PALADIN ENERGY LTD
ACN 061 681 098

Ref: 178304

27 August 2010

Company Announcements Office
Australian Securities Exchange
20 Bridge Street
SYDNEY NSW 2000

By Electronic Lodgement

Dear Sir/Madam

Paladin Energy Ltd
30 June 2010 Appendix 4E Preliminary Financial Report

Attached please find Appendix 4E Preliminary Financial Report for the year ended 30 June 2010. The audited financial statements for this period are expected to be released in mid September, however, it is not anticipated there will be any material changes from those presented with this release.

Yours faithfully
Paladin Energy Ltd

JOHN BORSHOFF
Managing Director/CEO

PALADIN ENERGY LTD

ACN 061 681 098

NEWS RELEASE **For Immediate Distribution**

30 June 2010 APPENDIX 4E
Preliminary Financial Report

Perth, Western Australia – 27 August 2010: Paladin Energy Ltd ("Paladin" or "the Company") **(TSX:PDN / ASX:PDN)** announces the release of its 30 June 2010 Appendix 4E – Preliminary Financial Report. The Appendix 4E – Preliminary Financial Report is appended to this News Release.

Final 2010 Year Results

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

- Record total uranium oxide (U_3O_8) production of 4,320,000lb for 2010 compared to 2,700,000lb for 2009. A year on year increase of 60%.

- Total U_3O_8 production of 1,440,000lb for the June 2010 quarter compared to 700,000lb for the 30 June 2009 quarter. A quarter on quarter increase of 106%. For the second successive quarter, production has exceeded 1,000,000lb.

- Langer Heinrich Mine delivered a second successive full quarter production at Stage 2 nameplate of 3.7Mlb per annum equivalent.

    - June 2010 quarterly production of 930,000lb U_3O_8 at nameplate.
    - Full year production of 3,350,000lb U_3O_8 for 2010 compared to 2,700,000lb for 2009. A year on year increase of 24%.
    - Stage 3 construction to expanded capacity of 5.2Mlb per annum is significantly advanced with construction now 50% complete as of mid-July.
    - Stage 4 resource upgrade drilling of 30,000m for expansion to 10Mlb per annum completed in May. A new reserve estimation to underpin the Stage 4 feasibility study is expected in the September quarter.

- Kayelekera Mine commercial production declared 1 July 2010.

    - Production of 960,000lb U_3O_8 for FY 2010
    - Production of over 515,000lb for the quarter ended 30 June 2010 compared to 230,000lb for the quarter ended 31 March 2010, a quarter on quarter increase of 125%
    - KM process plant continues to operate at levels announced in our Quarterly Activities Report. Advancements in resin handling will be complete during the September quarter which will allow the circuits, (already proven to nameplate) to operate on a consistent basis and at design recovery levels.
    - Reconciliation of the ore mined to the resource model remains excellent.

- Langer Heinrich Mine cost of sales for 2010 remained at US$26/lb. This represents an improved operational performance given the strengthening in the Namibian dollar exchange rate by 15% during this period.

- Record total sales volume for 2010 of 3,730,000lb U_3O_8 represents an 84% increase compared to 2,020,000lb for 2009. Langer Heinrich Mine sold 2,730,000lb and Kayelekera Mine sold 1,000,000lb. The average realised uranium sales price for 2010 was maintained at an industry leading US$54/lb compared to US$55/lb for 2009.

- Establishing a footprint in Niger, a major underexplored uranium province; Paladin launched a A$27M recommended takeover offer for NGM Resources Limited.

- Memorandum of Understanding (MOU) announced with CGNPC Uranium Resources Co., Ltd setting a framework of co-operation for long term sales of uranium, potential participation in growth strategies and possible expansion of joint venture relationships.

- Resource upgrades during the year included:-

  - **Kayelekera:** Drilling totalling 7,061m was completed resulting in the Inferred Resource increasing 63% to 7.57Mlb U_3O_8 and the Measured and Indicated Resource increasing by 6% to 38.8Mlb U_3O_8.
  - **Valhalla:** Measured and Indicated Resources were increased by 9.9% to 60.0Mlb U_3O_8 and total Resources were increased from 67.5Mlb to 69.9Mlb U_3O_8.
  - **Skal East:** Initial Indicated Resource estimates for the deposit were increased 38% to 3.9Mlb U_3O_8.

