



PALADIN ENERGY LTD

ACN.061 681 098

FINANCIAL REPORT

FOR THE THREE MONTHS ENDING

30 SEPTEMBER 2011

PALADIN ENERGY LTD

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Report to Shareholders

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(All figures are in US dollars unless otherwise indicated)

SAFETY

One LTI was recorded for the quarter. This occurred at Langer Heinrich and involved lightly heated slurry splashes to the face and neck.

QUARTERLY URANIUM SALES

Sales for the quarter were a record 2,001,673lb U₃O₈ generating revenue of US\$102.74M, representing an average sales price of US\$51.33/lb U₃O₈, generally in-line with the average uranium spot market price over the quarter. Spot uranium prices continued to languish extending from the Fukushima nuclear accident. The persistent deterioration of the uranium spot price post-Fukushima is impacting financial returns and for this quarter has negatively affected average sales price by a further \$5/lb from that forecasted internally. As other producers have also indicated, these low uranium price levels will dramatically impact the supply growth outlook and are therefore considered unsustainable if a viable and vibrant supply industry is to be established to support the growth in global nuclear power now being reaffirmed.

Uranium Sales Agreements Signed

As advised in August, Paladin signed a series of term uranium sales agreements for production from the Langer Heinrich Stage 3 expansion. The agreements were signed with three new customers in the United States further strengthening Paladin's already significant presence within the U.S. nuclear market.

Production commitments from the new agreements total more than 2.8Mlb U₃O₈ with deliveries beginning in 2012 and extending through to 2016. Contractual pricing provisions incorporate both fixed and base (escalated) mechanisms ranging from the low to mid \$60's per pound U₃O₈.

During the quarter, Paladin has also been engaging with a number of parties in relation to new sales contracts with a view to confirming further term agreements in the coming months.

LANGER HEINRICH MINE (LHM), Namibia

Production by quarter

LHM	Dec Qtr	Mar Qtr	Jun Qtr	Sept Qtr
Production lb	932,731	795,808	896,761	849,067

Production by month

LHM	Jul	Aug	Sept
Production lb	265,421	265,453	318,193

During the quarter the plant consistently produced at the Stage 2 production levels with periods exceeding the Stage 2 capacity as the benefit of newly commissioned equipment started to make contributions. Production for the quarter however did suffer with 6 days of shutdowns required for the tie-in of Stage 3 equipment. Although further minor production disruptions are scheduled, production is expected to be well above Stage 2 nameplate during the December quarter.

The production for the quarter amounted to 849,067lb (Jun 2011 quarter – 896,754lb), a decrease of 5.3%.

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Mining

Mining activities had a twofold focus: providing the required ore to the processing plant and also making provision for the soon to be increased ROM feed required as part of Stage 3 throughput requirements.

	Jun Qtr	Sept Qtr
Ore mined t	1,686,727	2,020,638
Grade ppm	769	687
Additional low grade ore mined t	618,445	1,214,524
Grade (ppm)	328	328
Waste/Ore ratio	1.52	1.86
Ore crushed t	543,859	499,384
Grade ppm	893	961

Mining primarily focused on opening up the new Pit C, as the other pits are currently ore-bound and only mined when ROM stocks dictate. At the close of the quarter there was over 6 weeks of ore feed on the ROM pad and another 4 weeks of broken ore remaining in the pits.

Mining was also directed by the need to source construction-quality waste for the new tailings embankments. Phase 1 construction of the embankments passed the 605mRL and the facility is receiving tailings from the plant. Work on the tailings dam is now on a 24/7 roster to ensure that the rate of rise of the embankment exceeds that of the tailings deposition.

Process Plant

Operational Data

	Jun Qtr	Sept Qtr
Ore milled t	543,859	499,384
Grade ppm	893	961
Scrub efficiency %	95.6	96.8
Leach efficiency %	90.3	85.1
Wash efficiency %	79.0	81.5
Overall recovery %	82.5	80.2

Tonnage through the process plant reduced slightly from the previous quarter with a throughput of 499,400t of ore crushed (543,900t in June quarter) due to the interruptions experienced as a result of the tie-in shutdowns for Stage 3 equipment and constraints on heat in the leach circuits.

The front-end circuits continued to perform well subsequent to the introduction of the new crushing and scrubbing circuit during the previous quarter. The new larger capacity scrubber provides much improved scrubbing efficiency and availability.

The extraction in the leaching circuit performed below target expectations due to sub-optimal performance of the dated spiral heat exchangers. The new "flash-splash" system will be commissioned during the December quarter and much improved performance as a result of additional heat input is expected. During the quarter the two new Stage 3 leach tanks were commissioned and put into full operation. The resultant increased residence time in the leach circuit yielded immediately improved leach results.

Counter-Current Decantation (CCD) continues to operate according to expectations. The additional Stage 3 CCD tanks have also been fully commissioned and put into operation.

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Ion Exchange performed well during the quarter with high levels of efficiency recorded.

The overall plant efficiency reduced slightly during quarter, but showed significant improvements during the months of August (82.5%) and September (84%) as more equipment was commissioned and put into operation.

Tailings

During the quarter the tailings thickener circuit started to be commissioned and this work is ongoing whilst the tailings disposal has been permanently diverted to the new tailings facility.

Stage 3 Expansion

The Stage 3 expansion to take production from 3.7Mlb pa to 5.2Mlb pa is nearing completion with ramp-up and commissioning of the various processing areas progressing well. The recently completed crushing, conveying, scrubbing, classification, leach, CCD, boiler and tailings areas are now in operation and post quarter end are contributing significantly to production output. The boiler plant has commenced steam production. The commissioning of the steam injection to the "flash-splash" and leach tank areas is awaiting final completion and certification of the steam distribution pipe work.

The NIMCIX structures, equipment and electrical installation are complete and the NIMCIX columns have been undergoing final water filling and hydro testing. Process commissioning and ramp-up of the NIMCIX area will shortly commence upon completion of the outstanding pipe work connections in that area.

The project has achieved two million man-hours without a lost time injury.

Industrial actions between the main construction contractor and their employees, during the quarter, have now been resolved and a staged demobilisation programme for the construction workforce has been implemented.

The project is at an overall 99% state of completion.

Stage 4 Feasibility Study

The technical aspects of the study are almost complete with cost estimations underway. The study is expected to be finalised at the end of December along with the Environmental Impact Assessment.

KAYELEKERA MINE (KM), Malawi

Production by quarter

KM	Dec Qtr	Mar Qtr	Jun Qtr	Sept Qtr
Production	534,201	606,034	566,248	395,478

Production by month

KM	Jul	Aug	Sept
Production lb	234,281	43,853	117,344

Kayelekera's production performance during the September quarter dropped 30% from that of the previous quarter as a result of the planned plant upgrade shutdown in August and the unscheduled

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shutdown of the drying and packaging plant and the acid plant caused by localised ground movement.

A total of 6 weeks were lost during the quarter due to the combination of the planned plant upgrade shutdown and the remedial work.

As a result, the production for the quarter was reduced and amounted to 395,478lb (50% of nameplate production).

Production for August of 43,853lb was 30,000lb short of target. In addition the extension of remediation work into September caused a further production shortfall in the order of 140,000lb.

Mining

The mining operations were impacted by the activities in the process plant during the quarter. The bulk of work undertaken involved drainage preparation ahead of the rainy season and a select partial waste dump relocation which forms part of the ground movement remediation programme.

The mining and process plant will continue working closely to fine tune the blending ratio associated with oxide and reduced ores to optimise acid consumption and other operating parameters.

	Jun Qtr	Sept Qtr
Ore mined t	274,544	231,416
Grade ppm	1115	1301
Additional low grade mined t	250,716	101,076
Grade ppm	509	519
Waste t	341,202	421,912

Process Plant

Operating data

	Jun Qtr	Jul	Aug *	Sept *	Sept Qtr
Operating time hrs	1,752	632	155	332	1,119
Mill feed, t	287,473	103,422	23,942	54,173	181,537
Grade ppm	1,239	1,287	1,267	1,097	1,227
Leach extraction %	85.7	86.12	84.0	85.16	85.6
RIP efficiency %	91.8	90.13	87.53	89.68	89.7
Overall efficiency %	80.0	75.8	75.15	77.10	76.1

* Plant operational time reduced substantially as a result of planned upgrade shutdown as well as the shutdown of the packaging/drying and acid plants caused by localised ground movement.

Process Plant

The trend of improved running times seen in May and June carried over into July. The plant did start up in September but production was constrained by a shortage of sulphuric acid with the acid plant off-line.

During the planned shutdown in August all of the scheduled work required to achieve nameplate was completed.

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Overall recovery levels for the quarter remained below desired levels as various ore blends were being trialled to optimise acid consumption.

The crushing/grinding circuit operated well, after the modifications were completed in August. Run time was however limited due to acid stock limitations while the acid plant was off line. Slurry handling leach launders, which have had limited plant throughput since startup, are now upgraded and initial indications are positive. This should result in smoother operation at nameplate tonnages. Resin-in-Pulp operational issues continue to focus mostly on resin and elution management and adoption of an effective maintenance regime to manage acid corrosion and reduce downtime.

As reported, the operation of the drying and packaging section was suspended late August. Production recommenced on the 12 September. Relocation of the centrifuge was undertaken in order to produce a "paste" product, for transport to LHM, where drying and final packaging is planned to be undertaken. All necessary approvals and permitting have been received from the Namibian and Malawian Authorities to use the LHM drying and packaging facilities while the necessary remediation work is being completed at KM. Reclamation and relocation of the drying equipment has commenced and the drying and packaging facility is expected to be running in early November.

