mlb deposit has a minimum 16 year mine life based upon proposed Stage 3 production rates. During the year 5,812,821t of ore was mined at an average grade of 773ppm. Additional low-grade material totalling 1,745,172t at 308ppm was mined and stockpiled for future down-blending and potential heap-leach. The average strip ratio for the year was 0.57:1 with crushed ore totalling 2,004,000t at an average grade of 958ppm. An overall recovery of 80% was achieved.

Karibib Mining and Construction Company, a Namibian mining contractor, continued successful operations during the year, expanding in late 2009 to increase feed tonnage



Langer Heinrich Mine, Namibia.

for Stage 2. Mining continues on several working faces namely Pit A cutback, Pit F and Pit D. Mining activities have been advanced prior to the Stage 3 commissioning together with tailings management, with the first in-pit tailings deposition expected to take place during the upcoming financial year.

Planning and design of the previously announced Stage 3 expansion, which will bring the nameplate production design from the current 3.7Mlb to 5.2Mlb pa, was well advanced by the end of the financial year. Construction activities have also been initiated, with an expectation of commissioning in early 2011. Several advancements to key processing equipment are expected to deliver efficiencies to

the expanded operation. A second crushing system, with a much larger scrubbing unit, is to be installed and is expected to improve plant availability and increase scrubbing efficiencies.

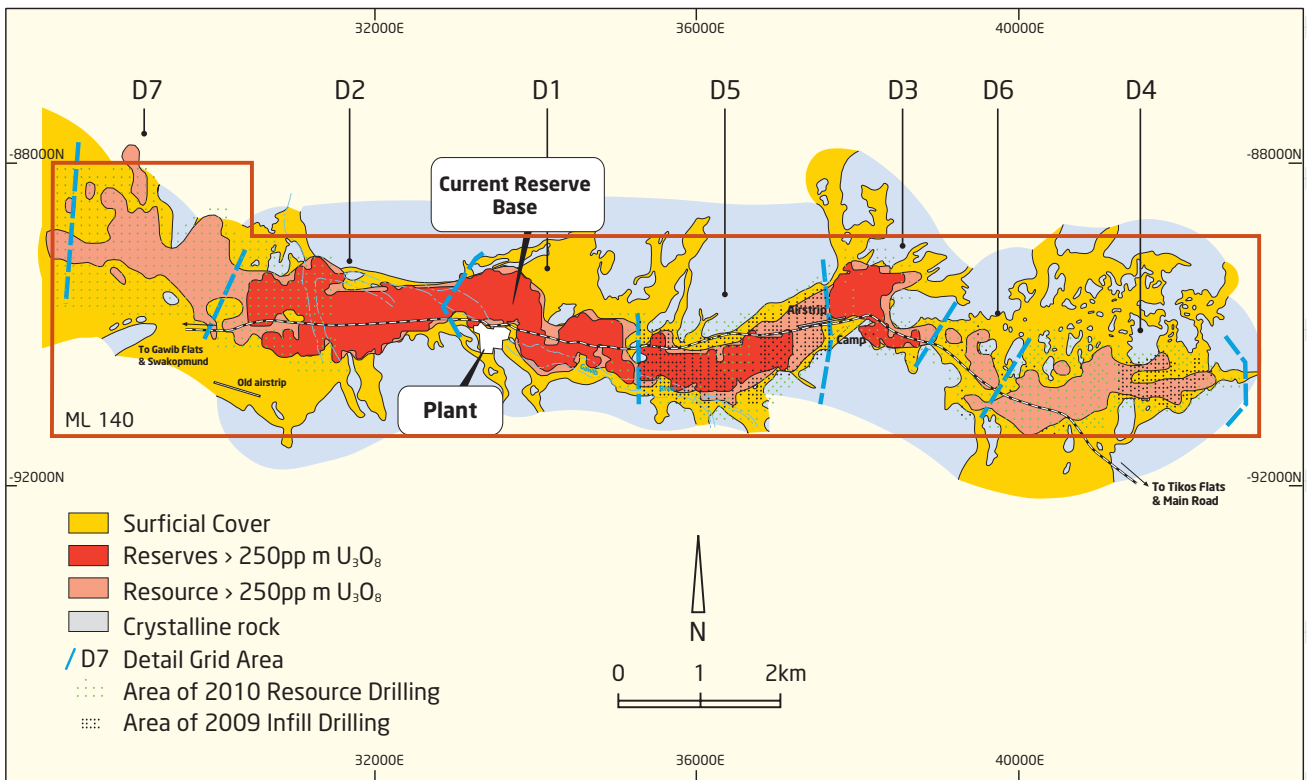
Heating slurry will be improved with the introduction of "flash/splash" technology, reducing the dependence on spiral heat exchangers. In addition, a new NimCix ion exchange system will be installed to reduce the dependence on pure clarified pregnant liquor and provide higher wash efficiencies in the CCD circuits. Construction of Stage 3 is not expected to significantly impact on Stage 2 production volumes during tie-in.

In October 2009, plans were announced for a Stage 4 expansion targeting 10Mlb pa (including 1Mlb

heap leach). Following recent drilling, an upgraded resource estimate is expected at the end of the September quarter to underpin the Stage 4 feasibility study.

Resources stand as announced in 2008. Following completion of drilling for the Stage 4 resource update, a new resource is expected during the September 2010 quarter. It is anticipated that the majority of Mineral Resources will fall into the Measured and Indicated categories. 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 %	t U ₃ O ₈	Mlb U ₃ O ₈
Measured Resources	32.8	0.06	19,582	43.16
Indicated Resources	23.6	0.06	13,276	29.260
Measured + Indicated	56.4	0.06	32,858	72.42
Inferred Resources	70.7	0.06	41,557	91.6

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

Ore Reserve

Economic analysis on this resource has indicated a break-even cut-off grade of 250ppm. This is unchanged from the previous resource due to a number of factors including changes in reagent and running costs.

Ore Reserve Estimate (250ppm U₃O₈ cut-off) for Details 1, 2, 3 and 5:-

250ppm Cut-off	Mt	Grade %	t U ₃ O ₈	Mlb U ₃ O ₈
Proved Ore Reserve	30.0	0.06	17,924	39.50
Probable Ore Reserve	20.6	0.06	11,950	26.34
Total Ore Reserve	50.6	0.06	29,874	65.84

Ore Reserve has been depleted for mining

Compared to the previous ore reserve of 25.6Mlb announced in 2005 the 2008 Ore Reserve estimate represents a 175% increase in contained U₃O₈. The Ore Reserve has been estimated from the Measured and Indicated Mineral Resource of 56.4Mt at a grade of 0.06% U₃O₈. The resource estimate is based on Multi Indicator Kriging and incorporates a specific adjustment based on expected mining parameters. As a result additional dilution and mining recovery are not included in the Ore Reserve estimation.



The cost parameters used in the reserve estimation are now well established and as such their inclusion can be reasonably justified. The revenue rate used in the estimate was US\$60 per lb which is regarded as conservative when compared to the Ux spot price and existing term contracts.

These reserves form the basis of the detailed mine planning for the project. The revised mine model will allow a remaining mine life of 13 years, based on the expansion of processing capability to 5.2Mlb pa. The mine model does not include any contribution from the 91.6Mlb of Inferred Mineral Resources, (as announced 28 August 2008) either from the open pit area or Details 4 and 6 (to the east) or Detail 7 (to the west) outside the current pit design.

The Ore Reserve is quoted exclusive of ROM stockpiles which, at the end of May 2008, contained an additional 3.5Mt at a grade of 514ppm U_3O_8 for 1,796t (3.96Mlb) U_3O_8 .

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.

Following on from initial drilling undertaken in 2009 an additional airborne EM survey was carried out in EPL3500, adjacent to the Langer Heinrich mining lease. This survey was much more detailed and had more appropriate electronic parameters and consequently returned much better results. As part of the resource

definition drilling programme for the Langer Heinrich Stage 4 processing expansion, approximately 600m of the eastern portion of the EPL was drilled to good result. This information will be incorporated into the greater Langer Heinrich resource once all information has been validated.

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 (Africa) Limited (PAL) a subsidiary of Paladin. 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, ML 152, 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 followed and construction started in June 2007 with completion in early 2009. The mine is currently ramping-up to full scale production with commercial production achieved in July 2010.

The mine is optimising production to 3.3Mlb pa 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.

Operations

Operations at Kayelekera began in 2009, producing 963,000lb for the recent financial year. The operation's nameplate design of 3.3Mlb pa is expected to be achieved for the upcoming financial year, as the highly advanced resin-in-pulp process plant has now proven reliable.

Processing of the various ores involves the use of sulphuric acid, which is successfully produced at the site's acid plant. Sulphur, as well as other



Kayelekera Mine, Malawi

key reagents, is transported to site via truck from various points of entry.

A major facet of the Kayelekera process plant is the resin-in-pulp facility, the first in the Western world for uranium production. The challenge of implementing this new technology has been achieved through the dedication of Paladin's people, and places Paladin in a unique position in the uranium sector.

Kayelekera has a current resource of 46.4Mlb which will be exploited over a minimum 9 year mine life. The process plant is designed to produce 3.3Mlb pa, treating up to 190tph of material. Results from the ramp-up of Kayelekera are not representative of those expected during full operation with 948,536t of ore mined at an

average grade of 1243ppm. Additional low-grade material of 261,577t was mined at an average grade of 506ppm. The average strip ratio for the year was 1.6:1 with 551,025t of ore crushed. Mechanical availability and recoveries were below plan and optimisation is occurring to increase these to expected levels of 85% and 86% respectively.

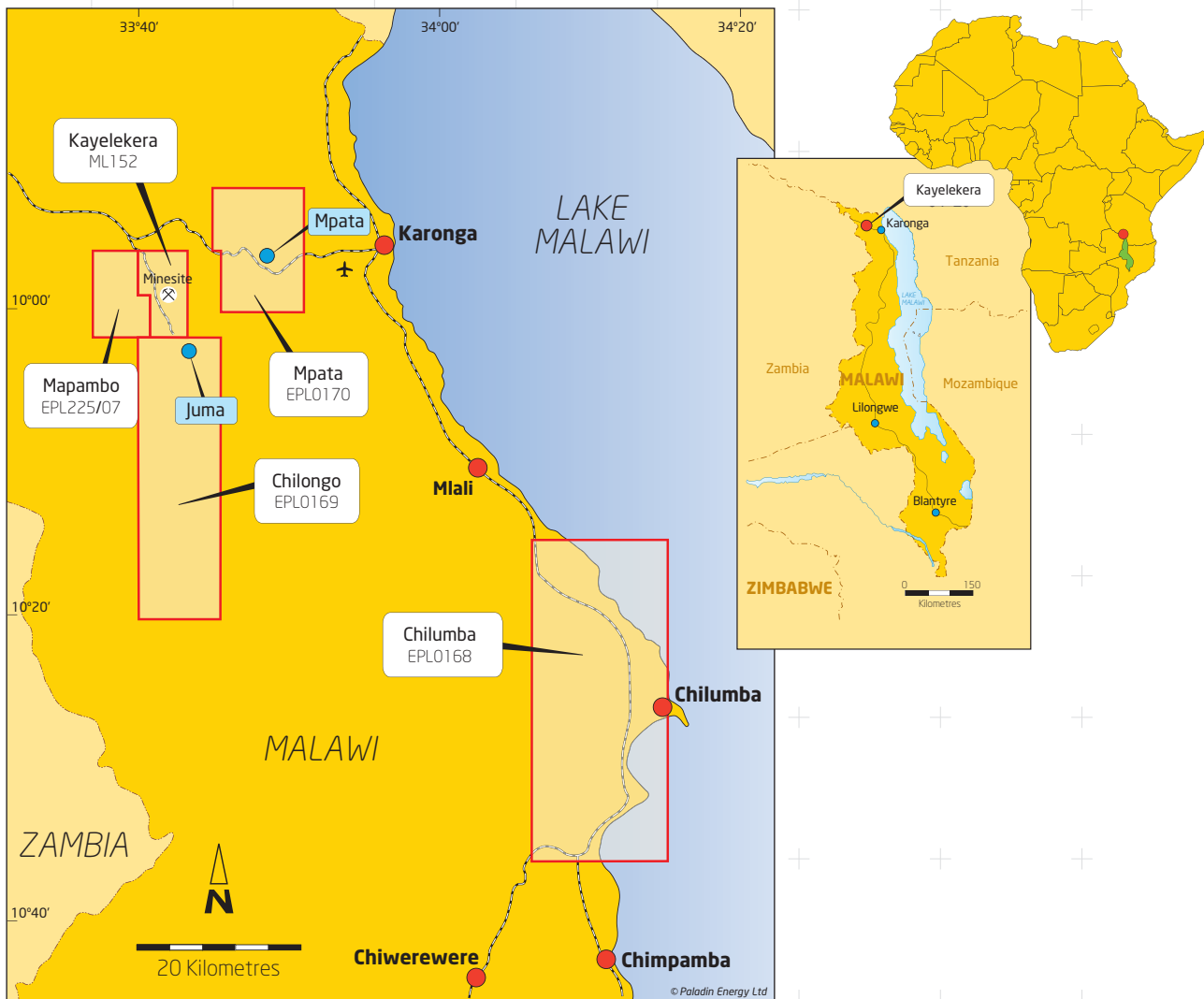
Commercial production was declared as of July 1, 2010. Several transport shipments of Kayelekera uranium oxide have been successfully transported through Zambia to Walvis Bay, Namibia where shipping vessels further advanced the product to converters in North America. Logistics, although difficult, have improved during the year, particularly with deliveries of

important reagents required for chemical processing.

Electricity is produced by on-site diesel generation, which has shown to be very effective. Advancement of infrastructure such as roads, hospitals and vendor suppliers continues in Northern Malawi.

The project life of Kayelekera continues to expand with further resource identification, and Paladin looks forward to a long and successful relationship with Malawi.

Review of operations



Management Discussion and Analysis

New Resources and Reserves Estimation

New Joint Ore Reserves Committee (JORC) and Canadian National Instrument 43-101 (NI 43-101) Mineral Resource and Reserve estimations were reported in April 2010 for the Kayelekera ore body. The results include all data from the 2009 infill and extension drilling programme totalling 67 holes and 7,061m.

Results are as follows:

Mineral Resource at 300ppm U₃O₈ Cut-off

	Mt	Grade ppm	Tonnes U ₃ O ₈	Mlb U ₃ O ₈
Measured Resources	3.51	1,241	4,357	9.6
Indicated Resources	17.22	769	13,242	29.2
Total Measured + Indicated	20.73	849	17,599	38.8
Inferred Resources	5.5	625	3,433	7.6

(Figures may not add due to rounding and are quoted inclusive of any Ore Reserves and are depleted for mining to end of March 2010)

The potential exists to identify additional resources with drilling already underway which is expected to provide for in-pit and mine life extensions.

The previously reported mineral resources (at 300ppm U₃O₈ cut-off) were 22.2Mt of Measured and Indicated Resources grading 800ppm U₃O₈ (17,757t or 39.1Mlb of contained U₃O₈) and 3.9Mt of Inferred Resources grading 552ppm (2,152t or 4.7Mlb of contained U₃O₈).

The Resources for Kayelekera have been increased by 6% with the majority of the deposit reporting as Measured and Indicated Resources. At the 300ppm U₃O₈ cut-off limit, the Measured and Indicated Mineral Resources amount to 20.73Mt grading 0.08% U₃O₈ versus the previously stated 22.2Mt grading 0.08% U₃O₈, the majority of this change being due to depletion for mining.

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 U₃O₈ Cut-off

	Mt	Grade ppm	Tonnes U ₃ O ₈	Mlb U ₃ O 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

(Figures may not add due to rounding)

The Ore Reserve is unchanged from the one announced in 2008 as there was no material change in the Measured and Indicated category Resources. The current drilling programme, which is designed to infill a substantial portion of the Inferred resources, is expected to result in an updated Ore Reserve.

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 U₃O₈ 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 2009 drilling has also shown that the mineralisation is not yet fully delineated, particularly in the north-west and west and at depth with additional mineralisation identified below the current mine units. The potential exists to identify additional resources with drilling already underway which is expected to provide for in-pit and mine life extensions.

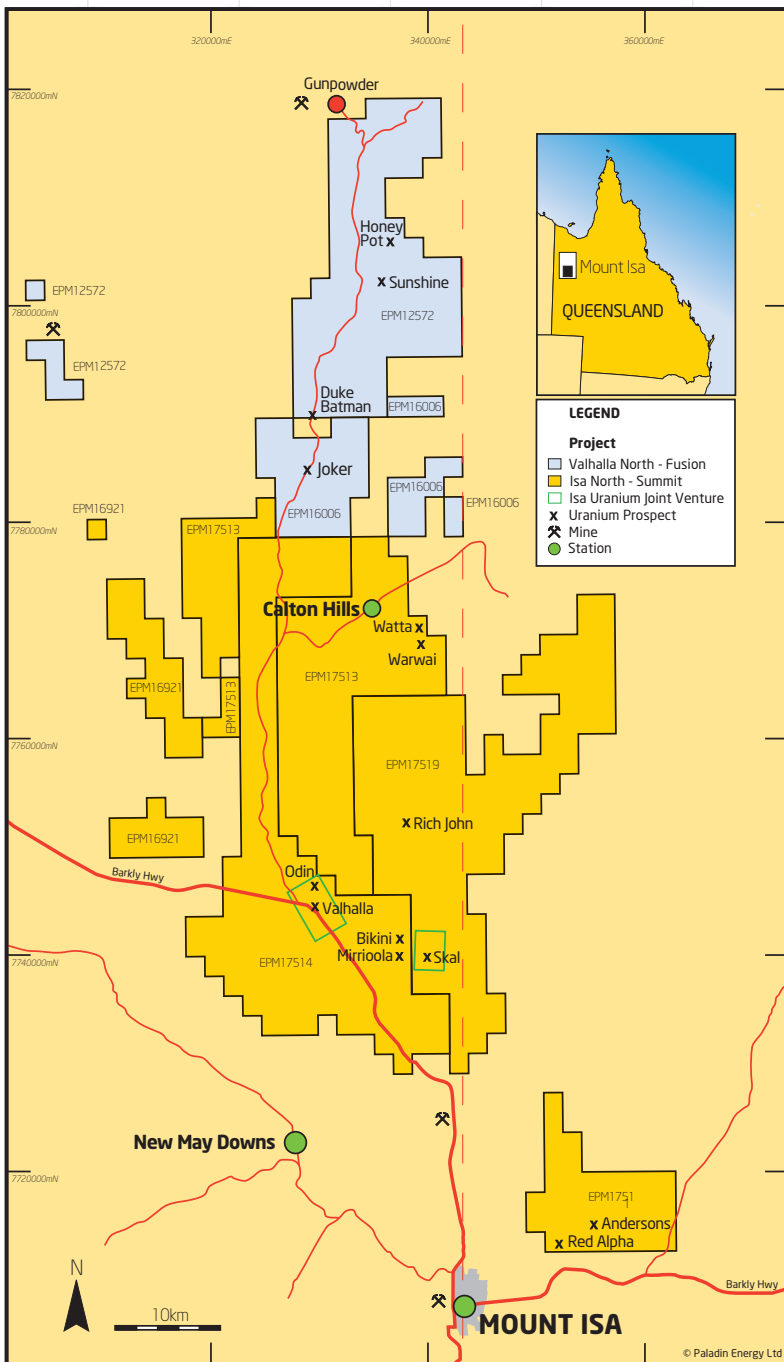
Resource Drilling

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. Additional drilling was commenced in July 2010 to infill and extend the current resources.

Exploration

Regional exploration programmes close to KM at Mpata, to the north-west, and Juma, to the south, were completed during the year. At Mpata on EPL 0170, 15km north-west of the Kayelekera Mine, a total of 25 holes for 3,084m were drilled. Whilst both mineralisation and favourable geological units were intersected, the tenor of the mineralisation was not as high as was hoped. Additional follow-up drilling will be undertaken at Juma on EPL0169, 5km to the south of KM, following the completion of drilling to the west of the Kayelekera deposit with the aim of extending the mineralisation encountered so far.

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 1,459km² and host a number of uranium deposits and resources including the Valhalla and Skäl 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 457km² 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 Skäl 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 82.05% of the issued capital in Summit, Paladin's effective participating interest in the IUJV is now 91.03%.

Ground subject to the IUJV covers 17km² at Valhalla and 10km² at Skäl. These two areas lie within a much larger holding of contiguous tenements of 1,916km² 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) 17514. 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 U₃O₈ grading 0.14%. Substantial widths of high grade uranium mineralisation in albite-carbonate-hematite breccias and mylonites as well as altered mafic rocks 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 2 resource drilling programme at Valhalla, including 44 RC and diamond holes totalling 11,703m, was completed for the year and Summit announced a new JORC compliant resource in October 2009. The drilling showed positive results at the Valhalla South deposit and the deeper portion of the Valhalla main deposit and an updated resource is expected during the September 2010 quarter. 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 U₃O₈ 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 U₃O₈ Cut-off)

	Mt	Grade ppm	Tonnes U ₃ O ₈	Mlb U ₃ O ₈
Measured Resources	12.66	833	10,549	23.2
Indicated Resources	18.53	900	16,680	36.8
Total Measured + Indicated	31.19	873	27,229	60.0
Inferred Resources	5.2	859	4,494	9.9

(Figures may not add due to rounding)

The updated resource represents an 3.6% increase in total contained metal when compared to the previously announced total resource of 67.5Mlb and a 9% increase in Measured and Indicated Resource category metal content (up from 54.6Mlb U₃O₈). 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.

Odin Uranium Prospect

During the year, 25 RC and diamond holes for 4,424m were drilled at the Odin prospect, approximately 500m to the north of Valhalla with promising results returned. Odin is regarded as a 'Blind' target, having no appreciable surface radiometric response and was initially identified from the extensive ground magnetic survey undertaken previously. Odin has since been used to enhance the targeting for other blind deposits using a variety of techniques including Mobile Metal Ion (MMI) analysis, radon surveys and auger drilling. Sufficient drilling is expected to be completed in the September 2010 quarter to enable a resource estimate to be undertaken.

Skal Uranium Deposit

The Skal uranium deposit is located 32km north of Mount Isa city on EPM 17519. In July 2009, a 24 hole drilling programme including 3,216m of RC and diamond drilling was completed. The drilling was designed to test additional resource potential at Skal East, as well as depth extensions at Skal South.

At Skal East, located approximately 300m east of Skal North and South, drilling had previously 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. A number of holes planned for the extension drilling at Skal South were also completed.

A new resource estimation for the Skal deposits was completed in October 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 now includes a maiden estimation of Indicated category material.

Skal (all deposits) Mineral Resource at 250ppm U₃O₈ Cut-off

	Mt	Grade ppm	Tonnes U ₃ O ₈	Mlb U ₃ O ₈
Indicated Resources	4.3	575	2,458	5.4
Inferred Resources	8.4	491	4,129	9.1

(Figures may not add due to rounding)

A drill programme has now been planned to both infill and extend this area as well as add depth and continuity extensions to all mineralised zones. It is expected that the resource estimation following this drilling, which will allow for additional re-classification of the Skal resources to higher categories, will be completed in the December quarter of 2010.

Review of operations

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 1,356km² 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.

An initial drilling programme of 56 holes for 7,217m of RC and diamond drilling was completed during the year. This followed detailed geological and geophysical groundwork previously completed at the Bikini deposits, which include the Woomera and Mirrioola prospects to the north and south of Bikini. Follow-up drilling at Bikini is expected to be completed late in 2010 with an updated resource estimation to follow. A significant ground mapping programme at the Andersons deposit has identified a number of additional mineralised zones and a limited number of RC holes had previously been planned to test these targets however drilling of these holes has been delayed due to higher priority targets. Other prospects, including

Spring Creek, were scout drilled and will be followed up during the next year.

Regional prospectivity mapping is on-going and is expected to identify additional prospects for follow-up work throughout the year.

Valhalla North Project

Paladin 100%

The Valhalla North Project (acquired as part of the takeover of Fusion Resources Ltd) is located on two tenements totalling 457km², 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.

Narrow, relatively high grade zones of mineralisation at Duke-Batman have been drilled over a strike length of 600m. Recent ground mapping and radiometric and magnetic surveys over the area have significantly improved the understanding of this deposit. The drilling programme undertaken in the June 2010 quarter, of 12 holes for 2,093m, did not extend the mineralisation significantly but did identify a coherent high grade core to the deposit. This information will be incorporated into an updated resource estimation expected late in the September 2010 quarter.

A programme of 4 holes was completed at the Joker prospect, 5km to the south of Duke-Batman, on a previously

identified 100m long albitised basalt zone adjacent to the Gunpowder road. The best intercept was 10m at a grade of 333ppm U₃O₈ from a depth of 38m down hole. A number of ground surveys and mapping studies, as well as heli-borne radiometric and magnetic surveys, were undertaken in the area with the results from these being incorporated into regional prospectivity maps.

The Honey Pot deposit has a strike length of over 1.4km and consists of a well defined 5 to 10m wide mineralised albite zone of moderate grade (300-1000ppm U₃O₈). A drilling programme of 24 holes for 3,222m between Honey Pot and the Sunshine prospect to the south has confirmed previous results and appears to have closed off the deposit to both the north and south.

Resource Status Mount Isa Region - All Projects

The total JORC Resources under Summit and Paladin management in the Mount Isa region are now 66.3Mlb U₃O₈ Measured and Indicated Resources and 45.1Mlb U₃O₈ Inferred Resources. Of this 60.3Mlb U₃O₈ Measured and Indicated Resources as well as 39.8Mlb U₃O₈ Inferred Resources (which includes the Fusion Mineral Resources) are attributable to Paladin. 58% of the Mineral Resources are located at Valhalla; the rest are distributed over the Bikini, Skal, Andersons, Watta, Duke Batman and Honey Pot ore bodies.

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 ₃ O ₈	Mt	Grade ppm	t U ₃ O ₈	Mt	Grade ppm	t U ₃ O ₈	Mt	Grade ppm	t U ₃ O ₈	
Valhalla	230	12.7	833	10,549	18.5	900	16,680	5.2	859	4,490	91.0%
Skal	250				4.3	575	2,485	8.4	491	4,130	91.0%
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	1,020	100%
Honey Pot	250							2.6	700	1,800	100%
Total		12.7	833	10,549	23.3	838	19,526	34.1	600	20,460	
Total Resource Attributable to Paladin		11.6	833	9,603 (21.1Mlb)	21.25	838	17,809 (39.2Mlb)	29.9	603	18,063 (39.8Mlb)	

(Figures may not add due to rounding)

Northern Territory

Bigrlyi Joint Venture

Energy Metals Limited 53.29% and Manager

Northern Territory Uranium Pty Ltd 41.71%

Southern Cross Exploration NL 5%

The Bigrlyi Joint Venture (BJV) covers ten granted Exploration Retention Licences located approximately 320km north-west of Alice Springs in the Northern Territory. Participants in the Joint Venture are Energy Metals Limited (53.29% and Manager), Northern Territory Uranium Pty Ltd (a wholly owned subsidiary of Paladin) (41.71%) and Southern Cross Exploration NL (5%).

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 July 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 (67 holes), with an additional 9 large diameter core holes for metallurgical test work, which was completed in December 2009. Results at a 500ppm U₃O₈ cut-off are as follows:

Resource Category	Mt	Grade ppm	Tonnes U ₃ O ₈	Mlb U ₃ O ₈
Indicated Resources	4.7	1,316	6,100	13.5
Inferred Resources	3.4	1,202	4,000	8.9

(Figures may not add due to rounding)

The resources were estimated using multi indicator kriging (MIK) by Hellman & Schofield Pty Ltd. At a cut-off grade of 500ppm U₃O₈, the Bigrlyi resource totals 22.4Mlb of U₃O₈. 60% of the contained uranium metal (or 6.1Kt U₃O₈) now reports to the Indicated Resource category, compared with 45% in the previous (May 2009) resource estimate. Various metallurgical, environmental and mining studies have been undertaken during the year. The studies indicate that additional open pit resources will be 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 U₃O₈.

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.

An additional 5,700m of RC and diamond drilling was completed during the first half of 2010. This data, along with drilling completed in 2009, is in the process of being validated and will be incorporated into a consolidated resource dataset.

Extensive evaluation work was undertaken previously on the Angela and Pamela uranium deposits by Uranerz Australia Pty Ltd between 1972 and 1983. Based on the examination of all digitised and validated historical information the Company has formulated an exploration target of approximately 12,000t to 13,000t of U₃O₈ in the general range of 0.10% to 0.13% U₃O₈ and this mineralisation appears to remain open at depth and laterally. Amalgamation of all this historical data, with drilling finished in 2009 and early 2010, should be completed late in 2010 when an initial Mineral Resource is expected to be estimated. Preliminary metallurgical test work and geotechnical investigations have commenced.

As part of the licence conditions, baseline groundwater and dust monitoring was completed prior to the commencement of drilling activities. This programme 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 any historical estimates 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.

Western Australia

Manyingee Uranium Project (Manyingee)

Paladin Energy Minerals NL 100%

Manyingee 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 89km² at Spinifex Well, 25km north-east of Manyingee.

Paladin purchased Manyingee 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).

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

Category	Resource Mt	Grade %	U ₃ O ₈ Kt	U ₃ O ₈ Mlb
Indicated Resources	7.9	0.10	8.1	17.8
Inferred Resources	13.4	0.05	2.8	6.2

(Figures may not add due to rounding)

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 Manyingee and is planning to start field exploration as soon as an exploration access agreement has been negotiated with the traditional owners and land access and work approvals have been received from the relevant authorities.

At Spinifex Well, where previous explorers identified uranium mineralisation in the same strata which includes the Manyingee ore body, an air core drilling programme was carried out in May-June 2010. 32 holes were drilled for 3,326.5m. Results confirmed previously identified uranium mineralisation and increased Paladin's understanding of the factors controlling the mineralisation.

Oobagooma Uranium Project (Oobagooma)

Paladin Energy Minerals NL 100%

Oobagooma, 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 452km².