- US$17.1M spent during the year across Paladin's exploration properties. The results have identified a previously announced resource expansion at Kayelekera, advanced both the Angela and Mount Isa programmes and identified the new Odin prospect, 500m north of Valhalla, that has significant potential. At Odin 3 to 5 mineralised lenses have been identified at shallow depths having true thicknesses of 5 to 15 metres. Paladin's exploration programme remains one of the cornerstones of the Company.

- During the year the Company continued its strategy of placing more uranium into the term market and concluded contracts for the sale of approximately 6.2Mlbs U_3O_8 over the period from 2011 to 2017.

- Profit and Loss

				30 June 2010 US$M	30 June 2009 US$M
Revenue from sales of uranium oxide	**Up**	81%	to	202.0	111.8
Gross profit	**Up**	5%	to	51.0	48.4
Loss after tax attributable to members	**Down**	89%	to	52.9	480.2
Loss per share (US cents)				(8)	(78)

	Year Ended 30 June 2010 US$M	**Year Ended 30 June 2009 US$M**
Revenue	204.3	114.8
Gross profit	51.0	48.4
Exploration and evaluation expenses	(17.1)	(12.2)
Corporate and other	(35.3)	(38.4)
Finance costs	(21.4)	(30.5)
Impairment of exploration and evaluation	-	(753.8)
Impairment of available-for-sale financial assets	-	(26.0)
Impairment of asset	(2.9)	-
Share of loss of associate	-	(0.9)
Loss before income tax (expense)/benefit	(25.7)	(813.4)
Income tax (expense)/benefit	(28.1)	237.0
Loss after income tax (expense)/benefit	(53.8)	(576.4)
Non-controlling interests	0.9	96.2
Net loss after tax	(52.9)	(480.2)

- Net loss for 2010, which includes a non-cash tax charge of US$28.1M, narrowed to US$52.9M from US$480.2M for 2009.

- Strong balance sheet at 30 June 2010 with US$348.8M in cash invested with Australian banks with a minimum AA Standard & Poor's credit rating.

The documents comprising the 30 June 2010 Appendix 4E – Preliminary Financial Report, including the Management Discussion and Analysis and Financial Statements (unaudited) are attached and will be filed with the Company's other documents on Sedar (sedar.com) and on the Company's website (paladinenergy.com.au). The 30 June 2010 audited financial statements are expected to be released in mid September however it is not anticipated that there will be any material changes from those presented in this release.

Conference Call

Conference Call and Investor Update scheduled for 07:00 Perth & Hong Kong, Wednesday 1 September 2010.
19:00 Toronto, Tuesday 31 August 2010 and 24:00 (midnight) London, Tuesday 31 August 2010.

Details were included in a separate news release made on 12 August 2010.

Contacts

For additional information, please contact:

John Borshoff
Managing Director/CEO
Tel: +61-8-9381-4366 or Mobile: +61-419-912-571
Email: john.borshoff@paladinenergy.com.au

Garry Korte
Chief Financial Officer
Tel: +61-8-9381-4366 or Mobile: +61-409-875-910
Email: garry.korte@paladinenergy.com.au

Greg Taylor
Investor Relations Contact
Tel: +905 337-7673 or Mobile: +416-605-5120 (Toronto)
Email: greg.taylor@paladinenergy.com.au

ASX listing rule 4.3A

Appendix 4E - Preliminary Financial Report
Financial year ended 30 June 2010

Paladin Energy Ltd

ABN or equivalent company reference

ACN. 061 681 098

Results for announcement to the market

				30 June 2010 US$M	30 June 2009 US$M
Revenue from sales of uranium oxide	**Up**	81%	to	202.0	111.8
Revenue	**Up**	78%	to	204.3	114.8
Loss after tax attributable to members	**Down**	89%	to	52.9	480.2
Net loss for the year attributable to members	**Down**	89%	to	52.9	480.2
Loss per share (US cents)				(8)	(78)

Dividends	**Amount per security**	**Franked amount per security**
It is not proposed to pay dividends for the year	N/A	N/A
Previous corresponding year: No dividend paid	N/A	N/A

An explanation of the results is included in the Management Discussion & Analysis and the Financial Report attached.