Cost optimisation efforts are continuing with the consideration of inclusion of a steam turbine on the acid plant, a review of mining contractor unit rates and reagent logistics and pricing. Already a significant reduction has been achieved in mining costs, with strong opportunity to reduce the cost both of some of the key reagents and transportation.

Ground movement mitigation of the areas to the West of the plant is continuing. A formal rectification plan for the land slip was started in the September quarter with the partial movement of a waste dump and hydrogeological assessment for possible future dewatering. Ground movement reduced appreciably during the latter part of the quarter.

Lenders' Test

The Lenders' Test will commence 1st November.

Exploration

The drilling at the mine site, targeting deeper mineralisation to the west of the current resource area with the intention of upgrading the current mineral resource from inferred to indicated or measured, was completed in early September. A total of 62 holes for 9,554m were completed. All holes were downhole logged to obtain equivalent uranium grades. Control samples are currently being collected and will be sent for assaying. Assay results are expected late in 2011 with an updated mineral resource and subsequent ore reserve anticipated early in 2012.

Exploration drilling in outlying target areas started with a total of 22 holes with 3,867m completed to date.

OVERALL QUARTERLY PRODUCTION

As explained, production for the quarter was impacted by both scheduled and unscheduled shutdowns particularly at KM. Due to scheduled shutdowns, a lower quarterly production was anticipated for both operations in preparation for expected solid December quarter production as LHM Stage 3 capacity and KM plant upgrade ramp-up. Unscheduled stoppages emanating from the ground movement effects caused a loss of about 140,000lb in production in September at KM.

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Combined Production

Combined (LHM & KM) contribution by quarter is as follows:

Combined	Dec Qtr	Mar Qtr	Jun Qtr	Sep Qtr *
Production acct lb	1,466,932	1,401,842	1,463,009	1,244,545

Combined (LHM & KM) contribution by Month is as follows:

Combined	Jul	Aug	Sept
Production lb	499,702	309,306	435,537

* Production during the quarter was largely down as a result of shutdowns for upgrades, packaging/drying and acid plants at KM.

Post Quarter Performance

Both LHM and KM, as of 13 November, were operating well. For this period LHM is achieving 90% of Stage 3 nameplate production rate in its staged commissioning and ramp up phase.

As reported, production at KM was also hampered after the plant upgrade by the inability of suppliers to meet sulphuric acid delivery commitments. This caused a further cessation of production early in October until the acid plant could be brought back into operation. KM began production on schedule on 14 October operating at improved efficiencies as well as nameplate rates with regards to operating hours and throughput. The bankers' completion test commenced 1 November 2011, with production to 13 November in line with target of achieving 90% of design capacity. The drying and packaging plant was also completed after being rebuilt in the relocated position and commenced operation on 12 November.

MOUNT ISA REGION PROJECTS, Queensland

The Mount Isa regional projects comprise the Isa Uranium Joint Venture (IUJV) (Paladin Energy Ltd 50%, Summit Resources (Aust) Pty Ltd 50% Operator), the Mount Isa North Uranium Project (Summit Resources (Aust) Pty Ltd 100% - Paladin holds 82.08% of Summit), and the Valhalla North Project (100% Paladin).

Resource drilling during the quarter was completed in the IUJV area at Odin and commenced at Skal.

Odin Uranium Deposit

At Odin, resource delineation drilling was completed for 2011 in 28 reverse circulation holes. Mineralisation plunging 20° to 30° to the south was drilled over widths of 20m to 30m with grades in the range of 300ppm to 6,000ppm eU₃O₈ about 400m north of Valhalla. This mineralisation was highlighted by hole VR0432 (340m-371m/31m @ 1,006ppm eU₃O₈). High-grade intervals occur within brecciated and albitised sandstones near contacts with basalt. Down-dip drilling to the east identified thick (40-70m) mineralised zones that flatten with grades in this area ranging from 200ppm to 700ppm eU₃O₈. Overall, drilling was successful in defining significant resource extensions that will be pursued in 2012 with diamond drilling. A mineral resource update is expected during the December quarter.

Skal Uranium Deposit

Skal resource drilling resumed with the objective to complete 40m x 40m resource drill outs at Skal South, East, North and Far North by December, and to test new targets at Skal Southwest and

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Grendel. A total of 45 holes have been planned for 7,420m. Ten RC holes (1,428m) were drilled in September at Skal South. Drilling highlights include hole SR0157, collared towards the south west end of Skal South, returning a 42m thick mineralised zone which included 10m (from 193m down hole) @ 1,280ppm eU₃O₈ and 8m @ 380ppm eU₃O₈ from 226m down hole.

The drilling is expected to be completed in November/December 2011 with a new resource update to be announced in the March quarter of 2012.

Other Areas

Exploration drilling of the blind Elbow target, located 8km NNW of Valhalla, was completed in 5, 200m spaced, RC holes. Strong alteration was encountered in three holes and included 4m @ 485ppm eU₃O₈ from 102m down hole in RR009. Follow-up drilling is planned in 2012.

Evaluation of shallow auger drilling data in 1,675 holes along the Valhalla-Gunpowder corridor has identified 4 new drill targets. These are located along magnetic lineaments coincident with magnetic highs and spectrometric anomalies, where overburden thickness is 1-3m.

AURORA – MICHELIN URANIUM PROJECT, Canada

Aurora Energy Resources Inc. (Aurora) a wholly owned subsidiary of Paladin holds significant uranium assets in the prospective Central Mineral Belt of Newfoundland and Labrador in Eastern Canada. This contains the Michelin deposit (67.12Mlb U₃O₈ Measured and Indicated Mineral Resources and 36.08Mlb U₃O₈ Inferred Mineral Resources) as well as the Jacques Lake, Nash, Inda, Gear and Rainbow Deposits.

The Nunatsiavut Government has now embarked on a final round of consultation with the local population with an early January 2012 decision expected on lifting of the three year moratorium on uranium mining.

BIGLRYI JOINT VENTURE, Northern Territory – Australia (Paladin 41.71%)

The joint venture manager, Energy Metals Ltd, is carrying out resource extension and infill drilling. Energy Metals have recently announced encouraging results including:

- 27m @ 0.21% eU₃O₈ from 47.8m in BRC11045
- 15.2m @ 0.32% eU₃O₈ from 49m in BRC11077
- 13.55m @ 0.26% eU₃O₈ from 121.1m in BRC11047
- 8.15m @ 0.34% eU₃O₈ from 79.25m in BRC11049
- 5.65m @ 0.50% eU₃O₈ from 136m in BRC11081

Drilling is expected to continue with 2 drill rigs on site for the remainder of the year.

CORPORATE

Group Wide Cost Rationalisation

The announced cost rationalisation programme is underway. As part of this process, particularly in addressing the corporate overhead cost area, the MD/CEO has elected to reduce his salary by 25% for a period of 12 months.

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Selected Asset Farm-out

The process of seeking joint venture parties for farming out minority interests in selected non-producing Australian assets is underway. The Company has received very encouraging responses to date and expects good progress to be made in this programme in the December and March quarters.

US\$141M Project Finance Facility For Stage 3 Expansion

Paladin reported that the financing documentation required for the Stage 3 expansion was finalised and executed in September. Paladin drew-down US\$127.2M from this facility and the majority of these funds were used to reimburse Paladin as it had funded the Stage 3 expansion from existing cash reserves. The undrawn portion of the facility post drawdown (US\$7.8M) will be used to meet the remaining construction expenditure.

The US\$141M Facility consists of US\$135M Project Financing Facility (currently drawn to US\$127.2M) and a US\$6M Cost Overrun Facility (currently undrawn).

In accordance with the terms of the Facility, an equity cost overrun account is funded with a further US\$6M.

Banks involved with this project financing were Société Générale (as Agent), Nedbank Capital, Standard Bank Plc, Barclays Capital (the investment banking division of Barclays Bank PLC) and Rand Merchant Bank, a division of FirstRand Bank Limited.

A\$68M Private Placement

Paladin completed an institutional private placement of ordinary shares with RBC Capital Markets and UBS AG, Australia Branch acting as Global Joint Lead Placing Agents in early October. The Private Placement consisted of the issuance of 56,866,232 ordinary shares of the Company at a price of A\$1.20 per share, for gross proceeds of A\$68,239,478.40. Paladin intends to use the funds raised to strengthen Paladin's balance sheet to ensure the Company is well placed to meet all future commitments.

URANIUM MARKET COMMENTS

Tokyo Electric Power Company (Tepco), the operator of the earthquake-damaged Fukushima nuclear plants, has reported solid progress towards achieving cold shutdown status for the nuclear power plants earlier than originally predicted. Most nuclear energy countries have now completed post-Fukushima stress tests or revised risk assessments of their nuclear plants and have, where appropriate, identified and recommended additional safety or design modifications arising from the Fukushima experience. It remains that no nuclear plants apart from those in Germany (and the Fukushima plants) have been permanently shut, and no other country (except Italy which did not have any operational reactors) has abandoned nuclear power as a result of the Fukushima events.

Looking forward, industry attention will now return to the fundamental issues of uranium supply and demand where the impact of Fukushima has been minimal in respect of medium and long term uranium demand but has highlighted once again the limited capacity of the uranium supply industry to invest in and sustain production growth in an orderly manner.