In 1998 Paladin acquired a call option in relation to the purchase of Oobagooma 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. Negotiations with the relevant Government bodies were initiated in the first half of 2010. Government and Defence representatives have indicated their support for the Oobagooma Project and an access agreement has been proposed to permit Paladin's exploration activities on the military training area.

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. Following detailed examination of the work done by AFMEX, the Company has formulated an exploration target for the prospect of approximately 8Mt at a grade of between 0.12% and 0.14% U₃O₈.

In November 2008 the State Government of Western Australia changed and the restrictions on uranium mining were lifted. Paladin has engaged with the Commonwealth Government Departments of Finance and Defence to obtain permission to carry out exploration on the Oobagooma tenement applications. Discussions are underway with the Western Australian Department of Mines and Energy regarding the granting of the tenements.

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 any 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.

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.

Australia's uranium politics

At the national level of Australian politics, both the Federal Labor Party and the Federal Coalition parties support development of the uranium industry. However, the granting of licences to mine uranium is a decision made within the residual jurisdiction of each state government.

The state based 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 will allow uranium mining in Western Australia. This has reversed the no-development policy of the former state Labor Government, which previously held power in Western Australia 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.

At present, the State Labor Government in Queensland will not grant a licence to mine uranium. To progress the currently defined uranium resources in the Mount Isa region 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. Currently, Queensland Premier Bligh will not permit uranium mining, although this view is not shared by all Labor members of Parliament. The opposition party (the Liberal-National Party of Queensland) supports development of the uranium industry. State elections in Queensland must be held no later than early 2012.

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 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 2,872km² and three joint venture EPLs covering 1,323km², (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.

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.

NGM Resources Limited (NGM)

Paladin 22.48%

During the year Paladin further increased its shareholding in NGM to 22.48% via on market purchase.

NGM is exploring three contiguous exploration licences in the Tim Merso 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 Merso Basin, have produced in excess of 120,000t of U₃O₈ since 1975. The Tim Merso Basin is known as one of the most productive uranium provinces in the world.

On 21 July 2010, the Company announced a recommended takeover offer for the shares it does not already own in NGM. The offer values NGM at approximately A\$27M and is subject to a number of conditions.

Health and safety



Paladin is committed to achieving the highest performance in Occupational Health and Safety to create and maintain a safe and healthy workplace. Our approach to health and safety management is guided by our policy where the safety, health and well being of employees, contractors and the community are a 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 will:

- establish a mindset in the workforce that injuries are preventable;
- implement and assign accountability for the Company's policies, standards, guidelines, systems and procedures;
- encourage safe behaviour by employees and contractors;
- promote management leadership in safety;
- provide ongoing education and training in safety;
- provide the correct and safe equipment to the workforce; and
- conduct hazard identification, risk assessments and implement risk management measures.

During the year, Paladin decided to implement the National Occupational Safety Association (NOSA) system throughout the Group as its formal safety system, commencing initially at both mining operations. The NOSA Five Star System Standard is implemented by thousands of organisations across the world, providing them with a rock-solid framework for managing occupational health and safety. The measuring of the successful implementation of the NOSA Five

Star System Standard is determined by a grading audit. This provides mine management with a system of continual improvement and a means to benchmark against others in the mining industry. To this end, a grading audit was completed at LHM and a baseline audit at KM with the grading audit at the latter scheduled for early 2011. The NOSA system will be implemented within the exploration division (Australia and Malawi) in 2010/11 whilst an external safety audit by NOSA of all Langer Heinrich Stage 3 contractors is planned for late 2010.

In January 2010, a radiation specialist was recruited to unify the radiological management of all Paladin's operations from exploration, development and operations through to product transport and to bring them into a coherent management framework.

Operational Area	Langer Heinrich Mine			Kayelekera Mine		
	Employees	Mine Contractors	Contractors including Construction	Employees	Mine Contractors	Contractors including Construction
Hours Worked	535,936	574,021	837,024	1,083,347	463,600	1,858,770
Lost Time Injuries	2	0	1	19	0	2
Fatalities	0	0	0	1	0	1
LTIFR	3.7	0	1.2	18.5	0	1.6
	Langer Heinrich Mine Total LTIFR = 1.5 Duration rate = 4.0			Kayelekera Mine Total LTIFR = 6.8 Duration rate = 36.3		

Operational Area	Perth	Exploration		Group	
	Corporate Office	Employees	Contractors	Paladin Employees	All Contractors
Hours Worked	112,471	173,366	97,786	1,905,120	3,831,201
Lost Time Injuries	0	0	0	21	3
Fatalities	0	0	0	1	1
LTIFR	0	0	0	11.5	1.0
	Paladin Group LTIFR = 11.5			Paladin Group + All Contractors LTIFR = 4.5	

Lost Time Injury (LTI): Work injury that results in an absence from work for at least one full day or shift, any time after the day or shift on which the injury occurred.

Frequency Rate (FR): Number of lost time injuries per million hours worked.

Duration Rate: Average number of workdays lost per injury.

ISO Initiatives

ISO 14001: Paladin's Langer Heinrich operation formulated its environmental programmes around the ISO 14001 Environmental Standard. In late 2008, a formal certification audit by Lloyds of London was completed and official certification awarded in early 2009. Since then, six month surveillance audits have been carried out by Lloyds. Paladin plans to follow the same methodology at the Kayelekera operation, expecting to have the certification audit completed by end 2011.

ISO 31000 is a group of standards relating to risk management codified by the International Organisation for Standardisation. The purpose of ISO 31000 is to provide principles and generic guidelines on risk management

and both of Paladin's African operations have significantly developed ISO31000 systems, with completion audits expected in early 2011.

Langer Heinrich Mine

During the year Langer Heinrich continued its primary focus on safety, health, environmental and radiation (SHER) management. The NOSA grading audit resulted in a commendable 4 Star Platinum rating for the Company. A satisfactory safety performance was achieved with three reported lost time injuries (LTIs) – two LTIs for LHM employees and one LTI for a contractor involved in construction. The injuries were relatively minor with only 12 days lost for the entire year. No LTIs were reported for the mining contractor Karibib Mining and Construction Company

(KMCC) which maintained its NOSA 5 Star rating for its Langer Heinrich operations. The site LTIFR was 1.5 while the duration rate was 4.0. This compares favourably with the Western Australian Metalliferous Surface Mines LTIFR and Duration Rate of 2.8 and 21.6 respectively.

The main safety focus has been on improving the NOSA rated safety system to further enhance the safety culture amongst all employees and contractors. In pursuit of continuous improvement, the risk and hazard identification process was completed and allows the site to place higher emphasis on activities that rank a higher risk potential. A safety recognition programme has been implemented to reward persons for safety initiatives both on and off site.

The NOSA grading audit resulted in a commendable 4 Star Platinum rating for the Langer Heinrich Mine.

In terms of occupational monitoring, the radiation programme continues to focus on monitoring Long-lived Radioactive Dust, Gamma, Radon Progeny and Radon to ensure that all potential pathways are considered when calculating total effective dose and also to ensure the principles of ALARA (as low as reasonably achievable) are being maintained. The results obtained continue to be very consistent and no employee's exposure exceeded the annual regulatory limit of 20 mSv.

Langer Heinrich is also very active with the Uranium Institute in Namibia which is developing a Radiation Protection Officer's course, with the first module now complete. Three LHM employees attended the first course this past year. Module II is now being developed and will be offered in 2011. The programme will be certified and has received support from the National Radiation Protection Authority.

The radiation section also continues with the development of a database which, once complete, will enable the operation to manage all monitoring data and associated exposures of all its employees.

The Uranium in Urine testing facility, sponsored by Langer Heinrich last year, is fully operational and being utilised by all the significant uranium companies in the area.

Kayelekera Mine

During the year, the NOSA safety system was implemented at the Kayelekera site. The implementation phase involved:

- establishment of the Miracles database into which all safety, health, radiation and environmental information can be recorded;
- drafting of safety standards;
- recording of all incidents and accidents;
- development of various key working policies; and
- training of both employees and contractors in the NOSA and the associated Miracles database systems. It is expected that the site safety system will be fully implemented by the end of the 2010/11 year.

There were two fatalities and 21 reported LTIs at the Kayelekera Mine during the year with a single bus accident resulting in one of the fatalities and 16 of the 21 LTIs. The second fatality involved the overturning of a small concrete transport vehicle during construction. With the exception of the above bus accident, none of the other LTIs were of a serious nature. The site LTIFR was 6.8 while the duration rate was 36.3. This compares with the Western Australian Metalliferous Surface Mines LTIFR and Duration Rate of 2.8 and 21.6 respectively. The Duration Rate has been adversely impacted by the 2 fatalities which result in the allocation of a full year of working days per fatality.

A radiation specialist was seconded to the Kayelekera Mine to ensure the best possible radiation system is established at the operation in a country with no

previous uranium mining or processing history. To date, the majority of the high level documentation has been completed with the development of Standard Operating Procedures for the newly acquired radiation monitoring equipment almost complete. Refinements to the radiation monitoring and associated dose assessments indicated that in 2009 no employee's exposure exceeded the annual regulatory limit of 20 mSv. Further development of the radiation monitoring programme and database and training of local employees on the radiation equipment will be a major focus for 2010/11.

Exploration

The nature and scale of Paladin's exploration programmes were diverse during the year with programmes undertaken across Queensland, Western Australia and Malawi. All exploration programmes involved drilling activities and work being undertaken in remote locations. A key aspect of health and safety management common across all exploration projects has been a focus on ensuring adequate training and skill development for personnel to ensure they are able to complete their work in a manner that does not impact on their own health and safety or that of the communities where Paladin undertakes activities. During the year there were no reported LTIs from any of the exploration programmes for either employees or contractors.

Financial review



Management Discussion and Analysis

Financial review

Summarised Income Statement

	Year Ended 30 June	
	2010	2009
	US\$M	US\$M
Revenue	204.3	114.8
Gross profit	51.0	48.4
Exploration and evaluation expenses	(17.1)	(12.2)
Other expenses and income	(38.2)	(38.4)
Impairment of exploration and evaluation	-	(753.8)
Impairment of available-for-sale financial assets	-	(26.0)
Finance costs	(21.4)	(30.5)
Share of loss of an associate	-	(0.9)
Income tax (expense)/benefit	(28.1)	237.0
Non-controlling interests	0.9	96.2
Loss after tax attributable to the ordinary equity holders of the Company	(52.9)	(480.2)
Loss per share – basic and diluted (US cents)	(8)	(78)

Operational overview

LHM commenced production in 2007 with a capacity of 2.7Mlb per annum. After operating at this level for a sustained period of time, construction of the Stage 2 expansion to 3.7Mlb per annum commenced in calendar year 2008. LHM reached the Stage 2 design capacity in December 2009. The plant has consistently operated at the 3.7Mlb per annum rate from the beginning of calendar year 2010. Construction of the Stage 3 expansion to 5.2Mlb started at the beginning of calendar year 2010 and is planned to continue to the end of the year. Stage 3 production ramp-up is scheduled for the first half of calendar year 2011.

Construction of KM, with a 3.3Mlb design capacity, commenced in 2007 and after a two year construction phase the mine entered its production ramp-up phase in calendar year 2009. KM continued to ramp-up its production volumes through to July 2010. Commercial production was declared from 1 July 2010. KM made its first delivery of uranium to customers in December 2009 from a combination of material produced during ramp-up, supplemented with material loaned from Paladin Nuclear Ltd, the Company's marketing entity. Unit product costs at KM were higher as a result of expected ramp-up costs as well as the cost of material obtained from Paladin Nuclear Ltd to meet customer obligations during start-up. Going forward it is anticipated that sales will be met from material produced at KM.

References to 2010 and 2009 refer to the equivalent twelve months ended 30 June 2010 and 2009 respectively.

Analysis of Income Statement

Revenue increased from US\$114.8M to US\$204.3M in 2010 as a result of increased sales of uranium of US\$202M (2009: US\$111.8M). Total sales volume for the year was 3.73Mlb U₃O₈ (2009: 2.02Mlb). LHM sold 2.73Mlb U₃O₈ and KM sold 1Mlb U₃O₈. KM's sales are a combination of stock produced during ramp-up and material loaned internally from a group company to fulfil contract commitments. All sales for 2009 relate to Stage 1 of LHM. Total production for the year was 4.32Mlb U₃O₈ (2009: 2.70Mlb). LHM produced 3.352Mlb U₃O₈ and KM produced 963,000lb U₃O₈. All production for 2009 relates to Stage 1 of LHM. The average realised uranium sales price in 2010 was US\$54/lb U₃O₈ (2009: US\$55/lb).

Delivery quantities under sales contracts are not evenly distributed from month to month. This will result in fluctuations between production and sales in any one quarter. During the year 530,000lb of Paladin Nuclear Ltd material was loaned to KM to fulfil a portion of scheduled deliveries under sales contracts while the mine was ramping up its production.

Gross Profit in 2010 of US\$51.0M is higher than in 2009 (US\$48.4M) as a consequence of increased uranium sales. The cost of sales for LHM in 2010 remained at US\$26/lb U₃O₈ (2009: US\$26/lb). Overall cost of sales has been impacted by higher costs associated with lower production volumes during the ramp-up of production at KM. Material produced during production ramp-up has been recognised at the lower of cost or net realisable value. The remainder of costs during the ramp-up of KM were capitalised until the plant reached commercial production on 1 July 2010.

Exploration and Evaluation Expenditure of US\$17.1M in 2010 related predominantly to the Valhalla/Skal, Isa North, Bigrlyi, Angela, LHM and KM projects. Of this total, US\$3.7M was spent on the Valhalla/Skal joint venture project, US\$3.8M on the Isa North project and US\$3.4M on the Angela joint venture project.

Other Expenses and Income has decreased slightly from US\$38.4M to US\$38.2M predominantly due to the US\$7.7M insurance recovery relating to the heat exchangers at LHM. This was offset by higher corporate costs due to the recognition of a non-recurring provision of US\$2.7M and a foreign exchange loss of US\$5.2M compared to a foreign exchange gain of US\$1.1M in 2009.

Finance Costs have decreased by US\$9.1M to US\$21.4M despite increased average borrowings year on year due to a proportion of the interest payable on the convertible bonds and project finance 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, the US\$325.0M convertible bonds issued 11 March 2008, US\$145M project finance for KM and US\$47.5M project finance for LHM.

Income Tax Expense of US\$28.1M is predominantly attributable to the profits reported for LHM and KM. At this stage a deferred tax credit is not being raised on Australian exploration and corporate expenditure, resulting in the group tax charge being higher than the tax equivalent amount of the group profit or loss. The current period non-cash deferred tax charge has been increased by a net US\$7.3M due to a prior period under provision for foreign exchange movements.

Summary of Quarterly Financial Results

	2010 Total US\$M	2010 Jun Qtr US\$M	2010 Mar Qtr US\$M	2009 Dec Qtr US\$M	2009 Sep Qtr US\$M
Total revenues	204.3	49.8	53.3	62.6	38.6
(Loss)/profit after tax	(52.9)	(26.9)	(7.0)	0.4	(19.4)
Basic and diluted loss per share (US cents)	(8)	(4)	(1)	-	(3)

	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 (US cents)	(78)	-	(1)	(76)	(1)

Non-controlling Interest in net losses of US\$0.9M has been recorded in 2010 attributable to the 18.0% interest in Summit held by third parties and the 15% interest in PAL held by the Government of Malawi.

The Loss after Tax Attributable to the Ordinary Equity Holders of the Company for 2010 of US\$52.9M was lower than the loss after tax for 2009 of US\$480.2M predominantly as a result of the recognition in 2009 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 available-for-sale investments of US\$26.0M.

The Loss per Share noted on the Income Statements reflects the underlying result for the specific reported periods and the additional shares issued in 2010 compared to 2009.

The loss before tax for the quarter ended 30 June 2010 was US\$17.5M which remained broadly in line with the quarter ended 30 June 2009 of US\$14.9M reflecting increased sales volumes in 2010 offset by the inclusion of KM sales with increased cost of production incurred during ramp-up. The average sales prices for the 30 June 2010 quarter of US\$55/lb has remained consistent with 2009. The LHM cost of sales has also remained consistent at the US\$26/lb level. However, as forecast, the KM cost of sales was higher as a result of the lower production volumes and the impact of the cost material obtained from Paladin Nuclear Ltd to meet customer obligations during start-up and is expected to reduce with increased production volumes. Loss after tax for the quarter ended June is a turnaround of US\$29M from the comparative quarter as a result of a non-cash income benefit recognised for 2009 of US\$16.8M whilst a non-cash income tax charge was recognised for 2010 of US\$10M.

Total revenues for the quarter ended September 2009 were lower than the comparative quarter due to lower sales of uranium.

Total revenues for the quarters ended December 2009, March 2010 and June 2010 have increased when compared to the

equivalent comparative quarter as a result of higher sales of uranium. Total revenues for the quarters ended December 2009, March 2010 and June 2010 include sales by KM.

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.

Loss after tax has increased for the quarter ended September when compared to the equivalent comparative quarter as a consequence of the decrease in gross profit due to the lower contracted sales and the increase in the non-cash tax charge.

Profit after tax for the quarter ended December is a turnaround from the comparative quarter predominantly as a result of the recognition in 2008 of an impairment of the Mount Isa exploration and evaluation asset of US\$527.6M net of the deferred tax liability.

Loss after tax has remained relatively unchanged for the quarter ended March when compared to the equivalent comparative quarter.

Segment Disclosure (refer to Note 3)

The profit before tax and finance costs of US\$38.6M in the Namibian segment of the Company remained relatively unchanged when compared to 2009. In the Malawian segment the Company reflected a profit before tax and finance costs of US\$7.9M reflecting KM's first contracted sales. Operating costs to 30 June 2010 net of the value of material produced, recognised at the lower of cost or net realisable value, have been capitalised as KM ramps up production. The 2009 loss for KM relates to exploration and evaluation expenditure and corporate costs. In the Australian geographical segment the Company reflected the remaining Income Statement activities, which for 2010 comprises mainly exploration, marketing and corporate costs.

Financial review

Segment Gross Profit

	Year Ended 30 June 2010			Year Ended 30 June 2009	
	LHM	KM	TOTAL	LHM	TOTAL
Volume Sold (lb)	2,726,000	1,000,000	3,726,000	2,021,000	2,021,000
Average Sales Prices/lb			US\$54/lb		US\$55/lb
Revenue			US\$202.0M		US\$111.8M
Cost of Sales (C1)	US\$72.1M	US\$59.5M*	US\$131.6M	US\$53.0M	US\$53.0M
Cost of Sales/lb (C1)	US\$26/lb			US\$26/lb	
Profit after C1 costs			US\$70.4M		US\$58.8M
Other revenue and costs, mainly depreciation			US\$19.4M		US\$10.4M
Gross Profit			US\$51.0M		US\$48.4M

* Unit product costs at KM were higher as a result of expected ramp-up costs as well as the cost of material obtained from Paladin Nuclear Ltd to meet customer obligations during start-up. Going forward it is anticipated that sales will be met from material produced at KM.

Sales of 3,726,000lb at an average of US\$54/lb generated revenue of US\$202M in the year ended 30 June 2010. This compares with sales of 2,021,000lb at an average of US\$55/lb generating revenue of US\$111.8M in the year ended 30 June 2009.

Cost of Sales for LHM in the year ended 30 June 2010 remained at US\$26/lb which reflects a strong production performance from LHM. Production ramp-up continued at KM until 30 June when the Company declared that KM had achieved commercial production with effect from 1 July 2010. KM cost of sales includes 530,000lb of material loaned from Paladin Nuclear Ltd at US\$53/lb. The Paladin Nuclear Ltd material has been used to manage variations in production and sales delivery schedules during KM's ramp-up of production.

Profit after C1 costs increased from US\$58.8M to US\$70.4M directly attributable to higher sales volumes for 2010.

Summarised Statement Of Comprehensive Income

	Year Ended 30 June	
	2010	2009
	US\$M	US\$M
Net loss after tax	(53.8)	(576.4)
Net (loss)/gain on available-for-sale financial assets	(36.9)	42.0
Foreign currency translation	31.7	(295.9)
Income tax on items of other comprehensive income	8.0	(5.9)
Total comprehensive loss for the year	(51.0)	(836.2)

Net Loss after Tax is discussed under the Summarised Income Statement section and is a decrease from the loss in the comparative period.

Net Loss on Available-for-Sale Financial Assets in 2010 of US\$36.9M primarily relates to the fair value decrement in DYL (net of tax and foreign exchange movements) attributable to the decrease in the DYL share price.

Foreign Currency Translation relates to the foreign currency translation reserve movement as a result of 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.

Summarised Statement Of Financial Position

	As At 30 June	
	2010	2009
	US\$M	US\$M
Total current assets	515.9	182.0
Total non current assets	1,441.7	1,281.5
Total assets	1,957.6	1,463.5
Total current liabilities	121.4	91.3
Total non current liabilities	879.8	741.0
Total liabilities	1,001.2	832.3
Net Assets	956.4	631.2

Current Assets have increased to US\$515.9M at 30 June 2010 due to an increase in cash, trade receivables and inventories.

Cash and cash equivalents have increased to US\$348.8M at 30 June 2010 as a result of US\$363.0M net proceeds from the share placement and US\$145.0M proceeds from the drawdown of KM project finance facilities and from the US\$43M cash inflow from LHM and KM operations. This has been partially offset by expenditure on the construction of KM and Stage 2 and 3 expansion at LHM, exploration and

evaluation project expenditure, additional share investment in NGM, finance costs and corporate costs for the year ended 30 June 2010.

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

Trade and other receivables and prepayments have increased from US\$29.0M to US\$45.8M during the year ended 30 June 2010. Trade receivables and GST/VAT receivable have remained static whilst prepayments and sundry debtors have increased primarily as a result of the ramp-up of operations at KM.

Inventories have increased from US\$85.8M to US\$109.3M at 30 June 2010 due to record production volumes of 4.32Mlb U₃O₈ being larger than sales volume for the year of 3.73Mlb U₃O₈.

Finished goods, at cost, as at 30 June 2010 have increased by US\$19.8M to US\$58.4M. Finished goods at net realisable value of US\$19.9M represents inventory transferred out of mine development at KM. Finished goods purchased from third parties, at net realisable value, at 30 June 2010 have decreased from US\$28.1M to US\$Nil. This was due to the uranium held by Paladin Nuclear Ltd, the Company's marketing entity, being loaned to KM to fulfil contracted sales.

Non Current Assets have increased to US\$1,441.7M at 30 June 2010 primarily as a result of the foreign exchange movement on the Australian dollar denominated exploration assets, capital expenditure at LHM and KM and an increase in inventories. Following a review of KM's capitalised construction work in progress there was a reallocation of US\$23.8M to mine development to more accurately reflect the nature of the expenditure.

Current Liabilities have increased from US\$91.3M to US\$121.4M at 30 June 2010 primarily as a result of an increase in interest bearing loans and borrowings as a result of the drawdown of KM project finance facilities and the recognition of a non-recurring provision of US\$5.9M which has been partially offset by lower trade and other payables due to reduced construction activities at KM.

Non Current Liabilities have increased from US\$741.0M to US\$879.8M at 30 June 2010 primarily as a result of the US\$145.0M drawdown of KM project finance facilities and an increase in deferred tax liabilities. The deferred tax liabilities have increased due to the foreign exchange movement on the translation of the assets recognised on the acquisition of the Summit Group in Australia and also as a result of the deferred tax charge on the profits reported for LHM and KM.

Segment Disclosure (refer to Note 3)

In the Statement of Financial Position as at 30 June 2010, the Company reflected an increase in the Australian segment assets for the year predominantly as a result of the foreign exchange movement on the Australian dollar denominated exploration assets. For the Namibian segment an increase occurred in the year in assets predominantly due to the Stage 2 and Stage 3 expansion as well as operations at higher production levels. For the Malawian segment, an increase occurred in the year in the assets predominantly as a result of mine construction and commencement of production.

Summarised Statement Of Changes In Equity

	Year Ended 30 June	
	2010	2009
	US\$M	US\$M
Total equity at the beginning of the financial year	631.2	1,429.3
Total comprehensive loss for the year	(51.0)	(836.2)
Recognised value of unlisted employee options and performance share rights	12.1	10.9
Allotment of 15% interest in Paladin (Africa) Ltd to Government of Malawi	-	5.7
Contributions of equity, net of transaction costs	364.1	21.5
Total equity at the end of the financial year	956.4	631.2

Total Comprehensive Income for the year ended 30 June 2010 is discussed under the Statement of Comprehensive Income section.

Recognised Value of Unlisted Employee Options and Performance Rights in 2010 totals US\$12.1M. During the year no employee options were exercised or granted, 1,458,700 were forfeited during the year with exercise prices ranging from A\$4.50 to A\$8.77 per share and 1,000,000 expired with an exercise price of A\$5.50. During the year 5,026,900 performance share rights were granted with vesting dates ranging from 1 September 2010 to 26 March 2014.

Contributions of Equity in 2010 increased by US\$364.1M due to the share placement of 93,450,000 shares of US\$363.0M and US\$1.1M net proceeds from shares issued to non-controlling interests following the Summit renounceable rights issue. The number of fully paid ordinary shares on issue at 30 June 2010 is 717,142,802, an increase of 93,450,000 during the year.

Share options of 12,768,755 and performance rights of 5,014,500 remain outstanding at 30 June 2010 to the employees and consultants directly engaged in corporate, mine construction, operations, exploration and evaluation work.

Financial review

Summarised Statement Of Cash Flows

	Year Ended 30 June	
	2010	2009
	US\$M	US\$M
Net cash outflow from operating activities	(41.9)	(19.9)
Net cash outflow from investing activities	(172.2)	(245.9)
Net cash inflow/(outflow) from financing activities	495.3	(6.7)
Net increase/(decrease) in cash and cash equivalents	281.2	(272.5)
Cash and cash equivalents at the beginning of financial year	66.2	337.6
Effects of exchange rate changes on cash and cash equivalents	1.4	1.1
Cash and cash equivalents at the end of the financial year	348.8	66.2

Net Cash Outflow from Operating Activities was US\$41.9M in 2010 primarily due to payments to suppliers and employees of US\$202.8M relating to the mine operations at LHM and KM and corporate costs, exploration and evaluation project expenditure of US\$16.6M and interest payments of US\$33M on project finance facilities and convertible bonds. This was partly offset by Paladin sales receipts of US\$201.0M and a net insurance recovery for heat exchangers at LHM of US\$7.7M that related to damage that occurred in a prior year. Net cash inflow from operating activities before exploration and evaluation expenditure and interest paid totalled US\$7.7M (2009: US\$24.4M).

Net Cash Outflow from Investing Activities was US\$172.2M in 2010 as a result of mine construction at KM, Stage 2 and 3 expansion at LHM and the acquisition of shares in NGM of US\$1.8M. The net cash outflow of US\$245.9M in 2009 was as a result of mine construction at KM, Stage 2 expansion at LHM, the acquisition of shares in DYL of US\$11.2M and third party uranium purchases of US\$6.0M.

Net Cash Inflow from Financing Activities of US\$495.3M in 2010 is attributable to the US\$363.0M net proceeds from the share placement and US\$145.0M proceeds from the drawdown of KM project finance facilities which was partly offset by a US\$6.6M repayment of project finance facilities for LHM and US\$7.2M KM project finance facility establishment costs. The net cash outflow of US\$6.7M in 2009 was attributable to 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 shares issued to non-controlling interests following the Summit renounceable rights issue.

Net Increase in Cash and Cash Equivalents in 2010 was US\$281.2M, as compared to the net decrease in cash over

the previous corresponding period in 2009 of US\$272.5M. The change is predominantly the result of the net proceeds from the share placement of the US\$363.0M, the drawdown of KM project finance facilities of US\$145.0M and lower cash outflows from investing activities which has been partly offset by higher cash outflows from operating activities.

Effect of Exchange Rate Changes on cash balances is a gain of US\$1.4M for 2010.

Liquidity And Capital Resources

The Group's principal source of liquidity as at 30 June 2010 is cash of US\$348.8M (30 June 2009: US\$66.2M). The cash is currently invested over a range of maturities with Australian banks with a minimum AA Standard & Poor's credit rating.

The Group's principal sources of cash for the year ended 30 June 2010 were uranium sales receipts, interest received from cash investments, proceeds from a share placement and drawdown of borrowings.

The remaining amount outstanding on the LHM project finance facilities amounted to US\$47.5M.

For KM, the Group has financing facilities totalling US\$167.0M, 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. At 30 June 2010, US\$145M had been drawn. US\$2M was available to be issued under the Performance Bond Facility and the Standby Costs Overrun Facility remains undrawn.

The following is a summary of the Group's outstanding commitments as at 30 June 2010:

Payments due by period	Total US\$M	Less than	1 to	5yrs+ or
		1 yr US\$M	5yrs US\$M	unknown US\$M
Tenements	22.6	2.1	20.4	0.1
Mine construction	35.7	35.7	-	-
Operating leases	6.7	1.3	4.5	0.9
Manyingee acquisition costs	0.6	-	-	0.6
Total commitments	65.6	39.1	24.9	1.6

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 22 September 2010, Paladin had 718,423,382 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, the Company Employee Performance Share Rights Plan and in relation to the Convertible Bonds:

As at 22 September 2010	Number
Outstanding shares	718,423,382
Issuable under Executive Share Option Plan	12,679,794
Issuable under Employee Performance Share Rights Plan	4,670,220
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	817,621,447

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) of the Financial Report.

Critical Accounting Estimates

The preparation of the Financial Report requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of the following: carrying value or impairment of inventories, financial investments, property, plant and equipment, intangibles, mineral properties and deferred tax assets; carrying value of rehabilitation, mine closure, sales contracts provisions and deferred tax liabilities; and the calculation of share-based payments expense and assessment of reserves. Actual results could differ from these estimates.

Financial Instruments

At 30 June 2010 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 debts 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 historically low US dollar interest rates of these financial instruments.

The Company's main foreign currency risk is for monetary assets and liabilities of the Namibian and Malawian operations. These 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, deferred tax liabilities 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 the SEDAR website at sedar.com

Transactions With Related Parties

During the year ended 30 June 2010 no payments were made to Director related entities. Directors of the Company receive compensation based on their personal contracts.