	30 June 2010	30 June 2009
Net tangible assets per share	US$1.30	US$0.97

Other

Previous corresponding period is the year ended 30 June 2009.

This report is based on financial statements which are in the process of being audited.

All foreign subsidiaries are prepared using IFRS.

Commentary on Results for the Year

A commentary on the results for the year is contained in the press release dated 27 August 2010.

PALADIN ENERGY LTD

ACN 061 681 098

MANAGEMENT DISCUSSION AND ANALYSIS

AND

CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

YEAR ENDED 30 JUNE 2010

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

Langer Heinrich Mine (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 the Kayelekera Mine (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 U_3O_8 (2009: 2.02Mlb). LHM sold 2.73Mlb U_3O_8 and KM sold 1Mlb U_3O_8. 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 U_3O_8 (2009: 2.70Mlb). LHM produced 3.36Mlb U_3O_8 and KM produced 0.96Mlb U_3O_8. All production for 2009 relates to Stage 1 of LHM. The average realised uranium sales price in 2010 was US$54/lb U_3O_8 (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 U_3O_8 (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 de-recognition of deferred tax assets initially recognised to offset deferred tax liabilities that were booked through available-for-sale reserves and 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.

Non-controlling Interest in net losses of US$0.9M has been recorded in 2010 attributable to the 18.0% interest in Summit Resources Ltd (Summit) held by third parties and the 15% interest in Paladin (Africa) Ltd (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.

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)

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 was 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.

Loss Per Share

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

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.

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 US$M	**2009 US$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 Deep Yellow Ltd (DYL) (net of tax and foreign exchange movements) attributable to the decrease in 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 US$M	**2009 US$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 has 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 by 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 Resources Limited (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 U_3O_8 being larger than sales volume for the year of 3.73Mlb U_3O_8.

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 US$19.9M is 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 **US$M**	**2009** **US$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.

SUMMARISED STATEMENT OF CASH FLOWS	**YEAR ENDED 30 JUNE**	
	2010 US$M	**2009 US$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 Resources Limited 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 financing 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 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$M	Less than 1 yr US$M	1 to 5yrs US$M	5yrs+ or unknown US$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 27 August 2010, Paladin had 717,892,802 fully paid ordinary shares issued and outstanding. The following table sets out the fully paid ordinary outstanding shares and those issuable under the Company Executive Share Option Plan, the Company Employee Performance Share Rights Plan and in relation to the Convertible Bonds:

As at 27 August 2010	Number
Outstanding shares	717,892,802
Issuable under Executive Share Option Plan	12,743,755
Issuable under Employee Performance Share Rights Plan	5,222,000
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	817,706,608

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 Preliminary 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 SEDAR at www.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 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 1,500km^2 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 Performance 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.

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.

CONTENTS OF THE FINANCIAL REPORT

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
CONSOLIDATED INCOME STATEMENT *(UNAUDITED)*

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.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(UNAUDITED)*

FOR THE YEAR ENDED 30 JUNE 2010

	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.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(UNAUDITED)*

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.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(UNAUDITED)*