Yours faithfully
Paladin Energy Ltd



John Borshoff
Managing Director/CEO

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Management Discussion and Analysis *For the Three Months Ended 30 September 2011* *(All figures are in US dollars unless otherwise indicated)*

The following Management Discussion and Analysis (“MD&A”) for Paladin Energy Ltd (“Company”) should be read in conjunction with the Report to Shareholders and the Consolidated Financial Statements for the three months ended 30 September 2011. The effective date of this report is 14 November 2011.

The financial information presented in this MD&A has been extracted from the attached financial statements.

In addition to these Australian requirements, further information has been included in the Consolidated Financial Statements for the three months ended 30 September 2011 in order to comply with applicable Canadian securities law, as the Company is also listed on the Toronto Stock Exchange.

Additional information relating to the Company, including the Company’s most recent Annual Report for the year ended 30 June 2011 and other public announcements, are available at www.paladinenergy.com.au.

FORWARD LOOKING STATEMENTS

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

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

OVERVIEW

Paladin is a uranium production company with projects in Australia, Africa and Canada, two operating mines in Africa, and 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 (TSX) in Canada; as well as the Munich, Berlin, Stuttgart and Frankfurt Stock Exchanges in Europe; and the Namibian Stock Exchange in Africa.

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The main activities undertaken during the three months ended 30 September 2011 were:

- Production of 1.24Mlb U₃O₈ - a decrease of 15% from last quarter.
 - LHM 849,067lb U₃O₈ and KM 395,478lb U₃O₈ .
 - operations affected by combination of planned shutdowns and unscheduled remediation work.
- Langer Heinrich impacted by Stage 3 tie-in shutdowns but increasing production benefits evident as new equipment comes on-line.
- Kayelekera planned shutdown for plant upgrade plus unscheduled shutdown for remedial action on acid and drying plant caused 6 weeks loss of production in the quarter.
 - localised ground movement caused the packaging/drying plant and acid plant to be taken off-line for remedial work.
 - record plant run hours in July producing 234,281lb U₃O₈ (85% of nameplate).
- Record sales for quarter: 2,001,673lb U₃O₈ sold for US\$102.7M at an average realised price of US\$51/lb.
- Expansions:
 - LHM Stage 3 is 99% complete with crushing, conveying, scrubbing, classification, leach, CCD, boiler and tailings areas now built, in operation or in advanced stages of commissioning with NIMCIX construction near completion. Post quarter this additional capacity is contributing significantly to production output.
 - LHM Stage 4 Feasibility Study remains on schedule for completion in the December quarter.
- One Lost Time Injury for the quarter.
- Corporate:
 - US\$127.2M drawdown under US\$141M LHM Stage 3 project finance facility.
 - Remaining US\$24.8M of LHM Stage 1 project finance facility repaid.

Post quarter

- Langer Heinrich ramping up and now producing at in excess of 90% of Stage 3 nameplate to 13 November.
- Kayelekera production was off-line for 13 days due to acid shortage and recommenced on 14 October once the acid plant was brought back on-line after remedial work.
 - upgrades positive with plant operating well at nameplate with regard to operating hours and throughput. Bankers' completion test started 1 November. Uranium production to 13 November is in line with target of achieving 90% of design capacity.
- Corporate:
 - completion of A\$68M Institutional Private Placement which consisted of the issue of 56.9M ordinary shares at a price of A\$1.20 per share.

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SUMMARISED INCOME STATEMENT

	Three Months Ended 30 September	
	2011 US\$M	2010 US\$M
Revenue	103.0	49.1
Gross profit	10.0	10.0
Exploration and evaluation expenses	(0.8)	(0.5)
Administration, marketing and site non production costs	(13.9)	(10.6)
Other expenses and income	(185.8)	(6.0)
Loss Before Interest and Tax	(190.5)	(7.1)
Finance costs	(13.8)	(13.1)
Income tax benefit	61.3	15.1
Loss after tax	(143.0)	(5.1)
Loss after tax attributable to:		
Non controlling interests	(19.6)	(1.6)
Members of the parent	(123.4)	(3.5)
	(143.0)	(5.1)
Loss per share - basic & diluted (US cents)	(15.9)	(0.5)

Three Months Ended 30 September 2011

(References below to 2011 and 2010 refer to the equivalent three months ended 30 September 2011 and 2010 respectively.)

Analysis of Income Statement

Revenue increased from US\$49.1M to US\$103.0M in 2011 as a result of increased sales of uranium of US\$102.7M (2010: US\$48.4M). Total sales volume for the quarter was 2.002Mlb U₃O₈ (2010: 1.043Mlb). LHM sold 1.252Mlb U₃O₈, including 0.550Mlb of LHM material sold through Paladin Energy Ltd, and KM sold 0.750Mlb U₃O₈. Total production for the quarter was 1.245Mlb U₃O₈ (2010: 1.363Mlb). LHM produced 0.849Mlb U₃O₈ (2010: 0.900Mlb) and KM produced 0.396Mlb U₃O₈ (2010: 0.463Mlb). The average realised uranium sales price in 2011 was US\$51/lb U₃O₈ (2010: US\$46/lb).

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Delivery quantities under sales contracts are not evenly distributed from month to month, which results in fluctuations between production and sales between reporting periods.

Gross Profit in 2011 of US\$10.0M is unchanged from 2010 (US\$10.0M) with higher sales offset by increased cost of sales mainly due to a greater proportion of KM production in 2011 having higher costs associated with lower volumes while the plant was in ramp up. The cost of sales (C1) for LHM in 2011 increased to US\$32/lb U₃O₈ (2010: US\$28/lb) due to effects of a higher Namibian dollar and the lower production volumes from downtime associated with Stage 3 tie-ins. The cost of sales (C1) for KM in 2011 has decreased to US\$40/lb U₃O₈ (2010: US\$50/lb) due to the lower net realisable value of inventory at 30 June 2011. The product sold in the September 2011 quarter was predominantly from inventory held at 30 June 2011 which had previously been written down to a recoverable value of US\$52.75/lb with a C1 cash cost component of approximately US\$40/lb. Overall cost of sales has remained unchanged, from that reported for the year to 30 June 2011, at US\$35/lb.

Exploration and Evaluation Expenditure of US\$0.8M in 2011 relates to early stage work and project generation activities in Australia and Malawi.

Administration, marketing expenses and site non-production costs have increased from US\$10.6M to US\$13.9M due to expenditure of US\$1.7M relating to the LHM Stage 4 expansion project, higher royalties associated with increased sales and the addition of the Canadian operations. A cost rationalisation programme is underway targeting, in particular, the US\$6.0M corporate and marketing cost component.

Other expenses and income have increased from US\$6.0M to US\$185.8M due predominantly to an impairment of the KM assets of US\$178.9M and the write off of the fixed costs of KM during the plant shutdown of US\$7.9M. The continued deterioration of the uranium price post-Fukushima has resulted in a reduction of the carrying value to US\$337M of the Kayelekera Mine from US\$470M based on a discounted cash flow valuation resulting in an impairment charge of US\$133M (US\$178.9M before tax reduced by a tax benefit of US\$45.9M) (2010: US\$Nil). The KM plant shutdown expenses are a result of the planned plant upgrade shutdown in August and the unscheduled shutdown of the drying and packaging plant and the acid plant caused by localised ground movement. The plant upgrade and remedial work has been completed and the KM plant recommenced production on 14 October 2011.

Finance Costs have remained fairly constant at US\$13.8M (2010: US\$13.1M). Finance costs relate primarily to interest payable and accretion on the US\$325.0M convertible bonds issued 11 March 2008, the US\$300.0M convertible bonds issued 5 November 2010, US\$118.0M project finance loan for KM and US\$127.2M project finance loan for LHM Stage 3.

Income Tax Benefit of US\$61.3M for the 3 months to 30 September 2011 is broadly 30% of the loss before tax. This results from a larger tax benefit in Namibia arising due to the foreign exchange movements which is largely offset by the tax losses for the Australian tax group not being recognised, as the non-producing assets are not yet sufficiently advanced to provide certainty of recovery against future income. Malawi similarly had a large foreign exchange movement, however the unrealised losses recognised on the US\$ loans were offset by the foreign exchange impact on carried forward losses.

Non-controlling Interest in net losses of US\$19.6M has been recorded in 2011 attributable to the 18.0% interest in Summit held by third parties and the 15% interest in Paladin (Africa) Ltd held by the Government of Malawi.

PALADIN ENERGY LTD

Management Discussion and Analysis For the Three Months Ended 30 September 2011 (All figures are in US dollars unless otherwise indicated)

The Loss after Tax attributable to the members of the parent for 2011 of US\$123.4M was higher than the loss after tax for 2010 of US\$3.5M predominantly as a result of the recognition of the Kayelekera Mine impairment expenses discussed earlier.

The Loss per Share noted on the Income Statement reflects the underlying result for the specific reported periods and the additional shares issued in 2011 compared to 2010.