Disclosure Controls

The Company has applied its Disclosure Control Policy to the preparation of the Consolidated Financial Report for the year ended 30 June 2010, 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 2010. An evaluation of the design of ICFR has concluded that it is adequate to prevent a material misstatement of the Company's Consolidated Financial Report as at 30 June 2010.

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 year, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this report, 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 2010 Financial Report:

Board Changes

Mr Ian Noble will not seek re-election and will resign at the next Annual General Meeting to be held on 25 November 2010.

On the 1 July 2010, the Company announced the appointment of Mr Peter Donkin with effect from 1 July 2010 and Mr Phillip Baily with effect from 1 October 2010 as Non-executive Directors of Paladin Energy Ltd.

Mr Donkin has 28 years' experience in finance, of which the last 18 years have involved arranging finance in the mining sector. Mr Baily is a metallurgist with more than 40 years' experience in the mining industry, including some 10 years in the uranium sector.

A\$27M recommended takeover offer for NGM Resources Limited

On 21 July 2010, the Company announced a takeover offer for the shares it does not already own in ASX listed minerals exploration company NGM. Paladin currently holds 22.48% of NGM's ordinary shares on issue, having recently acquired 4.3M NGM shares at \$0.09 per share.

The consideration under the Offer will comprise one fully paid ordinary Paladin share for every 23.9 fully paid ordinary NGM shares that Paladin does not already own, implying a price of A\$0.15 per NGM share based on the closing price of Paladin shares on the ASX on 20 July 2010 (being the last trading day prior to announcement of the Offer) of A\$3.58.

The Offer values NGM at approximately A\$27M. The Offer is subject to a number of conditions.

NGM's directors have unanimously recommended that NGM shareholders accept the Offer, in the absence of a superior offer. They have also indicated that they intend to accept the Offer in respect of their own shareholdings, in the absence of a superior offer. NGM holds three uranium exploration concessions, covering an area of approximately 1,500km² in Niger. Niger is the 6th major uranium producing country in the world and the acquisition of NGM would provide Paladin with a footprint in this major uranium province.

Issue of Shares

On 2 August 2010, the Company announced the issue of 750,000 fully paid ordinary shares following the vesting of Share Rights pursuant to the Employee Performance Share Rights Plan. The shares are to be held in trust, vesting variously over time up to 1 January 2012 subject to conditions. Once vested, all shares remain in trust and subject to restrictions on dealing that will cease by 1 January 2014.

On 1 September 2010, the Company announced the issue of 530,580 fully paid ordinary shares following the vesting of Share Rights pursuant to the Employee Performance and Contractor Performance Share Rights Plans.

Paladin Signs Strategic MOU with CGNPC Uranium Resources Co., Ltd

On the 5 August 2010, the Company announced that it had signed a wide ranging Memorandum of Understanding (MOU) with CGNPC Uranium Resources Co., Ltd ("CGNPC-URC"), setting a framework of co-operation for long-term sales of uranium, potential participation in Paladin's growth strategies and possible expansion of joint venture relationships in the Northern Territory with Energy Metals Limited (EME), in which CGNPC-URC, through the subsidiary China Uranium Development Company Limited, holds a 69.34% interest.

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 common definition of the term sustainable development is "development that meets the needs of the present without compromising the ability of future generations to meet their own needs."

It is also urged, in sustainable development documentation, that a balance be found between economic, social and environmental needs. 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, operates consistently with the corporate values that Paladin promotes. Paladin continues 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 established internal Environmental Standards for all of its operational subsidiaries. Operational compliance with the Standards forms part of the Corporate Inspection and Audit Programme.

Environmental Management System

Each operating site is required by Paladin 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 EMS across the site operations and obtained certification from Lloyds Quality Register. The EMS was reviewed and updated during the reporting period to incorporate the LHM Stage 3 expansion environmental management requirements. The KM Environmental Department is in the process of developing an EMS for its operations. Once completed, the KM EMS will be rolled out and implemented across the operation and certification sought.

Operational Environmental Management Plans (EMP) for both LHM and KM have been submitted and reviewed by the respective Governments, other stakeholders and by international financial lending institutions as part of the project financing process. The EMP's are regularly updated and revised as part of the sites' continual improvement process.

A revised EMP containing management measures for both construction and operations was submitted and approved by the Namibian Government in November 2009 as part of the LHM Stage 3 Environmental Impact Assessment Process.

Environmental Impact Assessment

The Environmental Impact Assessment (EIA) process for the LHM Stage 3 was completed with the Environmental Assessment document approved by the Namibian Government in November 2009. The EIA process included numerous specialist studies being conducted, and extensive stakeholder consultation undertaken to ensure any issues and concerns were addressed.

Environment Regulatory Reporting

Both LHM and KM prepare Environmental Reports for their respective Governments. The Environmental Reports summarise the environmental activities undertaken on the site, and provide analyses of the monitoring data collected and assess trends for the reporting period. The regulatory reporting period for LHM

is bi-annual and annual for KM. The LHM Bi-Annual Report for the first six months of this reporting period was submitted to the Namibian Government in March 2009, and the second Bi-Annual Report is being prepared. KM is currently preparing its Annual Environmental Report for this reporting period and will complete and submit to the Government of Malawi once all the monitoring analytical results have been received and verified.

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 which ensure that there is not only compliance with regulatory and Paladin requirements but also with the World Bank Equator Principles and other industry standards, in particular those standards specified for the uranium industry.

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

Water

Water resource is a major issue that requires management at most mining operations. Paladin has implemented 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 LHM and KM have detailed water balances, flow models and have developed water management strategies and implemented water management measures to ensure that Paladin's objectives for water management are met.

LHM and KM have both engaged hydrological specialists to provide ongoing advice on the design, construction, operation and management of water and water infrastructure at their respective sites. The design and water management strategies are subject to external technical peer review to ensure that the water management, as proposed, meets industry standards.

Tailings

Tailings management continues to be a high priority at Paladin's operational sites. Paladin puts measures in place to ensure that the tailings storage facilities (TSF) are appropriately designed and operated according to internationally acceptable standards.

Specialist tailings facility engineers have designed the TSFs and defined the operational practice and management 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 peer 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.

Closure

Mine closure planning is a key component of Paladin's commitment to Sustainable Development. A Closure Standard is in force for all of Paladin's developing and operational sites. The intent of the Standard 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.

A detailed Draft Mine Closure Plan for LHM was prepared during the reporting period in accordance with the Namibian Mine Closure Planning Framework. The Closure Planning Process at KM progressed during the reporting year with the establishment of a multi-disciplinary Closure Planning Team and the drafting of a Mine Closure Strategy upon which the Mine Closure Plan will be based.

Corporate Sustainability Reporting

Paladin commenced the process of data collection from LHM and KM for the reporting period for input into future Corporate Sustainability Reporting. The data collected is based on meeting the reporting requirements of the elements

of the Global Reporting Initiative (GRI) Framework. The GRI elements cover economic performance, environment, social/community, human rights, labour practices and product responsibility.

A gap analyses will be undertaken on the data collected from the sites to assess if it meets the requirements of the GRI framework and to identify gaps in data.

Co₂-E Emissions

Paladin does not currently publish greenhouse gas emissions, however, it is in the process of assessing monitoring, measurement and reporting methodologies to determine how the CO₂ emissions are best reported. This forms part of the data collection process for future Corporate Sustainability Reporting.

Paladin's current Australian activities are confined to exploration and the corporate Perth office, so initial broad base estimations of diesel consumption and purchased electricity indicate that Paladin will not meet threshold levels to require registration and reporting in Australia under the National Greenhouse Emissions Reporting Act (NGER) 2007.

Capacity Building

Paladin is committed to offering support and assistance for capacity building of its local employees, specific members of the community and Government regulatory authorities. Capacity building, particularly in the areas of regulatory environmental and radiation management and monitoring, is an ongoing goal for Paladin.

A focus during the reporting period for the KM was three main programmes:

- Development and implementation of an environmental monitoring training programme for Government of Malawi regulatory officers;
- Training of Malawi Doctors in the health effects of ionizing radiation in Australia; and
- Support and assistance to the International Atomic Energy Agency (IAEA) for its Regional Training Course for Government personnel from African State members of the IAEA regional programme.

Environmental Monitoring Training Programme

Paladin and the Government of Malawi worked together to develop an environmental monitoring training programme for the regulatory authorities at KM. A Protocol for the programme was developed and agreed between Paladin and the Government which set out the training programme, described the monitoring areas and assigned responsibilities for the tasks.

Once the programme was agreed the Government of Malawi nominated officers from the various departments to undertake the training. The programme is conducted in two sessions, allowing two officers from each department to be trained. The first training session was conducted at the KM minesite in June 2010 and the second will be held in September 2010. Officers from the Government of Malawi Departments of Environmental Affairs, National Parks, Fisheries, Water, Mines, Land Resources, Geology, Transport, Health and Labour were trained in their relevant regulatory aspects of environmental and radiation monitoring.

Training of Malawi Doctors

Paladin arranged for two medical doctors from Malawi to attend a training course in Western Australia on the "Health Effects of Ionising Radiation" in June 2010. The course was designed to impart to the doctors a basic knowledge of the physics of ionizing radiations and radioactive materials; the hazards associated with their use for medical and industrial purposes; and the procedures which are necessary for the safe handling and use of radioactive materials.

IAEA Regional Training Course

Paladin provided assistance to the IAEA for its Regional Training Course for African State Government personnel conducted in Malawi in May 2010 on the "Development, Implementation and Regulation of Exploration Programmes for Uranium Mineral Resources". Paladin presented to the group on uranium exploration and radiation safety and management and supported the visit to the Kayelekera Mine to show the group a modern operating uranium mine in Malawi.

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 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 minerals.org.au.

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

Mr John Borshoff (Managing Director/CEO) is on the Board of both the AUA and MCA. He heads the Code of Practice and Stewardship Group for the AUA and is a member of its Executive Committee. James Eggins, General Manager - Sales and Contract Administration, is a member of the Non-Proliferation Working Group.

Human Rights

In keeping with the Company's core values, Paladin has sought to adopt and adhere to industry best practice in its recognition of the economic, social and cultural rights of its host communities in Namibia and Malawi. In particular, Paladin recognised that the development of the Kayelekera Mine in Malawi, the first major mine and the largest foreign investment in the country's under-developed northern region, had the potential for significant social impact.

The Company's subsequent conduct in developing the Kayelekera Mine has attracted the attention of interested third parties, including the United States-based human rights research and policy organisation, Nomogaia Foundation dedicated to clarifying corporate responsibility for communities impacted by capital projects. Nomogaia elected to conduct a comprehensive human rights-based review of Paladin's performance in managing KM social impacts and the Company's methodology for interacting with local communities. Paladin provided access to relevant employees in Malawi to the Nomogaia Foundation research team in Malawi, but no financial or other support for their research.

The Nomogaia Foundation draft report was published on 22 June 2010 and can be found on the Human Rights Impact Resource Centre website at humanrightsimpact.org/resource-database/reports/resources/view/90/user_hria_reports/.

The report found that Kayelekera was "an extremely rights-responsible project - a model for other Projects planned in remote areas with no mining history."

Nomogaia went on to say: "In many ways, the Kayelekera Project is a model of industry's respect for human rights. Its impacts on the Rights to Just Remuneration, Favorable Working Conditions, Health, Adequate Standard of Living and Adequate Supply of Water are expressly positive. The assessors' conclusion is that the Kayelekera Project, run by Paladin Energy Ltd., has a net positive impact on human rights. Such a result is not common, particularly among extractive projects in developing countries, and it does not come about by accident. The Company should be commended."

The Project has brought economic benefits to the area, which are spreading through the neighbouring population, including the district capital of Karonga town. The Company's environmental impacts are being effectively mitigated through extremely conservative Project design and well-implemented management plans."

Nomogaia concluded that Paladin had made "extraordinary efforts to ensure that all concretely impacted [human] rights are being addressed. Schools, clinics, housing and water access have all been significantly improved by the Project and the vastly improved roads and communications networks - including the area's first-ever cell phone tower - has contributed to the development of a money economy that was previously inconceivable in the area. Project efforts to mitigate the impact of HIV in the area exceed the efforts of any other corporations in the country".



In addition to creating shareholder wealth, Paladin's corporate core values address contributing to the growth and prosperity of host countries and responding positively to community needs and expectations. The Paladin Group of Companies seeks to meet its Corporate Social Responsibility (CSR) undertakings through the following actions across its operations:

- **Stakeholder Consultation:** Paladin understands the linkages and interdependence between the Company and its stakeholders and encourages communication with stakeholders at local, national and international levels.
- **Ethical Business Behaviour:** Internally and externally, ethical behaviour is reinforced through a formal ethical code and non-tolerance of corrupt and unethical behaviour or practices.
- **Social Accountability:** Paladin believes that it is accountable to stakeholders for its social impacts and must effectively monitor and report social performance.
- **Community Development:** Paladin actively supports a range of community social development and local business development initiatives in consultation with local communities.

In framing its approach to managing Social Sustainability, including the processes of community engagement, community development, corporate social responsibility and cultural awareness, Paladin has adopted as its policy in accordance with our commitment to *Enduring Value – the Australian Minerals Industry Framework for Sustainable Development*. As a signatory to Enduring Value, Paladin is committed to continually improve its social, environmental and economic performance. This commitment is also aligned to the 10 Sustainable Development Principles of the International Council on Mining and Metals (ICMM).

International Initiatives

Malaria Control

Paladin has provided funding support to research firm, Eastland Medical Systems Limited, which is developing a sub-lingual (under the tongue) applicator which could significantly improve the effectiveness of malaria treatment of young children, who are most susceptible to death from the disease. Preliminary trials indicate a 70% improvement in uptake in young children compared with medication provided in drug form. Eastland recently undertook a successful clinical trial in which 15 children with complicated malaria were treated against a comparator drug – iv quinine, the World Health Organisation recommended treatment, and achieved 100% clearance rate within 24-36 hours. A further 150-patient confirmative study is to be undertaken shortly.

HIV/AIDS Vaccine Research

Paladin is among leading mining companies supporting the clinical trial of an Australian-developed therapeutic treatment vaccine designed to aid in the fight against HIV/AIDS. The vaccine – called VIR201 – has been developed by the Australian firm, Virax Holdings Limited. Its recent clinical trial in South Africa used a more purified and higher dose of the VIR201 vaccine and Virax is anticipating that this would have the positive effect of promoting a stronger immune response. The trial was “double blinded”, with no results available to patients, investigators or Virax until reviewed by an independent data safety monitoring board.

Malawi

Paladin continues to fulfil its social development undertakings under the terms of the Kayelekera Development Agreement, with highlights being the completion of infrastructure projects to significantly upgrade the water supply to the region's largest town and the construction of school facilities and teacher housing in villages adjacent to KM. The Company has developed a Social Sustainability Management Plan (SSMP) to ensure that social and cultural environmental aspects and impacts associated with the operation of KM are identified and appropriately managed. The SSMP has been prepared to address the commitments in the KM Environmental Impact Assessment (EIA) and the

conditions of the Environmental Licence, the Development Agreement and the Settlement Deed. The SSMP also provides a mechanism to ensure compliance with regulatory legislation, corporate policies, standards, guidelines and procedures and is subject to both internal and external reviews as required by Paladin and relevant regulatory agencies. Specifically, the SSMP includes the following Plans which are mandated by the Development Agreement and the EIA:

- Social Responsibility Plan, which provides programmes for health, education and water;
- Business Development Programme, to promote local involvement, economic growth and skills development;
- Stakeholder Participation Programme, which provides for community consultation and education on the uranium industry and partnership projects; and
- Social Management Plan, which provides for the mitigation, monitoring and management of potential social and cultural impacts associated with the operations of KM.

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 (GLC) holds meetings on a quarterly basis. The GLC meeting is for Paladin to report on its activities for the quarter and provide an update on the project.

At the local level, quarterly meetings are held with community stakeholders through the Paladin/Government jointly chaired Uranium Liaison Committee (ULICO). ULICO comprises local community leadership, civic societies, senior civil servants and Paladin representatives. Also 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.



Sustainable Development



Principal projects undertaken during the year included:

Garnet Halliday Karonga Water Supply Project

Paladin's commitment to provide potable water for Karonga's projected population growth until 2025 saw the completion of the Garnet Halliday Karonga Water Supply Project in early 2010. On 24 March, the project, named in honour of a former Paladin senior executive, was formally handed over to Malawi's Minister for Irrigation and Water Development, who received the project on behalf of the Northern Region Water Board (NRWB). The water project is Paladin's major contribution in fulfilling its commitment to expend \$US10M on infrastructure projects in northern Malawi. The project is capable of delivering 7,500m³ of clean water per day to Karonga, solving chronic water shortages which have often seen the town without water for days. The project provided employment for 265 people at its peak. Karonga is the Northern Region's commercial and administrative centre and is located near Lake Malawi, approximately 52km from KM. The project was keenly anticipated by the town's 40,000 inhabitants and has been enthusiastically received locally. In addition to upgrading water quality and reliability of supply, higher water pressure achieved by the scheme has improved supply efficiency through the NRW distribution system bringing regular supply to outlying sections of Karonga.

HIV/AIDS Awareness Campaign

Ongoing awareness programmes are conducted, targeting employees, their families, local villages and the broad community. Activities include distribution of Company-produced literature to employees and community members, education through regular weekly radio programmes sponsored by the Company and sponsorship of a regional theatrical group, which provides public education and promotes voluntary testing in remote villages. The Company has sponsored the troupe previously to provide community performances which, as a traditional art and teaching form, is extremely well received and has proven highly effective as a teaching methodology. The Kayelekera Health Clinic, established by the Company, is an accredited HIV counselling centre.

Community Health Care

Paladin's community relation officers regularly visit schools near KM, conducting well-received talks and activities dealing with various common health issues. A series of story booklets, written by one of Paladin's social development team and translated into the local language has been printed and distributed. The booklets cover a range of topics including health, alcoholism, fraud and theft, social and family issues and family values. The books are very popular, due to the subject matter and an absence of almost any material published in local language.

Agricultural Outreach Programme

Paladin has assisted the Kayelekera village and Karonga District community to apply improved agricultural practices and develop the local economy with income generating agricultural opportunities. The existing Kayelekera Irrigation Scheme has been extended and repaired and a new and larger irrigation intake has been constructed to open up a new dry-season garden area. In addition, more than 600 fruit trees have been distributed from the Paladin nursery and 6,000 trees grown in local nurseries operated by propagators who were trained by Paladin in this skill last year. These trees have been distributed to schools to plant orchards and to villages throughout the district to promote reforestation in the region – a national priority of the Government of Malawi. Recipients have been trained in planting and ongoing care of the trees.

Water and Sanitation

A number of initiatives have been undertaken in relation to the installation of new water bores and rainwater tanks. Networking with the Malawi Water and Irrigation Department (WID) has resulted in old bores being repaired to provide clean water to villages in the district. Village sanitary conditions have been improved with ecological lined-pit toilets that have been built in Kayelekera village, in conjunction with World Vision and local land holders. Another joint initiative with an NGO operating in the district promotes compost toilets for all schools in the Karonga district. Paladin continues to employ a worker to clean up rubbish around the Kayelekera village central area. The introduction of personalised water containers at KM and the banning of disposable plastic bottles

has dramatically reduced the rubbish problem in Kayelekera village.

Educational Infrastructure

A programme to significantly improve school infrastructure in Kayelekera and nearby villages is in progress, involving the construction of school buildings, teacher housing and the erection of a community hall in Kayelekera village.

Employee Charitable Foundation, supported by Paladin

Paladin's formal CSR programmes in Malawi are supplemented by projects supported through a charitable foundation established by the Company's employees. The Friends and Employees of Paladin for African Children (FEPAC) was the brainchild of General Manager – Geology and Exploration, Ed Becker, and his colleagues in October 2008 as a means of funding smaller social projects in Malawi that were outside the scope of Paladin's CSR programmes. In particular, the aim is to support projects with a focus on helping children. More than \$125,000 has been raised by employees and associates of Paladin through various initiatives, including two major fundraising events held annually – a quiz night and corporate golf day. Paladin supports its employees' initiative by providing FEPAC with administrative assistance and in allowing time for employees to organise and participate in fund-raising activities and matches dollar for dollar all funds raised.

Namibia

The social development plan in Namibia focuses on the key areas most relevant to Namibia's national needs and LHM's sphere of influence. The core elements include educational development, ecological improvement work in the Namib Naukluft National Park and regional economic development. The focus is on delivering cost effective and measureable benefits to target communities in Namibia. A summary of the key projects undertaken in Namibia follows.

C28 Highway Upgrade Programme

Paladin continues to contribute significantly to the tarring of the gravel road, the C28, a national road that runs through the Namib Naukluft

Social responsibility

National Park and forms a portion of the access road to LHM. Since the improvements to the road, less tourist related accidents have occurred, whilst dusting has dramatically reduced, improving safe driving conditions. Only some 18km of the 55km C28 remains unsealed and collaboration between LHM and other companies using this road will result in a further 9km being sealed. The expectation is that the first 50km section from the road from Swakopmund will be fully tarred by December 2010.

Mondesa Youth Organisation

Support continues to be provided to the Mondesa Youth Organisation (MYO) within the Mondesa township in Swakopmund. This project identifies young learners from deprived backgrounds who show outstanding potential and augments their formal schooling with additional, after-hours tutoring in subjects and disciplines. The programme not only ensures the better understanding of the curriculum, but also aims to produce a better rounded individual. LHM has supported this project over a number of years, Paladin has now become MYO's principal sponsor, ensuring its financial viability and enabling the centre's teaching personnel to focus on teaching children, rather than fundraising. The project will be renamed the Langer Heinrich Mondesa Youth Academy.

National Mathematics Congress

Paladin continued as the main sponsor of the annual National Mathematics Congress. This congress aims to introduce mathematics teachers in Namibia (for all grades) to the latest developments in the teaching of this subject. Distinguished lecturers from Namibia and abroad teach the teachers over a week-long programme of lectures and workshops. This annual event has become a highlight in educational circles in Namibia, with extremely positive feedback from teachers. This programme is to be extended to include on-the-job review and improvement projects for mathematics teachers. This is regarded by educational authorities as a key project for the long-term sustainable alleviation of Namibia's skills shortage.

Namibian Institute for Mining and Technology (NIMT)

NIMT is responsible for the training of tradesmen for employment in the mining industry and throughout industry in Namibia. Continued support is provided to this organisation on a number of fronts, including accommodation for students to enable them to complete practical job assignments. An ongoing exchange programme between senior LHM tradesmen and lecturers from the college to both allow the lecturers to be exposed to the latest developments in the workplace and for the Company's artisans to review the applicability of study material. Contributions have also been made to the upgrading of facilities and equipment.

Campaign Against Gender-based Violence

Paladin joined a Campaign Against Gender-based Violence in Namibia with LHM contributing to a media campaign undertaken by the Namibian Ministry of Gender Equality and Child Welfare (MGECW). The MGECW conducted a national campaign against human trafficking and to promote zero tolerance for gender-based violence, which is seen to be linked, amongst other things, to the high rate of HIV/AIDS infections in Namibia.

Namib Naukluft National Park (NNNP)

The Company is partnering with the Ministry of Environment and Tourism (MET) upgrading campsite facilities within the NNNP. These upgrades include the pilot installation of bio-friendly toilets at campsites and includes the introduction of waste management at campsites in the vicinity of LHM. As part of its continuing commitment to maintaining the park environment, the Company will support research projects carried out by the Gobabeb Desert Training and Research Foundation. Paladin also sponsored attendance by a Gobabeb research officer at the National Landcare Conference held in Australia in June. The officer also visited the Alice Springs Desert Research Centre and the University of WA in Perth.

Food Assistance Programme

Paladin sponsors two feeding programmes run by local shelters in Walvis Bay and Swakopmund which provide food assistance to between 300 and 350 under-privilege school children in the two towns. The project aims to provide at least one good meal per day for children who are often AIDS orphans. The Company provides financial assistance to the projects which are also supported through the active participation of LHM employees.

2010 Namibian Mining Expo

The inaugural Namibian Mining Expo was held during 2010 of which Langer Heinrich was a sponsor. This highly successful event was aimed at providing the public an opportunity to directly interact with mining companies. One day of the Expo was dedicated to a career day for school leavers with special plenary sessions.

Other Community Initiatives

The Company also supports a number of smaller community based projects including sports sponsorships, local school assistance and other worthwhile causes.



Our People

Establishing a workforce for future growth has been the focus of 2010 with staff numbers continuing to rise in a considered and measured fashion. Key areas of growth have been the support functions with the intention of providing an efficient corporate service to sites.

In line with the growth in the numbers of both technical and corporate staff, new premises in Subiaco, Western Australia were acquired. The new Head Office provides a first class working environment with more meeting room space as well as being equipped with first class communication technology allowing for more frequent face to face contact with site management. Video conferencing facilities at all sites, Head

Office and with external directors enable regular dialogue to be maintained.

The next financial year will focus on consolidating organisational policies and procedures, as well as continuing to build reward, performance and talent management systems. The aim in 2011 is to maintain our strong retention levels and to strengthen reward processes.

The introduction of the Employee Performance Share Rights Plan has been a step toward improving employee engagement and is a symbol of the organisation's commitment to aligning employees with shareholder objectives.

Australian based employees total 95, an increase of 17% on the previous year, with females representing 36%. Additional staff cross the spectrum of disciplines – administration, finance,

corporate and technical. Turnover for the year amounted to 9%.

It is pleasing to see that the staff turnover levels across the Group (Australia 9%, LHM 7% and KM 1.8%) sit well below the average annual rate for large companies of 15.5% as reported in the Australian Institute of Management National Salary Survey 2010.

Staff Development Initiatives

Paladin has continued its practice of regularly bringing selected national employees from Namibia and Malawi to Australia to participate in quarterly management workshops. This provides an opportunity for personal development and networking with colleagues from all sites and fosters a better appreciation of the Company's culture and values.

Local employees at the Kayelekera Mine account for over 78% of the permanent workforce.

Paladin also provides the opportunity for exploration staff to undertake short-term assignments on geological projects outside their home country.

Several Namibian employees have taken up roles at KM and it is the intention to provide selected Malawian employees with the opportunity to develop their skill base and gain experience through short or long-term secondments to Paladin's LHM operation.

Langer Heinrich Mine

The past year has been busy on the recruitment front with 76 new employees. The number of employees has increased to 272 (including 48 females) since the last reporting period with only 16 or 6% non-Namibians. 14 employees (representing a turnover of 7%) left the employ of the Company, the majority of individuals resigning for improved financial benefits or for more attractive job prospects. Interestingly, approximately half have since indicated an interest in rejoining which suggests LHM continues to be an employer of choice.

LHM believes in the importance of training and development to assist Namibians in obtaining the necessary skills and knowledge to help curb the shortage of skills currently being experienced in Namibia. Initiatives include enrolment in Management Development programmes, a fulltime bursary scheme, assistance with part-time studies and practical experience for apprentices. Around 170 employees have participated in an ongoing series of business simulation training. The need for employees to know and understand how business works and what is required for a business to be successful, is the reason simulations were selected as the training model.

Langer Heinrich commits to the achievement of equal opportunity in employment and continues to commit to the following:

- the compilation and submission of an Affirmative Action report and plan;
- formal training and development programmes for Namibian understudies and the monitoring of progress made; and
- giving preference to Namibian citizens when making placements.

LHM embarked on an employee's wellness programme during the year through Wellness 24/7, a reputable company in the country. An extensive awareness campaign was extremely successful with a large number (80%) of the employees taking part.

The LHM HIV/AIDS Peer Educators Team was very busy over the past year while trying to reach as many people as possible through their campaign efforts. They held a sports campaign on the Youth International Day and around 160 children aged between 10 – 16 attended. The educators held break-out sessions to provide information on drugs, alcohol and HIV. The event was very well received by the youth group and it is pleasing to note the HIV committee also received recognition as being the most improved by the Chamber of Mines in 2009.

Kayelekera Mine

The number of permanent employees increased by 142% from 218 to 529 at year end whilst the number of temporary employees and contractors dropped by 35% from 786 to 507 over the same period. Females account for 54 of the total number of employees. Local employees account for 416 (or over 78%) of the permanent workforce

with turnover low at 1.8%. The rise in permanent employees was not only due to increased staffing of operations to optimal levels after plant commissioning, but also due to the takeover of staff employed in support service operations, formerly sub-contracted. The number of temporary employees is expected to drop further as existing camp construction works come to an end.

An inspection of the terms and conditions of employment at the mine by the Department of Labour in February 2010 and the subsequent visit of the Labour Minister a month later revealed the Government's satisfaction with the Company's levels of legal compliance and employee welfare considerations in its employment policies and practices.

Successful skills development efforts resulted in a number of local trainees being confirmed in appointments and promoted to higher levels of responsibility in mining, process plant, plant maintenance and environmental management operations amongst others. An employee training programme is in place which will increase Malawian content in years to come. A labour relations management strategy was successfully developed and implemented to ensure a harmonious and productive labour relations climate on the mine.

A key focus on site has been the upgrade of accommodation and recreation facilities to provide a pleasant environment for employees living in such a remote location. Facilities such as satellite TV, a gymnasium, a soccer field, billiards and other games are provided for the enjoyment of all camp personnel.

Corporate governance statement



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, the Managing Director/CEO and other senior executives 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. Since the 2009 AGM, shareholders have been 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 five 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.

In 2010, Mr Ian Noble advised he would be retiring at the 2010 AGM. The decision was made to appoint 2 new Non-executive independent directors, increasing the size of the Board by a further director. Given the extent of the Group's operations and

its activity base this was felt necessary, particularly to facilitate the more effective use of Board committees across a broader group.

Skill sets represented at Board level include managerial, technical, financial, corporate, legal and commercial. Particularly, members have a broad range of 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 Principles and 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 face to face at least four times a year (each over a 3 day period). Video conferencing facilities have been installed to provide greater ease of communications between face to face meetings and meetings are held at a 6 week interval between face to face meetings, via this means. 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. This provides an excellent opportunity for dialogue and networking, with management from all operations present. 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 (as stated in their Letters of Appointment) to attend the Annual General Meeting (AGM) of the Company and all attended the 2009 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 annually 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 2010 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 16 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. 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 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
- Access to previous Board papers 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 2010.