FOR THE YEAR ENDED 30 JUNE 2010

	Notes	Contributed Equity US$M	Available -for-Sale Reserve US$M	Share-Based Payments Reserve US$M	Convertible Bond Non-Distrib-utable Reserve US$M	Foreign Currency Revaluation Reserve US$M	Premium on Acquisition Reserve US$M	Option Application Reserve US$M	Consol-idated Reserve US$M	Accumu-lated Losses US$M	Attributable to Owners of the Parent US$M	Non-Controlling Interests US$M	Total US$M
CONSOLIDATED													
At 1 July 2008		**1,088.4**	**7.5**	**17.8**	**38.9**	**154.9**	**14.9**	**0.1**	**-**	**(101.0)**	**1,221.5**	**207.8**	**1,429.3**
Share-based payments		-	-	10.9	-	-	-	-	-	-	10.9	-	10.9
Exercise of unlisted employee options	21(b)	2.8	-	(2.8)	-	-	-	-	-	-	-	-	-
Contributions of equity, net of transaction costs	21(b)	20.4	-	-	-	-	-	-	-	-	20.4	1.1	21.5
Allotment of 15% interest in Paladin (Africa) Ltd to Government of Malawi		-	-	-	-	-	-	-	(0.2)	-	(0.2)	5.9	5.7
Total comprehensive loss for the year, net of tax		-	25.1	-	-	(235.2)	-	-	-	(480.2)	(690.3)	(145.9)	(836.2)
At 30 June 2009		**1,111.6**	**32.6**	**25.9**	**38.9**	**(80.3)**	**14.9**	**0.1**	**(0.2)**	**(581.2)**	**562.3**	**68.9**	**631.2**
CONSOLIDATED													
At 1 July 2009		**1,111.6**	**32.6**	**25.9**	**38.9**	**(80.3)**	**14.9**	**0.1**	**(0.2)**	**(581.2)**	**562.3**	**68.9**	**631.2**
Share-based payments		-	-	12.1	-	-	-	-	-	-	12.1	-	12.1
Contributions of equity, net of transaction costs		363.0	-	-	-	-	-	-	-	-	363.0	1.1	364.1
Total comprehensive loss for the year, net of tax		-	(24.8)	-	-	23.5	-	-	-	(52.9)	(54.2)	3.2	(51.0)
At 30 June 2010		**1,474.6**	**7.8**	**38.0**	**38.9**	**(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.

PALADIN ENERGY LTD AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS *(UNAUDITED)*

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.

NOTE 1. CORPORATE INFORMATION

The Preliminary 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 and is subject to final drafting and audit clearance.

Paladin is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the 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 3 to 13.

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 as of 1 July 2009.

- AASB 2008-1 *Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations* effective 1 July 2009
- AASB 7 *Financial Instruments: Disclosures* effective 1 July 2009
- AASB 8 *Operating Segments* effective 1 July 2009
- AASB 101 *Presentation of Financial Statements (revised 2008)* effective 1 July 2009
- AASB 123 *Borrowing Costs (revised 2007)* effective 1 July 2009
- AASB *Interpretation 16 - Hedges of a Net Investment in a Foreign Operation* effective 1 July 2009
- AASB 2008-1 *Amendments to Australian Accounting Standard – Share-based Payment: Vesting Conditions and Cancellations [AASB 2]* effective 1 July 2009
- AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* effective 1 July 2009
- AASB 2008-7 *Amendments to Australian Accounting Standards – Costs of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* effective 1 July 2009
- AASB 2009-3 *Amendments to Australian Accounting Standards – Embedded Derivatives [AASB 139 and Interpretation 9]* effective 1 July 2009
- AASB 2009-6 Amendments to Australian Accounting Standards effective 1 July 2009

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New accounting standards and interpretations (continued)

Other amendments resulting from the Annual Improvement Project to the following Standards did not have any impact on the accounting policies, financial position or performance of the Group:

- AASB 2 Share-based Payment
- AASB 108 Accounting Policies, Change in Accounting Estimates and Error
- AASB 110 Events after the Reporting Period
- AASB 117 Leases
- AASB 118 Revenue
- AASB 119 Employee Benefits
- AASB 131 Interests in Joint Ventures
- AASB 138 Intangible Assets
- AASB 140 Investment Property

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 (IAS Annual Improve-ments-Project)	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project. [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting except for the following: 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. The amendment to AASB 101 stipulates that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.	1 January 2010	The Group has yet to assess the impact this may have on its Financial Statements.	1 July 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 (con't)	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project. [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	The amendment to AASB 107 explicitly states that only expenditure that results in a recognised asset can be classified as a cash flow from investing activities. 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: • has primary responsibility for providing the goods or service; • has inventory risk; • has discretion in establishing prices; • bears the credit risk. 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. 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. The other changes clarify the scope exemption for business combination contracts and provide clarification in relation to accounting for cash flow hedges.			