Summary of Quarterly Financial Results

	2011 Sep Qtr US\$M	2011 Jun Qtr US\$M	2011 Mar Qtr US\$M	2010 Dec Qtr US\$M
Total revenues	103.0	60.2	92.9	66.7
Loss after tax	(123.4)	(47.7)	(13.5)	(17.6)
Basic and diluted loss per share (US cents)	(15.9)	(6.3)	(1.8)	(2.5)

	2010 Sep Qtr US\$M	2010 Jun Qtr US\$M	2010 Mar Qtr US\$M	2009 Dec Qtr US\$M
Total revenues	49.1	49.8	53.3	62.6
(Loss)/profit after tax	(3.5)	(25.2)	(5.7)	2.4
Basic and diluted (loss)/profit per share (US cents)	(0.5)	(3.5)	(0.8)	0.3

Total revenues for the quarters ended December 2010, March 2011, June 2011 and September 2011, have increased when compared to the equivalent comparative quarter as a result of higher sales volumes of uranium. Total revenues for all quarters ended December 2009 onwards 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 for the quarter ended September 2011 of US\$123.4M is higher than the loss after tax for 2010 of US\$3.5M predominantly as a result of the recognition of the Kayelekera Mine impairment expense discussed under the Summarised Income Statement section.

Loss after tax for the quarter ended June 2011 of US\$47.7M is higher than the comparative quarter loss predominantly as a result of higher finance costs in 2011 after cessation of capitalisation of KM and the recognition of an impairment of inventory expense of US\$23.4M.

Loss after tax for the quarter ended March 2011 of US\$13.5M is higher than the comparative quarter loss predominantly as a result of higher finance costs in 2011 after cessation of capitalisation of KM.

Loss after tax for the quarter ended December 2010 of US\$17.6M is a reduction from the comparative quarter profit predominantly as a result of higher finance costs in 2010 after cessation of capitalisation of KM and other income in 2009 relating predominantly to an insurance recovery, which has been partially offset by the recognition in 2010 of an income tax benefit of US\$6.4M.

PALADIN ENERGY LTD

Management Discussion and Analysis For the Three Months Ended 30 September 2011 (All figures are in US dollars unless otherwise indicated)

Segment Disclosure (refer to Note 3)

The profit before tax and finance costs of US\$12.9M in the Namibian segment of the Company increased due to higher sales revenue compared to 2010 (US\$8.5M). In the Malawian segment the Company reflected a loss before tax and finance costs of US\$193.1M compared to a loss of US\$6.1M in 2010 due to the recognition of the Kayelekera Mine impairment expense detailed on page 14. Exploration activities have remained relatively consistent from 2010 to 2011. In the Unallocated portion the Company reflected the remaining Income Statement activities, which for 2011, comprises mainly marketing, corporate, finance and administration costs.

SEGMENT GROSS PROFIT

	SEPTEMBER 2011 QUARTER			YEAR ENDED JUNE 2011		
	LHM	KM	TOTAL	LHM	KM	TOTAL
Volume Sold (lb)	1,251,673 ⁽¹⁾	750,000	2,001,673	3,222,135 ⁽²⁾	1,590,000	4,812,135
Average Sales Prices/lb			US\$51/lb			US\$55/lb
Revenue			US\$102.7M			US\$266.8M
Cost of Sales (C1)	US\$39.1M	US\$30.2M	US\$69.3M	US\$91.1M	US\$79.8M	US\$170.9M
Cost of Sales/lb (C1)	US\$32/lb	US\$40/lb	US\$35/lb	US\$28/lb	US\$50/lb	US\$35/lb
Profit after C1 costs			US\$33.4M			US\$95.9M
Other Revenue and Costs, mainly amortisation			US\$23.4M			US\$49.2M
GROSS PROFIT			US\$10.0M			US\$46.7M

(1) Includes 550,000lb of LHM produced U₃O₈ sold by Paladin Energy Ltd.

(2) Includes 200,000lb of LHM produced U₃O₈ sold by Paladin Nuclear Ltd, Paladin Energy Ltd's marketing company.

Sales of 2,001,673lb U₃O₈ at an average of US\$51/lb generated revenue of US\$102.7M in the quarter ended 30 September 2011. By comparison sales in the quarter ended 30 June 2011 were 1.1Mlb at an average realised price of \$54/lb.

Cost of Sales (C1) for LHM in the quarter ended 30 September 2011 increased to US\$32/lb U₃O₈ due to the effects of the higher Namibian dollar and lower production caused by plant stoppages to accommodate Stage 3 expansion equipment tie-ins.

C1 cost of sales for KM decreased from US\$50/lb in year ended 2011 to US\$40/lb in quarter ended 30 September 2011 as a result of the lower net realisable value of inventory held at 30 June 2011. The product sold in the September 2011 quarter was predominantly from inventory held at 30 June 2011 which had previously been written down to a recoverable value of US\$52.75/lb, with a C1 cash cost component of approximately US\$40/lb.

PALADIN ENERGY LTD

Management Discussion and Analysis For the Three Months Ended 30 September 2011 (All figures are in US dollars unless otherwise indicated)

SUMMARISED STATEMENT OF COMPREHENSIVE INCOME

	Three Months Ended 30 September	
	2011 US\$M	2010 US\$M
Net loss after tax	(143.0)	(5.1)
Net (loss)/gain on available for sale financial assets	(8.5)	7.9
Foreign currency translation	(70.3)	68.5
Income tax on items of other comprehensive income	3.0	(3.7)
Total comprehensive (loss)/income for the period	(218.8)	67.6

Three months ended 30 September 2011

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

Net Loss on Available-for-Sale Financial Assets in 2011 of US\$8.5M primarily relates to the fair value decrement in Deep Yellow Limited (DYL) (net of tax) 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 and Canadian dollar functional currencies into the Company presentation currency of US dollars on an ongoing basis and for the comparative period.

Income Tax on Items of Other Comprehensive Income in 2011 relates to tax on movements in Available-for-Sale Financial Assets.

PALADIN ENERGY LTD

Management Discussion and Analysis For the Three Months Ended 30 September 2011 (All figures are in US dollars unless otherwise indicated)

SUMMARISED STATEMENT OF FINANCIAL POSITION	As at 30 September 2011 Unaudited US\$M	As at 30 June 2011 Audited US\$M
Total current assets	356.9	329.4
Total non current assets	1,887.6	2,074.3
Total assets	2,244.5	2,403.7
Total current liabilities	110.8	118.9
Total non current liabilities	994.8	929.6
Total liabilities	1,105.6	1,048.5
Net Assets	1,138.9	1,355.2

Current Assets have increased to US\$356.9M at 30 September 2011 due to an increase in cash as well as trade and other receivables which have been partially offset by a decrease in inventories due to higher sales for the quarter.

Cash and cash equivalents have increased to US\$158.4M at 30 September 2011 as a result of the drawdown of US\$127.2M under the LHM Stage 3 project finance facility. This has been partially offset by the repayment of the LHM Stage 1 project finance facility, expenditure on the Stage 3 expansion at LHM, a principal repayment for KM project finance facility, exploration and evaluation project expenditure, finance costs and corporate costs for the quarter ended 30 September 2011.

Inventories have decreased from US\$177.7M to US\$155.3M at 30 September 2011 due to sales volumes for the quarter of 2.0Mlb U₃O₈, being larger than production volumes of 1.2Mlb U₃O₈. Delivery quantities under sales contracts are not evenly distributed from month to month resulting in fluctuations between production and sales between reporting periods.

Non Current Assets have decreased to US\$1,887.6M at 30 September 2011 primarily as a result of the Kayelekera Mine impairment expense discussed under the Summarised Income Statement section. An increase in Deferred Tax Assets from US\$19.7M to US\$75.3M mainly relates to the tax effect of the impairment of the Kayelekera Mine assets. The US\$76.3M decrease in the exploration assets is due to the foreign exchange movement on the Australian and Canadian dollar denominated exploration assets because of the increase in value of the US dollar against both currencies. The decrease in property, plant and equipment through amortisation has been offset by capital expenditure on the Stage 3 expansion at LHM. There was a decrease in the fair value of other financial assets primarily attributable to the decrease in the DYL share price and the foreign exchange movement due to the depreciation in the Australian dollar. ROM stockpiles have increased as planned ahead of the Stage 3 production expansion in order to meet mine plan requirements.

Current Liabilities have decreased from US\$118.9M to US\$110.8M at 30 September 2011 primarily as a result of a decrease in trade and other payables as Stage 3 construction activity winds down. This has been partially offset by an increase in the current portion of interest bearing loans and borrowings of US\$22.2M as a result of the drawdown under the LHM Stage 3 project finance facility which has partially been offset by the repayment of the current portion of US\$16.2M of the LHM Stage 1 project finance facility.

PALADIN ENERGY LTD

Management Discussion and Analysis For the Three Months Ended 30 September 2011 (All figures are in US dollars unless otherwise indicated)

Non Current Liabilities have increased from US\$929.6M to US\$994.8M at 30 September 2011 primarily as a result of an increase in the non current portion of interest bearing loans and borrowings of US\$103.2M as a result of the drawdown under the LHM Stage 3 project finance facility which has partially been offset by the repayment of the non current portion of US\$8.6M of the LHM Stage 1 project finance facility and a US\$9.9M repayment of the KM project finance facility.

Segment Disclosure (refer to Note 3)

In the Statement of Financial Position as at 30 September 2011, the Company reflected an increase in assets for the Namibian segment in the period predominantly due to the Stage 3 expansion. For the Malawian segment, a decrease in assets occurred in the period predominantly as a result of impairment of assets at the Kayelekera Mine. Exploration assets increased predominantly due to the acquisition of NGM Resources Limited and the Canadian uranium assets and the change in accounting policy to capitalise exploration expenditure. The reduction in the Unallocated assets reflects the reduction in cash through investment in Stage 3 expansion, repayment of LHM and KM project finance facilities and exploration activities.