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
Non-executive, Independent Director
- Sean Llewelyn
Non-executive Director, Independent Director
- Ian Noble
Non-executive Director, Independent Director

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

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

The 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 auditors meet with the Audit Committee without management present at each meeting.

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.

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

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 2010 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 ISO 31000:2009 - "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.

Health And Safety

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 in August 2010. This was due to the Company's largely expanded workforce and, rather than specific approvals to trade required from all employees, the amended policy restricts this requirement to a group of Restricted Employees. This group consists of all Directors and officers and other key personnel as nominated by the Chairman and Company Secretary. Prescribed 'blackout' periods are included, during which all Directors, officers and Restricted 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 Restricted 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 has been rolled-out to key employees across the Group.

To assist in the understanding of policies by the local Malawians, Paladin uses storybooks and drama.

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 meet 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.

To assist in the understanding of this policy by the local Malawian workforce, a storybook has been written and translated into the local language dealing with the issues of fraud and corruption and whistleblowing. This has been distributed to all local employees.

In addition, the local acting troupe has been employed in presenting small plays to the workforce on these subjects. Both mediums have been extremely well received and effective in presenting the message.

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

Names from left to right:
Ilan Noble, John Borshoff, Peter Donkin, Rick Crabb,
Donald Shumka, Sean Llewelyn and Gillian Swaby.



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 2010.

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 Ilan Noble (Non-executive Director)
- Mr Donald Shumka (Non-executive Director)
- Mr Peter Donkin (Non-executive Director) appointed 1 July 2010

Principal Activity

The principal activity of the Group was the development and operation of uranium mines in Africa and Australia together with ongoing exploration and evaluation activities.

Review And Results Of Operations

A detailed operational and financial review of the Group is set out on pages 16 to 42 of this report under the section entitled Management Discussion and Analysis.

The Groups' loss after tax for the year is US\$52.9M (2009:US\$480.2M) representing an decrease of 890% 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 year, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this report, 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 2010 Financial Report:

Board Changes

Mr Ian Noble will not seek re-election and will resign at the next Annual General Meeting to be held on 25 November 2010.

On 1 July 2010, the Company announced the appointment of Mr Peter Donkin with effect from 1 July 2010 and Mr Philip Baily with effect from 1 October 2010 as non-executive directors of Paladin Energy Ltd.

Mr Donkin has 28 years' experience in finance, of which the last 18 years have involved arranging finance in the mining sector. Mr Baily is a metallurgist with more than 40 years' experience in the mining industry, including some 10 years in the uranium sector.

A\$27M recommended takeover offer for NGM Resources Limited

On 21 July 2010, the Company announced a takeover offer for the shares it does not already own in ASX listed minerals exploration company NGM. Paladin currently holds approximately 22.5% of NGM's ordinary shares on issue, having recently acquired 4.3M NGM shares at \$0.09 per share.

The consideration under the Offer will comprise one fully paid ordinary Paladin share for every 23.9 fully paid ordinary NGM shares that Paladin does not already own, implying a price of A\$0.15 per NGM share based on the closing price of Paladin shares on the ASX on 20 July 2010 (being the last trading day prior to announcement of the Offer) of A\$3.58.

The Offer values NGM at approximately A\$27M. The Offer is subject to a number of conditions.

NGM's directors have unanimously recommended that NGM shareholders accept the Offer, in the absence of a superior offer. They have also indicated that they intend to accept the Offer in respect of their own shareholdings, in the absence of a superior offer. NGM holds three uranium exploration concessions, covering an area of approximately 1,500km² in Niger. Niger is the 6th major uranium producing country in the world and the acquisition of NGM would provide Paladin with a footprint in this major uranium province.

Issue of Shares

On 2 August 2010, the Company announced the issue of 750,000 fully paid ordinary shares following the vesting of Share Rights pursuant to the Employee Performance Share Rights Plan. The shares are to be held in trust, vesting variously over time up to 1 January 2012 subject to conditions. Once vested, all shares remain in trust and subject to restrictions on dealing that will cease by 1 January 2014.

On 1 September 2010, the Company announced the issue of 530,580 fully paid ordinary shares following the vesting of Share Rights pursuant to the Employee Performance and Contractor Performance Share Rights Plans.

Paladin Signs Strategic MOU with CGNPC Uranium Resources Co., Ltd

On 5 August 2010, the Company announced that it had signed a wide ranging Memorandum of Understanding (MOU) with CGNPC Uranium Resources Co., Ltd ("CGNPC-URC"), setting a framework of co-operation for long-term sales of uranium, potential participation in Paladin's growth strategies and possible expansion of joint venture relationships in the Northern Territory with Energy Metals Limited (EME), in which CGNPC-URC, through the subsidiary China Uranium Development Company Limited, holds a 69.34% interest.

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 53
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 practised 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, of 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 also the non-executive chairman of Golden Rim Resources Ltd (since 2001), Ashburton Minerals Ltd (since 1999) and Otto Energy Ltd (since 2004). Mr Crabb is a councillor on the Western Australian Division of the Australian Institute of Company Directors.

Mr Crabb was appointed to the Paladin Board on 8 February 1994 and as 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

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 65

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.

Mr Borshoff 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 Minerals Council of Australia and the Board of the Australian Uranium Association of which he is the chairman of its Code of Practice working committee and a member of its Executive Committee.

Mr Borshoff founded Paladin and was appointed to the Paladin Board 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 62

LL.B

Mr Llewelyn originally qualified as a solicitor in Australia and England. He has subsequently worked in the finance and merchant banking industries for more than 20 years in Australia, the UK, the United States and South Africa. His considerable finance experience has been in derivatives, structured finance and early stage investment relating to the metal markets. He has been involved with the uranium industry for many years and has a comprehensive understanding of the uranium market.

Mr Llewelyn had a key role 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 Paladin 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 68

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.

Mr Shumka was appointed to the Paladin 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 69

BSc (Metallurgy), F.AusIMM, ARCAST

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 a 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 Paladin Board on 29 June 2005. Mr Noble has informed Paladin that he intends to resign from the Paladin Board with effect from the next Annual General Meeting to be held on 25 November 2010.

Special Responsibilities

Member of Audit Committee from 29 June 2005

Member of Nomination Committee from 29 June 2005

Mr Peter Mark Donkin

(Non-executive Director) Age 53

BEC, LLB

Mr Donkin has 28 years experience in finance, of which the last 18 years have involved arranging finance in the

mining sector. He was the Managing Director of the Mining Finance Division of Société Générale in Australia, having worked for that bank for 21 years in both their Sydney and London offices. Prior to that he was with the corporate and international banking division of the Royal Bank of Canada. His experience in finance has included structuring and executing transactions for mining companies, both in Australia and internationally in a wide variety of financial products, including project finance, corporate finance, acquisition finance, export finance and early stage investment capital. Mr Donkin holds a Bachelor of Economics degree and a Bachelor of Law degree from the University of Sydney. He is also a director of Sphere Minerals Ltd.

Mr Donkin was appointed to the Paladin Board on 1 July 2010

Interests In The Securities Of The Company

As at date of this report, the interests of the Directors in the securities of Paladin Energy Ltd were:

Director	Paladin Shares	Share Rights (issued under the Paladin Employee Plan)	
		Options (issued under the Paladin EXSOP)	(issued under the Paladin Employee Plan)
Mr John Borshoff	21,877,394	1,500,000* 1,250,000**	300,000
Mr Rick Crabb	4,881,528	Nil	Nil
Mr Sean Llewelyn	100,000	Nil	Nil
Mr Donald Shumka	50,000	Nil	Nil
Mr Ian Noble	21,000	Nil	Nil
Mr Peter Donkin	Nil	Nil	Nil

* exercisable at A\$8.77 on or before 1 February 2012

** exercisable at A\$4.50 on or before 29 January 2013

Company Secretary

Ms Gillian Swaby Age 50

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:

Resignation, Election And Continuation In Office Of Directors

In accordance with the Constitution of the Company, Mr Ian Noble retires by rotation at the Annual General Meeting and will not seek re-election. Mr Peter Donkin was appointed as a Non-executive Director by the Board effective 1 July 2010. The appointment of Mr Philip Baily has been announced as a Non-executive Director, effective 1 October 2010. Messrs Donkin and Baily will seek election by shareholders at the 2010 Annual General Meeting and Mr Rick Crabb will seek re-election, following his retirement by rotation.

Name	Board of Directors		Audit Committee		Remuneration Committee		Nomination Committee	
	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend
Mr Rick Crabb	12	12	-	-	3	3	2	2
Mr John Borshoff	12	12	-	-	-	-	2	2
Mr Sean Llewelyn	12	12	4	4	3	3	2	2
Mr Donald Shumka	12	12	4	4	3	3	2	2
Mr Ian Noble	12	12	4	4	-	-	2	2

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 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 company secretary of the Parent and the Group.

With the remuneration disclosure becoming increasingly complex and voluminous, this year's report has been re-designed with a view to providing greater clarity and transparency for a more easily understood picture of the Group's remuneration strategy and its key components.

Disclosure has taken a more holistic approach to give a greater insight into the remuneration landscape across the entire organisation and not simply focus on the Key Management Personnel. Each and every employee is important and to maintain a successful organisation, policies for the attraction, motivation and retention of all staff throughout the Group must be visible and consistent.

Remuneration For The Year At A Glance – Key Takeaways

Managing Director/CEO and Key Technical Managers – Non Payment of Bonus

At the time of consideration of the short-term incentive cash bonus allocations in January 2010, the decision was taken not to allocate bonuses to the Managing Director/CEO and key technical general managers, those being Dave Marsh (Technical Project Development), Wyatt Buck (Production), Jim Morgan (Construction) and Simon Solomons (Operations Development). The reason for this was due to the slower than expected ramp-up of the Kayelekera Mine production, together with the poor safety record at that site with the deaths of two workers during the year. These were considered to be material issues which did not warrant additional compensation.

This highlights the principle behind the allocation of short-term bonuses across the Group. Short-term bonuses are not a specific pre-determined component of remuneration but are an "at risk" component designed to be an additional cash payment based on assessment of the individual's performance and contribution, and outcomes achieved during the past year over which they have some control. The non-payment of bonuses to these key executives sends a clear message to Group personnel that bonuses are not to be "expected" and are very much discretionary and performance based. This is an important pillar of the Board's philosophy around remuneration being aligned to performance.

Implementation of New Long-Term Incentive Plan (LTI)

As flagged in the previous year, the decision was taken to change the form of the LTI plan, resulting in a share rights plan being approved by shareholders at the 2009 AGM. This reflects the dynamic nature of Paladin's remuneration strategy to adopt and reflect changing conditions. The previous option plans were no longer considered appropriate in serving as an incentive and have been replaced with the share rights plan. This type of plan is becoming increasingly common and is discussed further in this report on the section dealing with LTI arrangements. (refer to page 69).

The switch from options to share rights was well received with tangible benefits being seen with the vesting of the first tranche of time based share rights on 1 September 2010.

Salary Increases

Across the Group and reflecting the economic environment at the time, increases in fixed remuneration were broadly based on Consumer Price Index (CPI) increases (4% for Australia) with adjustments made only in respect of parity issues for individual positions to maintain market competitiveness. The Managing Director/CEO received a 4% increase. This philosophy extended throughout the Group worldwide, with CPI adjustments relative to the country of operations.

Non-executive Directors' Remuneration

Remuneration has remained at the same level for the past two years and no increase is sought for the current year. It is expected that an increase will be presented for consideration at the 2011 AGM, particularly given the additional non-executive director appointed effective 1 October 2010.

Remuneration Approval Process

The Remuneration Committee is charged with assisting the Board by reviewing and making appropriate recommendations on remuneration packages for the Managing Director/CEO, Non-executive Directors and senior executives. In addition, it makes recommendations on long-term incentive plans and associated performance hurdles together with the quantum of grants made, taking into account both the individual's and the Company's performance.

The Remuneration Committee, chaired by Mr Sean Llewelyn, held three meetings during the year. Messrs Crabb and Shumka are also Committee Members.

Having regard to the recommendations made by the Managing Director/CEO, the Committee approves the quantum of the short-term incentive bonus pool and the total number of the long-term incentive grants to be made and recommends the same for approval by the Board. Individual awards are then determined by the Managing Director/CEO in conjunction with senior management, as appropriate.

Key Elements Of Key Management Personnel/ Executive Remuneration Strategy

The overall focus of Paladin's remuneration strategy is to:

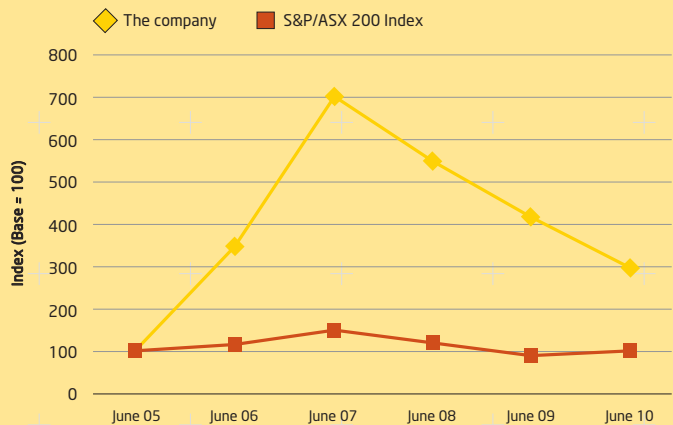
- Attract and retain talented, qualified and effective Executives.
- Motivate short and long-term performance and reward past performance.
- Provide competitive and fair reward.
- Be flexible and responsive in line with market expectations.
- Align Executive interests with those of the Company's shareholders; and
- Comply with applicable legal requirements and appropriate standards of governance.

It is important to note that this strategy applies across the Group, not only for Executives but all employees.

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 Board is cognisant of general shareholder concern that long-term equity-based remuneration be linked to Company performance and growth in shareholder value. Both the previous option plan and the more recent Share Rights plan address this with performance conditions including reference to Earnings per Share (EPS), Total Shareholder Return (TSR) and Market Price conditions. These are considered in more detail further in this report.

This chart compares, assuming an initial investment of A\$100 in June 2005, 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 2006	30 June 2007	30 June 2008	30 June 2009	30 June 2010
The Company	A\$349	A\$702	A\$545	A\$419	A\$305
S&P/ASX 200 Index	A\$118	A\$146	A\$121	A\$91	A\$100
EPS	US\$(0.01)	US\$(0.07)	US\$(0.06)	US\$(0.78)	US\$(0.08)

Remuneration report (audited)

Components Of Key Management Personnel/Executive Remuneration

The remuneration structure for the Key Management Personnel/Executives has three elements:

- fixed remuneration;
- short-term variable remuneration; and
- long-term incentives.

These are detailed as follows:

Remuneration Component	Elements	Details
Fixed Remuneration	Annual base salary determined as at 1 January each year	The 'not at risk' cash component which may include certain salary sacrifice packaging.
	Statutory superannuation contributions	Statutory % of base salary.
	Expatriate benefits	Executives who fulfill their roles as an expatriate may receive benefits including relocation costs, health insurance, housing and car allowances, educational fees and tax advisory services.
	Foreign assignment allowance	An additional % of base salary is payable in relation to foreign assignments being 15% for Malawi and 10% for Namibia.
Variable Performance Linked Remuneration	Short-term incentive, paid as a cash bonus	Rewards Executives for performance over a short period, being the year ending 31 December. Bonuses are awarded at the same time as the salary reviews. Assessment is based on the individual's performance and contribution to team and Company performance.
	Long-term incentive, granted under the Rights Plan	Award determined in the September quarter of each year, based on individual performance and contribution to team and Company performance. Vesting dependent on creation of shareholder value over a three year period, together with a retention element.

Fixed Remuneration

This is reviewed annually with consideration given to both the Company and the individual's performance and effectiveness. As competition in the global uranium mining industry continues to grow, a key to maintaining talent is to create relevant and globally competitive remuneration packages. Market data focused on the mining industry is analysed with a focus on maintaining parity or above with companies of similar complexity and size operating in the resources sector.

During the past year, salaries, as a general rule, were increased in accordance with the movements of the CPI only, other than in cases where there was a role change or an anomalous situation. For Australian employees this amounted to 4%. For foreign operations, the CPI adjustment was relative to that country.

Managing Director/CEO

Mr John Borshoff is referred to as both Managing Director/CEO to clarify the understanding of his position in both North America and Australia, given Paladin's stock exchange listings in each jurisdiction.

Fixed remuneration (inclusive of superannuation) increased by the CPI increase of 4% from A\$1,872,640 to A\$1,948,290, effective from 1 January 2010. This level of remuneration reflects the extensive knowledge and experience Mr John

Borshoff has in the uranium sector gained over the past 40 years, as a recognised global authority. In addition, his contract provides for 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 shareholders on 9 November 2005.

Variable Remuneration

Short-term Incentives

The Company provides short-term incentives comprising a cash bonus to Executives of up to 30% of base salary. The bonus is entirely discretionary with the goal of focusing attention on short-term strategic and financial objectives. The amount is dependent on the Company's performance in its stated objectives and the individual's performance, together with the individual's position and level of responsibility. As for 2009, bonuses in 2010 were paid to modest levels averaging 10% having regard to the slower than expected ramp-up of the Kayelekera Mine.

As detailed earlier in this report, the Managing Director/CEO and key technical general managers did not receive cash bonuses in 2010 due to poor performance in the ramp-up of the Kayelekera Mine and poor safety record at that site. This highlighted the discretionary nature of this short-term incentive and its link to performance.

This component is an “at risk” component of overall remuneration designed to encourage exceptional performance whilst adhering to the Company values. Specific targets for individuals have not been set due to the philosophy of achieving a common goal for the Company, however, the following measures are taken into account where these are applicable to the Key Management Personnel and individual Executives and have been selected to align their interests to those of shareholders:

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

Managing Director/CEO

A bonus of up to 100% of base salary can be achieved, having consideration to outcomes achieved during the year, to be determined by the Remuneration Committee. As detailed earlier, no bonus was awarded during the year. For the calendar year 2010, outcomes to be considered include:

- production at LHM materially in line with, or better than, guidance;
- completion of Stage 3 construction at LHM and production ramp-up proceeding on schedule;
- KM production achieving design status;
- financial performance meeting or exceeding budget expectations;
- impact on Total Shareholder Return;
- continued high environmental achievements at all sites;
- substantially improved safety achievements at KM and continued high standard at LHM (NOSA system fully operational);
- continued effective social programmes in operational regions in Namibia and Malawi;
- development of U₃O₈ term contracts to targeted sales levels;
- successful M&A activity consistent with growth strategy;
- exploration and pre-development work on projects meeting or exceeding expectations; and
- enhancement to talent management and career path programmes for Group personnel.

Long-term Incentives

As pre-empted in last year's Remuneration Report, the Directors determined that a share rights plan was the most appropriate form of long-term incentive plan for the Group and at the 2009 AGM, shareholders approved the adoption of the Employee Performance Share Rights Plan (the Rights Plan).

Approval was also given to implement a share rights plan to reward a small number of key individual contractors who provide similar services to employees, the Contractor Performance Share Rights Plan (the Contractor Rights Plan). These plans are referred to jointly as the 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 in the past through the Company's Executive Share Option Plan which was approved by shareholders in November 2006.

A review of the existing option plan (the Executive Share Option Plan) however, identified a number of limitations which compromised the Plans' intent. That is:

- the Plan did 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 were exacerbated by the taxation implications.

As a consequence of adopting the Rights Plans, no further grants will be made under the previous Executive Share Option Plan with the last option grant made on 24 June 2009.

The Rights Plans are long-term incentive plans aimed at advancing the interests of the Company by creating a stronger link between employee performance and reward and increasing shareholder value by enabling participants to have a greater involvement with, and share in the future growth and profitability of, the Company. They are an important tool to assist in attracting and retaining talented people.

Share Rights are granted under the plan for no consideration. Share Rights are rights to receive fully paid ordinary shares in the capital of the Company (Shares) in the future if certain individual and/or corporate performance metrics (Performance Conditions) are met in the measurement period.

The Board is cognisant of general shareholder concern that long-term equity based rewards should be linked to the achievement by the Company of a performance condition. Share Rights granted under the Rights Plan are subject to certain vesting and performance conditions as determined by the Board from time to time.

Remuneration report (audited)

Vesting and Performance Conditions

The Share Rights issued in March 2010 are subject to a range of vesting and performance conditions:

Proportion of Share Rights to which performance hurdle applies	Performance measure
10%	Time based – must remain in employ for 6 months from date of grant
15%	Time based – must remain in employ for 18 months from date of grant
25%	Time based – must remain in employ for 2½ years from date of grant
20%	Total Shareholder Return (TSR) relative to mining companies in ASX S&P 200 Index
30%	Market Price Performance (MPP) measuring the increase in share price over the period

For the Share Rights granted in the 2010 year, the performance period ends on 1 September 2012. In future this period will cover three years. The reason for the shorter period this year is that, due to the state of flux in determining the most appropriate long-term incentive plan due to the changes in the taxation regime for such incentives in Australia, employees did not receive an annual grant in the 2009 calendar year. The grant in March 2010, therefore, was calculated to effectively allocate 2 years' entitlement and the decision was made to also reduce the vesting period to 2½ years in that instance.

Managing Director/CEO

The Share Rights issued to the Managing Director/CEO have different vesting hurdles to reflect the "at risk" nature of 100% of this component of his remuneration and provide a direct link between Managing Director/CEO reward and shareholder return, and provide a clear line of sight between Managing Director/CEO performance and Company performance. In March 2010, 300,000 Share Rights were granted to Mr J Borshoff, as approved by shareholders at the 2009 AGM.

The performance conditions are:

Proportion of Share Rights to which performance hurdle applies	Performance measure
50%	Total Shareholder Return (TSR) relative to mining companies in ASX S&P 200 Index*
50%	Earnings Per Share (EPS) Measuring the increase in earnings over the period

*The initial measurement date of the Share Rights subject to the relative TSR condition is at the end of year three, calculated from the date of grant. At the end of year three,

Mr John Borshoff can either:

- accept the vesting outcome achieved; or
- elect to have his Share Rights retested at the end of year four (in which case the same vesting schedule applies but the retest period covers the entire four year period from the date the Share Rights were granted).

He is not permitted to "double dip", so by electing to have his Share Rights retested at the end of year four he forfeits any entitlement to Share Rights which otherwise would have vested at the end of year three. All Share Rights subject to the relative TSR condition will expire at the end of year four.

The Remuneration Committee allows one retest to reflect the volatile nature of the industry. The way in which the retest is applied maintains alignment with shareholder interests.

Why were these targets selected?

The Board considered the measures reflected an appropriate balance in terms of alignment between comparative shareholder return and individual reward, a market based performance measure and the encouragement of long-term retention.

Time-based Vesting

50% of the Share Rights will vest based on the participant continuing to be employed with the Group. These are staggered over time and this condition is designed to assist in long-term retention of staff.

This does not apply to the Managing Director/CEO.

TSR

20% of the Share Rights will vest based on the Company's TSR relative to the TSRs of a peer group of companies. This measure represents the change in the Company's share price over the measurement period, plus dividends (if any) notionally reinvested in the Company's shares, expressed as a percentage of the opening value. The peer group will comprise of mining companies in the S&P/ASX 200 Index as at the date of the offer, excluding any companies that pay a dividend during any year of the performance period.

Mining companies are companies under the Global Industry Classification Standard (GICS) sub-industries: Oil & Gas – Coal & Consumable Fuels (10102050), Metals & Mining – Aluminium (15104010), Metals & Mining – Diversified Metals & Mining (15104020), Metals & Mining – Gold (15104030), Metals & Mining – Precious Metals & Minerals (15104040) and Metals & Mining – Steel (15104050).

For the Share Rights granted on 26 March 2010, its peer group comprised of mining companies in the S&P/ASX 200 Index as at the date of the offer (ie. 24 February 2010) excluding companies paying or declaring dividends since 1 July 2009.

The limited number of uranium development and production companies globally presents difficulties in determining a suitable peer group. It was therefore decided that, as the primary listing is on ASX and the majority of share trading takes place in that market, the peer group set out above is the most appropriate.

For the Share Rights granted in 2010, the base and stretch targets for the TSR performance condition are as follows:

Relative TSR percentile ranking	Percentage of Share Rights that may vest if the relative TSR performance condition is met
Less than 50th percentile	0% of the Share Rights subject to the TSR condition
at 50th percentile	50% of the Share Rights subject to the TSR condition
Greater than the 50th percentile but less than the 75th percentile	Pro-rated vesting between 51% and 99% of the Share Rights subject to the TSR condition
At 75th percentile or greater	100% of the Share Rights subject to the TSR condition

MPP

30% of the Share Rights are subject to MPP vesting condition which measures the increase in share price of the Company. Share Rights will vest if, at the end of the measurement period, the share price of the Company is 25% above the market price at the date of the offer. For those Share Rights granted in March 2010, the base price was A\$3.82.

This does not apply to the Managing Director/CEO.

EPS

Basic Earnings Per Share ("EPS") is determined by dividing the operating profit attributable to members of Paladin Group by the weighted average number of ordinary shares outstanding during the financial year. Growth in EPS will be measured by comparing the EPS in the base year and the measurement year. For those Share Rights issued in 2010, growth will be measured by comparing the base year, being the financial year ended 30 June 2009, to the measurement year, being the financial year ending 30 June 2012. EPS has been chosen as a performance condition because it provides a clear line of sight between Managing Director/CEO performance and Company performance. It is also a generally recognised and understood measure of performance. 50% of the Share Rights granted to the Managing Director/CEO will vest based on the Company's EPS.

The outstanding balance of Share Rights at 30 June 2010 is represented by:

Date rights granted	Vesting date	Vesting performance conditions	Number
26 March 2010	26 March 2013	Relative total shareholder return	150,000*
26 March 2010	26 March 2013	Earnings per share	150,000*
26 March 2010	1 September 2010	Time based	507,450
26 March 2010	1 September 2011	Time based	701,175
26 March 2010	1 September 2012	Time based	1,168,625
26 March 2010	1 September 2012	Relative total shareholder return	934,900
26 March 2010	1 September 2012	Market price	1,402,350
Total			5,014,500

* Managing Director/CEO grant

The base and stretch targets for the Share Rights subject to the EPS conditions are as follows:

Average compound growth EPS over the performance period	Percentage of performance rights that may be exercised if the EPS hurdle is met
Less than 10% pa	0% of the Performance Rights subject to the EPS condition
At 10% pa	50% of the Performance Rights subject to the EPS condition
More than 10% pa but less than 20% pa	Pro rated vesting between 51% and 99% of the Performance Rights subject to the EPS condition
At 20% pa or greater	100% of the Performance Rights subject to the EPS condition

Shares acquired under the Rights Plan

Shares to be allocated to participants on vesting are currently issued from equity. No consideration is paid on the vesting of the Share Rights and resultant shares carry full dividend and voting rights.

Change of Control

All Share Rights will vest on a change of control event.

Cessation of Employment

Under the Rights Plan, employees' Share Rights will be cancelled on cessation of employment, unless special circumstances exist such as retirement, total and permanent disability, redundancy or death. Contractors will have their Share Rights cancelled, other than on death at which point the contractor's legal representative will be entitled to receive them.

Remuneration report (audited)

Executive Share Option Plan (EXSOP)

Prior to the implementation of the Share Rights Plan, the EXSOP was the basis for the long-term incentive remuneration, approved by shareholders in November 2006.

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 is measured by comparing the Company's 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 to allow for the effect of market factors beyond the individual's control.

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 mining 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; and
- 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 cancelled 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.

Hedging of Incentive Grants Prohibited

The Company's policy prohibits hedging of equity compensation grants. 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 such remuneration and inconsistent with shareholder objectives.

Method of Valuation of Long-Term Incentives

Refer to Note 28(f) and 28(j) of the financial statements to see the key inputs used for valuation of the long-term incentives.

A summary of the options remaining on issue under the EXSOP follows:

Number of Options	Exercise Price	Expiry Date	Vesting Date
2,694,270	A\$8.77	01/02/2012	01/02/2010*
7,060,524	A\$4.50	29/01/2013	29/01/2011
300,000	A\$5.37	15/02/2013	15/02/2011
1,075,000	A\$4.59	18/04/2013	18/04/2011
750,000	A\$2.54	14/10/2013	14/10/2011
300,000	A\$2.07	25/12/2013	11/12/2011
500,000	A\$4.48	24/06/2014	24/06/2012

* Subject to retesting on 1 February 2011

Key Elements Of Non-Executive Director Remuneration Strategy

The focus of the remuneration strategy is to:

- Attract and retain talented and dedicated directors.
- Remunerate appropriately to reflect the:
 - size of the Company;
 - the nature of its operations;
 - the time commitment required; and
 - the responsibility the Directors carry.

Components Of Non-Executive Director Remuneration

In accordance with Corporate Governance principles, Non-executive Directors are remunerated solely by way of fees and statutory superannuation. The aggregate annual remuneration permitted to be paid to Non-executive Directors is A\$1.2M as approved by shareholders at the 2008 AGM. An independent survey has shown from current disclosures for companies ranked 51 - 100 in the ASX 300 companies that the Chairman's fee of A\$326,000 compares favourably to the average and Non-executive Director fees sit between the 50th and 75th percentile.

Remuneration Component	Elements	Details (per annum)
Base Fee	Must be contained within aggregate limit	Chairman A\$326,000 Non-executive Director A\$160,000
Committee Fees	Paid to the Chairman of the Audit Committee	A\$20,000
Superannuation	Statutory contributions are included in the fees set out above	Statutory % of fees

Other Fees/Benefits

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 Company 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.

Non-executive Directors are also entitled to be reimbursed for reasonable expenses incurred whilst engaged on Company business. There is no entitlement to compensation on termination of non-executive directorships. Non-executive Directors do not earn retirement benefits (other than the statutory superannuation) and are not entitled to any form of performance linked remuneration.