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 *Share-based Payment* and supersedes Interpretation 8 *Scope of AASB 2* and Interpretation 11 *AASB 2 – Group and Treasury Share Transactions*. 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.			
AASB 2009-9	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards.	The amendments address the retrospective application of IFRSs to particular situations and are aimed at ensuring that entities applying IFRSs will not face undue cost or effort in the transition process. Specifically, the amendments: • exempt entities using the full cost method from retrospective application of IFRSs for oil and gas assets • exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4 *Determining whether an Arrangement contains a Lease* when the application of their national accounting requirements produced the same result.	1 January 2010	The Group has yet to assess the impact this may have on its Financial Statements.	1 July 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	Financial Instruments	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. • 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

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 9 and AASB 2009-11 (IFRS 9)	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]	The revised Standard introduces a number of changes to the accounting for financial assets, the most significant of which includes: • 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

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)	Related Party Disclosures (December 2009)	The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including: • 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. 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.	1 January 2011	The Group has yet to assess the impact this may have on its Financial Statements.	
AASB 2009-12 (IFRS 5, 8, 10, 12, 19, 24, 33, 37, 39)	Amendments to Australian Accounting Standards. [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations. 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).	1 January 2011	The Group has yet to assess the impact this may have on its Financial Statements.	1 July 2011
AASB 2009-13	Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1]	This amendment to AASB 1 allows a first-time adopter may apply the transitional provisions in Interpretation 19 as identified in AASB 1048.	1 July 2010	The Group has yet to assess the impact this may have on its Financial Statements.	1 July 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 - Prepayments Of a Minimum Funding Requirement	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. 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.	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	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. 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.	1 July 2010	The Group does not issue equity instruments to creditors. This Standard will have no impact on its Financial Statements.	1 July 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	Further 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

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(ad)).

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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(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 and is reclassified from 'construction work in progress' 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

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 board of directors.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Segment reporting (continued)

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

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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Income tax (continued)

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

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

(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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of assets

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

(l) Cash and cash equivalents

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

(m) Trade and other receivables

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

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the group will not be able to collect the debt. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment.

(n) Inventories

Consumable stores inventory are valued at the lower of cost and net realisable value using the 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.

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.

<u>Classification</u>

(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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Investments and other financial assets and liabilities (continued)

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.

(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.

(r) 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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Property, plant and equipment (continued)

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

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

(s) Mine development

Pre-production costs are deferred as development costs until such time as the asset is 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 over the expected useful life of the relevant pit. Stripping costs are recognised as a production cost as incurred.

(t) Exploration and evaluation expenditure

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

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

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

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

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

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Intangibles

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

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

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

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

<u>Right to use water and power supply</u>

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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Intangibles (continued)

Kayelekera Mining Lease

Useful lives
Finite
Amortisation method used
Amortised over the life of the mine on a straight-line basis
Impairment testing
Annually and more frequently when an indication of impairment exists. The amortisation method is reviewed at each financial year-end.

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

(v) Trade and other payables

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

(w) Interest bearing loans and borrowings

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

The component of convertible bonds that exhibits characteristics of a borrowing is recognised as a liability in the 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.

(x) Borrowing costs

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Employee benefits

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

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

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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) Mine closure and rehabilitation

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

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

Provision is made for rehabilitation work when the obligation arises and this is recognised as a cost of production or development. The rehabilitation costs, provided for are the present value of the estimated costs to restore operating locations. The value of the provision represents the discounted value of the current estimate to restore and the discount rate used is the pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability.

(aa) Onerous contracts

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

(ab) Contributed equity

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

(ac) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ad) Investments in associates

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

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.

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

NOTE 3. SEGMENT INFORMATION

The Group's customers are major utilities located mainly in North America, Asia and Europe.

The following tables present revenue, expenditure and asset information regarding geographical 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	(2.3)	(23.5)	(2.6)	(28.1)
Loss after income tax expense				**(53.8)**
Depreciation and amortisation	(1.0)	(16.6)	-	(17.6)
Segment assets/total assets	**934.7**	**398.7**	**624.2**	**1,957.6**

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)
Segment assets/total assets	**799.4**	**301.8**	**362.3**	**1,463.5**

NOTE 4. REVENUES AND EXPENSES

	CONSOLIDATED	
	2010 US$M	**2009 US$M**
(a) Revenue		
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)

NOTE 5. INCOME TAX

	CONSOLIDATED	
	2010 US$M	**2009 US$M**
(a) Income tax benefit		
Current income tax		
Current income tax credit	(36.2)	(82.5)
Deferred income tax		
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		
Deferred income tax related to items charged or credited directly to equity:		
Unrealised foreign exchange on translation of investments	-	(6.3)
Unrealised gain on available-for-sale investments	2.9	12.2
Income tax expense reported in equity	2.9	5.9
(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)