SUMMARISED STATEMENT OF CHANGES IN EQUITY

	Three Months Ended 30 September	
	2011	2010
	US\$M	US\$M
Total equity at the beginning of the financial period	1,355.2	971.0
Total comprehensive (loss)/gain for the period	(218.8)	67.6
Recognised value of unlisted employee options and performance share rights	2.5	4.6
Total Equity at the End of the Financial Period	1,138.9	1,043.2

Total Comprehensive Income for the Three Months Ended 30 September 2011 is discussed under the Statement of Comprehensive Income section.

Recognised Value of Unlisted Employee Options and Performance Rights in 2011 totals US\$2.5M. During the period 195,548 employee options were forfeited with an exercise price of A\$4.50 per share. During the period 829,315 performance share rights vested and 342,770 performance share rights were cancelled.

PALADIN ENERGY LTD

Management Discussion and Analysis For the Three Months Ended 30 September 2011 (All figures are in US dollars unless otherwise indicated)

SUMMARISED STATEMENT OF CASH FLOWS

	Three Months Ended 30 September	
	2011 US\$M	2010 US\$M
Net cash outflow from operating activities	(19.4)	(22.8)
Net cash outflow from investing activities	(28.7)	(35.3)
Net cash inflow/(outflow) from financing activities	90.9	(16.7)
Net increase/(decrease) in cash and cash equivalents	42.8	(74.8)
Cash and cash equivalents at the beginning of the financial period	117.4	348.8
Effects of exchange rate changes on cash and cash equivalents	(1.8)	1.2
Cash and cash equivalents at the End of the Financial Period	158.4	275.2

Three months ended 30 September 2011

Net Cash Outflow from Operating Activities was US\$19.4M in 2011 primarily due to the investment in working capital associated with the increase in sales levels. The LHM and KM operations generated US\$18.4M in cash in 2011 before investment in working capital of US\$16.0M mainly due to a reduction in creditors with the wind down of Stage 3 construction and an increase in debtors due to higher sales levels, offset by a reduction in inventories. The remaining expenditure was for exploration, corporate, administration, marketing and interest paid.

Net Cash Outflow from Investing Activities was US\$28.7M in 2011 and US\$35.3M in 2010 due primarily to the Stage 3 expansion at LHM and capitalised exploration expenditure.

Net Cash Inflow from Financing Activities of US\$90.9M in 2011 is attributable to the US\$125.6M net proceeds from the drawdown of LHM Stage 3 project finance facilities which has been partially offset by the full repayment of outstanding balance of US\$24.8M of the LHM Stage 1 project finance facility and US\$9.9M repayment from the KM project finance facility. The net cash outflow of US\$16.7M in 2010 was attributable to the repayment of project finance facilities for both LHM Stage 1 and KM.

Net Increase in Cash and Cash Equivalents in 2011 was US\$42.8M, as compared to the net decrease in cash over the previous corresponding period in 2010 of US\$74.8M. The change is predominantly the result of the US\$125.6M net proceeds from the drawdown of LHM Stage 3 project finance facilities in 2011, which was partially offset by the full repayment of US\$24.8M balance outstanding of the LHM Stage 1 project finance facility and US\$9.9M repayment from the KM project finance facility. In 2010 there was a cash outflow from LHM Stage 1 and KM loan repayments. Additionally there were lower cash outflows from operating and investing activities in 2011.

Effect of Exchange Rate Changes on cash balances is a reduction of US\$1.8M for 2011.

PALADIN ENERGY LTD

Management Discussion and Analysis For the Three Months Ended 30 September 2011 (All figures are in US dollars unless otherwise indicated)

LIQUIDITY AND CAPITAL RESOURCES

The Group's principal source of liquidity as at 30 September 2011 is cash of US\$158.4M (30 June 2011: US\$117.4M). This includes US\$32.0M restricted for use in respect of the LHM and KM project finance facilities (US\$19.5M: 30 June 2011). Of this US\$135.5M is held in US dollars.

The Group's principal sources of cash for the quarter ended 30 September 2011 were uranium sales receipts, proceeds from the drawdown of US\$127.2M under the LHM Stage 3 Project Finance Facility and interest received from cash investments.

The remaining amount outstanding on the LHM project finance facilities was Stage 1 US\$Nil, Stage 3 US\$127.2M and the KM project finance facility was US\$118.0M.

The following is a summary of the Group's outstanding commitments as at 30 September 2011:

	Total	Less than 1 yr	1 to 5yrs	5yrs+ or unknown
Payments due by period	US\$M	US\$M	US\$M	US\$M
Tenements	49.2	6.6	15.8	26.8
Mine construction	2.6	2.6	-	-
Operating leases	6.2	1.4	4.8	-
Manyingee acquisition costs	0.7	-	-	0.7
Total commitments	58.7	10.6	20.6	27.5

In relation to the Manyingee Uranium Project, the acquisition terms provide for a payment of A\$0.75M (US\$0.7M) 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\$0.7M) and are subject to the Western Australian Department of Minerals & Energy granting tenements comprising two exploration licence applications. The A\$0.75M (US\$0.7M) 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 14 November 2011 Paladin had 835,429,464 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 14 November 2011	Number
Outstanding shares	835,429,464
Issuable under Executive Share Option Plan	7,987,884
Issuable under Employee Performance Share Rights Plan	5,708,772
Issuable in relation to the US\$325M Convertible Bonds	49,823,700
Issuable in relation to the US\$300M Convertible Bonds	53,495,007
Total	952,444,827

PALADIN ENERGY LTD

Management Discussion and Analysis *For the Three Months Ended 30 September 2011* *(All figures are in US dollars unless otherwise indicated)*

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 September 2011 the Group has exposure to interest rate risk, which 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 project finance debt or opportunity losses that may arise on fixed rate convertible bonds in a falling interest rate environment. Interest rate risk on cash and short-term deposits is not considered to be a material risk due to the historically low US dollar interest rates of these financial instruments.

The Group 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 and Canadian payables.

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

The Group'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 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 material.

The Group's 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.

OTHER RISKS AND UNCERTAINTIES

Risk Factors

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

TRANSACTIONS WITH RELATED PARTIES

During the three months ended 30 September 2011 no payments were made to Director related entities. Directors of the Company receive compensation based on their personal contracts.

PALADIN ENERGY LTD

Management Discussion and Analysis *For the Three Months Ended 30 September 2011* *(All figures are in US dollars unless otherwise indicated)*

DISCLOSURE CONTROLS

The Company has applied its Disclosure Control Policy to the preparation of the Consolidated Financial Report for the three months ended 30 September 2011, 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 three months ended 30 September 2011. 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 September 2011.

During the three months 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 three months 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 three months, 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 Group, the results of those operations or the state of affairs of the Group in subsequent periods with the exception of the following, the financial effects of which have not been provided for in the 30 September 2011 Financial Report:

Kayelekera Mine, Malawi Temporary Processing Plant Shutdown

In early October 2011, the Kayelekera Mine processing plant was shut down temporarily to allow the acid plant to undergo repair work made necessary due to localised ground movement. The remedial work on the acid plant was completed and production recommenced on 14 October 2011.

A\$68M Private Share Placement

On 6 October 2011, the Company completed an institutional private placement of ordinary shares with RBC Capital Markets and UBS AG, Australia Branch acting as Global Joint Lead Placing Agents.

The Private Placement consisted of the issue of 56,866,232 ordinary shares of the Company at a price of A\$1.20 per share, for gross proceeds of A\$68,239,478.40. The Company intends to use the funds raised to strengthen its balance sheet to ensure the Company is well placed to meet its future commitments.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
CONSOLIDATED INCOME STATEMENT
EXPRESSED IN US DOLLARS

		Three Months Ended	
		30 September	
	Notes	2011	2010
		US\$M	US\$M
Revenue			
Revenue	4(a)	103.0	49.1
Cost of sales		(69.3)	(28.9)
		<u>33.7</u>	<u>20.2</u>
Depreciation and amortisation		(17.3)	(7.0)
Product distribution costs		(3.7)	(2.0)
Royalties		(2.7)	(1.2)
		<u>10.0</u>	<u>10.0</u>
Gross profit			
Other income	4(b)	1.7	-
Exploration and evaluation	11	(0.8)	(0.5)
Administration, marketing and site non production costs	4(c)	(13.9)	(10.6)
Other expenses	4(d)	(187.5)	(6.0)
		<u>(190.5)</u>	<u>(7.1)</u>
Loss Before Interest and Tax			
Finance costs	4(e)	(13.8)	(13.1)
		<u>(204.3)</u>	<u>(20.2)</u>
Loss before income tax			
Income tax benefit		61.3	15.1
		<u>(143.0)</u>	<u>(5.1)</u>
Net loss after tax			
Attributable to:			
Non controlling interests		(19.6)	(1.6)
Members of the parent		(123.4)	(3.5)
		<u>(143.0)</u>	<u>(5.1)</u>
Loss per share (US cents)			
Loss after tax from operations attributable to ordinary equity holders of the Company			
- basic and diluted (US cents)		US\$ (15.9)	US\$ (0.5)