Remuneration Across The Group

The strategies outlined for Executive remuneration apply across the Group. This extends to the provision of relevant short-term and long-term incentives. At each mine site, every permanent employee participates in a quarterly bonus system based on safety and environmental performance, along with achievement of targeted production levels. Employees, regardless of their level or position in the organisation, are paid the same bonus amount. This assists in aligning Paladin values with its employees on the remote operating sites.

In addition, permanent employees at the Langer Heinrich Mine participated in the allocation of Share Rights during the year. The vesting of 10% of this allocation on 1 September 2010 was extremely well received and further cements the concept of broad employee share ownership. This is seen by employees as an extremely valuable benefit, particularly by the local national employees. Whilst the workforce had previously participated in the EXSOP, the issues associated with the granting of options were exacerbated at the local level and were not perceived as a tangible benefit.

At the Kayelekera Mine in Malawi, the allocation of Share Rights was limited to a small number of employees due to both mine performance and difficulties associated with local share ownership of Paladin shares. An alternative reward system will be established for local nationals in that country. Senior employees will participate in the Rights Plan to a greater extent as the mine ramp-up progresses.

As discussed earlier, CPI increases were implemented at all Paladin operations and head office, the percentage varying based on the individual country index.

More detailed information discussing the workforce at large can be found in the Sustainable Development section under the heading "Our People" on page 53.

Remuneration report (audited)

Compensation of Key Management Personnel and the five highest paid executives for the year ended 30 June 2010 (Consolidated and Company)

	Short-term					Total Cash ²		Post Employment	Share-Based Payment	Total ²		Total Performance-Related	Total Performance-Related			
	Salary & fees	Cash bonus	Other Company Benefits	Other	Super-annuation	US\$'000	A\$'000			US\$'000	US\$'000			Options & Share Rights	US\$'000	A\$'000
Directors																
Mr Rick Crabb	275	-	-	-	12	287	326	-	-	287	326	-	-			
Mr John Borshoff	1,669	-	-	-	12	1,681	1,910	510 ⁵	2,489	4,680	5,318	2,489	53.2			
Mr Sean Llewelyn	129	-	-	-	12	141	160	-	-	141	160	-	-			
Mr Ian Noble	129	-	-	-	12	141	160	-	-	141	160	-	-			
Mr Donald Shumka	158	-	-	-	-	158	180	-	-	158	180	-	-			
Subtotal	2,360	-	-	-	48	2,408	2,736	510	2,489	5,407	6,144	2,489				
Executives																
Ms Gillian Swaby	-	39	-	380 ¹	-	419	476	-	368	787	895	407	51.7			
Mr Garry Korte	232	-	-	-	10	242	275	-	49	291	331	49	16.9			
Mr Wyatt Buck	445	-	5	-	38	488	555	-	365	853	969	365	42.7			
Mr Dustin Garrow	607	58	-	-	-	665	756	-	380	1,045	1,188	438	41.9			
Mr Simon Solomons	392	-	-	-	12	404	459	-	534	938	1,066	534	56.9			
Mr Justin Reid	388	20	115 ⁴	-	12	535	609	-	397	932	1,060	417	44.7			
Mr Jim Morgan	459	-	-	-	12	471	536	-	391	862	980	391	45.3			
Mr Mark Bolton ³	132	22	-	-	6	160	182	-	-	160	182	22	13.7			
Subtotal	2,655	139	120	380	90	3,384	3,848	-	2,484	5,868	6,671	2,623				
Total	5,015	139	120	380	138	5,792	6,584	510	4,973*	11,275	12,815	5,112				

* A reconciliation of this figure in A\$ follows to enable a clearer understanding of how this number is calculated.

Notes to the Compensation Table

Presentation Currency

The compensation table has been presented in US\$, the Company's functional and presentation currency. The A\$ value has also been shown as this is considered to be the most relevant comparator between years, given that in 2010 more than 90% of KMP's contracts for services were denominated in A\$ and this eliminates the effects of fluctuations in the US\$ and A\$ exchange rate. The average exchange rate for 2009 was US\$1 = A\$1.36035 and in 2010 was US\$1 = A\$1.13652.

Number of Executives included in the Compensation Table

The number of positions required to be included in the compensation table has increased from five executives in 2009 to seven executives in 2010. The additional executives included in 2010 were employees in 2009 but were not required to be included in the table for 2009.

- (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 is average for year US\$ 1 = AU\$ 1.13652
- (3) Acting Chief Financial Officer – resigned 13th November 2009
- (4) Relocation expenses
- (5) This is the present value of the amount required to be accrued in 2010 for the payment at a future date (as yet undetermined) of a retirement benefit to Mr Borshoff under the terms of his Services Contract.

Reconciliation of Share-Based Payment Compensation of Key Management Personnel and the five highest paid executives for the year ended 30 June 2010 (Consolidated and Company)

	A\$8.77 Options (expiring 1/12/2012)	A\$4.50 Options (expiring 29/1/2013)	A\$4.48 Options (expiring 24/6/2014)	Share Rights (vesting 2010/2011/ 2012/2013)	Total Share Based Payment	% of Total Remuneration consisting of options
Directors						
Mr John Borshoff	1,537	1,208	-	84	2,829	51.6
Subtotal	1,537	1,208	0	84	2,829	
Executives						
Ms Gillian Swaby	77	229	-	112	419	34.2
Mr Garry Korte	-	-	-	56	56	-
Mr Wyatt Buck	136	179	-	100	414	32.4
Mr Dustin Garrow	71	236	-	125	432	25.8
Mr Simon Solomons	-	532	-	75	607	49.9
Mr Justin Reid	-	-	401	50	451	37.9
Mr Jim Morgan	136	209	-	100	444	35.1
Subtotal	419	1,385	401	617	2,823	
Total	1,956	2,593	401	701	5,652	

When a long-term incentive is granted to an employee, it is valued at the grant date and that value is allocated as an expense over the financial years up to the date of vesting. The A\$8.77 options were expensed up to 1/2/2010 and therefore no expense will be recognised for these in future years.

It should be noted that performance vesting conditions attach to all of the Options and Share Rights referred to above. These are detailed elsewhere in this report, however for Options, to the extent that maximum performance is not achieved under the performance condition, performance will be rested every six months following the first three years until the end of the fourth year. If performance conditions are still not met then Options will lapse.

Remuneration report (audited)

Compensation of Key Management Personnel and the five highest paid executives for the year ended 30 June 2009 (Consolidated and Company)

	Short-term					Total Cash ²		Share-Based Payment	Total ²		Total Performance Related	Total Performance Related
	Salary & fees	Cash bonus	Other Company Benefits	Other	Super-annuation	US\$'000	A\$'000	Options	US\$'000	A\$'000	US\$'000	%
Directors												
Mr Rick Crabb	230	-	-	-	10	240	326	-	240	326	-	-
Mr John Borshoff	1,333	-	-	-	10	1,343	1,827	2,825	4,168	5,670	2,825	67.7
Mr Sean Llewelyn	108	-	-	-	10	118	160	-	118	160	-	-
Mr Ian Noble	108	-	-	-	10	118	160	-	118	160	-	-
Mr Donald Shumka	132	-	-	-	-	132	180	-	132	180	-	-
Subtotal	1,911	-	-	-	40	1,951	2,653	2,825	4,776	6,496	2,825	
Executives												
Ms Gillian Swaby	-	55	-	315 ¹	-	370	503	265	635	864	320	50.5
Mr Ron Chamberlain ³	33	-	-	-	1	34	46	(85)	(51)	(70)	-	-
Mr Wyatt Buck	357	74	10	-	46	487	661	301	788	1,072	375	47.6
Mr Dustin Garrow	594	120	-	-	-	714	971	263	977	1,329	383	39.2
Mr Simon Solomons	311	15	-	-	10	336	457	391	727	989	406	55.8
Mr Ross Glossop ⁴	108	-	-	76 ⁶	4	188	255	(12)	176	240	-	-
Mr Mark Bolton ⁵	177	-	-	-	7	184	250	-	184	250	-	-
Subtotal	1,580	264	10	391	68	2,313	3,143	1,123	3,436	4,674	1,484	
Total	3,491	264	10	391	108	4,264	5,796	3,948	8,212	11,170	4,309	

(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 payment

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 or rights that have vested, or that will vest during the notice period, will be released. Options or rights that have not yet vested will be forfeited.

Mr John Borshoff, Managing Director/CEO

Term of agreement – 4 years commencing 27 November 2009.

Base salary, inclusive of superannuation, of A\$1,872,000, increased to A\$1,946,880 effective 1 January 2010.

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

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.

Consultancy agreement with no fixed term.

Annual fee A\$500,000.

Notice period 3 months.

No termination benefit is specified in the agreement.

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

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

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

Resigned 13 November 2009.

Mr Dustin Garrow, Executive General Manager - Marketing

Term of agreement – no fixed term.

Base salary, of US\$575,000, increased to US\$632,500 effective 1 January 2010.

No termination benefit is specified in the agreement.

Notice period 6 months.

Mr Simon Solomons, Executive General Manager - Operations Development

Term of agreement – no fixed term.

Base salary, inclusive of superannuation, of A\$447,840, increased to A\$470,000 effective 1 January 2010.

No termination benefit is specified in the agreement.

Notice period 6 months.

Mr Garry Korte, Chief Financial Officer (Commenced 2 November 2009)

Term of agreement – no fixed term.

Base salary, inclusive of superannuation, of A\$400,000, increased to A\$416,000 effective 1 January 2010.

No termination benefit is specified in the agreement.

Notice period 3 months.

Mr Wyatt Buck, Executive General Manager – Production

Term of agreement – no fixed term.

Base salary, inclusive of superannuation, of A\$499,200, increased to A\$525,000 effective 1 January 2010.

No termination benefit is specified in the agreement.

Notice period 6 months.

Mr Justin Reid, General Manager – Corporate Development (Commenced 13 June 2009)

Term of Agreement – no fixed term.

Base salary, inclusive of superannuation, of A\$450,000, increased to A\$459,000 effective 1 January 2010, together with relocation expenses to Australia.

No termination benefit is specified in the agreement.

Notice period 3 months.

Mr Jim Morgan, Executive General Manager – Projects (Commenced 1 July 2007)

Term of Agreement – no fixed term.

Base salary, inclusive of superannuation, of A\$416,000, increased to A\$480,000 effective 1 January 2010.

20% foreign assignment allowance.

No termination benefit is specified in the agreement.

Notice period 2 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 long-term incentive plans.

Board Changes

Mr Ian Noble will not seek re-election and will resign at the next Annual General Meeting to be held on 25 November 2010.

On the 1 July 2010, the company announced the appointment of Peter Donkin with effect from 1 July 2010 and Mr Philip Baily with effect from 1 October 2010 as Non-executive Directors of Paladin Energy Ltd.

Grants And Vesting Of Long-term Incentives

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 2009 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.

Remuneration report (audited)

Shares Rights awarded and vested during the year ended 30 June 2010 (Consolidated and Company) are set out below

30 June 2010	Awarded No.	Award date	Fair value per right at award date	Vesting date	Vested No.	%
Directors						
John Borshoff	300,000	26 March 2010	3.60	26 March 2013	-	-
Executives						
Ms Gillian Swaby	180,000	26 March 2010	3.28	1 Sept 2010 to 1 Sept 2012	-	-
Mr Garry Korte	90,000	26 March 2010	3.28	1 Sept 2010 to 1 Sept 2012	-	-
Mr Wyatt Buck	160,000	26 March 2010	3.28	1 Sept 2010 to 1 Sept 2012	-	-
Mr Dustin Garrow	200,000	26 March 2010	3.28	1 Sept 2010 to 1 Sept 2012	-	-
Mr Simon Solomons	120,000	26 March 2010	3.28	1 Sept 2010 to 1 Sept 2012	-	-
Mr Justin Reid	80,000	26 March 2010	3.28	1 Sept 2010 to 1 Sept 2012	-	-
Mr Jim Morgan	160,000	26 March 2010	3.28	1 Sept 2010 to 1 Sept 2012	-	-
Total	1,290,000				-	-

No shares were issued on the exercise of options or vesting of Share Rights during the year ended 30 June 2010. No options or Share Rights lapsed during the year ended 30 June 2010.

END OF AUDITED REMUNERATION REPORT

Shares Under Option

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

Date options granted	Exercisable	Expiry date	Exercise price of options	Number under option
1 February 2007	1 February 2010	1 February 2012	8.77	2,694,270
29 January 2008	29 January 2011	29 January 2013	4.50	7,060,524
15 February 2008	15 February 2011	15 February 2013	5.37	300,000
18 April 2008	18 April 2011	18 April 2013	4.59	1,075,000
14 October 2008	14 October 2011	14 October 2013	2.54	750,000
11 December 2008	11 December 2011	11 December 2013	2.07	300,000
24 June 2009	24 June 2012	24 June 2014	4.48	500,000
Total				12,679,794

Since the end of the financial year, 88,961 options were cancelled due to the cessation of employment.

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

The outstanding balance of Share Rights at the date of this report are as follows:

Date rights granted	Vesting date	Vesting Performance Conditions	Number
26 March 2010	26 March 2013	Relative total shareholder return	150,000
26 March 2010	26 March 2013	Earnings per share	150,000
26 March 2010	1 September 2011	Time based	688,370
26 March 2010	1 September 2012	Time based	1,143,950
26 March 2010	1 September 2012	Relative total shareholder return	915,160
26 March 2010	1 September 2012	Market price	1,372,740
1 July 2010	1 September 2012	Relative total shareholder return	100,000
1 July 2010	30 June 2013	Market price	150,000
Total			4,670,220

20,000 Rights have vested upon redundancy, however, the shares have yet to be issued.

Directors' Indemnities

During the year the Company has incurred premiums to insure the Directors and/or the Company Secretary for liabilities incurred as costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company and or its controlled entities. 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

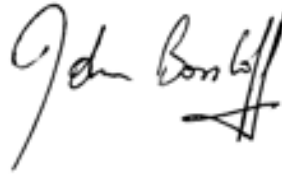
The Directors received the following declaration from the auditor of Paladin Energy Ltd.

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\$367,000 for the year ended 30 June 2010 for the provision of taxation services.


Signed in accordance with a resolution of the Directors.



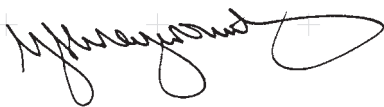
Mr John Borshoff
Managing Director/CEO
Perth, Western Australia
22 September 2010

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

In relation to our review of the financial report of Paladin Energy Ltd for the year ended 30 June 2010, 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
22 September 2010

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Consolidated Income Statement

for the year ended 30 June 2010

	Notes	CONSOLIDATED	
		2010 US\$M	2009 US\$M
Revenue			
Revenue	4(a)	204.3	114.8
Cost of sales		(131.6)	(53.0)
		72.7	61.8
Depreciation and amortisation		(14.3)	(8.8)
Product distribution costs		(3.4)	(1.3)
Royalties		(4.0)	(3.3)
Gross profit		51.0	48.4
Other income	4(b)	9.5	1.1
Exploration and evaluation expenses	15	(17.1)	(12.2)
Administration and marketing		(38.6)	(35.7)
Other expenses	4(c)	(9.1)	(3.8)
Impairment of exploration and evaluation	15	-	(753.8)
Impairment of available-for-sale financial assets		-	(26.0)
Finance costs	4(d)	(21.4)	(30.5)
Share of loss of an associate	11(b)	-	(0.9)
Net loss before income tax (expense)/benefit		(25.7)	(813.4)
Income tax (expense)/benefit	5(a)	(28.1)	237.0
Net loss after tax		(53.8)	(576.4)
Attributable to:			
Non-controlling interests	21	(0.9)	(96.2)
Members of the parent		(52.9)	(480.2)
Loss per share (US cents)			
Loss after tax from operations attributable to ordinary equity holders of the Company – basic and diluted (US cents)	32	(7.6)	(77.7)

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

Consolidated Statement of Comprehensive Income
for the year ended 30 June 2010

	Notes	CONSOLIDATED	
		2010 US\$M	2009 US\$M
Net loss after tax from operations		(53.8)	(576.4)
Other comprehensive income			
Net (loss)/gain on available-for-sale financial assets		(36.9)	42.0
Foreign currency translation		31.7	(295.9)
Income tax on items of other comprehensive income		8.0	(5.9)
Other comprehensive income/(loss) for the year, net of tax		2.8	(259.8)
Total comprehensive loss for the year		(51.0)	(836.2)
Total comprehensive income/(loss) attributable to:			
Non-controlling interests		3.2	(145.9)
Members of the parent		(54.2)	(690.3)
		(51.0)	(836.2)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position
as at 30 June 2010

	Notes	CONSOLIDATED	
		2010 US\$M	2009 US\$M
ASSETS			
Current assets			
Cash and cash equivalents	6	348.8	66.2
Trade and other receivables	7	32.3	26.3
Prepayments		13.5	2.7
Inventories	8	109.3	85.8
Financial assets held for trading	9	-	1.0
Non current assets held for sale	13(b)	12.0	-
TOTAL CURRENT ASSETS		515.9	182.0
Non current assets			
Trade and other receivables	7	0.3	2.2
Inventories	8	40.8	24.9
Other financial assets	10	35.7	69.2
Deferred borrowing costs	12	-	8.2
Property, plant and equipment	13(a)	541.1	457.8
Mine development	14	119.2	54.2
Exploration and evaluation expenditure	15	680.0	635.5
Deferred tax asset	5(d)	-	3.9
Intangible assets	16	24.6	25.6
TOTAL NON CURRENT ASSETS		1,441.7	1,281.5
TOTAL ASSETS		1,957.6	1,463.5
LIABILITIES			
Current liabilities			
Trade and other payables	17	63.2	67.1
Unearned revenue		0.2	0.2
Interest bearing loans and borrowings	18	47.9	14.2
Provisions	19	10.1	9.8
TOTAL CURRENT LIABILITIES		121.4	91.3
Non current liabilities			
Unearned revenue		-	0.2
Interest bearing loans and borrowings	18	682.2	572.0
Deferred tax liabilities	5(d)	164.1	136.5
Provisions	19	33.5	32.3
TOTAL NON CURRENT LIABILITIES		879.8	741.0
TOTAL LIABILITIES		1,001.2	832.3
NET ASSETS		956.4	631.2
EQUITY			
Contributed equity	20(a)	1,474.6	1,111.6
Reserves	20(c)	42.7	31.9
Accumulated losses		(634.1)	(581.2)
Parent interests		883.2	562.3
Non-controlling interests	21	73.2	68.9
TOTAL EQUITY		956.4	631.2

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity
for the year ended 30 June 2010

	Notes	Contributed Equity US\$M	Available -for-Sale Reserve US\$M	Share- Based Payments Reserve US\$M	Convertible Bond Non- Distributable Reserve US\$M
CONSOLIDATED					
At 1 July 2008		1,088.4	7.5	17.8	38.9
Share-based payments		-	-	10.9	-
Exercise of unlisted employee options	21(b)	2.8	-	(2.8)	-
Contributions of equity, net of transaction costs	21(b)	20.4	-	-	-
Allotment of 15% interest in Paladin (Africa) Ltd to Government of Malawi		-	-	-	-
Total comprehensive loss for the year, net of tax		-	25.1	-	-
At 30 June 2009		1,111.6	32.6	25.9	38.9
CONSOLIDATED					
At 1 July 2009		1,111.6	32.6	25.9	38.9
Share-based payments		-	-	12.1	-
Contributions of equity, net of transaction costs		363.0	-	-	-
Total comprehensive loss for the year, net of tax		-	(24.8)	-	-
At 30 June 2010		1,474.6	7.8	38.0	38.9

Consolidated Statement of Changes in Equity
for the year ended 30 June 2010

Foreign Currency Revaluation Reserve US\$M	Premium on Acquisition Reserve US\$M	Option Application Reserve US\$M	Consolidated Reserve US\$M	Accumulated Losses US\$M	Attributable to Owners of the Parent US\$M	Non- Controlling Interests US\$M	Total US\$M
154.9	14.9	0.1	-	(101.0)	1,221.5	207.8	1,429.3
-	-	-	-	-	10.9	-	10.9
-	-	-	-	-	-	-	-
-	-	-	-	-	20.4	1.1	21.5
-	-	-	(0.2)	-	(0.2)	5.9	5.7
(235.2)	-	-	-	(480.2)	(690.3)	(145.9)	(836.2)
(80.3)	14.9	0.1	(0.2)	(581.2)	562.3	68.9	631.2
(80.3)	14.9	0.1	(0.2)	(581.2)	562.3	68.9	631.2
-	-	-	-	-	12.1	-	12.1
-	-	-	-	-	363.0	1.1	364.1
23.5	-	-	-	(52.9)	(54.2)	3.2	(51.0)
(56.8)	14.9	0.1	(0.2)	(634.1)	883.2	73.2	956.4

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

Consolidated Statement of Cash Flows

for the year ended 30 June 2010

	Notes	CONSOLIDATED	
		2010 US\$M	2009 US\$M
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		201.0	127.2
Payments to suppliers and employees		(202.8)	(105.7)
Interest received		1.8	2.8
Interest paid		(33.0)	(32.3)
Exploration and evaluation expenditure		(16.6)	(12.0)
Other income		7.7	0.1
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	6(a)	(41.9)	(19.9)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(170.4)	(237.3)
Payments for available-for-sale financial assets		(1.8)	(11.7)
Payments for controlled entities net of cash acquired	10(a)	-	8.8
Proceeds from sale of property, plant & equipment		-	0.2
Proceeds from sale of tenements		-	0.1
Payments for third party uranium		-	(6.0)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(172.2)	(245.9)
CASH FLOWS FROM FINANCING ACTIVITIES			
Share placement		374.2	-
Rights issue		1.1	1.1
Proceeds from exercise of share options		-	5.2
Equity fundraising costs		(11.2)	(0.1)
Project finance facility establishment costs		(7.2)	(0.7)
Repayment of borrowings		(6.6)	(12.2)
Proceeds from borrowings		145.0	-
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES		495.3	(6.7)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		281.2	(272.5)
Cash and cash equivalents at the beginning of the financial year		66.2	337.6
Effects of exchange rate changes on cash and cash equivalents		1.4	1.1
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	6	348.8	66.2

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2010

NOTE 1. CORPORATE INFORMATION

The Financial Report of Paladin for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the Directors on 18 August 2010.

Paladin is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the ASX 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 the Management Discussion and Analysis on pages 12 to 42.

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 has been prepared in accordance with the requirements of the *Corporations Act 2001*, 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 2010 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 US 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 Group has adopted the following new and amended Australian Accounting Standards and AASB interpretations effective from 1 July 2009 as follows:

- AASB 2008-1 *Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations*
- AASB 7 *Financial Instruments: Disclosures*
- AASB 8 *Operating Segments*
- AASB 101 *Presentation of Financial Statements (revised 2008)*
- AASB 123 *Borrowing Costs (revised 2007)*
- AASB Interpretation 16 - *Hedges of a Net Investment in a Foreign Operation*
- AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASBs 1, 2, 4, 5, 7, 101, 107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107]*
- AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project*
- AASB 2008-6 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Project*
- AASB 2008-7 *Amendments to Australian Accounting Standards – Costs of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- AASB 2009-3 *Amendments to Australian Accounting Standards – Embedded Derivatives [AASB 139 and Interpretation 9]*
- AASB 2009-4 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project*
- AASB 2009-6 *Amendments to Australian Accounting Standards*
- AASB 3 *Business Combinations (revised 2008)*
- AASB 127 *Consolidated and Separate Financial Statements (revised 2008)*

The Group has elected to early adopt the amendment to AASB 107 *Cash Flow Statements* arising from AASB 2009-5 *Further amendments to Australian Accounting Standards* arising from the Annual Improvement Project.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2010

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(b) New accounting standards and interpretations (continued)**

When the adoption of a new or amended Standard or Interpretation is deemed to have an impact on the financial statements, its impact is described below:

AASB 3 Business Combinations (revised 2008) and AASB 127 Consolidated and Separate Financial Statements (revised 2008)

AASB-3 (revised 2008) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interests (previously "minority interests"), the accounting for transaction costs, the initial recognition and subsequent measurement of contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period when an acquisition occurs and future reported results.

AASB 127 (revised 2008) requires that a change in the ownership interest of a subsidiary (without a change in control) is to be accounted for as a transaction with owners in their capacity as owners. Therefore such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss in the statement of comprehensive income. Furthermore the revised Standard changes the accounting for losses incurred by a partially owned subsidiary as well as the loss of control of a subsidiary.

The changes in AASB 3 (revised 2008) and AASB 127 (revised 2008) will affect future acquisitions, changes in, and loss of control of, subsidiaries and transactions with non-controlling interests.

AASB 101 Presentation of Financial Statements

The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new statement of comprehensive income. The statement of comprehensive income presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two linked statements.

AASB 107 Statement of Cash Flows

The amendment to the Standard arising from the Annual Improvement Project requires that only expenditure resulting in the recognition of an asset in the Statement of Financial Position is eligible for classification as investing activities in the Statement of Cash Flows. The adoption of the amendment has resulted in the reclassification of exploration and evaluation expenditure amounting to US\$16.6M (2009 - US\$12M) from investing to operating activities in the consolidated Cash Flow Statement.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2010

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New accounting standards and interpretations (continued)

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 2009-5 (Annual Improvements Project)	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project. [AASB 5, 8, 101, 117, 118, 136 & 139]	<p>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 except for the following:</p> <p>The amendment to AASB 117 removes 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 vs. property, plant and equipment) needs to be determined.</p> <p>The Group has elected to early adopt the amendment to AASB 107 arising from AASB 2009-5.</p>	1 January 2010	The Group has yet to assess the impact the additional amendments may have on the financial statements.	1 July 2010

Notes to the Consolidated Financial Statements

for the year ended 30 June 2010

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 (Annual Improvements Project) (con't)	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project. [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	<p>The amendment to AASB 118 provides additional guidance to determine whether an entity is acting as a principal or as an agent. The features indicating an entity is acting as a principal are whether the entity:</p> <ul style="list-style-type: none"> • has primary responsibility for providing the goods or service; • has inventory risk; • has discretion in establishing prices; • bears the credit risk. <p>The amendment to AASB 136 clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment, as defined in IFRS 8 before aggregation for reporting purposes.</p> <p>The main change to AASB 139 clarifies that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract.</p> <p>The other changes clarify the scope exemption for business combination contracts and provide clarification in relation to accounting for cash flow hedges.</p>			

Notes to the Consolidated Financial Statements

for the year ended 30 June 2010

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 2009-8 (IFRS 2)	Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions. [AASB 2]	This Standard makes amendments to Australian Accounting Standard AASB 2 <i>Share-based Payment</i> and supersedes Interpretation <i>Scope of AASB 2</i> and Interpretation 11 <i>AASB 2 – Group and Treasury Share Transactions</i> . The amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction.	1 January 2010	The Group has yet to assess the impact this may have on its Financial Statements.	1 July 2010
	Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions. [AASB 2]	The amendments clarify the scope of AASB 2 by requiring an entity that receives goods or services in a share-based payment arrangement to 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.			

Notes to the Consolidated Financial Statements

for the year ended 30 June 2010

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 2009-10 (IAS 32)	Amendments to Australian Accounting Standards – Classification of Rights Issues. [AASB 132]	The amendment provides relief to entities that issue rights in a currency other than their functional currency, from treating the rights as derivatives with fair value changes recorded in profit or loss. Such rights will now be classified as equity instruments when certain conditions are met.	1 February 2010	The Group has yet to assess the impact this may have on its Financial Statements.	1 July 2010
AASB 9 (IFRS 9)	Financial Instruments	<p>AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement). These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes from AASB 139 are described below.</p> <ul style="list-style-type: none"> Financial assets are classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139, each of which had its own classification criteria. AASB 9 allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. 	1 January 2013	The Group has yet to assess the impact this may have on its Financial Statements.	1 July 2013

Notes to the Consolidated Financial Statements

for the year ended 30 June 2010

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 2009-11	Financial Instruments and amendments to Australian Accounting Standards arising from AASB 9. [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	<p>The revised Standard introduces a number of changes to the accounting for financial assets, the most significant of which includes:</p> <ul style="list-style-type: none"> • two categories for financial assets being amortised cost or fair value. • removal of the requirement to separate embedded derivatives in financial assets. • strict requirements to determine which financial assets can be classified as amortised cost or fair value. Financial assets can only be classified as amortised cost if (a) the contractual cash flows from the instrument represent principal and interest and (b) the entity's purpose for holding the instrument is to collect the contractual cash flows. • an option for investments in equity instruments which are not held for trading to recognise fair value changes through other comprehensive income with no impairment testing and no recycling through profit or loss on derecognition. • reclassifications between amortised cost and fair value no longer permitted unless the entity's business model for holding the asset changes. • changes to the accounting and additional disclosures for equity instruments classified as fair value through other comprehensive income. 	1 January 2013	The Group has yet to assess the impact this may have on its Financial Statements.	1 July 2013 impact this may

Notes to the Consolidated Financial Statements

for the year ended 30 June 2010

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 124 (Revised) (IAS 24 Revised)	Related Party Disclosures (December 2009)	<p>The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including:</p> <ul style="list-style-type: none"> the definition now identifies a subsidiary and an associate with the same investor as related parties of each other; entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; and the definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other. <p>A partial exemption is also provided from the disclosure requirements for government - related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.</p>	1 January 2011	The Group has yet to assess the impact this may have on its Financial Statements.	1 July 2011
AASB 2009-12 (Annual Improvement Project)	Amendments to Australian Accounting Standards. [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	<p>This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations.</p> <p>The amendment to AASB 124 clarifies and simplifies the definition of a related party as well as providing some relief for government-related entities (as defined in the amended standard) to disclose details of all transactions with other government-related entities (as well as with the government itself).</p>	1 January 2011	The Group has yet to assess the impact this may have on its Financial Statements.	1 July 2011

Notes to the Consolidated Financial Statements
for the year ended 30 June 2010

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 2009-14	Amendments to Australian Interpretation 19 - Prepayments Of a Minimum Funding Requirement	<p>These amendments arise from the issuance of Prepayments of a Minimum Funding Requirement (Amendments to IFRIC 14). The requirements of IFRIC 14 meant that some entities that were subject to minimum funding requirements could not treat any surplus in a defined benefit pension plan as an economic benefit.</p> <p>The amendment requires entities to treat the benefit of such an early payment as a pension asset. Subsequently, the remaining surplus in the plan, if any, is subject to the same analysis as if no prepayment had been made.</p>	1 January 2011	The Group does not have a defined benefit pension plan. This Standard will have no impact on its Financial Statements.	1 July 2011
Interpretation 19 (IFRIC 19)	Interpretation 19 Extinguishing Financial Liabilities With Equity Instruments	<p>This interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are "consideration paid" in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability.</p> <p>The interpretation states that equity instruments issued in a debt for equity swap should be measured at the fair value of the equity instruments issued, if this can be determined reliably. If the fair value of the equity instruments issued is not reliably determinable, the equity instruments should be measured by reference to the fair value of the financial liability extinguished as of the date of extinguishment.</p>	1 July 2010	The Group has yet to assess the impact this may have on its Financial Statement.	1 July 2010

Notes to the Consolidated Financial Statements

for the year ended 30 June 2010

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 2010-1	Amendments to Australian Accounting Standards - Limited Exemption from Comparative AASB 7 Disclosures for First-time Adopters	First-time adopters of Australian Accounting Standards are permitted to use the same transition provisions permitted for existing preparers of financial statements prepared in accordance with Australian Accounting Standards that are included in AASB 2009-2.	1 July 2010	The Group has yet to assess the impact this may have on its Financial Statements.	1 July 2010
AASB 2010-2	Amendments to Australian Accounting Standards arising from reduced disclosure requirements	This Standard gives effect to Australian Accounting Standards – Reduced Disclosure Requirements. AASB 1053 provides further information regarding the differential reporting framework and the two tiers of reporting requirements for preparing general purpose financial statements.	1 July 2013	The Group has yet to assess the impact this may have on its Financial Statements.	1 July 2013
AASB 2010-4 AASB 2010-3 (Annual Improvement Project)	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]	Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments. Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions. Clarify that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.	1 January 2011	The Group has yet to assess the impact this may have on its Financial Statements.	1 July 2011

Notes to the Consolidated Financial Statements

for the year ended 30 June 2010

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Paladin Energy Ltd and its subsidiaries as at and for the period ended 30 June each year (the Group). Interests in associates are equity accounted and are not part of the consolidated Group (refer to Note 2(ac)).