NOTE 5. INCOME TAX (continued)

(d) Deferred income tax

	CONSOLIDATED 2010 US$M	2009 US$M
Deferred tax liabilities		
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 fair value of acquired exploration and evaluation expenditure	(425.8)	(425.8)
Impairment of acquired exploration	226.1	226.1
Foreign currency differences on fair value of acquired exploration and evaluation expenditure	52.5	69.7
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)
Deferred tax assets		
Revenue losses available for offset against future taxable income	189.8	191.5
Equity raising costs	3.5	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	2.6	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

NOTE 5. INCOME TAX (continued)

(d) Deferred income tax (continued)

The net deferred tax assets recognised are attributable to Langer Heinrich Uranium Pty Ltd (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.

(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.

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

	2010 US$M	2009 US$M
Net loss	(53.8)	(576.4)
Adjustments for		
Depreciation and amortisation	21.3	10.0
Exploration expenditure	(3.3)	-
Loss recognised on re-measurement to fair value	(5.1)	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)
Changes in assets and liabilities		
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	(27.8)	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.

NOTE 7. TRADE AND OTHER RECEIVABLES

		CONSOLIDATED	
	Note	**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. 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: ANil/USNil) 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.

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

	Note	2010 US$M	2009 US$M
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.

NOTE 10. OTHER FINANCIAL ASSETS

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

(a) Acquisition Disclosure

	CONSOLIDATED	
	2010 US$M	**2009 US$M**
Inflow of cash on acquisition of controlled entities		
Cash balances acquired	-	9.2
Less: Cash consideration	-	(0.4)
Net inflow of cash	-	8.8

The 2009 net cash inflow relates to the acquisition of Fusion Resources Ltd.

(b) 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).

NOTE 11. INVESTMENT IN ASSOCIATE

	CONSOLIDATED	
	2010 US$M	**2009 US$M**

(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(b)).

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

MM Mining Plc:

	2010 US$M	2009 US$M
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

	2010 US$M	2009 US$M
Revenue	-	-
Net loss	-	3.3

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.

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.

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 30km^2 to the west of the mining licence.

Kayelekera Mine (Malawi) - Paladin 100%

KM consists of one mining licence - ML 152 - covering 5,550 hectares in northern Malawi 650km north of Lilongwe, the capital of Malawi, and 52km west of the provincial town of Karonga on the shore of Lake Malawi. The licence was granted on 2 April 2007 for a 15 year term expiring on 1 April 2022. Rights conferred by the licence include the exclusive right to mine and sell uranium and associated minerals. The Consolidated Entity acquired its interest in the Kayelekera project in February 1998 when it entered into a joint venture with Balmain Resources Pty Ltd, a private company based in Perth, Western Australia. In 2000 the Consolidated Entity increased its interest in the Kayelekera project to 90% and in July 2005 acquired the remaining 10% interest held by Balmain Resources Pty Ltd. Paladin's interest in KM is held through a Malawian entity, PAL, in which the Government of Malawi has a 15% interest.

NOTE 14. MINE DEVELOPMENT (continued)

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 1,298km^2 surrounding and to the south of the KM mining licence and these are being actively explored.

NOTE 15. EXPLORATION AND EVALUATION EXPENDITURE

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

Manyingee Uranium Project (Australia) - Paladin 100%

The Manyingee Uranium Project consists of three granted mining leases – M08/86, M08/87 and M08/88 - covering 1,307 hectares in the north-west of Western Australia, 1,100km north of Perth, the State capital and 90km south of the township of Onslow on the north-west coast. The Consolidated Entity purchased the Manyingee Uranium Project in 1998 from Afmeco Mining and Exploration Pty Ltd (AFMEX), a subsidiary company of Cogema of France. Under the terms (as amended) of the purchase agreement a final payment of A$0.75M is payable to AFMEX when all development approvals have been obtained. Royalties of 2.5% for the first 2,000t of uranium oxide and 1.5% for the following 2,000t of uranium oxide are also payable to AFMEX and associated companies which formerly held interests in the project. The three mining leases were granted on 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 452km^2 in the West Kimberley region of northern Western Australia, 1,900km north-north-east of Perth, the State capital and 70km north-east of the regional town of Derby. The four applications for exploration licences are 04/145 and 04/146 lodged on 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.