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

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
EXPRESSED IN US DOLLARS

	Three Months Ended	
	30 September	
	2011	2010
	US\$M	US\$M
Net loss after tax from operations	(143.0)	(5.1)
Other comprehensive income		
Net (loss)/gain on available-for-sale financial assets	(8.5)	7.9
Foreign currency translation	(70.3)	68.5
Income tax on items of other comprehensive income	3.0	(3.7)
Other comprehensive (loss)/income for the period, net of tax	(75.8)	72.7
Total comprehensive (loss)/income for the period	(218.8)	67.6
Total comprehensive (loss)/income attributable to:		
Non controlling interests	(25.8)	6.8
Members of the parent	(193.0)	60.8
	(218.8)	67.6

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

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
EXPRESSED IN US DOLLARS

	Notes	30 September 2011 US\$M	30 June 2011 US\$M
ASSETS			
Current assets			
Cash and cash equivalents	6	158.4	117.4
Trade and other receivables	7	25.3	20.5
Prepayments		17.9	13.8
Inventories	8	155.3	177.7
TOTAL CURRENT ASSETS		356.9	329.4
Non current assets			
Trade and other receivables	7	1.2	1.5
Inventories	8	84.9	73.6
Other financial assets		32.5	41.8
Property, plant and equipment	9	482.8	630.1
Mine development	10	90.4	106.6
Exploration and evaluation expenditure	11	1,101.6	1,177.9
Deferred tax asset		75.3	19.7
Intangible assets	12	18.9	23.1
TOTAL NON CURRENT ASSETS		1,887.6	2,074.3
TOTAL ASSETS		2,244.5	2,403.7
LIABILITIES			
Current liabilities			
Trade and other payables		57.3	69.7
Interest bearing loans and borrowings	13	50.4	43.9
Provisions	14	3.1	5.3
TOTAL CURRENT LIABILITIES		110.8	118.9
Non current liabilities			
Interest bearing loans and borrowings	13	764.8	675.8
Deferred tax liabilities		196.0	217.5
Provisions	14	34.0	36.3
TOTAL NON CURRENT LIABILITIES		994.8	929.6
TOTAL LIABILITIES		1,105.6	1,048.5
NET ASSETS		1,138.9	1,355.2
Equity			
Contributed equity	15(a)	1,771.4	1,768.1
Reserves		134.8	205.2
Accumulated losses		(825.2)	(701.8)
Parent interests		1,081.0	1,271.5
Non-controlling interests		57.9	83.7
TOTAL EQUITY		1,138.9	1,355.2

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

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
EXPRESSED IN US DOLLARS

	Contributed Equity US\$M	Available for Sale Reserve US\$M	Share- Based Payments Reserve US\$M	Convertible Bond Non- Distrib- utable Reserve US\$M	Foreign Exchange Revaluation Reserve US\$M	Premium on Acquisition Reserve US\$M	Option Application Reserve US\$M	Consoli- -dation Reserve US\$M	Accumu- -lated Losses US\$M	Attributable to Owners of the Parent US\$M	Non- Controlling Interests US\$M	Total US\$M
Balance at 1 July 2010	1,474.6	7.8	38.0	38.9	(56.8)	14.9	0.1	(0.2)	(619.5)	897.8	73.2	971.0
Total comprehensive loss for the three months, net of tax	(0.2)	8.3	-	-	56.2	-	-	-	(3.5)	60.8	6.8	67.6
Share-based payment	-	-	4.6	-	-	-	-	-	-	4.6	-	4.6
Vesting of performance rights	1.8	-	(1.8)	-	-	-	-	-	-	-	-	-
Balance at 30 September 2010	1,476.2	16.1	40.8	38.9	(0.6)	14.9	0.1	(0.2)	(623.0)	963.2	80.0	1,043.2
Balance at 1 July 2011	1,768.1	11.7	49.5	60.4	68.8	14.9	0.1	(0.2)	(701.8)	1,271.5	83.7	1,355.2
Total comprehensive income/(loss) for the three months, net of tax	-	(8.5)	-	-	(61.1)	-	-	-	(123.4)	(193.0)	(25.8)	(218.8)
Share-based payment expense	-	-	2.5	-	-	-	-	-	-	2.5	-	2.5
Vesting of performance rights	3.3	-	(3.3)	-	-	-	-	-	-	-	-	-
Balance at 30 September 2011	1,771.4	3.2	48.7	60.4	7.7	14.9	0.1	(0.2)	(825.2)	1,081.0	57.9	1,138.9

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

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS
EXPRESSED IN US DOLLARS

	Three Months Ended 30 September	
	2011 US\$M	2010 US\$M
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	97.7	62.6
Payments to suppliers and employees	(106.7)	(75.0)
Exploration and evaluation expenditure	(0.8)	(0.5)
Interest received	0.2	0.3
Interest paid	(9.8)	(10.2)
	(19.4)	(22.8)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(24.4)	(31.1)
Capitalised exploration expenditure	(4.3)	(4.2)
	(28.7)	(35.3)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Project finance facility establishment costs	(1.6)	-
Repayment of borrowings	(34.7)	(16.7)
Proceeds of borrowings	127.2	-
	90.9	(16.7)
NET CASH INFLOW/ (OUTFLOW) FROM FINANCING ACTIVITIES		
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	42.8	(74.8)
Cash and cash equivalents at the beginning of the financial period	117.4	348.8
Effects of exchange rate changes on cash and cash equivalents	(1.8)	1.2
	158.4	275.2
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	158.4	275.2

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

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2011
EXPRESSED IN US DOLLARS

NOTE 1. CORPORATE INFORMATION

The Financial Report of Paladin for the quarter ended 30 September 2011 was authorised for issue in accordance with a resolution of the Directors on 14 November 2011.

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; as well as the 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 11 to 23.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

This general purpose condensed financial report for the three months ended 30 September 2011 has been prepared in accordance with Australian Accounting Standards Board (AASB) 134 *Interim Financial Reporting* and International Financial Reporting Standard, IAS 34 Interim Financial Reporting.

In addition to these requirements further information has been included in the Consolidated Financial Statements for the three months ended 30 September 2011 in order to comply with applicable Canadian securities law, as the Company is listed on the Toronto Stock Exchange.

This financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2011 and any public announcements made by Paladin Energy Ltd during the interim reporting period in accordance with the continuous disclosure requirements of ASX listing rules.

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

The accounting policies adopted are consistent with those of the previous financial year unless otherwise stated.

New and amended accounting standards and interpretations

From 1 July 2011 the Company has adopted all Australian Accounting Standards and Interpretations effective for annual periods beginning on or before 1 July 2011.

The adoption of new and amended standards and interpretations had no impact on the financial position or performance of the Company.

The Company has not elected to early adopt any new accounting standards and interpretations.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2011
EXPRESSED IN US DOLLARS

NOTE 3. SEGMENT INFORMATION

Identification of reportable segments

The Company has identified its operating segments to be Exploration, Namibia and Malawi, on the basis of the nature of the activity and geographical location and different regulatory environments. The main segment activity in Namibia and Malawi is the production and sale of uranium from the mines located in these geographic regions. The Exploration segment is focused on developing exploration and evaluation projects in Australia, Niger and Canada. Unallocated portion covers the Company's sales and marketing, treasury, corporate and administration. The prior period comparatives have been restated due to the change in operating segments.

Discrete financial information about each of these operating segments is reported to the Group's executive management team (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 the restated amounts reflected for 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 on the basis of timesheet allocations with the balance remaining in Unallocated.

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

- Interest revenue
- Non project finance interest and borrowing expense
- Unallocated corporate and labour costs

The Group's customers are major utilities and other entities located mainly in North America, Australia, Asia and Europe. These revenues are attributed to the geographic location of the mines being the reporting segments Namibia and Malawi.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2011
EXPRESSED IN US DOLLARS

NOTE 3. SEGMENT INFORMATION (continued)

The following tables present revenue, expenditure and asset information regarding operating segments for the three months ended 30 September 2011 and 30 September 2010.

Three months ended 30 September 2011	Exploration US\$M	Namibia US\$M	Malawi US\$M	Unallocated US\$M	Consolidated US\$M	
Sales to external customers	-	63.8	38.9	-	102.7	
Other revenue	-	-	-	0.3	0.3	
Total consolidated revenue	-	63.8	38.9	0.3	103.0	
Impairment expense	-	-	(178.9)	-	(178.9)	
Segment (loss)/profit before income tax and finance costs	(0.5)	12.9	(193.1)	(9.8)	(190.5)	
Finance costs	-	(1.8)	(1.9)	(10.1)	(13.8)	
Loss before income tax					(204.3)	
Income tax benefit/(expense)	(0.1)	8.7	55.6	(2.9)	61.3	
Loss after income tax					(143.0)	
Segment assets/total assets	1,107.2	519.4	450.0	167.9	2,244.5	
	Australia US\$M	Canada US\$M	Malawi US\$M	Namibia US\$M	Other US\$M	Consolidated US\$M
Non current assets by country*	827.9	256.2	246.6	411.5	36.4	1,778.6
Three months ended 30 September 2010	Exploration US\$M	Namibia US\$M	Malawi US\$M	Unallocated US\$M	Consolidated US\$M	
Sales to external customers	-	43.9	4.6	-	48.5	
Other revenue	-	-	-	0.6	0.6	
Total consolidated revenue	-	43.9	4.6	0.6	49.1	
Segment (loss)/profit before income tax and finance costs	(0.2)	8.5	(6.1)	(9.3)	(7.1)	
Finance costs	-	(1.1)	(1.5)	(10.5)	(13.1)	
Loss before income tax					(20.2)	
Income tax benefit/(expense)	-	(0.1)	3.7	11.5	15.1	
Loss after income tax					(5.1)	
Segment assets/total assets	791.5	406.7	563.2	297.6	2,059.0	
	Australia US\$M	Canada US\$M	Malawi US\$M	Namibia US\$M	Other US\$M	Consolidated US\$M
Non current assets by country*	831.4	-	406.7	292.5	-	1,530.6