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

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

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values (refer to Note 2(j)).

The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction.

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent.

Losses are attributed to the non-controlling interest even if that results in a deficit balance.

If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss and;
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

(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 whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

The Group conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. Factors, such as changes in uranium prices, production performance and mining and processing costs are monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2010

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

(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 the Black-Scholes 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.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

(vi) Rehabilitation provision

The value of this provision represents the discounted value of the present obligation to rehabilitate the mine and 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 (estimated cash flows, discount rates or inflation rates), used to determine the provision could have a material impact to the carrying value of the provision.

(vii) Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using either the Black-Scholes model, Monte-Carlo simulation model or Asset or Nothing Digital Option valuation model as appropriate, using assumptions detailed in Note 28.

(viii) Proved and probable reserves

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

(ix) Production start date

The Group assesses the stage of each mine under construction to determine when a mine moves into the production stage. The criteria used to assess the start date are determined based on the unique nature of each mine construction project, such as the complexity of a plant and its location. The Group considers various relevant criteria to assess when the mine and the processing plant is substantially complete, ready for its intended use. At this time, any costs capitalised to 'construction work in progress' are reclassified to 'mine development' and 'property, plant and equipment'. Some of the criteria will include, but are not limited, to the following:

- Availability of the plant
- Completion of a reasonable period of testing of the mine plant and equipment
- Ability to produce metal in saleable form (within specifications)
- Ability to sustain ongoing production of metal at commercial rates of production

Notes to the Consolidated Financial Statements
for the year ended 30 June 2010

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(ix) Production start date (continued)

When a mine construction project moves into the production stage, the capitalisation of certain mine construction costs ceases and costs are either regarded as inventory or expensed, except for costs that qualify for capitalisation relating to mine asset additions or improvements, mine development or mineable reserve development. It is also at this point that depreciation / amortisation commences.

(e) Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenue and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the executive management team.

Operating segments have been identified based on the information provided to the chief operating decision makers, being the executive management team.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

The Company has identified its operating segments to be Australia, Namibia and Malawi on the basis of geographical location and different regulatory environments.

(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.

(ii) Transactions and balances

Foreign currency transactions are converted 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.

(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

Notes to the Consolidated Financial Statements

for the year ended 30 June 2010

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 risk and reward of ownership pass which is 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 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.

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.

(i) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

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.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2010

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

(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 weighted 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 weighted 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 initially recognised at its deemed cost, being net realisable value and deducted from capitalised development costs.

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

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

Notes to the Consolidated Financial Statements

for the year ended 30 June 2010

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Investments and other financial assets

The Group classifies its investments and other financial assets 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.

Classification

(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.

(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 other comprehensive income. 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 or liability is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

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

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. Any subsequent increase in value is recognised in equity.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2010

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(q) Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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	7 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.

(r) Mine development

Pre-production costs are deferred as development costs until such time as the asset is capable of being operated in a manner intended by management. Post-production costs are recognised as a cost of production.

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

(s) Exploration and evaluation expenditure

Exploration and evaluation expenditure is charged against earnings as incurred and included as part of cash flows from operating activities. In this regard the Group has early adopted the amendment to AASB 107 arising from AASB 2009-5 (refer to Note 2(b)).

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.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2010

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Intangibles

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

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life 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

Life of mine

Amortisation method used

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

Impairment testing

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

The rights to use water and power supply have been granted for a minimum of 17 years from April 2007 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.

(u) 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.

(v) Interest bearing loans and borrowings

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

Notes to the Consolidated Financial Statements
for the year ended 30 June 2010

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Interest bearing loans and borrowings (continued)

The component of convertible bonds that exhibits characteristics of a borrowing is recognised as a liability in the Statement of Financial Position, 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 the equity component and is recognised in shareholders' equity. The carrying amount of the equity component is not remeasured in subsequent years.

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

(w) Borrowing costs

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

(x) Employee benefits

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

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave due 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.

(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 Executive Share Option Plan (EXSOP). Following the implementation of the Employee Performance Share Rights Plan and the Contractor Performance Share Rights Plan (Rights Plans) detailed in Note 28, no further options will be granted pursuant to the EXSOP.

The fair value of options granted under both the EXSOP and rights under the Rights Plans 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 or rights.

The fair value at grant date is independently determined using the Black-Scholes pricing model that takes into account the exercise price, the term of the option or right, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option or right, 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 model is used to model the future value of the Company's shares and the movement of the comparator companies' Total Shareholder Return (TSR) on the various vesting dates associated with vesting requirements of the options.

The rights with a non-market based performance condition (time based and EPS) were valued using a Black-Scholes model. The rights that contained relative TSR performance condition were modelled using a Monte-Carlo simulation model. The rights subject to the market price condition were valued using an Asset or Nothing Digital Option valuation model.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2010

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Employee benefits (continued)

(iii) Share-based payments (continued)

Non-market vesting conditions are included in assumptions about the number of options or rights that are expected to become exercisable or granted. At each balance sheet date, the entity revises its estimate of the number of options and rights 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 or the grant of rights, 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.

(y) Mine closure and rehabilitation

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

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.

(z) Onerous contracts

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

(aa) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(ab) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

Notes to the Consolidated Financial Statements

for the year ended 30 June 2010

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ac) 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.

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.

Identification of reportable segments

The Company has adopted AASB 8 (IFRS 8) Operating Segments with effect from 1 July 2009. AASB 8 requires operating segments to be identified on the basis of the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The Company has identified its operating segments to be Australia, Namibia and Malawi, on the basis of geographical location and different regulatory environments.

The main segment activities in Namibia and Malawi is the production and sale of uranium from the mines located in these geographic regions. The Australia segment is focused on developing Australian exploration and evaluation projects.

Discrete financial information about each of these operating segments is reported to the chief operating decision makers on at least a monthly basis.

The accounting policies used by the Group in reporting segments internally are the same as those contained in note 2 to the accounts and in the prior period.

Inter-entity sales are priced with reference to the spot rate.

Corporate charges comprise non-segmental expenses such as corporate office expenses. A proportion of the corporate charges are allocated to Namibia and Malawi with the balance remaining in Australia.

The following items are not allocated to segments as they are not considered part of the core operations of any segment:

- Interest revenue

Notes to the Consolidated Financial Statements

for the year ended 30 June 2010

NOTE 3. SEGMENT INFORMATION

The Group's customers are major utilities located mainly in North America, Asia and Europe. These revenues are attributed to the geographic location of the mines being Namibia and Malawi. The following tables present revenue, expenditure and asset information regarding operating segments for the years ended 30 June 2010 and 30 June 2009.

Year Ended 30 June 2010	Australia US\$M	Namibia US\$M	Malawi US\$M	Consolidated US\$M
Sales to external customers	-	133.5	68.5	202.0
Other revenue	0.3	-	-	0.3
Total segment revenue	0.3	133.5	68.5	202.3
Unallocated revenue				2.0
Total consolidated revenue				204.3
Segment (loss)/profit before income tax and finance costs	(50.8)	38.6	7.9	(4.3)
Finance costs	(17.0)	(4.4)	-	(21.4)
Loss before income tax expense				(25.7)
Income tax expense	(2.0)	(23.5)	(2.6)	(28.1)
Loss after income tax expense				(53.8)
Depreciation and amortisation	(1.0)	(16.6)	-	(17.6)
Property, plant and equipment and mine development	7.9	211.4	441.0	660.3
Non current assets	597.6	305.1	539.0	1,441.7
Segment assets/total assets	937.1	404.2	616.3	1,957.6

In 2010 Paladin had three customers who on a proportionate basis equated to 38%, 13% and 12% of the Group's total sales revenue attributable to the Namibia and Malawi segments.

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
Segment (loss)/profit before income tax and finance costs	(810.4)	39.6	(11.2)	(782.0)
Finance costs	(23.3)	(7.2)	-	(30.5)
Share of loss of associate				(0.9)
Loss before income tax expense				(813.4)
Income tax benefit/(expense)	246.1	(7.7)	(1.4)	237.0
Loss after income tax benefit				(576.4)
Depreciation and amortisation	(0.6)	(8.8)	(0.4)	(9.8)
Property, plant and equipment and mine development	21.2	167.6	323.2	512.0
Non current assets	736.3	212.0	333.2	1,281.5
Segment assets/total assets	799.4	301.8	362.3	1,463.5

In 2009 Paladin had four customers who on a proportionate basis equated to 32%, 24%, 18% and 14% of the Group's total sales revenue attributable to the Namibia and Malawi segments.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2010

NOTE 4. REVENUES AND EXPENSES

CONSOLIDATED

2010 2009
US\$M US\$M

(a) Revenue	2010 US\$M	2009 US\$M
Sale of uranium	202.0	111.8
Interest income from non-related parties	2.0	2.7
Database licence revenue	0.2	0.2
Other revenue	0.1	0.1
Total revenue	204.3	114.8
(b) Other income		
Insurance recovery relating to heat exchangers	7.7	-
Foreign exchange gain (net)	-	1.1
Gain on re-estimation of cash flows attributable to a financial liability	1.8	-
Total other income	9.5	1.1
(c) Other expenses		
Impairment of inventory	-	(3.7)
Foreign exchange loss (net)	(5.2)	-
Loss on disposal of financial assets held for trading	(0.8)	-
Movement in financial assets held for trading	(0.2)	(0.1)
Impairment of asset	(2.9)	-
Total other expenses	(9.1)	(3.8)
(d) Finance costs		
Interest expense	(4.0)	(13.6)
Accretion relating to convertible bonds (non-cash)	(11.1)	(11.1)
Mine closure provision discount interest expense	(2.3)	(1.0)
Facility costs	(4.0)	(4.8)
Total finance costs	(21.4)	(30.5)

Notes to the Consolidated Financial Statements
for the year ended 30 June 2010

NOTE 5. INCOME TAX

		CONSOLIDATED	
		2010	2009
		US\$M	US\$M
(a)	Income tax benefit		
	<i>Current income tax</i>		
	Current income tax credit	(36.2)	(82.5)
	<i>Deferred income tax</i>		
	Related to the origination and reversal of temporary differences	32.2	(159.7)
	Tax benefits not brought to account as future income tax benefits	24.9	24.6
	Adjustments relating to prior period	7.2	15.1
	Foreign exchange movement	-	(34.5)
	Income tax expense/(benefit) reported in the Income Statement	28.1	(237.0)
(b)	Amounts charged or credited directly to equity		
	<i>Deferred income tax related to items charged or credited directly to equity:</i>		
	Unrealised gain on available-for-sale investments	2.9	12.2
	Income tax expense reported in equity	2.9	12.2
(c)	Numerical reconciliation of income tax benefit to prima facie tax payable		
	Loss before income tax expense	(25.7)	(813.4)
	Tax at the Australian tax rate of 30% (2009 – 30%)	(7.7)	(244.0)
	Tax effect of amounts which are not deductible/ (taxable) in calculating taxable income:		
	Share-based payments	3.1	4.6
	Other expenditure not allowable	0.2	15.2
	Specific tax expenditure allowable	-	(0.2)
		(4.4)	(224.4)
	Difference in overseas tax rates	2.1	2.1
	Prior year tax benefits not recognised now recouped	-	(4.8)
	Under/over prior year adjustment	7.2	-
	Losses not recognised	24.9	24.6
	Foreign exchange movement	(1.7)	(34.5)
	Income tax expense/(benefit) reported in the Income Statement	28.1	(237.0)

Notes to the Consolidated Financial Statements

for the year ended 30 June 2010

NOTE 5. INCOME TAX (continued)

CONSOLIDATED

2010	2009
US\$M	US\$M

(d)	Deferred income tax		
	<i>Deferred tax liabilities</i>		
	Accelerated prepayment deduction for tax purposes	(1.2)	(0.1)
	Accelerated stores and consumables deduction for tax purposes	(5.1)	(2.7)
	Remeasurement of available-for-sale investments to fair value	4.4	(6.1)
	Foreign currency differences on available-for-sale investments	-	-
	Accelerated deduction for debt establishment and interest costs	-	-
	Accelerated depreciation for tax purposes	(140.7)	(115.3)
	Exploration expenditure	(7.4)	(8.6)
	Recognition of acquired exploration expenditure	(147.2)	(130.0)
	Delayed revenue recognition for tax purposes	(2.2)	(7.9)
	Foreign currency balances	1.8	(3.9)
	Interest receivable	(11.6)	-
	Recognition of convertible bond for accounting purposes	(12.2)	(15.6)
	Gross deferred tax liabilities	(321.4)	(290.2)
	Set off of deferred tax assets	157.3	153.7
	Net deferred tax liabilities	(164.1)	(136.5)
	<i>Deferred tax assets</i>		
	Revenue losses available for offset against future taxable income	189.8	191.5
	Equity raising costs	1.4	1.4
	Provisions for employee benefits	0.5	0.4
	Exploration	-	3.1
	Interest payable	1.7	1.6
	Inventory	3.5	1.1
	Other	4.7	2.5
	Gross deferred tax assets	201.6	201.6
	Set off against deferred tax liabilities	(157.3)	(153.7)
	Deferred tax assets not recognised as probable	(44.3)	(44.0)
	Net deferred tax assets recognised	-	3.9

The net deferred tax assets recognised are attributable to LHUPL, a Namibian company that owns LHM, and also to PAL, a Malawian company that owns KM. 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 and KM.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2010

NOTE 5. INCOME TAX (continued)

(e) Tax losses

	CONSOLIDATED	
	2010 US\$M	2009 US\$M
Australian unused tax losses for which no deferred tax asset has been recognised	139.8	54.2
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	139.8	136.3
Potential tax benefit at tax rates between 27.5% - 37.5%	41.9	38.9

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.

NOTE 6. CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	2010 US\$M	2009 US\$M
Cash at bank and in hand	13.6	18.8
Short-term bank deposits	335.2	47.4
Total cash and cash equivalents	348.8	66.2

Total cash and cash equivalents includes US\$0.1M restricted to social responsibility projects in Malawi (refer to Note 16(c)(iii)) and US\$21.0M in respect of the LHM and KM project finance facility (refer to Note 18).

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2010

NOTE 6. CASH AND CASH EQUIVALENTS (continued)

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

	CONSOLIDATED	
	2010 US\$M	2009 US\$M
Net loss	(53.8)	(576.4)
<i>Adjustments for</i>		
Depreciation and amortisation	21.3	10.0
Exploration expenditure	(3.3)	-
Loss recognised on re-measurement to fair value	(0.2)	1.1
Loss on disposal of investments	0.8	-
Database licence revenue	(0.2)	(0.2)
Net exchange differences	5.2	(1.1)
Share-based payments	10.3	15.3
Non-cash financing costs	15.7	16.9
Inventory impairment	-	3.7
Available-for-sale investment impairment	-	26.0
Exploration impairment	-	753.8
Asset impairment	2.9	-
Interest capitalised as property, plant and equipment	(29.4)	(17.9)
<i>Changes in assets and liabilities</i>		
Increase in prepayments	(2.0)	(1.5)
(Increase)/decrease in trade and other receivables	(3.6)	9.0
(Decrease)/increase in trade and other payables	(32.7)	18.4
Increase in provisions	6.9	0.6
Increase in inventories	(11.4)	(40.6)
Increase/(decrease) in deferred tax liabilities	27.7	(246.1)
Decrease in deferred tax assets	3.9	9.1
Net cash flows used in operating activities	(41.9)	(19.9)

(b) Disclosure of financing facilities - Refer to Note 18.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2010

NOTE 7. TRADE AND OTHER RECEIVABLES

	Note	CONSOLIDATED	
		2010 US\$M	2009 US\$M
Current			
Trade receivables	(a)	14.2	13.2
Less provision for doubtful debts		-	-
Net trade receivables		14.2	13.2
Interest receivable		0.2	-
GST and VAT	(b)	11.0	11.1
Sundry debtors	(c)	6.9	2.0
Total current receivables		32.3	26.3

(a) Trade receivables are non-interest bearing and are generally on 30 day terms. Carrying value approximates fair value due to the short-term nature of the receivables. 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\$2.9M (US\$2.5M) (2009: A\$Nil/US\$Nil) debtor due from the sale of non-uranium properties and the Georgina Basin Project held by Summit. Interest is not normally charged and collateral is not normally obtained.

Non Current

Sundry debtors	(d)	0.3	2.2
Total non current receivables		0.3	2.2

(d) Sundry debtors include an A\$Nil (US\$Nil) (2009: A\$2.8M/US\$2.2M) debtor due from the sale of non-uranium properties and the Georgina Basin Project held by Summit. Interest is not normally charged and collateral is not normally obtained. The non current MM Mining receivable from the prior period has been reclassified to current in the 2010 year.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2010

NOTE 8. INVENTORIES

	Note	CONSOLIDATED	
		2010 US\$M	2009 US\$M
Current			
Stores and spares (at cost)		17.9	12.8
Stockpiles (at cost)		8.4	2.3
Work-in-progress (at cost)		4.7	4.0
Finished goods (at cost)		58.4	38.6
Finished goods (at net realisable value)*		19.9	-
Third party uranium purchased: Finished goods (at net realisable value)	(b)	-	28.1
Total current inventories at the lower of cost and net realisable value		109.3	85.8

* Inventory transferred out of mine development at net realisable value

(a) Inventory expense

Inventories sold recognised as an expense for the year ended 30 June 2010 totalled US\$153.3M (2009: US\$66.4M) for the Group. Impairment of inventories included in the cost of sales for the Consolidated Entity is US\$Nil (2009:US\$Nil).

(b) Inventory expense

During 2009, 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 for the year.

Non Current

Stockpiles (at cost)	(c)	40.8	24.9
Total non current inventories at the lower of cost and net realisable value		40.8	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	
	2010 US\$M	2009 US\$M
Current		
At fair value:		
Options – unlisted	-	1.0
	-	1.0

The Consolidated Entity has an investment in MM Mining Plc (MMM), an unlisted public UK company that explores for base metals. At 30 June 2010 the Consolidated Entity holds Nil (2009:20M) warrants. During the year all warrants were cancelled. Each warrant entitled 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 were valued using the Black-Scholes option pricing methodology using the most recent market transaction to determine the appropriate underlying value.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2010

NOTE 10. OTHER FINANCIAL ASSETS

	Note	CONSOLIDATED	
		2010 US\$M	2009 US\$M
Non Current			
Available-for-sale financial assets	(a)	35.7	69.2
Total non current other financial assets		35.7	69.2

(a) Available-for-sale financial assets

The Consolidated Entity has an investment in DYL and at 30 June 2010 held 220,258,461 (2009: 220,258,461) fully paid ordinary shares.

The holding of these fully paid ordinary shares represents a 19.56% interest at 30 June 2010 (2009: 19.61% interest) of the ordinary shares of DYL, a uranium explorer listed on ASX. The market value of the shares in DYL at 30 June 2010 is A\$28.6M (US\$24.5M) (2009: A\$73.8M / US\$59.4M) based on a share price of 13.0 Australian cents per share (2009: 33.5 Australian cents).

The Consolidated Entity has an investment in NGM and at 30 June 2010 held 40,373,574 (2009: 24,280,000) fully paid ordinary shares.

The holding of these fully paid ordinary shares represents 22.37% interest at 30 June 2010 (2009: 16.72%) of the ordinary shares of NGM, a uranium explorer listed on ASX. The market value of the shares in NGM at 30 June 2010 is A\$3.5M (US\$3.0M) (2009: A\$5.5M / US\$4.4M) based on a share price of 8.6 Australian cents per share (2009: 22.5 Australian cents). This investment was treated as available-for-sale because the Company was unable to exert significant influence over its activities.

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

Notes to the Consolidated Financial Statements

for the year ended 30 June 2010

NOTE 11. INVESTMENT IN ASSOCIATE

(a) Investment details

The Group, through Summit, has an investment in MMM, an unlisted UK company that explores for base metals. At 30 June 2010 it holds 20M (2009:20M) 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 due to dilution of ownership resulting in inability to exert significant influence. At this date it ceased to be an associate it was categorised as an Available-for-Sale Financial Asset (Refer to Note 10(a)).

(b) Movements in the carrying amount of the Group's investment in associate

	CONSOLIDATED	
	2010 US\$M	2009 US\$M
MM Mining Plc:		
At 1 July	-	2.6
Investment in associate	-	-
Transferred to available-for-sale financial assets	-	(1.7)
Loss on deemed disposal	-	(0.1)
Share of losses after income tax	-	(0.8)
At 30 June	-	-

(c) Summarised financial information

The following table illustrates summarised financial information relating to the Group's associate.

Extract from the associate's balance sheet:

Assets and liabilities relating to the associate's balance sheet are nil at 30 June 2010 and 30 June 2009 as during the year ended 30 June 2009 MMM ceased to be an associate of the Group.

Extract from the associate's income statement

Revenue	-	-
Net loss	-	3.3

Notes to the Consolidated Financial Statements
for the year ended 30 June 2010

NOTE 12. DEFERRED BORROWING COSTS

	CONSOLIDATED	
	2010 US\$M	2009 US\$M
Non Current		
Deferred borrowing costs	-	8.2

Deferred borrowing costs represent the initial capitalised costs of establishing project finance for KM (refer to Note 18).

NOTE 13(a). PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED	
	2010 US\$M	2009 US\$M
Plant and equipment – at cost	531.3	169.4
Less accumulated depreciation	(35.5)	(22.4)
Total plant and equipment	495.8	147.0
Land and buildings - at cost	9.7	6.4
Less accumulated depreciation	(1.0)	(0.6)
Total land and buildings	8.7	5.8
Construction work in progress – at cost	36.6	305.0
Total property, plant and equipment	541.1	457.8

Property, plant and equipment pledged as security for liabilities

Refer to Note 18 for information on property, plant and equipment pledged as security.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2010

NOTE 13(a). PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliations

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

	Total US\$M	Plant and Equipment US\$M	Land and Building US\$M	Construction Work in Progress US\$M
Consolidated – 2010				
Carrying amount at start of year	457.8	147.0	5.8	305.0
Additions ⁽¹⁾	184.5	47.1	0.2	137.2
Transfers to assets held for sale	(12.0)	(12.0)	-	-
Depreciation and amortisation expense	(19.2)	(18.8)	(0.4)	-
Impairment of assets ⁽³⁾	(2.9)	(2.9)	-	-
Reclassification of assets	-	335.3	2.9	(338.2)
Reclassification to mine development	(67.4)	-	-	(67.4)
Foreign currency translation	0.3	0.1	0.2	-
Carrying amount at end of year	541.1	495.8	8.7	36.6
Consolidated – 2009				
Carrying amount at start of year	229.5	115.3	5.1	109.1
Additions ⁽²⁾	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

⁽¹⁾ Includes US\$29.4M of capitalised interest (effective weighted interest rate 8.52% for general borrowings and LIBOR + 3.5% for specific borrowings)

⁽²⁾ Includes US\$17.9M of capitalised interest (effective weighted interest rate 8.72% for general borrowings)

⁽³⁾ Impairment of assets. Refer to Note 13(b)

NOTE 13(b). NON CURRENT ASSET HELD FOR SALE

	CONSOLIDATED	
	2010 US\$M	2009 US\$M
Current		
At net realisable value		
Plant and equipment	12.0	-

Plant and equipment no longer suitable which will be sold within the next twelve months and replaced.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2010

NOTE 14. MINE DEVELOPMENT

	CONSOLIDATED	
	2010 US\$M	2009 US\$M
Mine development	124.8	57.4
Less accumulated depreciation	(5.6)	(3.2)
Total mine development	119.2	54.2
Carrying amount at start of year	54.2	12.2
Additions	-	43.4
Depreciation and amortisation expense	(2.4)	(1.6)
Reclassification from exploration	-	0.2
Reclassification from property, plant and equipment	67.4	-
Carrying amount at end of year	119.2	54.2

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

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 Mount Gibson Iron Limited) 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 2 plant upgrade and construction of a further Stage 3 upgrade is underway. Planning for the Stage 4 upgrade is in progress and resource definition drilling prior to reserve estimation for Stage 4 has been completed.

LHUPL also holds an exclusive prospecting licence, EPL 3500, covering 30km² 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 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. The processing facility achieved commercial production at the end of June 2010. Resource definition drilling is being carried out to the west of the current pit design to confirm the final pit limits.

PAL also holds four exclusive prospecting licences in northern Malawi covering 1,298km² surrounding and to the south of the KM mining licence and these are being actively explored.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2010

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 18 May 1989 for a 21-year term to 17 May 2010. The leases have now been renewed for a further 21-year term to 17 May 2031. 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. Ground access difficulties have so far precluded the commencement of drilling and it is hoped this issue will be dealt with in the near future.

Oobagooma Uranium Project (Australia) - Paladin 100%

The Oobagooma Uranium Project consists of four applications for exploration licences covering 452km² 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 28 December 1983 and 04/776 and 04/777 lodged on 28 November 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 are being actively pursued with both the Federal and State governments.

Valhalla North Uranium Project (Australia) - Paladin 100%

The Valhalla North Uranium Project consists of two granted exploration permits – Exploration Permit for Minerals 12572 (EPM 12572) and EPM 16006 - covering 457km² 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 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. Recent exploration activities in 2010 have included a 52-hole drilling programme for 7,412 metres. Drilling at the Duke Batman deposit did not extend the mineralisation but identified a high grade core to the mineralisation.

Bigryli Uranium Project (Australia) - Paladin 41.71%

The Bigryli 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 53.29%, Southern Cross Exploration NL 5.00% and Northern Territory Uranium Pty Ltd 41.71% (100% owned by Paladin) with Energy Metals Limited being operator and manager.

The Bigryli 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. The deposit was subject to extensive drilling between 1974 and 1982 with Ore Reserve studies carried out during the 1980's and 1990's. 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. Resource updates were released in April and July 2009 with additional drilling completed in late 2009 and 2010. In July 2010 an increased Indicated and Inferred Resource totalling 22.4Mlb U₃O₈ at a cut-off grade of 500ppm was announced.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2010

NOTE 15. EXPLORATION AND EVALUATION EXPENDITURE (continued)

Isa Uranium Joint Venture (Australia) - Paladin 91.03%

The IUJV in Northern Queensland is a 50:50 joint venture between Summit Resources (Aust) Pty Ltd (SRA) (Paladin 82.05% effective ownership) and Mt Isa Uranium Pty Ltd (MIU) (Paladin 100% ownership) with SRA being the operator and manager. The IUJV covers two defined blocks of land totalling 27km² containing the Valhalla and Skal uranium deposits. Paladin's effective equity in the IUJV was increased from 50% to 91.03% following the acquisition of 82.05% of Summit in 2007.

Valhalla Uranium Deposit (Australia) - Paladin 91.03%

The Valhalla Uranium Deposit is situated on EPM 17514 granted in January 2010 for a five year term to 5 January 2015. The Valhalla Uranium Deposit is located approximately 40km north of Mount Isa and straddles the Barkly Highway. The ground was previously held by SRA as EPM 9221 granted in 1993. The ground having been previously 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 91.03%

The Skal Uranium Deposit is situated on EPM 17519, granted in January 2010 for a five year term to 5 January 2015. The Skal Uranium Deposit is located approximately 8km south-east of the Valhalla Uranium Deposit and 32km north of Mount Isa. The ground was previously held by SRA as EPM 14048 granted in 2005. 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 EPM 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 was undertaken in 2009 and followed up with a resource update in October 2009. Resource definition and metallurgical drilling has been planned for late 2010.

Summit Resources Ltd (Australia) - Paladin 82.05%

Paladin acquired an 81.9% interest in Summit as a result of a takeover bid which closed on 1 June 2007. SRA, which is a wholly owned subsidiary of 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. It is expected that additional drilling will be undertaken at Bikini in late 2010 with the intention of updating the current resource.