NOTE 15. EXPLORATION AND EVALUATION EXPENDITURE (continued)

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 457km^2 to the north of Mount Isa in north-western Queensland. The Consolidated Entity acquired the Valhalla North Uranium Project following the successful takeover of Fusion in February 2009. EPM 12572 was granted on 11 January 2006 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.

Bigrlyi Uranium Project (Australia) - Paladin 41.71%

The Bigrlyi Uranium Project lies in the Northern Territory of Australia approximately 320km north-west of Alice Springs and is comprised of ten exploration retention licences (ERLs 46-55) covering 1,214 hectares. These tenements were originally granted in 1983 and have been subject to five yearly renewals since 1988. The project is now a joint venture between Energy Metals Limited 53.29%, 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 Bigrlyi uranium deposit was originally discovered by Agip Australia Pty Ltd in the mid 1970's before being transferred to Central Pacific Minerals NL in the early 1980's. 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 28.8Mlb U_3O_8 at a cut-off grade of 250ppm was announced.

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 27km^2 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.

NOTE 15. EXPLORATION AND EVALUATION EXPENDITURE (continued)

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 Exploration Permit for Minerals 14048 and the IUJV re-commenced drilling in 2005. An initial JORC compliant resource estimate was completed in mid 2008, with an updated resource reported in early 2009. Additional resource definition drilling 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.

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	Bigrlyi 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.

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]	**Isa North**	**Fusion**	**Angela Pamela**	**Bigrlyi**	**KM**	**LHM**	**Other Uranium Projects**	**Total**
	US$M	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**	**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 2009	**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.

NOTE 16. INTANGIBLE ASSETS

	CONSOLIDATED	
	2010 US$M	**2009 US$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

NOTE 16. INTANGIBLE ASSETS (continued)

(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.

(iii) Kayelekera Mining Lease

Paladin Energy Minerals NL and PAL have entered into a Development Agreement with the Government of Malawi for the development of the Garnet Halliday Karonga Water Supply Project and other social development projects. In terms of the Development Agreement PAL has committed to spend $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).

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	-

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:

Current		
Floating charge		
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.

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 Responsibility 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

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	
Ordinary shares	**2010**	**2009**	**2010 US$M**	**2009 US$M**
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.

NOTE 20. CONTRIBUTED EQUITY AND RESERVES (continued)

(b) Movements in ordinary shares on issue

Date		Number of Shares	Issue Price A$	Exchange Rate US$: A$	Total US$M
	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

NOTE 20. CONTRIBUTED EQUITY AND RESERVES (continued)

(c) Reserves

	Consolidation reserve US$M	Listed option application reserve US$M	Share-based payments reserve US$M	Available -for-sale reserve US$M	Foreign currency translation reserve US$M	Convertible bond non-distributable reserve US$M	Premium on acquisition reserve US$M	Total US$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**

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 recognises the difference in value of investments in Summit, at the share price on the date control was obtained (27 April 2007), and the share price on the date of acquisitions after the date of control.

Consolidation reserve

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

NOTE 21. NON-CONTROLLING INTERESTS

	CONSOLIDATED	
	2010 US$M	**2009 US$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.

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.

NOTE 22. FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

(i) Foreign exchange risk (continued)

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

	CONSOLIDATED	
	2010 US$M	**2009 US$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 US$M	**2009 US$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)

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		IMPACT ON EQUITY	
	Consolidated		Consolidated	
	2010 US$M	**2009 US$M**	**2010 US$M**	**2009 US$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)	-	-

NOTE 22. FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

(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

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$M	**2009 US$**
Post-Tax Gain/(Loss)		
LIBOR +1% (2009: +1%)	1.0	0.1
LIBOR -0.3% (2009: -0.3%)	(0.3)	-

NOTE 22. FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

(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

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

The following table summarises the sensitivity of financial instruments held at balance date to movements in the market price of available-for-sale financial instruments, with all other variables held constant. The 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$M	**2009 US$**
Post-tax impact on reserve		
Market price +25% (2009: +25%)	8.9	17.3
Market price -25% (2009: -25%)	(8.9)	(17.3)

(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.