*Excluding deferred tax assets, receivables and financial instruments.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2011
EXPRESSED IN US DOLLARS

NOTE 4. REVENUE AND EXPENSES

	Three Months Ended	
	30 September	
	2011	2010
	US\$M	US\$M
(a) Revenue		
Sale of uranium	102.7	48.4
Interest income from non-related parties	0.3	0.5
Database licence revenue	-	0.1
Other revenue	-	0.1
	<hr/>	<hr/>
Total	103.0	49.1
	<hr/>	<hr/>
(b) Other income		
Foreign exchange gain (net)	1.7	-
	<hr/>	<hr/>
Total	1.7	-
	<hr/>	<hr/>
(c) Administration, marketing and site non-production costs		
Corporate and marketing	(6.0)	(4.4)
LHM and KM	(2.4)	(2.1)
Canada	(0.5)	-
Non-cash – share based payments	(2.0)	(3.8)
Non-cash – depreciation	(0.5)	(0.2)
Royalties	(0.8)	(0.1)
LHM Stage 4 expansion project	(1.7)	-
	<hr/>	<hr/>
Total	(13.9)	(10.6)
	<hr/>	<hr/>
(d) Other expenses		
Impairment of inventory	-	(3.0)
Foreign exchange loss (net)	-	(3.0)
Impairment of assets ⁽¹⁾	(178.9)	-
Slope remediation	(0.7)	-
KM fixed costs during plant shutdown	(7.9)	-
	<hr/>	<hr/>
Total	(187.5)	(6.0)
	<hr/>	<hr/>
(e) Finance costs		
Interest expense	(8.7)	(8.3)
Accretion relating to convertible bonds (non-cash)	(2.9)	(2.8)
Mine closure provision discount interest expense	(0.5)	(0.6)
Facility costs	(1.7)	(1.4)
	<hr/>	<hr/>
Total	(13.8)	(13.1)
	<hr/>	<hr/>

⁽¹⁾ The continued deterioration of the uranium price post-Fukushima has resulted in a reduction of the carrying value to US\$337M of the Kayelekera Mine from US\$470M based on a discounted cash flow valuation resulting in an impairment charge of US\$133M (US\$178.9M before tax reduced by a tax benefit of US\$45.9M) (2010: US\$Nil).

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2011
EXPRESSED IN US DOLLARS

NOTE 5. INCOME TAX

Reconciliation of income tax benefit to prima facie tax payable

	Three Months Ended	
	30 September	
	2011	2010
	US\$M	US\$M
Loss before income tax expense	(204.3)	(20.2)
Tax at the Australian rate of 30% (2010 – 30%)	(61.3)	(6.1)
Tax effect of amounts which are (deductible)/taxable in calculating taxable income:		
Share-based payments	0.6	1.2
Permanent foreign exchange functional currency differences	(31.6)	2.6
Other expenditure not allowable	0.2	-
	(92.1)	(2.3)
Difference in overseas tax rates	5.2	1.3
Under/(over) prior year adjustment	(7.1)	-
Losses not recognised	10.7	-
Losses previously not recognised now recognised	-	(9.1)
Temporary foreign exchange differences	21.5	(5.0)
Other	0.5	-
Income tax benefit reported in Income Statement	(61.3)	(15.1)

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2011
EXPRESSED IN US DOLLARS

NOTE 6. CASH AND CASH EQUIVALENTS

	30 September 2011 US\$M	30 June 2011 US\$M
Cash at bank and on hand	22.4	27.6
Short-term bank deposits	136.0	89.8
	<hr/>	<hr/>
Total cash and cash equivalents	158.4	117.4

Total cash and cash equivalents includes US\$32.0M (US\$19.5M: 30 June 2011) restricted for use in respect of the LHM and KM project finance facilities.

NOTE 7. TRADE AND OTHER RECEIVABLES

Current

Trade receivables	5.1	-
Less provision for doubtful debts	-	-
Net trade receivables	5.1	-
Interest receivable	-	-
GST and VAT	13.3	11.9
Sundry debtors	6.9	8.6
	<hr/>	<hr/>
Total current receivables	25.3	20.5

Non Current

Sundry debtors	1.2	1.5
	<hr/>	<hr/>
Total non current receivables	1.2	1.5

NOTE 8. INVENTORIES

Current

Stores and spares (at cost)	34.8	30.3
Stockpiles (at cost)	3.7	2.5
Stockpiles (at net realisable value)	8.4	7.3
Work-in-progress (at cost)	2.7	3.1
Work-in-progress (at net realisable value)	8.3	4.6
Finished goods (at cost)	63.8	78.5
Finished goods (at net realisable value)	33.6	51.4
	<hr/>	<hr/>
Total current inventories at the lower of cost and net realisable value	155.3	177.7

Non Current

Stockpiles (at cost)	81.9	71.2
Stockpiles (at net realisable value)	3.0	2.4
	<hr/>	<hr/>
Total non current inventories at the lower of cost and net realisable value	84.9	73.6

Stockpiles at LHM and KM that are classified as non current are unlikely to be processed within 12 months of the Balance date.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2011
EXPRESSED IN US DOLLARS

NOTE 9. PROPERTY, PLANT AND EQUIPMENT

	30 September 2011 US\$M	30 June 2011 US\$M
Plant and equipment – at cost ⁽¹⁾	523.1	566.6
Less accumulated depreciation and impairment	<u>(199.2)</u>	<u>(80.6)</u>
Total plant and equipment	<u>323.9</u>	<u>486.0</u>
Land and buildings – at cost	11.1	11.4
Less accumulated depreciation	<u>(1.6)</u>	<u>(1.5)</u>
Total land and buildings	<u>9.5</u>	<u>9.9</u>
Construction work in progress – at cost	<u>149.4</u>	<u>134.2</u>
Total property, plant and equipment	<u>482.8</u>	<u>630.1</u>

NOTE 10. MINE DEVELOPMENT

Mine development ⁽¹⁾	150.1	122.4
Less accumulated depreciation and impairment	<u>(59.7)</u>	<u>(15.8)</u>
Total mine development	<u>90.4</u>	<u>106.6</u>

⁽¹⁾ Tailings Dam at LHM transferred from plant & equipment to mine development of \$24.4M.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2011
EXPRESSED IN US DOLLARS

NOTE 11. EXPLORATION AND EVALUATION EXPENDITURE

The following table details the expenditures on interests in mineral properties by area of interest for the three months ended 30 September 2011:

Areas of interest	Valhalla /Skal ⁽¹⁾	Isa North	Fusion	Angela/ Pamela	Bigryli	NGM	KM	LHM	Canada	Other Uranium Projects	Total
	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M
Balance 30 June 2011	663.1	156.5	12.3	6.9	29.4	36.0	-	-	269.1	4.6	1,177.9
Acquisition property payments	-	-	-	-	-	-	-	-	-	-	-
Project exploration and evaluation expenditure											
Labour	0.3	0.3	-	-	0.7	0.1	0.1	-	0.4	0.3	2.2
Outside services	0.6	0.3	-	-	0.1	-	0.2	0.1	-	-	1.3
Other expenses	0.4	0.3	-	-	0.5	0.2	0.1	-	0.1	0.2	1.8
Total expenditure	1.3	0.9	-	-	1.3	0.3	0.4	0.1	0.5	0.5	5.3
Expenditure expensed	-	-	-	-	-	-	(0.4)	-	-	(0.4)	(0.8)
Expenditure capitalised	1.3	0.9	-	-	1.3	0.3	-	0.1	0.5	0.1	4.5
Foreign exchange differences	(49.9)	(12.1)	(0.9)	(0.5)	(2.3)	-	-	-	(14.6)	(0.4)	(80.7)
Transferred to Mine Development	-	-	-	-	-	-	-	(0.1)	-	-	(0.1)
Balance 30 September 2011	614.5	145.3	11.4	6.4	28.4	36.3	-	-	255.0	4.3	1,101.6

⁽¹⁾ Summit has a 50% interest in the Valhalla/Skal Projects with the other 50% interest held directly 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 Consolidated Statement of Financial Position.

NOTE 12. INTANGIBLE ASSETS

	30 September 2011 US\$M	30 June 2011 US\$M
Cost	27.8	27.8
Accumulated amortisation and impairment	(8.9)	(4.7)
	<hr/>	<hr/>
Net carrying amount of non current intangible assets	18.9	23.1

NOTE 13. INTEREST BEARING LOANS AND BORROWINGS

	Maturity		
Current			
Secured bank loans		50.4	43.9
		<hr/>	<hr/>
Non Current			
Unsecured convertible bonds ⁽¹⁾	2013	317.0	315.6
Unsecured convertible bonds ⁽²⁾	2015	260.6	258.6
Secured bank loan	2012	-	8.1
Secured bank loan	2015	84.0	93.5
Secured bank loan	2017	103.2	-
		<hr/>	<hr/>
Total non current interest bearing loans and borrowings		764.8	675.8

The above figures include transaction costs, which offset the balance in accordance with the requirements of Accounting Standards.