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 Australia Pty Ltd 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 was planned. Drilling programmes were completed in 2009 and 2010 and these are being evaluated to determine the future direction of the project. It is anticipated that an initial resource estimate will be completed in 2010.

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.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2010

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 2010:

Areas of interest	Valhalla /Skal ⁽¹⁾ US\$M	Isa North US\$M	Fusion US\$M	Angela /Pamela US\$M	Bigryli US\$M	KM US\$M	LHM US\$M	Other Uranium Projects US\$M	Total US\$M
Balance 30 June 2009	494.4	117.7	8.0	-	14.3	-	-	1.1	635.5
Acquisition property payments	2.9	0.7	-	-	-	-	-	-	3.6
Project exploration and evaluation expenditure									
Labour	1.1	1.0	0.3	0.8	0.2	0.2	-	0.7	4.3
Outside services	1.0	2.0	0.6	1.9	0.4	0.6	1.3	0.3	8.1
Other expenses	1.6	0.8	0.2	0.7	0.5	0.3	-	0.6	4.7
Total expenditure	3.7	3.8	1.1	3.4	1.1	1.1	1.3	1.6	17.1
Exploration expenditure expensed	(3.7)	(3.8)	(1.1)	(3.4)	(1.1)	(1.1)	(1.3)	(1.6)	(17.1)
Foreign exchange differences	31.8	7.6	0.5	-	0.9	-	-	0.1	40.9
Balance 30 June 2010	529.1	126.0	8.5	-	15.2	-	-	1.2	680.0

⁽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 non-controlling interest reflected on the face of the Balance Sheet.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2010

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 2009:

Areas of interest	Valhalla /Skal ⁽¹⁾ US\$M	Isa North US\$M	Fusion US\$M	Angela /Pamela US\$M	Bigryli US\$M	KM US\$M	LHM US\$M	Other Uranium Projects US\$M	Total US\$M
Balance 30 June 2008	1,389.8	389.8	-	-	17.0	-	-	1.3	1,797.9
Acquisition property payments	-	-	6.4	-	-	-	-	-	6.4
Project exploration and evaluation expenditure									
Labour	1.5	0.5	0.1	0.2	0.3	0.2	-	0.7	3.5
Outside services	3.4	0.1	-	0.6	0.6	0.5	0.1	0.1	5.4
Other expenses	1.5	0.3	-	0.3	0.5	0.5	-	0.4	3.5
Total expenditure	6.4	0.9	0.1	1.1	1.4	1.2	0.1	1.2	12.4
Exploration expenditure expensed	(6.4)	(0.9)	(0.1)	(1.1)	(1.4)	(1.0)	(0.1)	(1.2)	(12.2)
Exploration expenditure capitalised	-	-	-	-	-	0.2	-	-	0.2
Foreign exchange differences	(320.8)	(92.9)	1.6	-	(2.7)	-	-	(0.2)	(415.0)
Impairment of exploration and evaluation	(574.6)	(179.2)	-	-	-	-	-	-	(753.8)
Transferred to Mine Development	-	-	-	-	-	(0.2)	-	-	(0.2)
Balance 30 June 2010	494.4	117.7	8.0	-	14.3	-	-	1.1	635.5

⁽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 non-controlling interest reflected on the face of the Balance Sheet.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2010

NOTE 16. INTANGIBLE ASSETS

CONSOLIDATED

2010 2009
US\$M US\$M

(a) Reconciliation of carrying amount at the beginning and end of the period

At 1 July - Net of accumulated amortisation	25.6	16.6
Additions – Kayelekera Mining Lease	-	10.0
Amortisation	(1.0)	(1.0)
At 30 June - Net of accumulated amortisation	24.6	25.6
At 30 June		
Cost	27.8	27.8
Accumulated amortisation	(3.2)	(2.2)
Net carrying amount of non current intangible assets	24.6	25.6

Amortisation of US\$1.0M (2009: 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 - 2010				
Carrying amount at 1 July 2009	4.5	11.1	10.0	25.6
Amortisation expense	(0.2)	(0.8)	-	(1.0)
Carrying amount at 30 June 2010	4.3	10.3	10.0	24.6
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

(c) Description of the Group's intangible assets**(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 13.75 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 13.75 years on a straight-line basis.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2010

NOTE 16. INTANGIBLE ASSETS (continued)

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

(iii) Kayelekera Mining Lease

In exchange for the 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. In terms of the Development Agreement PAL has committed to spend US\$10M on agreed community infrastructure projects. This amount has been recognised as an intangible asset and is being amortised over the life of the mine estimated to be 9 years on a straight-line basis (refer to Note 19(b)(iv)).

NOTE 17. TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2010 US\$M	2009 US\$M
Current		
Trade and other payables	63.2	67.1
Total current payables	63.2	67.1

Trade payables are non-interest bearing and are normally settled on 60 day terms.

NOTE 18. INTEREST BEARING LOANS AND BORROWINGS

	Maturity	CONSOLIDATED	
		2010 US\$M	2009 US\$M
Current			
Secured bank loan		47.9	14.2
Non Current			
Unsecured convertible bonds	2011	236.7	227.5
Unsecured convertible bonds	2013	310.1	304.6
Secured bank loan	2012	24.0	39.9
Secured bank loan	2015	111.4	-
Total non current		682.2	572.0

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 22.

Unsecured convertible bonds

On 15 December 2006, the Company issued US\$250M in convertible bonds with an underlying coupon rate of 4.5% (underlying effective interest rate of 8.75%), 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% (underlying effective interest rate of 7.13%), 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 consist of both a liability (underlying debt) and equity component (conversion rights into Company shares).

Notes to the Consolidated Financial Statements

for the year ended 30 June 2010

NOTE 18. INTEREST BEARING LOANS AND BORROWINGS (continued)

Secured bank loans

On 26th May 2006 the Company entered into a project financing facility amounting to US\$71M for the construction of the Langer Heinrich Mine. The financing is 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 a margin over the London Interbank Offered Rate (LIBOR) and is repayable on a six monthly basis over the term of the loan. 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 had provided a project completion guarantee as part of the facilities. The guarantee has since been released when the project satisfied the Completion Tests mid 2009.

At 30 June 2010 US\$47.5M (2009: US\$54.1M) was outstanding under the project finance facilities. Following principal repayments of US\$7.6M in July 2010 the outstanding debt balance had reduced to US\$39.9M.

On 30th March 2009, the Company entered into a project financing facility amounting to US\$167M for the construction of the Kayelekera. 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). The facilities are secured over the assets of PAL and are repayable every four months over the term of the loan.

At 30 June 2010 US\$145M (2009: US\$Nil) had been drawn of the project finance facilities. Following principal repayments of US\$9.1M on the 31st July 2010 the outstanding debt balance had reduced to US\$135.9M.

Deferred Borrowing costs relating to the establishment of the facilities have been included as part of interest bearing loans and borrowings.

Financing facilities available

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

	CONSOLIDATED	
	2010 US\$M	2009 US\$M
Total facilities:		
Unsecured convertible bonds	575.0	575.0
Secured bank loans	204.5	54.1
	779.5	629.1
Facilities used at reporting date:		
Unsecured convertible bonds	575.0	575.0
Secured bank loans	192.5	54.1
	767.5	629.1
Facilities unused at reporting date:		
Unsecured convertible bonds	-	-
Secured bank loans	12.0	-
	12.0	-

Notes to the Consolidated Financial Statements

for the year ended 30 June 2010

NOTE 18. INTEREST BEARING LOANS AND BORROWINGS (continued)

Assets pledged as security

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

	CONSOLIDATED	
	2010 US\$M	2009 US\$M
Current		
<i>Floating charge</i>		
Cash and cash equivalents	47.3	19.6
Trade and other receivables	41.5	24.1
Inventories	102.5	52.6
Total current assets pledged as security	191.3	96.3
Non Current		
Inventories	40.8	24.9
Property, plant and equipment	533.2	153.0
Mine development	119.2	14.6
Deferred tax asset	-	3.9
Intangible assets	24.6	15.6
Total non current assets pledged as security	717.8	212.0
Total assets pledged as security	909.1	308.3

2010 assets pledged include both LHM and KM whereas 2009 includes LHM only.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2010

NOTE 19. PROVISIONS

	Note	CONSOLIDATED	
		2010 US\$M	2009 US\$M
Current			
Social responsibility		1.3	7.7
Other provision		5.9	-
Employee benefits	26	2.9	2.1
Total current provisions		10.1	9.8
Non Current			
Social responsibility		0.2	2.0
Employee benefits	26	0.1	0.1
Rehabilitation provision		31.3	28.4
Demobilisation provision		1.9	1.8
Total non current provisions		33.5	32.3

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

(a) Movements in provisions

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

	Other US\$M	Demob- ilisation US\$M	Social Respons- ibility US\$M	Rehab- ilitation US\$M	Total US\$M
Consolidated					
At 1 July 2009	-	1.8	9.7	28.4	39.9
Arising during the year	6.2	0.1	-	2.8	9.1
Utilised	-	-	(8.2)	-	(8.2)
Effects of changes in discount rates	-	-	-	(0.6)	(0.6)
Foreign currency movements	(0.3)	-	-	0.7	0.4
At 30 June 2010	5.9	1.9	1.5	31.3	40.6
2010					
Current	5.9	-	1.3	-	7.2
Non current	-	1.9	0.2	31.3	33.4
	5.9	1.9	1.5	31.3	40.6
2009					
Current	-	-	7.7	-	7.7
Non current	-	1.8	2.0	28.4	32.2
	-	1.8	9.7	28.4	39.9

Notes to the Consolidated Financial Statements

for the year ended 30 June 2010

NOTE 19. PROVISIONS (continued)

(b) Nature and timing of provisions

(i) Rehabilitation

A provision for rehabilitation and mine closure 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. Additionally the provision includes 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.

(ii) Employee benefits

Refer to Note 26.

(iii) Demobilisation

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

(iv) 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(c)(iii)).

(v) Other

A provision for an expected litigation settlement amount (refer to Note 25(f)).

NOTE 20. CONTRIBUTED EQUITY AND RESERVES

(a) Issued and paid up capital

	Number of Shares		CONSOLIDATED	
	2010	2009	2010 US\$M	2009 US\$M
Ordinary shares				
Issued and fully paid	717,142,802	623,692,802	1,474.6	1,111.6

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.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2010

NOTE 20. CONTRIBUTED EQUITY AND RESERVES (continued)**(b) Movements in ordinary shares on issue**

Date		Number of Shares	Issue	Exchange	Total US\$M
			Price A\$	Rate US\$: A\$	
	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
September 2009	Share placement	93,450,000	4.60	1.14890	374.2
	Transaction costs				(11.2)
	Balance 30 June 2010	717,142,802			1,474.6

(c) Reserves

	Consolidation reserve	Listed option application reserve	Share-based payments reserve	Available-for-sale reserve	Foreign currency translation reserve	Convertible bond non-distributable reserve	Premium on acquisition reserve	Total
	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M
CONSOLIDATED								
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
At 1 July 2009	(0.2)	0.1	25.9	32.6	(80.3)	38.9	14.9	31.9
Net unrealised movement on available-for-sale investments	-	-	-	(37.0)	-	-	-	(37.0)
Share-based payments	-	-	12.1	-	-	-	-	12.1
Foreign currency translation	-	-	-	4.2	23.5	-	-	27.7
Income tax	-	-	-	8.0	-	-	-	8.0
At 30 June 2010	(0.2)	0.1	38.0	7.8	(56.8)	38.9	14.9	42.7

Notes to the Consolidated Financial Statements

for the year ended 30 June 2010

NOTE 20. CONTRIBUTED EQUITY AND RESERVES (continued)

(c) Reserves (continued)

Nature and purpose of reserves

Listed option application reserve

This reserve consists of proceeds from the issue of listed options, net of expenses of issue. These listed options expired unexercised and no restriction exists for the distribution of this reserve.

Share-based payments reserve

This reserve is used to record the value of equity benefits provided to Directors, employees and consultants as part of their remuneration. Refer to Note 28 for further details on share-based payments.

Available-for-sale reserve

This reserve records the fair value changes on the available-for-sale financial assets as set out in Note 10(b).

Foreign currency translation reserve

This reserve is used to record exchange differences arising on translation of the group entities that do not have a functional currency of 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 18.

Acquisition reserve

This reserve represents the premium paid on the acquisition of a non-controlling interest in Summit.

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 non-controlling interest share of the net assets of PAL.

NOTE 21. NON-CONTROLLING INTERESTS

	CONSOLIDATED	
	2010	2009
	US\$M	US\$M
Non-controlling interests comprise:		
Share capital	23.1	22.0
Opening accumulated losses	(108.3)	(12.1)
Reserves	159.3	155.2
Current period loss	(0.9)	(96.2)
Total non-controlling interests	73.2	68.9

The non-controlling interests recognised relate to the 18.0% (2009: 18.0%) interest in Summit not held by the Company and the 15.0% (2009: 15.0%) interest in PAL held by the Government of Malawi.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2010

NOTE 22. 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 commitment; 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, cash and short-term deposits and available for sale financial assets. 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.

(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	
	2010	2009
	US\$M	US\$M
Financial assets		
Cash and cash equivalents	1.4	3.1
Trade and other receivables	0.5	0.7
Available-for-sale financial assets	20.7	47.3
	22.6	51.1
Financial liabilities		
Trade and other payables	(8.6)	(4.6)
Net exposure	14.0	46.5

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

	CONSOLIDATED	
	2010	2009
	US\$M	US\$M
Financial assets		
Cash and cash equivalents	6.2	0.4
Trade and other receivables	13.2	12.0
	19.4	12.4
Financial liabilities		
Trade and other payables	(27.9)	(18.4)
Net exposure	(8.5)	(6.0)

Notes to the Consolidated Financial Statements

for the year ended 30 June 2010

NOTE 22. 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/LOSS CONSOLIDATED		IMPACT ON EQUITY CONSOLIDATED	
	2010	2009	2010	2009
	US\$M	US\$M	US\$M	US\$M
Post-Tax Gain/(Loss)				
AUD/USD +5% (2009: +5%)	0.2	-	(0.7)	(1.6)
AUD/USD -5% (2009: -5%)	(0.2)	-	0.8	1.7
NAD/USD +5% (2009: +5%)	0.3	0.2	-	-
NAD/USD -5% (2009: -5%)	(0.3)	(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	
	2010 US\$M	2009 US\$M
Financial assets		
Cash and cash equivalents	348.8	66.2
	348.8	66.2
Financial liabilities		
Interest-bearing liabilities	(192.5)	(54.1)
Net exposure	156.3	12.1

Notes to the Consolidated Financial Statements
for the year ended 30 June 2010

NOTE 22. 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 in 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/LOSS CONSOLIDATED	
	2010 US\$M	2009 US\$M
Post-Tax Gain/(Loss)		
LIBOR +1% (2009: +1%)	1.0	0.1
LIBOR -0.3% (2009: -0.3%)	(0.3)	-

(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	
	2010 US\$M	2009 US\$M
Financial assets		
Other financial assets	35.7	69.1

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 25% sensitivity is based on reasonable possible changes, over a financial year, using the observed range of actual historical prices for 2010 and 2009.

	IMPACT ON EQUITY CONSOLIDATED	
	2010 US\$M	2009 US\$M
Post-tax impact on reserve		
Market price +25% (2009: +25%)	6.2	12.1
Market price -25% (2009: -25%)	(6.2)	(12.1)

(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 22 (f) details the repayment obligations in respect of the amount of the facilities.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2010

NOTE 22. FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

The maturity analysis of payables at the reporting date was as follows:

	Payables maturity analysis				
	Total US\$M	<1 year US\$M	1-2 years US\$M	2-3 years US\$M	>3 years US\$M
2010					
Consolidated					
Trade and other payables	63.2	63.2	-	-	-
Loans and borrowings	759.9	15.2	320.9	360.9	62.9
Interest payable	84.6	34.9	26.9	19.6	3.2
Total payables	907.7	113.3	347.8	380.5	66.1
2009					
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

(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	
	2010 US\$M	2009 US\$M
Current		
Cash and cash equivalents	348.8	66.2
Trade receivables	14.2	13.2
Other receivables – other entities	6.8	2.1
	369.8	81.5
Non Current		
Other receivables – other entities	-	2.2
Total	369.8	83.7

Notes to the Consolidated Financial Statements
for the year ended 30 June 2010

NOTE 22. FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

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

	Receivables ageing analysis				
	Total US\$M	Current US\$M	<1 year US\$M	1-2 years US\$M	>2 years US\$M
2010					
Consolidated					
Trade receivables	14.2	14.2	-	-	-
Other receivables	6.8	4.3	2.5	-	-
Total receivables	21.0	18.5	2.5	-	-
2009					
Consolidated					
Trade receivables	13.2	13.2	-	-	-
Other receivables	4.3	2.1	-	2.2	-
Total receivables	17.5	15.3	-	2.2	-

No receivables are past due or impaired.

(e) Fair value of financial instruments measured at fair value

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in active markets.

Level 2 – the fair value is estimated using 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 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2010

NOTE 22. FINANCIAL INSTRUMENTS (continued)

(e) Fair value of financial instruments measured at fair value (continued)

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below:

	Year ended 30 June 2010				Year ended 30 June 2009			
	Quoted market price (Level 1)	Valuation technique- market observable inputs (Level 2)	Valuation technique- non market observable inputs (Level 3)	Total	Quoted market price (Level 1)	Valuation technique- market observable inputs (Level 2)	Valuation technique- non market observable inputs (Level 3)	Total
	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M
Consolidated								
Financial assets								
Available-for-sale investments								
Listed investments	32.2	-	-	32.2	66.2	-	-	66.2
Unlisted investments	-	-	3.5	3.5	-	-	2.9	2.9
Options unlisted	-	-	-	-	-	-	1.0	1.0
	32.2	-	3.5	35.7	66.2	-	3.9	70.1

Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs. The fair value of the listed equity investments are based on quoted market prices.

For financial instruments not quoted in active markets, the Group uses valuation techniques such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs.

The fair value of unlisted debt and equity securities, as well as other investments that do not have an active market, are based on latest private share placement price before 30 June 2010.

Transfers between categories

There were no transfers between Level 1 and Level 2 during the year.

Reconciliation for Level 3 fair value movements

	CONSOLIDATED	
	2010 US\$M	2009 US\$M
Opening balance	3.9	4.5
Other comprehensive income/(loss)	0.4	(0.6)
Disposals	(0.8)	-
Closing balance	3.5	3.9
Total gain or loss stated in the table above for assets held at the end of the period	-	-

Notes to the Consolidated Financial Statements

for the year ended 30 June 2010

NOTE 22. FINANCIAL INSTRUMENTS (continued)

(f) Financing facilities

Refer to Note 18

(g) Capital management

When managing capital, management's objective is to ensure adequate cash resources to meet the Company's commitments are maintained, as well as to maintain optimal returns to shareholders through ensuring the lowest cost of capital available to the entity.

The Company utilises a combination of debt, equity and convertible bonds to provide the cash resources required. Management review the capital structure from time to time as appropriate.

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 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.

	CONSOLIDATED	
	2010	2009
	US\$M	US\$M
Total borrowings	730.1	586.2
Less cash and cash equivalents	(348.8)	(66.2)
Net debt	381.3	520.0
Total equity	1,474.6	1,111.6
Total Capital	1,855.9	1,631.6
Gearing Ratio	21%	32%

(h) Fair value of financial assets and financial liabilities carried at amortised cost

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 the debt component of the convertible bonds has been determined using a valuation technique based on the quoted market price of the convertible bonds.

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

	CONSOLIDATED			
	2010		2009	
	Carrying amount	Fair value	Carrying amount	Fair value
	US\$M	US\$M	US\$M	US\$M
Convertible bonds – debt component	554.3	538.7	543.2	510.3

(i) 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 delivery over the period 2010 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\$7.9M at the lower of cost and net realisable value in accordance with the Group's accounting policy for inventories.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2010

NOTE 23. 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; Resigned 13 November 2009)
Mr Garry Korte	Chief Financial Officer (Appointed 16 November 2009)
Mr Wyatt Buck	Executive General Manager – Production
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	
	2010 US\$'000	2009 US\$'000
Short-term	4,672	4,156
Post employment	624	108
Share-based payment	4,185	3,948
	9,481	8,212

Average exchange rate used for year to 30 June 2010, US\$1 = AU\$1.13652 (2009 US\$1 = AU\$1.36035).

Notes to the Consolidated Financial Statements
for the year ended 30 June 2010

NOTE 23. KEY MANAGEMENT PERSONNEL (continued)**(c) Option Holdings of Key Management Personnel (Consolidated and Parent Entity)**

30 June 2010	01 Jul 09	Granted as remuneration	Options exercised	Net change other	30 Jun 10	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 Wyatt Buck	351,533	-	-	-	351,533	-	351,533
Mr Dustin Garrow	344,769	-	-	-	344,769	-	344,769
Mr Simon Solomons	600,000	-	-	-	600,000	-	600,000
Total	4,380,087	-	-	-	4,380,087	-	4,380,087

No other Key Management Personnel held options during the year ended 30 June 2010.

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.

(d) Share Rights Holdings of Key Management Personnel (Consolidated and Parent Entity)

30 June 2010	01 Jul 09	Granted as remuneration	Vested as shares	30 Jun 10
Directors				
Mr John Borshoff	-	300,000	-	300,000
Executives				
Ms Gillian Swaby	-	180,000	-	180,000
Mr Garry Korte	-	90,000	-	90,000
Mr Dustin Garrow	-	200,000	-	200,000
Mr Wyatt Buck	-	160,000	-	160,000
Mr Simon Solomons	-	120,000	-	120,000
Total	-	1,050,000	-	1,050,000

No other Key Management Personnel held share rights during the year ended 30 June 2010.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2010

NOTE 23. KEY MANAGEMENT PERSONNEL (continued)

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

Shares held in Paladin Energy Ltd (number)

30 June 2010	Balance 01 Jul 09	On Exercise of Options	Net Change Other	Balance 30 June 10
Directors				
Mr Rick Crabb	4,581,528	-	300,000	4,881,528
Mr John Borshoff	21,591,394	-	286,000	21,877,394
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	5,036,655	-	-	5,036,655
Mr Wyatt Buck	96,350	-	13,650	110,000
Mr Simon Solomons	3,000	-	-	3,000
Total	31,479,927	-	599,650	32,079,577

No other Key Management Personnel held shares during the year ended 30 June 2010.

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 shareholdings.

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

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.

(f) Other Transactions and Balances with Key Management Personnel

Fees paid in the normal course of business in 2010 for company secretarial services totalling US\$421,078 (2009: US\$380,454) were paid/payable (balance outstanding at 30 June 2010 and included in trade creditors US\$Nil (2009: US\$Nil)) to a company of which Ms Gillian Swaby is a director and shareholder. All amounts are excluding GST.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2010

NOTE 24. AUDITORS' REMUNERATION

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

	CONSOLIDATED	
	2010 US\$'000	2009 US\$'000
<i>Amounts received or due and receivable by Ernst & Young (Australia) for:</i>		
• Audit or review of the financial report of the consolidated Group and audit related services	776	470
• Taxation services:		
Tax compliance services	97	282
International tax consulting	205	189
Tax advice on mergers and acquisitions	2	103
Other tax advice	58	53
Sub-total	1,138	1,097
<i>Amounts received or due and receivable by related practices of Ernst & Young (Australia) for:</i>		
• Audit or review of the financial report of subsidiaries	209	55
• Other assurance services:		
Malawi Development Agreement	58	-
• Taxation services:		
Tax compliance services	5	55
Sub-total	272	110

The level of non-audit related fees that the Company paid to its independent auditor, Ernst & Young relative to the audit /audit related fees reduced significantly from 2009 to 2010, with non-audit fees now lower than the audit/ audited related fees.

The level of non-audit related fees was driven by the tax compliance requirements of multiple jurisdictions, establishing new operations and by the specialist advice requirements of potential acquisitions. The appointment of a tax manager during the year is expected to reduce the level of external advice going forward.

Whilst always striving to meet the highest corporate governance standards, Paladin is also cognisant of the need to retain the value of the best available specialist advice. The establishment of the new Kayelekera mining operation in Malawi necessitated setting up robust internal controls and processes and systems. After a thorough search Paladin decided to engage Ernst & Young because of their specialised experience in both Africa and the mining sector and Ernst & Young's detailed understanding of the Paladin Group. These costs included under other assurance services are considered to be set up costs and are not anticipated to be incurred in future periods.

In terms of the Company's Corporate Governance Policy all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure that they do not adversely affect the integrity and objectivity of the auditor and that the nature of the services provided does not compromise the Code of Ethics for Professional Accountants APES 110 issued by the Accounting Professional and Ethical Standards Board.

All non-audit services provided by Ernst & Young were allowable services that received the sign off of the audit partner confirming that, in his professional opinion, they do not in any way impair the independence of the firm. Where any service might be perceived to be subjective, Ernst & Young policy requires approval by the Oceania Independence and Conflicts Leader.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2010

NOTE 25. COMMITMENTS AND CONTINGENCIES

There were no outstanding commitments or contingencies, which are not disclosed in the Financial Report of the Consolidated Entity and the Company as at 30 June 2010 other than:

		CONSOLIDATED	
		2010	2009
		US\$M	US\$M
(a)	Tenements		
	Commitments for tenements contracted for at the reporting date but not recognised as liabilities, payable:		
	Within one year	2.1	7.1
	Later than one year but not later than 5 years	20.4	8.0
	More than 5 years	0.1	-
	Total tenements commitment	22.6	15.1

These include commitments relating to tenement lease rentals and the minimum expenditure requirements of the Namibian, Malawian, Western Australian, South Australian, Northern Territorial 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.

		CONSOLIDATED	
		2010	2009
		US\$M	US\$M
(b)	Mine construction commitments		
	Commitments for mine construction contracted for at the reporting date but not recognised as liabilities, payable:		
	Within one year	35.7	4.4
	Later than one year but not later than 5 years	-	-
	More than 5 years	-	-
	Total mine construction	35.7	4.4

These commitments in 2010 relate to construction of Stage 3 at LHM (2009: construction of the KM and Stage 2 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 11 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	
		2010	2009
		US\$M	US\$M
	Within one year	1.3	0.8
	Later than one year but not later than 5 years	4.5	2.7
	More than 5 years	0.9	1.6
	Total operating lease commitment	6.7	5.1

Notes to the Consolidated Financial Statements
for the year ended 30 June 2010

NOTE 25. 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) (2009:A\$0.75M (US\$0.6M)) and are subject to the Department of Minerals & Energy granting tenements comprising two exploration licence applications. The A\$0.75M 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) (2009:A\$0.75M (US\$0.6M)) by the Consolidated Entity to the vendors when all project development approvals are obtained.

(e) Bank guarantees

As at 30 June 2010 the Group and Parent have outstanding US\$731,144 (A\$853,801) (2009: US\$87,051 / A\$108,201) as a current guarantee provided by a bank for the corporate office lease and a US\$30,828 (A\$36,000) (2009: Nil) guarantee for tenements.

(f) Legal actions

Mount Isa Uranium Joint Venture

On 3 August 2007 the Company's wholly owned subsidiary, Mt Isa Uranium Pty Ltd (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 (Areva intervention proceedings). 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.

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.

On 3 December 2009, Paladin announced that MIU had entered into a conditional agreement with (amongst others) Areva, Resolute Limited and Summit Resources Limited (Settlement Agreement).

The Settlement Agreement relates to the Areva intervention proceedings and is conditional upon the Honourable Chief Justice making orders in the form sought by the parties.

Paladin will make a further announcement to the market once it becomes known whether the Honourable Chief Justice will make the orders sought by the parties. There is no guarantee that such orders will be made, or made in the form sought by the parties.

The Company has recognised a provision for the expected litigation settlement amount.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2010

NOTE 26. EMPLOYEE BENEFITS

	CONSOLIDATED	
	2010 US\$M	2009 US\$M
Provision for annual leave and long service leave aggregate employment benefit liabilities	3.0	2.2
Employee benefits expense		
Wages and salaries	25.5	18.5
Defined contribution superannuation	2.6	1.9
Share-based payments	11.3	10.9
Other employee benefits	1.9	0.7
Total employee benefits expense	41.3	32.0

Superannuation

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

Employee Share Incentive Option Plan

Details of the Employee Share Incentive Option Plan for the Company are disclosed in Note 28.

NOTE 27. RELATED PARTIES

Key Management Personnel

Details relating to Key Management Personnel can be found at Note 23.

NOTE 28. SHARE-BASED PAYMENT PLANS

The share-based payment plans are described below.

(a) Types of share-based payment plans

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; and
- when Paladin is ranked below the 50th percentile the share options will not vest.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2010

NOTE 28. SHARE-BASED PAYMENT PLANS (continued)

(a) Types of share-based payment plans (continued)

Executive Share Option Plan (EXSOP) (continued)

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.

Following the adoption of the Rights Plan referred to below, no further grants will be made under the EXSOP. The last grant under this Plan was made on 24 June 2009.

Employee Performance Share Rights Plan

The Employee Performance Share Rights Plan (Rights Plan) was approved by shareholders on 25 November 2009. The Rights Plan replaces the EXSOP and no further options will be granted under the EXSOP. The last grant under that plan was made on 24 June 2009.

The Rights Plan is a long-term incentive plan aimed at advancing the interests of the Company by creating a stronger link between employee performance and reward and increasing shareholder value by enabling participants to have a greater involvement with, and share in the future growth and profitability of, the Company. It is an important tool to assist in attracting and retaining talented people.

Share Rights are granted under the plan for no consideration. Share Rights are rights to receive fully paid ordinary shares in the capital of the Company (Shares) in the future if certain individual and/or corporate performance metrics (Performance Conditions) are met in the measurement period.

The Board is cognisant of general shareholder concern that long-term equity based reward for staff should be linked to the achievement by the Company of a performance condition. Share Rights granted under the Rights Plan are subject to performance conditions as determined by the Board from time to time.