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	<1 year	1-2 years	2-3 years	>3 years
2010	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**
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

NOTE 22. FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

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

	Receivables ageing analysis				
	Total	**Current**	**<1 year**	**1-2 years**	**>2 years**
2010	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**
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

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.

NOTE 22. FINANCIAL INSTRUMENTS (continued)

(e) Fair Value of Financial Instruments (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.

NOTE 22. FINANCIAL INSTRUMENTS (continued)

(e) Fair Value (continued)

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	-	-

(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 gearing ratio as at balance date is 21% (2009: 32%). 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.

NOTE 22. FINANCIAL INSTRUMENTS (continued)

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

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

	CONSOLIDATED			
	2010 US$M		2009 US$M	
	Carrying amount	Fair value	Carrying amount	Fair value
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.

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	4,639	4,154
Post employment	113	107
Share-based payment	4,185	3,951
	8,937	8,212

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

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 remune -ration	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 Dustin Garrow	344,769	-	-	-	344,769	-	344,769
Mr Simon Solomons	600,000	-	-	-	600,000	-	600,000
Total	4,028,554	-	-	-	4,028,554	-	4,028,554

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

30 June 2009	01 Jul 08	Granted as Remune -ration	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 remune -ration	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.

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	-	586,000	22,177,394
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	-	899,650	32,379,577

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.

NOTE 23. KEY MANAGEMENT PERSONNEL (continued)

(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.

NOTE 24. AUDITORS' REMUNERATION

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

	CONSOLIDATED	
	2010 US$'000	**2009 US$'000**
Amounts received or due and receivable by Ernst & Young (Australia) for:		
• 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
Amounts received or due and receivable by related practices of Ernst & Young (Australia) for:		
• 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.

NOTE 24. AUDITORS' REMUNERATION (continued)

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.

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	
(a) Tenements	**2010 US$M**	**2009 US$M**
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 Territorian and Queensland Mines Departments attaching to the tenements and are subject to re-negotiation upon expiry of the exploration leases or when application for a mining licence is made.

These are necessary in order to maintain the tenements in which the Consolidated Entity and other parties are involved. All parties are committed to meet the conditions under which the tenements were granted in accordance with the relevant mining legislation in Namibia, Malawi and Australia.

NOTE 25. COMMITMENTS AND CONTINGENCIES (continued)

	CONSOLIDATED	
(b) Mine construction commitments	**2010 US$M**	**2009 US$M**
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 US$M	**2009 US$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

(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.

NOTE 25. COMMITMENTS AND CONTINGENCIES (continued)

(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.

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

<u>Executive Share Option Plan (EXSOP)</u>

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.

NOTE 28. SHARE-BASED PAYMENT PLANS (continued)

(a) Types of share-based payment plans (continued)

Executive Share Option Plan (EXSOP) (continued)

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.

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.

NOTE 28. SHARE-BASED PAYMENT PLAN (continued)

(a) Types of share-based payment plans (continued)

Employee Performance Share Rights Plan Rights Plan (continued)

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 Performance 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.

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.

NOTE 28. SHARE BASED PAYMENT PLAN (continued)

(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.

(c) Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 30 June 2010 is between Nil and 4 years (2009: Nil and 5 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.

NOTE 28. SHARE BASED PAYMENT PLAN (continued)

(f) Option pricing model: EXSOP (continued)

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.

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 2014	Relative total shareholder return	150,000
26 March 2010	26 March 2014	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 between 2 months and 4 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.

NOTE 28. SHARE BASED PAYMENT PLAN (continued)

(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

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(t) and no revenue is generated. The Consolidated Entity's share of the assets and liabilities in respect of these joint ventures is not material.

NOTE 29. INTERESTS IN JOINTLY CONTROLLED ASSETS (continued)

(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 US$M	**2009 US$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 US$M	**2009 US$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).

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.

NOTE 30. EVENTS AFTER THE BALANCE SHEET DATE (continued)

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 1,500km^2 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 Performance 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.

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.

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 US$M	**2009 US$M**
Net loss attributable to ordinary equity holders of the Parent from continuing operations	(52.9)	(480.2)
	2010 Number of Shares	**2009 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

NOTE 33. PARENT ENTITY INFORMATION

	2010 US$M	2009 US$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.

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