Unsecured convertible bonds

(1) 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\$6.52 for Company shares.

(2) On the 5 November 2010, the Company issued US\$300M in convertible bonds with an underlying coupon rate of 3.625%, (underlying effective interest rate of 7.47%) maturing on 5 November 2015 with a conversion price of US\$5.61 for Company shares.

Pursuant to the terms of the Bonds the prevailing Conversion Price is subject to adjustment where any new issue of shares is at less than 95% of the Current Market Price. Following the completion of the Placement on 6 October 2011, the Conversion Prices have been adjusted as follows:

Convertible bonds due 2013: US\$6.523 (previously US\$6.59)

Convertible bonds due 2015: US\$5.608 (previously US\$5.665)

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).

NOTE 13. INTEREST BEARING LOANS AND BORROWINGS (continued)

Secured bank loans

Langer Heinrich Mine, Namibia - US\$71M Stage 1 Project Finance Facility

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 was provided by Société Générale Australia Branch (as lead arranger), Nedbank Capital and Standard Bank Limited and consisted of a seven year project finance facility of US\$65M and a standby cost overrun facility of US\$6M.

Part of the proceeds of the Langer Heinrich Mine - US\$141M Stage 3 project finance facility, (see below), have been used to repay this facility in full. At 30 September 2011 US\$Nil (30 June 2011: US\$24.8M) was outstanding under the LHM Stage 1 project finance facility.

Kayelekera Mine, Malawi - US\$167M Project Finance Facility

On 30th March 2009, the Company entered into a project financing facility amounting to US\$167M for the construction of the Kayelekera Mine. 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 Paladin (Africa) Ltd. The commercial bank tranche bears interest at the London Interbank Offered Rate (LIBOR) plus 3.0% and reduces to LIBOR plus 2.5% post the completion date. The ECIC tranche bears interest at LIBOR plus 2.5% whilst the cost overrun facility bears interest at LIBOR plus 3.5%. The facilities are repayable on a four monthly basis over the term of the loan. The Company has provided a project completion guarantee as part of the facilities.

At 30 September 2011 US\$118.0M (30 June 2011: US\$127.9M) was outstanding under the KM project finance facility.

Langer Heinrich Mine, Namibia - US\$141M Stage 3 Project Finance Facility

On 26th August 2011 the Company entered into a project financing facility amounting to US\$141M for the construction of Stage 3 of the Langer Heinrich Mine. The financing is provided by Société Générale (as Agent), Nedbank Capital, Standard Bank Plc, Barclays Capital (the investment banking division of Barclays Bank PLC) and Rand Merchant Bank, a division of FirstRand Bank Limited. The facility consists of a six year US\$135M project financing facility and a US\$6M cost overrun facility. In accordance with the terms of the facility, the cost overrun account is funded with a further US\$6M. The facility bears interest at the London Interbank Offered Rate (LIBOR) plus 3.75% and reduces to LIBOR plus 3.25% post the completion date. The facilities are 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 Langer Heinrich Uranium (Pty) Ltd and its immediate holding companies.

At 30 September 2011 US\$127.2M (30 June 2011: US\$Nil) was outstanding under the LHM Stage 3 project finance facility.

Deferred borrowing costs relating to the establishment of the facilities have been set off against the balance of the interest bearing loans and borrowings.

NOTE 14. PROVISIONS

	30 September 2011 US\$M	30 June 2011 US\$M
Current		
Employee benefits	3.1	5.3
Total current provisions	3.1	5.3
Non Current		
Employee benefits	3.9	3.3
Rehabilitation provision	28.0	30.6
Demobilisation provision	2.1	2.4
Total non current provisions	34.0	36.3

NOTE 15. CONTRIBUTED EQUITY

(a) Issued and paid up capital

Ordinary shares	30 September		30 September	
	2011	2010	2011	2010
	Number of Shares		US\$M	US\$M
Issued and fully paid	778,527,532	718,423,382	1,771.4	1,476.2

(b) Movements in ordinary shares on issue

Date		Number of Shares	Issue Price A\$	Exchange Rate US\$: A\$	Total US\$M
Balance 30 June 2010		717,142,802			1,474.6
August 2010	Rights vested	750,000 ⁽¹⁾	-	-	-
September 2010	Rights vested	530,580	-	-	-
	Transfer from reserves				1.8
	Transaction costs				(0.2)
Balance 30 September 2010		718,423,382			1,476.2
	Shares held in trust	(750,000) ⁽¹⁾			-
Adjusted Balance 30 September 2010		717,673,382			1,476.2
Balance 30 June 2011		777,698,217			1,768.1
July 2011	Rights vested	1,800	-	-	-
September 2011	Rights vested	827,515	-	-	-
	Transfer from reserves				3.3
Balance 30 September 2011		778,527,532			1,771.4
	Shares held in trust	(373,200) ⁽²⁾			-
Adjusted Balance 30 September 2011		778,154,332			1,771.4

⁽¹⁾750,000 shares held in trust, vesting variously over time up to 1 January 2012 subject to conditions.

⁽²⁾250,000 shares held in trust, vesting variously over time up to 1 January 2012 subject to conditions; 123,200 shares held by Paladin Employee Plan Pty Ltd.

NOTE 15. CONTRIBUTED EQUITY (continued)**(c) Options**

Issued unlisted employee options outstanding to the employees and consultants directly engaged in corporate, mine construction, operations and exploration and evaluation work for the Company are as follows:

	30 September 2011
	Number
Number of unlisted employee options	<u>8,036,243</u>

Consisting of the following:

Date options granted	Exercisable	Expiry date	Exercise price of options	Number under option
29 January 2008	29 January 2011	29 January 2013	A\$4.50	6,511,243
15 February 2008	15 February 2011	15 February 2013	A\$5.37	300,000
18 April 2008	18 April 2011	18 April 2013	A\$4.59	475,000
14 October 2008	14 October 2011	14 October 2013	A\$2.54	750,000
Total				<u>8,036,243</u>

(d) Performance Share Rights

Issued unlisted employee share rights outstanding to the employees and consultants directly engaged in corporate, mine construction, operations and exploration and evaluation work for the Company are as follows:

	30 September 2011
	Number
Number of unlisted employee share rights	<u>5,775,252</u>

Consisting of the following:

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 2012	Time based	905,250
26 March 2010	1 September 2012	Relative total shareholder return	720,600
26 March 2010	1 September 2012	Market price	1,080,900
5 November 2010	5 November 2013	Relative total shareholder return	250,000
5 November 2010	5 November 2013	Earnings per share	250,000
5 November 2010	1 September 2012	Time based	289,747
5 November 2010	1 September 2013	Time based	482,913
5 November 2010	1 September 2013	Relative total shareholder return	386,330
5 November 2010	1 September 2013	Market price	579,495
15 February 2011	15 February 2012	Time based	149,336
15 February 2011	15 February 2013	Time based	169,838
15 February 2011	15 February 2014	Time based	210,843
Total			<u>5,775,252</u>

NOTE 16. CONTINGENT LIABILITIES

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 Summit Resources (Aust) Pty Ltd (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 Summit Resources Ltd (Summit), being 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.

Early in 2011 the Company finalised the settlement of the Areva intervention proceedings. Although the effect of the settlement is that the Summit Proceedings remain on foot, as previously announced, the Company is confident that, if pursued, those proceedings will be able to be successfully defended and, in any event, the Company has the benefit of an indemnity from Resolute. Further, the Company has 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.

SRA has now made application to the Supreme Court of Western Australia for orders which would allow it to settle the Summit Proceedings, essentially on the terms contemplated by the 2007 settlement agreement (Application). One of the shareholders of Summit (namely Revelation Special Situations Fund Ltd which holds 5.09% of the share capital of Summit) has indicated that it may oppose the Application and also requisitioned a meeting of the shareholders of Summit to consider a resolution as to whether Summit should, in effect, give effect to the 2007 settlement agreement. At that meeting of shareholders on 3 November 2011, the shareholders resolved that Summit should give effect to the 2007 settlement agreement. However, there is an issue as to the effectiveness of such a resolution and, in any event, Summit advised, in the Explanatory Memorandum to the Notice of Meeting, that it intended to continue to pursue the Application, no matter the outcome of the vote at the meeting. The Application has been listed to be heard on 7 December 2011.

NOTE 17. EVENTS AFTER THE BALANCE SHEET DATE

Since the end of the three months, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this report or the Financial Statements, that has significantly or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent periods with the exception of the following, the financial effects of which have not been provided for in the 30 September 2011 Financial Report:

Kayelekera Mine, Malawi Temporary Processing Plant Shutdown

In early October 2011, the Kayelekera Mine processing plant was shut down temporarily to allow the acid plant to undergo repair work made necessary due to localised ground movement. The remedial work on the acid plant was completed and production recommenced on 14 October 2011.

A\$68M Private Share Placement

On 6 October 2011, the Company completed an institutional private placement of ordinary shares with RBC Capital Markets and UBS AG, Australia Branch acting as Global Joint Lead Placing Agents.

The Private Placement consisted of the issue of 56,866,232 ordinary shares of the Company at a price of A\$1.20 per share, for gross proceeds of A\$68,239,478.40. The Company intends to use the funds raised to strengthen its balance sheet to ensure the Company is well placed to meet its future commitments.