The Share Rights issued in 2010 are subject to a combination of Performance Conditions:-

- **Time-based Performance** conditions which prescribe a period of time that the employee must stay employed by the Company prior to automatic vesting.
- **The Total Shareholder Return (TSR)** measure which represents the change in the Company's Share price over the relevant period, plus dividends (if any) notionally reinvested in the Company's Shares, expressed as a percentage of the opening value.

The TSR of the Company from the date of the offer to the measurement date will be compared with the TSR of all mining companies in the ASX S&P 200 Index for the same period excluding, for such time as Paladin does not pay a dividend, all companies that paid a dividend during any year of the measurement period.

The number of Share Rights that vest depends on the TSR percentile ranking of the Company, as set out below:

Relative TSR Percentile Ranking	Percentage of share rights that may vest if the relative TSR performance condition is met
Less than 50th percentile	0% of the Share Rights subject to the TSR condition
at 50th percentile	50% of the Share Rights subject to the TSR condition
Greater than the 50th percentile but less than the 75th percentile	Pro-rated vesting between 51% and 99% of the Share Rights subject to the TSR condition
At 75th percentile or greater	100% of the Share Rights subject to the TSR condition

- **The Market Price Performance condition** measures the increase in share price of the Company. Share Rights subject to the Market Price Performance Condition will vest if, at the end of the measurement period, the Share price of the Company is 25% above the market price as at the date of the offer.
- **The Earnings Per Share (EPS) Performance condition**, which is determined by dividing the operating profit attributable to members of the Paladin Group by the weighted average number of Ordinary Shares outstanding during the financial year. Growth in EPS will be measured by comparing the EPS in the base year and the measurement year.

Vesting will only occur if the Company achieves average compound growth in EPS of at least 10% per annum over the three year performance period, calculated from the date of the grant of the Share Rights.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2010

NOTE 28. SHARE-BASED PAYMENT PLAN (continued)

(a) Types of share-based payment plans (continued)

Employee Performance Share Rights Plan (Rights Plan) (continued)

The vesting schedule of the Share Rights subject to the EPS conditions is as follows:

Average compound growth EPS over the performance period	Percentage of share rights that may vest if the EPS condition is met
Less than 10% pa	0% of the Share Rights subject to the EPS condition
At 10% pa	50% of the Share Rights subject to the EPS condition
More than 10% pa but less than 20% pa	Pro-rated vesting between 51% and 99% of the Share Rights subject to the EPS condition
At 20% pa or greater	100% of the Share Rights subject to the EPS condition

When a participant ceases employment prior to the vesting of their Share Rights, the Share Rights lapse unless cessation of employment is due to retirement, total and permanent disablement, redundancy or death. In the event of a change of control all the Share Rights will vest.

Contractor Performance Share Rights Plan

The Company has also implemented a plan to reward a small number of key individual contractors, who provide similar services to employees. This plan and the Rights Plan applicable to employees, as detailed above, differ only in respect of the class of individuals who are eligible for participation. This Plan was approved by shareholders on 25 November 2009.

(b) Summaries of options granted under EXSOP

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of and movements in share options issued during the year:

	2010 No.	2010 WAEP A\$	2009 No.	2009 WAEP A\$
Outstanding at the beginning of the year	15,227,455	5.25	19,077,072	5.12
Granted during the year	-	-	1,950,000	3.12
Forfeited during the year	(1,458,700)	5.02	(1,314,617)	4.55
Exercised during the year	-	-	(2,060,000) ¹	3.32
Expired during the year	(1,000,000)	5.50	(2,425,000)	4.54
Outstanding at the end of the year	12,768,755	5.26	15,227,455	5.25
Exercisable at the end of the year	-	-	1,700,000	5.45

¹ The weighted average share price at the date of exercise is A\$3.79

The outstanding balance as at 30 June 2010 is represented by:

Date options granted	Exercisable	Expiry date	Exercise price of options	Number under option
1 February 2007	1 February 2010	1 February 2012	8.77	2,694,270
29 January 2008	29 January 2011	29 January 2013	4.50	7,149,485
15 February 2008	15 February 2011	15 February 2013	5.37	300,000
18 April 2008	18 April 2011	18 April 2013	4.59	1,075,000
14 October 2008	14 October 2011	14 October 2013	2.54	750,000
11 December 2008	11 December 2011	11 December 2013	2.07	300,000
24 June 2009	24 June 2012	24 June 2014	4.48	500,000
Total				12,768,755

Please refer to Outstanding Share Information table in the Management Discussion & Analysis for movements since the year end.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2010

NOTE 28. SHARE BASED PAYMENT PLAN (continued)

(c) Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 30 June 2010 is 2.5 years (2009: 3.2 years).

(d) 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 (2009: A\$2.07 – A\$8.77).

(e) Weighted average fair value

There were no options granted during the year. (The weighted average fair value of options granted during 2009 was A\$1.79).

(f) Option pricing model: 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 Black-Scholes 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 2010 and 30 June 2009:

	2010	2009
Dividend yield (%)	-	Nil%
Expected volatility (%)	-	70% - 72%
Risk-free interest rate (%)	-	3.69% - 4.93%
Expected life of option (years)	-	3.75 years
Option exercise price (\$)	-	A\$2.07 - A\$4.48
Closing share price at grant date (\$)	-	A\$2.45 - A\$4.41

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.

(g) Summaries of performance share rights granted under the rights plans

The following table illustrates the number (No.) of and movements in share rights issued during the year (2009: N/A):

	2010 No.
Granted during the year *	5,026,900
Forfeited during the year	(12,400)
Vested during the year	-
Outstanding at the end of the year	5,014,500

* Includes 520,000 rights granted under the Contractor Performance Share Rights Plan.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2010

NOTE 28. SHARE BASED PAYMENT PLAN (continued)

(g) Summaries of performance share rights granted under the rights plans (continued)

The outstanding balance as at 30 June 2010 is represented by:

Date rights granted	Vesting date	Vesting performance conditions	Number
26 March 2010	26 March 2013	Relative total shareholder return	150,000
26 March 2010	26 March 2013	Earnings per share	150,000
26 March 2010	1 September 2010	Time based	507,450
26 March 2010	1 September 2011	Time based	701,175
26 March 2010	1 September 2012	Time based	1,168,625
26 March 2010	1 September 2012	Relative total shareholder return	934,900
26 March 2010	1 September 2012	Market price	1,402,350
Total			5,014,500

Please refer to Outstanding Share Information table in the Management Discussion & Analysis for movements since the year end.

(h) Weighted average remaining contractual life

The weighted average remaining contractual life for the share rights outstanding as at 30 June 2010 is 1.9 years (2009: N/A).

(i) Weighted average fair value

The weighted average fair value of share rights granted during the year was A\$3.31.

(j) Rights pricing model

The fair value of the equity-settled share rights granted under the plan is estimated as at the date of grant using either the Black-Scholes model for rights with non-market based performance conditions (time based and EPS), the Monte-Carlo simulation model for rights that contained a relative TSR performance condition or an Asset or Nothing Digital Option valuation model for rights subject to the market price condition.

The following table lists the inputs to the model used for the years ended 30 June 2010 (30 June 2009: N/A)

	2010
Dividend yield (%)	Nil
Expected volatility (%)	70% - 71%
Risk-free interest rate (%)	4.55% - 5.42%
Expected life of right (years)	0.5 - 4 years
Closing share price at grant date (A\$)	A\$3.88

Notes to the Consolidated Financial Statements

for the year ended 30 June 2010

NOTE 29. INTERESTS IN JOINTLY CONTROLLED ASSETS

(a) Joint venture details

Bigrlyi Joint Venture

The Bigrlyi 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 53.29%, Southern Cross Exploration NL 5.0% and Northern Territory Uranium Pty Ltd (NTU) 41.71% (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(s) and no revenue is generated. The Consolidated Entity's share of the assets and liabilities in respect of these joint ventures is not material.

(b) Assets utilised in the Bigrlyi 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, is as follows:

	CONSOLIDATED	
	2010	2009
	US\$M	US\$M
Non current assets		
Exploration and evaluation expenditure	15.2	14.3
Total assets	15.2	14.3

The interest of NTU in the Bigrlyi Joint Venture was acquired on 7 September 2006 and includes the allocation of the acquisition value.

The interest of PNT in the Angela Project joint venture was acquired on 20 February 2008.

(c) Commitments relating to the joint venture

	CONSOLIDATED	
	2010	2009
	US\$M	US\$M
Share of tenement commitments (Note 25)	-	-

(d) Impairment

No assets employed in the jointly controlled assets were impaired during the year (2009: US\$Nil).

Notes to the Consolidated Financial Statements

for the year ended 30 June 2010

NOTE 30. 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 2010 Financial Report:

Board Changes

Mr Ian Noble will not seek re-election and will resign at the next Annual General Meeting to be held on 25 November 2010.

On the 1 July 2010, the Company announced the appointment of Mr Peter Donkin with effect from 1 July 2010 and Mr Philip Baily with effect from 1 October 2010 as non-executive directors of Paladin Energy Ltd.

Mr Donkin has 28 years' experience in finance, of which the last 18 years have involved arranging finance in the mining sector. Mr Baily is a metallurgist with more than 40 years' experience in the mining industry, including some 10 years in the uranium sector.

A\$27M recommended takeover offer for NGM Resources Limited

On 21 July 2010, the Company announced a takeover offer for the shares it does not already own in ASX listed minerals exploration company NGM. Paladin currently holds approximately 22.48% of NGM's ordinary shares on issue, having recently acquired 4.3M NGM shares at \$0.09 per share.

The consideration under the Offer will comprise one fully paid ordinary Paladin share for every 23.9 fully paid ordinary NGM shares that Paladin does not already own, implying a price of A\$0.15 per NGM share based on the closing price of Paladin shares on the ASX on 20 July 2010 (being the last trading day prior to announcement of the Offer) of A\$3.58.

The Offer values NGM at approximately A\$27M. The Offer is subject to a number of conditions.

NGM's directors have unanimously recommended that NGM shareholders accept the Offer, in the absence of a superior offer. They have also indicated that they intend to accept the Offer in respect of their own shareholdings, in the absence of a superior offer. NGM holds three uranium exploration concessions, covering an area of approximately 1,500km² in Niger. Niger is the 6th major uranium producing country in the world and the acquisition of NGM would provide Paladin with a footprint in this major uranium province.

Issue of Shares

On 2 August 2010, the Company announced the issue of 750,000 fully paid ordinary shares following the vesting of Share Rights pursuant to the Employee Performance Share Rights Plan. The shares are to be held in trust, vesting variously over time up to 1 January 2012 subject to conditions. Once vested, all shares remain in trust and subject to restrictions on dealing that will cease by 1 January 2014.

On 1 September 2010, the Company announced the issue of 530,580 fully paid ordinary shares following the vesting of Share Rights pursuant to the Employee Performance and Contractor Performance Share Rights Plans.

NOTE 31. NON-CASH FINANCING AND INVESTMENT ACTIVITIES

	CONSOLIDATED	
	2010 US\$M	2009 US\$M
Issue of shares to acquire 100% of Fusion	-	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.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2010

NOTE 32. 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 2010 and 2009 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	
	2010	2009
	US\$M	US\$M
Net loss attributable to ordinary equity holders of the Parent from continuing operations	(52.9)	(480.2)
	2010	2009
	Number of Shares	Number of Shares
Weighted average number of ordinary shares for basic and diluted earnings per share	697,428,692	617,953,844
Weighted average number of securities issuable under the Company's option and rights plans that could be potentially dilutive	1,766,058	3,311,233
Total number of securities not included in weighted average calculation due to non-dilutive nature	96,054,056	96,025,506

750,000 shares were issued on 2 August 2010 and 530,580 shares were issued on 1 September 2010 following the vesting of Share Rights. This would not have a significant impact on the earnings per share calculation had they been issued prior to 30 June 2010.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2010

NOTE 33. PARENT ENTITY INFORMATION

		CONSOLIDATED	
		2010	2009
		US\$M	US\$M
(a)	Information relating to Paladin Energy Ltd		
	Current assets	340.6	18.1
	Total assets	1,451.7	1,145.4
	Current liabilities	14.0	9.9
	Total liabilities	582.2	542.1
	Issued capital	1,474.6	1,111.6
	Retained earnings	(687.6)	(597.4)
	Option application reserve	0.1	0.1
	Share based payments reserve	38.0	25.9
	Available-for-sale investment revaluation reserve	5.5	24.2
	Convertible bond non distributable reserve	38.9	38.9
	Total shareholders' equity	869.5	603.3
	Net loss after tax from operations	(90.1)	(497.8)
	Total comprehensive loss	(109.2)	(532.8)

(b) Details of any guarantees entered into by the parent in relation to the debts of its subsidiaries

There are no guarantees entered into to provide for debts of the Company's subsidiaries.

(c) Details of any contingent liabilities of the parent entity

There are no contingent liabilities of the parent entity as at reporting date.

(d) Details of any contractual commitments by the parent entity for the acquisition of property, plant and equipment

There are no contractual commitments by the parent entity for the acquisition of property, plant and equipment as at reporting date.

(e) Tax consolidation

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.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2010

NOTE 33. PARENT ENTITY INFORMATION (continued)**(f) Investments in material controlled entities**

NAME	COUNTRY OF INCORPORATION INVESTMENT	PERCENTAGE INTEREST HELD	
		2010	2009
		%	%
Paladin Finance Pty Ltd (i)(ii)	Australia	100	100
Paladin Energy Minerals NL (i)	Australia	100	100
Eden Creek Pty Ltd (i)(ii)	Australia	100	100
Paladin (Africa) Ltd (iii)	Malawi	85	85
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
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	82
Summit Resources (Aust) Pty Ltd (ii)(v)	Australia	82	82
Pacific Mines Ltd (v)	Australia	82	82
Paladin NT Pty Ltd (i)(ii)	Australia	100	100
Fusion Resources Pty Ltd (i)(ii)	Australia	100	100

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

⁽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

^(iv) Held by Valhalla Uranium Ltd

^(v) Held by Summit Resources Ltd

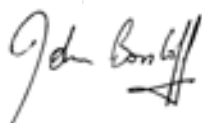
Directors' Declaration

In accordance with a resolution of the Directors of Paladin Energy Ltd, I state that:

In the opinion of the Directors:

- (a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2(a);
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2010.

On behalf of the Board



Mr John Borshoff
Managing Director/CEO
Perth, Western Australia
22 September 2010

Independent Auditor's Report to the members of Paladin Energy Ltd



Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843
Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
www.ey.com/au

Independent audit report to members of Paladin Energy Ltd

Report on the Financial Report

We have audited the accompanying financial report of Paladin Energy Ltd, which comprises the statement of financial position as at 30 June 2010, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows 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 2, 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 and International Standards on Auditing. 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.

Independent Audit Report to the members of Paladin Energy Ltd**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 consolidated entity's financial position at 30 June 2010 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

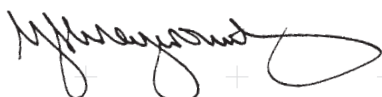
We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is 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 for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



G H Meyerowitz
Partner
Perth
22 September 2010

Independent Auditor's Report to the members of Paladin Energy Ltd



Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843
Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
www.ey.com/au

Independent auditor's report to the members of Paladin Energy Ltd

We have audited the accompanying financial report of Paladin Energy Ltd, prepared for the purposes of complying with Canadian securities regulatory requirements, which comprises the statement of financial position as at 30 June 2010 and 30 June 2009 and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the years ended 30 June 2010 and 30 June 2009, 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 International Accounting Standards (including the Interpretations). 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.

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 International Standards on Auditing. 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

We are independent of the company and have met the independence requirements of Australian and international professional ethical pronouncements.

Independent Auditor's Report to the members of Paladin Energy Ltd**Auditor's Opinion**

In our opinion:

1. the financial report of Paladin Energy Ltd, prepared for the purposes of complying with Canadian securities regulatory requirements, presents fairly, in all material respects, the financial position of the consolidated entity at 30 June 2010 and 30 June 2009 and of their performance for the years ended 30 June 2010 and 30 June 2009; and
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.



Ernst & Young
Perth
22 September 2010

Independent Auditor's Report to the members of Paladin Energy Ltd**Paladin Energy Ltd****Comments by auditor for Canadian readers**

Reporting standards under Canadian generally accepted auditing standards may differ from those under International Standards on Auditing in the form and content of the auditor's report, depending on the circumstances.

Further, an auditor's report prepared in accordance with reporting standards under Canadian generally accepted auditing standards on the aforementioned consolidated financial statements would not contain a reservation.



Ernst & Young
Perth
22 September 2010

Additional Information

Pursuant to the Listing Requirements of ASX as at 16 September 2010:

(a) Distribution and number of holders

Range	Total Holders
1 - 1,000	11,056
1,001 - 5,000	10,290
5,001 - 10,000	2,437
10,001 - 100,000	1,722
100,001 - maximum	167
	25,672

1,726 shareholders hold less than a marketable parcel of shares.

(b) Top twenty shareholders

The twenty largest shareholders hold 81.74% of the total shares issued.

Holder	No. of Shares	%
HSBC Custody Nominees (Australia) Limited	172,402,261	24.00
CDS & Co	117,248,611	16.33
JP Morgan Nominees Australia Limited	87,350,367	12.16
National Nominees Limited	72,604,070	10.11
CEDE & Co	36,428,735	5.07
Mr J Borshoff*	21,877,394	3.05
Citicorp Nominees Pty Limited	21,316,840	2.97
ANZ Nominees Limited	16,444,871	2.29
UBS Wealth Management Australia Nominees Pty Ltd	7,341,374	1.02
Cogent Nominees Pty Limited	6,522,184	0.91
UBS Nominees Pty Ltd	6,411,889	0.89
Ms Gillian Swaby*	5,054,655	0.70
Mr Rick Crabb*	4,881,528	0.68
AMP Life Limited	4,708,862	0.66
HSBC Custody Nominees (Australia) Limited – A/C 3	2,685,139	0.37
Mrs Deborah Lakshmi Halliday	1,600,000	0.22
Queensland Investment Corporation	1,542,619	0.21
JP Morgan Nominees Australia Limited	1,520,409	0.21
Merrill Lynch (Australia) Nominees Pty Limited	1,505,238	0.21
Forbar Custodians Limited	1,360,798	0.19
	590,807,844	82.24

* Aggregates all associated holdings

Substantial shareholders as disclosed in substantial shareholder notices given to the Company are as follows:

The Capital Group Companies, Inc.	44,465,297	6.19%
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(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.

Additional Information

(d)

Tenements held

URANIUM PROJECTS

NAMIBIA – AFRICA

Project	Tenements	Interest %	JV Partner/s	Operator	Note
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

Isa North	5 EPMs	82.05%	(see Note 3)	SRA	3
(See Note 2)	3 MDLs	(A) 82.05%	(see Note 3)	SRA	3
Valhalla North	2 EPMs	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	41.71%) Energy Metals Limited	EME	
	20 MCs	(A) 41.71%)- Southern Cross) Exploration NL	EME	
	2 MLs	(A) 41.71%)	EME	
Walbiri	1 ERL	(A) 58.13%	Energy Metals Limited	EME	
Malawiri	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	

Additional Information

(d) Tenements held (continued)

NON-URANIUM PROJECTS

QUEENSLAND

Western Isa Joint Venture (See Note 2)

(Summit Resources (Aust) Pty Ltd, Pacific Mines Pty Ltd)

Isa South	4	EPMs	82.05%	MM Mining (Qld) Limited	MMM	4
	4	EPMs	(A) 82.05%	MM Mining (Qld) Limited	MMM	4
	1	EPM	73.84%	MM Mining (Qld) Limited	MMM	4
				Centaurus Metals Limited		
May Downs	3	EPMs	82.05%	MM Mining (Qld) Limited	MMM	4
Mount Kelly	1	EPM	82.05%	MM Mining (Qld) Limited	MMM	4
Constance Range	5	EPMs	82.05%	MM Mining (Qld) Limited	MMM	4

Other Queensland Joint Ventures

(Fusion Resources Pty Ltd)

Tate River	1	EPM	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	Perilya	
				Signature Resources NL		

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 (Qld) Limited	12.25%	4
NTU	Northern Territory Uranium Pty Ltd	100%	
PAC	Pacific Mines Pty Ltd	100%	
PAL	Paladin (Africa) Ltd	100%	1
PEM	Paladin Energy Minerals NL	100%	
SOV	Sovereign Metals Limited	0%	
SRA	Summit Resources (Aust) Pty Ltd	82.05%	2

(d) Tenements held (continued)**Notes**

1. Paladin holds 85% equity in Paladin (Africa) Limited ("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 82.05% equity holding in Summit Resources Limited which in turn holds 100% equity interest in Summit Resources (Aust) Pty Ltd ("SRA") and Pacific Mines Pty Ltd.
3. The Vallhalla and Skal uranium deposits lie within the Isa North tenement block within defined blocks of land (17 km² and 10 km² respectively) subject to the Isa Uranium Joint Venture between SRA (50% and Operator) and Mount Isa Uranium Pty Ltd (50%).
4. The Western Isa Joint Venture tenements are held by SRA/Pacific Mines Pty Ltd. MM Mining (Qld) Limited can earn 80% equity in the Western Isa Joint Venture tenements through expenditure of A\$8M within three years of commencement (10 December 2007). Summit holds 20M fully paid shares or 12.25% of the issued capital in MM Mining Limited, the parent company of MM Mining (Qld) Limited.
5. The Tate River Joint Venture tenement is held by Fusion Resources Pty Ltd ("Fusion"). Sovereign Metals Limited has earned 50% equity and can earn up to 75% through further staged expenditure of A\$1.5M. Fusion is negotiating to convert its interest to a net smelter royalty.
6. The Tributary Creek Joint Venture tenement is held by Fusion. BHP Billiton Pty Ltd has earned 70% equity and Fusion has elected not to contribute to ongoing exploration expenditure. Under the terms of the joint venture agreement Fusion's remaining interest will be converted to a net smelter royalty.
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)
- EPL Exclusive Prospecting Licence (Africa)
- EPM Exploration Permit for Minerals (Australia)
- ERL Exploration Retention Licence (Australia)
- MC Mineral Claim (Australia)
- ML Mining Lease (Australia)
- MLI Mining Licence (Africa)
- (A) Pending Application

List of Abbreviations

A\$	Australian dollars	M	million
bcm	bank cubic metres	Mlb	million pounds
BFS	Bankable Feasibility Study	m	metres
CCD	Counter Current Decantation	Ma	million years
DFS	Definitive Feasibility Study	MIK	Multiple Indicator Kriging
DIFR	disabling incident frequency rate	mm	millimetres
ft	feet	MMI	Mobile Metal Ion
g	gram	mSv	millisiverts
g/m ³	grams per cubic metre	Mtpa	million tonnes per annum
g/t	grams per tonne	NOSA	National Occupational Safety
hr	hours	NPV	net present value
ISO	International Organisation for Standardisation	pa	per annum
ISR	in situ recovery	PAL	Paladin (Africa) Limited
JORC	Joint Ore Reserves Committee	ppb	parts per billion
K	thousand	ppm	parts per million
kg	kilogram	QC	quality control
kg/t	kilogram per tone	RC	reverse circulation
km	kilometres	RIP	resin-in-pulp
KM	Kayelekera Mine	t	tonnes
km ²	square kilometres	t/m ³	tonnes per cubic metre
kW	kilowatts	tpa	tonnes per annum
lb	pounds	tph	tonnes per hour
LHM	Langer Heinrich Mine	U	uranium
LHUPL	Langer Heinrich Uranium (Pty) Ltd	U ₃ O ₈	Uranium Oxide
LTI	lost time injury	US\$	US dollars
LTIFR	lost time injury frequency rate	w:o	waste to ore ratio

Shareholder Reporting Timetable

Important Dates

29 October 2010	September Quarterly Activities Report (ASX)
12 November 2010	September Quarterly Financial Statements including MD&A (TSX)
16 November 2010	Conference Call and Investor Update
25 November 2010	Annual General Meeting to be held in Perth, Western Australia
31 January 2011	December Quarterly Activities Report (ASX)
14 February 2011	Half Yearly Financial Statements incorporating December Quarter and MD&A (Appendix 4D – ASX)
16 February 2011	Conference Call and Investor Update (proposed date)
29 April 2011	March Quarterly Activities Report (ASX)
13 May 2011	March Quarterly Financial Statements including MD&A (TSX)
17 May 2011	Conference Call and Investor Update (proposed date)
29 July 2011	June Quarterly Activities Report (ASX)
31 August 2011	Preliminary Final Report on year end 30 June 2011 results (Appendix 4E – ASX)
1 September 2011	Conference Call and Investor Update (proposed date)
28 September 2011	Annual Information Form (TSX)
30 September 2011	Audited Annual Financial Statements for the year ended 30 June 2011 including MD&A (ASX/TSX)
28 October 2011	September Quarterly Activities Report (ASX)
14 November 2011	September Quarterly Financial Statements including MD&A (TSX)
15 November 2011	Conference Call and Investor Update (proposed date)
24 November 2011	Annual General Meeting to be held in Perth, Western Australia

Please note the above lodgement dates are deadlines and reports may be released early.

Corporate Directory

Directors

Non-executive Chairman

Mr Rick Crabb

Managing Director/CEO

Mr John Borshoff

Non-executive Directors

Mr Sean Llewelyn

Mr Ian Noble (i)

Mr Donald Shumka

Mr Peter Donkin

Mr Philip Baily (ii)

Registered Office

Level 4, 502 Hay Street
Subiaco Western Australia 6008

Telephone: (+61 8) 9381 4366

Facsimile: (+61 8) 9381 4978

Email: paladin@paladinenergy.com.au

Web: www.paladinenergy.com.au

Share Registries

Australia

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

Telephone: (+61 8) 9323 2000

Facsimile: (+61 8) 9323 2033

Canada

Computershare Investor Services Pty Ltd
100 University Avenue, 11th Floor
Toronto Ontario M5J 2Y1

Telephone: (+1) 416 263 9200

Facsimile: (+1) 416 263 9261

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
Level 4, 502 Hay Street
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

(i) will not seek re-election at 2010 AGM

(ii) appointment effective 1 October 2010

Investor Relations

Australia – Corporate Office

Ms Gillian Swaby

Level 4, 502 Hay Street
Subiaco Western Australia 6008
(PO Box 201, Subiaco, 6904)

Telephone: (+61 8) 9381 4366

Facsimile: (+61 8) 9381 4978

Email: gillian.swaby@paladinenergy.com.au

Mr Justin Reid

Level 4, 502 Hay Street
Subiaco Western Australia 6008
(PO Box 201, Subiaco, 6904)

Telephone: (+61 8) 9381 4366

Facsimile: (+61 8) 9381 4978

Email: justin.reid@paladinenergy.com.au

North America

Mr Greg Taylor

Oakville, ON Canada

Tel: (+1) 905 337-7673

Mob: (+1) 416 605-5120

Fax: (+1) 905 844-6532

Email: greg.taylor@paladinenergy.com.au

Auditors

Ernst & Young
11 Mounts Bay Road
Perth Western Australia 6000

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

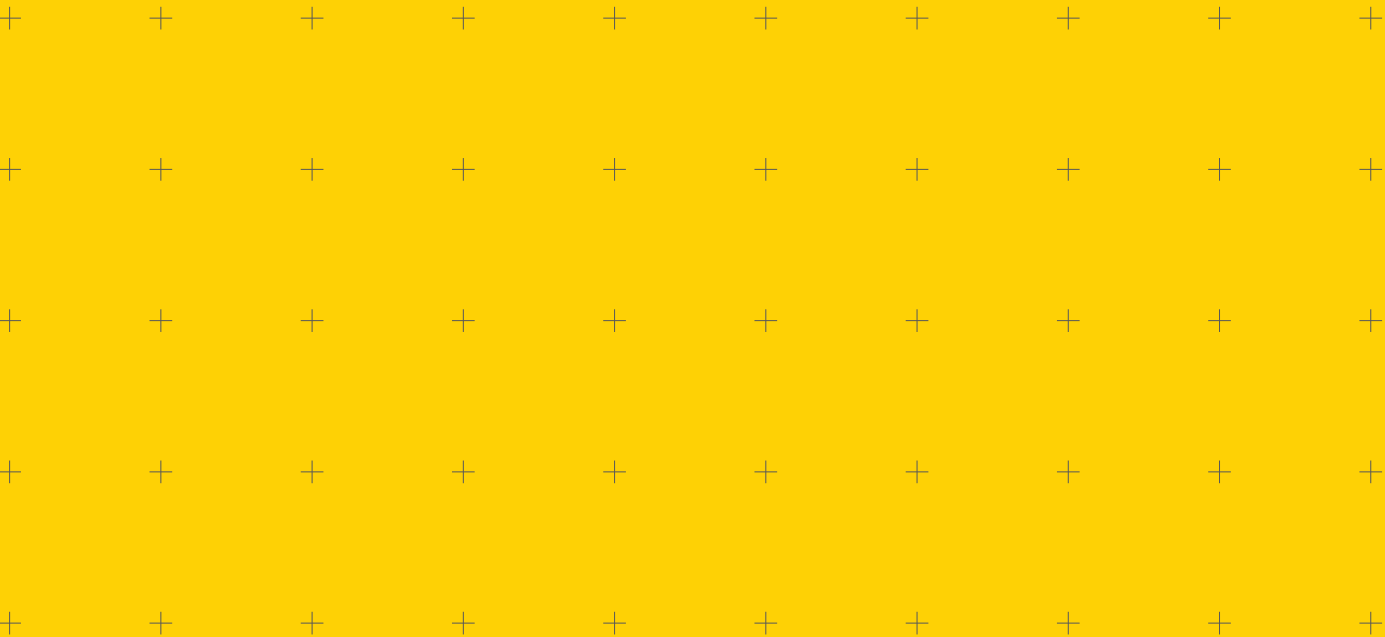


Joy Miduku

Corporate Receptionist
Head Office



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www.paladinenergy.com.au



Corporate values

- ✦ Create shareholder wealth by developing the considerable opportunities Paladin has generated to become a major player in the global uranium supply market.
- ✦ Operate at global best practice with particular emphasis on safety and 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.